In Their Own Hands

How Savings Groups Are Revolutionizing Development

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Preface and Chapters 1 and 2

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Preface

This book tells the story of one of the most important revolutions in international development: self-managing Savings Groups that already provide a better way to save and borrow for nearly nine million villagers in the world's poorest countries. This book explores how the number of Savings Group members grew so quickly and outlines a plan for how their membership could grow tenfold or even more.

The market for better financial services is vast. More than two billion people worldwide could benefit from a better way to save and borrow. Institutional microfinance has made an important dent in that demand; outreach has grown to 200 million borrowers in just thirty years. Except in a handful of countries, however, eight of ten of the poorest have been left out of the banking system. They are villagers and urban shantytown dwellers whose needs for saving and borrowing are too small for financial institutions to make a profit.

We present a game changing alternative, one that already reaches millions of those whose needs are too small for institutions to make a profit by sidestepping financial institution building altogether. Instead freestanding savings and borrowing groups of about twenty are trained to lend to each other the money they have collectively saved. Four hundred thousand savings groups in 69 countries are already in place with recent research from Uganda showing that each group trained by staff has spawned another two groups at no further cost.[1] Viral replication lowers the already low cost of training and supporting groups even further.

With what we have learned and using the institutional capacity to train groups already in place we believe we are on the cusp of a savings group revolution. With a minimal investment many more could benefit from a safe and convenient place to park their bits of spare change so it can grow into a useful amount and easy access to $5 to $100 loans. With a cushion of savings and easy access to loans for immediate needs, the harshness of living on the edge is softened. In the words of a Malian woman we interviewed, "life is less stressful now."

[1] Sarah Mine et al., *Post-Project Replication of Savings Groups in Uganda,* (Datu Research LLC, 2013), 3.

What started in a handful of villages in Niger in 1991 when Norwegian Care volunteer Moria Eknes and her local team developed the Village Saving and Lending Model (VSLA) has grown into a worldwide savings group movement led by those most concerned about its success – smart, committed, and motivated villagers. As this book shows, the poor are not too poor to save, there is enough savings potential within a group of twenty to meet most of their needs, and very small sums can make a big difference. Success is truly "In Their Own Hands."

Those concerned about effective ways to address the staggering poverty of the world's poorest two billion will find useful guidelines for action in this book. The basic lessons – a vision of scale, building on local capacity, simplicity, local control, word of mouth replication, keeping costs low and getting out of the way when those reached can do it themselves – can also be applied to agriculture, health and education. While the poor may always be with us, improving their lot does not need to be as complicated and expensive as we once thought. We need to accept that significant change takes time, that we are instigators of a process of change whose outcomes we cannot fully control and that building resilience and capacity, not poverty eradication, is what we can reasonably accomplish.

We savings group practitioners, Care, Catholic Relief Services, Plan International, Oxfam America/Freedom from Hunger, the Aga Khan Foundation (in order of the number each has trained) and hundreds of others have learned that devolving the solution of critical problems to villagers through a well defined intervention not only works it can be very inexpensive. A resilience building investment of only 1,000-2,000 dollars in a village of 1,000 inhabitants has been documented to reduce chronic hunger and build assets so villagers can better survive sickness and drought and upheaval as Savings Groups become embedded in the way villagers manage their money.

With the immediate concerns of putting food on the table less pressing, villagers now have the financial clout and the skills and motivation to take on other critical issues – rebuilding exhausted soils, improving health practices, reforestation, education, linking to financial institutions and even grassroots political action. Savings Groups become a platform for other development interventions. As villagers, most of them women, meet to save and borrow they pause in their busy lives of cooking, tending children, gardening, hauling water and gathering firewood to provide one another support and encouragement. Savings Groups are as much about creating social capital and building skills as saving and borrowing.

We hope that after reading this book you will be inspired to take action. Becoming involved with one of the Saving Group programs already underway or starting a new one, incorporating savings groups into microfinance, health, agriculture or education programs or mobilizing the comparatively small yet vital resources necessary to expand these efforts on a truly massive scale. Our plan for next year is to bring these ideas to rich countries; a better way to save along with the discipline of group support could become a path breaking approach to create asset building networks of mutual support in our poorest communities.

Works Cited

Mine, Sarah, Shawn Stokes, Marcy lowe, and Sarah Zoubek. *Post-Project Replication of Savings Groups in Uganda.* Datu Research LLC, 2013.

1. Introduction

Microcredit, providing small-scale loans to low-income borrowers, has been hailed as the silver bullet that will end poverty as we know it. As one of the founders of the microfinance movement, I once shared this enthusiasm. After over thirty years of work in microfinance, I, like many others, have come to appreciate its strengths and weaknesses, but have also become increasingly critical of this model. I have discovered not only that microfinance is poorly suited to the poor, but also that there is a better way to provide basic financial services to the most vulnerable populations.

That better way is Savings Groups—small organizations of individuals who save their money together and provide small loans within the group. Savings Groups empower local communities to take their basic financial needs into their own hands. Savings Groups turn microfinance on its head, providing financial services without financial institutions. They build resilience among the village poor and now increasingly those living in urban shantytowns.

