PMRC
Policy Monitoring and Research Centre

THE IMPACT OF SAVINGS GROUPS IN UPLIFTING THE LIVES OF RURAL WOMEN

BRIEFING DOCUMENT

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Introduction

Access to affordable credit and financial services is a strong indicator of women's empowerment and a pre-condition for equitable and sustainable development. However, rural women tend to disproportionately lack access to financial services and credit (Rao, 2015). This has also been one of many contributing factors that perpetuate poverty among rural women. Das Barwa (2015) asserts that increasing women's access to financial and economic resources is critical to eradicating poverty and facilitating economic empowerment. Thus, the Savings Groups model also known as **Village Banking** is a strategy by various stakeholders to enhance financial inclusion in Zambia. It encourages individuals, often women, to form self-selecting groups of **about 15-30 members within their communities.** These members then meet regularly, pool their savings to have a **source of lending funds** from which members can make **savings contributions to the pool and borrow** with the minimal interest of **at least 10%** over a specified period and defined terms (Allen, 2018).

Village Banking

About ***15-30 members*** within the community

Source of ***lending funds***

Minimal interest of at ***least 10%***

This makes it possible for members to earn interest on their savings throughout the **cycle which may run up to 12 months**. Additionally, the model also includes a social fund which acts as some form of insurance for group members, it is managed by the group to assist members in need of money in times of unexpected emergencies. This fund is often given as a grant to cushion members in times of crisis such as illness or funerals within the household.

Overview of Savings Groups in Zambia

Currently there is a gender gap in financial inclusion in Zambia (Bank of Zambia, 2018). However, this also presents an opportunity for financial service providers to bridge this gap. The Bank of Zambia recognizes that women tend to understand complex financial services through simplified informal networks such as chilimbas and saving groups thus these interventions have been instrumental in filling this gap. **A chilimba** is an **informal women's banking cooperative** where members gather to pool their money to make a **revolving fund,** it is **managed on a scheduled basis**.

Chilimba

This fund is often **given to a member or two at a time each month over a pre-determined period, each taking turns to benefit from it**. It differs from savings groups in that, there is no interest generated, no loans are accessible and each member contributes a specified amount monthly. This has been an important traditional source of capital and revenue that has been used to increase household assets among members in various communities. **In 2017, the Government expressed its commitment to financial inclusion through the National Financial Inclusion Strategy (NFIS) whose primary goal is to achieve universal access to and usage of a broad range of quality and affordable financial products and services.** The strategy aims to increase financial inclusion to 80% by 2022 from 59% recorded by the 2015 FinScope survey. The survey also revealed that 20% of the population use informal financial services such as savings groups which play a significant role in expanding financial inclusion, particularly in rural areas and among women.

The Savings Groups Model has been adopted by various organizations that seek to uplift the livelihoods of vulnerable communities. **These institutions include; World Vision, Financial Sector Deepening Zambia, Plan International and CARE** that have been facilitating the formation of savings groups in communities to encourage members to save and access credit through their pool of savings. They have been instrumental in facilitating financial inclusion among women. According to Financial

Sector Deepening Zambia (2018), **96.3% of its members are women and membership growth stands at 16.7%** and a survey they conducted on why people joined savings groups revealed that **78% joined to save money, 68% to access loans** and **42% stated that they needed somewhere to turn** when in financial need.

Additionally, 86% of survey respondents stated that their welfare had improved due to being part of the group and 84% of its members had borrowed from the pool for productive investments. **Also, 83% of rural respondents used the funds for productive investments against 73% of urban respondents.** This means that more women are starting to appreciate this initiative, establish meaningful enterprises and that it is successfully being replicated in various communities especially in rural areas where women were previously disadvantaged from accessing formal credit and saving facilities.

Similarly, World Vision has been implementing this program across the country, focusing on the most vulnerable communities as a means to make them more self-sufficient. According to Dunham (n.d), there are approximately 25,000 savings group members across World Vision's Savings Group program implementation areas in the country. The program offers members basic training on how to run the fund and effectively apply their loans to regenerate resources for the fund, facilitate loan repayments and profit sharing at the end of the cycle. Moreover, members are trained to train others and replicate the savings group initiative in their communities, encouraging more members to join. One of the benefits recorded by members is that there has been a significant improvement in their quality of life. **For instance, some women were able to purchase goats, fresh produce for resale, farming inputs to improve their harvests, iron sheets to replace their thatched roof, solar panels, buying shoes in Lusaka for resale in the village and building houses, all through the loan feature of the program.**

Can Savings Groups improve the financial inclusion of rural women?

