Promoting Financial Inclusion:

How credit unions are bringing financial inclusion to marginalised communities

Patrick Muriuki
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WOCCU is the apex association for global financial cooperatives

Our network of member-owned financial institutions instills a natural trust and spirit of cooperation within communities.

Leveraging this platform, WOCCU supports financial markets in growing economies, along with global partners, such as USAID, the UN, and the World Bank by promoting financial inclusion, strengthening institutions as well as providing policy and regulatory support.

“All people should have access to affordable, reliable, and sustainable financial services.”
## AFRICA

<table>
<thead>
<tr>
<th>Country</th>
<th>Credit Unions</th>
<th>Members</th>
<th>Savings &amp; Shares (USD)</th>
<th>Loans (USD)</th>
<th>Reserves (USD)</th>
<th>Assets (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>37,607</td>
<td>29,610,773</td>
<td>7,933,821,334</td>
<td>9,048,343,500</td>
<td>NA</td>
<td>821,697,303</td>
</tr>
<tr>
<td>Liberia</td>
<td>45</td>
<td>3,459</td>
<td>715,295</td>
<td>571,594</td>
<td>NA</td>
<td>3,855,588</td>
</tr>
<tr>
<td>TOTAL AFRICA</td>
<td>37,652</td>
<td>30,610,773</td>
<td>8,033,821,334</td>
<td>9,048,343,500</td>
<td>NA</td>
<td>821,697,303</td>
</tr>
</tbody>
</table>

**Source:** www.woccu.org

- % KENYA/AFRICA: 19%, 23%, 60%, 63%, 73%, 76%
What is a Credit Union?

- A Credit Union (or savings and credit cooperative (SACCO)) is a type of financial cooperative that places a strong emphasis on social solidarity and the relationships between its members.
What Determines Credit Union Success?

- The length of time since they were established and since suitable regulatory structures were introduced.
- Their ability to offer a broad range of loan products, including mortgages and business loans. This allows costs and risks to be more effectively spread over a diversified loan portfolio.
- Economies of scale achieved by collaborating to share central services, such as liquidity management, back office systems, and marketing.
- Their ability to compete more directly with commercial banks for more profitable customers.
What is Financial Inclusion?

There are many definitions on Financial Inclusion.

• Financial inclusion can be defined as a “state in which all people of working age have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients” (Accion International 2009).

• The Rangarajan Committee defined financial inclusion as "the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost." (2008). It includes access to banking services, credit, insurance, savings and assets, money advice and financial literacy and capability.
Benefits of financial inclusion

- It facilitates economic transactions to the large number of new economic agents.
- It helps low-income families who have small, unpredictable, and often seasonal incomes to manage their resources well.
- Families use financial services to gain access to education, health care, and other necessities that improve their quality of life.
- Low-income families who are subjected to many vulnerabilities can protect against these vulnerabilities through savings, credit, insurance.
- Entrepreneurs can use credit or savings to make productivity enhancing investments in productive assets.
- The right financial infrastructure can help asset recognition of the poor through financial leveraging.
- Financial services foster independence and build economic citizenship by giving people the ability to actively participate in their communities and countries.
Nanyuki Boda Boda Youth SACCO (Kenya)

CREDIT UNION CONNECTING WITH THE YOUTH

1. Registered in 2011

2. Initially the society's members focused on being supported by politicians and wasted their time on political wrangles

3. In October 2014, through the support of the Laikipia County Government visited KITEMOTO Housing in Kitengela.

4. After this educational tour, the officials called for a special general meeting immediately and the members agreed and resolved to move above politics and focus on their economic welfare.

5. The society is managed by 7 Board members and 3 supervisory committee members supported by 3 management staff.

ACHIEVEMENTS SO FAR

1. Recruitment of 650 members.

2. 15 Million raised as member contributions.

