

# **Lessons from *MicroSave's* Action Research Programme (2002)**

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## **Acronyms used in this report**

ABC	Activity Based Costing
ARP	Action Research Programme
ARPs	Action Research Partners
ATM	Automated Teller Machine
CI	Credit Indemnity
CEO	Chief Executive Officer
DQA	Domicile Quick Account – Tanzania Postal Bank's savings product
FINCA	Foundation for International Community Assistance
FGD / PRA	Focus Group Discussions/ Participatory Rapid Appraisal – qualitative research tools
GWU	Grow With Us – Teba Bank's savings product
KPOSB	Kenya Post Office Savings Bank
LOR	Letter Of Recommendation - a review prior to rolling out new products
MFI	Microfinance Institution
PEST	Political, Economic, Social, Technical, summarized as PEST it is the name of a tool used to examine the macro-environment facing an institution.
POS	Point of Sale
SEP	Small Enterprise Partnership – FINCA Uganda's small group lending product
TPB	Tanzania Postal Bank
TPC	Tanzania Postal Corporation – agents for Tanzania Postal Bank
TMS	The Marketing Shop – A South African financial marketing consultancy
UMU	Uganda Microfinance Union

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### Introduction

The 31<sup>st</sup> December 2002 marks the end of the second year of *MicroSave*'s expanded Action Research Programme, during which *MicroSave*'s understanding of market-led microfinance deepened and broadened. In addition to market research for microfinance, product development and marketing, *MicroSave* started to explore strategic marketing, risk analysis and management, customer service and process mapping.

*MicroSave* began to disseminate lessons from the Action Research Programme, publishing "A Brief Review of the Action Research Programme (2001)", (Cracknell 2002 et al.) and a paper entitled "Product Costing in Practice – the Experience of *MicroSave*" (Cracknell and Sempangi 2002). To disseminate lessons in a more concise format, *MicroSave* launched a series of Briefing Notes and to respond to those without access to the Internet the project published the "*MicroSave* Resource CD".

Lessons from the Action Research Partners (ARPs) have been instrumental in informing *MicroSave*'s agenda, and in the development of toolkits. During 2002, *MicroSave*'s Toolkits on Pricing and Costing of Financial Services and on the Product Marketing Strategy were substantially revised, and new toolkits on Rolling Out Financial Services, Designing Staff Incentive Schemes, Strategic Marketing and Risk Management were drafted.

The success of *MicroSave* belongs as much, if not more, to the work and dedication of ARPs as to the work of the staff and consultants of *MicroSave*. Many, many thanks.

### The Action Research Programme

*MicroSave*'s goal is to promote the development of high-quality financial services for poor people. It does this through the following four key outputs:

1. "Increased knowledge and understanding of product development related issues amongst key stakeholders, through research, curriculum development and dissemination".
2. "Increased capacity of selected MFIs (ARPs) in East and Southern Africa to deliver secure, high-quality financial services for poor people".
3. "Increased capacity of local service providers and international networks to deliver technical assistance and training on market research".
4. "Effective project management and outputs quality control maintained".

Under the Action Research programme (Output 2 above), *MicroSave* is learning and disseminating lessons relating to product development and the product development process – and now, as a result of the expanded agenda, market-led microfinance.

This report documents the progress made under the Action Research Programme during 2002. It presents *MicroSave*'s package of services, it summarises the lessons learned from *MicroSave*'s Action Research Programme, covers the selection of ARPs, presents an overview of results, and then details the activities undertaken with each of the partners.

Currently *MicroSave* works with 9 institutions in four countries; in Kenya – Kenya Post Office and Savings Bank (KPOSB), and Equity Building Society (Equity), in Tanzania – Tanzania Postal Bank (TPB) and FINCA Tanzania; in Uganda – Uganda Microfinance Union (UMU), Centenary Rural Development Bank (Centenary), and FINCA Uganda; in South Africa with Teba Bank and Credit Indemnity.

## Key Lessons Learned During 2002

**Market-Led Microfinance:** *MicroSave's* emphasis on developing and promoting high quality microfinance services, which are valued and demanded by clients, focused *MicroSave* on product development. However, from the constraints faced by ARPs, *MicroSave* realized that the *delivery* of demand-led financial services requires an institutional focus on market-led microfinance, on improving both efficiency and effectiveness, through strategic marketing, customer service, process mapping and risk analysis in addition to market research and product development.

**Being Responsive to Your Clients Concerns Can Significantly Improve Profitability:** *MicroSave's* experience with Equity Building Society and Tanzania Postal Bank suggests that taking action to address your clients concerns can significantly increase your volume of business and thereby your profitability. For example, since re-engineering some of their products and improving customer service early in 2002, Equity has grown substantially and its profits have more than doubled.

**Use Focused Market Research:** Understanding customer requirements, is a critical dimension of the market-led agenda. Use focused market research – in product design, in product refinement, in product marketing, in customer service, in uncovering corporate image and in developing competitive intelligence.

**Practice Strategic Marketing:** In 2001, *MicroSave* developed its “*Product Marketing Strategy Toolkit*”, however, whilst performing marketing audits with TMS Financial, a South African financial marketing company, *MicroSave* became aware of the wider strategic dimensions of marketing. Strategic marketing includes product marketing, but also considers corporate image and branding, customer service and delivery systems. Based on this awareness *MicroSave* worked with TMS Financial, Teba Bank and Credit Indemnity to develop a strategic marketing workshop, which will form the basis of a “*Strategic Marketing for Microfinance Toolkit*”.

**Develop a Commitment to Customer Service:** Customer service represents one of the few tangible aspects of financial services; moreover, it is one that a financial institution can control. Yet, microfinance institutions are only beginning to appreciate the value and importance of customer service, as institutions focused on customer service gain market share. In 2002 *MicroSave* began to explore customer service within its ARPs, carrying out a Customer Service Audit within Tanzania Postal Bank in collaboration with UNISIS a Ugandan human resource consultancy. Several additional Customer Service Audits are planned, which should enable *MicroSave* to draft a “*Customer Service Toolkit*” during 2003/4.

**Build Your Corporate Brand:** Every MFI has a corporate image – its image in the market place, which strongly influences the behaviour of actual and potential clients. To influence corporate image MFIs need to consciously develop a corporate brand. Corporate branding is particularly strong in *MicroSave's* South African partners, but efforts by Tanzania Postal Bank to strengthen its corporate brand have had a significant positive impact on the institution's credibility. (Mutesasira 2002)

**Perform Marketing Audits:** From the experience of *MicroSave's* ARPs most effective financial marketing functions evolve gradually over a number of years. A “marketing audit” aimed at improving the effectiveness of marketing, which brings experienced financial marketing consultants to examine marketing functions can have a substantial impact. The challenge is that to date few financial marketing consultancies understand the microfinance marketplace. More information on marketing audits is available in *MicroSave's* “*Strategic Marketing for Microfinance Toolkit*”.

**Be Proactive in Risk Analysis and Management:** Proactive risk identification, analysis and management are essential aspects of developing market-led microfinance institutions, products and services. Frequently challenges that arose during pilot testing within *MicroSave's* ARPs, could have been identified, analysed and managed before the pilot test started. Typically, problems related to staff capacity, management commitment, financial resources, and the inadequacy of information systems. This led *MicroSave* to investigate risk management and appraisal within product development. Shorebank Advisory Services performed a risk management review and drafted a “*Toolkit for Institutional and Product Development Risk Analysis for MFIs*.”

**Adopt Continuous Improvement:** “Continual improvement of the organizations overall performance should be a permanent objective of the organization” according to Hoyle (2002). Historically, “best practice” in microfinance has focused narrowly on the twin goals of sustainability and outreach, and more recently in improving transparency. The broader agenda encompassed by market-led microfinance, necessitates an institutional commitment to continuous improvement.

**Learn from the Formal Financial Sector:** *MicroSave* works with a range of ARPs, from NGO MFIs, parastatal savings institutions, to commercial banks and licensed moneylenders. Many of the lessons currently being learned by microfinance institutions - as they become increasingly market-led, have already been applied in the formal financial sector. The context of microfinance may be different as microfinance targets specific, underserved, and often hard to reach populations, but microfinance remains a segment within the financial sector.

**Build a Management Team:** Market-led microfinance places huge demands on a microfinance institution. The range of skills and the high degree of competency required, demands the creation and building of a competent cross functional management team. Several ARPs had to significantly upgrade their management teams during 2002, in preparation for transformation and / or growth.

**Mine Your Data:** Typically microfinance institutions gather mountains of data, on client selection and impact, and through client application, exit interviews and in routine monitoring. Few MFIs maximize the use of this data, for example in creating client scorecards for risk assessment, in analyzing the behaviour of different market segments, or in product costing and pricing. Institutions that actively mine their data can develop a key strategic advantage over their competition.

**Ensure Products are Compatible with Your IT System Before Pilot Testing:** IT systems should not drive product definition – however, on several occasions *MicroSave*'s ARPs have pilot tested products that were incompatible with their IT systems, which failed to calculate fees, charges or apply interest correctly. Late identification of problems led to extensive delays, and disappointed customers.

**Work Financial Projections:** Financial projections are used to ascertain if and when a new product is likely to become profitable. In practice the assumptions underlying financial projections are reviewed infrequently. To maximize the value of financial projections, MFIs should regularly compare projections with actual data, perform sensitivity analysis to determine the impact of changes in key variables and check the assumptions underlying them.

**Operationalise Product Costing:** Product Costing will provide valuable intelligence about the costs and revenues of products, but will only add to profitability when it influences strategic decision-making or it targets additional investigation.

**Perform Process Analysis to Improve Efficiency:** “A desired approach is achieved more efficiently when related resources and activities are managed as a process” according to Hoyle (2002). Mapping processes is an effective way of identifying potential improvements in the operation of a particular product, to record procedures for training manuals, to review potential risks and their associated controls, and to enable a comparison of observed against documented processes.

**A Project Management Approach Can be Adapted to the Pilot Testing Process:** A project management approach that draws upon defined project phases from conception and start up, to definition, to risk management, to planning and executing the project, closure and project evaluation – can be adapted to the pilot testing process, with the major proviso that the pilot testing process needs to be more iterative than is common in a project management approach.

**Develop Strategic Collaborations:** Strategic collaborations offer opportunities to gain knowledge, quickly and appropriately, whether this is through employing people who know a particular product area, through sharing knowledge or through more formalized joint venture arrangements. Properly chosen collaborations significantly reduce the risk involved in developing new financial services.

**Organise the Rollout of your Products:** Once a financial service has been pilot tested, how you introduce the product to each new location can have a significant impact upon the success or failure of a product. In each new location as a minimum, staff training, marketing the product to clients *and staff* and customisation of systems and procedures will be required. *MicroSave's* draft toolkit "*Product Roll-out: A Toolkit for MFIs Expanding a Tested Product Throughout its Market*" which offers a systematic approach to rolling out financial services.

## ARP Review 2001 - Lessons Learned

**Plan, Review and Re-plan:** The truthfulness of the old adage, "If you fail to plan, you plan to fail" is self evident, but frequently ignored. Failing to have a product development team meeting regularly undermines the value of forming the team. Not providing the product development team with sufficient time or budget to monitor the pilot test means that lessons take longer to learn and longer to internalize. Conversely good planning combined with adequate resources pays dividends, as shown by Equity Building Society in their allocation based costing exercise.

**Ensure Control:** Feedback loops need to be built into the process of product development. This is done through setting up a product development team that meets regularly, building continuing market research into the pilot test process and being concerned about customer satisfaction.

