



Income Intervention Quick Scan: Savings-led Group Models

Farmer Income Lab Intervention Quick Scan

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Wageningen Centre for Development Innovation
Wageningen, September 2018

Report WCDI-18-037

Primo-Secundo, A., B. Tertio, C. Quarto, 2018. *Income Intervention Quick Scan: Savings-led Group Models: Farmer Income Lab Intervention Quick Scan*. Wageningen Centre for Development Innovation, Wageningen University & Research. Report WCDI-18-037. Wageningen.

Abstract UK This quick scan, commissioned by the Farmer Income Lab, is part of a wider research effort looking at, "What are the most effective actions that lead buyers can take to enable smallholder farmers in global supply chains to meaningfully increase their incomes?". The quick scan provides an overview of the publicly available evidence on the impact of savings-led group models have had on raising farmer income. Such subsidies have had little positive effect on farmer income, are not notably beneficial for women nor is this effect long-term. They have been applied at large scale. This quick scan is part of a series of 16, contributing to a synthesis report "What Works to Raise Farmer's Income: a Landscape Review".

Keywords: farmers' income, intervention, agriculture, input subsidies, smallholders, self-help groups, savings groups, women empowerment, learning, collective savings

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Report WCDI-18-037

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List of abbreviations and acronyms

NABARD	National Bank of Agriculture and Rural Development
SHG	Self-Help Group
SG	Savings Group
RCT	Randomised Controlled Trials
ROSCA	Rotating Savings and Credit Association
ToC	Theory of change
WCDI	Wageningen Centre for Development Innovation, Wageningen University & Research
WUR	Wageningen University & Research

1 Introduction

1.1 Definition

Those who live in remote areas may lack formal providers to supply entry-level financial services. Savings-led group models such as savings groups (SGs) or self-help groups (SHGs) are meant to give access to working capital. The basic idea is that group's collective savings are used to offer loans to fellow group members. A typical group consists of 10-20 members, usually women. Many variations on this concept exist, some key points of difference being:

- Does or does not explicitly target women with the aim to empower them
- With or without training component (e.g. on financial literacy, entrepreneurial skills and women's rights)
- With or without a link to formal finance institutions that provide funds for on-lending (most SHGs have this link), or link to developmental organisations (such as CARE, Aga Khan Foundation and Oxfam).
- With or without time-bound cash-out of the groups' savings, to either each member in turn (i.e. a rotating savings and credit association or ROSCA) and/or to all members at the same time. SGs tend to cash out, SHGs tend not to.

1.2 Theory of change

A detailed theory of change (ToC) for SHGs (with a focus on its impacts on women) was defined by Brody et al. (2015) and can be found on the next page. This ToC depicts the projected theory of change toward women's empowerment by involving women in SHGs, based on quantitative and qualitative meta-analysis. Increased income is seen as an intermediate outcome toward this end. Potential barriers for access to self-help groups are identified as well.

1.3 Geography

SGs are mostly prevalent in Africa, with increasing numbers in Asia (including Central Asia) and a few in Latin America (Aga Khan Development Network, 2010). SHGs are a predominantly Indian concept (ibid.).

1.4 Role of actors

Savings-led group models' informal nature does not require a link to public policy instruments. The Indian government is an exception, as it mandates banks to dedicate a certain portion of their portfolios to SHG loans (Aga Khan Development Network, 2010). The relationship between a bank and an SHG usually involves an initiatory period of at least six months, where groups deposit their savings within the bank. After that period, it can access a bank loan, which the SHGs can then on-loan to its members (ibid.). NGOs can play a role in initiating and building capacity for setting up SGs. Examples of such NGOs are CARE, Aga Khan Foundation, Oxfam, PLAN International. They can also combine a savings-led group model with other developmental programmes (Aga Khan Development Network, 2010).

