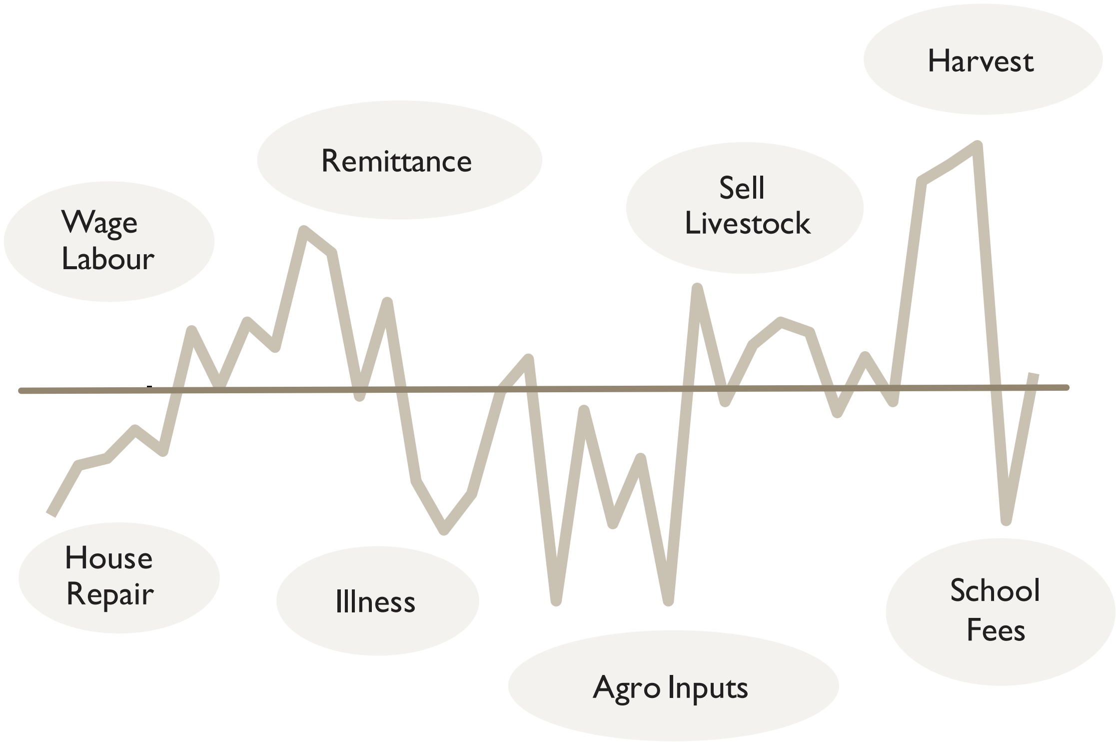
AGA KHAN FOUNDATION

Community-Based Savings Groups

Meeting the Financial Service Needs of Poor Communities

AN AGENCY OF THE AGA KHAN DEVELOPMENT NETWORK



Household cash flows are often erratic and unpredictable.

Cover: A community-based savings group in Ishkashim, Afghanistan. Photographer: Sandra Calligaro

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"Simply put, the poor in the developing world require access to just about every kind of financial product and social service that individuals or small-enterprise owners require in the developed world..."

His Highness the Aga Khan, speaking at the inauguration of the Aga Khan Agency for Microfinance
Geneva, Switzerland, 22 February 2005

Introduction

In recent years, stakeholders have increasingly acknowledged that formal financial institutions are not always able to address the financial service needs of the very poor, particularly those living in remote areas. Small transaction sizes, sparse populations and poor infrastructure limit the ability of commercial banks and microfinance institutions (MFIs) to reach rural areas where many of the world's poorest and most marginalised populations live.

Poor women and men need access to small amounts of savings and credit to help smooth incomes, meet predictable expenses and better cope with emergencies. Quick and convenient access to accumulated savings or a small amount of credit to pay school fees, for example, can enable a farmer to defer pre-selling the harvest or postpone selling to a time when prices are higher, often resulting in substantially increased incomes. With more stability in their cash flow, people can make better choices around health, education and nutrition, and as well, invest in income generating activities.

In 2009, the Aga Khan Foundation (AKF) established the Community-Based Savings Programme to promote community-managed financial services in disadvantaged communities where it works. In a wide array of contexts from Central Asia to East Africa, Community-Based Savings Groups (CBSGs) aim to increase household financial assets and decrease household vulnerability to financial and other shocks. They respond directly to the financial service needs of the remote and rural poor by providing: a secure place to save; the opportunity to borrow in small amounts and on flexible terms; and affordable basic insurance services. CBSGs are simple, transparent, cost-effective and sustainable. At the end of a 9- to 12-month intervention, groups have the skills to operate independently providing financial services right in the community, often expanding and/or replicating to form new groups. Donor funds subsidise their creation as financial service providers similar to subsidies provided to develop the capacity of MFIs and other providers.

AKF's CBSG programme is currently implemented in Afghanistan, India, Madagascar, Mozambique, Pakistan, Tajikistan and Tanzania, while programme design missions have been completed in Egypt, Kenya, Kyrgyzstan and Mali. ***In just over three years, nearly 12,200 groups have been facilitated. They are comprised of approximately 221,500 members, of which 73 percent are women.*** *As of December 2012, outreach more than doubled. Amid this impressive growth, the programme has demonstrated exceptional stability: Group membership has on average increased; meeting attendance rates have remained consistently at or above 92 percent; and the member dropout rate has remained below five percent. On average, members save US$ 26 per year and access credit in amounts as small as US$ 5 to as large as US$ 200, all within their local community with minimal transaction costs.*

What are community-based savings groups?

CBSGs are community-based and managed groups of 15 to 25 individuals who voluntarily join in order to access savings and loan services. Members meet regularly on a schedule they choose, usually weekly or fortnightly. The simple CBSG system allows even the least literate or influential members to participate and benefit in the process.

Saving*: Members are encouraged to save frequently and consistently at each meeting. They are not required to save the same amount as each other; rather, the group decides upon a "share" price at the*

In addition to providing access to financial transactions, savings groups provide members a safe space to discuss sensitive issues, address conflict, strengthen community participation and tackle challenges collectively with more knowledge and social resources. This social capital can improve members' confidence and empowerment, affecting other areas of their lives. Women play a larger role in household decision-making after joining the group, and many cite improved health and education of their children.

beginning of each operating cycle. Each share ranges, on average, between US$ 0.10 and US$ 0.50. At each meeting, every member has the opportunity to buy between one and five shares. This allows members to save flexibly, reflecting the ups and downs of the local economy, and individual household cash flows.

