

Scaling Informal Small Savings Groups in the World's Poorest Communities:

The Next Financial Inclusion Revolution

European Microfinance Platform (e-MFP)

Grassroots Finance Action

April 6, 2022



Agenda

- The Mission of Grassroots Finance Action
- Financial Inclusion through Informal Savings - Jeff Ashe
- Susus thrive as microfinance in Ghana collapses - Gervase Adams
- Yemenis in the US fund projects in Yemen using savings circles - Zaynab Abdi
- Including the ultra-poor in savings groups in Bangladesh - Achyut Hari Aryal
- ROSCAS in Mumbai - Poorvaja Sundar
- Linking Savings Groups (SGs) to Conditional Cash Transfers (CCTs) and banks in the Dominican Republic - Jong- Hyon Shin
- A guide to scaling informal financial inclusion to include the poorest - Jeff Ashe

Jeffrey Ashe

Financial Inclusion
through informal savings



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GFA (Grassroot Finance Action)

Our mission:

Grassroots Finance Action challenges the top-down approach to development by recognizing the incredible capacity of local communities to improve their own living conditions. GFA empowers local solutions



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Vast invisible (to us) Informal Financial system

- 510 million members of informal savings circles (4X Microfinance)
- ROSCAS major source of business finance and remittances for immigrants (540 billion per year) – (3.5X Development Assistance)
- This vast, no cost (to us) system operates on trust atomized into small groups – no big data, no link to financial institutions, government
- Imagine a sophisticated adaptable virus vs. a rule-bound complex institutional system

Use the leaders of Informal Groups to Train More Groups

- 2.4 billion “under the mattress” savers
- Unlikely to be served in a meaningful way by financial institutions
- With a financial nudge and networking the best leaders of informal groups ready in place in every village (20 million)
- They manage their own groups, live in the community, know who is reliable, want to do more.

Peer to peer replication is already occurring

- The formula:
 - Disciplined savings
 - Mutual Accountability
 - Mutual Support
- Nepal
- Mali
- Nepali ROSCAS in NYC
- Room cleaners in Des Moines Iowa

The Potential:

- 54 billion dollars yearly for institutional financial inclusion
- If one billion invested in informal savings groups
- At \$20 per group member for a stipend to local leaders, costs of local NGOs, management and evaluation
 - 50 million new group members saving \$1 per week, or \$50 per year.
 - They collectively mobilize 2.5 billion per year
- Cost \$500 million to train Savings Groups with 15 million members over 8 years using staff as trainers

Grassroots Finance Action Testing this Idea

- In Guatemala strong group leaders, selected, supported and monitored by a local NGO are training 2/3 of a new group per month each
- In the USA cuchubal leaders trained a new cuchubal with 30 members who save \$200 per week. \$6,000 payout
- No manuals, no training, build on their knowledge and commitment, we are catalysts of their ideas

Gervase Adams

Susus & VSLA groups
in Northern Ghana



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Susus & VSLA groups in Northern Ghana



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Microfinance Menace

- Fraudulent agents
- “Investment Companies”
- Invisible firms
- Political tug of war



Mrs Mahama

Mangu Community Women`s Group

About 500 women

Must be married to a man from the community

Was initially just for funerals but now other urgent things are allowed

They contribute in times of someone's need and loans taken are not paid back

Has been in existence for more than 30 years



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Mr.
Sufuyan

Leader of two VSLA groups

Members buy shares weekly (\$1)

About 30 members in each group

They could take loans and pay back with 10% interest

Non-members could take a loan but must use a member as a guarantor



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Mary - Genius

- Susu groups promotor
- Organized 10 groups of 30 members each
- Directly lead 5 of those groups
- Visits members to take contributions
- Able to discuss income generating activities with non-contributing members
- Registered her groups with the local government
- Attracted a buyer for their shea butter
- Earns \$10 a month from each group



