



2015 Nuru Kenya Financial Inclusion Impact Assessment

Results of the 2015 Financial Inclusion Data Analysis

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Executive Summary

Nuru Kenya (NK) Financial Inclusion (FI) aims to equip NK farmers with the ability to cope with mild to moderate economic shocks by facilitating rural, commitment-based savings groups as well as financial management training and access to loans. On an annual basis, Monitoring and Evaluation (M&E) reviews group savings and loan monitoring data in order to objectively answer the question: ***What is the impact of Nuru Kenya Financial Inclusion on Nuru Kenya farmers?***

Drawing from existing financial monitoring data as well as NK FI membership projections, NK FI and M&E set three indicators along with corresponding targets in order to assess progress towards impact for NK FI¹:

1. **Membership:** 3,250 NK farmers enrolled as NK FI members in 2015. Target of 3,000 NK farmers enrolled as NK FI members by 2016.²
2. **Savings Deposits:** Target of 2,700 NK FI members who have the ability to cope with mild shocks of 5,000 KSh (\$50) via savings³. Among these 2,700 members, target of 844 who have the ability to cope with moderate shocks of 20,000 KSh (\$200) via access to loans. Both targets to be achieved by 2016.⁴
3. **Loans:** Target repayment rate for loans of 98 percent. In order to encourage financially responsible practices, there is not a target for the size of loans since their purpose is primarily for dealing with emergencies.

Based on financial monitoring data, NK FI continues to show impact. As of September 30, 2015, NK FI achieved 86 percent of its 3,250 membership target for 2015, meaning NK FI membership reached 2,787 individuals at the end of the third quarter. For group savings deposits, NK FI members surpassed the target by 77 percent: 1,490 members can access at least 20,000 KSh via a loan, ensuring their ability to cope with moderate shocks. Relative to 2014, 59 percent more members can access 20,000 KSh via loans.

With respect to average individual savings deposits over time, NK FI members achieved 110 percent of the 2016 target: members on average have deposited 5,512 KSh in comparison with the 2016 target of 5,000 KSh. Practically speaking, this signifies members on average have deposited enough to cope with a mild shock; however, only 856 members (32 percent of the target) have actually deposited at least 5,000 KSh into their group savings account. Therefore, the majority of members in NK FI are not tracking toward the 2016 target. To achieve the 2016 target, it would be expected that at least 1,782 NK FI members (66 percent of the target) would have saved 5,000 KSh in 2015.

¹To read about the details of how these targets set, please see Appendix 1: How did Nuru calculate these targets?

²FI targets will be lowered for 2016 due to a decrease in NK farmer numbers.

³ KSh refers to the Kenyan shilling and "\$" refers to the U.S. dollar. These currency markers will be used consistently throughout this paper

⁴Exchange rates used for the conversion: 100 KSh=\$1.

Moreover, data demonstrate a small percentage of members have contributed to a majority of the savings deposits over time. In other words, the average NK FI member has not deposited the 5,000 KSh needed to mitigate adverse economic situations. This interpretation also becomes apparent when analyzing the average savings deposits per month. According to the constitution, members should deposit 200 KSh per month. However in 2015, members on average deposited 120 KSh per month, which represents a 13 percent drop relative to 2014 average deposits per month per member. Additionally, in terms of loan behavior, members repaid 99 percent of their loans on average from January 1, 2015 to September 30, 2015. This high repayment rate demonstrates NK FI members borrow and repay in a financially responsible way.

Furthermore, for the second year in a row, NK M&E collected FI-related data at the household level to understand whether NK farmers **with** access to NK FI used savings or credit more frequently to mitigate shocks than NK farmers **without** access to NK FI. In order to assess NK farmer families' coping mechanisms, they were first asked about their most common shocks. To this extent, NK farmer households across both groups reported household illness as the most significant shock. In order to handle this particular challenge, the group of NK farmers with access to financial services relied on savings or credit more often relative to NK farmers only, at 52 percent versus 46 percent, respectively.

