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The Relative Risks to the Savings of Poor People

Graham A.N. Wright and Leonard Mutesasira

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Executive Summary

Background:
Increasingly MicroFinance Institutions (MFIs) have come to recognise the need to provide savings services – both as a much valued service to their clients, and as a long-term source of capital. This has lead to growing interest in savings, Vogel's (1984) "forgotten half" of microfinance. As a result of the new attention to savings services, a great deal of time and energy is being spent by Central Banks, donors, consultants and MFIs on developing systems for regulating and supervising MFIs offering savings services.

Central Banks' motivation to regulate MFIs (or indeed any other financial institution) typically revolve round two primary aims:

1. to protect the integrity of the country's financial system (i.e. to guard against "systemic risk"), and
2. to protect depositors within a context of asymmetric distribution of information (i.e. to guard against depositors losing their savings in the event of the failure of financial institutions).

In most countries, (with the exceptions of Indonesia, Bangladesh and possibly Bolivia) MFIs simply have not reached the scale or achieved the breadth and depth of market penetration to pose any systemic risk. It is therefore the laudable desire of Central Banks to "protect depositors" that is the credible rationale for their efforts to regulate and supervise.

Poor people have limited access to formal or semi-formal financial services (indeed this is the basic rationale for the development of the microfinance industry). Poor people therefore lack formal financial service alternatives to the MFIs. If MFIs are prohibited from offering savings services to poor people, those poor people are forced to resort to the informal sector in order to save.

It is clear, and now generally accepted, that poor people want, need and do indeed save. There is also increasing evidence that poor people are facing an extremely risky environment when they save in the informal sector. Thus it is clear that when discussing the risk to poor people's savings, this has to been evaluated on a relative basis. Very often all the alternative savings systems available to poor people are risky … thus poor people are left facing decisions on the ***relative risk*** (or relative security/safety) of the various semi- and informal savings systems open to them.

Research Objective:
The primary objective of the survey was to quantify the relative risk faced by poor people as they save in the formal, semi-formal and informal sectors. More specifically the following questions were addressed:

1. What formal, semi-formal and informal savings systems/services the poor use (if any)?
2. How much money have the poor saved in various systems in the past one-year?
3. How much money have they lost within the one-year period in the various systems?

Methodology:
MicroSave used its existing extensive qualitative data set (comprising over 500 group interviews [with groups averaging 6-8 people] and another 200 plus individual in-depth interviews) and complemented these with an additional 19 focus group discussions and participatory rapid appraisal exercises explicitly designed for this study. This qualitative work was complemented by a quantitative component. A private sector Market Research company, Research International was hired to carry out the quantitative component of the study, which was based on 1,500 face-to-face interviews among adults in Central, Eastern and Western Uganda.

Weakness of Data:

As with all quantitative surveys involving financial affairs, the data has to be treated with some care and concern. For a variety of reasons people under or overstate financial transactions – in this case savings or losses. In other cases, as a result of the very nature of the savings systems used (particularly those with on-going arrangements such as functioning burial funds or Accumulating Savings and Credit Associations or Savings and Credit Co-operatives) it was difficult for respondents to know if they had lost savings and particularly to estimate exactly how much they had really lost. Finally, when discussing savings, it is always important to differentiate "stocks" of savings (savings as a noun – the balance/amount of savings in a account/system) from "flows" of savings (saving as a verb – the process of saving to create the stocks). This survey sought to focus on the process of saving – i.e. the amounts the people saved in the various systems as opposed to the stocks of savings held there. Despite this, there is a risk that some respondents were discussing their stocks of savings in the various systems.

To mitigate these factors and to bring a depth of understanding to the issues we relied on:

1) a carefully and sensitively designed, pilot-tested and administered questionnaire and professional interviewers from an international market research company; and

2) the extensive data set from ***MicroSave*'s** work on savings in Uganda over the last two years and qualitative research designed explicitly to explore these types of issues.

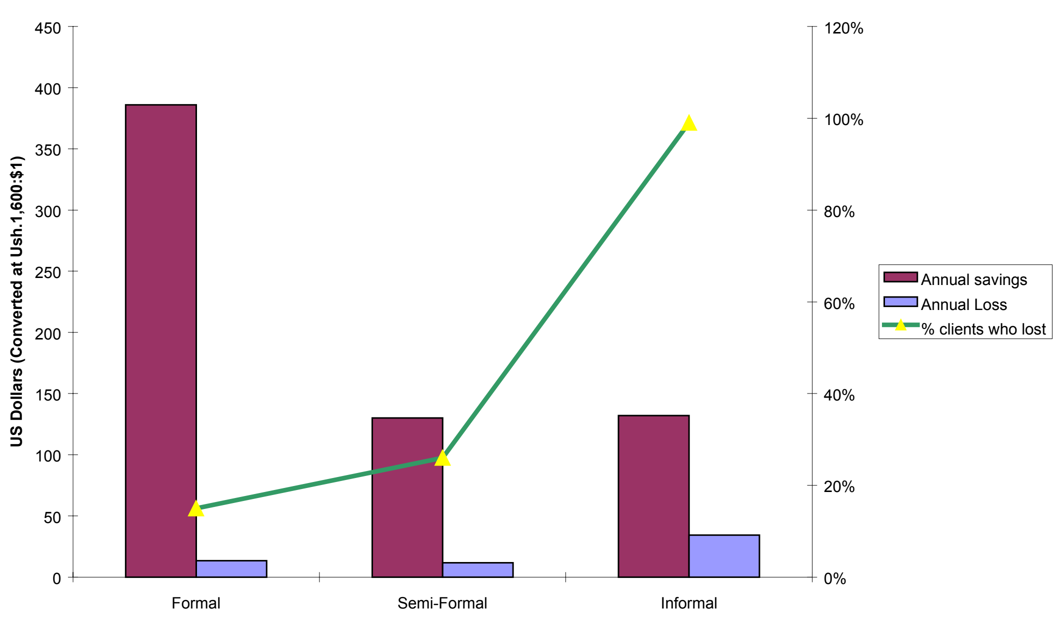
Results:

Losses – the Big Picture:

The research revealed that 99% of clients saving in the informal sector report that they have lost some of their savings. 15% of those saving in the formal sector report that they had lost some savings and 26% reported lost savings in the semi-formal sector. Thus the formal sector, for those lucky enough to have access to it, is safer both in terms of likelihood of losing any savings and in terms of the relative loss (amount lost to amount saved). Those with no option but to save in the informal sector are almost bound to lose some money – probably around one quarter of what they save there.

People who have access to the formal sector reported saving three times as much ($386) in the last 12 months than those who saved in the semi- and informal sectors. The people saving in the formal sector also reported a lower incidence (15%) of loss and a lower rate (3.5%) of loss in the last year. Almost all (99%) people saving in the informal sector reported that they had lost some money through informal savings mechanisms and on average they had lost 22% of the amount they had saved in the last year.

Average Amounts Saved and Lost in the Last 12 Months by Sector



Losses in the Formal Sector (commercial banks, pension funds etc.)***:***
15% of those who saved in the formal sector had lost savings in this sector during the last year. On average, they had lost around Ush.18,000 ($11) or 3% of the average Ush.618,000 ($386) saved during the year in this sector. The surprisingly high rate of loss amongst formal banks – ostensibly covered by the Bank of Uganda's deposit insurance scheme - is likely to have arisen amid the confusion surrounding the closure of the Co-operative Bank during the year. Several respondents had experienced problems trying to recover their savings from the Co-operative Bank. Either the balances verified as payable by the bank were substantially below those the clients had entered in their passbooks or the process of retrieving their savings was so lengthy (requiring multiple trips to the bank premises) that it effectively wiped out what little savings they had.

Losses in the Semi-Formal Sector (MFIs, SACCOs etc.)***:***
26% of those who saved in the semi-formal sector had lost savings in this sector during the last year. On average, they had lost around Ush.19,000 ($12) or 9% of the average Ush.210,000 ($131) saved during the year in this sector. 14% of the total sample had saved with an MFI during the previous year, and of these 90% had saved with an MFI using a group-based system. Within these, there is an apparently high (27%) incidence of savings lost amongst MFIs using group-based methodologies, however the average amounts lost (7% of savings made during the year) are relatively low. Most of the loss of savings experienced with group-based MFIs appears to have been as a result of the group guarantee system and members' savings being used to "balance out" the loans of defaulting group members.

Losses in the Informal Sector (in-kind, at home, savings clubs, RoSCAs, ASCAs etc.)***:***
The losses in the informal sector are characterised by a very high incidence and a highly variable extent of loss as a percentage of the amount saved. It is interesting to note that the most risky forms of saving are the most popular: savings in kind and at home are the most commonly used and experience the highest rate and levels of loss in absolute and relative terms.

Savings in kind is the most important form of informal savings: 82% of the sample had saved money in kind and they had saved an average of Ush.434,000 ($271) in kind. Of all the informal savings systems, savings in kind was the most popular and attracted the largest amount of savings – respondents only saved similar or greater amounts in formal sector financial institutions.

68% of the sample had *saved at home* in the last one year and out of these, 68% had lost some of their savings. On average they had lost Ush.38,000 ($24) or 26% of the average amount they had saved during the previous 12 months. In 45 % of the cases the loss had been due to the respondent's own or their family's petty spending. 27 % had lost due to demands of friends and relatives for assistance. In 13 % of the cases, savings had been stolen.

Many poor people set up *reciprocal arrangements* whereby they save by lending. Lending to a neighbour or relative today sets up a reciprocal arrangement under which the neighbour or relative will lend back tomorrow in times of need. Reciprocal lending as a form of saving has another advantage: the money is out of reach of marauding husbands and relatives and the temptations of trivial spending – it is typically only returned in times of real emergency. In the study's sample, 41% of respondents had saved through reciprocal lending arrangements. However, this is clearly a risky form of saving – it depends on the goodwill and liquidity of the neighbour or relative. With a loss rate of 69% in the sample, clearly the goodwill/liquidity are not always available.

It is noticeable how relatively few (23%) of the sample have participated in a *Rotating Savings and Credit Association* (RoSCA*)* in the last 12 months. In addition, they had saved relatively small amounts – on average Ush.139,000 ($87) or Ush.2,700 ($2) per week. Given their simplicity and reputation some might be surprised at the relatively high proportion (27%) of those who had used RoSCAs had lost money.

Discussion and Conclusions:

What It All Means for Central Bankers:

It is also clear that commercial banks and the few larger MFIs that have transformed into a status that brings them under the supervision of Central Banks will never be able to reach out to offer savings services to poor people in remote rural areas. Indeed, with the increasing closure of rural commercial bank branches throughout Africa, the trend is the reverse. So some creative thinking and flexibility is required to address this issue. It is not good enough to say, "We cannot guarantee the security of your deposits at unsupervised institutions, so you cannot save with them" – this simply drives people into (or strands them in) the highly risky informal sector.

Too long Central Bankers have seen depositor protection in absolute terms. The experience of many Uganda Co-operative Bank clients demonstrates that absolute depositor protection is largely unattainable. More importantly, ***when considering "safeguarding the deposits of the poor", it is essential to think in terms of relative risk rather than absolute risk***. In the same way that rich people make investment and savings decisions on the basis of the relative risk and return of the variety of opportunities available to them, so poor people are constantly faced with the need to assess the relative risk of the limited options they have to save.

What It All Means for the MicroFinance Industry:

Most would agree that smaller MFIs are risky institutions to which to entrust savings. However, as can be seen from the analysis above, on a relative basis, many are likely to be far safer than the most common informal mechanisms the poor are forced to use by policies that prohibit MFIs from mobilising savings. In addition, savings services play an important role in the management of business and household affairs and many poor people would be delighted to take the risk on a small MFI surviving for a few years and providing a useful service.

To date, few Central Banks and MicroFinance gurus have given adequate thought to how best to improve the security of poor people's deposits held in smaller MFIs – most seek to provide this security by simply prohibiting these MFIs from providing savings services at all. This ignores the needs and demands of the MFIs' clients. Furthermore, particularly in remote rural areas, community-based, user-owned and managed systems are likely to be the only sustainable way of delivering financial services to the poor living there. To seek to regulate them out of existence will simply drive this potential important sector of the rural finance industry under-ground – out of reach of the very training and technical assistance programmes that might have strengthened the institutions and protected the deposits many of these institutions are likely to take anyway.

