

CBSGs are autonomous and self-managed. All transactions are carried out in full view of members to ensure accountability and transparency.



Development Partners

Aga Khan Foundation U.S.A
The Marshall Foundation

The Aga Khan Foundation (AKF) is a private, non-denominational, development agency, established by His Highness the Aga Khan in Switzerland in 1967. The Foundation seeks sustainable solutions to long-term problems of poverty through an integrated, community-based, participatory approach that reinforces civil society and respects local culture. In India, AKF works essentially in three thematic areas: Health, Education and Rural Development. It also works to strengthen civil society institutions.

The Aga Khan Rural Support Programme [(AKRSP(I))] is a non-denominational, non-government, development organisation. AKRSP(I) works in the states of Bihar, Gujarat and Madhya Pradesh for the betterment of rural communities by promoting activities and developing models for sustainable natural resource use and building human capacities.

For further information

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The Aga Khan Development Network (AKDN) is a group of private development agencies working to empower communities and individuals, often in disadvantaged circumstances, to improve living conditions and opportunities, especially in Africa and Asia. Its agencies work in over 30 countries for the common good of all citizens, regardless of their gender, origin or religion. Its underlying impulse is the ethic of compassion for the vulnerable in society.

Average member savings have increased significantly as a result of which members' dependence on formal and informal high-interest loans from other sources has declined. These savings provide a buffer against emergencies and unforeseen expenses, helping members survive these circumstances without liquidating their assets.

The programme has successfully facilitated the creation of sustainable institutional structures at the village level through which women are able to prioritise needs and decide how to best use resources. The self-ownership of capital has helped placed the agenda of development within the community itself and promoted social solidarity and understanding between individuals. The provision of easier access to cash through a participatory methodology has also enhanced women's participation in the decision-making process at the community level. Women have gained confidence and experience from participating in the management committee of their

group and have taken on leadership roles in community activities.

The Way Forward

In the next phase of the CBSG programme in Bihar, AKF will facilitate Village Agents from within the community and elected by CBSG groups, to train new groups. Groups will be expected to pay Village Agents a nominal amount per week per member for their services. Through this intervention, the programme will continue to enhance community involvement and build members' knowledge to continue self-supported community-based savings practices. With access to savings, the poor are avoiding a descent into deeper economic hardship and are taking initial steps towards self-reliance.

INDIA



Community-based Savings Groups (CBSGs)

In recent years, there has been increasing acknowledgement that microfinance agencies are not always able to address the financial service needs of the very poor and particularly those living in remote and isolated areas. Small transaction sizes, sparse populations and poor infrastructure limit the ability of Microfinance Institutions (MFIs) to reach areas where much of the world's poorest and most marginalised population lives.

Globally, researchers have repeatedly found that those with low incomes have the capacity to save and are often able to save significant amounts. Furthermore, very poor people need not only the opportunity to save but also access to very small amounts of credit (generally amounts too small to be financially viable for MFIs to provide) to help smooth incomes,

meet unpredictable expenses and reduce shocks in emergencies. For example, quick access to a small amount of credit or accumulated savings to acquire livestock can enable a farmer to defer selling or pre selling harvest to a time when prices are higher. This can lead to a substantial increase in income for the farmer. Community-based Savings Groups (CBSGs) offer an effective means to meet the needs of poor and remotely located populations that find it difficult to access services from banks or MFIs.

Reaching out to the Poorest

Densely populated Bihar is India's poorest state and its residents struggle to provide for their families. Nearly half of Bihar's population is poor, less than half can read or write and the per-capita income is approximately a third

of India's average per capita income (at US\$ 94 a year against India's average of US\$ 255). Microfinance activity is in a rudimentary stage in Bihar, where the inclusion of ultra-poor households is both limited and not consciously planned for. Less than five percent of Bihar's population has access to banks and priority sector lending targets among the very poor segments of the population remain unfulfilled.

In 2009, the Aga Khan Foundation (AKF) in collaboration with BASIX (India) examined the supply, demand and use of financial services by ultra-poor households in Muzaffarpur and Samastipur districts of Bihar. The study revealed a serious lack of basic financial services for ultra-poor communities who had no access to safe and convenient savings mechanisms and were unable to



The CBSG programme mobilises women from marginalised communities to form savings groups and organise simple lending practices that help cushion them against economic shocks and avoid debt in the face of emergencies.



