



QUALITY OF DELIVERY STUDY:
OUTREACH, MEMBER SATISFACTION, SAFETY AND
DELIVERY CHANNELS IN SAVINGS GROUPS PROJECTS

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The Kenya Financial Sector Deepening (FSD) programme was established in early 2005 to support the development of financial markets in Kenya as a means to stimulate wealth creation and reduce poverty. Working in partnership with the financial services industry, the programme's goal is to expand access to financial services among lower income households and smaller enterprises. It operates as an independent trust under the supervision of professional trustees, KPMG Kenya, with policy guidance from a Programme Investment Committee (PIC). Current funders include the UK's Department for International Development (DFID), the Swedish International Development Agency (SIDA), and the Bill and Melinda Gates Foundation.



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Abbreviations

ASCA	Accumulating savings & credit associations	PIC	Programme Investment Committee
CBSGs	Community-based Savings Groups	PPI	Progress Out of Poverty Index
CBT	Community-based trainer	PSP	Private service provider
COSALO	Community savings and loans	QDS	Quality of delivery study
CPM	Cost per member	ROSCA	Rotating Savings and Credit Association
CRS	Catholic Relief Services	SACCO	Savings and Credit Cooperative Society
DFID	Department for International Development	SAVIX	Savings Groups Information Exchange
FBO	Faith-based organisation	SG	Savings group
FGD	Focus group discussion	SILC	Savings and Internal Lending Communities
FSD Kenya	Financial Sector Deepening Trust, Kenya	SIDA	Swedish International Development Agency
IGA	Income-generating activities	USD	United States dollar
INGO	International non-governmental organisation	VSLA	Village Savings and Loans Associations
KShs	Kenya shillings		
MFIs	micro finance institutions		
NGO	Non-governmental organisation		

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EXECUTIVE SUMMARY

Financial Sector Deepening Kenya (FSD Kenya) has worked since 2008 with CARE and, since August 2012, with CRS, to develop, test and perfect different models or channels for forming, training and supporting Savings Groups (SGs). In 2013, FSD Kenya commissioned the Quality of Delivery Study (QDS) which had four objectives:

- Measure the outreach of SGs, both breadth – how many people are members of SGs, and depth – to what extent SGs are reaching the principal target population of poor and otherwise excluded people.
- Determine the usefulness or value added by SGs, and the extent to which the services they offer meet the wants and needs of members.
- Answer questions about SGs and consumer protection: are SGs a safe and transparent place to save, or are they putting members at risk of losing their savings or being exploited in other ways?
- Determine the relative outreach, value-added, and consumer-protection performance of the various delivery channels to help FSD Kenya tailor its investments to produce the best outcomes in terms of efficiency, sustainability and consumer protection.

In short, the QDS was designed to compare the SGs formed by the two international non-governmental organisations (INGOs) with each other, and with the many spontaneous or community-formed SGs.

RESEARCH METHODOLOGY

After development and testing of survey instruments, the field work of the study took 15 weeks, and consisted of 1,370 interviews with randomly selected households in areas served by two CARE SG projects (Community Savings and Loans - COSALO - I and II), an area served by CRS, and a control area where no international NGO was known to form SGs. The household interviews found 463 SG households with at least one SG member, plus an additional 86 former members, 67 of whom were interviewed about their experience with SGs. Interviewers visited a sample of 100 SG meetings, and were able to interview the trainers of 48 of those groups. The QDS findings were compared with other research that had been done by FSD Kenya and others. A more detailed description of the research methodology and links to the instruments used are found in the Annex.

OUTREACH

The study found that, not surprisingly, SG projects have increased SG membership substantially; SGs reach 39% of households in the project areas, compared to 23% of control area households. Note that the control area itself was contaminated by spillover from the project areas and also by several small SG projects. About half of all SGs already existed as groups of some kind before they adopted the SG methodology, most often rotating savings and credit associations (ROSCAs). While two-thirds of SGs are trained by professional train-

ers, the other third learn the methodology through imitation of nearby groups or from a community member with prior experience with SG methodology.

SGs are reaching the middle class of the poor: in general, SG members are somewhat better educated, more likely to have a phone, more likely to run a business, and more likely to use formal financial services than the population of the study area. However, the study could not determine to what extent the relatively high standing of members is due to selection, or to improvement in status that comes from being in an SG, since there is no baseline information on these variables.

VALUE ADDED BY SGs

SGs are generally working well and are strongly appreciated by most members. SGs in all areas have increased their membership since formation, and large numbers of new SGs are formed by existing groups in various ways. Members report that they are optimistic about the future of their groups, and the reasons they give for liking their SGs – proximity, commitment savings, retention of funds in the group, ease of borrowing, flexibility, and social support – mirror the advantages often claimed for SGs by their proponents.

While 51% of members said they have used mobile phones to save money, only 20% say they are saving with a bank, and 7% with a savings and credit cooperative society (SACCO). 58% said they keep money in a secret hiding place. Many members volunteered reasons why they prefer SGs to micro finance institutions (MFIs) and banks.

CONSUMER PROTECTION IN SGs

For most members, SGs seem to provide a safe and transparent place to save. 88% of group members reported that they were satisfied with the annual shareout. 63% knew their savings balance or how to find it. Remarkably, half of the respondents could not name anything about their group that they were not satisfied with.

However, not all members are so happy. The study suggests that about 15% of members leave their group, a figure that excludes those who die, are too sick to participate or move away. The most common reasons given for dropping out of groups are "inability to save" (suggesting that poverty may be a barrier to participation) and a variety of issues related to group quality and functioning, including "internal problems", "conflict with members", and "bad group".

5.2% of respondents said they have had money lost or stolen in their groups. In every case, the reasons given for the loss concerned loan defaults or mismanagement of the group; there were no reported cases of cashboxes being stolen.

These problems should not be treated as chance, isolated incidents, nor should they be assumed to be inevitable: as will be seen, problems varied

substantially among areas. Every group failure or loss of money has a reason, and identifying the reasons and taking actions to prevent them can go a long way towards making SGs safer.

About one in five of all members belong to two or more SGs, and explain that they have joined additional groups to have more opportunities to save, borrow, or make friends. About 10% of members have borrowed from more than one group at a time, raising the prospect of over-indebtedness and systemic risk to the SG networks. 22% of members report that they have been pressured by their group to take a loan even when they do not want or need one.

PROJECT FORMED VERSUS SPONTANEOUS GROUPS

There is clear evidence that the INGO projects are producing groups of higher quality than spontaneous groups. Compared with groups in the project areas, groups in the control area are very large with poor attendance, save less, lend to fewer members, have the smallest shareouts, are least likely to have social funds, and have the highest percentage of members who say they have lost money in their groups.

DEPTH OF OUTREACH BY CHANNEL

There is no great difference in the economic status of group members of the two agencies, nor between the project groups and the control area groups. Studies in other countries have reported that, over time, more poorer members join SGs as areas become saturated with SGs. This is not yet borne out by the data; the poverty level of new members has not changed substantially.

VALUE ADDED AND CONSUMER PROTECTION BY CHANNEL

While the environment, outreach and approach of CRS and CARE are largely similar, the two agencies show significant differences in group performance indicators.

CARE groups are more likely to have monthly meetings, longer meetings, larger groups, and more absenteeism. CARE groups also are more likely to pressure their members to take loans they do not want or need. Their members have more multiple memberships, and more borrowing from their SG to pay off other debts elsewhere.

The percentage saying they had had money lost or stolen in their groups varied from 11% in the control area, to 8% in the COSALO I area, 3% in COSALO II, and less than 1% in the CRS area.

CRS members were much more likely than CARE members to say they pay for training, and more likely to have a trainer available to groups which have

already shared out at least once, so the following correlations may be due to the presence of fee-for-service trainers, or to other factors in the CRS approach; whatever the cause, groups that say they pay for their training, compared to groups that do not pay, are much more likely to say they need outside help to manage their groups; that is, they are less independent. This is consistent with the practice of CRS trainers of trying to extend the period during which they collect fees by providing continuing ongoing management assistance.

But also, groups which pay for their training are much more likely to say they know how to find their savings balance; again, this is consistent with the rigour of the bookkeeping system recommended by CRS, and the frequent trainer visits.

The use of ledgers (compared to passbooks alone or passbooks used with ledgers) very strongly correlated with members being satisfied with their shareout method. However, here again, CRS groups are more likely to use ledgers only, so the satisfaction with the shareout may be due to other elements of the CRS approach.

Importantly, the study showed that members of groups that meet weekly save much more than members who meet monthly.

CONCLUSIONS AND WAY FORWARD

CARE and CRS had different objectives. With the participation and support of FSD Kenya, CARE above all sought to produce groups at very low cost per member. CRS, while wanting to reach large numbers of people, focused on developing and documenting procedures for creating networks of trainers who remain in the field after the project, serve existing groups and form new ones, and form and certify new trainers. Both projects attained their objectives. CARE was strikingly successful at forming a large number of groups at low cost during the project period. CRS cost much more for every member formed during the project. But while both CARE and CRS left fee-for-service trainers behind, CRS created impressive networks of trainers and a well-documented apprenticeship system that is creating and certifying new trainers of high quality after the end of the project.

The QDS went a long way in understanding the outcomes of the two approaches. Simple cost-per-member calculations are not enough to compare the value for money of the two approaches; such a comparison depends also on an assessment of the residual value of the structures that the two agencies have left behind, and the difference in group quality and consumer protection between groups formed by the two approaches.

Chapter 1

INTRODUCTION

FSD Kenya is an independent trust established in 2005 to support the development of inclusive financial markets.¹ Working in partnership with the financial services industry, FSD Kenya's goal is to expand access to financial services among lower-income households and smaller enterprises, as a route to strengthening livelihoods. While FSD Kenya's investments are largely focused on developing formal financial markets that can deliver secure financial services at scale, it has recognised from the start the role of informal financial institutions in deepening outreach, and complementing other financial service providers.

Far from being replaced by the formal sector, informal services continue to form a significant part of the financial portfolios of Kenyans. The FinAccess 2013 survey indicates that over a third of Kenyans continue to use informal services and that these services are particularly important for women. Until the advent of mobile money, informal groups were the only financial institutions that provided access to finance for a substantial proportion of women, particularly in rural areas. Nearly 32% of rural women are excluded, a markedly higher percentage than men and urban women, underlining the continued importance of support to rural Savings Groups. Now, with the widespread influx of digital payments, informal groups are used more in conjunction with other services;² the percentage of Kenyans using both formal and informal services has risen from 16% in 2006 to 29% in 2013. And while digital finance has shown extraordinary growth, it has largely been restricted to payments services, leaving informal groups to provide core financial intermediation for hard-to-reach populations, with services that are often appreciated more highly than those of formal institutions.

Informal groups take many forms and often emerge organically as an endemic part of Kenyan life. However, the distribution of informal groups is patchy. There are areas of the country – such as Northern Kenya – where they have been largely unknown. Even within communities where their use is more common, poorer and more marginalised members face barriers to access from lack of financial or social capital. In addition, traditional informal groups tend to suffer from mismanagement. (FinAccess 2013 found that 16% of Kenyans reported having lost money in informal groups.)

Lastly, not all informal groups are able to meet the needs of their members for savings and loans. The ubiquitous ROSCAs provide inflexible savings, with stipulated withdrawal periods that do not accommodate unforeseen needs for small lump sums. Accumulating savings and credit associations (ASCAs), on the other hand, provide longer-term savings alongside flexible loans throughout the savings period. To operate successfully, ASCAs require more

sophisticated management. Traditional non-distributing ASCAs allow funds to grow indefinitely, thereby increasing temptation to mismanagement and risk of loss. Partly for this reason, ASCAs remain much less prevalent than ROSCAs. (According to FinAccess 2013, 21% of informal users are in ASCAs as opposed to 77% in ROSCAs).

The development community has long recognised the potential of informal financial institutions to deliver a range of benefits, including financial services, improved financial management skills, social support and empowerment, which mitigate vulnerability and can increase assets. This has led to the development of now widespread methodologies for forming and managing time-bound distributing ASCAs, which are more secure than traditional ASCAs, and can be made available widely through short training programmes. These Savings Groups (SGs), as they are now commonly known, rely on simple bookkeeping systems and have suggested limits on amounts that can be borrowed and saved, to keep any particular member from either dominating the group or putting the group's funds at risk. They also call for the annual distribution of all funds to members, after which members choose whether to start another cycle. The distribution, or shareout, keeps excessive funds from accumulating, and the return of cash to members is an assurance of transparency. SGs have been adopted by a range of development practitioners seeking to address a number of different agendas.

In 2008, FSD Kenya began its engagement with SGs in a bid to deepen the outreach of secure and appropriate financial services for hard-to-reach populations, especially rural women. For FSD Kenya, the key challenge with the SG methodology was scale: while it is not particularly expensive to train members and set up groups, it is still prohibitively expensive to train *everyone* given that demand for SGs is potentially very large. FSD Kenya thus partnered with CARE Kenya to develop a low-cost delivery channel, leveraging on market dynamics and driving outreach through setting up franchisees. Local business persons and faith-based organisations (FBOs) in Western Kenya were engaged to recruit members and provide training in the SG methodology for a small commission per SG member trained. Leveraging on a combination of market forces and local institutions produced a dramatic result:³ massive outreach was attained, and the cost of training – which traditionally has varied from about USD20 to well over USD100 per member – was lowered to less than USD10, finally making very large scale a possibility. CARE was still at the core of the process, overseeing the recruitment, training and service provision of franchisees. However, their direct costs were dramatically reduced through out-sourcing the training and recruitment of group members.

At the same time FSD Kenya that was pioneering a new delivery approach through CARE Kenya, another NGO, Catholic Relief Services (CRS), was also

¹ FSD operates as an independent trust under the supervision of professional trustees, KPMG Kenya, with guidance from a Programme Investment Committee (PIC). In addition to the Government of Kenya, funders include the UK's Department for International Development (DFID), the World Bank, the Swedish International Development Agency (SIDA) and the Bill and Melinda Gates Foundation

² Only 8% of Kenyans depend solely on informal services as opposed to 33% in 2006.

³ A similar phenomenon drove the viral success of M-Pesa which leveraged on a retail infrastructure of local entrepreneurs, incentivised through a small registration commission for each new M-Pesa user. The result was to kick-start adoption by a critical mass of users.

developing its own market-led delivery model. The private service provider (PSP) channel involved recruiting and training local service providers, often with more education than the CARE community-based trainers (CBTs), and facilitating them to establish markets for their services among rural populations. Initially, PSPs were directly supported for one year to set up and train groups under supervision, thereafter 'graduating' as professional PSPs and operating on their own. Unlike the CARE Franchisees and FBOs who hired CBTs to set up and train groups, in the CRS case the groups themselves paid for their training from the second year, building the possibility of sustainability into the model.⁴ The PSP model was expensive during the life of the project but will live a long-term resource in communities that continued to train and support groups and train new trainers with no further cost to the donor.

FSD Kenya extended some support to CRS to set up second-order support for PSPs, through developing networks and an apprenticeship model whereby new trainers could be established and certified by experienced PSPs. To date, the CRS model has a higher cost per member (CPM) than the CARE model, although simple comparisons of CPM hide other differences, including differences in cost calculation, the likelihood of post-project group formation, the sustainability of the groups formed, multiple memberships, and the value of the services offered by the groups to their members.⁵

Having succeeded in establishing the basis for scale up through lowering the cost of delivery, FSD Kenya then turned its attention to two further challenges. First, it is developing and testing a low-cost delivery channel through introducing an electronic application called e-recording that groups can use to record their financial transactions. This may reduce the need for training and support significantly, shorten meetings, and improve the accuracy of group records. Second, FSD Kenya commissioned this study, and other research, to assess the value proposition of SG delivery models through measuring not only groups formed and members trained, but also group quality and the value of structures left in place post-project.

⁴ CARE later adapted this model to co-share the costs of training with groups, who also now pay a percentage of their share-out profits to trainers.

⁵ See Zollman, Julie (2009) Apples to Apples: Standardizing cost per client calculations to measure and promote efficiency in the expansion of savings-led microfinance for a discussion of these questions.

Quality is essential for successful scale up, particularly with regard to consumer protection and sustainability. If groups can be established at low-cost but are not safe or sustainable then they are not adhering to FSD Kenya's aim of "increased use of a broad range of *quality* financial services provided by a *stable* and competitive financial system in a way which *benefits the livelihoods of underserved lower-income groups*".

To better understand the impacts of its work on group quality, FSD Kenya commissioned the QDS, comparing the outcomes and assessing the value proposition of different delivery channels of SG training. The study was conducted in areas where either CARE or CRS had implemented SG projects as well as in a control area where neither organisation was thought to be active. The CARE area was further divided into the COSALO I area where CARE had exited, and the COSALO II area where the project was ongoing.

CRS had operated over a similar period to CARE, and thus the CRS area included both mature and new groups, adhering to a standard methodology. In all areas the study also encountered spontaneous groups, some of which had later accepted the services of trainers. In the control area, which was chosen to be proximate to the other areas to maintain consistency in socioeconomic characteristics, substantial contamination⁶ was evident.

This report begins with a more detailed description of the QDS study and its objectives, and goes on to discuss the findings of the survey with respect to the overall value proposition of SGs and their effects on FSD Kenya's core outcomes (outreach, consumer protection, and appropriate financial solutions for target groups). The second half of the report compares the effectiveness of the different delivery channels in producing these outcomes. Moving forward, the study is expected to support the work of FSD Kenya and its partners in developing cost-effective delivery models to produce high-quality, pro-poor Savings Groups at scale.

