SG 2013
Savings Groups Conference

Fee-for-service vs. Project-paid Savings Groups: Results from an RCT

March 4, 2013

Michael Ferguson, Ph.D.
Technical Advisor, Microfinance

Taking Sustainability Head-on: the PSP Model

Great program…
but how do we keep it going?....

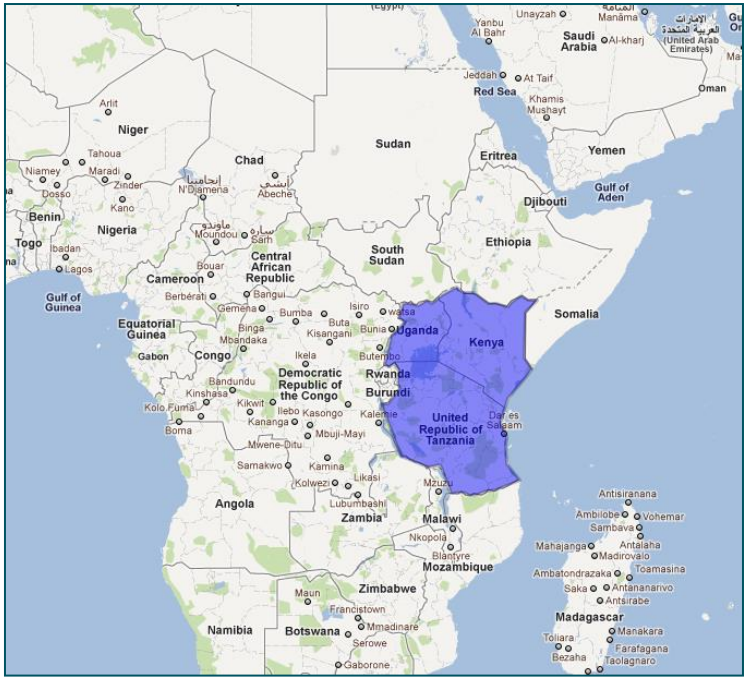
- **Sustainability = predominant concern in development.**
- **Savings groups = no exception.**
- **CRS's answer = enacting one of most sustainable delivery models on landscape.**

The Private Service Provider (PSP)

- Agents paid only by members.
- End-goal = direct foreign aid plays no role.
- Market demand + profit motive = drive to sustain & create more groups.
- Quality of service rises under market forces.
- Long-term sustainability.

The East African PSP Pilot

- Kicked off in 2008 in East Africa.
- BMGF support.
- How it worked
  - Agents recruited & paid by project for one-year training period.
  - Took exam to become PSPs, services on fee-for-service basis
- Where it stood in 2012
  - All agents transitioned to PSP.
  - 682 PSPs , 16,293 groups , 358,561 members.



PSP Research: RCT tests the model

- *Pilot developed hand-in-hand with strong learning agenda.*
- *Goal: to assess model's success & inform future rollouts of PSP model.*

What we did:

- Broad research project using Randomized Control Trial (RCT) design.
- Core comparison: PSPs vs. project-paid FAs.
- Established statistically comparable cohorts of agents:
  - Group of agents passed through training period & took exam.
  - Portion randomly selected & "held back" as project-paid FAs, while comparable portion became PSPs.
  - Corrects for self-selection.
- 333 randomized agents (two cohorts), assigned PSP or FA status for one-year.

PSP Research Components

Key comparisons of PSPs & FAs:

1. Poverty outreach
2. Impact on group members & HHs
3. Group performance
4. Agent productivity
5. Agent earnings

GROUP EXERCISE

1. Divide into 5 groups.
2. Each group will take 1 of 5 key points of comparison.
3. Brainstorm & speculate on what you THINK we found (10 min).
4. Present 3 key (speculative) findings to everyone.
5. Will be compared to actual findings.

Actual Findings: Poverty Outreach

Key finding:

- No significant difference in depth of poverty outreach between PSP- and FA-supported members.

Other findings on absolute poverty:

- Up to 41% of SILC members below National Lines, rates varied across project due to geographic targeting.
- 2/3 of members in TZ fell below $1.25/day poverty line; 30-40 percent of members in UG & KE.

Actual Findings: Household Impact

	PSP Advantage	FA Advantage	No Signif. Difference
Total income			X
Expenditures & consumption			X
Enterprise ownership	X		
Investment in business	X		
Business financing	X		
Credit	X		
Savings			X (though PSPs lead)
Formal finance	X		
Assets & housing		X	
Food security		X	
Education spending			X
Health spending			X
Community activism	X		

Actual Findings: Group Performance

Issue	Finding
PSP Groups vs. FA Groups: <u>Finance</u>	PSP-supported groups outperformed FA-supported groups on nearly all groups financial measures, including individual savings levels, group assets, loan size, & return on assets.
PSP Groups vs. FA Groups: <u>Membership</u>	PSP-supported groups outperformed FA-supported groups on growth rates; comparable results on drop-out rates & gender composition.

Actual Findings: Agent Productivity

Issue	Finding
PSP vs. FA, Agent Productivity	• Kenya: PSPs trailed by 13-17% • Tanzania: PSPs trailed by 32-35% • Uganda: PSPs trailed by 64-66%
Variance in Agent Productivity	PSP results significantly more scattered than FA results. Overall variance remarkably high, especially in Tanzania & Uganda.
PSP vs. FA, Productivity over Time	Gap did not narrow over time in any country. Kenya was closest.

Actual Findings: Agent Earnings

Issue	Finding
Average PSP Earnings	PSP Incomes varied widely between countries; final quarter: • Kenya: $103/month • Uganda: $36/month • Tanzania: $17/month
The Non-producer Factor	All three countries had substantial numbers of non-earning PSPs—up to 1/3 of agents.
PSP Earnings vs. FA Stipends	In Kenya, earnings for a slight majority of PSPs outpaced FA stipends; most PSPs in other two countries earned substantially less.

What does all this mean?

The news is mostly good…

- These guys (PSPs) do good work.
- Poverty outreach comparable to project-paid agents.
- Household impact comparisons show mostly positive trends for PSPs.
- PSPs create remarkably high-quality groups.

At the same time….

- Some PSPs thrive as producers & earners, while others struggle mightily.
- Story of <u>variance</u> at agent level.
- On average, PSPs may not form & support as many groups as project-paid agents over same period.

<u>Key issues going forward</u>:

1) Agent selection
2) Deployment strategies
3) More strategic setting of stipends

Thank you!

Mike Ferguson, CRS