This book is the story of Savings Groups and how I discovered the power these groups have to empower communities, build resilience and contribute to human development even in the harshest conditions around the world.

Two and a half billion people lack access to improved financial services.[2] Most are women who live in villages in the developing world and survive on less than $2 per day. In Mali, West Africa most villagers live below the extreme poverty line of $1.25 per day or less.[3] This does not mean a steady $1.25 every day. There is more just after the harvest – assuming that the crops have not been destroyed by drought, or floods or locusts – and very little in the months before the next harvest. Starting in 2005, Oxfam America in partnership with Freedom from Hunger and the Stromme Foundation launched their version of savings groups, Saving for Change in Mali.

Savings for longer-term investment and easy access to small loans for short-term needs is the most obvious starting point for any development effort. Without access to a better way to build savings and easy access to small loans, villagers at the bottom of the income pyramid are unable to maintain their income throughout the year and withstand shocks like illness or drought. As money runs short they sell their produce, if they still have any left, at desperation prices to local buyers and take out loans, if they can, from family or friends or moneylenders. They often ration what they eat during what is euphemistically called the "lean season", take children out of school (if they can't pay the school fees), and delay medical treatment. If this is not enough they sell assets that would have helped produce an income in the future, the goat they were hoping to fatten and sell at a profit, the cow that they use to plow, or maybe even the plow itself. A cushion of a small reserve of savings the timely access to a few dollars can help stem this downward spiral. Basic financial services provided by Savings Groups will not

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[2] CGAP, "Microfinance Frequently Asked Questions," last modified 2013, http://www.cgap.org/about/faq.

[3] Oxfam America, *Saving for Change: Financial inclusion and resilience for the world's poorest people: Report Summary* (Oxfam America and Freedom From Hunger, May 2013).

eradicate poverty. They will, however, build resilience; they help reduce the stressful uncertainty putting food on the table every day and give individuals hope that by working together they can live better in the future.

Despite advances in providing financial services to the poor and an explosion in microfinance outreach, eight in ten of those living in extreme poverty lack a better way to save and to borrow. Banks and microfinance institutions don't reach the rural poor in significant numbers. They can't make a profit on $0.25 savings deposits and under $50 loans. This is not a criticism, just a reality.

This book tells the story of Savings Groups, an approach for saving and borrowing that works for those not reached by financial institutions. The idea is simple and proven. Small groups mobilize what they can save into a communal pot and loan it to each other when they need it. Annually, timed for when money is scarcest, they divvy up the pot according to how much each has saved plus a share of the interst on loans, the fines they charge for coming late or missing a payment and the collective projects they undertake to build their group fund. Savings Groups receive a little outside training and support until they can operate on their own. Practitioners promoting this "in their own hands" approach to financial inclusion have trained Savings Groups with millions of members, most of them women, in villages in nearly seventy countries. The number of savings group members increased from 1 million to almost 9 million in just six years.

We are on the verge of a Savings Group Revolution.

Why Savings Groups?

Savings Groups are elegantly designed to provide tiny loans and a safe place to store savings. They are as convenient as meeting under a tree in a village and as flexible as the rules members design for themselves. They are as reliable as their own accounting, which is quite reliable if registers are simple (one page ledgers, stamps in savings pass books, oral repetition) and training is adequate. Local and international non-government organizations (NGOs) train groups to manage their own funds and then get out of the way and observe as villagers train new groups on their own.

When we designed Saving for Change (SfC) we decided to sidestep the entire costly structure of credit officers, fund administrators, debt collectors, and brick and mortar offices that financial institutions require. Our objective was to develop a package for training groups simple enough that women who had never been to school could quickly manage groups on their own, with the long-term success of each group entirely their own responsibility. This required striking a delicate balance—too much support and the group remains dependent on an outside agent, too little support and the group fails.

The key to Savings Groups' success is devolving responsibility to the groups, making Savings Groups a uniquely hands-off approach to development. NGOs help Savings Groups spread more rapidly if they can resist the temptation to have staff do for villagers what they can do for themselves. Doing more actually slows capacity building. As John Hatch, one of the microfinance's pioneers once told me, "the meetings you don't attend are more important than the meetings you do attend." Once groups have mastered the mechanics of savings and lending, they function independently. Later they may become platforms for other development initiatives and member-led advocacy campaigns. This reflects the growing aspirations of organized women who now have more economic clout and increased social capital. After two years they begin to ask, "what's next."

Filling the Microfinance Gap

Savings groups and microfinance institutions (MFIs) both improve financial services for the poor, but in many important ways, they could not be more different. I have worked in microfinance almost from the beginning of the field in the early 1980s when I helped launch the institutional microfinance model that I am challenging today. For twenty years I had a hand in creating and evaluating microfinance institutions in thirty-five countries including the United States. Working with Acción International, I joined the movement to create a "best practice" model of microfinance project design: large scale, well-managed financial institutions that provide credit (and sometimes other services) to those who traditional banks are not serving profitably.