⁶ "Contamination", of course, is used here in the statistical sense, referring to the presence of unplanned elements.

Chapter 2

GENERAL FINDINGS ABOUT SAVINGS GROUPS

The QDS was designed with four objectives:

- Measure the outreach of SGs, both breadth – how many people are members of SGs, and depth – to what extent SGs are reaching the principal target population of poor and otherwise excluded people.
- Determine the usefulness or valued added by SGs, and the extent to which the services they offer meet the wants and needs of members.
- Answer questions about SGs and consumer protection: are SGs a safe and transparent place to save, or are they putting members at risk of losing their savings or being exploited in other ways?
- Determine the relative outreach, value-added and consumer-protection performance of the various delivery channels to help FSD Kenya tailor its investments to produce the best outcomes in terms of efficiency sustainability and consumer protection.

The QDS findings presented here are arranged under the rubrics of Breadth and Depth of Outreach; Services and Member Satisfaction; and Consumer Protection Issues which includes such things as malfeasance, understanding on the part of members, multiple memberships, and income-generating activities (IGAs).

In most cases, this section on findings gives averages across the four areas where the study took place, including the SGs found in the control area. However, where there are important differences between the areas, the report notes as much. In the following section on delivery channels, the report compares and contrasts the different outcomes in the four areas and presents some hypotheses about why those differences exist.

2.1 BREADTH AND DEPTH OF OUTREACH

2.1.1 Breadth: Clear evidence of increased inclusion

In the areas where CARE and CRS had projects, the study found both more people in SGs, and lower financial exclusion, than in either the control area or the country as a whole. Some of the reduced exclusion is due to greater use of SGs, and some to greater use of formal financial services in the project areas.

Table 1 presents QDS findings on SG saturation in the four areas studied and, for comparison, gives information from the FinAccess 2013⁷ study for ASCA saturation for women and rural residents in the country as a whole. Note that since SGs are a subset of ASCAs, the difference in SG participation between the QDS areas and the country as a whole is even higher than indicated.

Table 1: Saturation of SGs by area (HH KISH grid pg4) (n=1370)⁸

% Households with at least one SG member	Area	Project
49%	Kisumu and Siaya Counties	COSALO II
40%	Uasin Gishu	CRS
27%	Nyamira/Rachuonyo	COSALO I
23%	Kisii Migori	Control
23%	Kenya average women from FinAccess	-
17%	Kenya average rural from FinAccess	-

NB: FinAccess 2013 study measured individual ASCA membership; while the QDS measured SG membership at the household level. The last two rows above were extrapolated from FinAccess, assuming 2.9 adults per household and including all ASCA members, not only SGs.

The samples were not representative at entity level but were representative at locations where projects were active.

In the least saturated project area, Nyamira, about one in four households had at least one household member who was an SG member, and in the most saturated areas, Kisumu and Siaya Counties, nearly one in two households had at least one SG member. Remarkably, the control area was not far behind Nyamira, with 23% of households claiming at least one SG member. If there were any doubts about the effectiveness of SG projects, the QDS demonstrated that SG projects can, in fact, lead to the creation of large numbers of SGs.

There was a great deal of contamination from other group formation channels in each of the four areas. In the control area, respondent members named seven agencies that had formed SGs, mostly small NGOs. There were a few groups formed by CARE in the CRS area, and vice versa. Many household respondents were unable to name the agency that had trained their group, although SGs that participated in focus group discussions were always able to agree on which agency had trained them.

⁷ FSD Kenya: FinAccess 2013 Report: Profiling developments in financial access and usage in Kenya. August 19, 2013

⁸ In the tables and charts in this report, n = Sample size, and the relevant question number from the QDS instruments is indicated according to the following abbreviations: HH =Household and dropout survey, G= Group questionnaire, T = Trainer questionnaire.

Table 2: Comparative financial exclusion (HH Q9) (n=1370)

Project area	% of people financially excluded
COSALO II	9%
COSALO I	11%
CRS	12%
Control	19%
Western Region (from FinAccess)	22%
Nyanza Region (from FinAccess)	23%
All Kenya (from FinAccess)	25%

Table 2 shows that the degree of financial exclusion is lower in the project areas than in the control area, and the control area has a lower percentage of exclusion than the country as a whole, or than the population in Western and Nyanza regions.

About half of all SGs already existed as groups of some kind, before adopting SG methodology. About a quarter of all SGs in the member interviews were originally formed as ROSCAs and the percentage in the focus group discussions (FGDs) was even higher: 42 out of 100 groups said that they had started as ROSCAs.⁹

While two-thirds of SGs were *trained* by professional trainers, a third learnt the methodology either through imitation of nearby groups or from a community member who had experience with SGs. These findings are broadly consistent with the findings of studies sponsored by FSD Kenya¹⁰ and others¹¹, which show that SGs often spread with remarkable velocity independently following initial donor support.

However, one should not assume that because of the above SGs are necessarily preferable to ROSCAs. ROSCAs and SGs have a complex relationship. A number of the original ROSCAs continue to function in parallel with the SGs. One group had adapted the period of their SG to the exigencies of their ROSCA: the group has 18 members and meets monthly, so they have a year-and-a-half cycle for their SG. Another group said that their ROSCA was the most “exciting” part of the group. Also, two of the trainers interviewed said they had introduced ROSCAs to their groups, in one case as a way of helping members repay their loans. Another

group said during the FGD that they valued the merry-go-round (ROSCA) activity of their group more than the ASCA activity.¹²

While half the SGs were *formed* without the direct aid of a trainer, nearly two-thirds (63%) were *trained* by trainers. That is, trainers frequently find existing groups, often ROSCAs, and offer to train them in the SG methodology. Not surprisingly, the percentages varied by area, with the CRS area reaching 72% trained by trainers, while in the control area, only 47% were so trained. Among the groups that were not trained by a trainer, the overwhelming majority (36% of the total sample) said: “One of the members, or some of the members, knew how and trained us”. 7% said: “We observed other groups, and copied them.”¹³

2.1.2 Depth: reaching the poor, but always not the poorest

The QDS profiled and compared SG members and non-members, finding that SG members are overwhelmingly women, are drawn from relatively older cohorts, are better educated than women non-members, tend to be neither significantly wealthier nor poorer than non-members, are more likely to own mobile phones, and are more likely to use other financial services.¹⁴

SGs are predominately reaching the middle class of the poor. Inclusion of the better off does not in itself mean that poor people are being excluded, since the average relative standing of SG members might simply be the midpoint of a bell curve which also dives deeply into poorer strata. It is also not possible, on the basis of the survey data, to attribute the relatively high standing of members to selection, or to an improvement in status that might come as

⁹ Two of the ROSCAs were “gifting circles”, where members received goods instead of cash. In one case, members received kitchen utensils, and in the other, cattle.

¹⁰ FSD Kenya: *Results of a study of Post-Project Groups in COSALO*. March 2012.

¹¹ *Post Project Replication of Savings Groups in Uganda*, Datu Research, October 2013.

¹² A recent Financial Diaries study supported by FSD Kenya showed how members of groups use ROSCAs and ASCAs simultaneously and for different purposes. Both appear to be strongly valued. (*The Financial Role of Savings Groups: Preliminary Findings from the Kenya Financial Diaries*, By Julie Zollmann, Michelle Hassan, Catherine Wanjala, and Anne Gachoka. Forthcoming).

¹³ Most groups were formed by NGOs, or by individuals who knew the SG methodology, but the QDS uncovered one group that was a product of CARE’s partnership with Equity Bank: the group reported being trained by an Equity Bank agent who visits them regularly. The group reported that “They acquire loans from the bank for each member”, although the SG also continues to function.

¹⁴ These findings are broadly consistent with other research. The Randomized Control Group studies (*The Evidence Based story of Savings Groups: a Synthesis of seven randomized control trials*. Megan Gash and Kathleen Odell. found that SG members in projects studied in Ghana, Malawi, Uganda and Mali tended to be: financially and socially active women; relatively wealthier than non-members (but still poor); more literate; more experienced managing money; more likely to have had a business before joining a group; and better socially integrated in their village. The studies also found that more marginalized women join SGs later. A recent study in Pakistan (Dr. Qayyum Noorani et al., *Role of Community Based Savings Groups (CBSGs) in enabling greater utilisation of Community Midwives in Chitral District of Pakistan*, Aga Khan Foundation Pakistan, September 2013) found that SG members were younger and better educated than non-members, though were not significantly better off than non-members. An ethnographic study of Savings Groups in Kenya’s coastal belt, commissioned by FSD also found that groups both attracted and contributed to a class of “busy women” who were more politically socially and economically involved. The Savings Groups had had a direct effect in enabling women to become more engaged, providing the platform from which women were able to increase their levels of engagement in the local political economy. (*An ethnographic study of local institutionalisation of Savings Groups in Malanga, Coast Region*).

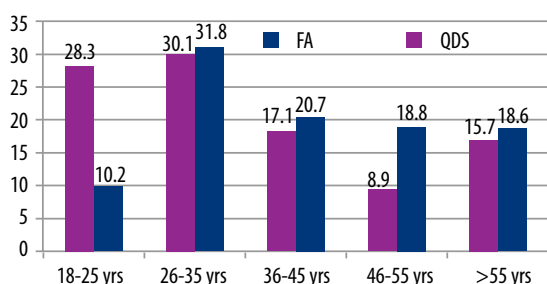
a result of being in an SG. The following sections compare SG members and non-members by age, gender, wealth, education, mobile phones, sources of income, and use of other financial services.

Age

The average age of SG members in the study was 41.6 years. To triangulate this finding, one can compare it with the average age recorded by CARE and CRS on the Progress out of Poverty Index (PPI) induction forms, which is 37.0 years; the QDS seems to have captured members who are a bit older than the SG average, perhaps because young people are more mobile and thus were less likely to be present at the time of the interviewer’s visit.

A finer grained comparison appears in Figure 1: Comparative age distribution of SG members from the QDS, and rural women in Western and Nyanza provinces from FinAccess 2013 which shows the extent to which SG members are older than the population as a whole. The age group 18–25 years is particularly under-represented. The reasons for this deserve further investigation. They may include youth mobility, perceived or real difficulty for the trainer in working with younger people, less interest on the part of youth in the services offered by SGs, less trusting social networks, or less money to save.

Figure 1: Comparative age distribution of SG members from the QDS, and rural women in Western and Nyanza provinces from FinAccess 2013 (HH Q4.5) (n=460)



Gender

Savings Groups are often seen as a way of providing financial services to women, and some projects in other countries limit membership to women. However, neither CARE nor CRS limits membership by gender, and in fact they promote the SG concept widely and aggressively to both men and women. Women clearly respond more readily: in the sample, 81% of group members were women, which is quite close to worldwide averages.¹⁵

¹⁵ SAVIX reports 82.1% women members (consulted 13 December 2013).

Table 3: Women in leadership positions (G Q19)(n=100)

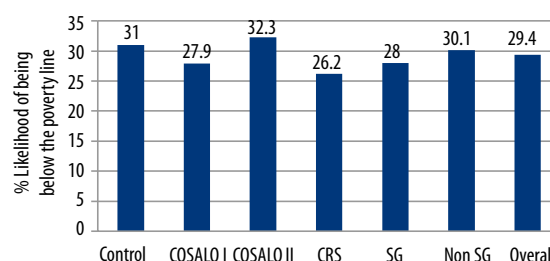
Position	% Women
Chairperson	61%
Treasurer	91%
Recorder	87%
Secretary	86%
Box keeper	92%

Table 3 shows that women are strongly represented in every leadership position except for that of chairperson, where men are disproportionately more likely to serve.

Wealth

The PPI questions were administered to all participants as part of the household interviews. These give a reliable indication of household wealth if administered to a large number of people; given the small size of the QDS sample, the results must be taken as indicative only. They suggest that SG members are not significantly better or worse off than non-members, although households with people who had left SGs were poorer than households without SG members.

Figure 2: Likelihood of being below the poverty line (HH Q2.1 - Q2.10) (n = 1370)



Education

Figure 3 shows how the educational levels of SG members interviewed in the QDS compare with Kenyan women in general, and women of Western and Nyanza Provinces. SG members in the sample are better educated than women in Western and Nyanza Provinces. They are less well educated than informal group members in Kenya as a whole, which reflects relative educational levels of the area.

Figure 3: Comparative education levels of people in Western and Nyanza, of informal group members, and of QDS SG members (HH Q 4.3, 9.1 - 9.19) (n= 463)

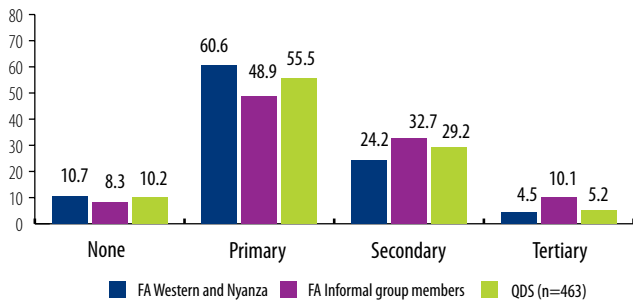
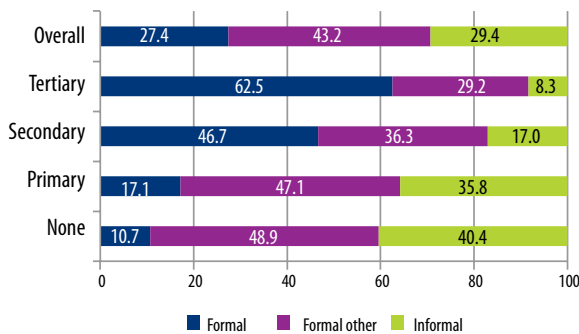


Figure 4 from FinAccess data, is a reminder of how strongly use of financial services varies with education levels. In particular, people with a secondary level of education are about three times more likely to use formal financial services than those with only primary level of education. A principal benefit of SGs should be their ability to reach the less educated, but the present SG implementations are perhaps not doing as well in this area as could be hoped.

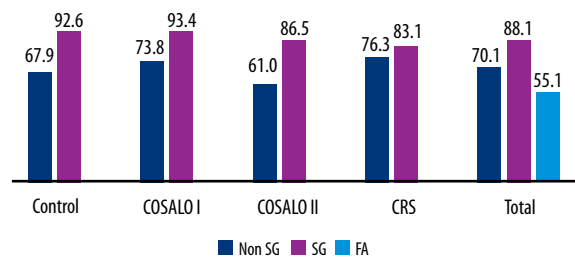
Figure 4: Correlation between educational levels and use of financial services (HH Q4.3 by Q9) (n=463)



Mobile telephones

Mobile phones in Kenya are complex indicators reflecting wealth, attitudes, and social connectedness. Figure 5 shows that SG members are more likely to own mobile phones than non-members in each of the studied areas. CRS is working in an area with greater mobile phone ownership and a smaller gap between members and non-members in that particular variable. It is entirely possible that SG membership finances the acquisition of a phone for many members.

Figure 5: Comparative mobile phone ownership (HH Q 10.20) (n=1370)

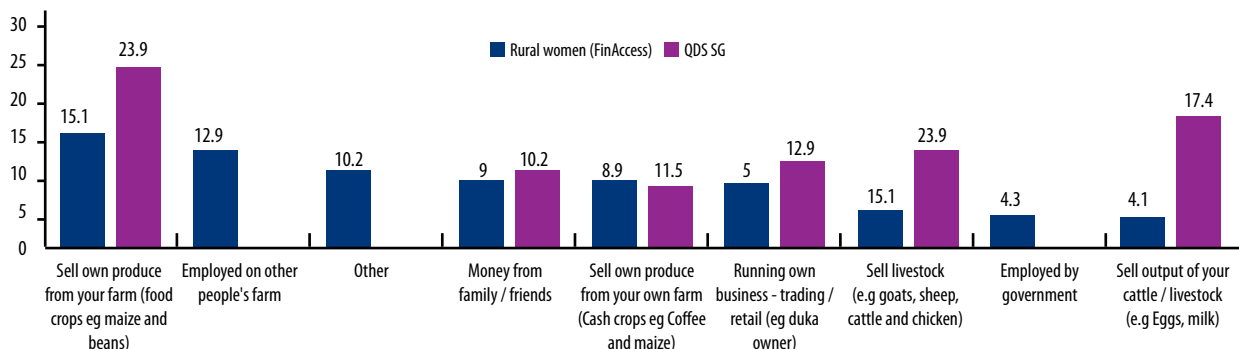


The national percentage of phone ownership from FinAccess 2013 is also shown in Figure 5. Note that it is significantly lower than the QDS findings, a difference which might be due, in some part, to the different dates of the two studies; phone ownership would have continued to rise steadily during the intervening period.¹⁶

Sources of Income

Figure 6 shows that SG members are much more likely to sell their own produce or livestock, or to sell their own milk and eggs, than rural women as a whole, and are much less likely to be workers on other people's farms.

Figure 6: Comparison of main sources of livelihood (HH Q4.7 - Q4.27) (n=463)



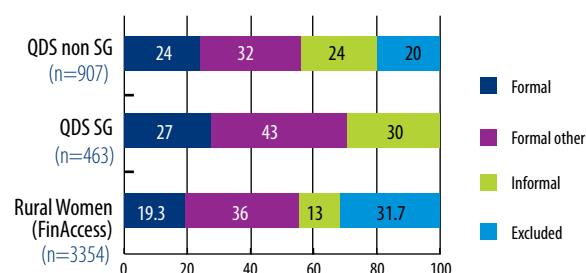
¹⁶ The FinAccess field work was conducted October 2012 – February 2013, while the QDS field work took place August – October 2013.

