

**THE CONTRIBUTION OF VILLAGE SAVINGS AND LOAN ASSOCIATIONS
(VSLA) APPROACH TO POVERTY REDUCTION:
A CASE OF RULINDO DISTRICT, RWANDA**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE AWARD OF THE DEGREE OF A MASTER OF PUBLIC
ADMINISTRATION AND MANAGEMENT OF
KAMPALA INTERNATIONAL
UNIVERSITY**



OCTOBER, 2012

Declaration

I, Clément Nsengimana, declare that this dissertation is my own original work and has not been presented for a degree in any other institution of higher learning.

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Approval

I, the undersigned, certify that this dissertation has been under my supervision and has been submitted with my approval as the student's supervisor.

Signed: 

Supervisor: OKECH CHABOSOM

Date: 5TH. NOV. 2012

Dedication

This work is dedicated to my beloved wife Muhorakeye Marie Chantal; my beloved children Igisubizo Amédée de Clensen and Byishimo Yvan de Clensen.

Acknowledgements

First and foremost, I thank the Almighty God my creator who has at all times been with me throughout my life as well as the spiritual and academic blessings bestowed upon me by him.

I am sincerely grateful to Mr. Oketch Chrisostom who accepted to supervise this thesis. I am also thankful to all my lecturers who inculcated in me public administration and management knowledge.

I also extend my gratitude to all those who have contributed to my formal education. These include those who taught me in primary, secondary and higher education.

It would not be polite to leave my family unmentioned for the contributed to my growth. They include my father and my mother who gave birth to me. My wife Muhorakeye Marie Chantal and my children for their love and advice.

Lastly, my thanks go to my fellow students in public administration and management, who used to encourage me in my work and read it before I submit it to my supervisor.

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List of Acronyms

AEE: African Evangelistic Enterprise
ASCA: Accumulating Saving and Credit Association
CBOs: Community Based organisations
DDP: District Development Plan
EDPRS: Economic Development and Poverty Reduction Strategy
EEEGL: Enterprise Environment and Equity in the Virunga Landscape of the great Lakes
FAO: Food Agriculture Organisation
IGAs: Income Generating Activities
KIU: Kampala International University
MDGs: Millennium Development Goals
MFI: Micro Finance Institutions
MINECOFIN: Ministry of Economic Planning and Finance
NGOs: Non-Government Organisation
OECD: Organisation for Economic Cooperation and Development
ROSCA: Rotating Saving and Credit Association
SACCO: Saving and Credit Cooperative
SHG: Self Help Group
UN: United Nations
UNDP: United Nation Development Programs
VA: Village Agent
VO: Village Organization
VSCC: Village Saving and Credit Organisation
WB: World Bank

Abstract

This study explored into the contribution of Village Savings and Loan Association to the reduction of poverty among the rural community members in Rulindo District, Rwanda. The study was guided by the following specific objectives: examine the contribution of VSLA towards transforming the livelihoods of community members; examine the level of participation of community members in VSLA programmes in Rulindo District; examine the challenges encountered by VSLA members in their day to day activities and examine the income levels of VSLA members before and after joining VSLA.

The descriptive, analytical and survey research designs were adopted as guiding principles to the entire study. Three Hundred Fifty One (351) respondents were selected with the aid of simple random and purposive sampling techniques. A close ended research instruments was used for data collection. Frequency tables and percentage distributions and means were used for statistical treatment of data.

Majority of the VSLA respondents were female (58.5%) of age 34-42 years old. VSLA have contributed positively towards transforming the lives of the rural poor as living conditions have improved; helps members start up small income generating projects; loans acquired from VSLA helps meet school fees; helps in meeting health related needs among others. Levels of community participation is moderately good as membership in VSLA is open; community members make and take decisions; community members get involved in VSLA activities; community members are involved in the implementation phase; community members are involved in monitoring and evaluation. The challenges confronting VSLA members include: lack of funders; failure of members to pay back loans; low/poor saving culture; lack of government support; lack of support from financial institutions. VSLA member's income levels improved when taking part in the local saving schemes.

To improve VSLA activities, there is an urgent need on the part of male spouses to actively get involved in these activities; management of village savings and loan associations should encourage their members to do undertake short and medium term projects such as poultry farming, bee-keeping, cattle keeping, bricklaying projects capable of providing a sustainable income to members in the future.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter deals with the background to the study carried on the contribution of Village Savings and Loan Associations (VSLAs) approach in poverty reduction in Rulindo District taking a case study of A.E.E-Rwanda Gicumbi branch (2009-2011). It also deals with statement of the problem, purpose of the study, objectives of the study, research questions, area and scope of the study and significance of the study.

1.1. Background to the study

Poverty reduction is a crucial issue that encompasses all countries. It is the first goal among the eight goals of millennium development goals (UN 2009). Rwanda also tries to achieve this goal through its Economic Development and Poverty Reduction Strategy (EDPRS) through the promotion of cooperatives, micro financing and education for all (MINECOFIN, 2007). Nongovernmental organisations play also a big role in poverty reduction through their various development programs. African Evangelistic Enterprise (AEE) is one of them that operates in some Districts of Rwanda and has the Village Saving and Loan Association approach that contributes dramatically to the poverty reduction of its beneficiaries.

1.1.1. Historical perspective

The continuing failure of MFIs to reach remote and rural areas, especially in Africa, has renewed interest in finding alternative models of service delivery that can achieve this goal. The Village Saving and Loan Association model promoted by CARE is an accumulating savings and credit association that is time-bound, with a periodic action audit at which all the funds are paid out (Hugh Allen and Mark Staehle, 2009).

In the last few years, there has been renewed interest in searching for financial models that can be used to deliver sustainable financial services to the rural poor in Africa. This quest has been motivated by the failure of formal or centralized microfinance institutions (MFIs) to reach remote and rural areas. These organizations (mainstream MFIs and banks), faced with the challenge of a dilapidated infrastructure, low population density, small

transaction sizes and risk-prone returns in agriculturally concentrated economies, often find it too costly to deliver services into these rural areas. The idea of a frontier of provision determined by poverty incidence and population density has been suggested, beyond which centralized providers find it difficult to reach but user owned and managed systems or decentralized models such as cooperatives and groups, have inherent advantages in serving (Johnson et al., 2006). Such decentralized models also have the advantage of retaining resources within the rural economy and not producing transfers to pay the costs of running distant head offices.

