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An Empirical Risk Assessment of Savings Groups: Main Findings and Implications for Facilitating Agencies

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Overview of the Risk Assessment



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Why do a Risk Assessment?

- Landscape for Savings Groups has evolved and become more complex
- Consumer protection identified as a key focus area within the SLWG learning agenda
- Lack of evidence on risks faced by Savings Groups
- Absence of agreement on a pathway to protecting Savings Groups



Overview of the Risk Assessment



Details of the study

- **4 Countries**
 - Burkina Faso
 - Madagascar
 - Rwanda
 - Tanzania
- **1600 Surveys**
 - 518 groups
 - 1036 individuals
 - 24 trainers
 - 24 community stakeholders



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What did the surveys cover?

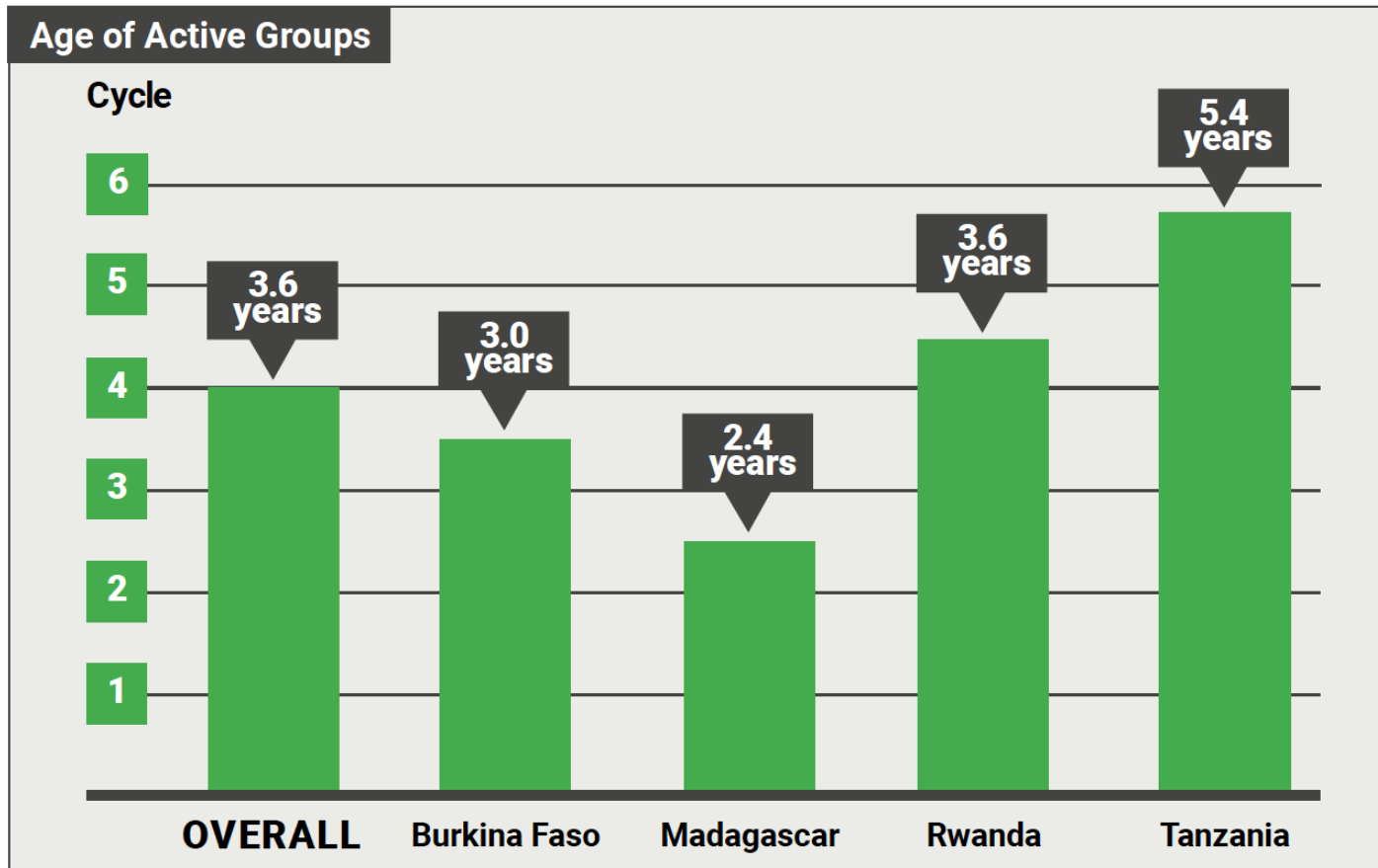
- Training & Support
 - Trainer satisfaction
 - Ongoing support
- Membership
 - Attrition
 - Multi-group membership
- Governance
 - Management committee
 - Constitution
- Record-keeping
- Credit (lending)
- Cash management
- External Savings & Credit
- Theft
- Returns
- Other Activities
- Other problems/concerns
- Private individual questions on:
 - Financial decision making at the household level
 - Elite capture
 - Problems with trainer
 - Any other problems

