



ALL NATIONS
BUSINESS FOR MOVEMENTS

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Savings Group Manual

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What is a Savings Group?

Savings Groups (SG) are groups of people who meet regularly to save together and take small loans from those savings, generally to start a business or grow their business.

The purpose of an SG is to provide simple savings and loan facilities in a community that does not have easy access to formal financial services.

The activities of the group run in cycles of six months to a year, after which the accumulated savings and the loan profits are distributed back to the members.

SG's are a vital element to make movements self-sustainable. Together with the Pioneer Business Planting and Church Planting Training, the SG's are a third element to create capital from the inside of the movement, instead of depending on outside money.

Advantages of a Savings Group

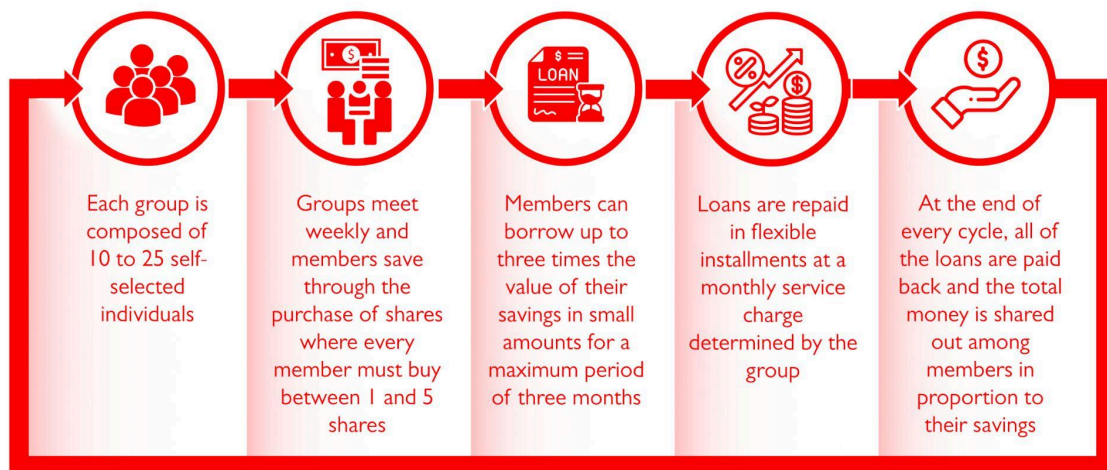
- No financial institution is necessary to help, so people save BEFORE the expenses come up instead of making to pay it back with high interest loans. There is no burden on them, because it's their own money.
- Typical clients of Micro Finance Institutions (MFIs) are the owners of established small businesses, who want to borrow to increase business turnover. MFIs are mainly found in urban areas, where lending is profitable. But the typical villager in a developing country is less interested in running a business that needs credit to expand. Although they benefit from loans, most Savings Group members are risk-averse, and usually prefer to stabilize household cash-flow by saving instead of taking out loans that bring the risk of indebtedness.
- Integrated with discipleship and Pioneer Business Planting. Can be done with a house church.
- Low costs.
- Help the unbanked.
- Simple and easy to replicate.



Organizational structures

I. Normal Savings Group

HOW A NORMAL SAVINGS GROUP WORK



Each group is composed of 10 to 25 self-selected individuals. Groups meet weekly and members save through the purchase of shares. At each meeting, every member must buy between 1 and 5 shares. The share price is set by the group at the beginning of the annual cycle and is fixed for that cycle.

Members do not have to save in equal amounts; these can vary at each meeting. Additionally, by saving more frequently in very small amounts, they can build their savings more easily, contributing to improving the security of the household.

Groups hold elections for leadership every term (6 months or a year). The responsibilities of at least a 3 person committee are clearly defined (minimum President, Treasurer, Secretary). This is to protect the group from being dominated by a single individual.

Loans

Savings are deposited to a loan fund from which members can borrow in small amounts, up to three times the value of their savings. Loans are for a maximum period of three months and may be repaid in flexible installments at a monthly service charge determined by the



group. This flexible repayment system is a decisive advantage when compared to the rigid repayment demands of MFIs.

