

# GENDER SAVINGS GROUPS. FORMALIZING VILLAGE SAVINGS GROUPS WITH A GENDER LENS - EGYPT CASE STUDY



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Fish retailer Nesma Abdel Nabi is the money box keeper for the El Zahoor village savings and loan association in Abu Mustafa village, Kafr El Sheik governorate, Egypt. Photo by Kate Bevitt.

## INTRODUCTION

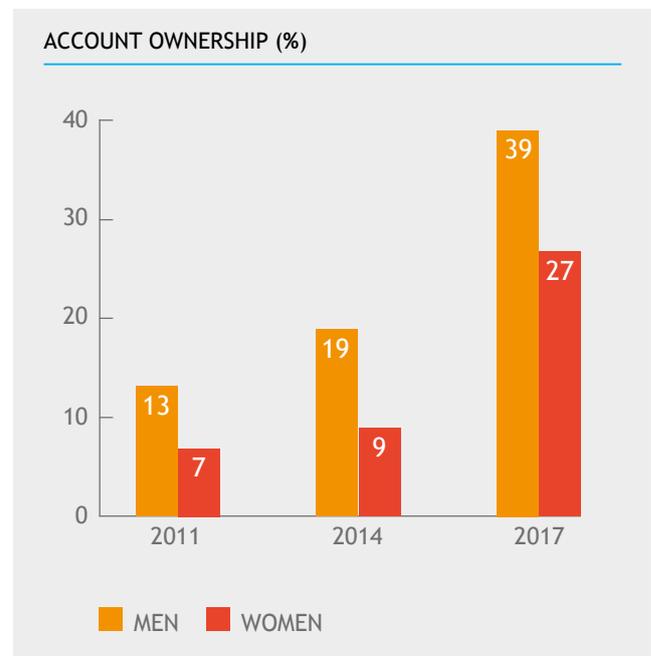
Egypt is the most populous country in the Middle East and the third-most populous in Africa (after Nigeria and Ethiopia) with a population of 98 million people (2019) living in 27 governorates. In 2016, the Government of Egypt implemented the first phase of macroeconomic and structural reforms which successfully addressed several deep-seated issues to stabilize the economy and sustain growth.

In its financial year 2018/19 (FY2018/19), Egypt grew its gross domestic product (GDP) by 5.6 percent, its highest in 10 years. This compares with 4.7 percent in FY2008/09. However, while macroeconomic indicators have improved, social conditions remain challenging, especially for women. To mitigate the unintended effects of macroeconomic reforms on disadvantaged segments of society while encouraging investment in human capital, the government has scaled up key short-term social safety nets, such as higher allocations of smart cards for food, and expanded its targeted conditional and unconditional cash transfer programs. Among the recipients of the government's Takaful cash transfer program, 89 percent are women. Data from the Central Agency for Public Mobilization and Statistics (CAPMAS) show that women comprise 49 percent of the country's population and 20.9 percent of its labor force. Unemployment among women is high, at 21.4 percent compared with 6.8 percent for men. Given that women are breadwinners in over 3.3 million households, enhancing entrepreneurship and financial inclusion among women is critical for Egypt's social and macroeconomic progress. Currently, the country's financial inclusion rate for women stands at just 27 percent compared with 39 percent for men.

Under the Egypt Vision 2030 national agenda, the government foresees inclusive development, and economic and social justice as salient to national prosperity. Women are regarded as key players in sustainable development and are guaranteed equal rights and protection under the law to economic, social and political opportunities. For example, Article 9 of the Constitution of the Arab Republic of Egypt mandates that "The State shall ensure equal opportunities for all citizens without discrimination" while Article 11 commits the State "to achieve equality between

women and men in all civil, political, economic, social, and cultural rights," and "to take the necessary measures to ensure appropriate representation of women in the houses of Parliament." The empowerment of women would allow them to capitalize on their strengths and self-realization to contribute to Egypt's economic development. In fact, many initiatives have been undertaken to enhance women's economic, social and political empowerment so that, for example, women now hold 24 percent of ministerial portfolios and comprise 15 percent of members of parliament.

