overview

Savings Groups: What Are They?

The SEEP Network
Savings-Led Financial Services Working Group
by Hugh Allen and David Panetta

seep
Powering connections

The MasterCard Foundation

June 2010

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SEEP is also grateful to one of its member agencies, the Aga Khan Foundation, for the additional support it lent to the project, enabling more thorough background research than would have otherwise been possible.

The authors, Hugh Allen and David Panetta, combine vast experience and knowledge of savings groups with a disciplined approach to detail. Few practitioners have contributed more to the development and dissemination of savings groups than Hugh Allen. His passion for this approach and hands-on experience assisting most of the agencies profiled here inform the presentation of a simple model made more complex by its growing popularity, frequent adaptation, and rapid expansion.

A SEEP product is rarely the result of work by one or two individuals. This document was the inspiration of Savings-Led Financial Services Working Group members; it benefitted from careful review by many of them and by detailed comments on multiple versions from others. For this we owe a debt of gratitude to Joanna Ledgerwood, Paul Rippey, Jeff Ashe, Vinod Parmeshwar, Janina Matuszeski, Eloisa Devietti, Guy Vanmeenan, Marc Bavois, John Schiller, and Kristin Eckert. Another subset of working members devoted an entire afternoon to going through the paper page by page in a very fruitful, if painstaking, process. Heartfelt thanks are extended to Melita Sawyer, Abbey Laugtug, Wendy Wellman, Molly Ornati, Marc Bavois, and Eloisa Devietti.

Candace Nelson
Editor and SLWG Co-facilitator

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Table of Contents

List of Tables

List of Figures

Acronyms

AKF	Aga Khan Foundation
ASCA	accumulating savings and credit association
CARE	Cooperative for Assistance and Relief Everywhere
CBSG	community-based savings groups (Aga Khan Foundation)
CBT	community-based trainer
CMMF	community-managed microfinance (also called savings-led microfinance)
CRS	Catholic Relief Services
FA	facilitating agency
FFH	Freedom from Hunger
FO	field officer
FSA	financial services association
GSLA	group savings and loan association
INGO	international non-governmental organization
MIS	management information system
MIX	Microfinance Information Exchange
MFI	microfinance institution
NGO	non-governmental organization
Oxfam	Oxford Committee for Famine Relief
Pact	Private Agencies Cooperating Together
Plan	Plan International (UK)
PSP	private service provider
ROSCA	rotating savings and credit association
SEEP	The Small Enterprise Education and Promotion Network
SG	savings group
SHG	self-help group
SILC	savings and internal lending community (Catholic Relief Services)
SfC	Saving for Change (Oxfam)
UWESO	Uganda Women's Effort to Save Orphans
VA	village agent
VSLA	village saving and loan association (CARE)
WEP	Women's Empowerment Program (Pact-WORTH)

Terms Used in This Paper

Facilitating agency

Most savings group (SG) programs are implemented by non-governmental agencies (NGOs). They promote savings groups and usually derive revenue from donor-funded programs. There is no cost recovery in an SG program, so we use the term "facilitating agency" (FA) throughout this paper to describe agencies that are responsible for creating savings groups, either directly or through partners.[1]

Projects

Facilitating agencies either directly implement SG promotion projects or do so through local partners. We refer to these as "projects" throughout this paper.

Field officer

Each agency uses different terminology for paid field agents.[2] Oxfam/FFH use "animator," CARE calls them "field officers," and CRS refers to "field agents."[3] To avoid confusion, we use the term "field officer" (FO) throughout this paper, except in the comparison tables where we have retained the original nomenclature.

Village agent

Community-based trainers are referred to as "village agents" by CARE, Plan, and AKF; "private service providers" by CRS; and "replicator agents" by Oxfam/FFH. Throughout the paper (except in the tables), we use the term, "village agent" (VA).

1. This distinguishes them from "providers," which are able to generate revenue from the direct provision of financial services.
2. Nearly all SG training activities are carried out either by paid field staff or by community-based trainers, who are not employees of a project, but who may (or may not) receive payment from the savings groups that they train and supervise.
3. CRS field agents are not paid staff, but are community-based facilitators. They receive a stipend while they are trained and supervised, but derive private income from fees paid by savings groups after they are certified by CRS. At this point, they are referred to as private service providers (PSPs). See section 3, Sustainable Service Delivery, for a more detailed discussion of village agents.

Introduction

For the last 30 years, the microfinance industry has been responsible for a massive growth in pro-poor financial services and is estimated to reach more than 150 million people worldwide. Recently, however, a deeper understanding of how the market is segmented has begun to influence the products, methodologies, and delivery channels employed, and engage a wider range of organizations. Many of these organizations do not specialize in microfinance, but focus on serving the very poor—usually those living in remote areas and distressed economic circumstances.

How Savings Groups Complement Microfinance

Microfinance institutions (MFIs) and banks have proven highly effective in reaching the near poor, mainly in urban areas, and they perform best when supplying credit to small businesses, whose owners work more or less full-time in their enterprises and are keen to see them grow. It remains true, however, that the least well-served people live in remote areas (and tend to invest in seasonal income-generating activities) or in urban slums. Both of these target groups—whose greatest need is access to useful lump sums to manage household cash-flow—usually have no formal providers able or willing to supply entry-level financial services.

Institutional forms of microfinance have found it hard to meet this need for several reasons:

- The costs of reaching the poor are high because they often live in places that are expensive to reach.
- The debt-capacity of the poor is heavily constrained (as well as highly seasonal) and cannot support large average loan sizes.
- These market segments appear to prefer savings over credit, a preference that most MFIs are unable to satisfy because their business models require a strong revenue line and credit products are best adapted to meet this need.

Evidence from several FinScope studies[4] in Africa suggests that less than half the population has access to any form of financial services, whether formal or informal. Of the rest, those that have access to banks and MFIs are mainly found in urban and peri-urban areas, or high-density rural areas that are usually served by a functioning road infrastructure. The rural poor, as a result, are disproportionately denied access. Table 1 below shows findings from studies in Tanzania, Uganda, and Zambia.

4. FinScope studies were commissioned by DFID and carried out in Kenya, Uganda, and Tanzania by FinMark (South Africa) and the Steadman Group. See DFID Financial Sector Deepening Trust, 2007, "FinScope E-Book" (Dar-es-Salaam, Tanzania: FSDT) www.fsdt.or.tz; Carol Nkatha, 2006, "Understanding Kenya's Financial Landscape: The FinAccess Survey Results" (Nairobi, Kenya: Steadman Group); and Steadman Group Ltd. 2007, "Results of a National Survey on Access to Financial Services in Uganda" (Kampala, Uganda: Financial Sector Deepening Project Uganda,), www.fsdu.or.ug.

Table 1 Financial Access Strands in Tanzania, Uganda and Zambia

Country	*Bank*	*Semi-formal financial services*	*Informal financial services only*	*Excluded*
Tanzania	11.0%	3.0%	35.0%	54.0%
Uganda	18.0%	3.0%	17.0%	62.0%
Zambia	14.0%	7.6%	11.0%	66.0%
Average	14.3%	4.5%	21.0%	60.7%

Source: Finscope, Finmark Trust.

In response to this picture of widespread financial exclusion, an alternative, highly decentralized, non-institutional savings-led approach to microfinance shows great promise. It is an emerging movement, where members of savings groups save together, lend their savings to each other with interest, and share the profits. Like tiny local credit unions, savings group (SG) projects have evolved specific technologies in which members provide their own savings and credit services at negligible cost, while retaining earnings and capital in their own communities. They are simple, transparent, and autonomous. In some places, savings groups complement the existing services of regulated formal financial institutions. In others, they reach people who have been completely excluded from access to any financial service, formal or informal.

Savings groups are not only a viable alternative for the vast number of people unlikely to be served by brick-and-mortar financial institutions, they are the catalyst for enhanced social capital, improved gender relations, women's leadership, and community social and economic development. In the last 20 years, these pioneering projects have demonstrated the power of saving over and over again. Now they are achieving very rapid growth, increasing in number and scale.

This paper seeks to explore and explain the nature of savings groups and the varying approaches used by the most experienced facilitating agencies (FAs) and projects, which mainly work in Africa.

A Long-Standing Saving Tradition

ROSCAs in Africa go by many names: *tontines, susus, merry-go-rounds, xitiques,* etc. A ROSCA is a small group with members who all contribute a fixed amount at agreed-upon intervals. The amount collected each interval is paid to one member in turn, until every member has received the "pot."

Very common throughout Africa, ROSCAs are popular because they are simple, transparent, easy to manage, accessible, and tailored to the financial realities of the members. Yet, they have limitations. Money is often not available when needed or in the amount needed. And, they are not for everyone. In many countries, ROSCAs tend to attract people who have a steady source of income. The SG model improves on a ROSCA's essential strengths, introducing greater flexibility and access for the more vulnerable.

Origins and Growth of Savings Groups

In the early 1990s, CARE Niger took up the challenge of providing financial services in remote rural areas in the Prefecture of Maradi. Through an intelligent appreciation of traditional *tontines* (ROSCAs), it evolved an accumulating savings and credit association (ASCA) model that used member savings as a source of capital to provide one-month loans. It had these distinguishing characteristics:

- The model was time-bound: people got their savings back at the end of an annual cycle, including interest earned on loans.
- The training system emphasized democratic governance and transparent procedures, all of which were carried out in front of the membership.
- The system was managed by its member owners, who kept the profits.[5]

Over time, the savings component proved to be the most in demand.[6]

Perhaps the most pertinent discovery was that by keeping systems simple and sticking to a time-bound approach, groups could be fully independent in about a year and would enjoy a survival rate, over the long term, above 90 percent. This autonomy, combined with ease of access, good security, flexible savings and repayment amounts, and peer review, appears to be fundamental to the long-term success of savings groups.

Although the model took time to develop, it spread steadily. Today in Niger, approximately 197,000 women belong to these groups. Variations have been adopted by other large international non-governmental organizations (INGOs), most notably Oxfam/Freedom from Hunger (FFH), Plan, Catholic Relief Services (CRS), and Pact-WORTH. The current Aga Khan Foundation (AKF) program is small, but driven by strategies that promise large-scale project growth. In total, these agencies currently reach almost 2.3 million people, mostly in Africa. Table 2 indicates the scale at which the largest SG programs are operating at this time.

5. Moira Eknes of CARE Niger deserves special mention. She evolved this methodology without any formal knowledge of microfinance and in the face of considerable skepticism from experts.
6. The data found at http://www.savingsgroups.com/en/projects/search (restricted website) indicates that the ratio of savings to loans averages 1.28:1. This data is derived from 70 projects in Africa and 3 in Cambodia.

Table 2 SG Programs by Facilitating Agency (as of July 2010)

Continent	*Aga Khan*	*CARE*	*CRS*	*Oxfam*	*PACT*	*Plan*	*Totals*
Asia	24,343	17,078	0	66,162	131,600	0	239,183
Latin America	0	2,656	0	5,339	0	0	7,995
Africa	0	1,197,787	271,630	300,269[7]	57,200	222,562	2,049,448
Totals							
No. of members	24,343	1,217,521	271,630	371,770	188,880	222,562	2,296,626
No. of countries	3	26	26	5	10	18	41
Average per country	8,114	46,828	10,447	74,354	188,880	12,365	56,015

Note: See annex 2 for more details on the outreach and scale of largest SG programs worldwide.

CARE uses the term, "village saving and loan associations" (VSLA) for the model it pioneered and has replicated in 26 countries worldwide (22 are in Africa) since 1992. Initially, CARE's SG projects spread informally, mainly through personal contact between practitioners, and the VSLA model evolved through trial and error. Now, having standardized its technical approach, CARE has embarked on a major SG expansion under its "Access Africa" program, which aspires to provide a broad range of financial services to 30 million people in Africa within 10 years.

