

Microfinance From Below Conference: One Student's Perspective

Co-sponsored by Oxfam America; the Center for Emerging Market Enterprises at The Fletcher School, Tufts University; and the Feinstein International Center, Tufts University
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Summary

On March 26-28, several major players interested in innovative financial solutions to poverty hosted a conference on savings-led microfinance at the Fletcher School of Law and Diplomacy at Tufts University. *Microfinance from Below: The Power of Savings and Savings Groups in Frontier Economies* saw practitioners, scholars, and academics engage in debate and discussion over the future of community finance and the role of savings. This paper summarizes memorable moments and important lessons through the perspective of one student attendee.

Introduction: Lives without Checking Accounts

Standing in front of a crowded auditorium of community finance practitioners, scholars, students and more, **Bob Christen of the Bill & Melinda Gates Foundation** presented the audience with a simple thought experiment: "Imagine what your lives would be like without efficient financial instruments. Without checking accounts, health insurance, credit cards or student loans. Imagine how difficult it would be to plan your lives and livelihoods.

He then reminded the audience that millions of people all over the world are doing just that – working, saving, spending and borrowing without access to formal financial services. Christen's scenario would remain one of the most memorable articulations of an impulse that has been growing in the field of community finance provision: Given the ever-increasing criticism of profiteering and debt burdening surrounding credit-led microfinance, might we do better to focus on savings-led microfinance? If our aim is the alleviation of poverty, would it be better to encourage people to build financial and human capital through savings, rather than risk their financial welfare on loans and start-up enterprises? And does the existing recognition among the poor of the value of savings make savings groups perhaps the most efficient means of extending financial services – informal though they may be – to those who currently rely on stashes buried in the ground and usurious moneylenders?

In pursuit of answers to these questions, top practitioners and thinkers in the field of microfinance gathered at The Fletcher School at Tufts University for *Microfinance from Below: The*

Power of Savings and Savings Groups in Frontier Economies. Sponsored by the Center for Emerging Market Enterprises, Oxfam America, this conference would host two full days of debate and discussion about the merits, dangers, opportunities, and limitation of groups, and savings-led community finance in general. Events included broad dialogues, break-out sessions focusing on specific issues, and “open space” sessions in which conference participants were able to lead discussions on topics of their choosing.

A Dinner Party: Savings Groups in a Changing World

Following Mr. Christen’s opening remarks, the first group dialogue of the conference began. **Kim Wilson, lecturer on international aid and microfinance at the Fletcher School**, invited the audience to imagine that they were looking in on a dinner conversation among a group of friends discussing the current “buzz” around savings groups. Indeed, as the conversation started, it was clear that this panel knew each other well, and had discussed and debated savings groups and microfinance many times.

Jeffrey Ashe of Oxfam America began the conversation by declaring his own frustration with credit-led microfinance’s inability to reach the truly poor. Savings groups, he went on, were a great “low-cost alternative to saving money under the mattress.” He described Oxfam’s replication model in which \$250,000 funded 10 “animators” who were projected to create 1,000 groups in only three years. **Marguerite Robinson (formerly of the Harvard Institute for International Development)** argued that, while groups did serve a purpose, poor people really want individual savings accounts, as well as security, convenience, liquidity, access to loans, and other advantages that are still most efficiently provided by banks. The discussion, she concluded, should focus on where savings groups fit into the broader movement towards global financial inclusion.

At that point, the panel turned to **N. Srinivasan**, one of the most influential voices in the development of India’s efforts to link self-help groups to banks through the country’s apex bank, the National Bank for Agriculture and Rural Development (NABARD). Mr. Srinivasan argued that savings groups and formal institutions do not have to exist in direct competition – when savings groups generate a substantial surplus, the group is happy to deposit its funds in a bank, and a bank is happy to receive them. However, **Malcolm Harper, currently the chairman of M-Cril**, took strenuous exception to the idea that savings groups might emerge as a permanent addition to mainstream finance. “None of *us* want to bank with groups,” Mr. Harper pointed out, “yet we are happy to promote that the poor should use them forever.”

From there, the conversation turned to another buzzing topic in finance for the poor – the coming forms and implications of new technologies. Mr. Christen had mentioned the power and opportunity of mobile phones in his opening address. In the panel discussion, he asserted that mobile phones could potentially reduce costs to the point that individuals could execute financial transactions without the need for groups, citing the growth of M-PESA accounts as an

indication of what is to come. Mr. Ashe responded that while such technology does reduce costs, it does not provide the returns, solidarity, and mutual assistance of a group, and will therefore never lead to the full replacement of groups. “I have never seen cellular phones build social capital,” Mr. Ashe stated.

The issue of technology would come up repeatedly over the course of the conference, notably in the break-out group focusing on financial mainstreaming. Participants in that session would conclude that both linkages with formal institutions and technological development were inevitable, and that practitioners should guide the impact of technology to facilitate transactions in ways that benefit the consumer.

After Dinner: Burning Issues and Questions

The next morning, participants had shrugged off a bit of their jet lag and returned to The Fletcher School for a full day of discussion. Before inviting down the first panel of the day, Kim Wilson made sure the audience knew that, while conference discussions were a quick and broad confluence of perspectives, the conference did include a more in-depth component in the form of discussion papers posted on the conference website. On the site, practitioners, scholars, and students had contributed original papers as well as previously published articles on a variety of issues surrounding savings groups.

With that, the first panelists took their seats. **Peter Walker (Director of the Feinstein International Center at Tufts)** asked the group to articulate what they saw as the single most important burning issue facing savings-led microfinance. **Guy Stuart, a Lecturer at Harvard’s Kennedy School of Government**, began the discussion by emphasizing the importance of institutionalization. He pointed out that, while the number of savings groups and the notion of savings is currently building momentum, there is no way to ensure continued growth unless we formalizing the processes that facilitate saving. One of the most respected names in savings-led microfinance, **Prof. Hans Dieter Seibel of the University of Cologne**, agreed, adding that federations of savings groups will become necessary to ensure access to auditing mechanisms, legal status, regulation, and effective supervision.