Brannen and Sheehan-Connor (2012) argue that savings groups have the potential to facilitate access to financial services in remote areas where formal financial services may not exist. Moreover, members can borrow up to three times their savings if funds are available, while interest is generated on an individual's total savings. Thus, encouraging members with a higher capacity to save more while also discouraging members from borrowing for unproductive causes. Annan et al. (2013) also suggests that informal savings and lending initiatives could potentially alleviate rural poverty through access to affordable credit and encourage saving among members. This assertion proves true among women in rural parts of the country, who may be reluctant to access loans from formal lending facilities that charge high-interest rates and often require collateral to access credit. **Hence, savings groups offer an alternative source of capital and financing for women seeking to participate in economic ventures.**

Notably, is that, savings groups are one of the most inclusive financial initiatives and are relatively easy to run and engage in. According to a survey conducted by FSD (2018), the uptake of savings groups was not dependent upon one's level of education in comparison to other financial services such as banking, insurance, pension funds and capital markets. This means that, anyone was capable of running and joining this program. **Data from the same survey also indicates that more female respondents reported to be part of savings groups and Chilimbas than men. This can be attributed to the fact that these initiatives are community-centric and gendered social norms entail that women are more inclined to community social interactions than men, making them more attractive for women to save with such programs.** Furthermore, the survey concluded that Savings Groups and Chilimbas were the most inclusive financial services for Zambian women and more rural women were willing to take up these services as opposed to formal financial services that required some level of education, as well as a higher socio-economic status.

In addition, eligibility for a loan with savings groups is fairly relaxed. There is no documentation or collateral required to access a loan, other than being a trusted member of the group. Another attractive feature is that, interest generated is shared among group members thus, acting as a 'return on investment' even for borrowers. Furthermore, there are no delays in processing of loans since they are obtained during meetings at each saving, while banks and other formal financial service providers on the other hand, often delay the process due to documentation and bureaucratic procedures in assessing one's eligibility for a loan. Some of the requirements by banks and other formal financial service providers include; copy of National Registration Card (NRC), latest pay slip, latest utility bill or confirmation from employer, salary account bank statements for the last 3 months, employment contract and collateral in some cases. It must be noted that many of these women do not engage in formal employment and often do not have formal contracts with employers. Moreover, many of them engage in small-scale agriculture and roadside businesses, making it challenging to have a steady and predictable flow of income. In addition, evidence from the 2015 Finscope Survey indicated that while 93.5% of adults had access to an NRC, only 15.9% had access to a proof of residential address document. These findings suggest that formal banking requirements to access loans do not take into consideration the circumstances of rural households, thus they are excluded from these services on this basis.

93.5%
of adults had access to an NRC

15.9%
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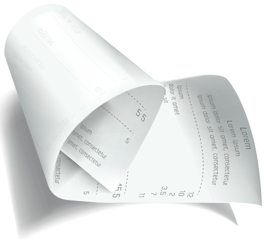

A baseline survey conducted by Rural Finance Expansion Programme (2018) found that women were better savers and less likely to default on paying back loans than men, however, they had limited access to financial services in comparison to men. The survey also suggests that the rise of mobile money presents great potential for enhanced financial inclusion of women. In relating financial inclusion through digital money services, at least 74% of survey respondents reported to have owned a phone and **95% that reported to use mobile money services indicated that they were 'comfortable' to 'very comfortable'** with the use of these services. **The same study found that Zoona was more popular in the rural areas than Airtel and MTN mobile money services** with **58% having used it to receive**, while **38% used it to send money.** However, **less than 4% indicated that they used the service to store money.** Hence the need to integrate these services into how savings groups conduct their business and encourage the use of these services for saving purposes.

ZOONA
LET'S MAKE IT REAL

Popular in the rural areas than Airtel and MTN mobile money services	**58%** *Having used it to receive*	**38%** *Used it to send money*	**4%** *To store money*

Strengthening Decision Making in the Household through Access to Financial Resources

The rationale behind savings groups is to promote self-empowerment of community members, particularly women, by encouraging them to initiate income-generating ventures so that they are self-sufficient and financially independent. These funds act as an important source of capital for small business ventures or even financing to boost an already existing venture. Furthermore, it improves women's access to finance that in-turn impacts their decision-making abilities within the household. Fletchner and Kenney (2011) argue that those with considerably more access and control over resources than their partners will be able to exert greater control over the households' finances and income as well as influence decision making in the home. Conversely, spouses who, compared with their partners, have very limited access to and control over resources will have very little influence, if any, on their households' economic behaviour. Thus, **the Savings Group Model has helped balance these gender-power dynamics by according women the opportunity to access credit and financing in order to be able to contribute to the household's income and influence how finances should be prioritised.** Similarly, Muhammad, Janjua and Ullah (2011) found that women who participated in income-generating ventures had more social power and influence over decision making within the household due to increased income and contribution to household finances. **Another study (Karlan, Savonitto, Thuysbaert & Udry, 2017) conducted in rural parts of Malawi, Ghana and Uganda found that village banking improved women's empowerment and financial inclusion through increased savings, access to credit, improved involvement in decision making in the household and micro enterprise outcomes. These decisions included; influence and control over household business decisions, food expenses, education and health-related expenses of children.**