This is not suggest that no efforts should be made to identify and close down semi-formal institutions that are deliberately seeking to defraud poor people of their savings. However, it is necessary to recognise that ill-considered, draconian prohibition of deposit mobilisation:

neither prevents such institutions starting up in areas where there are no (or limited) formal/semi-formal alternatives for poor people – for example most of rural Africa,

nor protects poor people's savings but instead forces them into (or strands them in) informal systems with a high relative risk.

In view of the highly risky nature of saving in the informal sector it is probably necessary to think more about helping clients understand the relative risk of saving in these semi-formal institutions. It should also be noted that the evidence from this study suggests that poor people do value some form of external accountability. Clearly, this type of external accountability increases the trust of poor people in the institution and thus facilitates the institution's savings mobilisation activities. Thus serious semi-formal sector MFIs should want some form of external accountability.

In the first instance, it is important to improve internal supervision (accounting systems, internal control, governance, adequate transparency to allow members to make their own decisions about the risk associated with saving in the institution etc.). At the same time the MicroFinance Industry has to search for alternative and appropriate approaches to external supervision, probably a voluntary system based on decentralised, non-governmental bodies. This is an area that the MicroFinance industry has scarcely begun to address, and one that warrants a great deal more attention in the future.

That said, poor people cannot wait for the perfect system to protect their deposits … indeed, the evidence from the formal commercial sector demonstrates that this panacea does not exist. In the short run, it preferable to give poor people the <u>choice</u> rather than drive or strand them in the high risk saving environments with which they are currently faced. We must however, seek to inform that choice so that they can make their own decisions about the options available to them and the relative risk of each.

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Background:
Increasingly MicroFinance Institutions (MFIs) have come to recognise the need to provide savings services – both as a much valued service to their clients, and as a long-term source of capital. This has led to growing interest in savings, Vogel's (1984) "forgotten half" of microfinance. As a result of the new attention to savings services, a great deal of time and energy is being spent by Central Banks, donors, consultants and MFIs on developing systems for regulating and supervising MFIs offering savings services. As Christen and Rosenberg (2000) point out, there are a wide variety of motivations for the extensive and growing discussion of regulation and supervision. These motivations range from NGO-MFIs seeking licenses to access deposits from the public through to local authorities worried by the apparent weakness of MFIs or the "exploitative" interest rates they charge. However, much of the momentum towards regulation and supervision of MFIs has been generated by donor agencies. These donor agencies are either keen to see MFIs as an integral part of countries' "financial systems" (and thus regulated and supervised by a central authority) or are simply concerned about MFIs' deposit mobilisation activities (and the risk it poses to the funders' reputation in the event of the failure of MFIs).

Central Banks' motivation to regulate MFIs (or indeed any other financial institution) typically revolve round two primary aims:

1. to protect the integrity of the country's financial system (i.e. to guard against "systemic risk"), and
2. to protect depositors within a context of asymmetric distribution of information (i.e. to guard against depositors losing their savings in the event of the failure of financial institutions).

In most countries, (with the exceptions of Indonesia, Bangladesh and possibly Bolivia) MFIs simply have not reached the scale or achieved the breadth and depth of market penetration to pose any systemic risk. It is therefore the laudable desire of Central Banks to "protect depositors" that is the credible rationale for their efforts to regulate and supervise. Since MFIs assert that they serve "the poor", the risk to depositors is particularly sensitive; and the risk of "poor people losing their life savings" is cited by those advocating strong regulation and supervision of deposit-taking MFIs. On this basis, it is argued, MFIs must be prohibited from offering savings services until they are appropriately regulated and supervised and thus depositors are adequately protected.

This is, of course, excellent in theory, but in practice, there is already clear evidence that most Central Banks struggle to supervise the traditional formal commercial banking sector effectively (Wright, 2000). Wright goes on to note, "One cannot help but worry that the central banks, lacking the resources and capability to supervise the formal commercial banking sector, might be stretched beyond reasonable limits if required to supervise large numbers of MFIs running a business for which central bankers usually have scant regard, and of which they have less understanding. … While recognising the need for some basic rules designed to maximise the security of deposits, on the face of it, it appears to be naively optimistic to think that a system of central bank regulation and supervision will *de facto* secure poor people's deposits". Furthermore, it is not entirely clear that prohibiting unsupervised MFIs from offering savings services will necessarily lead to increased security of poor people's savings.

Poor people have limited access to formal or semi-formal financial services (indeed this is the basic rationale for the development of the microfinance industry). Poor people therefore lack formal financial service alternatives to the MFIs. If MFIs are prohibited from offering savings services to poor people, those poor people are forced to resort to the informal sector in order to save.

It is clear, and now generally accepted, that poor people want, need and do indeed save (see for example Miracle and Cohen, 1980; Adams and Fitchett, 1992; Robinson, 1994; Rutherford, 1999; Rutherford 1999/2000 and Wright 2000a). There is also increasing evidence from ***MicroSave's*** qualitative work

(Rutherford, 1999; Mutesasira, 1999; Wright 2000; Mutesasira and Wright, *forthcoming* etc.) that poor people are facing an extremely risky environment when they save in the informal sector.

It is clear that when discussing the risk to poor people's savings, this has to been evaluated on a relative basis. Very often all the alternative savings systems available to poor people are risky … thus poor people are left facing decisions on the ***relative risk*** (or relative security/safety) of the various semi- and informal savings systems open to them.

MicroSave considered it important to seek to quantify the relative risks faced by poor people as they save in the formal, semi-formal and informal sectors since this would allow Central Banks to make more informed decisions and to regulate on the basis of empirical facts. This study was designed to assess the levels of losses experienced by poor people in the formal, semi-formal and informal sectors. This report examines the results from an extensive survey and some detailed qualitative work and seeks to identify lessons for policy-makers seeking to optimise financial services for poor people.

Research Objective:
The primary objective of the survey was to quantify the relative risk faced by poor people as they save in the formal, semi-formal and informal sectors.

More specifically the following questions were addressed:

1. What formal, semi-formal and informal savings systems/services the poor use (if any)?
2. How much money have the poor saved in various systems in the past one-year?
3. How much money have they lost within the one-year period in the various systems?

Methodology:
MicroSave used its existing extensive qualitative data set (comprising over 500 group interviews [with groups averaging 6-8 people] and another 200 plus individual in-depth interviews) and complemented these with an additional 19 focus group discussions and participatory rapid appraisal exercises explicitly designed for this study. This qualitative work was complemented by a quantitative component. A private sector Market Research company, Research International was hired to carry out the quantitative component of the study, which was based on face-to-face interviews among adults in Central, Eastern and Western Uganda.

Sample Covered in the Qualitative Study
MicroSave conducted 19 group-based discussions involving 160 participants and 16 individual in-depth interviews in Central, Western and Eastern Uganda. Of the 19 groups, 12 comprised women only and the remaining 5 comprised men only. Given the purpose of the study and the interest of ***MicroSave*** in MFIs and the services they offer, groups were arranged through MFIs or amongst clients in areas where MFIs were operating. Nine of the groups were made up entirely of MFI clients[1], while the other 10 groups were a mixture of MFI clients and those who had not joined any MFI programme. Respondents were selected for individual interview on the basis of their participation in the groups and in-depth knowledge of financial services within the community.

Sample Coverage for the Quantitative Study
The survey covered C2, D and E households (see section below for a description of the definition of these) in urban and rural areas of Central, Eastern and Western regions of Uganda. Research International selected these households using a multistage sampling to identify 1,500 for interview as follows (see Appendix 1 for details of this). The table below shows the breakdown of the un-weighted sample in the regions.

[1] Defined as those belonging to an NGO-MFI, a Savings and Credit Co-operative/Credit Union or a Financial Service Association

Table 1: ***Un-weighted Sample per Region***

Region	Urban	Rural	Total
Central	250	250	500
Eastern	250	250	500
Western	250	250	500
Total	**750**	**750**	**1,500**

Weighting Data for the Quantitative Study

The sampling procedure described above, resulted in a deliberate bias towards urban areas since the sample was split into urban and rural[2] in a ratio of 50:50. A decision was taken to over-represent the urban sample to be able to interview a large sub-sample of MFI users who are mainly found in urban areas. During data analysis the sample was weighted to reflect the true population distribution to correct this urban to rural imbalance. The weighting factors were based on population figures from the 1991 population and housing census.

Sample Details for the Quantitative Study

Table 2: Sample Breakdown per region

Weighted sample based on population within regions

	Urban	Rural	Total
Kampala	90	0	90
Central	49	527	576
Eastern	30	487	517
Western	12	305	317
Total	**181**	**1,319**	**1,500**

A similar exercise was conducted to weight the urban-biased sample by socio-economic classification. Weighting factors were drawn from a survey that Research International conducted in 1997 ("Windows on East Africa").

Table 3: Sample Breakdown by socio-economic classification

Weighted sample based on socio economic groups

Socio-economic group	Urban		Rural	
	Number	**% of total**	**Number**	**% of total**
C2: skilled manual worker	86	48	205	16
D: semi-skilled/part trained manual worker	95	52	655	50
E: rural unskilled worker[3]	0	0	458	35
Total	**181**	**100**	**1,319**	**101**

Quality Control:

Given the problems with conducting high quality quantitative surveys, a great deal of effort was put into quality control mechanisms. ***MicroSave*** worked closely with Research International to develop, pilot-test and refine the questionnaire and to train the enumerators. Research International put in place a system of strict controls involving:

- a maximum of 5-8 enumerators per supervisor

[2] Urban areas are defined as those areas with populations of 10,000 households and over.

[3] See Appendix 1 for details

- after the pilot-test and training was completed, 5% (around 75) of all interviews conducted by each enumerator were accompanied by a supervisor to ensure that the enumerator followed the instructions and procedures
- 10% of all interviews conducted by each interviewer were verified by a supervisor
- 1-5% of all interviews subjected to spot-checks by the research coordinator
- 100% of questionnaires visually checked to ensure that they are fully completed prior to submission to data-processing
- 20% of questionnaires subjected to data entry validation by supervisors
- 100% of data subjected to computer based filter, maxima and minima criteria etc.

For details of this quality control process see Appendix 2.

Quantitative Study Questionnaire:
A questionnaire was designed and piloted by Research International in conjunction with ***MicroSave*** (see Appendix 3). The questionnaire was translated into Luganda, Lusoga, Ateso and Runyankole and administered in these languages by native speakers.

Weakness of Data:
As with all quantitative surveys involving financial affairs, the data has to be treated with some care and concern. For a variety of reasons people under or overstate financial transactions – in this case savings or losses. Attempts to minimise this included the interviewers stressing that they were from a market research company and simply seeking to understand how/where people saved. In addition, the questionnaire started with general questions and questions on the nature of systems the respondents use to save. It was not until a reasonable degree of comfort and rapport had been developed with the respondent that questions relating to amounts saved or lost were introduced.

There is also a risk of "over claim" by poorer people aspiring to having a formal sector bank account. This risk is discussed in detail in the context of the results under the section of the report that examines the results for the savings and losses across the formal, semi-formal and informal sectors.

In other cases, as a result of the very nature of the savings systems used (particularly those with on-going arrangements such as functioning burial funds or Accumulating Savings and Credit Associations or Savings and Credit Co-operatives) it was difficult for respondents to know if they had lost savings and particularly to estimate exactly how much they had really lost. (For example, if I know that there is a large loan default problem in my Savings and Credit Co-operative, I can reasonably guess that I have lost some of my savings, but will have little way of estimating the extent of the loss or how much I will eventually recover). Thus many of the figures should be interpreted as relative rather than precise and absolute in nature.

Finally, when discussing savings, it is always important to differentiate "stocks" of savings (savings as a noun – the balance/amount of savings in a account/system) from "flows" of savings (saving as a verb – the process of saving to create the stocks). This survey sought to focus on the process of saving – i.e. the amounts the people saved in the various systems as opposed to the stocks of savings held there. Despite this, there is a risk that some respondents were discussing their stocks of savings in the various systems.