In conclusion, analysis of financial monitoring data demonstrates NK FI has made progress toward impact in a majority of the indicators outlined above: both 2016 targets—for average savings per member (5,000 KSh) and access to 20,000 KSh in group savings—have been reached one year ahead of schedule. For NK FI members, these savings patterns provide them with enough funds to cope with mild to moderate shocks on average. Additionally, NK FI members borrow and repay loans responsibly according to the repayment rates; however, slightly above 30 percent of the 2016 targeted members actually have access to the 5,000 KSh needed to cope with adverse economic situations, meaning NK FI members (versus the group averages reported above) are not on track to achieve this 2016 target. That said, complementary analysis of household coping strategies indicates NK farmers with access to NK FI financial services have a comparative advantage over NK farmers in the face of dealing with a household illness. Data shows NK FI members are more likely to employ sustainable coping mechanisms during times of unexpected economic shocks. In order to continue to show improvements, NK FI and M&E should consider the following:

1. As the majority of savings seems to be concentrated in a small percentage of NK FI members, NK FI should consider holding focus group discussions with members to understand barriers to savings and mechanisms for incentivizing greater participation in group savings. Alternatively, NK FI may need to consider revising targets downward as well if farmers cannot contribute 200 KSh each month.
2. NK FI should consider institutionalizing more regular monitoring of the achievement of the monthly savings target for members. Doing so will allow NK FI to shift strategies as needed prior to the release of the 2016 impact report.

3. Moving forward, M&E should strengthen the evaluation of NK Agriculture and FI households' ability to cope with shocks by continuing to include a representative sample of both cohorts.

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Introduction

Nuru Monitoring and Evaluation (M&E) produces useful and relevant information that can contribute to key decision-making about Nuru's programs (e.g. whether to continue, replicate and/or scale an intervention). With this focus on utilization at the center of Nuru's M&E strategy, the M&E team works to objectively monitor and evaluate the performance and impact of Nuru's four impact programs—Agriculture, Financial Inclusion, Healthcare and Education.

In service to this approach, the Nuru Kenya (NK) M&E team continuously assesses NK Financial Inclusion (FI) to answer the question: ***What is the impact of Nuru Kenya Financial Inclusion on Nuru Kenya farmers?*** This paper presents the program rationale, goals and progress toward those goals to answer this question.

The Integrated Nuru Model

Nuru International is on a mission to end extreme poverty in remote, rural areas. Communities facing extreme poverty deal with fundamental challenges around hunger, an inability to cope with economic shocks, averting preventable disease and death and illiteracy. Nuru has proven its ability to deliver lasting impact in these four areas in Kenya and is currently positioning its model for global scale.

As a catalyst for sustainable development, Nuru's role is to identify nationals to raise up as servant leaders and nation builders; remove barriers preventing them from realizing their full potential; equip them with skills, resources and attitudes to end extreme poverty in their region; and build social enterprises to provide a reliable, market-based source of capital.

By establishing community development organizations that are locally led and also launching social enterprises to fund the work, Nuru enables nationals to lift communities out of extreme poverty within seven years.

Nuru Kenya (NK) Financial Inclusion (FI) Program

The Nuru Kenya (NK) Financial Inclusion (FI) Program aims to equip NK farmers with the ability to cope with mild to moderate economic shocks. In order to achieve its goal, NK FI provides farmers with access to financial services in the form of savings and loans as well as a series of trainings on the importance of savings and loans. Specifically, these services are extended to NK farmers in a cost-effective manner by facilitating savings groups. Through these groups, NK FI helps its members "avoid the high transaction costs and low individual transaction values characteristic of

financial services in rural areas. By working in groups, members can discuss community issues, mobilize knowledge and resources and build social capital among group members.”⁵

Additionally, it is also important to highlight NK FI does not work with entrepreneurs—the group traditionally targeted by Microfinance Institutions (MFI). Instead, as mentioned previously, NK farmers are the target group and their primary source of income comes from agriculture. In order to create an enabling environment for increased crop yields, NK Agriculture provides an input loan along with extension services to farmers. Following harvest, NK farmers repay their agriculture loans, store yields to feed their families and potentially save money from the sale of surplus yields.

In essence, NK FI complements NK Agriculture as farmers are encouraged to invest their increased agricultural income via savings and loans. NK FI member trainings offer tools to plan and budget as well as manage savings and loans. Savings training specifically assists members in establishing and tracking savings over time. Loan training improves members’ abilities and understanding of how to be responsible borrowers.⁶ During the lifecycle of the project, members attend a total of 12 trainings facilitated by NK FI.⁷

With the ultimate goal of motivating farmers to sustainably cope with shocks, one major focus of NK FI trainings relates to planning for unexpected economic challenges. Mild shocks, like the illness of a family member, cost around 5,000 KSh⁸ (\$50). A moderate shock, like funeral expenses or lost farming productivity when a family member passes away, can cost up to 20,000 KSh (\$200). To mitigate a moderate shock, NK FI members may access a loan from their savings group. Group loans enable farmers to avoid liquidating productive assets or paying usury imposed by financial institutions. For severe shocks, Nuru is exploring complementary risk management strategies with the intent of forming a holistic response to the challenges smallholder farmers face.