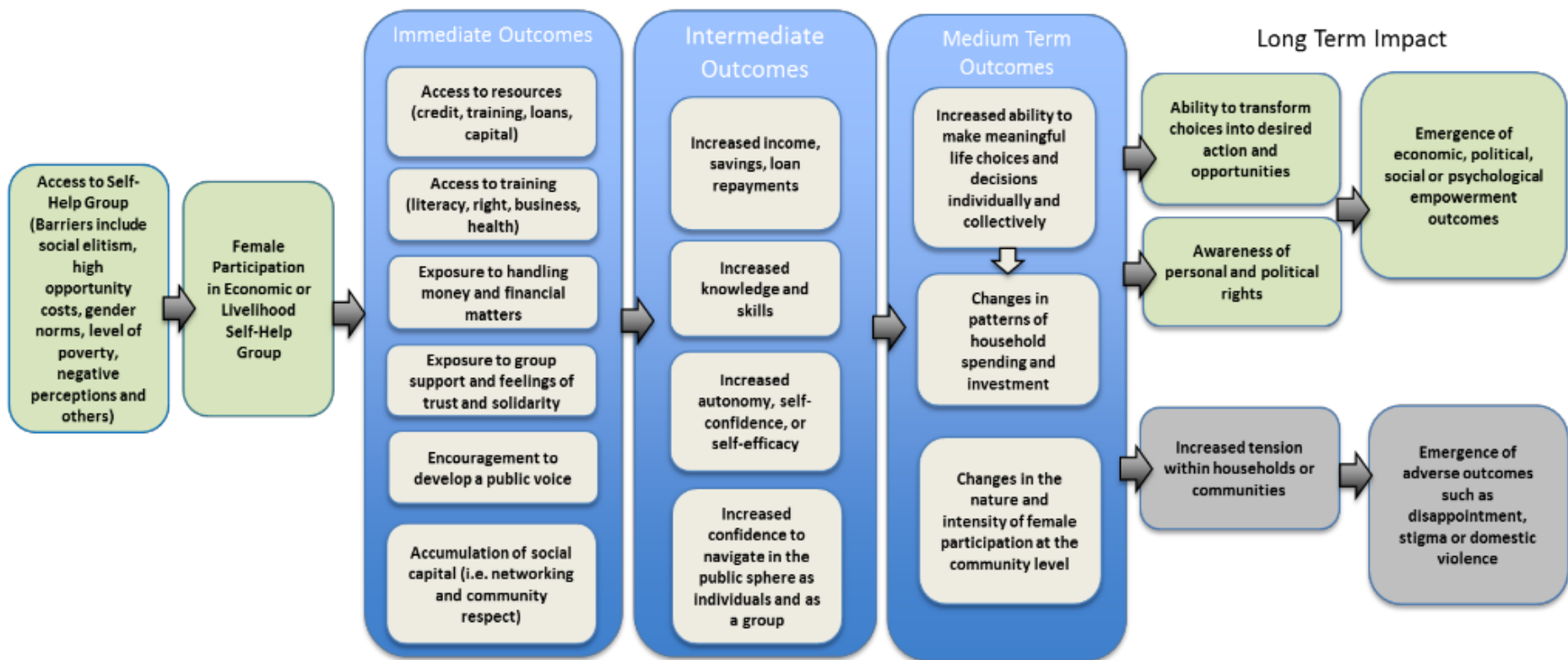


Figure 1 Theory of Change for Self-Help Groups (for women) (Brody et al., 2015).

2 Summary and justification of assessment

Strength of outcome		
Assessment criterion	WUR score	Rationale for score
Scale: Size of the population intervention could impact and potential to scale to other contexts (i.e., geographies, value chains)	High	<ul style="list-style-type: none"> Savings groups: coverage expands gradually as groups replicate (which does not necessarily require the initiating organisation). <ul style="list-style-type: none"> Aga Khan Development Network (2010) Savings groups: after initiator CARE left in Zanzibar, savings group membership rose from 1,272 to 4,552: an 258% increase and an annual growth rate of 38%. <ul style="list-style-type: none"> Anyango et al. (2007) Self-help groups: an estimated 33 million women in India have been linked to banks for financial services through 2.2 million groups. <ul style="list-style-type: none"> Sinha (2006)
Impact: degree of increase in incomes	Medium	<ul style="list-style-type: none"> The two studies that quantified income improvement through savings-led group model participation, found income improvements of 21% – 31%. <ul style="list-style-type: none"> Bhoj, Bardhan, and Kumar (2013) and Caro, Pangare, & Manfre, through Anderson (2014) Other studies that found a positive impact, did not measure or report the size of this impact. The degree of this increase could be classified as “medium”, but it should be noted that the strength of this evidence is low.
Sustainability: financial ability of farmer income increase to endure independent of ongoing external support	High	<ul style="list-style-type: none"> External support is not a requirement for sustainability of savings groups. Group continuation can be decided upon based on the needs of its members (after each periodical cash-out, if applicable). <ul style="list-style-type: none"> Anyango et al. (2007) (see “Scale”) and Aga Khan Development Network (2010) For self-help groups, which tend to be backed by banks, sustainability is more important. A study among Indian self-help groups showed that 48% of their members stay on for at least five years. <ul style="list-style-type: none"> Sinha (2006)
Gender: Potential of intervention to positively impact women	Medium	<ul style="list-style-type: none"> Self-help groups can have positive effects on women’s economic, social and political empowerment. <ul style="list-style-type: none"> Brody et al. (2015) However, that is not always the case. Standalone self-help groups may not be enough to achieve these results. <ul style="list-style-type: none"> Brody et al. (2015) and Gash, Jahns-Harms, Odell, Carmichael, and Panetta (2017)