Use of other Financial Services

The access strand is a graphical representation employed in many financial inclusion studies, including FinAccess, to show the percentage of a population using financial services of different degrees of formality.¹⁷

Figure 7 compares the usage of financial services by non-members and members from the QDS, and of rural women in Nyanza and Western Districts from the 2013 FinAccess study. No SG QDS members are in the “excluded” category, since by definition they have at least informal services, and SG members also have higher use of “formal other” (SACCOs, mobile money) and formal services, than either the population of rural women as a whole, or – more relevantly – the non-members in their same areas.

Figure 7: Comparative access strands (HH Q9.1 - 9.19) (n=1370)



This raises the question of the extent to which SG programmes are *increasing* financial inclusion, by bringing one basic service to people who previously had none, or *enriching* financial inclusion, by bringing an additional service to people who may also use mobile transfer services or a SACCO or bank account. The higher percentage of informal usage among SG members, compared to non-members, coupled with the lower percentage of exclusion among SG members, strongly suggests that the SGs brought financial services to significant numbers of people who previously had none. SGs may also have a financial literacy effect inducing members to use other services.

2.2 SERVICES AND MEMBER SATISFACTION

Most SGs are working well and are strongly appreciated by most members. SGs in all areas report that on average they have gained in membership since they were trained, and large numbers of new SGs are formed by existing groups in various ways.¹⁸ Members report they are optimistic about the future of their groups, and half of respondents could not name anything about their SGs that they did not like. As shown in table 4, the reasons members give for liking Savings Groups – proximity, commitment savings, retention of funds in the group, ease of borrowing, flexibility, and social support – mirror the advantages often claimed for SGs by their proponents.

In most cases, SGs provide a safe, transparent place to save. 88% of group members reported that they were satisfied with the annual shareout, although only 63% said they knew their savings balance or knew how to find

Table 4: Representative comments about what SG members like

Characteristic	Representative comments
Proximity	<ul style="list-style-type: none"> “Groups are nearer to us.” “For us it’s not convenient because banks are far away and we have to use transport. Some people may not find it hard but some of us are not ready to spend close to four hours travelling to the bank and back home again.”
Costs of banks	<ul style="list-style-type: none"> “Bank deducts a lot of money.” “Bank charges are enormous.”
Commitment savings	<ul style="list-style-type: none"> “I can’t save alone. I need a group.” “SGs have penalties for those who don’t save, hence encouraging all members to save.” “Encouragement to save more. Mobile banking is too tempting – you use the money anytime.”
Procedural ease, flexibility	<ul style="list-style-type: none"> “You can save as little as fifty shillings.” “You get a loan immediately in a Savings Group. The other one is a long process and they would need collateral.” “You can borrow before you clear payment on your previous loan (top up).” “Because most people are from the same areas and there is much flexibility on repayment.”

¹⁷ NB: Many people use multiple financial services; in those cases, the access strand is based on the most formal service used. For instance, someone might have a bank account, use mobile money, and belong to a merry-go-round; in that case, the person would be represented only as having a bank account, the most formal service used.

¹⁸ Results of study of post-project replication of Groups of COSALO I, Digital Divide Data, January 2012, showed that each SG had formed almost two new SGs. The sample was small and non representative and therefore only suggestive of the level of post project expansion.

Table 4: Representative comments about what SG members like (continued)

Characteristic	Representative comments
Social aspect, moral support	<ul style="list-style-type: none"> ▪ "Members know and understand each other." ▪ "Togetherness – one feels happy being close to others; in case of calamity or difficulties we feel relaxed." ▪ "Welfare, especially when you lose loved ones."
Support in new ideas and good practices	<ul style="list-style-type: none"> ▪ "Through an SG they can share ideas on how to improve their living standards." ▪ "One gets new ideas from members." ▪ "Savings Groups can mould one into a good financial user, rather than saving alone in say a bank, where there can be some impulsive use of savings."
Security	<ul style="list-style-type: none"> ▪ "Savings Groups are mostly stable because we as neighbours can follow up on defaulters." ▪ "SGs have no fraudsters as is common in say M-Pesa." ▪ "Money in SGs is safe because we know each other."
No drainage of interest	<ul style="list-style-type: none"> ▪ "The interest belongs to all members." ▪ "People will stay in SGs because when they take a loan from there it is like they are doing business with their own money which in the long run will earn them interest. Unlike the bank, because they will be making banks richer."

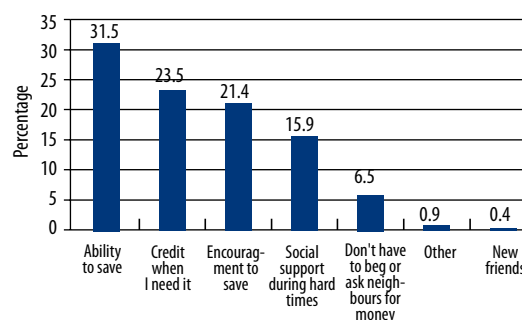
it. A remarkable 84% of respondents said they had used mobile money in the last 12 months, but in parallel, many members spontaneously reported on what they prefer about SGs compared to formal institutions. Overall, most members are satisfied with the financial services offered.

But, while most members are happy, an important minority are not: 5% of members said they had lost money in their SG and there were other troubling indicators which are discussed below.

2.2.1 Appreciation of the various services offered by SGs

The QDS asked respondents the biggest benefit of being in a savings group – responses are shown in Figure 8. Note that the QDS distinguished between two aspects of savings: ability to save, that is, having a place where members can keep their money safely; and "encouragement to save", sometimes called *commitment savings*, which refers to the fundamental agreement in most groups that members will save at least a minimum amount at every meeting, the amount being set by consensus at the beginning of the cycle. 53% named one of the two aspects of saving as the most valued service, while 24% named "credit when I need it" as the biggest benefit.¹⁹

¹⁹ QDS findings on positive aspects of SGs generally agree with benefits cited in *Savings Groups: What are they?* by Hugh Allen and David Panetta, 2010, The SEEP Network, a standard introduction to SGs: "[The rural poor] need a safe way to save and borrow that is convenient, flexible, and available in their villages." (p. 9); "The poor often cannot bear the cost and time involved in travelling long distances to access services in alien surroundings." (p.11); "...the social cohesion, solidarity, and mutual aid that the Savings Groups engender. (p.12); "...Savings Groups' abilities to smooth consumption, protect and grow assets, increase social cohesion, and develop leadership and decision-making skills..." (p. 27) "In Africa (home to the majority of Savings Groups), banks are usually distant..." (p.37).

Figure 8: Biggest benefit from being in a Savings Group
(HH Q 7.36) (n=463)

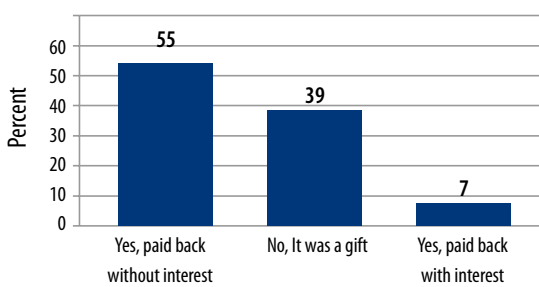
It is noteworthy that in many groups the financial services provided to individual members are subordinate in members' minds to objectives for the growth, evolution and welfare of the group as a whole. The interviewers' notes on one group echo similar remarks from several other SGs:

Global Shines is a group of young ladies who are investing in different projects. For instance, they do outside catering and some of them are being trained to do other things like tailoring and hair dressing. They intend to open an institute that is affordable for all the ladies in the community to enhance their professions, especially for the least fortunate that didn't finish school.

The social fund – a fund kept separately from other group assets to provide help to members with particular needs (or sometimes people outside the group), and managed according to rules developed by members – is usually considered an optional but recommended part of the SG methodology.

Overall, 73% of SGs in the study had a social fund, while about 25% of all members said they had received money from their social fund. Figure 9 shows the conditions under which members received social fund money from their groups.

Figure 9: Repayment of social fund (HH Q7.19) (n=120)

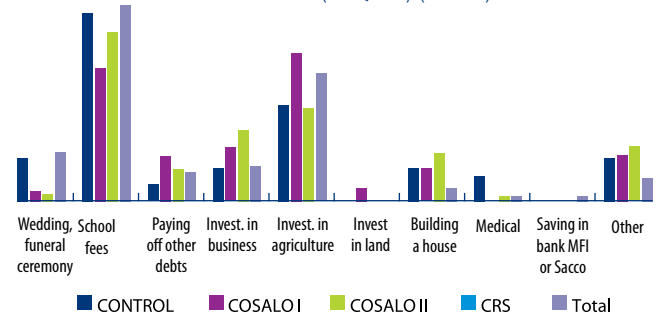


The social fund lagged behind other reasons given why members liked their groups; nonetheless, 16% cited “social support during hard times” as the biggest benefit from being in a savings group, and another 7% cited “don’t have to beg or ask neighbours for money”.

2.2.2 What members do with their money

Members use the lump sums they acquire from loans and shareouts for investments and consumption and, occasionally, for emergencies. Figures 10 and 11 show that the largest uses for both loans and shareout are paying school fees, although if the various investments – in agriculture, business and land – are combined, they become the largest category.

Figure 11: What members do with their shareout (HH Q7.14) (n=297)



2.2.3 Drawbacks to membership

Respondents were also asked about the biggest drawback of being in a group. Results are shown in Figure 12 (overleaf). About half the respondents could not name a drawback, while most of the remainder cited “can’t save enough” and then “problems with other members”.

Figure 10: What members do with their loans (HH Q7.4) (n=378)

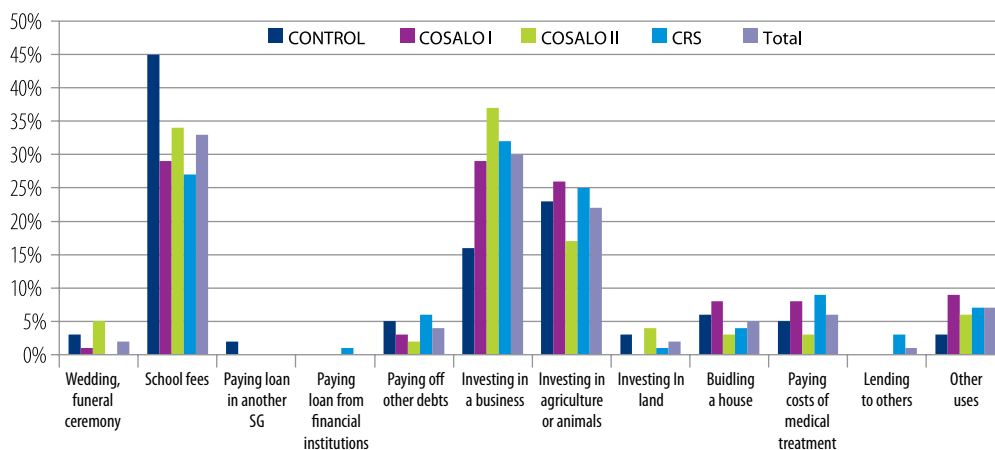
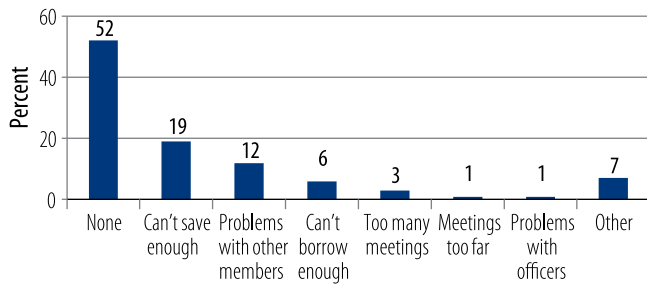


Figure 12: Biggest drawback of being in a Savings Group
(HH Q 7.37) (n=463)



The QDS did not support the idea that SGs need external funding. Only 6% of members cited not being able to borrow enough in their group as the biggest drawback; it is not known to what extent those members would be able to present credible loan requests, nor is it known whether their desire for credit could be satisfied by groups that are more oriented towards meeting lump sum requirements through saving rather than through borrowing.

The QDS collected comments about the drawbacks of being in an SG through open-ended questions at two points: during the 463 household interviews, and during the focus group discussions with the 100 SGs. The members interviewed during the household interviews volunteered the following drawbacks to being in an SG:

1. Members not paying back their loans on time (7 mentions)
2. Members of the group are forced to pay debts of any member who fails to pay the loan fully (3)
3. Paying back the money (2)
4. If you don't pay on time your loan is rolled and it's difficult to pay back (2)
5. We don't have a trainer (2)
6. People don't agree to pay fines (1)
7. Refund of shares difficult when one wants to exit (1)
8. Some members are too political (1)
9. Some members don't take loans to generate interest (1)
10. Sometimes members fail to attend meeting and exchange ideas(1)

There were 19 spontaneous responses, and of these 13 (the first four drawbacks listed above) are arguably related to repayment difficulties.

Participants in the 100 FGDs gave somewhat different answers, with difficulty in saving at the top of the list:

1. Difficult to save at times (10 mentions, and thus 10% of groups visited)
2. Members come late or are absent (7)
3. Members don't pay back (5)
4. Various issues with discipline or capacities of other members (4)
5. We don't have a trainer (1)
6. Paying back my loans (1)
7. Refund of shares is difficult when one wants to exit (1)
8. When they visit your house you have to cook for them (1)

2.3 SUSTAINABILITY OF SGs

SGs in all areas are adding members, and the SG concept is appreciated enough that there is significant community-led growth. Members are generally optimistic about the future of their groups, and the SG concept is likely to be preserved as part of the financial landscape by the presence of post-project SG trainers who are generally motivated and competent to support existing groups and form new ones.

2.3.1 Prospects for the future

Survival

The QDS could not track SGs over time, nor could it collect information from groups that had broken up. Other research²⁰ has shown varying levels of survival, along with evidence of decrease in respect for procedures over time.

Optimism

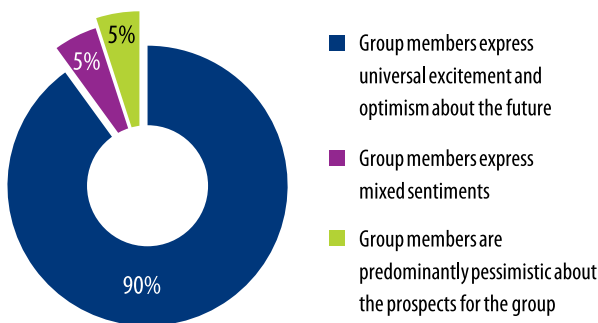
During the focus group discussions, SGs were asked: "With time, do you think your group is growing stronger, or are there threats to it?" The results are shown in Figure 13. Responses show a generally high degree of satisfaction and optimism, although it might have been socially awkward to express doubts about the future of the group in front of other members. Also, it should be stressed that the FGDs only included SGs that were actually meeting, and members who were actually present; the sample was biased in favour of success.

²⁰ A 2001 study of Savings Groups formed by CARE from 2004 to 2008 (*The Permanence and Value of Savings Groups in CARE Kenya's COSAMO Programme*. Marcia Larson Odell and Paul Rippey. Aga Khan Foundation) found that only one of 44 groups had completely failed and stopped meeting, although many had changed form, splitting into smaller groups, changing parts of the approach they had learned, or reducing meeting frequency.

2.3.2 Evolution of membership and drop outs

Growth in membership is plausibly an excellent indicator that groups are appreciated by members, are adding value, and are likely to endure. When members choose to join groups, it is because they perceive that there is something in it for them, and the decision to join a group is presumably made on the basis of what they hear about the group from existing members.

Figure 13: Member optimism (G Q71) (n=100)



In every area where the QDS carried out interviews, a substantial number of members had been added to the groups since they were formed. For the sample as a whole, the average group had 21.7 members at the time of formation and 26.4 members at the time of the study, an increase of almost five members or 22%. The average group in the study was 2.6 years old, so the average group was adding about two members per year. Note that this increase is net of dropouts; that is, groups successfully replaced members who left, and in addition added on average about five members.

While SGs may not be serving the needs of the very poor, it appears that they are finding a vast audience among their typical membership. The increase in average SG size is especially noteworthy in Kenya where there is a great deal of media advertising for other providers of financial services, while spontaneous Savings Groups growth is mostly propelled by members' word of mouth.

Dropouts

Dropping out is not inherently an indicator of problems in groups; people grow old and die, get married and move away, or choose to leave their groups for any number of unproblematic reasons. It is the reasons for leaving, rather than the number of dropouts, that is most significant. The QDS interviewed 67 dropouts, and also asked members, trainers and the SGs themselves about dropouts. Responses from all four groups are shown in Figure 14.

All four groups of respondents cited "could not afford to save" frequently as a reason why members dropped out. "Sickness or death" and "moved away" were also cited often, and it is likely that these are in fact the leading causes of dropouts, since members who had died, were too sick to be in a group, or who had moved away are obviously under-represented in the sample.

Note, however, that there is a cluster of responses shown in Figure 14 that can be considered as a single reason, and which, taken together, suggest that poor group training is ultimately the cause of members leaving: 67 of the dropout members, or 78%, mentioned one or more of "internal problems", "bad group", "group broke up", "conflict with other members" or "lost money" as their reason for leaving, all of which point towards management issues. As will be argued in Chapter 3, management issues point in turn towards poor training.

In light of the common mention of "can't afford to save" as a principal reason for dropouts, we looked to see if the percentage of drop outs varied with changes in the amount of shareout. The QDS did not ask groups for the historical change in share value, but only asked if the share value had changed. Several groups volunteered that their share value had increased, and indeed changes in share value are usually increases. We tested the hypothesis that as groups increase their minimum share value, poorer members are eased out of the group. Figure 15 (overleaf) shows the result, and in fact it appears that many members shift to another SG when their share value is raised. It is not a problem, but rather a positive outcome, that members are able to find a new group when their previous SG no longer meets their needs.