To mitigate these factors as much as possible and to bring a depth of understanding to the issues we relied on the extensive data set from ***MicroSave's*** work on savings in Uganda over the last two years and qualitative research designed explicitly to explore these types of issues. Thus the greatest value of this research was in showing *how/from where* poor people lose money and *how frequently*; the results regarding exactly *how much* money they lose are likely to be less reliable.

Definitions:
For the purposes of this study the following definitions of ***savings service sectors*** were used:

Formal Sector: Commercial banks, the Post Bank of Uganda, insurance companies, leasing companies and company pension funds
Semi-Formal Sector: MicroFinance Institutions and Credit Unions/Savings and Credit Cooperatives/Financial Services Associations
Informal Sector: Savings at home, savings in-kind, rotating savings and credit associations (RoSCAs), accumulating savings and credit associations (ASCAs), reciprocal lending, savings clubs, funeral funds etc.

For the purposes of this study, the following definitions of ***socio-economic groups*** were used:
C2: Skilled manual worker e.g. mechanic, carpenter, etc, part time qualified technician e.g. laboratory, nursing etc., non-graduate (P2, P3 or untrained teacher), junior clerks, owner of small farm, owner of small business enterprise.
D: Semi skilled/ part trained manual worker e.g. apprentice or learner mechanic etc house servant, waiter/steward, shop assistant. Forestry worker, owner of a small plot selling some produce.
E: Rural unskilled e.g. labourer, casual, watchman, sweeper etc (may own plot but sells very little or no produce) subsistence farmer.

Results:
Saving Across the Sectors:
There is a noticeable difference in the employment, socio-economic and gender status of people using the formal, semi-formal and informal sectors.

Table 4: Users of Formal, Semi-Formal and Informal Sector Savings Services

Sector	% of Sample Saving in Sector	Employed	Self-Employed	Unemployed	C2	D	E	Male	Female
Formal	25%	27%	68%	5%	48%	32%	20%	56%	44%
Semi-Formal	18%	12%	83%	5%	25%	45%	30%	40%	60%
Informal	99%	16%	75%	9%	19%	50%	31%	44%	56%

Nearly 25% of the sample had saved in one form or other in the formal sector, suggesting a remarkably high level of access to formal sector savings in the MFI-dense areas where the quantitative survey was administered. Research International's "Windows on East Africa" (1997) survey suggested that around 15% of C2-E socio-economic group have access to formal sector bank accounts.

Table 5. Responses in Windows on East Africa (1997) to the question "Do you have a bank account?"

Socio-Economic Group	AB	C1	C2	D	E	Total
Total Sample	46	129	553	1397	875	3,000
	2%	4%	18%	47%	29%	100%
Yes, have bank account	24	55	218	171	32	500
	52%	43%	39%	12%	4%	17%
No, don't have bank account	23	72	336	1226	843	2,500
	50%	56%	61%	88%	96%	83%

In the study's sample, of those who had formal sector bank accounts, only 27% were employed and 68% were self-employed. Of the 368 respondents saving in the formal sector 48% were from the C2 socio-economic group, a further 32% were from the D group and (not unsurprisingly), only 20% were from the E socio-economic group. From the qualitative study and ***MicroSave*'s** previous work, many of them appear to have gained access to the formal sector as a result of their membership of MFIs. These formal sector accounts are often held on a group basis and the savings are typically locked-in until the member leaves the MFI. Other formal sector accounts are held by informal funds/groups/associations of which the respondents are members.

The semi-formal sector users are primarily self-employed women and from the D socio-economic class (a profile that represents the typical MFI client in Uganda). Almost everyone in the sample uses informal sector savings services, and thus the profile of users across employment status, socio-economic group and gender reflects that of the sample as a whole.

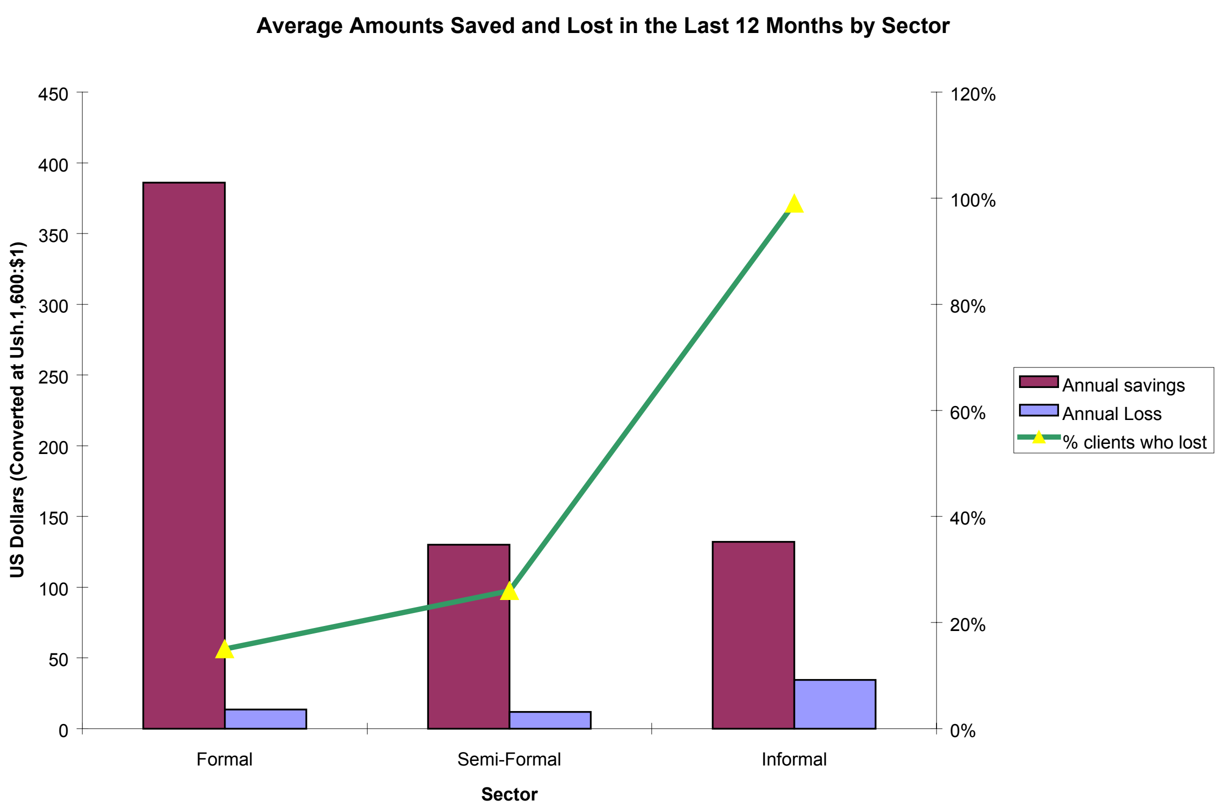
Losses – the Big Picture:

Generally the quantitative survey revealed that 99% of clients saving in the informal sector report that they have lost some of their savings. One in seven (15%) of those saving in the formal sector report that they had lost some savings and one in four (26%) reported lost savings in the semi-formal sector.

Table 5: Savings and Losses in the Formal, Semi-Formal and Informal Sectors

Sector	Average amount saved in the last 12 months in Ush.'000	Average amount lost in the last 12 months in Ush.'000	% of clients who had lost some savings	Average amount lost/average amount saved during the last 12 months (%)
Formal	618 ($386)	21.6 ($13.50)	15%	3.5%
Semi-Formal	208 ($130)	18.9 ($11.82)	26%	9.1%
Informal	211 ($132)	55.9 ($34.38)	99%	22.0%

Thus the formal sector, for those lucky enough to have access to it, is safer both in terms of likelihood of losing any savings and in terms of the relative loss (amount lost to amount saved). Those with no option but to save in the informal sector are almost bound to lose some money – probably around one quarter of what they save there.



People who have access to the formal sector reported saving three times as much ($386) in the last 12 months than those who saved in the semi- and informal sectors. The people saving in the formal sector also reported a lower incidence (15%) of loss and a lower rate (3.5%) of loss in the last year. Almost all (99%) people saving in the informal sector reported that they had lost some money through informal savings mechanisms and on average they had lost 22% of the amount they had saved in the last year (see graph below).

Losses in the Formal Sector:

15% of the 368 respondents who reported saving in the formal sector had lost savings in this sector during the last year. The 368 respondents had saved an average Ush.618,000 ($387) each during the year in this sector. On average these 368 respondents had lost around Ush.21,600 ($13) or 3% of the Ush.618,000 ($387) they had saved during the year.

Table 6: Summary of Savings and Losses in the Formal Sector

Financial services used	Number of clients who saved in past 12 months	% of those using each formal service	% of those who saved in the various schemes who had lost some savings	Average amount saved in the past 12 months – Ush.'000 across all savers	Average amount lost in the last year – Ush.'000 across all savers	% of average amount lost in the past 12 months (average lost/ average saved)
Formal banks	312	85%	16%	656 ($410)	18 ($11)	3%
Post office savings	60	16%	0%	428 ($268)	0 ($0)	0%
Other (insurance, pension, leasing)	17	4%	12%	419 ($262)	63 ($39)	13%
	368[4]		**15%**	**618 ($387)**	**21.6 ($13)**	**3%**

On the basis of ***MicroSave*'s** qualitative research, the surprisingly high rate of loss amongst formal banks – ostensibly covered by the Bank of Uganda's deposit insurance scheme - is likely to have arisen amid the confusion surrounding the closure of the Co-operative Bank during the year. Several respondents had experienced problems trying to recover their savings from the Co-operative Bank. Either the balances verified as payable by the bank were substantially below those the clients had entered in their passbooks or the process of retrieving their savings was so lengthy (requiring multiple trips to the bank premises) that it effectively wiped out what little savings they had. On occasions respondents also alleged that they were required to pay a "processing fee" (for which read "bribe") to the people processing the refund of their savings. This is discussed further in Mutesasira and Wright (forthcoming).

The high level of losses under the "Other" category arise from primarily from two respondents who had lost substantial formal pension fund savings (totalling Ush.268,000 or $168) during the year. The qualitative research shed no light on the origins of this problem.

Losses in the Semi-Formal Sector:

26% of those who saved in the semi-formal sector had lost savings in this sector during the last year. On average, they had lost around Ush.19,000 ($12) or 9% of the average Ush.210,000 ($131) saved during the year in this sector.

[4] Note some respondents were using several of these services.

Table 7: Summary of Savings and Losses in the Semi-Formal Sector

Financial services used	Number of clients who saved in past 12 months	% of those using each service	% of those who saved in the various schemes who had lost some savings	Average amount saved in the past 12 months – Ush.'000 across all savers	Average amount lost in the last year – Ush.'000 across all savers	% of average amount lost in the past 12 months (average lost/ average saved)
MFI group based savings & loans	189	69%	27%	203 ($127)	15 ($9)	7%
MFI individual based savings & loans	22	8%	36%	161 ($100)	37 ($23)	23%
SACCOs/Credit Unions	63	23%	17%	247 ($154)	24 ($15)	12%
	272		**26%**	**210 ($131)**	**19 ($12)**	**9%**

NGO-MFIs

14% of the total sample had saved with an MFI during the previous year, and of these 90% had saved with an MFI using a group-based system. Within these, there is an apparently high (27%) incidence of savings lost amongst MFIs using group-based methodologies, however the average amounts lost (7% of savings made during the year) are relatively low. Most of the loss of savings experienced with group-based MFIs appears to have been as a result of the group guarantee system and members' savings being used to "balance out" the loans of defaulting group members. However, the qualitative research did highlight some instances of "NGOs" and individuals coming into communities making promises, collecting money (either as voluntary savings or as "loan insurance funds") and then disappearing.

Savings are typically at greater risk within (the relatively few) individual based savings and loans MFIs, where an average of 36% of clients lost an average of 23% of the savings they had made during the year. This probably reflects the less formal nature of many of the MFIs using individual based lending methodologies.

