



Griffith College

**IMPACTS OF VILLAGE SAVINGS AND LOAN ASSOCIATIONS IN ECONOMIC
DEVELOPMENT AND PEOPLE'S LIVELIHOODS IN MALAWI**

Submitted By:

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DECLARATION

I, Olive Likwaya declare that the information provided in this write up (Dissertation) is the product of my work. The work in this paper is original and is purely my knowledge. As such, no part of this work has been presented before elsewhere other than as in here.

I hereby certify that where the work of others have been used or referred to in this write up, acknowledgements have been made.

Signature: O.Likwaya

Date: 31st August, 2020.

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DEDICATION

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LIST OF ABBREVIATIONS

| | |
|-------|--|
| CARE | Cooperation for Assistance and Relief Agency |
| DFID | Department For International Development |
| FGD | Focus Group Discussions |
| MFI | Micro Financial Institutions |
| MGDS | Malawi Growth and Development Strategy |
| MK | Malawi Kwacha |
| NGOs | Non-Governmental Organisations |
| OIBM | Opportunity International Bank Of Malawi |
| RBM | Reserve Bank of Malawi |
| USAID | United States Agency for International Development |
| VSLA | Village Savings and Loan Associations |

ABSTRACT

The majority of poor people in Malawi lives in the rural areas which has less access to financial services. Village savings and Loan group has become popular in most developing countries, this aims at improving local financial intermediation. In this study, we will investigate the impact of Village Savings and Loan groups in Malawi over the years it was adopted. In the study, we found out that people's livelihoods and economic development has been impacted with the adoption of Village Savings and Loan Groups. People's livelihoods include also the number of meals consumed per day as it was measured by USAID poverty assessment tool.

The investigation tried to survey the effects of Village Savings and credit Associations have on individuals' vocations in Malawi. An example of 5 VSLAs were chosen from a populace of 10 in the region. From these VSLAs, 60 members were chosen as key witnesses for the examination. The respondents were deliberately chosen due to their devotion in the VSLAs for all the years. Surveys, Interviews and Focus Group Discussions were utilized as information assortment apparatuses. Writing survey and systems by DFID, Oxfam and CARE were likewise used to see how vocations methodologies are actualized and their belongings.

All the systems that will be talked about in the investigation give off an impression of being pointing towards a similar course which is destitution easing. The examination shows that VSLAs they decidedly impact livelihoods through business enterprise. All parts were talked about in the examination which begins by the weakness idea, employment structures and Livelihood results which remove individuals from destitution. During the investigation, we likewise discovered that there is improved food security due to VSLAs which assists with lessening weakness levels of destitution. A sum of the apparent multitude of discoveries implies that there is a positive effect VSLAs are making on occupations of Malawian Citizens. This implies Organizations should begin presenting VSLAs as an instrument for battling neediness.

The examination suggests that schools ought to empower the presentation module of enterprise and VSLAs ought to likewise be prepared in business to build information. Associations and government should prepare the gatherings on how the VSLAs works and VSLAs ought to be presented and reinforced in different parts to permit presentation to certain residents that have no clue about the plan.

CHAPTER ONE:INTRODUCTION

1.1 Background of study

Over the past 20 Years, Microfinance has been one of the main topics in economic development. In 2007, more than 100 Million of the world's poorest families received a microloan (Daley-Harris 2009). The vast majority of the world's poor live in rural areas of developing countries. There they endure long periods of time between inputs into and outputs from agricultural production, uncertainty about harvest outcomes, and dependency on weather. This makes it crucial that they are able to smooth consumption, to access credit and to employ strategies for coping risk (Conning and Udry 2007). However, the history of rural financial intermediation is not encouraging , and even the explosive global growth in microfinance has been concentrated in urban and semi-urban areas (Daley-Harris 2009, Allen and Panetta 2010, Demieguc-kunt and Klapper 2012).

At the point when formal budgetary organizations are not accessible, family units depend rather on systems, moneylenders and casual monetary instruments, which exist in a bunch of structures. In its least difficult structure individuals add to a typical pot of cash, aside from the first and last individuals, every part will be both a borrower and a saver over the span of the cycle. VSLAs is a sort of monetary establishment that has been normalized via CARE and is progressively being advanced by a large group of various associations and include greater adaptability in reserve funds and advances , normalize the administration structure and fortify responsibility components. Each VSLA depends on its individuals' investment funds to give acknowledge (just as little commitments to restricted reserve which can be gotten to in the midst of memorial services or ailments of family unit individuals). A base degree of investment funds is mandatory at a concurred standard time, it very well may be week after week, per fortnight or month to month.

Commonplace once a month credits are made accessible to individuals from the VSLAs and an expressed point of numerous VSLA ventures is to support private companies. VSLAs along these lines make a nearby monetary market that designate neighbourhood investment funds to indebted individuals who are bunch individuals. Additionally, VSLAs execute various responsibility and administration includes that are depicted in more detail underneath.

When a year, all investment funds and the collected premium are paid out. In our unique circumstance, rustic Malawi, countless gatherings plan this "share-out" not long before the farming planting season, when seeds and compost are purchased. This likewise concurs with the start of the school year when instruction related costs are high. There are hardly any proper options for sparing and getting credit in the towns we are contemplating: at gauge just 0.6 percent of families are members in a formal miniaturized scale fund organization, and five to 6 % in a VSLA bunch for instance.

VSLAs have now been presented in around 72 nations and have 11 million dynamic members worldwide according to 2015. Be that as it may, regardless of this wide dissemination and the expanding prominence among givers as a methods for improving the monetary framework in distant provincial regions, next to no is thought about the effect of VSLAs on family unit government assistance. Not at all like different sorts of microfinance for which a few randomized effect contemplates have been made indicating restricted impacts (Banerjee 2013) for survey of microfinance and thorough effect assessments of VSLAs that address endogenous program position and determination inclination have been finished.

1.1.1 Village savings and loans

As per Jain (1996) town reserve funds can be alluded to as network-based associations (CBOs) which joins individuals together so as to spare supports which in the end can permit them to get. Transient borrowings that ordinarily extend from 1 – 3 months is given to individuals from VSLAs from which they are needed to take care of with reimbursed with intrigue. VSLA can be limited by time, implying that after finish of given time span (normally yearly) the acquired assets are isolated among individuals from gathering, for their own utilization. Allen (2006) and Anyango et al. (2006), noticed that a VSLAs structure depends on bunch framework depicted through money related administrations investment funds without including borrowings from outside; self-controlled; straightforwardness and basic systems; adaptability.

regarding credit sizes; income maintenance in the gathering low gathering just as the board costs met through gathering profit. The essential focal point of the idea of VSLA depends on resource building, arrangement of credit and investment funds in line to the necessities and limit of reimbursement. All around created town reserve funds help people to improve their earnings, widen speculation openings, consequently, lessening neediness just as bringing down salary disparity among ladies and men (Claessens and kranz, 2001). Through little advances progressed at low loan costs, VSLA plans assume a significant job in enabling ladies, who much of the time need elective wellspring of pay (Karlan, 2007). Specialists see VSL plans as the one hint of something better over the horizon for poor people, a basic way out of neediness and a way to the strengthening of low salary workers, particularly ladies (Sachs, 2005). The author of the New York-based association – Women's World Banking, Michaela Walsh, called attention to that VSLA plans are basic in making business, which thusly, makes openings for work in creating economies (Wright, 2000).

The little credits progressed to ladies through town reserve funds, empower them to utilize themselves which likewise adds to the improvement of the circumstance for the whole family unit. This can too influence economic wellbeing of ladies emphatically through advancement of certainty just as development of their ability take an interest significantly in the general public (Sulaiman, Ghazala, Syed, Hussain and Saba, 2012). Town investment funds likewise help to tackle the issue of data asymmetries since the gathering in general is needy of one another's activities. Individuals, who are viewed as dishonest and in this way unsafe, are avoided from the gathering, peer pressure inside the gathering capacities as a motivator to reimburse in time (Islam, 2007).

1.1.2 People's livelihoods

Khandker (2003) saw that among the most punctual VSLA recipients, destitution rates diminished by in excess of 20 percent, over portion of which was credited to VSLA advances. People associated with VSLA plans were multiple times bound to buy land all alone than those not associated with such plans. In light of the remainder non-recipients sway on VSLA plans, the investigation presumed that VSLA legitimately represented a huge percentage in Malawi.

Despite the fact that pay proportions of destitution have been quite censured, individuals positively keep on looking for increments in net comes back to the exercises they embrace and by large increments in the measure of cash coming into the family unit (or their own pocket). Expanded salary additionally identifies with the possibility of the monetary

supportability of occupations. In Malawi, as expressed prior, individuals rely upon downpour agribusiness to develop tobacco as a money crop. Increment in salary likewise relies upon practical wellsprings of pay. This examination researched if VSLAs added to expanded wages of individuals in Lilongwe People, esteem prosperity notwithstanding pay and things that cash can purchase,. Their feeling of prosperity is influenced by various components like their confidence, feeling of control and incorporation, physical security of family individuals, their wellbeing status, admittance to administrations, political liberation and upkeep of their social legacy. Town sparing and credit bunches have added to budgetary incorporation which is a case of prosperity (Hendricks, 2011). VSLAs additionally accord residents responsibility for however casual. Destitute individuals are regularly compelled to live problematically, with no pad against the unfavorable impacts of the

Weakness Context

; their jobs are to all goals and purposes impractical. For such individuals, lessening their weakness to the drawback and expanding the general social maintainability of their employments may well outweigh looking to augment the upsid

1:2 Research topic

The proposed research topic is “What are the impacts of Village savings and loan groups in economic development and people’s livelihoods in Malawi”. The subject of this research will be focussing on the impact that Village banking has made both economically and improvement of people’s livelihoods.

The study will answer the following questions:

- ✓ The effects of participation in Village Savings and Loans on people’s livelihoods in Malawi.
- ✓ The roles of Village Savings and Loans playing in Malawian economy
- ✓ Analyse Socio-economic/demographic factors influencing the participation of people in village savings and loans.
- ✓ To understand how economic strengthening activities should be designed to reflect families’ needs, capacities and constraints
- ✓ To assess the change in poverty vulnerability with focus on access to livelihood assets

1:3 Background and Issues Underlying the Research

Fighting poverty in Africa has always been a major agenda both individually and from a government perspective. Malawi is ranked as a low-income country by the human development report of 2018 which ranked it at 17 out of 189 countries. Malawi's poverty is reflected in a low HDI (Human Development Index) of 0.485, using the HDI proves that Malawi is a poor country. (2019 Human Development Index Ranking | Human Development Reports, 2020).