One approach of this kind is the Village Savings and Loan Associations (VSLAs) modeled on CARE's project in Niger (commonly referred to as the Mata Masu Dubara or the MMD model). CARE has replicated this model in several other countries including Angola, Burundi, Côte d'Ivoire, Eritrea, Haiti, India, Kenya, Lesotho, Malawi, Mozambique, Rwanda, Tanzania-Zanzibar, Uganda, Zambia and Zimbabwe. Other international NGOs, including Save the Children, Plan International, World Vision, OXFAM, Freedom from Hunger and Catholic Relief Services (CRS), are also promoting VSLAs, particularly in Africa (Grant and Allen, 2002; Allen, 2006).

After the 1994 Genocide against the Tutsis, Rwandan government keeps on seriously paying attention on the reduction of poverty. Poverty results in an income of less than one dollar per day. Various measures were taken. One can quote a measure of adaptation of the macro-economic policies, encouragement of the entrepreneurship; the promotion of co-operatives, associations or other groups of operators that can lead to economic interest. The promotion of the co-operatives or associations in Rwanda dated for quite long time (MINECOFIN 2007).

The co-operatives or associations facilitate the population to access the services which they cannot otherwise reach in case they remain isolated. The co-operatives are very important tools to help the poor groups to develop themselves and rise out of poverty. Although the co-operatives or associations in general offer a good means to the population to maintain their income, they raise also serious difficulties which very often

involve a limitation of the productivity. Therefore, the above keep the rural areas dwellers from persisting in poverty (UNFAO, 2004).

CARE began VSLA work in Rwanda in 1999 with the CARE's CLASSE-Intambwe (Community Learning and Action for Saving Stimulation and Enhancement) Project. Following the success of the project and considering the challenge of accessing small amounts of capital in Rwanda, EEEGL decided to build on the CLASSE project and support VSLA activities in the project area. VSLAs can provide loans and revenue that can be used for income generating activities.

Nowadays, a better approach for the population of an area to go beyond the traditional structures is the Village Savings and Loan Associations. This approach results in a kind of evolution of the social traditional mutual aid and adaptation of the family to the modern conditions with a small number of the participants (Hugh & Staehle, 2009).

Although the Village Savings and Loan Associations are not the subject or attention as that of cooperative, it adequately responds to the conditions adopted by the government to alleviate poverty especially in rural community as enshrined in the Vision 2020 document (<http://www.ansa-africa.net>). This type of development of the population starts from the Village Savings and Loan Associations composed of 25 - 30 members, organized in Villages (Imidugudu) and Cells (Utugari), sectors in Rulindo District. Such a development initiative correlates with various names according to the areas like IBIMINA, IMITAMENWA, and AMATSINDA YO KWITEZA IMBERE (AEE 2008).

This community empowerment approach does not only work in the Northern Rwanda but also in the other regions. In addition, it is currently present in the various countries of Africa and the whole world. It should be noted that this kind of development appears as much in developing countries as well as in the developed countries. The adoption of this system by the policy of the Rwandan government aims at solving the problems involved in the poverty of the families while making use of the socio - economic activities as the mutual aid, the saving and the small loans and other income generating activities.

I.1.2. Theoretical perspective

This study employed the Individual Deficiencies theory by Rainwater (1970) in helping link the relationship between VSLA activities and poverty reduction in the communities. The theory has a large and multifaceted set of explanations that focus on the individual as responsible for their poverty situation. Typically, politically conservative theoreticians blame individuals in poverty for creating their own problems, and argue that with harder work and better choices the poor could have avoided (and now can remedy) their problems. Other variations of the individual theory of poverty ascribe poverty to lack of genetic qualities such as intelligence that are not so easily reversed. The belief that poverty stems from individual deficiencies is old. Religious doctrine that equated wealth with the favor of God was central to the Protestant reformation (Weber 2001) and blind, crippled, or deformed people were believed to be punished by God for either their or their parents' sins. With the emergence of the concept of inherited intelligence in the 19th century, the eugenics movement went so far as to rationalize poverty and even sterilization for those who appeared to have limited abilities. Books like Hurnstein and Murray's *The Bell Curve* (1994) are modern uses of this explanation. Rainwater (1970:16) critically discusses individualistic theories of poverty as a "moralizing perspective" and notes that the poor are "afflicted with the mark of Cain.

This and similar arguments that cast the poor as a "moral hazard" also hold that "the problem of poverty continues to fester not because we are failing to do enough, but because we are doing too much that is counterproductive" (Gwartney and McCaleb 1985:15). Their economic model would solve poverty by assuring that the penalty of poverty was great enough that none would choose it (and welfare would be restricted to the truly disabled or otherwise unable to work).

A less widely critiqued version of the individualistic theory of poverty comes from American values of individualism—the Horatio Alger myth that any individual can succeed by skills and hard work, and that motivation and persistence are all that are required to achieve success (Asen, 2002:29-34). Self-help literature reinforces the belief that individuals fail because they do not try hard enough. Frank Bettger (1977:187-8), in

the Dale Carnegie tradition, tells how he got a list of self-improvement goals on which to focus and became one of the most successful and highly paid salesmen in America. He goes on to say that anyone can succeed by an easy formula--focused goals and hard work. This is the message of hundreds of self-help books, articles, and sermons. By extension, this literature implies that those who do not succeed must face the fact that they themselves are responsible for their failure.

Community development practice, embedded in decades of welfare and social policy, frequently deals with programs aiming to remedy poverty based on individual deficiency theories. Explicitly or implicitly, individual deficiencies have been an easy policy approach not always carefully explored as they get implemented. The key initiatives today are to push poor into work as a primary goal, what Maskovsky calls the "workist consensus." Indeed this move is accompanied by an increasing emphasis on "self help" strategies for the poor to pull themselves from poverty, strategies encouraged by the elimination of other forms of assistance (Maskovsky, 2001:472-3). Earned income tax credits are one aspect of the strategy to assure that the poor work even at below living-wage jobs.

However, from a community development perspective, addressing poverty by focusing on individual characteristics and bad choices raise fundamental conflicts in philosophy and in what is known to succeed. The compassion of community development shies away from blaming the individual, and individual level programs are usually embedded in community efforts by the very nature of community development. Thus, anti-poverty programs in community development tend to oppose strategies that punish or try to change individuals as a solution to poverty, though working with individual needs and abilities is a constant objective.

I.1.3. Conceptual perspective

The independent variable in this study is Village Savings and Loan Associations (VSLAs). Village Savings and Loan Associations (VSLAs) are community based organisations that pool member savings into funds from which members can borrow (VSL Associates Consulting Report, 2006). The same report advances that they are also able to offer simple forms of insurance. Loans provided by VSLAs are usually short-term (1-6 months) and are repaid with interest. VSLAs are time bound, which means that at the end of an agreed period of time (usually annually) all the money in the loan fund is distributed amongst the members, to be used as they see fit.

