

CERSEM

Center for Research on
Social Enterprises and Microfinance

What do we know about the performance of savings groups? Insights from research carried out on the SAVIX database.

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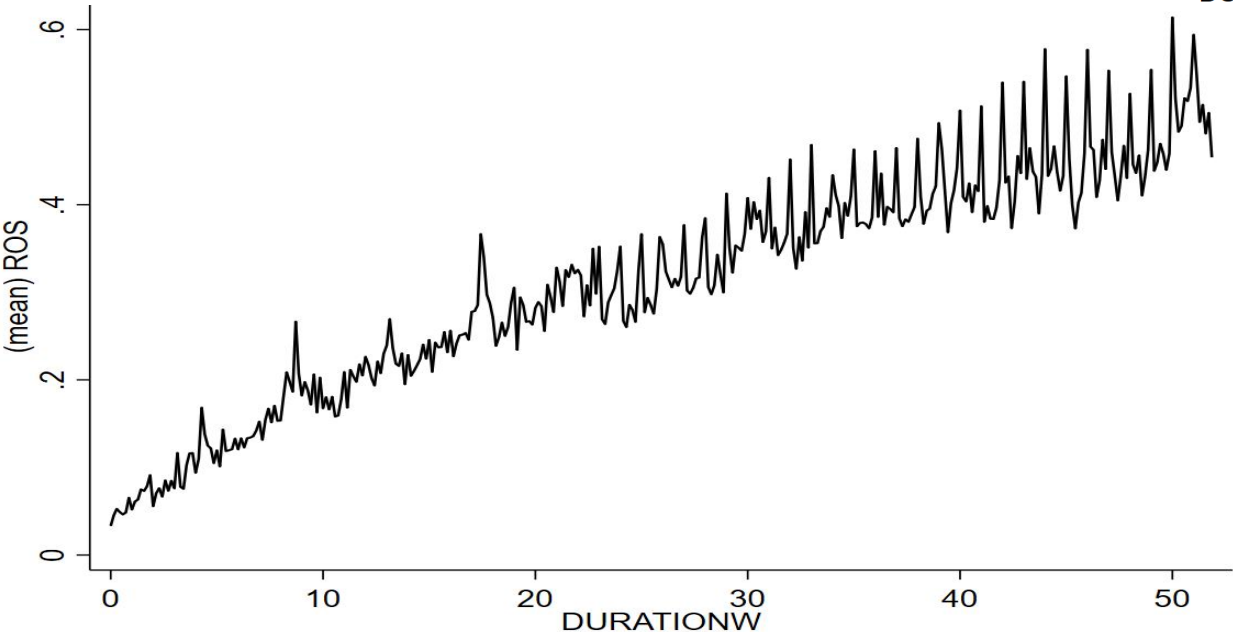
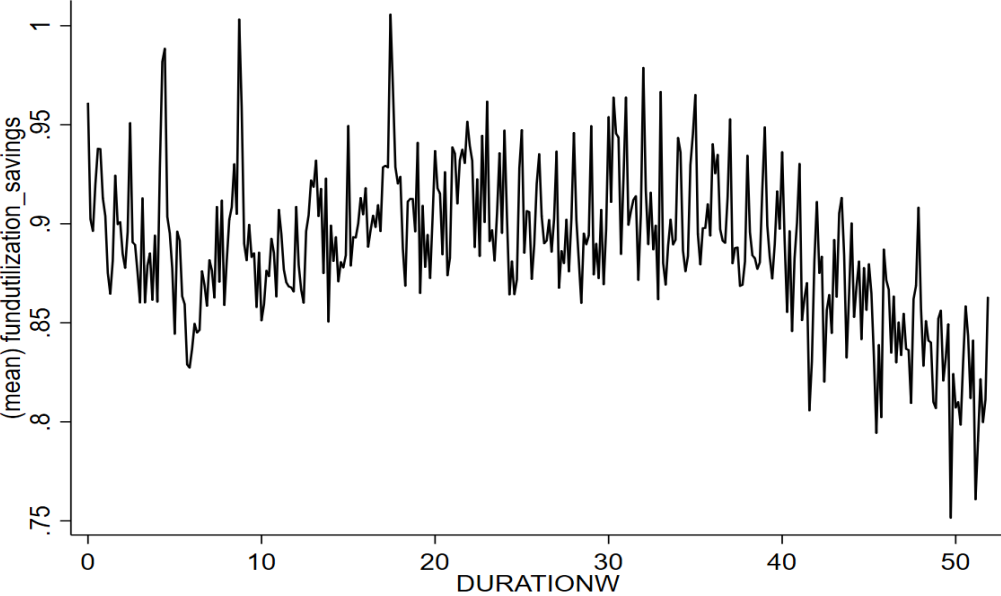
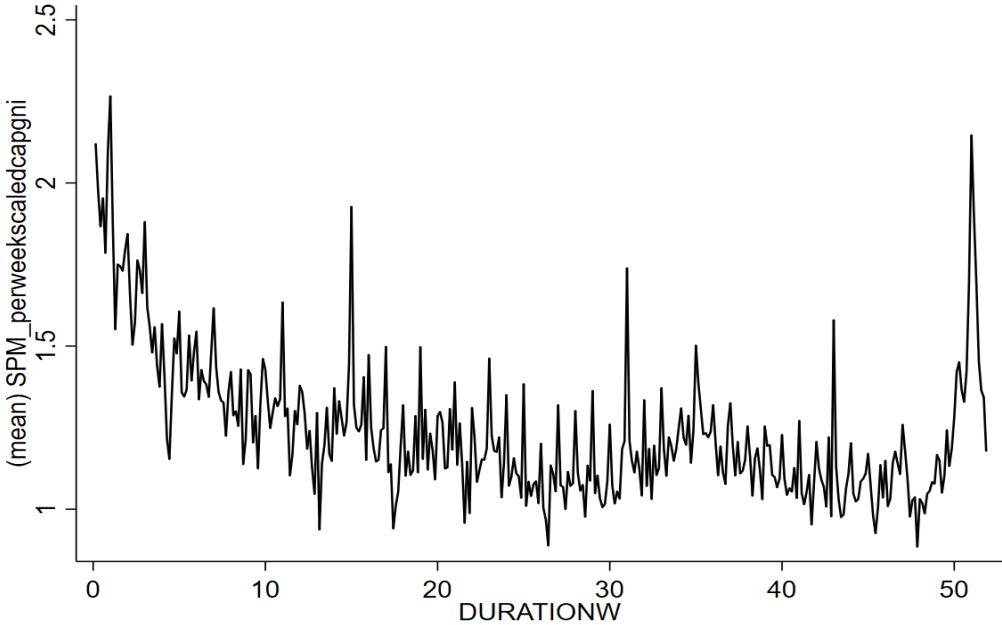
Savings Groups in the SAVIX dataset: Facilitated SG