However, **Hugh Allen, CARE’s former Chief Technical Advisor for Small Economic Activity in Africa**, disagreed. “Why are we always seeking to ‘perfect’ these groups?” Allen asked. And why do we assume that linkages and integration into the formal financial sector is inevitable, or even always desirable? Allen declared that such efforts endanger the simplicity of the group structure, the very simplicity that makes groups an effective informal financial institution. Further, Allen argued that we must always be aware of who is driving the developmental direction of savings groups – academics and practitioners, or the people themselves?

This question of ownership would prove persistent and difficult. **Tom Shaw, a Senior Technical Advisor for Microfinance for Catholic Relief Services**, described how CRS seeks

feedback from program participants through “learning conversations,” regular dialogues in which people are encouraged to voice their opinions and criticisms. Moderator **Kathleen Stack, Vice President of Program Development for Freedom from Hunger**, pointed out that groups could also serve as platforms for other community needs, such as health care and education. Participants in the break-out session on this very topic (groups as platforms) would later reiterate the value of listening in designing effective interventions.

Mamadou Biteye, Oxfam America’s Regional Director for West Africa, cited an Oxfam study in Mali which found that savings group members appreciated the solidarity and social aspects of their groups more than anything else. The next best aspect of membership was learning, followed by insurance. Access to savings and credit came in at fourth and fifth, respectively. To an audience drawn together by a shared interest in *savings*-led microfinance, the apparent pre-eminence of solidarity and learning was a poignant reminder not to over-emphasize finance to the detriment of other community needs. This insight would also anticipate one of the key findings of the break-out group focusing on frontiers and beginnings: that strengthening social relationships is a central – rather than an ancillary – benefit of savings groups.

A Quilting Group: Addressing the Intangibles

After an afternoon of break-out sessions – and the spill-over of continued debate during lunch – attendees sat down for the third and final dialogue of the conference. Noting that it fell to this panel to sew together the wide array of issues covered thus far, moderator **Reeta Roy (President and CEO of the MasterCard Foundation)** re-labeled the gathering a “quilting group” patching together a quilt of topics and ideas.

A resonant observation came from **Kate McGee of CGAP** early in the discussion. “How does that make you feel?” she asked rhetorically, emphasizing the lively emotional, rather than intellectual, involvement many of the speakers and attendees seemed to exhibit on the issue of savings groups. She noted that discussion of a variety of issues – from organizational goals to linkages to subsidies and more – seem to have exposed sensitivities, especially in those carrying bad experiences. **Lauren Hendricks, the Director of the Economic Development Unit at CARE**, echoed this observation, stressing the difference between those articulating a vision of what could or should be, and those emphasizing the hard reality on the ground. Global financial inclusion is what we are all working toward, Hendricks said, but we are not there yet and will not be anytime soon, especially in rural areas. She concluded by emphasizing again the importance of identifying where savings groups fit on the continuum of financial service provision options.

The discussion then turned to methodology. Kim Wilson, now in the role of panelist, argued that disagreements over savings group models are immaterial – what matters is implementation and understanding of context. **Joyce Lehman from the Bill & Melinda Gates Foundation** pointed out that, from the donor’s perspective, identifying the “tipping point” at which groups

begin to operate and replicate on their own is just as important as methods of effective group formation.

Considerations of program design naturally led back to a discussion of listening, and how to incorporate the perspective of participants themselves into program design. Ms. Hendricks emphasized the use of field staff to gain insight into client perspectives, but acknowledged that staff can be working in the field for years and still not be effective listeners. Wilson suggested that fully incorporating client perspectives might not be possible – at some point operational decisions have to be made, and it is simply not realistic for everyone to be included in the process.

Finally, each panelist was asked to describe what she regarded as the most important issues facing the future of savings and savings groups. Anticipating some of the “open space” topics of the following morning, panelists mentioned linkages, challenges of scaling and quality, the role of young people, technology, and the need to identify consistent best practices rather than rely on the wisdom of anecdote and impression.

Conclusion: Party Favors

From this student’s perspective, this conference delivered exactly the contention and debate one would expect when dealing with a potentially powerful – yet still developing – tool in the broad effort against global poverty. Whether a dinner party or a quilting group, *Microfinance from Below* gave attendees access to scholars and practitioners whose respect for one another was bested only by their dedication to their work and clients.

Yet for all the disagreement, the conference advanced the discussion of savings-led microfinance by sending attendees home with some thoughts on at least two broad issues:

1. First, **where do we fit savings groups into the spectrum of financial services?** Should groups be left to their own elegant and sustainable design? Should they utilize technological innovation to better execute their operations? Or should they seek linkages that pull them more closely into the financial mainstream? Many conference discussions returned to the issue of groups and financial mainstreaming, signaling a central concern in the evolution of savings-led microfinance.
2. Second, **how can or should we incorporate client perspectives** into program design and implementation? Who owns the priorities of savings group operations: the development organizations or the group members themselves? What do group members value most about participation: solidarity and learning, or the hard utility of financial services? How do we identify and consistently apply effective listening mechanisms? Conference discussions of best practices consistently emphasized the

importance of client perspectives, indicating another critical issue facing savings-led microfinance.

From the moment Bob Christen invited the audience to contemplate the complexity of life without efficient financial services, it was clear that this gathering would not produce easy answers. However, it was also clear to those intrigued by the potential of savings-led microfinance, that an honest treatment and articulation of the central questions is a worthy take-away in itself.