Village Savings and Loan Groups are self-managed groups that do not receive any external capital and provide people with safe place to save their money and have access to loans. This scheme is aimed at focussing on savings and provide credit proportionate to the needs and repayment capacities of the borrowers (Beck, 2012). Malawi has been trying to fight against poverty but according to WHO Africa, it has failed to reach the reduction in poverty levels as it was prescribed by the Millennium Development Goals (WHO Africa, 2015). According to WHO Africa, Malawi's plans to reduce poverty was targeted at 27% by 2015 but research shows that it only reduced from 54% in 1990 to 49% 2015 (MDG Report, 2014).

Village Savings and loans attempt to overcome the difficulties of offering credit to rural poor households, this scheme tends to create groups of people who can pool their savings in order to have a source of lending funds. Each member of the group makes savings contributions to the pool and also this helps them to have access to loans at a low interest rate comparing to that of commercial banks. Village Savings and Loan Groups are self-sustainable and self-replicating mechanism, it has potential to bring access to more remote areas. Most Village Savings and Loan groups are widely operated in rural areas and these are the areas that have less to zero access to loans from banks.

Over the past years, the rural households in Malawi have involved in schemes that could change lives in order to raise capital for small scale businesses. Most of participants are women and are the ones with low income in general even after the participation in Village and savings and Loan Groups. This research will focus on effects of Village Savings and Loan Groups on Malawian community as a whole and how lives have been impacted by this scheme.

Access to financial services is a vital component of poverty alleviation, community and individual development. The major constraint experienced by poor households in Malawi is lack of financial Institutions which includes high transactional costs and traditional collateral (Nyirenda, 2016).

Village Savings and Loan Groups contributes towards the reduction of poverty in particular, it empowers women and encourages social and economic development. (Anyango et al. 2016). The small and micro scale entrepreneurs in rural areas lack financial services especially in form of credit from commercial banks, and this is because they are not considered credit worthy. Village Savings and Loan Groups are filling that gap that commercial banks can't fulfil (Jamil, 2008). Small scale businesses depend on their families, friends and other sources of funds to finance their businesses. Different governments have come up with special rural biased programs whose principles targets the development of rural enterprises with small and medium scale enterprises and also to empower rural communities (Ahlen, 2012).

Recent studies show that poor households do not possess valuable assets or any type of collateral to secure credit in commercial banks and the formal financial institutions (Meagher and Wilkinson 2017). Most banks use assets as collateral which most poor households do not have and for this reason, commercial banks and financial institution hesitate to provide financial support in form of loan whose repayment capacities seem uncertain and risky.

Furthermore, this study aims to explore the contribution of Village Savings and Loan groups on Malawian community and this will serve as information to development practitioners who are interested in empowering the community financially. The Author will also access the impact of VSLAs trainings and group membership on access to credit, savings and assets.

1:4 Justification for the research

The interest of the study arose from seeing how Village Savings and Loans are become popular in Malawi and also the researcher is a member of a couple of VSL groups from different cities in Malawi because of having friends in different cities who introduced her to the scheme. VSL groups has been sources of finance to the research for few years now. With Most entrepreneurs being members of VSL groups, it caught the researcher's attention to find out how people's lives and livelihoods are being impacted with the VSL groups. The objectives of the study are:

- ✓ To investigate the effect of village Savings and Loans on people's livelihoods and other outcomes like entrepreneurship
- ✓ To assess the impact of VSL groups in economic development
- ✓ To assess the change in poverty Vulnerability with the introduction of VSL groups
- ✓ To understand the relationship of economic strengthening activities and family needs and capacities.

This study will also contribute to the behavioural literature in the way people raised finance through the VSL groups. This will also aim at finding out how people have been impacted by the VSL groups since the introductions of them. The study will help different stakeholders to determine the continuity of Village Savings and Loans programme subject to the change it is making on livelihood of Malawian people. The introduction of Village Savings and Loans will also help the stakeholders to make their decisions as to whether they should reach out to other areas that hasn't adopted the scheme.

CHAPTER TWO: LITERATURE REVIEW

This chapter reviews the theoretical and empirical literature on the emergence and the evolution of Village Savings and Loan Groups. It will then consider the nature of village Savings and Loan groups, their uses and the contribution they have made to entrepreneurship in Malawi. The chapter proceeds to evaluate the challenges associated with credit delivery to the members of these schemes. Finally, it presents a conceptual framework for an examination of the extent to which such schemes have led to economic development in Malawi. The author will arrange sub-topics in relation to the reviews that will be under this study. Literature was reviewed on rural finance prior to Village Savings and Loans, emergence and the evolution of village savings and loans.

2.1 Village Savings and Loans in Malawi Microfinance

The term microfinance includes a variety of services including credit, savings and insurance, among others, which are delivered by many different types of providers including informal financial service providers. Village Savings and Loans may be considered as a form of

microfinance to the extent that the microfinance industry has come to accept the place of VSLs as an important part of the financial landscape, recognising them as being able to bring profitable and sustainable entry-level financial services to the rural poor, in their own communities which is self-managed.

Village Savings and loans in Malawi are self-managed groups that do not receive any capital externally and provide people with a means of saving money, access small loans and a way of obtaining emergency insurance (Singer, 2013). The formation of a group begins with a visit from an external organization which introduces the concept through village or community gatherings. Members of the community then form the groups unfacilitated by the organization. Village Savings and Loans are owned and financed by the community members themselves who are also the shareholders of the group. They make their own rules and no outside organisations helps them to run the group.

Village Savings and Loans group members are trained by the external organisations on how to conduct the group. The training also involves education on proper interest rates for savings and loans, interest rates, keeping records, conducting meetings, making shares, issuing out loans and related payment procedures. In 2010, Brannen, 2010) conducted an extensive study which revealed that the rules and regulations of the group are set by the group and the members of the group selects a committee. he group sets up an insurance fund called the social fund which helps members in times of financial vulnerability. According to Brannen's study, at the end of every cycle they conduct an Audit and a financial period may cover between nine to 12 months interest is charged and received. The books at the end of the financial period are closed.

Jones and Dallimore (2009) characterize town banking as semi-formal and self-continuing money related establishments which make admittance to fundamental account to the network individuals on a supportable premise. The arrangements of these administrations to the network depends on network connections, decides that oversee the gathering, for example, customs, information and assets.

This shareholding, as per Nigrini (2001), takes into account simple section for new individuals and qualifies every part to have a state in the gathering. Consistently, they make

commitments to the gathering for the sake of purchasing Shares. Section to the gathering implies you are purchasing shares which gives you the option to decide on the enrolment of the leading group of the executives liable for, in addition to other things, affirming advances, setting expenses and readiness of records. The Village Savings and Loans bunches don't get any accounts from any foundation, yet are exclusively financed by these gatherings. They are liable for demonstrating proper budgetary administrations, for example, stores/investment funds, credit and other related administrations to their individuals.

Focal points of VSLAs

VSLA have quantities of focal points which incorporate destitution effort to work in country zones where more formal monetary administrations are not accessible (Singer, 2013). The gatherings acquires exceptionally low working costs that business monetary administrations. VSLAs evade the vast majority of the costs that comes in banking the cash and getting credits, for example, Transport, Communication and faculty expenses and foundations caused by MFI. Cost per part for the beginning up of VSLAs is basically the cash to purchase a money box which is 8, 000MK (\$10)

The other favourable position is that capital stays inside gathering. Premium paid on credits stays inside the gathering , and manufactures the money resources of the individuals. The gatherings likewise watch significant level of straightforwardness, popular government and adaptability: Members save money on adaptable timetable settled upon by the gathering and can change the sums spared every period. Since individuals ordinarily know each other well, there is greater adaptability in offering snappy credits and individualized reimbursements plans.

Credits are coordinated to every part's ability to reimburse, in view of the cooperative choice's. A few offices use gatherings to offer different types of assistance, for example, wellbeing and healthful training which changes individuals' vocations. VSLAs can likewise be viewed as an initial phase in monetary access. While a few gatherings will never connection to the formal budgetary framework, others will use their finding out about monetary administrations in the gathering setting to look for admittance to more formal and a more extensive exhibit of money related administrations.

Difficulties

Much as the achievement is praised about VSLAs, there are additionally difficulties throughout running VSLAs . Coming up next are the difficulties as referenced by (Singer, 2013) and (Allen, 2002)

VSLAs have restricted capital since they rely upon individuals' restricted sparing limit. In the beginning phases of the cycle, credit request by individuals abrogate gracefully. There is additionally restricted item offering. Without a linkage to a formal budgetary organization, items inside the gathering are restricted to straightforward types of reserve funds, advances and protection that may not coordinate well the requirements all things considered.

The yearly dispersion of investment funds and greatest top on shares interfere with individuals' endeavours after some time to amass bigger measures of capital (Although in the main gathering when the gathering reconstitutes, reserve funds can be reinvested at multiple times the ordinary week after week sum). All the more remarkable gathering individuals are abuse the advance reserve by taking too much of advances and by defaulting. An approach to alleviate this has been to put a top on the quantity of offers (Savings) which can be bought by any one part and by confining credit adds up to products of offers held.

2.2 Rural finance prior to Village Savings and Loans Groups Establishment

VSL groups are self-managed and they do not receive any form of external capital and they provide people with a safe way to save their money and access loans at a lower rate than that they could get in financial institutions and commercial banks (Singer 2013). Before Village Savings and loans were established, access to financial institutions was scarce (Aghion and Bolton 1997). The main sources of finance were money lenders and traders that used to charge higher interest rates. In many rural communities of Malawi; secure, safe, and convenient savings and payments facilities hardly existed. Many rural dwellers had to travel very long distances to receive payments, such as salaries and pension payments as well as to transfer funds and cash check payments. This is the reason why the Malawian government took several measures to increase access to credit in rural areas. They established lending requirements for small businesses for commercial banks and creating a publicly owned Development (First Merchant Bank) which facilitated the establishment of Village Savings and Loans.

Before the establishment of Village Savings and Loans, the availability of formal credit in rural communities made small business extremely limited. Some Non-Governmental organizations also took part in helping to establish some policy measures to improve access to finance in rural areas by introducing the Village Savings and Loan groups. Even when some commercial banks took part in giving credit to the rural areas, this practice was limited.

The establishment of Village Savings and Loans has accelerated the growth of small businesses in order to provide credit since most commercial banks can't give credit to small business owners as a commercial bank would need a collateral in order to provide credit which most small scale businesses don't have. Village Savings and Loan groups have bridged the gap that has failed to be filled by the commercial banks for many decades (Mhango, H.K 015).