3. Trained management, staff and members on cooperative governance.

4. Collaborates with other stakeholders such as KUSCCO, Nachu, NTSA, Swiss Contact and the government, & Nabosa shops to let
WOCCU’s Financial Inclusion Work

WOCCU’s Credit Union Financial Inclusion programs focus on:

• Market studies
• Product differentiation
• Creation of local brands
• Improving physical institutional image
• Competitive interest rates
• Improving service and extending hours of service
• Investing on publicity, advertising, promotion
• New points of sale or branches
• Supervision/regulatory systems
### Credit Union Strengthening Project
**Ecuador 1995-2001**

- Local context characterized by **economic crisis, high levels of inflation** and **currency devaluation**.
- In March 1999 the government imposed **temporary bank closings** and a freeze on deposits. 15 out of 38 banks failed. In 2001 the largest bank in the country closed its doors.
- CUs had stronger presence and greater market penetration in rural areas.
- CUs worked hard on meeting the institutional preconditions for savings mobilization having excellent results.
- Positive experience with **debit cards** and **ATMs**.

### Colombia: Financial Inclusion

- Since 2008 WOCCU has been supporting financial inclusion of low-income populations.
- The project involved credit unions, commercial banks, microfinance institutions, and insurance companies.
- Savings products are mainly the same traditional products but delivery mechanisms are improved such as mobile banking and correspondent/field agents.
- Support of beneficiaries’ financial literacy.
- Project financial sustainability is required.
Savings and Credit with Education: Semilla Cooperativa (Cooperative Seed)

How it works:

• The CU chooses the cooperative to carry out the first pilot of the cooperative seed project that is to bring financial and social services through rural financial advisors to rural sectors.

• This model focuses on working with self-managed groups. The community establishes family and neighborhood groups that the rural counselor visits one to three times a month. During these meetings, the consultant conducts financial transactions using a mobile device while the community receives training that the cooperative offers in various arts and crafts allowing people to raise the quality of life.

• Beneficiaries are organized in groups but loans and savings are individual. The group is monitored by a CU representative.

• Through the Semilla Cooperativa program, the resident have learned the cooperative model, how to save, to take a responsible credit, access financial services, all from the comfort of their homes.
WOCCU’s Recent Programs on Financial Inclusion

• The recent programs for Financial Inclusion are based on providing access to financial services for underserved banking sectors: savings, credit, insurance, correspondent agents and financial education.

• Savings and credit products are tailored to the target market basically on operation procedures and technology involved.

• Benefit/cost analysis applies. The model should be profitable for participant financial institutions.
Financial Inclusion in KENYA – CDP (2010-2018)

Efficiently and profitably provide a coordinated combination of financial and agricultural technical services

• Improving Small Rural Producers' Income through Integrated Access to Financial Services and Agricultural Markets
• The goal of the Cooperative Development Program (CDP, a USAID-funded project running from 2010 to 2018), was to create a set of agricultural finance tools that guide credit unions worldwide serve rural populations.
• The program developed, tested and documented integrated methodologies that incorporate improved agricultural and financial products, services and IT-based delivery mechanisms.

• Improved technologies
• Farm budgeting
• Linkage to inputs
• Farm management (technical support)
• Insurance
• Market linkages
• Demonstration farms
• Organic production/integrated farming systems
Technology for Smart monitoring

Technology behind Smart Risk

- Historical weather data & forecast (long term & short term feed)
- Mobiles App feeds the ground data
- Historical data, trends and AI based algorithms
- Satellite Feed @ every 10 days (10m X 10m)
### Some Statistics (CDP Kenya) – Sep 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of value chains</td>
<td>2 (grains and horticulture)</td>
</tr>
<tr>
<td># SACCOs</td>
<td>7 (regulated, computerized, ABC)</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$136,573</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>$94,116,025</td>
</tr>
<tr>
<td>Total Membership</td>
<td>311,748</td>
</tr>
<tr>
<td># of Loans Outstanding</td>
<td>106,295</td>
</tr>
<tr>
<td>Total Loans Outstanding</td>
<td>$110,412,600</td>
</tr>
<tr>
<td>Producer Groups using Toolbox</td>
<td>93</td>
</tr>
<tr>
<td># of Crops Financed in Pilot</td>
<td>8</td>
</tr>
<tr>
<td># of Agri. Loans Outstanding</td>
<td>425</td>
</tr>
<tr>
<td>Total Agri. Loans Outstanding</td>
<td>$93,406</td>
</tr>
<tr>
<td># Agronomists</td>
<td>5 (WOCCU 2, KUSCCO 3)</td>
</tr>
</tbody>
</table>
SACCO Growth Program:

