The Savings Groups Revolution
Financial Inclusion without Financial Institutions

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The Savings Group Revolution: Financial Inclusion without Financial Institutions

Introduction

What if it were possible to achieve financial inclusion without financial institutions? This paper explores how small groups save and make loans to each other without the involvement of microfinance institutions, banks or credit unions. Thus the title: “Financial Inclusion without Financial Institutions.” The surprising finding is that while 190 million clients receive financial services directly through financial institutions, between the Self-Help Groups of India and the Savings Groups of Africa, more than 100 million villagers access financial services through groups trained by local NGOs involved in fields as diverse as health, agriculture and literacy—not finance. And since the NGO’s task is to train groups until they can operate independently, the difficulties encountered by MFIs in terms of managing and securing funds, operating according to regulation, controlling fraud and recovering loans, become irrelevant as each group administers its own fund. The second part of this paper shows how Savings Groups can serve as platforms to transform village economies at minimum cost through their empowered members taking the lead in development initiatives.

In Africa, as in most of the developing world, microfinance reaches few of the hundreds of millions who live in villages, except for densely populated Bangladesh, India and Indonesia. Yet, in just six years, Saving for Change (SfC) in Mali is serving 388,000 women living in more than 4,500 villages, nearly half of the villages in the entire country. This program is witness that financial inclusion at national scale is possible even under the difficult conditions of rural Mali. SfC members in Mali are illiterate, most live on less than a dollar per day, and many walk more than an hour to reach a paved road or a market.¹ Financial inclusion in this case, consists in the formation of many thousands of small self-managing savings and lending groups, not the expansion of established financial institutions or even the spread of cell phone banking. SfC serves the poor population for a one-time $20 training cost per member, a fraction of the start-up

¹ Baseline Study of Saving for Change in Mali: Results from the Segou Expansion Zone and Existing SfC Sites (2010). Bureau of Applied Research in Anthropology and Innovations for Poverty Action.
cost per client of a microfinance institution that would not reach this population, which is too distant, too risky and too unprofitable.

This simple, transparent, locally-controlled methodology addresses villagers’ need for a safe and convenient place to save and ready access to small loans. Weekly meetings build women’s leadership and their capacity to undertake collective action. The fund is divided among members in proportion to the amount each has saved, usually when money is scarcest during the “hunger season” between the planting and the harvest.

Showing the general applicability of this methodology, SfC has expanded beyond Mali and has adapted to Senegal, Cambodia, El Salvador and Guatemala, each setting providing a unique set of challenges. Taken together, over half a million villagers, most all of them women, are members of SfC groups with ten thousand new villagers joining every month. SfC, a joint undertaking of Oxfam America, Freedom from Hunger and the Stromme Foundation, is part of a growing family of Savings Groups programs carried out by CARE (Village Saving and Lending Associations), Catholic Relief Services (Savings and Internal Lending Committees), The Aga Khan Foundation (Community Based Savings Groups), Pact (Worth), Plan International, World Vision and a host of other international and local organizations. While each takes a slightly different approach – CARE is linking with financial institutions, Pact offers literacy training, and CRS is focusing on cost reduction strategies for group formation—the core principles are the same. Together these programs reach close to four and a half million villagers mostly in Africa, but with growing numbers in Asia and Latin America.2

While there are many advantages to Savings Groups – such as simplicity, low cost, profit accumulation to the members, spontaneous replication and the use of the groups as platforms for other development inputs – there are limitations. Since the fund each group manages tends to be small, those who need larger loans cannot secure them through the group. Members are encouraged to solicit loans from institutional credit sources, but sometimes these funds are not available. A second limitation is the reduced range of financial services. Financial institutions are better positioned to offer services such as insurance and training on financial literacy. And it may

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2 The International NGOs active in Savings Groups formation all have websites discussing their activities. Two other resources worth noting are savingsgroups.com, a database showing the outreach and performance of participating INGO projects; and savings-revolution.org, a non-affiliated site with information about savings groups with videos, a document library, a blog, and announcements about current happenings in the field.
also be that in the future this same population could access institutional financial services through cell phone banking. Ways of combining the advantages of Savings Groups with mobile money are currently being discussed and tested on a small scale.