2.3 Interaction of Village Savings and Loan groups and Livelihoods

VSLs since their introduction, have helped to build sustainable livelihoods, they have brought about sustainable livelihoods among the people of Malawi. Village Savings and Loan groups has helped in building assets which helps the community to withstand and cope with vulnerability factors such as economic trends, seasonality and shocks. These assets helps households to come up with different strategies on how they can move out of poverty. Figure 2.3 describes some outcomes result in sustainable livelihoods

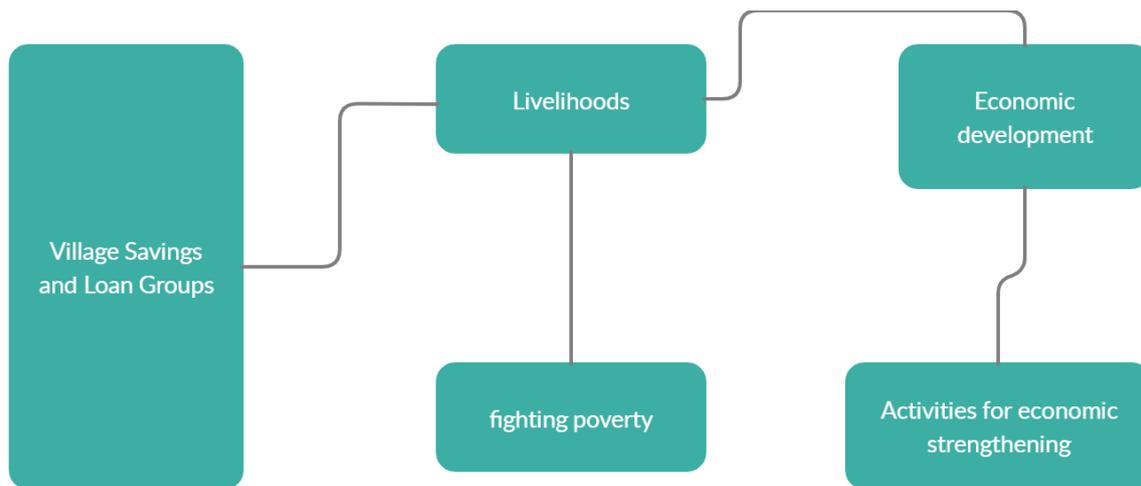


Figure 2.3 Concepts and relationships for VSLA

In the Malawian context, Mwalughali (2013) reports that the effect of community savings groups on household income and credit is very strong in the sense that communities could save and/or invest their resources into income-generating initiatives and provide credit. Weiss and Montgomery, 2005 conducted a study in Latin America and found that Village Savings and loans have a strong focus on alleviating poverty relative to some of the commercial banks which also focusses on providing funds to the small scale businesses. They concluded that introducing and strengthening or expanding the concept of Village Savings and Loan groups may alleviate social problems, while at the same time, they extend the reach of rural finance.

Town Savings and Loan bunches are thought to assume a job in carrying monetary administrations to rustic zones of creating nations, where admittance to formal money related administrations is commonly restricted. Gatherings including Innovations for Poverty Action Worked and Care lead examination into the effect of Village Savings and Loan bunches on country families. With the foundation and development of such gatherings, there have been an improvement in money related consideration, private company development, and females strengthening. There has likewise been an improvement in versatility in towns influenced by dry season. Furthermore, family units has encountered improved food security and pay (Karlán D 2011).

Shopper consumption

Shopper consumption is characterized as the absolute pay less expense that a specific family acquires (Mishkin, 2004). Salary in its broad sense is the estimation of the merchandise and ventures that society produces through the communication of creation factors, land, work, capital and enterprise (Ryscavage, 1999). Most Citizens in Malawi are not utilized however they acquire cash from agrarian produce that they deal during the collecting season. Individuals in Malawi additionally save creatures available to be purchased and food. On the off chance that these creatures are sold, they procure cash. For this investigation, pay was gotten to through the contrast between pay before a VSLA and its relationship to new earnings.

As per research by (Sen and Palmer-Jones, 2006), Conclusion was drawn that being poor or rich was unequivocally identified with where an individual lives. They utilized Ordinary least squares relapse and greatest Likelihoods assessment to appraise country livelihoods and destitution comparable to rural development. The examination found that low salaries and destitution were profoundly related with Agricultural execution. Another examination via (Carletto, et al., 2007) propose that provincial non-ranch pay producing exercises are key in getting individuals out of destitution. The two scholars are right with various techniques that the family unit set up.

2.4 Entrepreneurship

An entrepreneur is an individual who runs a business rather than working as an employee. According to Murray (2014), an entrepreneur as an individual that is responsible for the safe initiation of a business and is capable of self-continuance and ensuring business success. Entrepreneurship is the process of creating something new and assuming the risk and rewards (Hisrich, et al., 2009). In Malawi, there are some organizations that provide training in business management followed by an offer of VSL groups training. This helps to provide knowledge about entrepreneurship to the VSL groups, which in turn are a way of sourcing finances to start a business suited to the local. With the training and the knowledge they receive from the organisations, most people have joined the VSL groups and have started businesses that are helping their lives.

This study, will examine if the work of VSL groups, and the training and the social encouragement they provide, helps Malawian citizens to come up with the business ideas that can give them steady income. The study also looks at the relationship between the income households earn and business growth since the establishment of Village Savings and Loan groups. The growth will be considered by investigating the existing business and incomes prior to the commencement of VSL groups and comparing this to the incomes and businesses following the initiation of Village Savings and Loan groups.

2.5 The role of Village Savings and Loan groups in economic growth and development

Economic growth refers to the concerted and sustained effort to improve the standard of living of citizens by the means of improving the productive capacity of the economy (Njiforti, Adama & Kromiti, 2008). The policies for growing the economy involves multiple areas such as mobilization of savings, increasing accessibility to credit, employment generation and poverty reduction especially in developing countries. Economic growth goes hand in hand with economic development which includes policies to improve the economic, political, social well-being of the citizens. In wanting an economy to grow and develop within the global context, economists have developed different theories that explain and facilitate well-established economic theories, such as the macroeconomic growth model. A common theme among these theories is that economic growth and development are both related to the levels of savings, investments, employment generation and poverty reduction (Obianuju, 2012). Many countries have developed various measures to strengthen their economies which also impacts the reduction of poverty especially in rural areas.

In Nigeria, commercial banks provide financial services to only about 35% of the economically active population, while the remaining 65% are excluded from access to financial services from the banks (C.B.N, 2005). Microfinance according to C.B.N (2005) is about providing financial services to the poor who largely constitute this remaining 65% excluded from access to financial services from commercial banks.

According to Taiwo (2012), microfinance has worked successfully in many parts of the world including Africa, Latin America, Europe and North America. Through microfinance, the poor households in most countries are able to have access to variety of financial services comprising of savings and loans. The accessibility has resulted in the creation of village

savings and loan groups, poverty reduction and consequently economic growth and development.

2.6 Economic Empowerment

Economic empowerment is a central issue to economic and financial theory and practice. However, scholars in different fields define the concept of empowerment differently. According to Kapitsa (2008), scholars from different fields have made different contributions in defining the concept of empowerment in relation to development. Some look at gender, whilst others consider.....

Kapitsa (2008) argues that the efforts to economically empower women have been mainly focussed on how to improve their lives at a local level while ignoring the global and national forces. Female economic empowerment is most concerned with improving their households, rather than taking a broader, internationally focused perspective which in the long run affects marginalized rural groups. He agrees that the positive impacts of global and national development trends offer some promise to expand this concept. Savings and Loans models have significant impacts on the economy, and offer a potential means through which rural females may become more equal to females in developed economies.

CHAPTER THREE: CONCEPTUAL FRAMEWORK

The Conceptual framework below is based upon the literature reviewed in this chapter. It represents the envisaged relationships between the main variables considered in the study. Study tells us that town reserve funds can fundamentally improve rustic jobs (Mohanty, Mohapatra and Khuntia, 2013). Educated by the three models specifically Prospect Theory which is put together choices made with respect to dangers; Rational Choice Theory which expresses that individuals are incited by their own objectives and inclinations; and Sustainable Approach Theory which centres around the weakness of the individuals corresponding to the cycles embraced to help their solicitation, the examination concentrated on participants who are individuals from town investment funds in Lilongwe and rely upon this casual gatherings for their endeavours to improve their country employments and inevitably the acknowledgment of job results.

The figure below shows the relationship of the different variables, for example, recurrence of reserve funds, getting a credit from the town investment funds along with directing variable in particular close to home attributes which incorporate age and instruction level of a part, can decide the vocation results of Malawians.

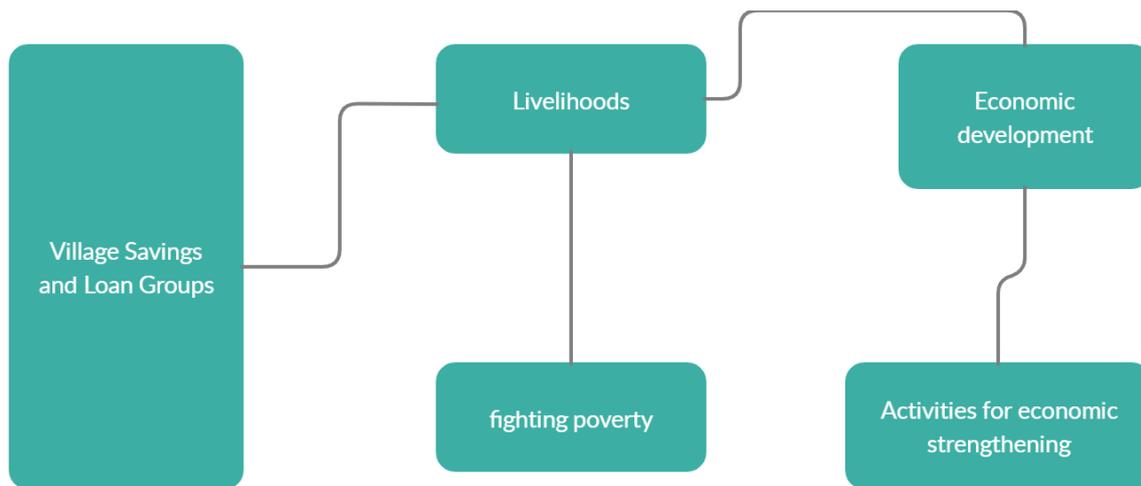


Figure 3.1: Concepts and their relationships to be examined in this research.

