CATHOLIC RELIEF SERVICES

Overview
THE SILC FINANCIAL DIARIES

INTRODUCTION

In 2014, CRS launched a two-year Financial Diaries project in Kasama, the capital of Zambia's Northern Province, to understand the experience of low-income, financially excluded households that participated in the organization's Savings and Internal Lending Communities (SILCs or SILC groups), which offer savings and loan facilities to a self-selected group of members from the same village. During weekly interviews, field researchers from Kasama Christian Community Care (KCCC) collected data on all transactions economically active adults in the household performed—their earnings, expenditures, and use of financial tools (cash transfers, insurance, savings and loans). They also collected data from a comparison group of households that were similar to the SILC households but not members of savings groups. CRS asked Microfinance Opportunities (MFO) to use the data to examine how participation in SILC groups affected households' cash flows and their overall economic well-being. This brief details a series of findings from that analysis which showed SILC groups had a positive impact on households.

QUICKFACTS	
Project location	**Northern Province, Zambia**
Sample Size	**135 SILC Households, 135 Comparison Households**
Timeframe	**2014-2016**
Interview Frequency	**1/Week**
Partners	**MFO (USA), KCCC (Zambia)**

SILCs Helped Generate Large Sums of Cash

In an average week, a SILC household—which had about six people on average—managed about 292 kwacha ($99 when adjusted for purchasing power parity or PPP). However, much of that cash was being moved in and out of home savings and other financial tools, masking the extreme poverty in which they were living. In reality, households earned a net income of only 70 kwacha per week ($24 PPP) and spent all of it each week on basic expenditures. These numbers draw the households' economic condition into focus: 96 percent of the households in the study lived below the international poverty line, including 90 percent that lived below one dollar (PPP) per person per day.

In this context, access to any cash was critical, especially large sums that could be used to invest in businesses and children's education or just to buy food, and SILC groups excelled at helping these households generate large sums from their meager earnings. About three times a month, households would cobble together a deposit of 22 kwacha ($7.50 PPP) to be placed with their SILC groups. From these deposits, households generated an average savings balance of 813 kwacha ($275 PPP) by the end of their group's saving cycle. For comparison, households earned sums that were larger than this amount in less than 2 percent of weeks, underscoring the rarity and value of these balances. At 369 kwacha ($125 PPP), the loans that households were able to access were large too. They were more than three times the size of informal loans that households accessed.

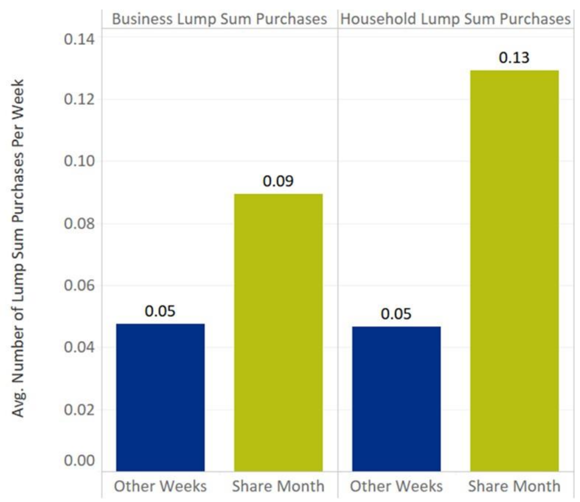
faith. action. results.

SILC Funds Improved Quality of Life

The impact of these large sums of cash on households is clear in the data. In the month following the receipt of their savings at the end of a savings cycle (a "share-out" in SILC parlance), households used all of the cash they saved to meet basic expenditures, improve their living conditions, and make long-term investments, such as in investing in their children's education.

Most of this spending was done in the form of lump sum purchases, which are purchases that are especially large for an individual household. Households can make lump sum purchases for a variety of reasons: they can make a productive investment in a business, purchase an asset, respond to a life-cycle event like a wedding or a birth, respond to an emergency, or achieve cost savings by buying in bulk. In sum, they tend to be big and important to households.

The graph below shows that these types of purchases—for both household and business use—happened more than twice as often in the month following a share-out ("Share Month") compared to other weeks.



The graph shows the average number of lump sum purchases per week in the month after a share-out was received versus other weeks. A frequency of .05 transactions per week is equivalent to one transaction being performed every 20 weeks; a frequency of .10 transaction per week is equivalent to one transaction being performed every 10 weeks.

The increase in these purchases was primarily the result of households making purchases to improve their homes (by buying construction materials and household assets) and invest in their businesses (by buying items like agricultural and livestock inputs). They also made more education-related purchases.

Especially notable was the outsized effect these share-outs had on the poorest SILC households in the study. Compared to better-off households, the change in spending on household assets and education-related expenditures was especially pronounced, highlighting the increased marginal benefit these sums of cash had to the most vulnerable.

SILCs Improved Households' Resilience

As suggested by their average size of 369 kwacha ($125 PPP), loans from SILC groups, which were generated from members' deposits, also played an important role in enabling major purchases—households increased the frequency with which they made lump sum household and business purchases by 20 percent in the month after receiving a loan. Just as importantly, the data shows that households used loans to help them manage their cash flow, which helped to improve household resiliency.

For example, when households that did not have access to SILC groups experienced a week in which they earned no income, they reduced their business spending to almost nothing and reduced their household spending by more than 40 percent. SILC households, on the other hand, did not have to cut back to that degree. They still reduced their business spending (by about 79 percent), but they were able to hold their household expenditures constant.

Even though SILC households had stronger financial networks than comparison households to begin with, the SILC services had a notable effect. On average, households pulled in 67 percent more money from SILC loans in these zero income weeks compared to typical weeks, and on an absolute value basis, the sum of cash was larger than that brought in from informal loans or cash transfers, trailing only the money households kept in a safe place at home in importance.

INSIGHTS AND IMPLICATIONS

These findings are unequivocally positive. Poor households that had limited access to financial tools were provided a service, that service worked to build large sums of cash, and households were able to use that cash to improve their quality of life and resiliency to cash flow fluctuations.

That does not mean there are not areas where CRS could improve its offering. Some groups were more successful than others, greater investments in businesses did not appear to yield additional returns, and the fact that households used all the cash so quickly, even for productive reasons, underscores their need for products and services that provide or help them generate more cash.

This raises important questions about the optimization of this methodology. What makes groups successful? How can CRS harness those lessons as it expands its program? Can and should SILCs be a vehicle for delivering general financial education and business training in order to maximize the utility of households' scarce dollars? Are there other services or partnerships like cash transfer programs or asset-based financing opportunities that could add additional value for SILC households?

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