**How Saving for Change came to Oxfam America and to Mali**

I have long been a microfinance practitioner and for two decades was a vocal proponent that the delivery of financial services through MFI’s, banks, and credit unions was the only viable and sustainable option. In 1981, I introduced group lending to Acción International after heading up a worldwide study for USAID (the PISCES Studies) on what was called in those early days “microenterprise development.” Leaving Acción in 1986, I consulted to microfinance programs in thirty-five countries and founded and directed Working Capital, which was for a time America’s largest domestic microfinance program. But all of these initiatives started with microloans and ignored the capacity of the poor to save. How did I come to abandon institutional microfinance for this non-institutional savings-led alternative?

The story starts in 1999 in a lecture hall at Brandeis University near Boston. I had just given a presentation showing that credit unions in Burkina Faso could reach villagers by lending the excess savings of middle class members of cooperatives to groups of poor women. Then Marcia Odell, the Director of Pact’s Women’s Empowerment Program (WEP) told the audience that Pact

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had trained 6,500 groups with 120,000 women members in a little over a year by working through 240 Nepali NGOs. To my knowledge no microfinance program had ever grown so quickly. I vowed to understand how WEP worked. Cobbling together a number of funding sources, I became the program’s evaluator.

Every day that I visited the WEP groups challenged my understanding of best practices in microfinance, but it took me weeks to fully understand what I was seeing. If no financial institutions are involved, how is sustainability achieved? How is sustainability even defined in that context? Hadn’t we proven that NGOs, especially grassroots NGOs, were not effective providers of financial services? And isn’t credit the starting point?

After three visits to Nepal I concluded that:

**Knowledge of best practices and mainstream thinking is not only unnecessary, it may be a detriment.** The MFI advisors to the WEP program thought that it would be impossible to provide financial services to more than ten thousand Nepali women within three years. From the perspective of mainstream microfinance at the time (1999), they were right. But Marcia saw the challenge from a fresh perspective. Pact was already providing literacy training through more than one thousand Nepali NGOs, and as the women were learning to read and write, they were starting to save and lend through traditional Revolving Savings and Credit Associations (ROSCAS). Why not build and improve on what the women were already doing? Marcia’s agreement with USAID was to reach 120,000 women in communities across Nepal’s Southern Terai. Traditional microfinance wasn’t going to help her reach that objective so she had to do something radically different.

**It is not necessary to link to an external source of credit.** It wasn’t Marcia’s intention to start freestanding Savings Groups. These groups were seen as a stopgap measure until they could be “docked” to a proper MFI. But there were no financial institutions available or willing to provide loans to these groups. WEP became a savings-led program by default and what unfolded was a program managed by its members with no link to external credit.

**Financial institutions are not necessarily better.** Many women who joined the WEP program had previously been part of MFIs. When asked why they left, they said: “The answer is simple.
Why should we pay interest to an MFI when we can pay interest to ourselves.” “And,” they added, “when someone is having trouble we know that person and can be flexible about when the loan needs to be repaid. MFIs aren’t willing to do that.”

**Groups will train new groups.** As the research team visited more groups we learned that “spontaneous replication,” defined as group leaders training new groups on their own, was quite common and surprisingly simple. A few women from the village approached a group leader and asked if she would help them start their own group. The leader invited them to observe their meeting and agreed to help them form their own group, a testimony to the simplicity of the approach. While most leaders trained one or two groups, one woman had trained twenty-one groups and proudly showed me the dog-eared, stitched-together WEP training manual she used for the trainings. What motivated these women to train new groups? They said they wanted to share what they had learned.

**Groups will survive without ongoing outside support.** The most valuable lesson from WEP is that groups will function on their own once trained. I asked each group what would happen if the trainer stopped coming. Their response: “We like it when the field worker visits us, but we know how to run the group. The group is too important for us to let it fail.” On reflection, why should these groups fail? In Nepal, as in much of the developing world, all are familiar with and many are members of traditional ROSCAS. The WEP methodology improves on what village women already understand and builds on how villagers have long held each other accountable.