The independent variables are Village savings and loan groups, the livelihoods of citizens, poverty reduction, economic development and other activities aimed at strengthening the economy.

3.2 Draft Structure of Full Literature Review

This section will be divided into 5 separate categories for better understanding and it shows how the study will flow within the context of the proposed study. (I) Village savings and Loan groups defined; (ii) Impact on people’s livelihoods; (iii) Economic Development; (iv) Food security; (v) Activities for strengthening the economic development.

CHAPTER FOUR: RESEARCH METHODOLOGY

4.1 Statement of the problem

While there are prior researches about the impacts of village savings and Loans and most of them are in agreement with each other.

There is a study that was conducted by **(Ksoll, et al., 2013)** on impacts of Village Savings and Loans. The study contained 46 villages that are found in Malawi and its objectives was to find the impacts of Village Savings and Loans on a number of meals per day. The result from this study was that membership for VSL groups grew from 6% to 39% and the savings increased. The increased number of members in VSL groups meant that members were benefiting from the groups hence an increase.

There was a study that focussed on the financial inclusion by **(Hendricks, 2011)** and it was done in three countries namely; Malawi, Rwanda and Uganda. After his study, he came up with these findings that VSLs reach the extreme poor that are never reached by the formal sectors. VSL provides financial services that cannot be compared with the financial help offered by Commercial banks. Clients are able to save at least \$20 in a month which is not enough to build assets as it could with commercial banks. There is an organisation that links the VSL to formal institutions called CARE international. In Malawi, the same organisation links the VSL to a bank called OIBM (Opportunity International Bank of Malawi) and in Rwanda it links VSL to another organisation which helps to build the much needed social capital with financial education and innovations. As VSL bring changes to different communities, it is

safe to say its filling the gap that commercial banks leaves. VSL bring changes to communities as they start with small savings and small borrowings and then it grows as time goes by, helping the businesses to grow. Though VSL, members are being empowered to network with local leaders.

From this literature, it is clear to say that a gap still exists to find to find the impact of VSL on livelihoods of Malawian community. The literature explains some parts of wellbeing that was tackled but remains silent of food security. The study also investigated changes in income of households in Malawi with emphasis on entrepreneurship and other group Income generating activities (IGA).

This chapter focusses on the procedure followed in conducting the research. This chapter includes the research design, Population of study, sample and its design, data collection techniques, data analysis Procedure and any analytical model that was used in the research. The researcher used both deductive and inductive reasoning type of inquiry in terms of the research approach, and used both quantitative and qualitative research methods to gather data for the research. Tools used include a household questionnaires that was created through Survey Monkey, focus group discussions and interviews. Definitions and justification of the variables that were used to measure the participation of the respondents in the VSLA are also provided. This chapter also provide a detailed description of the statistical framework used during the research, the type of data that was used and the framework that was used in testing the hypotheses.

Research methodology is the systematic and theoretical analysis of the procedure applied to a field of Research (Kothari, 2004). It involves processes of describing, explaining and predicting phenomena so as to solve a problem. A methodology does not set out to provide solutions to a problem but it offers the theory to understand which procedure can be applied to a specific case.

4.2: Research approach

In this study, the researcher used both deductive and inductive reasoning type of enquiry.

Using the inductive approach which is also called the bottom up approach, The researcher started with some observations and some measures, which formulated some tentative hypotheses and which in the end developed some general conclusions and theories about the impacts of VSLAs.

Using the deductive reasoning, the researcher based her reasoning from the more general to specific which is why it's called from top down approach. It is with this reasoning that the researcher started with thinking about the general economic and social development theories

Inductive reasoning by its nature, is more of an open minded approach especially at the beginning while deductive reasoning is more narrow in nature and is concerned with testing or confirming hypotheses.

For the reasons above, the study used a mixed approach, in which quantitative and qualitative methods was used to answer the research questions as outlined in the below chapters.

4.3 Purpose of the study

The purpose of this study is to investigate the impacts of Village Savings and Loans in livelihoods and economic development in Malawian. In addition, this study will also investigate the impact VSL are making in People's livelihoods outcomes in terms of Entrepreneurship. We will focus on the impact VSLA is making both the economical wise for the whole nation and also how people's lives have changed through the VSL associations.

4.4 Research Design

A research design is defined as an arrangement of situations included in data collection and analysis with the key goal of combining research purpose to relevance of the study. Research design is referred to as a road map, or a structure of enquiry of the gathering of information, its estimation as well as how its analysed. A methodology does not set out to provide solutions but offers the theoretical underpinning for understanding which procedure, set of procedures that can be applied to a specific case. Research methodology is meant to encompass concepts, such as research designs, target population, sample size and its procedure, data collection instruments and data analysis procedure.

This study was based on a survey of Lilongwe Central which was a study area which has both the urban and rural areas. A survey of Lilongwe Central was used because it provided perception into the assessment of the change the VSLAs are making on people's livelihoods

The study was in a form of cross-sectional survey as this helped the author to be provided with data based on real life observations and also it produced enough data in a very short time with a low cost. The survey was used because it allowed the author to get the impact from the

respondents themselves (primary data) minimizing bias and distortions resulting from reported data (secondary data). Data was analysed qualitatively and quantitatively. Hypothesis testing was performed in order to test the effect of VLSAs on the people's livelihoods.

Research framework-Design and process

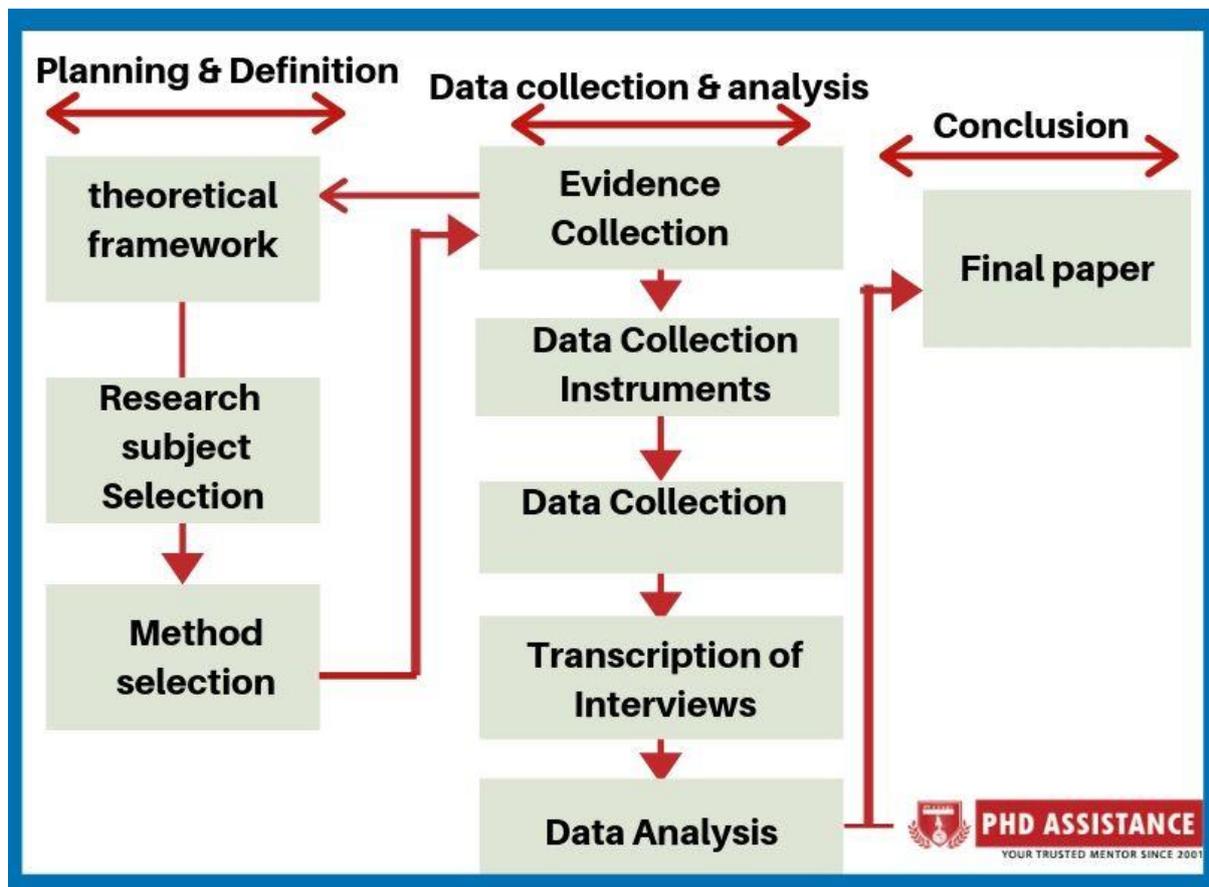


Figure 4.4 Source: PhDAssistance.com

Quantitative design

During the study, quantitative data was collected using a standardized household questionnaire to determine the relevancy of the research objectives, effectiveness of the strategies used in the study implementation.. The questionnaire was administered to households that have been participating in VSLAs and they were screened on-ground before administering the questionnaires.

The researcher of this study measured the overall project by doing a comparison the study results against the baseline report and other documents for the research were reviewed.

Qualitative design

This involved engaging the VSLAs users in one-day discussion meeting, where relevant issues pertaining to the scheme were discussed. Focus group discussions were conducted with 3 different VSLAs from different household members and community members. Key informant interviews were done were done with group leaders of different VSLAs and some selective members.

The focus group was conducted in 3 groups with each group having 15-23 members and focus groups were carried out to supplement the information that was gathered in individual survey. The participants for the 3 groups were randomly selected.

4.5 Population and sampling

Population

Specifically the population of the research was all the people that participated in VSLA in Lilongwe district. There are over 400 VSLAs in Lilongwe and each group has over 20 members being participants in these VSLAs. Non-Governmental Organisations (NGOs) are also involved in setting up the VSLAs, they provide training and support to the VSLAs in Lilongwe district.

Sampling

It was essential to take proper measures to minimise bias before selecting the sample. For example, the study ensured that respondents must be members of VSLAs and actually engages in businesses out of the money saved in VSLAs. The study had an achieved sample

of 20 micro entrepreneurs who were selected by a simple proportional random sampling technique. Proportional random sampling technique involves dividing the population into sub-groups and taking a simple random sample from each group (Gravetter & Wallnau (2000).

Simple random sampling refers to a sample selection procedure that accords every unit of analysis the probability of being selected to represent the population .