Figure 14: Reasons for dropping out: by source (HH Q8.16.) (G Q85) (T Q128)

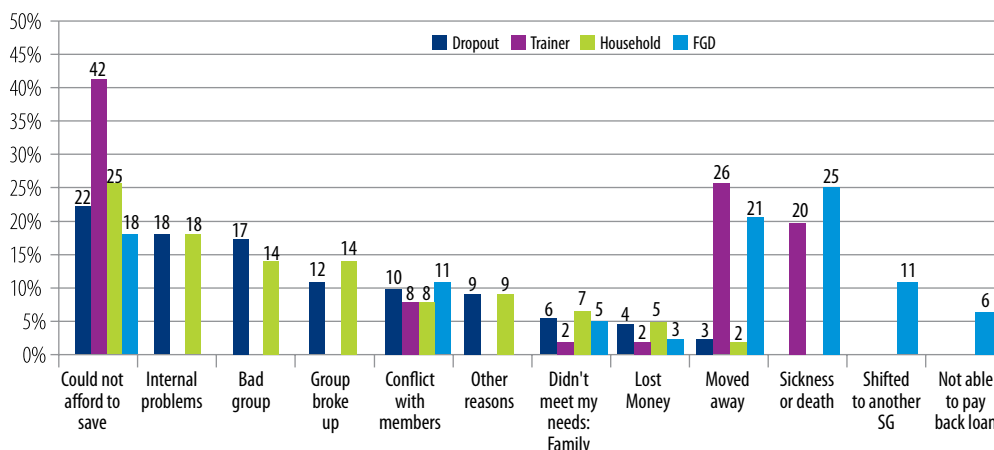
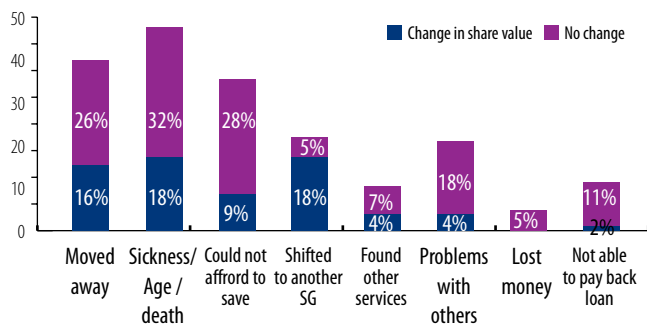


Figure 15: Correlation between change in share value and reasons for dropping out (G Q23 - 27, Q85) (n=57)



The household interviews found 67 households where there was a former member present at the time of the visit. For comparison, recall that 463 households had at least one SG member in the household. Thus, the number of leavers was 14% of the number of members, suggesting that the ratio of leavers to present members is at least fourteen percent²¹.

Finally, we looked at the poverty profile of households with dropouts, and those without, and found that households with one or more dropouts were marginally poorer than those with no dropouts (PPI below the national poverty line of 31.1% for all members versus 33.6% for dropouts), again suggesting that SGs are not effectively meeting the needs of the poorest.

During the FGDs, the explanations offered for leaving groups were straight forward:

- “Some members drop out when they lack money to save.”
- “Some members drop out when they are not able to contribute their shares, since when you fail to deliver your shares you are fined according to the group rules.”
- “Some members who left did so because they took a loan and were not able to pay it back, and ran away. If he or she wants to come back they have to pay the loan and interest and be reinstated.”
- “Members dropped simply because they could not afford to save.”

The incentive systems put in place by CARE and CRS might explain this phenomenon. While the incentive systems are different in important ways, as discussed in Chapter 4, in both agencies, trainers are encouraged to collect fees from groups for services rendered. Poorer people are presumably harder to train, because they are more likely to be ill, more likely to be beset with

problems, less likely to want to risk their time and money in a new endeavour, and less educated.

At the same time, it is more difficult to collect fees from poorer members: while the “middle class of the poor” might have to give up airtime or a household purchase to pay the trainer, those in poverty might have to give up a meal to do so.

2.3.3 Trainers: Drivers of growth and quality

In Kenya and elsewhere, SG formation and post-project support has increasingly been confined to trainers who receive small stipends during the period of the project, and who are then expected to continue to form new groups and support higher cycle groups as needed, post-project, on a fee-for-service basis. For most SGs, their only contact with CARE or CRS is through a single person – the trainer – the key person who determines the quality of training, coaching and guidance, and largely determines the success of SGs.

Even after training, many groups are dependent on trainers indefinitely for assistance with shareout and problem resolution. Finally, trainers can be a stabilising force that will reduce procedure drift and keep SGs from abandoning the core principles of transparency, democracy and independence.

Therefore, the QDS investigated trainers' understanding of their work, their motivations, and their perceptions of their futures as trainers; and what members say about the amount and quality of training, their dependence on the trainer, and their ability to continue independently.

Both CARE and CRS are encouraging the idea that training can become a business and a source of income for the trainers, even if they have multiple occupations and sources of income. The QDS found that a plurality of the 48 trainers interviewed (42%) say their principal occupation in life is farming, while 29% say it is being a trainer.

On average, trainers are putting in about half of their work hours, and making about half of their income, from training and supporting SGs. The trainers in the study reported that they put in 22 hours on SG activities per week and earn an average of Kshs 2,334 (1USD=Kshs 85.3, October 2013) per week from training activities, while they also put in an average of 24 hours per week on other activities and earn an average of Kshs 2,365 per week from those activities. The total reported income of KShs 18,800 (USD220) per month is considered a handsome income in rural areas.

The study sought to determine the extent to which payment for services was actually occurring. 62% of the trainers said that all members of their groups agree to pay for services. This finding conflicted with what we heard from members: we asked members of groups with trainers if their group paid for training. Overall, 21% of members said they did, 75% said they did not, and

²¹ However, this percentage is likely substantially higher because of a quirk of the survey design: interviewers were instructed to make call backs to interview members who were not present at the time of the first visit, but did not call back to interview leavers. Thus, a typical member was more likely to be included in the study than a typical ex-member.

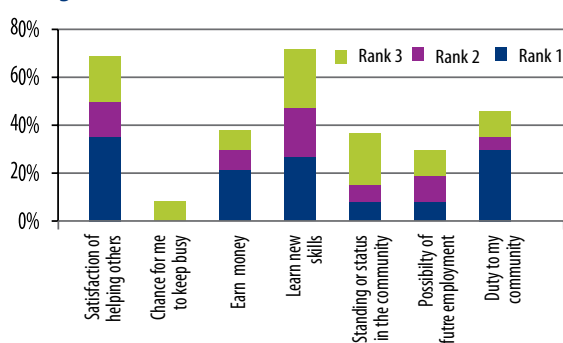
the remainder said they did not know. More relevantly, of the 100 groups that had FGDs, 46% said they did pay their trainers.

The QDS field team believes the discrepancy between what individual members, groups, and trainers said about fees paid for training exists in part because the members interviewed individually during the household interviews did not know or were not clear if there were payments to trainers. This information was clearer when they spoke to many members together during the FGDs. Even if not all members were aware the payments were made to trainers, some people in the SGs had that information. Also, “payment” is itself subject to different interpretations. Many groups give small gifts to the trainer at shareout; a trainer may consider such a gift as payment, while for individual members, it is simply a “gift”. These explanations are compelling; however, it is also quite possible that fee-for-service groups were more likely to be visited by the research team than non fee-for-service groups, perhaps because they meet more reliably or predictably.

Trainers reported that since the introduction of fee-for-service, the number of visits they make has increased, at least for 42% of the trainers. It is useful to interpret that finding in light of the distinction between what fee-for-service *permits* and what it *motivates*.

Trainers report that they are motivated by a variety of incentives, both intrinsic and extrinsic²². During the trainer interviews, respondents were given a stack of cards, each with a possible source of motivation, and invited to arrange the cards with their strongest motivation on the top, second strongest in second position, and so on. The results are shown in Figure 16. While most trainers say their principal motivation is something other than financial, it is also clear that the fees they receive make it possible for many trainers to continue working; in response to the singularly conjectural question, “If you were not paid, would you continue to form groups?” 28 out of 38 who answered said they would, but 10, over a quarter, admitted they would stop.

Figure 16: Trainer motivations (T Q19-25) (n=48)



²² Motivation is *intrinsic* when the worker wants to do something for its own value, for the pleasure or other perceived benefits that come from doing the work. Motivation is *extrinsic* when someone else wants the work done and incentivizes the worker, usually with money.

Table 5 presents quotations from trainers that illustrate their motivations.

Table 5: Representative comments about trainer motivations

Motivation	Representative comments
Satisfaction of helping others	“To enable the community to be self-reliant.” “Women are financially empowered.” “They are doing great!”
Earn money	“My income has increased.” “I am a widow and work extra hard to make ends meet.”
Learn new skills	“I gain valuable knowledge.”
Standing or prestige	“The introduction I get from politicians when they want to meet groups.” “The group calls me ‘teacher’ which makes me feel respected.” “I am now famous within the community.”
Possibility of future employment	“There are prospects of working with big NGOs.”
Duty to community	“Helping the community is a duty.” “I am proud to be working for my community.” “I dedicate my life to work and that’s why I spare time to work for the community”
Other motivations	“The groups are friendly.” “It encourages me to save more.” “Working with a lot of people has made me want to join politics.”

Trainers also mentioned negative aspects of the work, and two of them mentioned that it would be easier to be paid a salary rather than rely on fees from the groups:

- “Trainers should be recognised by government and given pensionable employment.”
- “If a group cannot pay a trainer, someone should step in.”
- “Bad weather.”
- “You have to do other jobs.”
- “People confide in us. It is so hard to solve people’s problems.”

Contracts between trainers and groups are not always clear, and in one case, the trainer appears to have done a particularly poor job of explaining her fee expectations to the group. From the interviewer notes:

“The members claim that the trainer had promised to train them at no cost at all but later at shareout she demanded 2,000 which they thought was too much. They paid during the first shareout but on the second cycle trainer only showed up at shareout. They gave her 1,000 which she refused and she has not shown up since.”

In another case, the trainer was present at the meeting that the interviewers attended. The trainer had “books on VSLA” but he openly admitted that he lacks motivation to give the members a full training.

SG members were also asked about their trainers²³. Many mature groups continue to have trainers visit them. Overall, 69% of respondents in groups with trainers said they found the frequency of visits “Just right”; 24% found visits “less frequent than we need”; and only 3% found the visits “too frequent”.

Other SGs have institutionalised training: one group said that members who bring in new members are given the task of training them and making sure they understand and respect the constitution.

Most of the 48 trainers interviewed said they had made changes or additions to the basic group procedures they had learned. Most often, they had offered ideas for group income-generating projects. A few had urged their groups to open bank accounts, or join the National Health Insurance Fund. Two had suggested that their SGs start ROSCAs as a way of helping to repay loans. A few trainers argued that group members needed more credit and, in some cases, urged groups to transform into SACCOs. At least a quarter of the trainers had suggested that a group link to various projects, government programmes and NGOs, and two had marketed clean energy products to the groups.

2.4 CONSUMER PROTECTION ISSUES: SGs ARE NOT WORKING WELL FOR EVERYONE

The QDS uncovered some areas of concern about the safety of SGs, which are discussed here:

- Malfeasance, elite capture, loss of savings, disregard for procedures;
- Wide variation in the understanding and knowledge of members;
- Multiple membership, systemic risk, multiple loans and over-indebtedness;
- Data quality and divergences in reported attendance; and
- Income-generating activities.

²³ One group which participated in an FGD surprised the interviewer by saying they had never heard of an SG trainer. They said they were curious and asked to be linked to one.

2.4.1 Malfeasance, elite capture, loss of savings, disregard for procedures

While the percentage of members reporting serious problems is low, even a single-digit percentage represents a significant and widespread issue in projects that reach hundreds of thousands of members.

A frequent concern about informal financial mechanisms of any kind is that, in the absence of supervision, members can become the victims of various kinds of fraud and lose their money. The QDS asked about whether these things had befallen groups.

Members were asked if they had ever had money lost or stolen in their SG. The results appear in Table 6. About one in 20 members said they had lost money. However, victims of fraud are often unaware that the fraud has been committed, and the reported percentage should be considered a minimum, with the possibility that loss is actually higher, maybe much higher²⁴. QDS interviewers believed that a member who did not receive all the interest earnings to which she was entitled would be unlikely to categorise that as a “loss”. She would probably only consider money lost if she did not recover all of her savings.

Table 6: Whether members have had money lost or stolen
(HH Q8.10) (N=467)

	Yes	No	Don't know
Number	24	438	1
%	5.2%	94.6%	0.2%

We also asked members who said they had lost money how many times that had occurred. The frequency of repeat occurrences is shown in Table 7.

Table 7: Number of times money has been lost (HH Q8.11)(n=24)

1	62%
2	29%
3	3%

The QDS asked the 24 members who reported losing money how that occurred. 17 replied, and the results are shown in Table 8; one of the respondents had lost money three times, and remarkably was still a group member. Notably, no one mentioned “outright theft”. Instead, the principal cause was “dishonesty and

²⁴ A qualitative study on a group of 24 COSALOI SGs formed in 2010 found evidence of fraud in more than half the groups. The study also found that members were often unaware of this, or that records had been falsified. The study was on an older cohort of groups formed under a very specific delivery channel, one in which a local politician had become involved in SG formation, so the findings from what is clearly an outlier cannot be generalised. Markku Malkamäki (2013) *Institutionalisation of Rules and Processes in Savings Groups in Nyanza, Kenya*, Unpublished study commissioned by FSD Kenya.

default by members”, followed by “poor record-keeping” and “not all money was repaid”. (Also, no respondent or group volunteered any information about stolen boxes, indicating that box theft is a very minor risk, at least in the area covered by the QDS). It is important to note, as will be discussed in more detail in the next chapter, that the frequency of loss varied greatly by area, with the highest rate in the control area where there were many groups without a trainer and on the other hand a negligible rate of loss in the CRS area.

Table 8: Causes of money being lost or stolen (HH Q8.20)(n=17)

Poor record-keeping	4	24%
A fee I did not expect (e.g. to trainer or bank)	1	6%
Fraud/pyramid scheme	1	6%
Bad investment	0	
Dishonesty and default by members	8	47%
Not all money had been repaid so I missed in shareout	4	24%
Outright theft	0	
Don't know/won't say	5	29%

2.4.2 Variation in the understanding and knowledge of members.

Because SGs are member-run organisations, a broad understanding of how the group is supposed to work is necessary to prevent dangerous deviations from the procedures called for in the group's constitution. There is room for debate about which procedures are essential and which are optional, and about what percentage of members knowing the procedures is enough to protect the group from procedure drift, but there is no question that in member-run groups, knowledge of SG principles and procedures must be broad.

Members were asked if they could recall the group savings balance, that is, the entire amount saved by the group during the cycle. 35% said they could do so, although it was not possible to test the accuracy of their memory. More important, members were asked if they knew how to find out their own balance, and 63% said they could. Almost 100% of groups in the sample said they had a written constitution, but other research²⁵ strongly indicates that it is not the presence of a written constitution (or even its content) that contributes to group survival, but rather a general commitment by members to respect a known set of rules. The presence of a constitution is less important than a shared commitment to respect procedures and agreements. A sample of remarks gathered in the study show that respect for rules is sometimes lacking.

The following two groups showed some lack of knowledge and respect of rules; in the first case, the members took the issue seriously, and in the second,

they seem to have changed the rules without formalising the change in their constitution:

- "Members seem unsure about maximum loan or leverage given to them. They argued back and forth about this but chairperson assured members that leverage is 2 times your savings."
- "Although the group's constitution says a member can borrow three times her savings, they don't follow that rule. They lend according to individual repayment records."

In the next two cases, the central agreement of commitment savings has been modified or suspended because of debt issues:

- "Members are no longer saving. Agreed to halve savings to give members chance to repay loans."
- "All members no longer saving. This is to enable them to repay loans."

In the following two cases, there is a more serious breakdown of respect for procedures and discipline.

- "After the break-up in 2011 the former officials refused to return group records and documents so they lost all records".
- "Their turn-out at today's meeting was very poor, most members were absent without apologies".

Finally, one should complete the picture by mentioning some groups that appear to be in robust good health:

- "This group met as early as 8.00 am and they started immediately".
- "Their group has shared out four times and they are in the fifth cycle. They are abiding tightly to their constitution and this has enabled members to maintain discipline and thus togetherness for about five years".

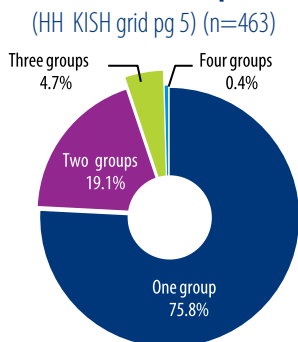
How representative are these remarks? The interviewers were more likely to record reports of problems, than the simple observation that there were no obvious problems. On the other hand, note that the sample of groups in the study was biased towards better performing groups, since they are the ones that meet regularly and so were more likely to be visited. Also, failed groups were necessarily completely excluded.

2.4.3 Multiple memberships, over-indebtedness, and systemic risk

Figure 17 (overleaf) shows that one in five of all members in the QDS sample say they are members of two or more SGs, and explain that they have joined additional groups to have more opportunities to save, borrow, or make friends. But about 10% of SG members have borrowed from more than one group at a time, raising the prospect of over-indebtedness and systemic risk to the SG networks.