In 1980 I traveled to war-torn El Salvador as part of a larger study to ferret out the best ways to assist microbusinesses. There I found the local credit union *Fedecredito* made loans through "solidarity groups," small, self-managing groups of borrowers.[4] *Fedecredito* found that by gathering microbusiness owners into small self-selected groups that guaranteed each other's loans, the members could manage on their own with little outside support. They met regularly to collect payments and make loan decisions and in doing so they developed, as the name suggests, solidarity. It was the examples of group members providing each other advice that made *Fedecredito* seem so effective. Groups helped each other learn where to sell their products to get the best prices, or, as in the case of the cheesemakers I interviewed, worked out a way for one to sell while the others produced. Sometimes they pooled their money and purchased in bulk for a better price. They also encouraged each other to repay their loans.

The inspiring mutual support that I observed emerging in the solidarity groups was similar to the mutual assistance I saw in the Savings Groups twenty years later. Credit in groups or savings in groups, It's about peers supporting, encouraging and lending a helping hand and holding each accountable with a bit of flexibility when life's circumstances make it impossible to adhere exactly to the rules for saving and repayment.

I introduced the *Fedecredito* model at an Acción staff meeting in Cartagena, Columbia in [TK date]. I told the highly skeptical staff, "This solidarity group model developed by *Fedecredito* is the breakthrough we have been looking for. Solidarity groups are a way to provide loans to those too poor to guarantee loans with collateral because the peer group will ensure the loans are repaid. Through peer group lending, we can build microbusinesses and create income and jobs. We can meet our social mission by strengthening the bonds between the members as they help each other." And then I added (and this was an almost unheard of concept in 1981), "We can cover our operating and financial costs when we make loans. It's a matter of cutting operating costs and getting the interest rates right."

[4] Amazingly, at that point, neither the *Fedecredito* directors nor I had heard of the Grameen Bank's remarkably similar model, launched in 1976, which came to define the field—the same need filled by Grameen was present in El Salvador, and independently called forth a similar solution.

Twenty years later, Acción and countless other microfinance institutions from Bolivia to Bangladesh *had* got the interest rates right. The group-lending model ensured most loans made to individual members were paid back on time. This solidarity group lending model worked well enough in packed slum communities, sprawling markets, and densely-populated rural areas such as those found in Latin American cities – Santo Domingo, Cali, La Paz, Quito – but after 20 years still failed to include many villagers in sparsely-populated areas. Solidarity groups worked best where people lived close to MFIs so they could walk to a central office to make their payments. They worked best where dense market economies allowed borrowers to run larger businesses and therefore deal in sums large enough for a microfinance institution to cover its operating costs with interest on loans.

Using this model and the Grameen Bank model developed by Muhammad Yunus in Bangladesh in 1983, the microfinance industry grew quickly from the handful of projects reaching a few thousand clients in 1980 to 200 million active borrowers.[5] The institutional microfinance approach was an important step towards financial inclusion, but what about the 2.5 billion working age people who still lacked access to improved financial services?[6] I wanted to find a model that would operate where villages were scattered, where resources were scarce, and where people dealt in monetary amounts too small to be worth the effort of an institution.

I began to look closely at the different self-managed savings and lending clubs that poor people around the world used to meet their basic financial needs. Villagers joined *tandas* in Mexico, *cadneas* in Columbia, *tontine*s in West Africa*, chit funds* in Southeast Asia*, merry go roun*ds in East Africa, and *partners* in Jamaica, to name a few variations of what is technically referred to as a Rotating Savings and Lending Associations (ROSCAs). In a ROSCA, each member brings an agreed upon amount of money to a regular meeting. The total of all members' contributions are then paid out to one member as a lump sum. At the next meeting, the total is given to the next member in line, and so on, until each member has received a usefully large sum of money. The group then disbands to start anew. In The Poor and Their Money, scholars on poor people's finance Stuart Rutherford and Sukhwinder Arora call this process "the world's most efficient and cheapest financial intermediary device" because "at each round the savings of many are transformed instantaneously, with no middlemen and no transaction costs, into lump sums for one person."[7]

Inspiring, yes—but there were, or so I was told by the members of these groups, limitations. When I asked them they told me that members must wait in turn for their payout regardless of when they might need money. The take-home amount was inflexible. Finally, because there was no interest mechanism, the fund eroded with inflation, so the payout of the last person in line was worth less than the payout of the first. While the potential need to benefit from a repeat of the process in the future kept most members honest, there was always the threat that those who received payments first could disband the

[5] Jan P. Maes and Larry R. Reed, *State of the Microcredit Campaign Report 2012* (Washington, DC: Microcredit Summit Campaign, 2012), 3.
[6] CGAP, "Microfinance Frequently Asked Questions."
[7] Stuart Rutherford and Sukhwinder Arora, *The Poor and Their Money: Microfinance from a Twenty-First Century Consumer's Perspective* (Warwickshire: Practical Action Publishing, 2009), 41-42.

group before the last had received their payments.[8] It is hard to keep paying when you have already received your payout. I wanted to find a working example that built on and improved these traditional savings clubs managed by their members, but with the same level of stability and flexibility of loan terms as a microfinance institution. I wanted to find something that harkened back to *Fedecredito's* solidarity groups helping each other.