Most other facilitating agencies initiated their SG programs after 2004, with the exception of Pact-WORTH, which started work in Nepal in 1999:

- ***Catholic Relief Services*** calls its SG program "saving and internal lending communities" (SILC) and is expanding this proprietary, technical approach through multi-country growth.
- ***Plan*** uses CARE's VSLA methodology, but has been very aggressive in exploring the potential of expansion using village agents (VAs). It is also expanding its program into multiple countries.
- ***Oxfam/FFH*** implement their "Saving for Change" (SfC) program in fewer countries (Mali, Senegal, Cambodia, El Salvador), but operate on a large scale in Mali. Saving for Change was developed jointly by Oxfam America, Freedom from Hunger, and the Strømme Foundation.
- ***PACT***'s model is known as WORTH and has roots in Nepal, where it launched the Women's Empowerment Program in 1999. Two years later, the project had reached an estimated 125,000 women members. PACT is replicating its WORTH approach on a somewhat smaller scale in 10 countries in Africa.
- ***The Aga Khan Foundation*** (AKF) is a relative newcomer to SG promotion. Its community based savings groups (CBSGs) are modeled after CARE's VSLAs. AKF has committed itself to large-scale projects in Pakistan, Tajikistan, Afghanistan, India, Kenya, Mali, Mozambique, Madagascar, and Tanzania.

7. In Mali, Oxfam operates the Saving for Change program in partnership with Freedom from Hunger.

While the six organizations featured in this paper currently have the largest savings group programs, a host of others have adopted the model, using many of the same tools developed by the larger INGOs. Non-specialist organizations have been able to standardize proven training and supervision techniques. Other SEEP members that implement SG programs include World Vision (over 21,000 members across five countries in Africa), World Relief (358 savings groups with 7,583 members in Burundi, Rwanda, and Kenya), and Trickle Up (1,725 groups in Mali, Guatemala, and India). Increasingly, southern non-governmental organizations (NGOs) are adopting the model, and the Peace Corps has created a large-scale program in Ecuador, reaching 32,000 people in more than 1,200 groups. Although the exact outreach of these organizations is not available, their collective outreach is estimated at a few hundred thousand.

Self-help groups (SHGs) in India developed at much the same time as savings groups and share many of the same characteristics, but evolved independently. (See annex 1 for a discussion of the difference between savings groups and self-help groups.)

Why Write This Paper?

Savings groups have proven to be extremely popular and durable. They provide extraordinary returns on member investments, have high retention and survival rates, are accessible in the communities that they serve, and can grow to large financial scale. After only a few years, it is not uncommon for rural savings groups to mobilize and manage between US$ 2 and $10,000. Yet, the financial results only tell part of the story. Livelihoods of households and entire communities have been transformed by the power of members knowing that at any time they can call on savings, credit, and insurance benefits in a manner that is flexible, appropriate to their situation, and set in an administrative and social culture where they feel understood and valued. The stories that accompany this paper only hint at this transformational effect, but it is fundamental to the methodology and the main reason why facilitating agencies and support organizations have been drawn to it.

Because there is so much interest in this model and so much experimentation, the SEEP Network's Savings-Led Financial Services Working Group commissioned this paper to:

- describe the basic approach;
- explore the variations in the methodology that have evolved;
- describe the methods used to ensure the sustainability of the mobilization, training, and support needed to launch savings groups;
- present nascent efforts to link savings groups to other development interventions and integrate them more closely into financial markets;
- discuss how performance is measured and promote the ongoing cooperation to compare approaches for efficiency and develop performance standards;
- contribute to the further growth of SG projects; and
- facilitate exchange of information about savings groups.

We wrote this paper to address the interests of a broad range of development advocates, all of whom are revising their perceptions about the potential and place of savings groups in the mission of bringing financial services to poor people everywhere. Current practitioners want to know in more detail what other agencies are doing. Agencies want to determine if savings groups are relevant to their programs and interests. The microfinance industry is becoming increasingly aware of savings groups and that it needs to understand them better from a practical and theoretical perspective. Donor agencies are interested in deepening financial sectors and achieving significant rural outreach at an acceptable cost.

With just over 2 million people using variants of the SG model worldwide, there is no longer much doubt that it is here to stay. However, it is not without controversy. There are theoretical debates about how long and under what circumstances savings groups are needed. People debate the economic legitimacy of a financial model that focuses on household cash management rather than enterprise growth. That savings groups are presently unregulated and operate in isolation from national financial markets causes concern for some. Yet, until means are found that offer a better set of products at the right price and that are conveniently located close to the membership, it is clear that low-cost, high-return, self-managed savings groups will enjoy strong support from communities where alternatives are lacking—and in many cases, where they are not.

1 Description of the Basic Model

The basic model for savings groups, originating in Niger, was simple: groups made up of impoverished women met weekly, everyone saved the same amount, one-month loans were approved by the members, and all of the group's money was shared out equally at the end of an agreed-upon cycle (6–12 months after start-up). The share-out was usually timed to coincide with a period in the year when there was a predictable need for cash. Records were mainly based on memorization, all transactions were carried out in front of the members, and all of the group's surplus cash and written records (if any) were held in a three-lock box. The members of the management committee were elected annually and all groups had a constitution, which was usually written down and kept in the box.

Today, there are many variations. Some groups keep ledgers, some still use memorization, and some use passbooks. Some allow members to save different amounts and some allow members to withdraw their savings on demand. Some allow longer-term loans and flexible reimbursement. All of these variations have emerged through experience, usually because the operating conditions dictate or permit different approaches. Overall, the trend has been toward greater simplicity of management and record-keeping systems, combined with greater flexibility of products on offer. Yet, even today, SG projects share common principles:[8]

- Groups are made up of self-selected individuals and range in size from 5 to 30 members, with an average of about 22 members. [9]
- Members decide who joins the group.
- Groups elect their own management committee and money counters. No one else touches the group's money.
- Groups use lockable cash boxes to keep surplus cash and records. The cash box often

8. This list covers most of the programs promoted by AKF, CARE, CRS, Oxfam/FFH, Pact-WORTH, and Plan (mainly in Africa), and suggests the norms and variations that are most significant. This is not to diminish the role of a growing number of smaller organizations (north and south), which are becoming increasingly important players; it merely reflects our limited ability to research the sector in depth.
9. This is the average number from all of the CARE, CRS, and Oxfam/FFH projects in Africa, funded by the Bill & Melinda Gates Foundation, drawn from 27,210 groups. See http://www.savingsgroups.com/en/projects/search (restricted website).

has multiple locks, the keys to which are held by separate members. Key holders are usually appointed from among the membership.

- Groups develop a set of rules, based on a template:
  - » It mandates regular elections, at least annually.
  - » It defines the role and authority of the management committee.
  - » It describes the services that the group offers to its members, including terms and conditions of savings, lending, and insurance.
- Members save regularly at a frequency determined by the group, sometimes the same amount for everyone, sometimes different amounts. The amount saved ranges between $0.10 and $5.00. Some savings groups set the minimum amount to be saved as a "share value" and allow members to save more than one share at each meeting, up to a specified maximum (e.g., five shares).
- If the group's rules permit members to withdraw their savings, they are normally withdrawn at face value; interest earned is retained by the savings group.
- Savings are used to capitalize a loan fund from which members can borrow.
- The loan conditions are set by the group; usually loan terms do not exceed three months. Monthly interest rates range 5–10 percent, but can be as low as 1 percent or as high as 20 percent.
- The loan fund usually provides loans to individual members, but can also be used to fund group-based investments, such as grain trading or livestock rearing, so long as all of the members agree.
- Most groups share out all their money among the members, in proportion to the amount that each has saved, at intervals that are decided by the group, usually between 6 and 12 months. Some groups choose to roll over a proportion of their funds to the next cycle.
- Nearly all interest paid on loans (except for minor expenses) is returned to the member at the share-out. Returns on savings and assets (often the same thing) are in the 35–50 percent range.[10]
- Groups may choose to contribute to a social fund, which is a simple form of insurance to cover the costs of small emergencies.
- Members are free to leave the group at any time, under terms that are decided by the group.
- Records are kept, using one of three basic approaches:
  - » Memorization (usually effective with groups whose literacy level is very low)
  - » Passbooks and recording of ending fund balances only
  - » Central ledgers to track financial activity through the group secretary

10. See http://www.savingsgroups.com/en/projects/search (restricted website).

A Variation on the Basic Model

There are some differences in savings groups promoted by Pact-WORTH:

- The money is handled by the treasurer.
- The management committee holds the keys.
- Members can borrow for up to six months.
- There is no share-out: members are paid dividends.
- Financial management is a shared committee responsibility.

1.1 Facilitating Agencies and Their Partners

In this basic model, the role of facilitating agencies (or their local partners) is to train the savings groups to carry out their transactions independently. Training covers all aspects of group functions, from developing a group constitution and electing group officers to establishing meeting procedures and rules governing saving, lending, and record keeping. Initial training takes between one week and two months and, afterwards, facilitating agencies supervise routine operations over a period of 9 to 12 months. Where other types of training (especially literacy) are provided, the training period can be as long as two years. Facilitating agencies consider savings groups to be independent when they are able to run an organized, disciplined meeting; maintain accurate records; and manage their own share-out or dividend distribution. Facilitating agencies use a wide variety of models to form, train and supervise savings groups. Section 3 examines these variations.

Facilitating agencies do not generate any revenue from the groups. Donor funds subsidize the organization and training of savings groups, similar to subsidies required to develop the capacity of MFIs created by facilitating agencies. Once independent, savings groups operate on a sustainable basis.

1.2 How the Savings Group Model Is Distinct from Other Forms of Microfinance

The poor need financial services for the same reasons as anyone else: to manage risk (e.g., health emergencies, crop failures, etc.), build assets, invest in productive activities, manage cash flows, and smooth incomes. Savings, credit, insurance, and money transfers can help poor people do all these things, but to date such services have been largely inaccessible to the rural poor. They need a safe way to save and borrow that is convenient, flexible, and available in their villages. Traditional microfinance has not, for the most part, been able to provide such services because it is too expensive to reach into remote rural areas (although cell phone technology is showing promise).

Local Credit for Local Needs

If financial institutions are only available outside a village, women in villages with Saving for Change groups are unlikely to use them. Women also tend to avoid institutions that require initial fees for membership and guarantees for their loans. Women are particularly intimidated by the threat of debt collectors seizing their goods in case of non-reimbursement. Other formal institutions used by men have been seen as beyond women's economic scale, loaning larger amounts and requiring larger minimum savings than women can afford.

The ability to receive loans for both income generation and household consumption is an essential benefit of an SG program. The most valued consumption-based loans are those used to cover medical costs, especially for common illnesses, such as malaria, respiratory infections, and diarrheal diseases; and those used to provide food during the *soudure*.* Women also cite SfC's advantages in terms of the education of their children, and their access to the material goods necessary to properly celebrate annual festivals and other ceremonies important to the household. Many women in SfC groups also point to their ability to acquire livestock or increase livestock holdings as evidence of the economic impact of SfC on their lives.

* *Soudure* or *période de soudure* is the time prior to the harvest when household money and food routinely run low.

Source: BARA (Bureau of Applied Research in Anthropology), 2010, "Baseline Study of Saving for Change in Mali: Results from the Segou Expansion Zone and Existing SfC Sites," University of Arizona, Tucson, March 2010.

In the last decade, however, experimentation and research have proven that there are enough savings in villages to meet small credit needs (loans between $5 and $500) without external finance and to provide small amounts of insurance for funeral costs or health emergencies. Savings groups have focused on mobilizing this local capital to meet local needs and have developed techniques that allow self-management at low cost.

Costs

Savings group projects use an extremely low-cost model that enables the creation of fully sustainable institutions from the start. It requires conscious intention and specific techniques on the part of facilitating agencies and their partners to "de-institutionalize" the delivery of financial services.

The reasons for MFIs' cost barriers are simple:

- MFIs are often obliged to bring services to the clients. The poor often cannot bear the cost and time involved in travelling long distances to access services in alien surroundings.