What proved this point was a study carried out seven years after all support to the WEP groups was withdrawn. There were two categories of WEP groups, the 1,500 groups that received intensive support during the implementation of the project and the 5,000 additional groups that received much less training. The study showed that after seven years, two thirds of the better trained groups survived, despite the Maoist rebellion. Furthermore the spontaneously replicated groups made up for the groups that had disbanded. It is remarkable that there was no discernable difference between the quality of trained and replicated groups. Over this period the average

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6 The study showed that most groups started by the leaders were no more than fifteen minutes away from the home of the replicator.
group size had increased from twenty-two to twenty-six while the size of the group fund had quadrupled.\textsuperscript{8}

**Program impact.** The impact on the lives of the women who joined WEP is summarized in three major findings:

- **Being part of a savings group where the women make all the decisions is empowering.** When I visited a new group, the women were so shy they could hardly say their names. In groups more than a year old, many women animatedly answered questions and interacted with the research team.

- **Women will start and grow businesses.** Even before they received business training, the women started and built thousands of businesses on their own. Pact’s “Selling Made Simple” manual, introduced as part of the literacy curriculum, only accelerated the business development that was already underway.

- **Groups will take on a social role.** Many groups had launched community projects such as improving schools or cleaning their village. They also launched campaigns to stop girl trafficking, wife abuse and alcoholism. Their activism started before they were offered training on these issues, showing the importance of the social capital generated within the groups. As with the “Selling Made Simple” manual, Pact’s curriculum explaining Nepali women’s rights under the law only shaped what the women had started themselves.

**Catholic Relief Service’s Work with Self-Help Groups in India**

After completing the WEP study, I was asked by Catholic Relief Services to evaluate their work with Self-Help Groups in India and to assess how the groups used credit through the Self-Help Group-Bank Linkage program initiated by the National Bank for Agriculture and Rural Development (NABARD). While much of what I learned was similar to WEP there were several additional insights:\textsuperscript{9}

\textsuperscript{8} Mayoux, Linda (2008). *Women Ending Poverty: The WORTH Program in Nepal - Empowerment through Literacy, Banking and Business 1999-2007*. A study in Zanzibar (*Village Savings and Loan Associations in Zanzibar. DFID*) found that the number of groups had increased from 47 to 158 in the four years after CARE had left the area. In another study conducted by The Aga Khan Foundation in Kenya in 2010 (*The Permanence and Value of Savings Groups in CARE Kenya’s COSALO Program Nyanza Province, Kenya*), 43 of 44 groups were still active after two years, and another 37 groups had been formed spontaneously by group members.

It is crucial to limit the time that groups are supported by the facilitating agency. Most of the NGOs that trained Self-Help Groups expected to work with them for at least five years. Given that every visit to a group is a cost, it is necessary to develop a structured curriculum with a clear end goal.

The complexity of the record keeping system increases the time it takes to train groups and the time it takes these groups to operate independently. The record keeping system used in India is so complex that it requires substantial training time and the assistance of an external bookkeeper to keep the records.

Self-Help groups can serve as platforms for a number of development inputs. The most valuable lesson from CRS’s experience in India was that the groups were used as platforms for other development projects, ranging from disaster risk reduction to health to micro-watershed management. As the best organized institutions in these villages, Self-Help Groups had become the natural vehicles for other development initiatives. The Self-Help Groups are a repository of low cost, effective approaches for introducing a wider development agenda.

Self-Help Groups can be effectively linked to external sources of credit. External credit to the groups can be justified when there is a well-defined need. But the formula for success only works when the loans serve both the needs of the groups for more capital and the bank’s need to generate a profit. Successful linkages have these characteristics:

- The group takes out a loan only when it cannot meet the needs of its members through their own savings.
- The bank assesses the quality of the group to determine if it has successfully saved and made loans, if its records are up to date, and if its leadership is strong. Groups need to be organized for at least six months and ideally two years before they link to an external line of credit.
- The size of the loan to the group is modest and it is within its capacity to manage. An external loan equal to the size of the group’s assets is the least risky, although according NABARD’s rules a loan can be up to four times the size of the savings the group has mobilized on its own.
• The bank does not use the group’s savings to collateralize the loan. The loans extended to
the groups through NABARD are not collateralized, yet their repayment rate is much
higher than for collateralized individual loans.
• The interest is sufficient to cover the bank’s costs but low enough for the group to re-lend
and still make a profit. If money is lent to the group from the bank at 12% per annum and
the group re-lends at 24% per annum, both the group and the bank can make a profit (as
long as the group lends out all the money it receives from the bank).
• Money is lent to the group for at least a year and is repaid at the end as a lump sum so the
group has access to the entire amount of the loan throughout the year.
• The terms of the loans are fully transparent and the group is clear about its obligations to
the bank.