In summary, NK FI works with targeted NK farmers to create realistic expectations of sustainable money management practices at the household level. NK farmers are taught to budget for immediate needs, like healthcare commodities and children’s school fees, as well as save for future investments, like home improvements, livestock or farming assets. Through a series of trainings as well as savings accounts and loans, NK FI aims to shift the behavior of members from living for today to planning for tomorrow. By increasing farmers’ ability to cope with shocks, farmers can continue to progress out of poverty over the long term.

⁵ Source: CARE International’s VSL Program in Africa: Microfinance for the Rural Poor that Works, by Allen Hugh, 2002.

⁶ The training series also includes basic business training.

⁷ NK FI assigns one field officer per 150 members and one field manager for every four to six field officers. The total staff cost ratio to employ NK FI field officers and field managers combined is approximately 720 KSh (\$7.20) per member per year.

⁸ Approximately 100 KSh = \$1 as of 2015 Q3.

NK FI Member Constitution

NK FI enrollment starts at the beginning of each calendar year during the issuing of agriculture loans and lasts until September 30th of that same year. After a farmer signs up for a new agricultural loan, NK FI invites these same farmers to attend NK FI meetings every two weeks. Once NK farmers attend a series of basic financial trainings, farmers are directed to organize themselves into a savings group⁹ and sign the membership constitution.

In order to foster healthy financial management behaviors, the constitution clearly documents the financial services offered through NK FI as well as the membership requirements. Upon signing the constitution, each member commits to saving a minimum of 200 KSh per month (\$2.00). Moreover, during the first six months of membership (during which members are expected to save an average of 1,200 KSh/\$12.00), the constitution does not allow members to take a withdrawal except for emergency situations.¹⁰ This six-month window helps members to build both capital and saving habits. However, after six months a member can take withdrawals as needed or take a loan from the group account.

NK FI formalized the constitution in Q2 2013 (April-June), which coincided with the completion of the financial audit of existing savings account records and the launch of the Salesforce¹¹ database for tracking future group deposits, withdrawals and loans. NK FI members who joined prior to Q2 2013 were required to agree to the membership constitution in order to continue as NK FI members. The savings rates for all members have been monitored as of Q2 2013.

NK FI Impact Targets

As previously highlighted in the executive summary section, NK FI has established targets to achieve by September 2016 for membership numbers, savings deposits per member and loans¹²:

- **Membership:** 3,250 NK farmers enrolled as NK FI members in 2015. Target of 3,000 NK farmers enrolled as NK FI members by 2016.
- **Savings Deposits:** Target of 2,700 NK FI members who have the ability to cope with mild shocks of 5,000 KSh (\$50) via savings. Among these 2,700 members, target of 844 who have the ability to cope with moderate shocks of 20,000 KSh (\$200) via access to loans. Both targets to be achieved by 2016¹³.

⁹ Groups can be formed with a minimum of four members and a maximum of 25 members. Members should be at least 18 years of age.

¹⁰ NK M&E identified the most common economic emergencies that occur in rural communities and estimated the cost needed to cope with each of these common economic shocks. Here is a list of shocks from the smallest to largest expense: minor illness, house repairs, increases in food prices, funeral expenses, crop failure and wedding expenses. Shocks vary from mild to severe depending on the scale of the problem.

¹¹ www.salesforce.com

¹² Targets are set for 2016, the date when Nuru International is set to exit the project and Nuru Kenya will aim to achieve financial sustainability.

¹³ Exchange rates used for the conversion: 100 KSh=\$1.00

- **Loans:** Target repayment rate for loans of 98 percent. In order to encourage financially responsible practices, there is not a target for the size of loans since their purpose is primarily for dealing with emergencies.

Data Collection and Analysis

NK FI uses Salesforce, a centralized cloud database, to track all group savings and individual loan data. NK FI field officers and field managers collect information from the savings groups in the field and bring it back to the office for data cleaning and entry. After inputting data into Salesforce, NK FI reviews these data to make real-time decisions in the field.

For each NK FI impact report, NK M&E team pulls financial data from Salesforce. Relying on a cloud database versus paper household surveys means that M&E depends on NK FI to help ensure the quality of the data. Starting in 2014, NK FI developed a new process in conjunction with NK Finance to reconcile the balances in Salesforce with QuickBooks, the accounting system. Furthermore, NK FI also performed its own internal membership audit in Q1 of 2015 to account for active and inactive groups. According to the rules established in the constitution, inactive groups have zero balances in their savings account and no outstanding loan balances. Relative to the 2014 impact assessment, which counted both inactive and active members, this 2015 impact assessment only accounts for active members. Moving forward, NK FI will continue to perform their own internal membership audit in Q1 of each year. In combination with scheduled NK Finance and FI reconciliations, this process provides NK FI and M&E with greater confidence in the accuracy of the numbers presented in the 2015 report.

