STRIVE *for Learning*

Savings Groups
Brief #1

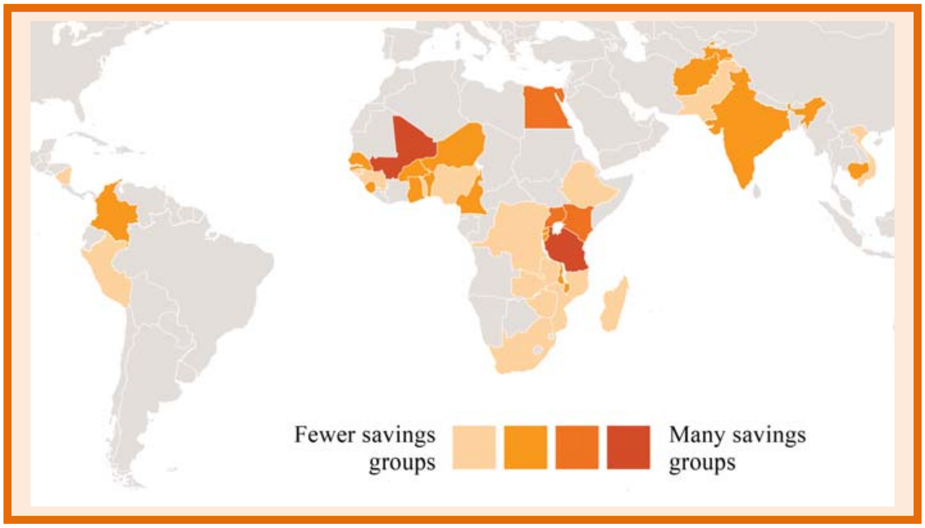
Savings Groups - Core Principles

Introduction

The STRIVE Savings Groups Brief Series provides basic guidance on savings groups (SG) programming to donors and practitioners who are interested in utilizing the approach to achieve positive effects on child protection and wellbeing. This Brief #1 illustrates the outreach that savings groups programs have achieved, discusses the key characteristics of the basic savings group model, and highlights the benefits of savings groups to their members.

Global Reach

Savings group statistics now show around 10 million members worldwide in 70 countries. CARE International is working in 38 countries with over 4 million group members, CRS is working in 37 countries with 1.35 million members, and Plan International is working in 26 countries with 1.16 million members. The Saving for Change program, promoted by OXFAM and Freedom from Hunger, has 650,000 members in 12 countries. There are nearly 1 million members in Asia (14 countries), 340,000 in Latin America (12 countries), and 9 million in Africa (70 countries). The map (below) illustrates graphically the reach of savings groups.



How do Savings Groups work?

Self-Selection is Key

Savings groups usually consists of 15 to 30 self-selected members from within a community. The phrase "*self-selected*" is key to good functioning, for several reasons: i) members need to know that each person will reliably come to meetings with their savings deposit; ii) members need to know what the needs of each other's households are, when requesting funds for emergency needs; iii) members need to be able to trust others in the group when lending money. Conflicts arise when this knowledge is missing.

> Self-selection creates the bond of trust that holds the group together.

Self- Management is a Goal

The groups elect their own management committee and establish group rules, using a template provided by their supporting organization (the NGO or other organization that establishes the groups). The group rules will include frequency of meetings, penalties for not attending meetings, conditions of saving and lending, and so on.

> Self-management allows the group to become independent of the implementing organization.

Bookkeeping is Simplified

One important consideration is the share: Savings are accumulated in the form of shares at a price agreed upon by the group, and a limit is placed on the number of shares that a member can own. The use of shares simplifies recordkeeping, and having a limit on the number of shares that can be purchased (a "cap") also helps improve transparency.

> The "share" and "cap" simplify record-keeping for illiterate members, and contribute to transparency.

No External Capital for Lending

The groups meet regularly (weekly, biweekly or monthly), for a period of about one hour. At each meeting, each member contributes their agreed-upon savings amount. Most of the collected savings become the loan fund, from which loans are issued to members of the group. The remainder may be used for a social fund, to assist members in particularly trying circumstances. Under no condition should external (outside) capital be injected into a savings group. External capital raises the cost of the intervention, and introduces complexities that prevent the group from becoming independent from the implementing partner.

> No external capital is necessary for lending activities. Savings groups are financed only by their members' savings.

Savings Groups are Time-Bound

When the group is formed, it is scheduled to last for a certain period of time – typically one year. At the conclusion of that time, the group gathers to distribute its members' savings. Profits are also distributed, proportional to the savings that a member has accumulated. Then the group disbands. It may choose to immediately re-form, even incorporating new members

> SGs are time-bound: They distribute all funds, and then disband.

Savings Groups Plus

Savings groups can be combined with additional services, preferably those services that enhance the intended benefits of the SG program. Add-on services commonly include financial literacy, business skills development, life skills training, and health education. To ensure child-level benefits, add-on services could include legal services, nutritional training, child-rearing education, and child protection information. Add-on services are often "phased in," allowing the savings groups to achieve a level of functioning before introducing the "plus" services.

Benefits for Members

Lump Sums

SGs help people accumulate small sums of money over time to reach a lump sum. This lump sum enables them to purchase food and assets, make improvements on homes, hire labor, invest in businesses, and/or pay for schooling.

Small loans

Members lend their savings to each other, in small amounts and for limited time periods, with a rate of interest chosen by the group. This generates a profit for the group's members. The access to loans can provide capital to entrepreneurs in the group, a third reason that SGs are attractive to members

Mutual Support

This can take the form of financial support (grants or short term loans for emergencies from the group social fund) and/or emotional support (advice and counseling from other members and from outside sources).

To learn more about designing savings group and savings group plus projects to improve child wellbeing, please see the STRIVE Technical Guide, Savings Groups and their Role in Child Wellbeing: A Primer for Donors, on which this and the other STRIVE SG Briefs are based.

The briefs in the SG series include:
#1: Savings Groups - Core Principles
#2: Savings Groups for Child Wellbeing - the Risks
#3: Designing Savings Groups to Benefit Vulnerable Children
#4: Introduction to Savings Groups Plus
#5: Savings Groups Plus for Child Wellbeing

This brief is produced by the Supporting Transformation by Reducing Insecurity and Vulnerability with Economic Strengthening (STRIVE) Program. Managed by FHI 360, under the FIELD-Support LWA, STRIVE represents a consortium of leading organizations committed to advancing the state-of-the-practice of economic strengthening to improve the wellbeing of vulnerable children. For more information, please visit www.seepnetwork.org/strive or www.microlinks.org/strive

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