A person's hands are shown holding a 500 CFA Franc banknote. The banknote features a portrait of a young person and the text 'BANQUE DES ÉTATS DE L'AFRIQUE CENTRALE'. A red double quote is placed over the banknote. In the background, a person is visible, and there are more banknotes scattered around.

“To start with it was just a few shillings, but it soon grew so I could buy chicks so I can eat more eggs to keep me healthy and sell some to pay for my medicines.”

A woman living with HIV/AIDS in Mozambique



Savings and Loans Associations

A Savings and Loan Association (SLA) is a group of people who come together to save money. This creates cash savings for the members themselves, which can help them to withstand shocks and stresses that affect their families. It can also create a pool of money that members can borrow to invest for income-generating activities, or to cover a short term crisis. A SLA is an informal, flexible and easy way of helping families to plan finances that is owned and run by the members of the group!

What does the activity look like?

Savings and Loan Associations (SLAs) are groups of people that come together to save money. Each SLA is made up entirely from people who want to take part and will have its own set of rules and agreements. SLAs are informal and do not usually require any official registration or licenses to start up. Members of SLAs contribute regular small amounts of money that are kept safely. The money saved can be borrowed by members for small unexpected or short-term needs, such as health costs or investing in livelihoods.

At the end of the SLA cycle (which could be one year), the money that has been saved is distributed to the members according to their financial contribution to the group.

SLA groups often work together for a fixed amount of time. After 9 to 12 months, the group can continue saving, re-organise, or close and distribute the money saved back to its members. Re-organisation allows members to leave, new members to join, and/or the group to change their leaders, rules, or how they are organised (such as how much members save each week, or how much it costs to join the group).



Being part of a SLA group motivates to save money and invest it wisely.

Photo: Malawi, 2016 © S. Truelove/innocent foundation

What are the main benefits?



SLAs help people to set money aside to cover regular costs (like school fees), unexpected costs (like hospital fees), investments in income generation and livelihood production (like purchasing seeds).



SLAs are easy and flexible for members to join and use. Unlike banks, they offer members low or no fees and they do not require members to have formal documentation, or to be able to write and fill out forms.



SLAs can help people and communities to put money aside to overcome crises (like droughts or floods).



SLAs offer members the flexibility to contribute money when and as often as they can, and offer increased security and good rewards for saving.



SLAs help develop group decision making and organisational skills, and the types of community connections that are valuable for many other activities such as group buying and selling or responding to crises.



SLAs give members the opportunity to discuss diversifying their income generation strategies and increasing the productivity of their livelihoods, through things such as cooperative buying and selling or adding value.



SLAs are a good first step towards building financial literacy and understanding how banking works.



Those who have gone through at least one cycle of SLA may also set themselves up as an agent, promoting SLAs to other communities for a small fee.

”

“I used the money I saved on buying less fuelwood after the Red Cross helped me make my own fuel efficient cookstove to help pay into the savings group. Eventually I bought some chicks with the loan and then sold eggs to help increase my savings.”

Woman in Niger

Preparations

Timing tips

Most SLAs run for a cycle of 9 to 12 months and then re-organise and re-start every year.

There are four steps to setting up and running a SLA:

- Step 1 – Preparatory phase (week 1-4):** Mobilising community members, identifying the group that wants to work together and communicating with leaders and potential members.
- Step 2 – Start-up phase (2nd month):** Group formation and member training.
- Step 3 – Intensive phase (3rd month):** Agreeing the group rules and start saving.
- Step 4 – Mature phase (for around 8-9 month):** Savings and loans administered by the group, regular record keeping, meetings and monitoring.
- Step 5 – End of savings and loan cycle phase (after 9-12 months):** Once the SLA comes to the end of a savings cycle, all the saved funds are distributed to members, who will often re-start the SLA.

