

# **Savings Groups in Chalatenango, El Salvador Thirteen Years Later**

**How Many Survived, Why Some Disbanded, How they Evolved,  
and What Difference Did they Make?**

**By**

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## **In Brief**

In 2007 Milagro Maravilla and I brought Oxfam's *Saving for Change* savings group initiative to Chalatenango in El Salvador. At the time, Milagro Maravilla worked for Oxfam America's Regional office in San Salvador. I served as Oxfam America's Director of Community Finance<sup>2</sup> based in Boston.

Since 2005, *Saving for Change* (SfC) had launched and scaled its savings group model in Mali, Senegal, and Cambodia. Would the same approach work in Latin America? There are parallels. In Latin American villages, as in Africa, villagers survive despite poverty, political upheavals, and economic collapse. Savings groups work because they strengthen the social fabric already in place.

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<sup>1</sup> [Grassrootsfinanceaction.org](https://www.grassrootsfinanceaction.org)

<sup>2</sup> <https://www.oxfamamerica.org/explore/issues/economic-well-being/saving-change/>

In 2007, Oxfam utilized discretionary startup money to launch its pilot project in Chalatenango. Milagro identified two partners, and the two trainers hired by the partners organized a handful of groups. Armed with these “facts on the ground,” the Oxfam team secured additional project funding, first from Linked <sup>3</sup>- based in the United States -- and later from FAHU <sup>4</sup>-- based in Denmark. The objective was to scale the pilot project in Chalatenango and along the way learn how savings group projects could be implemented elsewhere in the region. <sup>5</sup>

With this funding, Oxfam’s partners in Chalatenango, CARITAS (the humanitarian arm of the Catholic Church), and CCR (Association of Communities for the Development of Chalatenango) hired twenty-three female village leaders. Over three years, these women leaders trained and supported 330 savings groups with 4,500 members in their own and in nearby villages. Most all were poor women living in one of the poorest Departamentos (states) in El Salvador.

FAHU Foundation was curious to see how the groups in Chalatenango – one its initial projects -- had fared thirteen years after their initial grant. To answer this question, FAHU provided funding to carry out this evaluation.

## Launching the study

in early June 2024 Milagro and I traveled to Chalatenango. Our mission: learn how many groups were still saving and lending, how many groups disbanded, and the reasons for both outcomes. Seven trainers, selected randomly from the twenty-three trainers hired sixteen years earlier would now, as investigators, see how the groups they trained earlier fared.

Given that the groups trained by the seven women represented 45% of the total groups trained we were confident that the findings would be representative of all the groups.

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<sup>3</sup> <https://linkedfoundation.org/>

<sup>4</sup> <https://fahufonden.dk/>

<sup>5</sup> <https://seepnetwork.org/Resource-Post/Saving-for-Change-in-El-Salvador-and-Guatemala>

Armed with a list of the groups they organized and supported. trained, the ex-trainers were asked to complete as many surveys as they could in two days, and then return to CCR headquarters to be debriefed by Jeff and Milagro. After asking questions about the survey and sharing their initial impressions, they returned to their communities to interview members of the remaining groups on their list.

We were surprised, when the interviewers returned. It was clear that most of the groups had disbanded. During a brief trip I took to Chalatenango in 2016 as part of a larger evaluation of savings group/bank linkages in El Salvador and Guatemala, the trainers I spoke reported that not only were most of the groups still operating, but they were now organized into networks linked to the municipalities. A few groups were even lending to each other. Given this, the fact that many groups had disbanded was perplexing.

As we analyzed the survey data gathered in 2024, we learned that only 16% of the groups listed in the 2011 monitoring report were still active. Further, the networks that were in place in 2016 no longer functioned, and there was no evidence of groups lending to each other.

The empirical data was easy to evaluate, but the driving forces were more elusive. Why did so many groups disband? Given the fact that the respondents spoke fondly of their groups and what they could finance with their savings, and the sense of solidarity and community they had within their groups, this unexpected outcome deserved further investigation.

