

## SHARED INTEREST SAVINGS GROUPS

G. David Miller, Borarin Buntong, Fred Sagemüller  
Cary Trexler, Glenn Young, Neda Yousefian



Today, worldwide, there are savings groups with over nine million members trained by Oxfam, Freedom from Hunger, Plan International, CARE, Catholic Relief Services, the Aga Khan Foundation, and others, living in 100 thousand villages in 65 countries. Six years ago, there were only one million savings group members.



They come by many different names such as: Revolving savings and credit Associations; Village Savings and Lending Associations (CARE); Savings and Internal Lending Communities (CRS); Savings for Change (OXFAM), etc



Usually 15 -25 members who come together in a group. The first group is trained by an animator (in blue) from a savings NGO. Majority of membership is women.



This is then followed by a trained volunteer 'replicating agent' who trains groups, with an illustrated manual to guide the discussion.  
Each week members gather to save and borrow.



The box keeper takes the locked cashbox out of hiding and brings it to the group. Usually there are two locks. Two separate members have keys and a third holds the box in a safe hiding place. Recently in some places, they are using cell phone savings. But most places still prefer the box.



The group's officers open the meeting with a recitation of the bylaws which the group established and voted on among themselves at the beginning



Each woman in turn deposits her saving and repays the interest or principal on her loan.





At the end of the cycle, each member receives back all that she or he saved, plus their share of the interest



We find that many people don't just join to save; but instead save to join. Networking is a major element of group membership. Here in Mali they are carrying their wooden stools on their heads to go meet with another group.



This group in Ghana used their savings to buy plastic chairs to rent out for weddings and funerals. The secretary of the group sits on 3 chairs.



Cambodia and the Dominican Republic; Savings Groups and plastic chairs



Here is the secretary with a Cambodian farmers' group with the ubiquitous money box



Even with low literacy levels, groups have created a way of record keeping. Here they place pebble equivalents of cash in a small bag.





Individual loans are taken in a group can be for many purposes. A South African dressmaker uses her loan to buy cloth. A market mama in Mali buys produce to sell retail. An entire loan group invests in the ingredients for a street lunch stand. A Cambodian stone cutter buys stone.





Savings Groups are multi-purpose; only partially about money. They are a vehicle for training and information sharing. Here a savings group is hosting a health worker giving information on prevention and treatment of malaria.



Savings groups are viral. Here members teaching their sons, daughters, cousins to run their own groups.



What is extraordinary is that this massive growth has been achieved not through the complex business of building financial institutions, or farm credit bureaus, but by catalyzing the capacity of poor people to solve their own problems. They recognize that they hold many solutions in their own hands

## AFTER 4 YEARS

- 89% still lending
- Total assets doubled
- 85% of group funds lent out to members
- At end of year payout members earned \$1.38 for every dollar saved.

In a separate study of the financial side of savings groups across Oxfam/Freedom from Hunger, CARE, and Catholic Relief Service's programs, it was found that after four years:

- 89 percent of the groups were still saving and lending,
- The total assets of each group more than doubled,
- On average 85 percent of each group's fund are lent out to members
- At annual payout members received on average \$1.38 for every dollar saved.
- Rather than pay interest to financial institutions or moneylenders, they paid themselves.

**PRACTICING AGRICULTURAL COMMUNITY  
ENTREPRENEURSHIP  
(PACE)**

**SHARED INTEREST SAVINGS GROUPS**

So we asked ourselves, “What if we established shared interest savings groups among members of agricultural communities?. Would this advance our Feed the Future Goals and how? If savings groups can be a catalyst for many things, why is it not considered a soft technology that catalyzes the adoption and adaption of hard technologies developed by the Horticultural Innovations Lab?

# NOT JUST FARMERS BUT.....

- INPUT PROVIDERS
- Farm families
- Post harvest processors
- Transporters
- Collectors & wholesalers
- Marketers
- Sources of capital

These agricultural community groups are not just farmers. These are communities where the mainstay of these communities, their very viability, is food production. So there are many stakeholders; not just those who put seeds in the ground.



So the horticultural innovations Lab agreed to test this question. A two year grant allowed two recent graduates (Fred Sagameuller and Neda Yousefian) from UC Davis International Agriculture and Development program to work with Royal University of Agriculture in Cambodia. We decided to work in Kandal province so to be near RUA. Together with Oxfam (who already had experience setting up over 350 savings groups in Cambodia) they trained student interns at RUA to work with agricultural community groups, mainly with small-farmers.