As the 1990s went on, I designed and evaluated microfinance programs in Bosnia, Ethiopia, Eritrea, Cambodia and Angola and elsewhere. Lacking a viable savings-led alternative, I continued to produce the same kinds of microfinance institutions with which I was familiar. I kept returning to a fundamental question: Why do we start with micro-loans (micro-debt might be a better term) and not savings? Wouldn't the security of savings be better than the stress of repaying a loan? Poor borrowers, I could see, often used their high interest microcredit debt for consumption and emergencies, instead of investing in profitable businesses that could pay their loans' interest. These borrowers struggled to repay. Over time, many microcredit institutions developed strong-armed collection procedures while the increasingly desperate borrowers took loans from one MFI to pay off another. Instead of finding life less stressful and more secure, microfinance customers who fall behind on their loans are in an even more precarious financial position than when they started. I learned debt equals stress.

Then, in 2000, I heard Marcia Odell give a speech at Brandeis University. It forever changed my understanding of microfinance. I learned that savings-led microfinance was not only possible it was already being implemented in Nepal. From Marcia, I learned about her organization, Pact, and their Women's Empowerment Program that worked through saving and lending groups that mobilized their own savings and lent to one another. I evaluated that project in Nepal returning three times to document the model, which led me over the next two years to evaluate similar initiatives in India and Zimbabwe.

Understanding how these programs worked became an obsession of mine. These savings-led initiatives had remarkable success, reaching poor villagers, most of them women, at low cost and on a large scale, with the profits from loans paid to the group members. Savings Groups start with savings, building assets rather than debt. Trained groups of community members manage transactions, not financial institutions.

Saving for Change

In late 2004 I was hired to introduce this savings group model to Oxfam America's Community Finance Department and was hired as the department's Director. I pushed hard to ensure that Oxfam's version of "community finance" reached populations that financial institutions, even the most innovative micro-lenders, had scarcely touched. Saving for Change was designed to mirror Oxfam's objectives: serve the poorest, "right the wrong" (Oxfam's shorthand version of its mission) and work through local

[8] Rutherford and Arora's book documents this issue and gives a variety of examples of pricing mechanisms and methods to create trust between members that ROSCA members have crafted to address the problem, but find no method eliminates the threat entirely (Rutherford and Arora, *The Poor and Their Money*, 50-51).

development organizations. Despite their good work, local NGOs would never become the sophisticated, large-scale financial institutions that dominate the microfinance industry today. Instead, we developed an approach that capitalized on the skills at which local NGOs thrive – outreach, training and support. My colleagues at Oxfam America and Freedom from Hunger jointly developed an approach that veered away from the microfinance models popular at the time. We put local grassroots NGOs at the center and built on what they did well, delivering services and training in poor, often remote villages.

Our mission was to develop and bring to scale a locally controlled, easily accessible and scalable approach to improving financial inclusion, reaching a population that microfinance as it is traditionally conceived will never reach. We calculated that in Mali alone, a country with 15 million inhabitants, the potential market for Savings Group membership was substantially greater than 1 million members, just counting women, who were the target for Saving for Change membership. Eight years later, nearly 450,000 women had joined SfC groups in Mali, in addition to the 143,000 villagers who had joined similar projects sponsored by Care, the 40,000 who were part of Plan International projects and the 30,000 who had joined groups trained by Catholic Relief Services. By 2013 among Oxfam/Freedom from Hunger, Care, Plan and Catholic Relief Services there were 663,000 savings group members in Mali.

Did it work?

When the number of villages with Saving for Change groups in Mali had grown from a few hundred to more than five thousand, we calculated how much it cost. Considering all expenses—staff, training, motorcycles land their maintenance and fuel, equipment and supervision— it cost between $1,000 and $1,500 over three years to bring Saving for Change to a village, $1.50 per villager or less or $18 per member of a Saving for Change group.

More importantly, our research proved the training worked. Ninety-five per cent of the groups, some that were trained as far back as 2005 are still saving and lending with virtually no outside support.[9] Households in SfC villages show that those living in randomly selected villages where SfC was introduced are ten percent less likely to be chronically food insecure. Livestock holdings increased at the household level in the SfC villages an average of 13 percent.[10] Livestock, sometimes called “saving on the hoof” provides an additional risk mitigation strategy. There was more savings and groups had spread to the neighboring villages were the NGO staff did not train groups illustrating the word of mouth viral spread of the model with no staff intervention as we had predicted. These outcomes were documented through research funded by the Bill & Melinda Gates Foundation carried out in 500 villages where about half of villages randomly selected to receive Saving for Change training were compared to villages that did not receive this support.

