At the end of 2011, a qualitative study of 11 savings groups was conducted by AKF to better understand how CBSG membership affects savings and loan-taking behaviour and household financial decision-making. The study was conducted as part of the Aga Khan Foundation’s Community-Based Savings Groups (CBSG) programme, which is set up to provide a safe depository for small amounts of savings while helping households accumulate capital. The programme is designed to help reduce poverty, especially among the most vulnerable communities, by helping them save and access credit in an efficient and cost-effective manner. The study focused on understanding the experiences and perceptions of CBSG members regarding their participation in the programme. It sought to identify the key factors that influence members’ behaviour and decision-making, and to understand the impact of the programme on their lives.

The study found that CBSG membership is associated with increased savings, reduced borrowing, and improved financial decision-making. Members of CBSG groups reported higher levels of savings and better financial management practices compared to non-members. The study also highlighted the importance of community-based financial intervention programmes in providing an alternative to commercial banking for those who are excluded from the formal financial system.

Issues to consider for future implementation

A few concerns relating to programme delivery were highlighted during the study. These may be considered by the Aga Khan Foundation in Mozam-

issu bringing the number of members to 25 people on average who save weekly with the intent of accumulating savings over the course of a year. CBSG methodology emphasizes members’ savings with the purpose of saving weekly and reinforces the principles of an authorized member (CBSG member) or selling agricultural products at a lower price (since a CBSG member). The possibility of a reliance on such practices should be addressed during the next phase of programming.

A small transaction size, sparse populations and distance to financial institutions make it difficult for commercial banks and microfinance institutions to reach rural areas where many of the world’s poorest and most marginalised populations live. Coordinated commercial services, which do not have access to any small amounts of savings and credit to help smooth their incomes, meet emergencies, have little means of accessing credit to help manage their cash flows, and have little access to even small amounts of savings and credit to help smooth their incomes, meet emergencies, and invest in income-generating activities.

From 2011, the Aga Khan Foundation (AKF) has been working in Cabo Delgado, the northeastern area of the province of Mozambique. In these remote, rural communities, there are no safe mechanisms by which people can save or borrow money, as it is not profitable for commercial banks or microfinance institutions to set up expensive branches and pay high personnel overheads to take in deposits of US$ 1 or even US$ 10 at a time. To address this problem, in 2010, the Foundation initiated the Community-Based Savings Groups (CBSG) programme to promote community-based financial management services to the rural disadvantaged communities of Cabo Delgado. By 2013, the initiative provided over 4,800 individuals (53 percent women) a safe place to save and access credit on flexible terms to meet investment, consumption and emergency needs. The programme is now working with community-based savings groups to help additional groups in coming years.

The Aga Khan Development Network (AKDN) is a group of private development agencies working in response to repeated natural disasters and the needs of poor communities, often in remote areas where commercial banks or microfinance institutions are absent. The AKDN’s work is guided by the ethical principles of the Aga Khan and is focussed on creating economic opportunities for the poorest and most marginalised populations, regardless of their gender, age, or religion. This undertaking is a result of the imperative for the sustainable development of society.

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A savings group member in need of a loan is encouraged to think through the use of the borrowed funds. With a clear purpose in mind, it becomes easier to minimize the loan to that size.

The advantages of saving collectively is that you learn a lot of things from others, it’s like going to school where you learn a lot of things which alone you would not learn.

A female CBSG member

Saving collectively offers a foster a sense of community amongst members as they are increasing their individual economic well-being on the basis of a collective effort and also learning from each other. The collective system allows greater support when in need, particularly for women.

“Now I feel more comfortable managing my household finances because now I can decide how much I can allocate for saving. How much to use for business and how much to be used for family consumption.”

A female CBSG member

Prior to joining their savings groups, most female respondents from male-headed households reported that group members’ spousal participation in the decisions that relate to the use of the loan and the profits from the investment of the loan taken.

“I would never think about making a decision about saving or taking out a loan myself, because I cannot contact the man who married me. The one who gives me the money is the one who is responsible and the money is a share to come from a family.”

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“The advantages of saving collectively is that you learn a lot of things from others, it’s like going to school where you learn a lot of things which alone you would not learn.”

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Cover Photo: Savings groups in rural communities of Cabo Delgado, community-based savings groups established by the Aga Khan Foundation, is working with local women from low-income households to save, and become self-sufficient. 

“Before joining the group, if they borrowed money, they did not have to pay interest but if they were not able to pay the loan back in time, then people would start asking that person of robbing the money. Sometimes, however, if they would suddenly be asked for the money back, before the deadline.”

-- A male CBSG member

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Importantly, some members (older women and those from female-headed households) appear to experience greater difficulty in saving. Such members have the tendency to adopt potentially negative strategies such as increasing their workload beyond their ability or cutting household expenses (buying less or lower quality food) in order to save.

