



SAVINGS AND LOAN GROUPS IN THE JORDAN VALLEY

JORDAN VALLEY LINKS



Creating business solutions to poverty



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Acknowledgements

Author	Nour Qawasmi
Editors and Contributors	Jennifer Denomy, Farah Chandani, Helal Ahsan-Ul-Haque, and Edouine François
Photography	Nour Qawasmi
Graphic Design	Wendy Helgerman

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Acronyms

- FGD Focus Group Discussion
- GAC Global Affairs Canada
- JRF Jordan River Foundation
- JVL Jordan Valley Links
- KII Key Informative Interview
- MEDA Mennonite Economic Development Associates
- MFI Micro Financial Institution
- NAFE National Association for Family Empowerment
- SLG Savings and Loan Group

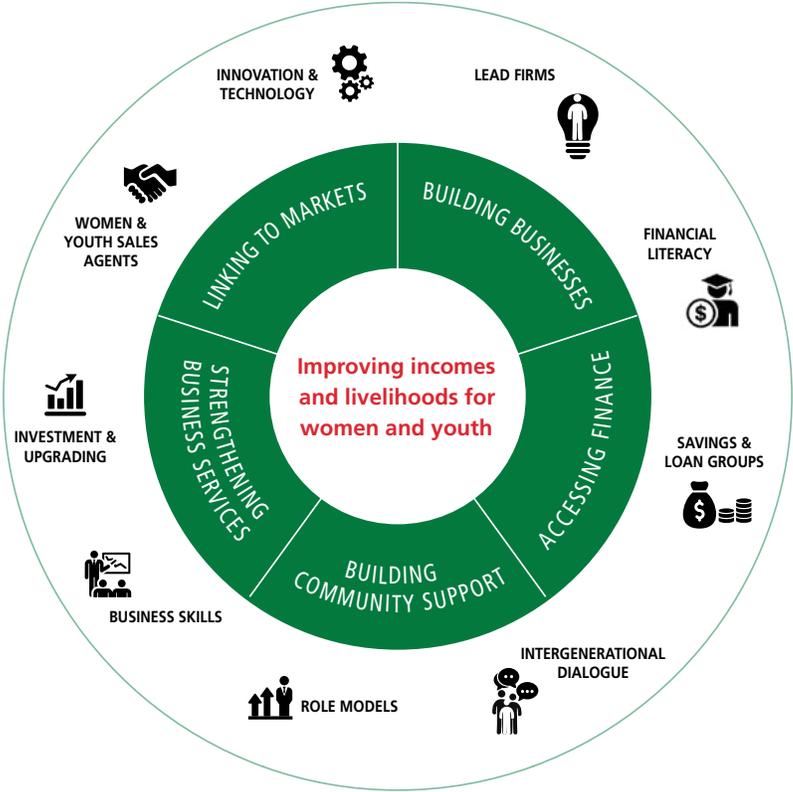
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Enterprise Development for Women and Youth in the Jordan Valley

MEDA's Jordan Valley Links Project (JVL) is working with civil society and private sector partners to economically empower 25,000 women and youth in the Jordan Valley and increase their contribution to Jordan's economic growth. Women and youth are supported with training and mentorship to improve their business acumen and are linked to markets where they can sell their products and services. The project works in three sectors: food processing, community-based tourism, and clean technologies. To increase access to finance, the project brings together Savings and Loan Groups (SLGs), which are self-replicating, member-driven groups that meet regularly to save small amounts of cash which can be lent to members. JVL is building support for entrepreneurship in families and communities through role models, gender dialogues, and communication campaigns to promote the value of self-employment for women and youth.

JVL Learning Series

The JVL learning series is an ongoing initiative to share lessons learned as the project is being implemented. Topics include private sector engagement in Jordan, client experiences with savings and loan groups, effective strategies for enterprise development and measuring women's economic empowerment.



Background and Purpose

Lack of access to finance is a major constraint preventing entrepreneurs, particularly women and youth, from establishing and/or expanding their microenterprises.

Savings and Loan Groups (SLGs), also known as Village Savings and Loan Associations, have proven to be a critical financial inclusion strategy. Development organizations have formed about 700,000 groups composed of 14 million members across 75 countries.¹ These groups have been used across the world with varying levels of success, but current evidence shows that they contribute to increased savings, access to credit, consumption, household and business assets, food security and nutrition, investments in education, self-confidence, and resilience.² MEDA has successfully supported SLGs in other countries and in 2018, decided to use this methodology in Jordan. MEDA goals for SLGs were among the most ambitious in Jordan, with plans to establish 500 groups targeting 10,000 women and youth. The project partnered with the Jordan River Foundation (JRF) and the National Association for Family Empowerment (NAFE) to implement SLGs in Jordan.