The dependent variable is poverty reduction, or poverty alleviation. According to UNDP (2006), people can be said to be in poverty when they are deprived of income and other resources needed to obtain the conditions of life (the diets, material goods, amenities, standards and services) that enable them to play the roles, meet the obligations and participate in the relationships and customs of their society.

According to OECD (2001), the concept of poverty includes different dimensions of deprivation. In general, it is the inability of people to meet economic, social and other standards of well-being. The multidimensionality of poverty is now widely accepted. It is based solidly on research that includes major participatory studies of what poor people mean by poverty. It covers measures of absolute poverty such as child and infant mortality rates, and relative poverty, as defined by the differing standards of each society.

The 1995 World Summit for Social Development in Copenhagen and the Millennium Development Goals both assumed that poverty is multidimensional. Similarly, the World Bank has defined poverty as unacceptable human deprivation in terms of economic opportunity, education, health and nutrition, as well as lack of empowerment and security. The United Nations Development Program (UNDP) has introduced two relevant concepts: *human development* defined as a process that enlarges people's choices including freedom, dignity, self-respect and social status; *human poverty* meaning

deprivation of essential capabilities such as a long and healthy life, knowledge, economic resources and community participation (OECD, 2001).

Poverty reduction, as my concern in this sub-chapter, is defined as any process which seeks to reduce the level of poverty in a community, or amongst a group of people or countries. Poverty reduction programs may be aimed at economic or non-economic poverty. Some of the popular methods used are education, economic development, and income redistribution. Poverty reduction efforts may also be aimed at removing social and legal barriers to income growth among the poor (Wikipedia, 2011).

I.2. Statement of the problem

Developing countries have achieved remarkable, although uneven, improvements in living standards over the past 30 years, and development co-operation has played a strong supportive role. But poverty reduction, in the context of sustainable development, remains a major challenge. Extreme poverty ravages the lives of one person in four in the developing world. Illiteracy, hunger and disease are still widespread, and HIV/AIDS has become a scourge in many developing countries (OECD, 2001).

Many strategies are being adopted in order to alter the issue of poverty in developing countries. As it is read in Lauren Hendricks (2011) African countries like Malawi, Tanzania, Rwanda and Uganda have adopted VSLA as a means of helping people to access full financial inclusion.

VSLAs also are operating in Rwanda in districts of Rulindo, Gicumbi, Nyagatare and Rubavu but no research has been conducted to evaluate its contribution. Therefore, this study undertook the initiative to investigate the contribution of VSLA, as one of the programmes which are being implemented by AEE Rwanda in Rulindo District, on transformation of community members' livelihoods.

I.3. General Objective

The general objective of this study was to examine the contribution of Village Savings and Loan Associations on transforming the livelihood of community members in Rulindo District found in Rwanda.



I.4. Objectives of the Study

The study was guided by the following objectives:

- i. To examine the role of VSLA towards transforming the livelihoods of community members.
- ii. To examine the level of participation of community members in VSLA programmes in Rulindo District.
- iii. To examine the challenges encountered by VSLA members in their day to day activities.
- iv. Examine the income levels of VSLA members before and after joining VSLA.

I.5. Research Questions

The study was sought to answer the following research questions:

- i. What is the role of VSLA towards transforming the livelihoods of community members?
- ii. What is the level of participation of community members in VSLA programmes in Rulindo District?
- iii. What are the challenges encountered by VSLA members in their day to day activities?
- iv. What is the income level of VSLA members before and after joining VSLA in Rulindo district?

1.6 Null Hypothesis

Village savings and loan associations do not have a significant relationship to poverty reduction.

1.7 Scope of the Study

Geographical Scope

The District of Rulindo is one of the 5 Districts which compose the Province of North: Burera, Gakenke, Gicumbi, Musanze and Rulindo. In this Province, the District of Rulindo occupies the south and central part of the Province.

The District of Rulindo is one of the 30 Districts of Rwanda. It extends on a surface from 567 km² and approximately 261.018 inhabitants according to the census of 2002. The District is subdivided in 17 administrative Sectors resulting from the last administrative reform of January 2006 which made amalgamate part of the administrative Sectors of the old Districts of Rulindo, Buliza, Shyorongi, Nyamugali, Kinihira and Kisaro. The administrative sectors of Rulindo district are Base ,Burega, Bushoki ,Buyoga,Cyinzuzi ,Cyungo,Kinihira , Kisaro, Masoro ,Mbogo,Murambi , Ngoma ,Ntarabana ,Rukozo , Rusiga ,Shyorongi and Tumba.

In its current configuration, it borders to the west by the District of Gakenke, to the south by the Province of the south and the Town of Kigali, to the east by the Districts of Gicumbi and to north by the Districts of Gicumbi and Burera (DDP Rulindo 2007-2012).

The District lies between 29.86 and 29.98 degrees of longitude and 1.61 and 1.91 degrees latitude in the south. Its altitudinous stages are spread out between 1400 meters at the edge of Nyabarongo in the west or Nyabugogo in the east. The altitude increases until more than 2000 meters on the tops of Bumbogo and Buberuka. From these three elements (longitude, latitude, stage altitudinal) that the climate presents the equatorial climate normally applicable to these areas.

This study is limited to three sectors of Rulindo District which are Buyoga, Masoro and Ntarabana. These sectors are the poorest of the District and it is the area where VSLA approach was started.

Content Scope

This research attempted to investigate the contribution of VSLA approach to the sustainable livelihood of members. It was limited on the VSLAs partnering with AEE Rwanda, in Gicumbi branch.

Time Scope

In terms of time, this study covered the period between the times African Evangelistic Enterprise Rwanda started Voluntary Saving and Loan Association activities from the 2009 to 2011. Data collection covered the period between March 2012 to June 2012.

I.8. Significance of the study

This study is very important to researchers, development planners and practitioners. It helps by providing a rich literature and useful information on development situation of Rulindo district based on different strategies. As such reference can always be made on it for future researches of the like.

The research is not only important to the public but also to the private sector and civil organizations such as the churches and community based organizations. As for those who are involved in VSLA approach using it as a priority development tool, the research results gives them an opportunity to evaluate their activities and see whether they can use them for improvement of their field work. As a result, the work serves as a preliminary guideline to further development initiatives in Rulindo district in particular and Republic of Rwanda in general.

As for academic purpose, the research brings about the necessary information to the development of the district. It also avails information to the development practitioners to serve them as contextual information.

Finally, for researcher's personal purpose, this study serves an accomplishment to his wish of contributing to the district development and helps the other fellow development scholars to get information on VSLA approach and how it will spearhead the development in rural areas to the benefit of the poor groups.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 Introduction

This chapter deals with the analysis of a review of related literature to the study. This is presented in conformity to the study specific objectives.