There were several intertwined but cumulative factors that provided insights as to why so many groups disbanded over the past eight years:

- **The Covid pandemic.** During the pandemic, regular in-person meetings were not permitted. The local economy collapsed, and prices increased. Some members died.
- **Massive outmigration.** Since 2016, a fifth of the population left Chalatenango, including many group leaders and members.
- **The fear of robbery.** Now that the women were saving much more, the cash boxes often held hundreds of dollars. As loans were repaid towards the end of

the cycle, the boxes held even more money. With banditry on the rise, few wanted to take the risk of keeping cash boxes at home.

- **Some loans were not repaid.** causing some groups to disband.
- **Feeling abandoned.** In the beginning, trainers visited village groups frequently, but over time there were fewer visits. By the time of the study many groups had not been visited for years. The fact that village women were overjoyed that trainers returned -- if only for an interview -- gave the ex-trainers the impression that many groups could be reactivated with a few visits and access to the

Overshadowing these reasons for disbanding, however, was an additional factor: government policies and actions. Since 2019 Nayib Bukele has been the President of El Salvador. He gained international fame for jailing tens of thousands of suspected gang members (81,110 as of July 2024)<sup>6</sup> The murder rate -- once one of the world's highest -- plummeted.<sup>7</sup>

For now, ordinary citizens felt free to walk the streets, but this newfound safety came at a steep cost. Personal rights were undermined, and any local institution -- including modest savings groups, local women's associations and activist municipal governments -- were suspect. Any independent organization is considered a threat to the government's control.

This is especially true in Chalatenango. The region has been a center of the insurgency in the fight against El Salvador's right-wing dictatorships in the 80s and 90s. In fact, Chalatenango is still a center of left-leaning, anti-government opposition.

Consequently:

- The Chalatenango region is flooded with police and army patrols. Group leaders are harassed and accused of money laundering for the drug cartels. There were rumors that the army or police could confiscate the cash boxes if they had more than \$300. The threat of having their cash confiscated and the increase in banditry means that few want to be box keepers.

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<sup>6</sup> [https://en.wikipedia.org/wiki/Salvadoran\\_gang\\_crackdown#:~](https://en.wikipedia.org/wiki/Salvadoran_gang_crackdown#:~)

<sup>7</sup> <https://www.nytimes.com/2024/08/29/opinion/el-salvador-safety-bukele.html>

- Young men are afraid they might be sent to jail, even if they had nothing to do with gangs. Many innocent people have been swept up in the government crackdown. It was in their best interest, they felt, to migrate to the United States or Canada or Italy. With youth leaving the area, many groups have collapsed.
- Chalatenango's thirty-three municipalities have been consolidated into just four. Unlike previous regimes where the municipal governments had considerable autonomy and more funding, the remaining municipal governments are tightly controlled at both national and *Departamento* level as their budgets have been slashed. The decentralized network of municipal governments that once supported networks of savings groups cannot support them as they did before. The fact that a permit is required for any public gathering -- including savings group meetings -- is a major bureaucratic impediment and another way for the government to exercise control of the population.

There is, however, good news that came as a surprise to Milagro and me, We learned that many groups about the once active groups that disbanded because they merged with local credit unions. Through their credit unions, members still have access to a safe, convenient place to save, and the opportunity to take out loans. The groups effectively served as training grounds for cooperative officers. In fact, in one municipality, Arcatado, every officer in the savings and lending cooperative were once savings group leaders. (Arcatado was one of two sites where our groups were trained during the 2007 pilot.)

We will delve further into the findings from the study later in this report.

## Savings Groups: the Larger Perspective

The savings groups in Chalatenango are part of Oxfam America's *Saving for Change* (SfC) initiative. SfC's twenty-eight local partners in Mali, Senegal, Cambodia, El Salvador, and Guatemala trained thirty-five thousand savings groups with 704,000 women members (and a few men). Groups were established in at least ten thousand

villages between 2005 and 2013 with the first groups trained in Mali.<sup>8</sup> The savings group methodology used in El Salvador is derived from the Mali experience.