Strength of evidence		
Assessment criterion	WUR score	Rationale for score
Breadth: amount of rigorous literature that exists on the impact of the intervention, as defined by the minimum quality of evidence for this paper	Low	<ul style="list-style-type: none"> The quality of literature available on the link between (farmer) income and savings-led group models is low. Income is an uncommon indicator for success. There are no RCTs available.
Consistency: Degree to which the studies reviewed are in agreement on the direction of impact (i.e., positive or negative)	Medium	<ul style="list-style-type: none"> The studies that did study income mostly found positive effects (i.e. 2/2 + 8/11 out of both review articles) <ul style="list-style-type: none"> Anderson (2014) and Gash et al. (2017)

3 Methodology

Searches via an academic (Google Scholar) and a non-academic (Google) search engine yielded a total of 31 studies for a brief review. From these results, the following summarizing studies were selected to be reviewed in more detail:

- 1 meta-study:
 - Based on 23 quantitative and 11 qualitative studies, and focused on the role of SHGs to increase women's empowerment.
- 2 systematic reviews:
 - 1 based on 53 studies conducted between 2004 and 2017, and focused on measures of well-being for savings groups' participants.
 - 1 based on 85 studies with a focus on self-help groups. This study defined self-help groups as "mutual assistance organizations through which individuals undertake collective action in order to improve their own lives", which is therefore broader than the definition used for this overview.
- Based on the information provided by the meta study and systematic review, 3 studies that had a focus on the link between savings-led groups and income were added to the review for further exploration.

Income itself is rarely used as an indicator for impact assessments for savings-led group models. Furthermore, none of the reviewed studies used a control group that did not receive any intervention.

4 Impact

4.1 Effect on income

The review study by Gash et al. (2017) identified two studies that studied the impact of savings groups on income, out of the 53 studies that were part of their review. Both of them reported positive results. A study in Zanzibar had 20% of participants of a savings group report increased household income as one of the top two results of the intervention, which was a result of improved business and the ability to buy more inputs (Anyango et al., 2007). A large proportion of the studied population engaged in agriculture as primary (46%), secondary (28%) or tertiary (30%) income-generating activity, but the study did not specify to what extent the increases in income are related to this activity. Another study measured an increase of income for savings groups that included a gender role training among poor households: nearly double of the gains achieved by families in savings groups that did not have the training (Slegh, Barker, Kimonyo, Ndolimana, & Bannerman, 2013). A review by Anderson (2014) found 11 out of 85 studies discussed income effects, and that 8 of these reported positive effects on income through higher farm earnings, increased income from non-sex work enterprises, income generation from microfinance, increased business profits, and increased business connections with other members. This includes a study by Bhoj et al. (2013), who reported statistically significant changes in income across all three studied income categories for a self-help group in the state of Uttarakhand, India.

Table 1 Average annual income before and after joining self-help groups (in INR) (Bhoj et al., 2013).

Wealth category	Average annual income before joining SHG (in INR)	Average annual income after joining SHG (in INR)	Difference (in INR)	Difference (%)
Rich	1,52,692	1,86,069	33,377	+ 22%
Medium	1,11,423	1,34,663	23,240	+ 21%
Poor	71,931	94,086	22,155	+ 31%
Overall	1,06,542	1,38,272	26,257	+ 25%

The review also identified a study by Caro, Pangare, & Manfre, which “found that 62% of women in self-help groups reported increases in income, with an average increase of 27%, though they did not provide data on income for a control group” (Anderson, 2014).

Out of the studies that found a positive impact of savings-led group models on income (i.e. 2 out of 2 for the review by Gash et al. (2017) and 8/11 for Anderson (2014)), only two reported on the size of this impact (Bhoj et al. (2013) and Caro, Pangare, & Manfre (through Anderson (2014))). The range of this increase in income is 21% – 31%.

Table 2 shows the amount of evidence for an impact for six types of household economic impacts:

Table 2 Household economic impacts according to Gash et al. (2017) and Anderson (2014).

