

# Building financial resilience

## PROJECT MODEL: SAVINGS FOR TRANSFORMATION GROUPS

### THE ISSUE

An estimated 1.7 billion adults can't access banking services<sup>1</sup>, and over 192 million people are unemployed<sup>2</sup> making it difficult for parents to bring in income and save for their children's basic needs (such as education, nutrition, clothing and health).

Inequality of income frequently stops children from attending school due to the high costs of education. This can lead families to sometimes take desperate measures causing children to face child marriage, be forced into child labour, or end up in care institutions where violence is often widespread. According to the World Health Organisation<sup>3</sup>, helping vulnerable families to progressively achieve and sustain income growth can contribute to ending violence against children.

### THE MODEL

A savings group is member-owned and composed of a small number of people who save together in a safe, convenient and flexible way. They use a simple, transparent method to accumulate and convert small amounts of cash into savings that can then be lent to members as credit.

### CORE COMPONENTS & OUTCOMES



- **Group Size:** large enough to accumulate a useful amount into the fund, but small enough for social cohesion (15-25 people).

<sup>1</sup> Global Findex Data, World Bank 2018

<sup>2</sup> World Employment and Social Outlook: Trends 2018

<sup>3</sup> INSPIRE: Seven Strategies for ending violence against children (2016)



- **Savings:** Weekly cycle of saving very small amounts. This is a less risky product for the vulnerable poor than saving with a formal financial institution. Groups offer a safe and convenient place and mechanism to save while mitigating risks and costs.



- **Insurance and social fund:** Groups offer a form of social insurance providing access to emergency loans in times of need or funds for community projects.



- **Credit:** Small loans can be borrowed by group members on flexible terms, for investment, consumption or emergencies.



- **Personal development:** The groups provides unique opportunities to develop leadership, confidence and a sense of self-respect that often spills over into the home and wider community.



- **Sustainable and self-replicating:** Because groups are member-owned and run, they aren't reliant on World Vision's presence. Members often share their knowledge, encouraging others to form groups too.



- **Low cost:** Start up and maintenance costs are very minimal with no asset transfers given to groups.



- **Time bound:** 9-12 month cycles simplify management of the fund. They provide easy exit and entry points for new members and an opportunity to elect a different management committee



- **Share out at the end of each cycle:** All or part of the accumulated savings and loan profits are shared "out to the members."

## IREEN'S STORY

Ireen is a razor sharp and hardworking businesswoman. She's been savings and training with World Vision Malawi, and is now working with saving groups – families who once saved nothing but now pocket hundreds of dollars each year. In the last six months, Ireen herself has saved \$300.

She advises her friends like Amina, 35, how to bring in more income. "She taught me 'heart, mind, pocket'. I cooked fritters before, but of lower quality. I used to sell them for 30 kwacha. Now I sell them for 50 kwacha."

Because they have savings, farmers can now hold onto their crops to sell when prices are high, instead of selling them at low prices for fast cash. The transformation is visible across the village, from the fields full of crops to the new homes with iron roofs, life is getting better.



## CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS



**Ending poverty:** Provide the most vulnerable families with loans and savings that can be used to increase their income-generating abilities.



**Eliminate all forms of violence against women and girls:** Financial security reduces exposure of girls to early marriages and the need for parents or caregivers to rely on child labour.



**Decent work and economic growth:** Savings Groups can provide skills training so members can invest in their own income-generation activities, tap into government services and eventually qualify for microfinance or employment in local businesses.