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What Does Consumer Protection Mean for Savings Groups?



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September 10, 2019 | 9:00 - 10:00 am EDT



David PanettaThe SEEP Network



Sukhwinder Arora Arora Associates



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SEEP Network Learning Series: Savings Groups and Consumer Protection



CONTEXT

- 25+ years experience: Savings Groups are a safe place to save
- Recognized gaps in the body of knowledge: LONG-TERM outcomes and UNINTENDED outcomes
 - Money management, the safety of group funds, procedural drift, conflict between members and governance, and evolving relationships with regulatory authorities, financial service providers and private actors.

OBJECTIVE

• Improved understanding of the risks faced by Savings Groups and their members, and effective risk mitigation strategies

AN EMPIRICAL RISK ASSESSMENT OF SAVINGS GROUPS



An Empirical
Risk Assessment of
Savings Groups









GROUP ATTRITION

Annualized group survival rate of 91%

THEFT

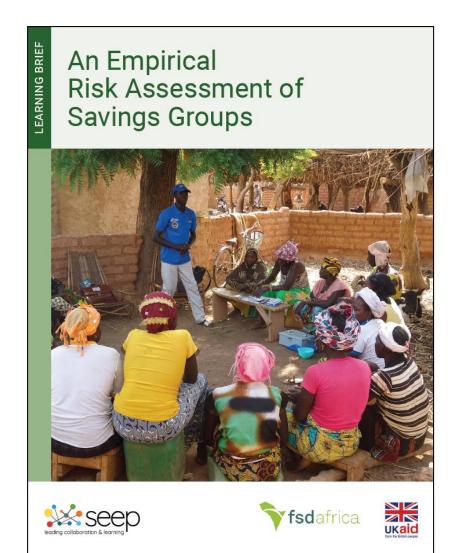
- Two thefts, per 100 groups, per year
- Average loss of \$273 (39% of the group's previous share-out)

NEGATIVE RETURNS

Over a period of nearly 4 years, 5% of groups have experienced a negative return at least once

AN EMPIRICAL RISK ASSESSMENT OF SAVINGS GROUPS





MULTIPLE-GROUP MEMBERSHIP

In about a quarter of all groups, ≥ 5 members belong to multiple groups

FINANCIAL LITERACY

Nearly a third of members do not understand their own records



Panel Discussion



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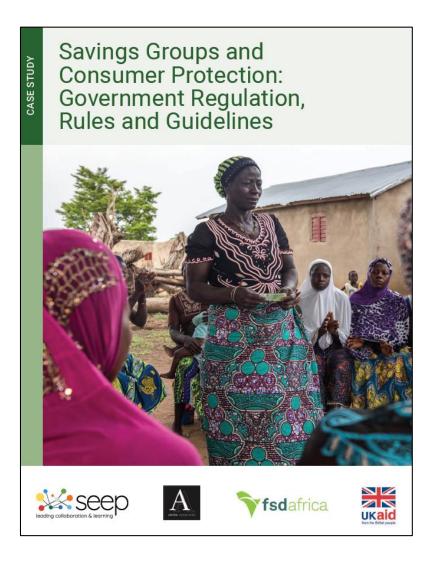
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GOVERNMENT REGULATION:Potential Benefits







- Increased awareness of and support from policy-makers, banks and other actors
- Data for monetary policy from sources that central banks have not yet been able to access (informal/invisible)

2. Consumer protection for Savings Groups

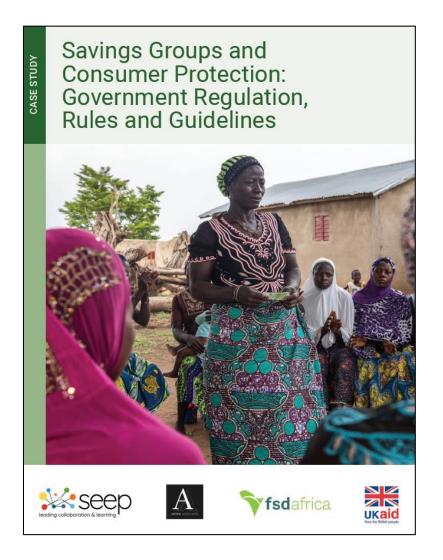
- Protection of members' savings
- Ensuring that development and market actors act responsibly in relation to Savings Groups

3. Increased opportunities for Savings Groups

- Increased formal sector participation (e.g. Know-Your-Customer requirements at financial institutions)
- More effective targeting and implementation of government programs
- Use of Savings Groups as channels to support economic and social development (e.g. cash transfers, agricultural inputs, etc.)