- MFIs' and banks' operating costs associated with staff, field operations, and acquisition of fixed assets must be covered by interest income.
- The limited debt capacity of the poorest people generally results in smaller loan portfolios.

As a result, MFIs need to seek the lowest-cost client who offers the maximum revenue, hence, the tendency to focus on credit, encourage larger loans, and target clients who are, for the most part, engaged in full-time economic activity. For these same reasons, MFIs are sensitive to the costs of mobilizing savings.

The challenge of providing financial services to the rural poor cannot be met with a conventional institutional model. The microfinance industry is addressing this issue by looking closely at technologies, such as mobile phones and group-based systems, to drive down costs. However, it has not seriously considered the proposition that de-institutionalization may be the simplest means of squaring the circle. Yet, this is the main reason why savings groups work. *A greater willingness to embrace the ambiguities of informality is essential if significant deepening of the financial sector is to occur in poor countries.*

Beyond Monetary Returns

A 2007 evaluation of savings and lending community programs in Kenya and Uganda found that "SILC training has imparted certain spiritual principles into member behavior towards one another—e.g., humility, trust, loyalty, assistance to the vulnerable, support to each other at times of need, and renewed belief in group activities by group members." SILC membership has led to the creation of new friendships and bonds among community members. This strengthened social cohesion helps to address social injustices, especially discrimination against women, and common conflicts in the community.

Source: G. Odera and G. Muruka, "Savings and Internal Lending Communities (SILC) in Kenya" (Nairobi, Kenya: MicroSave), 15.

The various SG methodologies embrace low-cost operations at both the group and facilitating agency levels. The facilitating agency neither provides loan capital nor invests in other assets, although it does bear the costs of group identification, training, and supervision. However, over time, savings groups absorb these costs as training is shifted from paid field officers (FOs) to community-based village agents (VAs), who are paid by the groups. Facilitating agencies have found creative ways to drive down costs of SG formation and introduce self-financing models that can be replicated successfully. Experience to date in Africa indicates that some of the best local agencies can deliver good quality savings groups at a per capita cost of $11–$12. Facilitating agencies, working to train and supervise local project partners, have average per-capita costs that range from $18 to $48.[11]

11. See http://www.savingsgroups.com/en/projects/search (restricted website).

The savings group relies on volunteers to fill administrative, management, and enforcement functions. The simplicity of its systems is tailored to management talent that may be limited in both availability and skills. The small size of the group and the periodic nature of its short meetings (1–1.5 hours per week) enable it to operate without fixed premises or transport—and without salaries. In this model, the community becomes the service provider because the groups are small, meetings are periodic, and administrative functions are voluntary.

Summary of Advantages and Disadvantages

Table 3 presents the main financial implications of using this approach. While it summarizes the *financial* advantages and disadvantages of the SG model, it should be noted that its main *non-financial* benefit is the accrual of social capital to group members and leaders. While building social capital is a benefit common to many types of groups, the element of ownership that distinguishes the SG model from other forms of microfinance accentuates and enhances it. Many studies highlight the social cohesion, solidarity, and mutual aid that the savings groups engender. As members of savings groups, women report feeling less vulnerable and isolated. They own the program and they are accountable to each other. As their economic situation improves, they are often emboldened to undertake collective action to address community needs.

Table 3 Financial Implications

Positive consequences	*Negative consequences*
• High returns on member savings (better thought of as invested capital), since costs are negligible • Accessible financial services because it all happens in the community • Product flexibility, particularly with respect to loan reimbursement schedules • High degree of transparency because all transactions are witnessed by the entire membership • Accountability • Tolerance for a large number of very small savings and loan transactions	• Small scale limits the capital base of the savings group, (Yet, groups spontaneously split into smaller groups when they reach more than 30 members to limit the length of the meeting and maintain simplicity of management.) • Loan sizes are limited by the small pool into which savings and loan interest income is deposited. • Limited benefits are payable by group-based insurance systems (i.e., the social fund). • There is some risk of elite capture, although no compelling evidence indicates that this occurs on a significant scale.

1.3 Where It Works

The following schematic is a theoretical hypothesis that suggests where savings groups are able to operate successfully, relative to other types of financial service providers. A partially shaded box (for some of the categories listed) suggests that the provider may struggle to be viable in such places.

Table 4 Hypothetical Match of Client to Financial Service Provider

Source of service	*Urban high income*	*Urban low income*	*Peri-urban middle income*	*Peri-urban low income*	*High income rural*	*Low income rural*
Banks	■		■			
MFIs		■	■	■	■	
SGs and ASCAs	■	■	■	■	■	■
ROSCAs	■	■	■	■	■	■
Family and friends				■	■	■
Shopkeepers				■	■	■

Table 4 suggests that savings groups have been able to attract members across a broader social and geographical spectrum than other types of service providers (except ROSCAs) and exclude very few people, except the destitute, for whom livelihood provisioning is a more appropriate intervention. The experience of organizations with the longest track records in promoting this approach confirms this suggestion.[12] Most large, multi-sectoral NGOs that promote savings groups do so because they offer the best blend of flexible, broad-based financial services, consistent with being able to reach the rural and urban poor through self-financing services.

"CARE helped us get started and then let us take over. They kept coming back to assist us for a while, like a parent supports a child until the child can walk."

-SG member in Malawi

1.4 Group Sustainability

One of the more attractive features of savings groups is that they quickly become independent and able to sustain themselves. Unsubstantiated claims have been made for a long-term survival rate better than 90 percent, but very few studies or long-term MIS (management information system) results have been able to verify such assertions. In addition to subjective assessments regarding survival, drop-out rates from groups (and the possibility that they may downscale over time) have also never been studied in depth. There are a few exceptions, such as the key findings of a DFID study of CARE's VSLA program in Zanzibar:[13]

- All of the original groups that were six years old at the time of the study survived with no contact with the facilitating agency for four years.

12. CARE's experience in Niger (the poorest country in the world, according to UN statistics) suggests that savings groups can work even when savings capacity is as little as $0.10 per week. Few organizations work at the poorest end of the spectrum, but it is becoming clear that the urban market for savings groups may be very large.
13. DFID Financial Sector Deepening Project for Uganda, 2007, "Village Savings and Loan Associations in Zanzibar: Anyango, Esipisu, Opoku, Johnson, Malkamaki and Musoke" (London: DFID).

- Member dropout was 12 people out of 1,500 over four years.
- Simple return on assets was 53 percent.
- The average savings group shared out $4,000 at the end of a one-year cycle.

Another exception is Pact's Women's Empowerment Program in Nepal.[14] A 2006 Pact study of the program indicated that, despite operating in territory controlled by Maoist rebels, 64 percent of groups survived unaided for five years and 25 percent of the groups had self-replicated. The total number of members was greater than when Pact left Nepal.

14. Valley Research Group and L. Mayoux, 2008, "Women Ending Poverty: The WORTH Program in Nepal—Empowerment through Literacy, Banking, and Business 1999–2007" (Washington, DC: Pact).

2 Variations in the Basic Savings Group Methodology

Two important strengths of the basic savings group model are its simplicity and flexibility. The first makes replication easy. As the movement grows and savings groups spread from region to region, both spontaneously and under the guidance of facilitating agencies, the model is proving flexible enough to accommodate the adaptations that inevitably accompany expansion. Important variations currently practiced with respect to record keeping, end-of-cycle distributions, the social fund and security are discussed below.

2.1 Record Keeping

The biggest challenge for SG projects has been record keeping, especially keeping accurate track of member loan balances. To ensure that groups quickly become independent, project staff want them to master record keeping in as short a time as possible., Therefore, financial systems must be simple and robust. This feature, consistent across all facilitating agencies, distinguishes savings groups from other community-based systems, such as self-help groups (SHGs)[15] and financial service associations (FSAs),[16] where record keeping is mainly an external function carried out by specialized technical agencies or parent NGOs.

Oral Record Keeping System

In 2006, Saving for Change created a system of oral accounting to serve illiterate women in Mali and Senegal. It requires that members sit in the same order at every meeting. Each member has to remember five simple facts: 1) the amount of money in the box at the end of the meeting, 2) whether she owes a savings payment, 3) the amount and due date of her loans, 4) whether the person sitting to her left owes a savings payment, and 5) the amount and due date of the loans of that woman. The ability to recall this data is so important that some groups impose fines on members who do not remember the information.

This system overcomes the hurdle of written records, which often depend on a literate outsider to maintain them and thus limits program expansion. Oral accounting has been a successful mechanism to assure transparency for all members and allows the group to manage its finances, even when more complex systems, such as multiple shares, are introduced.

The approaches to record keeping chosen by most of the participating facilitating agencies are largely based on a shared belief that financial tools need to be functional in a broad range of operating environments and maintain the maximum flexibility of product offering.

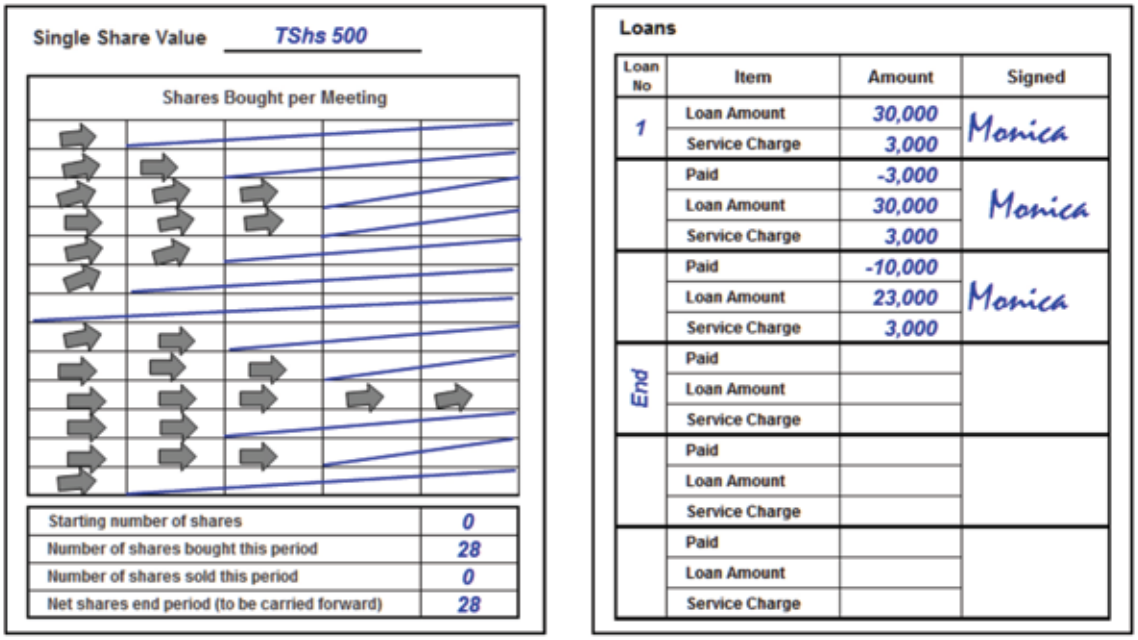
15. Widespread in India, self-help groups are a form of savings groups. They differ from African savings groups in that most are linked to banks to access external credit.
16. A financial service association is similar in size and appearance to a savings group, but offers a broader range of financial services. It maintains a comprehensive accounting system and, as a result, it usually has its records maintained by an external agency, which is paid a fee.

Because everyone in the savings group meets at the same time and place, there is a substitution of transaction record keeping for a process of witnessing that nails down individual assets, liabilities, and balance sheet values only at the end of a meeting. This tracks the current status of assets and loans, and defers returns analysis to the end-of-cycle share-out. Because these systems (based substantially on visual and oral indicators) are inherently compelling, they are widely accepted and represent a de facto meeting-by-meeting financial audit. There is little appetite for more complex, formal, and standardized financial systems, which are expressed in a vocabulary that is esoteric—and meaningless to most SG members.