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Finding 4: Savings group membership plays a limited role in improving household financial decision making dynamics.

Savings group membership plays a limited role in improving household financial decision making for women, as these dynamics tend to be affected primarily by marital status and, in the case of married women, the quality of the relationship between spouses.

A female CBSG member

“Single woman manages the household fund alone, whereas in male-headed households it depends on the couple. It is in a good relationship, women can keep the money and manage it, but if it is a bad relationship then the man holds it and control it.”

A female CBSG member

Finding 5: Savings groups promote social cohesion amongst members and foster the creation of a support system for women.

Saving collectively appears to foster a sense of community amongst members. In particular, savings group members reported changing household financial inclusion, savings group membership plays a limited role in improving household financial decision making dynamics.

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**Saving collectively appears to foster a sense of community amongst members as they are increasing their individual economic well-being on the basis of a collective effort and also learning from each other.** The collective system allows for support when in need, particularly for women.

*– A female CBSG member*

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**Finding 1: Savings groups help to promote financial inclusion**

Cabo Delgado is characterized by poor financial service provision. Savings groups are seen as the majorities of members to fill a gap in areas where there are no safe borrowing or lending mechanisms. “We don’t have a bank here in Ibo. The CBSG is our bank.”

*– A female CBSG member*

Prior to joining their savings groups, most interviewed members accessed loans through friends, relatives, neighbors and/or village money-lenders. Access to loans was not always guaranteed. It depended on the lender’s trust in the borrower’s ability to repay the loan. Sometimes, members often had to accept unfair conditions (high interest rates, short deadlines often had to accept unfair conditions) because of limited alternatives.

“Before joining the group, if they borrowed a loan from a money-lender, they didn’t have to pay interest but they had just a few days to pay back the loan. If they were not able to pay the loan back in time, then people would start accusing that person of robbing the money. So sometimes, if they would suddenly be asked for the money back, before the deadline.”

*– A male CBSG member*

“The advantage of saving collectively is that you learn a lot of things from others, it’s like going to school where you learn a lot of things which alone you would not learn.”

*– A female CBSG member*

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**Finding 2: Savings groups help to motivate more regular savings**

For most groups, the members have made savings into a more worthwhile and regular habit. They are more confident and motivated to save. Before whenever money was put aside, it was wasted on the household’s necessities, and in smaller and more irregular amounts. However, the risk of theft—even amongst family members—put a great deal of pressure to save. Now with their savings kept under group lock in a box outside of the home, members report feeling more motivated to make regular deposits, and often in larger amounts. To the extent of benefiting from greater financial inclusion, savings group members are also being held more accountable for their financial activities by group regulations (making sure minimum savings amounts) that are responsive to their needs.

“Collectively you get empowered by the others, every savings you get interested to save more.”

*– A male CBSG member*

Motivated by their groups to save more regularly, many members reported changing financial management strategies to increase the availability of extra income for savings. Saving appears to be relatively easier and more convenient for members, who can generally cash in (in many cases, those who participate in off-farm income-generating activities) or whose household activities for financial support.

“Single women manage the household fund alone, whereas in male-headed households it depends on the couple. If it is a good relationship, women can keep the money and manage it well. It is a bad relationship than the men hide it and control.”

*– A female CBSG member*

Importantly, some members (older women and those from female-headed households) appeared to experience greater difficulty in saving. Such members have the tendency to adopt potentially negative strategies such as increasing their workloads beyond their ability or cutting household expenses (buying less or lower quality food) in order to save. These groups were selected by AKF conducting across 11 savings groups.

“A male-headed households reported that group collection aligns fairly well with their spouses. With regard to female-headed families from male-headed households noted that their spouses participate in the decisions that relate to the use of the loan and the profits from the investment of the loan, but not the amount of the loan taken.

“I would never think about making a decision of saving or taking out a loan from my own savings, because I am the one who gives me the money and the money is ours to share as a support system for women.”

*– A female CBSG member*

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**Finding 3: Savings groups help to improve financial decision making dynamics**

Savings group membership played a limited role in improving household financial decision making for women. Several studies have noted that women’s economic capacity which, in turn, means that most members do not need to feel dated 22 February 2005

Kate Hignite is a Project Officer at the Asia-Pacific Policy and Strategy Department of the Asia-Pacific Region for Microfinance News. Geneva, Switzerland

“Women and those from female-headed households appear to experience potentially negative strategies such as increasing their workloads beyond their ability or cutting household expenses (buying less or lower quality food) in order to save. These days, we don’t wait for our husbands to take us to school where you learn a lot of things which alone you would not learn.”

