Frequently Asked Questions about SILC

1. Does the SILC model work? Why?

Observations from the field indicate that Savings and Internal Lending Communities (SILC) work well. SILC groups are saving on a regular basis, have a social fund, are engaged in internal lending and are profitable. Participants are enthusiastic about the model because allows them to help themselves and moves them away from dependency towards self-reliance and empowerment. The great majority of groups have women in positions of leadership, and people: build up their financial assets through savings and internal lending; increase human assets by acquiring skills in numeracy, bookkeeping and following policies and procedures; develop social assets through electing a committee and drafting a constitution; practice solidarity by supporting the poorest members of the community and building group cohesion and self-reliance through the SILC meetings; leverage political assets by speaking up as a community; and multiply physical assets by investing their loans in productive income generating activities (IGAs). As such, SILC forms a good basis for Integral Human Development (IHD).

Quotes from participants: “I used to put money in the ground or under the rocks”; “I learned how to save and take out loans!”; “I like the cashbox and security, my money is safe”; “Even when you’re sick, you can get money”; “I used to spend the little I have, now I can save those small amounts”.

2. Who should be in charge of day-to-day training of SILC members?

SILC groups trained and monitored by full-time field agents, recruited from among the villagers and SILC groups, based on clear performance objectives and regular refresher trainings are the most successful. Remuneration of field agents could take the form of a monthly stipend, depending on the quality and number of groups served by each individual or a local partner contract. This position should evolve into a Private Service Provider (PSP) by the end of the project or program. A Private Service Provider will function as a local SILC consultant and charge a negotiated fee from old and new SILC groups for services rendered.

Field agents assume the daily operations of the SILC program. They work and live in the villages where SILC is implemented and are recruited from among the villagers, are preferable SILC members, are fluent in the local dialect and are selected based on their facilitation skills and practical knowledge of SILC. They are literate and have an eye for detail and have, at a minimum primary school education with full literacy. They are supported by full-time SILC Field Supervisors/Trainers employed by the partners. Field Supervisors/Trainers are partner employees with secondary school degrees or higher that train and supervise up to 5 or 7 Field Agents. They are responsible for refresher trainings, data collection, oversight, support and quality control.

3. How can SILC implementers achieve scale, cost-efficiency and sustainability?

With the lessons learned from different SILC pilots, CRS should invest in community field agents, and work with local partners, preferentially the Church, to achieve program scale and sustainability.

Field agents are SILC experts that fully dedicate their time to SILC, live in the communities where they work, speak the local dialect, have excellent facilitation skills, are literate and have at a minimum, a primary school education with full literacy. Field agents can be hired under new or on-going projects with different partners, are low cost, and partners can hire them on a time-limited local contract or stipend basis. Having a number of community field agents under different partner projects

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1 Depending on the local context, this position could also be named a community worker, community mobilizer, village agent, private service provider or any appropriate name.
2 The Health Diagnostic Tool can be used as a reference document to develop quality indicators to monitor quality over the life of a SILC (intensive, development and maturity phases).
3 Most country programs pay in between $50 to $100 a month in stipend or local contract.
4 See ‘2. Who should be in charge of training SILC members?’ for definition and renumeration questions.
will help to ensure program quality and make close follow-up possible through full-time field supervisors/trainers, the partner coordinators and CRS SILC specialists.

A program needs to follow three consecutive steps to achieve scale (1 to 5 years):

I. The project starts with hiring and training full-time SILC Field Supervisors/Trainers at the partner level. To get field experience and to demonstrate the model at the start of a new project, these Field Supervisors/Trainers start a few groups on their own but their main objective is to identify, train, support and manage local villagers that want to become Field Agents for the project and want to evolve later on into Private Service Providers. The field agents are preferably recruited from among the existing SILC groups. (Phase I: 1 – 6 months).

II. Field Supervisors/Trainers train local field agents that start SILC groups based on an incentive system (Ex. receive stipend and bicycle for transport based on well defined performance criteria (number of groups, number of clients, quality of group, return on savings, portfolio at risk etc)) (Phase II: 6-24 months) or time-limited contract.

III. Once a mass of SILCs has been created, the project/program promotes and certifies their specialized field agents to become Private Service Providers (PSP) to develop SILC groups at an agreed upon fee (payable by the interested SILC groups themselves) and phases out the payment of the local contract or stipend (Phase III: 24 months onwards).

