Savings Groups and Women’s Financial Inclusion

REDUCING POVERTY THROUGH FINANCIAL SECTOR DEVELOPMENT

fsdafrica
Women with access to a range of appropriate financial services are more likely to develop sustainable livelihoods, invest more in health and education and interact with and benefit from markets.

In sub-Saharan Africa, however, less than 30 percent of women have an account with a financial institution; and women’s financial exclusion is more severe among the rural poor, young women and other marginalized populations. In fact, the extreme poor expend as much as five percent of their annual income on financial services, mainly in the form of informal instruments that tend to be riskier and costlier – limiting their ability to interact with markets and invest in livelihoods, health, education and nutrition.

While the financial inclusion income gap was reduced by several percentage points between 2011 and 2014, the gender gap remained essentially static over the period. Compared to other disparities in access to financial services, “the gender gap is particularly noteworthy for its persistence over time.” Constraints to women’s financial inclusion include: the demand for small frequent transactions, reduced mobility, adverse social norms, gender gaps in financial and digital literacy, collateral and documentation requirements and time poverty.

“Investing in women and girls should be a shared priority across public and private sector stakeholders given the economic and civic implications of female participation in the formal financial ecosystem. From a micro perspective, having convenient access to a suite of quality financial services enables women to invest in themselves, in their families and in their communities by saving for the future, paying for educational and health expenses, putting money toward small businesses and engaging in other productive financial activities. For businesses, reaching an untapped segment of the market with products and services that individual customers find useful would augment providers’ revenue. From a macroeconomic perspective, women’s economic empowerment has increasingly been regarded as contributing to sustained inclusive and equitable economic growth and sustainable development.”

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2 Ibid.
Over the last decade, Savings Groups have emerged as a key strategy in advancing the FSD Network’s goals of promoting women’s financial inclusion in underserved markets.

A Savings Group is comprised of 15-25 self-selected individuals who save together and take small loans from those savings. Savings Groups provide members the opportunity to save frequently in small amounts, access credit on flexible terms and access basics forms of insurance. Savings Groups are owned, managed and operated by their members; they are, by design, financially and institutionally sustainable and continue to operate independently after a training period of about one year.

The community-based microfinance model – pioneered in Africa in the 1990s and now promoted by hundreds of international and local NGOs, national and local governments and financial service providers across 75 countries – provides access to basic financial services in underserved communities. It is estimated that there are at least 700,000 active Savings Groups worldwide, comprised of 14 million members, 80 percent of whom are women.

On average, each group manages total assets of about $1,200, representing an important safety-net that supports low-income households to meet consumption, investment and emergency needs.

Savings Groups promote:

- Economic Empowerment
- Education
- Gender Equality
- Health
- Nutrition and Food Security
Evidence of Impact

A recent systematic review of the evidence, supported by FSD Africa, concludes that participation in Savings Groups has a positive impact on savings, access to credit, business investment, food consumption and security, asset accumulation, self-confidence and resilience.

In combination with complementary services, Savings Groups can have a positive impact on women’s financial capabilities and gender norms, as well as maternal, child and newborn health.

Savings Groups also serve as a pathway to women’s formal financial inclusion; they aggregate demand among low-income women and offer an efficient entry point for financial service providers in marginalized communities. Over the past decade, about one million girls and women in underserved markets of sub-Saharan Africa have gained access to formal individual and group-based financial services through Savings Groups.

Financial Sector Deepening (FSD) Network
The FSD Network has invested over $28 million in Savings Groups in sub-Saharan Africa, significantly expanding outreach in Kenya, Mozambique, Tanzania, Uganda, Rwanda and Zambia, facilitating relationships between Savings Groups and financial service providers, supporting innovation in alternative delivery channels and technology, conducting primary and secondary research and strengthening connections and partnerships among diverse development and market actors.

Since 2008, the FSD Network has invested

$28,000,000

in Savings Groups in sub-Saharan Africa
In 2016, FSD Africa and the SEEP Network established a partnership to facilitate the creation, sharing and use of evidence for organizations supporting Savings Groups in sub-Saharan Africa.

The objective of the initiative is to increase access to and use of appropriate financial services by Savings Group populations in the region. The initiative’s knowledge mobilization strategy is focused on eight thematic priorities as outlined below. These thematic areas represent the framework for the initiative’s learning agenda.

**Applying a market system approach**
With the recent shift among several funders and development organizations towards a market systems approach to Savings Groups, continued experimentation is required, along with more evidence to determine which interventions work, why and how.

**Impact**
Despite the growing and increasingly robust body of evidence on Savings Groups, gaps remain on the impact of: commercial relationships between Savings Groups and financial service providers; participation in Savings Groups by more vulnerable populations; and the contribution of Savings Groups to gender equality. The body of evidence would also benefit from more independent research, greater geographic diversity and more long-term studies.

**Consumer protection**
An effective consumer protection regime for Savings Groups requires a better understanding of the risks encountered by Savings Groups, the severity of negative outcomes and effective responses for risk mitigation and remediation.

**Access to formal finance**
Increasingly, Savings Groups want a safe place to store long-term savings and excess liquidity, thus creating a business opportunity for financial service providers to leverage the resources and established processes of Savings Groups to offer a suite of individual and group-based products in new and underserved markets.

**Technology**
Technology-based tools have the potential to reduce the cost of training Savings Groups, improve training methods and group quality and create a community-based mechanism for sustained replication. Various technologies have also been introduced to Savings Groups to enable them to engage with external service providers.
Inclusion
New strategies are being developed to reach the very poor and for Savings Groups initiatives that target the extreme poor and other vulnerable populations (based on gender, age, socio-economic status, disability, other factors), there is a need to better understand the strategies to increase, improve and measure outreach.

Fragile and conflict affected states
Savings Groups have been introduced in areas characterized by armed conflict, violence, political instability, internally-displaced and refugee populations and exposure and vulnerability to economic, social and environmental shocks. This requires additional exploratory work, recognizing the potential impact of Savings Groups in such settings and the unique challenges and risks within diverse environments.

Gender
Savings Groups contribute towards women’s economic empowerment by expanding access to basic financial services and support networks. In combination with other interventions, Savings Groups can also constitute an integral component of gender transformative initiatives, changing gender norms and challenging gender inequality.

Through the initiative, FSD Africa and its partners will develop over 20 demand-driven knowledge products including case studies, learning briefs, research reports, practitioners’ toolkit etc. and host over 30 high-impact learning events.

In 2018, the initiative will begin a

1 year study on the role of Savings Groups in women’s empowerment.

The research will contribute to the improved design, implementation, monitoring and results measurement of Savings Groups initiatives in relation to various dimensions of women’s empowerment – including economic, social, political and reproductive.
700,000 Savings Groups worldwide

40 million members

80% women