Key Findings from the Risk Assessment



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Key Findings: Group Survival

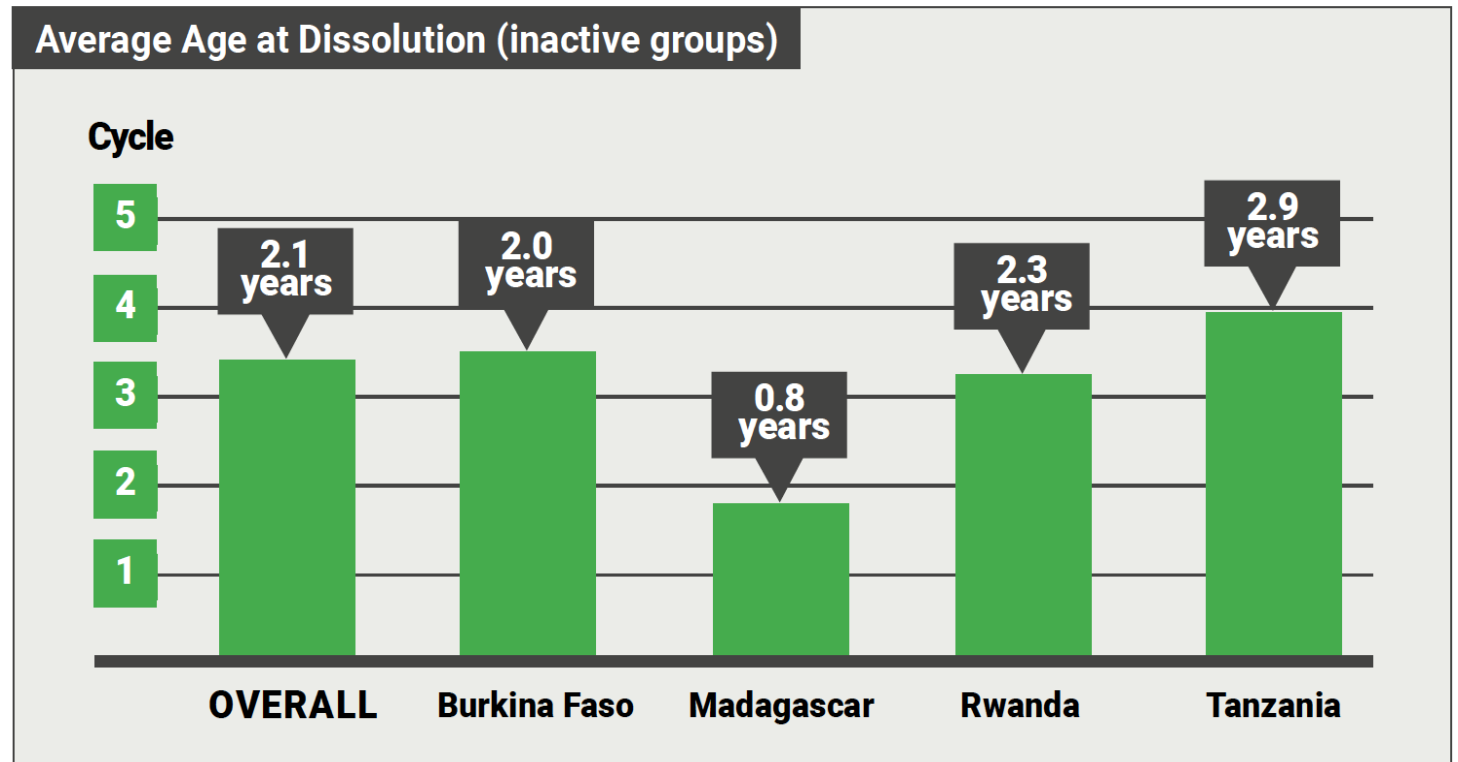


How many groups survive and for how long?

