

Case Study of the Kumi Diocese of the Anglican Church of Uganda

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Abstract

Microfinance institutions have had difficulty in reaching out to the very poor in rural settings. This case study describes the manner in which the Kumi Diocese of the Anglican Church of Uganda has managed to use savings and credit associations to reach this underserved population.

Background

The Kumi Diocese was formed in 2001 out of the Siroti Diocese. It currently has 33 parishes with 178 churches and approximately 175,000 members. Kumi is fairly dry, and the lack of rain is one of the biggest problems facing this largely agricultural district.

Vision

The Bishop of Kumi says that his vision and that of the diocesan staff is for people to know Jesus Christ personally and to live in Him and to be directed by Him. He says they want Christ and His kingdom to reign in the lives of their people.

He sees deed ministry such as microfinance (MF) as part of this mission, because it is a way for people to see God's hand at work in their lives. He also believes that people need to be well-cared for and their lives need to be at peace so that they are better able to serve God. If people do not have proper food, clothing, and education, it is more difficult for them to serve God, he says.

The diocese has some programs to help people by giving them cassava seedlings, treated seeds, and food. They have also donated some cows to people as part of Heifer International.

Microfinance History of Diocese

In August 2005, Jane Akabwai, the Mother's Union Director for the Kumi Diocese, attended the Christian Economic Development Institute (CEDI) in Mukono, Uganda hosted by Five Talents International and Uganda Christian University with training provided by the Chalmers Center for Economic and Community Development of Covenant College. Jane selected the course on Promoting Church-Centered Savings and Credit Associations. She has also received microfinance training from Mary Summer House in the United Kingdom.

Jane says that she returned from the CEDI convinced that the people in the diocese needed to look at the resources and opportunities that already exist in their communities instead of always looking to outsiders to solve their problems. In particular, she became convinced that the people should start to take the existing rotating savings and credit associations (ROSCAs) and accumulating savings and credit associations (ASCAs) more seriously. Although ROSCAs and ASCAs were already present in the diocese, she felt that the diocese was not really seeing them as being significant initiatives for empowering the poor.

It had also been Jane's experience that many of the poor had taken loans from local banks and microfinance institutions that were too large for them to handle. As a result, their security, which was often land, had been seized. Also, some people fled the area to avoid the ramifications of defaulting on their loans. Jane believes that the very poor need to start with smaller amounts of capital until they develop the capacity to handle the larger loans from financial institutions. She has come to believe that ROSCAs and ASCAs are

a good way for people to start small and build their debt capacity and financial management skills.

So Jane has been encouraging the various mother's union chapters in the diocese to start ROSCAs and ASCAs or to try to strengthen the ones that already exist. She believes that most of the parishes have started something, although she does not have data on them. Unfortunately, she thinks most of the ROSCAs and ASCAs are struggling or have collapsed, which she attributes to people's desire to get rich quick. She believes that people do not have the patience to do the hard work of saving their money and increasing their incomes slowly.

At the same time, the Bishop and Jane believe that the ROSCAs and ASCAs have enabled people to sustain themselves economically, to improve their health, to invest in their children's education, to develop leadership skills, and to come to Christ. They believe that giving to the church has increased, which has supported both operations and the construction of buildings.

Jane took the author to visit two of the better functioning groups.

Field Visit to “Alip Kokeri” Group

Located in a rural village, “Alip Kokeri” means “You Pray While Running” as opposed to praying while just sitting around. The group is affiliated with the local Anglican Church, and the lay reader of the church, who essentially functions as an unordained pastor in support of the parish priest, is a member of the group.

This savings and credit association started in October 2005 in order to fight poverty in the families of the members. The members stated that before the group began, they often lacked plates and cups, mattresses, clothes, and sometimes food when the harvest was bad.

The group was initially a ROSCA in which the members contributed household items such as plates or cups. Each week one member would receive all the household items that were brought by all of the members. In this way they were increasing their families' stocks of household items.

When Jane discovered this ROSCA, she encouraged them to take it very seriously and to start contributing money instead of only cups and plates. She encouraged them to use the money for investments in their businesses in order to increase their families' incomes.

Jane also noticed that they tended towards group ownership of projects and businesses, such as group ownership of an orange seedling project. As these group projects tended not to work very well—e.g. nobody watered the seedlings or applied manure to them—Jane encouraged the members to think more in terms of owning their businesses and projects individually in order to give them stronger incentives to manage them well.