Borrowing: *Savings are maintained in a loan fund from which members can borrow in small amounts, normally up to three times their individual savings, ensuring that members do not become over-indebted. Loans terms, interest rates and instalment dates are set by the group, generally for a maximum of three months with flexibility in repayment instalments.*

Administration*: Each group elects a five-person management committee, usually on an annual basis. Most groups create a constitution as part of the training, which defines the rules and procedures. A treasurer or record-keeper records members' savings and loans in individual passbooks using stamps, which means literacy or numeracy are not required. The closing balance of the fund is simply counted,* *announced and remembered by all members at the end of each meeting. CBSGs have a locked box to keep records and any money that has not been lent out. The box has three locks, with the three keys held by different members, chosen by the group. Some groups open bank accounts to store surplus cash, sometimes making deposits through mobile phones.*

***Annual cycles and share-outs**: Groups operate in 9- to 12-month cycles. At the end of a cycle, the accumulated savings and interest earnings are shared out amongst the members, normally in proportion to their savings. The share-out builds member confidence in the group because they have immediate verification that their money is safe and that the process is profitable. It also reduces the need to maintain records or memorise amounts for a long period of time, maintaining transparency, key to the success of these groups. After the annual share-out, most groups immediately begin another cycle of operations. Members may decide to make an exceptional savings contribution at this point to recapitalise the loan fund. The share-out is also an appropriate time to revise the group constitution, and for members to leave or join the group.*

***Social fund:** Many CBSGs also have a social fund, a basic form of insurance that serves a variety of emergency and social purposes. Once group members decide to create a social fund, it is maintained separately and each member makes an equal contribution at each meeting. Members may request a grant or no-cost loan from the social fund for a specific purpose (often for health or other approved need). Sometimes the fund is used to support others in the community, for example, to cover funeral costs.*

CBSGs are disciplined and quickly develop a strong institutional and financial framework, commonly attracting other activities and development interventions including, for example, health, education, income-generation, clean energy, or housing. Sometimes these activities are promoted by AKF, or by other development agencies and public programmes; other times, members themselves initiate economic and social activities for their benefit or for the broader community. These may include joint economic activities, rights campaigns, or support to vulnerable members of the community.

Savings groups also address weaknesses in the informal sector. Unlike traditional Rotating Savings and Credit Associations (ROSCAs), they allow for flexible savings amounts and easy access to loans. And while informal burial societies enable members to save for a specific risk, savings groups do not dictate what an individual must save for, nor what she can borrow for. The annual distribution of funds allows for greater transparency and trust in the system, in contrast to more traditional Accumulating Savings and Credit Associations (ASCAs) or Self-Help Groups (SHGs). The easy record-keeping systems enable group members to each know how much money is in the group, while group by-laws reinforce trust and discipline. Transparent elections and rotation of leaders reduce power dynamics in the groups, mitigating the risk of elite capture.

What is AKF's Role?

The role of the Aga Khan Foundation is to train groups to manage their operations independently, ensuring the safety, accuracy and transparency of all transactions. AKF trains groups over a period of two months and then supervises procedures and routine operations on a diminishing basis over a period of between seven and 10 months, after which the group receives no external support and operates sustainably on its own.

Training covers all aspects of group functioning, including social mobilisation, group formation, the development of a constitution, election of a management committee, meeting procedures, all financial transactions and record-keeping. Through the training and experience gained participating in a savings group, members increase their financial literacy and numeracy skills and their ability to manage cash flow and risk.

AKF does not provide external capital to the groups nor does it generate revenue from them. The programme is funded through donor support to AKF to train groups either directly or through local partners, which are then sustainable and can replicate and adapt as needed.

Financial Education and Savings Groups in Bihar, India

In partnership with ACCION, AKF has developed financial literacy training to complement its CBSG programme in Bihar, India. The training consists of four modules designed for non-literate members: Savings; Debt; Cash Flow and Budgeting; and Financial Planning. Through storytelling and drama, facilitators engage members in a short, 30-minute training after a CBSG meeting on topics related to their participation in savings groups. These optional sessions have been positively received in the villages where AKF works, even beyond CBSG members. Findings of a qualitative study, conducted in mid-2012 by AKF's Monitoring and Evaluation staff, suggest the training has effectively contributed to raising awareness around the importance of saving and having healthy loan-taking practices. Such increased understanding has also encouraged trained CBSG members to share these key messages with their community members resulting in a replication effect. Subsequently, new individuals have either joined existing savings groups or formed new ones.

Financial inclusion

Financial inclusion has captured a dominant position on the development agenda of policy makers, regulators, multilateral organisations and development organisations globally. Various policy, industry associations and advocacy initiatives are discussing how to build more financially inclusive economic systems. With just over half of the world's population "unbanked",[1] it is becoming evident that investments in microfinance have not yet met the challenge of financial inclusion.

Recent studies highlight how low-income families use a variety of providers and products, both formal and informal, to manage their daily finances. This broader view of financial service use is a first step to understanding financial markets and recognising the legitimate roles and contributions of diverse providers, including community-based savings groups. Though relatively informal, they play an active role in the financial market and thus contribute to financial inclusion. In India, Madagascar and Mozambique, qualitative study findings suggest that CBSGs play a significant role in promoting financial inclusion. In India, single-headed women or women from socially marginalised groups have been able to start saving for the first time in their lives. In Madagascar, a few members, who have completed one cycle, are now members of multiple savings groups in order to increase their savings ability. In Mozambique, rural community members can request loans without the fear of being socially stigmatised as they no longer have to systematically rely on moneylenders. And in many countries, savings group members are beginning to link to formal financial institutions depositing excess liquidity through mobile banking.

Savings groups fill the gap between registered, semi-formal institutions such as NGO MFIs and financial cooperatives, and informal moneylenders and friends/family who offer financial services. CBSGs offer an effective means to meet the financial needs of those too poor or too remote to access services from banks or MFIs. They provide *flexibility* with the members setting the rules, meeting times, interest rates and so forth; *proximity* in where the group meets; *reliability* as the group determines the quality of services; and *convenience*: all important needs recognised by stakeholders interested in increasing financial inclusion. Ideally, as more providers become competitive in rural, remote markets and financial literacy increases, poor people will have more options of places to save. In the meantime, savings groups fill a large gap. "In Sub-Saharan Africa 34 percent of savers report having saved using a community savings club (and not a formal financial institution) in the past 12 months," according to a study published by the World Bank.[2]

In the words of a savings group member...

"The important thing about savings groups is for people to learn the culture of savings, and then to learn about getting loans and paying them back, making interest rate calculations, but the social part is also very important, particularly for women. In the villages there is no other opportunity for them to make savings."

-- Manzura Rajabekova, Sebzor village, Tajikistan

1 Chaia, Alberto, Aparna Dalal, Tony Goland, Maria Jose Gonzalez, Jonathan Morduch and Robert Schiff (2009), Half The World Is Unbanked. Financial Access Initiative Framing Note. Financial Access Initiative, New York.

2 Demirgüç-Kunt, Asli and Leora Klapper (2012), "Measuring Financial Inclusion: The Global Findex", Policy Research Working Paper 6025, World Bank, Washington, DC.

Financial capabilities

Managing money is a continually evolving and challenging process, particularly for poor women and men who often have unpredictable and seasonal incomes. Financial inclusion requires financially capable consumers who not only understand basic information about financial products and services, but can apply that knowledge to make informed decisions and take effective actions regarding the management of money.

Savings groups provide an optimal opportunity, particularly for poor women and men with unpredictable and seasonal incomes, to learn how to manage savings, loans and access basic insurance in a relatively safe and reliable environment. The group-owned process and simplicity of the CBSG methodology provides a forum for practicing financial management tools such as record-keeping and at the annual share-out they physically see how much their money "grows" (savings plus accumulated interest) by the end of the cycle. Members learn how to determine safe amounts to borrow to reduce over-indebtedness and the risk of default. Facing challenges among group members with similar issues can reinforce social support and safety nets and allow members to learn from each other, further developing financial capabilities.