4. What is the proposed staffing structure?

- CRS Project Officer (Part or full time SILC)
- Partner Project Coordinator (Part or full time SILC)
- Partner SILC Field Supervisors/Trainers (1 per 5 to 7 Field Agents – Full Time – Regular partner staff)
- SILC Field Agent (1 per 10 to 15 SILC groups – Full Time – Stipend or time limited local contract) and Private Service Provider (Fee basis).

CRS’ support for SILC focuses on training of partner staff, partner relations and awareness raising, monitoring and evaluation, project development and fundraising, promotion and marketing, performance indicator reporting and quality control. A Partner Project Coordinator would dedicate a percentage of time (or full time depending on the size of the SILC program) to monitor and evaluate, report on performance, perform quality control and conduct refresher trainings. SILC Field Supervisors/Trainers and Field Agents are specialized and dedicate their full time on implementation of SILC.

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5 Example Uganda: The new incentive plan is a scale based on how many groups the FAs are in charge of training. They receive Ush10,000 per group trained. We start out with giving each FA 5 groups, and based on their performance either award them more groups or if need be, take groups away from them and give them to other FAs (This is feasible under a geographically concentrated expansion). So, to provide some examples, a FA starting out gets Ush50,000 a month, training 5 groups. If they perform well, we increase up to a maximum of 15. The idea is that on average a FA will be training 10 groups (in various stages of training and monitoring) and thus receives Ush100,000 a month. Supervisors have a similar incentive scale, based again on number of groups under their supervision. They receive Ush2,500 per group per month. If they started out with supervising 10 FAs that had 5 groups each that will be 50 groups and Ush125,000 USH/month. An ideal situation of the supervisor looking over 10 FAs with 10 groups each will be Ush250,000/month. In effect, Supervisors are rewarded for effective monitoring and support provided to the FAs under their watch. The better the FAs perform, the more groups they receive, and thus the larger stipend a Supervisor receives as well.

6 Refer to detailed guidance in the SILC Field Agent Manual, Version 2.0.
5. **How do we expand the program geographically? The concentric circle model. How do we reach the poorest in a village?**

*Expansion of SILC in a certain geographic area should happen through concentric circles, starting with one village and expanding SILC to the neighboring villages increasing the number of villages in a wider circle as time goes on or when security increases. Also, it should be noted that one village will be able to sustain more than one SILC group. Typically, the first SILC group in a village will consist of poor people who are slightly better off than some other poor members of the community. They are a little less risk averse and ready to try out new initiatives first. Once the model has proven impact in the village, the demonstration/mimic effect will take place, and other poorer members of the community might want to form their own groups. With the addition of new groups in the same village a program should be able to reach out to poorer and poorer members of the community.*

6. **What is the advantage of having only one record book for all transactions?**

*The model stipulates the use of one record book for all transactions to keep accounting simple and transparent. This should be reinforced with the groups, and one record book should be standard for all groups and used right from the start as per the guidance in the manual for literate groups. Using one record book during a meeting avoids unnecessary duplication of information, time delays and cost to the SILC group.*

7. **Who decides on meeting place, date and time for SILC meetings?**

*SILC members should agree upon the meeting place, date and time of their meetings. The model should be accessible and flexible to cater for the SILC needs not the needs of the community mobilizer or field agent. This will require flexible hours for the community mobilizer or field agent and remuneration based on certain performance-based objectives, not necessarily hours worked.*

8. **Who provides the cashbox set for each group? Should the group contribute?**

*The manual has a description of the items that should be included in the cashbox (record book, calculator, ink pad, pencils, ruler, scissors). All SILCs should have this basic set, and SILCs should be encouraged to buy, at a minimum, the expendables. The program can subsidize the cashbox partially or completely. Contribution from the group is crucial so that they take ownership from the start and realize that the box is a necessary operational expense.*

9. **Can SILC be integrated with other development activities?**

*Yes! SILCs form an ideal basis for Integral Human Development (IHD) as it builds up individual and community financial assets through savings and internal lending; human assets by facilitating skill development in numeracy, bookkeeping and following policies and procedures; social assets through electing a committee and drafting a constitution; solidarity through supporting the poorest members of the community and building group cohesion and self-reliance through the SILC meetings; political assets by their ability to speak up as a community; and physical assets by investing their loans in productive IGAs. SILC is being implemented in conjunction with HIV, OVC, health, agriculture, anti-child trafficking and IDP/refugee programs. (Ref. SILC, a basis for Integral Human Development, CRS Publication, November 2006)*