Problems emerge (and they are common especially given the pressure the banks are under to
make loans) when these rules are not followed, including not evaluating the groups before the
loan, providing a loan that is larger than the group can manage, and structuring the loan so that it
is more beneficial to the bank than the group.\textsuperscript{10}

**CARE’s Village Savings and Lending Program in Zimbabwe**

The third evaluation I carried out prior to launching SfC at Oxfam America was for CARE’s
Village Savings and Lending program in Zimbabwe, Kapufuma Ishungo.\textsuperscript{11} As I spent more than
two weeks visiting these groups with the local CARE team I learned that:

**Providing matching funds to groups is risky.** CARE initially provided a matching grant to
twenty groups once they had successfully mobilized a certain level of savings. The result: the
groups that received the matching grants disbanded. Their motivation was to receive the grant and
not learn the disciplined work of saving every week and manage the group’s fund. Once CARE
suspended the matching grants and focused on groups mobilizing their own savings, the program
thrived and has since grown to thousands of members in the face of hyperinflation and political
chaos.

\textsuperscript{10} The opportunity and risks of this and other sorts of linkages are examined in Rippey, Paul and Fowler,
Ben (2011) *Beyond Financial Services: A Synthesis of Studies on the Integration of Savings Groups and
Other Developmental Activities*. The Agha Khan Foundation.
\textsuperscript{11} The SEEP Network (2008). *The Kapufuma Ishungu Rural Microfinance Project, Zimbabwe.*
Groups have the capacity to survive with hyperinflation and epidemics. As MFIs and other financial institutions in Zimbabwe collapsed due to hyperinflation, the groups survived because they charged 30% or even 40% per month on their loans. 12 As the inflation rate increased, the groups abandoned currency and saved and borrowed in assets such as plates and cups, cans of oil, soap and grain. At the same time the HIV/AIDS epidemic was decimating the population. Surviving members of the family stepped in to meet the loan obligation contracted by the victim of HIV/AIDS. Groups also helped those who had HIV/AIDS to start trading businesses that required less physical strength than farming, enabling them to continue providing for their family and maintain their dignity. In this way, the program supported its members to overcome the stigma of being infected.

Children’s groups are popular. Parents trained their children and AIDS orphans so that they too could carry out productive businesses to earn an income. This was especially important for AIDS orphans who gained hope by doing something positive to affect their future. The number of children’s Savings Groups multiplied quickly at no additional cost to the program because members of established groups trained them.

Associations of Savings Groups provide support to individual groups. CARE organized the groups into associations, where each group contributed to a social fund. The associations also provided a forum for health training, while the social fund paid for the burials and the support of the HIV/AIDS affected members and underwrote the costs for keeping the AIDS orphans in school.

Saving for Change in Mali

The lessons from Nepal, India and Zimbabwe\(^\text{13}\) shaped the design of SfC. The Stromme Foundation initially invited Oxfam America to bring the concept of what became SfC to Mali, underwrote the costs of the initial local NGO partners and continues to do so today. Freedom from Hunger has worked closely with Oxfam America to develop the training tools and protocols for SfC and participated in the design and implementation of the extensive research carried out in Mali.

Although SfC made solid gains between 2005 and 2007, a grant from the Bill & Melinda Gates Foundation in 2008 made it possible to substantially increase the rate of expansion. The Gates Foundation also underwrote the costs of a randomized control trial (RCT) study\(^\text{14}\) in 500 villages in the province of Segou. About half of randomly selected villages in the study received SfC; the other half served as a control group. The study will determine if over three years:

- The amount and sources of savings and lending changes;
- Women’s income generating and agricultural activities grow;
- Food security improves;
- Educational and health services are used more;
- Women’s social networks expand;
- Women are more empowered as reflected in changes in their role in the household and the village.

\(^\text{13}\) As well as CARE’s pioneering Mata Masa Dubara program in Niger that I did not visit but studied closely: Grant, William, and Allen, Hugh. *CARE’s Mata Masu Dubara (Women on the Move) Program in Niger*. Journal of Microfinance (2002).

\(^\text{14}\) *Baseline Study of Saving for Change in Mali: Results from the Segou Expansion Zone and Existing SfC Sites* (2010). Bureau of Applied Research in Anthropology and Innovations for Poverty Action
The RCT study is complemented by an anthropological study of a dozen villages to better understand the emerging changes. This combined quantitative and qualitative study, the largest and most comprehensive study of Savings Groups undertaken to date, will shed light on the efficacy of the Savings Group approach under the extreme conditions of rural poverty in Mali.