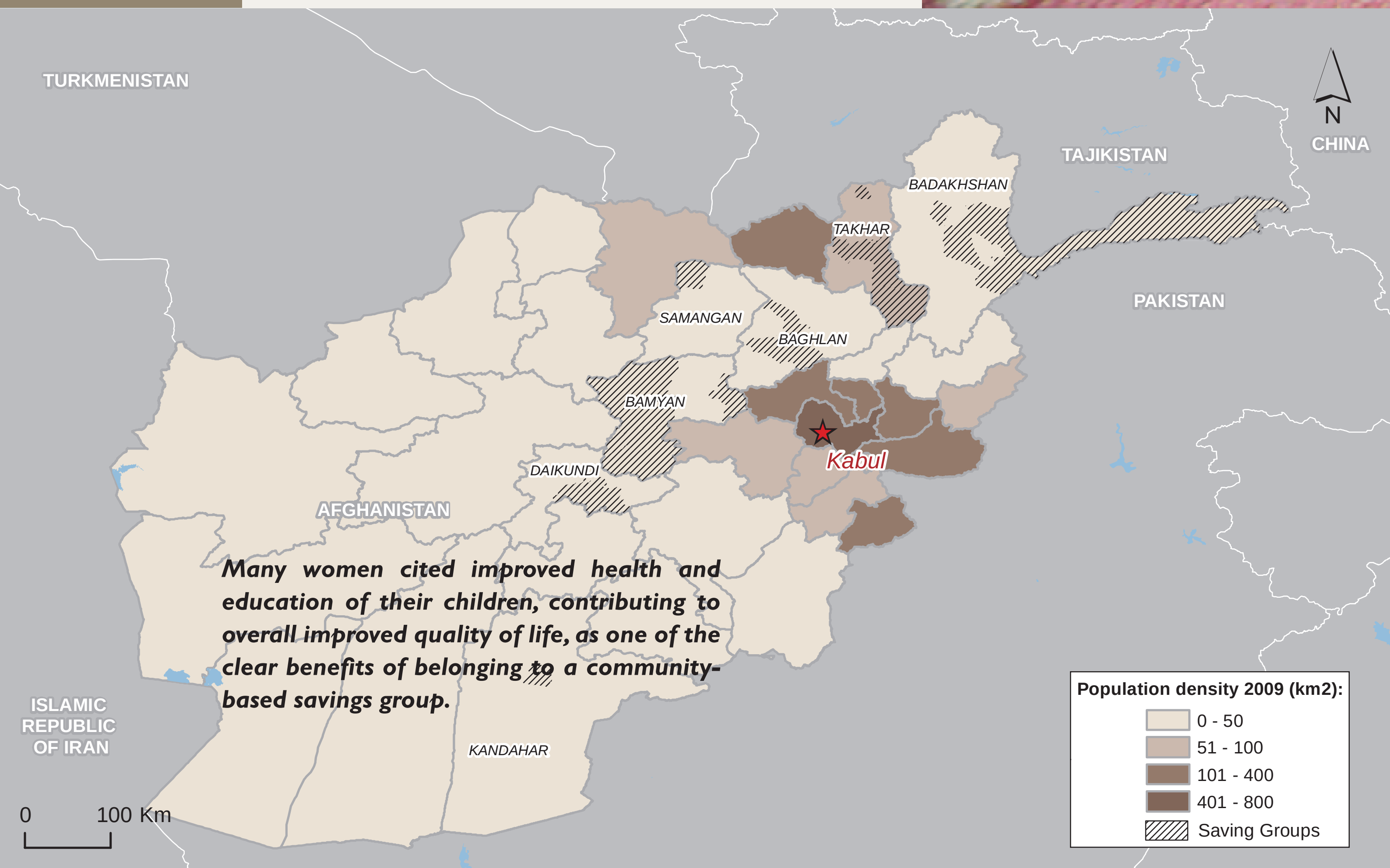
The contribution of savings groups to improving financial capabilities is clearly illustrated by the findings of a qualitative study undertaken by AKF's Monitoring and Evaluation staff in mid-2012 in Madagascar. Indeed, some group members reported their experience with savings groups has enabled them to diversify the ways in which they save: "Before [the establishment of a savings group], we would save in-kind either with rice or cattle. Now, with the savings groups, cash savings have been prioritised...The disadvantage in saving in-kind only is that cattle can be stolen or afflicted by disease."

Consumer Protection and Financial Education

In an environment of increasingly complex financial products and services, effective consumer protection and financially capable consumers are important for the overall sustainability of the financial market system. Consumer protection requires the engagement of multiple players, one of which is empowered consumers who can participate in their own protection. To improve financial literacy and consumer protection, AKF believes financial education tools can supplement financial capabilities already developed through savings group membership. CBSGs are a unique platform for financial education tools as members can quickly practice what they learn in their group.

Social solidarity creates a safe environment in which members develop a relationship with their provider – the group itself – with fewer direct (loss of collateral) and indirect (social stigma) costs, particularly as they learn how the group functions and how to use the different services. The savings group methodology embodies the principles of consumer protection now widely advocated across the microfinance industry: transparency, fair treatment, self-regulation and voluntary codes of conduct and principles. These principles encourage more financially inclusive, sustainable markets.

In just over three years, the programme in Afghanistan has expanded outreach to **38,000** members. There has not been a single known case of theft or loss of member's savings.



Many women cited improved health and education of their children, contributing to overall improved quality of life, as one of the clear benefits of belonging to a community-based savings group.

Afghanistan

Despite progress made in the finance and banking sectors over the past few years, Afghans still lack broad access to financial services, with formal service provision limited to urban areas. In recognition of this, AKF began to facilitate affordable financial services in rural areas through the promotion of CBSGs in seven provinces – Badakhshan, Baghlan, Bamyan, Dai Kundi, Kandahar, Samangan and Takhar. In perhaps the most challenging operating environment of its global programme, AKF has adopted a decentralised programme structure using both local operating units and NGO partners. The programme has experienced remarkable growth since 2009. As of December 2012, over 2,780 savings groups with 38,000 members were formed, of which 73 percent were women. On average, members saved US$ 30 per year, or nearly seven percent of GNI per capita.

In particular, the savings group programme in Afghanistan is reaching women who previously had no experience with financial services. Women are the most vulnerable and underprivileged group in Afghan society. These groups provide opportunities for women to save and borrow with flexible terms and conditions. Initially, female members who were unable to distinguish between bank notes of 10 AFN ($) and 20 AFN ($) are now handling financial transactions of 100,000 AFN ($) and above through their savings groups. Many female members are also involved in income-generating activities such as carpet weaving, tailoring, bakery, poultry-rearing and livestock-raising, partially attributed to their increased access to capital through CBSGs.