The SfC methodology is based on my previous work evaluating Pact's Women's Empowerment (WEP) Savings Group program in Nepal in 2000<sup>9</sup>, Catholic Relief Services' Self-Help Group work in India in 2002<sup>10</sup>, and Care's VSLA <sup>11</sup>work in Zimbabwe in 2004. (I joined Oxfam in 2004 and left in 2013.) Each of these studies expanded the understanding of how to build effective, efficient, scalable savings group projects:

- WEP in Nepal demonstrated the importance of both jettisoning the cumbersome structure of credit delivery, and of delegating all responsibility for saving and lending to the groups. It also highlighted the additive role of “spontaneous replication” (when leaders of existing groups trained new ones), and the importance of working exclusively with women in leadership roles.
- My Self-Help Group research in India showed how to incorporate large numbers of local NGOs in the process of group formation and support. It also demonstrated the erosive effect of the failure to prepare strategies for “graduating” groups to operate on their own. Staff visited the groups every week - often for years – creating dependency. Our work in El Salvador (and elsewhere) is based on our experience ensuring that groups operate independently within a year or two.
- The Zimbabwe VSLA experience highlighted how savings groups survive – even when all other financial institutions collapse due to hyperinflation -- because of their ability to adapt to rapidly-changing conditions. This includes abandoning currency and repaying loans in bags of corn or bars of soap, replacing members that died of AIDS with relatives to keep the groups going, using stable currencies such as the dollar or the South African Rand to counter inflation, limiting loans to

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<sup>8</sup> Jeffrey Ashe, Neilan Kayla, “In Their Own Hands: How Savings Groups are Revolutionizing Development,” Barrett-Koehler Publishers. San Francisco, 2014

<sup>9</sup> <https://www.pactworld.org/blog/savings-loans-and-empowerment-lessons-20-years-worth>

<sup>10</sup> <https://www.apmas.org/pdf/self-help-groups-in-india-a-study-on-quality-and-sustainability.pdf>

<sup>11</sup> <https://www.care.org/news-and-stories/resources/vsla-by-the-numbers/>

one month and more. Institutional financial institutions lacked the flexibility to adapt and collapsed.

The first savings groups were trained in 1991 in Niger through CARE's first VSLA (Village Saving and Lending Association) project. By 2007 the savings group movement had grown to one million group members, Leveraging our success in Mali (funded by the Norwegian Stromme Foundation) that had since 2005 had grown to 40,000 members, in 2008 Oxfam received substantial funding (more than \$13,000,000) from the Bill & Melinda Gates Foundation to expand and evaluate our efforts. Shortly after CARE and CRS (Catholic Relief Services) received similar levels of funding from Gates. Between Oxfam, CARE and CRS the Gates Foundation provided forty-four million dollars of support, and soon other donors provided more funding.

Since then, more international NGOs and hundreds of local NGOs have adopted their versions of the savings group methodology. Today there are between fifteen and twenty million savings group members organized into a million groups. Most are in Africa but there are growing numbers of savings groups in Latin America and Asia.<sup>12</sup>

Assuming a savings rate of between \$50 and \$100 per member, these groups collectively mobilize and distribute between one billion and two billion dollars every year. To put this into perspective the total cost of training one million savings groups was half a billion dollars. (Assuming an average of cost of \$25 per group member based on Oxfam's Mali experience). Actual amounts for training a group member range from zero per person for replicated groups, to \$100 per group member).

Since groups continue saving and lending for years after outside funding ends, and self-replicate with the leaders of existing groups training new ones, the cumulative total mobilized, lent, and distributed could be twenty times the initial cost of training these groups, probably more.

