Sustainability of Savings Groups: Conference synthesis

Savings-Led Working Group
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Introduction

The topic of sustainability has long captured the interest of microfinance practitioners. Between February 8 and 19, 2010, the SEEP Network Savings-Led Financial Services Working Group (SLFS) hosted an online conference to detail minimum standards for a definition of sustainability for savings-led initiatives. The forum was designed to be an open space for interested practitioners, both SEEP members and non-members, to share their ideas, learn from one another and reach consensus. The ideas put forth will be circulated among key players and used in publications going forward.

Overall, the group determined that rather than focusing on cost recovery as is common of credit-led programs, sustainability in savings-led microfinance refers to the ability of the system to ensure ongoing provision of core financial services[1] beyond the initial intervention. In other words, sustainability requires independent group functioning into the future with no external support. And although sustainability may be defined at different levels of program operation[2], the discussion during the conference focused on the core unit of analysis: The savings groups.

Although participation in the online conference was lower than expected, enthusiastic responses from participants focused the discussion on the topics listed below:

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[1] There is some lack of clarity as to what should constitute a core financial service. Since these are "savings" groups, some argue that savings are the only core financial activity. Others believe that lending should also be included as a core requirement.

[2] Conference participants and organizers recognize that there are multiple levels of sustainability. For example, Catholic Relief Services (CRS) defines three distinct levels, *the group level*, *the market driven delivery channel* and *the market driven certification component*. However, because savings-led methodologies do not have a built-in cost recovery mechanism, definitions of sustainability beyond the group level vary according to the methodology used. In other words, it is difficult to create a minimum standard of sustainability that covers all levels and all different approaches, as there isn't a unique variable common to all.

Differentiating between individual access to financial services and ongoing provision of service delivery through the savings group

Members may decide to leave their groups. Group fund contributions may decline during lean periods and group assets may be sold. But despite this, practitioners note that sustainability is still achieved. Savings groups are sustainable as long as financial service provision continues unhindered, and interested individual members are able to access financial services uninterrupted, if they so chose. In other words, if the savings group can satisfy the demand for financial intermediation services even in the face of internal change, it is considered sustainable.

An example of this is the experience of Street Kids International. Due to the inherent instability of street children, many drop out after completing their obligation to the program. Nonetheless, the group may still reach stability and continue offering services to satisfy the demand, independent of individual behavior. In this way, membership changes, but service delivery remains unaffected.

Defining the time frame for independent group operation

Participants agree that before a group may be considered sustainable, it must have been able to regenerate itself independently and start a new cycle at least twice. The group's ability to restart operations is a more relevant measure of sustainability than a specific time frame of group operation, whether counted in years or in cycles. With that said, the time required to complete multiple cycles is typically about two years.

Distinguishing between stability and growth

Ideally, savings groups would replicate, group funds would grow, members' economic activity would flourish and links to markets would be created as we have seen in a number of programs around the globe. However, growth is not strictly necessary for sustainability. In fact, as mentioned above, stability in the service offering is sufficient. A group that is stable in the provision of services is superior to a group that exhibits high growth in membership but functions inadequately as a result.

In the same way, growth in the savings fund is also not strictly necessary, as groups go through lean times where members may reduce their contributions, distribute the funds, or even sell group assets. Yet, as long as the group continues providing stable services, it is sustainable.

Qualifying what is meant by external support

Sustainability presupposes autonomous operation[3] of the savings group after the initial training, yet ambiguity appears both when groups are used as financial platforms for the provision of other services and in the case of external monitoring. Practitioners agree that external support for additional services provided through the savings group should be considered separately from support that the group receives to continue its core financial intermediation activities. If the group is able to provide core financial services without external support over time, it is sustainable even if it receives support for other activities. However, practitioners acknowledge that, to an outside audience, on-going external support for other activities may weaken the sustainability claim. In any case, groups should not be denied other services in the interest of sustainability.

Closely related to the issue of independent function is the idea of group monitoring by an external agency, which presents similar challenges to the claim of sustainability. The very nature of visiting the groups for data collection, even when no additional training or support is offered, may create different dynamics than if the groups were left completely alone. As in the case of platforms, there is consensus that sustainability is assumed even if the group receives monitoring visits.

Conclusions

The discussion yielded the core concepts and minimum standards that will enable the SLWG to now craft a definition of sustainability of savings groups. These concepts and standards are presented below:

> Sustainability requires ongoing access to core financial services without external support for a period during which the group will have to regenerate itself at least twice.
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> Sustainability requires a state of stability of service provision, but does not presuppose growth.
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> The provision of additional services through continued external support does not undermine the sustainability of the group to carry out its core financial activities.

[3] In some cases, groups may outsource the record keeping and auditing services to literate members of the community. In this sense, the group is not purely self-managed, but as long as it is able to pay for the ongoing services of the record keeper, it is sustainable.