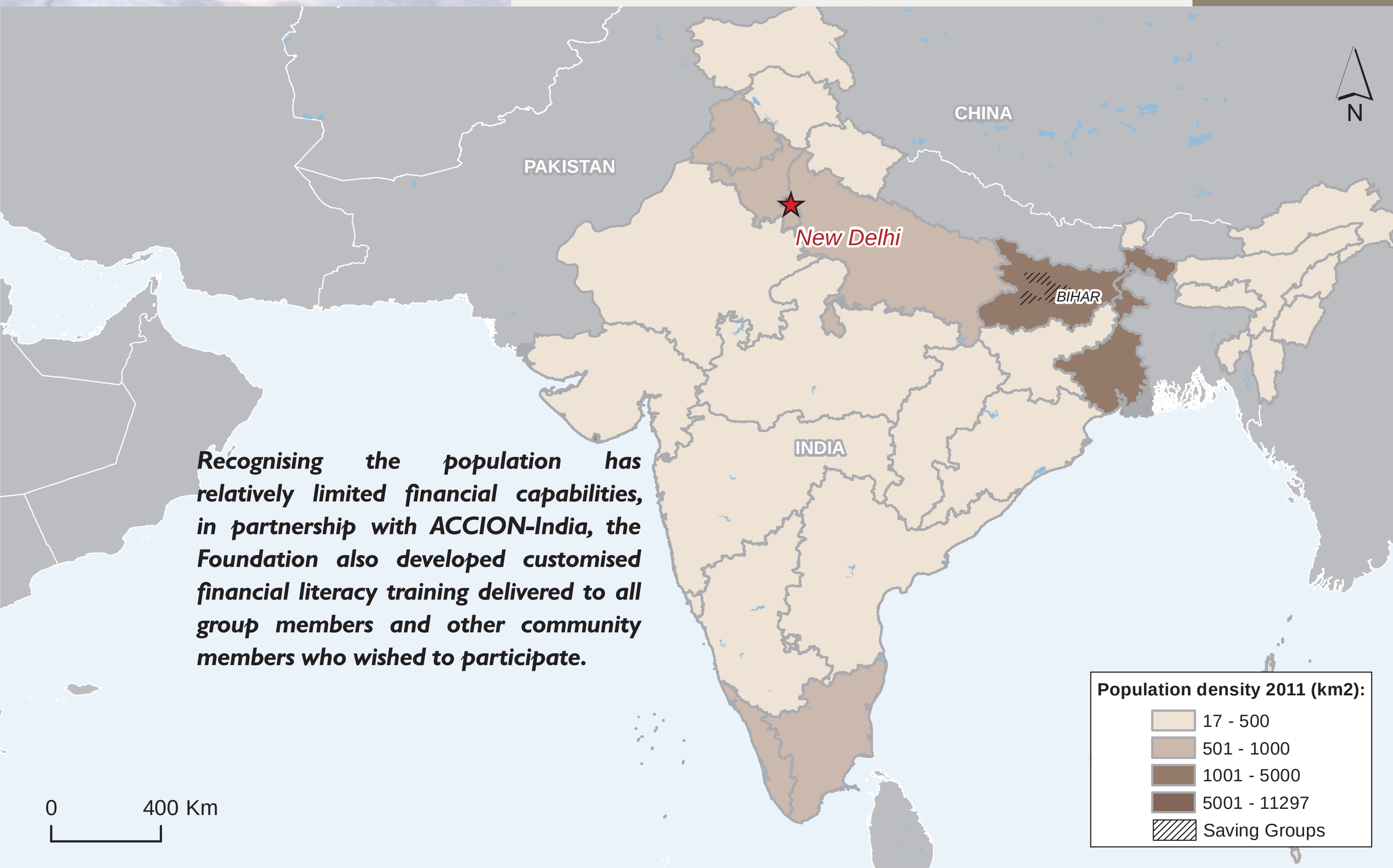
India

While the promotion of self-help groups (SHGs) is the predominant financial inclusion strategy in India, anecdotal evidence demonstrates that SHGs do not reach the very poor. In the state of Bihar, where less than half of the population can read or write and the per-capita income is one-third of the Indian average, the inclusion of poor households from scheduled castes is particularly limited.

In recognition of the need for a safe place to save, in 2010, AKF introduced community-based savings groups in Bihar. By the end of 2012, there were over 35,000 members, 90 percent of whom were women, each saving US$ 24 on average, or nearly 8 percent of GDP per capita in Bihar. The average return on savings is nearly 13 percent, while the cost per member is less than US$ 18, one of the lowest costs of facilitating agencies globally. Recognising the population has relatively limited financial capabilities, in partnership with ACCION-India, the Foundation also developed customised financial literacy training delivered to all group members and other community members who wish to participate.

The CBSG programme in Bihar is implemented by four local NGO partners with the objective to build their capacity to continue to facilitate new groups both on their own and through a network of community-based trainers (CBTs) at the end of the project. In 2012, 72 CBTs trained 11,000 members greatly contributing to increased outreach. The cost of training through CBTs has dropped to less than US$ 3 per member. Findings of a qualitative study conducted in mid-2012 by AKF's Monitoring and Evaluation staff suggest that most savings group members have contributed to the payment of CBTs for their services. This illustrates the appropriateness of this delivery model in the Bihar context.

In Bihar, India's poorest state, the programme mobilised over **20,000** members in its first year of operations and the model proved resistant even during the monsoon season.



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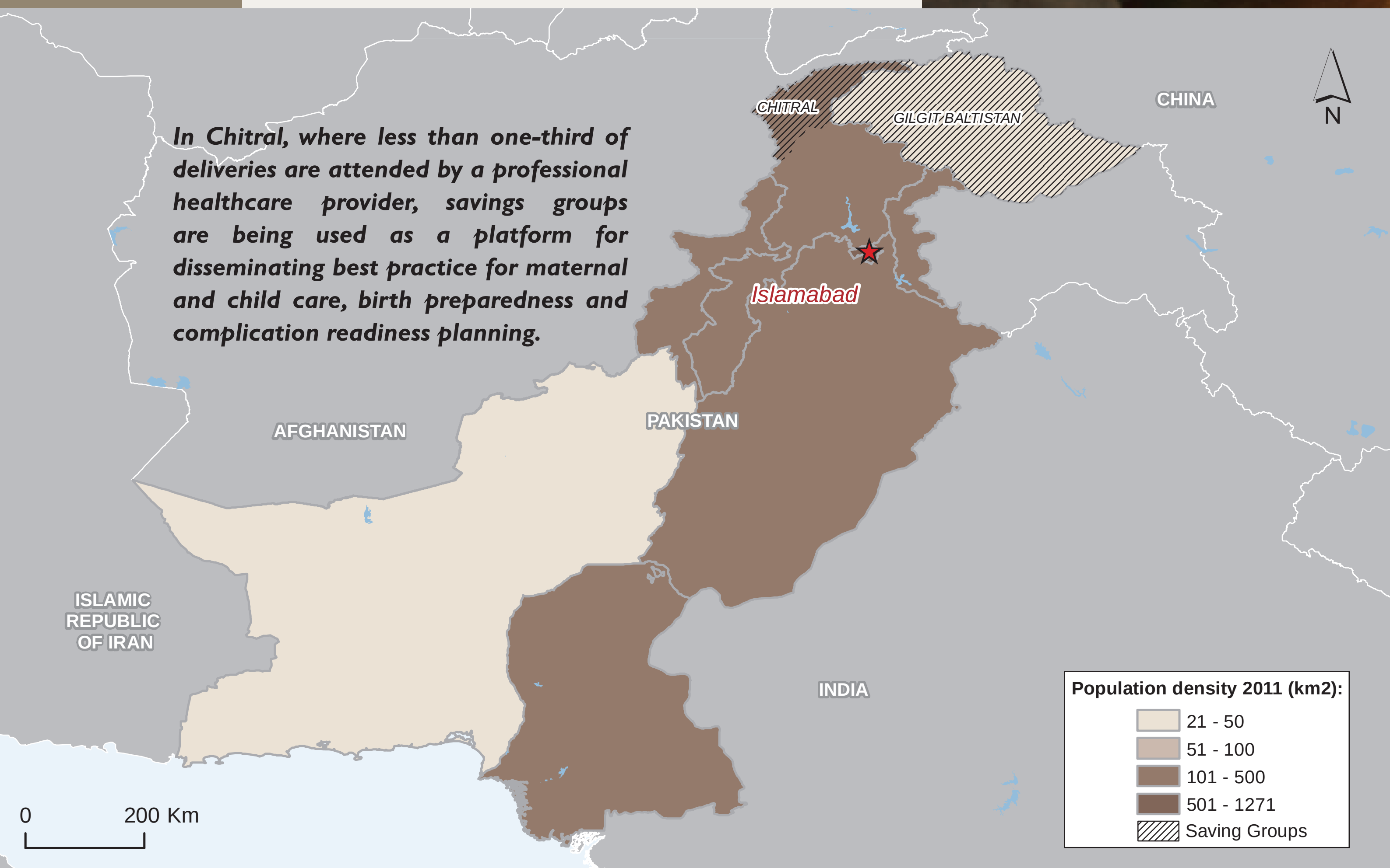
In Chitral, members of women-only savings groups are encouraged to utilise the **social fund** to pay for midwifery care. This allows them to benefit from four or more antenatal care visits, delivery by a skilled birth attendant and one post-natal care visit.