**Design a Winning Product:** Do not shortcut the research process. TEBA Bank in South Africa were about to go to the market with a funeral insurance product, this product was designed to free clients from the burdens of financing and arranging a funeral for their family at a time of grief. Surely a winning product! However, participatory research demonstrated that planning a funeral was an important family obligation to the deceased and a part of the grieving process. Had TEBA Bank's original funeral insurance product gone to the market it would have failed.

**Use Market Research to Identify Quick Wins:** *MicroSave* market research uncovers a significant number of "quick wins", ways to improve existing or new products, which do not take an elaborate pilot test. In the case of FINCA Uganda, this was in improving communication to field staff when policies changed; for Equity Building Society, it was in rephrasing their interest rates and making the furniture at their branches more user-friendly.

**Mainstream the Product:** In larger institutions, new products can become sidelined, identified as a niche product developed by a particular department. In Kenya Post Office and Savings Bank, some senior managers regarded the *Bidii* product as an initiative of the business development division, as a niche product for market traders, rather than as a step towards modernizing their core products. New products should be regarded as priorities for the institution if they are to receive the support they require to make it to the market.

**Develop Confident Financial Projections:** A product will only be successful if it can make a profit, a financial institution needs to develop financial projections that demonstrate *on the basis of the best knowledge available*, that the product will be profitable. A financial model is built based upon key assumptions, *which must be reviewed as the pilot test progresses*.

**Uncover and Understand Loss Making Products:** Financial institutions need to understand the cost structure of their products. Most of *MicroSave's* Action Research Partners have at least one loss-making product. Generic reasons for loss making products, included inappropriate pricing, high head office overheads, low volumes of activity, over exposure to interest rate risk, low levels of fee income and over-elaborate back office processes.

**Pay Attention to Products Pricing:** Our Action Research Partners, frequently pay more attention to the costs of their operation, and indeed costing their products, than pricing their products. For Tanzania Postal Bank the problem was an institutional resistance to changing the interest rates on the Domicile Quick Account at a time when the investment income available to the bank was plummeting. In the case of Equity Building Society market research discovered that clients uniformly disliked the way that Equity priced their products, the Building Society was perceived to be expensive because of the way they communicated the interest rate on their loans when in fact they were cheaper than most of the competition.

**Craft Incentive Schemes:** A well-designed incentive scheme can significantly enhance staff performance. However, an incentive scheme can pose significant challenges to the development of new products, especially where the new product affects the dynamics of the incentive scheme. Initially some FINCA Uganda Credit Officers were opposed to the introduction of the new Small Enterprise Partnership product, as transferring clients to the new product affected their bonus payments.

**Building Capacity – Start Simple:** For *MicroSave* to promote high quality financial services for poor people, it builds capacity within its Action Research Partners to develop and promote their own financial services. *MicroSave* emphasizes simplicity and incremental development. Workshops are used to introduce concepts, followed by practical work with our partners, in the field or in their offices, directly after the course, to develop tangible results. There are often technically more rigorous – but more demanding solutions, such as Activity Based Costing but these cannot always be introduced without first building capacity.

**Develop an IT Solution Appropriate for the Pilot Test:** Developing IT systems can be very challenging, but is made more so, as the product changes and develops through its initial design, to concept to prototype work and during the pilot test. To control costs, it is essential that the product is well designed before IT development gets underway, where investment in IT is likely to be very heavy – it may be worth developing a low tech interim solution for the pilot test as TEBA Bank have done for the Home Improvement Loan.

**Consider Contracting-Out Services:** Where suppliers exist and capacity is required, it is possible to contract out elements of a Pilot Test, whether this is the management of the test, review or evaluation, market research or marketing.

**Communicate the Product:** Good communication of the product is essential to successful product development, in respect of clients and staff, examples of poor communication are all too common, whether in communicating new policies, designing incentive schemes, training staff, or marketing the product. Fortunately, *MicroSave*'s market research for micro-finance tools have proven useful in identifying communication lapses, and in communicating the product to customers and staff, in clear, concise, client friendly language, through developing benefit statements and Frequently Asked Question (FAQ) guides.

#### **Box 1: Lessons Learned Through the Action Research Programme During 2001**

Source: Cracknell, David et al. "A Brief Review of *MicroSave*'s Action Research Programme, 2001"

#### **Key Questions that should Precede Starting New Product Development**

The following questions were posed by the CGAP product development working group, on which *MicroSave* is represented, in a paper entitled "Looking Before You Leap: Key Questions That should Precede Starting New Product Development" (Wright, Graham A.N., et al. 2001):

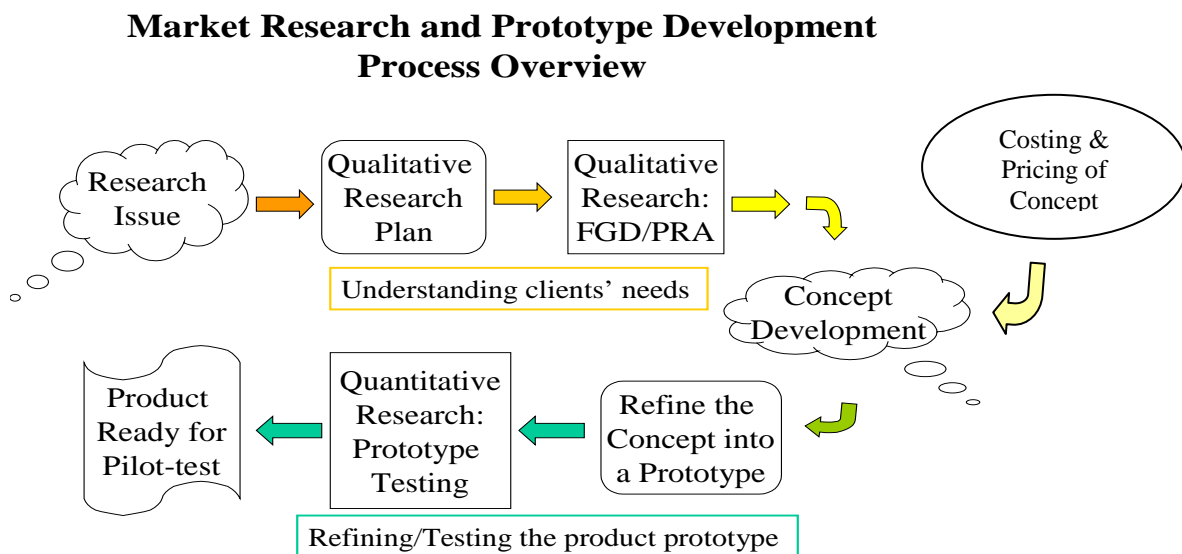
1. **Motivation:** "Are we starting product development to make our MFI more client driven?"
2. **Commitment:** "Are we setting about product development as a systematic process based on defined objectives?"
3. **Capacity:** "Can our MFI handle the strains and stresses of introducing a new product?"
4. **Cost Effectiveness and Profitability:** "Do we fully understand the cost structure of our products?"
5. **Simplicity:** "Can we refine repackage and re-launch existing product(s) before we develop a new one?"
6. **Minimise Confusion, Complexity and Cannibalisation:** "Are we falling into the product proliferation trap?"

### MicroSave's Current Package of Services

*MicroSave* assists ARPs in market-led product development through providing a varied package of services. However, *MicroSave*'s team of two supply side experts (plus occasional input from the Programme Director) cannot address all the supply side tasks related to market-led microfinance in depth. Rather *MicroSave* helps orchestrate and review while ARPs draw more heavily on other human and financial resources at their disposal, augmented by limited external consultancy assistance sourced by *MicroSave*.

During 2002, *MicroSave*'s focus has expanded beyond product development to cover market-led microfinance. To date this has encompassed, market research for microfinance, pilot testing, product roll out, product costing, incentive scheme design, strategic marketing, product marketing, risk analysis, process mapping, customer service and strategic collaborations.

**Market Research for MicroFinance:** ARP staff are trained in the use of *MicroSave*'s participatory research tools, using the *MicroSave* "Market Research for MicroFinance Toolkit". ARP staff are provided with expert post workshop facilitation as they practice the skills introduced in the workshop in listening to and understanding their clients. The market research tools are used to develop initial product ideas into concepts and to refine product concepts into prototypes for testing. This process can be represented as follows:



**Figure 1: Market Research and Prototype Development**

Source: Wright, Graham A.N., "Market Research and Client Responsive Product Development"



**Pilot Testing:** *MicroSave* assists its partners to establish a pilot test to test the product that they have developed. The pilot testing process has ten stages detailed in the *MicroSave's "Toolkit for Planning, Implementing and Monitoring Pilot Tests"*. Typically assistance is given in planning the pilot test, setting goals and indicators, and in developing financial projections.

### The Ten Steps of Pilot Testing

These steps complement each other in a comprehensive manner:

1. Composing the Pilot Test Team
2. Developing the Testing Protocol
3. Defining the Objectives
4. Preparing All Systems
5. Modelling the Financial Projections
6. Documenting the Product Definitions & Procedures
7. Training the Relevant Staff
8. Developing Customer Marketing Materials
9. Commencing the Product Test
10. Evaluating the Test

#### Box 2: The Ten Steps of Pilot Testing

Source: McCord, Michael J. et al. "Toolkit for Planning, Implementing and Monitoring Pilot Tests"

**Product Roll Out:** *MicroSave* performs detailed reviews as its ARPs rollout products. *MicroSave* has summarised its understanding of the factors that contribute to a successful rollout of financial services in a draft toolkit – "*Product Roll-out: A Toolkit for MFIs Expanding a Tested Product Throughout its Market*" which will be further refined and tested during 2003.

**Product Costing:** To enable ARPs to develop profitable products, and to develop credible financial projections *MicroSave* assists with the preparation and implementation of a product costing system. Training is followed by technical assistance to produce a product costing system. On the basis of its experience with allocation based costing *MicroSave* has developed "*Costing and Pricing Financial Services – a Toolkit for MFIs*". The toolkit was updated during the year, to include an expanded section on pricing and a practical worked example of allocation based costing.

**Incentive Scheme Design:** *MicroSave* worked with Martin Holtmann to assist ARPs to develop or refine appropriate staff incentive schemes. Following a successful review of FINCA Uganda's staff incentive scheme. *MicroSave* commissioned the development of a "*Toolkit for Designing and Implementing Staff Incentive Schemes in Microfinance Institutions*". The draft toolkit will be refined after testing on *MicroSave* and Micro Finance Network partners.

**Product Marketing:** The successful introduction of new products often depends on the ability of the product development team to market the new product to customers *and to staff*. Adapting its Market Research for Microfinance tools, *MicroSave* helps its ARPs to develop a product-marketing plan. The plan combines competition analysis, benefit statements, tag lines, Unique Selling Propositions (USPs), positioning statements, and Frequently-Asked-Question (FAQ) guides with an analysis of both the macro and microenvironments facing the institution. Through its work with its ARPs *MicroSave* has completed a "*Product Marketing Strategy Toolkit*."

**Strategic Marketing:** *MicroSave* collaborated with TMS Financial, a South African marketing company to perform Marketing Audits of its ARPs. These audits highlighted strategic dimensions beyond product marketing which *MicroSave* have developed into a draft "*Introduction to Strategic Marketing for Microfinance Institutions Toolkit*."