Proxy	Impact
Savings	Gash: Large amount of evidence for a positive impact Anderson: Medium strength of evidence, 15/18 positive effect
Access to credit	Gash: Large amount of evidence for a positive impact Anderson: Medium strength of evidence, 12/15 positive effect
Ownership of assets	Gash: A fair amount of evidence for a positive impact Anderson: Medium strength of evidence, 8/9 positive effect
Consumption smoothing	Gash: A fair amount of evidence for a positive impact
Expenditure	Gash: Mixed findings on whether participation has a positive impact
Poverty level	Gash: Small amount of evidence for a decrease in the likelihood that a household lives below a certain poverty line

These and other impacts are summarised in Figure 2:

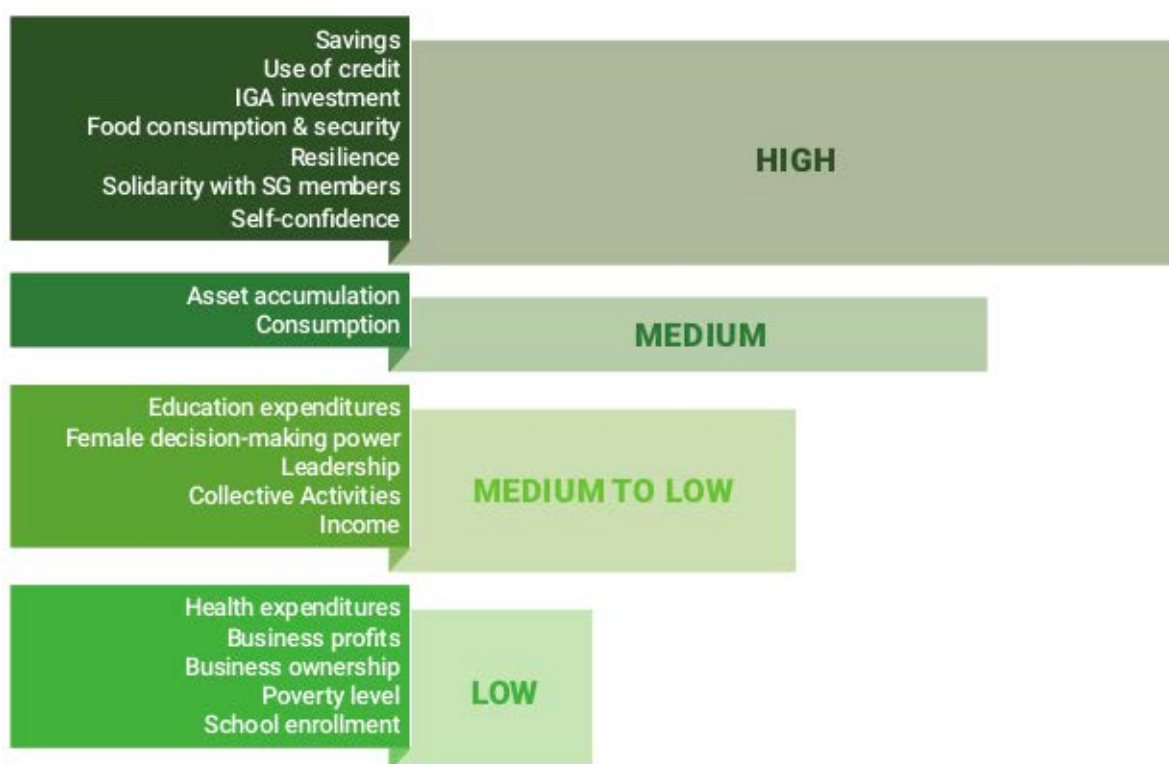


Figure 1 Likelihood of expected member and household-level impacts of savings groups, according to Gash et al. (2017).

4.2 Adverse effects

Savings-led group models may also have some adverse effects. Some cases have been reported where members lost money because of corrupt group leaders or because their peers could not pay their contribution (Anderson, 2014). Occurrences such as these stress the importance of good leadership for savings-led group models.

Another potential adverse effect that had been flagged in some studies is an increase in domestic violence because of women’s participation in savings-based group models. In their meta-study, Brody et al. (2015) did not find evidence for this in the long term. Women indicate that “even if domestic violence occurs in the short term, in the long term the benefits from SHG membership may mitigate the initial adverse consequences of SHGs on domestic violence”.

