



GIZ Gender Competition 2024



Self Financed Communities 4 Women Economic Empowerment, Financial Inclusion & Income Generation



Nigeria, NICOP Team, Access to Finance Pillar

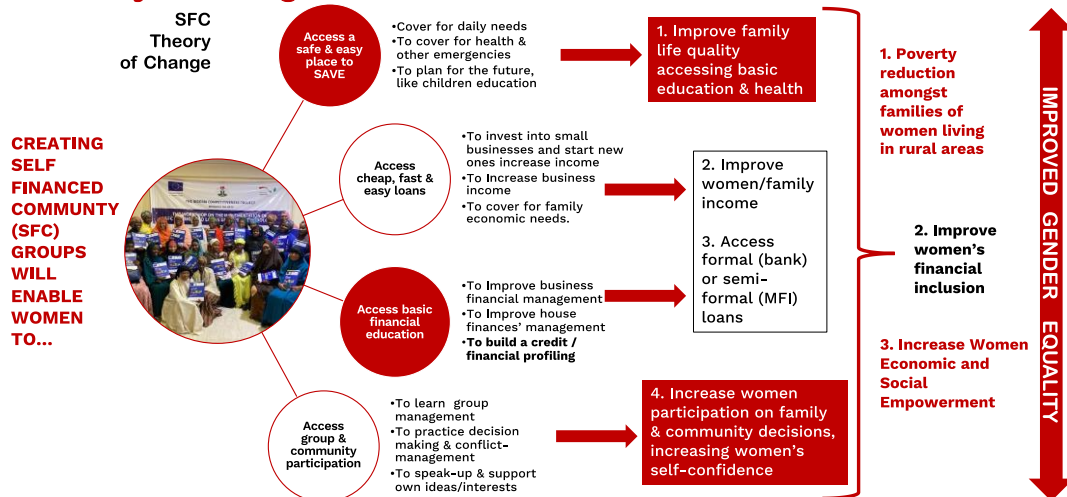
GIZ Gender Competition 2024

Self-Financed Communities for Women Economic Empowerment, Financial Inclusion, and Income Generation

Nigeria, GIZ SEDIN NICOP, Access to Finance Team

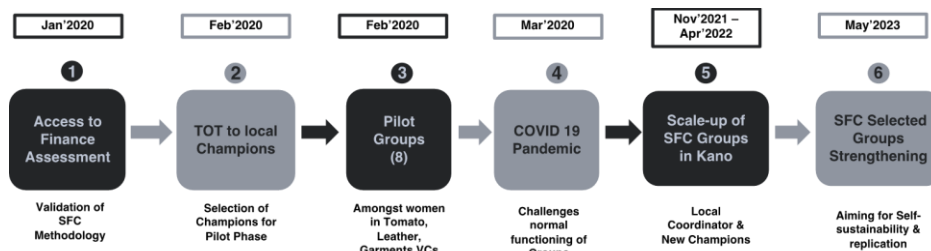
The Nigeria Competitiveness Project (NICOP) was a five-year project commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ) under the SEDIN programme in Nigeria. Within the pillar of improving access to finance, the objective to test the relevance and acceptance of the Self-Financed Communities (SFCs) Savings Groups methodology as a tool and strategy to improve access to finance was defined. Savings and Loans (S&L) groups have been crucial to encourage and mobilize savings in the absence of formal financial intermediaries, particularly in rural/remote areas and they are crucial to enable poor women to cope with three important needs: covering for daily needs, saving for the future, tackling emergencies. They are also fundamental to encourage savings that provide a financial buffer, which can be used for collateral or equity/cash contribution. Internal savings are central in building the necessary discipline and responsibility that will become essential for the loan repayment stage. SFC groups are also proving to be a good way to build a credit and trust score for people at the bottom of the pyramid who are out of the formal financial system. For these reasons, we believe that **SFC groups could contribute to improve the access to finance amongst women living in poverty or extreme poverty, who will access higher quality financial services and financial education, leading to financial inclusion and women economic empowerment**, positively impacting and improving their quality of lives. SFC is, therefore, a tool that **follows a gender equality strategy focused on women's economic empowerment, aimed to increase women's economic participation and decision-making**. The project overall follows a gender mainstreaming approach to gender equity, introducing a gender perspective throughout the project, involving and giving voice to women from the design and throughout the process, turning them into the agents of change, leaders, beneficiaries and owners.