The research was conducted in 15 VSLAs and 43 people participated. The sample included 2 NGOs who were contacted to participate in an interview with the researcher in order to get an understanding on VSLAs performance over the years. The sampling was calculated using Sample survey Calculator, 2010.

Since every cycle include new members, a third strata in this study used convenience sampling and random sampling in the cases where convenience sampling does not work. The convenience sampling did not work where the VSLA had members of more than four who completed a full cycle. In cases where these members exceeded four, random sampling or hat method was used. Names of the members who have completed more than one full cycle were put in a hat and a member in the group was allowed to choose four people who participated in the research (Interviews). This process was done for all the 15 VSLAs. This resulted in 60 participants for the research being used.

Out of the 15 VSLAs sampled, 3 VSLAs participated in a focus group discussion. 2 VSLAs from Lilongwe central and 1 from Lilongwe South. A hat was also used to select the group in the areas located. The 3 group names already sampled in Lilongwe were already in the hat and a participant was allowed to pick a group that will participate.

4.6 Methods of collecting data

In the study, both quantitative and qualitative data was used which was collected from participants using questionnaires , Focus Group Discussions and Interviews. This was done to obtain data for each objective of the study.

To assess the Impact of VSLAs

The Individual survey

A questionnaire is one of the popular tools used in survey research. According to Business Dictionary (2016), it is a list of a research or survey questions asked to respondents, and designed to extract specific information. It can also be defined as a research instrument consisting of and other prompts for the purpose of gathering information from respondents. A questionnaire has a set of questions which helps to obtain statistics and personal information from individuals. (Webster Dictionary 2016). A questionnaire has four purposes i.e. “to collect the appropriate data; make data comparable and amenable to analysis; minimize bias in formulating and asking questions; and to make questions engaging and varied” (Webster dictionary 2016).

This is a fill in questionnaire that the participants were answering which was delivered to the participants by the researcher himself through survey Monkey. The researcher made himself available for all extra questions the participants were willing to ask to make sure that the collect data is collected. This questionnaire even though was translated into Malawian vernacular, it was only given to literate participants only. Literate in this study stands for those people who are able to read and understand what they read. Those who were not able to read were interviewed verbally. The questionnaire was available in Chichewa and English to match participants preference to make it more understandable to the people.

The four members that were selected from each group, 15 dropouts were randomly selected from the overall group to be interviewed in order to control for potential. Drop-out biases. The average length of membership is only 5 years although the members were randomly selected. The questionnaire covered the basic socioeconomic characteristics of the participants and their households, participation in the VSLA program and social impacts. In order to further ensure compatibility with both the literature and the local environment. The questionnaires were administered by 10 selected Community Contact Persons (CCPs) who because of their prior work training and supporting the VSLA members, knew and were known to the survey participants prior to the data collection.

Interviews

The questions from the questionnaire were asked orally to the participants so that they can answer the questions asked openly and the researcher was writing down the answers by filling them in the form. This form of interviews were asked to households and some NGOs that supports the VSLA scheme. Those that were not able to fill in the questionnaires were

interviewed, most people that were interviewed were the ones with poor educational background. However, the change under this research is happening in their livelihoods and they were very important to get first hand data from them. The interviews were also asked to participants that could find it hard to fill the forms but could give verbal explanations about the changes VSLAs are making on livelihoods.

Focus Group Discussions

Focus group discussion is a rapid assessment, semi structured data gathering method in which a purposively selected set of participants gather to discuss issues and concerns based on a list of key themes drawn up by the researcher/facilitator (Kumar 1997). Focus group discussion create research data by generating social interaction (Boddy, 2005). This is done by assembling a group of participants to discuss a specific topic and then observe how the ensuing discussion evolves (Boddy 2005). This was more of a discussion that the researcher held with the VSLAs in the area under research. All members of a sampled VSLA took part in the discussions and the objective was to see what collective change has taken place in their livelihoods through the VSLA. The groups targeted were those that have at least completed a cycle of VSLA.

Four group discussions each with between 15 and 20 participants were carried out to supplement the information gathered in the individual survey. The participants that were in the three groups were randomly selected from the original group of 67 VSLAs, after excluding the 20 groups that were already included in the quantitative research so as to avoid recounting. The format of the focus group discussions which will be found in the Appendix , include 10 open-ended questions that were intended to generate to open discussion.

The questions in the focus group discussion covered issues such as group formation and membership, general group procedures, challenges and limitations, behavioural changes, social and economic impact, benefits and negatives consequences of participation and impact on the community. The author had a chat with each of the groups on the day of the month when they had their meetings in order to observe the methodology and activities of each group. Some of the conversations were conducted in Chichewa which was easier for some of the group members who could hold conversations in English.

CHAPTER FIVE: DATA PRESENTATION AND ANALYSIS

Most of the data that was collected was qualitative which was collected through questionnaires and interviews. The data collected was thereafter presented through bar charts and tables for it to make more sense. This followed interpretations to each table that explained and analysed each table and chart so that a collective meaning should come out of the analysis. Tables and charts condense data into simple and neat short forms that can be easily understood by readers.

Quantitative data forms a foundation of a research as it helps to interpret and get a meaning or relationship that can be supported by qualitative data. Qualitative data was collected through Focus group Discussions, Observations were scheduled before commencing with the research but they were not possible because the researcher couldn't travel to do the observations. The qualitative data was presented in form of a text.

5.1 Ethical issues in the research

The following ethical considerations were observed.

Confidentiality

Participants were assured that any information that was obtained in the research that could be identified with the participant will not be disclosed without their permission. Names and any other identification will not be asked for in the questionnaires or interviews and that the consent form and the questionnaire will not be mixed.

Voluntary participation

The participants were assured that participating in the research was voluntary and that failure to participate in the research does not interfere with the relationship the participant has with the researcher or the college. They were also told that they have a choice to withdraw their participation at any time even if they have already started participating.

Communication of purpose

The purpose of the research was properly communicated to the participants before commencing with the participation in the questionnaire or interviews.

5.2 Introduction

This chapter analyses all the results of the data gathered for study using the data collection methods which are questionnaires, Focus Group Discussions and Interviews as mentioned in chapter 4. This chapter will highlight the findings of the study from the respondents that were sampled for the quantitative research methods, the Focus groups and those that were interviewed. The analysis helps us to determine whether the VSLAs have an impact on people's livelihoods and economic development as a whole. This chapter starts by giving background information about respondents and the analysis, interpretation and discussion of data.

5.3 Response rate

The study was very successful in organizing respondents but the presence of the researcher could have made it much easier to the study site which could have helped to get 100% response rate which was not the case because of the absence of the researcher. Not all sampled respondents responded to the questionnaire. All the focus group discussions were conducted representing a 100% response rate. However, out of the 4 NGOs that were to give their view on the program, only one responded providing a 25% response rate. On average, there was a response rate of 75% all the VSLAs sampled were equally represented.

5.4 Demographic Information of the VSLA members

The study indicates that % of the participants did not make it to secondary school as summarized by the table below. This agrees with the creation of a user friendly questionnaire that required that required mostly ticking and the presence of the researcher online made it so easy in terms of clarifying questions, providing interviews to those could not write or understand the questionnaire.

This study was administered to 43 members of VSLAs in Lilongwe district, of which 7 were men and 30 women and the remaining number chose not to disclose their gender.

Table 5.1 Participants gender

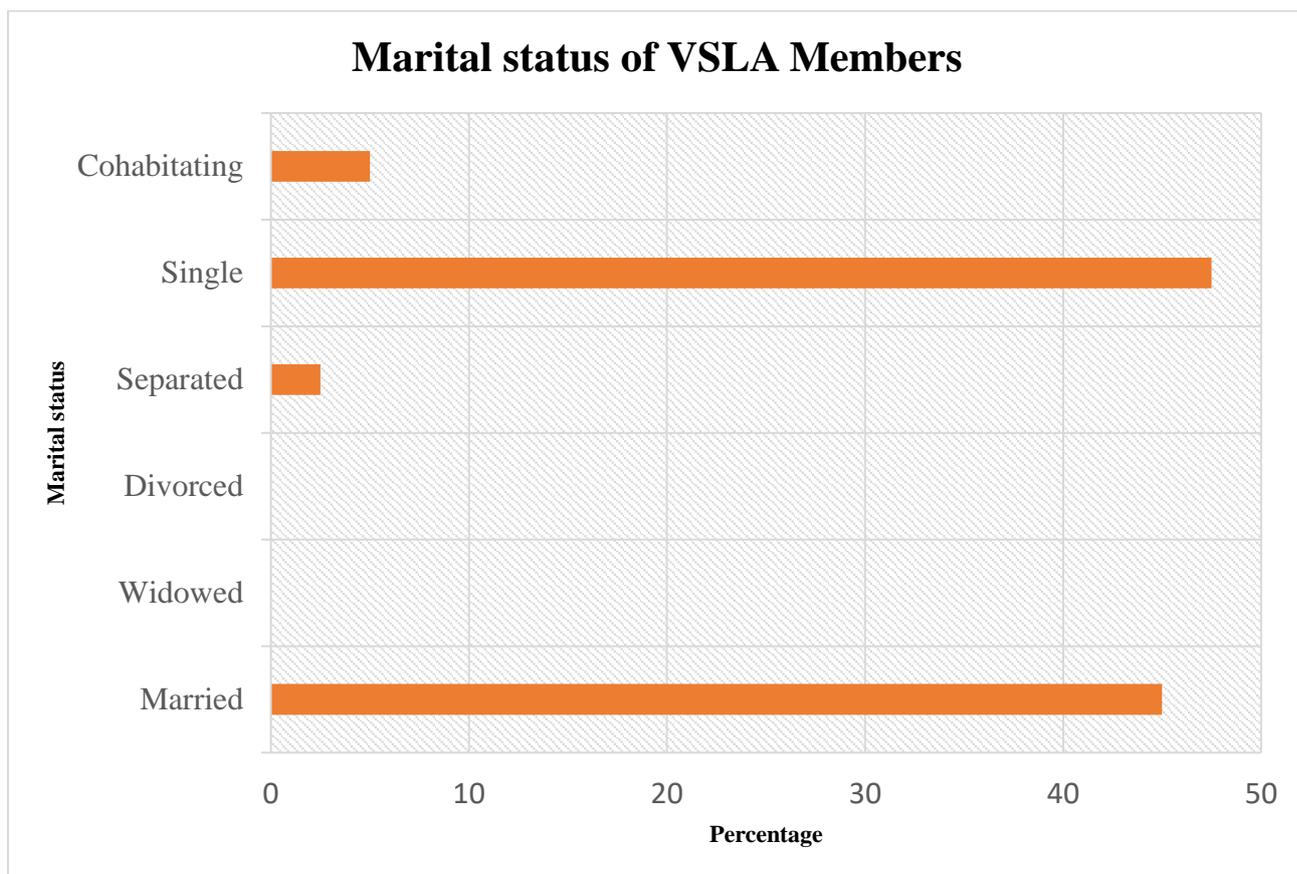
| | Frequency | Percent |
|--------|-----------|---------|
| Male | 7 | 17.50 |
| Female | 33 | 82.50 |
| Total | 40 | 100 |

Source: Author, 2020

From the total participants of 40, female participants constitute 82.50% and male participants constitute 17.50% this shows that many participants in the VSLAs are female. This indicates that women participate more in VSLA because they are culturally responsible for food fetching which makes them able to take care of their families. In Malawi, females appear to be more involved in micro enterprise businesses than male counterparts. GSS (2012)

Table 5.2 Marital status of VSLA members

| Marital status | Percent |
|-------------------|-------------|
| Married | 45 |
| Widowed | 0 |
| Divorced | 0 |
| Separated | 2.5 |
| Single | 47.5 |
| Cohabiting | 5 |
| Total | 100 |



On the marital status of members, 45% are married, 45.5% are single, 5% cohabitating and 2.5% are separated. This means that the majority of the VSLA members are single, Which shows that VSLAs are not only meant for families but also people that don't have families of their own.