4.3 Scaling

The most important factor to consider in terms of scale is the complexity of the financial products that are offered to the group. More complex products usually require support and monitoring by financial institutions, which involves a large financial burden, according to Anderson (2014). That SHGs have the potential to scale is demonstrated in India, where the National Bank of Agriculture and Rural Development (NABARD) estimates that over 33 million women have been linked to banks for financial services through 2.2 million SHGs by March 2006 (Sinha, 2006). Savings groups usually have a more simple set-up, and can be managed by the members themselves. SG coverage expands as groups replicate, which may be facilitated by community-based agents even after the initiating organisation has left (Aga Khan Development Network, 2010). An example of a programme that continued to grow after the initiating organisation left, is a programme by CARE in Zanzibar. After CARE left, total group membership rose from 1,272 to 4,552, which is an increase of 258% and an annual growth rate of 38% (Anyango et al., 2007).

4.4 Sustainability

Whether sustainability is relevant for savings-led group models could be questioned. Some types of groups are time-bound and cash out after set periods of time, for example one year. It is then up to the groups' members to either reform for another period or not, depending on whether they continue to see added value. For savings-led groups that are backed by financial institutions, sustainability may be of more importance. A study among Indian SHGs showed that 48% of the SHG members stay on for at least five years, including 12% of members that stayed for over 8 years (Sinha, 2006). Reasons for SHGs to stop functioning in this sample were a) the SHG was not able to provide bank loans, b) members defaulting on loans, c) differences over savings requirements, d) poor members being unable to save, e) groups unable to function without support staff and f) loss of records (Sinha, 2006).

4.5 Applicability of impact

Gender

Empowering women is one of the ends to which savings-led group models have been employed. The effects that these models have on women's empowerment has been subject to various studies. A common indicator for empowerment is female decision-making power. Figure 1 depicts the theory of change that explains the assumed link between the two. The two meta-studies have a slightly different take on these effects. Gash et al. (2017) notes that results are mixed: some studies find positive results, others do not. The author suggests that the effects of a standalone savings group may be limited without additional interventions, and puts forward that differences in results may be explained by context variations. Brody et al. (2015) found more positive results, and concluded that self-help groups "can have positive effects on women's economic, social, and political empowerment. However, we did not find evidence for positive effects on psychological empowerment." They also note that integrated programming may be more effective to achieve women's empowerment.

Poor

This intervention is particularly suitable for those who are too poor to gain access to finance through formal channels. However, Brody et al. (2015) report that women in self-help groups mention that the very poor and marginalised are less likely to participate. They may not have sufficient money to contribute as savings, or may face social exclusion. If these groups were to be included, incentives may be needed.

4.6 Enhancing the intervention

Integrated programme planning may be more effective to empower women. For example, by engaging men in questioning of gender norms and power dynamics, which may lead to better co-operation and sharing of activities at the household level (Brody et al., 2015).

5 Key success factors

Indications to increase success

Literature on success factors is limited. In their reviews, Anderson (2014) and Gash et al. (2017) call for more research on this topic, for example by comparing successful and unsuccessful groups. The following points of attention to achieve successful savings-led group models could be surfaced:

- Build in flexibility to adjust programme parameters to local conditions (Brody et al., 2015).
- Grey literature suggests that “Factors such as institutional and local support, supportive policies and government, and perhaps support structures such as consortiums or federations may increase sustainability of groups.” (Anderson, 2014)
- Integrated programme planning may be more effective to empower women. For example, by engaging men in questioning of gender norms and power dynamics, which may lead to better co-operation and sharing of activities at the household level (Gash et al., 2017).
- The very poor and marginalised may need incentives to participate (Brody et al., 2015).
- Good group leadership is of importance to prevent corruption and money losses.

“For savings and loans groups, training and support for financial management is critical. Provision of loans should also be tied to an assessment of groups’ financial needs and capacities. However, the impact of such training or assessments have not been rigorously evaluated.” (Anderson, 2014)

6 Barriers addressed

Inputs

The key barrier that is addressed by this intervention is access to finance on entry-level, suitable for the poor and remote. Savings-led group models provide a secure place to save and the opportunity to borrow small amounts of money on flexible terms. They decrease the vulnerability of households to financial shocks. Especially savings groups are simple, cost-effective and transparent (Aga Khan Development Network, 2010).

7 Questions for further research

Absence of evidence is not evidence of absence. To be able to draw more firm conclusions about the impact (or lack thereof) of savings-led group models on farmer income, the following knowledge gaps would need to be filled:

- There is a lack of robust, experimental evidence that demonstrates the link between participation in savings-led group models and an increase in (farmer) income, as well as the size of this increase.
- Although studies conducted on savings-led group models may use samples that included farmers, the studies in the scope of this review did not have a sole focus on income through agricultural activities.

There is little information available to pinpoint essential context factors for success.

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Report WCDI-18-037

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