Our Theory of Change



SFC Strategic and Implementation Approach

The implementation of SFCs included an initial baseline assessment, followed by capacity building activities, the testing of SFC through the creating of 8 pilot groups and a scale-up plan to a total of 24 groups. Initial plan was reviewed in light of the Covid-19 pandemic, which halted the project and postponed most activities, to be initiated again end 2021.



SFC project was designed with the support of external international and national consultants and it was implemented in Kano area amongst groups of women working on tomato/chilli or leather/garments value chains, most organised in working clusters previously, with the support of the NICOP A2F lead team, Kano team and with the collaboration of key local stakeholders:

- Madafa and Kalapma leather cluster local Kano organisations, with involvement of their team leaders and some local champions trained as SFC Champions.

- Gatan Marayu Foundation, a local NGO working in Kano to support women and children and who participated in the Training of Trainers (ToT) as well as the creation of some SFC groups for added sustainability.
- ACAF/Bankomunales international NGOs, who provided the expertise on the SFC methodology and led the design and implementation of the project, as well as the TOT.
- Jaiz Bank, an Islamic bank supported by the GIZ team to develop gender financial products, who has benefited some women in SFC groups, and who has expressed interest in supporting a digital app to help manage, support and report on SFC group results, building a financial profile for members and directly integrating them as customers.

SFC Methodology

The SFC Methodology is driven by 4 principles: **self-funding** (funds come only from group members), **self-learning** (financial education happens “on the job”), **self-management** (members are responsible of managing the group financial transactions and book-keeping) and **self-empowerment** (stemming from group ownership and management experience). SFC is a community-based savings group methodology based on trust. It allows people from all economic and educational levels to pool money together and start helping each other by providing loans to members from the common savings, like a small “community-bank”. The objective is to offer an easy and safe place to save money as well as a fast and cheap access to loans, so members become both owners and beneficiaries of the group, which also becomes an important space for social interaction and support. Members meet regularly to save money (buying shares), from which only members can request credits, following the rules decided by the group, including a fee paid for the loans granted. The fees paid for loans become profit for members, and will be shared at least once a year according to savings. Members take turns in taking on group management and book-keeping responsibilities.

Objectives and Impact Achieved

OUTPUTS (Short term Impact):

1. In the space of 2 years (halted for 8-12 months by Covid pandemic), the team has created and supported a total of 24 SFC groups in Kano with >700 members, 90% of them women aged 18-55.
2. Women have saved a total of >€4,000, have granted >450 loans for a total value of >€7,500, with some women borrowing up to €1,000, and have earned €1,000 as profit from loans granted.
3. Trained >20 local community woman leaders, women from selected value chains, and GIZ staff as SFC Champions, running 2 TOTs and one Refresher training.
4. Developed a Self-Training Manual on SFC for step-down trainings and further roll-out.

OUTCOMES (Mid Term Impact):

1. 15-20 New businesses created by women from loans granted by SFC groups.
2. Investments into businesses have increased income an avg. +50%, up to +300% in some cases.
3. Savings in the groups have supported women through Covid economic halt and during the cash-shortage generated during the cashless policy implementation, covering for basic daily needs.
4. At least 3 women have accessed loans of >€1,000€ from formal financial institutions.
5. Women from SFC groups have been involved in a meeting with Jaiz bank to discuss the terms and relevance of some of the bank’s gender financial products.
6. Women in groups and Champions have organically replicated SFC into friends & family groups.

IMPACT (Long Term Impact, not measured yet), expectations based on our ToC and initial results are:

- **Increase in life quality of women’s families**, through more income, education&health, contributing to poverty reduction. *“If SFC had not existed we would have probably had to cancel Xmas celebrations due to cashless policy”. Hadinkai SFC; “Thanks to the loan from SFC I can eat & sleep well; with the income from the book business, I am able to send my little girl to boarding school.” Lydia Benedict.*
- **Improved Access to Finance and Financial Inclusion:** addressing 2 of the main barriers to financial access, lack of or insufficient income and lack of financial education. It is also more remarkable in the Islamic context of the Kano region where interest rates are not allowed. *“Before SFC taught us about riba (profit) we were scared of taking loans from bank because we didn’t understand; but SFC explained it to us, and gave us confidence because we understand”. Ummu, leader Kalapma.*
- **Women Social and Economic Empowerment:** women already mention not only the financial but the social and personal benefits of being part of SFC groups, like being able to speak-up, understanding formal bank terms and concepts, believing they can also start a business, in summary, indications of a process of empowering underway. They also feel empower to cascade their learnings to their communities, including people with disabilities and they have started to do external and internal trainings in this area. *“...To all the women I want to say, don’t depend on anyone but yourself, and formal education is important...” Aisha Isa;*

Key benefits and Challenges identified

As per women’s testimonials and group visits, we can identify some of the main benefits experienced by group members, some of which could be considered as success factors, as well as the challenges experienced during the use of the methodology and the management of the groups.