2.1.1 Saving/s

Saving is income not spent, or deferred consumption. Methods of saving include putting money aside in a bank or pension plan (Random House Unabridged Dictionary, 2006). Saving also includes reducing expenditures, such as recurring costs. In terms of personal finance, saving specifies low-risk preservation of money, as in a deposit account, versus investment, wherein risk is higher.

"Saving" differs from "savings." The former refers to an increase in one's assets, an increase in net worth, whereas the latter refers to one part of one's assets, usually deposits in savings accounts, or to all of one's assets. Saving refers to an activity occurring over time, a flow variable, whereas savings refers to something that exists at any one time, a stock variable.

Saving is also closely related to investment. By not using income to buy consumer goods and services, it is possible for resources to instead be invested by being used to produce fixed capital, such as factories and machinery. Saving can therefore be vital to increase the amount of fixed capital available, which contributes to economic growth (Dell'Amore, 1980).

2.1.2 Loan

This refers to written or oral agreement for a temporary transfer of a property (usually cash) from its owner (the lender) to a borrower who promises to return it according to the terms of the agreement, usually with interest for its use. If the loan is repayable on the demand of the lender, it is called a demand loan. If repayable in equal monthly payments, it is an installment loan. If repayable in lump sum on the loan's maturity (expiration) date, it is a time loan. Banks further classify their loans into other categories such as consumer,

commercial, and industrial loans, construction and mortgage loans, and secured and unsecured loans. A written promise to repay the loan is called a promissory note(www.businessdictionary.com).

The same website stipulates that a loan is a type of debt. Like all debt instruments, a loan entails the redistribution of financial assets over time, between the lender and the borrower. In a loan, the borrower initially receives or borrows an amount of money, called the principal, from the lender, and is obligated to pay back or repay an equal amount of money to the lender at a later time. Typically, the money is paid back in regular installments, or partial repayments; in an annuity, each installment is the same amount.

The loan is generally provided at a cost, referred to as interest on the debt, which provides an incentive for the lender to engage in the loan. In a legal loan, each of these obligations and restrictions is enforced by contract, which can also place the borrower under additional restrictions known as loan covenants. Although this article focuses on monetary loans, in practice any material object might be lent (Signoriello, Vincent J., 1991).

2.1.3 Voluntary association

An unincorporated association has been defined as existing: "...where two or more persons are bound together for one or more common purposes by mutual undertakings, each having mutual duties and obligations, in an organization which has rules identifying in whom control of the organization and its funds are vested, and which can be joined or left at will" (Conservative and Unionist Central Office, 1982).

2.1.4 Saving and loan association

A VSLA is a time-bound accumulating savings and credit association (ASCA) in which 15 to 30 people save regularly and borrow from the group fund. Loans usually have terms of between one and three months and are repaid with interest. On a date chosen by the members at the out-set, usually after about a year, all the financial assets are divided among the members in proportion to each one's savings (shares). This process is called the

‘action audit’ and produces payouts for members. The groups normally re-form immediately and start a new cycle of savings and lending.

The groups rely solely on their own savings and have no access to external funds either from banks, NGOs or other groups. The role of CARE and other support organizations has been to train these groups on how better to operate the Accumulating Savings and Credit Associations (ASCAs) based on a four-phase curriculum.

During an intensive three-month phase, a trainer visits the groups every week and trains them in group dynamics. In a second three-month phase, the trainer visits the groups every two weeks as they become more independent. After six months, the trainer comes only once in a month. After 12–18 months, the trainer ceases to visit the group (Grant and Allen, 2002).

The VSLA methodology proposes that once mature, groups can function with no external support. Its proponents suggest that in the best programmes, 95 per cent of the groups continue to function after two years and that the model reaches deeper into rural areas and serves poorer people than other microfinance models. In order to study the model's achievements, the researchers sought to identify a situation where groups had been trained and then left to operate on their own. This proved extremely difficult since in many cases groups had continued to receive support or training of various kinds from CARE or another programme, even if this was not directly related to the VSLA component, hence creating ongoing incentives for the groups to continue to operate. The case closest to the ideal was the Jozani Savings and Credit Associations (JOSACA) programme in Zanzibar, Tanzania where CARE trained groups between 2001 and 2002. These VSLAs were initiated as part of the Jozani-Chwaka Bay Conservation Project, whose original objective was to conserve the unique biodiversity of the forest reserves and associated buffer zone while enhancing the livelihoods of the surrounding communities. The savings and loans component was added as a separate activity to augment the livelihood component, but it was not tied to the conservation objectives.

According to Rhyne, (2006), the VSL method is currently comprised of 5 steps:

1. Identification and selection of group participants: A sensitization meeting is held to inform the community about the VSL methodology. Each VSLA is comprised of 25 – 30 self-selected members.
2. Supporting newly established groups and training two representatives on the VSL methodology: group members develop internal regulations and elect their management committees. Bye-laws are created by the group and the interest rate for borrowing is established. Members contribute a small amount (around 80 RWF 300 UGS or \$0.134) on a weekly basis. The more a member saves, the more she/he is entitled to borrow at a later point in time. During the first year, members can borrow a maximum of three times typically at a 10% interest rate. Profits from interest accumulation are later shared with all group members.
3. Learning about savings and loans methodology: trainers facilitate learning and groups are encouraged to form networks or inter-group with other groups.
4. Training on savings use: Three day training on selection, planning and management of income generating activities is provided.
5. Graduation: group members “graduate” and share out 8 – 12 months after the start of the program. The members receive back their savings as well as an equally divided amount of revenue from the interest paid by group members.

2.1.5 Village Saving and Loan Association

Saving and loan association refers to a type of financial institution that was originally created to accept savings from private investors and to provide home mortgage services for the public (infoplease, 2011). It can also be looked at as a group of people who save together and take small loan from those savings.... The primary purpose of a VSLA is to provide simple savings and loan facilities, in a community which does not have access to formal financial services (vsla, 2006).

2.1.6 Poverty

Fundamentally, poverty is a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, not having a school or clinic to go to; not having the land on which to grow one's food or a job to earn one's living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence, and it often implies living in marginal or fragile environments, without access to clean water or sanitation (UN, 2011).

Poverty is pronounced deprivation in well-being, and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one's life (World Bank, 2012).

Poverty reduction (or poverty alleviation) as any process which seeks to reduce the level of poverty in a community, or amongst a group of people or countries. Poverty reduction programs may be aimed at economic or non-economic poverty. Some of the popular methods used are education, economic development, and income redistribution. Poverty reduction efforts may also be aimed at removing social and legal barriers to income growth among the poor.

