Informal resilience in urban Mozambique: How savings groups protect households from shocks

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- In Beira and Dondo (in Sofala Province), about half of savings group members experience a shock every two months, most often illness, the death of a relative, or theft. Formal insurance and bank credit rarely reach them.
- Savings groups are the de facto safety net. Almost all member borrowing occurs through the group, and members are around 8 percentage points more likely to borrow in a given month when they experience a shock.
- Most groups maintain an emergency social fund and lend for emergencies, so a contingency function already exists, but it operates without external support.
- When buffers are thin, households cope by cutting meals, withdrawing children from school, and selling assets, with lasting welfare costs, especially in more rural Dondo.
- Policy should strengthen and monitor these groups rather than bypass them: back their emergency-lending capacity, use them as a high-frequency monitoring channel, and target support locally.

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The policy problem

Poor households in urban and peri-urban Mozambique face frequent, severe shocks: illness, death, theft, job loss, fire, and flooding. Formal financial protection is largely absent, particularly for idiosyncratic risks that are hard to verify and not spatially correlated. When a shock strikes, households often resort to costly coping strategies, such as reducing food consumption or selling productive assets, which can cause lasting harm (Dercon, 2002).

Governments across the region are investing in shock-responsive social protection, systems that scale up quickly when crises hit (O'Brien et al., 2018). These systems are well-suited to large, covariate disasters such as floods and droughts. They are far weaker at the everyday, household-level shocks that drive much of the risk faced by poor people (Morduch, 1995). Community institutions, embedded in local information, may hold a comparative advantage in reaching them, yet policymakers know little about where these institutions are or how they work.

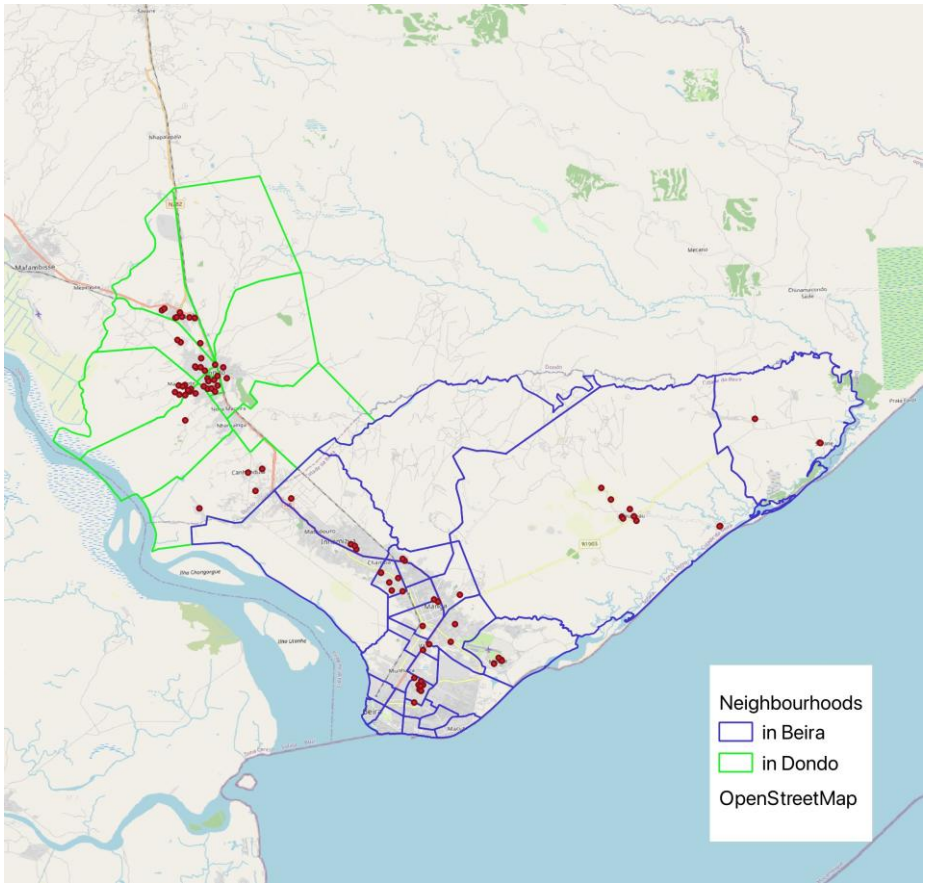
Our research

We mapped and monitored savings groups in Beira and the neighbouring district of Dondo, in Sofala province. We geo-referenced 102 active groups, surveyed their leaders and members in July 2025, and then tracked members through three rounds of short phone surveys between December 2025 and April 2026, completing around 5,300 interviews in total. The result is a high-frequency, spatially detailed picture of how shocks arrive and how households respond (Cecchi, Charrua and Leeffers, 2026).

Key findings

Shocks are frequent. In every round, around half of the members reported a shock in the previous two months. The most common were serious illness or injury, the death of a relative, and theft. The death of a household member, though less frequent, was rated by far the most severe.

Figure 1: The 102 monitored savings groups, Beira and Dondo. Each point is a geo-referenced group, and the lines show neighbourhood boundaries. Source: the authors' mapping, July 2025.



Coping is costly. The most common response to a shock is to reduce the number or size of meals. Households also withdraw children from school, send them to work, and sell productive assets, all margins that erode health, schooling, and future earnings.

Savings groups are the main, often the only, source of finance. Almost all loan members reported that their loans came from their savings group, not from banks, microfinance, or family and friends. Saving is near-universal and concentrated in the group.

Groups already act as insurers. Members are around 8 percentage points more likely to borrow from their group within a month when they experience a shock. Most groups keep a social fund, and a majority lend explicitly for emergencies. A contingency function is already embedded in their rules.

The same vulnerability has two faces. Beira, a dense port city, reports more shocks but holds thicker buffers and copes in less damaging ways. Dondo, more rural and with far less formal finance, reports fewer shocks but absorbs them on thinner margins, with more meal skipping, child labour, and asset sales among people who are food insecure.

Recommendations

- Strengthen group-based emergency credit. Support the contingency function groups already perform, for example, through liquidity backstops, matched social funds, or links to formal liquidity, so groups can lend more when many members are hit at once.
- Use savings groups as monitoring infrastructure. High-frequency, geo-located member surveys can detect idiosyncratic stress that centralised systems miss, improving the targeting and timing of support.
- Target locally. Because exposure and coping differ even across neighbouring towns, design and target support at the municipal and neighbourhood levels rather than through a single national lens.
- Work with groups, not around them. Channel any support through existing group structures and rules, recognising members' own governance.

Implementation challenges

- Fragility and crowd-out. Informal risk-sharing rests on social capital and can be undermined by poorly designed external support (Cecchi et al., 2016). Interventions must protect group autonomy and avoid displacing existing contributions.
- Heterogeneity. Groups differ in size, governance, and financial practice, so a single blueprint will not fit all. Support should be flexible and build on each group's own rules.
- Covariate limits. Groups insure well against idiosyncratic shocks but cannot self-insure against large covariate events that hit all members at once; such events still require external backstops.
- Sustaining monitoring. High-frequency phone monitoring depends on phone access, member consent, and funding, and is subject to non-response and attrition that must be managed.

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