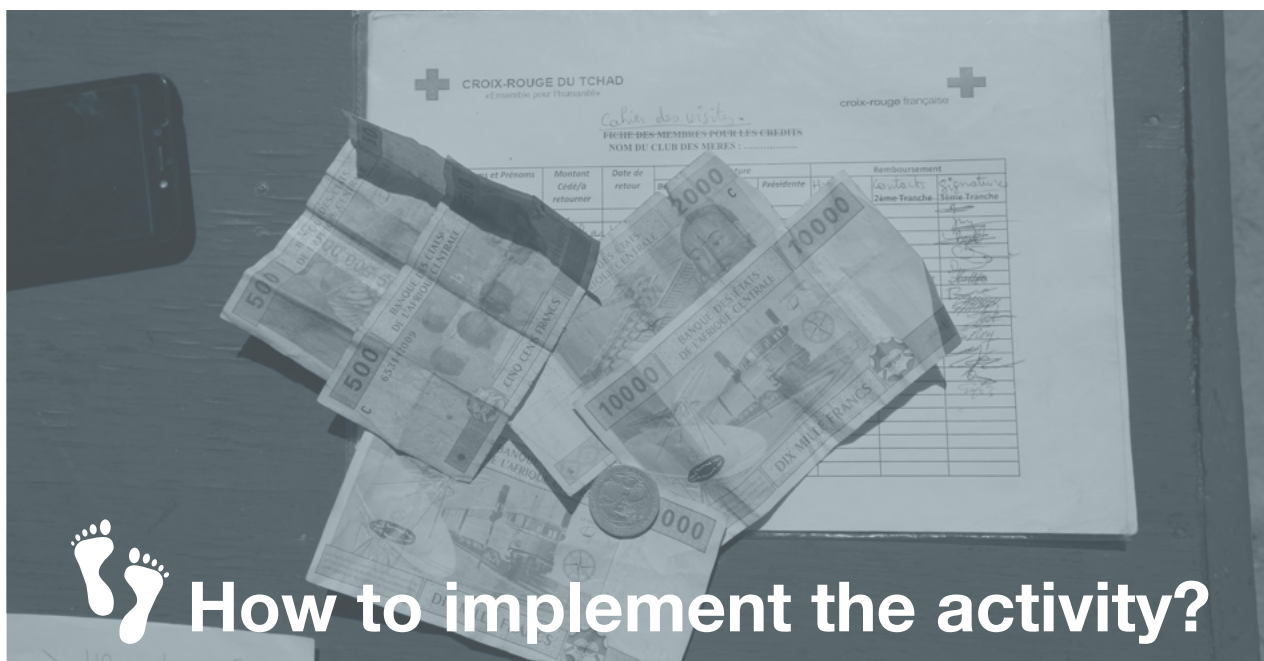
SLAs can be set up and run at any time of year. However, it is best to start when people are not very busy with other activities, or early enough to build-up savings in time for the planting season or other income-generating activities that require funds.

How to avoid risks

The main risks associated with SLAs are **corruption and theft of cash**. It is critical to ensure that cash is locked in a heavy-duty cash box with at least **three different keys** held by different members. The cash box should be kept at another (fourth) member's house that is safe. The location of the cash box should be changed from time to time, shared with as few people as possible and never shared with anyone outside the group! Remember that once the group is up and running, most of the money will be loaned out so the cashbox will not have much money in it! Eventually groups can investigate setting up formal accounts with banks, micro-finance institutions or mobile money if they want to.

An important safety activity is keeping **good record books**. These should be kept in a different safe place to the cash box and be kept up to date. If possible, a second copy should be kept in a separate place. Section 11 Early Warning and Early Action has guidance on keeping documents safe against hazards such as floods. It is extremely important that the Red Cross and Red Crescent is not at risk of being involved in any financial mismanagement, corruption or theft, so it is essential that the volunteer is not a leader of the group, or a key holder for the cash box.

Photo: Chad, 2019 © George Osidi/British Red Cross



How to implement the activity?

Step 1 Preparatory phase

Step 2 Start-up phase

Step 3 Intensive phase

Step 4 Mature phase

Step 5 End of savings and loan cycle phase



Step 1: Preparatory phase

Before starting the SLA, check if there are any existing SLAs in the community which people could join. If there is an existing SLA, but it is not possible for new people to join, it may be useful to ask the existing SLA group for advice, or to consider using a similar method to the existing SLA.

1. Check that there is a need and enough interest for a SLA.
2. Check if there are any government regulations about forming savings and loans groups.
3. If needed, get permission from government authorities, the local Red Cross and Red Crescent branch, the community or families.



