THE ROLE OF SAVINGS GROUPS IN BUILDING RESILIENCE

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(photo credits: Freedom from Hunger-Grameen Foundation)
EVIDENCE ON SGS BUILDING RESILIENCE

• 7 RCTs on SG impact summarized in paper “The Evidence-Based Story of Savings Groups” (Gash and Odell, 2013; The SEEP Network)

• Increased savings (w/o decrease in consumption)

• Increased use of credit; some evidence HHs more likely to take SG loans to mitigate shocks

• Mixed evidence on increase in asset ownership
  • Ex: In Mali, after 1-3 years, increased value of HH livestock holdings by 13% or $120 (Beaman et al, 2014)

• Mixed evidence of increase in expenditures

• Increase in food security

• Overall, interpretation is that SGs have some impact on building resilience
MORE EVIDENCE ON SGS BUILDING RESILIENCE

• Additional findings summarized in “Understanding the Impact of Savings Groups” (Gash, 2017: The SEEP Network)

• Reviewed 53 studies; 40% experimental design including 7 RCTs studies from before; conclusions emphasized rigorous findings

• Supports findings from before re financial services

• Access to emergency loans, ability to save lump sums, help members “more easily manage expenses” when responding to shocks

• Ex: ”SG membership strengthens HH food and nutrition security, social security, solidarity of communities during times of crisis” (CARE, 2015)

• However, financial benefits are limited when a crisis hits an entire community…
Questions:
1) How do rural households manage economic, environmental and health shocks?

2) What roles do formal and informal financial products play in improving household resiliency and building assets?

How answered:
- INGO Freedom from Hunger conducted “Resilience Diaries”
- 10 surveys from mid 2014 – early 2015
- CGAP Publication: Gash and Gray, 2016
CONTEXT

- 46 women, rural Central-Western Burkina Faso
  - ½ SG members, ½ village bank; overlap
- 64% live below $1.25/day 2005 PPP international poverty line
- 89% chronically food-insecure; 85% illiterate
- Sahel: re-occurring droughts; 2012 drought & food crisis; famine 10 years prior
SHOCKS

- 67% food insecure at any point
- HHs averaged 1 shock per month
Coping Mechanisms Used (1,279 uses; avg 3.5 mechanisms/shock)

- Personal savings: 286
- Reduce food consumption: 152
- Sell grain: 147
- Sell crops in advance: 132
- Sell livestock: 122
- Purchase on credit: 84
- Borrow from savings group: 74
- Worked harder: 65
- Borrow from family: 56
- Delay repayment: 52
- Borrow from financial inst.: 40
- Start economic activity: 25
- Sell property: 9
- Migrate: 9
- Pull children from school: 10
- Borrow from family: 10
- Borrow from moneylender: 3
- Do nothing: 3

(1,279 uses; avg 3.5 mechanisms/shock)
## COPING MECHANISMS: PREFERENCE VS. USE

<table>
<thead>
<tr>
<th>Most preferred</th>
<th>Most used</th>
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</thead>
<tbody>
<tr>
<td>1. Sell small livestock</td>
<td>1. <strong>Savings</strong></td>
</tr>
<tr>
<td>2. <strong>Borrow from SG</strong></td>
<td>2. Reduce food</td>
</tr>
<tr>
<td>3. Reduce food</td>
<td>3. Sell small livestock</td>
</tr>
<tr>
<td>4. <strong>Savings</strong></td>
<td>4. Sell grain</td>
</tr>
<tr>
<td>5. Borrow from family &amp; friends</td>
<td>5. Purchase on credit</td>
</tr>
<tr>
<td>6. Sell grain</td>
<td>6. <strong>Borrow from SG</strong></td>
</tr>
<tr>
<td>7. Purchase on credit</td>
<td>7. Borrow from family, Fl/work harder</td>
</tr>
</tbody>
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## COPING MECHANISM PREFERENCES

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Why Prefer</th>
<th>Why <strong>NOT</strong> Prefer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>Available, timely, secure</td>
<td>Insufficient funds</td>
</tr>
<tr>
<td>Reducing food consumption</td>
<td>Available, timely, “natural”</td>
<td>Will aggravate food insecurity/family worse off; does not yield much money</td>
</tr>
<tr>
<td>Sell small livestock</td>
<td>Available, effective, timely, reliable</td>
<td>Unexpected loss of profit</td>
</tr>
<tr>
<td>Sell grain</td>
<td>“Only option” in emergency</td>
<td>Aggravate food insecurity</td>
</tr>
<tr>
<td>Purchase on credit</td>
<td>Timely</td>
<td>Fear inability to repay, lose honor/privacy</td>
</tr>
<tr>
<td>Borrow from SG</td>
<td>Available, timely, reliable (mutual assistance)</td>
<td><strong>Insufficient funds for big shock, not available when entire community is suffering</strong></td>
</tr>
<tr>
<td>Borrow from family and friends</td>
<td>Reliable, flexible repayment terms</td>
<td>Honor/privacy lost, not always available, insufficient funds</td>
</tr>
</tbody>
</table>
OVERALL CONCLUSIONS

- SGs are helpful, but limited
- SGs serve as a platform; linkage to other services
- Rural areas have low access to formal financial services; yet desire to have them
  - 91% said they would prefer to manage money individually rather than in a group
- Recommendations for financial service design are:
  1. Easily available & timely
  2. Increase savings
  3. Tailor products to specific shocks
- FSPs, other institutions need TA to reach the last mile (business case; technology)