- Survival rate: 82%
- Average age: 3.6 years
- Oldest group: formed in 2005, has completed 12 cycles

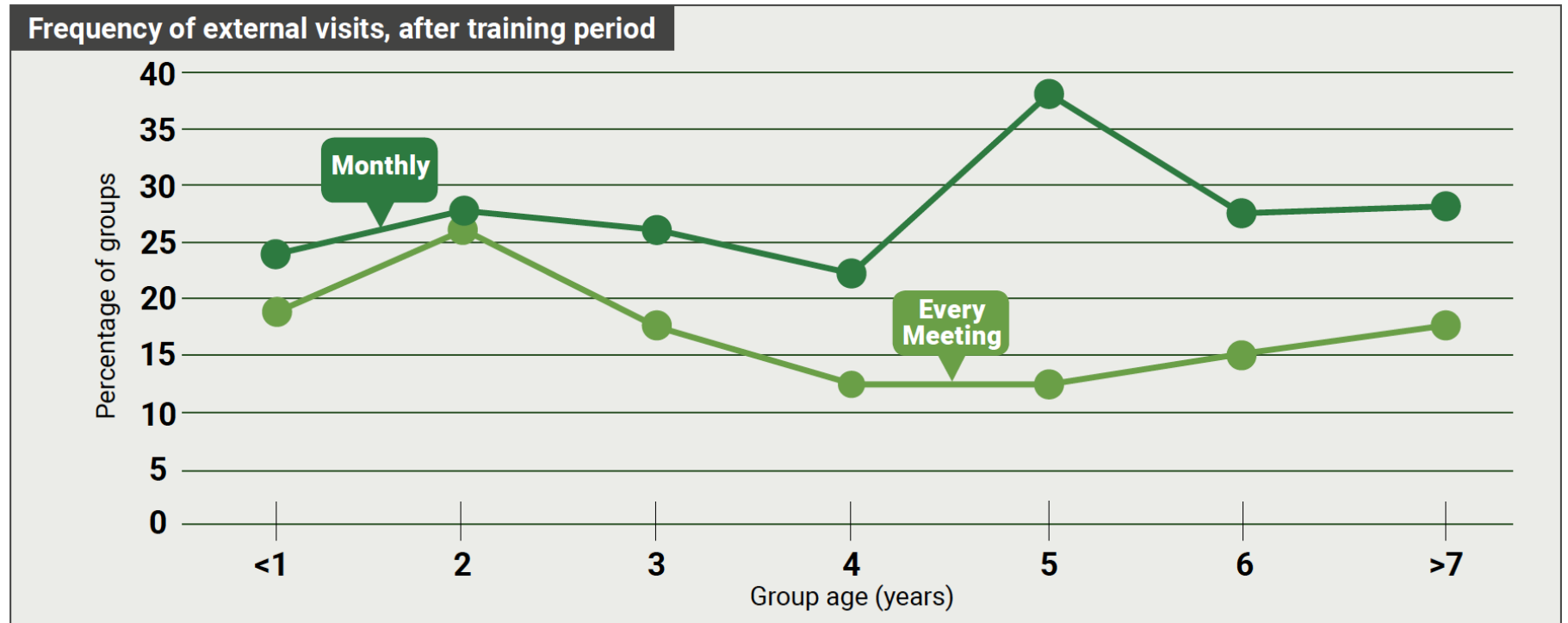
When & why do groups dissolve?

- On average, after two years / three cycles
- Most common reasons:
 - Inability to save (43%)
 - Loan default (22%)