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Absolute poverty refers to a set standard which is consistent over time and between countries. The World Bank defines extreme poverty as living on less than US \$1.25 per day (World Bank, 2007).

Relative poverty views poverty as socially defined and dependent on social context, hence relative poverty is a measure of income inequality. Usually, relative poverty is measured as the percentage of population with income less than some fixed proportion of median income. There are several other different income inequality metrics, for example the Gini coefficient or the Theil Index (Michael Blastland, 2009).

According to the same author, relative poverty measures are used as official poverty rates in several developed countries. As such these poverty statistics measure inequality rather than material deprivation or hardship. The measurements are usually based on a person's yearly income and frequently take no account of total wealth.

2.2 The Model of Village Savings and Loan Associations Approach

According to Hugh et al (2007), Village Savings and Loan Association (VSLA) is a group of people who save together and take small loans from those savings. The activities of the group run in cycles of one year, after which the accumulated savings and the loan profits are distributed back to members. The purpose of a VSLA is to provide simple savings and loan facilities in a community that does not have easy access to formal financial services.

A VSLA is a more transparent, structured and democratic version of the informal savings groups found in the villages and urban slums in many parts of the developing world. The main difference is that the VSL methodology is a better organized and more accountable system that even the least literate, least influential member of the group can understand and trust.

Groups usually hold annual elections. The roles and responsibilities of the five-person management committee are clearly defined and highly decentralized. This is to encourage

the participation of all members in the operations of the group; and, moreover, to protect the group from being dominated by a single individual.

Each group is composed of 15 to 25 self-selected individuals. Groups meet weekly and members save through the purchase of shares. The price of a share is decided by the group. At each meeting, every member must purchase between 1 and 5 shares. The share-price is set by the group at the beginning of the cycle and is fixed for the entire cycle.

The system is very simple; but the result is powerful. In a VSLA, savings is flexible across members and over time. Members do not have to save the same amount as each other; and they do not have to save the same amount at each meeting. Also, by saving more frequently in very small amounts, the poor can build their savings more easily; and this contributes to improving the security of the household.

Savings are maintained in a loan fund from which members can borrow in small amounts, up to three times their individual savings. Loans are for a maximum period of three months in the first year and loans may be repaid in flexible installments at a monthly service charge determined by the group.

Each group may also have a social fund, which provides members a basic form of insurance. The social fund serves as a community safety net and may serve a number of purposes – such as emergency assistance, festivals and funeral expenses – for the entire community, including group members and non-members.

Each group agrees upon a contribution made by all members at every meeting. The social fund is not intended to grow, but to be set at a level that covers basic insurance needs. It is not distributed back to the members at the end of the annual cycle, but remains a group asset.

There is no group ledger or complex system of accounts at the level of the group. The closing balance of the loan fund is simply counted, announced, remembered by all members, and noted in a notebook at the end of each meeting. In order to track the

individual savings and loan liabilities of its members, VSLAs use a simple passbook that is appropriate for groups with limited literacy and numeracy skills.

The materials, passbooks, loan fund and social fund of the VSLA are maintained in a lock-box, which is safeguarded by the group box-keeper between meetings. The lock-box has three padlocks and the keys are held by three members of the group who are not members of the Management Committee. The system is robust and ensures that there can be no manipulation of the group's passbooks or funds outside of group meetings.

Groups operate in annual cycles. At the end of every cycle, the accumulated savings plus service charge earnings are shared out amongst the membership according to the amount each member has saved. The annual share-out resolves any outstanding issues and builds member confidence. It is an action audit that provides an immediate verification to all members that their money is safe and the process is profitable.

After the share-out, members who do not wish to continue may leave the group and new members may be invited to join. Members who plan to continue to the next cycle may all agree to use some of their savings to make a contribution to the loan fund for the next cycle. This initiates lending activities with a useful amount of money on hand.

When a new cycle begins, members conduct new elections, review their constitution and may make changes to the terms and conditions that apply to savings, lending and the social fund. They may, for example, agree to change the social fund contribution, share price and the monthly loan service charge. However, the share value and loan service charge can never be changed during the cycle. After this process the group then continues to operate independently in its second cycle.

Moreover, the push for financial sustainability makes it less attractive for them to reach a critical mass of clients in low-density population areas. The situation is exacerbated by the fact that rural clients are likely to invest in highly risky agriculture and save in small amounts that make such transactions not cost-effective (Johnson et al. 2005).

The VSLA model has evolved over time. VSLAs are time-bound accumulating savings and credit associations (ASCAs). ASCAs already exist in most African countries, although the time bound ASCAs are much rarer. Members of a VSLA group of up to 30 persons save regularly and borrow from the group fund. The borrowers must repay the loan with interest, usually after between one and three months. The group is formed for a specific cycle (usually 12 months) and set with a specific objective, such as a religious holiday or the beginning of school. At the end of the cycle the total fund is divided among members based on their savings (shares) contributions. After the fund has been paid out, the groups normally immediately re-form with members having the right to leave and new members enrolled and inducted. The group then starts a new cycle of savings and lending (Anyango, E., E., Esipisu et al (2005).

2.3 Contribution of Village Savings, Loan Associations to Poverty Reduction

Over 1.3 million people in developing countries live on \$1.25 a day or less. Between 1990 and 2008, efforts to reduce this number were highly successful and the amount of people living in poverty decreased by nearly half, from 48 to 26 percent. But according to the latest United Nations reports food prices are back on the rise, causing an increase in global poverty for the first time in nearly two decades.

Poverty, food prices and hunger are inextricably linked. Poverty causes hunger. Not every poor person is hungry, but almost all hungry people are poor. Millions live with hunger and malnourishment because they simply cannot afford to buy enough food, cannot afford nutritious foods or cannot afford the farming supplies they need to grow enough good food of their own (Anderson, 2000).

The VSLA methodology was adopted widely throughout CARE in 2000. To date, the approach has spread to 2.3 million people in 26 African countries notably: Angola, Benin, Burundi, Cameroon, Cote d'Ivoire, DRC, Egypt, Ethiopia, Ghana, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Somalia, South Africa, South Sudan, Tanzania, Uganda, Zambia, Zimbabwe. Outside of Africa, CARE has facilitated savings-led groups in Afghanistan, Bangladesh,

Cambodia, Columbia, Ecuador, El Salvador, India and Indonesia (Lauren Hendricks, 2011).

