3 Matu Masa Dubara in Niger

3.1 Background

In 1989, CARE Norway was provided with funds, through a telethon, to undertake a women's economic development project. The goal of the project was quite broad, calling for "….A sustainable increase in the economic security of women-managed households in the project area by the end of 1993." The target group was 1,200 rural women in a total of 24 villages in the Arrondissement of Guidan Roumji in Maradi Prefecture. At the time, CARE Niger accepted the MMD project with reservations, preferring to focus only on building a new MFI in the rural and urban areas of Maradi region.

The savings and credit methodology was rather experimental from the start, especially because, in her own words, the Project Manager "..had no clue of microfinance at all." However, there were a range of other activities initially undertaken by MMD to promote income generation, such as linking clients with governmental and other sources for training in sewing and knitting, gardening, pharmacy, and fuel-efficient stoves. These activities paralleled the larger Maradi microfinance programme, which offered Business Development Services (BDS), in addition to credit. These activities were soon abandoned to concentrate on savings and credit, which had proven to be the most popular activity.

The methodology evolved over time, but even from the start based its activities on groups of up to 30 women meeting weekly, saving their money and providing interest-bearing loans as group capital became available. In March 1992 the project had 6 field agents and 1 monitoring agent and the number of groups was 35 with 1,298 women members. By the end of 1993, outreach remained stable as members increased to 1,500 in 40 groups.

In the beginning, the groups were loose informal associations of women and the methodology was highly flexible. As the project began to grow in the first year, CARE realised the necessity for more formal structures and instituted a training programme that specified the roles and responsibilities of group officers and the general assembly and helped each group to develop its own set of internal regulations. The project experimented briefly with using symbols as a substitute for formal written records, but rapidly abandoned it realising that in order for the groups to continue once the CARE trainers were no longer working with them, it was important to have a system that the group itself could continue. A significant proportion of the groups had no literate or numerate members capable of maintaining record books so CARE developed a methodology that did not rely on written records. To this day a majority of MMD groups maintain no written records. A 1994 evaluation of MMD discovered that members of groups with no written records had a better knowledge of the financial state of affairs of their groups than those that had 1-2 people who maintained their books.

To cope with security concerns, CARE came up with the idea of a metal lock-box. Because

the officers of MMD groups are often drawn from prominent families in a village, only Treasurers were empowered to hold the lock-box in safe keeping between meetings. Each lock-box was fitted with three padlocks and the keys held by three members of the group's management committee, thereby reducing the likelihood of theft, since collusion amongst the three would be highly unlikely. This single innovation greatly increased the confidence of members in the safety and security of their savings.

CARE Niger agrees that MMD developed slower than it could, but believes that the success of the project arose because it was given time to learn by doing and to experiment with decisions that could be quickly corrected without blooming into major problems. Another major contributing factor was the lack of funds. The project operated on a shoestring budget, which kept overhead low and required innovative and low-cost approaches to resolve problems.

3.2 Growth

From 1996 onwards MMD as a methodology was spread to other parts of the country, simply replicating the methodology with a by-now experienced and confident staff. The history of its expansion since inception is summarised by the following charts.

Table 1: Growth in Clients Number and Number of Groups

Item	1993	1994[1]	1995	1996	1997[2]	1998	1999	2000	2001	2002
Members	1,500	2,805	3,744	6,121	21,745	40,777	123,189	159.109	159,109	162,128
Groups	45	90	92	176	647	1,266	3,179	5,557	5557	5654
Av. Gr. Size	33	31	41	35	34	32	39	29	29	29

In Table 1 above, the small change in the 2001 and 2002 figures is explained by the fact that the project has shifted its focus from creating new groups to revisiting and retraining older groups. Currently the CARE Niger MMD project staff has began to focus on