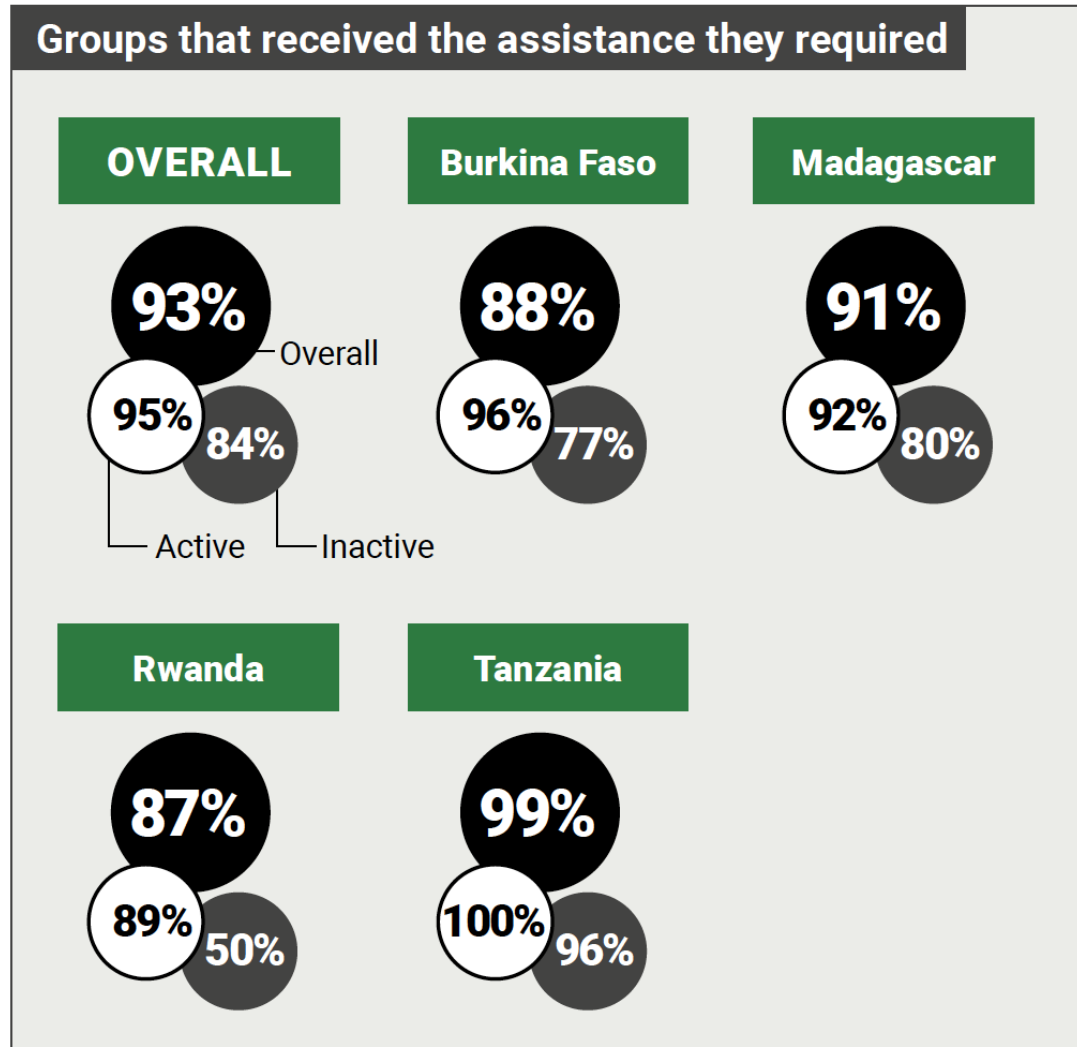


What happens after training ends?