The group took Jane's advice and decided that to become a member one would have to pay a non-refundable membership fee of 3,000 (\$1.67) Ugandan Shillings (UGS). In addition members would contribute 1,000 UGS (\$0.56) per week, an amount which has now increased to 2,000 UGS (\$1.11) per week. There are presently 20 members in the group, 16 of whom are women. Jane herself is a member, although she cannot attend most of the meetings.

The group actually functions as a combination of a ROSCA and a non-time-bound ASCA. With the weekly contribution of 2,000 UGS (\$1.11) per person, 500 UGS (\$0.28) is deposited with the treasurer and the remaining 1,500 UGS (\$0.83) is used to give payouts to two members in rotation. Hence, each week two members leave the group with 15,000 UGS (\$8.33). The remaining 10,000 UGS (\$5.55) from these contributions (500 UGS times 20 members) is simply considered the "group's savings" and is not used for anything. The total amount of this money is now 273,000 UGS (\$151.67), but there was no stated plan for this money.

The group also has an ASCA component. Using the 3,000 UGS (\$1.67) from the membership fees, members can take out loans with interest of 25% for one and a half months, which amounts to 200% per annum. When asked why they do not borrow from another source, the group members stated that nobody else would lend to them and that they liked to see the group's funds accumulate. The group claims to have 250,000 UGS (\$138.89) lent out to members at present, and says they have had zero defaults thus far.

Although the ASCA is non-time bound, they do have a meeting at the end of the year in which they distribute some of the profits.

Jane believes that one of the keys to making this group work so well is the chairwoman. Although she is a widow who is raising six children on her own, she has shown considerable leadership in the group, helping to enforce discipline and holding members accountable to repay their loans. She is also a role model, having used her lump sums to expand her retail shop by increasing its inventory.

Economic Impacts on Members of Alip Kokeri Group

When asked about financial impact, the group members indicated that in addition to the household items that they had received during the early stages of the ROSCA, they were getting lump sums ranging from 15,000-40,000 UGS (\$8.33-\$22.22) that they were using for:

- School Fees
- Food
- Clothing
- Investing in small businesses such as retail shops
- Purchasing a bike to enable a man to ride from village to village purchasing produce to sell in the town
- Investing in a rock-crushing business to sell to construction companies
- Purchasing high quality goats and pigs for breeding

- Purchasing seedlings for a new variety of orange tree that yields fruit after 2-3 years instead of the typical 6-7 years.

The author was particularly impressed with the way that the lump sums were being used to support the adoption of improved agriculture and livestock. The members were excited that the goats that they had purchased were of superior quality and were hoping to cross-breed them. And the layreader of the church had taken a 40,000 UGS (\$22.22) loan to purchase 112 seedlings for a fast-developing orange tree that was being introduced into the region. In addition to selling the oranges, he is hoping to sell seedlings in the future.

Social Impacts on Members of Alip Kokeri Group

The group members reported that they were experiencing increased unity and bonding with one another. They stated that they were helping each other and cooperating more. The biggest example of this appears to be the church building that they are erecting together. Community members contribute their time and materials to construct the church little by little. The Alip Kokeri members said that they had increased their contributions to this building as a result of the group. Although the foundation is only partially completed, this will be a very large building some day.

Spiritual Impacts on Members of the Alip Kokeri Group

When asked about spiritual impact, the members noted that they always start the meetings with prayer. Although the Christian faith of the members was evident, there are no regular Bible studies being conducted in the group, and the members did not cite any spiritual impact of the group.

Field Visit to Savings and Credit Group of the Mother's Union of Kidongole Anglican Church

The mother's union of this rural church started economic initiatives in 2002. They have undertaken a number of group-owned income generating activities including raising chickens, goats, and cows, planting trees, and purchasing a sewing machine with they rent out to others to raise the group's income. They also formed a ROSCA that now has 63 members, 15 of whom are widows.

The members started contributing 1,000 UGS (\$0.56) per week to the ROSCA but have now increased this amount to 2,000 UGS (\$1.11) per week. Only one person is given the pot each week, meaning that this person leaves the meeting with 126,000 UGS (\$70). Each member only gets the pot once every 63 weeks.

The group states that the biggest problems that it experiences are that people are sometimes tardy in their contributions and that they need more capital. The group claims that nobody has ever simply disappeared after having received their lump sum.

The members also make additional contributions for the group projects. The total of such contributions has amounted to 300,000 UGS (\$166.67) and was placed in a bank account, but there is presently only 50,000 UGS (\$27.78) left in this account as the money has been spent on the group projects.

Jane believes that the group projects have not worked very well and has encouraged the members to undertake more individual projects. Although the group has heeded her advice to some extent, they do plan for additional group projects including purchasing a grinding mill, buying and reselling produce, purchasing an exotic cow, and planting more orange tree seedlings.