In Chitral, where less than one-third of deliveries are attended by a professional healthcare provider, savings groups are being used as a platform for disseminating best practice for maternal and child care, birth preparedness and complication readiness planning.



Pakistan

The Chitral Child Survival Programme (CCSP), a joint initiative of several agencies of the Aga Khan Development Network, aims to contribute to improved maternal and child health in Chitral District in northern Pakistan, where less than one-third of deliveries are attended by a professional healthcare provider. One of the major obstacles in accessing skilled care in Chitral is the lack of appropriately skilled health service providers and, even where services exist, women find it difficult to pay for them.

CCSP in collaboration with the Government of Pakistan trained 28 midwives. Between 2010 and 2012, it introduced savings groups to improve women's access to financial services and, in turn, pay for obstetric and neonatal services. Savings groups are also used as a platform for disseminating best practice for maternal and child care, birth preparedness and complication readiness planning. More than 420 groups have been established, reaching approximately 8,000 women as of the end of 2012. Moreover, in response to requests from the community, 35 men's savings groups have been facilitated. Data for September 2012 shows that almost all independent groups are still active with the member drop-out rate below 8 percent and average member savings of US$ 14.5.

The programme is implemented by a network of 34 CBSG supervisors based in the community. In the context of reduced staff mobility due to climatic and geographic constraints, this delivery channel has proven to be highly effective, resulting in a high-level operating efficiency and a per member cost of only US$ 28.5.

Tajikistan

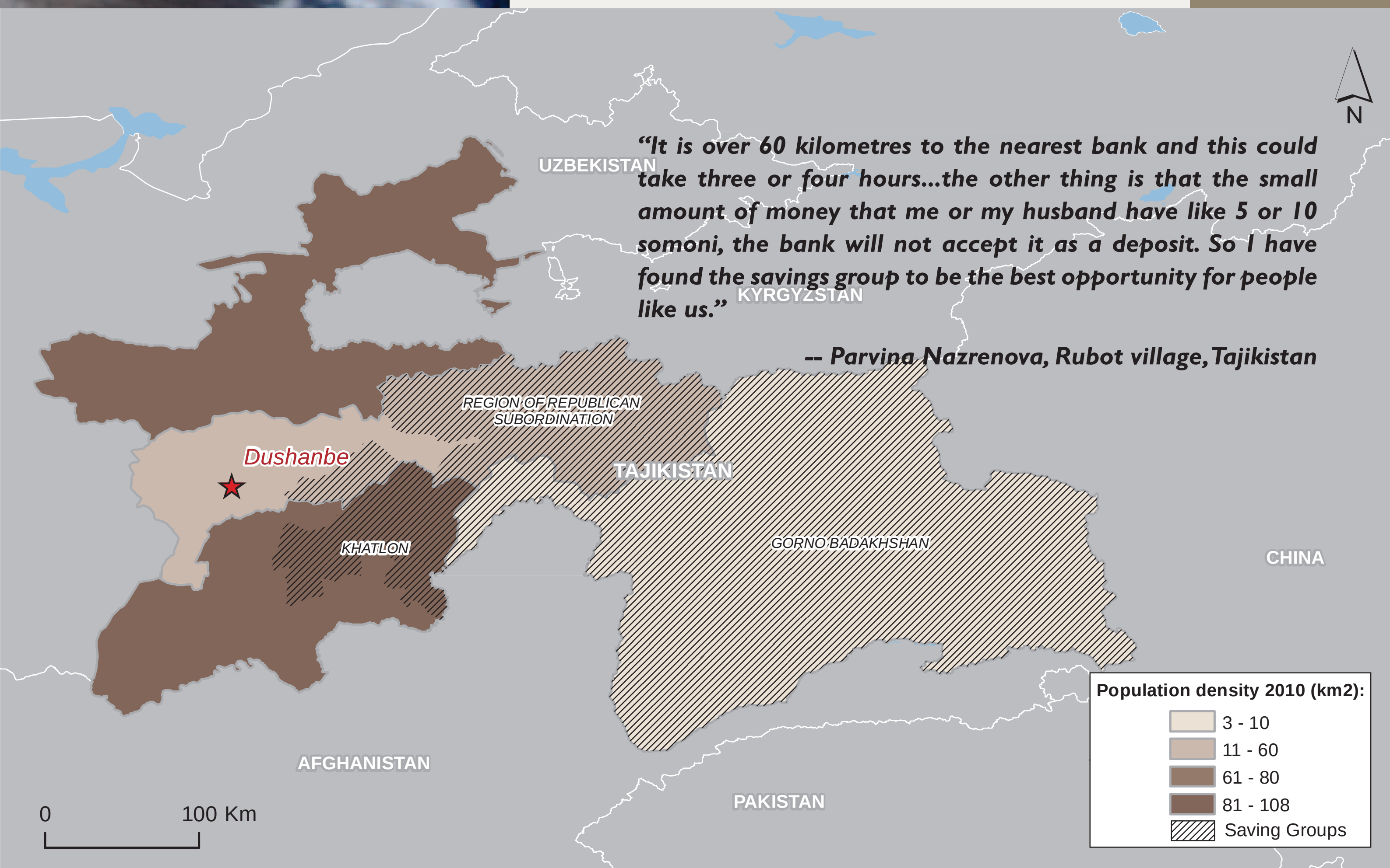
Landlocked and geographically, politically and economically isolated, Tajikistan remains the poorest of the Central Asian republics with over 60 percent of its people living below the poverty line. Secure opportunities to save and access small loans are in short supply. Pervasive unemployment, particularly in rural areas, has led to the exodus of nearly one million Tajik migrant labourers to Russia, with significant implications for family and community life. Increased access to financial services is critical for increasing resilience against socio-economic shocks and promoting alternative livelihoods in Tajikistan.

The Mountain Societies Development Support Programme (MSDSP), established by AKF, operates primarily in the isolated mountainous areas. AKF estimates that for roughly 600 villages in its working areas, the nearest financial service access points are located in the range of 30 to 100 kilometres.

MSDSP introduced savings groups in Tajikistan in 2009, and by the end of 2012, had facilitated more than 2,600 groups comprised of nearly 50,600 members, with average savings just over US$ 26 per year and growing. Household participation rates are as high as 75 percent in several of the sub-districts.

The programme is implemented in parallel to AKF's market development initiative based on community-interest groups, an approach designed to enable community members and entrepreneurs to develop market linkages and to engage more effectively in both input and output markets. Having access to financial services supports these activities and promotes livelihood diversification.