By the end of the project, JVL had supported the establishment of 523 SLGs, providing 9,599 individuals with access to finance.

This learning paper explores factors driving the impact and continuity of the SLGs. The first section explores impact, defined here as the degree to which the SLGs and their associated activities address the needs of its members in terms of access to finance and improved social relations within groups and communities. The paper explores which benefits and impacts were most valued by SLG members. The next section discusses SLG continuity, specifically whether groups continue to save and lend after the first cycle is completed, without project or other external support. Data was collected on whether people initiated new cycles with the same group or a new group, and what factors motivated them to continue activities after project support ends. The next section explores how SLGs performed during COVID-19 and group members' attitudes towards digital payment methods. Finally, the paper offers recommendations to other SLG operators in Jordan.

Methodology

Findings and analysis in this paper are based on surveys, focus group discussions (FGDs) and key informant interviews (KIIs). In total, 150 SLG members (80% women) were surveyed, representing three governorates equally (Irbid, Ajloun and Balqa'a) and drawn equally from the two implementing partners (JRF and NAFE). Six FGDs were conducted with 60 women,

¹ SEEP, A Decade Later: The Long-Term Outcomes of Savings Groups, 2020.

² Idem

and six KIs with women heads of highly involved community-based organizations. Though a larger, more representative sample would have been ideal, time constraints and restrictions from COVID-19 only allowed the research team to reach 150 SLG members.

Savings and Loan Groups: Impact

During project implementation and ongoing monitoring, it was immediately evident that SLGs were having an impact in two distinct but intertwined spheres: economic and social. Accordingly, this paper explores impact from these two perspectives:

1. **Economic impact** – learning if and how the lending and saving processes of SLGs supported the economic activities of the groups or the group members, including establishing of individual or group businesses, or supporting family or husband’s businesses during the pandemic, etc.
2. **Social impact** – learning if and how SLGs contributed to community cohesion, strengthened group dynamics, addressed household or family needs (such as funds for health or education), etc.

Economic Impact

Of the 150 surveyed participants, 119 participants (79% women) confirmed benefiting financially from the groups. The most frequently cited benefits can be seen in the chart below:



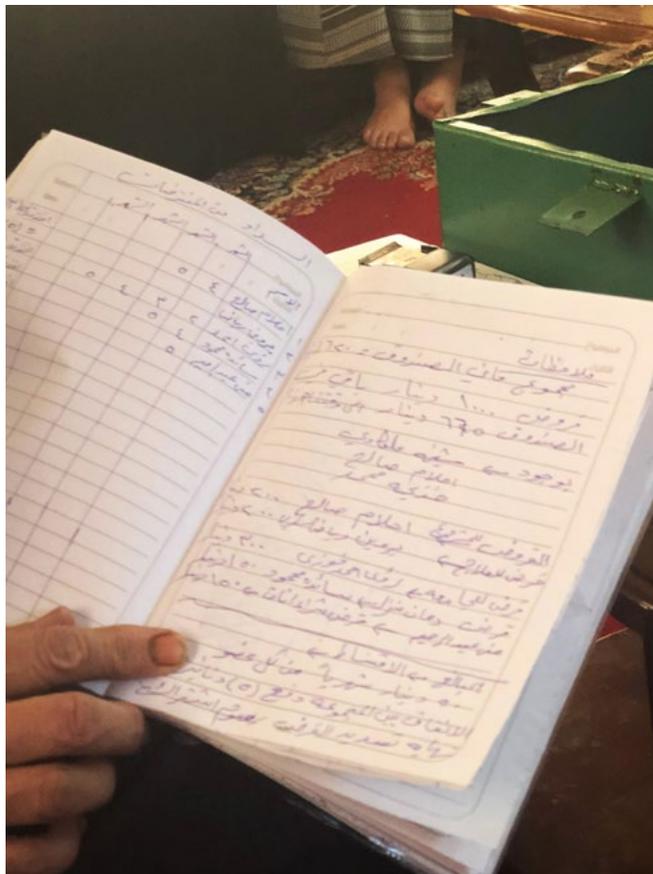
Regular savings: Nibal El Mastareehi and her group were among the 82% of members (64% women)³ that cited savings as their main financial benefit. Using their savings and a matching grant from the JVL Business Plan Competition, they started a commercial kitchen, a shared space to prepare Jordanian dishes for sale.