On the basis of ***MicroSave's*** qualitative research, it appears that NGO-MFIs are often viewed as being low-risk – particularly if they are owned and operated by foreign agents. These NGO-MFIs are seen to have clear guidelines, effective accounting systems and procedures for managing funds and dealing with defaulters, and therefore are seen as safe places to place savings (relative to the informal sector alternatives). The requirement for NGOs to register with government is also seen contributing to their safety as a place to entrust savings. Implicit in this faith is a belief that the government has examined the NGO, established their credibility and given them the go ahead to manage people's money. Indeed, in some places, NGO-MFIs have traded in this perception and left people believing that they have, in some way, been licensed and guaranteed by the Bank of Uganda.

Savings and Credit Co-operatives (SACCOs)/Credit Unions (including Financial Services Associations and "Village Banks")

Although used by only 4% of the sample, SACCOs/Credit Unions, attracted a high average level of savings per member over the last 12 months: Ush.247,000 ($154). This is 22% more than the amounts generated by group-based MFIs (which usually levy compulsory savings) or indeed almost all of the informal mechanisms (see below). Savings and Credit Co-operatives/Credit Unions have a relatively lower incidence (17%) of loss of savings, but when it occurred, on average members found that they had lost 12% of the amounts they had saved during the year.

The qualitative research indicated that SACCOs in Uganda have a poor reputation as a result of their history. There is widespread characterisation of SACCOs as places where influential members of the community manage the institution and give themselves large, low-interest, loans that they do not repay. Respondents felt that the quality of a SACCO depends on the character of the management – and this determines whether they save with them. In Mukono District for instance there is one strong SACCO that is attracting substantial savings. Employee-based SACCOs are also viewed as relatively strong since loans are realised through salaries, thus minimising the risk to members' savings entrusted to the SACCO.

On the other hand, "Village Banks" (be they those promoted by UNDP's Private Sector Development Programme, the Bank of Uganda's Development Finance Department or the DFID supported Financial Services Associations International Ltd.) are viewed as being relatively secure because of their links to the institutions that promote them. Respondents believed that these agencies were supervising and providing technical assistance to these institutions. However, as Mutesasira and Wright (forthcoming) note, "Village banks are still a new phenomena, having been in existence for less than two years in the areas visited and … [receive] technical assistance of unclear quality. They need to be around for a little longer in order for the people to form time-tested opinions". Indeed, in many cases, members of village banks/Financial Services Associations stressed that they were testing and watching the institutions before committing themselves further. Others expressed fears of take-over (or "capture") by the powerful and rich in the community.

Losses in the Informal Sector:

The losses in the informal sector are characterised by a very high incidence and a highly variable extent of loss as a percentage of the amount saved.

It is interesting to note that the most risky forms of saving are the most popular: savings in kind and at home are the most commonly used and experience the highest rate and levels of loss in absolute and relative terms. This suggests that the importance of convenience/access is the overriding issue for many poor people (see also Wright, 2000a).

Table 8: Summary of Savings and Losses in the Informal Sector

Financial services used (note 8.1)	Number of clients who saved in past 12 months	% of those using each service	% of those who saved in the various schemes who had lost some savings	Average amount saved in the past 12 months – Ush.'000 across all savers	Average amount lost in the last year – Ush.'000 across all savers	% of average amount lost in the past 12 months (average lost/ average saved)
Savings in kind	1,232	82%	75%	434 ($271)	92 ($57)	21%
Savings at home	1,025	68%	68%	146 ($91)	38 ($24)	26%
Reciprocal lending	613	41%	69%	94 ($59)	39 ($24)	41%
RoSCA	349	23%	27%	139 ($87)	9 ($6)	6%
Other informal funds (burial etc.)	177	12%	14%	34 (21)	4 ($3)	12%
Event-specific contribution arrangements	168	11%	13%	31 ($19)	3 ($2)	10%
Savings with a supplier	151	10%	40%	235 ($147)	24 ($15)	10%
Non reciprocal lending	146	10%	45%	76 ($48)	37 ($23)	48%
Money guard	133	9%	20%	116 ($73)	9 ($6)	8%
ASCA	107	7%	40%	135 ($84)	28 ($18)	21%
Various Other	197	13%	40%	145 ($91)	21 ($13)	14%
	1,497		**99%**	**211 ($132)**	**46 ($29)**	**22%**

Note 8.1: For a detailed description of these informal savings mechanisms and how they operate see Rutherford, 1999 and Mutesasira, 1999.

Savings In Kind

Savings in kind is the most important form of informal savings: 82% of the sample had saved money in kind and they had saved an average of Ush.434,000 ($271) in kind. Of all the informal savings systems, savings in kind was the most popular and attracted the largest amount of savings – respondents only saved similar or greater amounts in formal sector financial institutions. Typical savings in kind include in animals (cows, goats, pigs, chickens etc.), in grain (maize, rice etc.), in other commodities (beans, coffee etc.) and in construction materials (bricks, wood, corrugated iron etc.). Out of the 1,232 interviewees who had saved in kind, 75 % had lost some of their savings. 48% of those who had lost said that it was due to illness of the animal, 33 % had lost due to drop in value of saved item due to price fluctuations. 33 % lost due to theft of the saved item. Other relatively less significant reasons include bad weather, damage during transportation, poor storage facilities, non paying creditors, death of the animal and decrease in demand for the item. On average, they had lost Ush.92,000 ($58) or 21% of the average amount they had saved during the previous 12 months.

Savings At Home

68% of the sample had saved in cash at home in the last one year and out of these, 68% had lost some of their savings. On average they had lost Ush.38,000 ($24) or 26% of the average amount they had saved during the previous 12 months. In 45 % of the cases the loss had been due to the respondent's own or their family's petty spending. 27 % had lost due to demands of friends and relatives for assistance. In 13 % of the cases, savings had been stolen. Perhaps as a result of these high level of losses, and/or the need to keep relatively small amounts of liquidity available to the household, the average amount saved at home during the previous 12 months was relatively low at Ush.146,000 ($91).

However, the qualitative work indicates that people do not view saving at home as very risky. Saving at home was viewed as more risky than saving with an NGO-MFI but less risky than saving with a Village Bank/Financial Service Association, a SACCO or money guards (let alone RoSCAs and ASCAs). One of the chief attractions of saving at home is that the saver is in complete control – s/he makes the decision when to save and when to withdraw, there are no weekly/monthly saving requirements as with typical NGO-MFIs, RoSCAs or ASCAs.

The qualitative research indicated that men view saving at home as highly risky, whereas women see it as less so. Previous work by ***MicroSave*** indicates that (in common with women throughout the rest of the world) Ugandan women almost invariably have a "secret store" of money in the home (often without the knowledge of their husbands) ready for emergency. In Uganda this secret store of money is called "*Ensawo Enzibizi*", literally translated "the purse that fills the gap". It is the level of secrecy of the savings that is likely to determine their safety from thieves, husbands and marauding relatives/friends ... perhaps women are simply more discrete!

According to the qualitative research, there has recently been a rapid growth in saving at home – evidenced by massive increase in the number of savings boxes being made and sold by carpenters. This has been one of the results of the collapse of a series of banks in Uganda in 1998 and 1999, including two (Greenland and Co-operative Banks) that were relatively accessible to poor people.

Reciprocal Lending

Many poor people set up reciprocal arrangements whereby they save by lending. Lending to a neighbour or relative today sets up a reciprocal arrangement under which the neighbour or relative will lend back tomorrow in times of need. Reciprocal lending as a form of saving has another advantage: the money is out of reach of marauding husbands and relatives and the temptations of trivial spending – it is typically only returned in times of real emergency. Thus, in this respect it fulfils Shipton's (1994) "illiquidty preference".

In the study's sample, 41% of respondents had saved through reciprocal lending arrangements. However, this is clearly a risky form of saving – it depends on the goodwill and liquidity of the neighbour or relative. With a loss rate of 69% in the sample, clearly the goodwill/liquidity are not always available. In addition, accounting for reciprocal lending arrangements is difficult – rarely are transactions written down and so it is a question of memory and word of honour. It is perhaps for this reason that relatively small amounts are saved through this mechanism – in the last 12 months people in the sample who had saved in this way had only committed an average of Ush.94,000 or $59. Despite this substantial amounts (averaging Ush.39,000 ($24) or 41% of the average amount saved during the year) were lost through reciprocal lending arrangements.

Rotating Savings and Credit Associations (RoSCAs)
It is noticeable how relatively few (23%) of the sample have participated in a RoSCA (or "merry-go-round") in the last 12 months. In addition, they had saved relatively small amounts – on average Ush.139,000 ($87) or Ush.2,700 ($2) per week. Given their simplicity and reputation some might be surprised at the relatively high proportion (27%) of those who had used RoSCAs had lost money in them. Nonetheless, only 6% of the amount saved through RoSCAs in the last 12 months had been lost in the same period. This suggests that RoSCAs are a relatively low risk form of saving - *if* you have the right members in the association.

Selection of fellow members of a RoSCA was one of the primary concerns. This was borne out in the supplementary questions in the quantitative survey, which revealed that the average size of a RoSCA varied between 6 (in Central urban/rural) and 10 (in Western rural) members. The primary reason for selecting these relatively small numbers of members was that "fewer people are easier to trust" (30% of cases), while others (10%) cited the need for rapid pay-out. Furthermore, a surprisingly small number of respondents participated in several RoSCAs. In Central and Eastern Uganda less than 5% of RoSCA participants were members of more than one RoSCA, where as in Western Uganda, however, 21% of RoSCA participants were members of more than one RoSCA. This, together with the high number of members per RoSCA in Western suggests that the belief in, and use of, RoSCAs is higher there. This appears to be because the norm in Western Uganda remains to register both RoSCAs and ASCAs at the village level, thus giving the association access to the local council or magistrate for dispute resolution. In the rest of Uganda this traditional form arbitration has been displaced without the creation of alternatives; and thus the members of RoSCAs are forced to place far greater reliance on the initial screen of membership and on mutual trust. As a consequence the number and size of RoSCAs seems to be lower in these areas.

The qualitative work for this study corroborated these findings: the composition and size of the RoSCAs were considered to be the most important factors in determining how safe or risky a form of saving they were. Respondents noted that RoSCAs are vulnerable to failure if the membership is not homogenous in terms levels of income and gender. The number of people participating in the RoSCA was another important factor: larger RoSCas were reported to be susceptible to management problems and break-up. The method of selecting the winner of the "prize" with each rotation was also considered to be of great importance: if human judgement is involved, the risk of favouritism and break-up rises significantly. For this reason lottery RoSCAs (under which the "prize" winner is selected in a draw) or seniority RoSCAs (under which the length of time the member has been involved with the RoSCA determines the order of the allocation of the "prize" – old members first) are considered most "safe".

Other Informal Funds/Event-Specific Contribution Arrangements:
These categories are likely to have a high degree of correlation due to the prevalence of *Munno Makabi* ("Friend In Need Associations") in Uganda. These informal funds are used to pool resources to buy assets required for most household social functions that draw large numbers of people. These assets items include large saucepans, dishes, lanterns, canvas etc. The functions include burials, weddings, children's graduations, baptismal parties etc. After the initial capital investment is made, members attend weekly or monthly meetings at which a collection is made, and this is often supplemented when one of the functions is held. The amounts saved through this mechanism seem to be relatively small – an average of only Ush.32,500 ($20) – suggesting that their role is often more social than financial. Indeed, the participants in the qualitative research groups did not identify them as a savings mechanism at all. It is notable that while an average of 9% of those who had saved through these schemes had lost some savings in the last year, the amounts lost were quite small, averaging around 11% of the amount saved during the year.

Savings with a Supplier

This form of saving, which typically involves placing money with a supplier as an advance part-payment for goods to be delivered once the full payment has been made is quite prevalent and involves relatively large sums of money (averaging Ush.235,000 or $147). Respondents saving using this method have lost relatively little (on average Ush. 24,000 [$15] or 10%). This of course typically implies business-oriented, relatively short-term saving and is hardly an appropriate mechanism for longer-term schemes such a making arrangements for old age.

