

FSD Updates

RESULTS OF A STUDY OF POST-PROJECT REPLICATION OF GROUPS IN COSALO

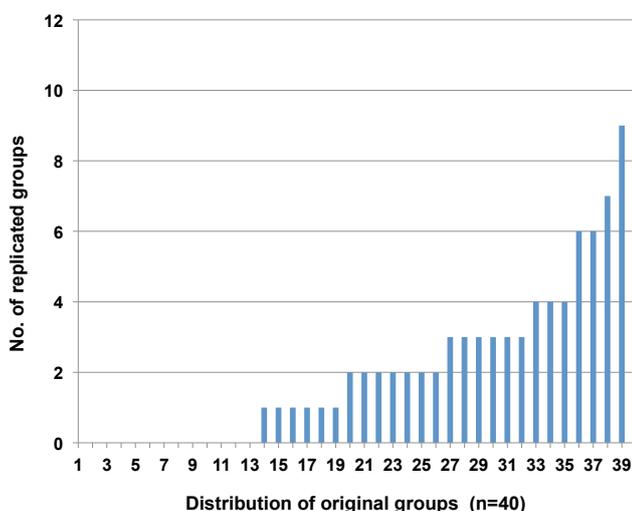
In September 2011, FSD Kenya conducted a short study of savings groups created under the Community Savings and Loans (COSALO I) project, funded by FSD and implemented by CARE International in Kenya. 54 groups were representatively selected from about 2,500 groups created in Nyamira and Rachuonyo regions by franchisees and faith-based organizations. The purpose of the study was to identify whether these groups have replicated after the project ended in July 2010. This study did not review the level of savings or return on savings as most replicated groups had not yet completed their first cycle.¹

In a first phase of the study, group members were asked whether they were members of, or knew of, additional groups not trained by CARE. The research team briefly interviewed some members of these additional groups to confirm their existence and get some basic information about their functioning. In the second phase, there were intensive interviews with several groups, CBTs, a franchisee, an FBO representative and CARE staff to understand more deeply the motivation and mechanisms for creating new groups.

KEY FINDINGS

Replication was the norm, with the average group creating nearly 2 additional groups in the 14 months since the project ended. Three quarters of all groups had replicated.

**Histogram of replication -
Number of replicated groups per original group**



The most important drivers of group creation in the sample were:

- Members of existing groups creating new groups, often by upgrading an existing ROSCA.
- Clusters of COSALO groups bringing new groups into their cluster.
- CBTs creating new groups on a fee-for-service basis.

Given that the number of groups far outweigh the number of CBTs, group-driven replication was by far the dominant mode of post-project replication. For every group visited, more than 2 new groups had been formed by members. Although CBTs had also created new groups after the project ended, they were much less productive: in fact, they only created one new group for every 10 COSALO groups they had worked with during the project. The difference in productivity is enough to suggest the need to re-think the current SG model in relation to the post-project role of CBTs, in favor of appropriate tools for groups to drive the replication process through members as the primary channel of replication.

OTHER OBSERVATIONS

Whereas all the groups were faithful to financial principles of savings groups (variable amounts of savings, variable amounts of lending, interest on lending, and share-out at the end of a cycle); adherence to administrative aspects of group methodology appeared markedly better in groups that were added to clusters and those that were trained by CBTs.

- In order to maintain trust in the process, groups required ongoing supervision and assistance with calculating and administering the share-out. While member-formed groups were not willing to pay up-front for a CBT, they were willing to pay an objective third party (council of elders or CBT) to assist with conflict resolution and share-out.
- Training in member-formed groups was informal; groups were hungry for formal training especially for record-keeping and would probably be willing to pay for this, at least for a few members.
- CBTs were facing a challenge creating new groups and overall felt the business model could not support full-time employment for themselves and assistants. The main reason cited was that in areas where training had formerly been free, groups were reluctant to pay for training by the CBT (especially up-front).

¹ This paper is a summary of a longer paper which can be found at the FSD website: http://www.fsdkenya.org/pdf_documents/12-01-20_COSALO_I_short_study.pdf

Numerical results

	Nyamira	Rachuonyo
Clusters visited	4	
COSALO groups in cluster	12	
Replicated groups in cluster	21	
Replication rate per cluster group	1.8	
Groups visited	28	14
Groups with no replicated groups	8	6
Replicated groups found	67	25
Group formed in Natal village	3	1
ROSCA upgrading	16	8
Member formed	40	15
Splintered	1	
Inspired by	4	
Upgraded(general and not ROSCAS)	3	1
Replication rate by members	2.4	1.8
CBTs visited	9	4
Fee for service groups created	89	34
Replication rate per CBT	0.09	0.14
Special case - Joseph Bange - CARE trained social entrepreneur	26	
Total new groups	203	59

RESULTS OF THE REPLICATION COUNTING EXERCISE

Given the sample size of 54 groups, one should be cautious about extrapolating too directly. However, the results were quite consistent between the two regions despite significant geographic differences (Nyamira being about twice as densely populated as Rachuonyo).

