IFAD Rural Finance Thematic Workshop

Support to Rural Finance Institutional Development through Development of Training Tools

Presented by:
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Reaching remoter areas of Kenya with financial services: An action research project
Background

- Initiative under *MicroSave – Africa* addressing the problem of rural outreach

- Pilot phase: *Develop and test simple and effective tools and delivery techniques to strengthen operations, management and governance in community based financial organisations as a building block for developing sustainable and robust decentralised financial systems in Kenya*
What DFS has done so far

- Reviewing the financial landscape in Kenya to see which types of models reach into remoter/rural areas and serve poorer people.
- Determined that there are limits to where MFIs can sustainably provide services
- Identified those limits by type of institution
- One step beyond-Challenges and opportunities in promoting quality financial services in remoter areas
- One step beyond-Tackling the ‘frontier’ of microfinance provision in Kenya
## Frontier’s of Microfinance in Kenya

<table>
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<tr>
<th>Population density</th>
<th>400+</th>
<th>400-301</th>
<th>300-201</th>
<th>200-101</th>
<th>&lt; 100</th>
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<td>Poverty incidence</td>
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<td>Geographical frontier</td>
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<td>81%-100%</td>
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<td>61%-80%</td>
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<td>41%-60%</td>
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<td>FSAs</td>
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<td>21%-40%</td>
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<td>0%-20%</td>
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What DFS has done so far

- Concluded that community based financial organisations (managed ASCAs, FSAs and some SACCOs) were most effective at pushing the frontier
- Identified need for tools to enhance group formation and development
- Developed tools and tested the tools with ARPs
Challenges faced by CBFOs

- Challenge of sustainability
- Poor management and governance
- Low levels of education/literacy
- Power dynamics in the community
- Low levels of transparency and accountability
- Poor infrastructure
- Principal-agent problems
Development of simple tools

- Worked with ARPs to address the challenges:
  - strengthen governance and management through tools:
    - Governance: Board and member education
    - Management: bookkeeping; internal controls; audit; management information systems; savings and credit methodology; portfolio and default management; legal issues for default and recovery
  - Action research: design tools; test; get feedback; revise; test again…
List of tools

- Group well being
- Group Monitoring tool
- Strengthening Groups tool
- Responsibilities and qualities of office bearers and members tool
- How to elect good group leaders tool
- Types of group records tool
- Rules for giving loans to members tool
- Portfolio and default management tool
List of tools

- Group Accounting tool for ASCA groups
- Group Accounting tool for groups
- Guidelines for making a constitution/bylaws/rules for the group tool
- Tool for reviewing group records
- Group financial performance indicators tool
- Oversight tools: Group internal, group external, supervisor’s
- Conflict analysis and resolution tool
What DFS has done so far

- Identification and selection of groups
- Used Group Well Being and Group Monitoring tool to collect baseline data of the group
- Tested tools with the test groups
- Used progress forms to collect primary data from testing and control groups
IMPACT

- Improved loan repayments and collection
- Improved attendance of meetings
- Better savings by members
- Better repayment by members
- Improved record keeping systems
- Groups are able to assess their performance
- Better understanding of roles and responsibilities
- Elections and change of group office bearers
Challenges

- Tools cannot work in a vacuum
- Lack of adequate time to train groups
- Perceptions of the group by trainers
- Use of English language in the tools
- Getting timely feedback
- Lack of strategic and systematic implementation of microfinance activities
Challenges

- Conducive environment for training
- Lack of affordable training materials in the rural areas
- Capacity weakness among ARPs
- Different levels of understanding and literacy levels among the members in the groups
- No structured training programs for groups
How the challenges are being addressed

- Integrating tools into the methodologies
- Develop training programs with ARPs
- Translation of tools
- The groups were eager to learn though some were illiterate
- Supervision of data collection
- Use process mapping to improve methodologies
How the challenges are being addressed

- Develop a training program for training of trainers and field officers manuals
- Training of trainers-include adult learning techniques
- Participatory development of the tools
- Participatory learning
- ARPs eagerness to learn from each other
- The use of visual aids, exercises and stories created an interest and simplified learning process
- Creativity and innovation of lessons learnt by groups
DFS-Phase II

- Development of training modules for trainers and field officers
- Process mapping of methodologies using MicroSave Process Mapping Tool
- Integrating the tools into the different methodologies
- Developing a facilitator/trainer profile
- Develop tools for SACCOs /MFIs
Questions?
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