Money Guards

MicroSave's previous qualitative work had suggested that the practice of using money guards was dying out (since reliable people seem to be becoming more difficult to find) and this has been corroborated by the fact that only 9% of the sample have used a money guard in the last year. Nonetheless, the relatively low (8%) rate of loss suggests that the surviving money guards are reasonably trustworthy.

Accumulating Savings and Credit Associations (ASCAs)[5]

The fact that only 7% of the sample has been involved in ASCAs during the last year seems remarkable. However, the qualitative component of the study indicated that ASCAs are viewed as the least secure of all the savings mechanisms available to the poor. The "Burial of Poverty" ASCA scheme that was so prevalent and so destructive throughout Uganda has left many Ugandans very sceptical about ASCAs (see Mutesasira, 1999 for a detailed description of the "Burial" scheme).

The qualitative research also suggested that the recent drought in the Uganda has lead to large-scale failure of ASCAs with members struggling to repay loans and facing rising interest/penalty charges until such time that they are forced to default. Many focus group participants believed that the very informal nature of ASCAs meant that they had no access to a registering body (for example: village councils register formalised self-help groups) to settle and arbitrate in disputes. Many participants also noted that the problems associated with ASCAs often arise from their complexity and the need for skilled or trained managers, guidelines and supervision.

Perhaps as a result of these perceived and actual problems (40% of those who had saved through ASCAs had lost money in the last year), people participating in ASCAs invest relatively little in them. On average in the past 12 months those participating in ASCAs had invested Ush. 135,000 or ($84) - around Ush.2,600 ($2) a week. Those that have participated in ASCAs over the last year have found them not particularly safe: an average of 21% of the money saved has been lost. This, of course, is <u>after</u> a process of careful selection of ASCAs or partners within an ASCA … a selection process that may itself have been lengthy and loss-ridden.

The experience in Mount Elgon provides an interesting example of the types of issues facing people living in remote rural areas and how important access to semi-formal financial services can be.

[5] ASCAs are informal savings and loan clubs into which members save regularly and from which some members may borrow. They are often time-bound with a predetermined dissolution date, when the ASCA will be wound up and the members' savings and share of profits are distributed (see Rutherford, 1999 for a detailed description of ASCAs in East Africa).

A Brief Illustration from Real Life in Rural Uganda
Relative Risk in Mount Elgon

Like most people in remote rural Uganda, the people of the villages on the foothills of Mount Elgon had (and indeed still have) no access to a formal sector bank. Prior to 1998, they saved whatever they could in kind, cash hidden in the home or through "merry-go-rounds" (Rotating Savings and Credit Associations). But all of these presented risks to the people involved.

But such was the demand for financial services that poor people even saved through unregistered and fraudulent schemes such as "Bangoma" which took Ush. 20,000 ($12.50) each in savings from prospective clients with the promises of loans to follow … and then disappeared. Such schemes thrive in circumstances where poor people have no other option.

Savings In Kind
Savings in kind are subject to loss through fluctuations in commodity prices, theft, insects, illness etc.

Coffee: Saving by hoarding coffee is one of the most common forms of saving in kind, but has been characterised by high losses in recent years as the price has fallen from Ush.3,000 ($1.88) per kilo in 1997 to Ush.1,500 ($0.94) per kilo in 1998 and Ush. 1,000 ($0.63) per kilo this year (1999). In addition, going down to the lowlands to sell the coffee was a perilous business: bandits marked who was going to sell coffee and awaited their cash-laden return. During coffee harvesting season, as many as two people were killed every month by bandits lying in ambush on the cliff road up to Kamu.

Maize: For example, last year the people who had been saving by hoarding maize also lost out as the bumper harvest in Busoga flooded the market and depressed the prices to below those at harvest time in Elgon. Similar problems beset those trying to save in beans.

Livestock: Recently, in addition to the perennial problems of disease and feeding/housing livestock, recent years have seen an upsurge in incidents of livestock being stolen, particularly by the Karamajong.

The Chairman's Woes

The Chairman of Kaselemu told us of his attempts to save in kind – and his losses to insects, commodity price fluctuations and thieves.

"In 1995 I went to Kamanguru, a nearby village, and bought 100 bags of half dried maize packed in bags of 100 kgs each. I transferred the bags to my home and kept them for three months. When the price of maize went up I hurried to Mbale and hired a vehicle to transport the maize to market. However, upon opening the bags, I couldn't believe my eyes: all of the maize had been eaten up by weevils. It was by then too late: not only had I lost my savings, I had also incurred an additional expenditure for hiring the lorry.

In 1996 I did better, but in the 1997 season, I bought beans at Ush. 200 a kilo during the harvest period. Unfortunately there was a bumper harvest of beans in Bulegeni sub county during that season, so I was forced to keep the beans for four months before I sold them again … at Ush. 200 per kilo. This was at a loss to me because the beans had dried out and so there were fewer kilos to sell by then, and I had put in a lot of effort to preserve the beans over those four months.

Last year, I kept coffee against the wall in one of the corners of the house. Whenever I could buy more coffee I would do so and add to the heap of the coffee. After a while I noticed that the volume of coffee was not increasing as I had expected it to; however, this didn't bother me since the room was always locked. After two months, not wanting to repeat the experience with the maize, I decided to take out all the coffee for re-drying. It was then that I realised that someone had made a hole through the mud wall of the house and used to come at night to steal the coffee. When I re-weighed the coffee I found I had lost 270 kilos of coffee valued at over Ush. 350,000 ($218.75).

Now I sell produce immediately and put money in Elgon Village Bank …" As he finished there was a sudden commotion: shouting and people running off brandishing sticks and machetes. "There are two rabid dogs on the loose", the Chairman explained, "They killed four goats last night – one family's entire savings."

Savings At Home

Keeping savings at home is also an extremely risky option. In addition to all the normal risks of thieves breaking into the house in search of the money, insects eating it and trivial spending prompted by visitors or small-scale celebrations; relatives present a serious risk to savings held at home. Many of the retrenched soldiers received their severance pay packet and tried to keep it at home. Relatives came with pleas, camped outside their houses and within a few weeks, almost all of the soldiers had spent most of the money addressing their friends and relatives' problems.

There is another significant risk in saving in kind or indeed in the home. The Bagisu tribe's culture dictates that if someone is killed (whether accidentally or on purpose) the family of the dead person will not rest until they have destroyed the homestead and all the property of the clan from which the "killer" comes.

Missing: Secret Hordes

Kyamala passed away in 1992. However at the beginning of 1999 one of the big trees in Kyamala's compound was cut down and inside one of the holes they found many torn old currency notes. When he died, nobody knew where old Kyamala was keeping his money - if they had known, the money would have been used to pay school fees for his grandson who dropped out of school soon after his death – for lack of money.

William Matabi, a farmer in Sisiyi village, had kept Ush. 200,000 ($125.00) inside the back of his radio. One night, a thief stole the radio as he was sleeping. William says, "This was a very big lesson – I will never keep money at home again as long as Elgon Village Bank is open."

Merry-Go-Rounds or RoSCAs

RoSCAs are common in Mount Elgon as elsewhere in East Africa – and as throughout the region, many have lost money through RoSCAs. The result is that, in common with other countries in East Africa, as a function of the limited level of trust within the community, RoSCAs are usually small in scope: both in terms of the number of participants and the amounts of money rotated. RoSCAs are excellent systems for disciplined saving for a specific goal, particularly if that goal is cyclical or recurrent. It is however, the rigid, cyclical and self-liquidating nature of typical shorter-term RoSCAs that is also their draw back, for they are poorly equipped to respond to:

1. unpredicted emergency needs, or
2. the need build-up larger lump sums over time, or
3. changes in the ability to the member save (either a reduction due to problems or an increased ability due to a windfall), and
4. to store money for the short term (if for example the pay out comes a month before school fees are due).

Elgon Village Bank

Clearly, the level of risk to poor people's savings under each of these traditional options is high. It was for this reason that when the "Elgon Village Bank" was established, the people jumped at the opportunity. 18 months after it formally opened its doors for business, the EVB had 1,700 members who had bought Ush. 19.3 million ($12,063) shares, and deposited Ush. 515 million $321,875) and withdrawn Ush. 502 million ($313,750) in savings[6]. Thus on average the members had deposited Ush. 302,300 ($189) with and withdrawn Ush.295,300 ($185) from Elgon Village Bank (EVB)[7]. EVB is clearly playing an important role in its members' cash management strategy … and all this despite the negative publicity surrounding "Village Banks" and having the EVB's account in the Co-operative Bank frozen.

The EVB is not perfect[8], nor is it perfectly safe as a financial institution (indeed, like many community-based financial organisations, it struggles to maintain the quality of its loan portfolio). Nonetheless EVB offers a client-responsive savings service at a relatively low-risk by comparison to the alternatives open to the people of Kamu and the surrounding villages. In their position, which option would you chose? [9]

Discussion and Conclusions:

Perceptions and Experience:

The Tables 3-5 from the survey showing "Summary of Savings and Losses in the Formal, Semi-Formal and Informal Sectors" can usefully be compared with that showing the perceptions of the respondents participating in the qualitative component of the study. Participants in focus groups were asked to identify devices they used to save and then to rank the relative safety of the devices and the results were as follows:

Table 9: The Relative Safety of Financial Systems

Focus Group Discussion Participants' Perception of Relative Safety of Financial Systems from Most to Least Safe		**Survey Respondents' Experience**	
		Incidence of Loss as % of Use of System In Last 12 Months	**Amount of Loss as % of Amount Saved In Last 12 Months**
Most Safe	Government Banks	16%	3%
	Private Banks		
	NGO-MFIs	28% (note 9.1)	9% (note 9.1)
	Savings at Home/"Piggy Bank"	68%	26%
	Village Banks/Financial Services Associations	17%	12%
	Rural Savings and Credit Cooperatives		
	Money Guards	20%	8%
	RoSCAs	27%	6%
	Savings Clubs	29%	11%
Least Safe	ASCAs	40%	21%

Note 9.1: These are weighted averages of group- and individual-based schemes.

While, at first sight, this comparison provides a confusing picture, it is necessary to consider several issues to make sense of it. These are as follows:

[6] Indicating a remarkable level of demand on the part of the clients and an outstanding service on the part of EVB.

[7] To put this in context Uganda has a GNP/per capital of $310 – as of 31 December, 1999

[8] A fact recognised by the Board and the staff alike, indeed the fact that it is operating legally and above ground allows it to seek technical assistance and training to strengthen the institution. If EVB and other such institutions were to be made illegal, they would continue in some form or other as informal savings and credit associations, but be unable to solicit assistance for fear of incurring the wrath of the law.

[9] Many people in the villages of Elgon, of course, continue to diversify and hold a little savings in each system – some at home, some in-kind, and some at Elgon Village Bank while also participating in RoSCAs.

1. The losses experienced through commercial banks are as a result of the bankruptcy and closure of the Greenland and Co-operative Banks by the Bank of Uganda.
2. The losses amongst MFIs (90% of which used a group-based guarantee system) is driven primarily by using group members' compulsory savings (loan insurance fund) to make good defaulters' loans.
3. The one clear outlier (saving at home) has special gender and access considerations (see discussion above). Men would probably view "saving at home" as more risky.
4. The focus group discussion participants' perceptions of risk associated with different mechanisms are based on many years of historical experience, whereas the survey respondents' experience is what happened during the last 12 months with the savings systems that they chose to use. It is reasonable to assume that the survey respondents have only deposited their savings in systems that they viewed as relatively low in risk – i.e. only in the better more durable RoSCAs/ASCAs/Savings and Credit Co-operatives etc. which seem to have been managed/wound-up with some, but minimal losses to participants. Thus, as happened in Bangladesh (Wright, 2000) the market has begun to sort out the less risky from the most risky savings systems.

What It All Means for Poor People:
What is quite clear is that the most prevalent forms of saving in the informal sector namely savings in kind and saving at home are also the most risky with 75% and 68% incidence of loss respectively. Both these forms of saving give rise to average annual losses of 18% of average annual amount saved. The other common saving mechanism, reciprocal lending, is also a highly risky activity: with a loss incidence of 69% and an annual average loss rate of 17% of the annual amount saved.