Table 5.3 Age of respondents

The age groups that were involved in the study ranged from 18 and above. The age group that was ranged from 25-34 years had highest frequency of 33 representing 82.50% of the population followed by ages ranged from 35-44 with frequency of 5 representing 12.50% of the study population. Ages 18-24 and 45-54 came out with a frequency of 1 each representing a percentage of 2.50%. The table below shows the age groups of respondents.

Most of the respondents were in the age group of 25-34 years, representing 82.50% of the study sample. This almost consistent with the findings of Christopher Ksoll (2015) that 70% of people in VSLAs in Malawi are between the ages of 25-34 while less than 5% are between the ages of 45-54 years and above.

No participant was above 55 years because most of them find VSLAs time consuming.

Table 5.3 Age distribution

| Age group | Frequency | Percent |
|-----------|-----------|---------|
| 18-24 | 1 | 2.5 |
| 25-34 | 33 | 82.5 |
| 35-44 | 5 | 12.5 |
| 45-54 | 1 | 2.5 |
| 55-64 | 0 | 0 |
| Total | 40 | 100 |

Educational status

The levels of education employed in the study included no-formal, primary education, secondary education and tertiary education. Respondents with education level of tertiary had the highest frequency apart from those that were interviewed. The ones that were interviewed were mostly illiterate but participants in VSLAs which gives us an idea that VSLAs are not only for the educated.

The highest level of respondents were of those that reached as far as tertiary with their education, the frequency was 33 respondents representing a percentage of 84.62%, then those with secondary education with a frequency of 5 which represents a percentage of 12.82% and those that did not complete secondary school education had a frequency of 1 representing a percentage of 2.56%. Table 5. Represents the level of education attained by respondents.

Chart 5.4

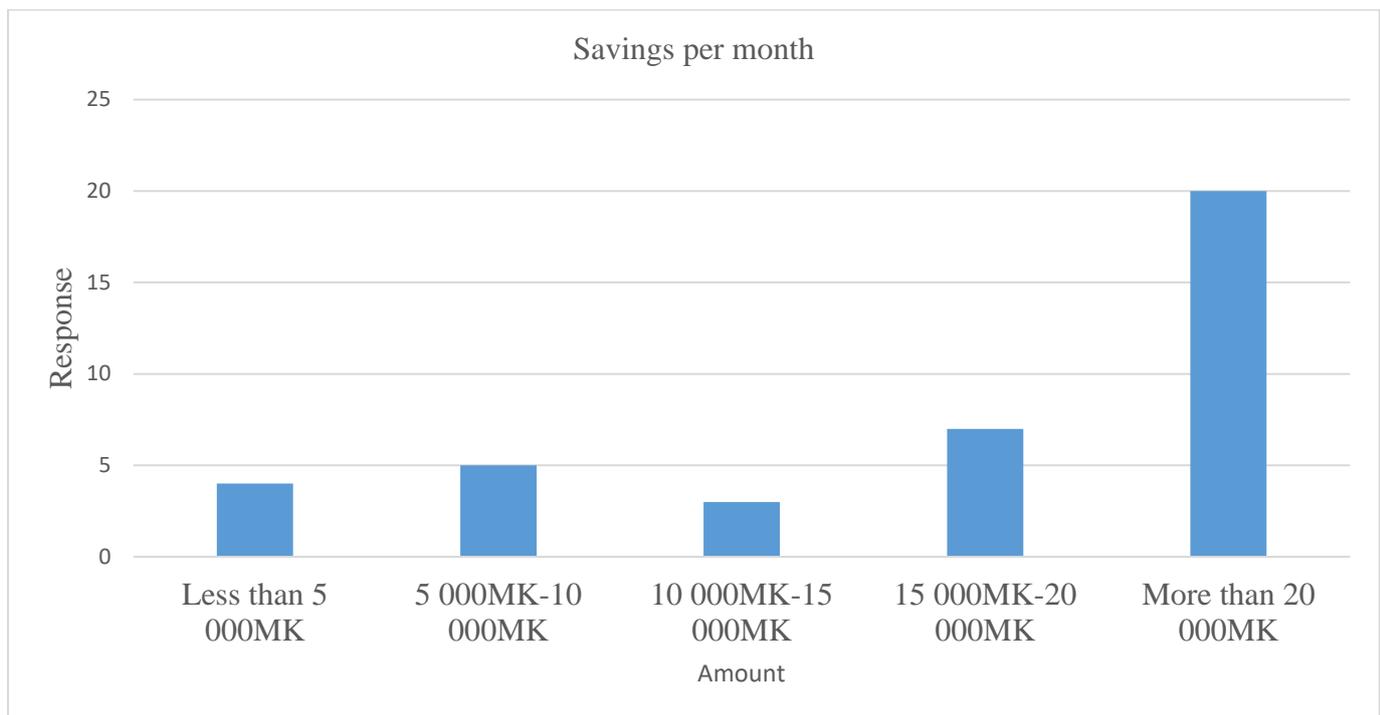


Source: Author, 2020

Savings per month

On the question on how much people saved with VSLA to improve their livelihoods, the study established that the average amount saved by group members in their VSLAs was between 15 000MK-20 000MK. The lowest amount saved by members in a month was less than 5 000MK and the highest being 20 000MK. This could imply that most group members have trust in their groups and some are able to save in order to secure loans from the groups.