Bihar CBSG Facts at a Glance	
Total number of groups formed	1,234
Total number of members	24,144
Total number of women assisted by the programme	22,073 (91.4% of members)
Average member savings to date	US\$ 26.7
Accumulated savings	US\$ 571,932
Attendance rate	96.5%
Retention rate	93.8%
Annualised return on assets	11.5%

avail appropriate sources of credit from commercial banks, MFIs or Self-Help Groups (SHGs). More than 70 percent of households regularly borrowed from moneylenders at usurious rates, collateralising and often losing their scarce assets. Some of these borrowers had either been forced to relinquish jewellery and kitchenware or work as bonded labourers because of late repayments. As a result, there was a high incidence of severe coping strategies among families to meet emergency financial needs, which often included forced labour migration, over-indebtedness and unplanned distress sales of productive assets owned by households.

Consequently, there was a need for an alternative model to provide basic financial services to this ultra-poor population, which would provide a secure place to save and the opportunity to borrow in modest amounts. It is in this context that AKF in collaboration with its implementation partner, the Aga Khan Rural Support Programme [AKRSP(I)], devised a long-term strategy to create opportunities of financial inclusion through supporting and facilitating innovative Community-based Savings Groups (CBSGs). The CBSG programme aims to mobilise women from marginalised communities to form savings groups and organise simple savings and lending practices that help cushion them against economic

shocks and avoid debt in the face of emergencies. The programme is coordinated by AKF and implemented by four local partner institutions in Bihar including the Aga Khan Rural Support Programme, India [(AKRSP(I)), Nav Jagriti, NIDAN and SAKHI.

The CBSG Model

The CBSG programme draws on a community mobilisation approach to manage the savings and lending process. Each CBSG is usually composed of 15 to 25 self-selected individuals who deposit savings, which are pooled together and then lent out internally at a pre-defined and mutually agreed upon interest rate. A management committee is elected to constitute policies about savings and to ensure a high degree of procedural discipline. Lockable cash boxes are used to keep surplus cash and records. The cash box often has multiple locks, the keys to which are held by separate members. Key holders are always appointed from among the group membership.

At the end of a cycle, which usually lasts for one year, the group closes its books. Members' savings, plus a proportionate amount of interest earned from the group's internal lending, are then returned or shared out to its members. The earnings are usually distributed in proportion to member savings. The share-out

process provides a lump sum, often at a time of the year when members have a predictable need for cash (for example, when preparing land for planting crops or during religious festivals). Money received from the share-out is also used for the repayment of loans from local moneylenders, marriage purposes, payment of tuition fees of children and for other household expenses. At this stage, the group can either disband or reconstitute itself and begin another cycle of saving and borrowing.

Financial Literacy Training

With technical assistance from ACCION, India, AKF delivers a carefully designed Financial Literacy Training (FLT) package to facilitate the savings and lending process. Key financial messages on financial planning, cash flow, budget, savings and debt are imparted to CBSG members during a comprehensive story-based interactive curriculum. Participants are encouraged to budget for their own needs and construct a financial plan after analysing their financial situation.

The overarching message imparted by the programme is that everyone can save for a better life – small amounts saved regularly can become large amounts over time. The programme also enhances members' awareness about new skills in book keeping practices, transparency in transactions, savings and lending policies and

adherence to group policies. Members have been able to manage their household and financial affairs better and make improved choices in using financial resources.

Programme Achievements

AKF's CBSG programme works towards strengthening the human, social and financial assets of the vulnerable and their communities in Bihar. Programme results indicate that the CBSG model is sustainable: a total of 1,107 groups have completed the 12 month cycle and shared out following which an estimated 88.9 percent of the groups have continued to operate independently without further support from AKF. This indicates that community interest in the programme is high and growing. The share-out process has successfully allowed for the smooth entry and exit of members and provides immediate verification that members' money is safe and the process is profitable.

Member participation has increased significantly over the last two years. The programme began with approximately 2,000 women. Today, more than 22,000 women participate in the programme. Attendance rates and retention rates have consistently been high. Accumulated savings have risen from nearly US\$ 160,000 at the end of 2010 to US\$ 571,932 till date representing a significant increase in the saving capacity of members.

Earlier, I had to avail loans from external lenders at high interest rates. Now, I am able to save in small amounts and fulfil small household needs. After joining the savings group, I see a significant change in the attitude of my family members towards my contribution in family affairs.

Bulanti Devi, CBSG member at Katra, Muzaffarpur

Cover photo: A happy moment during the share-out process at a CBSG meeting. After approximately 12 months, all savings and earnings are distributed back to group members, which is referred to as a share-out.



Savings have increased members' ability to acquire livestock, pay for the education of their children, purchase material goods necessary to celebrate festivals and take care of other household expenses.