10. **Should new groups start meeting monthly?**

*No! Existing and new groups should start with weekly meetings (or bi-weekly meetings). In later cycles, groups can decide to operate on a monthly basis if they so choose. The SILC model is built on regular savings and capacity building. The first cycle is crucial for groups to become sustainable. Monthly meetings only allow the members to meet ten times over a ten-month period. Weekly meetings*
allow groups to meet 40 times during which training and capacity building can take place. Regular meetings provide a mechanism for poor people to deposit and protect their small amounts of money, allow the group to accumulate savings at a faster rate and to start internal lending earlier. This will lead to greater profitability, a key driving factor of success.

11. Can SILCs have Flexible savings?

Yes! All groups should be encouraged to have flexible savings, following the initial model. Non-literate groups can have flexible savings as well by using a stamp passbook as described in the manual. Literate groups have the flexibility to save variable amounts as they can keep written-records (see SILC Field Agent Manual, Version 2.0 for details). This allows for flexible savings and avoids the cost of passbooks. The group will decide on a minimum and maximum savings amount to avoid excessive individual savings by the end of the cycle yet capture maximum profits. The ratio can be up to three or five times the minimum savings contribution.

12. Can SILCs have a rest period?

Yes! For example, some SILC members complain that contributions are difficult during a drought, and some members stop saving altogether. During unexpected droughts or floods, SILC members should be allowed to take a rest during which time they suspend savings contributions. However, these group members continue to attend meetings and contribute to the social fund to allow the group to support each other during difficult times. SILC members should be encouraged to plan the pay out around seasonal activities (planting season, Christmas, End-of-Ramadam) or cyclical events (recurrent drought) that require substantial amounts of cash.

13. Can SILC target individuals?

No! Groups self-select, and the program should never target individuals, only groups within a community. Self-selection leads to trust and solidarity within the group and is the basis for strong cohesion.

14. Can SILC groups meet at the same time in one area?

This practice should be discouraged. It is more time efficient for the field agent but does not allow the field agent to deliver quality capacity building to each group individually. Only when groups are mature and running the meetings after six to eight months (maturity phase) should this be considered.

15. Can SILC members take interest free loans from the Social Fund?

This should be discouraged because these loans can compete with the internal lending procedures. Social fund loans are normally for insurance purposes. Using them for other reasons could introduce tension in the group. For educational purposes, groups can decide to set-up a separate education fund.

16. Can SILC members set up different funds (Education, funeral etc.) apart from the Social Fund?

A separate fund is possible but will add time to the meetings as the money needs to be collected and accounted for separately. Also, by-laws need to be designed to govern the funds. Where possible, groups should try to use the Social Fund as a fund that can serve for different purposes as described in their by-laws and managed as social fund contributions. While a separate education fund can be set up, the group will have to manage if and how it will be used. Savings for education are only due at a certain moment in time and could be used, in contrast to the social fund, for internal lending.
17. Can SILCs lend money to outsiders?

*Groups should be discouraged in extending loans to non-members unless full collateral is being provided by the external borrower.*

18. Can SILC support staff be members of the SILC groups?

*This practice should be discouraged and represents a conflict of interest whereby staff could use their influence to obtain loans from various groups without having the peer pressure to repay as they are in positions of authority.*

19. Can Social Fund contributions be made at the end of the meeting?

Social fund contributions and payments could be made at the end of the meeting because it respects the principle of strict separation of the Social Fund from all other transactions. In the manual, the Social Fund contributions are done in the beginning of the meeting just after registration. The transaction takes little time and is straightforward. Applications are simple and outlined in the by-laws. Members know if applications are genuine because they know the soliciting member because they live in the same community.

20. Can the length of the cycle between savings start-up and graduation be reduced in time?

Short cycles (six to eight months) should remain an exception rather than a rule because shorter cycles reduce accumulated savings, profits and time for capacity building. Also, social cohesion will not be as strong. Groups on short cycles need to meet on a weekly basis and need to be intensively monitored until the end of the cycle to make sure that the group can graduate from the program.

21. Are pre-payments possible?

*Pre-payments are possible.* They are recorded or remembered as 'good' roll-over loans (balance or fully paid). Interest is calculated on the remaining balance.