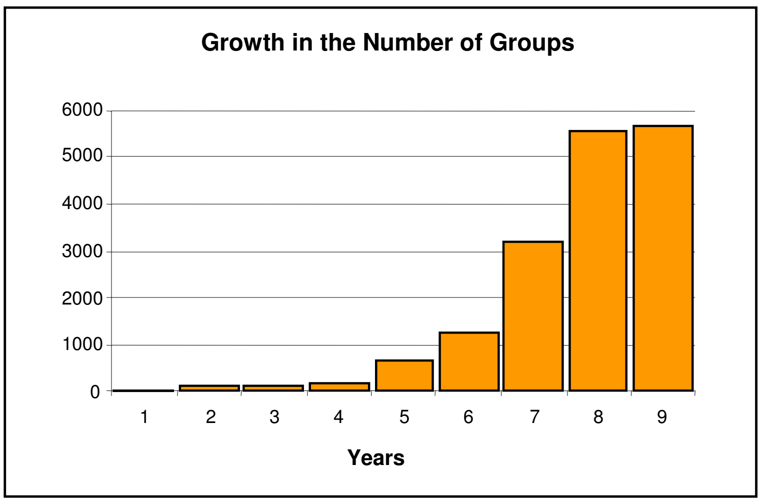
[1] Training extended to 15 months per group.

[2] Training and follow up reduced from 15 months to 8 months.

developing the older MMD groups into a larger network in order to increase their ability to access a broader range of services, including not only financial but health and legal services as well. As this move to set up a network is still in the very early stages, it will not be examined in detail in this monograph. Also, it is important to note the phenomena of groups that are created "indirectly". It is estimated that for every village where CARE has promoted the MMD method, there is at least one group that has formed on its own. Since CARE Niger has worked in over 1,100 villages, this brings the total number of women practising the approach to about 200,000.

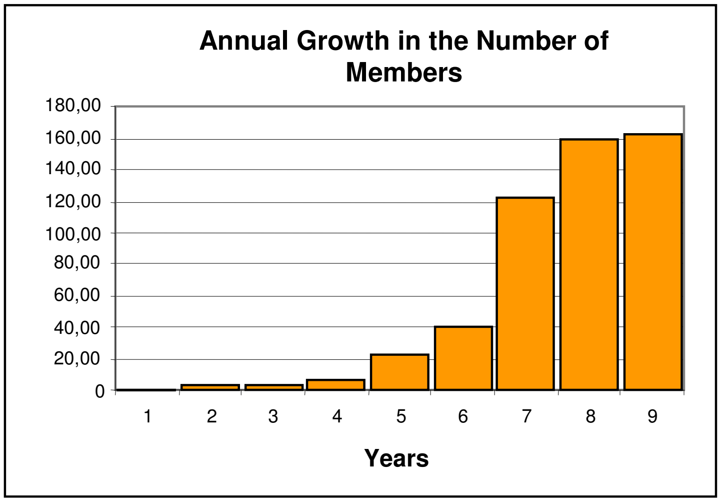
Figures 2 and 3 indicate an approximately constant ratio of the numbers of members per group, but record a geometric rate of programme growth from 1997 onwards. This occurred when MMD had finally overcome the scepticism of its critics and major efforts were made to attract new funding and spread the methodology to other parts of the country. DANIDA took over the lion's share of the funding in 1999.

Figure 2. Growth in Number of Groups



An interesting phenomenon is that the average size of a group has remained fairly constant, in the low 30s range, but has, over time, dropped marginally to about 29. In 1995 the group sizes tended to rise to 40 and more but this led to excessive workloads for group office-holders and to very long meetings. As a result some groups spontaneously split once the number of members exceeded 30 and CARE standardised this number as a maximum.

Figure 3. Annual Growth in Number of Members



3.3 Replication and Programme Sustainability

An important aspect of growth has been the whole question of replication after CARE ceases operations in a given location or when the project comes to an end. One of the major criticisms of MMD by proponents of standard MFI approaches to microfinance has been the question of how continued programme growth can be achieved in the absence of a professional cadre of trained trainers linked to a hub or central system typical of most MFI back-offices. MMD has pioneered an approach that is based on Village Agents and at the present time most of the new MMD groups are created by Village Agents selected from the communities themselves.

