STUDY SUMMARY

Evaluating the Saving for Change Program in Mali

While informal savings groups are common around the developing world, their formats can limit flexibility in responding to members' needs, particularly when it comes to loans or coping with unexpected expenses. In Mali, Oxfam's Saving for Change (SfC) program allows groups of women to form a savings group together. Members can also apply for loans from the group, to be paid back with interest. When the group ends, the pool of funds with the loan interest is redistributed to the members. In 200 villages in the Segou region where SfC was implemented, women were 5 percent more likely to be part of a savings group, and savings were 31 percent higher than in the 300 comparison villages without the program. Households in those villages experienced better food security, and had more livestock, but there were no significant differences observed in a number of other economic and social well-being outcomes.

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COUNTRY
Mali

PARTNERS
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PROGRAM AREA
Financial Inclusion

TOPICS
Microcredit, Savings, Women & Girls

TIMELINE
2008-2011

Policy Issue

Community-based methods of saving, such as Revolving Savings and Credit Associations (ROSCAs), can offer informal savings and credit options where access to formal financial services is limited. Under this system, a group of individuals meet regularly to contribute to a fund that is then given as a lump sum to a different member at each meeting. However, ROSCAs can be an inflexible means of borrowing since the pool of funds is fixed and is given to only one member at a time, often by lottery. As such, members cannot necessarily rely on ROSCA payouts to cover unexpected expenses, such as those due to illness or natural disasters. One way to overcome these challenges may be to encourage savings and credit groups to adopt flexible rules that cater better to the needs of their members. Additional research is needed to understand how to better organize ROSCAs and whether they enable participants, especially the poorest, to save and borrow more.

Evaluation Context

The Saving for Change (SfC) program began in Mali in 2005 to assist women in organizing themselves into simple savings and credit groups. The program is meant to address the needs of those who are not reached by formal financial service providers or traditional ROSCAs. As part of the program, about twenty women voluntarily form a group that elects officers, establishes rules, and meets weekly to collect savings from each member. At meetings, each woman deposits a previously determined amount into a communal pool, which grows in aggregate size each time the group meets. When a member needs a loan, she asks the group for the desired amount; the group then collectively discusses whether, how, and to whom to disperse the funds. Loans must be repaid with interest, at a rate set by the members, and the interest collected is also added to the communal pool of funds. *Saving for Change* introduced a novel oral accounting system which helps the women manage each woman's debts and savings totals.

At a predetermined date, the group divides the entire pool among members in proportion to their savings contributions. The timing can coincide with times of high expenditure, such as festivals or the planting season. The interest from the loans generally gives each member a return on her savings of approximately 30 percent, annually. The group can then start a new cycle and establish new rules. Groups sometimes opt to increase their weekly contributions, accept new members, or select new leaders.

Unlike formal lenders, SfC group members lend their own money, so collateral is not required. The fact that all money originates from the women themselves, as opposed to outside loans or savings-matching programs, also increases the incentives to manage this money well. In addition, the program is designed to be self-replicating through "replicating agents" in each village.Once the first group is established in an area, members themselves become trainers and set up new groups in their village and the surrounding area.

Prior to the study, approximately 22 percent of women in the sample area were members of ROSCAs and over 40 percent of households had experienced a large, unexpected fluctuation in income or expenditure during the last 12 months.

Details of the Intervention

In order to test the impact of the SfC program as well as different strategies for encouraging replication, researchers randomly selected 500 villages in the Segou region of Mali to participate in the study. These villages were randomly divided into two treatment groups of about 100 villages each, and one comparison group with nearly 300 villages. The first treatment group received the SfC program with a structured, three-day training for replicators who received a handbook on how to start and manage savings groups. The second treatment group received the SfC program with an informal, organic training program in which trainers answered questions but did not provide any formal instruction to replicators. The comparison group did not receive the SfC program.

Results and Policy Lessons:

Adoption of SfC: Nearly 30 percent of women in treatment villages joined a savings group as part of the SfC program. Those women who chose to participate in the SfC program were, on average, older, more socially connected, and wealthier than non-members. Take-up was higher in villages that received the structured training program than in those that received the informal training.

Savings and Loans: Women in treatment villages were 5 percentage points more likely to be part of a savings group, and average savings in treatment villages increased by US$3.65 or 31 percent relative to the comparison villages. The SfC program also significantly increased women's access to credit. Women in the treatment villages were 3 percentage points more likely to have received a loan in the past 12 months, and this loan was more likely to have come from a savings group rather than from family and friends.

Resilience to income shocks: Households in the villages receiving SfC were 10 percent less likely to be chronically food insecure than those in control villages. In addition livestock holdings increased, and households in treatment villages owned on average US$120 more in livestock than those in comparison villages, a 13 percent increase. In Mali, owning livestock is a preferred way to store wealth and mitigate against risks such as drought or illness.

Structured vs. Organic Replication: Villages that received structured replication training rather than informal training had higher participation rates in SfC. In addition, households in those villages were less likely to report not having enough food to eat and more likely to report owning assets such as livestock. Even though the structured training program was slightly more expensive to implement, it delivered greater benefits to villages assigned to that version of the SfC treatment.

Researchers did not find any significant effects of the program on health outcomes, school enrollment, investment in small businesses or agriculture, or women's empowerment.

Results and Policy Lessons