

# *MicroSave-Africa - A CGAP/UNDP/DFID Initiative*

*“Promoting Secure, High-Quality Savings Services for Poor People”*



## **Savings Mobilization**

### ***The MicroSave Africa***

### ***Experience***

***Leonard K. Mutesasira***

# *MicroSave-Africa*

*A UNDP/DFID Initiative*

*“Promoting Secure, High-Quality Savings Services for Poor People”*

## ■ ***ABOUT MICROSAVE***

### ■ ***Goal***

- | To promote secure, high-quality financial services for poor people.

### ■ ***Purpose***

- | To build the capacity of MFIs seeking to provide secure, high-quality financial services for poor people

# *MicroSave-Africa*

*A UNDP/DFID Initiative*

*“Promoting Secure, High-Quality Savings Services for Poor People”*

## *The MicroSave Approach*

- *A: Study Program – research papers*
- *B: Curriculum Development and Training*
- *C: Action Research Program with 5 partners  
(KPOSB – 2 million clients, TPB, Kilimanjaro  
Coop, K-Rep (FSA), 2 CBO-MFI*
- *D: Dissemination of lessons to the Microfinance  
Sector*

# Lessons Learnt Savings Behavior?

- ◆ The poor can and do save in the following ways
- ◆ Informal Sector - RoSCAs, ASCAs, Deposit Collectors, in-kind, etc (e.g. 99% use in Uganda, avar. US\$132 – RI Study)
- ◆ Semi-formal sector - SACCOs, Financial Service Associations etc (e.g. 18%, US\$130, in Uganda – RI Study)
- ◆ Formal Sector - Banks, Insurance companies, leasing companies, non-bank financial institutions etc (25%, US\$386, in Uganda – RI Study)

# Why do the poor mainly save in the informal sector?

## ◆ Strengths

- ◆ Easy to organize
- ◆ Many offer discipline
- ◆ Take small deposits
- ◆ Not restricted to micro-enterprise lending
- ◆ Some offer savers very high returns (10% per week)
- ◆ Door step services (Susu)
- ◆ mixes well with social activities

## ■ Weakness

- rarely raise large sums
- Most are inflexible
- Most are high risk and report high losses
- deposit discipline excludes the very poor
- Cost as high as 3% for deposits (Susu Collectors)

# Why the Poor Do Not Use Formal Banks

- Tend to have intimidating structure
- Complicated forms and language
- Inconvenient operating hours
- High account opening balances
- Lack of references
- Do not take small deposits like Susu's
- Tend to locate far from the poor

# What is important in Developing Appropriate Micro Financial Services

- Researching and pilot testing to responding to the wide range of client needs and expectation. The poor save in order to finance

- Life-cycle events - weddings, rites of passage, housing, education etc

- Emergencies - healthcare, funeral

- Opportunities - start a business, unusual purchases etc

- Consumption Smoothing

Note: Avoid blind replications

# Developing Appropriate Financial Services for the Poor

- Appreciate the systems and processes that suit the poor's needs. Services should be offered
  - In as *many ways* as possible (savings, loans and risk pooling)
  - Over as *many different terms* as possible (varying from short term for quick needs, to very long term,
  - To respond to the various needs)
  - In ways that are *convenient, quick, appropriate, flexible* and *affordable*

# Developing Appropriate Financial Services for the Poor

- Avoid blind replications: Failure to understand the local culture, practices, systems and processes leads to disastrous replication of relatively successful models “without a grasp of the substance that animates and sustains them”  
-Dale Adams, Von Pische
- Market research is a strategic imperative for designing appropriate financial services
- There is a need to adopt/mimick whatever attractive features can be adopted from the informal sector

# Developing Appropriate Financial Services for the Poor

- | *ONLY strong sustainable institutions with strong financial position, strong governance structures and technical skills should get into Savings*

# Examples of Products Being Pilot Tested In East Africa

- SAYE Account with Tanzania Postal Bank – contractual savings account 6-12-24 months
- BIDII Account – speed account with KPOSB
- Fixed Deposits in Village Bank – put on hold coz institution had weaknesses