**Risk Analysis:** As some pilot tests ran into difficulties *MicroSave* became aware that in retrospect many challenges could have been predicted, and that many of the challenges faced would have been mitigated through carefully considered management responses. This led *MicroSave* to work with Shorebank Advisory Services and its ARPs to create a "*Toolkit for Institutional and Product Development Risk*"

*Analysis for Microfinance Institutions*". **MicroSave** assists its partners to consider risk at key stages of the pilot test process - during the establishment of the pilot test, during pilot test reviews, and before the product is rolled out. This toolkit is available on the **MicroSave** website.

**Process Mapping:** Increasingly **MicroSave** is working with its ARPs to develop process maps of key procedures or products. Process mapping involves documenting a process in a simple flow chart format facilitating a detailed understanding of the process of delivering a financial service. Process mapping is a remarkably powerful tool as it can be used to:

- Improve the efficiency of product delivery through identifying redundant or lengthy processes
- Enable a comparison of observed processes against documented procedures
- Design or improve procedure manuals
- Develop easy to understand training materials
- Highlight areas of potential risk within the product delivery process
- Consider the adequacy of internal controls

**Strategic Collaborations:**

*"The trip to Equity was a real eye opener and made me realise just how much they can offer Credit Indemnity in terms of market development and understanding. I also feel that Credit Indemnity will be able to assist Equity in several areas particularly around computer systems and networking as well as credit scoring and risk management."* - Pete Simms on his visit to Equity Building Society

An un-programmed but significant benefit to the Action Research Programme has been the identification of the strengths of different partners and the opportunity to encourage targeted cross learning between them. In June 2002, Equity Building Society visited Teba Bank and Credit Indemnity in South Africa to gain practical experience and exposure to wide area networks, credit rating, Ex Co management, and senior management teams. Teba Bank and Credit Indemnity sent teams Equity to share their experience in corporate branding, and in establishing customer service standards, and to learn from Equity's experience in personal marketing, client-led market research and product refinement. **MicroSave** will encourage further strategic collaborations between its ARPs through its periodic CEOs' Forum.

**External Assessment of MicroSave's Action Research Programme**

During October 2002, a team of consultants, Guy Winship, Ezra Anyango and Marguerite Robinson performed a review of **MicroSave**'s Action Research Programme. An extract from the report's Executive Summary is given in Box 3 below.

**Extract from the Executive Summary of the Assessment Report of *MicroSave*'s Work with its Action Research Partners**

"Since its inception the **MicroSave** project has been able to provide excellent support to Action Research Partner institutions in the areas of market research and client needs analysis. Over the past two years **MicroSave** Phase II has also raised the capacity of its eight Action Research Partner institutions in its four countries of operation to pilot-test and rollout products.

Feedback from Action Research Partners indicates that the **MicroSave** project has made significant efforts in implementing its work under the action research program, and that the partnerships with **MicroSave** have been exceptionally well received by the partner institutions. In terms of the market research training, toolkit and client need analysis, the review team considers the **MicroSave** project to be the most advanced project of its kind in the world.

Where the project has had less success has been in the area of product delivery. This was due many cases to institutional and capacity problems within the Action Research Partner, especially management problems and in some cases a low priority given to appropriate product testing and roll out. Limited capacities within the *MicroSave* project in providing the support necessary to raise institutional capacity for product delivery was not always possible. There is a need for additional tool kits and related technical assistance measures in a number of areas. These additional toolkits should be completed to the same high-quality level as the market research toolkit.

A range of issues faced the Action Research program, including:

*Selection of Action Research Partners:* The ability of the project management team to draw Action Research Partners from a wider pool was an important factor in the increase in the quality of the Action Research Partners during Phase II. Coupled with greater experience and capacity to select Action Research Partners since the previous review, the general profile of the institutions with which the project partnered has improved over the past two years.

*Market Research and Product Design:* As was the case during Phase I of the project *MicroSave* continues to perform particularly well in the areas of market and client need research. There has been shift in perceptions by Action Research Partners towards a market-led approach, which is widely attributed to their work with *MicroSave*. This is significant and a remarkable achievement by the project.

*Product Delivery:* Limited capacity at most of the Action Research Partners and at *MicroSave* were significant contributing factors to the lack of any major successes with product delivery. In certain instances unwillingness at top levels in the Action Research Partner to allocate resources to support the process led to poor product delivery. As was the case at the time of the previous review, the extent to which the project has been able to provide support to meet the shortfalls in Action Research Partner capacities continues to be limited.

*Networking & information exchange:* Excellent and widespread dissemination of research papers and case-studies amongst the Action Research Partners, although their use of the material did not always reflect this.

*Informal Advice & Counseling:* This somewhat nebulous area of support needs to be recognised for its importance, and for the excellent work *MicroSave* has done in this area. Most Action Research Partners noted with great appreciation the informal support and advice from the project, based in part on the good inter-personal relationships the project has been successful in establishing.

*Project Seen as Knowledgeable, Flexible and Professional:* The assessment team noted that the project staff and its consultants were seen as being of a very high standard, able to offer support and training in an appropriate manner.

A number of general (non Action Research Partner- specific) themes were found during the assessment. *Action Research Partners that are models for Africa.* The review team underscores the need for successful role models to emerge from the Action Research program. It is recommended here that there be a focus on fewer Action Research Partners, so that *MicroSave* can provide relatively greater resources to targeted Action Research Partners that are the most likely to become the role models needed.

The team recommends that Action Research Partners that are not able to provide the necessary capacity for product delivery be dropped from the program. This should also assist the *MicroSave* project in overcoming its own resource constraints.

*Management, governance, and ownership issues:* The review team noted that these issues underlie a number of the difficulties found at the Action Research Partners. An example here is, in at least one case, a move away from *MicroSave*'s low- income target market. Action Research Partners that are not able to show appropriately good governance and that do not have a similar target market to that of *MicroSave* should be dropped from the program.

**Cost-sharing.** Concerning contributions to *MicroSave*'s costs, most Action Research Partners indicated a willingness to meet some level of cost sharing. Continued increases in contributions from Action Research Partners in this regard are to be encouraged. An increase in the contribution to *MicroSave*'s costs can clearly be made. Investigation into the level of cost recovery and the possible effects this could have on the partnership would need to be followed by a clear pricing policy. This could well lead to a change in the design of *MicroSave* in Phase III. In addition, *MicroSave* should set up mechanisms to track contributions from Action Research Partners.

**Need for more and improved quantitative tools.** There is generally a strong appreciation of *MicroSave*'s qualitative methodology. Nevertheless, it is clear that supplementing these methods with more quantitative assessment tools will benefit both *MicroSave* and the Action Research Partners.

An increased focus on improving the pricing and costing capacities at Action Research Partners should continue. This is critical to the success of product delivery, clearly a key component of the Action Research program.

*It is strongly recommended that the MicroSave project should continue into a phase III. The nature and form of the overall project may need to change, depending on the recommendations of the Mid-Term Review team, the project management, and partners and donors.*

**Box 3: "Extract from the Executive Summary of the Assessment Report of *MicroSave*'s Work with its Action Research Partners", Winship et al (2002)**

### Course Attendance during 2002

During 2002, *MicroSave*'s ARPs attended three core workshops, the CEO's Workshop in May, Strategic Marketing for Microfinance, in October, and Risk Management in December. Optional workshops were conducted on Lessons from Pilot Testing and An Introduction to Systematic Pilot Testing. Additional courses were provided as required on Market Research for Microfinance and Marketing as required.

### ARP Workshops During 2002

	MR4MF TOT	CEOs Workshop	Lessons from Pilot Testing	Systematic Pilot Testing	Product Marketing Strategy Workshops**	Strategic Marketing	Institutional & Product Risk Management
Equity Building Society		3	7	3	14	3	5
KPOSB		2	3		15	3	2
TPB		3	3		15	1	1
Centenary		1			15		
UMU		1		2		2	2
FINCA Uganda		3	1	4	10	2	2
Teba Bank		3	2			1	2
Credit Indemnity	2	2	1			2	
FINCA Tanzania	2	1		2		3	2
KREP/AAR*	2			3	12	3	
Non-ARP participants	19	4		2		2	5
<b>Total Participants</b>	<b>25</b>	<b>23</b>	<b>17</b>	<b>16</b>	<b>41</b>	<b>22</b>	<b>21</b>

**Table 1: ARP attendance at *MicroSave* courses during 2002**

\*An Action Research Associate of the Micro-Insurance Centre

\*\* This number represents the total participation at any stage of the Product Marketing Strategy Workshop

**CEOs Workshop:** Speke Resort Hotel, Kampala, Uganda 28<sup>th</sup> and 29<sup>th</sup> May 2002.

This workshop brought together the CEOs and Product Champion's of *MicroSave*'s ARPs in a mutual learning exercise. Presentations were given on different aspects of pilot testing by each of the ARPs. A number of inter-ARP exchange visits were agreed upon.

**Lessons from Pilot Testing Workshop:** Fairview Hotel, Nairobi, Kenya 15<sup>th</sup>-16<sup>th</sup> April 2002.

*"The workshop was really useful and has allowed me to refine a lot of my thoughts around how to take new product development forward at Credit Indemnity."*

Pete Simms on Lessons from Pilot Testing

The Lessons from Pilot Testing workshop brought together ARPs who had successfully pilot tested products to learn from their experiences. It produced feedback on success factors, risk analysis, the feedback loop, and in which special circumstances pilot tests are not necessary.

**Systematic Pilot Testing Workshop:** New Africana Hotel, Kampala, Uganda, 23<sup>rd</sup>-24<sup>th</sup> April 2002.

The Systematic Pilot Test Workshop was designed to bring together ARPs who had not pilot tested products previously and introduce them to *MicroSave*'s systematic pilot testing process.

**Product Marketing Strategy Workshops,** Kenya, Uganda

*MicroSave* held product marketing strategy workshops as necessary. The product marketing strategy workshop is held in three phases. The first phase is a one-day introduction to product marketing, which introduces participants to key tools used in preparing a product marketing plan. The second phase, is a research phase, during which participants perform competition analysis, develop benefit and positioning statements, tag lines and unique selling propositions. The third phase is a two-day workshop that finalises the product marketing plan.

**Strategic Marketing Workshop:** Windsor Golf and Country Club, Nairobi, 28<sup>th</sup>-29<sup>th</sup> October 2002.

The Strategic Marketing Workshop showcased the results of the TMS / *MicroSave* Marketing Audits, *MicroSave*'s experience with its ARPs in Product Marketing, and the extensive marketing knowledge of its two South African ARPs. The workshop was used both to inform ARPs and to obtain feedback to further develop the draft toolkit "*Strategic Marketing for Microfinance Institutions*"

**Risk Management Workshop:** Fairview Hotel, Nairobi, Kenya, 4<sup>th</sup> December 2002.

The Risk Management Workshop provided feedback to ARPs on Shorebank's risk management consultations with four ARPs, TPB, Teba Bank, FINCA Uganda and Equity Building Society. It also introduced elements of the draft toolkit "*Institutional and Product Risk Analysis for Microfinance Institutions*".

### Selection of Action Research Partners

*MicroSave*'s ARPs were selected through a competitive process. A request for proposals was disseminated and institutions were asked to provide a detailed proposal with supporting documentation. Proposals were vetted and the institutions visited. A transparent appraisal process was used to select the most suitable partners. As at December 31<sup>st</sup> 2002, *MicroSave* had nine ARPs, as indicated in Table 2.