- Most groups are visited by trainers (88%)
- Many groups are visited frequently



Key Findings: Ongoing Support

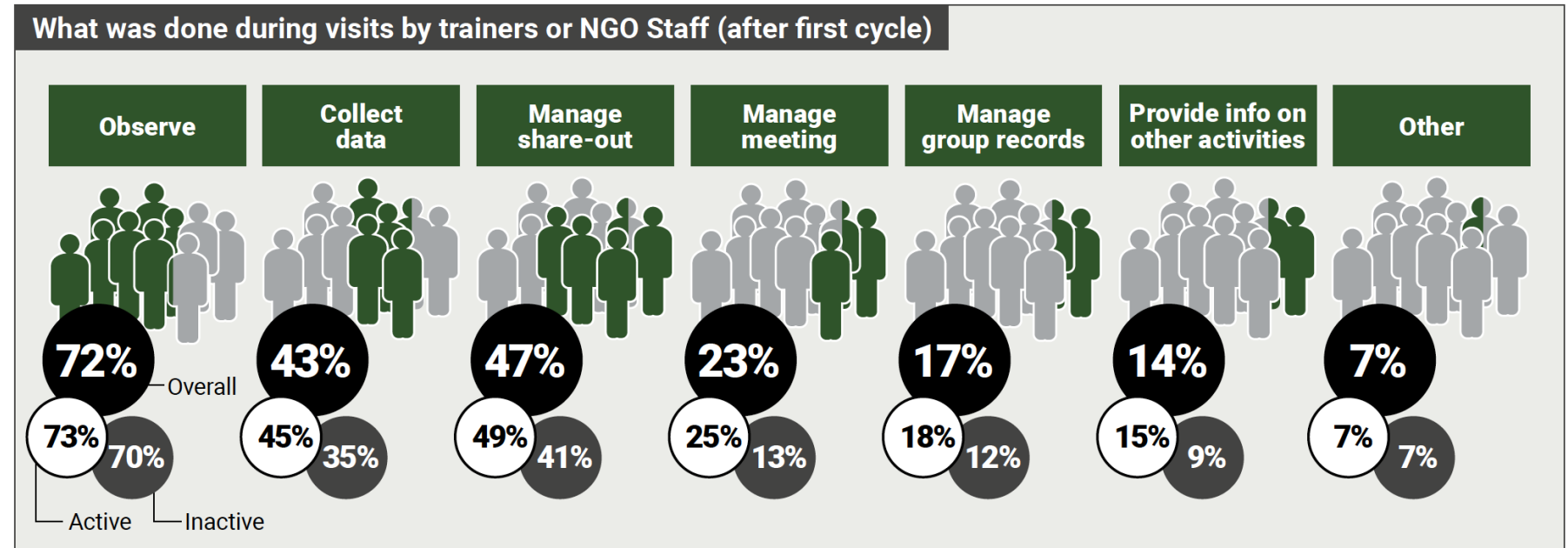


What is the right amount of support?

- Groups that had dissolved:
 - Needed support more frequently
 - Received the support they needed less often

What kind of support is being given?

- Group functions are often performed by trainers during visits



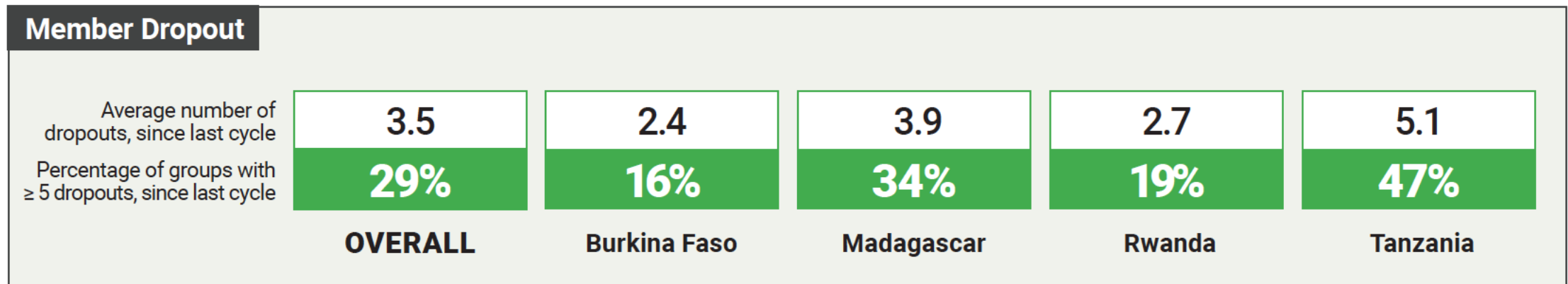


What are the implications of ongoing support?

- Ability to operate successfully?
- Autonomy vs. overdependency on external parties?
- Prevention of group collapse?

How many members leave/join groups?

- 3.5 members on average left their group since the last cycle
- 29% of groups had five or more members drop out since last cycle
- 31% of survey respondents were not members when the group formed



Why do members leave?

- Most common reason: inability to save (54%)
- Followed by: migration (38%)



“WE ARE WORRIED IF A NEW MEMBER JOINS A GROUP. SHE CAN BORROW GROUP MONEY AND RUN AWAY, FAILING TO REPAY THE LOAN. WE DON’T WANT A PERSON TO JOIN OUR GROUP IF WE DON’T KNOW HER LIFE HISTORY.”





(UKOMBOZI SAVINGS GROUP, TANZANIA)

What are the implications of member turnover?

