The Learning Initiative is generously co-funded by:

The MasterCard Foundation
Other Programme Development and Research Partners:
Howard G. Buffett Foundation
Catholic Relief Services

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The civilizing influence of the bus driver.

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.

SAVINGS GROUPS LEARNING INITIATIVE

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Members of the Savings Group, Faith and Hope, pose for a photo during their one year anniversary in Cacaopera, El Salvador. The resilience of the groups has helped persuade the project’s leaders and staff of the validity and potential of these groups.

I never would have dared to assume that anyone here could save anything.” Now, nearly every household has a member in a Savings Group in El Tablón – a community with one of the highest poverty rates in El Salvador. An older man commented: “The savings are mine, and I will decide how to spend them. That is what I like best about my Savings Group.”

Unintended Group Activities

**Raffle Prizes**
Each member of the SG contributes one “cora” to the group fund and one to the raffle. At the end of the savings and loan meeting, a ticket is drawn from a bowl, and the ticket holder receives a prize. The SG uses the raffle money to supplement its savings. Visits to A4N programme groups showed that different variations of the raffle concept had become a common activity in many of the A4N SGs. Raffle prizes ranged from flashlights and watches to small livestock.

**Dances**
In El Mojón, an isolated agricultural community in Nicaragua, an SG of single mothers, many of whom live in provisional homes made of wood and plastic, plan to invest their savings on improving their housing and paying for unexpected medical expenses. As an income generating activity, the women organise dances in the community, charging an entrance fee and selling food, cigarettes and beer. The profits supplement the group’s savings.

Youth Savings Groups

In El Salvador, a CRS technical advisor and her 11-year-old daughter piloted a youth group which has now been replicated. The children save for different reasons ranging from school supplies to special dresses for 15th birthday celebrations. To collect savings, members walk to school instead of taking the bus, sell snacks, or do household chores. Some groups do not lend any of their savings, while one group lends their savings to adults in the community.

Challenges and Sustainability

So far, forming SGs entails very high costs at US $68 per member, significantly more than CRS savings projects in East and West Africa where costs per member average US $28. The reason for such high costs is low outreach. The project, including CRS offices and partners, is just now gaining the experience needed to efficiently manage multiple activities, of which savings is only one, in contexts and cultures that for the most part do not promote savings.

What has not taken place is widespread self-replication of Savings Groups hoped for by the leaders of A4N, though never explicitly stated as a goal. The average ratio of promoter to group is 1 to 1.3, which keeps costs of the programme fairly high. Were promoters to form more groups or members to do so (as suggested in the training manuals), facilitation costs would drop.

In the four project areas, various groups in the communities have been formed by other NGOs including for example, mothers’ clubs, food assistance groups and producer associations. Some of these groups are large with up to 80 members. A4N, though never explicitly stated as a goal, has encouraged communities to form assistance groups and producer associations. Some of these groups are large with up to 80 members. A4N, though never explicitly stated as a goal, has encouraged communities to form SGs in the communities. Técnicos emphasize collective marketing and production efforts in addition to the savings and lending activities. They help groups to identify business opportunities and conduct market studies to decide upon group investments. As a result, several groups in Nicaragua and Honduras have accumulated larger amounts from profits on collective enterprise projects and interest on loans than from savings.

Groups who save regularly are eligible for co-investment from A4N for larger projects. For example, if a group wants to build a greenhouse and is willing to contribute about 10 percent of the cost of its construction, A4N (with deposits almost as a form of tax for co-investment in numerous countries) will fund the remaining cost. A4N is mandated to help farmers adjust their cropping patterns to cope with changing rainfall patterns and thus sees co-investment as a way to achieve this.

Promoting SGs Through an Agriculture Project

The leaders of the A4N project see SGs as a vehicle to support the development of other skills and to promote self-replication aimed at reducing costs. They view SGs as a useful platform for pilots in improved health, nutrition and agricultural extension services. However, local partners and staff are by and large resistant to help farmers adjust their cropping practices to cope with changing rainfall patterns and thus sees co-investment as a way to achieve this.

The group meetings of a single mothers SG are private and formal. While the group is saving, the women close and lock the doors. Not even the home’s owner, a 76-year-old man, is allowed to enter. Several men sit outside, guarding the meeting. When the women finish saving, they open the doors to the loan clients, usually men. The clients enter the house one by one to solicitt loans of seven percent monthly interest.

Country directors, project managers and local partners question the use of SGs as an entry point for other initiatives.

CRS offered each country office funding to test the SG concept. Typically, an extension officer (técnico), educated in agronomy or basic rural development, introduces SGs in the communities. Técnicos encourage communities to form groups and elect a savings promoter. The promoter is not an officer of the group but a volunteer who commits to helping form one to two SGs in their communities in exchange for training, prestige and sometimes in-kind or cash incentives.

In Nicaragua, Honduras and Guatemala, técnicos emphasise collective marketing and production efforts in addition to the savings and lending activities. They help groups to identify business opportunities and conduct market studies to decide upon group investments. As a result, several groups in Nicaragua and Honduras have accumulated larger amounts from profits on collective enterprise projects and interest on loans than from savings.

Context
Drawing on its rural development experience in numerous countries across Asia, Africa and Latin America, CRS initiated the A4N project in January 2009 in four Central American countries: Nicaragua, Honduras, El Salvador and Guatemala. A4N aims to combine five essential skill sets to benefit farmers and their families. The skills are: group organisation and management; sustainable agriculture; marketing; savings and lending; and innovation and learning. In addition to skills training, CRS country offices also grant inputs such as seeds, livestock and start-up fertilizer to selected beneficiaries. All skills and provided inputs are designed to improve and increase sustainable yields and higher prices of diversified crops, thereby improving nutrition.

Secrecy, Eda Ruth, updates the balance sheet at a meeting in El Tomabu, Nicaragua. Because each country office has used different implementation approaches, the way group meetings are conducted vary among the four countries.
“I never would have dared to assume that anyone here could save anything.” Now, nearly every household has a member in a Savings Group in El Tablón—a community with one of the highest poverty rates in El Salvador. An elder man commented: “The savings are mine, and I will decide how to spend them. That is what I like best about my Savings Group.”

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Groups that save regularly are eligible for co-investment from A4N for larger projects. For example, if a group wants to build a greenhouse and is willing to contribute about 10 percent of the cost of physical inputs (about US $200) and their labour, A4N will fund the remaining amount. A4N is mandated to help farmers adjust their cropping practices to cope with changing rainfall patterns and thus sees co-investment as a way to achieve this.

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In the four project areas, various groups in the communities have been formed by other NGOs including for example, mothers’ clubs, food assistance groups and producer associations. Some of these groups are large with up to 80 members. A4N encourages SGs to operate in the way that they believe is the best for the group, and they have begun to form more SGs or to promote other causes. The promoters are not obliged to promote SGs, and have no incentive to do so (as suggested in the training manuals), facilitation costs would drop.

Cover Photo: Two women evaluate their passbooks at a weekly group meeting. Through Savings Groups, adults and children can convert money that might otherwise vanish through small, invisible expenses, into a pool of cash that can be lent for a variety of household purposes.
Members of the Savings Group, “Children Saving for the Future,” show off their savings book after a meeting in Aguas Frias, Nicaragua. The children take the business of saving seriously. One boy, sick on a group meeting day, sent his savings wrapped in 15 layers of plastic in the care of the bus driver.

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AKF SAVINGS GROUPS LEARNING INITIATIVE
The Role of Savings Groups in a CRS Agriculture Project in Central America

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.

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.

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