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Training

We had 6 leaders each from
2 different communities

Went through sample share
book

Emergency fund

Membership by-laws

Mary`s sample

Visited group meetings



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Zaynab Abdi

US saving group that
addresses development
issues in Yemen

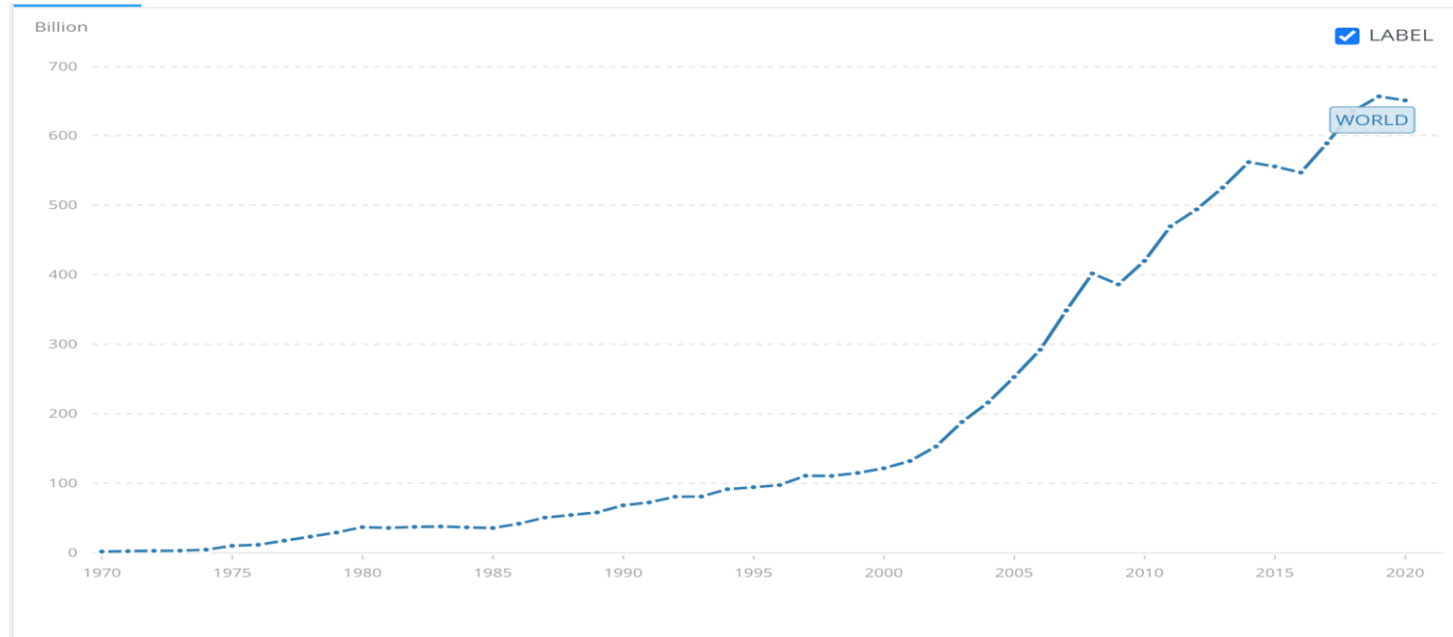


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Savings circles in United States by Yemeni

Personal remittances, received (current US\$)



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	Group 1	Group 2	Group 3
Type of group	This group of people participated in the basic saving circles traditional type of Gamaya (جمعيه).	A group of well experienced first generation immigrants in the Gamaya (جمعيه) type group. The group has been doing this for a long time.	Saving to give back is one of the unique groups that was formed after the conflict in Yemen. This group has the most participation among the Gamaya (جمعيه) groups.
Number of members	10	20	50+
Gender breakdown of members	All women young age	All women adults	Missed gender of women being the majority. All kinds of age groups.
Average Age of members	23	40	29
Average Income of members	Less than 20,000 a year	Less than 20,000 a year	Less than 20,000 a year
Membership Relationship	They are all women who recently graduated from college. Friends and classmates.	Some are relatives but majority are friends and neighbors	People from the same city who know each other. Majority of the members in this group never worked together before this
Amount collected every month and by the end of the period time	\$5000 a month and 50,000 in 10 months. Each member paid 500 a month.	\$4000 per month and a total of \$80,000 . Each member paid \$200 a month	\$5000 per month and \$30,000 totale for 6 months. Members paid as much as they can
Any interest being collected	NA	NA	NA