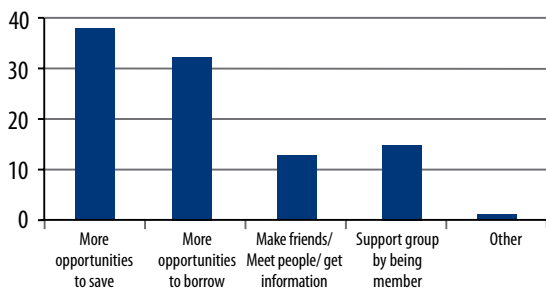
²⁵ Malkamäki, op. cit.

Figure 17: Prevalence of multiple memberships



While there are legitimate reasons why people might want to join multiple groups, it is feared that if members borrow from multiple groups, repayment problems could cascade bringing down many groups in the process. Respondents were asked why they had joined multiple groups. Responses are shown in Figure 18.

Figure 18: Reasons for joining multiple groups (HH Q7.38)(N=561)



22% of members report that they have been pressured to take a loan even when they did not want or need one. This will be discussed further in chapter 3.

None of the respondents volunteered comments about being in debt trouble, although one replied cryptically, “I’m finding it difficult to operate in three groups. I will drop two.”

2.4.4 Data quality and divergences in reported attendance

In eleven groups (2.4% of responses), members reported that their records had been lost. When asked how that had happened, they replied as shown in Table 9.

Table 9: How records were lost in groups (HH Q8.18)(N=467)

I lost them	2	18%
Official lost them	8	73%
Trainer lost them	0	0%
All group records were lost by accident (e.g. flood)	0	0%
Don't know/won't say	1	9%
Other (specify)	0	0%

The supervisory role of the INGOs and their reporting obligations to donors depend on accurate data. Group data collection at both CARE and CRS is designed to feed into a standardised MIS used by all the large INGOs. The QDS compared observed attendance in the FGD groups with MIS data. The MISs of COSALO I, COSALO II and CRS report average attendances of 85.6%, 86% and 77% respectively and the observed attendance in the group meetings was 50% in the control area, 57% in COSALO I area, 72% in COSALO II area and 80% in CRS area²⁶. Please recall that the FGDs over-sampled well-performing SGs, and note that members knew in advance that visitors were coming, which likely would have increased attendance somewhat.

2.4.5 Income-generating activities

Many SGs, finding that they have surplus funds, decide to launch small economic activities, typically farming, preparing food, or buying tents and chairs to rent out. Also some trainers report that they encourage their groups, especially older groups, to start IGAs. A remarkable 2.5% of respondents said that their group “invests in the stock market as a group”, and 12.7% said they made other kinds of investments as a group, for instance property or a business. 23% said they saved together in a group account.

Interviewer notes about the outcomes of IGAs were mixed, with some suggesting successful activities:

They do catering, fish farming, chairs and tents for hire. When they get money they pump it back to buy equipment. This has made the group grow strong in the period of a year.

A few groups reported that they lend excess funds outside the group:

The group lends to non-members at 20%, with guarantee of member

Some IGAs encounter difficulties:

Group has poultry project though it's barely working. Some of the chicks died owing to diseases.

Finally, one report showed how the IGA helped lock members into the group:

Group members are so positive and they see themselves going far. They intend to start planting tomatoes in greenhouses. Strict measures deter old members from leaving the group because they will not get anything from the group.

Group IGAs, to our knowledge, have not been studied systematically. Given that IGAs are widespread, carry substantial risk, and interact in complex ways with group financial functions, it would be useful to understand them better.

²⁶ FSD commissioned MIS data quality audits of both CARE and CRS. The CARE audit found that the MIS has numerous inaccuracies and should not be relied upon for statistics where timeliness or completeness are important. The CRS data quality on the other hand was found to be generally excellent.

Chapter 3

DELIVERY CHANNELS

3.1 DO CHANNELS MATTER?

The preceding section looked at the outreach, member satisfaction, sustainability and consumer friendliness of SGs in general. This section examines the ways that different outcomes in each of these areas correlate with the use of different *delivery channels*, a term that encompasses the recruitment and orientation of group members; procedures for group formation; the procedures taught to the group; the choice, training, incentives, management and post-project status of the trainer; and the corporate culture and management structure in which the trainer works. This section addresses two important questions about delivery channels:

- First, given that SGs are now spreading spontaneously without the direct intervention of partners, how much value in terms of outreach and group quality is added by the implication of INGO SG projects?
- Second, are the approaches of the two INGOs, CARE and CRS, leading to outcomes which are significantly different? If so, how can this information provide guidance to the INGOs and funders of SG projects regarding good practices in the delivery of SGs?

This section will first present what the QDS uncovered about different outcomes in outreach and consumer issues in the different channels, and then (in a section entitled “How incentives could influence practices”) we will examine how the channels and the outcomes might be linked.

3.2 OUTREACH

3.2.1 Breadth and cost per member

FSD Kenya has based its SG projects on the hypothesis that SGs can reach great numbers of remote rural people, particularly those who are financially excluded, FSD Kenya’s assumption has been that scaling up requires partners to form SGs of good quality in a cost effective way. The following discussion necessarily draws on sources beyond the QDS.

Table 10 compares the performance of the three projects which received support from FSD Kenya. Please recall that FSD Kenya was the principal donor for the two CARE projects, but made only a small grant to CRS to strengthen and document the PSP network and apprentice system. Table 10 however, captures the entire cost of the CRS project from all donors.

These figures need to be regarded with caution. Different agencies have different approaches to computing donor CPM²⁷ and simple CPM calculations do not reflect either the quality of the groups formed, nor the residual value of the project, here called the “structure left in place”. “Reported members at end of project” does not control for multiple memberships – someone who belongs to three groups is counted as three members – nor does it take into account the spontaneous groups that are formed by members of project-trained groups nor post-projects groups. Finally, there is no allowance made for data quality, which differed substantially by project. Even with these considerable caveats, it remains highly likely that it cost more for CRS to train a member than it did in the CARE projects. The rest of this section looks at differences in outcomes that should be considered along with CPM.

While overall, 34% of households interviewed had at least one SG member, the percentages varied by area, as seen in Figure 19. They provide an interesting contrast to the perceptions of the trainers themselves about the degree of saturation, shown in Figure 20 (overleaf).

Figure 19: Household with at least one SG member
(HH KISH grid pg 4) (n=463)

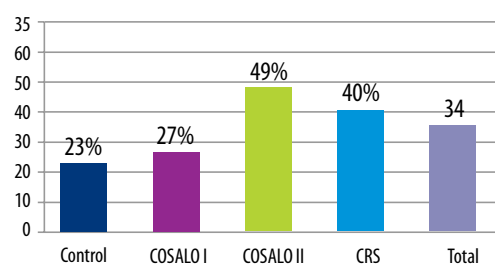
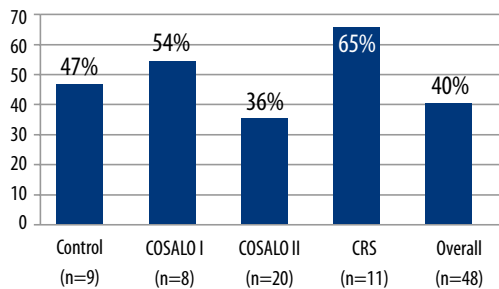


Table 10: Comparison of outreach and costs of SGs in the three project areas

Channel	Cost	Reported members at end of project	Donor Cost Per Member	Structure left in place	Dates
CRS	USD3,326,633	185,133	USD18.0	PSP networks and apprentice system	August 2008 – December 2013
COSALO I	USD1,050,164	125,022	USD8.4	Franchisees and FBOs	September 2008 – July 2011
COSALO II (Nyanza only)	USD1,081,072	176,755	USD6.1	Franchisees and FBOs	April 2011 – January 2014

²⁷ Donor CPM includes the total amount of donor funding for the project, divided by the number of people trained. It contrasts with Total CPM, which also includes contributions from group members themselves.

Figure 20: Trainers' estimate of saturation (T Q125)(n=48)

About half the groups (46.9%) in the study were formed by a trainer “who trains many groups”; in almost every case, that means a trainer specifically trained to form SGs who provides that training as a job, as an income-earning activity, or as a vocation.

That means that about half the groups (52.1%) were not formed by a trainer. They were either already existing groups of some sort, most often ROSCAs, or they were formed by a community member who in turn trained the group as an SG. However, in both those cases, the projects are the driving force in the spread of SG methodology, either bringing the SG methodology to an existing group, or introducing it so that it can spread spontaneously.

The notion of leaving behind trainers who will continue to work on a fee-for-service basis post project has gained wide popularity, and both CARE and CRS espouse it. There are generally two arguments made for having the fee-for-service trainers: one is that they will continue to form new groups (and, in the CRS system, identify, train, and certify new trainers). The second argument is that they will provide services to higher cycle groups, primarily help with shareout and occasional problem resolution on an as-needed basis.

CRS has studied²⁸ the first question, in part through mining data in their management information system. They found that in Kenya, though not in Tanzania or Uganda, trainers were nearly as productive after their stipends had stopped and they had moved to a purely fee-for-service status: Kenyan CRS fee-for-service trainers trained, on average, almost 14 new members per month.

Although CARE has worked with their trainers to prepare them to make training a source of income post project, they do not have the formalised networks, apprentice system, certification standards, and peer review and encouragement of CRS. There is no reliable data from CARE on post-project trainer performance but it is very likely that CRS has a more robust post-project system; as will be seen below, higher cycle CRS groups are much more likely to have a trainer they can call on in case of need.

The clearest indication in the QDS about post-project expansion is the reported change in membership - not number of groups - since their formation. Table 11 shows those changes in membership.

Table 11: Evolution of membership (G Q15) (n=48)

Area	Control	COSALO I	COSALO 2	CRS	General
Membership at time of visit	29.7	30.9	25.4	22.1	26.4
Membership at group formation	20.3	25.9	21.9	19.6	21.7
Change in members (number)	9.4	5	3.5	2.5	4.7
Change in members (%)	46.3%	19.3%	16.0%	12.8%	21.7%

The groups in the control area have by far the largest growth, in both numbers of members gained, and in percentage growth. A likely explanation is that, since there are few trainers in the area who are looking for new client groups to train, the best option for people who want to be members of an SG is simply to join an existing one, rather than form a new one. Similarly, the lower growth of group size in the CRS area may reflect the organised trainers there who are quite disciplined in marketing their training services to potential new markets, and, as will be seen, have stronger incentives to form new groups than to add members to older groups.

However, the increased growth in the Control and COSALO I areas may also be due to the age of groups. Figure 21 (overleaf) shows that the COSALO I groups were typically formed between 2008 and 2011, while the year of greatest group formation for all the other areas was 2012.

Figure 22 (overleaf) shows the responses to the question, “How was your group formed?”. The COSALO II area has the highest percentage of *greenfield groups*, that is, SGs that did not already exist in some other form but were formed by a trainer for the purpose of becoming an SG.

²⁸ Ferguson, M. (2012) *SILC Innovations Brief 2: Agent Productivity in Fee-for-service Savings Groups*, Catholic Relief Services.

Figure 21: Year of group formation (HH Q5.1) (n=463)

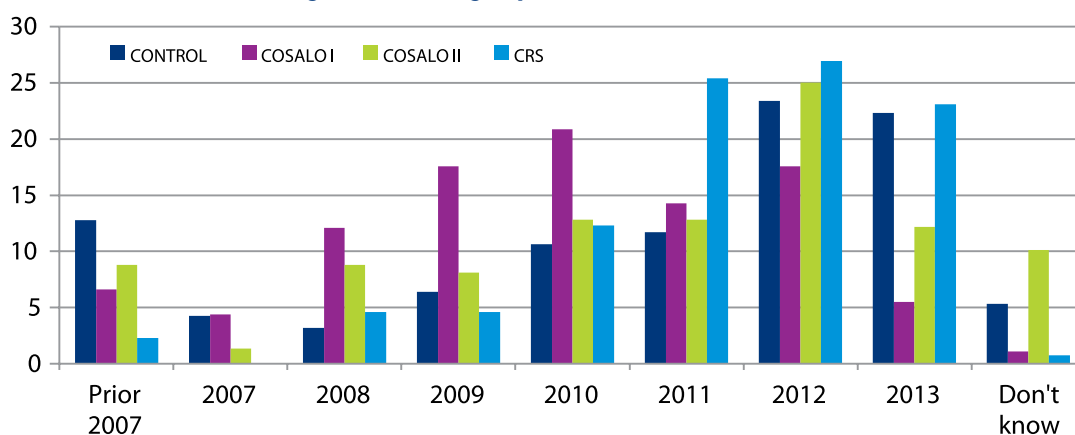
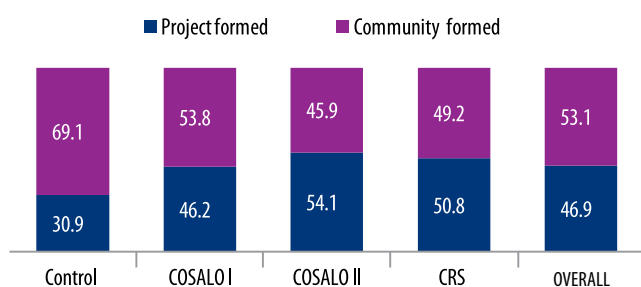


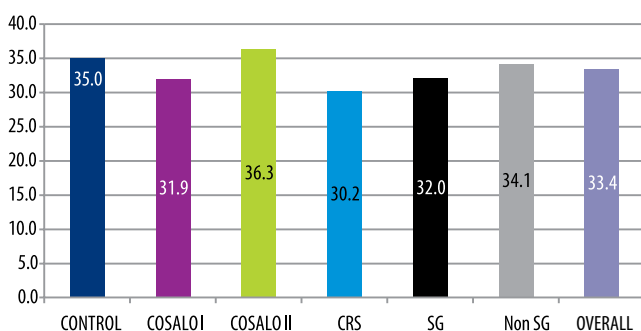
Figure 22: How groups were formed (HH Q6.1) (n=463)



3.2.2 Depth

The four areas were chosen to be as close as possible in the social and economic profile of the residents. Figure 23 shows how close the sample got to that ideal. Note that people in the CRS area are somewhat less likely to be below the national poverty line (set at USD1.7 per person per day), and the COSALO II area is the poorest.

Figure 23: Likelihood of being below the poverty line (HH Q2.1 - 2.10) (n=1370)



Differential mobile phone ownership suggests that there are differences in the depth of coverage, that is, the extent to which SGs are including the poorer people within the area. As indicated above, mobile phone ownership is a complex indicator of wealth, attitudes and social connectedness. There is some difference in levels of mobile phone ownership in the four areas, with the CRS area having the lowest differential, and the COSALO II area the highest. Table 12 shows the gap in phone ownership between members and non-members in each area. In every area, members are more likely than non-members to own phones. However, please recall that the rate of ownership may reflect SG finance of phone purchase rather than an indication that people with phones are more likely to join SGs.

Table 12: Differential mobile phone ownership (HH Q10.20) (n=1370)

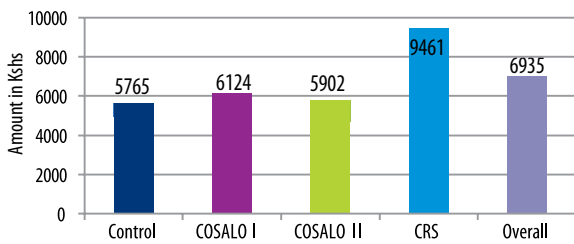
	Control	COSALO I	COSALO II	CRS	Average
SG members	92.6	93.4	86.5	83.1	88.1
Non-members	67.9	73.8	61	76.3	70.1
Differential	24.7	19.6	25.5	6.8	18

3.3 SERVICES AND MEMBER SATISFACTION

3.3.1 Savings

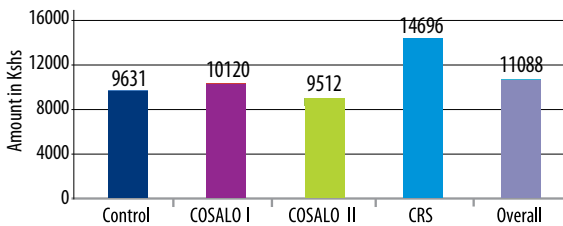
The question, “How much did you save in the most recent cycle” was asked only to members who had completed at least one cycle; responses did not vary among areas, except for those in the CRS area, who had saved substantially more than the others. Results are shown in Figure 24 (overleaf).

Figure 24: Total savings most recent cycle (HH Q7.13) (n=375)



The survey asked about the amount received in the most recent shareout, and the responses are shown in Figure 25.

Figure 25: Most recent shareout (HH Q7.12) (n=295)



The discrepancy between the greater savings in the CRS area, and the greater shareout in the COSALO I area, will be discussed later in this section.

Many or most SGs are taught to conduct *proportional shareouts* in which any group earnings are distributed to the members in proportion to the total amount of savings which each member has accumulated at the end of the cycle. However, proportional shareout is difficult for many groups to conduct without outside assistance, and *flat shareout*, in which all members share earnings equally, is much easier. The QDS encountered two other forms of shareout. In *interest-returned shareout*, a record is kept of how much each member has paid in interest during the cycle, and that amount is returned to the member at shareout. Finally, in *simple shareout*, the entire loan fund, including members' savings and interest earnings, is divided into equal shares and given to the members.

The study found that about a third of groups conducted shareout in a way other than proportional, as shown in Table 13. Please note, however, that if the group members all save the same amount at each meeting, then proportional, flat and simple shareout are all functionally the same: every member will receive the same amount at the shareout. The QDS did not enquire about same-amount savings, and it is not known how members in same-amount-Savings Groups interpreted this question.