Jane has also encouraged the group to divide the pot among more than one person each week so that it will not take 63 weeks to get the pot. She has also suggested to them that they consider starting an ASCA to allow people to get loans in a more speedy and flexible manner.

Economic Impacts on Members of Kidongole Group

When asked about financial impact, the group members shared the following individual success stories:

- Purchasing a new type of ground nut and making substantial profit
- Many bought chickens, goats, and cows for reproduction
- Paying school fees and college tuition
- One lady grew her business and increased her debt capacity to the point where she now regularly qualifies for loans from microfinance institutions.
- A widow was able to purchase a new house
- Buying mattresses

Social Impacts on Members of Kidongole Group

The group members reported that they were experiencing increased love and unity with one another and were cooperating more. They said that they visit one another and help each other when they are in trouble.

Spiritual Impacts on Members of the Kidongole Group

The meetings begin with prayer, and the mother's union provides spiritual training designed to strengthen families. One lady stated that as a result she respects her husband more, and others stated that they keep their homes more tidy. The members said that they had become more prayerful people.

Role of Mother's Union Director

Jane is a gifted communicator and has a strong rapport with the people. She also exhibits a good understanding of microfinance and of the different economic incentives in group-owned versus individually-owned businesses.

Jane appears to have taken a fairly arms-length approach to the savings and credit groups in the diocese. She seems to work mainly through the following methods:

- Encouraging people to use their own resources and to be willing to be patient with starting small.
- Encouraging people to start ROSCAs and ASCAs
- Suggesting innovations and improvements to existing ROSCAs and ASCAs

- Encouraging people to pursue individual rather than group-based businesses
- Being a role model by borrowing from the groups and investing in various income-generating activities including the adoption of a new type of orange tree
- Providing some training in which she summarizes some of the steps in forming ROSCAs and ASCAs

Jane states that she does not systematically train the groups or assist them with the process of forming and operating effectively over time. She seemed to feel that the people's educational limitations prevented them from absorbing systematic training. It is also evident that Jane is responsible to support mother's union chapters across a very wide geographic area and that microfinance is not the primary focus of her many responsibilities. There do not appear to be sufficient resources to provide systematic training and support for these groups.

Tentative Lessons Learned

While it is dangerous to try to draw definitive conclusions from a single example, there are some lessons that might be tentatively considered from this case study, particularly in light of existing literature and related experiences:

1. *Build Upon Local Knowledge.* Jane is very good at starting with what people are already doing rather than trying to introduce drastic changes. In both of the groups that were visited, there was evidence that while the groups had basically started on their own, Jane had been able to make suggestions for improvement that resulted in greater group and individual impacts.
2. *Groups Need Training and Support.* Both of the groups visited were exhibiting practices that need to be addressed including: a) The accumulation of 273,000 UGS (\$151.67) in a "group savings fund" that has no apparent purpose in a context in which members express a desire for more capital and in which the group members express a desire for the group's funds to accumulate through the charging of interest; b) The failure of the second group to devise a way for people to get lump sums more than once every 63 weeks; 3) The use of group-owned businesses and projects that did not work very well. In addition, Jane admits that most of the groups which have started are either not functioning well or have collapsed. She states that this is because people want to get rich quick, but one wonders if it might also be the case that the groups were not given proper training and support. Both of the groups visited expressed a desire for additional training for both the groups as a whole in the area of managing money and for the individual members in both small business management and household financial management.
3. *Spiritual Impact Requires Intentional Effort.* The first group visited did not exhibit efforts towards evangelism and discipleship, and the group members did not report any spiritual impacts. The second group was benefiting from the training on family life provided by the mother's union and was able to report spiritual impact. Romans 10:14-15 makes it clear that deliberate activity is required for spiritual impact, a fact which the Christian microfinance industry has discovered numerous times around the globe.

4. *Informal Microfinance Can Work in Rural, Agricultural Settings.* The context of these groups was in the hardest place for microfinance institutions to reach: rural, agriculturally-based villages. Yet, both of these groups exhibited significant economic impact that supported agricultural production and even the adoption of agricultural innovations.

5. *Microfinance Can Help Very Poor People Experience Increases in Income.* This is a very tentative conclusion. The author believes that these people could be classified as the “lower to middle poor.” Contrary to the literature, they demonstrated a capacity for economic growth and even for adopting agricultural innovations such as improved varieties of groundnuts and orange tree seedlings as well as high-quality goats for breeding purposes.

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