Worldwide, eighty percent of the group members are women, most of whom live in villages and most whom (like in El Salvador) are poor.<sup>13</sup> Few are candidates for

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<sup>12</sup> <https://www.vsla.net/>

<sup>13</sup> <https://seepnetwork.org/files/galleries/2019-SG-LB-Womens-Empowerment-And-SGs-EN-DIGITAL.pdf>

microfinance loans. They may have a bank account, but rarely use it. If they use FinTech, it is for high interest loans.

For the poor -- especially poor rural women -- institutional financial services are, with few exceptions – less useful than membership in a savings group which, in addition to providing useful amounts of capital through saving and lending, also strengthens the social fabric in hundreds of thousands of villages worldwide.

Nevertheless, virtually all external support to “financial inclusion” is invested in microfinance, banks and fintech as funding to informal alternatives, such as savings groups, dries up. We applaud FAHU’s efforts to keep the savings group movement alive.

## **Savings Groups, Challenging the Credit First Paradigm:**

With the savings group model, amassing useful amounts of capital through one’s own efforts in a small supportive group works as a locally managed form of financial inclusion. Over the past two decades the savings group movement has shattered the shibboleths of microfinance orthodoxy.:

- The poor can’t save. They can.
- The poor can’t save enough to make a difference. They do.
- The poor can’t manage their own groups. They do, often in a year or two, and without outside support.
- Staff need to lead expansion. Group leaders often train new groups on their own initiative as they adjust the methodology to better meet their needs.
- Credit is needed to start businesses. Savings group women have started and built businesses by the millions as they strengthen the social fabric with increasing bonds of mutual assistance.

While I was at Oxfam, I synthesized what we had learned into these nine principles for a successful savings group initiative.



- Start small, but plan for scale.
- Simple is better than complex.
- Build on what is already in place and already widely understood.
- Provide training that ensures that groups continue saving and lending long after outside agents leave.
- Keep costs low; resources are limited, and the scale of poverty is vast.
- Give nothing away; if what is introduced depends on handouts it will not continue or spread on its own.
- Insist on local control: if local community members are in charge, groups will continue saving and lending on their own for years..
- Establish high performance standards for NGO partners and insist on meeting objectives. This was the key to achieving the high levels of performance of the twenty three trainers in Chalatenango.
- Embed learning and innovation. It is impossible to get everything right the first time.

These principles were incorporated into the SfC model in Chalatenango.

## **Saving for Change in Chalatenango**

Once the Chalatenango project was launched, the trainers had to overcome the suspicions about any project that involved their money. For years, outsiders had come to their villages promising a fabulous return. But once they turned over their money, they never saw it again.

In response, the trainers developed this mantra; “We will never touch your money.” Each group was entirely responsible for managing its own funds. It took months for the villagers in the initial groups to overcome their reticence, but as word spread, organizing new groups became easier, groups saved more and made more loans.

The trainers met monthly at CCR headquarters with Milagro Maravilla and Carmen Fabian from Oxfam. During these meetings, each trainer reported what they had

achieved the previous month and set their objectives for the following month. These meetings fostered solidarity and a common sense of mission among team members.

These two elements – hiring trusted local leaders and incorporating a mechanism that built solidarity and trust while keeping the trainers accountable for their performance -- were keys to the success in Chalatenango. It was clear that the trainers had a three year assignment. The requirement that groups would need to stand on their own after three years was built into the model.

The strategy worked. Over the three years, each trainer organized an average of about fourteen new groups that represented a total of slightly less than two hundred members. As funding from FAHU and Linked ended, our partner CCR secured funding to continue to pay the salaries of three of the trainers. The task of these three trainers was to organize the groups into support networks affiliated with twenty-eight of the thirty-three municipal governments. CCR also monitored group performance.

Leveraging the momentum built over the three years that the trainers were paid for, by 2014 the number of group members increased to 6,500, and five new groups were trained. The average number of members per group increased from thirteen to nineteen. Data from 2016 showed no further increase in group membership or the number of groups.