Members motive behind saving	This was used to pay tuition loans. All participants are students with loans.	Saving for family purposes. Some used it to pay off a previous debt, and pay for family emergencies.	This group was created to help the poorest and most vulnerable ones in Yemeni who might not have anyone who can send them remittance.
Activity period of the group	This particular group has been around since early 2020.	This particular group has been around since 2010	This group was started after the 2016 starvation crisis.
Average years in the US of members	Majority born here and have been here over 20 years	Over 10 years	5 years
Group accounting leaders	The organizer of the group is the one who is collecting the money through a cash app.	The organizer of the group is not the one who collects the money because she cant read or write. The person with better knowledge and who had training before is the one who collects the money and writes it in the book.	The organizer was the one who designed this and collected the money through an app and sent it back to a trusted community leader back home in Yemen to ensure money was being sent to the community in need.
Where are the funds kept?	The organizer who collects the money is responsible for wherever she wishes to keep the cash. Majority of that cash has been kept at the app and then sent to the person who is collecting it for this month.	The money collector is responsible for wherever she wishes to keep the cash. Mainly money has been given to the person as cash.	It was kept in the app and some were kept as cash and then were sent to Yemen in small amounts.
Member's view on the group's risk	Very secure and it was all women from the same age.	Secure and tight-knit group.	No risks from collecting money but other risks such as the IRS was taken into consideration as this group was formed.
Members participation history	Majority of them participated in similar saving groups	Majority of them participated in similar saving groups	Everyone is new to this new idea.







Achyut Hari Aryal

Reaching the ultra poor
through savings groups in
Bangladesh



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Poorvaja Sundar

ROSCAS in Mumbai,
India



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ROSCAS in Mumbai, India



BC's



Bhishi's



Kitty's



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ROSCA Highlights

- **Most women participate to repay debt**
- **Some are afraid to invest in ROSCAS although most groups work well**
- **Most ROSCAS are women-led**

Meenakshi Aunty



- Part of ROSCAS for the past 10 years - usually for a period of 1 year with 8-10 members; coordination through whatsapp
- Invests \$70/month in the ROSCA; Paid off debt
- Made up of her sister's friends who are a little better off - selection is unanimous
- Has introduced ROSCAS to her friends, and even tried to include them in her own group



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Sushila Aunty



- Part of ROSCA for the past 5 years - with 5-6 members
- Invests \$15/month in ROSCA; has been able to pay for her children's educational expenses
- The ROSCA is made up of her friends living close-by in the community
- She does rely on it when there is no income



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Kittys



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ROSCA Best Practices

- **Participate in ROSCAS in which members are a little better off than yourself**
- **Make it a potluck ROSCA + Exchange recipes!**
- **One ROSCA exchanged books at every meeting to help each other learn English**

Jong-Hyon Shin

Linking SGs to CCTs and
banks in the Dominican
Republic



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Linking SGs to CCTs and Banks: Findings

- SGs (VSLA) increases asset and investment, but an umbrella org. is needed for the program operation
 - SGs can reach the poor and can be a path to their economic independence
 - CCTs has the structure and human resources for the scale-up of SGs
 - SGs and banks are not only complementary but indispensable. SGs, a tool for the financial discipline.
-
- Quality matters:** good groups produce good groups
 - Good groups are formed by good leaders with genuine interest on SGs
 - Good leaders need financial and networking support
 - There should be a special team who can train the leaders and provide monitoring throughout.

Linking SGs with CCTs and Banks: Our leaders



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QUE CAMBIAN EL MUNDO
Tercera Edición

Eugenia Beltrán
Grupos de Ahorro

Enseña disciplina, valores y empoderamiento a la comunidad a través del ahorro.