Social Fund

An SG may decide to have a social fund, which is a simple form of insurance. Everyone pays the same amount at each meeting. The Social Fund is used to pay expenses in the case of personal emergencies.

Share-outs

At the end of every cycle (annual or 6 months), all of the loans are paid back and the total money is shared out among members in proportion to their savings. This share-out includes all of the profits of the group from interest income and fines. Any member who wants to can then plough this money immediately back into the group, so that they start a new cycle with a large balance, which makes them quickly eligible for a large loan.

Record-keeping and finances

Money is handled through a bank account, mobile money account or a money box. Records are maintained in member passbooks. Record-keepers also maintain records cash balances. All of the member passbooks are locked in the money box between meetings. Full transparency is necessary (meaning: bringing bank slips and open books to every meeting).

2. Table banking

A minimum of 7 people gather every week and bring for example Ksh 7,000. In total there will be Ksh 7,000 each week. The amount will be given to one person to start or grow his or her expanding business. This person needs to have a written business plan in place.

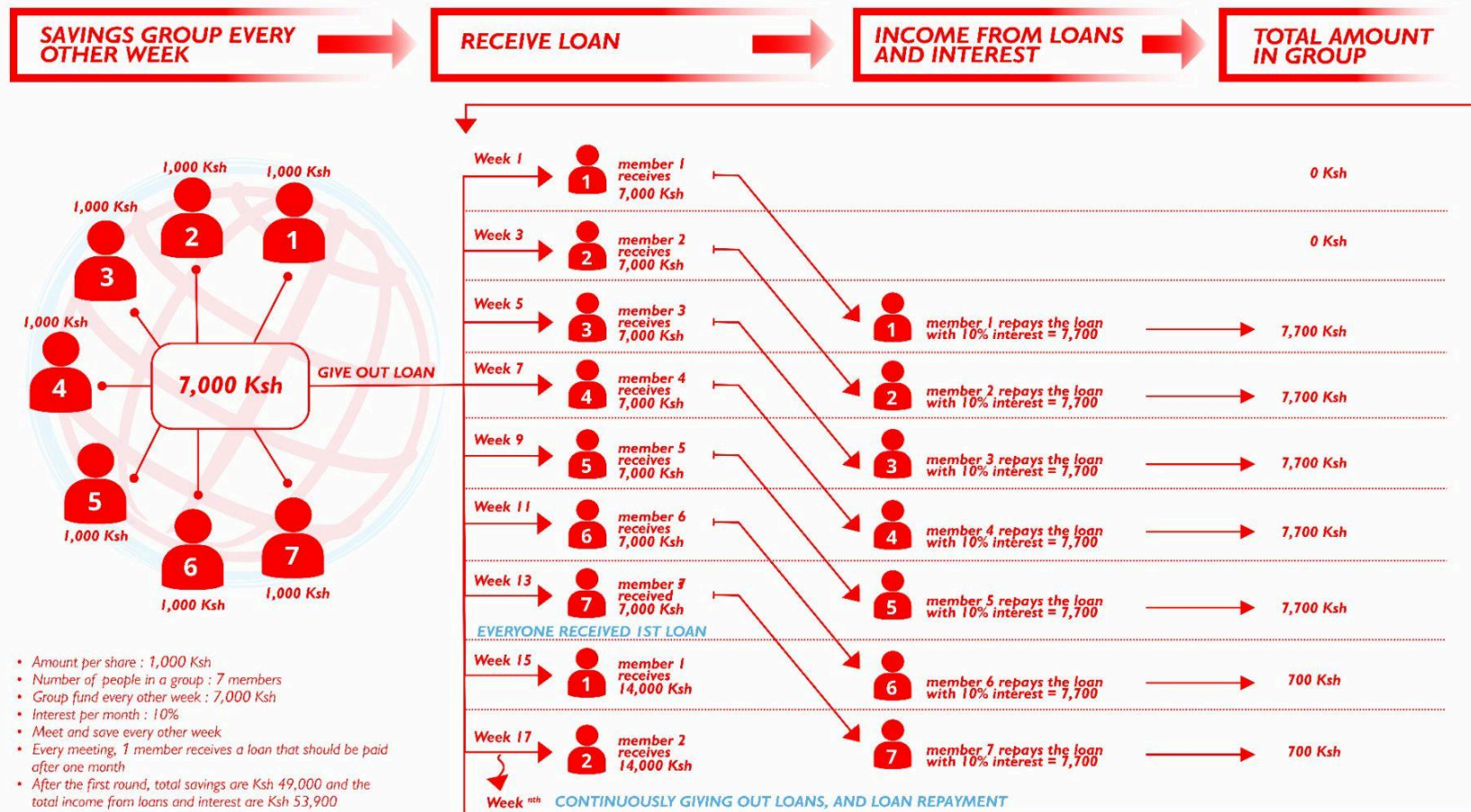
Record keeping will be done by a treasurer. The cycle continues until everyone has received a loan.