We do not pretend that saving and borrowing in groups are all these village women need. We make no claims to lift villagers out of poverty. Increasing resilience by these small amounts is, however,

[9] Ruberg, Lynnae E. Saving for Change in Mali: A 2005-2010 Panel Study of Informal Savings Groups. Waltham, MA: The Heller School of Social Policy, Brandeis University, April 25, 2011.
[10] Oxfam America, *Saving for Change*.

important for those living where the specter of hunger is a yearly occurrence. With the growing financial clout of their groups and the increasing bonds of solidarity between members, we've seen that groups can do more than save and lend. In villages where groups have been in place for four to seven years, women in these villages have reached out to other development NGOs and the government, and their leaders are taking a larger role in village decision-making and they have initiated collective projects – buying up grain when it is cheap to better survive the lean season and setting up collective businesses selling vegetables in nearby markets.

Through Saving for Change, a small amount of well-focused donor support has been translated into permanent benefits; an exceedingly cost effective example of "smart subsidy." In West Africa (it costs more elsewhere) five million dollars of "smart subsidy" can predictably translate into bringing Savings Groups to more than two thousand villages with a total population of between two and three million inhabitants. The community of Savings Group practitioners have the tools and the capacity to multiply the number of savings group members they are reaching several fold. The cost of introducing savings groups to a village is a pittance compared to the high costs of other interventions where instead of responsibility devolved to villagers who run their own groups control is firmly in the hands of the outsiders. Not surprisingly most of these interventions collapse once the outsiders leave.

Back to the Beginning: Assessing the Performance of Saving for Change in Mali

Let me take you back to the first assessment of Saving for Change in Mali, in 2006 about a year after the first groups were trained in January 2005. This assessment was a chance to see how—and if—Saving for Change actually worked for members. I'd evaluated dozens of programs before and managed others, but it's different when you're checking on your own initiative, especially when it's new and unorthodox. I felt a little nervous as the plane touched down in Bamako, Mali's capital. Would this savings-led model in Mali work as well as those I had seen in Nepal, India and Zimbabwe, on which I based the SfC design?

Mali is a landlocked country in West Africa with its northern half firmly planted in the Sahara Desert, and the southern part, where Saving for Change works, in the semi-arid Sahel. Our small team left Bamako and drove through a flat plateau of scrub grasses dotted with intermittent, colossal baobab trees. Mali is one of the poorest countries in the world. We left the main road and veered sharply onto a rutted, rocky dirt track road. Two hours later we came upon the cluster of adobe houses that marked the first village stop on our ten-day assessment trip.

After appropriate greetings of village leaders and staff of the local NGO trained by the Oxfam America and Freedom from Hunger staff,[11] the serious business of running their Savings Group meeting began. I followed along as best I could, knowing the general order of business and receiving a few helpful translations whispered to me from Mariame Coulibaly, a local SfC staffer who worked for the Stromme

[11] Vinod Parmeshar who was to become my Deputy Director and who took the lead on developing the systems that insured the smooth running the program, Mamadou Biteye who was then in charge of Oxfam America's programming in West Africa and who was later to direct the West Africa regional office for West Africa for Oxfam America and later Oxfam Great Britain. Along with Kathleen Stack and Edowin Francicios of Freedom from Hunger had trained the local staff. Freedom from Hunger and Oxfam jointly developed the training manuals and training protocols.

Foundation, one of the members, along with Oxfam and Freedom from Hunger of the SfC Consortium that was implementing Saving for Change in Mali.

The women repeated their by-laws in unison as they did every week. The officers took attendance, opened the cash box, and reported the total to the members—it had to be the same as when the box was closed at the end of the meeting, ensuring no transactions occurred during the week. Once the women had each contributed their savings and the loans from the fund made earlier were repaid the secretary announced the new total in the cashbox. Then the president asked if anyone wanted to request a loan. A few placed one of their sandals in front of them or raised their hands to indicate they did and a lively discussion ensued with the borrowers explaining how the loans would be used and the rest of the groups debating the likelihood they would be repaid. By the end of the meeting, most of money in the box was lent out.

As the discussion wrapped up, the animator led us to a meal prepared by one of the groups. I assumed we'd be getting back into the car to head to the next village after lunch, but instead the animator brought us to watch another group's meeting in another part of the village. When that meeting finished, she had us wait to attend a third and then a fourth. As another efficiently run SfC meeting unfolded before me, I was concerned. Had the trainer or "animator" we'd contracted through the local NGO to seed Savings Groups in twenty nearby villages merely stayed put, thoroughly organizing this one place at the expense of all the others?

It turned out that there were eleven SfC groups in this village, with a combined membership of about 250 women. It was an impressive number. I interrupted a conversation transpiring in Bambara between the Malian staff and the animator, before she took us to sit through another meeting. She assured me that she had indeed trained groups in surrounding villages, as she'd been expected to do. In fact, the animator had only organized one group in this village. The rest of the groups were trained by Salimata Coulibaly.

Sali was the president of the first SfC group in the village. Unlike most of the women in the village, Sali attended school up to the eighth grade. She ran a small kiosk selling necessities such as matches, salt, sugar, and tea. Sali was small, lean and intense. She wore glasses – the only women I had seen in Mali with glasses – and a tightly tied *hijab* wrapped around her face, which contrasted to the flowing scarves and head wraps that most other women wore. Sali was all business. I had been impressed with how smoothly she directed her group. I was more impressed as I realized she had cultivated that same impeccable order in ten more.