Results

Membership Progress

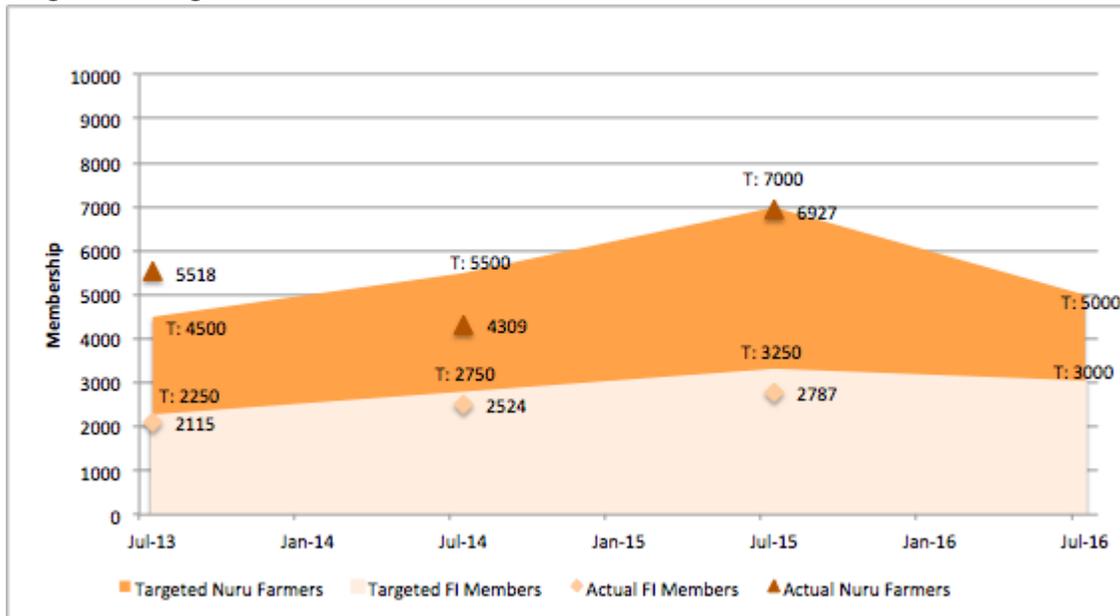
Each September, membership is reviewed to determine if the yearly target has been reached, which is approximate to 50 percent of the targeted NK farmers.¹⁴ Figure 1, below, depicts the actual growth of FI membership over time relative to Nuru farmer enrollment and in comparison with the targeted membership for each program.¹⁵ As can be seen for 2015, NK FI achieved 86 percent of its target (2,787 members out of a targeted 3,250 members). In contrast to last year's membership rates, membership has grown by 10 percent. Since 2013, when FI data started being

¹⁴ For 2015, FI targets are slightly less than 50 percent due to scaling decisions made by the NK Agriculture. In 2015, NK Agriculture scaled beyond the geographical boundaries of where most other NK programs could feasibly work given their budgets; therefore, the NK FI target was set slightly lower than 50 percent in 2015.

¹⁵ For 2016, target numbers will be revised downward due to strategic operational shifts in Nuru Kenya.

tracked through the Salesforce database, membership rates increased by 32 percent, from 2,115 members to 2,787 members.

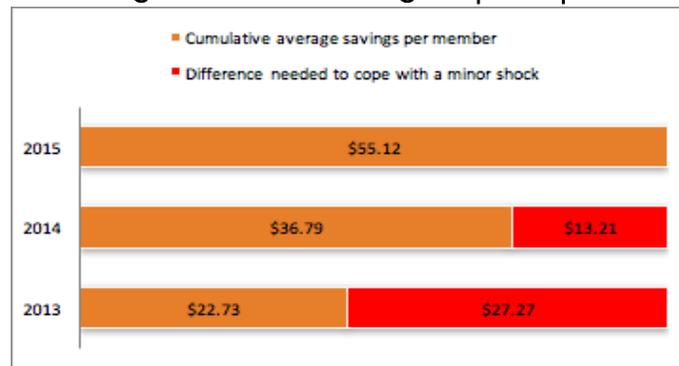
Figure 1: Targeted Farmers and FI Members Versus Actual Farmers and FI Members