*– A female CBSG member*

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**Finding 5: Savings groups promote social cohesion amongst members and foster the creation of a support system for women**

Savings collectively appears to foster a sense of community amongst members. It provides a safe mechanism for members who are knowledgeable about the local community. Social cohesion is seen as a key indicator: maturity level of the members, how they get along with each other, ability to repay, group size, geographic location, and gender and ethnic makeup of the group. For seven of the groups, the focus group discussions complemented by in-depth individual interviews with three members per group.

Limits included the lack of a pilot study, the occasional use of learning tools in the classroom, and the field team limited experience in designing and implementing qualitative studies. Important also was the selection of CBSGs based on similar maturity levels which was not clearly understood and applied. As a result, half the groups in the sample were nearing completion of the first cycle and the others were halfway through their first cycle. As such, findings related to changing household financial decision-making should be considered with caution.

“Before joining the group, if they borrowed a loan from a money-lender, they didn’t have to pay interest but they had just a few days to pay back the loan. If they were not able to pay the loan back in time, then people would start accusing that person of robbing the money. So sometimes, if they would suddenly be asked for the money back, before the deadline.”

*– A male CBSG member*

“Now I feel more comfortable managing my household’s finance because now I can decide whether I can take for saving. How much to use for business and how much can be used for family consumption.”

*– A female CBSG member*

Motivated by their groups to save more, and that they are increasing their individual economic well-being on the basis of a collective effort and also learning from each other. The collective system allows for support when in need, particularly for women. Topics that relate to the use of the loan and the profits from the investment of the loan, but not the amount of the loan taken.

“My husband is in the house and he controls the money and the money is ours to share as a support system for women.”

*– A female CBSG member*

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**“We don’t have a bank here in Ibo. The CBSG is our bank.”

*– A female CBSG member*

**How the study was done**

A total of 125 CBSG members (64 percent) were interviewed during focus group discussions that were conducted across 11 savings groups. These groups were selected by AKF (action-oriented and knowledge-based staff who are knowledgeable about the local community) with key criteria: maturity level of the members, how they get along with each other, ability to repay, group size, geographic location, and gender and ethnic makeup of the group. For seven of the groups, the focus group discussions complemented by in-depth individual interviews with three members per group.

Prior to joining their savings groups, most interviewed members accessed loans through friends, relatives, neighbors and/or village money-lenders. Access to loans was not always guaranteed. It depended on the lender’s trust in the borrower’s ability to repay the loan. Sometimes, members often had to accept unfair conditions (high interest rates, short deadlines often had to accept unfair conditions) because of limited alternatives.

**Key findings of the studies**

**Finding 1: Savings groups help to promote financial inclusion**

Cabo Delgado is characterized by poor financial service provision. Savings groups are seen as the majority of members to fill a gap in areas where there are no safe borrowing or lending mechanisms. “We don’t have a bank here in Ibo. The CBSG is our bank.”

*– A female CBSG member*

Motivated by their groups to save more, and that they are increasing their individual economic well-being on the basis of a collective effort and also learning from each other. The collective system allows for support when in need, particularly for women. Topics that relate to the use of the loan and the profits from the investment of the loan, but not the amount of the loan taken.

“My husband is in the house and he controls the money and the money is ours to share as a support system for women.”

*– A female CBSG member*
In the remote, rural communities of Cabo Cover Photo for women.

Collective system allows for mutual on the basis of a collective effort and members as they are increasing a sense of community amongst Saving collectively appears to foster in designing and implementing questions in the tools administered, and the field team’s limited experi- ments that relate to the use of the loan and the profit from the investment of the loan, but not the amount of the loan taken.

I would never think about making a decision about saving or taking on a loan now, because I have a job that makes it very easy to save.

I would rather think about making a decision about saving or taking out a loan now, because I have a job that makes it very easy to save.

Savings groups membership plays a limited role in improving household dynamics for women, as these dynamics tend to be affected primarily by market skills and, in the case of married women, the quality of the relationship between spouses.

Finding 3: Savings groups help to promote financial inclusion.

Motivated by their groups to save more, members were encouraged to keep their savings in their own savings group.

Finding 4: Savings group members participate in off-farm income-generating activities for financial support.

Most members do not need to feel pressured to save. According to interviewed members, the trust fostered between members encourages transparency in loan taking, because members can rely on the savings group’s reputation. Because the members have invested in the savings group, they have a certain level of accountability and are more likely to pay back their loans.
At the end of 2011, a qualitative study of 11 savings groups was conducted by AKF, to better understand how CBSG membership affects savings and loan-taking behavior and household financial decision-making. The study was conducted in eight rural communities in Mozambique, where 840 people (46 percent women or girls) were interviewed. At the end of 2011, a qualitative study of 11 savings groups was conducted by AKF, to better understand how CBSG membership affects savings and loan-taking behavior and household financial decision-making. The study was conducted in eight rural communities in Mozambique, where 840 people (46 percent women or girls) were interviewed.