Nevertheless, facilitation agencies have adopted different methods of keeping SG records, broadly classified as follows:

- ***Memorization:*** All financial records are maintained only by the group witnessing what happens and individual memorization. This applies to savings, loans outstanding, cash balances, payables, and receivables. Implemented by Oxfam/FFH in Mali, where literacy levels are among the lowest in the world, memory-based record keeping limits members to saving the same amount at each meeting. However, Saving for Change is introducing a multiple share mechanism for mature groups.
- ***Passbooks*:** All savings and loan transactions are maintained in member passbooks, and cash balances, payables, and receivables are written in a notebook. Members' savings are recorded in individual passbooks, using stamps for the number of shares saved. (In this system, shares "bought" are the same as shares "saved.") At the back of the passbook is a statement of loan liability (see figure 1). The only records centrally maintained are cash balances in the loan fund and the social fund. CARE, Plan, and AKF use this method.

Figure 1 Sample Savings and Loan Pages in Passbook



Note: The arrows on the left-hand page represent stamps for the shares bought by a member at each meeting during the savings period. "Tshs" = Tanzania shillings.

- ***Central ledgers or forms*:** All attendance records, savings and loan records, and cash balances are maintained by a group record keeper and are not directly witnessed by the members. Recording actual amounts saved allows members to save any amount between a minimum and a maximum sum (five times the value of the minimum sum). A ledger system allows for flexible loan periods and repayment, as well as the choice to calculate interest, using a flat or declining balance system. Loans may be disbursed at any meeting. Over time, these records have been simplified and now more or less reflect the same data maintained in the passbook system. This approach is associated with CRS and Pact-WORTH.

Some projects use a combination of methods. Pact-WORTH uses passbooks and ledgers; CRS uses both passbooks and ledgers in some cases. Groups using only passbooks and notebooks have sometimes evolved a parallel set of backup records in their notebooks.

Table 5 shows where these methods have been successfully applied. These choices, made by the principle facilitating agencies, do not imply that any of these methodologies could not be successfully applied elsewhere, but the conclusion is obvious: the simplest systems tend to be used in remote rural areas where literacy levels are low, while the more complex systems tend to be favored where literacy levels are higher. The exception is the Pact-WORTH project, which uses the most comprehensive and flexible system of record keeping and applies it to savings groups with low-level literate members. Most of its members in Nepal were illiterate when recruited, but the program made literacy training mandatory.

Table 5 Match of Record-Keeping Methodology to Literacy Levels and Environment

Record-keeping approach	*Minimal literacy (rural)*	*Some literacy (mainly rural)*	*Moderate literacy (rural and peri-urban)*	*High literacy (urban and peri-urban)*
SfC Mali: memorization	■			
SfC Cambodia: ledgers			■	■
SILC: ledgers	▪	■	■	▪
VSLA: passbooks and balances	▪	■	■	▪
Pact-WORTH: ledgers	▪	▪		

Note: A partially shaded box (for some of the categories listed) suggests that the record-keeping approach may not be used as much with that group.

The sharpest difference across these systems lies between the completely oral system of Oxfam/FFH in Mali and all other projects, which use some form of written record keeping. The Pact-WORTH record-keeping system is the most comprehensive, but because it is applied in places where literacy is low (and literacy training is therefore required), Pact-WORTH savings groups take two years before they reach independence—roughly double the time needed by most others.

There is a high degree of similarity between the records maintained by SILC groups (CRS) and VSLA groups (Plan, CARE, and AKF); the main distinction is that SILC records are centrally main-

tained, while VSLA depends on passbooks. What VSLA and SILC share in common is a clear trend of record simplification and consistency in recording the same essential data. No financial statements are ever prepared.

2.2 Distribution and Share-Out

Share-out or cash-out is the distribution of a savings group's liquid assets at the end of an operating cycle. It is one of the most important distinguishing features of the SG model, and its prevalence appears to be driven by the following benefits:

- ***Simple record-keeping systems:*** By sharing-out and, in effect, de-capitalizing the group's assets, it is not necessary to develop complex record-keeping systems to track an increasing number of varied investments (which, however, may limit the growth of group-managed enterprises). This in turn reduces group dependency and leads to lower-cost training and supervision.
- ***A useful lump sum:*** Share-out provides a lump sum, often at a time of the year when members have a predictable need for cash (e.g., when preparing land for planting or when important religious festivals occur).
- ***Transparency and minimized risk:*** Regular share-out reduces risks to the system and losses of transparency, which are likely to accrue when complex investments are managed by a few members

Having said this, it is increasingly common for groups to carry over some proportion of their equity at the end of a cycle to start the next cycle with a useful sum in the loan fund. While no data is available on this practice, it seems to occur with increasing frequency among groups completing their second cycle.

The mechanisms used to manage share-out (at the end of the operating cycle) vary, depending on the type of record-keeping system. Most savings groups base the share-out on the amount that a member has saved, regardless of when the savings deposits were made.

Pact-WORTH groups do not share out member equity; instead, they pay dividends, based on the individual member's minimum balance during the last eight weeks of a six-month cycle.[17] (Other SG projects do not track average or minimum balances, only ending balances). Because there are limits to member deposits at every meeting (they are restricted to a common share value and often a maximum number of shares), contributing a large amount of savings right at the end of the cycle cannot occur, making the need for complex weighting calculations unnecessary. This is another example of how accounting practices have been simplified in the interests of making it possible for a group to manage itself within a year.

17. Pact introduced this policy to counter a tendency by members to substantially increase their contributions close to the end of the cycle in order to garner a disproportionate share of the profits. CARE, Plan, and AKF do not allow more than five shares to be bought at any one meeting for the same reason.

Savings Groups and Mobile Money

As telecommunications companies in many countries develop mobile money products, opportunities are growing for savings groups to benefit from these services. For example, a "virtual cashbox" that can only be accessed with multiple PINs (personal identification numbers) could eliminate the need for a physical cashbox, which can be at risk in crime-prone areas. Members who cannot attend a meeting could still save by sending money over the phone to a group account. East Africa is at the forefront of these innovations.

2.3 Social Fund

The social fund is a form of limited, self-managed insurance that groups can elect to create and fund with regular equal contributions that are usually less than the value of a single share. It offers grants or, more commonly, interest-free loans to members for emergencies. While it is highly popular with most groups, some (e.g., CRS-Uganda) have dropped it due to a lack of member interest.

Defining "Emergency"

In northwest Uganda, CREAM (a CARE partner) started selling solar lamps to SG members in 2010. One group allowed its members to borrow from the social fund to buy the lamp because they decided that avoiding the high risk of fire from the open flame of a traditional kerosene lamp qualified as an emergency.

Source: Rippey, P. and Nelson, C.; 2010, "Marketing Solar Lamps through Savings Groups: Emerging Lessons from Uganda" unpublished research, the Aga Khan Foundation, Ottawa.

Interest-Free Loans for Emergencies?

SfC groups in Kambila, Mali, do not repay interest on emergency loans for illnesses. Yet, not all groups are so trusting. As a group in a different region pointed out, if they adopted such a policy, everyone would claim their loans were always for emergency consumption in order to avoid paying interest on loans used for income-generating activities.

2.4 Security

Most SG projects promote the use of lockable cash boxes. Many use a cash-box with three locks and three different keys held by three different members (usually not members of the management committee). The contents of the box vary, depending on loan demand.

Saving for Change, SILC,[18] and VSLA projects stress the use of a cash box, not only for security purposes, but to ensure that transactions do not take place outside meetings. They consider this to be essential for maintaining a high level of member confidence and awareness of all savings, insurance, loan transactions and balances. Although the three-lock cash box is emblematic of savings groups, they are not used everywhere. Some groups opt to avoid this expense.

Owing to the usually buoyant demand for loans, there is usually little money in the box. However, toward the end of the cycle, when loan repayments are completed, a great deal of money is on hand. At these times, the risk that the box will be stolen is higher. Rare cases of theft have occurred in urban areas or in areas associated with civil disorder. Groups take a number of steps to counter this risk:

- Distributing the money equally among the members at each meeting in the last month with a requirement that it be returned intact at each subsequent meeting until the share-out meeting
- Delaying the repayment of the late-cycle loans to the last meeting
- Giving the box to a different member at each meeting, so that its storage location is not common knowledge
- Storing money on mobile phones (Still in its infancy, this strategy is working successfully in Nairobi slums.)
- Depositing surplus funds in a bank (typically an option in urban areas)

18. In SILC projects, the use of a cash box is optional and at the savings group's discretion. However, CRS is likely to require a box.

3 Sustainable Service Delivery

In the SG model, facilitating agencies and their partners employ field officers to mobilize, train, and supervise savings groups. Although they have pared their costs to a minimum, they are covered by grant funds. The obvious criticism of the model is its reliance on subsidies to pay staff salaries. It has been argued that MFIs compare favorably because they are able to self-finance the growth and expansion of their client base.[19]

However, the SG model has an inherent strength that counter balances its need for grants. Given its simplicity, lack of infrastructure, and low cost, the model is easy to replicate. Indeed, it can (and does) self-replicate at no cost to donors. New groups pay training fees to local trainers to help them get established,[20] which means that the initial investment in group formation results in a continuing process of self-financing replication and a much higher yield.

Over time, facilitating agencies have experimented with SG replication to maximize quality of groups, minimize the cost of expansion, and create a sustainable model of service delivery.

3.1 Village Agents

In 2000–2001, CARE Niger pioneered what became known as the village agent model, in which field officers identified a handful of SG members who were capable of becoming trainers. CARE called these people village agents. The field officers then became the trainers of village agents, supervising them until they were competent to train groups on their own. Sometimes the village agents were volunteers; sometimes they received project stipends. Now, increasingly, they receive their income from fees paid by the groups themselves. The result has been the establishment of a training and support capacity embedded in the local community, able to fund itself from fees, with no long-term technical support needed from a facilitating agency.

In various forms and with differing designations,[21] this model (which we refer to as the VA model) has been widely adopted by most of the facilitating agencies and has proven to be effective in driving down costs and significantly increasing outreach.[22] It is central to the growth and outreach and cost-reduction strategies of most of the facilitating agencies, except for Pact-WORTH, which does not use the model (although it encourages SG members to create new groups). Annex 4 suggests the main differences in approach to service delivery across participating agencies.

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19. This analysis is inexact; the true parallel is between the MFI and the savings group, both of which are set up through subsidies as autonomous institutions raising their own capital and operating profitably. The agencies that create MFIs and savings groups are thus defined as facilitators, rather than providers, and both are traditional recipients of donor grants.
20. See section 3.4, “Lessons for Replication.”
21. CARE, AKF, and Plan use the term “village agent,” Oxfam/FFH uses ”replicator agent,” and CRS uses the term ”private service provider.”
22. Very roughly, the experience of CARE and Plan indicates that using village agents (who work under a field officer’s supervision) doubles the number of groups that can be formed when field officers alone are used.

3.2 Replication through Village Agents: Facilitating Agency Strategies

Oxfam/FFH's Replication Process

Oxfam/FFH's original approach in Mali (home to its largest SG project) depended on replication through social and informal networks. While groups were in training, observers from potential new groups were invited to training sessions in order to inform their own communities about the project. At the same time, each group committed to training at least one new group.

Savings Groups Support Education

In a Kampala slum, three women met when they joined a savings group facilitated by British NGO Hope for a Child. Each of them had cared for orphans and harbored a dream to start an orphanage. When they discovered this shared vision, the three women dedicated themselves to increasing their business incomes and building their savings. By pooling their savings, they were able to rent a building and opened their orphanage to 67 children. When they had accumulated enough funds to hire a teacher, the women added a nursery school and took in 70 students. They confirm that their savings group was the key to being able to fund this new community institution and will enable them to expand it.

Elsewhere in Uganda, the Iganga Farmers Association is promoting savings groups across Iganga District. Three of these groups discovered that they had a common vision to provide their children with an education. The groups pooled their savings and founded the Child SEEP Nursery and Primary School. Now, over 200 children attend the school (from an area where 95% of the population earn less than $1 per day) and will continue to do so because the school does not rely on hand-outs to stay open.