<i>Institution</i>	<i>Country</i>	<i>Product</i>
<i>Centenary Bank</i>	Uganda	Home Improvement Loan ( <i>HIL</i> )
<i>FINCA</i>	Uganda	Small Enterprise Partnership Loans ( <i>SEP</i> ) Open Access Savings Refinement of Step Credit/Flexibility Village Banking products
<i>Uganda Micro-finance Union</i>	Uganda	Open Access Savings
<i>Kenya Post Office Savings Bank</i>	Kenya	<i>Bidii</i> Savings Account
<i>Equity Building Society</i>	Kenya	<i>Jijenge</i> Contractual Savings Product <i>SAKO Plus</i> Loan Product Refining existing products
<i>Tanzania Postal Bank</i>	Tanzania	Domicile Quick Account ( <i>DQA</i> )
<i>FINCA-Tanzania</i>	Tanzania	<i>Uvibiashara</i> Leasing Product
<i>Teba Bank</i>	South Africa	Grow With Us ( <i>GWU</i> ) Savings, Teba Bank's Debit Card
<i>Credit Indemnity</i>	South Africa	

**Table 2 - Partners of *MicroSave* as at 31.12.02**

### Product Statistics At A Glance

To date six of *MicroSave*'s partner institutions have launched pilot tests, Tanzania Post Bank has developed the *Domicile Quick Account* and is in the process of rolling out to its branches, Kenya Post Office Savings Bank is finalizing the *Bidii* product prior to rollout. Teba Bank has rolled out its Grow With Us Savings Account and FINCA Uganda is still pilot testing its Small Enterprise Partnership Loans.

Pilot test planning is underway with FINCA Uganda and UMU for Open Access Savings products and with FINCA Tanzania for its *Uvibiashara* leasing product. The results to 30<sup>th</sup> November 2002 are summarized in Table 3.

<i>Institution</i>	<i>Product</i>	<i>Status</i>	<i>Number of locations</i>	<i>Clients</i>	<i>Approx US\$</i>
<i>Teba Bank</i>	<i>GWU</i>	Rolled Out		45,529	6,633,744
<i>TPB</i>	<i>DQA</i>	Rolling Out	20	40,723	6,973,000
<i>KPOSB</i>	<i>Bidii</i>	Partial Rollout	5	4,277	698,254
<i>Equity</i>	<i>Jijenge</i>	Preparing for Rollout	4	1,104	58,442
<i>Total</i>	Savings			91,633	13,665,884
<i>FINCA Uganda</i>	<i>SEP</i>	Under Pilot Test	3	415	146,095
<i>CERUDEB*</i>	<i>HIL</i>	Rolled Out	16	440	739,027
<i>Equity</i>	<i>SAKO Plus</i>	Under Pilot Test	4	259	95,241
<i>Total</i>	Lending			1,114	980,363

**Table 3: Product Statistics At a Glance to 30<sup>th</sup> November 2002**

\*Results to 31<sup>st</sup> December 2002

## Progress During 2002 by Action Research Partner

### Equity Building Society

**Product Development:** During the year Equity Building Society developed two products, *Jijenge* a contractual savings account and SAKO Plus, an individual loan product, which uses depositor's savings history with Equity in determining eligibility for a loan.

**Jijenge:** *Jijenge* is a contractual savings account, which enables Equity clients to save a fixed amount weekly or monthly. The major features of *Jijenge* are presented in Box 4.

<b>Features of Equity's Jijenge Savings Account</b>
<i>Opening balance:</i> No minimum required
<i>Minimum deposit:</i> Kshs.500 monthly, which can be paid in weekly, bi-weekly, and monthly increments
<i>Early access:</i> Allowed under penalty
<i>Priority access to emergency loans:</i> Up to 90% of the balance of the savings can be obtained be obtained with a preferential interest rate, immediate disbursement, and no fees
<i>Maturity date:</i> Assigned by the customer
<i>Interest paid:</i> On a tiered basis to incentivise long-term deposits.
<i>Fees and Commissions:</i> No ledger fees, deposit fees, or standing order charges

**Box 4: Features of the Jijenge Savings Account**

*Jijenge* was launched on August 5, 2002, with the intention of rolling out the product after only 7 weeks pilot testing. Equity decided to pilot test *Jijenge* in four locations, the Head Office Branch - Fourways, Tom Mboya Branch, the Corporate Branch and in Thika. Performance after one month, shown in Table 4 was very mixed. The poor performance at the Thika branch was due to insufficient awareness of the product amongst staff and clients, with no customer service desk to promote the product. The Corporate Branch deals with a smaller number of high-value business customers, which suggests that the original target may have been inappropriate. It also became clear that Equity needed to revise its approach to marketing the product in order to lengthen the average maturity period selected by clients.

<i>Number of Accounts</i>	<i>Target</i>	<i>Actual</i>	<i>Variance</i>
<i>Fourways</i>	100	264	164%
<i>Tom Mboya</i>	100	161	61%
<i>Corporate</i>	100	34	-66%
<i>Thika</i>	100	21	-79%

<b>Total Accounts</b>	400	480	20%
<b>Total Jijenge Balances (\$)</b>	10,256	8,865	-14%
<b>Average Monthly Saving (\$)</b>	25.64	18.47	-28%
<b>Average Maturity Period (months)</b>			
<b>1 year</b>	30%	98%	227%
<b>1 to 2 years</b>	50%	2%	-96%
<b>&gt; than 2 years</b>	20%	0%	-100%
<b>Premature Withdrawals - % of savers</b>	10%	0%	-100%
<b>Emergency Loans - % of savers</b>	20%	1%	-97%

**Table 4: Position of Equity's Jijenge Savings Account after one month**

*MicroSave* hired a Kenyan consultant to assist Equity's product development team to prepare a Letter of Recommendation to determine whether Equity was ready to rollout *Jijenge*.

**Letter of Recommendation Review:** *MicroSave* reviewed the Letter of Recommendation for the *Jijenge* pilot test. The review noted that insufficient time had been allowed for the *Jijenge* pilot test to test the profitability of the product. The *Jijenge* financial model needed to be updated regularly on the basis of actual experience and key assumptions reworked.

A number of important steps needed to be taken before rollout could commence these steps included, correcting the *Jijenge* master account record on the Bankers Realm system and automating standing order deductions. Policies and procedure manuals need to be updated and marketing materials revised. Finally, staff knowledge on the product needs to improve significantly. Once these steps were completed Equity needed to re-plan the rollout of the product.

As a result of the review, Equity extended the pilot test period and expects to rollout the product in 2003. As at 30<sup>th</sup> November 2002, *Jijenge* had achieved the following:

<b>Indicator</b>	<b>Projections</b>	<b>Actual Performance</b>	<b>Variance</b>
<b>Number of accounts</b>	1,600	1,104	-31%
<b>Average monthly contributions</b>	1,700	1,430	-16%
<b>Total balances</b>	82,821	58,442	-29%
<b>Average maturity</b>			
<b>1 year</b>	30%	98%	227%
<b>1-2 years</b>	50%	2%	-96%
<b>More than 2 years</b>	20%	0%	-100%

**Table 5: Jijenge performance as at 30<sup>th</sup> November 2002**



**SAKO Plus:** The SAKO Plus pilot test was initiated on August 5, 2002 in four branches. Murarandia, Kangema, Kiriaini and Kangari. SAKO Plus loans are secured on the savings history of Equity clients. Features of SAKO plus are given below.

<b>Features of the SAKO Plus product</b>	
<i>Borrowing Limit:</i>	Borrow up to 4 times savings balance depending on ability to repay the loan
<i>Collateral:</i>	No collateral required below Ksh.100,000 (\$1,282)
<i>Graduated loans:</i>	Access to higher value loans is given on successful repayment of earlier loans
<i>Interest Rate:</i>	Set competitively

**Box 5: Features of the SAKO Plus Product**

**Performance of SAKO Plus:** The initial performance of the product was below expectations (see Table 6), in part this was due to insufficient planning and coordination of the pilot test. Seasonality was a contributory factor as the pilot test branches serve tea farmers who typically borrow on an annual basis – commencing in January and February.

<i>Indicator</i>	<i>Projection</i>	<i>Actual Performance</i>	<i>Variance</i>
<i>Number of accounts</i>	800	259	-68%
<i>Average loan size (\$)</i>	513	390	-24%
<i>Total \$. advanced</i>	410,256	95,241	-77%
<i>Average loan period</i>	12	12	Nil

**Table 6: SAKO Plus performance as at 30<sup>th</sup> November 2002**

**SAKO Plus Pilot Test Review:** A team from Equity and *MicroSave* reviewed the SAKO Plus pilot test. The review found that the pilot test team was understaffed without representation from the operations department, internal audit, IT or any front line staff. The team needed to visit branches more often, to learn about clients' needs, to assess marketing effectiveness and to brief branch staff.

Marketing required particular attention, a clear marketing strategy needed to be developed, which defined marketing responsibilities at a branch level. Adherence to policies by branch staff as well as communication to customers needed improvement as some customers were advanced too great a multiple of their savings. Too frequently the marketing message being delivered was that clients could borrow four times their savings, rather than they could borrow a *maximum* of four times their savings (depending on prior history). Advertising material needed to be improved, and an advertising campaign launched for new loans around the time of the payment of the tea bonus.

The review team recommended the modification of the Bankers' Realm master record for SAKO Plus and the capture of key customer data onto the Bankers Realm system. Finally the team noted that a mechanism to gather lessons from branches needed to be developed, that SAKO Plus was being tested primarily on existing and not new customers, and that the assumptions underlying the SAKO Plus financial model needed to be revised to reflect actual experience.

**Lessons learned:** As a result of pilot testing *Jijenge* and SAKO Plus, Equity learned the importance of mentoring an enthusiastic but inexperienced product development team, through regular meetings involving senior management. On the systems side, Equity needed to carefully establish, the master record for each new product and to test the banking software to ensure that it behaved as expected. In marketing, Equity learned the importance of establishing a coherent coordinated marketing campaign. The campaign must include specific branch based activities, and prominently displayed, colourful and reasonably sized publicity material.



Equity management have responded to the need to improve mentoring and management of the product development and marketing team, by employing a new senior manager, who has been assigned product development as part of her responsibilities.

**Revision of Products at Equity Building Society:** Market research performed in 2001, made it clear that Equity Building Society should quickly address the perception that the charges on its products were exorbitant. Immediate actions included reviewing interest rates and restating them in clear concise client language. Brochures were printed outlining the product changes, and tariffs were displayed in banking halls. The changes took effect on January 1<sup>st</sup>, 2002.

In the words of Gerhard Coetzee et al, (2002) in their study “The Rebirth of Equity Building Society” client response to these changes was impressive.

*“The results of this initial product refinement were marked by an overwhelming client response towards Equity as an institution and its products and services. To test the effect of the market research, Equity decided not to aggressively market the new refinement measures but instead monitor to see what responses would ensue that could be attributed solely to the market research exercise. Soon after the market research, the number of accounts opened in a day jumped from an average of 20 – 30 to about 200.”*

**Impact of Costing Within Equity Building Society:** Equity adopted allocation based costing in November 2001. Equity staff noted that management perception towards costs and cost control changed, although the Finance Director drove the process, changes have been noted throughout Equity.