## Research Design

FAHU funded this study to see how many groups continued to save, how many groups disbanded, and to determine how and why these results occurred. Milagro and I divided the work. Milagro was responsible for organizing the study – contacting partners, reaching out to the ex-trainers, arranging for the coding of the questionnaires, lining up someone to transcribe the interviews, finding and contracting a videographer, arranging for tracking disbursements, and scheduling our days in Chalatenango.

Milagro was an invaluable source of information about the project; in addition, she critiqued the questionnaire design, accompanied Jeff in the field, and added her questions as the qualitative research was carried out. Though the study has ended, Milagro continues to be an invaluable source of support.

My responsibility was to design the study, develop the questionnaires, lead the training of the interviewers, debrief them, and (with Milagro,) conduct the qualitative interviews. I also developed the proposal, consulted with FAHU on the research design, and wrote the final report.

## The Interviews

Over the course of more than a week, the interviewers collected as much information as they could on 149 groups, which represents 45% of the 330 groups saving and lending in 2011.

Each interviewer was provided a list of the groups that they had organized. They made three attempts to find at least one person they could interview about the group. This was easy for the still active groups but proved difficult for the disbanded groups. Many former members had moved away from the villages and many groups ceased operations so long ago that it was hard for them to remember details or find group records. Despite their best efforts, no one was located for seventeen groups. Thus, for the purpose of this study, these seventeen groups are counted as disbanded.

Interviewers used their phones to record responses to the open-ended questions. These recorded conversations provided a wealth of information on the “whys” of the answers they provided. All recorded responses were transcribed, and the questionnaire data was then tabulated at the CCR headquarters office.

## Research Findings

Interviews were completed for one hundred and forty-nine groups. By multiplying the study findings by 2.2 we can reliably extrapolate the study findings to all 330 groups.

By using this formula:

- 53 of the 330 groups are currently saving and lending.
- 277 groups disbanded. This includes the seventeen groups that were not possible to locate.

Of the groups that are currently functioning:

- Two-thirds are in rural areas, and the rest in major towns.
- Most all were trained between 2008 and 2011, when the groups received direct support from the trainers. Five of the currently active groups were trained after the FAHU and Linked support ended.
- While ten of the active groups still meet every week and another ten groups meet every two weeks, the rest meet every month. While the original training specified weekly meetings, most currently active groups feel that weekly meetings put an unnecessary burden on members and leaders.
- The number participating in these still functioning groups increased from 630 in 2011 to 890 at the time of the end of the last cycle. Of these active participants, 128 of the members were men. Initially, all the members of the groups were women.
- Seventy-five percent of the members of the active groups attended the most recent group meeting.
- Eighty-eight percent of the functioning groups plan to continue saving and lending in the future. The groups that remain are committed to keep meeting.
- When asked if more groups could be trained in their communities, most said yes, but added that this would require someone actively promoting new group formation. (They felt that no one currently in their groups was willing to put in the time and effort for this kind of expansion work.) Most indicated that an

impediment to new group formation was outmigration. Others believed that many in their communities didn't want to save, and that there was too little trust.

- Asked how to include poorer people as group members, some felt that they would need to start a business or have a source of income first, or that they didn't have enough money to begin. Others said that the poorest simply weren't interested in joining. Among the remaining groups, there was little commitment to include more of the poorest people, unless those people had already started a business.
- The average member received an average of \$93 in their last payout; the range was between \$14 and \$525 per member.
- Only six groups had an account with a bank. The non-banked groups tended to be in villages that were far from a town with a bank. There is no reasonable alternative to keeping the cash boxes in their homes.
- In the last cycle, four groups experienced payment problems.
- None made loans to other groups. By contrast, in 2016 several groups lent to other groups. The lending groups tended to have more money to lend than demand for loans from their own members.
- No group received loans from another financial institution. In 2012 the InterAmerican Development Bank made a major effort to link financial institutions to groups. In Chalatenango, these efforts (as they have been elsewhere) largely failed. Financial institutions are not interested loans to poor village women, and those in savings groups almost always prefer to take loans from their groups that generally have more money on hand than demand for loans.
- Only six of the groups received visits from one of the trainers in the last year. Our expectation when we designed the project was that the trainers would continue to visit the groups. Now after so many years, only a few continue to visit groups, and this is done on a volunteer basis.
- None of the groups are currently part of a network of groups linked to municipal governments. Creating networks tied to municipalities was the principal objective of CCR when they hired the three trainers to do this organizing work. When there were thirty-three municipal governments, many groups were part of networks,