The way this works is that MMD goes to a given area where there is expected to be significant demand and trains a limited number of groups to create awareness and to develop market demand. It then selects a number of women from the groups who have the capacity and interest to train other groups. The programme then advertises these women's services and groups who want to be trained negotiate an agreement with them to be paid a fee (approximately $1 per meeting) for the entire training cycle. This system arose when MMD programmers noticed that informal training was taking place between groups. Rather than suppress this activity MMD decided to use it as the basis for auto-replication in the future. Its basic attitude has been that if spontaneous and informal training is going to happen, it might as well be done properly. Currently, CARE has trained over 600 Village Agents in Niger. One challenge of the Village Agent system has been monitoring the number of groups created by a Village Agent once CARE is no longer monitoring the agent. While CARE has realised the importance of enumerating these groups for the sake of documenting real outreach and impact, its current programme work load, priorities, and funding realities have kept it from doing so.

3.4 Impact

MMD has been evaluated many times and there is a consensus that female enterprise owners who are MMD members tend to keep their businesses in operation throughout the year, have a bigger say in household decisions, enjoy better nourishment, invest more in their children's' education and enjoy higher social status than non-members[3].

These conclusions are reinforced by a short study conducted by the author in Niger in 1999 that compared the impact of MMD programmes in two different districts of Zinder and Konni.[4] The results indicated that the average return on the average savings balance varied between 91% and 149% per cycle of nine months. Thus the effective annual rate of interest on average individual savings balances is not less than 100%. These figures are typical for MMD programmes in Niger. The study also indicated that investments made with loan funds were largely used for productive investment and that savings and profits (interest) from the savings activity made highly significant contributions to household livelihood security.

Table 2: Group and Individual Benefits, MMD in Zinder and Konni (CFA)

Consolidated Information	Zinder	Konni	Ratio Zinder/Konni
Average no. of group members by district	25	33	1.31
Average portfolio net worth at independence from CARE	179,354	372,157	2.07
Average value of individual shareholdings	7,129	11,277	1.58
Savings per member	6,694	6,499	0.97
Ratio revenue/savings	46%	75%	1.64
Average net benefit per member	3,056	4,852	1.59
Return of average value of savings	91.31%	149.34%	1.64

