

## Guidelines for Working with Savings Groups



Nicole Baker, Stephanie Esmond, Konstantinos  
Georgiadis, Reed Gontarek

January 4<sup>th</sup>, 2015

Abstract: After seven weeks working with the savings group in Langrug, the team compiled recommendations for outside groups working with savings groups or for communities hoping to start their own savings groups. The following document outlines a set of fundamental concepts that might be helpful when attempting to start or assist a savings group.

Authors: Nicole Baker, Stephanie Esmond, Konstantinos Georgiadis, Reed Gontarek

WPI Project Advisors: Steve McCauley and Scott Jiusto

Series Editor: Scott Jiusto

Project Partners: Community Organisation Resource Centre, Langrug Community

Project Website: For much more on the project from which this report derives, please see <http://wp.wpi.edu/capetown/projects/p2014/wash-up-business/>

CTPC Publication Date: January 2015

### ***About the WPI CTPC Community Resources Series***

Community Resources publications are designed to assist residents, community-based and non-profit organizations, local government, students, educators and others working toward sustainable community development in disadvantaged communities in South Africa and elsewhere.

Documents may be downloaded at <http://wp.wpi.edu/capetown/resource-library/>. If you have inquiries or would like permission to reproduce, republish, or substantially adapt the content of this document for other non-profit purposes, please contact us at [ctpc@wpi.edu](mailto:ctpc@wpi.edu).

The Cape Town Project Centre (CTPC) is part of the Worcester Polytechnic Institute (WPI) Global Projects Program offering WPI students project opportunities in two dozen centers around the world. Each year, about 26 CTPC third-year undergraduate students from our US university work closely in small groups with local Cape Town organizations and communities on issues posed by our local partners. This report is one of a number of project outcomes produced during two months of fieldwork in Cape Town. See the CTPC website for more information: <http://wp.wpi.edu/capetown>.

Copyright © WPI 2014

A savings group is a small organization of community members who wish to generate savings for specific reasons. These groups are common in informal settlements and are often used to help community members save money for community purchase or community upgrading projects. Approximately three months prior to the team's arrival, a savings group had been started in the Langrug community. The group was started in July 2014 as a way to save for community projects, such as the WaSH-UP facility.

After our WPI WaSH Business team had finished weeks of preparatory research and met the community members, it was decided that the savings group in Langrug would be used as the basis for the business model in the WaSH-UP facility. This model was chosen because it was already an established group with existing funds, community members were actively participating in the group and it could operate as a business without the paperwork, tax liabilities and accounting required for formal businesses and cooperatives. As with all models, the team found many flaws in the savings group system. In particular, the team found that there were fundamental problems with the management of the group reflecting severe community dynamic issues that directly impeded the group's progress.

After seven weeks working with the savings group in Langrug, the team compiled recommendations for outside groups working with savings groups or for communities hoping to start their own savings groups. The following document outlines a set of fundamental concepts that might be helpful when attempting to start or assist a savings group. The topics addressed are:

- 1) Defining the purpose of savings
- 2) Establishing the difference between community and personal savings
- 3) Defining leadership responsibilities
- 4) Establishing a procedure for meetings and operations
- 5) Developing strong community dynamics
- 6) Establishing a working relationship between the community and the savings group

### Savings Group Recommendations

The WPI WaSH Business team learned valuable lessons through creating the Sidiniwe Savings Group constitution. The team discovered many key elements that are easily overlooked when working with savings groups. These lessons may serve as guidance for groups with similar goals.

## 1. Clearly define the purpose of savings

While in Langrug, the team spent the first two weeks working intensely with the savings group members to define the purpose of the savings group. After these weeks it seemed as if this purpose was clearly defined: to save for community projects to benefit the community. However, in the later weeks of the project there was much uncertainty in the group around what the purpose of the group was. This type of misunderstanding only leads to further discord and trouble in these fragile groups.

This problem might be avoided by clearly defining the purpose of the savings group as the group is forming. Even if the group is very small at this stage, it is crucial that all members agree what the group goal is. If all members are able to visualize the same clearly defined goal, the group will be much more effective in moving forward and gaining more members. Although the Sidiniwe Savings Group was under the impression that they had a clearly defined purpose, there were many discussions where this purpose was debated. In order to address this problem the WPI team facilitated the group in composing their own savings group constitution. The first step in the constitution process is defining a purpose. The team spent many days with the group brainstorming different purposes and then consolidating the ideas of all members into one defined purpose.