#### **Reported Benefits of Product Costing at Equity Building Society**

Less than three months after the costing exercise Equity reported following tangible benefits:

- Increased mining of strategic data, with key activity rates were tracked daily
- Performance benchmarks were established using activity rates
- Accounting for costs was standardised
- Staff appraisal methods were changed
- Reallocation of staff resources
- Fixed deposit interest rates were changed
- Interest rate margins were tracked on a weekly basis
- The costs of the mobile banking operation were investigated
- The chart of accounts was adjusted to reflect income and costs on a product-by-product basis
- Costing information was used to examine potential changes in the fee structure of salary accounts
- Attributing an increased range of direct costs to branches

#### **Box 6: Reported Benefits of Product Costing at Equity Building Society**

A more in depth discussion on Product Costing is given in “*Product Costing in Practice – The Experience of MicroSave*”, Cracknell and Sempangi (2002).

**Product Costing II:** Equity's profitability doubled in 2002, as business volume increased on a slowly increasing cost base. This was particularly the case for the Ordinary Savings Account. The chief profit driver for Equity is the Business Loan. Mobile Savings and Farm Input loans, which serve some of Equity's poorer clients, made up a significant volume of business though operated at a moderate profit. However, concern remains over the pricing of Equity's Fixed Deposit Account, which made a loss at net interest level.

**Rebirth of Equity Building Society:** *MicroSave* commissioned a study to document the factors responsible for the remarkable transformation of Equity since 1995, from an insolvent, to a dynamic, successful and profitable financial institution. The study “Understanding the Rebirth of Equity Building Society” (Coetzee et al. 2002), is available on the *MicroSave* website.

**Risk Management Review:** Equity collaborated in the Shorebank Advisory Services' risk management review. The principle objective of the review was to examine risks associated with growth. The review recommended, that an asset liability management function be developed. It noted that continuing increases in customers would result in declining levels of customer care, unless action is taken by Equity. Expansion also resulted in young and inexperienced staff being placed in grades that are developing into key management positions. Expansion could also be problematic as Equity is perceived as a Kikuyu organisation, which needs to expand beyond Kikuyu areas. Lastly, the review noted that Equity needed to improve its management of credit risk.

**Strategic Partnerships:** After the CEOs' workshop in Kampala, a team from Equity visited South Africa to learn from Teba Bank and Credit Indemnity. Equity saw the value of a strong management team, examined different connectivity options for linking their branches and saw Credit Indemnity's credit management and credit scoring systems in action. In turn teams from Credit Indemnity and Teba Bank visited Equity, keen to learn from Equity's success and in turn to share their experience of marketing and corporate branding. As of January 2003, Equity had significantly strengthened its management team, was working on connecting its branches and was beginning to improve its credit management systems.

### Tanzania Postal Bank

Tanzania Postal Bank's Domicile Quick Account or DQA, is very different from the manual passbook based Ordinary Savings Account. A basic description of the product is given below:

<b>Features of the Domicile Quick Account</b>	
<i>Tagline:</i>	"Time is money – save both"
<i>Fast:</i>	A computerised savings account
<i>Safe:</i>	A card based account that is safe from fraudulent use of the identity card
<i>Easy to Open:</i>	A minimum opening balance of Tsh. 5,000, two photographs and a school / work identity card or a letter from the ward executive
<i>Earns interest:</i>	Interest is computed monthly and paid annually on a sliding scale that rewards higher value savers
<i>Ledger fees:</i>	Clients pay a ledger fee of Tsh.350 per month and Tsh.100 per withdrawal.

**Box 6: Features of the Domicile Quick Account**

Table 7 shows the *DQA* account grew strongly during the year. The total number of accounts grew from 23,933 to 40,723 between November 2001 and November 2002, a year on year growth of 70%, whilst total deposits grew from USD 3.8 million to USD 7.0 million a growth of 85%.

<i>DQA</i>	<i># Accounts</i>	<i>US\$</i>
<i>November 2001</i>	23,933	3,768,572
<i>January 2002</i>	27,620	4,521,928
<i>May 2002</i>	31,496	4,846,949
<i>July 2002</i>	35,217	5,296,000
<i>November 2002</i>	40,733	6,973,000

**Table 7: DQA Results During 2002**

During the year Tanzania Postal Bank rolled out *DQA* to additional locations as given in Table 8.

<i>Branch</i>	<i>Date</i>
<i>Illala</i>	March
<i>Mwanza</i>	March
<i>Shinyanga</i>	March
<i>Bukoba</i>	March
<i>Iringa</i>	June
<i>Ruvuma</i>	June
<i>Tabora</i>	June
<i>Mbeya</i>	October
<i>Kilimanjaro</i>	October

**Table 8: TPB Branches Commencing DQA During 2002**

TPB expects to roll out *DQA* to the locations given in Table 9 when new premises have been identified and renovated to TPB standards.

<i>Branch</i>	<i>Date</i>
<i>Tanga</i>	April 2003
<i>Dar Es Salaam</i>	October 2003
<i>Morogoro</i>	New premises awaited
<i>Dodoma</i>	New premises awaited
<i>Kigoma</i>	New premises awaited
<i>Mtwara</i>	New premises awaited

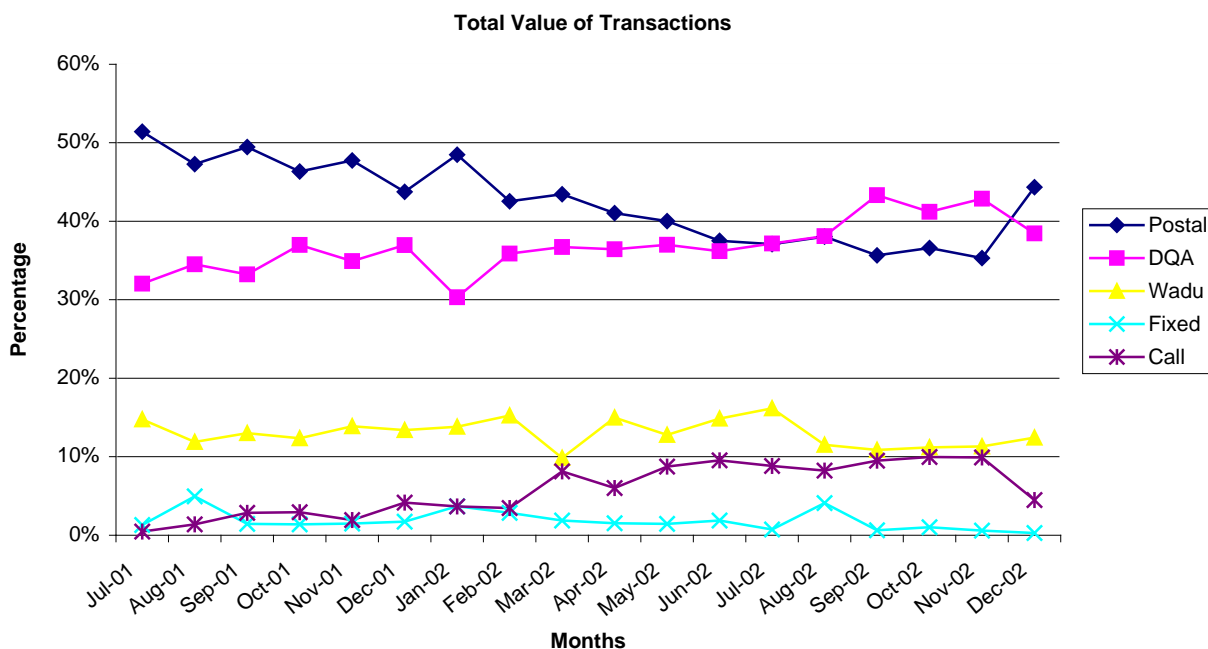
**Table 9: TPB Branches Awaiting Rollout**

**TPB Rollout Activities:** TPB had a very limited budget for rollout activities, and could only afford to keep a small team in the field for a few days for each branch. To minimise the cost of rollout, TPB decided to launch the product a region at a time, enabling the field team to move from branch to branch more easily.

Most branches were given a coat of paint in the new corporate colours and some were rewired. New computers were installed and a Local Area Network established, with a UPS back up system and a generator. The Head Office team trained staff on the features of the *DQA* product and on how to market *DQA*. Marketing material in English and Swahili was positioned around the branch and in prominent locations around the town. Direct marketing activities commenced a day or two before the opening ceremony - staff handed out leaflets and spoke to the public, whilst a speaker van moved around the town. An opening ceremony with visiting dignitaries, music, and small prize-giving ceremonies for the first account holder was held, with local press generating positive publicity.

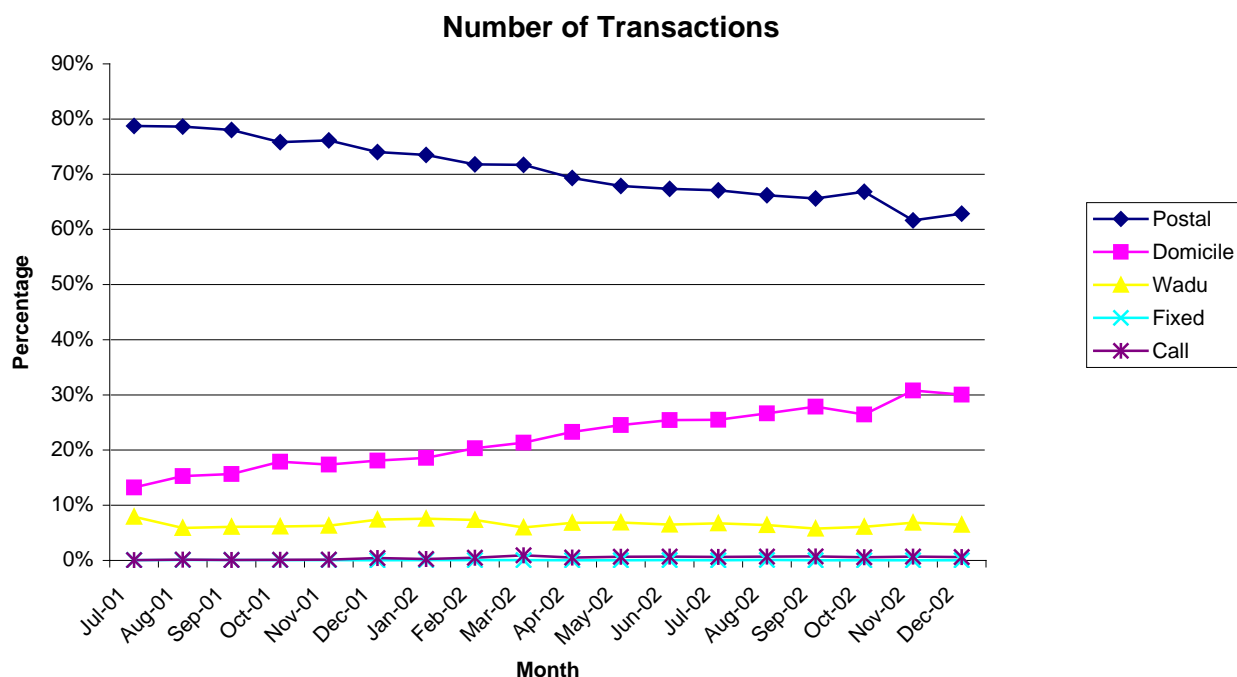
**The Impact of TPBs' Launching Events:** TPBs launching activities appeared to have several impacts, for several weeks following a launch an increased number of accounts were opened every day. In the medium term heightened staff awareness of and appreciation for *DQA* led to a decrease in the number of Postal Accounts being opened along with a corresponding increase in the number of new *DQA* accounts.

**The Significance of DQA to TPB:** Even as a partially rolled out product - *DQA* has become very significant to TPB. Excluding Western Union, in terms of the value of transactions the *DQA* account has become TPB's most significant account. From September to November *DQA* represented more than 40% of all transactions by value, the increase in the value of Postal transactions in December is believed to represent seasonal withdrawals.