4. Develop a set of messages that you will use to explain what a SLA is and why it can be helpful to people. You can use the information in the 'What does the activity look like' and 'What are the main benefits' sections above!
5. Follow the instructions in the 'Essential Guidance' of the 'Introduction' to this handbook, including calling a meeting of community members and reaching out to different types of people, including vulnerable people.
6. SLA members will need training (see the 'Step by step activities' below for details). Decide if the volunteers have enough knowledge and resources to deliver this training SLA. If not, decide who could help deliver this training and ask them for support.



Photo: Chad, 2019 © George Osidi/British Red Cross

Members of a Savings and Loan Association discuss membership rules.

Step 2: Start-up phase

1. **Ask people** in the community if they would like to be involved in a savings and loans group. Allow people to choose whether or not to join.
2. **Accessing skills training** - Training and guidance is needed to set up new groups. At this stage you should identify trainers who can provide training on basic numeracy skills (if needed), record keeping, and on the rules and regulations of the group. The box below lists 'Useful sources of information about SLAs', and volunteers should search for good sources of information and training in their own country and from their Red Cross Red Crescent National Society or local NGOs. If as a volunteer you are new to setting up an SLA, you should attend training on group dynamics, on SLA management, and on basic book-keeping.

Photo: Chad, 2019 © George Osidi/British Red Cross



3. **Organise the first SLA meeting** (see the 'Essential Guidance' in the 'Introduction' to this handbook) and describe what an SLA is for and the benefits and risks. You should explain that:
 - To work well, SLAs should not be too big or small. The recommended size is 10 to 25 members.
 - SLAs can be set up for a particular group of people such as youths, women, people with disabilities or as mixed groups that can be for everyone in a community.
 - SLAs may be linked to other projects which provide training or livelihoods support, such as the activities described in the other sections of this handbook.
 - SLAs can also be linked to financial institutions, such as banks or micro-finance institutions, who can help keep the money safe in accounts.
 - SLAs do not replace micro-finance institutions but complement them, providing easy access to financial services for people who often have difficulties reaching more formal organisations.

4. **Resources** - Explain that the SLA will need some resources (mostly notebooks, padlocks and a cash box - see the table at the end of this section) and discuss how the group will find or buy these resources. Confirm any agreements with community leaders or other officials.
5. **Agree when the next meetings will take place** and explain that several meetings will be needed for:
 - Training on how to form the SLA
 - Electing officials
 - Deciding how to manage the SLA and set up rules
 - Getting commitment from members, taking any membership fees and the first savings deposits.
6. **Set up a training plan** to outline what training will be given by which people and when this will happen.

Step 3: Intensive phase

- 1. Agree rules and arrangements** - Each SLA needs to set up and agree on key rules or arrangements including:
 - How leaders are selected and how often (see Annex for guidance on 'Voting or Election of Leaders')
 - How often the group meets
 - Membership and attendance rules
 - Savings amounts and how saving is done
 - Loan amounts and how lending is done
 - How grievances or issues will be resolved.
- 2. Draw up a constitution** - The group should come to decisions about how run itself. These decisions should be written up in the group's constitution by following the guidance in the 'Constitutional Framework' document in the Annex.
- 3. Set up a passbook for each member** - The passbook records every time a member saves money, noting the date, how much was deposited, and any missed dates. The passbook also records the amount of any loans taken out, when it was taken out, and each time a payment is made against that loan. There are many ways of recording the information (see the example below) but it may be better to follow one that has proven successful locally.

SAMPLE PASSBOOK **SAVING PAGE**

Single Share Value ...\$10

Cycle 1

MEETING NO.	SHARES BOUGHT PER MEETING				
1	★				
2	★	★	★		
3	★	★			
4					
5	★	★	★	★	★
6	★				
7	★				
8	★	★	★	★	

STARTING NO. OF SHARES	
NO. OF SHARES BOUGHT THIS PERIOD	
TOTAL SHARES AT THE END OF PERIOD	

Passbook.