The Central Bank of Egypt (CBE) is currently developing a gender-inclusive financial system that addresses the barriers faced by women and has brought women's financial inclusion to the forefront of its policy agenda. Among CBE's initiatives is the Savings Groups project to enhance financial literacy among women so they can avail themselves of the financial services and products that suit their needs. In addition, Savings Groups can facilitate the transition of women from the informal to the formal financial system via innovative technology solutions. Savings Groups are therefore of interest to regulators and financial institutions since they enable the servicing of new and underserved markets while also contributing to sustainable development goals such as zero poverty and the reduction of gender inequality.



## 1. WHAT IS A SAVINGS GROUP<sup>1</sup>?



A Savings Group is a form of village savings and loans association (VSLA). It usually consists of between 15 and 30 members from a community who meet on a weekly basis. Members can draw loans from a collective fund which they repay over a period of between nine and 12 months, with or without interest. Savings Groups are organized and function as a platform to educate members on the basics of savings, loans and entrepreneurship.

Each group develops a constitution that codifies policies as well as governing structures and procedures. Members' savings and loan transactions are typically recorded in individual passbooks or a central ledger, though some groups operate with paperless, memory-based, record-keeping systems. Surplus cash and records are kept in a lockbox and three key-holders each hold one key to prevent unauthorized access. On the maturity of the collective fund, a 'share out' takes place, and each member receives interest income in proportion to their accumulated savings.

While variations of the Savings Groups model have been introduced, the model remains highly standardized. A Savings Group determines its share price, loan interest rate, maximum loan duration, loan priorities, and social contribution, and establishes a system of fines for infractions of group policies. The social contribution pool of funds can be accessed by members (with the group's permission) in the form of an interest-free loan or a grant in emergency cases.

## 2. A BRIEF HISTORY OF SAVINGS GROUPS IN EGYPT



Savings Groups were introduced in Egypt in 2009 through the "Banking on Change"<sup>2</sup> program under the project "Zeyada" in the governorates of Upper Egypt, Menia, Sohag, and Assuit. In 2013, UN Women collaborated with CARE, an international NGO, to implement Savings Groups in Assuit, Menia, and Beni Suef as part of the five-year EU-funded project, "Securing Rights and Improving Livelihoods of Women"<sup>3</sup>. This project reached more than 18,000 members, 92 percent of whom were women who received training in social empowerment and financial literacy. In total, these women would accumulate savings of more than EGP4.5 million (USD278,000) outside the formal financial system over the lifetime of the project.

Plan International Egypt,<sup>4</sup> an international development and humanitarian organization, also implemented the

Savings Groups model, mainly in the Cairo, Giza, and Qalyoubiya governorates. In 2016, it reported more than 9,000 groups which had a total of 112,460 members (76 percent of whom were women), with a total savings of EGP15,591,340 (USD966,000). Each group had an average of 13 members and an average savings of EGP1,732 (USD107).

Following the AFI Global Policy Forum (GPF) in Sharm El Sheikh in 2017,<sup>5</sup> a memorandum of understanding was signed between CBE and the National Council for Women (NCW). One of its areas of cooperation was "Endorsing a national project to promote savings and women's entrepreneurship building on the Saving Groups Model". This project foresees CBE playing a key role in establishing the regulatory framework for financial inclusion, and in the formalization process of the Saving Groups model.

Building on the success of the informal Savings Group model, CBE organized a series of meetings and workshops for all the new project's stakeholders in late 2017. This was to ensure the successful aspects of the previous model would be carried forward for the newly developed financial product. The main stakeholders for the pilot project were:

- > Central Bank of Egypt
- > National Council for Women
- > Alex Bank
- > UN Women
- > Care International (CARE)
- > Vodafone Egypt
- > National Telecom Regulatory Authority
- > Egyptian Money Laundering and Terrorist Financing Combating Unit (EMLCU)

1 For more information see AFI Guideline Note No. 41, Upscaling and Integrating Gender Savings Groups Into the Formal Financial System at <https://www.afi-global.org/publications/3543/Upscaling-and-Integrating-Gender-Savings-Groups-Into-the-Formal-Financial-System>