Access to business and financial training: Highly valued by 71% of the respondents (54% women), the specialized training courses provided through the SLGs equipped the group members with fundamental business skills on financial literacy, bookkeeping, product development, marketing and promotion, pricing, and product packaging.

Social Fund: Fifty percent of the members (49% women) also highlighted benefits from the Social Fund, money contributed by members and kept in reserve for group or community members experiencing an emergency. SLGs determined the possible uses for their Social Funds, including urgent debts, support for marriages or funerals, school or college fees or medical costs.

Access to loans: Sixty-three percent of respondents (64% women) obtained loans for various reasons including setting up or developing their own business. For the SLG members, the most important things about SLG loans are that they are interest-free, quick, and easy to access.

Participants stated that establishing and developing microenterprises was not accomplished solely through access to loans. Sharing business knowledge during SLG meetings encouraged many participants to be economically active and inspired them with ideas to start or enhance their economic activities. Furthermore, the market linkages that were established during these meetings helped participants to exchange products, increase sales or get better access to raw materials at reasonable prices. In addition, some SLG members become informal partners, covering for one another when one of them has other matters to attend to. For instance, Wafa'a Balawneh mentioned that some of her group members used to cover for her at her accessories shop when she had to travel to other cities to buy inputs or other raw materials.



³ Because it was a multi select question, the percentages do not add up to 100%.

Social Impact

In addition to the valuable economic impact of SLGs, all surveyed participants confirmed the social benefits of belonging to a group. Respondents described the social solidarity that members found among their groups and also the improved solidarity/support from surrounding communities. The most frequently cited benefits can be seen in the chart below:



- The SLGs acted as a solid platform to **exchange rich life experiences**. This created more understanding among the members and the conversations and relationships created in groups extended beyond the official SLG meetings, into their daily lives.

“The relationships became stronger between the members of the group. We exchanged conversations and ideas, consulted on many things. Our decisions became unified, and we got to know each other’s joys and concerns.” — *Asma from Balqa*

- The SLGs **strengthened relations between the SLGs members and their local communities** particularly through the Social Fund which was used to support community members with serious financial needs. For instance, one of the groups decided to visit one elderly woman each week and brought her a gift to cheer her. Such actions increased the reputation of SLGs and increased the local community’s desire to support their enterprises.

“It was a small amount of money to help and support the poor people. It is used to provide financial assistance to poor families. Every week, we used to visit an elderly person or needy families.” — *Afaf from Irbid*

- The groups **facilitated friendships among members**, creating a network of people who are constantly available to offer moral support and advice. Although they were already neighbors and relatives, there were previously no regular gatherings that allowed for sharing ideas and feelings.

“ We got to know our neighbors, and our relationships with them became stronger than before. There is more interdependence between group members. We know each other’s joys, and we know each other’s concerns.” — *Maram from Ajloun*

SLGs as Safe Spaces

Over the years, it has become evident how important SLGs are in providing safe spaces for women – spaces that allowed them to share their laughter and tears. All focus group participants (100% women) confirmed that SLGs helped them to meet new people and expand relationships. Friendships between individuals extended to their families. Meetings were an opportunity for women to talk and exchange thoughts and ideas.⁴ They created safe social spaces to share personal worries and concerns between women. Women spoke about eagerly awaiting the meetings to gather and talk. Sometimes the meetings extended hours longer than the scheduled time as members talked and supported one another. One group even arranged a trip for its members to Irkheem, a popular Jordanian tourist destination, the first trip arranged by women in the area. Some groups organized periodic visits to the elderly and sick persons in the area. These group members are still visiting each other and maintaining good relationships even though they are no longer saving or lending together.

One family based SLG from Ajloun shared that although they are one family, the SLG meetings brought them closer together. They started sitting together as a family to save, and then began exchanging ideas during the meetings, which made them more strongly connected to each other. Other members believe that strengthened relationships also led to the group prioritizing loans for those who needed them most.