22. Does the MIS Field Agent comparison sheet work?

The field agent comparison sheet does work if you ‘Enable the Macros’ when the spreadsheet is opened. Also, make sure that you have Excel 2003 for the spreadsheet to work properly. Check the security setting on your computer per the guidelines provided in the spreadsheet if the sheet fails to open correctly. When adding a field agent sheet, the system will copy an existing page and you will have to delete all the data from the newly created sheet to be able to enter new data.

23. Can we introduce SILC member training for business management and entrepreneurship? Should we directly support IGAs?

This is a *worthwhile intervention* but should only start at the beginning of the ‘maturity phase.’ This will avoid members receiving an overload of information during the first few months of capacity building. SILC procedures and policies are simple but detailed and need intensive training and capacity building during the first four to six months. However, SILC forms a great basis for other development activities during the maturity phase and after graduation as the groups will have built up enough social and financial capital to become self-reliant and in charge of their own development needs and priorities.

We are discouraging group IGAs and programs that support individual and group IGAs as we do not have a viable model to do so. The approach is very costly on a per client basis and within CRS we
have not been able to prove that IGA support had any sustainable impact on the livelihood of poor people!

Also, a recent EDA study “Self-help groups in India” – 2006 shows the following:

One in five SHGs has attempted group-based enterprises. **Just under half of these appeared to be viable, though with relatively low earnings for SHG members.** Where successful, such enterprises have enabled women collectively to access and manage assets or contracts which they lack the capacity as individuals (or as separate households) to do. SHPA support seems critical in providing or facilitating ideas for group based enterprise. **Though this does not in itself guarantee viability or effective returns.**

But there is the question of viability. Of the total 33 activities 3 were a one-time, seasonal activity (pond lease, fodder depot) and were not repeated; of the remaining, **one-third were continuing and viable, though with relatively low rates of return to SHG members.** These were mainly the group enterprises. Government linked contracts are quite unsuccessful.

A more successful approach to support IGAs has been developed by CARE Zimbabwe. The “Selection, Planning and Management of IGA” toolkit is an excellent manual that allows training participants to select, plan and manage self-selected IGAs. It is about capacity building only (no subsidized inputs) and you only need an excellent community facilitator to do these trainings. It can be combined and given to SILC groups when they enter the maturity phase (Month 8 onwards). The toolkit is not about recommending which activities are likely to succeed, but rather equips participants with the tools and skills to select, plan and manage IGAs that effectively match their individual skills and available resources (time, labor, cash flow) in a personal, household and community context, resulting in improved business practices.

24. **Should a SILC program establish linkages with formal financial institutions (MFI, Credit Union, Commercial Bank etc.)?**

An option but very debatable as a CRS strategy at this moment in time: Linking SILC to the formal sector is sometimes possible, but it is important, first and foremost, to create enough autonomous SILCs that can become eventually a market for the formal financial sector. If the poor have few investment opportunities and access to markets and if they have little experience of running an enterprise they are likely to find it hard to make money. Their need for financial services is better focused on reducing debt through savings, covering exogenous risk through insurance and providing credit for household cash management in very small doses.

If a program decides to create linkages to the formal sector it must expect this to be an arduous task, requiring a lot of extra cost per participant and only practical where there is political will and material commitment at the highest levels of government to the creation of rural banks that can provide capital support. India has had some success in linking self-help groups to the formal bank sector thanks to government support and recognition of informal self-help groups, an extensive rural bank network and the mandate of the Government subsidized bank NABARD (National Bank for Agricultural Research and Development) to provide soft loans to rural banks for on-lending to self-help groups.

However, SILCs most precious asset is their independence and the self-confidence that comes from achievement on their own terms. It should not in any way be compromised, except for sure and substantial benefit. Recent studies by the World Bank and EDA question the viability of linkages and have outlined several weaknesses and dangers. CGAP: **Focus Note May 2006** and EDA (EDA Study – Self-help groups in India – 2006) question the viability of linkages and have outlined several weaknesses and dangers. CGAP: “SHGs, most of which have bank linkages, have shown mixed performances. Instead of injecting loan capital into Community Managed Loan Funds, funders should use their resources to provide support services for the groups.” EDA: “SHG growth seems to be attracting too much politics in the form of targets for SHG ‘linkage’, resulting in supply driven approach of pushing external loans on SHGs.”
However, individual group members could benefit from a graduation strategy for individual lending
whereby the program supports the individual to apply for bank loans directly based on her group
record and proven potential for higher loans.