Perhaps through a process of careful selection over time, the other alternatives (RoSCAs, informal funds, ASCAs etc.) in the informal sector (in so far as they have been used) seem to have proved less risky over the last twelve months. But many people simply chose not to use these alternatives. On the basis of past experience, they are still largely viewed as even more risky. As a consequence of the careful selection process the lower risk alternatives appear to be available to only a limited proportion of people – for example even RoSCAs are used by only 23% of the sample. In short, when poor people do not have access to formal or semi-formal savings services, they are driven into a very, very risky informal sector … where they are almost bound to lose much of the money they save.

What It All Means for Central Bankers:
It is also generally accepted that commercial banks and the few larger MFIs that have transformed into a status that brings them under the supervision of Central Banks will never be able to reach out to offer savings services to poor people in remote rural areas. Indeed, with the increasing closure of rural commercial bank branches throughout Africa, the trend is the reverse. So some creative thinking and flexibility is required to address this issue. It is not good enough to say, "We cannot guarantee the security of your deposits at unsupervised institutions, so you cannot save with them" – this simply drives people into (or strands them in) the highly risky informal sector.

In the words of Christen and Rosenberg (2000) "Kate McKee of USAID has pointed out that such a policy is often tantamount to telling people in those communities that if high-quality (i.e. effectively supervised) deposit services can't be delivered to them, then they should have no deposit services at all. Especially in rural areas, "unsupervisable" deposit takers may be the only ones willing and able to operate in a given locality. Clients are often well aware that such organizations are risky, but continue to use them because the other available savings options are even riskier".

Too long Central Bankers have seen depositor protection in absolute terms. The experience of many Uganda Co-operative Bank clients demonstrates that absolute depositor protection is largely unattainable. More importantly, ***when considering "safeguarding the deposits of the poor", it is essential to think in terms of relative risk rather than absolute risk***. In the same way that rich people make investment and savings decisions on the basis of the relative risk and return of the variety of opportunities available to them, so poor people are constantly faced with the need to assess the relative risk of the limited options they have to save.

Finally, the notion that poor people "lose all their life savings" in financial institutions that fail needs to be re-examined. Poor people are not that stupid: in the same way that rich people diversify their portfolios to minimise their exposure and risk to the failure of any one institution, so poor people use a variety of savings systems to minimise the risk of such catastrophic loss. In the survey the total number of clients using the various systems examined totalled 4,960, from a survey of 1,500 people. Thus on average each respondent was using 3.3 different savings systems.

What It All Means for the MicroFinance Industry:
Most would agree that smaller MFIs are risky institutions to which to entrust savings. However, as can be seen from the analysis above, on a relative basis, many are likely to be far safer than the most common informal mechanisms the poor are forced to use by policies that prohibit MFIs from mobilising savings.

In addition, savings services play an important role in the management of business and household affairs and many poor people would be delighted to take the risk on a small MFI surviving for a few years and providing a useful service. The example of Elgon Village Bank cited above provides a clear example of this. Over the two years it had been open when the review was made, the village bank had provided invaluable services to 1,700 clients who had deposited Ush.515 million ($321,875) and withdrawn ($313,750). Most clients were using their accounts primarily as current accounts to manage their market business and only a relatively small amount of money (an average of $5 per account) is left at risk on deposit with the institution. To regulate this service out of business to "protect depositors" against such small-scale exposure to risk would be not be doing them any favours.

To date, few Central Banks and MicroFinance gurus have given adequate thought to how best to improve the security of poor people's deposits held in smaller MFIs – most seek to provide this security by simply prohibiting these MFIs from providing savings services at all. This ignores the needs and demands of the MFIs' clients. Furthermore, particularly in remote rural areas, community-based, user-owned and managed systems are likely to be the only sustainable way of delivering financial services to the poor living there. To seek to regulate them out of existence will simply drive this potential important sector of the rural finance industry under-ground – out of reach of the very training and technical assistance programmes that might have strengthened the institutions and protected the deposits many of these institutions are likely to take <u>anyway</u>.

This is not suggest that no efforts should be made to identify and close down semi-formal institutions that are deliberately seeking to defraud poor people of their savings. Indeed, such efforts should be stepped up. However, it is necessary to recognise that ill-considered, draconian prohibition of deposit mobilisation:

> *neither* prevents such institutions starting up in areas where there are no (or limited) formal/semi-formal alternatives for poor people – for example most of rural Africa,
>
> *nor* protects poor people's savings but instead forces them into (or strands them in) informal systems with a high relative risk.

In view of the highly risky nature of saving in the informal sector it is probably necessary to think more about helping clients understand the relative risk of saving in these semi-formal institutions. It should also be noted that the evidence from this study suggests that poor people do value some form of external accountability: for example the registration of the RoSCA/ASCA with the local government authorities or the international parent organisation of an NGO-MFI. Clearly, this type of external accountability increases the trust of poor people in the institution and thus facilitates the institution's savings mobilisation activities. Thus serious semi-formal sector MFIs should <u>want</u> some form of external accountability and publicise the fact they are subject to this.

This need for credibility and trust together with the need to identify and close down fraudulent semi-formal institutions suggests that semi-formal institutions of whatever type should ideally be part of an external accountability framework, *provided that it is appropriate to the type and scale of the institutions*. The

challenge for the MicroFinance industry is develop such an accountability framework – and the history of credit unions and cooperative development authorities worldwide suggests that this will not be easy.
In the first instance, it is important to improve internal supervision (accounting systems, internal control, governance, adequate transparency to allow members to make their own decisions about the risk associated with saving in the institution etc.). At the same time the MicroFinance Industry has to search for alternative and appropriate approaches to external supervision, probably a voluntary system based on decentralised, non-governmental bodies (see box below). This is an area that the MicroFinance industry has scarcely begun to address, and one that warrants a great deal more attention in the future.

That said, poor people cannot wait for the perfect system to protect their deposits … indeed, the evidence from the formal commercial sector demonstrates that this panacea does not exist. In the short run, it preferable to give poor people the choice rather than drive or strand them in the high-risk saving environments with which they are currently faced. We must however, seek to inform that choice so that they can make their own decisions about the options available to them and the relative risk of each.

Concluding Suggestion: A Mixture
(A Personal View - Wright, 2000)

Although apparently complex, I believe that probably about six tiers or categories of MFI are necessary for effective supervision – only one of which involves the central bank. These are as follows:
Gold Standard MFIs: Supervised by the central bank, covered by the government deposit guarantee scheme and encouraged to market their services as such.
Premium MFIs (possibly including some larger user owned and managed organisations): Supervised by a rating agency, possibly covered by a pooled deposit guarantee scheme, and marketed as such.
Ordinary Savings and Credit MFIs: Offering loans (from equity or borrowed capital) and savings services under which deposits mobilised are taken and deposited in a formal sector bank that is subject to supervision by the central bank. Ordinary Savings and Credit MFIs would not be permitted to intermediate the savings they mobilise into loans.
Ordinary Credit-Only MFIs: Offering only loans, and depositing compulsory savings/loan insurance funds generated by the lending methodology in a formal sector bank that is subject to supervision by the central bank.
Larger User Owned and Managed MFIs: Required declaration of risk, training of officers by certified trainers, required reporting and subject to annual audit/CAMEL assessment by certified auditors. Simplified formats of the auditors' reports would then be reviewed by the MFIs' members at their annual general meetings. In addition the auditors' reports could be reviewed by an umbrella organisation that could periodically publish very simple tables of performance indicators for these larger user owned and managed MFIs in national/local newspapers.
Smaller User Owned and Managed MFIs: Required declaration of risk, training of officers by certified trainers, required reporting and subject to annual audit by certified auditors. Simplified formats of the auditors' reports would then be reviewed by the MFIs' members at their annual general meetings.

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Appendix 1
METHODOLOGY

The method used to carry out the study was quantitative face-to-face interviews among adults in Central, Eastern and Western Uganda.

Sample coverage
The survey covered C2, D and E households in urban and rural areas of Central, Eastern and Western regions.

Sampling
Sampling was conducted as follows: - Uganda was split into urban and rural regions. Each region was divided into districts, and then a multistage sampling method was applied to distribute the sample proportionate to the population distribution. Further the districts were divided into counties and the number of interviews per county was based on the population. The most populous county received more interviews. The counties were further broken down to sub counties where actual interviews were selected based on the population density. Within the sub-counties (which was the final sampling unit) random selection of household to be included in the survey were selected and the head of household was interviewed. The number of interviews carried out in each sampling unit was 10. 1500 interviews were conducted in total.

Weighting data
The sampling procedure described above, resulted in a deliberate bias towards urban areas since the sample was split into urban and rural in a ratio of 50:50. We over-represented urban to be able to interview a large sub-sample of MFI users who are mainly found in urban areas. During data analysis we weighted the sample to reflect the true population distribution to correct this urban to rural imbalance. The weighting factors were based on population figures from the 1991 population and housing census.

Urban and Rural Definition
Urban areas are defined as those areas with populations of 10,000 households and over. In many cases these are trading centres where most of the population are engaged in some form of trade.

Rural areas have fewer than 10,000 households in the area and are mainly characterized by agricultural based activities.

Sample details
<u>Sample Breakdown per region</u>
The table below shows the breakdown of the un-weighted sample in the regions.

Un-weighted sample per region

Region	**County**	
	Urban	Rural
Central	250	250
Eastern	250	250
Western	250	250
Total	**750**	**750**

Population details based on the national census 1991.

	Urban	Rural	Total
Kampala	620,341	153,900	774,241
Central	404,275	3,648,707	4,052,982
Eastern	313,547	3,791,548	4,105,095
Western	79,779	2,046,001	2,125,780
Total	1,417,942	9,640,156	11,058,098

Weighted sample based on population within regions

	Urban	Rural	Total
Kampala	90	0	90
Central	49	527	576
Eastern	30	487	517
Western	12	305	317
Total	181	1319	1500

Sample Breakdown by socio-economic classification

The 1500 interviews were conducted among respondents in the C2, D and E socio-economic groups within the three regions. These lower socio-economic groups were considered the most relevant for this study as they are the target of many Micro Finance Institutions.

Research International classifies the population in terms of socio-economic status depending on the occupation of the respondent from AB to E. Specifically, the socio-economic details are as follows: This is a rough guide to social class definitions. They are meant to reflect lifestyles and not merely occupation. In most cases the occupation will determine the lifestyle that one lives. However exceptions do exist.

C2 - Skilled manual worker e.g. mechanic, carpenter, etc, part time qualified technician e.g. laboratory, nursing etc., non-graduate (P2, P3 or untrained teacher), junior clerks, owner of small farm, owner of small business enterprise.

D - Semi skilled/ part trained manual worker e.g. apprentice or learner mechanic etc house servant, waiter/steward, shop assistant. Forestry worker, owner of a small plot selling some produce.

E - Rural unskilled e.g. labourer, casual, watchman, sweeper etc (may own plot but sells very little or no produce) subsistence farmer.

In the survey, socio economic groups were broken down as follows:-

Table showing socio economic groups in sample before weighting

Socio-economic group	Urban		Rural	
	Number	% of total	Number	% of total
C2	490	65	383	51
D	247	33	308	41
E	13	2	59	8

Table showing socio economic groups in sample after weighting

Socio-economic group	Urban		Rural	
	Number	% of total	Number	% of total
C2	86	48	205	16
D	95	52	655	50
E	0	0	458	35

Weighting factors for the table above were drawn from a survey that Research International conducted in 1997 (Windows on East Africa)

Sample Breakdown By Employment Status

Table showing employment status in sample before weighting

Socio-economic group	Urban		Rural	
	Number	% of total	Number	% of total
Employed	203	27	166	22
Self employed	517	69	535	71
Unemployed	30	4	49	7

Table showing employment status in sample after weighting

Socio-economic group	Urban		Rural	
	Number	% of total	Number	% of total
Employed	50	28	194	16
Self employed	123	68	1007	83
Unemployed	8	4	11	1

Other Key Indicators

In order to ascertain more information about our sample, on site records have been taken which indicate the constitution of the household.

The table below illustrates the type of wall and roof material used depending on the socio economic status of respondents.