1. Financial benefits:

- a. The peace of mind of being able to easily access loans to cover for daily needs.
- b. The easiness to pay back loans with no stress like having to go to family, friends, etc.
- c. The profit sharing of fees for loans, normally reinvested into the house/family, (like school fees).
- d. The savings have been invested mainly to grow current businesses or start-up new ones.
- e. Savings have also been essential to support the women during emergencies, like the covid pandemic or the cash shortages during the cashless policy implementation.

2. Social Benefits:

- a. The Unity and Cooperation that stems from being part the group, based on trust with members.
- b. A safe space and group to share dreams, ideas and problems with, while it helps to meet new friends and get their support as well.
- c. The pride that comes with being able to support their communities with a simple but effective tool that some want to make of it their heritage to their families, children, and communities.

3. Key Financial and Social Challenges

- a. Loan defaulting, albeit not significant and in line with experience of <5%, is mentioned as a potential cultural concern in some groups.
- b. The lack of regular and accurate book-keeping, affecting the quality of some SFC groups.
- c. Lack of some members' responsibility to abide by the group rules or difficulty to understand some of the more complex financial concepts (like profit sharing or fees for loans).
- d. Strong leadership dependency could be a risk, if only 3-4 members oversee group management due to lack of literacy in some groups or to lack of willingness/confidence in others.

Lessons Learned and the Future Ahead

1. **SFCs groups have proven to be relevant and attractive to the target population as well as very resilient.**
2. **SFCs success stems from the simplicity of the methodology and the effectiveness in tackling basic needs**, offering financial and community support during emergencies, **and from the flexibility** that allows for the methodology to be adapted to local culture and traditions.
3. **Self-replication of SFCs on demand has taken place despite a lack of financial or technical support during Covid lockdown.**
4. **SFCs main impact is not only financial but also social:** cooperation, unity, and trust amongst members, leading to stronger community groups and to individual & group empowerment.
5. **SFCs significantly improve financial education:** women claim to better understand financial concepts, how to evaluate the terms of a loan, the importance of guarantors, and to develop a savings habit. Although indirectly, SFCs also contribute to building trust on financial institutions through a better understanding of loans and terms.
6. **SFCs have become launch pads for nano, micro and small business' growth**, enabling members to access seed or investment capital, and for the creation of group businesses.
7. **Despite the significant challenges posed by the Cashless policy implementation, it seems to open a big opportunity to speed-up financial inclusion**, since women have been forced to open bank accounts, get debit cards, and even use fintech to make transfers in the absence of cash. **It is also an opportunity to digitalise the groups using the SFC App**, and/or other business management Apps, as some women have also started having experience with mobile wallets, like OPAY.
8. **Expanding the SFC groups amongst the Value Chains (VCs) and in different regions could create a strong pool of community-based organisations that are financially literate and experienced**, that can support the development of the VCs and that are empowered as a group to lead this development.
9. **By properly and regularly registering and sharing members' financial transactions, SFC groups become a valuable tool to build a personal and credit history for group members and to contribute to financial inclusion.** This is already being used by several organisations as an alternative to a financial history for the "underbanked". Additionally, savings groups are becoming more and more the base on which different social enterprises manage to expand their business models amongst farmers.
10. **For scale-up, partnerships with local community organisations are recommended**, as they are closer to the Champions, to contact new groups and to support with logistics and meetings.

Finally, we believe that **implementing a digital app to streamline and simplify group management could contribute to improving the results and quality of the groups and to more self-replication.** The App registers group rules, financial transactions, group responsibilities and individual and group statistics, so the **App data could become a more reliable source of information on women's financial profile, which could increase the to access to formal financing leading to financial inclusion.** Finally, the use of the App by women members of SFC **would contribute to reducing the gender digital gap, continuing the path towards gender equality.**