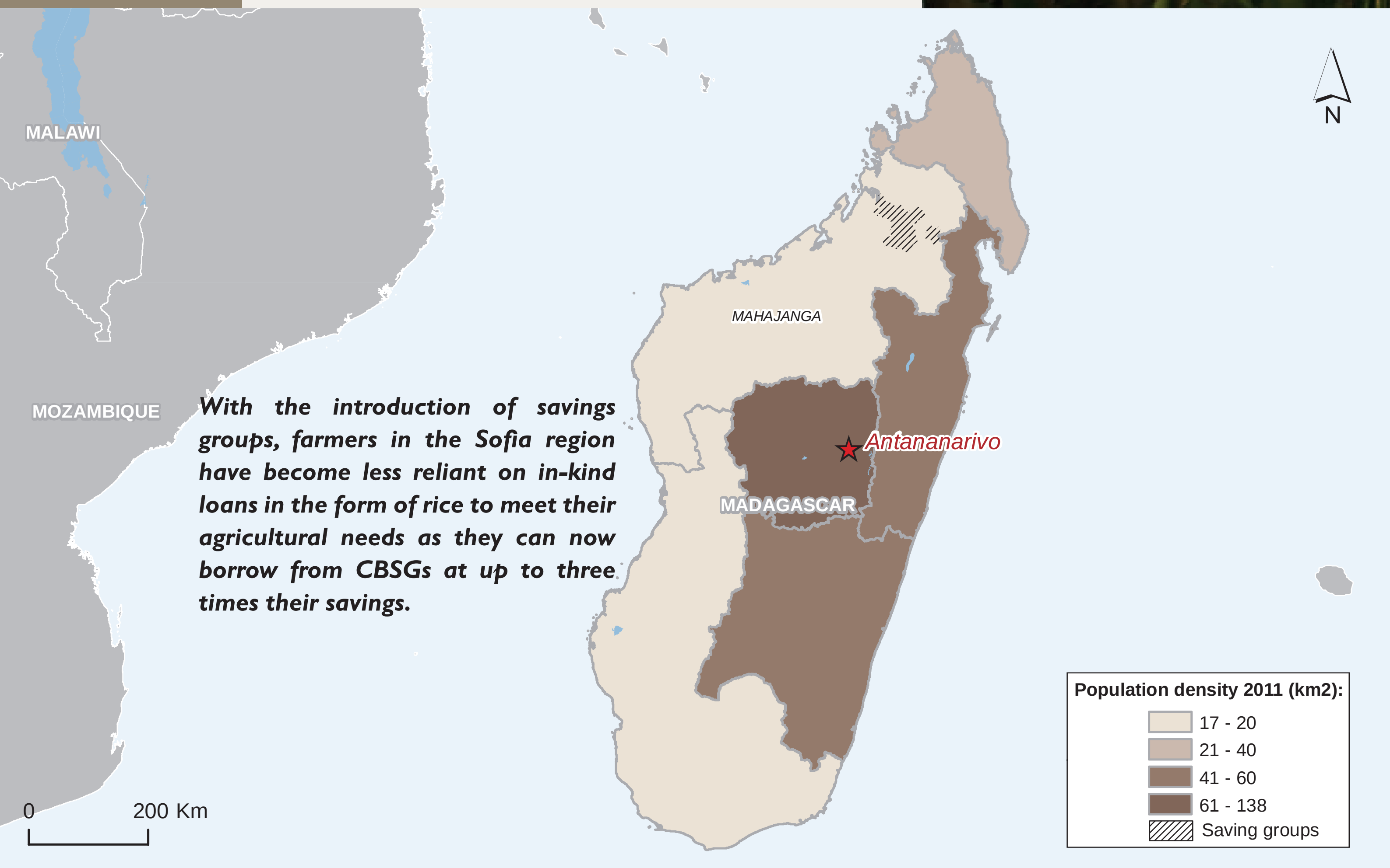
Many groups began saving in increments as small as US$ 0.25 per member per week. After two to three years of operating, some individual groups have accumulated over **US$ 5,000**.



"It is over 60 kilometres to the nearest bank and this could take three or four hours...the other thing is that the small amount of money that me or my husband have like 5 or 10 somoni, the bank will not accept it as a deposit. So I have found the savings group to be the best opportunity for people like us."

-- Parvina Nazrenova, Rubot village, Tajikistan

A sample of 127 savings groups in the Sofia region – surveyed in December 2012 – reported that more than 80 percent of groups facilitated continued to operate independently without further AKF intervention, with a member retention rate of **98 percent**.



With the introduction of savings groups, farmers in the Sofia region have become less reliant on in-kind loans in the form of rice to meet their agricultural needs as they can now borrow from CBSGs at up to three times their savings.

Madagascar

AKF introduced its rural development programme in the Sofia region of Madagascar in 2005 with the objective of increasing rice yields to contribute to higher incomes. One of the biggest constraints to improved incomes is limited access to financial services.

To address this challenge, the Foundation introduced the CBSG programme in the Sofia region in September 2010. In December 2012, more than 650 groups were formed with 12,610 members, of whom nearly two-thirds were women. Members each saved on average over US$ 9 and earned a return on their savings of 38 percent. In January 2013, AKF developed a network of 60 community-based trainers to meet unmet demand mobilising an additional 400 members, for a total outreach of over 13,000 members.

Savings groups allow farmers to smooth highly erratic incomes. Historically, Madagascar has operated primarily with a barter economy, transacting in rice and other household goods, making it difficult to accumulate cash to purchase agricultural inputs. Through savings or loans, farmers are able to purchase inputs and hire labour when needed. The groups have also encouraged the development of a cash-based economy enabling farmers to save lump sums. As highlighted in a qualitative study conducted in mid-2012 by AKF's Monitoring and Evaluation staff, with the introduction of savings groups, farmers have become less reliant on in-kind loans in the form of rice to meet their agricultural needs as they can now access loans and savings from their groups. In addition to increasing access to financial services, AKF is exploring the delivery of financial literacy and the promotion of solar lamps through these community groups.