2 Banking on Change: Breaking the Barriers to Financial Inclusion, 2020, available at [https://www.care.org/wp-content/uploads/2020/05/Banking\\_on\\_Change\\_Breaking\\_Barriers\\_\\_April2013.pdf](https://www.care.org/wp-content/uploads/2020/05/Banking_on_Change_Breaking_Barriers__April2013.pdf)

3 The European Union, UN Women Egypt and National Council for Women celebrate the successful completion of 'Securing Rights and Improving Livelihood of Women' Project, UN Women, 2017, available at <https://egypt.unwomen.org/en/news-and-events/stories/2017/12/securing-rights-and-improving-livelihood-of-women>

4 Savings Groups, Microfinance and financial inclusion, Plan International, available at <https://plan-international.org/skills-and-work/savings-microfinance>

5 Sharm El Sheikh Accord, Alliance for Financial Inclusion, 2017, available at <https://www.afi-global.org/news/2017/09/afi-global-policy-forum-13-15-september-2017-sharm-el-sheikh-egypt>

### 3. CONSTRAINTS OF THE INFORMAL SAVINGS GROUPS MODEL



The original informal Saving Groups model faced several challenges in its implementation:

#### Funding

The lack of funding was one of the main barriers to the sustainability of the project because it meant that facilitators who provided weekly information and education sessions on savings and lending to members could not be paid. This hindered the process of scaling up the project.

#### Limited opportunities for economic growth

The original Savings Group model was built around aggregating small savings amounts, which reduced members' access to larger loans needed to start up or expand their business. Due to the informal character of socially organized Savings Groups, the government was unable to link Savings Groups to supply chains to overcome this limitation. The lack of formality and documentation also meant that even if a member had an excellent record of regular savings, she could not demonstrate this with a bank to build her credit history. The women in these groups wanted greater financial independence through savings and borrowings but the current modality could not fulfil their needs.



### 4. LINKING INFORMAL SAVINGS GROUPS TO THE FORMAL FINANCIAL SYSTEM

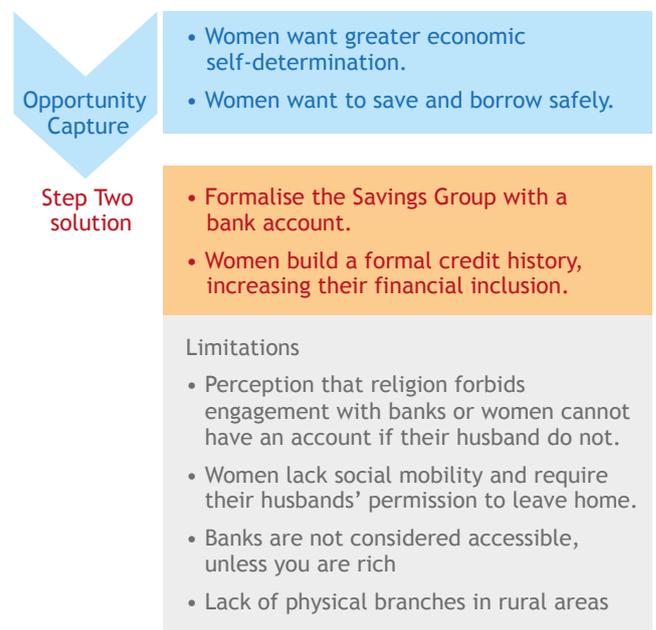


#### Offering formal financial products

The initial concept for the pilot project was to formalize Savings Groups so that rural women have access to finance through the

physical banking sector. By offering them formal financial products, banks are able to assess the savings and repayment patterns behavior of Savings Groups members. This can also facilitate their transition toward becoming microfinance clients at a later stage. With access to finance and the opportunity to develop their entrepreneurial skills, the women could run their own businesses which would make them more creditworthy to banks.

CBE conducted several field visits and in-depth interviews with Savings Groups members to gain a better understanding of women's perception of banks and their specific financial needs, in order to design suitable financial products for them. Among some their responses was that they thought it was forbidden by religion to deal with banks, and that their neighbors would think they were rich. Moreover, they believed they could not hold a bank account if their husbands do not, aside from the fact that many women cannot leave their homes without their husbands' permission. The women expressed their need for financing to start up their own business, support their children's education, pay for marriage and health expenses, and much more.