Table showing roof material against socio economic group

Socio-economic group	Roof Material		
	Corrugated Iron Sheets All using = 1159	Grass/reeds/ leaves All using = 324	Asbestos All using = 8
	%	%	%
C2	23	5	98
D	54	38	2
E	23	57	0

Table showing wall material against socio economic group

Socio-economic group	Wall Material				
	Burnt/stabilized brick All using = 449	Pole and mud All using = 652	Unburnt brick All using = 297	Cement block All using= 36	Plastered walls All using = 41
	%	%	%	%	%
C2	41	6	9	65	32
D	46	49	61	35	49
E	13	45	30	0	19

Below, we have information on best and worst month household income (average in Ushs. 000s) split among the socio-economic groups and in the various regions.

Table showing best and worst month household income and expenditure against region and socio-economic group

	Total average	Region						Socio-economic group		
		Central		Eastern		Western		C2	D	E
		Urban	Rural	Urban	Rural	Urban	Rural			
Best month average household income	123.0	181.88	143.5	163.19	92.53	177.96	100.78	210.0	110.0	88.8
Worst month average household income	53.8	96.81	50.87	76.27	44.44	91.08	50.22	102.99	47.1	31.8
Average Monthly Expenditure	64.3	106.11	62.01	95.70	54.84	73.33	62.37	103.71	61.1	44.1

This type of question may result in over or under claim responses, but illustrates wealth indicators on a relative basis.

Appendix 2
Quality Control Procedures and Systems

Field Quality Control

Each project has a Team Supervisor who is charged with the responsibility of ensuring that fieldwork is conducted as stipulated in each project guideline. The Team Supervisor is expected to have a clear knowledge of the project under supervision. The supervisor keeps the office updated while fieldwork is in progress. Team leaders assist him in managing fieldwork. Each Team Leader is responsible for 5-6 interviewers.

Briefing:
The Project Executive briefs all the interviewers conducting each project face-to-face.
The following are the usual stages of the briefing:

- General background on project and objectives.
- Explanation of sampling procedure.
- Explanation of questionnaire (question by question)
- Practice interviewing by conducting dummy (mock) interviews with each other.
- All to share problems encountered.
- Pilot interview- with a respondent in field.
- De- brief on pilot interview.

Pilot Interviews:
After the briefing, the interviewers go out and conduct an actual interview with a respondent in the field. Pilot interviews specifically help to check: -

- The flow of the questionnaire, to establish that the questionnaire is
- Comprehensible to respondents.
- To ensure that the interviewers really understand the questionnaire and are able to administer it well
- To set a realistic strike rate.

Debriefing:
After a pilot, the team supervisors hold debriefing sessions with the executive/ field controller, the debriefing helps to iron out any problems that might have risen during pilot/by sharing and discussing them.

Accompaniments:
5% of all interviews conducted by each interviewer are accompanied on each project, the purpose of this is to ensure that the interviewer follows all instructions and procedures in the sample specifications in the questionnaire, and conducts the interview according to standards specified. While accompanying the Team Supervisor notes all problems encountered. Accompaniments are carried right from the start of fieldwork. Any problems encountered are explained to all interviewers and not just the one accompanied.

Back-Checks:
10% of all interviews conducted by each interviewer are back- checked on each project. Back checking is a verification of an interview by a supervisor. The supervisor makes direct and personal contact with the respondent (face-to-face) to ascertain that the interview was in fact done, and re-asks a few relevant questions (prior agreed with the executive) to ensure that the validation is correct.

Back-Check Form:
This is a form left with the respondent to fill in, and is picked by the Team Supervisor when back- checking. This form guarantees that the interview actually took place between the interviewer and the indicated respondent on the questionnaire. The findings of back checking are attached to the interviewer appraisal form; this form acts as reference to interviewer performance.

Checking Questionnaires- 100% Checking:
Checking is the visual inspection i.e. reading through in full and completed questionnaires by the supervisor. He/ she checks:-

- That answers to all questions have been recorded and correctly.
- That routing has been correctly followed.

It is mandatory that all questionnaires are 100% checked before they are handed to Data Processing. Interviewers can also check each other's questionnaires under strict control.

5/8 Interviewers Per Team Supervisor:
In order to enhance field work further, the idea of having 5-8 interviewers per every supervisor depending on the complication of the questionnaire has been implemented. This enables the interviewers to move as a team and in turn enables the supervisor to have closer supervision of his / her team.

Spot Checks:
The Field Coordinator makes unannounced spot-checks, to see to it, that, both the supervisors and interviewers are actually doing their work. For supervisors he /she back-checks at least 1% of respondents already back- checked and 5% of those not back- checked.

Communication With The Office:
The supervisor / interviewer is under strict instructions to call the office every alternate day. In this communication they relay to the office full details of job progress and their whereabouts.

Itinerary:
Before any project starts, an itinerary for both the supervisor and the interviewer is approved by the field controller. The itinerary for interviewer clearly states the date, the location, daily activity, sleeping place and contact telephone number where applicable. As for Team supervisor's itinerary apart from the above, it also indicates the number of questionnaires to be accompanied, back- checked, and the visual checking.

Data Processing Quality Control

Data Editing - 100% Checking:
Editing new team receives training
Project managers, and Team supervisors brief each team on new questionnaires
100% of questionnaires checked and edited by editing staff
100% of questionnaires from first day of editing checked by team supervisors

For new teams, team leaders check 100% of the sample. Areas of weaknesses then checked thoroughly, editors who work extra quickly are checked.

For ad hoc work more than 50% of questionnaires are selected at random, and the code list is up-dated during editing. Code frames vetted before application. Code-list checked by Account managers before coding.

Number of editors working on a project controlled to - 8 editors to each team-leader.

Editor team-leaders go through questionnaire with data entry clerks before commencing data entry, to highlight to difficult areas, borrowing of column numbering etc. This enables Data entry clerks to understand the questionnaire fully.

Data Entry - 20% Data Validation:
At least 20% of questionnaires verified / checked again by the team-leaders. Questionnaires are re-entered randomly (MPA can compare re-entered with original data)

Errors controlled through set up of the MPA data-entry mask in advance. The mask is tested before data-entry starts. Changes made where possible.

At any stage questionnaires with errors are returned to field for clarification

Each team-leader in charge of 7 data entry clerks. This enables the team leader to verify the set % of data entry clerks work.

Data Analysis – 100% Checking:
DP specification writer writes electronic EDITSPEC for project (cleaning programme), Edit spec run on early stage on sub sample to detect and formulate logic.

Checking of filter, subgroups, over-codes and different breakdowns of various cells checked on live data.

Data merged and checked for miss-punches using the internal cleaning programme – (the programme will flag out all mistakes).

Questionnaires with mistakes / routing problems are identified and feedback given to field. Cases replaced if necessary.

Hole-count printed to further identify errors. Tables printed to be checked for any inconsistency.

Key questions are analysed by interviewer code number, data entry code number, editor code numbers, and team-leader code numbers. Feedback is given and improvements made.

Appendix 3

RESEARCH INTERNATIONAL E.A. LTD
P.O. BOX 72951, TEL: 530536/532993/4 NAIROBI

Respondent's name:_______________________
Contact address:_________________________
Telephone:___________________________
Interviewer's name:_______________________
Interviewer's number:_______________________

RESPONDENT OCCUPATION
(135 / 37)

INCLUDE ALL DETAILS (140-52)

SOCIAL CLASS: **(153)**
C2 1
D 2
E... 3

AGE: (154)
18-25.. 1
26-35.. 2
36-45.. 3
46-55.. 4
56-65.. 5
66-75.. 6
76+.. 7

GENDER: **(155)**
Male... 1
Female 2

Q'AIRE SERIAL NO 101 102 103 104

C,N (5,6)

INTERVIEWER NO 107 108 109 110

TEAM LEADER NO:

111 / 14

Checks	Team supervisor	Manager
Questionnaire checks	1 (115)	1 (118)
Back checks	2 (116)	2 (119)
Accompany	3 (117)	3 (120)

REGIONS - UGANDA

121
Kampala.................................... 1
Central Urban 2
Central Rural 3
Eastern Urban 4
Eastern Rural 5
Western Urban........................... 6
Western Rural............................ 7
SP NO.
122 / 25

TIME STARTED

126 / 30

I certify that this interview was carried out by me in accordance with the briefing I received and that the answers represent a true and accurate record of the responses given by the respondent named above.

Signed:..
Date:.......................................

Good morning / afternoon / evening. My name is .... from Research International, an independent market research company. Our work is to talk to people about the way they manage their savings. May I ask you some questions, please?

We are carrying out a market Research Survey and are looking for people representing various occupations.

S1. Do you or does any member of your family or do any of your friends work in any of the following occupations either now or in the past?

READ OUT THE CODE BELOW

160

Advertising...1
Market research..2
Public relations...3
Journalism 4
Marketing 5
An organisation offering financial services, (bank
Coop, Sacco etc) 6
None of these.. 7

IF YES TO ANY OF THE ABOVE CLOSE INTERVIEW

S2. Have you ever taken part in any form of Research (that is where someone has interviewed you) in the last 12 months?

161

Yes .... 1>Close
No... 2>Continue

*S3***.** *Which of the following categories do you fall into: -*
SHOW CARD IF LITERATE. IF ILLITRATE READ OUT.

162

Employed...................... 1
Self employed............... 2
Unemployed................. 3
Other............................. 4

IF SELF EMPLOYED.

S4. How many people work for you?

163

0-3... 1
3+... 2
None 3

1. Which of the following savings services/systems have you used in the last year? READ OUT AND SHOW CARD. ROTATE STARTING POINT

Financial Service	(207 / 20)
<u>Formal:</u>	
Formal bank: savings account; current account; deposit account; loan account	01
Insurance company: life, health/accident, pension or other policy.	02
Formal employee pension or insurance scheme eg NSSF	03
Building society loan or savings account	04
Leasing company loan	05
Post Office savings account or savings certificates	06
Other [SPECIFY]	07
<u>Semi-formal:</u>	(221 / 30)
MFI group-based savings and loan, or loan-only membership	01
MFI individual savings and or loan account	02
Credit Union (or Thrift and Credit Co-operative, or FSA – village bank)	03
Other [SPECIFY]	04
<u>Informal:</u>	(231/80)
Moneylender / Pawnbroker (a person who lends money full time or part time for interest)They most of the time take an item as security for a loan so that in case the borrower fail to pay they can sell the item. The items include radios, TV etc	01
Deposit collector - these are individuals who keep money for people for a fee. (private for profit, usually charging a fee and mobile).	02
Money guard (employer, senior relative, patron etc.) someone who keeps deposits for other people on a small scale eg grand mother keeping money for a grandson	03
Saving at home e.g. in a money box	04
ROSCA (a cash round: a rotating fund received equally by all in turn)	05
ASCA (a non-rotating fund built by pooled savings from which some members borrow)	06
Combination of both ROSCA and ASCA	07
Savings club (no loans)	08
Reciprocal lending arrangements (lending to friends with the hope that when you too need a loan you too can go to them)	09
Non reciprocal lending arrangements (poor people borrowing from the rich)	10
Informal insurance fund (e.g. by market traders to guard against a fire) – groups of people join so that incase of an emergency like death in family the group will come to their rescue	11
Other informal insurance for personal uses eg Burial funds	12
Event-specific contribution arrangements (e.g.we all pay 5,000 shillings when a birth occurs)	13
Saving with a supplier (who supplies goods/raw materials for respondent's business)	14
Saving in kind e.g. buying an item which could be sold later for more money	15
Other [SPECIFY]	16
No savings services / systems	17

2. Roughly how much did you save in Ushs in each of these savings services/systems in the last year ?
[NOTE THIS SHOULD BE THE AMOUNT THEY PUT INTO / DEPOSITED WITH EACH SERVICE/ SYSTEM OVER THE COURSE OF THE YEAR] RECORD STARTING AT THE EXTREME RIGHT

Financial Service									**UShs**
Formal:									
Formal bank: savings account; current account; deposit account; loan account									307/14
Insurance company: life, health/accident, pension or other policy									315/22
Formal employee pension or insurance scheme eg NSSF									323/30
Building society loan or savings account									331/8
Leasing company loan									339/46
Post Office savings account or savings certificates									347/54
Other [SPECIFY]									355/62
Semi-formal:									
MFI group-based savings and loan, or loan-only membership									407/14
MFI individual savings and or loan account									415/22
Credit Union (or Thrift and Credit Co-operative, or FSA) – village bank									423/30
Other [SPECIFY]									431/38
Informal:									
Moneylender / Pawnbroker (a person who lends money full time or part time for interest) They most of the time take an item as security for a loan so that in case the borrower fail to pay they can sell the item. The items include radios, TV etc									507/14
Deposit collector - these are individuals who keep money for people for a fee. (private for profit, usually charging a fee and mobile)									523/30
Money guard (employer, senior relative, patron etc.) someone who keeps deposits for other people on a small scale eg grand mother keeping money for a grandson									531/38
Saving at home e.g. in a money box									539/46
ROSCA (a cash round: a rotating fund received equally by all in turn)									547/54
ASCA (a non-rotating fund built by pooled savings from which some members borrow)									555/62
Combination of both ROSCA and ASCA									563/70
Savings club (no loans)									571/8
Reciprocal lending arrangements (lending to friends with the hope that when you too need a loan you too can go to them)									607/14
Non reciprocal lending (poor people borrowing from the rich)									615/22
Informal insurance fund (e.g. by market traders to guard against a fire) – groups people join so that incase of an emergency like death in family the group will come to their rescue									623/30

Other informal insurance for personal uses eg Burial funds									631/38
Event-specific contribution arrangements (e.g. we all pay 5,000 shillings when a birth occurs)									639/46
Saving with a supplier (who supplies goods/raw materials for respondent's business)									647/54
Saving in kind eg buying an item which could be sold later for more money									655/62
Other [SPECIFY]									663/70

3a. Have you lost any money through the use of formal like banks, building societies / informal schemes eg money lender, money guard etc?