**Graph 1: The percentage of the total value of transactions on TPB's different products (ex. Western Union)**  
 Source: TPB returns to the Bank of Tanzania

In terms of the number of transactions the picture is similar, from December 2001 to December 2002, the *DQA* account increased its share of total transactions (excluding Western Union) from 20% to 30% (see Graph 2). If transactions at TPB branches operating both Postal and the *DQA* product are considered in isolation, *DQA* accounts for approximately 40% of total transactions.



**Graph 2: Percentage of total transactions at TPB by product (excluding Western Union)**  
 Source: TPB returns to the Bank of Tanzania.

**Application to the ARB / MicroSave ARP Product Development Fund:** TPB became the first ARP to submit a proposal to the Austrian Regional Bureau / *MicroSave* ARP Product Development Fund. This

fund was created to enable ARPs to respond to key constraints in their product development processes. TPBs application supported the extension of the *DQA* account to new locations and customer service training.

**Marketing:** *MicroSave* provided technical assistance to help TPB develop marketing plans. A simple marketing plan was created during a workshop, which included: An analysis of the Political, Economic, Social and Technical environment (so called PEST analysis) and an analysis of the Strengths, Weakness, Opportunities and Threats faced by TPB in relation to the *DQA* product (SWOT analysis). A benefit statement was produced which listed *DQA*'s key benefits as perceived by TPB clients. The benefit statement along with a revised tagline was used to develop clear, concise, advertising material. Finally an activity plan and budget was developed to secure the resources required to implement the plan.

**Marketing review:** *MicroSave* reviewed the marketing operations of Tanzania Postal Bank. The team recommended, that TPB should develop marketing plans with a product, geographic and corporate branding focus and that client consultative groups should be developed to gather the opinions of clients on TPB services. It noted that TPB and *MicroSave* should document and learn from the strong Western Union brand and that TPB with assistance from *MicroSave* should implement customer service standards.

**Customer Service Review:** TPB collaborated with *MicroSave* and UNISIS a Kampala based human resource agency to conduct a customer service review. The review covered front and back office operations. Management, staff and customers of the bank were interviewed individually and in groups, whilst detailed observations of processes and procedures were undertaken. The review highlighted the need to develop a customer service charter, and to implement customer service training to begin to change staff attitudes towards their customers. In some cases TPB needed to correct for the inconsistent application of policies and procedures between different branches and different members of staff. In other cases levels of service were low simply due to staff shortages. Finally TPB need to reduce back office delays through better organization of the back office, serial rather than batch processing of passbooks and reducing the time that passbooks are withheld from clients to process interest payments.

**Risk Management Review:** TPB participated in Shorebank Advisory Services' risk management review. The principle objective of the review was to examine a savings based institution, which was moving into developing credit products. The review found that TPB faced high credit risk partly because they had not followed a clearly defined product development process to develop their credit products. Other factors included untrained staff, inadequate internal controls, poor IT systems, and insufficient reporting systems. The review identified other risks including higher rates of fraud amongst staff of the Tanzania Postal Corporation (TPC), who act as agents for TPB, and a reputation risk due to a lack of motivation amongst TPC staff to deliver TPB products. Shorebank recommended that TPB center their risk management responsibilities on a single risk manager who would be responsible for designing appropriate risk management systems.

## **FINCA Uganda**

**SEP Product Description:** FINCA Uganda's Small Enterprise Partnership Loan (SEP) is a departure from FINCA's Village Banking methodology. Under SEP individual loans were disbursed through smaller groups of business people. A brief description of the SEP Loan is given in Box 7 below:

### Features of the SEP Loan

*Group Size:* Client groups between 5-10 members  
*Client Profile:* Aged between 18-60, with a business and a good credit history  
*Repayment installment:* less than 50% of net family income  
*Loan Size:* Between 500,000 – 5,000,000  
*Length of Loan cycle:* for initial borrowers 16 weeks, from cycle 2 8-32 weeks for a A-Grade client  
*Fees:* Loan processing fee charged on a sliding scale decreasing for more group members and 2% per month  
*Minimum Collateral:* 125% of the loan required

#### Box 7: Features of the SEP Loan

**SEP Performance:** Despite popularity, the SEP loan experienced increasing levels of defaults, which led FINCA Uganda to suspend taking on new clients until arrears were brought under control (see Table 10).

<i>SEP</i>	<i># Accounts</i>	<i>US\$</i>
<i>November 2001</i>	170	59,638
<i>January 2002</i>	323	129,457
<i>May 2002</i>	515	159,604
<i>July 2002</i>	526	155,873
<i>November 2002</i>	415	146,095

**Table 10: SEP Results During 2002**

“A Brief Review of the SEP Pilot Test of FINCA Uganda” (Cracknell 2001), suggested improvements should be made to the design and monitoring of the pilot test. However, FINCA Uganda was slow to improve the monitoring of the pilot test, which contributed to increasing delinquency and default. As default increased FINCA Uganda suggested that *MicroSave* perform a further review of the SEP pilot test.

“A Brief Review of Default within FINCA Uganda’s Small Enterprise Partnership Loans” (Cracknell 2002) found that management had failed to regularly monitor the pilot test, FINCA needed to rearrange field staff workloads to facilitate weekly portfolio review meetings. Key policies were not applied and the policies were sometimes inappropriate. Management needed to workshop policies and procedures with SEP staff to determine where modifications in procedures may be necessary, and then ensure that agreed policies were applied on a consistent basis. Client selection needed to be improved - a basic application scorecard could help. Problems related to the SIEM IT system made it difficult for FINCA to monitor individual loan officer performance and necessitated extensive manual analysis and postings. Finally, record keeping on loan files was poor and forms were required to monitor actions taken by loan officers in collecting default.

FINCA accepted the recommendations, they recruited a micro-lending manager to improve supervision of loans, and introduced new reporting formats and review meetings. Policies and procedures were updated. A system for tracking delinquency by loan officer was implemented, and recruitment of new groups was postponed until delinquency levels decreased. Although delinquency remained high at the year end, there is evidence that performance is improving given that new loans disbursed during September and October were experiencing low rates of delinquency by the end of the year.

**Incentive Scheme Design:** After Martin Holtmann’s review of the incentive scheme FINCA Uganda is monitoring tests on a new incentive scheme and is testing the ability of the MIS to calculate bonus payments accurately and quickly. If tests are successful the incentive scheme will be expanded.

**Marketing Review:** The marketing review noted the early stage of development of the marketing function within FINCA Uganda and the consequent need to strengthen FINCA Uganda's marketing efforts through exposure to strategic marketing practices.

**Training in product marketing:** Ten FINCA Uganda staff received introductory training in product marketing. This course was followed by fieldwork with clients during which FINCA developed competition analysis, benefit statements, and publicity material. A two-day workshop was performed to develop FINCA Uganda's marketing plan. Whilst considerable progress was made towards creating a marketing plan it was not finalised by the year-end.

**Risk Management Review:** FINCA Uganda is preparing to become a Micro Deposit Taking Institution, which will allow it to accept deposits. The Shorebank Advisory Services risk management review of FINCA focused on risks faced by a credit based microfinance programme starting to collect and mobilising savings. The review found that no critical paths were identified for FINCA Uganda's transformation. There was no central point for risk appraisal and management and no plans for developing risk mitigation strategies. Recommendations included the creation of a central point for risk management, the involvement of internal audit in approving systems for new products before pilot testing and the creation of liquidity management systems. The SIEM teller module was a cause of concern, as the SIEM software is written in Spanish and supported from Guatemala, whilst SIEM is FINCA International's preferred choice of software worldwide, the lack of full local software support means that changes slow and expensive to implement.

## Teba Bank

Teba Bank grew out of Teba Savings Fund, a payroll and savings facility for South Africa's gold and platinum mineworkers. Teba Bank's outlets are mainly located on mines, in mining towns and through ten offices located in the Eastern Cape. Teba Bank's Grow With Us (GWU) product is key to the Bank's expansion plans as it is a multi-purpose savings account, used in their off mine branches. The features of the Grow With Us account are given in Box 8.

### Features of Grow With Us

*Minimum balance:* Low minimum balance R40

*Convenient deposits:* Cash, cheque and electronic deposits

*Convenient withdrawals:* Cheque and cash withdrawals

*Convenient Account Management:* Allows electronic transfers between accounts

*Help desk:* Assists customers with filling out withdrawal slips and other related matters

*Interest:* comparable with other financial institutions, calculated on a minimum daily balance and capitalised monthly

*Savings book:* supplemented by introduction of ATM/debit card in the medium-term.

*Withdrawal limit:* R10,000 unless prior arrangements are made with the regional manager.

### Box 8: Features of Teba Bank's Grow With Us Product

**GWU Performance:** GWU performed strongly, particularly in terms of deposits, which are 131% above expectations. Strong performances were recorded at Teba Bank's main branches located off the mines particularly at Teba Bank's flagship branch in Rustenburg, which opens approximately 500 accounts monthly. Performance is given in Table 11.

<b>GWU</b>	<b># Accounts</b>	<b>US\$</b>
November 2001	6,669	913,182
February 2002	14,715	2,295,852
May 2002	23,950	3,906,365
July 2002	31,113	4,700,897
November 2002	45,529	6,633,744

**Table 11: Performance of the GWU product**

The TMS Financial / *MicroSave* marketing review raised the concern that a significant percentage of customers' maintain balances lower than Rand 40 (\$4.71) which are steadily eroded as monthly ledger fees are applied. The review believed that a significant proportion of low eroding balances combined with product marketing that suggested growth - represented a significant risk to the reputation of the Bank. Teba Bank is monitoring the situation closely; currently 36% of all balances are at or below Rand 40 and is reviewing the product's pricing.

**Debit Card Reviews:** During June 2002 *MicroSave* provided assistance to Teba Bank in establishing the modalities of a pilot test for its Debit Card known as the "A-Card". Assistance concentrated on:

*Reviewing key project documentation and developing a risk framework:* Risk identification methods introduced at the Lessons from Pilot Testing workshop were used to expand on an operational risk framework for the A-Card Pilot Test. This framework highlighted a number of areas of risk to the pilot test that had not been identified.

*Developing a range of possible targets for the pilot test:* A range of targets covering outreach, institutional and customer efficiency were discussed with the debit card management team and were used in expanding and developing a financial model for the test.

*Expanding and developing the financial model:* The existing financial model for the product was enhanced, but will require further attention as the product moves towards pilot testing.

In October 2002, *MicroSave* conducted a second review of the A-Card. Whilst Teba Bank had invested considerable resources in developing and testing the card the review recommended that the A-Card team should be expanded to enable it to cope with likely future demands. The testing phases needed to be slightly extended, and each phase of the pilot test should be conditional on resolving any reported errors. Finally quantifiable objectives needed to be further developed for the mutually dependent partners involved in the A-Card pilot tests.

A number of potential risks were identified, including possible liquidity problems at POS locations, and in transactions occurring without cardholders' consent. Currently only 30% of Teba Bank's customers use Teba Bank's existing ATM card, suggesting there is a risk that the card will not be acceptable to some user groups. Identification of these risks suggested that current risk analysis should be modified and extended.

Other recommendations included the need for experienced systems auditors to certify the A Card systems and the requirement for financial projections to be further developed and continually refined.

**Product Costing:** *MicroSave* provided assistance to develop allocation based costing systems within Teba Bank this was largely completed during 2002, but remains to be finalised. Teba Bank expects to obtain consultancy assistance on costing locally through an application to the ARB / *MicroSave* ARP support fund during 2003.

