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

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EXECUTIVE SUMMARY

Introduction

Since 1996, Kafo Jiginew and Nyèsigiso credit union networks added *Credit and Savings with Education* (*CEE*) to the range of products and services they offer clients. For the credit unions, 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, it is thought that features such as small loan sizes, joint guarantee and regular meetings result in the self-selection of relatively poorer women. With a cadre of motorcycle-equipped *animatrices*,[1] the credit unions have used *CEE* to extend services to smaller and more-remote communities.

The objective of this study is to determine whether the *CEE* strategy improves the depth of outreach of the Kafo Jiginew and Nyèsigiso credit union networks. The study will also examine 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?*
- A wealth-ranking exercise was undertaken in a number of *CEE* program communities to answer the question: *What proportion of the* CEE *clients come from the relatively poorer versus the relatively better-off households?*
- 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?*

Findings

Basic Needs Survey

Applying the basic needs methodology for developing a poverty index, the *CEE* clients were the <u>relatively poorest client category</u> for both credit union networks. This method is based on the population's own perceptions, as the interviewees themselves define what is important to them. For example, some of the conditions that the greatest number of respondents identified as being a "basic need" that no household should have to live without included the following:

- Having all the children complete the entire vaccination series.
- Having soap in the house for bathing and for washing clothes.
- Having enough food in the household so if a child is hungry there is something to give him or her.
- Having the means to honor one's children's wedding ceremonies.

Comparisons of the poverty scores across client categories:

[1] Field agents.

CEE clients vs. regular credit union members

CEE improves Nyèsigiso and Kafo Jiginew's outreach to a significantly poorer clientele as compared to their regular credit union members.

CEE clients vs. clients of other financial products for women (AFCRED)

CEE clients were significantly poorer than the clients of financial products such as AFCRED that cater to a predominantly urban 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.

CEE clients vs. clients of agricultural loans(PACCEM cereal loans and CCA cotton loans)

CEE clients were not significantly poorer than borrowers of financial products such as PACCEM and CCA that are designed for farmers. Actually, there was considerable overlap for the Kafo Jiginew network between the *CEE* and CCA client categories. In this random sample, 23 percent of the *CEE* clients came from households in which another member was a client of Kafo Jiginew's CCA cotton loans.

Products that were brought 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 seems to be 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 relative wealth groupings. Four common categories emerged: Category I: Households Which are Food-Secure; Category II: Households Vulnerable to Food Insecurity; Category III: Households with Periodic Food Insecurity; and Category IV: Households Which are Chronically Food-Insecure.

The wealth-ranking exercise showed that the majority of *CEE* client households for both networks came from the target clientele represented by categories II-IV. In fact, both programs were even reaching women living in households classified as among the poorest and most destitute in the community.

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 mimic closely the distribution of wealth in the community at large. For example, more of the Nyèsigiso *CEE* households were chronically food-insecure than Kafo Jiginew *CEE* households, in large part because more of the households in the Nyèsigiso communities in general had been classified that way.

Despite the program terms, a certain number of women from better-off households will join *CEE*. And, despite their extreme poverty, a surprising number of women from the poorest, most food-insecure households will also join. 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

Women from households identified by the wealth-ranking exercise as among the poorest third in the community were interviewed further. Separate discussions were held with poor women who had never joined the *CEE* program, with poor women who were currently members and with ex-members. The discussions revealed little to no evidence of the poorer women being systematically excluded either by better-off members or by program representatives.

Women in the majority of the focus groups believed that the program was designed for the poor. In several instances, women referred to community orientation given by the *CEE animatrice* who described the program as being meant for poor women to pull them out of poverty.

However, some poor women were self-excluding themselves and chose not to join out of fear for their already precarious economic situations. In fact, nonmembers referred three times more often to the poverty of their household than to any other reason for not joining the program. 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 such as food and clothing and other work responsibilities, especially during the rainy season.

The poor women who had joined talked about how their participation had helped them meet their families' basic needs for food, clothing, medical expenses and prepare for the marriages of children. Some also described being able to acquire agricultural equipment, learn new health/business practices and experience greater self-reliance and respect. But they also talked about how hard they struggled to make their repayments and few described real progression in their socioeconomic status. The villages in which the wealth-ranking exercise was conducted all had relatively weak local markets. The challenge of converting a working-capital loan into increased income is greatest for relatively poorer women who, compared to better-off women, are less likely to have their own mode of transport (moped, bike, etc.) to get to market and have fewer of their own resources to invest in their business activity. The weekly repayment schedule is also more difficult for poor households because they lack alternative means or sources of income from which they can repay their *CEE* loan. For this same reason, the poorer members are also at particular risk if there is a sickness or death in the family.

The focus-group interviews provide 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.

Loan repayment by poor households is perhaps better understood as being made from "future savings" that are coming from their overall productive and consumption strategies rather than simply returns from a single enterprise (Rutherford 1999). From this perspective, the absolute amount of repayment installment is very important and potentially limited.

Considering that most of the poor have little or no previous experience running an income-generating activity, the first educational sessions should emphasize business development to enhance their skills and confidence.

Good-quality savings services can attract and assist poor women who are afraid or unsure of how to use a working capital loan.

If not policy already, meeting frequency needs to be reduced in the rainy season and new Credit Associations should not be inaugurated. The credit unions already allow women to save without borrowing if they so choose. In addition, alternative or longer-term credit products could also be offered at this time of year. A variety of studies have indicated that the financial products that the extremely poor need include the following:

- Good-quality savings services that are convenient, available and voluntary.
- Consumption loans that assist households to maintain adequate diets during the predictable "hungry season" during the rains.
- Emergency loans and/or insurance to help poor households weather economic shocks due to sickness or death.

Strategies for enhancing these types of ancillary financial services that are already to varying degrees part of the *CEE* program should be studied further.