The Saving for Change Structure. SfC draws its operating principles from the experiences of Nepal, India, Zimbabwe and Niger and has continually refined these principles since inception. Equally important has been the structure of the project to achieve scale and the constant improvements to the model. The roles for each level of the program are carefully defined:

- The Community Finance Department at Oxfam America headquartered in Boston: responsible for developing the model, the operating manuals and training protocols, and conducting research (in collaboration with Freedom from Hunger), determining the overall direction of the program, participating in the selection of partners, carrying out assessments and trouble shooting, fundraising and advocating for the model.
- The Technical Units (Mali, Cambodia and El Salvador): responsible for recruiting and working closely with local NGO partners including staff training, collection of monitoring data, and doing local advocacy.
- The partner organizations: responsible for introducing SfC to designated clusters of villages and reporting on performance.
- The animator and coordinator teams: each team is responsible for bringing SfC to 300 villages.
- The replicating agents: responsible for training additional groups within each village.

The Saving for Change Model. SfC groups operate like credit unions at the “nano” level. Each woman saves a set amount every week (usually $.25 to $.50), and, if applicable, makes loan payments and cancels loans that are due. There is no injection of external capital.

At the end of a year-long cycle, usually before the planting season when granaries are nearly empty, the entire fund – savings plus interest on loans, fines levied to members and income from collective projects – is divided in proportion to the amount each member saved. The payout is

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15 Baseline Study of Saving for Change in Mali: Results from the Segou Expansion Zone and Existing SfC Sites (2010). Bureau of Applied Research in Anthropology and Innovations for Poverty Action.
16 The study results will be available in spring 2013.
17 Loans average $20
often used to buy seeds, to make a larger investment in trading and agriculture, to pay school fees, or to buy food to tide members and their families between the planting and the harvest. As the women meet they also learn how to manage their groups, plan for the future, and strengthen the links of solidarity and mutual assistance. Social capital, including the discipline of regular savings, the ability to plan for longer term needs, and the “virtual insurance” that allows group members to rely on each other in times of calamity, is rated by the women as important as saving and lending.

Saving and lending in a group is unlikely to lift group members out of poverty – the problems these women face, including lack of infrastructure and declining soil fertility are far more complex than the issues that can be addressed through financial inclusion. However, from the perspective of the members, life becomes “much less stressful.” Ready access to small loans and an easy place to store money provides a much needed cushion against uncertainty. Since women now have easy access to loans, they no longer need to endure the humiliation of going door to door asking for help they might not receive. Typically 80% of the group’s fund is on loan, showing the need for small loans for business, agriculture, emergencies, buying food and clothing and paying school fees. This is seen as a major advantage of being part of a SfC group.

SfC in West Africa builds on long established traditions of village saving and borrowing – *tontines*, *su sus*, *merry go rounds* and *sans* are just a few of the names used locally. But SfC differs from these traditions in important ways:

- Instead of distributing the collected amount to each member in turn, money accumulates in a common fund and is loaned out when a member requests it and in the amount and for the time needed;
- Interest on loans builds the group fund;
- Elected officers, formal bylaws and simpler record keeping improve transparency;
- Members are connected to a local NGO and to other development inputs and training;
- Goal setting and planning for the future at the individual and group levels are part of the training;
- Outreach is much deeper – while a fifth of the women in the province of Segou in Mali are part of *tontines*, between 50% and 90% of women join Savings Groups in

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18 *Baseline Study of Saving for Change in Mali: Results from the Segou Expansion Zone and Existing SfC Sites* (2010). Bureau of Applied Research in Anthropology and Innovations for Poverty Action.
SfC villages within three years. The members of SfC groups are often poorer than members of tontines who tend to be active traders in the markets.

Given that almost all the women are illiterate, Oxfam America introduced an oral record keeping system where each woman only needs to remember four facts:

- If she saved the previous week;
- If she has an outstanding loan;
- If the woman sitting next to her gave accurate information about her saving and borrowing;
- If the amount in the box matches the amount from the previous meeting.

