

# 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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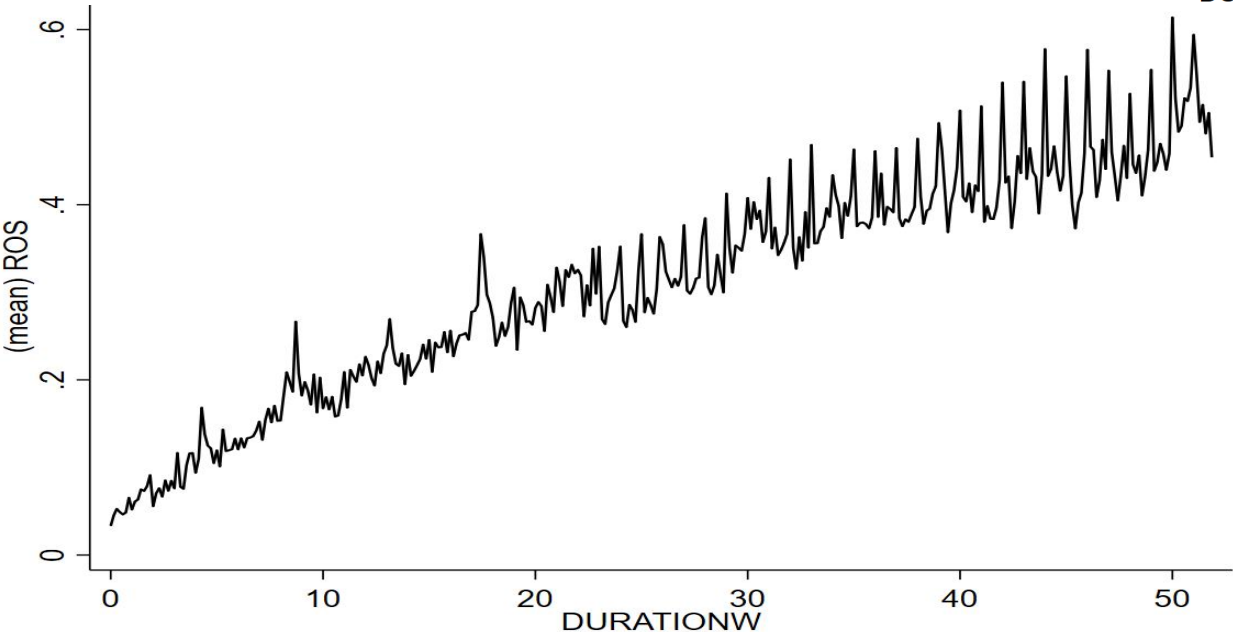
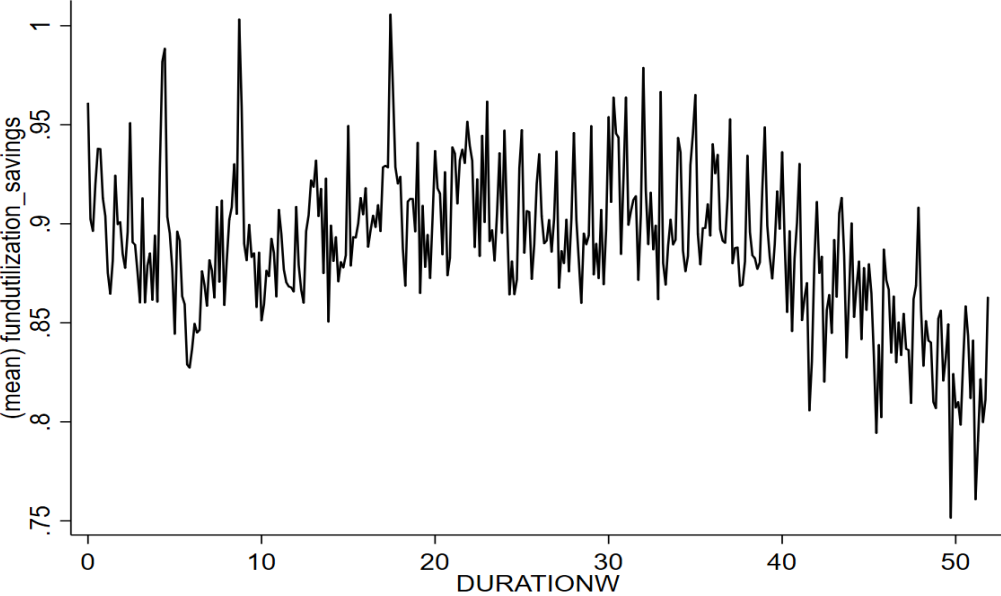
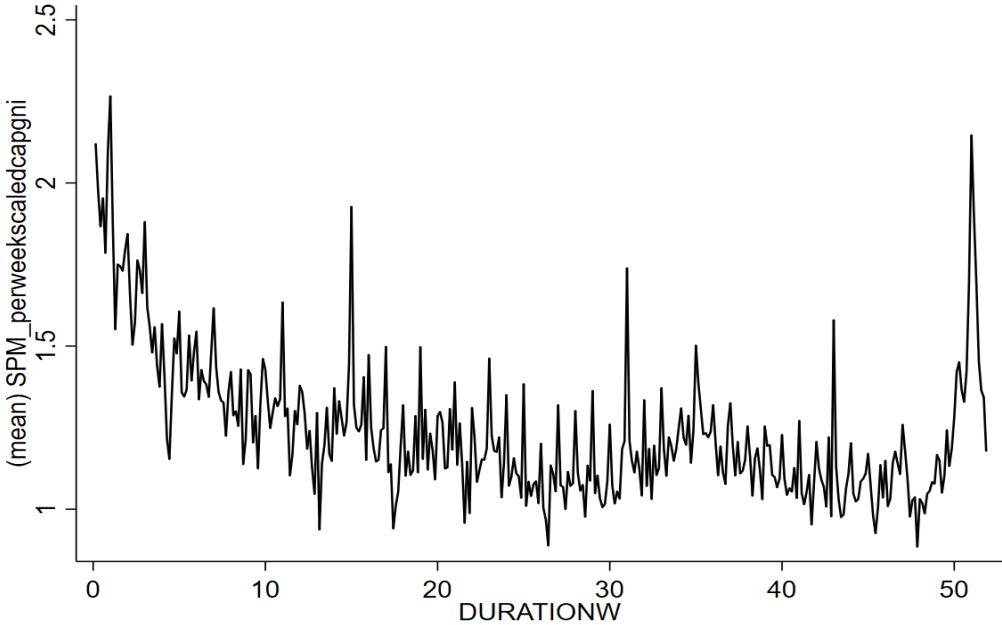
# Savings Groups in the SAVIX dataset: Facilitated SG

- 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

- 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