Savings Groups amidst the Covid-19 Crisis

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About FSD Zambia
Zambian Financial Sector Deepening Limited (FSD Zambia) is a Zambian organisation working closely with key players throughout the economy to ensure that all Zambians are financially healthy, particularly the most excluded and underserved. We help rural families, women, youth, low income people, and other households in Zambia to understand and access a wide range of sustainable, comparable and affordable financial services. To expand financial inclusion, we collaborate with both public and private sector institutions to make financial markets work better. FSD Zambia enhances trust between clients and suppliers of financial services by helping to bring people together, cultivate understanding, stimulate innovation, and lower costs. In this way all women, men, girls and boys can learn about, choose, and use a wide range of financial services that have the most positive impact on their lives. FSD Zambia enjoys the active support of financing partners UK Aid, SIDA, Rural Finance Expansion Programme (RUFEP) and Comic Relief/Jersey Overseas Aid.

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Savings Groups amidst the Covid-19 Crisis
Savings groups (SGs) are globally considered to be a reliable and sustainable tool for community empowerment programmes. In Zambia, SGs are increasingly becoming the cornerstone for expansion of financial inclusion, especially among the rural, unserved and underserved populations. With over 800,000 members in Zambia¹ comprising 80% women², their impact on members cannot be underestimated. SG cumulative savings currently³ stand at over ZMW82,904,562⁴ ([$4.5 million equivalent]) and mostly provide an estimated return on savings of over 30% per annum on savings⁵. They therefore provide a critical engine for economic opportunity, a source of social cohesion, and a safety net for many families in vulnerable situations. Members have access to savings, credit and a social fund that they need to build resilience and enable them to respond to some crises.

Field evidence and recent impact studies conducted by FSD Zambia and other partners continue to reveal the positive impact these groups have on people's livelihoods. The FSD Zambia 2019 impact assessment demonstrated that important benefits derived from SG membership were smoothed consumption (85%) and improved ability to pay school fees (73%). On loan and share-out utilisation, most respondents (86%) invested in businesses and other income generating activities and 42% purchased farm inputs.

The current Covid-19 global pandemic poses a significant threat to the impact and sustainability of SGs. Covid-19 is spread through direct contact with infected people and indirect contact with surfaces in the immediate environment or objects used by infected persons⁶. This poses a health threat to SGs, as they conduct in-person meetings near each other and transact with cash. Some SG members also engage in high risk areas, trading in busy markets and engaging in larger numbers of cash transactions.

¹12% of Zambian adult population, Finscope 2015  
²SAVIX MIS Dashboard March 2020  
³This is in early months of most cycles in Zambia, as cycles are set between January and December to coincide with period when members have the greatest need for lump sums. Funds at share out are used to buy farming inputs, pay for education, invest in housing infrastructure or invest in an income generating activity.  
⁴Ibid  
⁵Ibid  
The COVID-19 pandemic has potential to affect SG member incomes adversely due to travel and other restrictions on movements affecting both buyers and sellers of goods and services. This means that members depending on trade of goods and services from within and outside their communities cannot buy nor sell goods. Lockdowns imposed on economies due to COVID-19 also entail that there are fewer people to buy goods and services. The pandemic could also affect SG member’s health or their families further affecting their ability to generate income as SG members could be ill or be giving care to family members (SG women members are mostly primary caregivers in their families).
In its periodic updates, the World Health Organisation has stated that it is not known when the situation will normalise. While the real impact of COVID-19 on SGs is not yet known, precautions can be made to reduce the possible effect of this deadly pandemic. The WHO and MoH warnings include social distancing of 2 meters between persons, regular hand washing and sanitising of areas such as counters or doors which are handled by many persons, covering mouth and nose when coughing, staying away from crowded places and exposure to others, and wearing masks when near others or those who are coughing.
How can savings groups and their members re-strategise and cope during this period?

In addition to observing Government guidelines regarding individual and national safety as listed above, members could adopt some of the following measures:

1. Consider reducing meeting times and/or frequency of meetings to a few members at a time. This is due consideration of social distancing; members in risk categories (elderly, pregnant, sick or have pre-existing health conditions such as diabetes, heart conditions, or HIV) should appoint a proxy to participate on their behalf.

2. If members must attend meetings, enforce handwashing, make cleaned gloves available for money counters and persons holding keys to the cashbox.

3. Where possible, avoid in-person meetings and consider transaction via digital means or mobile money. This could include having a few people collect the funds, record member contributions, and consolidate them. The management committee can then disburse loans and pay out social funds as required.

4. Ensure security of funds as they may be at risk of being compromised when normal meetings are not taking place. Groups could entrust the funds with the treasurer or find alternative means such as saving funds in a digital wallet or digital SG and bank products.

5. Decide on how to handle social fund to assist members in emergency cases. This could include determining how the fund can be appropriated to members both directly and indirectly affected by the pandemic.

6. Encourage members to continue saving even as little as the minimum share amounts, as these will be helpful during the post-pandemic recovery process.

7. Consider contingent repayments which allow for rescheduled or accelerated savings and repayments. Groups could opt to stop lending entirely; change loan terms; lower loan values or stop lending altogether; and accelerate share-out timing. If members see an immediate need to access their savings or are concerned about the risk of losing funds with the group in the near term, consider accelerating the share-out. However, share-outs should not take place before outstanding loans are repaid.

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Some measures have been adapted from: https://www.care.org/sites/default/files/documents/care_covid-19_savings_group_guidance.pdf, 2020
Savings Groups amidst the Covid-19 Crisis
Due to varying circumstances the flow of funds in SGs is likely to be disrupted. Members might want to hold on to their funds they have in case of emergency; hence save less. There are also possibilities of members' loss of income due to economic disruptions such as temporal closure of some businesses and companies. Hence, loan availability and subsequently, members’ return on their savings at the end of the cycle would also be affected. Reduced loans and share-outs will have a negative impact on member livelihoods. These implications may be worse for female members who are mostly primary caretakers in homes ensuring that their households are catered for first.

More can still be done

For SG members, this could be an opportunity to look to digital means for some transactions. This should however be done without compromising the groups' social element.

Financial Service Providers (FSPs) and Mobile Network Operators (MNOs) could use this as an opportunity to leverage formal linkage and develop products with features that are convenient and meet the security needs of SG members in the period and beyond.

SG implementing organisations and community-based trainers could enhance awareness measures on the implications of the pandemic to help these groups re-strategise.

FSD Zambia will continue to support the efforts of likeminded NGOs, FSPs and MNOs to ensure SG sustainability and growth. FSD Zambia will continue supporting efforts to expand SGs and women participation in SGs to provide more women access to financial services offered in SGs. Furthermore, FSD Zambia will collaborate with ZICTA and MNOs to encourage digital financial transactions to avoid members handling cash which could be a conduit for the corona virus. FSD Zambia recognises some of the infrastructural (network signal, electricity and cell phones) challenges members face in accessing digital financial services. FSD Zambia will collaborate with partners to explore ways to increase digital financial services by increasing the number of women with phones and a solar charger in places without electricity. This will be done through distribution of phones and low- process solar chargers to SG members in rural areas.

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8Look out for our upcoming publication on linkage opportunities for informal finance
SGs still remain critical for financial inclusion and as a resilience mechanism

SGs are important for economic development, resilience and financial inclusion. They can still serve as a safety net for members during this period, because one of the objectives of SGs is for members to be able to meet emergency needs. SGs remain a source of quick funds to cushion members during this stressful period. The goal is to be able to adjust accordingly during the COVID-19 crisis period whilst maintaining group quality and safety of group funds.