During a review of the interview responses and potential solutions, one option explored was to issue the women a debit or prepaid card to reduce their need to come to a physical bank. However, in rural areas there is a lack of ATMs, making accessing funds just as difficult as going to a physical branch. It was noted during that research that the availability of banking agents was much more prevalent.

CBE is currently working on issuing agent banking regulations that will allow Savings Group facilitators to become banking agents, hence reducing time and cost for both the women and the bank. By becoming a banking agent, the facilitators would also be guaranteed a full-time job with a sustainable source of income. Additionally, this would serve as an incentive for the facilitators to scale up the reach of Savings Groups. To ensure the success of the model, facilitators will also be provided with the required training to become banking agents. Current regulations<sup>6</sup> allow group facilitators to be mobile wallet agents performing KYC, cash-in and cash-out transactions.

### Introducing digital financial services (DFS)

The insights gained from the interview responses of the Savings Groups members pointed toward the introduction of DFS as a way to formalize the Savings Groups model. This realization was coupled with the fact of Egypt's 96 percent mobile SIM penetration ratio. CBE has begun to formalize Savings Groups by using a bank-led model of DFS, capitalizing on existing mobile payments regulations and applying simplified KYC regulations. This innovative approach will require multisectoral collaboration. Potentially, it has the scale to support women's access to finance when their physical movement is restricted, especially given the COVID-19 pandemic.

Opportunity  
Capture

- Women want greater economic self-determination.
- Women want to save and borrow safely.

Step Three  
solution

- Formalise the Savings Groups by using mobile wallets.
- Build a formal credit history to increase women's financial inclusion.
- Provide women with a smartphone, if they do not own one.
- Support women's financial literacy.

Limitations

- Low levels of literacy (40 percent), including digital literacy.
- Providing women with a free smartphone was not sustainable or scalable.
- Trust in digital village savings and loans associations (VSLAs) is low due to their lack of a profile and publicity.
- The digital pin number of the Savings Group account is provided to one group member instead of three key holders as previously, a potential risk factor.

With the introduction of the new digital Savings Groups model, members can learn about the uses and features of the mobile wallet that are beneficial in their daily lives (e.g. money transfers and bills payments). The choice of mobile network operator (MNO) is key to ensure adequate coverage for the level of DFS required.

## 5. OVERCOMING DIGITALIZATION CHALLENGES

 Digitalizing the Saving Groups model poses regulatory, technical and cultural/trust challenges since the MNO's wallet must be aligned with the characteristics of the original Savings Groups model and the women in the group must trust the new system if they are to use it regularly.

### Challenge 1: Creating a group wallet as a digital replacement for the physical Savings Group lockbox

Following consultation with all stakeholders, regulatory bodies, and in cooperation with the Egyptian Money Laundering Combating Unit (EMLCU) and the National Telecommunication Regulatory Authority (NTRA), it was decided to enable the creation of a group mobile wallet account in the same form as a joint bank account. Apart from NTRA and MNOs, the introduction of any financial inclusion product must be coordinated with the EMLCU to avoid any terrorism, fraud or illegal acts<sup>7</sup>. The level of coordination required reflects the need to offer different financial solutions that can meet the needs of the financially underserved population.

### Challenge 2: Security and access to the group wallet

In the original Savings Groups model, the three keys to the physical lockbox are kept by several group members to ensure that the box can only be opened during weekly meetings, when all group members and keyholders are present. Each time a member makes a deposit, her savings book is stamped so there is a visible physical record of deposits and withdrawals.

In the case of a group wallet, there is only one password. However, as with the physical lockbox of the original Savings Group model, there are three members who are authorized to authenticate all transactions on the group wallet. This means there would need to be three unique passwords, or one for each of the three authorized members and this is not possible.

<sup>6</sup> KYC Mobile Payments, MLCU, available at <https://mlcu.org/ar/>

<sup>7</sup> Internal Audit Sector Compliance Department, CBE Compliance Policy for Anti-Money Laundering, Combating Terrorist Financing, Central Bank of Egypt, available at <https://www.google.com/>



Members of the El-Zahoor village savings and loan association Abu Mustafa village, Kafr El Sheik governorate, meet weekly to contribute savings.  
 Photo by Kate Bevitt.