Members use sticks, seeds and pebbles to calculate the outstanding loan balance. Surprisingly, the oral record keeping has proved to be faster and more accurate than records filled out by barely literate secretaries, and since every member has a role, all are aware of the financial progress of their group. Those wanting to save more than the agreed upon minimum weekly amount ($0.25, for example) can commit themselves to save up to five times that weekly minimum ($1.25) over the entire cycle and they receive five times as much when the fund is divided at the end of the cycle. The oral record keeping system tracks everything that the written system does, including variable loan sizes and terms.

Training the groups. After careful vetting, Oxfam America funds a local NGO to introduce SfC to about 300 villages. Over three years, a team of ten animators and a coordinator facilitate the training of 800 groups with 16,000 members in two hundred or more of these villages. Currently there are eighteen animator teams belonging to ten Malian NGOs training and supporting groups. These teams are supervised by an all Malian Oxfam America technical team of four, recruited from the most successful local NGO coordinators.

To introduce SfC, animators train one group in each village. The rest of the groups in that village are trained by unpaid replicating agents who are recruited from the first group and trained and monitored by the animators. Since most of the replicating agents are illiterate, SfC provides the agents with a pictographic manual developed in collaboration with Freedom from Hunger to guide them as they train the groups. Although some replicating agents receive a token financial payment or help tending their field from the groups they support, most do this work to serve their communities.
Seeing illiterate women become effective trainers and consultants to other women redefines what is possible in local empowerment. The village replicators uniformly report that they have a new conception of themselves and new standing in their communities.

We expect that the replicating agents will train new groups and support existing groups in their villages once the animators leave the cluster of villages under their responsibility, typically after three years. A careful examination of the monitoring data in one province shows that 95% of the groups trained five years earlier, which are only rarely visited by staff, are still functioning. Virtually all the older groups continue saving and lending and, on average, at a higher rate.

**The scale of outreach.** As mentioned earlier, in Mali, SfC has grown to 17,000 groups with 388,000 members in just six years. These groups collectively manage more than five million dollars (about $300 per group) mobilized entirely through member savings. Some groups manage over one thousand dollars.

SfC has grown so rapidly because it provides women with the opportunity to meet, manage their group and strengthen bonds of solidarity and mutual assistance in addition to facilitating savings and lending. As one SfC member in El Salvador noted, "One feels more empowered because you start realizing a lot of things, like women's rights. One leaves the house and becomes less shy. I have also noticed changes in other women." And according to a SfC member in Mali, "Thanks to SfC, there is cohesion between women. We didn't use to visit each other. Now if a woman has a problem, two or three representatives [of the SfC group] go to visit her to support and advise her."

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A cost effective model. SfC is cost effective because it is based on communities becoming local providers of financial services on a sustainable basis. While the ratio of staff members to clients for a financial institution that must maintain constant contact with its clients is 1 to 300, the ratio for SfC approaches 1 to 2,000, as only a few groups are actively trained at any one time and most only receive occasional monitoring visits. Also, those reached are far poorer than the clients of a financial institution and live further away from the urban and peri-urban areas. According to the RCT in the Segou area of Mali, the average daily consumption of group members is $0.58.20

In Mali, it costs $400 to train and support a group with twenty-two members or about seven million dollars for the seventeen thousand groups now in place. The potential demand for Savings Groups in Mali is far from satisfied. The number of women members in Mali could be doubled from four hundred thousand to eight hundred thousand. The potential demand in Senegal is about the same as in Mali. Neighboring Burkina Faso, Niger, Chad, Mauritania, Togo, Sierra Leone, Liberia and Benin, among others, represent large unreached populations.

Using the groups as platforms to encourage further change

SfC sees training and supporting groups with the economic and social capital they generate as the starting point. But we have learned that once the women have mastered the management of their group, they want to do something more. Many have taken matters in their own hands and launched projects on their own, sometimes even hiding the fact from the field staff because it doesn’t fit what they see as the standard model. Some examples: groups have taken the initiative to use part of their funds to stock grain to sell at a higher price during the hunger season. In other villages, adolescent girls are being trained by their mothers to form their own SfC groups. Their mothers want to teach them responsibility and give them the opportunity to build the group solidarity that results from weekly meetings. When these girls are married and leave their villages, they will take their knowledge with them. In a few villages women in SfC groups are able to leverage part of their funds and the prestige gained from participating in SfC to negotiate with international and local development actors to collectively invest in a grinding mill for millet or shea butter equipment or a health post or another project.21 Our challenge is to better

20 Baseline Study of Saving for Change in Mali: Results from the Segou Expansion Zone and Existing SfC Sites (2010). Bureau of Applied Research in Anthropology and Innovations for Poverty Action.
understand these spontaneous efforts and spread them more widely. After all, the energy for these innovations stems directly from the leadership of the groups.