Inclusion of men: Interestingly, 83% of the women SLG members said they prefer including men in their groups; 67% are in full agreement that men should be able to purchase shares,⁵ but are not in favor of the men attending the SLG meetings. Half of the participants stated that there are pros and cons for including men in the groups. Those who supported mixed-sex SLGs stated that men can enrich the groups with ideas and experience from different perspectives,

⁴ Some JVL SLGs included men, but in these cases, men tend not to attend meetings in person. They would send their savings to the group through their female relatives. In the cases where men did attend meetings in person, the group was entirely made up of members of the same household, so the group still provided a safe space for women.

⁵ Purchasing shares is how group members save. A share is a unit of saving, and members can purchase multiple shares in a meeting to save larger amounts.

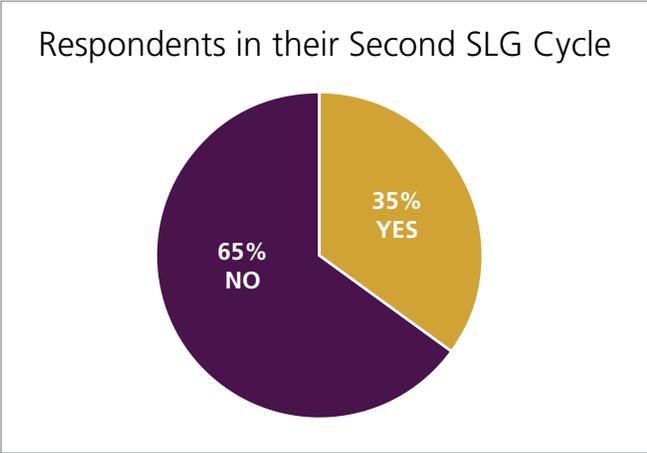
as they have increased mobility. Men can more freely mix and engage with people outside the community and therefore have more varied life experience. Men can thus provide more support and useful information to the women SLG members. Those who opposed inclusion of men felt that some women are likely to be shy and hesitant to share in a mixed group. There may even be social taboos discouraging men and women from exchanging ideas in a joint meeting. Many women feel more comfortable in single-sex groups, where they can exchange their ideas and concerns freely. Thirty percent of the women in FGDs also feel that all-men SLGs cannot succeed without women members, and shared experiences of some men who formed SLGs that were not as successful as the women's group.

Savings and Loan Groups: Continuity

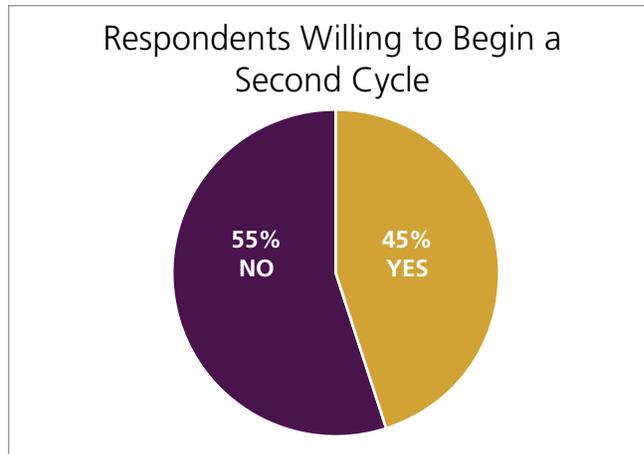
SLGs run in cycles of 9 to 12 months, after which the accumulated savings, loan profits, and any fines collected are shared out among the group members in proportion to what they have saved. NAFE and JRF have supported 523 SLGs with a first cycle, after which group members are expected to be equipped with the skills and knowledge to initiate a new cycle either with the same members or with new members.

The research team found the following during the FGDs and surveys:

- Thirty-five percent of survey respondents (38% women) have started a second cycle.



- Remarkably, of the respondents who stopped after the first cycle, 45% (28% women) are willing to continue their SLGs but were prevented by various reasons such as losing the SLG facilitators and tools (passbooks and lockboxes), not finding a suitable place for the meetings, or being stopped by their elders or male household members.



- 24% of respondents (26% women) started new groups. In fact, some respondents stated that they were part of multiple groups, with one member belonging to seven different SLGs!
- Interestingly, 16% stated that SLGs have been created spontaneously in their community without any project intervention. The demonstration effect of community members seeing SLGs has inspired some to start their own, even without having any direct contact with partners who facilitate groups.

Respondents who wanted to start new, independent SLG cycles cited the economic and social impacts of such groups, including the following:

Improved time management: SLGs assist members to invest their time better. Many members stated that the SLG meetings help them to use their time more carefully, allowing them to devote more time to operating and developing their microenterprises, and carrying some social responsibilities that serve their communities.