25. **There is a need to translate the headings of the record book and the MIS into local
dialects. What should we do?**

The MIS spreadsheet has a translation function/tab that can be used to translate the sheets into any
local dialect. The tabs for the record book can be easily translated and written down in the
translation module.

26. **How are the following indicators defined in the MIS?**

**Members at date of creation:** The date of creation is the first official savings meeting of the group
after training in the SILC methodology. The number of members can be found in the record book
(Registration) on the first savings day or by simple observation of the group.

**Members at time of visit:** Active members at the date of your visit. This can be different from the
number of members at the date of creation because people may have left the group, and new people
may have joined. The number of members can be found in the record book (Registration) or by
asking the group members who are present. Note that this number includes active members who are
not physically present at the meeting (for example, an active member who is sick).

**Members attending meeting:** Active members who are physically present during the meeting. The
number of members attending can be found through direct observation.

**Age of SILC group (weeks):** Number of weeks since the date the group was created.

The Excel MIS spread sheets have pop-up screens with explanations for all other indicator categories.
However, definitions should be made clear and discussed with the field agent before filling in manually
the field data collection form (Field agents normally have no access to computers and/or the Excel
based MIS).

27. **What is the difference between a traditional Savings and Lending Group and a SILC
group?**

The differences between a typical Rotating Savings and Credit Association (ROSCA) and a SILC group are
summarized below.

The “typical ROSCA” described in the below left hand column in most developing countries (with
substantial local variation). A group of six to a dozen women make regular payments and the entire
amount collected (the payout) is distributed to each member in turn. The group disbands when the last
member receives her payment. ROSCAS have two major advantages; they are formed without an outside
organization promoting them and they provide a simple mechanism to safeguard savings and a useful
amount of capital as each member receives her payout. They transform small sums of money into one
useful lump-sum at the time of payout that can be used for investment or consumption purposes. It is a
transparent and efficient way of building up financial assets over time but does not provide a return on
savings, loan sizes matched to investment needs or insurance.

SILC has several advantages which can be seen in the following table:
**ROSCAS AND SILC COMPARED**

<table>
<thead>
<tr>
<th><strong>TYPICAL ROSCA</strong></th>
<th><strong>SILC</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Members wait their turn for their pay out even if they need money earlier.</td>
<td>• Members take out a loan when they need it (depending on group approval and fund availability).</td>
</tr>
<tr>
<td>• No interest charged and no return on savings.</td>
<td>• Group fund grows with loan interest, fines, fees and profit from group investments. The return on savings mainly depends on the interest rate and the percentage of the fund on loan.</td>
</tr>
<tr>
<td>• No review of how pay out is used.</td>
<td>• Members discuss how loans will be used.</td>
</tr>
<tr>
<td>• Group disbands when the last member receives her pay out.</td>
<td>• Group distributes the fund at the end of the cycle (share-out) and continues saving in the next cycle.</td>
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<tr>
<td>• The poorest are often excluded because they do not have a regular income and/or the payments are too high for them.</td>
<td>• Groups can suspend or decrease payments during the “hungry season” and save more after the harvest reflecting the variability in income of poor villagers.</td>
</tr>
<tr>
<td>• Little flexibility because records are very simple or non-existent.</td>
<td>• Better record keeping makes it possible to build in variable savings and loans of different amounts.</td>
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<tr>
<td>• Groups have little formal structure other than the group leader</td>
<td>• Group goal setting, bylaws, electing officers, holding officers accountable lead to stronger groups.</td>
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<tr>
<td>• Little or no link to other development inputs.</td>
<td>• Groups become platforms for literacy, health, business education, disaster preparedness and improved agricultural practices.</td>
</tr>
<tr>
<td>• Exchange of ideas between groups occurs informally through exchanges in markets or among friends.</td>
<td>• Strong groups share innovations through meetings and exchanges organized by animators.</td>
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<tr>
<td>• Each group operates independently.</td>
<td>• Groups can be clustered for exchange and development activities.</td>
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<tr>
<td>• Since payouts are taken in turn, members often use money lenders for emergencies.</td>
<td>• Risk is mitigated through grants for emergencies from the social fund.</td>
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</tbody>
</table>