**Using the women’s groups to promote agriculture.** The biggest challenge to the long term survival of rural villages is developing a sustainable agriculture base. SfC’s agriculture pilot, which was launched last year in twenty villages in Mali, focuses on household food security. Statistics indicate the scope of the need. Within the villages of the RCT area, 40% of the families are food insecure and 28% are chronically food insecure according to Freedom from Hunger’s food security index.22 Women in Mali are actively engaged in agriculture; 39% grow peanuts and okra along with millet and sorghum on their own fields and virtually all help farm their husband’s fields to produce most of the staples.

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22 The Freedom from Hunger Food Security Scale (FSS) is a short survey instrument based on a US Department of Agriculture (USDA) food security scale, but adapted for a developing world context. The FSS is used to measure an individual’s food security, or the access to food, availability of food and utilization of food.
As the population of Mali has tripled over the past 50 years, the 15-year fallowing that had maintained soil fertility for millennia has been reduced to one or two years because of population pressure. Given that the fertility rate in Mali, 6.6 children per woman, is among the highest in the world, the pressure on the land will continue to increase rapidly. Soil is turning to hardpan as the infrequent rains run off instead of soaking into the ground.

Roland Bunch, a world renowned agro-ecologist, is helping Oxfam America revitalize soils through the SfC groups. The only costs to the program are the seeds and the training the villagers receive.23 The cowpeas inter-planted with food crops are the starting point, with bushes and trees growing more slowly, but later providing shade to lower soil temperature, serve as windbreaks, and fertilizer. With this soil building system, planting and fallowing occur at the same time, and the land can remain in permanent production while soil fertility grows every year. Equally important is the increased organic material that helps water percolate into the soil and in turn raises the water level and lengthens the growing season.

The agricultural pilot will be evaluated in late 2011 to determine if:

- Women’s Savings Groups are an effective tool for introducing new agricultural techniques;
- There are unintended consequences as the women take the lead of a program that will benefit men as much as women;
- There are measurable impacts in terms of increased production and resilience of treated plots in the face of drought and flooding;
- The women are able to negotiate permanent tenure over the land they have improved.

Using the same animators who trained the groups, Oxfam America plans to expand the twenty village pilot to hundreds of villages while fully documenting this experience so that it can be applied more widely.

**The business and leadership pilots.** In December 2010, Oxfam America launched business and leadership training pilots in Mali through a select number of SfC groups. The introduction of these pilots is based on a feasibility study and extensive participatory research conducted in 2010 that revealed what groups most wanted to be added to the basic SfC curriculum.

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Nearly all rural women in Mali are engaged in some form of economic activity: agriculture, petty trade, and the processing of vegetables and agricultural products, among others. These activities allow them to grow their revenue stream and better manage household expenses. Participation in SfC has also encouraged and reinforced a spirit of solidarity. Whether SfC women decide to build individual or collective businesses, all have the capacity to significantly strengthen their economic and social autonomy.

Oxfam America has developed two comprehensive manuals to introduce the pilots – each 15 weeks long. The pilots are critically linked: while building a business requires leadership skills, leadership in a rural context requires economic autonomy. Key to the leadership curriculum is that it addresses the personal and psychological needs of women who would like to develop the skills to advocate for their interests and those of other women in their village and, in certain cases, their communes. Leadership training is also striving to heighten women’s awareness of their civil and political rights, enabling them to interact with and communicate their needs to local government officials.

Based on a participatory approach, the same local animators who trained the groups are providing the tools and key competencies to help SfC women better manage individual and collective businesses of their choice and to assert their leadership within their communities. Both pilots will be subjected to a comprehensive evaluation in early 2012 to determine how and where they will be scaled up.