GOVERNMENT REGULATION:Challenges facing the Regulation of Savings Groups

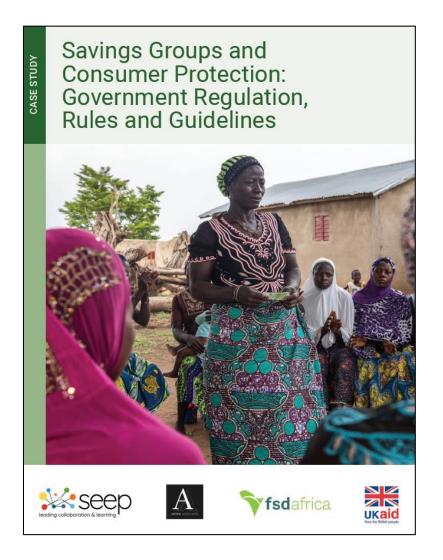




- Member-owned, self-managed, and independent
- Self-contained/limited external engagement
- Significant diversity in rules and working arrangements (amongst Savings Groups)
- Groups are constantly evolving in operating procedures and membership
- Transaction costs of formal regulation for regulators and groups
- Feasibility of formal supervision in underserved markets (often in geographically and socially isolated communities)

GOVERNMENT REGULATION: Risks of the Rush to Regulate

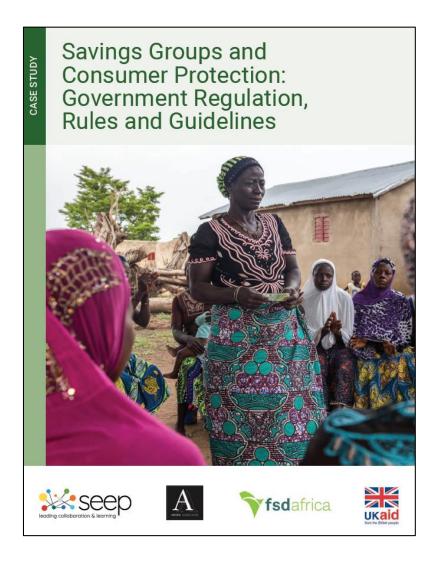




- National vision predominant focus on formal financial inclusion may underestimate and undermine the intrinsic value of Savings Groups
- Limited government familiarity with and capacity for SG policy development
- Mismatch between policy ambitions and implementation capacity
- Government support for Savings Groups can distort incentives for their formation and management, not least in unintended ways

GOVERNMENT REGULATION:Recommendations for Regulatory Authorities





- Improve understanding of how Savings Groups operate
- Encourage sector-wide coordination
- Improve data collection and applied research
- Create an enabling environment
- Promote and facilitate Saving Groups' access to formal financial services in ways that produce benefits for the groups, their members and FSPs
- Establish realistic expectations
- Proceed with caution

GOVERNMENT REGULATION

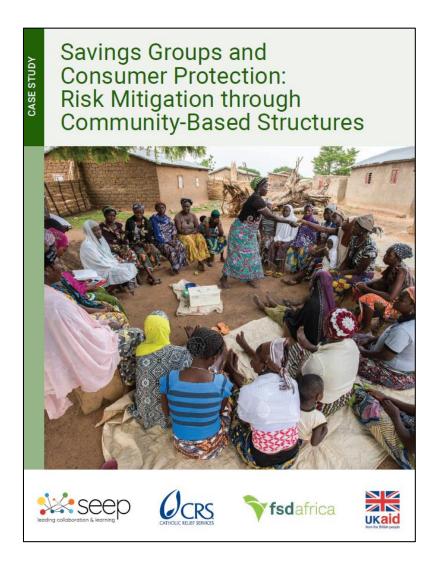


"Let's not tamper with their DNA [...] with their nature of being a safe space for the members. Let's really try and see how they're structured naturally, organically, and try and see how to automate that without destroying the whole fabric of savings groups."