The same scholar advanced that in 2008 CARE embarked on a decade long strategic investment to increase access to savings-led financial services in Africa through the Access Africa Signature program. Access Africa focuses on expanding CARE's Village Savings and Loan Associations approach throughout sub-Saharan Africa. CARE's focus on Africa is due to the high percentage of the population living in extreme poverty, and the high percentage of its population without access to financial services. Evidence from Latin America and Asia has shown a strong correlation between inclusion in the financial sector and the reduction of extreme poverty.

The Republic of Rwanda is a small (26,300 square kilometres) land-locked country in Central Africa, with a population of slightly above 8.5 million (estimated for 2006). It has a very high population density of 328 inhabitants per square kilometre. Rwanda has a Human Development index of 0.450 (rank of 159 out of 177 countries), and a GDP/capita at purchasing power parity of \$1,300/ day (estimated for 2005). The population in extreme poverty, living below \$1/day (2003), is 51.7 percent; population below \$2/day(2003)is 83.7 percent. The economy consist largely of subsistence agriculture, with the majority of the population (83 percent) living in rural areas. Perhaps the most important economic development challenge for Rwanda is to improve agriculture productivity and investment to increase the incomes of the population living in rural areas.

The microfinance sector has been growing fast. According to a sector assessment in 2005 (Rwanda Microfinance Sector Assessment 2005) close to US\$100 million was mobilized in the sector and \$85 million was extended to over 600,000 MFIs clients as credit. Despite a relatively high penetration rate compared to other African countries only 21 percent of the active population (few below the poverty line among them) has access to formal financial service.

Member-owned savings and credit cooperatives (SACCOs, COOPECs) are the most numerous financial institutions in Rwanda. The Union des Banques Populaires du Rwanda (UBPR)-is the most significant one and also serves 36 percent of the total microfinance market and holds 60 percent of deposits and loans.

CARE has a long history of involvement in Village Savings and Loan Associations. The VSLA model was introduced by CARE in Niger in 1991. Since then, CARE has continued to innovate and adapt the methodology to accommodate flexible savings amounts and loans of variable lengths and sizes. Since 1991, CARE has launched VSLA programs in 21 countries, for an estimated total of more than 54,000 VSLA groups in Africa, serving more than 1 million members, the majority of whom are women.

CARE began VSLA work in Rwanda in 1999 with the CARE's CLASSE-Intambwe (Community Learning and Action for Saving Stimulation and Enhancement) Project. Following the success of the project and considering the challenge of accessing small amounts of capital in Rwanda, EEEGL decided to build on the CLASSE project and support VSLA activities in the project area. VSLAs can provide loans and revenue that can be used for income generating activities (Virunga, 2011).

EEEGL decided the most effective way to implement VSLAs would be through a community based organization (CBO) who would implement the activity. Specifically, the Association pour la Promotion des Initiatives de Base (APIB) was selected for the role. A Memorandum of Understanding (MOU) between CARE and APIB was signed in December 2008 for APIB to undertake VSLA development activities in Burera, Musanze, Nyabihu and Rubavu Districts surrounding the Volcanoes National Park (VNP) (Virunga, 2011).

CARE's Village Saving and loan (VS&L) methodology is based on belief that savings rather than lending services are more appropriate for and in higher demand by the rural poor. VS&L programs emphasise savings mobilisation through unregulated and rather informal groups that depend on member savings for their loan fund capital rather than external loans (Jan Maes, 2007).

CARE Rwanda's Savings and Loan Associations (SLAs) are Accumulating Savings and Credit Association (ASCAs) just like CARE Niger's MMD model and share most other features as well. SLAs are similar in size (7-30 members, average around 16) and receive the same training curriculum. SLA members meet and save every week into an internal loan fund. Members can take short-term loans from the revolving fund at an interest rate decided by the group, typically 5 or 10 percent per month on the principal, and they also contribute to a Social Fund, which can be used for emergencies and other non-productive needs such as medical insurance or school expenses.

The same person said that one of the most significant outcomes achieved through the linkage to external credit is that VSLAs have access to loans up to four times the amount of their accumulated savings, which enables them to engage in bigger and potentially more profitable enterprises.

Loans from the internal loan fund are to be used for income-generating activities only, but some exceptions exist. In order to streamline individual savings into increased investments and thus higher incomes, CARE Rwanda implements formal IGA capacity-building model. This training model consists of three interrelated modules i.e. selection, planning and management (SPM) of an IGA. This three-stage approach reflects a classic understanding of best practices in business promotion, i.e. market research (*selection*) business planning (*planning*) and financial management (*management*).

The majority of VSLA also have a Social fund which is generated from additional member contributions. Often the nominal amount of this contribution is the same as for the weekly savings to the rotating loan fund, but is only paid in once every four weeks instead of every week. The social Fund can be used to help members with social emergencies (such as sickness or death of a household member) in which case a member receives a grant that does not have to be paid back, or for social needs such as medical insurance or school expenses, in which case a member receives an interest-free loan, that needs to be paid back often with a flexible repayment period.

Village Savings and Loan Associations (VSLAs) help alleviate poverty in three ways: 1) assisting members to save so that they are able to accumulate a significant amount of money at the end of the cycle 2) providing members with an opportunity to request loans of small amounts 3) members earning income from interest paid by members who borrowed.

Members, on average, saved a total of RWF 6,591 (USD\$ 11) per cycle. Each loan taken was for an average of RWF 9,833 (USD\$ 16.40) and members are allowed to take loans for a maximum of 3 months. Amongst members, there is a 99.9% payback rate. Finally, members earned an average of 24% profit on their savings. The majority of the money is spent on purchasing livestock (which are used for manure production and to produce offspring which can be sold) and household improvements (e.g. purchase of mattresses).

Allen and Hobane (2004) concluded that the VSLA have contributed to increased household productive and non-productive asset levels among the great majority of Kupfuma Ishungu (KI) members in Zimbabwe and some improvement in the quality of housing. The study further noted that there has been a significant reduction in the use of formal-sector and traditional savings instruments, in favour of KI group membership. This is particularly marked by a steep reduction in post office savings schemes. The number of income-generating activities per household increased and IGA became more stable, while household labour allocated to IGAs increased. Eighty-one percent of respondents felt that their status in the community had improved as a result of their association with KI.

Anyango (2005) reached similar conclusions. The findings showed that the VSLA programme had helped to improve the livelihoods of its members and alleviate poverty, particularly for women who constitute the majority in the VSLA groups. The number of economic activities that members of VSLA were engaged in at the baseline had increased, as had the magnitude of other activities. However, members had divested away from certain economic activities that require greater capital. The VSLA had led to increased accumulation of assets for its members as compared with the baseline and the control groups. This study had a control group and a baseline, but the baseline was taken at

community level and therefore there was a potential that the impact assessment did not cover the same households as the baseline.

