



# RESEARCH BRIEF: PRACTICES & POSSIBILITIES IN SAVINGS GROUPS

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### What are savings groups?

Savings groups are informal, member-owned and managed groups that provide basic financial services to their members. Members pool their savings together and borrow from the group fund as needed for a specific period.<sup>1</sup> Built on traditional forms of money management, savings groups provide members with access to basic savings and credit services.

In recent years, savings groups have grown in popularity as an effective way to provide basic financial services to people who are usually too poor and too remote to be served by mainstream financial institutions. Various non-governmental organizations (NGOs), including several partners of The MasterCard Foundation, have facilitated the formation of savings groups. Over seven million people across Sub-Saharan Africa are now members in savings groups through group facilitation by NGOs.<sup>2</sup> Membership in non-facilitated traditional savings groups is believed to be much larger, though there is no exact estimate.

**Savings groups have amassed assets of more than \$100 million USD in Africa, according to NGOs. On average, each group saves \$625 USD.<sup>3</sup>**

Despite the popularity of savings groups, relatively little is known about members' financial preferences and needs. Members have a range of financial needs, and savings groups do not address them all. In addition, changes to the financial sector in Africa, such as the emergence of agent banking and mobile payments,

may provide banks and micro-finance institutions with mechanisms to provide financial services to savings groups and their members.

### ABOUT THIS STUDY

The MasterCard Foundation wanted to delve deeper into the needs and preferences of savings group members. For example, what kind of services did clients want? Would members willingly pay for some services? How is technology sparking innovation?

This research was commissioned by The MasterCard Foundation to examine opportunities to expand the effects of savings groups towards financial inclusion. The study was conducted by MicroSave and employed a mixed methods approach to generating new insights on savings groups in Sub-Saharan Africa. The study explored innovations in three key areas: linkage of savings groups with banks, practices to improve efficiency and technological possibilities to improve services.

The study included nearly 500 savings group members across five countries and six organizations. Additional methods included a literature review, interviews with industry leaders and an in-depth field study of six projects in three countries. Data collection occurred between March and June 2014.

1 A typical group duration is about 12-18 months.

2 [www.seepnetwork.org/savings-groups-global-outreach-pages-20015.php](http://www.seepnetwork.org/savings-groups-global-outreach-pages-20015.php)

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