• Through funding from the Bill and Melinda Gates Foundation, WOCCU tested pro-poor outreach strategies, methodologies and financial products to dramatically increase SACCO membership, especially among low income populations.
Challenges to SACCO Growth

- Poor image
- Restrictive names and common bonds
- Dormant products
- No regulations for deposit-taking SACCOs
- High delinquency
- Governance issues
- Poor MIS
Focus group discussions  -- Branding – Awareness – New products – Improved MIS – ABC/Agent banking – Market research – Training of staff and board members – Encourage open common bonds for community – Task force for SACCO regulations
Barriers to financial inclusion

has no money to save, no regular income or lack of affordability

Source: FinAccess 2009
SACCO Growth: Results (Nov 2006 to Oct 2009)

• **Overall membership** increased by 83% from 52,563 to 96,255
• The proportion of members living off $1 per day or less grew from 38.9% to 59.2%.
Muramati SACCO Rebrand as Unaitas

beginnings in 1993

The Sacco later adopted the name Muramati Sacco in 2007

Muramati rebranded to Unaitas in 2012

2006: 36k Members
2009: 68k members, 10 connected branches
2018: 250k members, 25+ branches
Masaku Traders became UTS SACCO

2008: 1,680 Members
2009: 17k members
2019: 62k members

Late Teller Window + M-Pesa
# REBUILDING CREDIT UNIONS

How can you help the poor people in a country like this?

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>4,195,666 (July 2015 est.)</td>
</tr>
<tr>
<td>Gross national saving</td>
<td><strong>Negative 35% of GDP</strong></td>
</tr>
<tr>
<td>Inflation rate</td>
<td>7.7% (2015 est.)</td>
</tr>
<tr>
<td>GNI per capita, PPP</td>
<td>$700 (2014 est.)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>$900 (2014 est.)</td>
</tr>
<tr>
<td>Population below the poverty line</td>
<td>63.8% (2007 est.)</td>
</tr>
<tr>
<td>Life expectancy</td>
<td>58.6 years (total population) (56.94 male, 60.32 female, 2015 est.)</td>
</tr>
<tr>
<td>Literacy rate</td>
<td><strong>47.6% (total population)</strong></td>
</tr>
<tr>
<td>Labor force</td>
<td>1.6 million (2015 est.)</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td><strong>85% (2003 est.)</strong></td>
</tr>
<tr>
<td>Access to formal financial services</td>
<td><strong>5 - 7%</strong></td>
</tr>
<tr>
<td>Human Development Index Ranking**</td>
<td>177 out of 188 countries (2014 ranking)</td>
</tr>
<tr>
<td>Labor force by occupation</td>
<td><strong>70% agriculture, 22% services, 8% industry</strong></td>
</tr>
<tr>
<td>Industries</td>
<td>Mining (iron ore), rubber processing, palm oil processing, timber, diamonds</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Rubber, coffee, cocoa, rice, cassava, palm oil, sugar cane, bananas, sheep, goats, timber</td>
</tr>
<tr>
<td>Corruption perception index***</td>
<td>37 points out of 100 on 2015 Corruption Perception Index (0 highly corrupt-100)</td>
</tr>
</tbody>
</table>
Reviving CU Movement

After-effects of Devastating Civil War
- Donor fatigue
- High Dependency on hand-outs – govt, remittances
- Poor infrastructure - roads, telecom
- Bad history with Primary credit unions
- Low education levels
- Lack of trust
- No financial institutions in the rural areas
- Lack of savings culture
- Inadequate regulations
- Slash & burn agriculture
- No charges on saving deposit services
WOCCU has been engaged in Liberia since the 1970s when it helped create the country’s credit union sector.