One group reported that they want to do a simple shareout, and to do this they have a savings target to be reached by each member. Members must save at least KShs50 and no more than KShs150 each meeting, until they reach their target.

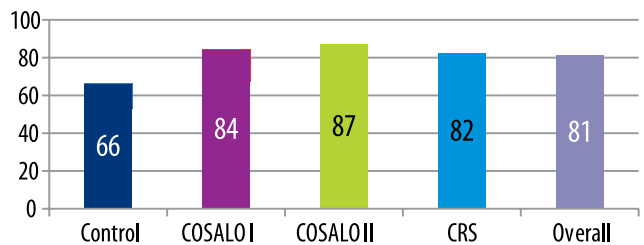
Table 13: Types of shareout practiced (%) (HH Q8.5) (n=290)

	Control	COSALO I	COSALO II	CRS	Overall
Proportional	69	64	78	76	69
Flat	13	17	14	12	13
Interest returned	10	6	3	8	10
Simple	3	2	1	1	3
Other	2	7	3	0	2
Don't know	3	4	1	3	3

3.3.2 Borrowing

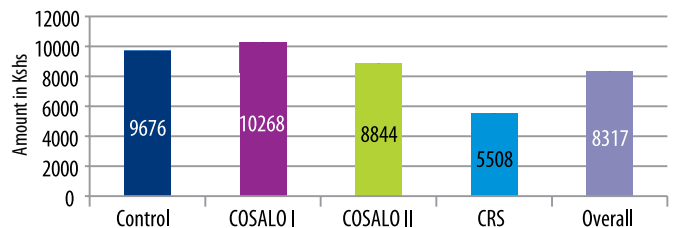
Interviewers asked members if they had ever borrowed from their group; there were similar answers for all areas, except for the control group where there was notably less borrowing. Figure 26 shows the results. It is not known why there is less borrowing in the control area.

Figure 26: Members who have ever borrowed from SG (%) (HH Q7.1) (n=463)



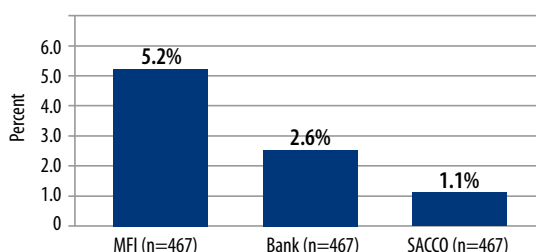
While the percentages of members who had borrowed were about the same in every project area, the amount borrowed differed significantly, as shown in Figure 27. Respondents in the COSALO I area had borrowed on average KShs10,268, nearly twice as much as those in the CRS area (KShs5,508).

Figure 27: Last loan amount borrowed (HH Q7.3) (n=374)



SG members were also asked if they had borrowed from any other source in the last twelve months. Figure 28 (overleaf) shows that overall, 8.9% of respondents had taken a loan somewhere else, most often from an MFI.

Figure 28: Borrowing from other financial institutions
(HH Q5.17 - 5.19)



3.3.3 Social fund

Members were asked first if their group had a social fund, and if so, if they had ever received money from it. Members were also asked if they had to pay back the money received from their social fund. Responses are shown in Table 14.

Table 14: Social fund prevalence and conditions by area (%)

	Control	COSALO I	COSALO II	CRS
% groups with social fund (HH Q5.25) (n=467)	53	60	90	75
% respondents who have received money from social fund (HH Q7.15) (n=467)	16	26	23	36
If received, did you need to pay it back? (HH Q7.19) (n=120)				
No, it was a gift	60	12	71	19
Yes, paid back without interest	33	71	26	75
Yes, paid back with interest	0	17	3	6
Other	7	0	0	0

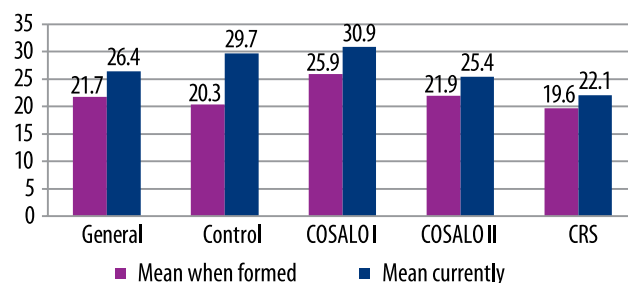
Social fund practices vary widely among areas, and reflect the recommendations of the associated INGO trainer. The COSALO II area had the highest proportion of groups with social funds, but more members had received money from the social fund in the CRS area.

3.3.4 Membership as an indicator of satisfaction

Dropouts are an inverse indicator of the value added, and suggest that for some members, there was not enough value in being an SG member to motivate them to make the sacrifices necessary to stay in the group. By the same reasoning, growth in membership is also an indicator of value: when members choose to join groups, it is because they perceive that there is something in it for them, and the decision to join a group is presumably usually made on the

basis of what they hear about the group from existing members. Figure 29 shows that for the sample as a whole, the average group had 21.7 members at the time of formation, and 26.4 members at the time of the study, an increase of almost five members, or 22%. Recall that the average group in the study was two and a half years old. Note that this increase is net of dropouts; that is, groups successfully replaced their dropouts and in addition added on average about five members.

Figure 29: Evolution of membership (HH Q 5.2 - 5.3) (n=463)

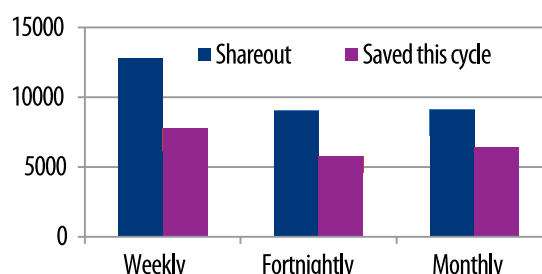


Other factors, primarily the presence of a trainer to help form new SGs will also influence membership growth. The absence of a trainer leaves potential members with little option but to join an existing group.

3.3.5 Meeting frequency, group size, meeting length

Most SG approaches recommend weekly meetings, although there are exceptions to this practice nearly everywhere. It is widely assumed that it is easier for members to save if they have an opportunity to do so more frequently, and that it is difficult for members to master group procedures if they only meet twelve times in their first year.

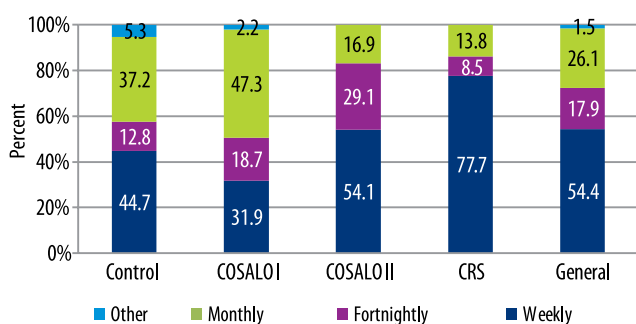
Figure 30: Correlation between meeting frequency and shareout and savings amounts (HH Q 5.4) (n=463)



We looked to see if there was a statistically significant correlation between meeting frequency, shareout amount, and savings amount. Figure 30 shows the result. The data showed no significant difference in savings or shareout between fortnightly and monthly meetings, but a large difference between weekly meetings and either of the other two. Weekly meetings strongly correlate with greater savings and shareouts.

The QDS asked members how often their groups meet, and the results are shown in Figure 31.

Figure 31: Meeting frequency by area (HH Q 5.4) (n=463)



About 78% of groups in the CRS area say they meet weekly, as against 54% in the entire sample, and only 32% in the COSALO I area.

The CARE groups tended to be substantially larger than the CRS groups, as seen in Figure 32. The average group in the CRS area had 18.5 female members and 3.8 males, or 22.3 members in all. For COSALO I, the figures were 26.1 males and 4.9 females, or 31 members, and in COSALO II, the average group had 22.3 females and 3.1 males, or 25.5 members.

SG meetings are largely made up of a series of financial transactions – social fund collections, savings, loan repayments and disbursements. Many factors can influence the length of meetings, including the efficiency and mastery of the bookkeeping system, and the presence or absence of problems. The QDS did not assess the influence of these factors. However, it is clear that group size is also and always a contributing factor. Regardless of efficiency, it takes longer to process the transactions of 30 people than of 20.

Figure 32: Average group size by area (G Q15) (n=100)

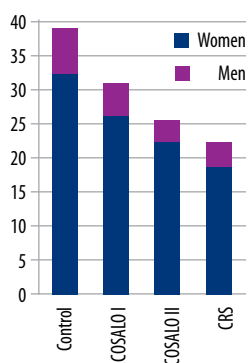
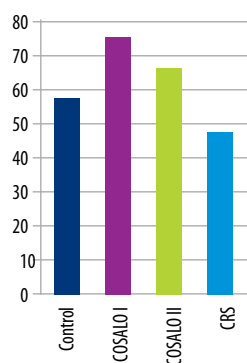


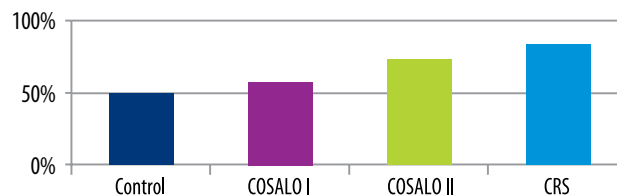
Figure 33: Average meeting length (minutes) (G Q18) (n=100)



In fact, meeting length varies very closely with membership, as seen in Figures 32 and 33. Note, however, that the control area is the exception, as there are substantially larger groups there but not correspondingly longer meetings.

We also compared attendance in the four areas and found that, for the project areas, attendance varies inversely with meeting length, as shown in Figure 34. The control area is again an anomaly; it has the lowest attendance, even though its meetings are far from the longest. Finally, the QDS allows us to compare meeting length and attendance. The CRS groups had both the highest attendance, and the shortest meetings. Length of meetings may be a factor influencing attendance, although it is unlikely to be a major contributing factor, as no respondents complained about meeting length.

Figure 34: Attendance by area (G Q16) (n=100)



3.3.6 Record keeping

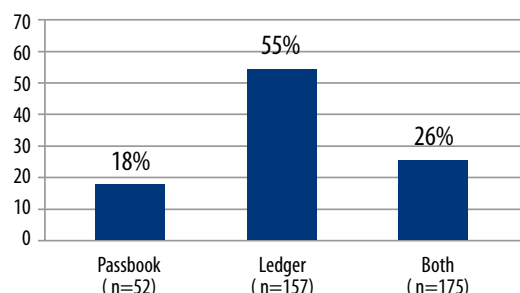
98% of groups had some written records and most SG record-keeping is done with either passbooks, ledgers, or both. Some INGOs recommend that groups use passbooks only, or ledgers only. In fact, a quarter of groups use both, as is shown in Table 15.

Table 15: Record keeping supports (HH Q 5.15) (n=463)

	Number	%
Passbook only	92	21%
Ledger only	244	54%
Both passbook and ledger	112	25%
Total	448	100%

Figure 35 shows that members in groups with ledgers only are much more likely to be satisfied with shareout than either those with passbooks only, or those with both passbooks and ledgers.

Figure 35: Satisfaction with how shareout was conducted (HH Q8.8 and Q5.15)



There are, of course, variations within these broad categories of bookkeeping methods. The field researchers reported after visiting one SG: "The group has three different books for keeping records. The secretary keeps the minutes while the treasurer keeps repayment records for the women enterprise fund. The organising secretary keeps the table banking [SG] records." The group went on to lament, "new financial services are complex and we don't understand them much."

3.3.7 Relations with trainer

During the FGDs, the interviewers asked the SG members if they had a trainer and if so, how often the trainer visited them. Results are shown in Figure 36. 'Other' in the figures below represents facilitating agencies operating in the study areas other than CARE and CRS. Note that between CARE and CRS the latter has a higher percentage of groups occasionally being visited by trainers, and a much lower percentage of groups which now receive no visits, showing that it has been relatively successful in meeting its objective of providing post-project support.

Figure 36: Trainer visits (G Q34)(n=100)

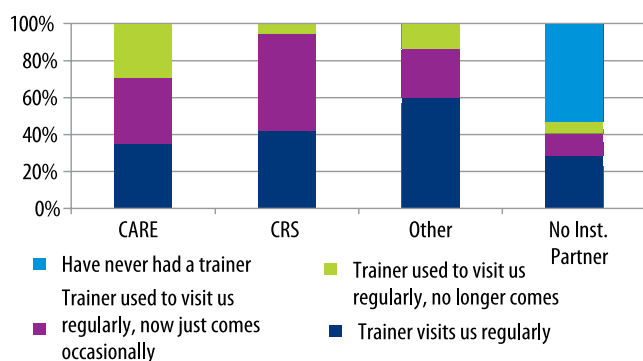
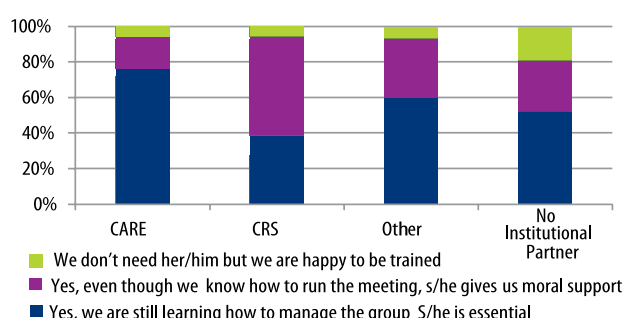


Figure 37 looks at groups' attitudes and practices with the trainers. Groups whose trainers were still visiting all said they were happy to have the trainer come, regardless of the institutional partner. However, the reasons given differed significantly by partner: CRS groups are more confident that they can run their meetings, but still want the moral support given by the trainer, while many of the CARE groups say they are still learning.

Figure 37: Continued need for trainer (G Q47)(n=72)



Groups were asked if they conduct their own shareout. Figure 38 shows that CARE groups are much more likely to say they conduct the shareout themselves, while almost no CRS groups say they do so. This may be due in part to the greater continued presence of CRS trainers; CARE groups are more likely to be on their own with no alternative to conducting their shareout by themselves; also, as will be seen below, CRS trainers are more likely to be paid for delivering specific services, while CARE trainers are more likely to receive a lump sum at the end of a cycle, and the CRS groups are likely more used to calling on the trainer when they feel they need assistance.

Figure 38: Shareout conducted by group or with assistance (G Q66) (n=100)

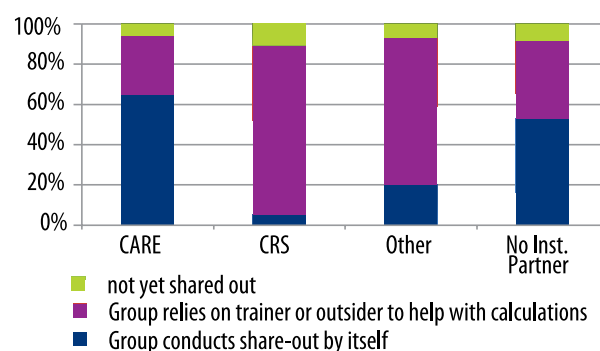
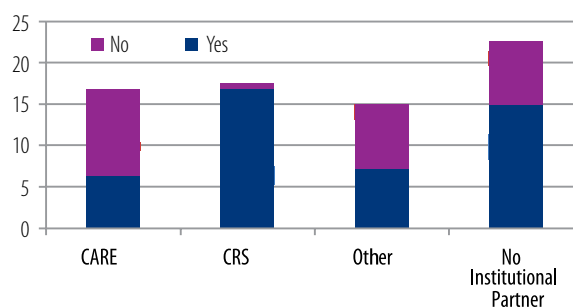


Figure 39 shows that CRS has been much more successful in getting their fee-for-service model accepted. Almost all the groups formed by CRS were paying their trainer, while only about half of the CARE groups and groups formed by other institutions were paying. Interestingly, more than half the groups with unaffiliated trainers, that is, having no institutional partner, were paying their trainer, suggesting that there is a growing industry of training SGs happening under the radar of the INGOs and donors.

Figure 39: Do groups pay their trainer (G Q49)(n=100)



There is some reported evidence²⁹ that groups that pay for training outperform groups which do not. The QDS checked to see what group quality variables statistically correlated with paying for training. It found (to a 90% confidence level) that members who pay for training are:

²⁹ Chapter 3: "Making it happen: Approaches to group formation", Paul Rippey and Hugh Allen, in Savings Groups at the Frontier, Candace Nelson editor. The SEEP Network, 2013.

- *much more likely* to say they need outside help;
- *more likely* to say they know how to find their savings balance; and
- *much less likely* to say they have been pressurised to take a loan.

