J-PAL
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CASE STUDY 1: EVALUATING THE IMPACT OF SAVINGS GROUPS

Program Theory and Measuring Outcomes

Training Materials originally created by the Global Financial Inclusion Initiative

KEY VOCABULARY

Hypothesis: a proposed explanation of and for the effects of a given intervention. Hypotheses are intended to be made ex-ante, or prior to the implementation of the intervention.

Indicators: metrics used to quantify and measure specific short-term and long-term effects of a program

Logical Framework: a management tool used to facilitate the design, execution, and evaluation of an intervention. It involves identifying strategic elements (inputs, outputs, outcomes and impact) and their causal relationships, indicators, and the assumptions and risks that may influence success and failure

Theory of Change: describes a strategy or blueprint for achieving a given long-term goal. It identifies the preconditions, pathways and interventions necessary for an initiative's success

INTRODUCTION

Savings mobilization is critical for individual and societal welfare. At the individual level, savings help households smooth consumption, weather shocks, and finance productive investments in human and business capital. Contrary to popular opinion, poor people can and do save. However, they often face significant barriers to saving.

Formal savings mechanisms, such as deposit accounts, are often inaccessible due to a lack of banks in rural areas, administrative barriers, and prohibitive cost. Informal savings mechanisms, i.e. savings not deposited in a formal institution such as a bank, are usually not ideal, as savings are subject to theft, temptation, and pressure from family and friends. These barriers to saving prevent the poor from maximizing their investments, smoothing consumption, and weathering shocks such as illnesses or natural disasters. In addition, savings constraints keep individuals from investing adequately in their microenterprises, health, education, and asset purchasing.

Credit can satisfy these needs, too, but at a higher cost and with higher risk in exchange for speed. In developed countries, financial institutions offer a wide range of products to help their clients set aside savings, but in poorer countries, MFIs offer only a few savings options and in some cases, often in rural and remote areas, no formal financial services for saving are available.

Savings groups attempt to overcome the difficulties of offering savings and credit to the rural poor. Imagine that you are partnering with an NGO that promotes and helps to set up savings groups in rural areas. Their savings groups model includes four components: all the members save at least the minimum amount or “share” per period, all members can ask for a loan up to a limit defined by the amount of savings held, the total amount of savings is redistributed at the end of a cycle, and members can create an “emergency fund” to be used in certain situations. The structure of the groups is intended to be self-sustaining and self-replicating in order to increase the potential for savings groups to bring financial services to remote areas. The NGO's trainers go from village to village, explaining how to set up an initial group, use a lockbox to keep all the contributions, and choose some members to manage the group. By contributing each week, the members form their own pool of money from which individuals can borrow when necessary. Savings groups can also provide a mechanism by which members can save for a lump sum expense without the dangers of theft and temptation associated with saving cash at home.

The savings groups are popular and anecdotes abound of participants using their savings to start new businesses. The NGO is now interested in a rigorous impact evaluation of the program in order to measure its impact. Your contact at the NGO asks you to set up an evaluation that will help it to determine the impact of the groups on household well-being before deciding whether to scale up the program.

THEORY OF CHANGE

Before designing the evaluation, you decide you need to understand how you might expect the program to affect households. This understanding will help you determine when, where, and how to look for impacts.

Discussion Questions

1. As a group, brainstorm the areas of household well-being that you believe savings groups might affect.
2. Discuss the possible theory of change of this intervention. In the table on the next page, fill in the inputs, outputs, outcomes, and impact. (Check the Key Vocabulary section to see definitions for theory of change, outputs, and outcomes.)
3. What assumptions are needed to get from the inputs to outputs, the outputs to outcomes, and from outcomes to impacts? Discuss why these assumptions might not always hold.
4. In what time frame would you expect each outcome and impact to occur? Discuss outcomes which you think might be different in the short-run than in the long-run.

FIGURE 1: LOGIC MODEL

	Objectives Hierarchy	Indicators	Sources of verification	Assumptions
Impact				
Outcomes				
Outputs				
Inputs				
Needs				