- **Dr. Monique Nsanzabaganwa**Deputy Governor, National Bank of Rwanda

COMMUNITY-BASED APPROACHES: SILC Committees in Togo





- SILC Committee represents all Savings Groups in the canton
- Information sharing, SILC promotion, problemsolving
- Additional level of external recourse, member/group redress
- Demonstrated effectiveness in resolving loan defaults
- Potential to serve as clearinghouse on borrowing information

SILC COMMITTEES



"Members of multiple groups should understand that losing privacy is the price to pay to join more than one Savings Group."

- SILC Committee member in Togo



INSECURITY AND THEFT IN MADAGASCAR:Responses and Unintended Consequences



Savings Groups and Consumer Protection: How Savings Groups Responded to Insecurity and Theft in Madagascar











CONTEXT

Widespread and worsening insecurity increasingly affects Savings Groups in Madagascar

IMPACT

Erosion of trust, precipitated share-outs, group dissolution, hampered mobilization of new groups

SPONTANEOUS RESPONSES HAVE UNINTENDED CONSEQUENCES

- Increase confidentiality Reduced transparency
- Eliminate cashbox Forced borrowing, increased risk of internal theft/misuse of funds
- Group accounts Costs and transit risk
- Community policing Harsh punishment

INSECURITY AND THEFT: Recommendations



Savings Groups and Consumer Protection: How Savings Groups Responded to Insecurity and Theft in Madagascar











 Incorporate more discussion of risk, mitigation and trade-offs in training and group support

Equip groups for premature/short-notice share-outs

 Maintain clear, consistent communication with groups through situations of insecurity

UNINTENDED CONSEQUENCES AND RISK MITIGATION: A Gender Perspective



- Financial services, including Savings Groups, are part of the larger narrative of women's economic empowerment
- WEE is often seen as the magic bullet to redress gender inequality, reduce poverty, mitigate violence and improve wellbeing
- However, this narrative often overlooks the gender and social norms that shape women's lives and can result in constricting women's access to or benefits from financial services, such as Savings Groups
- Some of these unintended consequences are:
 - Increased time poverty
 - Job market segregation and women's care burden
 - Gender-based violence
 - Co-option of income and credit
 - Poor health outcomes

UNINTENDED CONSEQUENCES AND RISK MITIGATION:A Gender Perspective



- Parallel investment in norm change and intrahousehold communication is critical to ensure women reap the full benefits from access to financial services and economic opportunities
- Norms do not change the instant women enter the market they are still responsible for the lion's share of the household chores, child care, and other duties
- Men may perceive women's economic gains as undermining their power, which may result in violence directed at women



Q&A



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Thank You!



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For more information about the SEEP learning series on Savings Groups and consumer protection, contact **David Panetta**: panetta@seepnetwork.org



SEEP Announcements



Webinar Spotlight

Blockchain 101: What Is It and How Can It Empower Women?

September 25 | 9:00 – 10:00 am EDT

Financial Inclusion in Africa: Is the Informal Sector Still Relevant?

October 2 | 9:00 – 10:00 am EDT

2019 SEED
Annual Conference
Building Resilience
through Market Systems
October 21-23 | Arlington, Virginia

Register for the 2019 SEEP Annual Conference!

ESG2020 THE FUTURE OF SAVINGS GROUPS SCALE. SUSTAINABILITY. IMPACT. DURBAN, SOUTH AFRICA | MARCH 10-12

Request for Proposals now live!

Submit a Peer Learning Session Proposal for one or more of the four Technical Tracks by **September 13 for non-members** and **September 27 for SEEP members**!

Track 1: Leaving No One Behind

Track 2: Springboards for Youth to Education, Employment and Entrepreneurship

Track 3: Gender-transformative Approaches for Women's Economic Empowerment

Track 4: Achieving Scale and Sustainability through Digital Savings Groups

Resource Spotlight

