SG MESO LEVEL IMPACT STUDY

Key findings on the impacts of Savings Groups

Feb – July 2012: Malindi and Nyamira

COADY, FSD, CRS, CARE,

Overview

- **Objective: identify the impacts of savings groups on economic, social and political institutions**
- Assumption: in areas where there are mature savings groups (minimum 2 years old), savings groups will begin to have aggregate impacts on markets, households, gender, governance, services etc.

Framework

We understand the impacts of SGs to result from their dynamic location in a wider socio-economy.

- The study investigates the impacts of savings groups in terms of their capacity to generate new relationships between actors and their surrounding institutions (markets, households, gender, health and education services, governance etc.) We conceptualise this through the notion of **feedback loops**. How do SG's alter the feedback loops between actors and their meso-level environments, and with what impacts on poverty?

Methodology

- The study was conducted over 8 weeks in three sites (western and coastal Kenya)
- We used qualitative methods (focus groups, individual interviews with SG members and non-members, Key Informant interviews, local market PRAs). *Given the experimental nature of the study, these methodologies need to be standardised and improved for the purposes of replication. In future we would recommend developing a qual/quant methodology to investigate our key research questions*
- A 4 week mini-ethnography was conducted in the coastal site by a trained anthropologist

Context

Western Kenya (predominantly CARE groups)

- Nyamira: relatively high-income tea growing area where free-market for tea has recently developed alongside the Kenya Tea Development Authority outlets.
- Nyamaia: lower income coffee growing area. Due to a downturn in coffee economy households are pressured to diversify income sources

Coast (predominantly CRS groups)

- Malanga: subsistence economy dependent on food aid and low-return casual labour where cash-crop markets in cashew have ceased to function

Question: how far are observed impacts dependent on context and how far are they dependent on delivery channels?

Poverty profile

- Groups are reaching **middle poor** rather than very poor- the very poor are excluded possibly due to irregular and unpredictable income sources, lack of specific targeting design and low social capital.
- *Question: to what extent are SGs becoming more inclusive as they spread within communities, and to what extent are they moving 'up' the income strata as the poor can no longer afford to be members?*

Findings: What impacts did we find at the meso level?

- **Weak indicators at meso level**: 2-3 years into their operation, we were not able to identify clear impacts of SGs on meso-level institutions. This may be partly because SGs are designed to deliver a minimalist financial inclusion objective and not wider collective action. *Question: what additional investments in SGs would be needed to increase impacts on meso-level institutions?*

However we did find….

- **Strong impact on the gendered political economy:** the groups improved women's capacity to engage more powerfully in a range of institutions including markets, households and governance. The Malanga ethnography found that SGs are contributing to a new ***female layer of authority*** in the locality. In all areas the groups are contributing to the emergence of female market spaces. *Question: Are SGs increasing control over the political economy* through *or* for *women (e.g. how far are their benefits being captured by men)?*

Findings: What are the impacts of SGs on access to financial markets?

- Some evidence that some group members were **more creditworthy** in relation to informal sources- e.g. shop keepers (but also evidence of reduced dependence on shop credit due to availability of small loans). Some evidence that members are acquiring more confidence to access formal credit *(need to quantify).*
- There is a **perception that SGs deliver higher returns on savings** than other providers. Observation that this gives SGs a competitive advantage over other market offers in a high-inflation environment. *Question: What is the actual vs perceived value proposition for net savers and net borrowers over the whole cycle?*
- There was strong evidence of a **'culture of borrowing'** in groups to fuel high returns on deposits. *Question: How far does this leave vulnerable members increasingly vulnerable (e.g. through over-indebtedness and/ or being forced out of groups due to inability to maintain an upward trajectory of capital accumulation)?*
- Evidence of exit from formal sector (10% - 20% SG members using bank or MFI loans, but this has reduced because of SG membership). *Question: How much capital is flowing through SGs and what is their capacity to handle this? Is the value proposition offered by SGs (high returns on savings; easily accessible small loans) drawing people out of the formal sector? Does this incentivise capture of capital for wealthier members? What is the capacity of SGs to absorb demand among higher income segments? (e.g. lack of consumer protection and oversight; weak accounting procedures etc.).*
- Evidence of **multiple membership**, especially in Nyamira, raising concerns about **systemic risk** through multiple debt
- As groups mature, new services and institutional arrangements are being demanded (e.g. clusters and SACCO). *Question: how far are these developments being monitored and facilitated in a positive direction?*

Findings: What are the impacts of SGs on access to markets?

SGs are **improving access to markets, particularly for (and via) women.** There is some evidence of collective marketing but few and far between.

- **Nyamira tea value chain:** SGs improve capacities to engage in newly emerging free market (*soko huru)* for tea, via short-term small loans, mostly through women. *Soko Huru* generates lower annual returns for households compared with KTDA, and is eroding the production base through creating a market for low-quality tea. While increasing women's participation in tea value chains, these engagements may be having a detrimental effect on household productivity in the longer term.
- **Nyamira coffee:** via small loans, female SG members are beginning to engage in local petty commodity markets, thereby diversifying household income sources in a scenario of decreasing returns from coffee.
- **Malindi subsistence economy: small loans are feeding into** women's engagements with a domestic market economy (selling at funerals and other events).

Questions:

- *How far does SG product design (short-term loans) contribute to potentially negative market engagements because of short-term planning?*
- *There is mixed evidence on capacity of groups to absorb or mitigate the risks associated with entrepreneurship.* ***What are the provisions for loan insurance?***

Findings: What are the impacts of SGs on household vulnerability?

- SGs give members access to flexible liquidity. **This increases household income security and mitigates the potentially damaging impacts of *ad hoc* emergency needs for lump sums**. Indicative benefits include more sustained investments in human capital (particularly education, less so with health); improved conjugal relations; increased power for women within the household; reduced dependence on casual labour and low-return sale of assets (especially livestock).
- *Question: to what extent does reduced household vulnerability and increased gender equality and enable asset growth in the longer term?*