**The Marketing Review:** Even though Teba Bank is the most professional of *MicroSave*'s ARPs in its marketing activities, some serious issues were identified by the TMS / *MicroSave* marketing review. Issues included, low customer balances being eroded by ledger fees, some confusion between the Teba Bank and GWU brand and the need to measure the cost effectiveness of the Bank's promotions and



communications. Teba Bank's agency relationship with TEBA Ltd.<sup>1</sup> created two difficulties; firstly the agency relationship could create reputation risks due to limitations in the Bank's ability to fully supervise TEBA Ltd; secondly, most of TEBA Ltd.'s offices are badly situated from a banking perspective.

**Customer Service:** Teba Bank has produced detailed research on customer service. The Bank completed a branch-by-branch survey, which examined particular elements of customer service. The survey identified the need to reduce queues through improved queue management, and through maximizing the number of teller positions in operation during peak hours. The role of customer service advisers was clarified, and the need to improve communications, through providing mobile phones to customer service desks was identified. Finally, the nature and positioning of customer information displays was reviewed. Recommendations from the survey are currently being implemented.

**Risk Management Review** The Shorebank Advisory Services' Risk Management Review of Teba Bank focused on the risks and challenges faced by the Teba Bank in operating many different and diverse product development initiatives at the same time. The review noted several key issues, firstly, that there was a concentration of knowledge in a few key staff, which made staff retention a critical issue. Secondly, new products faced specific risks in relation to customer fraud and potential violation of procedures. Thirdly, whilst collaboration with third parties could reduce product development risks it introduced counterparty risks relating to reputation, strategy and agency relationships.

To mitigate risk Teba Bank has highly developed risk management strategies that have at their base talented, accountable and motivated staff. Teba Bank's staff are assisted by a clear division of responsibility and by higher level risk management committees which oversee institutional risks. Competing priorities are managed, through a project management office. Lastly internal skills are supplemented where necessary through the use of external expertise.

## Centenary Rural Development Bank

**Product Performance:** After extensive research indicating the demand for home improvement loans, Centenary Rural Development Bank launched their Home Improvement Loan (HIL) in November 2002. The features of the loan are given in Box 9:

<b>Features of the Home Improvement Loan</b>	
<i>Use:</i>	to assist Ugandans to develop their homes.
<i>Loan Term:</i>	six months to two years depending on use.
<i>Interest:</i>	priced at the Centenary Bank's base interest rate in effect at the time of disbursement and fixed for the term of the loan.
<i>Security / collateral:</i>	up front savings of 20%, with land titles and employer guarantees.
<i>Amount:</i>	ranges from Ushs.100,000 (\$54) to a maximum of Ushs.10,000,000 (\$5,405)
<i>Process:</i>	involves application, verification / valuation and approval by the loans officer and loans committee respectively.
<i>Payment mode:</i>	monthly for salary earners with some flexibility in repayment schedule for non-salary earners.

**Box 9: Features of the Home Improvement Loan**

<b>HIL</b>	<b># Accounts</b>	<b>US\$</b>
<b>May 2002</b>	52	62,333
<b>July 2002</b>	139	185,778
<b>November 2002</b>	440	739,027

**Table 12: HIL Results During 2002**

<sup>1</sup> TEBA Ltd. is "The Employment Bureau of Africa" Ltd., and has traditionally recruited mineworkers; Teba Bank and TEBA Ltd. are two separate companies although TEBA Ltd acts as Teba Bank's agent.

The results of the Home Improvement Loan during 2002 are given above. However, after 3 months of testing, the performance at the Mbarara and Mityana test branches was lower than expected, as shown below:

<i>Indicators</i>	<i>Target</i>	<i>Actual</i>
<i>Number of Loans outstanding</i>	480	139
<i>Number of Loans Disbursed</i>	480	139
<i>Number of Loans in Arrears</i>	-	-
<i>Loan Principal Outstanding (\$)</i>	259,459	185,778
<i>Loan Principal in Arrears</i>	-	-
<i>Average Loan size (\$)</i>	541	1,336
<i>Arrears Rate (%)</i>	-	-

**Table 13: Consolidated data for the Mityana and Mbarara Branches as at July 2002**

Market research suggested that whilst clients were positive about the longer repayment period they disliked the necessity to provide a 30% deposit along with collateral and they disliked the increased loan-processing requirements. Credit officers reported difficulties in validating customer estimates for home improvements and in ensuring non-diversion of funds. Publicity material was only available in English which, limited client awareness about the product.

In response to these problems branch management recommended payment directly to suppliers to prevent diversion of funds, decreasing the compulsory savings requirement and developing publicity material in local languages.

**Mid Term Review:** A mid term review of the *HIL* pilot test noted additional challenges. Firstly, that the majority of clients appeared to be taking the *HIL* as a supplementary loan. Secondly, that there was no incentive for loan officers to look for new *HIL* clients, and lastly that the same security was often used to cover two loans.

**Letter of Recommendation:** Centenary Rural Development Bank reviewed the *HIL* pilot test prior to rollout. The Letter of Recommendation (LOR) noted that there had been limited marketing for the *HIL*, that some loan staff allowed the same security for two loans, that modifications were required to the computer system and a rollout plan needed to be produced.

Specific recommendations included, that the rollout team should conduct regular meetings attended by the General Manager Credit, that clear concise, client friendly, marketing materials should be developed and that specific training on the *HIL* should be provided to branch staff. Lastly, an adequate budget should be provided to cover the launch of the product in each branch, to enable monitoring of the rollout and the production of marketing materials.

**Rollout:** Acting against the recommendations in the LOR, Centenary rolled out the *HIL* in mid-November 2002 with very limited preparation. A letter was sent from the CEO saying that each branch should offer the product. Branch managers were provided details of the product along with marketing materials. Despite limited preparation Centenary has developed a high value portfolio in a short time, with 440 Home Improvement Loans, totalling US\$739,027 as at December 31, 2002. However, performance across branches varies considerably, with by far the best performance being recorded in the two pilot test branches of Mbarara and Mityana.

Several reasons were given by Centenary's management for the variable levels in performance, which included, the launch of the popular salary based loan at the same time, limited Head Office monitoring and a poor rollout process.

**Activity Based Costing:** Despite attending training in November 2001 and considerable effort by *MicroSave* Centenary was unable to introduce an Activity Based Costing System. Several reasons were given for this, which included the inability of Centenary's Information System to obtain key data required for costing and lack of senior management staff within Centenary to complete the exercise.

**Future Activities:** Centenary Rural Development Bank has not followed the process that *MicroSave* advocates in respect of rolling out the Home Improvement Loan, nor has it implemented a product costing system. After analysing the impact of rolling out a product by means of a Head Office memo, *MicroSave* will re-evaluate its partnership with the Bank.

## Kenya Post Office Savings Bank

**Performance of Bidii:** Whilst *Bidii* - KPOSB's computerized card based account is similar to the DQA account offered by Tanzania Postal Bank, it has not achieved the same level of success. During the year ended November 2002, the number of *Bidii* accounts increased from 2,092 to 4,277 and the total deposits from US\$ 301,164 to US\$ 698,254. Details are provided in Table 14.

<i>Bidii</i>	# Accounts	US\$
November 2001	2,092	301,164
January 2002	2,429	464,363
May 2002	3,158	581,788
July 2002	3,520	686,733
November 2002	4,277	698,254

Table 14: Bidii Results During 2002

The challenges facing the *Bidii* account in 2001 were outlined in "A Brief Review of *MicroSave*'s Action Research Programme (2001)" and are reproduced in Box 10 below.

### Extract from ARP Review 2001 - Challenges facing the Bidii Account

*Institutional commitment to the account:* The *Bidii* product was developed within KPOSB's Business Development Department, calling in experience from other departments on an as needed basis. However, whilst the representative of the Operations Department was very enthusiastic about the product and its potential – within the institution *Bidii* was seen as a special purpose product designed for traders and entrepreneurs – a product of the Business Development Department rather than the institution as a whole.

*The domiciled nature of the account:* The *Bidii* account can be accessed only at the branch at which it was opened. However, although KPOSB's MIS suggests that 60% of customers transact in one single branch, customers noted a preference for products they can access at any location within the country. This is particularly a concern at within greater Nairobi.

*Marketing and promotion of the account:* The similar Domicile Quick Account of TPB demonstrated that active promotion of the product *inside* the branch could make a dramatic difference to the uptake of the product. No fewer than 80% of new accounts opened in Arusha are Domicile Quick Accounts, compared with 13% in KPOSB's Kisumu and Nakuru branches.

*A troubled information system:* KPOSB decided to develop an information system in house, despite *MicroSave* reporting in April 2000 that the IT department were insufficiently resourced to develop an appropriate IT solution in the time available before the commencement of the pilot test. Whilst the system is operational, KPOSB underestimated the time and effort that would be required firstly to develop the software and secondly to maintain it. Early versions of the software crashed occasionally, and failed to calculate interest payable.

**Promising Signs?** During the year there have several positive developments in relation to *Bidii*, however, these have yet to reflect in substantially increased numbers of accounts. Taking each of the constraints outlined in turn:

**Institutional commitment to the account:** At the end of 2002, the former Business Development Manager, and ardent supporter of *Bidii*, Mrs Nayambura Koigi became the Director of Operations. However, the product was moved from the Business Development Department to the Special Products Division away from the Operations Division, which manages the passbook based Ordinary Savings Account. This is likely to make it more challenging for KPOSB to adopt the strategy that has proven so successful in Tanzania of gradual cannibalization of the Ordinary Savings Account.

**The domiciled nature of the account:** The *Bidii* Account is operated from the branch in which the account was opened. As at December 2002, 6 Nairobi based KPOSB branches are networked, which should enable the *Bidii* account to be operated from any branch within the network once the *Bidii* product is rolled out to the Nairobi Branches.

### Features of *Bidii* Savings Account

*Fast:* service through a computerized card based account

*Safe:* as lost cards can not be used on the account

*Low opening balance:* minimum balance: Ksh.500

*Low account opening fee:* Ksh.300

*Interest paid according to balance:* minimum balance to obtain interest Ksh.10,000

#### **Box 11: Features of the *Bidii* Savings Account**

**Marketing and promotion of the account:** KPOSB received extensive assistance from *MicroSave* to develop a product marketing plan for the *Bidii* product. Although this has taken time, a professional marketing plan was produced.

A key strategy for popularising and increasing awareness of the *Bidii* within KPOSB was to pay salaries through the *Bidii* account. To support this strategy KPOSB opened the *Bidii* account at its Market Street Branch. However, as at 30<sup>th</sup> of November 2003 few staff members had opened salary accounts. Several reasons were provided for this performance. Reasons included, low awareness of the *Bidii* product amongst staff, staff reluctance to pay *Bidii* account transaction fees, and the failure of an earlier card based salary payment system within the Bank.

Mystery shopping by *MicroSave* found that public and staff awareness of the account was very low. KPOSB's Head Office branch is physically divided in two, one-part handles the Ordinary Savings Account and the other handles the Western Union and *Bidii* products. Tellers handling the Ordinary Savings Account were not aware of the *Bidii* account and so failed to promote it. When someone came to open an account they were directed to the Ordinary Savings Account, rather than being presented a choice of accounts. Problems were compounded by delays in printing *Bidii* account publicity material.