3 Athmer, 2002

4 Potential for MMD Credit in Zinder and Konni: Hugh Allen, 1999

Figure 4: Main Uses of Credit in Zinder

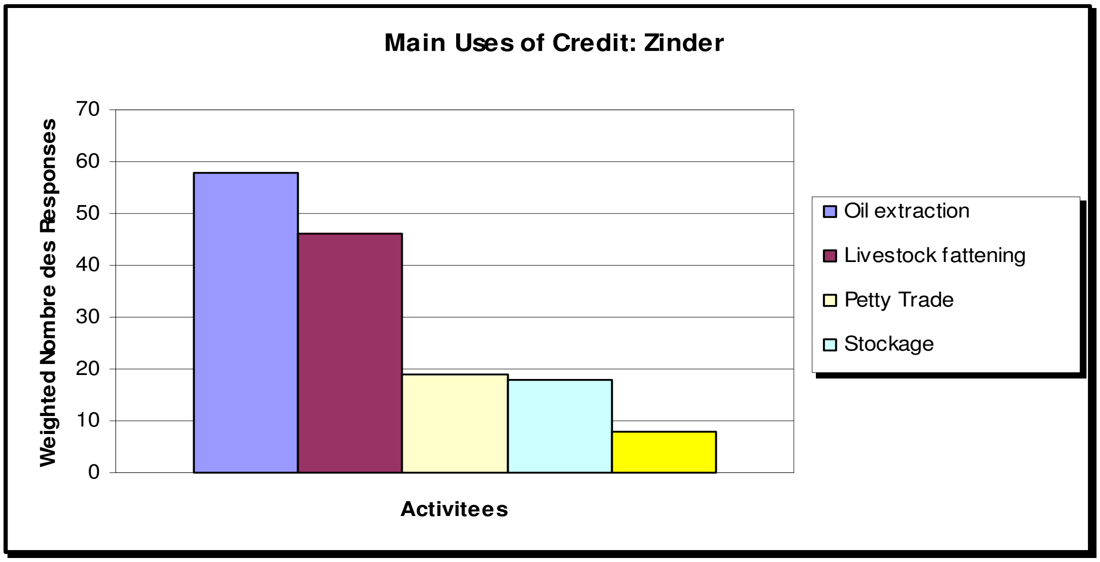
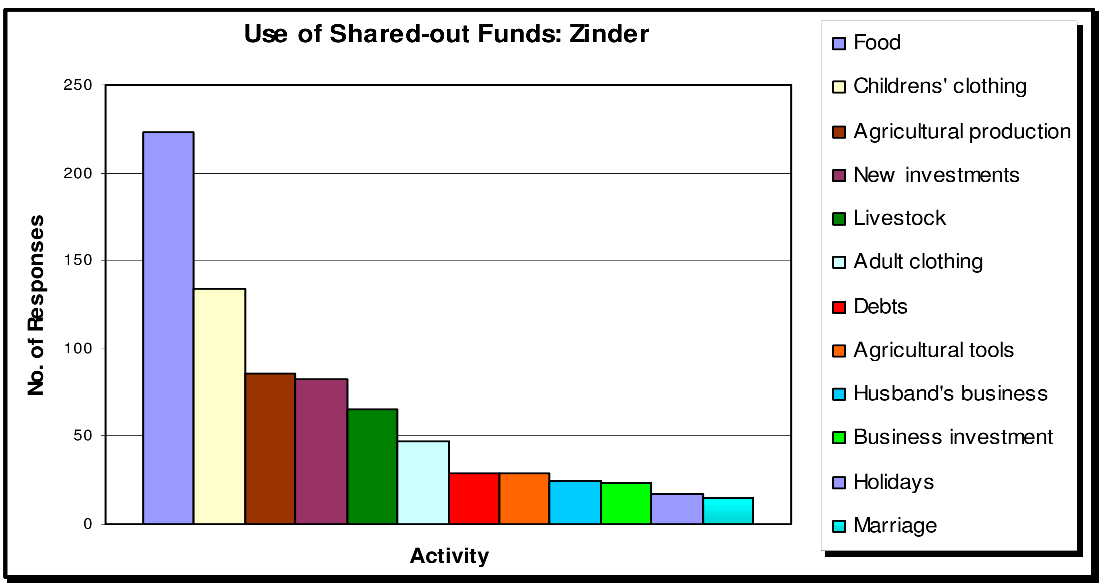


Figure 5: Use of Shared-out Funds in Zinder



It is immediately apparent from Figures 4 and 5 that while credit goes entirely to productive activity, savings and interest earnings are applied substantially to paying for basic necessities. This picture changes in favour of productive investment and asset acquisition in more developed parts of the country.

Zinder is a poorer district than Konni (the reason for carrying out the study was to determine the qualitative differences in viability and impact) and not only were returns on savings lower as seen in Table 2, but there was a marked tendency to invest less in productive activities in Zinder than Konni and to apply the savings and interest earned to basic needs. This indicated to CARE that MMD savings programmes work well in both poor and better-off areas, but that the benefits are differently applied: in the one case to increase the level of production and in the other to meet basic needs. Both are equally legitimate and desirable outcomes.

3.5 Methodology

It is worth spending some time going over the methodology that is currently in use in Niger, because it is the model that all other VS&L programmes have used as their starting point and to which adaptations have been made. It promotes what Rutherford calls Time-Bound ASCAs. These accumulating savings and credit associations are formed for a specific cycle, usually 9 to 12 months, after which they divide up the net portfolio equally amongst the membership (or a proportion thereof) and immediately re-form, with members having the right to leave the group if they wish and new members to be inducted.