More access to cash: SLGs make members feel that they have more cash to manage their life. Many members appreciate that SLGs enable access to quick credit avoiding debt and the embarrassment of having to ask relatives or neighbors. SLG members are gratified that they can save money and simultaneously support other members to obtain quick loans to advance their microenterprises or cover other urgent family needs.

Improved community and household status: SLGs enhance members' financial and soft skills, empowering them to support their families by saving and earning money through their microenterprises. Surveyed members confirmed that their families started to listen to their opinions more particularly after they started contributing financially towards household expenses. For instance, Asmahan Abu Shabaan's father-in-law started to listen to her opinion after seeing her able to manage her bread making enterprise and contributing to the family's income. Asmahan also confirmed that before participating in SLGs, she was less capable of managing the household expenses.



Despite these benefits, 65% of surveyed members (62% women) were discouraged from starting new independent cycles. Reasons included:

- 1. Expecting but not receiving grants from JVL:** There were expectations that the project would provide seed funding to operate the SLGs or business grants for enterprise development. Some organizations had provided SLGs in the same targeted areas with seed funds to encourage people to join SLGs, but JVL decided not to do so, as it is against global SLG best practices.
- 2. Lack of harmony and trust among group members:** Many surveyed members complained about conflicts that had taken place among group members. A few of them are now considering separating from the group and starting a new one with members that they are in full agreement with or mobilizing other community members to join the group.
- 3. Being socially and/or financially overwhelmed:** A considerable number of SLG members who decided not to continue with a new cycle complained about not having time to attend the meetings or going through difficult financial circumstances after multiple COVID 19 lockdowns, which reduced or drained their savings.
- 4. Lack of sense of ownership and self-confidence:** It was notable during some FGDs that members do not feel that they 'own' their SLGs. They still believe that they are owned by JRF or NAFE or their mobilizer, and that these individuals and organizations are the only ones who have the authority and knowledge to operate SLGs well. Notably, many members refer to their groups by the name of their mobilizer (e.g., 'Shaikhah's Group'), reinforcing the strong roles played by these individuals.

“There is no longer a commitment from the members who are continuing to save, to attend the meetings, unlike the commitment that was in place during the follow-up of JRF.” — *Maram from Jerash*

- 5. Lack of understanding of SLGs’ comparative advantages:** MEDA research found that many SLG members do not understand or appreciate some of the key features of SLGs that differentiate these groups from ja’maayas (see textbox for more detail). Ja’maayas are a familiar model and participants like the lack of fees and interest payments associated with the savings and loans from these groups.

By contrast, some SLGs charge members a small fee, which is used to cover operational costs, such as purchasing lock boxes, and some choose to charge interest on loans. However, with these additional SLG costs come benefits. SLGs are run with a tested methodology, which adds rigour to the process, increasing the security of member savings and providing a degree of confidentiality and transparency that is absent in ja’maayas. Lockboxes also increase the security of members’ money.

SLGs and Jamayas: A Comparison

A ja’maaya is a community-based savings mechanism which shares many features with SLGs but has some important differences. A ja’maaya functions by taking monthly deposits from each member of a group and then giving the whole monthly sum to one member. The recipient of the monthly sum is based on a predetermined rotation, ensuring each participant will eventually receive a large payout.

SLGs also require group members to make regular contributions. However, instead of rotating payouts, SLGs funds are used to make loans that are paid back with interest. Loans are made to group members after sufficient funds have accumulated through savings. Group funds, including proceeds from the loan interest, are paid back to the original members in proportion to their savings upon completion of a full cycle (often 9-12 months).

SLGs and COVID-19

From March 17, 2020, until June 5, 2020, there were various curfews and movement restrictions across the country to mitigate against the COVID-19 pandemic.

Before the pandemic, the SLGs were at the peak of their operations with SLG meetings occurring weekly. However, following the various pandemic-related restrictions, only 46% of surveyed members (44% women) were continuing their SLG activities. The groups adjusted their processes and procedures to adapt and cope with the situation. The biggest change was the reduced number of members who could attend SLG meetings and/or the reduced number of meetings that could be held. In some cases, the SLG's management committee would conduct meetings and keep all members informed via WhatsApp messages and phone calls. The treasurer could collect shares whenever restrictions on movements were lifted. Family-based SLGs and SLGs which were formed by close neighbors were able to maintain the same processes as before the pandemic.