Conoce cómo cambia el mundo en mujeresquecambianelmundo.com.do

Banco BHD León
mejora tu mundo

https://youtu.be/8BuVy_RksCI

Jeffrey Ashe

Conclusion



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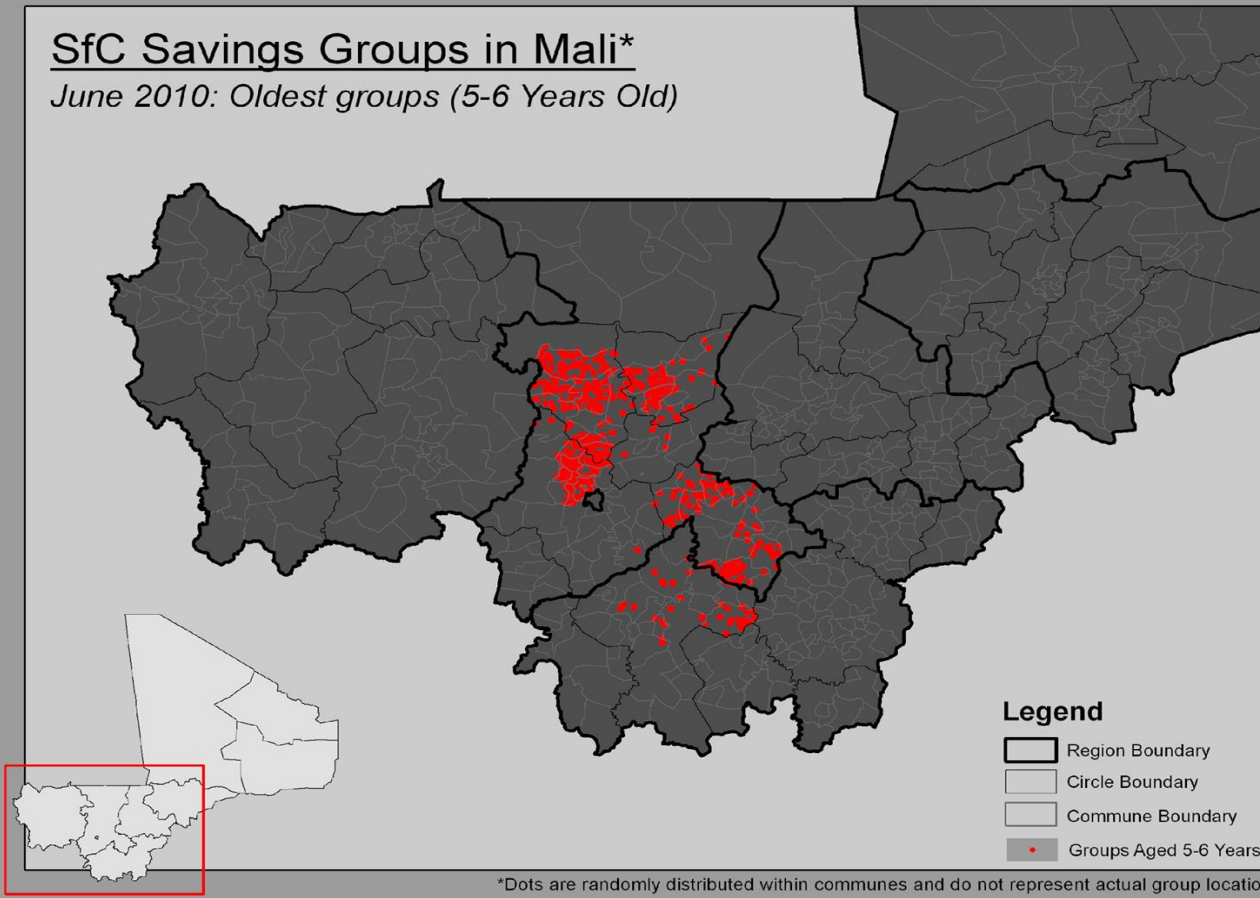
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SfC Savings Groups in Mali*

June 2010: Oldest groups (5-6 Years Old)