GROUP PROCESS

Several key elements of COSALO methodology were successfully replicated into the new groups, including member-formed groups. These included:

- Savings of variable amounts
- Borrowing of variable amounts.
- Interest is paid on borrowing.
- Share-out at the end of a cycle.

The following was also noted in replicated groups, although the study did not compare with COSALO groups and so could not say whether these issues were more or less common than in the parent groups:

- Punctuality was not enforced.
- ROSCA alongside (virtually universal especially in ROSCA-upgraded groups).
- Lock box and rules about lock box were not enforced.
- Formal process did not exist or was just for registration purposes.

FSD Kenya will be undertaking a comparative study on the quality of different delivery channels to better understand the impacts of these models on group outcomes including efficiency, consumer protection and social equality.

The study observed that member-formed groups did not believe themselves to have been “trained”. Training received had been more of the informal persuasion type. Groups hungered for some more formal training, especially as related to record-keeping.

Record-keeping appeared to be a particular challenge for member-formed groups, causing them to hire CBTs to calculate and oversee the share-out. They were not using CARE-issued record books but instead the cheaper and more common exercise books.

ROLE OF CARE AND CBTs IN GROUP REPLICATION

Member-trained groups are far and away the major motor of replication, accounting for many times the number of replicated groups as the CARE-trained CBTs. In the case of COSALO, the switch from a very productive incentive system to a fee-for-service model was added on towards the end of the project, rather than built in from the beginning. Neither the CBTs nor the group members were completely prepared for the change, and so it is not clear whether or how this study is predictive of what will happen in other projects, where fee-for-service is built in from the first communications with the CBTs and the members. Clearly some groups have resisted having to pay for trainings that were previously offered for free, and some CBTs found the transition from a full-time well-remunerated position to their present status difficult.

Much remains to be learned about whether the combination of fees and psychological rewards will be enough to keep the CBTs supporting groups, and whether fee-for-service group formation can approach the volume of community driven group replication, or in fact whether the best model might be a third way, in which group formation is driven by other groups, and on-going group support is provided as needed by specialized CBTs.

THE ONGOING NEED FOR ADJUDICATION

It was a recurrent theme in the meetings that groups required neutral third parties to be available to settle disputes and ensure objectivity at key moments,

especially during the share-out. Where groups are not willing to pay for services they are still willing to pay for help settling disputes or calculating and overseeing the share-out (by a CBT or in some cases by a group of “wazee” – or elders). The idea that groups can function entirely independently was not borne out.

CONSIDERATIONS FOR FUTURE PROJECTS AND FUTURE STUDY

Given that replication is the norm, issues for consideration include:

- What’s the minimum number or density of groups to stimulate replication in a given area?
 - What are the implications for training CBTs and groups? Should members be oriented from the first meeting towards replication in terms of their depth of knowledge and sense of responsibility?
 - Given the significance of member-driven replication, should there be a greater investment in capacity-building members of project trained groups so that they are equipped with the TOT and accounting skills to train others?
 - Related to the above, can the methodology be simplified to make member driven replication more effective, reduce reliance on outsiders for calculation, and reduce disputes relating to record keeping in member trained groups?
- Given the effectiveness of member-driven replication, should the post-project role of the CBT move from training to supervision/adjudication?
 - Are member-formed groups as successful in the long term (in terms of sustainability, savings rate or return on savings)? What additional inputs do they need to increase their effectiveness?
 - Will an earlier emphasis on a transition to fee-for-service have the negative effect of reducing spontaneous group formation, by CBT discouragement of these initiatives?
 - It is clear there will be a ceiling on the total number of groups that can be created in a given region.
 - Record-keeping needs to be simplified to accommodate the realities of member-formed groups which are the huge majority. Similarly, the ongoing role of a monitor/adjudicator needs to be built into the sustainability model.

LIMITATIONS FOR INTERPRETATION?

It should be noted that this was a small study and therefore one should be cautious about drawing conclusions. In addition, there were limitations with the databases kept by CARE to track groups, especially regarding the possibility that some members may belong to more than one group. Therefore, it is difficult to extrapolate from these findings to the total number of group members that might exist.



Odwolla Group Savings and Loans clustered meetings in Rachuonyo, Nyanza Province.

Conducted by



This is a summary of findings from a scoping study conducted by Digital Divide Data on behalf of FSD Kenya. The findings, interpretations and conclusions are those of the authors and do not necessarily represent those of FSD Kenya, its Trustees and partner development agencies.

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). 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), Agence Française de Développement (AFD) and the Bill and Melinda Gates Foundation.



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