28. **Will SILC reach the poorest?**

Those who initially join self-help groups (SHGs) tend to be the middle poor who have more resources, are better educated and are more inclined to take risks. The challenge is to how to involve the poorest. The experiences of Catholic Relief Services’ SHG projects in India and CARE’s project in Zimbabwe are illustrative of how SILC will include the poorest. CRS strives for 100 percent coverage so the poorest, by definition, are included. In Zimbabwe, CARE trains smaller groups with each group determining the level of savings they can afford. In one village, for example, those in the poorest group save 25 cents per month while the better off save more than $4. This makes it possible for all to participate. The expectation is that as SILC expands its outreach in a village that more of the poorest will be involved.

29. **Will there be a requirement that all the loans be used for income generating activities?**

There are no restrictions imposed by the program on how loans are used. Groups approve loans and base their decision on their knowledge of the character, cash flow situation and credit history of the applicant. Group members self-select and have intimate knowledge of fellow members and select them on the basis of characteristics as: discipline, honesty, living in the same community, hard working, well
respected, good will, economic activities and status etc. Loans are typically used more for consumption initially and then shift to income generating activities as the size of the fund increases.

30. Can members exit without penalty?

Members can leave the group without incurring a penalty. All or part of the group fund is divided among the members at the end of an eight to twelve month cycle (with members deciding how long the cycle will be). Members are free to leave (and new members are free to join) at that time. Members can also leave during a cycle (although they probably will not receive their share of the interest on their savings due to the complexity of making these calculations.). The record keeping system introduced through SILC tracks member savings so payouts can be calculated. Our data shows that to date none of the groups have disbanded and the drop out rate is very low.

31. Do the very poor have a steady source of income to contribute to a savings fund?

ROSCAS require a steady stream of income so members can make regular payments. SILC groups are more flexible and can suspend or decrease payments during the “hungry season” and increase their payments after the harvest in keeping with the variable income in rural villages. Members can make double and triple voluntary deposits when they have more to save. The improved record keeping system introduced through SILC makes it possible to track variable savings amounts. Most of the groups adjust their savings level seasonally.

32. Won’t the amount of money these women save be too small to be of much use to them?

There is no question that the amount of money saved is small, averaging $1 or $2 per month. One advantage is having a place to save that is outside the reach of spouses, children and relatives and that grows to a useful amount to fulfill a long term need. This form of saving and borrowing is much more in line with the average capacity of women to utilize these funds in poor rural areas. Throughout the cycle savings will start to grow and net savers can expect returns on their savings from 20 % upward (Some groups even double their savings by the end of the cycle through interest income, profit from investments and fees and fines!). Small sums of money, saved on a regular basis, will be transformed into a useful lump-sum at the end of the cycle.

33. SILCs are a way to save but members often need their money before the share-out at the end of the cycle. Is it profitable to invest this money in the group rather than fix the roof because the rains are coming in?

Since savings are pooled in a common fund, SILC members take out loans when they need them. The ability to take out a loan whenever needed rather than waiting in turn for a payout from a ROSCA is seen as a major advantage. Also, SILC provides members with grants for emergencies and protects people’s savings over time with a real positive return. SILC provides people with savings, insurance and credit services right at their door step in an efficient, transparent and profitable way.

34. Isn’t investing in microenterprises risky?

A loan for an individual micro enterprise is risky – an animal might die, a crop could fail, and there may be no buyers for goods purchased for trade. SILC groups mitigate risks by evaluating loan proposals, providing to each other advice and support and business literacy training. Also, the fact that loans are so small -- $5 to $50 -- lessens the risk.

Since the groups are small most or all the loans could fail with a drought, flood or other calamity. This is an inherent limitation of the model. Large financial institutions with nationwide outreach (Mainly in Asia) can absorb losses better than a small group, but such institutions are rare in countries where SILC is operational and seldom serve poor rural women. In addition, while an institution with branches in many
parts of the country may survive a local calamity, there is no guarantee that the institution will invest in the most affected regions or even reach the poorest.

35. How can we ensure that these small groups are strong, empowered, autonomous groups?

Every component of the SILC model reinforces the strength, empowerment and autonomy of the groups. Group strength is measured by meeting attendance, the quality of record keeping saving and lending. Empowerment is measured by the shift in household decision making among the women members and groups taking on an active role in community projects and campaigns. Group autonomy is measured by their capacity to manage their accounts and resolve group problems on their own.