[680]

Yes.. 1 continue
No .... 2 close

3b. Through which of the following savings services/systems have you lost money in the last year ?
SHOW CARD AND READ OUT

Financial Service	
Formal:	(707/30)
Formal bank: savings account; current account; deposit account; loan account	01
Insurance company: life, health/accident, pension or other policy	02
Formal employee pension or insurance scheme eg NSSF	03
Building society loan or savings account	04
Leasing company loan	05
Post Office savings account or savings certificates	06
Other [SPECIFY]	07
Semi-formal:	(731/40)
MFI group-based savings and loan, or loan-only membership	01
MFI individual savings and or loan account	02
Credit Union (or Thrift and Credit Co-operative, or FSA) – village bank	03
Other [SPECIFY]	04
Informal:	(741/80)
Moneylender / Pawnbroker (a person who lends money full time or part time for interest) They most of the time take an item as security for a loan so that in case the borrower fail to pay they can sell the item. The items include radios, TV etc	01
Deposit collector - these are individuals who keep money for people for a fee. (private for profit, usually charging a fee)	02
Money guard (employer, senior relative, patron etc.) someone who keeps deposits for other people on a small scale eg grand mother keeping money for a grandson	03
Saving at home e.g. in a money box	04

ROSCA (a cash round: a rotating fund received equally by all in turn)	05
ASCA (a non-rotating fund built by pooled savings from which some members borrow)	06
Combination of both ROSCA and ASCA	07
Savings club (no loans)	08
Reciprocal lending arrangements (lending to friends with the hope that when you too need a loan you too can go to them)	09
Non reciprocal lending (poor people borrowing from the rich)	10
Informal insurance fund (e.g. by market traders to guard against a fire) – groups people join so that incase of an emergency like death in family the group will come to their rescue	11
Other informal insurance for personal uses eg Burial funds	12
Event-specific contribution arrangements (e.g. we all pay 5,000 shillings when a birth occurs)	13
Saving with a supplier (who supplies goods/raw materials for respondent's business)	14
Savings in kind eg buying an item which could be sold later for more money	15
Other [SPECIFY]	16

4. Roughly how much money did you lose in Ushs through each of the following savings services/systems ?
[SELECT ONLY THOSE CIRLCED IN 2. ABOVE] SHOW CARD AND READ OUT

Financial Service									
Formal:									Ush
Formal bank: savings account; current account; deposit account; loan account .									807/14
Insurance company: life, health/accident, pension or other policy									815/22
Formal employee pension or insurance scheme eg NSSF									823/30
Building society loan or savings account									831/38
Leasing company loan									839/46
Post Office savings account or savings certificates									847/54
Other [SPECIFY]									855/62
Semi-formal:									
MFI group-based savings and loan, or loan-only membership									907/14
MFI individual savings and or loan account									915/22
Credit Union (or Thrift and Credit Co-operative, or FSA) – village bank									923/30
Other [SPECIFY]									931/38
Informal:									
Moneylender / Pawnbroker (a person who lends money full time or part time for interest) They most of the time take an item as security for a loan so that in case the borrower fail to pay they can sell the item. The items include radios, TV etc									1007/14
Deposit collector - these are individuals who keep money for people for a fee. (private for profit, usually charging a fee)									1023/30
Money guard (employer, senior relative, patron etc.) someone who keeps deposits for other people on a small scale eg grand mother keeping money for a grandson									1031/38
Saving at home e.g. in a money box									1039/46
ROSCAS (a cash round: a rotating fund received equally by all in turn)									1047/54
ASCA (a non-rotating fund built by pooled savings from which some members borrow)									1055/62
Combination of both ROSCA and ASCA									1063/70
Savings club (no loans)									1071/78
Reciprocal lending arrangements (lending to friends with the hope that when you too need a loan you too can go to them)									1107/14
Non reciprocal lending (poor people borrowing from the rich)									1115/22
Informal insurance fund (e.g. by market traders to guard against a fire) – groups people join so that incase of an emergency like death in family the group will come to their rescue									1123/30
Other informal insurance for personal uses eg Burial funds									1131/38
Event-specific contribution arrangements (e.g. we all pay 5,000 shillings when a birth occurs)									1139/46

Saving with a supplier (who supplies goods/raw materials for respondent's business)									1147/54
Saving in kind eg buying an item which could be sold later for more money									1155/62
Other [SPECIFY]									1163/70

5. FOR THOSE THAT PARTICIPATE IN ROSCAs
ASK THOSE WHO HAVE CODED 05 IN Q1 UNDER INFORMAL SAVINGS SERVICES OTHERWISE GO TO Q12

How many RoSCAs do you currently participate in ?

[1207/8]

How many people participate in each of those RoSCAs ?
ASK FOR THE SIX RoSCAs THAT THEY CONSIDER TO BE LARGEST

	(1209) RoSCA 1	(1210) RoSCA 2	(1211) RoSCA 3	(1212) RoSCA 4	(1213) RoSCA 5	(1214) RoSCA 6
1 - 5	1	1	1	1	1	1
6 - 10	2	2	2	2	2	2
11 - 15	3	3	3	3	3	3
16 - 20	4	4	4	4	4	4
21 - 25	5	5	5	5	5	5
26+	6	6	6	6	6	6

What were the factors that made you decide on these number of participants?
ASK FOR THE RoSCAs MENTIONED ABOVE IN QUESTION 6

RoSCA 1:	1220/35
RoSCA 2:	1236/47
RoSCA 3:	1248/60
RoSCA 4:	1261/80
RoSCA 5:	1307/20
RoSCA 6:	1321/32

How regularly do you make contributions to the various RoSCAs? **ASK FOR THE RoSCAs MENTIONED ABOVE IN QUESTION 6. ENSURE ONLY ONE CHOICE PER RoSCA.**

	(1351) RoSCA 1	(1352) RoSCA 2	(1353) RoSCA 3	(1354) RoSCA 4	(1355) RoSCA 5	(1356) RoSC6	
Daily	1	1	1	1	1	1	
Weekly	2	2	2	2	2	2	
Monthly	3	3	3	3	3	3	
Every 3 months		4	4	4	4	4	4
Every 6 months		5	5	5	5	5	5
Yearly	6	6	6	6	6	6	
Other (specify)		7	7	7	7	7	7

What were the factors that made you decide on this regularity of making contributions?

Daily	1407/18
Weekly	1419/30
Monthly	1431/42
Every 3 months	1443/54
Every 6 months	1455/66
Yearly	1467/78
Other (specify)	1507/18

10. How much does each member contribute to the RoSCA ? **ASK FOR THE RoSCAs MENTIONED ABOVE IN QUESTION 6**

	USHS										
RoSCA 1:											1531/40
RoSCA 2:											1541/50
RoSCA 3:											1551/60
RoSCA 4:											1571/80
RoSCA 5:											1607/16
RoSCA 6:											1617/26
RoSCA 7:											1627/36

11. What were the factors that made you decide on this size of contributions? **NOTE WHICH SIZE OF CONTRIBUTION YOU ARE COMMENTING ON IN THE RIGHT HAND COLUMN PROVIDED IN THE SPACE BELOW.**

Ush.	Factors	
1707/14		1807/18
1715/22		1819/30
1723/30		1831/42
1731/38		1843/54

FOR THOSE THAT HAVE SAVED IN KIND AND LOST MONEY in 1 - 4 Above

12. What were the factors that caused you to lose money from in-kind savings?
CIRCLE AS APPROPRIATE

	1907/20)
Theft of savings-in-kind	01
Accident (fire) of savings in kind	02
Illness	03
Change in value of savings in kind drop in price for items bought for resale]	04
Other [SPECIFY]...	05

FOR THOSE THAT HAVE SAVED AT HOME AND LOST MONEY AT Q3b (CODE 04) INFORMAL SERVICES ASK

13.What were the factors that caused you to lose money from saving at home ?
CIRCLE AS APPROPRIATE

(1921/40))

Theft of savings 01
Fire...02
Demands of friends/relatives for assistance 03
Own/family petty spending 04
Other [SPECIFY].. 05

14. In Q1 you mentioned that you have used MFI services. Could you please give me names of the MFIs

Financial Service	
Semi-formal:	
MFI group-based savings and loan, or loan-only membership	(1941/65)
MFI individual savings and or loan account	(1966/70)
Credit Union (or Thrift and Credit Co-operative, or FSA)	(2007/20)
Other [SPECIFY]	(2021/35)

P1. Record the roof material (take the majority roof material)
(2107/8)

Tiles 01
Asbestos... 02
Corrugated iron sheets 03
Grass / reeds / leaves
(thatch)... 04
Other 05

P2. Record wall material - what type of wall material is it mainly?

(2121/2)

Burnt / stabilized brick	01
Unburnt brick	02
Stone	03
Cement blocks	04
Pole and mud	05
Wood	06
Other……………………	07

P3a. How many people are in this household?
3b. How many people are in this household who bring income?
3c. And how many children are under 15 years of age?

	Total in H'hold (2123/4)	No. bringing Income (2125/6)	No. of children (2127/8)
1 person	01	01	01
2 people	02	02	02
3 people	03	03	03
4 people	04	04	04
5 people	05	05	05
6 people	06	06	06
7 people	07	07	07
8 people	08	08	08
9 people	09	09	09
10 people	10	10	10
10 +	11	11	11

P4. What is the highest level of education you have reached?

(2129/30)

No formal education	01
Some primary	02
Complete primary	03
Some secondary	04
Complete secondary	05
Some high school	06
Complete high school	07
Some college (Dip /Cert.)	08
Some university	09
Complete university	10
Other (sp)	11

P16.Into, which of these income categories does your household monthly income, fall within the best month and the worst month?

P17. And into which category does your monthly expenditure fall?

	(2131) Best	(2132) Worst	(2133) Expenditure
Less than Ushs 20,000	1	1	1
Ushs 21,000 – 100,000	2	2	2
Ushs 101,000 – 200,000	3	3	3
Ushs 201,000 – 300,000	4	4	4
Ushs 301,000 – 400,000	5	5	5
Ushs 401,000 +	6	6	6
Refused	7	7	7
Don't know	8	8	8

*This is used as a relative measurement and will not give actual income levels

TIME ENDED

(2134/37)

<u>D.P USE ONLY</u>

Editors No	2141	2142	2143	2144
D.E No	2145	2146	2147	2148
T.L No	2149	2150	2151	2152