3.5.1 Formation, Training and Graduation

- **Group formation:** The project helps women organise themselves into groups of around 30, usually based on existing affinities. The groups elect a management committee, which leads the group. Each group operates after the fashion of the traditional "tontine". Weekly contributions to the group revolving fund enable women to save money, and also gain access to credit.
- **Start-up:** A CARE trainer holds preliminary meetings with both men and women to explain the project. The support and approval of the village men is essential to its success, even though the project is for women only. In the women's meetings, the agent explains the general principles of MMD, her role as a facilitator and the eight-month time commitment to establish a group. Since CARE has began training Village Agents*,* they are now directly responsible for group mobilisation and training, with CARE trainers provide support and quality control services. The Village Agent is not paid by CARE, but receives contributions for services from the women who participate in MMD groups.
- **Phase one**: In the **first three-month intensive phase**, the Village Agent attends the meetings each week to teach the basic elements of the MMD approach: the role of the group, the role of the management committee, loan procedures, interest and penalties, internal rules, problem solving and conflict resolution. After discussing and defining the role of the group in the first meeting, the members elect the management committee. The agent helps the group structure their internal regulations and decide the goal of their group. Group goals often involve the creation of a group activity such as establishing a grain bank. During the intensive phase, the women learn the basic procedures of savings, credit and payment of interest and fines. The learning process is active, as the members begin to take loans and pay interest. After the first six weeks of training, the agent continues to make weekly visits to help members perfect their understanding of the basic structure, but during this time the women progressively assume responsibility for the management of their own affairs.
- **Phase two**: During the **second three-month development phase**, the group becomes more self-reliant. The weekly contributions and loans continue, but the village agent visits every two weeks during the fourth month and only once a month in the fifth and

sixth months. The agent assumes the role of observer, allowing the women to lead the group themselves.

- **Phase three**: In the **final maturation phase**, the group works independently. The agent makes **one visit in the last two months** to conduct a final evaluation of the savings and credit activities and to discuss any problems. Otherwise, the women operate autonomously throughout the final stage.
- **Graduation**: The group is "graduated" after eight months if the final objective has been met, whether it is to divide the savings among the members or use them for a group activity. The majority of groups, 88%, continue their operations and often increase the amount of their weekly contributions.

3.5.2 Operation of a MMD Group

- **Group rules**: Group meetings usually begin by reciting the rules. Each member is responsible for a rule: the groups objective, criteria for membership, rights and responsibilities of members, personal conduct, the amount of the savings, conduct of members, penalties for breaking the rules and procedures for leaving the group. The basic principle is transparency and reinforcement.
- **Member contributions**: Group members contribute a fixed amount of savings on a weekly basis. The amounts range around 25 to 200 CFA[5]. After the fourth or fifth meeting, the group begins loaning the funds to members, usually at a straight interest rate of 10% of the principal. The typical loan is for four weeks, that is after four weeks the participant repays the loan, plus 10% interest. The majority of loans are used for income generating activities. The revolving fund continues to increase through the weekly savings and the interest collected on loans. In addition, some groups apply minor penalties when group rules are broken. For example, a member who misses a meeting without a good reason may be fined 100 Fcfa.
- **Record keeping**: A few groups keep written records, if one of their members is literate, but most groups keep oral records. Since each member contributes the same amount each week, the weekly collection equals that amount times the number of members (e.g., 100 Fcfa times 30 members, for a weekly contribution of 3,000 Fcfa). Many groups keep track of the weeks by adding a pebble to the steel box each week. The group treasurer announces the amount of money that should be in the box, as well as outstanding loans, and then the physical control of the cash in the box is conducted and verified by two controllers who count out the cash. There are rarely discrepancies.
- **Loans**: Periodically (usually every four weeks), loans are made, and then four weeks later reimbursed. At the same time new loans are given out. Not all women take a loan at a given time; usually the women take turns.
- **The Share-Out and dismantling of the group**: After the group has been operating for more than a year, most groups will distribute equally to members all or part of the accumulated funds. This often occurs when women need access to more money, before the Islamic holiday of Tabaski (Eid ul azar), at the beginning of the planting season, or after the harvest to procure family grain stocks. In a typical group, most women are able to double their savings in a year through the interest income.