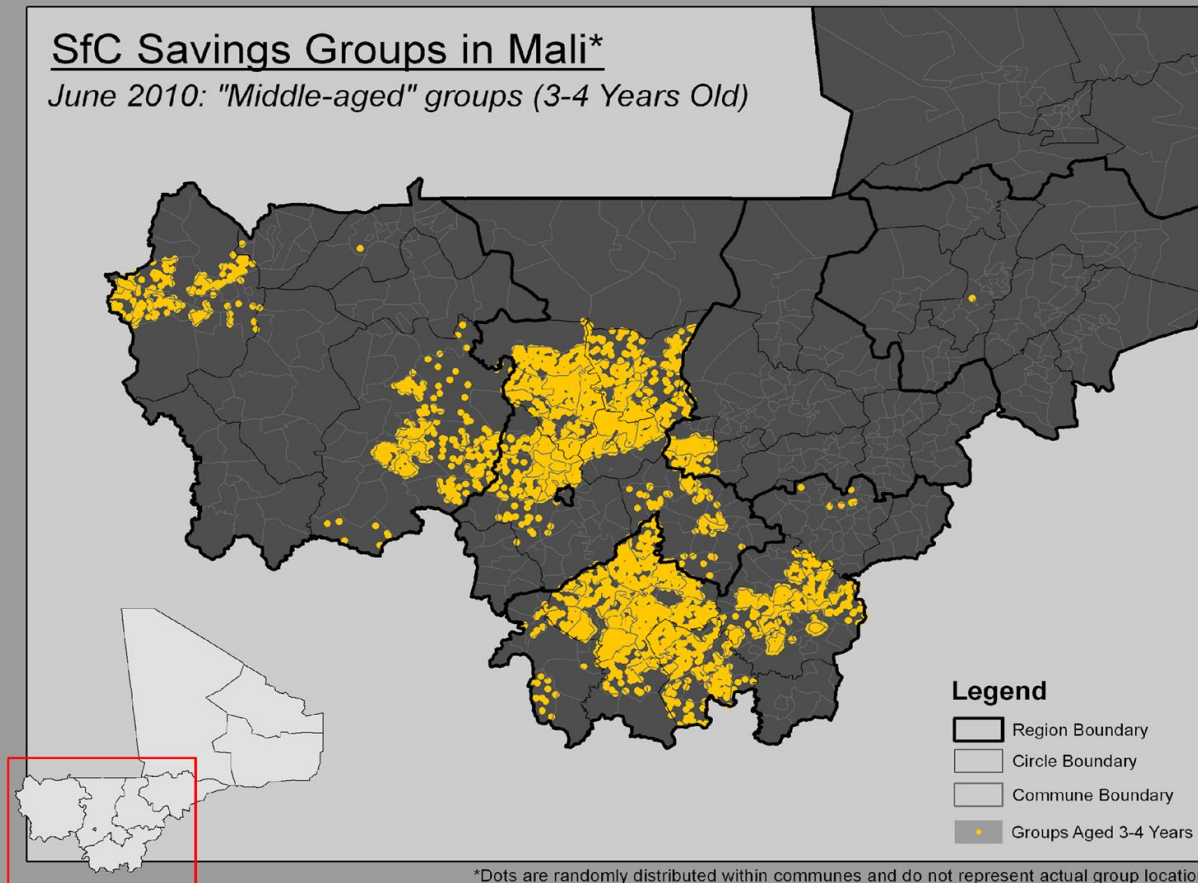
*Dots are randomly distributed within communes and do not represent actual group location.



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SfC Savings Groups in Mali*

June 2010: "Middle-aged" groups (3-4 Years Old)