Mutesasira and Mule (2003) in their study in Uganda concluded that most VSLAs were comprised of very low-income people. The average savings per member and the average loan size provided some evidence of the depth of outreach. The loans ranged from Ush.5,000–50,000 (\$2.50–25.00) and savings per member ranged from Ush.200–1,000 (\$0.10–0.50) weekly. The project reached very low-income households.

As noted above, these studies faced some methodological limitations. While these results are possible, it is difficult to attribute them to the interventions of VSLA alone. First, Allen and Hobane (2004) and Hartley and Rijali (2003) had no control or comparison groups; as a result there is no basis for attributing changes noted to the interventions of the programme. Second, Allen and Hobane (2004), using recall data for a period of four years, may not yield accurate information as people tend to forget what their status was four years ago. Third, none of the studies had any testing of the significance of the changes noted.

Doka and Mossige (2001) posit that it seems the relevance of MMD groups resides in the following: 1. the autonomy of management and the strong feeling of appropriation of the action by the members; 2. the savings of the members directly managed by them; 3. the validity of the conflict resolution system that unites them; 4. the permanent mobilisation of the members and the solidarity which links them; 5. the easy and discreet access to credit; 6. the methodology mainly founded on increased prestige and the improvement of a traditional system known and accepted by all; 7. the simplicity of the system which permits an easy replication; 8. mutual aid and solidarity in emergency situations (marriage, baptism, death, disease, etc).

Allen (2002) in his study in Niger argues that at the present time there is hardly any group that is directly trained by CARE/MMD. This system arose when MMD programmers noticed that informal training was taking place between groups. Rather than suppress this activity, MMD decided to use it as the basis for auto-replication in the future. A similar

copycat phenomenon has been noticed in other programmes, but MMD has taken it further in terms of incorporating informal training into its systems. Its basic attitude has been that if spontaneous and informal training is going to happen, it might as well be done right. The main activity of existing field staff at the present time is to maintain quality control.

The VSLA model is based on the belief that for the extremely poor, particularly women, and the best approach is to begin by building their financial assets and skills through savings rather than debt. Through participation in a VSLA members can diversify their activities, plant additional crops and even add new income generating activities. At the same time, they are able to save and borrow in ways that allow them to smooth cyclical household consumption patterns (Lauren, 2011).

The same person continues to say that few institutions exist in the rural areas, and where institutions do exist, they often have inappropriate products and services. The reality is most extremely poor households have neither the assets nor the skills to interact with formal institution, even those dedicated to reaching the poor.

CARE's VSL programs reach a segment of the population that is extremely poor and is not reached by the formal sector. The challenge of microfinance has been to ensure the poorest households are served. Often microfinance institutions focus on the economically active poor, which tend to be less poor. This makes sense as MFIs are typically credit led and focus more on enterprise development. Alternatively, VSLAs have proven able to reach extremely poor households and communities.

Lauren (2011) added that in Malawi according to baseline data, 56.8% of the targeted implementation population lives below \$1.25 while Malawi's National Statistics Office Household survey in 2005 reveals that 52.4 percent of Malawians live on less than \$1.25 per day. Malawi and Uganda baseline data goes on to depict that seventy-five percent of households own livestock valued at an estimated \$1643 on average per household, with these livestock representing the bulk of their productive assets. Dirt feeder roads remain the main method of accessing communities with distances ranging from an average of 14 kilometers in Malawi to 23 kilometers in Uganda from the nearest tarmac road. Access to

electricity is rare reaching an average 31.4 percent of the villages targeted for VSLAs in Uganda and 36.7 percent of villages targeted in Malawi.

VSLA groups have proven to be effective at ensuring all members have access to savings and credit services. CARE's MIS tracks both fund utilization rates and the percentage of members with loans outstanding. In Tanzania and Uganda the percentage of members with loans outstanding is 55 percent and 67 percent respectively, with both having average fund utilization rates of approximately 77 percent. This demonstrates a good distribution of available funds across members. In VSLA surveys conducted in both Tanzania and Malawi, members report having taken an average of two to three loans per lending cycle (normally about 12 months).

VSLA provides financial services in amounts that are generally too small and too frequent to ever be provided by the formal sector. VSLAs essentially provide a simple, community based commitment savings product with an option to borrow attached. Member- Clients are able to save as little as 10¢ a week in some cases, and can borrow as little as \$5. Evidence shows that commitment products are some of the most effective for encouraging poor households to save. But there is no financial institution, whether bricks and mortar or virtual, that can cost effectively provide savings at this amount and frequency. VSLA data shows that clients who start out saving very little tend to increase their savings amount annually; a woman saving 10¢ per week in her first year of joining a VSLA will save \$1.00 to \$2.00 a week in a year or two. If you aggregate that amount with the rest of her group members, groups can save \$30-\$40 per week. At that level, it starts to make financial sense to begin making loans or to deposit excess savings with a financial institution.

VSLA build assets and skills so that the poorest can move into the formal sector. Part of the reason why banks and MFIs have deemed rural, remote populations 'unbankable' is due to a perceived lack of understanding of basic financial concepts. For the most part, investments to ensure basic concepts are understood have not yet been made and rural populations remain unaware of their options to access financial products and the benefits and risks of access. VSLAs provide a solution to this challenge, through access to

savings, credit, insurance and overall financial management. When a member joins a VSLA they learn key principles for managing money. Groups establish parameters for savings amounts and conditions for borrowing. Knowledge gained during the initial group meetings builds members' capacity to internally control and benefit from their funds. Through the VSLA, group members are empowered to understand how their community savings and loan club functions, how to determine appropriate savings amounts and borrowing guidelines, and rules for efficient meetings. One of the most useful understandings for members to calculate loan repayments, the different interest options available as well as how to calculate the share out at the end of the cycle to determine their profits. Across all of the VSLAs CARE facilitates, the majority of loans are taken for a period of 3 months repaid with either a flat and declining interest rate, with flat being the most popular. With flat interest, the earnings are higher and are returned to the group for on-lending and for share out at the end as profits. VSLA members are required to pay the interest on their loans at the end of every month but total principal is generally due at the end of the loan period. There are strict regulations within the groups that charge fines to members for loans repaid late. Groups determine and adhere to their own fine amounts some amounting to a percentage similar to the interest rate and others a flat amount. Clients also learn important cash flow and budgeting skills, and are able to build a credit history.

