The study found that in some cases group members created additional groups through the fusion of large groups into smaller ones. Savings group members promote the replication of groups, teaching new members the approach.

The Learning Initiative is generously co-funded by:

The MasterCard Foundation

Other Programme Development and Research Partners:

CARE Kenya
Community Savings Mobilisation Project
United States Agency for International Development
Decentralised Financial Services Kenya
Financial Sector Deepening Kenya

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The Aga Khan Development Network (AKDN) is a group of private development agencies working to empower communities and individuals, often in disadvantaged circumstances, to improve living conditions and opportunities, especially in Africa and Asia. Its agencies work in over 30 countries for the common good of all citizens, regardless of their gender, origin or religion. Its underlying impulse is the ethic of compassion for the vulnerable in society.

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their income. In addition to the social fund, social safety net mechanisms include ad hoc assistance for members, their families, and in some cases, other community members, to mitigate the impact of household catastrophes, including illness and death. The groups often serve as a solidarity group, counseling in times of need.

Lessons Learnt

There is a broad gap between the popular conception of SGs and the field reality in Rachuonyo District. The study discovered that in most cases, COSAMO provided training to previously existing groups; many groups continue to have ROSCAs in addition to their SG activities, and both have their advantages. Some groups carry out activities which are counter-intuitive, including non-proportional distribution of assets at the time of share-out. The social agenda is often as important, or more important, to group members than the financial services the group provides.

Brief based on research and case study sponsored by the Aga Khan Foundation’s Savings Groups Learning Initiative, written by Marcia O’Dell and Paul Rippey in June 2010.

AKF SAVINGS GROUPS LEARNING INITIATIVE

This case study explores the commonly held belief that Savings Groups are capable of functioning successfully after external agencies have phased out their support. It examines Savings Groups in the Nyanza Province of Western Kenya two years after the CARE support programme ended to determine: i) how well groups survive when functioning independent of facilitating agency support and ii) how groups can be used as a platform for the delivery of other activities that add value to group membership.

Savings Groups

Savings Groups (SGs) refer to self-managed community-based groups that provide their members access to basic financial services. SGs are composed of 15 to 25 self-selected individuals who meet regularly (usually weekly or fortnightly) to save and, if desired, borrow for short periods, paying monthly interest at a rate set by the group. After approximately 12 months, all savings and earnings are distributed back to group members (often referred to as a share-out). The earnings usually are distributed in proportion to their savings. SGs respond directly to the unmet financial services needs of the remote and rural poor by providing: i) a secure place to save; ii) the opportunity to borrow in small amounts and on flexible terms; and iii) affordable basic insurance services. SGs aim to increase household financial assets and to decrease household vulnerability to financial and other shocks.

SGs are a simple, transparent, cost-effective and sustainable means of providing entry-level financial services to people who are too poor or isolated to be served by other financial service providers. For this reason, they are being actively promoted by leading international development agencies including CARE, Catholic Relief Services, Oxfam America, the Aga Khan Foundation (AKF), PLAN International and others including national and local partners. The number of SG members has grown rapidly to about three million people at the end of 2009, mostly in Africa, but with increasing numbers in Asia, including Central Asia, and a few in Latin America. SGs are complementary to other financial services; some SG members also use financial services from other providers.

Learning Initiative Objectives

This research study is one of a series of studies sponsored by AKF’s Savings Group Learning Initiative funded by AKFC and The MasterCard Foundation. The Initiative examines how SGs are used as a platform for development activities and how linkages to other services take place and with what benefits to group members. It considers how financial services combined with other development activities add value for individual members of the groups, for the groups as entities in themselves, for the agencies facilitating SG development and offering the linked activities, and for the wider community. The Initiative also

The Permanence and Value of Savings Groups in Kenya’s COSAMO Programme

For further information:

AGA KHAN DEVELOPMENT NETWORK

www.akdn.org
After COSAMO training in 2007, Kinda Groups A, B, C, D and E grew from five to 135 members and is still growing. All five groups meet fortnightly together and then separate to conduct savings and lending. The groups have a common social fund for funerals and hospital bills.

Group-generated activities and structures not only expand opportunities for members to increase their income, but also provide a social benefit in the form of the social fund, which CARE introduced to the groups. Social safety nets also come from other mechanisms including spontaneous ad hoc assistance for members, their families, and in some cases, other community members. In most groups, economic well-being and social security are intrinsically intertwined.

The Saving Group.

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**Cover Photo:** In addition to making rope for their income generating activity.

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In Rachuonyo District, many groups have organised an additional service: informal insurance through a social fund established through member contributions. Members particularly value the social fund, which provides grants to members, often in emergency situations. The social fund has become a vital grassroots insurance and risk management system, particularly important given the high prevalence of HIV/AIDS in the community. In addition, SG members are engaged in many other activities yielding important benefits beyond financial services.

To understand the great variety of these activities, the report identified five paths or pathways through which value is added to groups: i) activities initiated by an outside agency; ii) links to an outside agency initiated by the group; iii) group income-generating activities (IGAs); iv) financial assistance or other social support offered to members, often through a group-managed social fund; and v) groups reaching into the community to help others, moving members from being beneficiaries to becoming benefactors.

Thus, contrary to assumptions that most value-added activities are brought to the groups, activities and structures generated by the groups themselves often provide value that is greater and broader than those of externally-introduced components. Group-generated activities and structures provide a social safety net and expand opportunities for members to increase their income by launching group-owned businesses. For example, 11 of the 44 groups want to buy chairs and tents to rent out for gatherings. Three groups hope to buy land or even a farm to work communally. Two groups want to establish nursery schools, and one group declared a lofty goal: to alleviate poverty among its members.
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Cover Photo: In addition to making rope for their income generating activity, ROCSAs, taught ROSCA members to adopt SG practices. ROSCA upgrading, in which some members moved from ROSCAs to larger groups, and two-third of the ROSCA members have adopted SOLAS, a type of SG that provides grants to members, often in emergency situations. The social fund has become a vital grassroots insurance and risk management system, particularly important given the high prevalence of HIV/AIDS in the community. In addition, SG members are engaged in many other activities yielding important benefits beyond financial services.

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Kalero members have a saying “money has feet.” To keep their money from “running away” many individuals are members of multiple groups or have formed additional groups to provide more incentives to save.
The study found that in some cases group members created additional groups through the fission of large groups into smaller ones. Savings group members promote the replication of groups, teaching new members the approach.

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