"How did you do it?" I asked Sali through a translator. She explained that it was not so difficult, as she simply repeated each weekly lesson the animator taught her group as it formed, reviewing with ten other groups how to choose members, elect officers, craft bylaws, and keep records. Sali would meet with each of the ten groups she organized in turn and pass on what she had learned

"Why did you do it?" I asked. A year later a group making a video that featured Sali asked her this same question. She answered:

> "I want better development for my own village. The women trust me a lot. That's why they always come to me for advice. It is with great joy that I share my knowledge with them. I would like to have this program reach everyone. There are some villages that have not been reached. I would really, really want to have these women receive the learning we have received."[12]

During that first assessment, Sali took us to task, saying we needed to do a better job teaching the women to keep records. Since most of the women in her groups were illiterate, Sali explained, they ask their husbands to step in and handle recordkeeping. Sali declared, "Sooner or later the men will steal from us."[13] We took this request to heart and later introduced a record keeping system based entirely on oral recall, so that groups without a single literate member could keep their own records.

The groups Sali Coulibaly organized were, to my eye, equal to those groups created by the animator, a trained and paid NGO staff member. I began to believe that even at this early stage we were on the right track. Our vision was that some group members would volunteer to train new groups in their villages within two years, as I had seen elsewhere. Having volunteers train and support the groups is the cornerstone of both controlling costs and ensuring that the groups continue beyond the scope of the project. The volunteers live in the village, the paid staff will soon go on to another village. Within months after the first group was formed in her village, Sali was training new groups with no special guidance or training from Saving for Change.

If Sali had taken it upon herself to organize groups in her village, perhaps other leaders were training groups in their villages. I asked supervisor Soumaila Sogoba what his animator team had told him about groups replicating spontaneously. He said that while Sali was unique in the number of groups she had trained, he knew of several other volunteer replicators who had each already trained a group or two. The next day in a new village a half-day's drive away, Fatoumata Traore, an animator from another local NGO, reported she too knew of many villages where group leaders were training groups. Seven years later we know that of the 18,700 groups in place in Mali today, volunteers trained well over half of them. We now incorporate volunteers, who we came to call "replicating agents," as an integral part of our strategy. What emerged on its own in a few villages that first year with a little extra training and encouragement (and no payment) we were able to duplicate in thousands of villages.

Sali Coulibaly saw something in Saving for Change that inspired her to teach the idea to her peers. Her story was emblematic of the underlying ethos we tried to build into SfC: ownership. Each group was managed by its members, using their own money to build assets collectively that they could access throughout the year in the form of loans and, annually, as dividends that included their yearlong savings and the interest garnered from the loans were distributed back to the members. Our theory was that if members owned and operated the groups, then members could adapt their groups to fit their specific financial needs. We hoped this would lead members to value the groups as a resource so much that they would decide to share the knowledge with others. Sali manifested this hope tenfold.

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[12] Cite Sali Coulibaly video.

[13] Salimata Coulibaly, interview by author, Mali, 2006.

This book shows how Savings Groups are an important strategy for financial inclusion, putting money in the pockets of the poor in contrast to taking money out of the community to finance the infrastructure of financial institutions. The Savings Group practitioners already in place and the systems they are already using could increase financial inclusion by 100 million, a 50 percent increase in the total outreach of MFIs today, (there are 200 million current borrowers of microfinance institutions). The total cost spread over seven years would be less than the cost of grants to microfinance institutions in a single year.

According to a 2011 study by the World Bank department most concerned with microenterprise, the Consultative Group for Assisting the Poor, microfinance is a seventy billion dollar a year industry. Most of this amount represents investments into the loan and guarantee funds of major microfinance institutions for which investors expect a return. The Savings Group practitioners, in contrast, operating quietly in the rural backwaters and urban shantytowns of the world's poorest countries and the poorest regions within countries are quietly demonstrating that what is needed is not external loans but disciplined commitment to savings.

As a boy growing up in San Diego California long before the invention of credit cards, my mother told me about Christmas Clubs. She set aside a regular amount every week and our family would have a lump of cash to purchase Christmas presents. Savings Groups operate in much the same way. The major difference is that the savers have access to the savings of the group for short-term loans during the year. This is not to say that there are not occasions when more money is needed than a group of savers can mobilize – to invest in a business or planting and harvesting a crop – but for most purposes disciplined savings is the better alternative. Those who need more money can ask for a loan from local microfinance institutions.

An example makes it clear why in most instances savings is more beneficial than savings. Compare these two scenarios:

1. Take out a loan of $100 from a financial institution and pay $50 for the use of this money between interest and fees. By the end of the year you have paid $150 and have no savings. You take out another loan because you don't have savings and the cycle continues.
2. Join a savings group and save $2 every week. As needed you take out small loans from the fund of your group of about twenty members that grows week by week with more savings. At the end of the year when the fund is divided receive back the $100 you saved plus a share of the interest income. You now have $120 of your own money in hand as savings you can use as you please.

Which is preferable?