---

[5] 100 CFA is approximately equivalent to 1 French Franc or 700 CFA to US$1.

The current average value of savings per cycle per group is $424, with an average of 52 loans issued per cycle.

3.5.3 Adaptations to the Basic Methodology

In some groups in Niger there is a system of 'multiple membership'. This is basically a shareholding system in which a member can make contributions equal to multiples of the minimum weekly contribution. As such she is treated as if she was more than a single member, so as to simplify payout procedures.

3.6 Major Achievements and Challenges

MMD's programme managers list the following as the major achievements and challenges:

3.6.1 Achievements

- More than 162,000 women receiving financial services in rural Niger.
- Women are able to articulate needs in other areas, such as literacy, health and legal aid training.
- There is a major impact on self-confidence, self-esteem and social status.
- Capital mobilised nationwide is close to $3.0 million. This is significantly more than any other microfinance programme operating in the country.

3.6.2 Challenges and Limitations

- Investment is restricted only to short-term activities, such as trading and food processing. Agriculture, the main economic activity of the country, cannot be financed owing to the short-term nature of the loans and because agriculture is seen as inherently more risky.
- Some of the stronger graduated groups remain inhibited by the small size of the loans and are actively seeking linkages to credit unions. CARE is assisting in this process.
- The legal and policy framework of the country is poorly understood with respect to women's property rights.

3.7 Lessons Learned and Observations

Without being flippant, probably the most important lesson to be learned from this project is that value can be added by keeping the experts at bay. The first MMD project manager came up with a sophisticated and successful ASCA model in Niger mainly because she naturally gravitated towards a methodology that seemed instinctively right, built on traditional savings and lending practices in the area.

A second important lesson is that breakthroughs come as a result of combining vision and intelligence with persistence. It is also useful if the designated visionary understands the value of planning, procedures and systems that make people's jobs comprehensible. MMD's groundwork has provided the means by which CARE has the confidence to spread the methodology continent-wide and now into Latin America and South East Asia. The additional lessons learned may be summarised as follows:

- **Start small, taking time to experiment and adapt.** MMD was able to grow to scale because it was given time to experiment with the methodology and to ensure that it was well adapted to the target group and the operating environment. It did this by making and correcting a lot of mistakes. While there is much about MMD that is easily replicable, not a single programme in other countries has taken the methodology as is and programme planners need to allocate generous amounts of time to test, adapt and reinvent the important adaptive details.
- **Develop and refine a structured training curriculum.** MMD works because the staff are confident that what they are training people to do will produce results. By following a tightly structured training curriculum both staff and clients are confident that they are focussing on the practicalities of running a successful savings and credit association and their confidence is bolstered by precedent. This calls for clients to follow the model laid out without variations, except those that relate to the details of rule-making and the setting of interest rates, contribution levels, etc. Groups have developed many adaptations to the model after graduation, but have done so on a solid foundation. This seems to be a key strength of the programme.
- **Keep it simple.** It is usually assumed that ASCAs need written records and that this opens the door to fraud and reduces transparency. MMD has demonstrated that this need not be the case by institutionalising a methodology based on repetitive, transparent transactions and recall. In MMD the normal procedure is first to count the money remaining in the box from the previous meeting to make sure that it is the same as it was at that time. The second stage is to count the contributions (deposited in a separate bowl). If it is a credit meeting the repayments are called for by memory of who borrowed what and 10% added. The money is handed over and put in another bowl. When all the income has been received and agreed to be correct, the money in the box and the two bowls (plus penalties and fines put in yet another bowl) is mixed together and then re-counted. Unless someone is an accomplished thief, it is hard to commit a fraud, especially since two controllers whose results must tally count the money. When loans are handed out it is the responsibility of the group members to note that has borrowed what in order that repayment can be assured. This system makes meetings longer than they would otherwise be with written records, but it engenders a high level of confidence in the safety of members' assets and ensures enthusiastic participation. The key factors that make this work are not based on standard accounting principles, but on real-time balance sheet principles that identify the quantity and place in which assets are held. Clients are required to witness and recall only the cash on hand. This comprises: cash held in the cash box; fines paid during meetings, principal repaid during meetings; interest paid during meetings; and savings contributions made during meetings. They also recall loans outstanding. The methodology simply provides a structured means by which these things can be systematically measured and designates