This approach proved to be effective and Oxfam/FFH reported a 30-percent annual "spontaneous" compounded replication rate. In 2008, an evaluation revealed only a slight difference in the quality between groups trained by field officers and those trained through this replication approach. The latter have about the same membership as the former (21 versus 23 members, respectively); comparable savings rates and outstanding loans; and attendance that is, on average, only slightly lower (67 percent compared to 74 percent, respectively). In addition, groups replicated by villagers have adopted the same management structure as those trained by field officers, including seasonal adjustments to savings and the use of fines for non-compliance with established group rules. The major difference was productivity: field officers trained 51 groups during the period of study, while village agents each trained an average of five groups—not surprising in view of their limited time and ability to travel.

However, this approach afforded little control over the results. With new large-scale funding in 2008 and specific targets for Mali, Oxfam/FFH shifted to its current "structured replication," in which replicators, or village agents, are formally trained and supervised before being allowed to expand their client base. Animators (Oxfam's field officers) recruit village agents from the

groups, one per village. They are provided with a three-day training course, a pictorial manual, and a certificate at the end of the workshop. Newly certified "replicators" organize and train new groups until their home village is saturated. Animators use Oxfam's structured curriculum and formal manual to train the replicators on the group formation process. The replicators use the pictorial manual to form groups.

This replication process is an approach shared by CARE, CRS, and Plan. Oxfam/FFH's targets for village agents are somewhat lower than the other agencies, owing to Mali's more dispersed population and travel barriers.

CRS's PSP Networks: From Field Agent to Private Service Provider

CRS is the only facilitating agency whose field officers (paid local agents) evolve into private service providers (its name for village agents). Unlike the other agencies, CRS does not start out using external agents to train groups. Instead, it recruits field officer candidates from the community. Training is followed by 9 to 12 months of supervised work in the field, a formal review, an examination, and, finally certification. Once certified, the trainees are designated as private service providers and work independently in the field (see annex 4), charging groups for their services. CRS assists its private service providers to form informal networks.

In this system, CRS pursues sustainability within its SG projects at three levels:

- ***Group sustainability*:** The primary goal of all SILC projects is to create sustainable groups.
- ***Field officer sustainability*:** Only 60–70 percent of recruited field officers makes it past the initial recruitment screening, and of those about 80–90 percent receives certificates. Thus, about 50–60 percent makes it through the entire certification process. This selectivity is intended to yield highly motivated, good quality agents. During their apprenticeship, field officers receive a small stipend, estimated to be between one-third and one-half what they will make as certified private service providers, when they can charge fees for their services.
- ***PSP networks:*** In order to continue the process of recruiting and deploying new trainers over greater geographical space, CRS helps organize a loose, informal network, of private service providers, each covering an unspecified (but not large) area. The key criteria are informality, and little or no investment in fixed assets or recurrent costs.

Because CRS designed and set in motion this entire structure in 2008–2009, it is too early to determine the feasibility and viability of the network model, although it is a subject of CRS research.[23] Of all the facilitating agencies, CRS has created the most structured, program-wide concept for a sustainable delivery channel; it is also the most cost-conscious, balancing the need for a coherent structure against the need to operate as economically as possible. Evidence from Zanzibar suggests that when structures are formalized, they become costly, which may lead village agents to focus more on increasing fee income from existing groups than expanding outreach.

23. See annex 7 for a list of current research on savings groups.

AKF, CARE and Plan's Village Agent Strategy

AKF, CARE and Plan's strategy for village agents (apart from CARE's projects in Tanzania and Kenya) is consistent across their networks. They deploy paid professional field officers to create starter savings groups, deliberately spaced a few kilometers apart. Field officers then identify and train about 6–8 village agents and supervise them for a year, in much the same way as CRS. After certification, village agents become independent. Plan and CARE also make use of village agents, but do not have organization-wide policies to create either formal or informal federations of these trainers. While Plan actively discourages this, CARE country programs make their own case-by-case decisions about whether or not to pursue this approach.[24]

3.3 Lessons for Replication

The village agent model has proven that it can work for many years. It was introduced in Niger—the world's poorest country—in 2000, and all savings groups there are now trained by village agents, who are paid by the groups themselves. When CARE left Zanzibar in 2005, it had trained 46 groups. Now there are 250, an annually compounded growth rate of about 38 percent, with no group collapse reported to date and no additional cost to the facilitating agency.[25]

Facilitating agencies have standardized the VA model, but in different ways. The principal distinction is between those organizations that seek to organize village agents in local federations and those who do not. CRS creates informal networks of village agents; CARE Tanzania does the same, but in a much more formalized structure. All other projects, at this time, have no plans for establishing professional VA networks, since this could drive up costs and shift village agents' attention away from creating new savings groups.

The optimal ratio of supervisors to village agents has yet to be determined, but the suggested range is 1:5–10 at any one time. Likewise, no clear consensus has been achieved on the number of groups that can be trained by a village agent at any one time; this ratio is subject to important variables, such as the ease of travel, population density, and norms regarding the frequency of group meetings. The lowest known ratio is 1:3 and the highest 1:8. The average appears to hover around 1:5. At the time of writing, most projects have made projections about VA performance based on the factors just mentioned, but none has yet proven that the ratios of paid staff to village agents, and village agents to groups, is valid beyond the initial year or two. The market potential of a village agent is, however, expected to span at least three years, and the total number

24. With the exception of Tanzania

25. Authors' field visit to Zanzibar, October 2008.

of groups to be created per village agent ranges from a low of 5 (Oxfam/FFH in Mali), to about 8 for Plan, and 12 for CARE and CRS.

The number of groups that a village agent is expected to create—and the time needed for village agents to develop their individual markets—remain to be validated by experience.

4 Platforms and Linkages

Now that savings groups have achieved some visibility, there is a vigorous debate about how they can be used as platforms for, or linked to, other services, both non-financial and financial. Some feel that savings groups should be left alone to decide their future themselves, while others believe that they present an excellent opportunity to offer more diverse services. Whatever the individual view may be, efforts to use savings groups to deliver non-financial services will inevitably expand, as will efforts to link the groups to the formal financial sector. This section looks at some of the most developed initiatives.

4.1 Savings Groups and Non-financial Services

Savings groups are increasingly being used as platforms to deliver other services, either by the facilitating agency or other organizations taking advantage of a network of existing groups. Some non-financial institutions are adopting the SG model and integrating it into their existing work in health, agriculture, or support of people living with HIV and AIDS.

There are many reasons to pursue such linkages. The financial services that savings groups provide can strengthen almost any program by facilitating purchase of program inputs (seeds, medicines, etc.). Similarly, the groups can be a venue for addressing the many challenges beyond finance that their members confront. Water collection, soil management, and home improvements (improved stoves, alternative fuel briquettes, and solar lighting) are just a few issues of a larger development agenda that could be within the reach of savings groups. However, adding other interventions to the SG agenda comes with risks: the main one is overloading savings groups with activities that are supply-driven by external entities, rather than demand-led by SG members.

The facilitating agencies featured in this paper and their SG projects offer a variety of linkages, a selection of which is described below.

Oxfam/FFH's (Saving for Change) Combination Approach

Oxfam/FFH conducts research to identify single high-impact interventions, which, when implemented through savings groups, promise to create economic and social synergies that reduce constraints on economic activities. In Mali, they selected malaria prevention and developed a curriculum to help field officers educate SG members about this topic.[26] They reasoned that people who regularly suffer the effects of malaria are less able to invest in productive activities and less able to save. Oxfam/FFH's approach to malaria education has also been adopted by Plan in Mali and Burkina Faso.

26. SfC field officers in Mali facilitate a series of seven 30-minute sessions during weekly meetings. The sessions, developed by FFH and Oxfam, are called "Technical Learning Conversations" and cover the causes, prevention, and treatment of malaria.

Pact-WORTH: Women's Literacy and Business Development Services

The Pact-WORTH approach is a fully integrated package of training inputs, used in all SG projects. Women go through a course that combines training in SG management with literacy and numeracy. Savings group members also receive training in basic small business management ("Road to Wealth") and marketing ("Selling Made Simple").

CRS' Savings and Lending Communities

CRS uses SILC to promote social empowerment and integral human development. Given savings groups' abilities to smooth consumption, protect and grow assets, increase social cohesion, and develop leadership and decision-making skills, the groups are a useful and flexible tool that helps sustainably achieve project objectives in a range of sectors, including agro-enterprise, health, education, HIV and AIDS, and peace building. Approximately 70 percent of the savings groups formed by CRS operate within in the context of integrated programming. Integration offers to communities and individuals involved in other projects the opportunity to form savings groups. Where other activities are added to the agenda of existing savings groups, the key principles of self-selection and the right of each individual and group to control its assets still apply.

CARE Partner, Uganda Women's Effort to Save Orphans

Uganda Women's Effort to Save Orphans (UWESO) pursues four program areas: food security and nutrition, health, education, and socio-economic development. It starts all its new program groups as savings groups and adds additional activities in nutrition, health, and education as funding is available. Other development organizations, public and private, also collaborate with UWESO in order to introduce their services to its savings groups (e.g., bed nets, water catchment tanks, seed distribution, and animal husbandry). A host of health and HIV and AIDS service programs use savings groups as a vehicle to identify patients in need of medical or psycho-social support.

Savings Groups Engage in Collective Marketing

UWESO clusters 2–6 savings groups for greater efficiency in service delivery. In Masaka District, it has 96 clusters and estimates that about 60 of these collectively market coffee, beans, maize, and groundnuts. This system was introduced in 2007 by a Swedish NGO that trained the SG clusters and a cluster "focal person" in marketing. When cluster leaders decide to sell, they mobilize SG members to bring their produce to a designated location. Initially, the NGO helped the focal persons contact buyers and negotiate the sale of the collected produce, but they now do this on their own.

4.2 Linkages to External Sources of Savings and Credit

Aspirations of linking savings groups to the formal financial sector are not yet matched by experience. Such linkages are not yet widespread in Africa for several reasons: banks do not have adequate branch networks or technologies in place (with the possible exception of Rwanda, South Africa, and possibly Malawi); no countries mandate favorable credit conditions for pro-poor sectors; and refinancing for pro-poor loan portfolios is not available in Africa.[27] Consequently, the formal sector is reluctant to lend to savings groups, with the exception of those MFIs and banking institutions that have a clear pro-poor mission (such as Opportunity International).

CARE is the only facilitating agency with a long-standing bank linkage program (in Rwanda) and is working on similar initiatives in Tanzania and Malawi. In addition, in Niger, MFIs provided a large number of CARE's savings groups with credit[28] without direct CARE facilitation.

Other linkage initiatives taking shape are grappling with the following key questions:

- What are the most appropriate products and when should they be offered?
- What are the risks of linking savings groups to external capital, and under what terms and conditions should loans be provided?
- How can new technology assist?
- What is the role of facilitating agencies in consumer protection?

What Are the Most Appropriate Products?

Most facilitating agencies agree that linkages should be based initially on savings mobilization. Poor people in Africa have demonstrated greater interest in saving than borrowing, owing to their limited capacity for investment and debt. FinScope studies in Tanzania, Kenya, and Zambia[29] indicate that the demand for financial services in Africa among the very poor is based

27. In India, it is mandatory for commercial banks to allocate 40% of their loans to pro-poor sectors. To encourage this, refinancing is available from a number of institutions (notably NABARD, the National Bank for Agriculture and Rural Development) at rates that are 2%–4% below market rates. The rural banking infrastructure is also much more extensive in India, particularly in areas where self-help groups have been most successful. The service is restricted to commercial banks and is not available to MFIs.