Table 5.5 Savings per Month



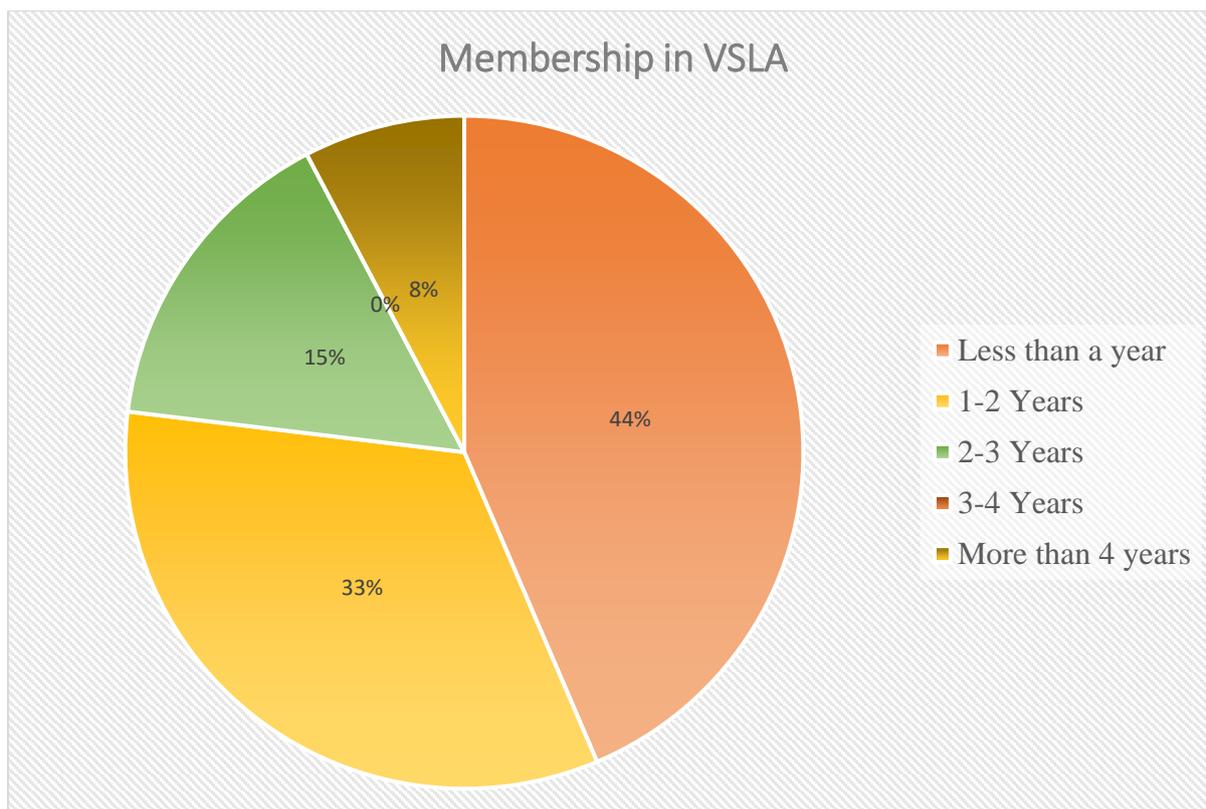
Source: Author, 2020

Impact of VSLAs in Economic development

Improvement in the economic and social welfare

Table 5.6: Length of membership in a VSLA

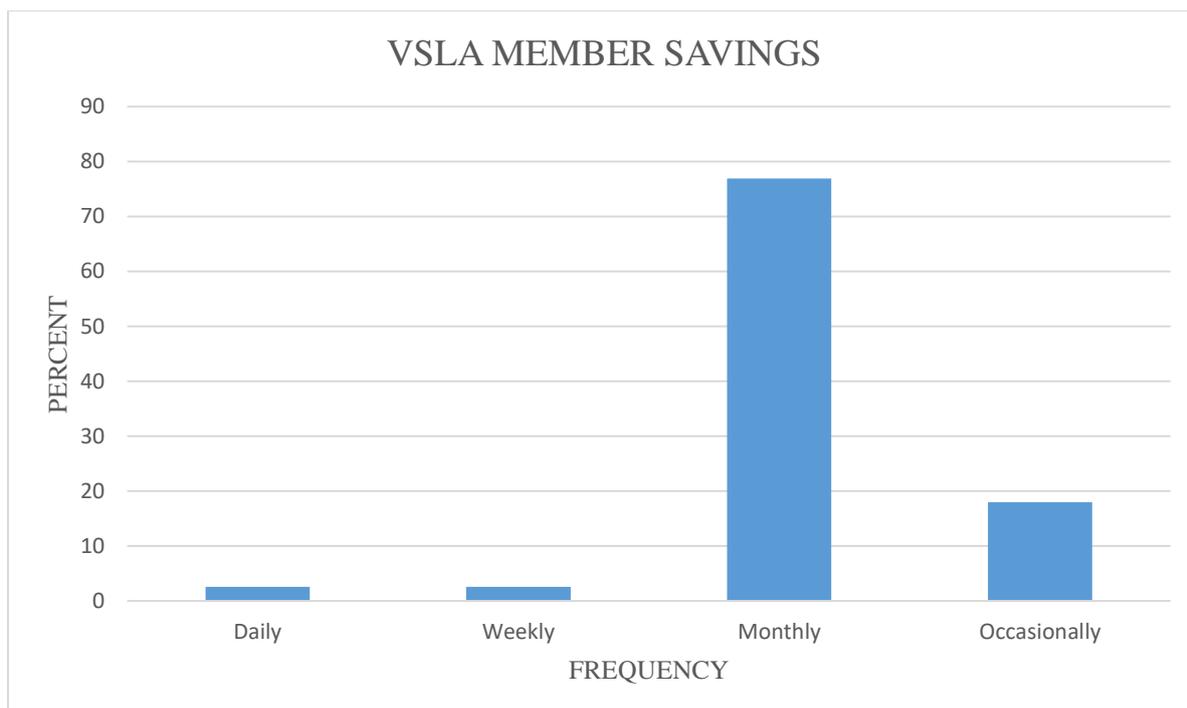
| Years as member of VSLA | Percent |
|--------------------------------|----------------|
| Less than a year | 43.59 |
| 1-2 Years | 33.33 |
| 2-3 Years | 15.38 |
| 3-4 Years | 0 |
| More than 4 Years | 7.69 |
| Total | 99.99 |



Savings with VSLAS

Table 5.7: VSLA Member savings

| FREQUENCY | PERCENT |
|--------------|---------|
| Daily | 2.56 |
| Weekly | 2.56 |
| Monthly | 76.92 |
| Occasionally | 17.95 |
| Total | |



From the table, we can see that most members prefer saving every month which is 76.92% of the participants. Most VSLAs, it is a mandate to be saving on a monthly and if you can't save on that month, it is regarded as a loan that will be paid with interest in the following month.

Loans for VSLA Members

Table 5.8: VSLA members access to loans before joining VSLA

| <i>Did you take a loan in the previous cycle</i> | <i>Percent</i> |
|--|----------------|
| <i>Yes</i> | 79.49 |
| <i>No</i> | 20.51 |
| <i>Total</i> | 100 |

Satisfaction the loan

Table 5.9: Satisfaction on the loan taken

| <i>Were you satisfied with the loan</i> | <i>Percent</i> |
|---|----------------|
| <i>Yes</i> | 75.68 |
| <i>No</i> | 24.32 |
| <i>Total</i> | 100 |

From the table above, 28 participants were satisfied with the loan that they took which represented a percentage of 75.68 and this means that with the flexibility that comes with taking loans from VSLAs. Out of the 37 participants that answered this question, 9 participants were not satisfied with the loan that they took and this represents a percentage of 24.32%.

Table 5.10 Purpose of the loan

| <i>Purpose</i> | <i>Percent</i> |
|-----------------------------|----------------|
| <i>Agricultural purpose</i> | 2.70 |
| <i>Personal business</i> | 67.57 |
| <i>Family issues</i> | 16.22 |
| <i>Other</i> | 13.51 |

From the table above, most of the loans that are secured in VSLAs are for person Businesses, the personal businesses can include for economic purposes which is one of the impacts of VSLAs .

Table 5:11 Knowledge on interest earnings

The results in table 5.4 shows that most of the participants have no idea of the interest that is earned from their shares. This simply means that most people join VLSAs without knowledge of what is expected of them and what they would get in return. Most of the people joins VSLAs with just a concept of saving and get a loan as members with low interest rates than commercial banks. The table shows that 33 respondents out of the 40 participants knows what is expected of them which is representing a percentage of 82.50% while 7 respondents out of the population representing 17.50% have no knowledge of the interest earned.

This table simply shows that most people are not trained on how VSLAs work.

| <i>Knowledge on Interest earned</i> | <i>Frequency</i> | <i>Percent</i> |
|-------------------------------------|------------------|----------------|
| <i>YES</i> | 33 | 82.50 |
| <i>NO</i> | 7 | 17.50 |

Loans With VSLA

Table 5.12 VSLA Members access to loans

This table will show us that most participants have access to loans and were satisfied with what they get from VSLA. In VSLA, loans are a mandatory so they can earn interests. Most Members joins VSLAs with the idea on getting loans with lower interest rates to fund their businesses. The table will show us how many participants have had access to loans since they joined the scheme. It has been able to help them with their businesses, this was covered during the interviews.

Out of the participants, 31 respondents have access to loans which represents a percentage of 79.49 and a frequency of 8 do not take loans in VSLAs which represents a percentage of 20.5. This simply means that some of the members would prefer to pay the interest than take loans

| Access to Loans | Frequency | Percent |
|-----------------|-----------|---------|
| Yes | 31 | 79.49 |
| No | 8 | 20.51 |

CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter will present us with both the conclusions and the recommendations of the study based on our findings. It starts with drawing conclusions from literature and analysis of results per objective. It then looks at recommendations on each objective and finally suggests areas of further study. Both the conclusions and the recommendations have been presented based on the objectives of the study, in terms of the impact of VSLAs, key integrated approaches and on how economic strengthening activities could be designed to reflect people's livelihoods.

A summary is given of the quantitative and qualitative approach used in the analysis, based on the research questions. The study was conducted in order to better understand the place of effective VSLAs on People's livelihoods and economic development in Malawian community.

6.2 Research summary

Poverty in Malawi is rampant and that doesn't leave behind the study area. Even though the report shows low level of illiteracy. Literature on livelihoods reveal the different livelihoods frameworks that are being used in developed countries in order to fight poverty which are ideologies that if certain steps and concepts are followed, it can help people get out of poverty. VSLAs are formed to address capital issues through savings where a group of people save their money and work hard to make it grow and share at the end of the cycle. The study addressed the impacts these VSLAs have on people's livelihoods in Malawi. The study also looked at livelihoods frameworks by DFID, UNDP and CARE.

Lilongwe has more than 200 VSLAs which have at least completed a cycle and 10 were sampled. From the 10 VSLAs at least 4 people participated in the study in each VSLA. This shows that 43 questionnaires were administered. The researcher also conducted focus group discussions with the 2 groups from the 4 groups that participated and results were recorded. 2 NGOs were interviewed as party of the survey to get the expert analysis of performance of these VSLAs. Apart from the NGOs that were interviewed, 5 people from different groups were interviewed, these are the people that couldn't understand the questionnaires so they opt for interviews where we interacted in our vernacular.

The sampling method that was used is multi stage sampling and they were sampled using random sampling. The study only interviewed people who have at least completed a VSLA cycle and the NGOs that were contacted were not only from the study area.

Recommendations

The VSLA scheme has the possibility of taking people out of poverty and for this program to be a success , the following recommendations are made according to each objective.

Change in income with focus on entrepreneurship

The results are showing that VSLAs have helped in increasing entrepreneurship which in the long run increases people's income. The incomes in Malawi are below the poverty line of €1 a day as set by the Human Development Report of 2019. It is also below the government non-taxable amount of 35, 000MK (€40) on average means the community is still living in poverty. The international standard of €1 a day requires an amount of 420 000MK (€420) which means the national standard is also below the recommended international standard.

Small businesses are a lot such that individuals suffer from high transactional costs as compared to group businesses. The costs are high because the group synergy is not put to good use.

Recommendations on entrepreneurship and income

As times are changing, entrepreneurship is becoming a driving force for every country's economy and it brings income to households and the community at large. When entrepreneurship as a whole has been successful, it is able to take the nation from poverty and for this to happen in Malawi the below recommendations have to be put in place.

The whole education system from primary school should include modules that teaches entrepreneurship which will help students get knowledge about the importance of having a business to the family and community. The increased knowledge on entrepreneurship will help in improving and perfect the business that people are already running which will bring steady income to their homes.

The author also recommends investments in training people at the local level (VSLAs) the need to do businesses and how they should do it. Most people in rural and urban areas just venture into businesses without knowing what to exactly do and what not to do in business.

Government should come in and design procedures which will allow people to easily do business. Policies on registering business are not accommodating enough for small businesses, Policies on registering and licensing businesses should be deregulated to allow small firms to grow and provide more income to households and government should also change the minimum wage which is currently 35, 000MK/monthly (€40) to be at par with international standards to help people live at least more than €1 per day.

Change in food security

The results show that there is a positive change that is brought by VSLAs on both food quality and food quantity. There is an increase in the number of people having enough food in the community and this is also an increase in the number of people run with an aim of paying the VSLA loan which help them to have excess money to buy good food.

Recommendations on change in food security

Food security should be the first priority for every nation. This should be in both food quality and food quantity. The following are recommended to improve food security in Lilongwe and Malawi in general.

Organisations should invest in teaching the group methods of preserving and storing food which will help them to have food all year around and reduce wastage. This should start in VSLAs.

Organisations should also train VSLAs in new methods of food production that will help them to produce more food and all the households will be food secure. VSLAs should also focus on acquiring capital intensive ways of food production e.g. getting tractors for a group loan. Government and other non-governmental stakeholders should start implementing food preparation demonstrations in rural areas.

Improve savings behaviour in rural areas

With the significant improvement in 2017 of the Savings ratio in Malawi, the country's general savings culture remains relatively poor compared to other emerging economies. This is simply meaning that households continue to live beyond their means while saving almost nothing. With the introduction of VSLAs, people are able to save on a regular because of the scheme. Creating a means of saving for Malawian citizens especially in the rural areas is a fundamental. This could only change if only the mindsets and motivation in rural areas is being put into consideration, not only on household level. Encouraging people to save money aside instead of spending all that they earn on consumer items that will quickly be forgotten.