Many SLGs operating during the pandemic felt a strong sense of social responsibility, prioritizing loans to members most affected financially by the pandemic. The Social Fund was also a great support to some needy families.

In the absence of regular meetings, many members realized the value these gatherings had brought. When asked about the things that they miss most, 99% of members (100% of women respondents) agreed on sharing business information and skills. Few reported missing the social relations, as they were still on good terms exchanging visits and making regular phone calls.

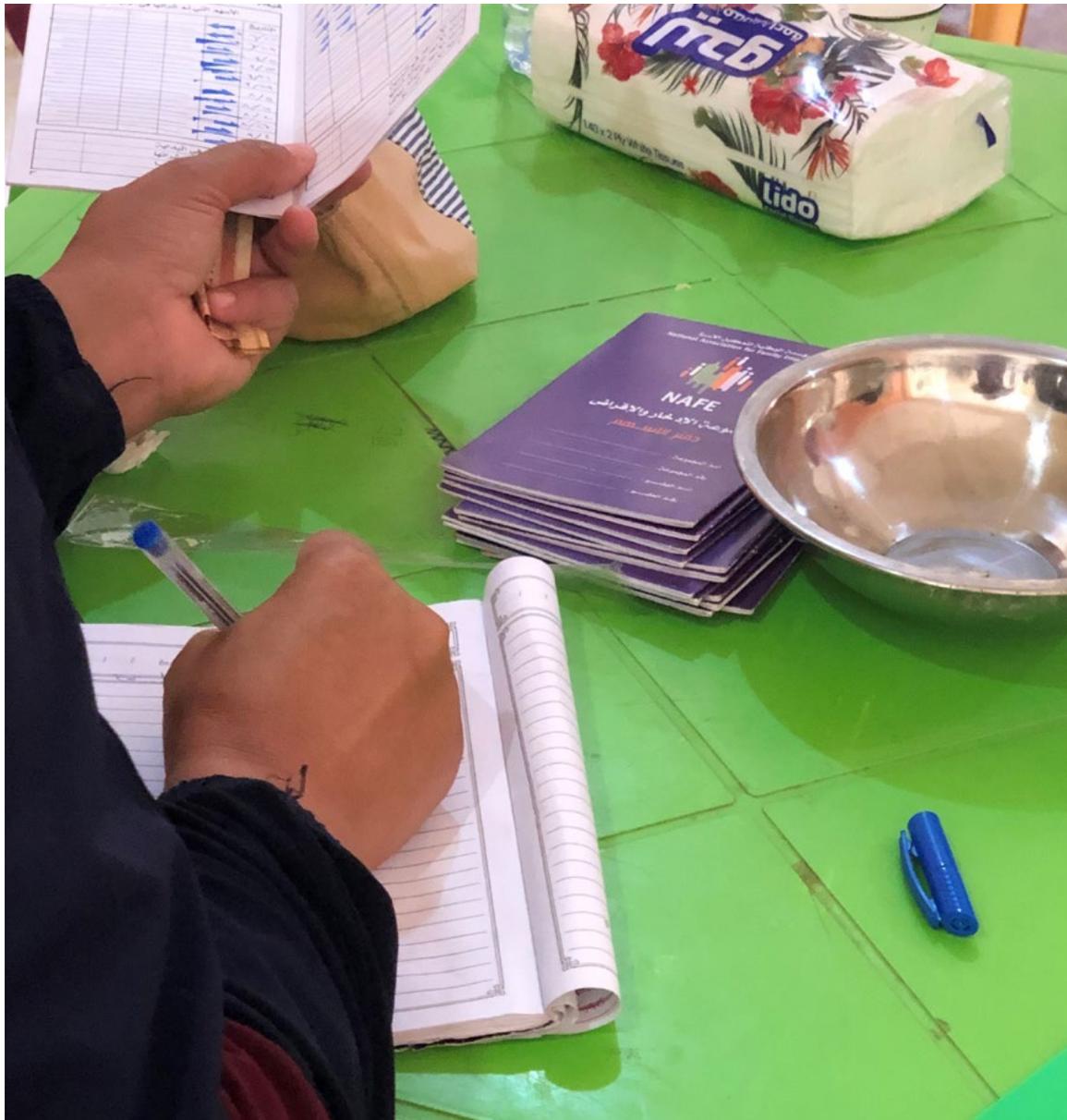
“Some of our neighbors work on daily wages. During the lockdown, they had no source of income. They regret not joining the groups. In such hard times we value the idea of the groups. Even if this cycle is over, we will establish a new one.” — *A woman SLG member in Shaikh Hussein-Irbid*