In response to these challenges KPOSB management implemented bi-weekly meetings of the rollout team to which *MicroSave* is invited. To encourage staff to open *Bidii* accounts management eliminated fees on *Bidii* salary accounts opened by staff. Finally to promote *Bidii* effectively, KPOSB agreed to more effective implementation of their marketing plan, to print publicity material and to launch a staff awareness campaign.

**A troubled information system:** The migration of *Bidii* onto the SYMBOLS system is expected to minimise IT related difficulties. Parallel running of the SYMBOLS system against the existing software is being finalized in Nakuru prior to full conversion to the SYMBOLS system, similar exercises are planned in other branches.

**Costing:** KPOSB produced a costing of its products to June 2002, with no support from *MicroSave* this indicates a degree of institutionalization of the costing process. *MicroSave* will work with the business development team in 2003 to extend knowledge of the costing process to other key departments within the bank.

The costing indicated that most of KPOSB's profitability is derived from the Ordinary Savings Account. Significant losses on the Premium Bond product have caused KPOSB to re-examine the pricing of the Bond, a team is looking to tie the value of prizes in proportion to the interest earned by the product. Losses on the Visa card are attributed partly to non-repayment of debts incurred, and partly to the high operating costs of the Special Products Department. The Western Union product is expected to become more profitable in the future due to a change in the underlying cost structure of the product.

**Future Activities:** Progress on the *Bidii* account has been slow and both *MicroSave* and the KPOSB team have expended considerable resources and effort. The external assessment of Action Research Partnership by Winship et al (2002) recognized the huge potential of *MicroSave*'s work with KPOSB:

*“The review team believes that the high level of potential rewards at KPOSB, given its large nationwide outreach, are worth the high risk”*

Nevertheless the team recommended that *MicroSave* should only continue to partner KPOSB if *Bidii* shows marked progress and additional donor-supported Technical Assistance is made available.

## **FINCA Tanzania**

FINCA Tanzania is *MicroSave*'s newest Action Research Partner, and is correspondingly less far along in the product development process.

**Market Research for Microfinance:** Two staff from FINCA Tanzania attended the Trainer of Trainers course in Market Research for Microfinance, and subsequently used their knowledge to perform market research around a leasing product.

**Product Development:** FINCA Tanzania has been developing a leasing product using the *MicroSave* Pilot Testing toolkits as a guide. Over a two-month period FINCA Tanzania had composed the pilot test team, developed a pilot test protocol, modelled financial projections and started to develop appropriate policies and procedures. A marketing plan was being developed.

*MicroSave* reviewed the development of the pilot test and provided specific recommendations in relation to marketing, revision of the financial projections and the introduction of risk analysis. As a result a detailed risk analysis was performed which is expected to help FINCA Tanzania to better plan and operationalise the pilot test.

**Future Activities:** A short review will be performed in 2003 prior to the launch of the product.

## **Uganda Microfinance Union**

*MicroSave*'s work with UMU has been affected by UMU's preparation for transformation into a Microfinance Deposit Taking Institution. The transformation process, assisted by the SPEED project and by Accion International and Shorebank Advisory Services has been intensive and has touched on all aspects of institutional governance, management and operations. UMU has introduced risk management systems, formed an ALCO committee, strengthened systems, procedures and internal audit, performed quantitative research on their market and attracted institutional investors. A fundamental change has been to move to computerized systems, which will be completed during 2003. Computerisation should enable faster more efficient operations, better reporting and consistent customer service.

**Product Development:** *MicroSave* assisted UMU with market research to develop a new Open Access Savings Product. During this research it was learned that the manual systems in operation by UMU would require substantial modification to enable UMU to provide the fast flexible open access service their clients required. For this reason the development of the Open Access Savings Account was placed on hold pending the computerisation of UMU.

**Costing:** UMU attended the SPEED / CGAP / *MicroSave* product costing course in 2001 and received technical assistance in 2002 to develop an Activity Based Product Costing system. However, UMU was

unable to finalise the costing due to the departure of the management accountant for training. UMU received technical assistance from *MicroSave* in 2003 to finalise a simpler allocation based costing model.

**Future Activities:** In the opening weeks of 2003, UMU was assisted to develop an allocation based product-costing system, to perform additional concept to prototype market research, to produce financial projections for the Open Access Savings Account, and to begin preliminary planning for the pilot test.

## **Credit Indemnity**

**Activity Based Costing:** *MicroSave* visited Credit Indemnity to assist them in planning Activity Based Costing. Initially Credit Indemnity planned to hire the services of a South African consultant who would integrate the ABC results into a software package, which would link the profit and loss account directly to ABC. To date, despite an elaborate plan being developed and considerable resources being applied to the ABC costing exercise, the costing is yet to be finalized.

**Market Research for Microfinance:** Credit Indemnity participated in strength in the ECI / *MicroSave* MR4MF course sending seven participants, and also sent two participants to *MicroSave*'s Trainers of Trainers workshop in May.

Credit Indemnity have produced several customer focused reports using *MicroSave* tools on client perceptions of Credit Indemnity, which highlighted the need for staff to have a more positive attitude towards their clients. Other research is being conducted such as mystery shopping of competitors around *MicroSave*'s 8 P's framework.

**Product Development:** *MicroSave* has played a low-key role in advising Credit Indemnity on product development. Credit Indemnity is currently conducting concept to prototype market research into the development of a new savings product to ensure that the envisaged savings product is appropriate to the needs of their clients, IT systems are being developed and a pilot test is being designed.

**Cross Visits to Equity Building Society:** Credit Indemnity sent a number of staff to visit Equity Building Society to share their experience. Both Credit Indemnity and Equity Building Society share a common interest in developing skills and experience in lending to the non-salaried, unsecured market. Credit Indemnity notes that Equity staff and customers have exceptionally high levels of commitment

**Strategic Marketing:** Brett Gray of Credit Indemnity assisted *MicroSave* in its Strategic Marketing Workshop, and provided invaluable assistance to Equity Building Society in developing a Customer Service Charter.

**Principle On Site Technical Assistance Provision During 2002**

	<i>Concept Development</i>	<i>Establishing Pilot Test</i>	<i>Pilot Test/Rollout Review Visits</i>	<i>Costing</i>	<i>Marketing</i>	<i>Issue Based Consultancy</i>
<i>KPOSB Kenya</i>			<i>Bidii</i> Rollout		Product Marketing Marketing Audit	IT Platform
<i>EBS Kenya</i>	Concept to Prototype Research for <i>Jijenge</i> and SAKO Plus	<i>Jijenge</i> / SAKO Plus	<i>Jijenge</i> Pilot <i>Jijenge</i> LoR SAKO Plus Pilot	Allocation Based Costing	Product Marketing Marketing Audit	Valuation of Equity Building Society Risk Analysis Staff Incentive Scheme Strategic Planning Staff Incentive Scheme
<i>CERUDEB Uganda</i>			HIL Pilot HIL LoR	Activity Based Costing	Product Marketing Marketing Audit	Staff Incentive Scheme
<i>FINCA Uganda</i>		Open Access Savings	SEP Pilot		Product Marketing Marketing Audit	Staff Incentive Scheme Risk Analysis
<i>UMU Uganda</i>	Open Access Savings	Open Access Savings		Activity Based Costing		
<i>TPB Tanzania</i>			DQA Roll Out		Product Marketing Marketing Audit	Customer Service Risk Analysis
<i>FINCA Tanzania</i>	Uvibiashara	<i>Uvibiashara</i>				
<i>Teba Bank South Africa</i>	Debit Card		Debit Card Pilot	Allocation Based Costing	Marketing Audit	Risk Analysis Staff Incentive Schemes
<i>Credit Indemnity</i>				Introduction to Activity Based Costing	Marketing Audit	

Table 15: Principle On Site Technical Assistance Provided by *MicroSave* to its ARPs During 2002

## Strategic Marketing Workshop Scorecard

																				1	2	3	4	5		
Marking Scale	Individual Scores <sup>3</sup>																			Average	Very Poor	Poor	Reasonable	Good	Excellent	
Usefulness/ relevance of presentations	4	5	4	5	4	5	5	4	5	5	5	4	5	4	5	5	5	5	5	5	4.7	0	0	0	6	14
Clarity/ ease of understanding of presentations	4	4	4	4	4	5	5	4	4	4	4	3	5	5	5	4	5	5	5	4	4.35	0	0	1	11	8
Quality/ interest level of presentations	4	4	3	4	4	5	4	5	5	4	4	3	5	4	5	4	5	4	5	4	4.25	0	0	2	11	7
Marking Scale																				Too Little	Little	Just Right	A Bit Too Much	Too Much		
Depth of presentations	3	3	3	3	3	4	2	3	3	3	3	3	2	3	3	3	3	3	3	3	2.95	0	2	17	1	0
Length of sessions	3	2	4	3	3	3	3	4	3	3	4	3	2	3	3	3	3	3	3	2	3	0	3	14	3	0

**Table 16: Strategic Marketing Workshop Scorecard**

### Any other comments that you feel would help us improve the course contents?

- More presentation on case studies
- Some important aspects were not covered, but it was a good workshop to put the senior management in the picture
- I liked the mix of participants. More sharing of experience of individual ARPs would add more value
- Give out enough reading material for future reference
- The last couple of sessions started to become a bit long - perhaps, after lunch (day 2) a 2 hour break or so, recovering at 4 and having a more quality last couple of hours instead of a tired final four hours
- Ensure all groups report to plenary
- Might be interesting to have a more in depth case analysis. Ensure handouts are available before the sessions
- We would appreciate if copies of participants' presentations are availed to individual organizations or participants after the workshop
- A third day could be an option



## Lessons from Pilot Testing Workshop Scorecard

Marking Scale	Individual Scores															Average	1	2	3	4	5
																	Very Poor	Poor	Reasonable	Good	Excellent
Usefulness/ relevance of presentations	4	5	5	4	4	5	4	4	5	3	5	5	3	4	5	4.33	0	0	1	6	6
Clarity/ ease of understanding of presentations	4	4	5	4	4	5	3	4	5	4	4	5	4	4	5	4.26	0	0	1	9	5
Quality/ interest level of presentations	5	4	5	5	4	5	4	5	4	3	4	4	4	4	4	4.26	0	0	1	9	5
Marking Scale	Individual Scores																Too Little	Little	Just Right	A Bit Too Much	Much Too Much
Depth of presentations	3	3	3	3	3	3	3	3	3	3	3	3	3	3	4	3.06	0	0	14	1	0
Length of sessions	3	3	2	3	3	3	3	3	2	3	3	3	3	4	5	3.06	0	2	11	1	1

**Table 17: Lessons from Pilot Testing Workshop Scorecard**

### Any other comments that you feel would help us improve the course contents?

- The time of the course was quite short - the number of days should be increased
- Group discussions were not exhaustive whilst some group presentations were cut short
- The number of institutions involved should be increased for wider sharing of experiences
- In my opinion, the “lessons from Pilot Testing” came before Pilot Testing course, which made it hard for me to relate to actual application bearing in mind the lack of Pilot Testing Course
- Please organise an official trip to one of the institutions so that we can visualise lessons learnt

### Any other comments

- The *MicroSave* presentations were excellent, clear, concise and client friendly. The MFI presentations were less expertly but never the less were very informative.
- Very impressed and encouraged by your emphasis and proven attempt to build capacity in ARPs and their staff. This you do very well and did very well during the workshop by involving participants – letting us do the work, so to speak. The size of the group was just right.
- The course was quite useful and helpful. We look forward to more courses and product development will no longer be a challenging issue.
- Involve more case studies even if the ARP involved is not present

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