



PROGRAM BRIEF MEXICO

Providing Savings-based Financial Services to the Rural Poor



States with PATMIR program credit unions



PROGRAM OBJECTIVES

WOCCU's rural credit union outreach program (2008-11) assists 54 credit unions in 22 Mexican states to extend their services to marginalized rural communities of less than 15,000 people. With funding from the Mexican Ministry of Agriculture, Livestock, Rural Development, Fishing and Food (SAGARPA), through its *Proyecto de Asistencia Técnica al Microfinanciamiento Rural* (PATMIR) project, WOCCU is helping participating institutions employ new technologies to open additional points of service and expand financial access to 200,000 marginalized people in three years.

WOCCU is working with credit unions to:

- Bring savings-based financial services to marginalized rural communities
- Deploy new technologies to safely and effectively serve remote areas
- Develop toolkits to improve efficiency, growth and profitability
- Pilot a matched savings program for first-time savers

BACKGROUND

Despite the growth of Mexico's economy and expansion of its financial sector, many Mexicans still struggle to find access to affordable financial services. The formal financial sector serves an estimated 32% of the population, compared to well over 80% of people in most developed countries. This problem is particularly acute for the 17 million inhabitants of rural communities, where only about 5% of the population has access. Many rural inhabitants have no choice but to turn to informal money lenders and incur the excessive interest rates they charge, and most do not have a safe place to put their savings.

From 2003-07, WOCCU's PATMIR I program opened 48 new rural branches and brought financial services to more than 82,000 unbanked people in the states of Michoacán and Veracruz. The program was especially effective in serving small, impoverished communities in hard-to-reach areas. Based on the positive results in Michoacán and Veracruz, SAGARPA awarded WOCCU an additional US\$24.8 million in funding to extend the innovative outreach strategy throughout Mexico.

KEY INDICATORS

Reaching the Rural Poor	06/2009	06/2010
No. of CU Branches	226	236
No. of New Rural Members	94,594	193,400
No. of Indigenous Members	12,106	18,010
Total Savings	\$2.0 B	\$2.1 B
Average Savings	\$758	\$665
Total Loans Outstanding	\$1.6 B	\$2.0 B
Average Loan Size Outstanding	\$1,120	\$1,127

All figures in U.S. dollars

PROGRAM HIGHLIGHTS

Innovative Outreach Strategy

In the PATMIR I program, WOCCU created a model for rural expansion called *Semilla Cooperativa* [cooperative seed] that emphasizes savings mobilization and is operated through the deployment of credit union field officers to remote communities. The model generates efficiency within the group being served, as the credit unions disburse small loans with the savings deposits collected. Among its main features are: easy institutional adaptability, increased profitability and the deployment of mobile technology.

Empowering rural communities. Using the *Semilla Cooperativa* approach, credit union field officers travel to villages up to 30 kilometers (19 miles) from branch offices to introduce a full range of financial services. They hold community meetings with local leaders and potential members to gain buy-in, build trust and explain the approach. Those interested in joining the credit union form groups of 10-30 people and decide how often to meet with the field officer. A group-elected president, treasurer and spokesperson help the credit union verify loan application information and collect payments and savings deposits. The field officers have authority to issue small loans in the field, while larger loans are reviewed at the credit union.

The field officers eliminate the need for members to choose between risking the safety of their savings by keeping them at home or by traveling long distances to reach credit unions in larger communities. This approach also significantly lowers the cost and travel time of using formal financial services. Unlike traditional village banking programs, *Semilla Cooperativa* participants have full credit union membership, hold the same shares as other members and may access their accounts at any time.

Flexible finance. With this unique approach, microsavings and credit products are not tied exclusively to microbusiness, but can also satisfy the demand for financing home repairs, emergencies, healthcare costs and school fees. *Semilla Cooperativa* offers poor members demand-driven, non-compulsory financial education, affordable interest rates and the convenience and security of saving in a regulated financial institution.

New Technology Drives Growth and Efficiency

Field officers have begun to use personal digital assistant (PDA) and point-of-sale (POS) technology to more effectively serve rural members and earn their trust. The credit unions also employ various tools, including a WOCCU tool for planning service routes, to increase growth and profitability.

PDA and POS devices bridge the gap. PDAs allow field officers to enroll new members and transmit account data through cell phone towers to the credit union's central database in real time during member visits, increasing efficiency and accuracy. With handheld POS devices stationed at local retailers, members have constant account access and field officers have a place to deposit the cash they collect while serving members in the most rural areas.

Route costing. WOCCU developed a route costing tool to identify the most cost-effective service routes for both the members and the institutions using *Semilla Cooperativa*. The tool uses census information and tracks all costs (e.g., salaries, travel and maintenance) incurred by offering the service. Credit unions use the tool to plan the field officers' routes, ensuring that they can serve remote villages while minimizing risk and generating enough revenue to cover their costs.

Credit Unions Reach Indigenous Communities

The program successfully brings the *Semilla Cooperativa* approach to reach non-Spanish-speaking, indigenous communities. Adaptability of the tools and techniques to different cultural environments is especially critical as the Mexican government estimates that 72% of the indigenous population lives in marginalized rural communities within the project's scope.

MATCHSAVINGS.ORG

Launched in October 2008, **MatchSavings.org** is a credit union program that helps people living in poverty begin saving. Matches made through the Web site match the first savings account of someone who has never before saved, providing a monetary incentive to get started. Participants identify their savings goals: housing, microbusiness or education, and receive their match in goods or vouchers after six months of saving. Two rural credit unions currently implement the program in the state of Veracruz. www.MatchSavings.org



FEATURED CREDIT UNION MEMBER



"I think my life will be better in the future because I am starting to save now."

In the community of San Andres Tenejapan, 14-year-old Rosaura Cerezo López spends her days pounding and flattening balls of dough and flour, frying tortillas and filling crispy tostadas with pork, sauce and cheese. She started working for her family's roadside restaurant at age ten and left school after third grade to work full-time, earning and saving money for her family. As part of a young savings group with the Caja Zongolica branch in Tequila, Veracruz, Rosaura now consistently saves 10 of the 500 pesos she earns each week.

PARTNERSHIP WITH U.S. CREDIT UNIONS

Currently, three Mexican credit unions participate in WOCCU's International Partnerships Program to exchange technical knowledge with U.S. and Canadian credit unions. Established partnerships include Caja Morelia Valladolid and the North Carolina Credit Union League, Federación Alianza and the Credit Union Association of New Mexico and Caja de Ahorros Yanga and Servus Credit Union in Alberta, Canada.

ABOUT CREDIT UNIONS

Credit unions, called by various names around the world, are financial cooperatives that provide savings, credit and other financial services to their members. Credit union membership is based on a common bond, a linkage shared by savers and borrowers who belong to a specific community, organization, religion or place of employment.

ABOUT WOCCU

WOCCU is the global trade association and development agency for credit unions. In 2009, WOCCU's technical assistance programs reached 5.9 million people in 13 countries. Learn more at www.woccu.org/microfinance.

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