Figure 40: Percentage of groups that say they occasionally need outside help to resolve problems (HH Q6.6 & 6.4) (n=463)

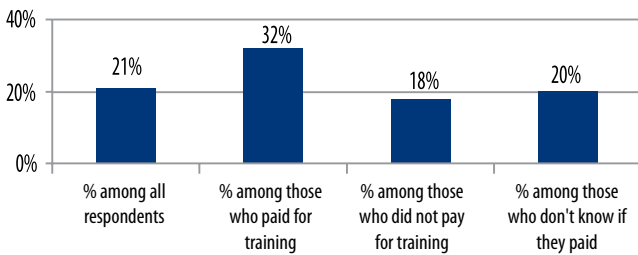


Figure 41: Percentage of members who say they know how to find their savings balance (HH Q8.26 & 6.4) (n=120)

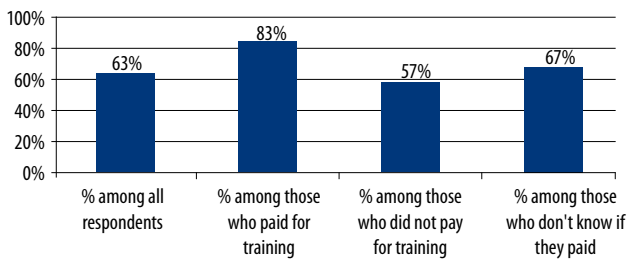
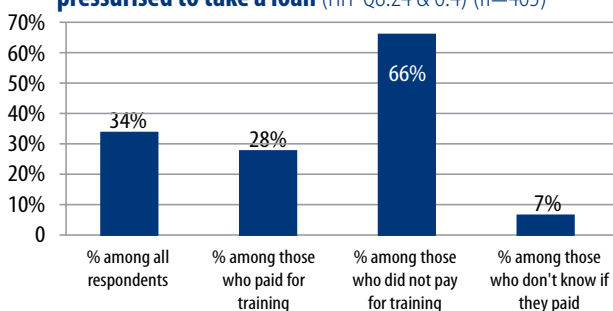


Figure 40 shows that members who pay for outside assistance are more likely to say that they occasionally need that assistance to solve problems. In groups without outside trainers, members are left to solve their problems by themselves, and in so doing, they learn new skills. Figure 41 suggests that fee-for-service groups have more transparent access to information than groups that depend on volunteer trainers. Similarly, Figure 42, shows that in the sample of fee-for-service groups members reported being less likely to feel pressure to take a loan. A possible reason for the last two correlations is that fee-for-service groups get more or better service from the trainer and as a result are better informed, and avoid the practice of pressuring members to take loans.

Figure 42: Percentage of members who say they were pressurised to take a loan (HH Q8.24 & 6.4) (n=463)



Finally, interviewers asked if the trainer ever makes any additional requests on group members for money or other services, outside of group meetings. The question was designed to ascertain if the fee-for-service relationships were getting entangled in other relationships. Six groups said yes, but four of the six were with independent non-affiliated trainers.

3.3.8 Integration of the SG with other activities

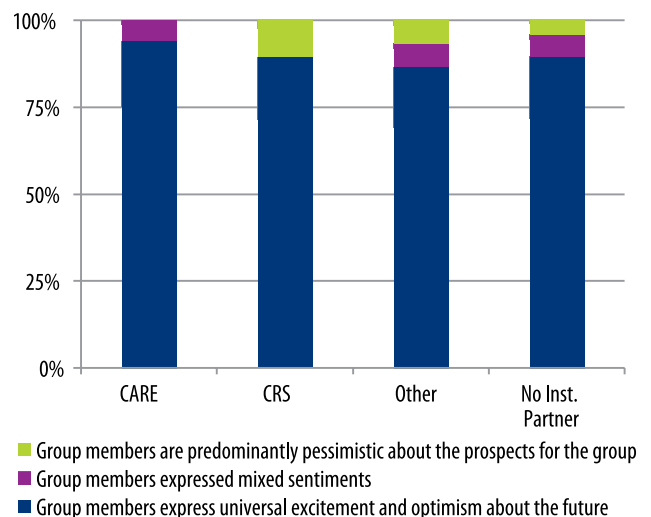
In addition to savings, credit, and a social fund, many groups carry out other activities. The QDS did not focus in detail on these other activities, but many respondents volunteered remarks about income-generating activities, or IGAs, run by the groups themselves, and other sorts of activities, in particular linkages with other programmes, and social activities both within and outside their group.

For instance, one CARE group insists that each member has at least five chickens, and they also support orphans outside their group by buying books for them. In another group, members agreed that after shareout, they would each contribute 20% of their share to group activities of poultry and dairy farming. Another group pointed out the risks of IGAs: they have a poultry project, but reported that “chicken feed is expensive” and most of their chickens had died of illness.

Some groups do catering, or fish farming, or rent out chairs and tents. Other groups have taken on social responsibilities including, in one case, buying sanitary pads for girls from poor families. No specific question was asked about lending outside the group, but four of the groups volunteered during the FGDs that they did so, in every case lending at a higher interest rate than for internal loans.

3.3.9 Optimism and satisfaction

Figure 43: Member optimism (G Q71) (n=100)



During the FGDs, SGs were asked, “With time, do you think your group is growing stronger, or are there threats to it?” The results are shown in Figure 43. The question of course is highly subjective. The answers show a generally high degree of satisfaction and optimism. In two out of the nineteen CRS groups, members predominantly expressed pessimism about the prospects for their groups, while in no CARE group was this the case. While most members appreciate their group, representative volunteered remarks about drawbacks to membership are shown in Table 16.

3.3.10 Pressure to borrow

SGs figure out – often independently of their trainer – that the shareout will be larger if all members borrow, and in some groups, members who save but do not borrow are considered free-riders, profiting from the members who borrow and pay high interest rates into the group funds. During the FGDs, groups were explicit about this policy; for instance, an interviewer reported after visiting one group, “the group has no box. All monies collected or paid back must again be lent out. Members were forced to borrow money in order to bring back with interest.”

However, while pressure to borrow sometimes comes from the group, it also appears to depend on the trainer and the project. Results from the QDS showed that there are significant differences between the areas in respect to pressure to borrow. Members were asked, “have you been required or pressurised to take a loan even though you didn’t need it?” The results, by area, are shown in Figure 44. Pressurised borrowing was about twice as common in the COSALO I area as in the CRS area.

Figure 44: Pressure to borrow (HH Q8.24) (n=463)

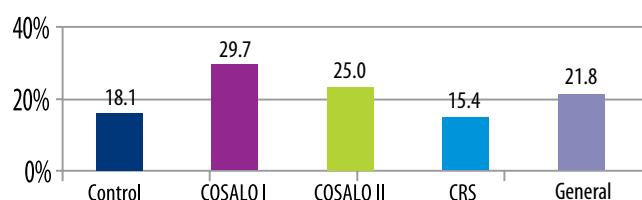
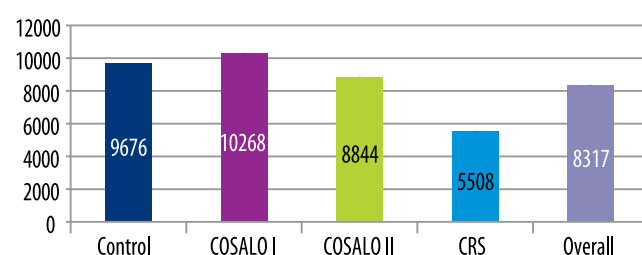


Figure 45: Last loan amount borrowed (HH Q7.3) (n=374)



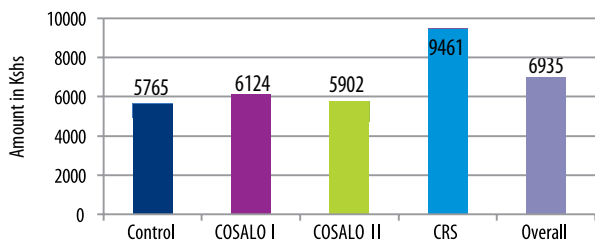
The relative pressure to borrow is mirrored by the amount actually borrowed, as shown in Figures 44 and 45. In the CRS area, where there is the least pressure to borrow, members borrow the least.

But just as members in the CRS area borrow less, they also save more. Members of groups that had completed at least one shareout were asked about their total savings in the most recent cycle (Figure 46). Members in the CRS area, on average, saved about 74% more than members in the COSALO II area.

Table 16: Biggest drawback of being in a savings group – other reasons (by project area)

Project Area	Drawback	Mentions
CONTROL	members of the group are forced to pay debts of any member who fails to pay the loan fully	1
	refund of shares difficult when one wants to exit	1
COSALO I	members not paying back their loans on time	7
	some member are too political	1
	some members don't take loans to generate interest	1
	sometimes members fail to attend meeting and exchange ideas	1
COSALO II	sometimes the money to pay back after taking loans is stressful	2
CRS	paying back the money	2
	Lack of trainer to monitor us	2
	people don't agree to pay fines	1

Figure 46: Amounts saved in the last cycle (for members in groups that had shared out at least once) (HH Q7.13) (n=375)



Below, it will be shown how trainer incentives might affect the relative orientation to save or borrow in CRS and CARE groups. This might happen through suggestions or urging by the trainer to save or borrow; but recall that the frequency of meetings correlates with the amount of savings and the amount of the shareout (more frequent meetings offer members more opportunities to save). Savings were strongly higher in the CRS area, where there is a higher percentage of weekly meetings. It appears that CARE trainers steer their groups disproportionately towards monthly meetings (Figure 31).

It is unlikely that the shorter duration of the CRS meetings is due to any single factor. Besides membership size, other factors that can contribute to meeting length are:

- **Separation of savings and lending.** Some groups only carry out lending and repayment once a month, while they meet for savings weekly. This practice means that three out of four meetings can be quite short, which would shorten the average meeting length.
- **Maturity and rigour.** Some groups may still be learning procedures and others may be willing to cut administrative corners to speed up meetings.
- **Problems.** Groups which are grappling with repayment issues or other problems are likely to require longer meetings to resolve the problems.
- **Other activities.** Some groups may reserve time for discussions unrelated to financial activities, including social issues or the management of IGAs.
- **Not all groups require attendance.** One group said specifically, "Most of the members do not come to the meetings but send apologies along with the amount to be saved. This is our norm and there are no penalties for this."

Nonetheless, the shorter meetings of CRS are presumably linked also to group size, since processing a greater number of transactions inevitably takes longer.

3.4 CONSUMER PROTECTION

3.4.1 Loss of savings

As stated elsewhere in this report, 5.4% of members stated they had "lost money" in their groups. Also recall that the QDS interviewer team said they believe that members only say they have lost money when they receive less at shareout than they saved; they do not consider themselves to have lost money if they fail to get all the interest due to them. Table 17 shows how members reported this occurrence.

Table 17: Distribution of members who said they had lost money (HH Q8.19) (n=130)

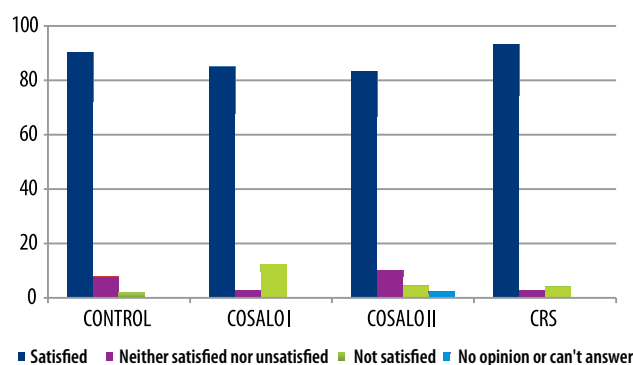
Area	Control	COSALO I	COSALO II	CRS
Number who said they lost money	10	7	5	1
Sample size	94	91	148	130
% of sample who said they had lost money	10.6%	7.7%	3.4%	0.8%

The large difference in outcomes suggests some inherent safety of saving in groups in the CRS area and that in general, the presence of a trainer adds value to the group. It should also be remembered that the control and COSALO area groups are substantially older than the COSALO II and CRS groups, which may influence the outcomes.

3.4.2 Variation in the satisfaction and knowledge of members

Members were asked how satisfied they were with the way shareout was calculated (see Figure 47).

Figure 47: How satisfied were you with the way shareout was calculated? (HH Q8.8) (n=290)



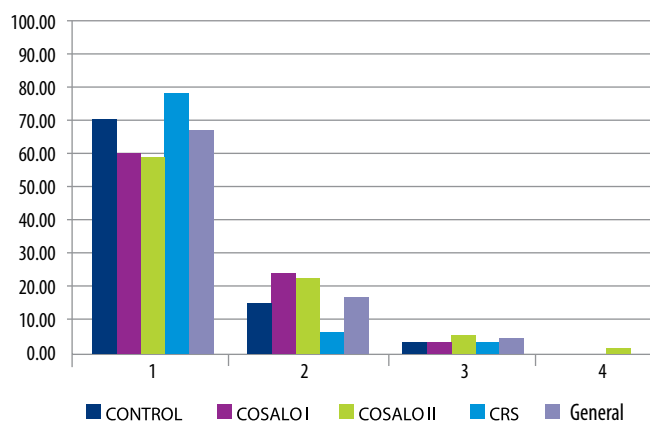
While groups in all areas were generally satisfied, results varied from a high of 93% satisfied in the CRS area to a low of 83% in the COSALO II area.

Interestingly, the control area groups were not outliers in this case, but fell between the two extremes of COSALO II and CRS.

3.4.3 Multiple memberships, over-indebtedness, and systemic risk

There is anecdotal evidence that SG members in Kenya are joining multiple groups, and taking multiple loans, sometimes borrowing from one group to pay back a loan in another.

Figure 48: Prevalence of multiple memberships, by area
(HH KISH grid pg 5) (n=463)



As noted, multiple memberships are common, and while they may be benign, they may also lead to systemic risk if members borrow from one group to pay back debts to another. Figure 48 shows that multiple memberships are highest in the COSALO areas, and lower in the CRS and control areas. Respondents were asked why they had joined multiple groups. Figure 49 shows that the reasons for joining multiple groups do not vary significantly among areas.

The study also asked respondents if, in the last twelve months, they had borrowed from multiple groups. Overall, slightly less than a tenth (9.7%) said that they had. Answers differed strongly by area, from a high of 17.6% of respondents in the COSALO I zone to 3.8% in the CRS zone. Given the greater amount of pressurised borrowing in the COSALO I area, this raises a warning flag that members may be in repayment difficulty and must continue borrowing to meet obligations.

3.5 DIFFERENT CHANNELS, DIFFERENT OUTCOMES

The QDS is a rare opportunity to compare the formation of SGs by two major INGOs in areas that are similar enough culturally and economically that it is very likely that differences in outcomes are the result of the management and design of the projects rather than any differences in the environment. Indeed, one of the primary objectives of the QDS was to compare the performance of CARE and CRS.

Several of the outcomes suggest strongly that there are fairly fundamental differences in the SGs formed by the two INGOs. Table 18 summarises the similarities and differences between the two approaches.

Figure 49: Reasons for joining multiple groups (HH Q7.38) (n=561)

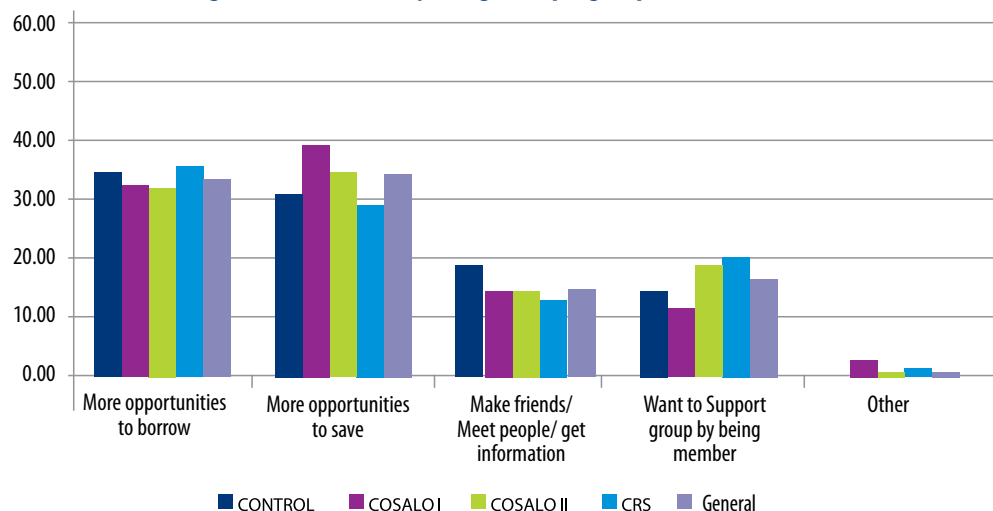


Table 18: Different practices between CARE and CRS that might lead to different outcomes

	CARE	CRS
Management	These two large international organisations have distinct corporate cultures, management practices and priorities, and key personnel that inevitably influence the outcomes in the field in various ways.	
Group procedures	Trainers are given considerable flexibility in what procedures they teach to groups. CARE trainers tend to recommend passbooks alone for record-keeping, though many groups choose to add ledgers. A social fund is optional. Same-amount savings and flat distribution are practised by some groups. Clusters of SGs are encouraged by trainers and are common. Monthly and fortnightly meetings are common.	In principle, all CRS groups follow standardised procedures. Record keeping relies on both individual member passbooks, and centralised ledgers. All groups are expected to have social funds, and members are encouraged to borrow from the social fund as well as from the loan fund. Clusters, same-amount savings, and flat distribution are all discouraged. Weekly meetings are the norm.
Trainer selection, incentives and orientation	In COSALO II, during the first year, trainers are paid a stipend based on the number of members they train. In addition, CARE instituted a practice that trainers would be paid three per-cent of a group's profit at the time of shareout. Incentives and encouragement were oriented towards productivity, or training the largest possible number of members. CARE selects trainers that it believes will respond well to this incentive structure, and encourages productivity. Trainers are urged to stay in the area and continue to form and support groups, and some take on assistants; this process has not been formalised.	PSPs negotiate a payment method with each group, which is frequently based on the number of meetings the trainer attends. CRS selects staff who it believes will see training as a long-term occupation and the orientation of new staff reinforces this conception of the role, and incentives are more generally aligned to satisfying the needs and desires of group members as a means to assuring program expansion, and continued good relations with SGs, which are seen as a possible future market for other products and services. Trainers are assisted to organise themselves into self-governing networks of about 30 people; the networks have written constitutions and codes of conduct, and expand by a formal process of choosing apprentices and then certifying successful ones as new trainers.
Trainer selection, incentives and orientation	In COSALO I, the trainers were initially paid a stipend for each member trained, and the concept of fee-for-service was introduced near the end of the project. The COSALO II trainers were also paid a stipend for a year – smaller than that received by the COSALO I trainers – but the concept of fee-for-service was clearly announced at the very beginning of the project. In CARE's system, groups are only expected to pay the trainer after the first shareout.	In the CRS system, trainers are only expected to visit groups weekly during the first cycle, and to be paid on an as-needed basis in higher cycles; however, in practice, many trainers persuade groups to buy their services in subsequent cycles, and in some cases are aided by colleague trainers who visit higher-cycle SGs as a group to sell additional training.