and the municipal governments more actively supported the groups. By intention or by neglect, when the number of municipal governments was reduced to just four, the current right-wing government undermined/weakened the savings group effort.

Asked what changes they had seen since joining a group, these comments are illustrative:

- If you have savings, you can take it out in case of an emergency, you can take out a loan if you need it, and at the end of the cycle you have what you earned from your money.
- If I need a loan I can get it. I'm also a member of a cooperative but it is far away, I need a cosigner to get a loan, and they don't give me the loan when I need it.
- We have access to loans. Since we are poor the banks won't give us a loan.
- The group is strong because some of us have a goal of starting a business or buying a house.
- It has taught my children how to save.
- Because we can get loans at low interest, and we can help each other if one of us has a problem.
- We have changed because all of us now have the savings habit.
- The group is stronger because of our rules. Members are participating and saving more.
- We are stronger because we have more members and save and lend more.
- The group is strong because we keep meeting and weak because whole families are migrating to the United States and left the group.
- Participation in meetings is the same, but we have more members now.
- The group is stronger now because more people have joined. The more who join the more they save, and we can make more loans and make some extra money when the interest is divided.

Of the sixty-six groups that identified a reason the group disbanded:

- 26% mentioned migration to the United States and elsewhere.
- 21% mentioned the lack of follow-up visits and attention from the trainers.
- 18% mentioned they were too busy because of work responsibilities and studies.
- 14% said that they had merged with a cooperative where they can save and earn interest on their savings and have access to loans.
- 11% said that the pandemic made it too difficult to meet, or that members had died.
- 8% mentioned their fear of crime.
- 3% mentioned the irresponsibility of group members.

These comments provide additional insights into why the groups failed:

- When the group was organized many members were young. They left Chalatenango to study in San Salvador or migrate to the United States, and did not return.
- The pandemic made it difficult to meet as we could not leave our houses and there was no economic activity so we couldn't save.
- With the government now arresting people, we are afraid to meet. One of the youths in our group was taken to jail.
- The group stopped working because we did not have the record keeping forms and passbooks. Since we didn't have the forms, we couldn't make loans, and the capital just sat there.
- We were afraid to meet because there were a lot of young people hanging around that we didn't know. We were afraid they would steal the cashbox. It was for that reason that we didn't want to meet.
- Some of the women wanted big loans for their businesses and they can't save enough. That's why they stopped meeting.
- When the trainer came here to organize the group it was "bonito" (inspiring), and we had twenty-six members. But little by little the members drifted away, but although we are just a few now, we continue.
- We closed the group when thieves stole our cash box.
- The group disbanded because the members migrated. But when the group was functioning, we took the money we had at home and saved it in the group. We trusted each other.

- The groups around here disbanded because of the pandemic.
- When the trainers of CCR came we organized a group. Since I was the President of the Women's Committee, I helped start five new groups. Now there is only one group functioning. Our group will keep saving, God willing.
- We organized the group so we could help one another, but now we have joined the cooperative.
- We don't want to organize a new group. Some save in the bank because whole families left the group to migrate to the United States.
- Everybody in the group left. I'm the only one left. It is not for lack of *confianza* the group but our fear that the group fund will be stolen, although this hasn't happened around here.