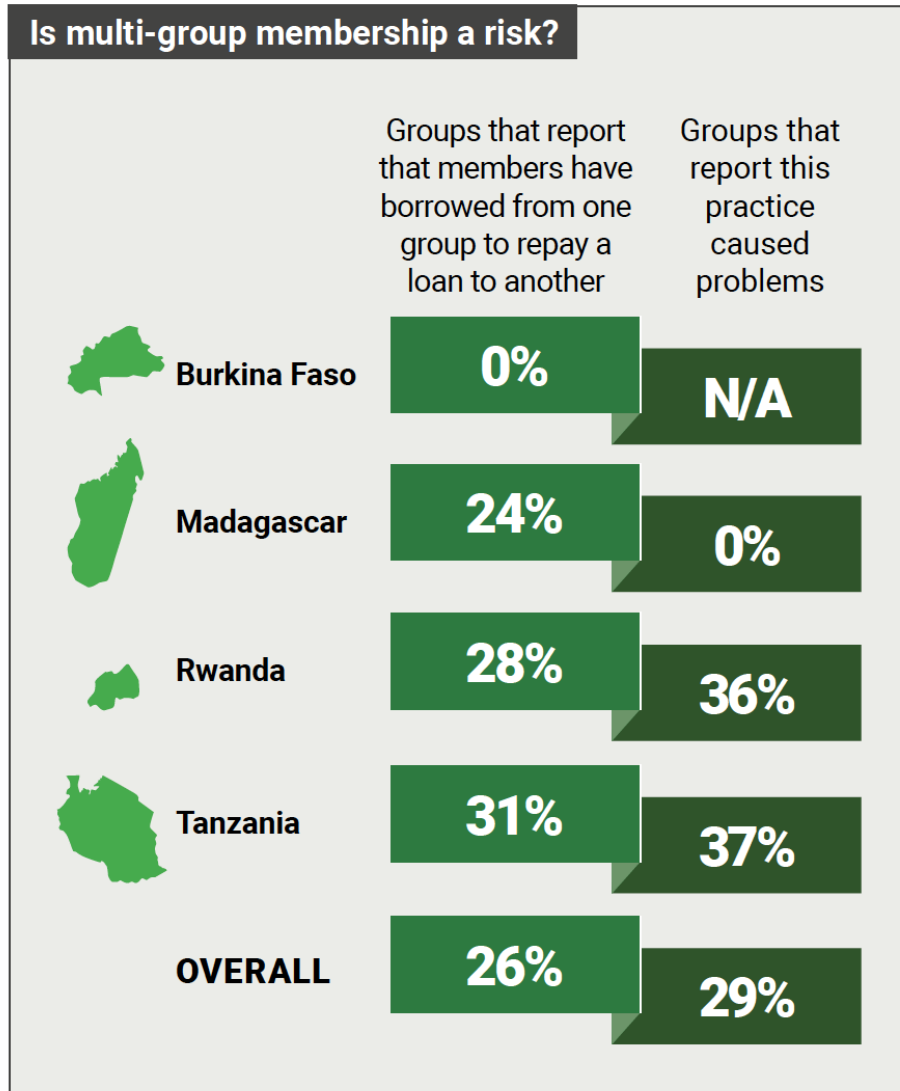
- Retention/Transfer of knowledge and skills?
- Strength of group solidarity, culture, values?
- Financial inclusion?

How often are members in multiple groups?

- 3.4 members per group on average are also members of another group
- 55% of active groups have at least one 'multi-member'
- 24% of groups have at least 5 members who are also in other groups

Multi-group membership		Average number of members in multiple groups	Active groups with at least 5 members in other groups
	Burkina Faso	0.5	4%
	Madagascar	3.3	20%
	Rwanda	6.2	52%
	Tanzania	2.7	14%
	OVERALL	3.4	24%

Implication: Multi-Group Membership



What are the implications of multi-group membership?

- Borrowing from one group to repay another?
- Over-indebtedness?
- Loan default?