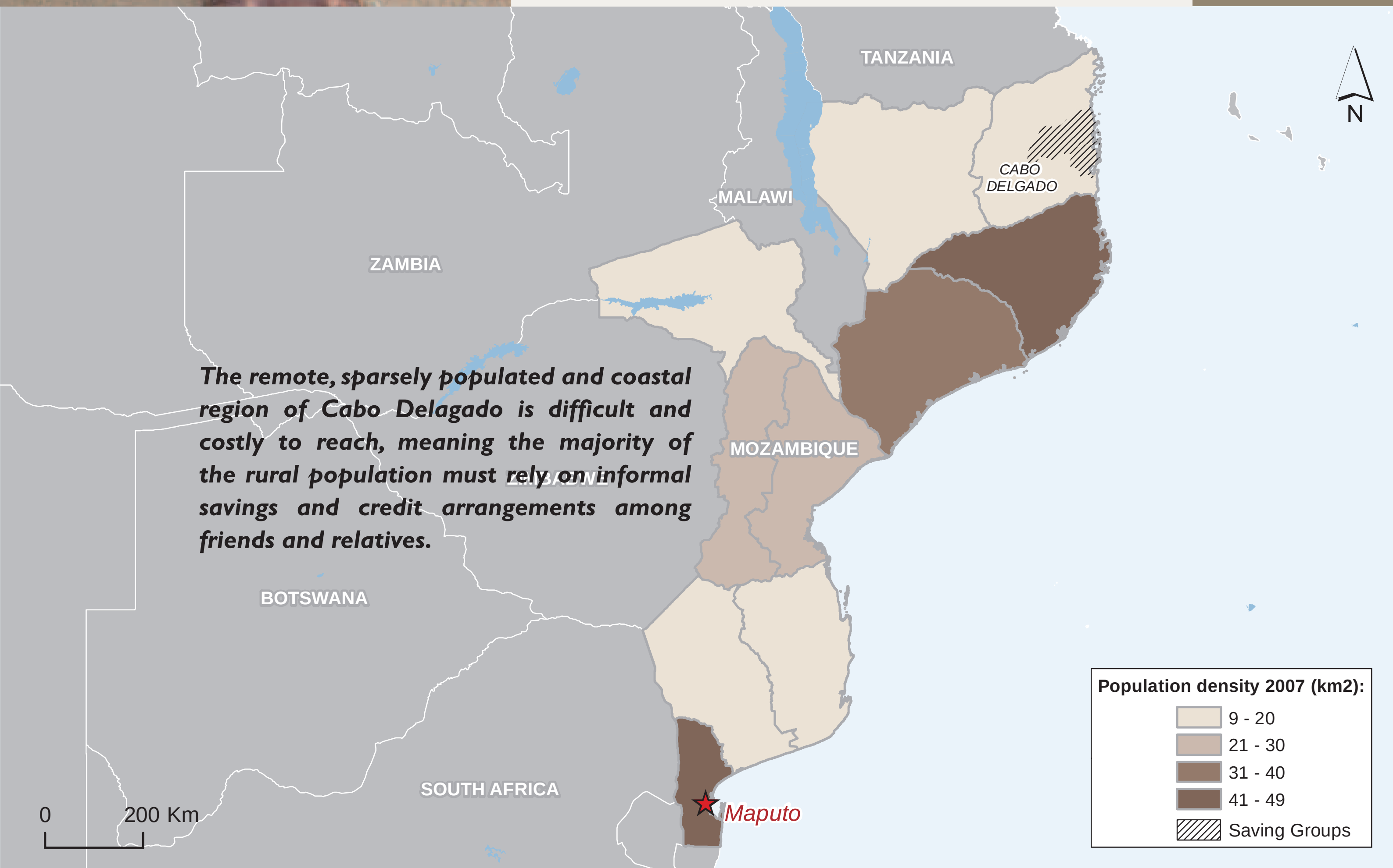
Mozambique

Nearly half the population in the province of Cabo Delgado is below 15 years of age and life expectancy is among the lowest in the world at 52 years (CIA World Factbook, 2013). The outreach of microfinance in Cabo Delgado is extremely limited with few financial institutions operating and most branches located in the provincial capital. The remote, sparsely populated and coastal region is difficult and costly to reach, meaning the majority of the rural population must rely on informal savings and credit arrangements among friends and relatives.

The lack of appropriate financial services in rural areas has a profound impact on food security as rural households lack a convenient savings mechanism or access to credit to get through the hungry season. Recognising this, the Coastal Rural Support Programme (CRSP) in Mozambique, established by AKF, launched the savings group programme in 2010. As of December 2012, the programme included more than 230 groups comprised of over 3,700 members. CRSP has also set up a network of community-based trainers to establish an additional 60 groups in 2013.

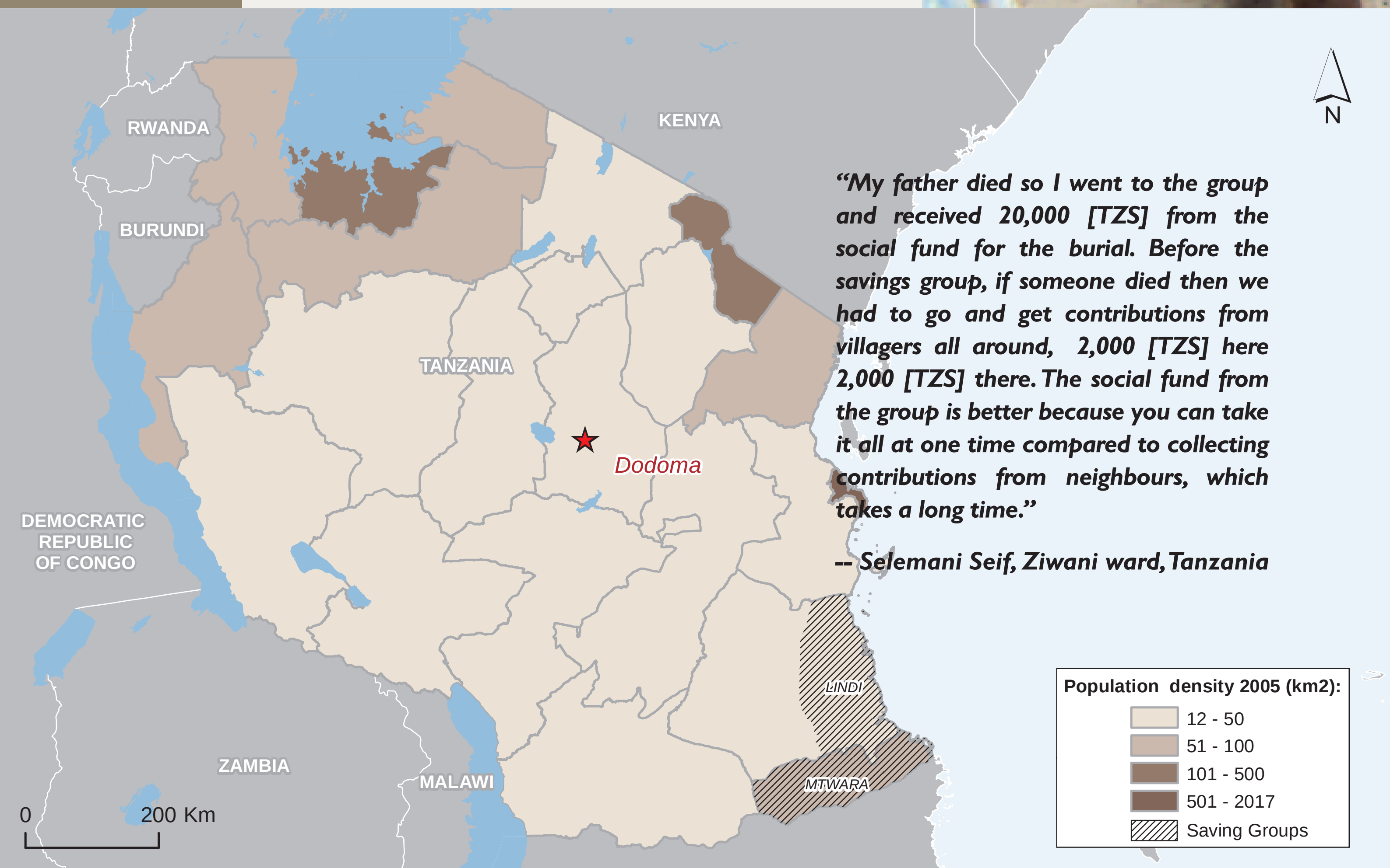
In a 2011 qualitative study of 12 savings groups conducted by AKF's Monitoring and Evaluation staff, one of the main changes reported by members was improved management of household expenses: a clear benefit of CBSG membership. For most female respondents, improved budgeting resulted in reduced small expenditures such as money spent on capulanas (fabric used as scarves, skirts or baby wraps) and children's presents, allowing them to spend money on more substantive household goods.

