



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

Women's access to affordable credit and financial services is a strong indicator of women's empowerment and a pre-condition for equitable and sustainable development.

Increasing women's access to financial and economic resources is critical to;

- 
ERADICATING POVERTY
- 
FACILITATING ECONOMIC EMPOWERMENT

In spite of this, rural women tend to disproportionately lack access to financial services and credit which is a major contributing factor that perpetuates poverty among rural women. Thus, the Savings Groups Model is a strategy to enhance financial inclusion in Zambia.

WHAT ARE SAVINGS GROUPS?



- They are self-selecting groups of **about 15-30 members** within a community.

3x. 

- They meet regularly, pool their savings to have a source of lending funds from which **members can borrow up to three times their savings with the minimal interest of at least 10%** over a specified period and defined terms.



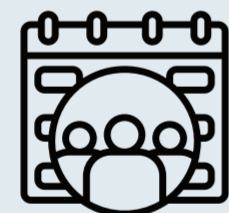
- Members earn interest on their savings throughout the cycle which may run up to 12 months.

- The model in some cases also includes a **social fund which acts as a form of insurance for group members**. It is given as a grant to assist members when in need of money due to unexpected emergencies such as illness and funerals.

WHAT IS A 'CHILIMBA'?



- 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.



- 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 defers from savings groups as **no interest is generated**, no loans are accessible and each member contributes a specified amount monthly.

OVERVIEW OF SAVINGS GROUPS IN ZAMBIA



- A **gender gap** exists in **financial inclusion**. However, this also presents an opportunity for financial service providers to bridge this gap.
- Women tend to understand complex financial services through **simplified informal networks** such as the **chilimba** and other **saving groups** thus these interventions have been instrumental in filling this gap.
- 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 instrumental in facilitating financial inclusion among women.
- One of the benefits noted 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

FOCUS: SAVINGS GROUP

A 2018 survey by Financial Sector Deepening Zambia revealed that; 96.3% of its members are women and membership growth stands at 16.7%; 78% joined Savings groups to save money; 68% to access loans; 42% needed somewhere to turn when in financial need; 86% stated that their welfare had improved due to being part of the group; 84% had borrowed from the pool for productive investments; 83% of rural respondents used the funds for productive investments against 73% of urban respondents.



With well over **1million savings groups** across the country, women are;

- Starting to **appreciate** this initiative.
- Establishing** meaningful enterprises.
- Successfully replicating** the model in various communities especially in rural areas where **women were previously disadvantaged** from accessing formal credit and saving facilities.

CAN SAVINGS GROUPS IMPROVE THE FINANCIAL INCLUSION OF RURAL WOMEN?



- Savings groups have the potential to facilitate access to financial services in remote areas where formal financial services may not exist.
- Members can borrow up to three times their savings if funds are available while interest is generated on an individual's total savings.
- They encourage members with a higher capacity to **save more while also discouraging members from borrowing for unproductive causes**.
- Informal savings and lending initiatives have the potential to alleviate rural poverty through access to affordable credit.
- Women in rural parts of the country are reluctant to access loans from formal lending facilities due to high-interest rates and often require collateral to access credit.
- Hence, savings groups offer an **alternative source of capital and financing for women**.
- Savings Groups are one of the **most inclusive financial initiatives and are relatively easy to run and engage in** regardless of one's level of education and socio-economic status.
- They are **community-centric** thus they more appealing to women.
- Eligibility for a loan** with savings groups is fairly relaxed as **there is no documentation or collateral required to access a loan**.
- The **interest generated is shared** among group members thus, acting as a **'return on investment' even for borrowers**.
- No delays in processing of loans for members since loans are obtained during meetings at each saving, while banks and other formal financial service providers delay the process due to documentation and bureaucratic procedures in assessing one's eligibility.
- Bank requirements 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.
- The 2015 Finscope Survey indicated that only 93.5% of adults had access to an NRC, and only 15.9% had access to a proof of residential address document.
- Mobile money presents great potential for enhanced financial inclusion of women.
- A survey found that at least 74% of people 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.
- 58% used it to receive, while 38% used it to send money and less than 4% used it to store money.

STRENGTHENING DECISION MAKING IN THE HOUSEHOLD THROUGH ACCESS TO FINANCIAL RESOURCES



- Savings groups promote **self-empowerment of community members**, particularly women, by encouraging them to initiate **income-generating ventures**.



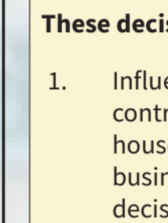
- These **funds act as an important source of capital for small business ventures** or even financing to **boost an already existing venture**.



- Furthermore, it **improves women's access to finance that in-turn impacts their decision-making abilities within the household**.



- When women have **access to and control of resources they are able to exert greater control over the households' finances and income** they tend to influence decision making in the home.



Have **more social power**



Influence over **decision making within the household**

These decisions include;

- | | | | |
|--|------------------|--------------|--|
| 1. Influence and control over household business decisions | 2. Food expenses | 3. Education | 4. Health-related expenses of children |
|--|------------------|--------------|--|

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

- 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.
- 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
- 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.
- Some success stories include an increase in household assets such as livestock, improved shelter such as roofing homes with iron sheets, investing in solar power and irrigation systems.

PMRC RECOMMENDATIONS

- PMRC recommends that financial service providers link savings groups to investment opportunities in order to empower rural women and increase their resource base.
- 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.
- 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.
- There is need to link rural women to mobile money services to enhance their coordination and management of transactions and savings in these groups to improve their credit score and credibility as an entry point for other financial players.

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