SLGs and Digital Payments

The pandemic led to significant changes in the way people work and live. JVL's experience in the field and numerous studies conducted in 2020 and 2021 have revealed changes in the number of people accessing financial services, including growing acceptance and use of digital financial services. The Central Bank of Jordan has facilitated the use of e-wallets for different financial transactions, such as paying bills and cashing cheques. The COVID-19 pandemic – preventing SLG members to meet in person – exposes the limitations of cash-based groups. Digital savings and digital payments via mobile wallet could increase the

flexibility and resilience of SLGs, particularly during difficult periods, such as the COVID-19 pandemic.⁶

Currently, it is not possible to use e-wallets to digitize SLGs in Jordan. The JVL project did pursue options for digitizing SLGs in 2018 with two fintech companies but at the time, it was not financially viable for these companies to set up group accounts for electronic payments. However, there are successful models of such in other countries that could be adapted for Jordan.



⁶ In addition to the data here, MEDA conducted a survey specifically focusing on the impacts of COVID-19 on SLGs: <https://www.meda.org/document/impacts-of-covid-19-on-the-operations-of-savings-and-loan-groups-and-on-gender-equality-may-2020/>

Sixty-seven percent of surveyed SLGs members, particularly focus group discussion women participants, think that e-wallets are very helpful and an easy-to-use payment method. They believe that SLGs can use e-wallets or other similar technologies to digitize collecting and saving monies. Of those, 33% emphasized the necessity of holding specialized training on how to use e-wallets appropriately ahead of adoption.

Though it is not currently possible to use e-wallets to digitize SLG operations in Jordan, this data indicates that a significant percentage of SLG members are receptive to the technology. In the likely event that e-wallets (or similar technology) become possible in future, programs could investigate ways to increase adoption.

Recommendations

Based on extensive monitoring, field observation, surveys and data analyses, the team has formulated the following recommendations that could benefit national and international organizations implementing SLGs:

- Bolster training and discussion around how a group can operate independently after support from an implementing organization ends. Present and discuss options and ideas on how SLGs can operate without any external support. Consider adjusting criteria and definitions of independent cycles to accommodate ground realities, such as reduced in-person meetings. Assess performance of SLGs to ensure their readiness to operate autonomously before reducing frequency of trainer / mobilizer's visits. If necessary, implementers should consider planning activities to support SLGs for a longer period until they are able to operate independently.
- Strengthen ownership and confidence among SLG members. Include more intensive guidance on how to operate the groups independently earlier in the first supervised cycle and foster more confidence within members regarding their ability to manage the groups on their own.
- Build more understanding of differences between SLGs and the more prevalent ja'maayas, and the additional benefits of SLGs. Encourage SLG group members to add some administrative fees to the lending process which allows a group to cover its basic operational needs, grow its lending capital, and amplify both social and economic benefits for community members joining the groups.
- Consider ways to link SLGs to formal financial service providers to increase members' access to larger loans and other business services. When e-wallets become an option for groups, evidence from this survey suggests that SLG members will be receptive to this mode of outreach.

Open Questions

The survey was valuable in answering some fundamental questions about the impact of SLGs and the elements contributing to their sustainability. Yet, it created other questions that would benefit from further research in Jordan. Organizations supporting SLGs in future could consider the following questions for further investigation:

- How can the differences between SLGs and ja'maayas be better understood and accepted by community members?
- What can be done on the national level to support digitization of SLG operations and bring them into the more formal financial sphere?
- What regulations would be beneficial for digitizing SLGs, while still following client protection principles?
- Which SLG practices and procedures are necessary, and which can be flexible in subsequent savings cycles?