NO.	MEMBER NAME	1/3/2012	1/10/12	1/17/12	1/24/12		
1	Selam Atefaw	✓	✓	✓	✓		
2	Fenisa Yohannes	✓	✓	✓	✓		
3	Aster Alemayehu	✓	✓	✓	✓		
4	Biburash Hailu	✓	✓	✓	✓		
5	Hesnan Ayetlu	✓	✓	✓	✓		
6	Yohis Bura	✓	✓	✓	✓		
7	Ababekir Yimsa	✓	✓	✓	✓		
8	Kidist Nat	✓	✓	✓	✓		
9	Meron Kassa	✓	✓	✓	✓		
10	Fitsum Melu	✓	✓	✓	✓		
11	Mekonnen Andro	✓	✓	✓	✓		
12	Helen Semahu	✓	✓	✓	✓		
13	Fayika Zemen	✓	✓	✓	✓		
14	Addis Wolmer	✓	✓	✓	✓		
15	Hana Dima	✓	✓	✓	✓		
16	Iman Adela	✓	✓	✓	✓		
17	Zetika Chis	✓	✓	✓	✓		
18							
19							
20							
21							
22							
23							
24							
25							
Total		17	15	15	16		

Record book.

- 4. Set up a record book for the group** - The record book is used by the SLA to record how much is deposited, withdrawn and loaned by all of the members. It lists the date of each transaction, who the transaction was by, the amount and the type of transaction. The record book must be kept up to date, and the totals must be accurate and match with the total amount of money in the cash box / savings account, plus any outstanding loans. It is advisable to keep a second copy of the record book in case it gets lost, stolen or damaged.

Photo: 2012 © International Rescue Committee

Photo: 2012 © International Rescue Committee

Step 4: Mature phase

Once the group has been set up, it will need to be managed and run regularly, efficiently and in a way that minimises risks of theft and corruption.

1. Each SLA meeting should be scheduled and announced in advance. Each meeting should follow an agenda and be chaired by one person (usually the Chairperson). Because the loan fund comes from the amount collected as savings and loan repayments, it is logical that the meeting be ordered in this way;
 - Savings collection
 - Loan repayment /service charge
 - Give out loans
2. Attendance should be recorded of everyone who comes to the meeting every time.
3. The main activities of each meeting should be recorded. For example, record the training that is provided (if any), any announcements or messages, any decisions made and any actions to be followed-up.
4. Each activity (share purchase, savings, loan) should be carried out separately. Carry out all the **savings** activities first, taking any savings from each member in turn. Take any **loan** repayments next. Then agree on and disburse (pay) any further loans.

Photo: Chad, 2019 © George Osodi/British Red Cross



5. Each transaction must be carefully and accurately recorded in each member's passbook and in the group record-book.
6. The chair should summarise the meeting to everyone before members leave.



Photo: © S. Truelove

Step 5: End of savings and loan cycle phase

1. **Before the last meeting** - After regular SLA meetings were held for 9-12 months, a meeting is held to begin to close up the year's activities. Remember, in order to have all the money for the final meeting, the last loan must be repayable by that last meeting. At this meeting the members:
 - Decide whether to continue for another year.
 - Work out how much savings each member has.
 - Work out the group's profit (from any service charges collected) and how much is to be disbursed/paid to members (according to their savings or the constitutional arrangement).
 - Agree if any money will be put into any social fund, or a fund for use after a crisis. If so, this will probably need further meetings to discuss and agree how this will work
2. **Final meeting** - All agreed pay-outs should be made in the last meeting, and the record books accurately balanced and closed for the year. Groups continuing to another cycle should re-open their books in the first meeting of the new cycle.

Things to watch out for

- ⚠ **Keep money safe and accounted for. Take time to elect proper, respectable and trustworthy leaders, set fair rules and put in place a good system for keeping any funds safe. All this is critical before any savings are collected.**
- ⚠ **Volunteers should never be leaders of the groups - they should be neutral supporters ensuring that the process goes smoothly.**
- ⚠ **Young people and young men especially are sometimes looking for very quick or short-term gains, instead of appreciating the gradual way in which SLAs work and contribute benefits. They may require special management to make sure that if they do participate, they do so genuinely and are fair to others.**

Top tips

- ✓ If there are already SLAs in the community, consider working with them. You can: get their help and advice; set up a new group for people who are not members; or find out if new members can join and how to do this.
- ✓ If there is an existing SLA that allows new members to join, consider helping more vulnerable households find ways to join the existing group.
- ✓ Keep meetings short, and after the initial training, increasingly let the group run their own meetings.
- ✓ Ensure that all group members understand very well the rules for what loans can and cannot be used for, and that the loan period and service charges are clearly stated and the same for everyone.
- ✓ Ensure that the group agrees on the conditions a member must meet in order to borrow money from the SLA.
- ✓ If there is a bank or micro-finance institution that is nearby, support the group to interact with the bank, find out about a group account and help them to set up such an account if the terms and cost are favourable for the group. Even if the bank is not a suitable place to store funds, the process of meeting and talking with the bank could be a very useful training exercise for some members. Some countries are connecting SLAs with mobile-banking like M-Pesa, where the money collected is stored in a mobile account.