Chapter Outlines

Chapter 2 presents the general principles of in your own hands development. Chapter 3 tells the story of a Saving for Change meeting in Mali, West Africa. This tale, a narrative sketched from case studies, interviews, and personal experience, shows the details of a Savings Group meeting—how it works, how it helps. Chapter 4 takes us back to my own learning journey from microcredit wonk to Savings Group advocate, highlighting the contributions to the model of a few brilliant innovators in Nepal, India and Zimbabwe Chapter 5 explores how Saving for Change in Mali grew so quickly to 460,000 group members in 5,000 villagers. Chapter 6 explores the research-proven impacts and limits of Savings Groups on poverty, hunger, and empowerment. The main source material for this chapter is the extensive research carried out on Saving for Change in Mali funded through the Bill & Melinda Gates Foundation In Chapter 7, we see how Savings Groups work in places where they shouldn't—where violent conflict and the absence of a group savings tradition predispose Savings Groups to failure. We follow the work of dedicated women organizers in El Salvador and Guatemala who overcame initial resistance to group savings to turn their Saving for Change groups into powerhouses advocating for political and human rights. In the final chapter, I ask how this decentralized, 'in their own hands' finance methodology can be leveraged and expanded at mass scale to improve the lives of the world's poorest simply and cost-effectively.

I argue that such an approach will only become increasingly necessary as the poorest countries and poorest regions cope with increasing disasters of climate change, scarce and depleted land, and conflict. Given the amount of development assistance that is misspent and the declining amount of aid to poorest countries overall, the value of a simple, replicable and sustainable approach can hardly be overestimated. In their own hands development that builds resilience and reduces chronic hunger as it builds assets works. There is much more that is needed – basic infrastructure, markets, roads, government services, good governance, the more equitable division of resources, but savings groups are a predictably useful starting point.

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2. Guiding Principles for In Their Own Hands Development

The need for a better way to do development is urgent. If we hope for a better outcome we must tap the wisdom, courage and problem-solving capacity of those most directly concerned—the villagers themselves. We can't do it for them. They must do it for themselves.

Saving for Change's extraordinary growth, success and durability is due to following a set of principles that greatly increased the odds of success. The same principles that we used to develop and implement Saving for Change can and should be used to develop and implement any development project. I describe them below and will refer to these concepts throughout the rest of the book.

1. **Start with a vision of scale**

As Sir Fazle Hasan Abed the founder of BRAC, the world's largest NGO, famously said, "small is beautiful, but big is necessary." Mali with its population of 15 million inhabitants has 15,000 villages. Every village is unique, but our task was to build a 'good enough' intervention that would later be duplicated in hundreds and later thousands of villages. We started small with two teams of animators (trainers) from local NGOs, but our intent was to build a program that was national in scope.

2. **Less is more**

The key is to introduce new ideas and get out of the way when the community can take over. Interventions don't have to be huge or fancy. The simpler and smaller the better. We learned that it takes three months of training for a group to master savings; five months to master lending. After that a follow-up visit every three months or so is sufficient to check in and monitor performance. Too many visits and too much help and the groups remain dependent on staff and don't develop their capacity to manage their own groups. Too little support and the groups do not master the basics.

3. **Design in the terms the community understands**

This requires asking questions and listening carefully. The service must be built for the communities, not for donors or annual reports. We spent days asking village women how their *tontines* worked and what they saw as their limitations. We introduced how we thought Saving for Change groups could be structured and listened carefully to their comments and adjusted our plan. They liked the model. It was easy for them to understand. How they selected who would join their group, the requirement for regular savings, and how they would hold each other accountable was the same as in their traditional rotating savings groups, the *tontines*. What was new was saving in different amounts, taking out loan when and in the amount they wanted, better recordkeeping, charging interest on the loans and greater transparency. We knew we were on the right track when after a few minutes describing Saving for Change they responded, "I understand how this works. It's like a *tontine* only better?"

4. **Dare to be simple**

The simpler the solution the more likely it is to succeed. Lots of flow charts may be impressive in a board meeting, but on the ground, the simpler the intervention and the easier it is to explain and relate to people's lives, the better.

Not only did we need to develop a solution that met villager's needs it had to be implemented by women who little or no formal schooling. As we developed the first training manuals we often said, "anyone can make something complicated. It takes real genius to make it simple." Our first Saving for Change manuals were too long and too complicated. Later versions introduced a recordkeeping system based on oral recall or when the population was more literate, reduced the record keeping ledger to a single page. Sticks, seeds and pebbles were used to quickly tally the outstanding loan portfolio, a system, which proved to be far more accurate than the tallies kept by barely literate secretaries.

5. **Be sustainable**

Sustainable means that the intervention neither borrows from the future, nor does it need constant inputs to maintain. When funding disappears, the benefits of the program must remain.