Key Findings from the Risk Assessment




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Groups that experienced at least one loan default



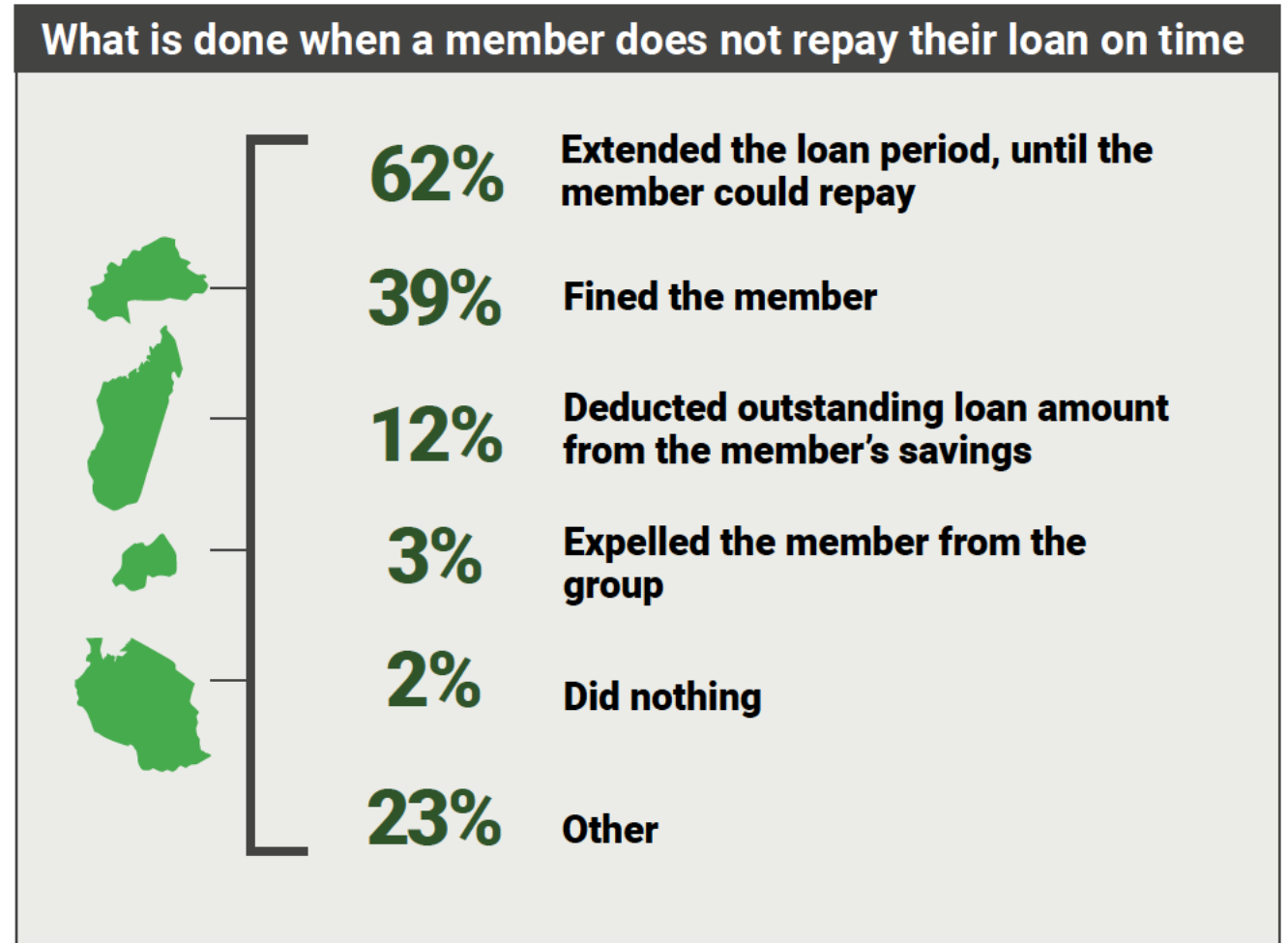
Burkina Faso	9%
Madagascar	49%
Rwanda	56%
Tanzania	94%
OVERALL	52%

How common is loan default?

- Loan default occurred in more than half of all groups
- Was reported by many groups to be an issue that concerned them
- Trainers and community stakeholders reported frequently being asked for help with loan repayment