Photo: Malawi, 2016 © S. Truelove/innocent foundation



Links to other sections in this handbook

- SLAs can invite volunteers to give talks or trainings – and become a good place to present and have members discuss messages about Safe Water, Sanitation and Hygiene (Section 8), Nutrition Awareness (Section 9) or any other activities in this handbook of interest to the group members. Try not to take on too much at once though!
- Some SLAs have found that running an activity like the one described in Section 10, Reducing Fuel for Cooking early, means that money and time saved from constructing home-made cookstoves can help people reduce fuel costs and have more spare cash for savings.
- Section 11 on 'Early Warning and Early Action' describes how SLAs can be a very important source of savings for a crisis.



Section 8

Safe Water, Sanitation and Hygiene



Section 9

Nutrition Awareness



Section 10

Reducing Fuel for Cooking



Section 11

Early Warning and Early Action

Examples of activities elsewhere

SLAs have been used all over the world and are often called different names such as Village Community Banks, Revolving Fund and Merry-Go-Round schemes. Many NGOs support such schemes and there is often a lot of training material already available about how to start and run SLAs. Note that different NGOs may have different approaches to SLAs – and if in doubt check with your Red Cross or Red Crescent office about how to run the SLA!

Red Cross 'Mothers' Clubs' incorporate savings and loans groups as part of their efforts to strengthen women's resilience. The common funds allow women to access credit to meet household needs and as start-up capital for income-generating activities.

Resources and skills needed



What resources are needed to run the activity?

Most resources can be provided by the members, except a safe/lockable cash box (with 3 keys), which may have to be purchased. The resources needed are:

- A group notebook and pens to record people's names, agreements made etc.
- Pens are better than pencils, as they are more permanent and it is harder for someone to make untrue changes to the records.
- A safe / deposit box with at least three keys (each key will be held by different people from different households).
- A notebook to be used as a 'passbook' (one per member) to record each member's deposits, loans and withdrawals. Note some SLAs are less formal and do not have individual passbooks – but it is always good practice to have some form of record for each member to know how much they have saved.
- A record book and a back-up copy record book, to neatly and accurately record everyone's deposits (and withdrawals / loans) in two places so that if one copy is lost, there is a back-up.



Approximate costs

The main cost is a safe or cashbox, 2 record books and pens. Members can usually provide their own notebooks to be used as passbooks



What skills or knowledge do volunteers need?

- As a volunteer, the most important skills that you bring are clear communication, honesty and good facilitation skills. You will also need to understand the basics of book-keeping and be able to mobilise groups.
- In areas where there are micro-finance or banking facilities available, it is useful to talk to them to find out if and how it is possible to open a group account for the SLA. You can also see if they are willing to provide training to groups.
- If a volunteer can help groups understand the benefits and costs of using formal financial services, this can be very helpful.



What skills do participants need?

Members can join the SLA with very few skills, but they can learn many important skills when they participate in the group including:

- Group formation and management
- Record keeping
- Financial literacy
- Basic business skills such as record keeping



What needs to be monitored or followed-up?

The most important things for a volunteer to monitor are accurate record keeping and safe keeping of the money, by regularly checking:

- Number of beneficiaries and how often they take part.
- Accuracy of entries into record books of a) the SLA group and b) of each member.
- Total amounts saved, loaned and returned.
- When people leave or 'drop-out' from the group and reasons why, which can help you identify any problems in the group.



Further Resources

Useful sources of information about SLAs

- IRC 2012. SLA Facilitator's Guide. <https://bit.ly/3aRw16J>
- CARE 2011. 'Tanzania: Linking savings groups to mobile banking.' Access Africa Technical Learning Series : No. 2 <https://bit.ly/3bXliHY>
- VSL Associates <http://www.SLA.net>