Milagro and I asked the ex-trainers for their comments on their experiences, including why many of the groups had disbanded. These comments are drawn from our conversations:

- Many groups are not functioning because of fear. Soldiers and the police say that they have permission to enter the house. If they find more than \$300, they take this money. So, the women in charge of the cash box are afraid that they will take the cash box. If they take the cash box, the group will have nothing. There are some groups that are still saving but they are afraid that their money will be taken.
- It was a wonderful experience in those times when we were helping the women, even though initially they were afraid. Now they are afraid because someone from outside would take their money.
- Some of the group members were part of municipal associations of women but they didn't like to talk about their groups because they were afraid that word would get out about where the money was kept, and someone would rob them.
- Once the new government came in, they kept their groups together for three years, but they disbanded the groups because of the fear they had.



- Many of the groups failed because of the pandemic and other difficulties. Because of the new government, many families left to go to other countries. This is what has made the work that we conducted in the communities difficult to sustain. In the groups that survived, there are few members.
- Because of the policies of the current government many families have migrated to other countries. This affected our work in the municipalities. But the groups that were most empowered continue functioning, even though the number of members is few.
- In Nombre de Jesús there are no more savings groups since the Savings and Lending cooperative was set up. The groups put their money in the cooperative, where it is more secure.
- A cooperative was also organized in Arcatado. When the groups disbanded, most of the members joined the cooperative.
- In some groups everyone young left and no one could be group officers because the older women did not know how to read or write.
- Many said that it was “bonito” when one of the trainers came to visit them every month; they felt more confident. It’s not the same being on your own when you have experienced having someone accompany you and be with you.
- First, I give my thanks to God to have had this experience of working in the community and teaching these women the savings habit. Even if the groups disband this habit of savings -- even a quarter per day -- has remained.

## The Arcatado Credit Union

Esperanza Ortega was the first trainer contracted by CCR. She served as a guerilla fighter in the insurgency for years and is respected in the community. Her savings group work in Arcatado helped inspire the savings group work throughout Chalatenango. Milagro and I met Esperanza in 2007 when we traveled to Arcatado to meet Padre Miguel. Padre Miguel suggested that we meet with Esperanza.

When we returned to Arcatado in 2024, we met again with Esperanza, and then met Silvia Menjivar, the Director of the savings and loan cooperative in Arcatado. Silvia was once a member of one of the savings groups. She calls them “banquitos,” little banks.

Silvia continued: “The cooperative started with twenty-six members who were all members of the “banquitos.” In 2011 we started to admit more members. The values of the cooperative were the same as in the “banquitos.” Our focus was mutual support. The only difference was that the cooperative is larger and more formal. Now there are no “banquitos” in Arcatado, only the cooperative. This is because the “banquitos” are not formalized, and the army and police can take the money. For that reason, those who were in the savings groups are now all in the cooperative.”

Esperanza added: “When the police were at your door, and they found money in the house, you soon found that your home was surrounded by soldiers.”

Silvia continued: “The box keepers did not want to live with this fear because with this regime, their idea is to destroy any local organizations. For this reason, all the “banquitos” started to save in the cooperative and take out loans from the cooperative. But it is the ‘banquitos’ that created confidence in community finance. We are legalized and can defend our rights as members.”

Esperanza said: “All those who were in the banquito have been very responsible. When those who have not had this education of being part of the groups, they can cause problems, but most of them have been responsible. “

Milagro added: “These savings groups are the first step – we were starting from zero. Before, they had no experience with credit. They didn’t know about savings and lending. These savings groups were the first steps in financial education. Now that the cooperative has come, the cooperative has members who know about responsibility, saving and lending.”

Silvia added: “Ninety percent of the savings groups members have joined the cooperative, and some who join the cooperative are the relatives of the group members and they have learned a lot about saving and lending from them. Now we have four hundred members between men, women, boys, and girls.” At first, we weren’t legalized, and we worked “clandestinos” (informally) now we are legalized. In the cooperative members can take out loans of the size they want. In the “banquitos” there was a limit on the loan size. We gave out a \$30,000 loan.