Issues to consider for future implementation

A few concerns relating to programme delivery were highlighted during the study. These may be considered by the Aga Khan Foundation in Mozam-

ke as it expands its community-based savings and loan programme.

Issue 1: Early withdrawal of savings

One group reported having used its savings before the completion of its cycle. The CBSG methodo-

logy encourages members to save weekly with the intent of accumulating savings over the course of a cycle. It is unclear from the data as to what extent the reported withdrawal of sav-

ings before cycle completion is due to a lack of understanding amongst members of the CBSG methodolo-

gy. It is important that Field Officers clarify the purpose of saving weekly and reinforce the principle of an an-

nual share-out with current and future group members.

Issue 2: Unnecessary loan taking

In the case of one savings group, members reported being encouraged by their fellow members to take out loans— even when not necessary—in order to increase the group’s profit. The CBSG methodology is one of the rare sources of loans whereby the in-

terest is redistributed to its members. This behaviour should not be seen as positive if members are taking out loans without really needing it.

Issue 3: Discouraged loan taking

None of the interviewed members from three savings groups reported taking loans out during their mem-

bership. Other times, when these groups had set an interest rate of 50 percent. In general, the interest rate for most groups is set between 5 percent and 10 percent. High interest rates are likely to reflect either poor facilitation/ mobilisation skills among group train-

ing and/or lack of trust amongst members. The programme should further investigate this issue.

Issue 4: Savings strategies that are to a household’s detriment

In an effort to save in greater amounts, some households make choices that are not always consid-

ered positive, such as increasing workload to levels that are detrimen-

tal to their health (older and single women) or household management (younger single men). Other types of strategies include reduc-

ing household expenses—such as the purchase of less diversified foods and lower quality foods (one female CBSG member) or selling agricultural products at a lower price (one female CBSG member). The possibility of a reliance on such practices should be addressed during the next phase of programming.

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MOZAMBIQUE

Community-Based Savings Groups in Cabo Delgado

Small transaction sizes, sparse popula-

tions and dispersed nature of the popula-

tion are key factors that limit the ability of commercial banks and microfinance institutions to reach rural areas where many of the world’s poor-

est and most marginalised populations live. Disadvantaged communities, which do not have access to even small amounts of savings and credit to help them smooth their income, meet their unexpected expenses and with emergencies, have little means of improving their quality of life. With more stability in their cash flow, poor men and women would have a greater chance of making better choices around health, education, and nutrition, and as well, invest in income-generating activities.

Since 2001, the Aga Khan Founda-

tion (AKF) has been working in Cabo Delgado, the northernmost and poor-

est province of Mozambique. In these remote, rural communities, there are no safe mechanisms by which people can save or borrow money, as it is not profitable for commercial banks or microfinance institutions to set up expensive branches and pay high personnel overheads to take in deposits of US $ 1 or even US $ 10 at a time. To address this problem, in 2010, the Foundation imple-

mented the Community-Based Savings Group (CBSG) programme to pro-

mote community-managed financial services in the remote disadvantaged communities where it works.

By 2013, the initiative provided over 4,800 individuals (53 percent women) a safe place to save and access credit on flexible terms to meet investment, consumption and emergency needs. The programme is now working with community-based facilitators to help additional groups in coming years.

How the programme works

A CBSG is a voluntary group of 15 to 25 men or people who save together and take small loans from the group savers. The activities of the group run in yearly cycles, after which the accumulated savings and the loan profile are shared out to the members according to the amount they have saved. The Foundation’s role is to train the groups to manage their transactions independently, but does not provide any external capital,

APA KHAN DEVELOPMENT NETWORK

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At the end of 2011, a qualitative study of 11 savings groups was conducted by AKF to better understand how CBSG membership affects savings and loan-taking behaviour and household financial stability. The study found:

1. Savings groups promote financial inclusion.
2. Savings group membership to a limited extent encourages changes in financial decision-making.
3. Savings groups promote cohesion amongst members and foster the creation of a support system for women.
4. Savings groups complement other community-level activities including other interest groups and traditional savings and loan arrangements such as Xitiques.
5. Savings groups promote social behaviour and household financial understanding how CBSG membership affects savings and loan-taking in a rural area.

Six of the sampled savings groups had six main key findings:

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5. Savings groups promote social behaviour and household financial understanding how CBSG membership affects savings and loan-taking in a rural area.
6. Savings groups complement other community-level activities including other interest groups and traditional savings and loan arrangements such as Xitiques.

The findings of the study are as follows:

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