Studies shows that Malawian citizens do save money for different purposes and they do save money in VSLAs than commercial banks in avoiding higher interest rates on loans.

Overall, the results provide evidence that VSLAs can improve household outcomes, even in a short period of two years, without any injection of outside capital. The impacts on participating households are likely to be larger as our impact estimates are given by the intention-to-treat stimulator, they are average impacts across both participating and non-participating households.

There are several suggestions for possible channels through which improved financial intermediation and participation in savings groups can have a positive impact on the participating households and local communities. For VSLAs to attract members, they need to offer higher interest rates or more secure repayments than alternative forms of savings. This can only be possible if groups have stronger enforcement mechanisms than individuals are, if groups have stronger enforcement mechanisms than individuals do, or simply because groups pool the risk on individual loans. In turn, the larger pool of savings coupled with better loan monitoring expands access to credit within each VSLA, though only to the extent that savings have accumulated. If households are constrained in their access to credit increases household income.

Conclusion

An analysis of the effect of the participation of VSLAs on people's livelihoods and economic development in Malawi, Lilongwe district was done in this study. It is evident from the findings that as a result of participating in VSLA program, there is improvements in the economic and social welfare of the households. Members are managing to make household improvements using both then loans and then pay-outs from VSLAs. It can also be concluded that VSLAs accelerate growth and diversification in Income Generating Activities (IGAs). This study shows that members of VSLAs use their proceeds from the pay-outs and loans to increase their businesses. It is also clear that from the study that members improved both their health and food security, as a result of their participation in VSLAs. For example when members were asked what they use the loans for, members said their use the loan for medical health and 85.50% of the participants indicated that household diet improved since they joined VSLAs.

This paper provides evidence that improvements in local financial market intermediation can have a significant impact on household welfare and economic activities in remote rural areas of developing countries. VSLAs have been heavily promoted in the hope of remedying what has been termed the "last mile problem of microfinance": operating a microfinance institution and (even more so a bank) is rarely profitable in remote rural areas in developing countries. VSLAs, on the other hand, do not rely on any outside injection of funds or professional management once set up. They harness savings in the local community which are re-invested locally, and are self-managed. A set of carefully thought-out safeguards and governance features seem to be able to sustain the trust necessary for an improved local financial market intermediation. As household wealth increases and VSLAs mature, it is possible that these semi-formal institutions might even be integrated into the formal financial sector.

6.3 Areas of further research

Sustainable livelihoods are a dream of every government that its citizens will have a better life which spurs economic growth for the country. For this to happen, further research has to be carried out in the following fields.

How can communities cope with climatic how can VSLAs help in the coping strategies? This has come amidst growing dry spells across the African continent which drowns our hopes of economic growth as most of our economies are agrarian. The research has to incorporate coping strategies that communities have to adopt when a calamity like floods and droughts occur.

The alternative uses of fuel wood which can be available cheaply in rural areas and how VSLAs can help the development and growth of the substitutes. Electricity has been urbanised and only 33% of Malawians have access to electricity according to Malawi Growth and Development strategy 2011 (Hendricks 2011) and that 67% of Malawians do not have access to this electricity. What other sources can replace fuel wood if we are to save our forests which are natural assets.

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APPENDICES

APPENDIX A:QUESTIONNAIRE SECTION A INTRODUCTION

Dear Respondents,

I hope you are well and keeping safe.

My name is Olive Likwaya, I am a student at Griffith College Dublin in Ireland. I am carrying out a research to see the impacts of VSLAs on people's livelihoods and economic development in Malawi.

For any enquiry about the research kindly contact the researcher on likwayaolive@yahoo.com.

The information provided during this survey will be treated as highly confidential and collected for research purposes only. Participation in this study will not affect one's membership or role in VSLA. Therefore, we ask you to feel at ease and provide frank and honest answers without fearing any persecution or disclosure. Researchers are only interested in analysis of collective feedback and not individual information.

SECTION B: PERSONAL INFORMATION

Gender

- Male
- Female

Age

- Under 18
- 18-24
- 25-34
- 35-44
- 45-54
- 55-64
- 65+

Marital status

- Married
- Divorced
- Widowed
- Separated
- Single
- Cohabiting

If married, what type of work does your spouse do?

- Pensioner
- Small business/hawking
- Formal work
- Nothing
- Other

Highest level of education

- Primary (Uncompleted)
- Secondary (Uncompleted)
- Tertiary
- Primary (Completed)
- Secondary (Completed)
- No education

SECTION C: SAVINGS

Did you have a bank account before? Please tick

- Yes
- No

If yes, how much money were you saving? MK.....

Are you a member of VSLA?

- Yes
- No

If No, do you save with other savings?

- Yes
- No

How long have you been a member of VSLA?

- Less than 1 year
- 1-2 Years
- 2-3 Years
- 3-4 Years
- More than 4 Years

How often do you save with VSLA?

- Daily
- Weekly
- Monthly
- Occassionally

What is the amount contributed?

- Less than 5 000MK
- 5 000MK-10 000MK
- 10 000MK-15 000MK
- 15 000MK-20 000MK
- More than 20 000MK

Are you aware of any interest earnings from savings

- Yes
- No

How much interest on average do you earn per cycle?

What type(s) of savings plans do you use from the VSLA

- Savings plan
- Individual plan
- Group plan
- Share
- Other

What is the main reason for saving with VSLA

- Economics
- Technology
- Socio/Cultural
- Other

SECTION C: PERCEPTION ON VSLAs

Process

- Very poor
- Poor
- Average
- Good
- Very good

Information access

- Very poor
- Poor

- Average
- Good
- Very good

Implementation

- Very poor
- Poor[
- Average
- Good
- Very good

SECTION D: LOANS

Did you receive any loan from VSLAs

- Yes
- No

If yes, did the amount satisfy you?

- Yes
- No

What was the loan for?

- Agricultural purposes
- Personal business
- Family issues
- Others

SECTION E: CHALLENGES

Have you had any challenges in settling the loan

- Yes

- No

What were the challenges



Please state the direct impacts of VSLAs on your welfare

Strong bargaining power

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

Low cost of credit

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

Increase income

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

Credit obtained creates indebtedness

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

Increases savings habits

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

Easy access to credit

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

Access to entrepreneurship

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

APPENDIX B: INTERVIEWS

Statement to be read before the interview begins

The information provided during this interview will be confidential and is collected for research purposes alone. Participation in this study will not affect one's membership or role in the VSLAs program. The purpose of this study is to gain a better understanding of the impacts of the program, so that its efforts may be improved so as to have better services to serve its members. Therefore, we ask you to feel free and to provide frank and honest answers without fearing any persecution or disclosure.

Section 1: Background Information

1. Date of Interview-----
2. District-----
3. Name of VSLAs-----

Section 2: Demographic Information

1. Gender of client
 - a) Male
 - b) Female
2. Age of client-----
3. Marital status
 - a) Married
 - b) Widowed
 - c) Divorced
 - d) Separated
 - e) Single
4. What is the highest level of schooling that you have reached?
 - a) No Education
 - b) Primary
 - c) Some secondary school
AsCompleted secondary school
 - d) Higher
5. Number of Children-----

6. How much did your household spent on education expenses during the last 12 months?-----

7. Did you pay for these educational expenses using payout or loans from the VSLAs?
 - a) Yes
 - b) No

Section 3: Client's Information

1. How long have you been a member of VSLAs?
 - a) Less than 1 Year
 - b) 1-2 Years
 - c) 2-5 Years
 - d) More than 5 Years
2. How many cycles of VSLAs have you completed?-----
3. How many shares do you currently have in your VSLAs?-----
4. Before you joined the VSLAs did you have any savings?
 - a) Yes
 - b) No
5. If Yes, where did you put your savings?
 - a) In house
 - b) Bank account
 - c) Credit Union
 - d) SACCO
 - e) Other
6. Amount of last payout?-----
7. Please rank your 4 most important uses of the payout? If its business or food, please specify.

| | |
|----------------------|-----------------------|
| a) Food | e) Household assets |
| b) Paid off debts | f) Lending to another |
| c) School fees | g) Other |
| d) Family ceremonies | |
| e) House projects | |
| f) Savings | |
| g) Medical expenses | |
8. Did you had access to loans before joining VSLAs?
 - a) Yes
 - b) No
9. If Yes, did you ever take any loan from different organizations?
 - a) Yes

- b) No
10. Have you taken any loan from VSLAs?
- a) Yes
 - b) No
11. If Yes, how many loans?-----
12. Did you take out loan in the previous cycle?
- a) Yes
 - b) No
13. If Yes, how many loans did you secure from the previous cycle?-----
14. What were the values of the loans during the previous cycle?
- a) Value of 1st loan-----
 - b) Value of 2nd loan -----
 - c) Value of 3rd loan-----
15. Has the household diet improved since joining VSLAs
- a) Improved
 - b) Stayed the same
 - c) Worsened
 - d) I don't know
16. Has your status in the community changed since joining VSLAs?
- a) Improved
 - b) Stayed the same
 - c) Worsened
 - d) I don't know
17. Has your status in your family changed since joining VSLAs?
- a) Improved
 - b) Stayed the same
 - c) Worsened
 - d) I don't know

APPENDIX C: FOCUS GROUP DISCUSSION FORMAT

Verbal consent to participate in the focus group

You have been asked to participate in a focus group. The purpose of this study is to have a better understanding of the impacts of VSLG scheme, so that its efforts may be improved so as to better serve its members. You can choose whether to participate or not to participate in the focus group or may choose to stop at any time. The focus group discussion will be recorded but your responses will remain anonymous and names will not be mentioned in the report.

There are no right or wrong answers to these questions. We want to hear different views and would like to hear from everyone. Participation in this study will not affect one's membership or role in the VSLG scheme. Therefore, we ask you to feel free and to provide frank and honest answers without fearing any persecution or disclosure.

1. Tell me about your group and hoe it operates
2. How long has it been in operation ?
3. What are some challenges and limitations that the group faces each cycle?
4. Tell me about your life before joining VSLA and how has your life been changed since joining VSLA?
5. In what ways has your household changed since joining VSLA?
6. What do you think have been the benefits since joining VSLA? What were your reasons for joining?
7. Have there been negative consequences of joining VSLA? If so what are they?
8. Have you seen an impact that VSLA has brought to your community as a whole?
9. Do you believe the training that CARE provides is helpful?
10. What can you say about VSLA program?