In Zambia, the initiative has also proved to have similar impact on rural women. **The Catholic Relief Services coordinates over 33,000 savings groups in various areas across 5 districts in Zambia**. These savings groups were found to be instrumental in improving the status of women in the household as well as enhancing financial independence across their catchment areas. It is reported that 15.6% women viewed themselves as being more independent, by virtue of being part of the savings group while 37.5% reported as having a 'voice' in household decision-making. In the same vein, 43.75% of the women involved in the programme reported to have been viewed differently in the household based on their ability to contribute to household income. These findings validate assertions that **when women have access and control over resources and finances, they are in a better position to influence decisions in the household and define priorities for personal financing.**

Potential of savings groups in uplifting families and communities out of poverty

It has been demonstrated that enhancing women's direct access to and control over resources is associated with positive economic and social outcomes for women, their families and their communities. A study conducted in Malawi (Hazarika & Guha-Khasnobis, 2008) suggests that when women have access to finances the family tends to benefit most through improved nutrition, child enrolment in school and children are more likely to be literate. Thus, **the Savings Group Model impacts women in a unique way that directly reduces the family's and ultimately the community's susceptibility to poverty and vulnerability.** In Zambia, one of the success stories is from World Vision's Savings Group in Mumbwa where notable impact has been made in lifting the community and individual families out of poverty through enhanced economic participation. Some group members reported to have been able to increase their assets by investing their savings into livestock, while some members were able to roof their homes and invest in solar power. At community level, the savings group was also able to pool resources in order to drill a borehole for the benefit of an entire community. In the same vein, group members were able to collectively grow and sell onions and vegetables to nearby markets and communities, thus generating more income. The group further reported its intention to purchase soya beans for resell as well as venture into soap making. This initiative has proved to be impactful in many other communities as well as at household level resulting in many women being able to generate income while also being self-sufficient through pooling of resources.

Another important factor to note about savings groups is that they act as an entry point into formal financial services. Vision Fund Zambia which is the microfinance arm of World Vision through the 'Saving for Transformation' project is another institution that has taken the lead to offer loans to savings groups for viable projects that are aimed at transforming the lives of the members while also bridging the gap to financial inclusion.

The organisation runs a loan feature that the savings group can access as a collective based on their track record in the previous cycle. This entails that members have a good understanding of financial discipline and accurate record keeping in order to be linked with the organisation. Using the same principles instituted in the savings group constitution, the group is able to access loans on behalf of its members and members can then use these funds for viable projects at a minimal interest rate. The loans are often due at the end of the cycle before share-out to give members time to save and repay the loans while also generating a return for themselves. Reported successes of this programme at household level include: improved food and nutrition security, increased household resilience to shock and stresses, established income diversity and security. Some success stories recorded from this project include: members being able to purchase irrigation systems, increase their agricultural productivity and outputs as well as purchase solar kits.

CONCLUSION

Savings groups have proved to be instrumental in propagating financial inclusion, particularly among rural women who tend to be most vulnerable to economic shocks; have little or no savings and tend to lack access to affordable credit and financing options. The model relies on the principle that "no amount is too little to save" and encourages community members to pool resources in order to grow them at a steady rate while allowing members to draw from them to finance their ideas at a minimal interest rate. The model has proved to enhance women's access to finance through informal savings and credit options while also positively impacting their families and communities at large. Some of the notable benefits have been an increase in household assets, enhanced income diversity as well as empowering women to make financial decisions and contribute to the households' income. Although the initiative has been implemented by Non-governmental Organisations (NGOs), it has proved to be sustainable in that, members have been trained to replicate these groups, engage in income generating activities as well as enhancing the financial literacy of the community. All in all, it has been noted that women are eager to take up financial services when they are tailored to suit their economic conditions based on the considerably high uptake of savings groups.

RECOMMENDATIONS

1. PMRC recommends that financial service providers link savings groups to investment opportunities in order to empower rural women and increase their resource base.

2. PMRC urges financial institutions to tailor products to fit the circumstances of rural women and link them to affordable savings and credit products as demonstrated by the success of the Savings Group Model.

3. There is need to strengthen financial literacy programmes among rural women to enable them graduate to a larger financial base for access to savings and credit facilities for productive purposes. This can be done by developing unique products and services that recognise livestock and farm produce as collateral in rural settings. Similarly, relaxing the procedure of formalising customary land and empowering women with land could ease access to collateral based loans for rural women.

4. In order to enhance coordination and management of transactions, there is need to train more rural women to use mobile money services for saving purposes and to run their savings groups. This will help them track their credit score and credibility as an entry point for other financial players.

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