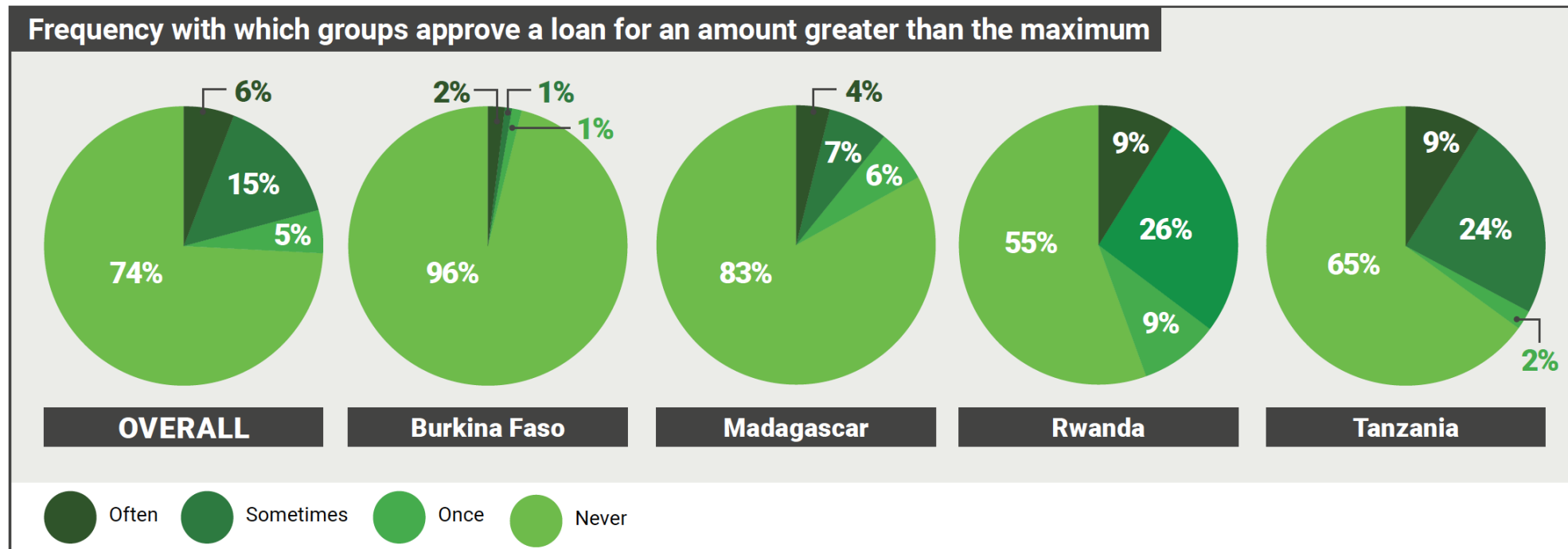
How do groups deal with loan default?

- Groups employ a variety of strategies
- In some cases this involved seizing assets
- Many groups expressed a desire for support in addressing loan default



What are the implications of loan default?

- Reduced, possibly negative, returns?
- Member drop-out?
- Importance of adhering to loan max?
- Group dissolution?







Can loans be stolen?

- Theft normally perceived as stolen cash
- But the scope of how theft was interpreted by groups was broad
- In many cases it included 'loan theft': loans that members had absconded with or refused to pay




How often are funds stolen?

- 6% of groups experienced at least one theft
- This equals over two thefts per year for every 100 groups
- More prevalent in urban areas (69% of all thefts)
- Thief as likely to be a member or relative of member (35% and 15%) as unknown (49%)

Frequency of theft		Groups that have experienced a theft	Number of reported thefts
	Burkina Faso	2%	4
	Madagascar	6%	9
	Rwanda	11%	18
	Tanzania	3%	4
	OVERALL	6%	35

How much gets stolen?

- Between \$85 - \$662 per theft
- Equates to between 7%-158% of a group's last share-out
- Most or all funds recovered in 29% of thefts

Theft amount		OVERALL	Burkina Faso	Madagascar	Rwanda	Tanzania
	Average loss per theft (USD)	\$273	\$120	\$662	\$85	\$399
	Loss as a % of last share-out	39%	158%	69%	7%	17%



Implications of theft

- Reduced, potentially negative, returns?
- Group solidarity?
- Group collapse?

What happens next?

- SEEP is seeking partners to develop **3 case studies** (by Mar 2019)
- Focus: measures to prevent, mitigate or address risk
- *If you are interested in working on a case study, let us know!*

Send an email to:

slwg@seepnetwork.org



Q & A



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Thank You!



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For more information about SEEP's Empirical Risk Assessment of Savings Groups, contact **Ashley Wheaton**: slwg@seepnetwork.org
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SEEP Announcements: Resource Spotlight



LEARNING BRIEF


An Empirical Risk Assessment of Savings Groups







STATE OF PRACTICE

State of Practice: Savings Groups and the Dynamics of Inclusion



STATE OF PRACTICE

Savings Groups and the Dynamics of Inclusion—Main Findings