In 2012, on average, programme participants saved more than US$ 51, or **10.7 percent of GNI per capita**, with nearly one-quarter of participants borrowing from the loan fund.



The remote, sparsely populated and coastal region of Cabo Delagado is difficult and costly to reach, meaning the majority of the rural population must rely on informal savings and credit arrangements among friends and relatives.

On average, savings group members in Tanzania are saving $124 per year, or 20 percent of GNI per capita. In the first cycle of operations, averaging nine months, they have generated an average **share-out** of over $1,500 per group.



"My father died so I went to the group and received 20,000 [TZS] from the social fund for the burial. Before the savings group, if someone died then we had to go and get contributions from villagers all around, 2,000 [TZS] here 2,000 [TZS] there. The social fund from the group is better because you can take it all at one time compared to collecting contributions from neighbours, which takes a long time."

-- Selemani Seif, Ziwani ward, Tanzania

Tanzania

AKF's Coastal Rural Support Programme (CRSP) is designed to improve food security, income generation and the overall quality of life in the Mtwara and Lindi regions in Southern Tanzania. The 2009 FinScope survey estimated that 57 percent of rural adults in Lindi and Mtwara do not have access to formal or semi-formal financial services, and almost one-quarter rely primarily on non-cash services such as in-kind loans and saving in livestock or harvests. In the remote areas, savings groups are typically the only proximate, convenient and flexible provider of savings, loans and insurance beyond family or friends.

Launched in May 2010 with support from Financial Sector Deepening Trust Tanzania, the CBSG programme aims to reach 112,000 members by 2014. In order to continue expanding access to financial services and make available local support, if needed, AKF has developed a network of 500 community-based trainers to form new groups ensuring a market-based solution to meet unmet demand beyond the period of donor funding.

By December 2012, the programme surpassed a total of 3,700 savings groups. Comprised of over 73,000 members, 66 percent of members were women. Of the nearly 830 groups which completed their first year, 95 percent continued into the second cycle.

Sustainability

Community-based trainers (CBTs) are savings group members who have the technical and personal skills required to promote CBSGs in their community. These trainers are trained and supervised by programme staff but they do not receive any monetary compensation from AKF. They are remunerated exclusively by the groups they mobilise and train, at a rate (either in cash, shares or in-kind) mutually agreed between the CBT and the community.

Community-based trainers continue to create new savings groups without further programme investment until local demand is satisfied. Their promotion of new savings groups provides significant gains in outreach and operating efficiency. At the same time, the approach creates income-generating opportunities for savings group members who become CBTs, often in areas with limited employment opportunities, and particularly for individuals with reduced mobility such as women and the elderly.

Typically, a facilitator (paid project staff of AKF or its partner) forms the first 15 to 20 CBSGs over a wide geographic area. Each facilitator then selects and trains four to eight community-based trainers over a period of one year. The CBTs, rather than the facilitators, then train new savings groups under the facilitator's supervision, expanding outreach substantively.

Community-based trainers become trusted mentors who can assist savings groups that may have difficulties with democratic procedures, share-out calculations and the occasional conflict, enabling successful CBSG members to share the knowledge they have acquired and develop their leadership skills. Above all, the approach establishes a sustainable, market-based system for the promotion of new groups and the sustained provision of technical assistance to all groups in a community beyond the period of external financing. AKF's experience demonstrates that community-based trainers are the most effective, efficient and sustainable delivery channel for the large-scale promotion of CBSGs.

In the words of a community-based trainer...

"Working as a community-based trainer helped me overcome fear, fear as a girl and fear of moving out alone. I am an orphan, dependant on my sister and brother-in-law. Now I am less dependant."

-- Pushpa Kumari, Kanhaiya Nagar Ward, India

Learning agenda

To maximise the effectiveness of its work and to better understand the expected (and unexpected) outcomes of participating in a savings group, AKF developed a monitoring, evaluation and learning (MEL) plan. The MEL plan relies on collecting and analysing information at various levels. Routine monitoring of data on the functioning of groups that are receiving support through AKF or partners involves collection and analysis through a standard management information system (MIS). The MIS also enables tracking of a representative sample of graduated groups for a 1-2 year period to help AKF monitor group survival after initial support ends.

Beyond routine monitoring, quantitative baseline and follow-up surveys help country programmes understand the status of savings group members along key indicators before their participation in the groups, and then three to four years later. Moreover, systematic qualitative studies (often undertaken midway through the programme cycle) help AKF better understand the ways in which participation in savings groups affects the lives and livelihoods of their members. The qualitative nature of the studies enables staff to delve deeper into the effect of savings groups on their members and the communities. The studies also explore the extent to which the CBSG programme complements or benefits other programme interventions. In India, for example, AKF is examining the effects of financial literacy training on savings group members in Bihar. In Madagascar and Tanzania, AKF is investigating the influence of savings group activity in rice-producing areas. In Pakistan, the programme is exploring the influence of savings groups on maternal and child health, while in Tajikistan, AKF is investigating the impact of savings groups on pre-existing community-based structures. As country programmes begin to introduce community-based trainers, AKF is monitoring the performance, efficiency and sustainability of various delivery channels for programme expansion and replication.

A Synthesis of Studies on the Integration of Savings Groups and Other Developmental Activities

To study the integration of savings groups and other developmental activities, AKF undertook a learning initiative to study 12 cases of integrated interventions. Lessons from these studies have been summarised in *Beyond Financial Services: A Synthesis of Studies on the Integration of Savings Groups and Other Developmental Activities*. The synthesis outlines how the integration of savings groups and other developmental activities has evolved; the programmatic complementarities and risks of using savings groups as a platform for other activities; and issues of sustainability and replicability in integrated savings group programming.

About the DVD

The accompanying DVD, "Community-Based Savings Groups and the Aga Khan Foundation", shows how in two very different contexts – Tajikistan in Central Asia and Tanzania in Sub Saharan Africa – savings groups work to provide financial services to people living in poor, remote communities. From mountainous regions cut off from roads for months at a time to dry coastal areas with very little infrastructure, savings groups meet the needs of poor people living in isolated areas too costly to be reached by formal financial service providers.

The DVD contains three films:

- a brief overview of savings groups at 3 minutes
- a more detailed summary at 8 minutes
- the full story at 30 minutes

The Aga Khan Development Network (AKDN) is a group of development agencies with mandates that include the environment, health, education, architecture, culture, microfinance, rural development, disaster reduction, the promotion of private-sector enterprise and the revitalisation of historic cities. AKDN agencies conduct their programmes without regard to faith, origin or gender and have decades of experience in integrating economic, social and cultural development.

The Aga Khan Foundation (AKF), an agency of the Aga Khan Development Network, is a private, not-for-profit, non-denominational, international development agency established in 1967 by His Highness the Aga Khan. Working in 19 countries, with special emphasis on the needs of rural communities in mountainous, coastal and other resource-poor areas, AKF seeks to provide sustainable solutions to long-term problems of poverty, hunger, illiteracy and ill health in the poorest parts of South and Central Asia, Eastern and Western Africa, and the Middle East. Its activities are coordinated not only with those of other AKDN agencies but also with local, national and international partners in order to bring to bear a full package of multiple activities that can spark a long-term process of positive change for these poor communities.

For more information, please visit the website: **www.akdn.org**

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