Savings Progress

Since access to individual and group savings links back to NK FI’s fundamental goal of coping with mild to moderate shocks, trends are analyzed to help predict whether or not members can sustainably handle these types of household crises. Figure 2, below, demonstrates the increase in average deposits per member since 2012 in comparison with the percent of the target achieved each year. As can be seen in Figure 2, members started out saving less than half of the 2016 target of 5,000 KSh. In 2015, however, total cumulative savings deposits indicate NK FI members have saved 5,512 KSh on average—meaning in general, members have deposited above the minimal threshold needed to deal with a mild household emergency. Specifically, NK FI members have saved 10 percent more than the 5,000 KSh target for 2016 and have increased their average savings by 50 percent relative to 2014, where members had saved 3,679 KSh at the end of September. In comparison with 2013 savings deposits, members have saved 40 percent more (2,273 KSh versus 5,512 KSh).

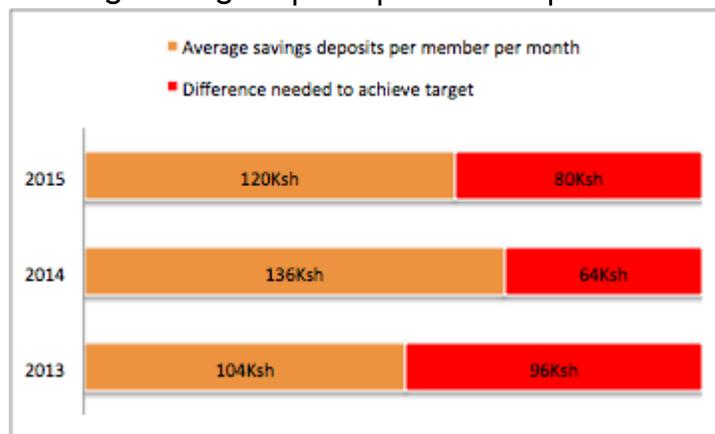
Figure 2: 2013-2015 Average Cumulative Savings Deposits per Member versus Targets



In comparison with the average cumulative savings per member, however, fewer members than expected have deposited 5,000 KSh. In other words, NK FI and M&E estimated that 2,700 members would have deposited 5,000 KSh by 2016 based on length of membership and adherence to the constitution. By the end of September 2015, however, 856 members had saved 5,000 KSh or more, reaching 32 percent of the 2016 target. This means NK FI is not currently on track to ensure that 2,700 farmer households have deposited enough money to overcome mild emergencies. In order to reach the target by 2016, it is expected that around 60 percent of the targeted NK FI members would have saved 5,000 KSh by 2015. What the data show more concretely is a small percentage of members are responsible for the majority of the savings deposits since the average cumulative savings deposits per member is above the 5,000 KSh target.

Data disaggregated into savings per member per month also corroborate this interpretation. While the constitution requires members to save 200 KSh per month, members on average deposited 120 KSh per month. This represents a 13 percent drop relative to 2014. Below in Figure 3, the progress toward the 200 KSh per month target is detailed. As can be observed, NK FI farmers were more likely to adhere to the constitution in 2014 relative to data from 2013 and 2015. Given that NK FI members with higher savings rates live in more densely populated communities, it is possible these NK FI members are wealthier and thus deposit more in comparison with those members residing in more rural areas. Comparatively, differences in socioeconomic status do not fully account for the drop in savings between 2014 and 2015 since members resided in both rural and urban areas in 2014.

Figure 3: Average Savings Deposits per Member per Month 2013-2015



In regards to whether or not individuals can cope with moderate shocks via group savings, NK FI groups continue to exceed the initial 2016 target of at least 844 individuals with access to 20,000 KSh in group savings.¹⁶ In 2015 1,490 NK FI members can cope with a moderate shock which represents a 59 percent increase from 2014.

Withdrawals and Loans Progress

As explained earlier, members are only able to withdraw funds for emergencies during the first six months of membership. Of the 47 groups with less than six months of membership as of September 30, 2015, 15 groups (32 percent) took an emergency withdrawal. In comparison with 2014, the percentage of groups taking emergency withdrawals has increased by 14 percentage points. Concretely, a larger percentage of NK FI members took emergency withdrawals relative to 2014 trends. Lower than average NK Agriculture yields in 2015 may have contributed to the need for increased withdrawals within the first six months of joining FI; however further investigation is necessary to understand the root cause of the lack of adherence to the constitution for these NK FI members.