**The Rural Prosperity Initiative**

Encouraging the spontaneous innovations and adding components such as agriculture, business training and leadership to Savings Groups is important, but do these initiatives provide insights on how to promote a low cost, locally controlled and self-replicating approach for transformative village change? While improved roads and basic services are key development inputs, how much can villagers do on their own? There are millions of villages where many go hungry, where even the most basic services are lacking, and where the soil and water resources upon which production is based are rapidly degrading. Reversing these trends is a vast and complex undertaking, yet Oxfam America is testing a cluster of simple, low-cost, scalable, locally managed initiatives such as the agriculture, leadership and business pilots described above.
Would these interventions make a substantial difference? And could they be spread through committed volunteers and local organizations with groups of women taking the lead and financing much of their own development?

The cost for these interventions is low: less than $3,000 per village (about $3 per inhabitant), including the initial $1,500 investment per village for training Savings Groups. As this work is scaled to hundreds and then thousands of villages in Mali and elsewhere, our hope is that it will also provide the organized base needed for further interventions by development agencies, the private sector and governments. The women’s SfC groups become the conduits for other development inputs.

As the world’s population soars from seven to nine billion by 2050 in the face of declining resources, stagnating growth, climate change, and reduced support from the international community, the importance of developing a simple, robust and self-replicating locally based solution is critical. Given the urgency of the need, the paucity of resources, and the lack of sophistication of implementing agencies, this evolving low-cost and replicable methodology for rural change may prove to be a widely useful starting point.
The goal is to create a highly cost-effective and replicable model recognizing the centrality of women and small holder agricultural producers in an increasingly resource constrained world. Inputs will be paid for through villager savings from the groups. There are no subsidies or giveaways.

The Rural Prosperity Initiative has five pillars:

- Document breakthrough experiences among other Savings Group practitioners and Self-Help groups in India that point the way to uniquely useful and cost effective interventions in West Africa;
- Use the existing Savings Groups to add new components to the SfC model in Mali to increase impact with the objective of developing communities that are more prosperous and sustainable;
- Expand the number of groups where SfC is operating and involve new partners to take SfC to other countries. This will involve applying approaches to training groups that reduce the cost per member from $20 to a fraction of this amount and/or test ways where groups pay for their own training;
- Evaluate the operational effectiveness of each of these components and assess the impact of this holistic approach as compared to training groups and leaving them to develop on their own. Is the extra cost and complexity worth the effort? Would it be better to use the same resources to simply train more groups? Does indeed this package of innovations lead to more prosperous village economies with justice for women?
- Tell the story through publications, videos, conferences and advocacy. If what has been learned through the rural prosperity initiative is to be replicated, others need to learn about it.

**Conclusion**

Savings-led microfinance was an interesting idea a few years ago; now it is a proven methodology. The more than $30 million in grants provided by the Bill & Melinda Gates Foundation to CARE, Oxfam America/Freedom from Hunger, and Catholic Relief Services show that savings-led microfinance is an important way to reach the rural poor at scale and at low cost. Just like MFIs that require grant funding to start up and in some cases to continue operations, savings-led microfinance requires initial funding to train Savings Groups. For example, a grant of approximately $5 million would train groups with two hundred thousand members in more than
two thousand villages in a poor country (with considerable regional variation as the costs are somewhat higher in Asia and Central America). Assuming a $20 cost per member as in Mali, one hundred million dollars would introduce savings-led microfinance to twenty of the world’s poorest countries and bring financial services to a population unlikely to be served by financial institutions.

But these numbers only reflect the first stage of outreach. Once a critical mass of local organizations has adopted the methodology, others will likely follow. Volunteers training groups will launch small businesses to teach the model; groups will start spontaneously as information spreads through markets, radio or TV broadcasts; training materials will be passed hand to hand or copied and even sold, further leveraging the spread of these ideas. As the groups mature, they take on a life of their own that is no longer controlled by the implementing organization.

SfC’s experience has shown that there is a path to financial inclusion by empowering groups of women to define their own future. The starting point is saving and lending, which leads to building trust and social and economic capital, thereby setting the stage for a more ambitious development agenda. Collective grain storage, organizing adolescent girls into groups, cutting deals with development actors would not have been likely without the collective experience of the Savings Groups. Empowered groups are already starting to demand services from municipal governments. We expect this bottom-up advocacy to continue to grow as news of successes reach an ever growing number of people, making this process of change inevitable. As villages and local institutions increasingly take the lead, our task as outsiders will be to support, document and disseminate this experience, thereby vastly expanding the impact of this promising methodology.
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