In our eyes Savings Groups are sustainable. When the NGO staff that trained the group leaves they must thrive and spread without outside support. Ninety five percent of the Saving for Change groups, some of them trained in 2005 and 2006 are still saving and lending. Most are visited only every few months or not at all. A microfinance institution defines sustainability entirely differently. An MFI must generate enough income through interst and fees to pay for administrative and financial costs (the cost of the capital lent out and the erosion of the value of the fund through defaults and inflation) and a margin to fund expansion and profits. An MFI must maintain a permanent presence because it must issue loans, collect payments and collect and track payments. Savings Groups perform these functions themselves. We estimated that the nearly 19,000 SfC groups in place collectively track 27,000,000 transactions without the involvement of a single staff person.

6. **Replicate virally**

When funding or outside interveners leave, the program must be able to continue and to spread. The sign of a good idea is one that people will adopt on their own. If it is simple and important enough community members will want to share what they have learned with their friends, family and neighbors.

In Mali well over half of the groups currently in place were trained by volunteers. What emerged spontaneously (recall the conversation with Sali Coulibaly) has been systematized. Staff identifies women with leadership capacity and interst. These replicating agents receive three days of training from the NGO animators a picture based manual and a certificate. Most only train groups in their own villages, but some also train groups in neighboring villages.

7. **Keep costs low**

There are never enough resources. For an initiative to grow quickly and organically, costs must be very low.

The direct costs – staff salaries, transportation and support – per group member total $18 per group member but considering that impact is village wide the cost per villager is between $1 and $1.50. Considering the impact – a modest decrease in chronic hunger, increased assets, more savings, reaching the poorest and the viral replication to neighboring villages these costs, benefits that will likely continue for years if not permanently, these costs are low indeed.

8. **No giveaways**

Dependency kills innovation and restricts the viral spread of ideas. As Marcia Odell, the Director of Pact's Women's Empowerment Program where I first learned about Savings Groups told me time and again, "Dependency is not empowering."

In Saving for Change, the no giveaway rule extended to accounting forms and cash boxes. Matching savings with grants invites problems as well as dramatically increasing costs. Alfred Hamadziripi, the Zimbabwian Director of the Care Village Lending and Savings Association (VSLA) program, told me of the disastrous first months of the program in his country. I was evaluating his program at the time. Each group received a matching grant equivalent to the amount they saved. The groups saved, received the match and disbanded. Their motivation was to receive a handout not the disciplined business of mobilizing and managing their own savings. Care dropped the match in Zimbabwe and the number of groups soared. The program has proved very successful.

9. **Insist on local control**

Local ownership is a challenge, but a necessity. The program is not for the outsiders, but for the people it is targeted to help. Local control allows the community to drive instead of only being along for the ride.

The genius of Saving Group programs is that they can be carried out by ordinary local NGOs who in turn devolve responsibility for training the replicating agents. This implies the development of training materials appropriate to the level of local organization and the volunteers training the program. Without local control the groups will be able to manage themselves and there is little chance that the groups will self-replicate. It is even likely that they will disband after the outsiders leave.

10. Establish high performance standards and insist on meeting these standards

Trying hard is not good enough. Meeting high performance standards must matter as much in development work as it does in the business world. Know what you want and make sure you get there.

Each team of ten paid animators (trainers) and a supervisor is tasked to introduce Saving for Change to three hundred villages with a combined population of 300,000 inhabitants. Performance is benchmarked. The objective for the first year for each team of ten is two Saving for Change groups in place in each of 100 villages. By the third year the objective is to have 800 groups in place in 200 villages of the 300 villages assigned to the team. Of these 200 are to be trained by animators and 600 by replicating agents. By the end of the third year the objective is that between 18,000 and 20,000 women will have joined groups. In the fourth and subsequent years the paid staff is reduced to 4 for monitoring and supporting the replicating agents with the rest of the animators relocated to a new region.

11. **Embrace learning and innovation**

Allowing for local control and respecting community input means constant improvement. No matter how well a program is designed, there is always more to learn, and always room for improvement. Innovations from one village can only spread if the model is flexible and everyone involved is committed to learning and improving.

The replicating agents meet periodically to exchange experiences. The animator team meets monthly. The challenge is not only reflecting on what works and what does not work, but taking action to improve performance.

Some Reflections on Saving for Change

As we saw it, each self-managed group had within it the genetic material, it needed to sustain itself and to replicate itself, what I came to call the “amoeba model” of microfinance—a sharp contrast from the complex institutional structure that microlending institutions require and that I had been promoting for over twenty years.

Voluntary replication was the key to meeting our other lofty goal: scale. We set expectations for group formation so high that the local staff had limited options: try to do everything (which was impossible) or enlist the group members into training new groups. If we were to expand Saving for Change to thousands of villages in Mali, we couldn’t do it by hiring a huge staff. Lack of resources spurred creativity. If these women members did not take the lead, then SfC would not meet its objectives.

In all my life’s work speaking directly with villagers and workers in over 35 countries over more than 45 years, I have found that what people have in common is the desire to join together for a common purpose to support each other in gaining more control over their lives. Whether working with *campesinos* in Ecuador in the 1960s, establishing best practices in microfinance in a worldwide study in the 1980s, bringing microfinance to the US in the 1990s, or advocating and advancing the Savings Group movement in the new millennium, there is one truth that has been consistent: development must be "in their own hands."