Among the 360 groups with six months or more since signing the constitution, 91 percent of these groups have taken withdrawals. This represents a slight increase from 2014, when 86 percent of members took a withdrawal after six months of membership. In 2014, each group member took -1,885 KSh (-\$18.85) in withdrawals on average, whereas in 2015 members took -2,672 KSh (-\$26.72) on average. Overall, the 2015 withdrawal amount was 42 percent greater in comparison with this data point in 2014. These data align with the overall increase in cumulative savings, as farmers who save more would also be expected to take more withdrawals.

¹⁶ In 2013, NK FI performed a survey to understand the amount of money needed to cope with mild to moderate shocks. Community reported data recognize 20,000 KSh as the minimum amount necessary to cope with a moderate shock.

M&E also monitors fluctuations in the amount and frequency demanded for loans each quarter.¹⁷ As can be seen in Table 2, members consistently repay an overwhelming majority of their loans on time. Repayment rate for Q1 through Q3 of 2015 averaged out at 99 percent, with members taking out an average loan size of \$120. These rates demonstrate NK FI members borrow and repay responsibly.

Table 2: NK FI Loan Monitoring Q1-Q3 2015

Indicator	Q1 2015	Q2 2015	Q3 2015	Quarterly Target
Number of loans issued per quarter	59	97	118	75
Average loan size per client per quarter	\$132	\$121	\$107	\$80
Repayment rate per quarter	100%	100%	100%	98%

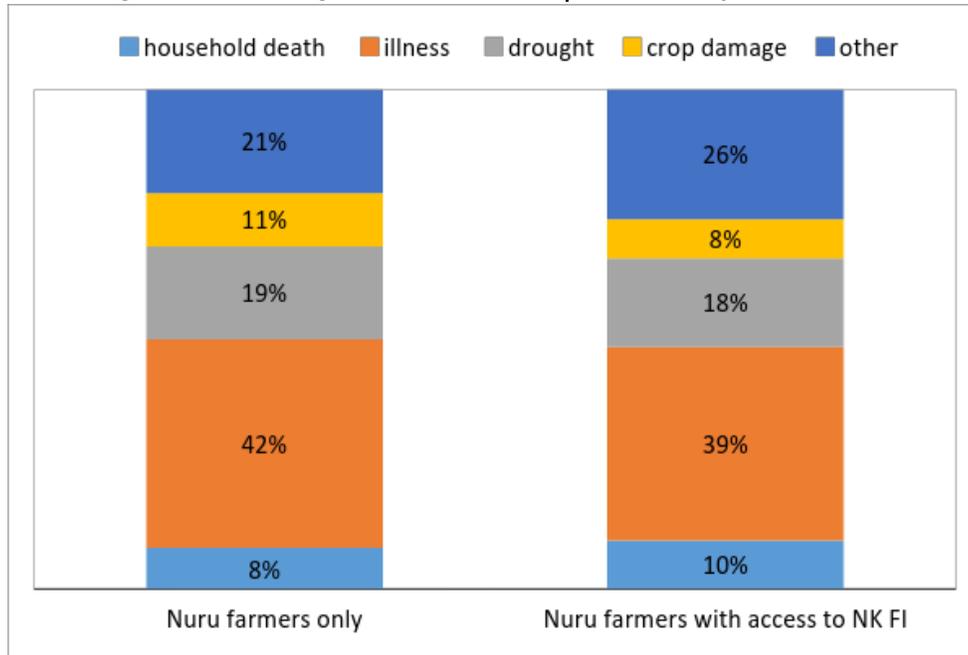
Additional Analysis

Similar to 2014, NK M&E again leveraged the 2015 Agriculture Harvest Yield Survey in order to understand farmers' abilities to cope with shocks. Specifically, the team collected these data in order to help answer the question: ***Is there a difference in coping abilities among households who participate in both the Nuru Kenya Agriculture and Financial Inclusion Programs compared with members who only participate in the Nuru Kenya Agriculture Program?***

In order to analyze farmer households' ability to mitigate challenges, it is important to understand what types of challenges these households face. When asked to rank the top three shocks their households suffered from, 42 percent of NK farmers and 39 percent of NK farmers with access to NK FI services listed household illness as the most significant shock (Figure 4). Other emergency situations identified by NK farmers in both groups included the passing of an immediate family member, drought and crop damage.