a specific obligation to recall, shared amongst the membership. The basic principle is that cash movement is visible and that closing balances and loans outstanding are recalled at the time of the next meeting. These are not complicated obligations and no raft of theoretical objections can disguise the fact that the process works. MMD's methodology was originally very flexible with women picking the amount they would save and deciding on loan terms. Each group could decide this, and even within groups, some retained more flexibility for clients who could save or borrow more. Over time the methodology was simplified and made less flexible because this degree of flexibility, seen both then and now as desirable, needs a higher level of general literacy than prevails in Niger.

- **Be cautious about increasing flexibility.** MFIs attract customers because they offer services that meet clients' needs. They also lose clients if the services (and the costs of those services) do not meet their needs. The cost of greater flexibility is greater complexity, which strikes to the heart of MMD's distinctiveness. MMD does not take advantage much of the inherently flexible nature of ASCAs, preferring to stick to a formula that works because:

    - It is simple and transparent: essentially self-policing.
    - The service offered is in high demand.
    - The service has very low financial and time transaction costs.
    - There is low expressed demand for other services.

  Except in the first year, there has been no experimentation with variable repayment terms, nor with variable savings rates. MMD does not take advantage of these possibilities because they depend upon more formalised record-keeping systems that track changing contribution levels and varying time periods for loans. There is scope for these innovations in places where there is a higher level of literacy (as other programmes described in this paper have amply displayed) but programmes need to be alert to the triangular trade-off between complexity, transparency and client confidence. MMD is more cautious than most.

- **Avoid trying to create complicated organisational structures**. Almost from the time that MMD started to attract attention it was beset by pressures from donors and consultants to develop a more conventional organisational form. MMD groups are basically credit unions, without second-level apex structures and the limitations imposed by the restricted savings capacity and capitalisation of individual groups imposes limits on borrowing that observers instinctively want to remove. The solution appears to be to link MMD groups to other microfinance programmes that can provide larger amounts of capital or to federate the groups into representative bodies that can theoretically manage the process of intermediation between groups. It needs hardly to be stated that this may be prescription for a lot of headaches and confusion. MMD has opted to expand the number of wholly autonomous groups rather than seek to create institutions and structures that, while opening the door to new capital flows, also lead to increased cost, the risk of confusion and the very real possibility of theft. The very limitations on capital experienced by most groups ensures that loan sizes do not overwhelm the management and debt capacity of small borrowers, despite the frustrations of the few more ambitious members.[6]