The two civil wars that spanned over 14 years left credit unions severely damaged.

The UNCDF project was designed to help rebuild the sector by developing four regional credit unions to serve as models for the rest of the sector.
LIBERIA: Addressing Barriers to financial inclusion

Apex strengthening  Physical Building  Education & Training  Democratic Leadership

Involving Community leaders  Involving Community to pool resources

Mobility & agent services  Savings Mobilization – VSLA-PCU-RCU  Mobile Money
Liberia: Regional CU Outreach

REGION 1 COUNTIES
1. Montserrado
2. Bomi
3. Cape Mount
4. Gbarpolu

REGION 2 COUNTIES
1. Grand Bassa
2. Margibi
3. River Cess
4. Sinoe

REGION 3 COUNTIES
1. Nimba
2. Bong
3. Lofa

REGION 4 COUNTIES
1. Grand Gedeh
2. River Gee
3. Maryland
4. Grand Kru

UNCDF MICROLEAD: CREDIT UNION REVITALIZATION PROGRAM IN LIBERIA
- HQ Office
- Points of Service
- Credit Union Branches

LEGEND:
- HQ Office
- Points of Service
- Credit Union Branches
## UNCDF Liberia: Score Card

<table>
<thead>
<tr>
<th></th>
<th>Region I MNCU</th>
<th>Region II UPSCU</th>
<th>Region III TSCU</th>
<th>Region IV USCU</th>
<th>Total RCUs (as of March 31, 2016)</th>
<th>Target (December 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Active Borrowers</strong></td>
<td>150</td>
<td>26</td>
<td>25</td>
<td>66</td>
<td>267</td>
<td>220</td>
</tr>
<tr>
<td><strong>% of Female Borrowers</strong></td>
<td>34%</td>
<td>38%</td>
<td>44%</td>
<td>23%</td>
<td>33%</td>
<td>45%</td>
</tr>
<tr>
<td><strong>% Rural Borrowers</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>45%</td>
</tr>
<tr>
<td><strong>Gross Loan Portfolio (USD)</strong></td>
<td>$77,698</td>
<td>$32,289</td>
<td>$20,829</td>
<td>$33,894</td>
<td>$164,710</td>
<td>$47,080</td>
</tr>
<tr>
<td><strong>Average Loan Balance per Borrower</strong></td>
<td>$518</td>
<td>$1,241</td>
<td>$833</td>
<td>$514</td>
<td>$617</td>
<td>$214</td>
</tr>
<tr>
<td><strong>Average Loan Balance per Borrower/GNI/ Capital</strong></td>
<td>136%</td>
<td>326%</td>
<td>219%</td>
<td>135%</td>
<td>162%</td>
<td>&lt;50%</td>
</tr>
<tr>
<td><strong>Number of Active Depositors (Voluntary)</strong></td>
<td>1,224</td>
<td>1,930</td>
<td>1,556</td>
<td>1,726</td>
<td>6,436</td>
<td>12,500</td>
</tr>
<tr>
<td><strong>Females</strong></td>
<td>694</td>
<td>670</td>
<td>798</td>
<td>577</td>
<td>2,739</td>
<td></td>
</tr>
<tr>
<td><strong>Males</strong></td>
<td>421</td>
<td>1,102</td>
<td>688</td>
<td>1,059</td>
<td>3,270</td>
<td></td>
</tr>
<tr>
<td><strong>Institutions (including SGs, PCUs, cooperatives and schools, small family businesses, among others).</strong></td>
<td>109</td>
<td>158</td>
<td>70</td>
<td>90</td>
<td>427</td>
<td></td>
</tr>
<tr>
<td><strong>% of Female Depositors (Voluntary)</strong></td>
<td>57%</td>
<td>35%</td>
<td>51%</td>
<td>33%</td>
<td>42%</td>
<td>50%</td>
</tr>
</tbody>
</table>
Questions?

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