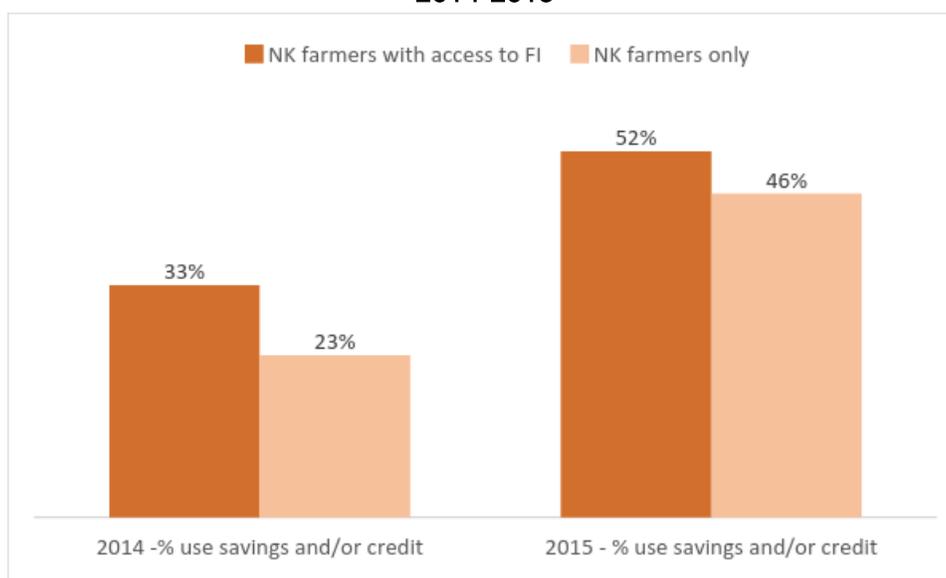
¹⁷ The member who takes the loan pays interest to his or her group members at a rate of 2.5 percent per month. In addition, the member borrowing the funds remits 2.5 percent interest per month to NK FI. Total interest on the loan is five percent per month.

Figure 4: Most Significant Shocks Experienced by NK Farmers



After highlighting the most significant shocks, NK farmer households were then asked to detail their coping strategies for each specific shock. Based on 2015 data collection, more NK farmers **with** access to NK FI services rely on savings and/or credit to cope with a household illness relative to the NK farmers **without** access to FI services: 52 and 46 of farmer households, respectively, rely on these types of sustainable coping mechanisms (Figure 5). Data from 2014 also paint a similar picture. **Therefore, evidence across both years suggests NK farmers with access to NK FI services are more likely to employ less risky strategies in the face of a shock in comparison with NK farmers without access to NK FI. Otherwise stated, NK FI is achieving its overarching goal of helping farmers mitigate economic shocks.**

Figure 5: Percent of Farmers Relying on Savings and/or Credit to Cope with Household Illness 2014-2015



Conclusions and Recommendations

In conclusion, NK FI has achieved a majority of its targets for the 2015 season and provides members with the financial means to cope with mild to moderate economic shocks. On average, NK FI members have deposited more than the 5,000 KSh needed to cope with a mild shock. Moreover, the number of members with 20,000 KSh in group savings continues to surpass the target established for 2016. This signals that greater numbers of NK FI members are mitigating moderate shocks via access to loans as defined by NK FI community research. Data detailing farmer households' abilities to employ more sustainable coping mechanisms draw a similar conclusion: Nuru farmers with access to NK FI are more likely to resort to savings or loans in order to handle adverse situations like a household illness in comparison with NK farmers without access to NK FI. However, while in general a majority of the trends are positive, individual NK FI members are not saving enough according to the minimum deposit amounts established in the constitution. More broadly, a small percentage of members are most likely driving up the savings averages of NK FI members since breakdowns of deposits show a drop in savings per month per member relative to 2014. Furthermore, in comparison with financial data from 2014, more NK FI members resorted to emergency withdrawals during the first six months of joining NK FI. The reasons behind the spike in these withdrawals require further exploration.

Recommendations for NK M&E and FI to consider as a result of these findings are as follows:

1. As the majority of savings seems to be concentrated in a small percentage of NK FI members, NK FI should consider holding focus group discussions with members to understand barriers to savings and mechanisms for incentivizing greater participation in group savings. Alternatively, NK FI may need to consider revising targets downward as well if farmers cannot contribute 200 KSh each month.
2. NK FI should consider institutionalizing more regular monitoring of the achievement of the monthly savings target for members. Doing so will allow NK FI to shift strategies as needed prior to the release of the 2016 impact report.
3. Given the lower than average 2015 harvest yields, it is important to determine whether a decline in yields decreased farmers' abilities to save and inherently increased the need for emergency withdrawals. Alternatively, if savings behavior was not affected by low harvest yields in 2015, NK FI should see to understand the drivers behind the increased emergency withdrawals.
4. Moving forward, M&E should strengthen the evaluation of NK Agriculture and FI households' ability to cope with shocks by continuing to include a representative sample of both cohorts.