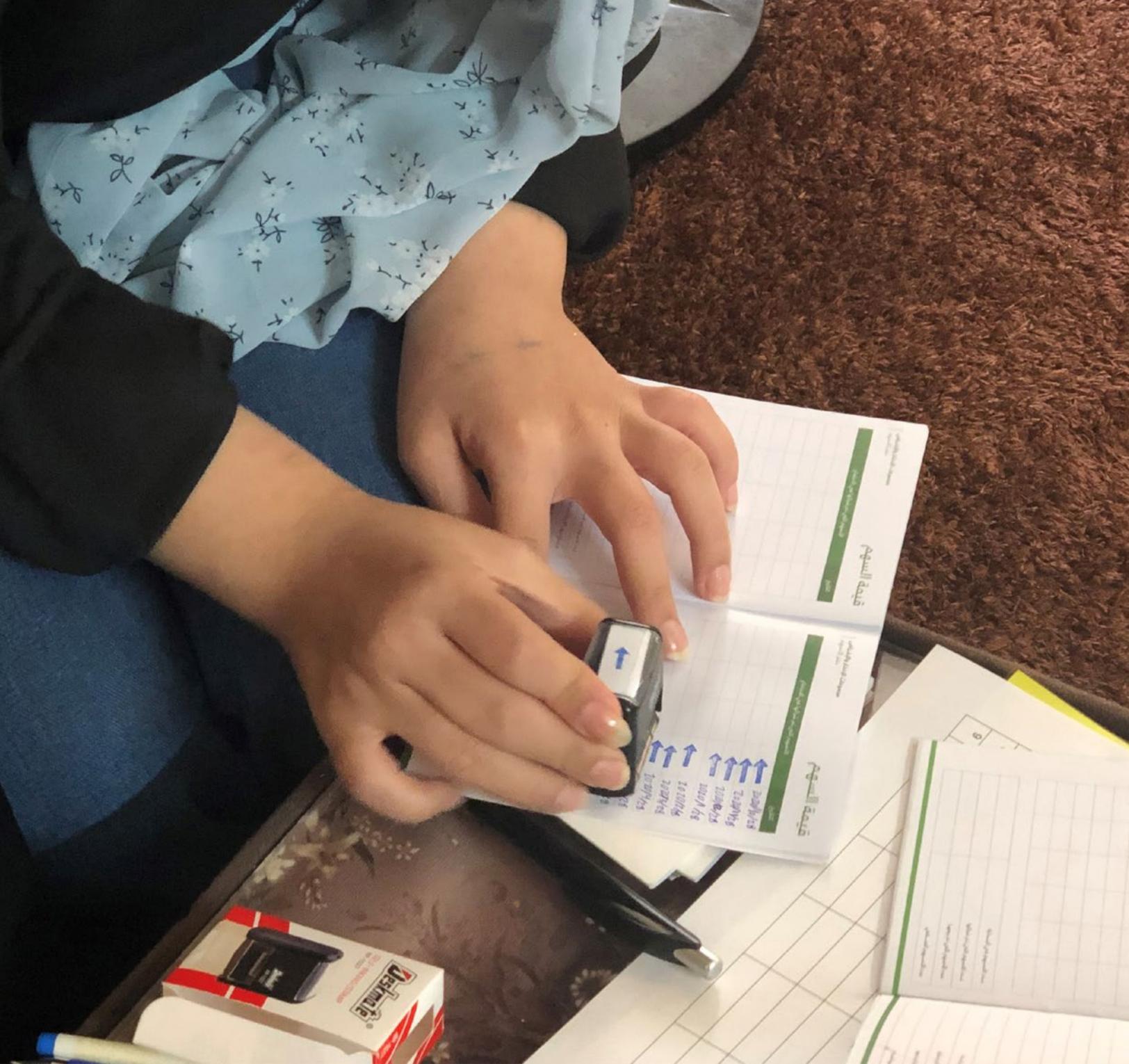
Conclusions

In conclusion, this research found that the key elements contributing to the continuity of SLGs are the economic and social benefits for its members. The economic impact includes the ability to save money regularly, learning quality financial management and business development skills, benefiting from the Social Fund, accessing loans, improving time management, and improving community and household financial status. Social impacts include the opportunity to exchange rich life experiences, strengthening relations between the SLGs members and their local communities and facilitating friendships among members, creating a network of people who are constantly available to offer moral support and advice.

Despite these many benefits, amid the COVID-19 pandemic, some elements discourage SLG members from continuing a second cycle independently such as lack of harmony and trust among group members, being socially and/or financially overwhelmed, lack of sense of ownership and self-confidence.

Over the years, the JVL team and its partners have been privileged to learn about SLGs from the thousands of women and youth who were supported to establish these groups and we hope that other implementing organizations take on this valuable approach for increasing financial inclusion for many more thousands of women and youth in Jordan.





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