The following section summarises the principal differences among the areas, taken from the preceding sections.

3.5.1 Control area groups

The groups in the control area fell short of the project area groups in a number of metrics.

Outreach. The control area had the least saturation, although unexpectedly 23% of households sampled had at least one SG member. Predictably, the area had by far the highest percentage of community-formed groups, although it did have significant contamination by project-formed groups; members were able to cite seven institutional partners that had formed groups in the area, although the greatest number of groups by far said they had no partner.

Membership. The control area has the largest groups and those groups have had the greatest increase in membership since they were formed, both in absolute numbers and in percentage. They have the fewest group members reporting dropouts, however, they also had the lowest observed attendance. This suggests that membership rules are looser, the groups are easier to join, and members are less likely to be expelled – certainly not for non-attendance. They were a close second to COSALO II in one exclusion indicator, differential mobile phone ownership.

Financial services. A substantially smaller percentage of members had ever borrowed in the control area groups, although the average amount borrowed was second highest; in other words, fewer members are borrowing more. The control area groups were the least likely to have social funds and their members were the least likely to have ever received money from the social fund. They had the smallest shareouts of any area, although they did not have the smallest savings.

Consumer protection. The Control Area had the highest percentage of members – one in nine – who said that they had lost money in their groups.

The state of the SGs in the control area relative to those in the project areas provides evidence that the donor-funded projects are contributing not only to outreach, but to group quality. The control area has large groups with poor attendance, that save less, lend to fewer members, have the smallest shareouts (though not the smallest savings) and members are most likely to say they have lost money in their group.

The three project areas – COSALO I, COSALO II, and CRS – also showed substantial and interesting differences among them. For a number of crucial indicators, the two COSALO areas differ substantially from the CRS area. Not all the factors leading to these differences are known, section 3.5.5 suggests a plausible causal chain that might account for at least some of the differences.

3.5.2 COSALO I area groups

The two COSALO projects were intended to test new approaches to reducing the cost of training SG members, an orientation that was adopted with the full participation of the donor, FSD Kenya. At this, they clearly succeeded, and the two COSALOs produced SGs at a cost per member that is possibly the lowest ever achieved in a large project. Not surprisingly, the two COSALO's SGs perform less well than those of the more expensive CRS, and they fell short of CRS in leaving in place structures which promise continued expansion and support to groups.

The COSALO I area groups have by far the highest percentage of members with loans from multiple SGs – over four times the number in CRS groups. The COSALO I area also had the highest number of members who said they had felt pressure to borrow, almost twice that of the CRS area.³⁰

Except for the control area, the COSALO I area groups are the largest, with 31 members on average, compared to 22 in the CRS area. The meetings in the COSALO I area were also the longest of any groups visited, and the area had the greatest percentage of monthly meetings. Lengthy meetings are likely linked to both larger groups and the preponderance of monthly meetings, which tend to take longer than weekly meetings because both savings and loan transactions take place at every meeting; when there are weekly meetings, loans and repayments often only take place at every fourth meeting.

Attendance in the COSALO I area was essentially the same as in the control area, with about half of the members present.

CARE groups – COSALOs I and II combined – were much less likely to pay their trainer than CRS groups, and more likely to report that they were still learning how to manage the group, even though they were more likely to say that almost all members understand CARE's simple bookkeeping system, and much more likely to say that they could conduct shareout by themselves.

3.5.3 COSALO II area groups

The study found the highest saturation in the COSALO II area and the highest percentage of trainer-formed groups. The overwhelming majority of groups had a social fund, and had the highest percentage of members who reported having borrowed or benefited from the fund.

COSALO II had the highest differential mobile phone ownership and the largest shareouts, but for most indicators (including amount saved), COSALO II was neither the highest nor the lowest, but usually somewhere between COSALO I and CRS. In some consumer protection areas, including pressurised

³⁰ This finding is also reflected in a qualitative study of the impacts of Savings Groups in the COSALO I area. http://www.fsdkenya.org/pdf_documents/13-05-30_SG_meso_level_impact_study_summary.

borrowing and multiple memberships, COSALO II is much closer to COSALO I than to CRS, consistent with their common heritage.

3.5.4 CRS area groups

The CRS area has by far the least differential mobile phone ownership. Its groups save by far the most, although the amount shared out is not exceptional. The CRS area groups have added the fewest members, and are the smallest of any of the four areas; perhaps as a direct result, they have the shortest meetings. They are also the most likely to meet weekly. The CRS area also had the lowest absentee rate, about half that of the control and COSALO areas.

The CRS area groups have by far the lowest percentage of loans from multiple groups, less than a quarter of the percentage in the COSALO I area, and half that of COSALO II.

The CRS area stands out from the COSALO areas as being much more oriented to savings than to credit; groups in the CRS area have the most savings, and the least money borrowed.

CRS groups were much more likely to say they paid their trainer, more likely to say that only one or two people understood bookkeeping, and much more likely to say they needed help conducting shareout.

3.5.5 How incentives could influence practices

Both CARE and CRS allow their trainers to negotiate payment fees and schedules with the SGs they train, and both report a certain number of groups that refuse to pay and are nonetheless trained. However, there are fundamental differences in the most common payment arrangements: CARE's financial incentives for their trainers are initially based on the number of group members recruited and trained, and the recommended practice is that they also be paid a percentage of the group's profit at shareout. CRS trainers are usually paid a fixed amount from the assisted groups, and are paid at intervals during the year.

This simple difference may lead to big differences in outcomes. As has been seen, trainers have complex motivations, and profit maximisation is usually not their principal driver. However, earning money certainly is among the motivations, and they appear to guide their groups to adopt practices that make their work easier and more profitable.

CARE trainers increase their earnings per training session by training more members and by having groups whose members charge as much interest on loans as possible (since the trainers' payment is based on group profit³¹, or more correctly, on interest paid by the group on loans they take). They also have a disincentive to direct their groups to meet weekly, since weekly meetings require more trainer visits than monthly meetings. Nor do they have an incentive to discourage pressurised borrowing; in fact, their incentives would lead them to encourage it, to make sure all funds are lent out. Finally, they have no particular incentive to discourage multiple memberships or multiple borrowing, even if that leads to kiting loans among multiple groups; such practices increase the amount of interest paid by members to the groups, and negative results would be likely to occur in higher cycles.

On the other hand, CRS trainers could increase their earnings by having groups meet weekly, as they are often paid per visit. However, their incentives allow them to be relatively indifferent to the amount of borrowing; they would be most motivated by having happy members in tranquil groups, and they could best assure that their groups are happy and tranquil by putting the emphasis on saving rather than borrowing, since stress and problems are much more likely to come from debt than savings.

Both CRS and CARE managed to achieve their objectives: CARE produced extremely low cost per member, and CRS did a good job of institutionalizing post-project support. The QDS went a long way in understanding the outcomes of the two approaches, and yet it is still difficult to say definitively that one approach is better than the other, without knowing both the residual value of the structures that CRS has put in place, and without evaluating the difference in consumer protection between the two approaches. That is, it is not yet known how well the CRS trainer networks will continue to perform; if they continue to form and train large numbers of new quality groups, then the cost differential may be justified. And it is not known what will happen to the COSALO groups, as they go forward with low attendance, pressurized borrowing, infrequent meetings, and in many cases no trainer support. The QDS pointed at the indicators to watch, to allow us to gain a deeper understanding of the quality of delivery.

³¹ The use of terms like profit and return on investment to describe the increase in group funds above that saved directly is common, but misleading. Some SGs in Tanzania apparently refer to the interest they pay on loans as "the other savings"; members choose to borrow their own and other members' savings at very high interest rates, and in many cases to pressure other members to do so also, simply to build the loan fund.

ANNEX

RESEARCH METHODOLOGY

The sample was spread across 120 sub-locations which were categorised as 1) CARE/COSALO I; 2) CARE/COSALO II; 3) CRS/SILC; and 4) Control. Sampling was focused in the relatively comparable areas of Western Kenya where both projects were active. The sampled areas excluded project areas of Marsabit (CARE) and Malindi (CRS) because they were both smaller project areas and quite different from Western Kenya. Both CARE and CRS are active in Luo Nyanza. Apart from Luo Nyanza, CARE is also active in Vihiga and Nyamira whereas CRS is also active around Eldoret. The agricultural highland areas were sufficiently similar to each other to warrant being included in the study.

CARE and CRS provided a list of all sub-locations in which their projects are active. The lists provided by the two implementing organisations had little relationship to “sub-locations” as identified in the 2009 census. Over half the groups that were in project areas did not match with census sub-locations. Only matched sub-locations were included in the survey sample. This was a reasonable choice given that the projects are densely implemented in the counties sampled. The identified project sub-locations were over 80% of all sub-locations in Vihiga and Nyamira counties and more than 50% in Nyando, Bondo and Rachuonyo districts (now part of Siaya and Homa Bay counties). CRS’s Eldoret region was less dense and was spread over the counties of Nandi, Uasin Gishu and Elgeyo Marakwet. All the unique identified sub-locations were listed for each project area and a sample drawn randomly from that list.

PROJECT AREAS SAMPLE

In choosing the sample areas, the research team aimed to identify regions that were as comparable as feasible, but which had had different types of SG project implementation. We chose only regions in Western and Nyanza provinces, thus excluding CRS’s Malindi region (coastal Kenya) and CARE’s Marsabit region (northern Kenya) as being regions that had special characteristics not matched by projects of the other facilitating agency. Because CARE had implemented the COSALO project in two phases, with somewhat different methodology (notably, that in COSALO II fee-for-service model was planned for trainers from the beginning), we chose two separate regions for the CARE sample.

The sample was drawn from the following counties:

- COSALO I (187 unique sub-locations) from Homa Bay county, Nyamira county and Vihiga county;
- COSALO II (130 unique sub-locations) from Siaya county and Kisumu county;
- CRS (93 unique sub-locations) from Elgeyo Marakwet county, Uasin Gishu county, Nandi county and Homa Bay county.

30 sub-locations were randomly drawn from the COSALO I areas in Homa Bay, Nyamira, Vihiga counties; 30 sub-locations were randomly drawn

from COSALO II areas in Siaya and Kisumu counties; 30 sub-locations were randomly drawn from CRS areas in Elgeyo–Marakwet, Uasin–Gishu, Nandi and Homabay counties; and finally, 30 sub-locations were randomly drawn from Migori, Busia, Bungoma, Kericho, Kisii and Kakamega as the control areas.

The sample was not weighted, to account for higher or lower numbers of groups indicated in that sub-location. There were two reasons:

- the quality of data about the actual number of groups in any given sub-location was not reliable; and
- given that part of the intention of the survey was to determine the density of groups in sub-locations, weighting was not indicated.

In other words, all the unique identified sub-locations were listed for each project area and a sample drawn randomly from that list.

CONTROL AREAS SAMPLE

Purpose of the control sample

The control area study was intended to give an indication of the level of participation in SGs in the absence of project activity, and the quality of those SGs.

Given that it was very difficult to identify sub-locations within the project counties which could be known with certainty not to be participating in project activities, the control sample was drawn from adjacent counties. This was a particular challenge in Luo Nyanza where the projects had covered all rural areas to a significant degree in the counties of Homa Bay, Kisumu and Siaya.

Because approximately half the project groups were in Luo Nyanza, and whereas the other half were in the highlands areas, we decided to select the control counties as follows:

- 15 from Migori and Busia counties (especially Samia and Bunyala districts which are to the south and perhaps more geographically similar to Luo Nyanza than the rest of Busia county); and
- 15 from Bungoma, Kericho and Kisii.

HOUSEHOLD TOOL

Within each sub-location, a list of the villages was developed based on information gathered from local administration by the supervisor. Only one village was selected from each sub-location; this was done by listing the villages in a kish grid and randomly selecting one.

With the name of the village, the supervisor worked with a resident to draw a sketch map of the village and list fixed landmarks within its boundaries,

including schools, churches, and junctions. The supervisor then randomly selected two landmarks at different sections of the village. These landmarks were the starting points and using two increased the probability of having households that belong to different SGs. The household closest to the landmark qualified as the first contact household where an interview could be carried out. Where the household yielded an interview the interviewer skipped four households to the left calling on the fifth household. If a household failed to yield an interview then the immediate next household on the left qualified for an interview.

The household questionnaire had three main sections: (i) screener with PPI; (ii) main questionnaire; and (iii) access strand. The first and the third section was administered in all households and could be answered by any person aged 16 years and above – though the focus was on the person most knowledgeable about the household, who was mainly the head or spouse. Once the PPI was done, introduction of SGs was to a household member who is most likely to recognise SGs. SGs were defined as groups where members save and borrow money and the group shares out all monies at the end of a cycle.

All household members who belong to SGs were listed in the kish grid starting from the oldest to the youngest; one person was then randomly selected. Where the selected interviewee was not available for the interview, up to two call backs were made to the household within 48 hours. If, however, they were still unavailable then another household member (who is a member of SGs and already included in the kish grid) was randomly selected.

Table 19: Summary of households interviewed

Household contacts	Frequency	Percentage
Interview completed	1,370	79%
Household head under 16 years of age	33	2%
No household member at home	95	6%
Household refused or selected respondent refused	77	4%
No competent respondent at home at time of visit	97	6%
Entire household absent for extended period of time	28	2%
Selected person physically/mentally not fit/drunken/sick	13	1%
Respondent unavailable after two call backs	12	1%
Other	12	1%
Total	1,737	100%

To proceed with the main interview, the selected respondent listed all the groups they belong to and then one SG was randomly selected using the kish grid and all other questions focused on that one selected SG. After the interview (screener or full interview), four households were skipped before targeting the fifth household.

Overall, there were 1,370 completed questionnaires out of a contact of 1737, a success rate of 79%. Of the 1,370 completed interviews 463 were with SG members (see summary in Table 19 above).

For households with SGs it took, on average, 75 minutes to complete the questionnaire, while those with no SG did the PPI and the access strand in 10 minutes.

GROUP QUESTIONNAIRES

In each of the four regions, SGs identified by the households were followed up for group interviews. With a target of 30 per region, groups were selected based on their willingness to participate (the group member identified in the household interviews sought permission from other members) and the date of the next meeting (within the survey period). Interviewers for this tool were experienced in qualitative field work. The tool was predominately structured, with provisions for taking detailed notes; each session took around 1 hour.

Some of the groups were extremely large, with over 40 people, and therefore 15 members had to be randomly selected for the group interviews. Overall, 100 groups were completed out of a target of 120; 3 groups refused to participate owing to insecurity, while the remaining 17 either repeatedly changed dates or were meeting too far outside the survey period.

Table 20: Summary of SG group interviews

Region	COSALO I	COSALO II	Control	CRS	Total
Western	2	-	12	-	14
Kisii/Nyamira	10	-	5	-	15
Kisumu/Siaya	-	28	-	2	30
Homa Bay/Migori	5	-	4	7	16
R Valley	-	-	4	21	25
Total	24	28	25	30	100
Target	30	30	30	30	120
% achieved	80%	93%	83%	100%	83%

TRAINER INTERVIEWS

For each group selected for a focus group discussion, the group's trainer (if any) was interviewed. This was the person identified during the group interviews as the one person who played a principal role in helping the group master procedures. If the same trainer was mentioned in several groups, she or he was interviewed only once. The tool was fairly structured with notes taken where necessary, and again, researchers with qualitative skills and experience conducted the interviews. Of the 100 groups interviewed, 73 of them indicated they had a trainer, however some were shared trainers or the trainers were unavailable for interviews and only 48 trainer interviews were completed.

Table 21: Summary of trainers' interviews

Region	COSALO I	COSALO II	Control	CRS	Total
Western	1	-	2	-	3
Kisii/Nyamira	4	-	1	-	5
Kisumu/Siaya	-	16	-	2	18
Homa Bay/Migori	2	-	4	5	11
R Valley	-	-	3	8	11
Total	7	16	10	15	48
Target	20	20	10	20	70
% achieved	35%	80%	100%	75%	69%

ADVISOR INTERVIEWS

In cases where the group identified that they had received assistance from an outsider in resolving disputes, or for reasons other than simply training in procedures, this person was to be interviewed. Only one interviewee was interviewed in this category; most groups indicated that they resolve their issues internally or with the help of the trainer.

DATA MANAGEMENT

Data from the PDA units was transferred to SPSS for cleaning and analysis. For the paper group and trainer questionnaires data was captured manually using the Epidata double entry programme. The verbatim from the group and trainer questionnaires were keyed into an excel sheet. Once the data had been checked, preliminary tables across major breakout were submitted together with the data. The deliverables were therefore data in SPSS, Excel tables and open-ended question answers recorded in Excel.

Questionnaires used for the study can be found at the FSD website under http://www.fsdkenya.org/pdf_documents/15-01-28_QDS_Questionnaires.zip

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