Appendix 1: How did Nuru calculate these targets?

Estimating Membership Targets

The target of 4,500 NK FI members is equivalent to 50 percent of farmers targeted by NK Agriculture. NK FI enrollment starts at the beginning of each calendar year during the issuing of the agricultural loan inputs. Since NK farmers may continue to enroll in NK FI up until September 30th of that same year, NK FI reports annual membership figures after Q3 (July-September). Membership targets are as follows, though actual NK FI membership may vary due to actual farmers enrolled in NK Agriculture:

Table 1: NK FI Membership Targets

Year	FI Membership Target
2013	2,250 members
2014	2,750 members
2015	3,250 members
2016	3,000 members

Estimating Savings Deposits Targets

To estimate savings targets per member, NK FI identified common economic shocks that families living in rural communities are most likely to face. A rapid survey by NK FI showed that families living in Kuria West, Kenya might face sudden commodity price fluctuations, illness or death of a family member, drought, great loss or death of livestock and/or crop damage. NK FI estimated the costs needed to absorb each shock and set savings requirements at a rate affordable for its members. Based on this understanding, NK FI set the minimum savings deposits target at 5,000 KSh . NK FI targets savings and loans of 5,000 KSh to 20,000 KSh to cover mild to moderate economic shocks.

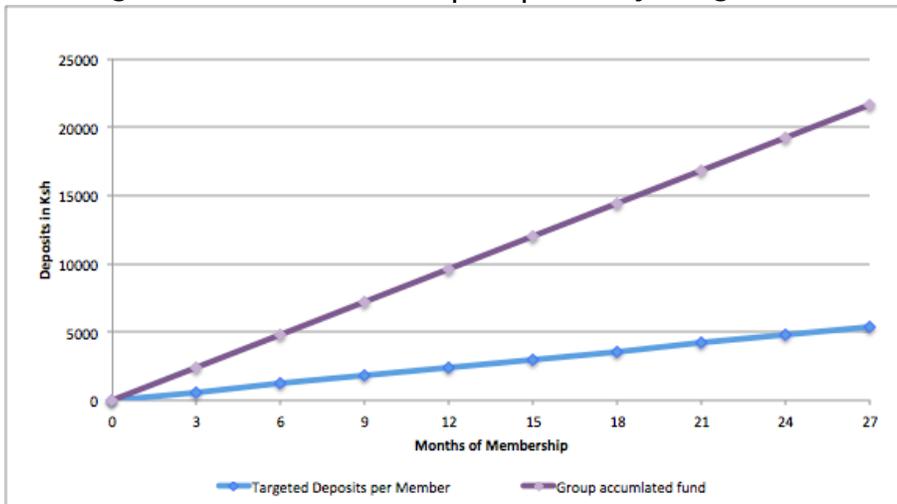
NK FI expects that the majority of members will successfully contribute KSh 5,000 KSh in savings. To illustrate this point: if a member saves 200 KSh per month and does not experience any shocks that require a withdrawal, the member will have saved 5,000 KSh after 25 months, which she can later use to cope with mild shocks. Therefore, the targets for December 2016 are 2,700 members with 5,000 KSh in savings deposits.

Furthermore, a group of four (assumption of average savings group size) will have ideally accumulated 20,000 KSh in the group savings account after 25 months, which in turn can provide

one group member at a time with a loan of 20,000 KSh. Loan repayment periods last between three and six months depending on the credit history of the borrower as well as the amount and purpose of the loan. Group leaders make the decision to approve or deny the loan, with additional oversight provided by NK FI as needed. Assuming that there are 3,000 members in 2016, it is expected that at least 844 members will have access to 20,000 KSh via a loan from group savings.

Figure 1 (below) shows the target trend of savings deposits and group savings for a typical group of four members. In future reports, actual savings rates will be compared to this target savings trend to measure NK FI progress toward impact.

Figure 1: Target Individual and Group Deposits by Length of Membership



Estimating Loan Targets

NK FI savings group members receive 4 percent interest per month as a return on investment (ROI) for loaning out part of their savings to another group member. Initially, NK FI established a maximum of 35 percent of total group savings that can be distributed per quarter. The rationale for setting a conservative target was to reduce unnecessary lending while still encouraging loans needed for investment or to mitigate shocks. However, given that repayment rates for loans have consistently been high (averaging at 99 percent for 2015), NK FI no longer needs to set a cap on loans outstanding as a percentage of savings. As long as repayment rates remain high, NK FI members do not incur unnecessary risks. Moving forward, NK FI will target 98 percent repayment rate for loans to members.