28. In all the savings groups that were linked to MFIs, studied by CARE Niger, membership declined. The studies found that the worse the experience, the greater the drop-out rate. Groups that were not linked retained their membership or increased it. See P. Rippey, 2008, "Etude sur l'impact des crédits extérieurs sur les groupements et réseaux MMD et les mesures de minimisation des risques" [Study of the impact of external credit on MMD groups and networks, and measures for minimizing risks], report prepared for CARE Niger, Niamey, Niger, January 2008. In Rwanda, the results were mixed, with savings groups making positive use of external credit for group-managed projects. The institutional arrangements were, however, unsustainable. See J. Maes, 2007, "Linkages between CARE's VS&LAs with Financial Institutions in Rwanda: Case Study," report prepared for CARE USA, Economic Development Unit (Atlanta, GA, USA: CARE USA).

29. The 2007 FinMark Trust/FinScope studies of Uganda, Tanzania, and Zambia all indicated a similar hierarchy of priorities for both savings and credit services (in descending order of importance): meeting basic needs, emergencies, education of children, and business investment. Some 15% prefer to use credit and 19% prefer to use savings for these purposes.

mainly on household cash-flow management and less on enterprise investment. Savings and insurance products are instinctively understood to serve this purpose better than credit.

Facilitating agencies exploring bank linkage are stressing the potential for mobile telephone systems to facilitate savings, either held only on mobile phones (CARE's Access Africa approach) or automatically deposited to bank accounts via cell phones (CARE and Plan-Ghana's strategy). Only CARE and Plan are experimenting with mobile phone-driven credit supply.

Terms and Conditions of Credit

Most facilitating agencies encourage SG members, whose borrowing needs cannot be met by their savings group, to approach local MFIs for larger, longer-term, lower-cost financing options. They endorse this type of linkage because it can meet the needs of individual members without placing the group's capital at risk. They share concern about indebting savings groups beyond their capacity to repay and placing the group at risk for the benefit of a few individuals.

Nevertheless, some facilitating agencies are committed to helping savings groups that seek external sources of capital[30] and among them consensus is emerging on the following principles:

- Savings groups should have completed at least one full cycle of successful operation before linkage to external credit is considered.
- Credit coverage should be limited. CARE proposes that the initial leverage ratio of savings to total debt should not be greater than 1:2. More conservative voices propose ratios that do not exceed 2:1 in initial cycles.
- Loans should only be made to the savings group to augment its own loan fund, and not externally targeted to individual members
- External loans should respond to the inadequacy of the savings group's own capital, relative to demand.
- Wherever possible loans should be structured as a line of credit

Most facilitating agencies are aware of the risks of linking savings groups to bank credit. Despite good intentions, MFIs in particular are likely to regard savings groups as low-cost targets for credit. In fact, there are cases where multiple MFIs have lent to the same group, leading to over-indebtedness.[31] Facilitating agencies believe that they have a role in consumer protection and plan to provide guidance to groups concerning demonstrable (as opposed to expressed) demand for credit and prudent levels of debt to equity.

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30. CARE's Access Africa program is committed to this approach, while emphasizing savings as the entry-level service that groups should consider.
31. See Rippey, 2008, "Etude sur l'impact des crédits extérieurs [Study on the impact of external credit]."

To date, only CARE has a written policy concerning bank linkage. Access Africa has prepared a comprehensive manual covering linkages between savings groups and financial institutions.[32]

Annex 5 lists the approaches and status of bank linkage activity among the facilitating agencies contacted.

Gaining Access to More Loan Capital

In Mali, SfC groups have found their own way to increase their loan capital. They form a ROSCA of savings groups that functions in much the same way as a traditional ROSCA. Each savings group contributes the same amount at the ROSCA meeting and one group takes the pooled funds to add to its capital. Two members from each savings group attend the ROSCA meeting, which elects its own officers.

4.3 Linkages to Insurance Providers

Using savings groups as delivery channels for insurance products is in its infancy and two approaches are being tested: linking insurance providers to savings groups and establishing SG networks specifically to provide self-insurance. CARE is working through MicroEnsure and Community Vision in Uganda to provide life insurance to SG members and is looking at a similar initiative in Tanzania. AKF in Pakistan is developing a community-managed maternal healthcare insurance product. CRS is looking into the feasibility of providing health insurance in Benin.

4.4 Summary

The opportunities for integrating savings groups with other financial and non-financial services are limitless. Yet, there are diverging views across projects about the wisdom of following this path. That savings groups represent a platform for a broader range of development interventions is balanced by a concern for their capacity to manage additional activities without compromising the focus and discipline required for high quality, autonomous groups. Although recognized best practices or clear trends indicating what works and what does not have not yet emerged, all the facilitating agencies featured here are, or intend to, pursue some type of linkage. They are aware of both the risk of overload and the need to ensure that collateral interventions using savings groups as vectors for other services be demand-driven and cost-effective. This is an area for further study.[33]

32. P. Labh, 2010, "A Practitioner's Guide to Facilitate Linkage between Village Savings and Loan Associations and Financial Institutions," report prepared for CARE Access Africa, January 2010.

33. AKF is currently undertaking a research initiative to learn how effective it is to combine savings groups with other development activities. Preliminary results are expected in October 2010. A randomized controlled trial, undertaken by Yale University in 2006, showed positive results when entrepreneurship training is combined with microfinance. See D. Karlan and M. Valdivia, 2006, "Teaching Entrepreneurship: Impact of Business Training on Microfinance Clients and Institutions" (New Haven, CT, USA, and Lima, Peru: Yale University, Economic Growth Center; and GRADE), http://aida.econ.yale.edu/karlan/papers/TeachingEntrepeneurship.pdf

Men Appreciate Women's Participation in Savings Groups

"Membership in Saving for Change in Mali demonstrates to both fellow members and non-members that a woman is worthy of respect and consideration. Their [women's] increased ability to manage family emergencies and their general household responsibilities independently has led to fewer conflicts with men, and is appreciated by both genders. Some women also express the importance of increased economic independence from their husbands and a distrust of sharing their benefits with men who may squander them. Nevertheless, men themselves are highly supportive of the program. Men consider SfC as a means for women to meet their share of the household's economic burden without requiring assistance from their husbands, and appreciate their ability to manage their finances and protect children from malaria."

Source: Bureau of Applied Research in Anthropology, 2010, "Baseline Study of Saving for Change in Mali" (Tucson, AZ, USA: BARA, University of Arizona).

5 Performance Measurement

When CARE Niger started mobilizing savings groups on a large scale in the early 1990s, it paid little attention to performance measurement. Most facilitating agencies that took up SG promotion subsequently were happily surprised by the response in the field and the demand for SG training, so little was done to track performance.

However, the last five years have witnessed a growing interest in understanding the financial and social performance of savings groups and facilitating agencies. Costs are certainly a central concern,[34] as are the sustainability of savings groups and their impact on household and community welfare. Low-cost impact studies show fairly consistent results across projects and regions, and are clearly positive in terms of asset acquisition and protection, improved nutrition, access to health and education services, and changes in social status. These need to be validated by long-term randomized control trials, such as CARE is undertaking in Malawi.

A Small Start Leads to Big Changes

CARE first came to Chipanga, a village in central Malawi, in 1999 to introduce women to savings and loan groups. Nearly 90 women attended the first meeting, but upon learning that they had to save their own money, only 11 women decided to stick with it. Now, there are six savings groups in Chipanga and their combined effect has transformed the economy of the village.

Each group typically has access to around $1,000 that they have used to establish herds of cattle and goats, build new homesteads, and fill barns to the brim with maize. Some have built new shops and restaurants around the now-permanent market. One member even bought a solar-powered TV, built a big hut, and charges people to watch football—a local cinema! Beyond these individual pursuits, SG members pooled resources to establish Chipanga's first nursery school, giving some 30 young children a head start in school and allowing their mothers more time for business.

Mary Chintenda, one of the original 11, chuckles as she reports that others in the village "don't believe we could save this much on our own. That's why we sing our songs loudly—to let them know that we earned this money ourselves." "Our children," she says, "see their mothers owning things and working to improve their lives. They are learning from us, and they will lead better lives because of it."

Source: Nick Lea, 2007, "No Sandcastles in Chipanga," unpublished document.

34. The prevailing view (clearly expressed by the Bill & Melinda Gates Foundation) is that the all-in costs of providing services to a single SG member should be less than $10 over the long term. There is not yet a consensus as to whether this applies to local partner costs only or must include those of facilitating agencies. There is also no clear view as to when this should be measured, since SG programs have shown a strong capacity for post-project growth, financed by member fees. The $10 per-member figure is certainly far less than the cost to provide services through MFIs, such that savings groups can finance their own growth. What this says about industry assumptions concerning benefits accruing to SG membership is significant.

Beyond the need to measure impact, the financial performance and overall operational profile of savings groups have been the focus of industry attention. There are five main areas of interest:

- Group profile and member satisfaction
- Group financial performance and sustainability
- Efficiency and productivity of implementing organizations
- Sustainability of service delivery by savings groups, post-project
- Cost per member, measured both during the life of a project and long term

5.1 The SEEP Ratios

In 2008, after more than a year of discussion, the SEEP Network's Savings-Led Financial Services Working Group produced a set of performance ratios for SG projects.[35] These ratios were incorporated into management information systems and reporting tools being used by facilitating agencies, and have been used by programs to make cross-project and cross-country comparisons. However, until now, there has been no central repository for this information that can help the microfinance industry, facilitating agencies, and projects establish benchmarks and norms for the performance of savings groups and projects, and to make competitive comparisons.

5.2 Web-Based Reporting

VSL Associates Savings Groups website

In 2009 the Bill & Melinda Gates Foundation initiated three large-scale SG projects in nine countries, through three grantees—CARE, CRS, and Oxfam America—and commissioned VSL Associates to build a web-based relational database that would enable the Gates Foundation to compare performance by a number of variables:

- Agencies
- Regions
- Countries
- Projects
- Type of trainer
- Age of savings group

35. SEEP Network Savings-Led Financial Services Working Group, Ratios Sub-group, 2008, "Ratio Analysis of Community-Managed Microfinance Programs," (Washington, DC: SEEP Network), http://www.seepnetwork.org/Resources/5905_file_Ratios_web_final.pdf.

The three grantee agencies, joined by Plan, reviewed the SEEP ratios and developed a revised set of 11 key ratios that reflected agency consensus and the need to use measures that were readily understood by the industry. In addition, the agencies agreed on 18 metrics that describe programs in terms of averages and totals.

Using a revised form of the original VSL Associates MIS (version 3.02), facilitating agencies can generate a small data file that can be uploaded to the reporting website, *www.savingsgroups.com*. The data file also incorporates GPS (global positioning system) information and additional information on bank linkages that was not part of earlier versions.

Currently, the four participating facilitating agencies posted the second round of data on their programs, as of June 30, 2010, and will regularly update this information every three months. The database currently comprises 73 projects in 7 countries, made up of 606,386 members in 27,210 groups tracked by facilitating agencies. Below are some of the key results to date:[36]

Total assets	$10,664,246
Annualized return on assets	40.2%
Loans as percent of performing assets	72.7%
Percent of members with loans outstanding	56.5%

The reporting website will be restricted to the current four participating facilitating agencies until September 2010 data is posted (available November 2010), after which the website will be open to AKF to post its data and then open to public viewing. However, data from a wider set of agencies will not be posted at that time because the website will be fine-tuned during the first six months. Data quality is currently being verified by field visits to a sample of 327 savings groups, in 32 projects, whose performance will be tracked for the next four years.

In early 2011, the site will be available to other agencies, but their data will not be field validated unless they pay for it themselves. Those whose data is validated will be identified by a 3-star rating system.[37]

The SEEP Network Savings-Led Financial Services Working Group

The SEEP Network's Savings-Led Financial Services Working Group (SLWG) is a practitioner group formed to share experience and knowledge about savings groups and disseminate learning more broadly. In addition to this paper, on-line discussions, and conference presentations, SLWG has two learning initiatives to increase information sharing among savings-led practitioners. The first is a literature database that collects operational studies, program impact assessments, and training manuals of relevance to the savings-led field. Member organizations can

36. http://www.savingsgroups.com/en/projects/search (restricted website).