- Member-based informal entities that group around 20 members, mostly women, to conduct small-scale financial transactions among them.
- Pool money in a common savings fund (cash box) and borrow from the fund at an interest (often around 5% per month).
- Weekly transactions in consecutive lending-cycles of typically one year: “*within*” vs. “*across*” cycle statistics
- Borrowing is typically “tied” to savings-behavior
- A social emergency fund often incorporated: insurance against unexpected life-cycle events (death, sickness,...)
- PLUS-activities sometimes observed: business training, literacy training, health/vaccination campaigns,... Dependent on facilitation model
- Examples of facilitation: VSL-model (CARE); SILC-model (CRS); SfC-model (Oxfam & Freedom from Hunger)

The SAVIX database at CERSEM (the overall SAVIX is larger)

- Quarterly information of over **5 million members from 200000 savings groups** over **several quarters** in **more than 50 countries**.
- Based on a reporting system (the SAVIX MIS)
- 1,200 projects worldwide report to SAVIX
- Developed by VSL Associates (Hugh Allen ++)
- Supported by the Bill & Melinda Gates Foundation, CARE, Catholic Relief Services, Oxfam America and Plan International.

TRENDLINES FOR KEY PERFORMANCE MEASURES



Profit generation in savings groups? Evidence from the SAVIX database

- Research Question: What drives profit generation in savings groups?
 - Macro factors (country factors)?
 - Meso factors (facilitating agency etc.)?
 - Micro factors (group characteristics)?
- Findings:
 - Group facilitation explains 53% (meso factors)
 - Macro variables explain 26%
 - Group characteristics explain only 21%
 - + Graduated groups have higher profit
- Implications:
 - Facilitation agencies/models including donors matter a lot
 - Models should be adapted to local conditions
 - Savings groups should organize themselves as much as possible
 - Facilitators should organize exit-strategy and promote graduation

Unpacking the financial performance of savings groups worldwide.

- Research Question: Do savings-groups act as profit-generating entities or cash-management vehicles?
- Findings: The SG is a 'cash management tool' rather than a 'profit-maximizing entity'.
 - Savings are small but steadily go up across cycles. However, savings discipline seems to deteriorate within cycle
 - Fund utilization rate is stable across cycles
 - Long unproductive periods (beginning & end) but 'learning effect' as unproductive periods become shorter over time
 - High but declining returns on savings across cycle suggesting less focus on profit-generation
 - Loans are small and decline over time
 - Interest rate declines as group mature

Informal insurance and loan allocation at the bottom of the wealth pyramid: the role of the welfare fund in savings groups

- Research Question: What is the effect of the welfare fund on loan allocation in savings groups?
- Findings: SGs with a social/welfare fund allocate 20% to 34% more loans to their members
 - The welfare fund goes beyond its social role and acts as an informal risk-sharing technology allowing groups to issue more loans.
- Implications:
 - Group facilitators should motivate groups to include a social fund
 - Facilitators/promoters of SGs should be aware of secondary effects of group design

Financial Education at the Bottom of the Pyramid: Is there an Effect on the Performance of Informal Grassroots Financial Associations?