For more information, see:

<http://wp.wpi.edu/capetown/projects/p2014/wash-up-business/acts-and-scenes/act-3-the-world-isnt-all-sunshine-and-rainbows/>

## 2. Establish the difference between community vs. personal savings

When the WPI group arrived in Langrug, a savings group had already been in operation for approximately three months. While these groups are often established for personal and communal use, this group was founded with the purpose of community savings only. The WPI team found that this was one of the main drawbacks to this savings group. The group was unable to gain new members because they lacked a personal savings element. Before volunteering what little money they had, community members wanted to see what the savings group was able to do with their savings. Unfortunately the group did not have much to show for their savings, as only six members were contributing, and for just 3 months.

To avoid this problem, at the start of the savings group process it is important to establish the difference between personal and community savings. Once community members are able to understand the difference between the two, and establish a complementary balance between them, it will be easier to ease them into the savings group process. Starting with personal savings, new members will be able to get acclimated to the savings system. They will learn how to track their



own personal savings, make scheduled contributions and see their own money grow. After that foundation is established, members can then phase into the community savings. Once members see how they directly benefit from the group they will be more apt to contribute toward community projects. This in turn will increase the effectiveness of the savings group as a vehicle for facility sustainability. The WPI team took steps to define the difference between the two types of savings while in Langrug, but it was a difficult process because the group had already been in operation for a few months. At that point the group had already formed opinions on what defined each type, which were rather confusing and we believe harder to clarify than it would have been with a new savings group.

### 3. Define leadership responsibilities

As the team worked with the Sidiniwe Savings Group we gained insight into how they managed the group. The members loosely described the positions and responsibilities of the members. The problem was the savings group did not hold members accountable to follow through with their duties. There were assigned roles, but often, the members in those roles failed to carry out their duties. Unfortunately, this appears to be a major issue within these types of groups especially when the roles involve handling other members' money.

In order to circumvent any group issues regarding roles and responsibilities, specific positions in the savings group as well as the responsibilities of those positions should be clearly defined in the constitution. For example, if the group chooses to have a secretary, collector, treasurer and chairperson the specific duties of each of those positions should be written in the constitution and must be followed by the elected persons. This defined set of responsibilities is a way to hold members of the group accountable for their actions. If they possess a leadership role within the group, all members will be aware of the duties defined in the constitution and more likely to be able to hold each other accountable for carrying out those duties. Outside facilitators may be particularly helpful at this stage in the process, for they can closely monitor the performance of the group early on as well as provide support to establish more effective practices.

To approach this issue with the Sidiniwe Savings Group, the team helped them write out the current positions in the savings group and who held them. Next, the savings group members walked through what were the current responsibilities of each position. Lastly, when drafting the constitution the team and the savings group members collaborated to create a list of tasks and responsibilities within the group. Then the two groups worked together to modify the existing management structure to add new positions and responsibilities to support the group.



#### 4. Establish clear procedures for meetings and operations

One thing that the WPI team hoped to observe in our time in Langrug was a savings group meeting. The group informed us that they scheduled monthly meetings at the beginning of each month. However, despite spending two months in the settlement and multiple requests to see a meeting held, there were no meetings held throughout our time in the community. The group does not have a set date, time or meeting place for these meetings to happen which, along with other reasons, contributes to failure to meet.

In Savings Groups, scheduled meetings, whether weekly or monthly, are imperative to convey the current activity of the group, collect member contributions, voice group concerns and update financial records of the group, so meeting parameters should be clearly set forth in the constitution. Regular meetings help the group acclimate to the routine of savings and also allows for exchange of ideas and concerns of group members and to discuss and plan new community projects.

In an attempt to establish a set meeting procedure with the Sidiniwe Savings group, the WPI team first asked the group if they would call a meeting for all members to attend. This did not happen perhaps as a result of scheduling as well as ambivalence about the savings group itself. As an alternate approach, the team decided to clearly outline a meeting schedule in the constitution for the savings group. It was the team's hope that the savings group would stick to the written schedule. However, the team hypothesizes that the group and similar groups would be more successful in achieving regular meetings if they were scheduled by an outside organization who could help facilitate the meetings in the early stages of the group.