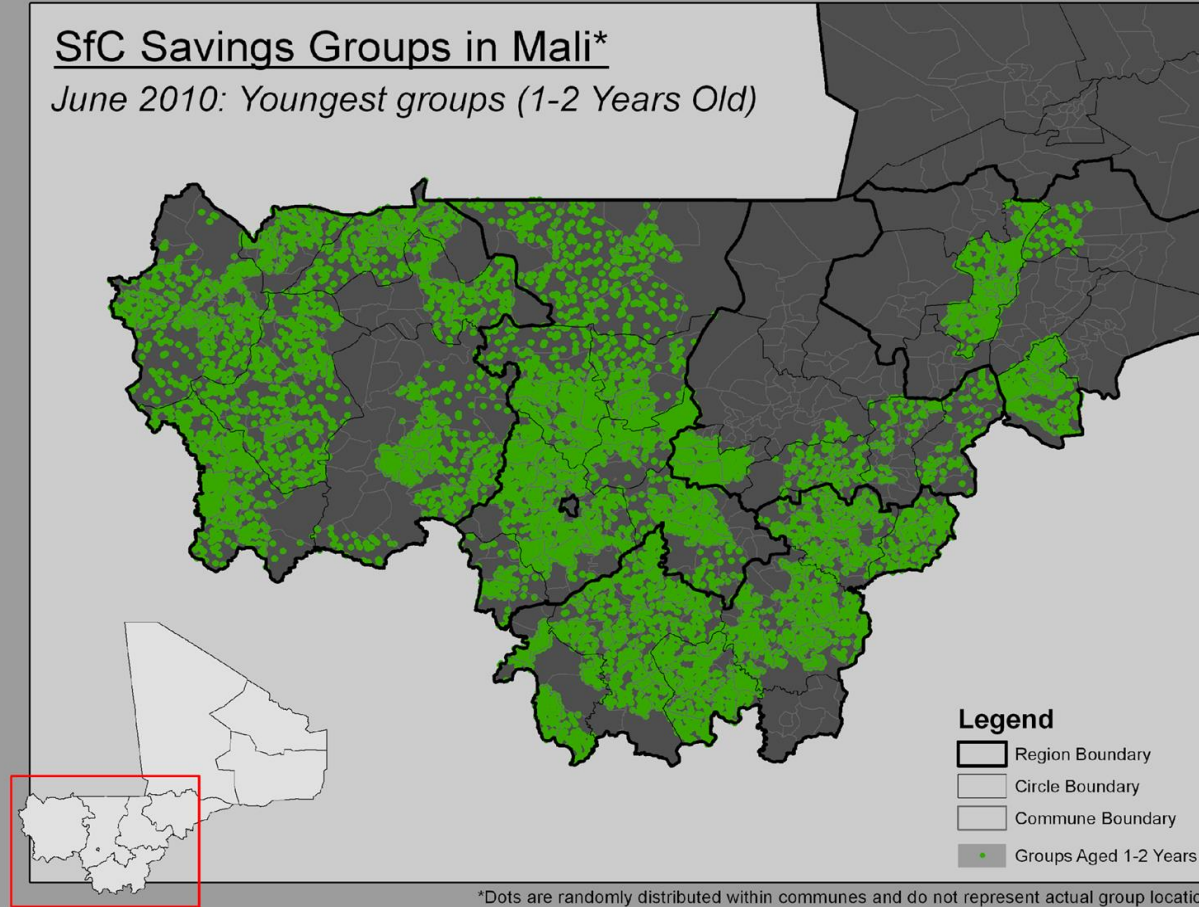
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SfC Savings Groups in Mali*

June 2010: Youngest groups (1-2 Years Old)