## Profile of savings groups

	Total	Average Per Group
Registered members	148	12
Members who are farmers	115	9.6
Female members	125	10
Male members	23	2

This is a small two-year pilot initiative. Over six months was taken to train faculty and students the group savings methodology. Then groups were recruited and formed before savings began.



## Key economic indicators and savings portfolio

	Total	Average per group
Total value of savings	15,798 USD	1,317 USD
Cash in social fund	434 USD	36 USD
Value of cash in box	3,748 USD	312 USD
Members with outstanding loans	84%	-
Number of outstanding loans	124	10.3
Value of outstanding loans	13,370 USD	1,114 USD
Average loan amount	108 USD	-
Number of loans for farming activities	101	8
Total value of loans taken for farming	20,705 USD	1,725 USD

Even in this early stage there was an increase in earnings. What is more interesting is the dynamics that has evolved out of the formation of the groups; And the decision making that takes place.



Looking over the variety of technologies presented to them at their meetings and field trips the groups took to visit demonstrations at RUA of various technologies, farmer savings groups selected the protective nets among their top 3 picks of technologies. Following the workshop 1 farmer gave land to test the protective nets on his farm. The other technologies selected were soil solarization and compost.



The nets are an interesting case study in itself. Group members looked over the original design and found it lacking for filling their needs. What you see here is their adapted design of a net-house. Several feet longer and taller than its original design. It is more like a green house. Several entrepreneur group members took out a loan from their group and is buying the cloth to produce these houses.

PRELIMINARY RESULTS: Yield with net:  
160kg

Yield of control: 100kg

Market price with net: 0.25 USD/kg

Market price of control: 0.15 USD/kg

Farmers saw the increase in earnings and nine more farmers decided to purchase nets. We begin to see that loosely disaggregated farmers and other local entrepreneurs form aggregated enterprises

- disaggregated members of an agricultural community form an agricultural community enterprise.
- Savings groups develop strong trust and self-confidence among members.
- Weekly meetings create new information channels
  - o horizontally by sharing experiences
  - o vertically with two-way community with ag research institutions- Members increase their knowledge on accounting and profitability of investments
- commitment mechanism not only serves to strengthen the group but works to improve savings and willingness to invest.

Some members of a group are adapting and modifying the nets as a new venture. One is converting a net-house into a greenhouse where he is starting plants and selling them to farmers. One is forming a savings group of mushroom growers among extended family members in another area. Others are trying new varieties and doing well with them. Others go out on their own to start new groups in other communities in the expectation of getting part of the action. By learning from each other, new innovations occur.

- $$P = \frac{(B \times Pr) - (C + OC)}{R}$$

Farmer participation (P) is based on their own algorithm in their heads. They learn from trainers and information providers about the benefits (B) of a particular technology or practice. But talk is cheap.. They discuss among themselves the probability (Pr) that it will pay off for them. Then in a savings group they have a big discussion about cost (C) and opportunity cost (OC). And working in a group goes a big way to mitigate against risk (R) by sharing information. There is a kind of social insurance that builds trust and a sense of empowerment. It's all in their own hands. And they are ready to try new enterprises.

# SCALING UP

- Increase the number of groups
- Introduce new technologies and practices
- Train interns as intermediaries for vertical communication
- Establish associations of groups

A. Collaborate with Oxfam to seek out 'shared interest agricultural community savings groups' among the hundreds of groups already formed and introduce new innovative technologies.

B. Work with RUA and centers of innovation to compare these groups before and after introduction of horticultural innovations and practices.

C. Train student interns at Agricultural training institutions (e.g. RUA and Battenbong University) to imbed in these groups and collect information, establish two way vertical communication that captures farmer innovations and furthers two way partnerships in innovation.

D. Most of the farmers in savings groups are non-banked. Establishing associations among groups could further financial inclusion into the formal banking system, help in bulk purchasing, develop branding and build clout with policy makers.

***It takes a community to grow a healthy vegetable***



Members of a group are starting a new venture by adapting and modifying the nets for local market. One is converting a net-house into a green house where he is starting plants and selling them to farmers. One is forming a savings group of mushroom growers among extended family members in another area. Others are trying new varieties and doing well with them. Others are going out on their own and starting new groups in other communities in the expectation of getting part of the action. They learn from each other and new innovations occur.