



THE ROLE OF SAVINGS GROUPS IN BUILDING RESILIENCE

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*(photo credits: Freedom from
Hunger-Grameen Foundation)*

EVIDENCE ON SGS BUILDING RESILIENCE

- 7 RCTs on SG impact summarized in paper “*The Evidence-Based Story of Savings Groups*” (Gash and Odell, 2013; The SEEP Network)
- Increased **savings** (w/o decrease in consumption)
- Increased use of **credit**; some evidence HHs more likely to take SG loans to mitigate shocks
- Mixed evidence on increase in **asset ownership**
 - Ex: In Mali, after 1-3 years, increased value of HH livestock holdings by 13% or \$120 (Beaman et al, 2014)
- Mixed evidence of increase in **expenditures**
- Increase in **food security**
- Overall, interpretation is that SGs have **some impact** on building resilience

MORE EVIDENCE ON SGS BUILDING RESILIENCE

- Additional findings summarized in “*Understanding the Impact of Savings Groups*” (Gash, 2017: The SEEP Network)
- Reviewed 53 studies; 40% experimental design including 7 RCTs studies from before; conclusions emphasized rigorous findings
- Supports findings from before re **financial services**
- Access to **emergency loans**, ability to save **lump sums**, help members “**more easily manage expenses**” when responding to shocks
- Ex: “SG membership strengthens HH **food and nutrition security, social security, solidarity** of communities during times of crisis” (CARE, 2015)
- However, financial benefits are **limited** when a crisis hits an entire community...

STUDY ON THE ROLE OF FINANCIAL SERVICES IN BUILDING HOUSEHOLD RESILIENCE IN BURKINA FASO

Questions:

- 1) How do rural households manage economic, environmental and health shocks?
- 2) What roles do formal and informal financial products play in improving household resiliency and building assets?

How answered:

- INGO Freedom from Hunger conducted “Resilience Diaries”
- 10 surveys from mid 2014 – early 2015
- CGAP Publication: Gash and Gray, 2016

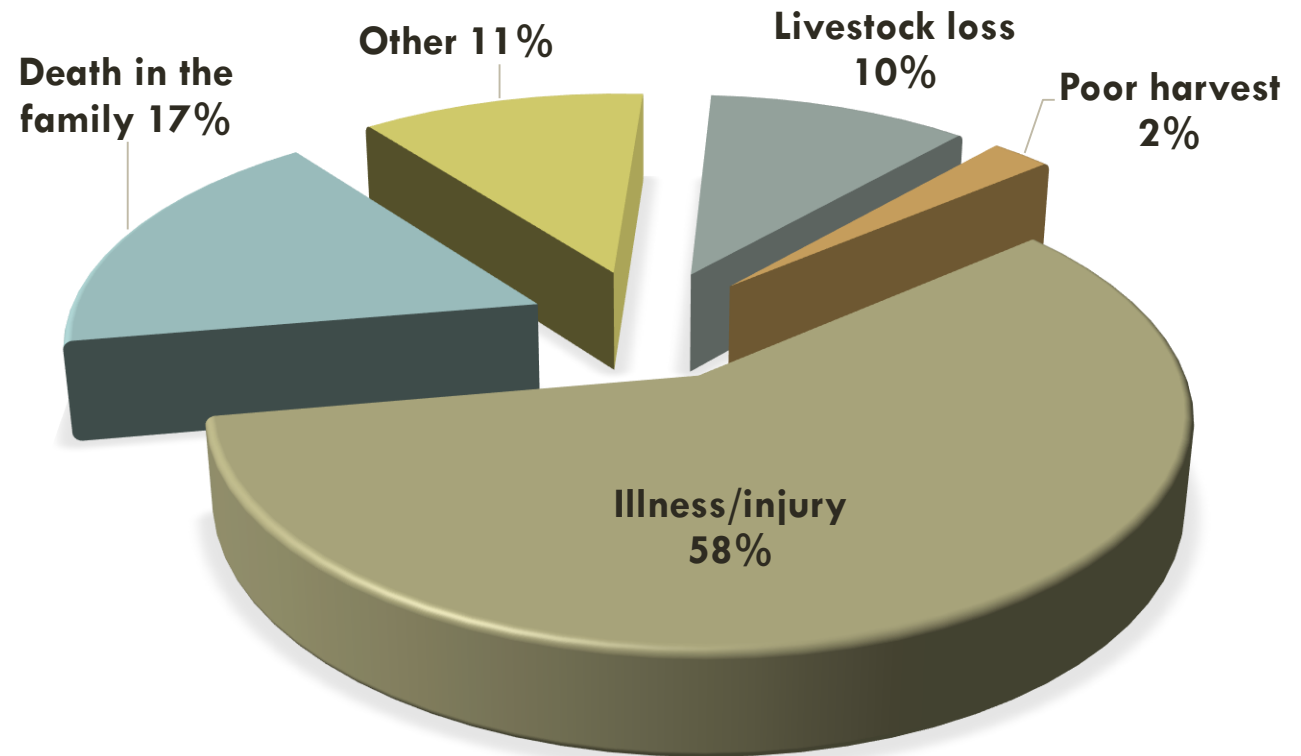
CONTEXT

- 46 women, rural Central-Western Burkina Faso
 - 1/2 SG members, 1/2 village bank; overlap
- 64% live below \$1.25/day 2005 PPP international poverty line
- 89% chronically food-insecure; 85% illiterate
- Sahel: re-occurring droughts; 2012 drought & food crisis; famine 10 years prior