However, as masking of the unique password or giving each of the three authorized members only part of the password was not possible (for some MNOs), a way had to be found to create for each of them another type of key that comprises of three parts that need to be used together to “unlock” the “box”. The solution that was found most effective and workable is for the SIM card, the phone and the password each to be part of this new type of key, with the three authorized members holding one part each. Thus, the three authorized members must meet to combine their “keys” to access the mobile wallet and make the required transactions.

While this solution was not developed with any form of social distancing in mind, it has proved effective during the COVID-19 pandemic as Savings Groups have continued to remain active.

As a further security measure, the group wallet is linked to the individual wallets of each group member, and an SMS is sent to all members whenever a transaction takes place from the group wallet (sending money to any other wallet). This way all the members know what amount has been withdrawn and who has received it. When a member adds funds to her wallet, the MNO texts her a note that functions as a receipt and proof of deposit into the group wallet.

### Challenge 3: Lack of smartphones in disadvantaged areas

As the project was implemented in two of the least privileged governorates, some of the members access to smartphones was quite limited. The initial stage of the pilot provided the first 40 members with free feature phones. Over the longer term and as the Savings Group model scaled up, this would be unsustainable. Also, some people signed up to the group only to receive a free phone, leading to wastage.

After monitoring the first stage, it was identified that for the second stage a new approach was needed. The benefit of splitting the pilot into two groups meant that a pivot in direction was possible. For the second stage of the pilot, the remaining 60 members were given a subsidy of 20 percent toward the cost of a new feature or smartphone. To provide them the choice of cheaper phones, USSD<sup>8</sup> was adopted for the digitalization of the Savings Groups, a data transmission protocol that works with basic (cheaper) feature phones. Besides ensuring wider adoption, this resulted in many women purchasing a secondhand phone, which was both more cost-effective and environmentally sustainable.

<sup>8</sup> Unstructured Supplementary Service Data (USSD) is a technique to send unstructured data to mobile phones. A USSD code start with a \* and ends with a #. For USSD benefits see: <https://medium.com/@bongolive/ussd-advantages-10-reasons-why-businesses-should-use-it-7a2c68879035>

As a direct result of this project, there was increased mobile phone ownership among women in these villages, as well as higher levels of financial literacy because facilitators could then instruct them, using the phones, on the importance of savings, cash management, budgeting, and loans.

Another tangible impact was that women were able to use their individual mobile wallets to engage in other transactions, in addition to the weekly group savings activities, such as making utility payments and P2P transactions (at an average of six transactions per month/member). As these transactions could be done from home, they provided the women greater privacy, and thus financial independence.

#### Challenge 4: Incentivizing Savings Groups members to use DFS

Another very important challenge was to identify the incentives for Savings Groups members to adopt the newly developed digital solution. CBE had initially identified access to finance as the most important incentive but it quickly became apparent that members were looking for a way to establish or grow their

businesses, access emergency loans or asset building (such as home improvement, the expansion of existing homes, construction of new homes, and the acquisition of land). The limitations of the physical Savings Groups were the low amounts that could be accessed for these purposes.

The members themselves identified that by saving digitally they were able to demonstrate their creditworthiness to the banks, qualify for higher loan amounts, and invest more quickly in business creation and growth. This was not an anticipated outcome at the outset but highlights the appetite of the members to save and borrow to invest in their families and businesses.

Complementary incentives were provided by the participating bank and MNO, including mobile wallet products for daily use, non-financial services (e.g. financial literacy and capacity-building sessions), free health insurance, and free mobile top-ups with every transaction that takes place on the members' individual wallets.



Woman with mobile phone. Photo from the Central Bank of Egypt.

## 6. CRITICAL SUCCESS FACTORS IN DIGITALIZING SAVINGS GROUPS



Although the digitalization of Savings Groups has the potential to increase the number of members across Egypt and facilitate access to financial services for women in rural areas, it is crucial to maintain the touchstones of the original Group Savings model in making the transition from an informal savings pattern to a formal, digital savings pattern.