36. Isn’t the rate charged by these groups to their members excessive?

Each group sets its own interest rate. Groups typically charge between 5 percent and 20 percent per month for the loans to members who request them. The higher interest rates build the group fund more quickly. (Moneylenders generally charge much more.) The interest paid within a SILC builds the group fund and the savings plus interest (less any losses) is divided among the members according to the amount they saved by the end of the cycle. Members do not mind to pay these higher interest rates as they know that they are borrowing the savings of their peers (hot money) and realize that they will get their part of the profit at the end of the cycle thus lowering the effective interest paid. In contrast the interest charged by moneylenders enriches the moneylenders as it impoverishes the borrower. Similarly MFIs drain money from the community through interest charges. Petty trading with high turnover and a substantial profit margin can sustain these higher rates. Lower rates with balloon payments at the end are more appropriate for agriculture.

37. Isn’t the fund at risk if a natural disaster hits the area where a group is located?

The risks to the groups of a major drought or flood are high as for any other community member. To hedge their bets, rural people save in animals that can be sold; keep jewelry that can be cashed in, and keep money sewn into their clothing or hidden at home.

In India, groups that have been trained in Disaster Preparedness recover faster from disasters, an additional way that these groups help mitigate risk. CRS/India estimates that disaster preparedness, training that leads groups to protect their water supply, store emergency food, develop evacuation plans; cuts down the costs of relief efforts several fold.

38. Should SILC members build up their savings fund first and not inter lend in the first months so that they can give larger loans later on?

In general, members should be encouraged to start lending as quickly as possible. The initial loans will be very small and risk of lending limited so that the group can experiment and learn how to manage loans without putting too much at stake. The learning process is very important especially in the first few weeks and lending out at an early stage will allow the group fund to grow through the collection of interest.

39. Why do SILC groups share-out their money at the end of the first cycle?

Members agree to save and to borrow as they wish from the accumulated savings for a limited period of time (normally up to 12 months) after which they proceed to an internal or action audit by sharing out profit, in proportion to the amount they have saved; from interest earned on internal loans to members, fees and fines; and other economic activities undertaken by the group and returning the accumulated savings back to the respective members. The action audit provides accountability at all levels. The leaders are held accountable for their actions during the terminating cycle and are subject to scrutiny before being
re-elected or dropped (committee members are subject to annual re-election at the start of a new cycle).  

40. Should we directly target individuals with SILC?  

No, self-selection is crucial. Some specialized NGOs organize SILC meetings at their offices and directly target their clients (Ex. PLWHA). Group dynamics show that trust and social cohesion in these groups is lower than in self-selected groups. Social cohesion is achieved through a process of self-selection. Members are self-selected based on characteristics of trust, honesty, reliability, punctuality, and goodwill within the community, work ethic, savings potential and similar social status. During trainings, field agents emphasize the importance of fostering trust and confidence among members in order to encourage group cohesion. The group’s dynamics plays an important role in influencing members’ willingness to save regularly, and to repay their loans on time. Therefore, partners should organize SILC trainings in the communities where their clients reside and support their target clients to participate, through awareness raising and promotion campaigns, in self-selected groups that will diminish the risk of having SILC made up of one special interest group which can affect the profitability and long-term survival of the group (Ex. SILC with PLWHA will suffer when several members fall sick or are not able to repay their loans while it augments stigma by being a special interest group).  

41. Can SILC charge interest in Muslim communities?  

It is important to emphasize the difference between interest paid to a commercial lender and paid to the SILC. This should not cause a problem as SILC members share the risks of lending with the individual and participate in the profit sharing as well through the dividends at the end of the cycle. So interest or fees on loans not only help the savings fund to grow but also increases the amount of the individual savings amount when profit is shared out. Also, interest can be replaced by the term fee in case there is a resistance for using interest terminology.

7 A recent study by Decentralized Financial Services (DFS) found that the action audit is one of the most significant contributors to accountability and cohesion in the group. All groups (25) and individuals interviewed said that the action audit held the groups together and had conducted an action audit at least once. Leaders can be changed during the action audit if their performance is not satisfactory and many groups had done this. They also felt it protected them from delinquency and losses because all loans must be repaid before the action audit. They said that the action audit also gave members who want to exit an easy way out while undesirable members could be asked to leave (Drop-out of 3% per year).