

Mali Poverty Outreach Study of Kafo Jiginew and Nyèsigiso Credit and Savings with Education Programs

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Freedom from Hunger, an international nonprofit organization, has been implementing its *Credit with Education* program strategy to improve the nutrition and food security of families in poor, rural areas of Africa, Latin America and Asia since 1989. Working through partnerships with credit unions, rural banks and local nongovernmental organizations in fourteen developing countries, *Credit with Education* members number just under 200,000. In Mali, Freedom from Hunger's partners are two credit union networks (Kafo Jiginew and Nyèsigiso). As of March 2001, both institutions were providing *Credit and Savings with Education (CEE)* services to more than 29,800 members in four of eight regions—Sikasso, Ségou, District of Bamako and Koulikoro—while achieving an operating self-sufficiency rate of 52% and 68% for the preceding six-month period.

Credit with Education is an integration of a village banking strategy to provide small-scale loans and education at weekly meetings to economically active poor women. The strategy is designed to promote improved maternal and child health practices while at the same time enhancing households' livelihood strategies. For the credit union networks, one of the main attractions of the *CEE* strategy was its potential to better serve a relatively poorer clientele. Although *CEE* does not employ specific screening mechanisms, features such as small loan sizes, joint guarantee, regular meetings and how the program is promoted result in the self-selection of relatively poorer women. The weekly meetings allow members to repay the principal and interest, deposit savings and learn about basic health and nutrition practices, family planning and better business. A high degree of loan recovery and the use of real interest rates and savings build a loan fund that can be recycled again and again. Interest and fee payments are used to pay administrative costs of program delivery.

Methods

The objective of the study, carried out in February/March 2000, was to determine whether the *CEE* strategy improves the depth of outreach of the Kafo Jiginew and Nyèsigiso credit union networks. The study also examined the obstacles to membership that may deter the poor from participating. The study employed a variety of quantitative and qualitative methodologies to answer three types of specific questions.

- A basic needs survey methodology was used to answer the question: *Is CEE better at reaching relatively poorer households than the credit unions' other financial products?* With this method, a poverty score is assigned based on whether or not a household has been able to meet a series of "basic needs." Definition of the basic needs comes from the survey respondents themselves. Only those items or conditions, which at least 50% of the sample believes every household should have, are included in the poverty index. One urban and one rural credit union for Nyèsigiso (Ségou area) and two rural credit unions for Kafo Jiginew (Koutiala area) were included in the study. In total, 498 clients were randomly selected from five financial products for Nyèsigiso and three financial products for Kafo Jiginew.
- A wealth-ranking exercise was undertaken in nine rural communities from both networks to answer the question: *What proportion of the CEE clients come from the relatively poorer versus the relatively better-off households?* Using this approach, local informants were invited to define poverty in their own terms and then use this poverty perception to rank all households of the community according to their wealth status.
- Focus-group discussions were held with *CEE* members and nonmembers, all from households identified as among the poorest in the community, to answer the following questions: *What obstacles prevent women from the relatively poorest households from joining CEE? Why is it that some women are able to overcome these obstacles and join CEE even though they come from the relatively poorest households?* In total, 18 focus groups with approximately six women each were facilitated in the same nine communities.

Results

Basic Needs Survey

Applying the basic needs methodology for developing a poverty index, the *CEE* clients were the relatively poorest client category for both credit union networks. It appeared that *CEE* improved Nyèsigiso and Kafo Jiginew's outreach to a significantly poorer clientele as compared to their regular credit union members. Also, *CEE* clients were significantly poorer than the clients of financial products such as AFCRED that cater to a predominantly urban female clientele. Of the five financial products included in the Nyèsigiso sample, the AFCRED individual loans for women had the highest average loan size and the relatively best-off client households. However, *CEE* clients were not significantly poorer than borrowers of financial products such as PACCEM and CCA that are designed for farmers. Products with outreach networks directly to the villages reached a relatively poorer clientele. Extending

the credit unions' services beyond the towns and large villages in which the branches are typically located was more important than loan terms or even preferentially lending to women in reaching a relatively poorer clientele.

Wealth-Ranking Exercise

In nine *CEE* program communities, local informants categorized all households into four relative wealth groupings: food-secure, vulnerable to food insecurity, periodic food insecurity, and chronically food-insecure. The wealth-ranking exercise showed that *Credit with Education* is reaching its intended clientele since the majority of client households for both networks are vulnerable to or experiencing food insecurity (87% for Nyèsigiso and 69% for Kafo Jiginew) among whom 35% and 11% were identified as being chronically food-insecure.

One of the most striking findings from the wealth-ranking exercise was how closely the wealth distribution of *CEE* members mirrors the overall wealth distribution in the communities in general. In the absence of specific screening mechanisms, the wealth-ranking exercise showed that a cross-section of socioeconomic groups will participate in the *CEE* program. The relative wealth of the clients will closely mimic the distribution of wealth in the community at large indicating a strong relationship between prevalence of poverty and depth of outreach. For example, more of the Nyèsigiso *CEE* households were chronically food-insecure than Kafo Jiginew *CEE* households, in large part because, in general, more of the households in the Nyèsigiso communities had been classified that way. Despite the program terms, a certain number of women from better-off households will join *CEE* (31% for Kafo Jiginew and 13% for Nyèsigiso). For Kafo Jiginew, some bias is evident in *CEE* membership toward the food-secure category and away from the two poorest categories. Still, this bias is relatively minor and the representation of each wealth category among *CEE* households is never more or less than 10 percent of what it is in the population at large.

Focus-Group Discussions with Women from the Poorest Households

Focus-group discussions were organized with women from households identified by the wealth-ranking exercise as among the poorest third in the community. Separate discussions were held with members and nonmembers. The majority of these women believed that the program was designed for the poor. The discussions revealed little to no evidence of the poorer women being systematically excluded either by better-off members or by program representatives. However, some poor women were self-excluding themselves and chose not to join out of fear for their already precarious economic situations. They also referred to a lack of experience or a lack of means for starting an income-generating activity, fear of tainting their reputation or the trust of others if they are unable to repay, and the pressure to use the loan money to meet immediate consumption needs.

The poor women who had joined *CEE* talked about how their participation had helped them meet not only their families' basic needs for food, clothing and medical expenses and prepare for the marriages of children, but also provide for the acquisition of agricultural and transportation equipment. But they also talked about how hard they struggled to make their repayments and few described real progression in their socioeconomic status. The pressure to repay weekly emerged as a particular burden to the women. The relatively poorest households lack alternative sources of income, in addition to the loan activity, from which they can adequately meet their weekly loan repayments. Likewise, the poorer members are also at particular risk if there is a sickness or death in the family.

The focus-group interviews provided insight into the type of flexing and ancillary financial services the credit unions might offer to better reach and keep the poorest, most food-insecure clients; for example, experimenting with lengthening the loan period and reducing the meeting and repayment frequency. Ideally, the repayment schedule would match women's earning cycles and capacity to repay. Repayment frequency also needs to be linked to the economic opportunities available within villages, such as the frequency and vigor of the market.

Conclusion

Credit with Education membership has greater socioeconomic diversity than might be assumed. If no intentional screening mechanism is used but the program is described as being "for the poor," socioeconomic breakdown of the members is likely to be relatively similar to the wealth distribution in the community at large. Selection of program sites becomes very important. With no screening, there is a need to go where the poor are in the majority. Findings call into question whether relatively poor households will make up a large portion of clientele if Credit Associations operate in areas where much of the population is above the poverty line. This would seem to be especially true if alternative sources of formal credit for women are limited.