37. Funding is being sought to develop a new web-based tool that will allow agencies to enter MIS data online that will automatically be linked to the savingsgroups.com website in real time. The intention is to make this a site that anyone engaged in savings group promotion can post to and will capture a broader range of methodologies.

contribute their documents to this database and make them easily accessible both to savings-led practitioners and the wider NGO community, thus increasing the visibility of savings-led methodologies.

A second initiative is mapping member organizations' savings-led operations around the globe. The mapping aims to keep practitioners informed of the growth of savings groups and increase the opportunities for cooperation among organizations. This mapping captures some of the same geographical information as *www.savingsgroups.com* mentioned above, yet aims to do so in greater detail wherever possible, including multiple levels of geographic data, such as the region or province. The platform seeks to give visibility to small and large players alike.[38]

38. SEEP is introducing a new platform, NING, to facilitate member discussions, online conferences, and general information sharing. This new platform is widely used in the industry and will encourage synergies and cooperation across initiatives to develop, thus increasing learning both within and outside the savings-led field.

6 Conclusion

Savings groups will not look the same in five years. The sector will be exponentially larger, perhaps more sophisticated, and probably less standardized than it is at present. Many savings groups will offer a more varied set of products, be involved in inter-institutional relationships, be more involved in social action, and extend their investments beyond their savings and loan fund. Many of these approaches will work; some will prove to be problematic. But, it is only by this wealth of experimentation and information sharing that the sector can grow at an optimal pace. Describing the sector as we found it, this paper focuses mainly on the principles that underpin the system and highlights variations between agencies implementing the model. We hope that it clarifies the questions people have about savings groups and anticipate that it will need continuing elaboration.

Annex 1. Why Self-Help Group Programs Are Not Included in This Discussion

Self-help groups (SHGs) are a phenomenon in microfinance, with more than 50 million members in an estimated 4 million groups, mainly in the south and west of India. The growth in self-help groups has taken place at a much faster rate than almost any other form of microfinance, coming to prominence in the last 10–12 years. Self-help groups share many of the characteristics of savings groups, but have some key differences:

- Both SG and SHG projects facilitate the creation of small, self-selected groups that offer loans to their members with funds mobilized from member savings. Self-help groups, however, are primarily established with the expectation that they will access highly-leveraged external finance from the banking sector within a very short period. More than 75 percent of self-help groups are linked to banks through this process[39] and provide access to additional capital, usually managed by the group, after 12 months. Savings groups, by contrast, are designed from the start to be independent and access external finance on their own volition—to date, only very occasionally. In Africa (home to the majority of savings groups), banks are usually distant and there is neither the legal requirement for banks to lend to the poor (unlike India) nor the refinancing facilities available to financial institutions to encourage it.
- Most SG methodologies (except for Pact-WORTH) promote share-out, which is the distribution of the group's liquid assets at the end of a cycle. Once a year, all of the members receive their savings, plus any profits that have been generated by group loan-fund interest income or other economic investments made by the group. By contrast, most self-help groups do not cash out, but pay profits or dividends to their members.
- Savings cannot usually be withdrawn in self-help groups, in contrast to many SG projects that do permit savings withdrawal. Highly-leveraged credit access and limited access to savings associated with self-help groups generally result in lower savings levels in comparison to savings groups.
- Many SHG members tend to regard their monthly savings investment in their self-help group as a form of subscription, guaranteeing access to credit. SG members, by contrast, regard their savings as an important accumulating asset, which they expect to provide an attractive, competitive return.
- Because self-help groups are mainly set up to access bank credit and because the banks have stringent disclosure requirements, self-help groups maintain comprehensive financial records and are able to generate financial statements on an ongoing basis. Consequently, they are often dependent on external technical support, which is needed as

39. See www.apmas.org. APMAS estimates that 3 million self-help groups, out of 4 million, are linked to banks under the NABARD-supported SHG-bank linkage program, making it the largest microfinance program in the world. Experienced practitioners believe that the number actually linked is less than 75% of the total.

long as three to five years before a self-help group can maintain its own records. By contrast, the strong trend in savings groups across the board is to simplify financial records, specifically to ensure that groups can function independently as soon as possible.

Because of these differences, because savings groups are mainly active in Africa, and because the SHG sector is vast, diverse, and hard to describe in one-size-fits-all terms, we have excluded them from this paper and looked at SG projects mainly from an African perspective and through the lens of the more experienced facilitating agencies.

Annex 2. Savings Group Outreach: Major Facilitating Agencies

Continent and country	*Aga Khan*	*CARE*	*CRS*	*Oxfam*	*PACT*	*Plan*	*Totals*
Asia							
Afghanistan	18,500	13,078					31,578
Cambodia				66,162	2,600		68,762
India	626						626
Indonesia		4,000					4,000
Myanmar					4,000		4,000
Nepal					125,000		125,000
Tajikistan	5,217						5,217
Latin America							
Ecuador		656					656
El Salvador		2,000		5,339			7,339
Africa							
Angola		4,000					4,000
Benin		5,000	30,849			13,534	49,383
Burkina Faso			4,428	4,000		19,394	27,822
Burundi		43,894	6,709				50,603
Cameroon			3,664				3,664
CAR			1,017				1,017
Côte d'Ivoire		16,794					16,794
DRC			847		3,900		4,747
Egypt						6,200	6,200
Eritrea		4,000	135				4,135
Ethiopia		39,277	9,936		17,000	30,011	96,224
Ghana		13,168	7,105			15,884	36,157
Kenya		177,802	54,158		6,000	4,050	242,010
Lesotho		299	637				936
Liberia		421	743			502	1,666
Madagascar		4,750	115		4,000		8,865
Malawi		23,340	1,166			10,330	34,836
Mali		84,727	9,402	263,705		9,988	367,822
Mozambique		40,000					40,000
Niger		215,604	451			16,509	232,564
Nigeria			765				765
Rwanda		83,481	31,384				114,865
Senegal			7,013	32,564		1,521	41,098
Sierra Leone		15,745	1,848			11,698	29,291
South Africa		4,524					4,524

Continent and country	*Aga Khan*	*CARE*	*CRS*	*Oxfam*	*PACT*	*Plan*	*Totals*
Sudan North			5,028			1,700	6,728
Sudan South			2,049				2,049
Tanzania		161,195	42,591		16,500	30,412	250,698
Togo						5,901	5,901
Uganda		165,994	43,668		4,800	35,430	249,892
Zambia		1,000	796		5,000	7,498	14,294
Zimbabwe		92,772	5,126			2,000	99,898
Asia	24,343	17,078	0	66,162	131,600	0	239,183
Latin America	0	2,656	0	5,339	0	0	7,995
Africa	0	1,197,787	271,630	300,269	57,200	222,562	2,049,448
Total No. of members	24,343	1,217,521	271,630	371,770	188,800	222,562	2,296,626
No. of countries	3	26	26	5	10	18	41
Average per Country	8,114	46,828	10,447	74,354	18,880	12,365	56,015

Note: Figures are accurate as of July 2010.

Annex 3. Different Approaches to Record Keeping

	CARE, Plan, AKF VSLA	*CRS SILC*	*Oxfam/ FFH SfC Mali*	*Oxfam/FFH SfC Cambodia and Latin America*	*Pact- WORTH*
Record-keeping method	Passbooks and record of ending balances	Central record-keeping forms and memorization of ending balances	Memory-based, oral record keeping	Central forms-based	Passbooks and ledgers, master register, and balance sheets
Member literacy	Unnecessary	Unnecessary	Unnecessary	Unnecessary	Essential: integral to methodology and project goal
Record-keeper literacy	Not essential, but numeracy essential	Financial literacy necessary	Not essential, but numeracy essential	Necessary	Necessary, integral to project goals
Member and record-keeper numeracy	Necessary	Financial literacy necessary	Necessary	Necessary	Necessary
Implications for savings	• Using share stamps simplifies record keeping and allows for moderately flexible savings. • Limited to multiples of share value (maximum 5 shares). • Withdrawals permitted.	• Ledgers that record actual amounts allow members to save any amount between a minimum sum and a maximum (5 times the value of the minimum sum).	• Memory-based record keeping limits members to saving the same amount at each meeting. It is in the process of introducing multiple share mechanism for mature groups. • No withdrawals are permitted.	• Allows members to save in varying amounts at each meeting, up to 5-times the base amount. • Withdrawals are permitted above a base amount agreed on by the members.	• Detailed ledger-based system allows for recording of both fixed mandatory savings and flexible voluntary savings.
Implications for loans	• Passbook system allows for flexible loan payment and choice of declining balance or flat interest. • Loans are disbursed monthly. • Limits members to monthly loan repayment. • Simple verbal application and approvals process.	• Ledger system allows for flexible loan periods and repayment, using flat or declining balance system. • Loans may be disbursed at any meeting. • Limits members to monthly loan repayment. • Simple verbal application and approvals process.	• System requires monthly interest payment and end-of-term balloon reimbursement. • Has a simple verbal application and disbursement process.	• Ledger system allows for flexible loan repayment, using declining balance system. • Loans may be disbursed at any meeting (monthly). • Limits members to monthly loan repayment. • Has a simple verbal application and approvals process.	• Paper-driven system allows for formal (but complex) application and vetting process, and frequent (weekly) repayments.

Annex 4. Village Agents and How Facilitating Agencies Make Use of This Model

	AKF	*CARE*	*CRS*	*Oxfam/ FFH Mali*	*Oxfam Cambodia and Latin America*	*Pact-WORTH*	*Plan*
Uses village agent model or similar	No	Yes	Yes	Yes	No	No	Yes
Terminology for village agent	N/A	Village agent	Private service providers (PSPs)	Replicator	N/A	N/A	Village agent, but often varies
Terminology for field officer	Field officer	Field officer	Field agent	Animator	Field trainer (Cambodia) promoters (LA)	Empowerment worker	Field officer
Strategy	Not included in present projects, but anticipated in the future. Will experiment in Mali using Oxfam/ FFH replicator agent approach.	Widely adopted; all new projects and partners set up community-based trainer structures. In earlier projects until early 2000s, was more ad hoc.	Uses PSPs, who start out as paid field agents and later evolve into fee-for-service community-based trainers. Strategy will be applied across all projects in Africa.	Uses replicators, trained by animators (paid field officers); they are integral to program growth strategy.	N/A	N/A	All projects in West Africa have designed the village agent model into their projects, which has guided project design and field officer distribution from the start. Used in East Africa on a more ad hoc basis.
Paid or unpaid	N/A	Had mixed situation in past and still has no consistent policy. All new projects implement fixed fee-for-service approaches. Tracks payment status.	No early policy, but now moving toward area-wide fixed-fee structure for PSP service. Field agents are provided with a bicycle and paid a stipend during their training and supervision period. Tracks payment status.	Has no policy. Oxfam/ FFH allows replicators to work as they see fit. They may individually negotiate fees, but mostly they work on volunteer basis. Oxfam/FFH does not track payment status.	N/A	N/A	Promotes fee for service model, but sometimes this is resisted. Other incentives, such as travel costs or bicycles, are often enough. Starting to track payment status.
Selection and training	N/A	By field officer, from groups	From the community at large	By animator, from groups	By field trainer, from groups	N/A	By field officer, from groups
Field officer productivity	10–12 groups per year	10–20 groups in first year, diminishing thereafter	10–15 groups per year until saturation	20 groups over 3 years	15–20 groups per year		25 groups over 3 years

	AKF	*CARE*	*CRS*	*Oxfam/ FFH Mali*	*Oxfam Cambodia and Latin America*	*Pact-WORTH*	*Plan*
Ratio of field officer to village agents	N/A	Originally recommended at 1:6 per field officer per year; now experimenting with 1:8	N/A	1:15 over 3 years	N/A	N/A	1:5 per year in most countries; 1:10 per year in Burkina Faso this year
Ratio of village agents to groups trained over time	N/A	1:5–8 groups a year till saturation	1:10–20 new groups per year until saturation	Over 3 years until saturation	N/A	N/A	1:8 groups until saturation over 3 years
Period during which village agent is supervised	N/A	1 year	9–12 months as paid field agent then move to fee-for-service PSP after certification	1 year of supervision by paid animator	N/A	N/A	Theoretically 1 year of supervision by field officer, but occasional
Certification and independent operations	N/A	Yes, in Access Africa project; certified after 12 months. Is ad hoc in other projects.	Yes, field agents certified as PSPs after 9–12 months of fieldwork, training, and intensive mentoring. Highly structured certification process, including final exam.	Replicators receive a certificate after 3 days of training.	N/A	N/A	Yes, in principle. 12 month's supervision by field agent and then certification. No formal process has as yet been developed.