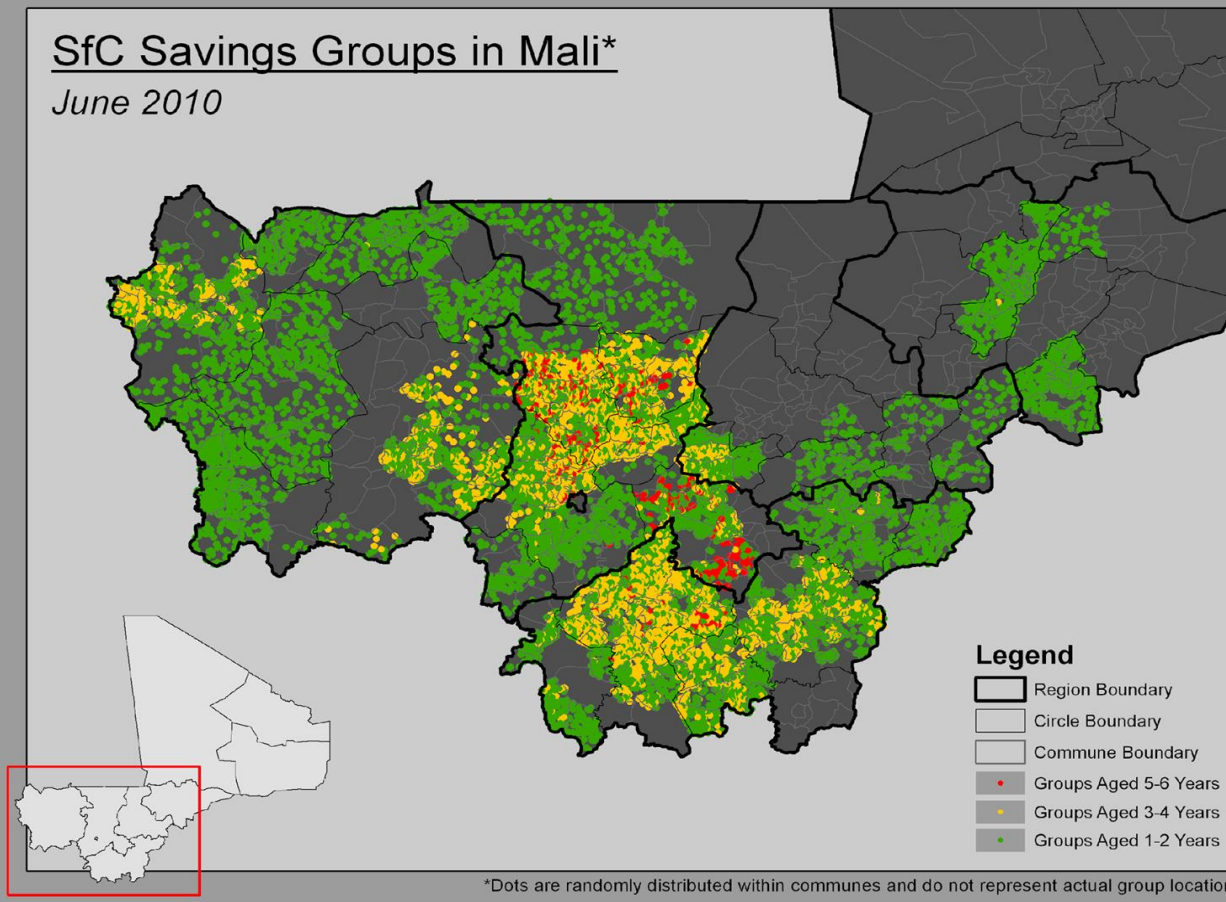
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SfC Savings Groups in Mali*

June 2010



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Translating Concept into Reality

- Donors/Investors provide \$15,000,000 fund
- Umbrella fund selects local organizations
- Launch 50 \$5,000 Six month tests - select best
- Launch 20 \$100,000 pilots – select best
- Launch 10 \$1,000,000 projects to build to scale

Umbrella Fund

- Manage fund
- Develops model, monitoring and evaluation system
- Identifies local partners
- Assesses their performance
- Provides additional funding to the best performers
- Monitors, documents, educates

Test Projects, \$5,000

- Select local organizations with potential
- Each develops a plan
- Selects 5-10 local leaders to train groups for six months
- Monitors and documents outcomes

Pilot Projects, \$100,000, Two Years

- Select strongest test projects
- Local organization develops plan, contacts 25 local leaders
- Each is expected to train 10 groups with 20 members each over the two years with 5,000 members
- Local organization identifies leaders, provides support and monitors

Building to Scale, \$1,000,000 three years

- Local partner builds on success and best performers of pilot project – identifies other local organizations
- Each leaders trains 15 groups – 300 members
- 250 leaders train groups with 75,000 members over three years
- Local organizations and umbrella organization monitor, evaluate, advocate



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Questions?



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