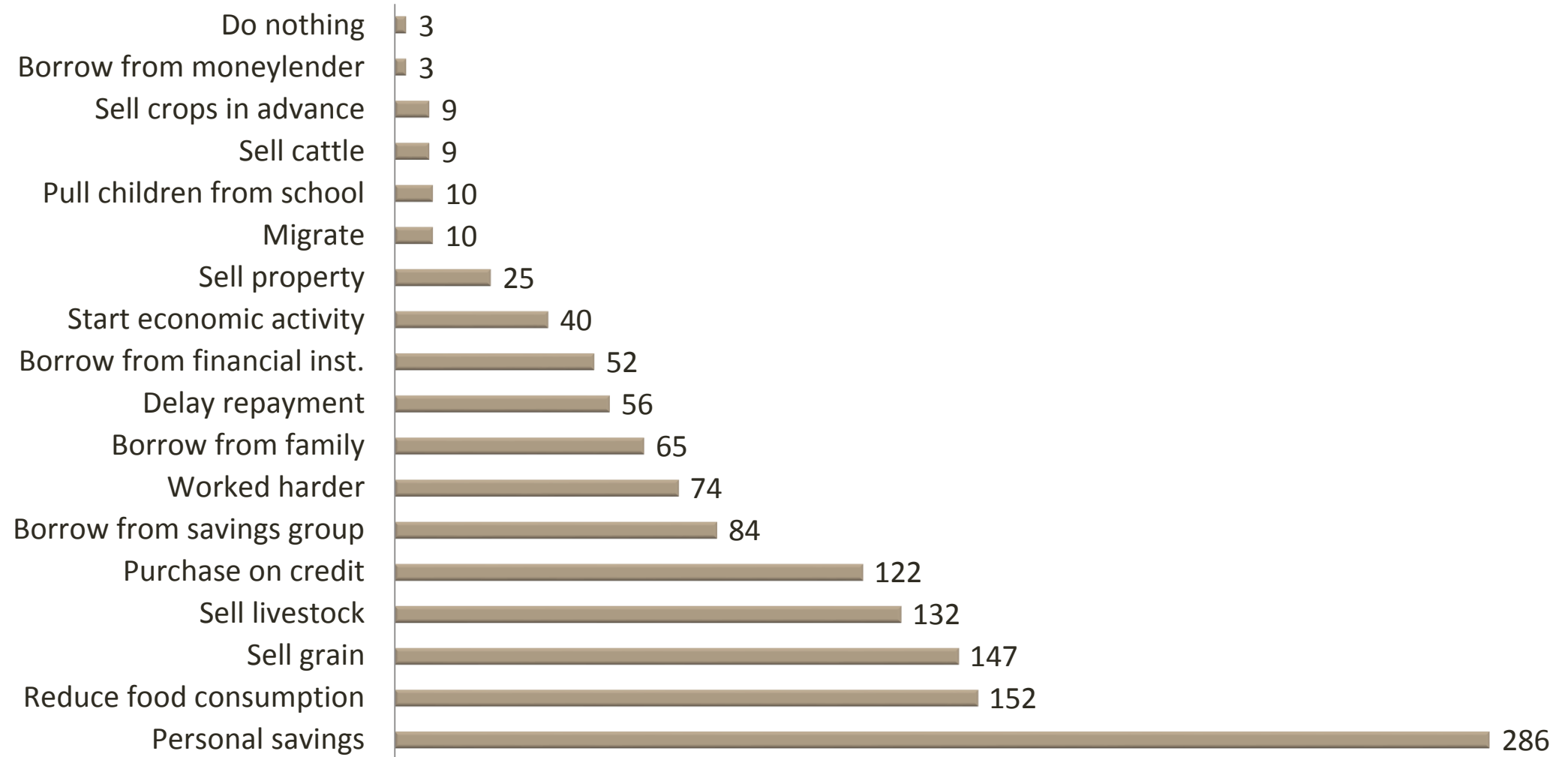


SHOCKS

- 67% food insecure at any point
- HHs averaged 1 shock per month



Coping Mechanisms Used (1,279 uses; avg 3.5 mechanisms/shock)



COPING MECHANISMS: PREFERENCE VS. USE

Most preferred

1. Sell small livestock
2. **Borrow from SG**
3. Reduce food
4. **Savings**
5. Borrow from family & friends
6. Sell grain
7. Purchase on credit

Most used

1. **Savings**
2. Reduce food
3. Sell small livestock
4. Sell grain
5. Purchase on credit
6. **Borrow from SG**
7. Borrow from family, FI/work harder

COPING MECHANISM PREFERENCES

Mechanism	Why Prefer	Why <u>NOT</u> Prefer
Savings	Available, timely, secure	Insufficient funds
Reducing food consumption	Available, timely, “natural”	Will aggravate food insecurity/family worse off; does not yield much money
Sell small livestock	Available, effective, timely, reliable	Unexpected loss of profit
Sell grain	“Only option” in emergency	Aggravate food insecurity
Purchase on credit	Timely	Fear inability to repay, lose honor/privacy
Borrow from SG	Available, timely, reliable (mutual assistance)	<u>Insufficient funds for big shock, not available when entire community is suffering</u>
Borrow from family and friends	Reliable, flexible repayment terms	Honor/privacy lost, not always available, insufficient funds

OVERALL CONCLUSIONS

- ***SGs are helpful, but limited***
- SGs serve as a platform; linkage to other services
- Rural areas have low access to formal financial services; yet desire to have them
 - 91% said they would prefer to manage money individually rather than in a group
- Recommendations for financial service design are:
 1. **Easily available & timely**
 2. Increase **savings**
 3. Tailor products to **specific shocks**
- FSPs, other institutions need TA to reach the last mile (business case; technology)