Annex 5. Linking Savings Groups to External Sources of Finance

	AKF	*CARE*	*CRS*	*Oxfam/FFH Mali*	*Pact- WORTH*	*Plan*
Savings	None; no plans at present to do so. The Aga Khan Agency for Micro-finance (AKAM) is the principle instrument for supplying "standard microfinance services" in most project areas.	None as yet, but is exploring M-Pesa's mobile phone money-transfer services in Tanzania and Uganda to deposit excess group liquidity. Plan Ghana is working with CARE on direct deposit through the use of mobile phones.	None as yet, but exploring M-Pesa's mobile phone money-transfer services in Uganda and Kenya to deposit excess group liquidity.	Many groups in Mali spontaneously form apex associations that function like ROSCAs, in which savings groups contribute to a common fund every month. No linkages to the formal sector are planned.	Pact-WORTH's savings groups may have an account with a commercial bank to store liquidity in excess of $5.	In Ghana linkages to financial institutions are planned under a Barclays Bank grant, using Telcom money transfer systems. Plan Ghana and CARE are the only facilitating agencies working on direct bank deposit through the use of mobile phones. Linkages are proposed in Senegal and Tanzania.
Credit	No	Linkages to financial institutions and telecommunication companies are being piloted in multiple countries. Linkage partners include MFI's, commercial national banks, commercial multi-national banks and micro-insurance providers.	Not as yet	No, members who want larger loans than the savings group can provide are encouraged to approach MFIs as individuals. This is very uncommon.	Yes, a village bank may borrow money from another village bank with excess capital that it cannot lend out to its members. Or a village bank may get a loan from an NGO or another agency. No formal bank credit available.	In Ghana linkages to financial institutions and telecommunication companies will be developed in 2010. In Senegal and Tanzania, linkages are being proposed to two financial institutions.

Note: Community Managed Microfinance (CMMF) is the term initially used for the savings groups featured in this paper. In 2010, The SEEP Savings-Led Working Group agreed to a generic name, "savings groups" (SGs).

Annex 6. Performance Ratios

Ratio no.	*Ratio name*	*Formula*	*Purpose*
Category 1: Member satisfaction ratios			
R1	Attendance rate	No. of members attending meetings / No. of active members	Indicates short-term relevance and value of services and appropriateness of methodology
R2	Retention rate	No. of active members / (No. of active members + No. of dropouts)	Indicates long-term relevance and value of services
R3	Membership growth rate	(No. of active members – No. of members at start) / No. of members at start	Indicates long-term relevance and value of services
Category 2: Financial performance ratios			
R4	Average savings per member mobilized to date	Cumulative net value of savings / No. of active members	Indicates level of confidence in CMMF system; may be compared to alternative and similar savings opportunities
R5	Annualized return on savings	Net profit and loss/(Cumulative value of savings / (2 x (52 /average age of CMMFGs, in weeks))	A measure that allows for comparison of the efficiency with which different CMMFGs generate profits
R6	Average member investment	(Total assets – Total liabilities) / No. of active members	Indicates retained individual investment (savings + earnings)
R7	Average outstanding loan size	Value of loans outstanding now / No. of loans outstanding now	Indicates changing debt capacity of members
R8	Portfolio at risk	Value of loans past due / Value of loans outstanding now	Measures amount of nominal default risk; may not be reliable indicator of loan losses
R9	Loan losses	Value of loan write-offs / ((Value of loans outstanding at start of period + Value of loans outstanding now) / 2)	Indicates extent of uncollectable loans compared to the simple average value of loans outstanding over a given period
R10	Risk-coverage ratio	Net profit-loss / Value of loans past due	Indicates degree to which current yields cover potential maximum losses
Category 3: Operating efficiency ratios			
R11	% of members with loans outstanding	No. of borrowers / No. of active members	Indicates degree to which loan access is equitable

Ratio no.	*Ratio name*	*Formula*	*Purpose*
R12	Fund utilization rate	Value of loans outstanding / (Total assets – (Fixed assets + Other funds))	Indicates level of credit demand
Category 4: Implementing organization operating efficiency ratios			
0	Caseload: CMMFGs per field staff	No. of CMMFGs being supervised / No. of field staff (including supervisors)	Indicates operational efficiency of total field staff
R14	Caseload: Members per field staff	No. of active members / No. of field staff (including supervisors)	Indicates effective efficiency of total field staff
R15	Ratio of field staff to total staff	No. of field staff (including supervisors) / No. of all staff	Indicates level of organizational efficiency
R16	Cost per member assisted	Total program costs to date / (No. of active members + No. of graduated members)	Measures how much it costs to provide CMMF services to individual clients
Category 5: External debt ratios			
ER1	External portfolio at risk	Value of external borrowing past due / Value of external borrowing outstanding	Measures the amount of default risk on external loans to CMMFG; a reliable indicator of default
ER2	External borrowing	Value of external borrowing outstanding / (Total assets of CMMFGs borrowing externally – liabilities)	Indicates the degree to which CMMFGs are able to leverage external funds

Annex 7. Current Research on Savings Groups

1. Oxfam America

BARA/IPA Randomized Control Trial in Mali

Researchers: Bureau of Applied Research in Anthropology (BARA, University of Arizona) and Innovations for Poverty Action (IPA)

Baseline report: Available; impact evaluation expected at the beginning of 2013.

The baseline report looks at the livelihoods systems of the SfC target population, including household characteristics, poverty levels, current systems of credit and savings, and levels of social capital, among other topics. The baseline information is based on a large-scale quantitative survey research conducted by IPA in 500 villages in the Segou region and is complemented by qualitative analysis from BARA in eight of these villages. In addition, this baseline evaluates the operations of the program with qualitative information collected in five villages in Segou and other regions throughout Mali where the program is operating. The baseline study will be followed with an impact evaluation that will examine changes in the baseline variables above. Impact data for the follow up study will be collected in 2012 in the same areas.

Building on Continued Success: Saving for Change in Older Program Areas in Mali

Researchers: Janina Matuszeski and Laura Bermudez

Report: Available August 2010

This study aims to gain a clearer picture of how savings groups develop and the challenges and opportunities that they face after the initial stages. It documents the survival of older groups, the work of replicating agents, the dynamics of group associations, and links to NGOs or MFIs. It also profiles non-members. (The study is focused on pre-Gates Foundation grant areas of Mali, which used an older replication system.)

Case Studies of Savings Groups in Mali

Researcher: Roanne Edwards

Report: Available August 2010

This study reports on extreme positive and negative cases of savings groups in Mali. On the positive side, it documents the extraordinary enterprises that some groups that have started, specifically collective projects, such as cereal banks or rental of the village mill. It also discusses

instances of collective action on health issues and education. On the negative side, it documents cases of members' inability to repay loans, internal conflicts, group disbandment, and villages that refused the program.

2. Catholic Relief Services

SILC Delivery Channel Research

*Researchers***:** Joe Kaboski and Gary Woller

Report: Completion date of study, end of 2011; report to follow

In order to rigorously compare the private service provider (community-paid) and the field officer (project-paid) models, an experimental design established statistically comparable cohorts that operated in comparable environments. This study controlled for observable and unobservable differences between agents, their supervisors, and areas of operation. Among field officers who successfully complete their examination and qualify to be certified as private service providers, some are randomly assigned for immediate certification (treatment), while others are randomly assigned to remain as field officers for an additional 12 months (control) before officially becoming private service providers. The treatment and control agents are equally qualified and will be supervised and supported in the same way; the only difference will be how they are paid: by the project (control) or by the SILC groups (treatment). Through randomization, the treatment private service providers and the control field officers will be statistically similar and any differences in performance and outcomes can be attributed to the delivery channel. The research process sampled 333 agents (227 treatment, 106 control).

The private service provider and the field officer models will be compared along the following dimensions:

- Group quality and financial performance
- Impact on group members and their households
- Poverty outreach
- Member satisfaction with agent services
- Agent satisfaction with their work and remuneration
- Competitiveness with respect to other financial service providers
- Sustainability of services to groups

3. Aga Khan Foundation

Combining Savings Groups with Other Development Activities and Services

Researchers: Ben Fowler, Nanci Lee, Candace Nelson, Marcia O'Dell, David Panetta, Paul Rippey, Jennefer Sebstad

Reports: Case studies and papers available in 2010 and 2011

AKF is seeking to learn how effective it is to combine savings groups with other development activities or services. It is interested to learn how savings groups are used as a platform for other development initiatives, how linkages to other services take place and with what benefits to group members, and how to introduce SG programs or grow them as partner to other interventions. It seeks to identify factors internal to the groups, plus features of the context and the nature of the linkage, which may affect the results and effectiveness of the combined activities. The research will consider how savings combined with other group-based development activities add value for individual members of the groups, for the groups as entities in themselves, for the facilitating agencies offering the linked activities, and for the wider community. Overall, this research will explore what works in combining financial services and other development activities through savings groups, what does not work, and why. AKF is also particularly interested in learning and synthesizing research on the sustainability and replication of savings groups, and of platforms and linkages; on targeting specific groups, such as youth and women; and on the opportunities and risks of organizing larger collectives of savings groups.

This research program includes nine case studies across Africa, Asia, and Central America. These case studies, combined with literature reviews and synthesis papers, will draw out relevant lessons and develop evidence-based information on key issues when savings groups act as a platform for other development activities and/or link to both financial and non-financial services.

4. CARE Ongoing Research on Savings Groups

VSL Member Survey

Reports: Available at end of 2010; final evaluation report end of 2011.

CARE is using a simple but rigorous methodology to assess the impact of savings groups on members. The impact assessment is based on a client intake survey, which uses a yearly-cohort approach to assess the SG contribution to (rather than attribution of) change in members' and their household's outcomes (e.g., economic empowerment, women's empowerment, and household well-being).

The tool is also combined with a Poverty Wealth Ranking methodology, which helps classify the poverty levels of savings groups before and after the intervention. It will also track the progress of a particular member out of poverty.

Currently, the survey is being implemented Kenya, Tanzania, Zambia, Uganda, Egypt, Ghana, Mozambique, Rwanda, Lesotho, and Tanzania

Randomized Controlled Trial

Report: Final evaluation report available by end of 2011

In partnership with Innovation for Poverty Action (IPA), CARE is conducting a randomized controlled trial under the GATE'S-funded SAVE-UP project in Uganda and Malawi. The trial will help CARE find out whether any change in members' outcomes can be attributed to the savings groups.

Additional Research

CARE is also conducting research in Rwanda under the MasterCard-funded SAFI project to understand the inclusion of vulnerable and marginalized people in savings groups. The study raises several key questions: who are the savings groups reaching; who are the non-participants; and why are they not participating in a savings group? The research will help to make savings groups more accessible to vulnerable people.

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About SEEP

The SEEP Network is a global network of microenterprise development practitioners. Its 120 institutional members are active in 180 countries and reach over 35 million microenterpreneurs and their families. SEEP's mission is to connect these practitioners in a global learning environment so that they may reduce poverty through the power of enterprise. For 25 years, SEEP has engaged with practitioners form all over the globe to discuss challenges and innovative approaches to microenterprise development. As a member-driven organization, our members drive our agenda while SEEP provides the neutral platform to share their experiences and engage in new learning or innovative practices. The SEEP Network helps strengthen our members' collective global efforts to improve the lives of the world's most vulnerable people.

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