- Research Question: How does financial education affect the financial behavior of the groups?
- Findings: Having access to financial education improves financial behavior at both the individual and group levels. Trained groups have:
 - Higher savings per member,
 - Higher fund utilization rates
 - Higher returns on savings
- Implications:
 - SGs are a viable channel via which “financial literacy training” can be offered to financially excluded people.
 - Knowledge alone may not be enough to change individual financial behavior and should be complemented with practical hands-on experience as is possible in SGs

Should informal financial groups at the bottom of the pyramid be linked to banks? A comparative analysis of linked and unlinked groups?

- Research Question: How do savings and credit linkages influence SG performance?
- Findings:

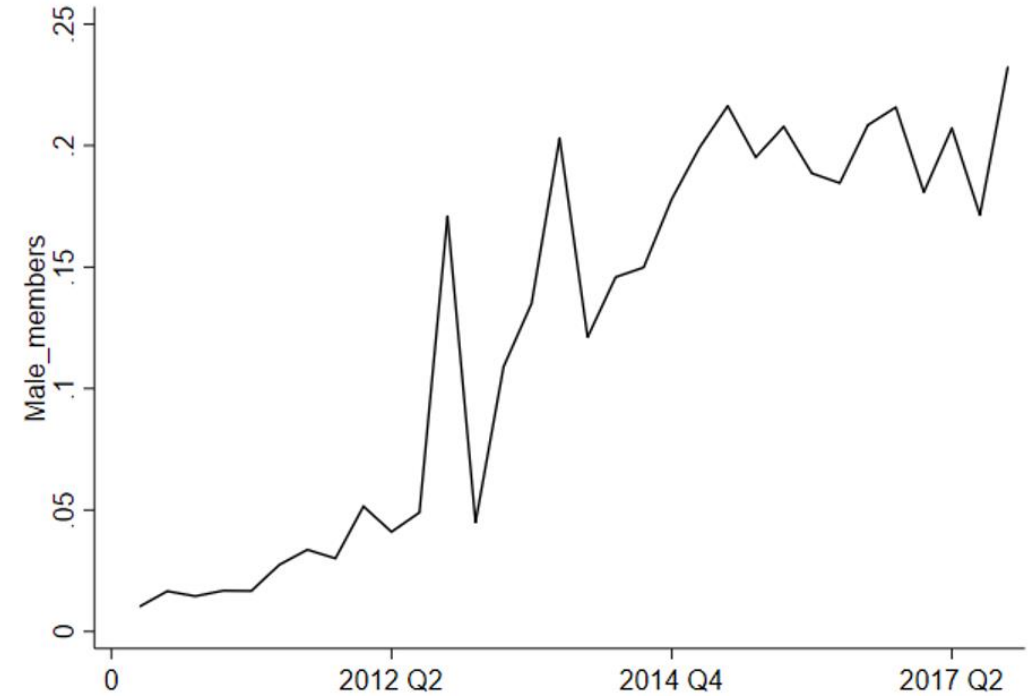
Differential effects observed:

- Savings linkages” lead to increased savings per member and return on savings, but also lead to ‘dormant’ funds (i.e., lower fund utilization) and higher interest rates set on SG-loans, suggesting possible exclusion of some SG-borrowers.
 - “Credit linkages” are generally negative for savings efforts and returns on savings
- Implications:
 - Caution when prescribing linkages, especially credit linkage
 - Ensure linkages are not pushed but demand-driven

Including men in a female financial model: an analysis of informal grassroots financial associations

- Women still majority (around 80 percent) of savings groups' membership
- However, increasing male membership overtime

Share of male members overtime



Including men in a female financial model: an analysis of informal grassroots financial associations

- Research Question: What is the influence of increasing male membership on the profit generation capacity of savings groups?
- Findings:
 - As the percentage of male members in the group increases, the profit generating capacity (measured using the return on savings) of the group reduces.
 - Further, the return on savings suffers more as the percentage of men increases in countries with high gender inequality
- Implications:
 - Thoroughly appraise gender-based interventions aimed at the SGs in order to avoid harming some aspects of their core operational model
 - Contextual factors should be accounted for before rolling out interventions