- > **Maintaining weekly meetings:** It is essential to maintain the weekly meetings of the Savings Groups members despite the digital nature of the financial product. Weekly meetings are an important aspect of the Savings Groups model since it is during these meetings that members become financially educated and update the ledger of their saving books, request loans, and take decisions regarding their saved money. Moreover, the weekly meetings are of great social value because they empower women to manage and decide on their household needs, such as their children's education, family health, or matrimonial matters. By extension, their ability to contribute to their community is also enhanced as they share their experiences of applying what they have learnt. Furthermore, there is an understanding that this approach achieves the highest degree of communication, interaction and cohesion, allowing women to stand up and speak for themselves, and become more economically and socially involved in collective decision-making.
- > **Due to the impact of COVID-19,** these weekly meetings have been done via phone, and are conducted in the same manner but in small groups of four or five persons. It is notable that compared with their counterparts in physical village savings and loans associations (VSLAs), the women in the pilot are continuing to meet and transact. This outcome provides a positive opportunity to scale up the pilot and discover more ways to add value to the group.
- > **Maintaining “no transaction costs” for the Savings Groups:** This was also a critical success factor for the digital model, where the bank and the MNO waived all associated cash-in and cash-out fees, in addition to maintaining no fees for transactions between the individual wallets and the group wallet.

## 7. PILOTING THE DIGITALIZATION OF SAVINGS GROUPS



The digitalization process for Savings Groups was piloted in three stages. The first stage saw the formation of two Savings Groups, and met its target of enrolling 2,000 women, mainly from Assuit and Beni Suef governorates. Following the success of this stage, three more groups were formed which included 100 more women from Beni Suef, one of the neediest governorates in Egypt. A quarter of the women in the Savings Groups pilot did not have a national ID and were assisted by NCW to obtain one; the digitalization of the Savings Groups requires national ID documentation as a basic requirement for opening a bank account.

The pilot also highlighted the importance of financial education for the members. Weekly sessions conducted by Care International (CARE) focused on teaching them basic numeracy skills, such as the ability to read numbers and perform basic calculations, and applying these to perform financial transactions using the phone. The sessions were intended to enhance the members' entrepreneurial skills and encourage them to establish and run their own businesses.

Lastly it is important to test digital financial product innovations, such as the opportunity to offer savings interest for digital wallets. After discussions with the women in the pilot, CBE are now developing the necessary regulations to facilitate this. This provides women with another incentive to move to digital VSLAs as they do not earn interest on their savings with physical groups.

CBE is currently in the process of mapping Saving Groups geographically in collaboration with NCW and CARE as part of its plans to scale up the digitalization to reach 100,000 women by 2021, and pave the way to reach millions at later stages.

## 8. POLICY RECOMMENDATIONS



An enabling regulatory environment is key to ensuring the successful digitalization of Savings Groups. A jurisdiction looking to digitalize its physical VSLAs might take the following recommendations into account:

following recommendations into account:

- > **Enact tailored regulations based on evidence-based policies and viable business case studies to increase financial inclusion among vulnerable sections of the population.**

In 2016, CBE issued regulations on mobile payments that clearly specified two types of mobile wallet accounts: an individual wallet, and a juridical person or legal entity wallet. The individual wallet could be created using the national ID of the individual, while the juridical person or legal entity wallet requires a commercial register or the ID of the business owner, in addition to evidence of business activity, to be presented to the bank.

CBE is currently in the process of issuing updated mobile wallet regulations allowing for digital savings and loans. In 2019, in cooperation with EMLCU and NTRA, the creation of a group wallet in the same form as a joint bank account was allowed. (The joint account is an account created by two or more individuals who agree on a designated signatory who is exclusively authorized to conduct financial transactions on the group account.)

- > **Ensure the application of simplified KYC regulations with regard to mobile group accounts:** A national ID is sufficient to open not only a group account but also an individual account for a Savings Groups member.
- > **Revise agent banking regulations to enable Savings Groups facilitators to become banking agents.** CBE is currently working on the issuance of agent banking regulations to allow Savings Groups facilitators to become agents for the banks to open a joint or group account. This is important for facilitators to sustainably continue in their roles besides being an incentive for them to enroll new Savings Group members.



Central Market, Hurghada. Photo by Isengardt



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