- **Return on Investment.** Interest rates charged on loans provided by MMD ASCAs are high, most being set at 10% a month, although some charge 20%. This leads to a yield on savings that is at least 80% on the median balance.[7] There is no competing savings instrument that provides these sorts of returns, which, owing to the very low cost-structure are net.
- **Interest Rates.** Interest charges are much higher than those of the formal sector. Initially, the clients themselves set the interest rates, usually to a level that is higher than recommended by CARE staff. They do this because it is the key to loan fund growth and because they know they will get the money back at the time of sharing out the groups' funds.[8] But by the same token the interest rates charged are very much lower than informal rates (although loans from this source are very hard to find). The types of activities in which clients invest have generally high returns and the money is usually cycled more than once before it must be repaid, such that interest expenses becomes a marginal cost of doing business
- **Length of Loan Term.** The 1 month length of loan term, taken together with the high rates of interest, restrict most people to short-term investments, mainly in trade. Relatively little investment goes into activities that have a longer operating cycle. Agriculture, in particular, does not really benefit from MMD. MMD has not yet addressed this issue, except for individual loans to be kept on the books past due date, with interest only payable. MMD spin-off programmes in other countries have more directly addressed this deficiency.
- **Very Low Contribution Rates.** Most savings contributions are set at very low levels so as to maintain a low entry threshold and permit the participation of the relatively poor. This is a problem because it slows down the rate at which the portfolio compounds to a useful size. Once an MMD group's portfolio has accumulated to a useful size, however, it increases in value at a far higher rate than is achieved by contributions, which become a marginal factor in fund growth.[9]
- **Size.** Group sizes are almost constant at 30 members. This seems to work in Niger, but has a cost in terms of time transaction costs for members and office-holders. Because people live in villages the time to travel to meetings is short and a lot of preparation for meetings takes place outside the main assembly by informal sub-groups.

---

6 This is an ongoing debate, which may be false. No one rejects the desirability of improving the scale of potential intermediation, but some are more cautious and sceptical about the risks. MMD networks are currently being piloted in larger villages where there are at least 20 MMD groups. The individual groups will each elect a representative who will participate in the network of MMD groups. These networks are believed to have the potential to accumulate larger sums for loans and to have a stronger role in Civil Society. It will be important for CARE Niger to set very high performance targets in terms of efficiency and effectiveness and looks very critically on the risks that this system may pose in terms of time transaction costs and reduced accountability.

7 By this we mean half the value of the total savings of a given individual at the end of a cycle.

8 No one in Nigerienne villages makes a comparison to the formal sector when it comes to the cost of debt finance and in any case the banking sector constantly teeters on the edge of collapse. In 1993 no financial institutions, including the post office, were operating in the entire country.

9 MMD's average contribution is about $0.35 a week, on average. In other programmes the contribution ranges from a low of about $0.25 to a high of $1.25, reflecting the relative prosperity of the local economy.

The 2 to 3 hour time taken for an MMD meeting could be reduced if numbers were smaller.[10]

3.8 Summary Information

Tables 4-7 provide basic biographical and financial data on MMD as of June 2002.

Table 4: Scale

Item	Quantity
No. of members	162,128
No. of groups	5,654
Average No. of members per group	29
% of graduated groups still active	89%

Table 5: Efficiency and Effectiveness

Item	Quantity
Number of groups currently being trained	560
Number of clients currently being trained	16,213
Number of staff directly working with groups	73
Ratio of staff to groups	8
Ratio of staff to clients	222
Percentage of groups liberated	90%

Table 6: Client and Business Characteristics

Item	Quantity
Percentage of urban clients	10%
Percentage of rural clients	90%
Percentage of female participants	100%
Percentage of male participants[11]	0%
Percentage of clients running IGAs	93%
Percentage of clients running MEs	7%
Sector: Agriculture/Livestock	5%
Sector: Manufacturing	30%
Sector: Trading	65%
GDP per caput	$746

[10] Average numbers of members in Zimbabwe are 7, with no apparent effect on group solidarity or loan-fund build-up.

[11] A number of groups made up of male members have spontaneously sprung up. The project has no data on the number.

Table 7: Environment

Item	H/M/L
Market access: Village	H
Market access: Rural township	H
Market access: District centre	M
Market access: Regional	L
Market access: National	L
Harassment	L
Taxation	M
Registration complexity	M
Discrimination against women in marketplace	M
Limited purchasing power in the marketplace	H
HDI Ranking	172/173
Inflation on consumer prices	2.9%
GDP per caput	$746
HDI Ranking	172/173