Example from Kenya on Table Banking

One of our leaders gathered 30 men that were employed as motorbike taxis. Each person saved KES 1,000 per week (around \$10). Within two weeks they saved KES 60,000 and could make a down payment of half of one motorbike. One person would own the motorbike now, earn 3 times the income they did when employed and paid off the remaining money for the motorbike themselves.



EXAMPLE OF SAVINGS GROUP IN KENYA





Example calculations Malawi and Kenya

[Savings Group Calculations.xlsx](#)

Example calculations India

[Saving Group calculation India.xlsx](#)

Research done on Saving Groups

[The Impact of Savings Groups on the Lives of the Rural Poor in Ghana, Malawi, and Uganda](#)

<https://poverty-action.org/impact-savings-groups-lives-rural-poor-ghana-malawi-and-uganda>

In Ghana, Malawi and Uganda, researchers partnered with CARE and 13 local NGOs to evaluate the impact of VSLAs on households' usage of financial services, business activity, income, empowerment, consumption, and the ability to cope with unexpected events such as droughts. Researchers randomly assigned around half of the 561 clusters of villages to the intervention group and half to a comparison group. Across the three countries, 15,221 households participated in the study.

Interested participants (mostly women) formed groups of 19 to 30 members, pooling money to create a fund from which members could borrow. With rates determined at the group's founding, members pay back loans with interest, thus allowing members to also earn a return on their savings. In addition, most VSLAs included a social or solidarity fund managed by the group to help members in need through interest-free loans or cash grants in case of emergency. While the representatives from CARE and its implementing partners supported the formation of new VSLAs, in Malawi and Uganda the program also aimed to train local agents to continue forming new groups beyond the duration and reach of the program.

Across all three countries, access to VSLAs **led to increased savings and credit access, improved microenterprise outcomes, and increased women's empowerment.** However, VSLAs did not lead to improvements in households' financial well-being.

Take-up: Take-up rates at the end of the study averaged 32 percent across the three sites with a steady increase over time as new groups were continuously formed during the



evaluation period. **Weekly median savings contributions were under US\$1** across the study, and at the time of the endline survey, 61 percent of members had completed at least one savings cycle, receiving their savings and interest share-outs. Sixty-eight percent of members had received at least one loan from the group, **paying with a median interest rate of 10 percent with a term generally ranging between one and three months.** In Malawi and Uganda, program replication was successful with 14 percent and 30 percent of households, respectively, joining VSLAs in non-targeted communities in within the program clusters.

Financial Inclusion VSLAs led to significant improvements in financial inclusion among female respondents. Total reported savings grew by US\$14 (PPP, 2011), a 34% increase relative to the comparison group. The program also affected access to credit: 42 percent of treatment group women obtained a loan in the year leading up to the endline survey, 11 percentage points greater than the comparison group. The average amount borrowed in one year was US\$6.60 (PPP, 2011) higher than in comparison communities.

Business Outcomes Microenterprise activities are positively affected by the program, **leading to a 6 percent increase in the number of businesses operated by households in program areas, and a 9 percent increase in the duration of mostly short-term seasonal business activities.**