## Conclusions:

Every field trip is an opportunity to learn. In Chalatenango, Milagro and I learned of the importance of both savings groups and the local context in which they operate.

In Chalatenango groups disbanded in large part because of negative pressures including the government undermining the independent/left-leaning municipal governments, and the government’s dislike of independent community-based organizations such as savings groups.

As Milagro and I spoke to the ex-trainers, they repeatedly mentioned the fear that their cash boxes -- where the group’s wealth is stored -- would be stolen by local criminals. Few in the groups wanted to take the risk of being assaulted and losing the group’s collective wealth. Equally (if not more) important was the fear of being harassed by police or army patrols who were accusing the savings groups of money laundering.

## Implications for the Savings Group Field:

Based on what was learned in Chalatenango, these are the implications for the savings group field:

- Often, as funding ends, grassroots support for the groups ends abruptly. The Chalatenango experience shows that with minimal outside support (for example, just three ex-trainers were able to link networks of groups to municipal governments) groups feel they are part of a larger initiative, which in turn encourages them and inspires them to support each other. Minimal continuing funding will keep groups functioning and encourage the training of new ones.
- The Chalatenango experience shows that a strategy which identifies and trains local leaders to take the lead in organizing their groups can work well. Each trainer is responsible for groups in her community and the surrounding villages. Since they live in the area, the individual trainers have a long-term, often emotional commitment to their communities; logistically, they can reach groups on foot or by riding in pickup trucks that serve as informal low-cost bus service. The fact that sixteen years after they were employed all the trainers (except one who died) were still living in the area and eager to talk with us speaks to their long-term commitment to the savings group concept. Many of the trainers are part of local women's associations or have assumed roles in other organizations such as CCR. For perspective, in Arcatado all the officers of the credit union were once savings group members.
- Monthly meetings -- where trainers had a chance to share their recent challenges and achievements and set objectives for the future -- were beneficial to morale and productivity. The meetings also helped build a sense of community among the trainers. Between monthly meetings, an Oxfam staffer based in Chalatenango visited the trainers in the field, with the goal of working together to train new groups.

Despite many serious obstacles, these low-cost strategies helped keep the savings groups active in Chalatenango for years.

## Implications

The Chalatenango evaluation, and many similar studies of savings groups underscore the importance of informal savings groups for those at the bottom of the economic pyramid. Between savings groups (15 to 20 million members, and the self-help groups of India – (100 million members) and traditional rotating savings circles (ROSCAS) there are close to half a billion members of these groups. That's good news but extrapolating from Findex21 data there are two billion – most of them the poor and poorest – who (other than saving a bit under the mattress) do not save at all. <sup>14</sup>Our experience shows us that they would be best served by small community based saving groups.

We who are interested in “financial inclusion” at the bottom of the pyramid need to mobilize resources and talent to explore how grassroots financial inclusion can best be promoted. <sup>15</sup> This calls for more studies at the project level and equally importantly at the macro level to understand the scope and importance of the informal economic system and our role as outsiders to help include many more of those who do not save at all as their first step in moving their lives forward.

Our motto at Grassroots Finance Action is “They Already Have the Answers Just Ask.” Who better to “financially include,” if financial inclusion is defined as amassing useful amounts of capital to move the lives of the poor forward than the 25 million leaders of these groups between savings groups, self-help groups and ROSCAS. <sup>16</sup>

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<sup>14</sup> <https://www.worldbank.org/en/publication/globalfindex>

<sup>15</sup> <https://nextbillion.net/yunus-was-wrong-savings-human-right-financial-inclusion-shift-focus/>

<sup>16</sup> <https://www.findevgateway.org/blog/2022/09/path-financial-inclusion-must-include-saving-small-groups>

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<https://impactentrepreneur.com/how-immigrants-and-villagers-create-their-own-financial-inclusion/>

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