For more information:

[Kiosk Inventory for Mandela Park WaSH Facility PDF](#)

[Agenda Outline PDF](#)

[Meeting Minutes Template PDF](#)

## 5. Continuously cultivate strong community dynamics

Throughout this project, the team encountered an unexpected fundamental challenge within the group. After several weeks of hard work with the community members, it was brought to light that progress was being hindered due to interpersonal community dynamic issues. In informal settlements, trust and communication are often underdeveloped social skills. Community members often do not have a mutual trust for one another, especially in matters of money. Additionally, communication and expression of opinions is often an issue in group settings. The extent of these issues was unbeknownst to our group before our arrival, and the issues were easily overlooked when dealing with the systematic savings group process.

When beginning a savings group or writing a constitution, it would be beneficial to assess dynamics within the group before moving forward. This assessment would include addressing interpersonal dynamics likely to affect the group by asking questions such as: Who is in the group? Who works well together? Who are the leaders? Who is employed? Because savings groups handle critical issues such as community development and money, fostering strong leadership and interpersonal dynamics will increase the likelihood of success established. Above all else, this element must be strong before any other progress can be made within the group. If members of a savings group do not form a sense of mutual trust and an effective communication network, success is unlikely. While this element is the most difficult to address and to establish in these types of communities, our group's experience has led us to believe that is it perhaps the most important aspect of the savings group.

Establishing strong community dynamics is essential to the progress of a savings group, yet it is quite contradictory. Savings groups are often established as a strategy for strengthening communities. They offer a way for community members to save money, to make collective decisions, to get to know one another better and to have a sense of responsibility. However, the WPI student group discovered that these “strengthening” aspects could cause a huge strain on the community dynamics before strengthening them. The informal settlements where this type of community upgrading work is done are often very fractured and fragile communities. The people in these communities have been through very tough and sometimes unimaginable hardships. They often have a poor sense of self-worth, have very deep-rooted trust issues and are not familiar with the community dynamic of working together. Therefore, they have a tendency to be reluctant to build a community network reliant on trust and responsibility that extends beyond family and close friends.

Encouraging Sidiniwe members to discuss inter-personal problems that were upsetting group operations allowed them to air concerns and share personal histories in ways they indicated were novel to them. This in itself was a major accomplishment for our team. The team accomplished this by framing group discussions with deeper questions such as “Why don’t you trust one another?” “Why are people unhappy with this system?” “Why have you decided to come together to fix this problem?” Without the facilitation of an outside group, it is unlikely that these essential conversations would ever be held. Thus, facilitating organizations can have a huge impact by encouraging these types of conversations and by asking the harder “why” questions which are rather taboo in these communities.

While these conversations were an important step in the progress of the WaSH-UP facility, they did not take place without some backlash. In our experience, airing grievances and sharing new ideas occasionally lead to wallowing and a decrease in group morale. These difficult conversations were often tiring and touched upon many uncomfortable topics. To avoid damaging morale and creating more group tensions, it might be best for a facilitating organisation to try different approaches. Breaking into small groups, organizing visual and interactive activities or even just knowing when to take a break and revisit a topic can be very useful tactics for facilitating a productive discussion around difficult topics.

## 6. Establish a working relationship between the savings group and the community

Upon arriving in Langrug, the two WPI project teams under the advisement of our sponsor CORC and our WPI advisors, established two distinct groups within the overall project team. One team consisted of women who were more interested in managing the finances and recordkeeping of the facility and worked with the WPI business team. The other group consisted of women who were more interested in developing services and programs and worked with the WPI services team. It was initially thought that this division would provide for an efficient way to move forward. However, the WPI team soon realized that this system might have done more harm than good.

The team was unaware that prior to our arrival and during our stay there was a divide in the community between the members of the savings group and the rest of the community members.

The savings group had become an “exclusive” group and many other community members were apprehensive to join the group or felt unwelcome. This was a major issue because in order for any progress to be made, it was important that the savings group gain more members. Our teams amplified this problem somewhat by dividing the co-researcher into two groups, with the savings group member on the business team and the non-savers on the services team. This led to issues when the two groups were left alone or had to work on collaborative projects. When working in similar communities it would be best for facilitating organizations to keep the group as one, or establish the concept of group collaboration to eliminate the possible division of the community.

## Conclusion

In general, informal settlement upgrading is a complicated area of work that requires time, patience and open-mindedness. An important aspect about this work is the constant sharing of ideas and information across groups. The more experiences that are shared, the more effective upgrading programs will be. Our group hopes that our experiences we have shared will serve as an important reference for others in this line of work in the future.

