



Reaching More Savers: Q&A with Management and Staff of ACSI in Ethiopia

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As one of the largest MFIs in Africa, ACSI in Ethiopia believes that savings is the only sustainable source of funding for the long term. To attract more savers, the institution will need to make basic improvements on multiple levels, including updating physical and MIS infrastructure, offering better transportation for officers, and crafting effective promotional messages that explain the benefits of savings. As this overview shows, the ACSI staff are dedicated to serving more clients.

With more than 400,000 borrowers and another 200,000 savers (as of December 2005), Amhara Credit and Savings Institution (ACSI) in Ethiopia is one of the largest MFIs in Africa. Founded as a department of a local NGO, ACSI became independent in 1995 and has been profitable since 2002, recording its highest net profit of US\$3.7million, equivalent to 24.4% of equity, in December 2004. Portfolio at risk in June 2005 was 1.3% while operating expense ratio is 6%, showing ACSI's extremely high efficiency.

ACSI sees savings as its only sustainable source of funding in the long term. Commercial funding is not easily available, clients' demand is not fully met and ACSI needs more funds to finance planned growth. In order to achieve this, ACSI needs to reach and attract more savers.

Although it has a clear goal and very motivated staff, in order to attract more savers ACSI will need to introduce many changes, starting by improving the infrastructure, introducing new MIS and new products, and doing more promotion. Learning about the cost of savings services is another important task.

Will ACSI achieve its goal of attracting more savers? We will follow ACSI as it modernizes its infrastructure, changes its products, builds a new image, and learns about the costs of savings. Specifically, we will follow the people that make these changes—ACSI's staff—examining their hopes, attitudes, and challenges in bringing more savers.

Mekonnen Yelewem Wessen, General Manager

"Savings is the only available source of funding," says Mekonnen Yelewem Wessen who has been leading ACSI for the last ten years. "The reason for this is simple: we need to mobilize savings in order to survive and grow! Commercial sources are too expensive, and donor funds are not available anymore."

Although operating in the poorest areas of Amhara region in Ethiopia, ACSI has always believed in the potential of client savings. "Poor people do save," says Mr. Mekonnen. "We have already proved this. Savings has been ACSI's main source of funding and we have managed to collect more than US \$21million in deposits. This figure is growing and our plan is to maintain the growth rate at the current level."



*Mekonnen Yelewem Wessen,
General Manager*

However, ACSI still attracts only a small fraction of potential savers. The most important challenge is therefore how to better exploit this potential and bring more savers to ACSI. "The number of voluntary savers in ACSI is around 200,000 at the moment. However, many clients are still saving in eqqubs, informal groups, rather than in ACSI and our goal is to bring them to our offices."

"But bringing clients to ACSI's offices might not be enough," continues Mekonnen. "When a client comes to take a loan, poorly equipped offices are usually not very important. But when clients come to deposit savings, they need to have trust in the institution. Unfortunately, although safe, not all our offices create a positive image in the eyes of our clients."

In order to change this, ACSI has started investing in infrastructure and modernizing its 175 sub-branches, as well as moving to computerize its operations and introduce a new MIS. "We hope that a stronger infrastructure will improve our image and encourage more trust and security among potential clients. But this is not all: we also need to introduce new products, improve withdrawal procedures, resolve problems of transportation and deal with many other issues. And we are working hard to make this happen."

Berhanie Tesfaye, Sub-branch Manager, and Kurabachew Muchie, Savings and Loan Officer

Berhanie Tesfaye manages a small office in the town of Tisabay. Along with two loan offices, Berhanie works six days a week, sometimes even on Sundays, in order to visit all his clients.

"Transportation is the first problem," Berhanie says. "Our clients live mostly in rural areas and our credit and savings officers must travel 5 to 6 kilometers by foot every day in order to reach them. This reduces the amount of time they spend in the office, which creates problems for clients that come to the office to deposit or withdraw savings. I believe that better transportation for loan officers will be crucial in ACSI's efforts to reach more clients."



*Berhanie Tesfaye,
Sub-branch Manager*



*Kurabachew Muchie,
Savings and Loan officer*

Less than 100 of 1,200 Savings and Loan officers in ACSI use some kind of transportation (around 20 mules, 25 bicycles and around 30 small motorcycles), while the rest visit clients by foot. "In addition to more efficiency, better transportation also means more and better promotion," Berhanie adds. "Many potential clients in rural areas still don't know about ACSI and keep their savings in eqqubs."

"I think that clients keep their savings in eqqubs because they don't know about ACSI," adds Kurabachew Muchie, Savings and Loan officer. "At least, this is my experience. When I explain to the potential clients that ACSI offers a safe place for their savings and plus pays a relatively high interest rate, they usually decide to come to our office and deposit their money. However, I don't have time to visit all of them."

Kurabachew agrees with his manager that one of the first challenges ACSI should be dealing with is transportation. "Every day I spend 2 to 3 hours walking," says Kurabachew. "My colleague and I cannot manage to visit all our clients during the week and we have to work on Saturdays and sometimes on Sundays too. More time means more promotion and more promotion means more savers and from our perspective, this is the most important."

Getaneh Gobezie, Head of Planning and Monitoring

Although responsible for strategic and environmental analysis, Getaneh Gobezie*, Head of Planning and Monitoring, spends much of his time in the field helping field staff overcome everyday problems. Getaneh believes that attracting more savers is not an easy task, but emphasizes that ACSI has already done a lot in this area. He summarizes the remaining challenges at the following way: "The main areas identified for further work on improving ACSI's deposit services are 1) improved infrastructure and transportation, 2) product development, 3) marketing strategy and 4) staff training. Also, we need to improve the withdrawal procedure because accessibility and flexibility are very important for our clients and they are not satisfied with the long waits in offices to make withdrawals."



*Getaneh Gobezie,
Head of Planning and Monitoring*

ACSI plans to start working in all these areas during the following year: "Most of the changes are interlinked and connected and we will need to work on many things in the same time. For example, in order to introduce new MIS we will need to modernize the basic infrastructure in our offices, but also to train our staff and improve transportation."

For more info on regulation and supervision of microfinance in Ethiopia, see Getaneh's latest paper [Regulating Microfinance in Ethiopia: Making it More Effective](#).