VSLA compliments a financial inclusion strategy. CARE's strategy for financial inclusion is to look at VSLAs as the foundation and a basic and often necessary first step to move the excluded into the financial system. In CARE's savings-led approach, linkage to formal financial institutions is also savings-led and the continued importance of savings is emphasized throughout the linkage process. In order to safeguard the interests of clients, CARE has put in place a set of linkage principals, which is strictly followed in letter and spirit in all our linkage endeavors. These principals emphasize the need to follow a demand-driven approach and to have a conservative credit to savings ratio so that clients do not become over-indebted. These principles also require that the basic features of the VSLA group, such as group decision making and transparency of transactions, be maintained throughout the linkage process. Earlier progress to

deliberately link VSLAs to formal institutions within a VSL program in Malawi with Opportunity International Bank of Malawi (OIBM) and in Rwanda with Union des Banques Populaires au Rwanda (UBPR), has also contributed to the development of these principles by drawing from lessons gained in the initial endeavors and general knowledge gained from global microfinance experience when linking savings groups to the formal sector.

Savings led approaches allows people to enter the formal financial sector as savers rather than borrowers. Greater outreach of savings services not only reduces the cost of funds for a financial institution, but experience has shown that these small savings are far more stable in times of crisis bringing greater stability to the financial institution and the financial sector overall. Expanding savings clients also benefits financial institutions' leverage ratios. Savings and in particular micro-savings should therefore be seen not just as a service that poor need, but one which also benefits the financial sector.

One of the most important and exciting features of VSLA is change. Clients join VSLAs saving small amounts, cautious about borrowing and with few ideas for investment to generate a return. Over time members increase their savings, grow businesses and are empowered to network with their local leaders, engage in decision making in their households as well as interact with the formal financial system. Data from the Village Agent performance assessment reveal that the majority of VSLA members in Malawi engage in farming activities. Participation in VSLAs allows them to plant additional crops and sometimes engage in new income generating activities. In 2012, impact assessments from the Malawi and Uganda RCTs will reveal the details of the changes in the VSLA members' lives. The data will provide information on changes in food security, asset levels, the ability to cope with shocks, and changes in household savings.

It is imperative that we develop an approach to financial inclusion that values the skills and assets VSLA members build over time and see VSLAs as an important, and often necessary, rung on the ladder of financial inclusion.

In many parts of the world, micro-finance interventions are well recognized as an effective tool for poverty alleviation and improving the socio-economic conditions of the poor. Dasgupta (2001) observed that micro-financing through the informal Village Saving and Loan Association approach has quite affected few benefits, such as: (i) savings mobilized by the poor; (ii) access to the required amount of appropriate credit by the poor; (iii) matching the demand and supply of credit structure and opening new markets for financial institutions; (iv) reduction in transaction cost for both lenders and borrowers; (v) tremendous improvement in recovery; (vi) heralding a new realization of subsidies and corruption less credit, and (vii) remarkable empowerment of poor groups.

Manimekalai and Rajeshwari (2001) highlighted that the provision of micro financing by the NGO's to VSLAs, has helped the groups to achieve a measure of economic and social empowerment. It has developed a sense of leadership, organizational skills, management of activities of businesses, establishing adequate financing, identifying raw material, market and suitable diversification and modernization.

Facts from the above-mentioned studies demonstrate that VSLAs are dependable and sustainable sources to interject micro financing to poor households, stimulate savings, and in the process, help members to eliminate the vicious circle of poverty in their lives, in a meaningful manner.

Most studies have found that microfinance allows the poor to protect, diversify and increase sources of income, which helps to smooth out income fluctuations and to maintain consumption levels even during times of crisis. Zaman (2000), who examines the Bangladesh Rural Advancement Committee (BRAC)'s impact on the welfare of its clients, finds that participation in micro-credit programs reduces vulnerability by smoothing consumption, building assets, providing emergency assistance during natural disasters, and empowering females.

MkNelly and Dunford (1999) also found a positive impact on income. They control for potential biases by assigning communities to either a program or control group following baseline data collection, thereby allowing program impact to be measured through simple

comparison between the treatment and the control group. Their results show that the majority of participants (67 percent) of the CRECER Credit with Education Program in Bolivia feel that their incomes have ‘increased’ or ‘increased greatly’ since they joined the program. Additionally, McKnelly and Dunford find that clients of Lower Pra Rural Bank Credit with Education Program in Ghana have increased their incomes by \$36 compared to \$18 for non-clients. Clients have also significantly diversified their income sources – eighty percent of clients have secondary sources of income compared to fifty percent of non-clients.

Dunn and Arbuckle (2001), who control for potential biases with the use of a control group and a combination of advanced quantitative and qualitative methods, find that microfinance clients in Lima, Peru have over 50 percent higher income than non participants.

Despite the apparent success of the VSLA model, few detailed studies of the model’s performance have been undertaken. Allen and Hobane (2004) conclude that, in Zimbabwe, membership in a VSLA contributes to an increase in household productive and non-productive asset levels among the majority of participants, as well as to some improvement in quality of housing. The findings also suggest that program participation has led to an increase in the number of income-generating activities (IGAs) and to an increase in stability of such activities. Households also allocate more labor to IGAs. Furthermore, 81 percent of respondents feel that their status in community has improved.

However, Anyango (2005) reaches similar conclusions as Allen and Hobane (2004) when studying the VSLA program in Malawi. He finds that program participation has helped to improve the livelihoods of its members and to alleviate 42% poverty, particularly for women who constitute the majority of the groups. Number and magnitude of economic activities has increased as a result of participation in the program. However, members have divested away from certain economic activities that require greater capital. The study also does not have a control group, although it does have a baseline. The baseline, however, is taken at the community level. Therefore, there may be a selection bias if the members of the VSLA systematically differ from the members of the community.

There have been two major studies done on the VSLA program in Tanzania. The most extensive study is the Women's Empowerment Strategic Impact Inquiry (SII), which was completed in 2006. The study incorporates a quantitative questionnaire, which was given to 181 women, including 134 VSLA members and 47 non-members. In addition to several case studies, a series of focus group discussions were carried out to explore more deeply the issues raised in the questionnaire. Baseline data was not available, but the authors attempt to address the problem by asking questions linking participation to changes in the impact variables, and requesting respondents to compare their current situation to their situation prior to joining VSLA group. The greatest weakness of the study is that the quantitative data are not tested for statistical significance. The assessment of significance is therefore based on the judgment of the research team and is thus largely subjective.

The study finds, in terms of short-term economic empowerment, VSLA women benefit more than non-VSLA members from increased savings, more IGAs, greater food security and health, and increased education expenditures. Most VSLA women (75 percent) have increased their savings since joining VSLA group. VSLA 43 women are more likely (68 percent) to be engaged in an IGA than non-VSLA women (13 percent), with most VSLA women reporting the VSLA group as the source of funds for their IGA. Furthermore, VSLA women's households experience greater food security compared to non-VSLA households. More VSLA households also report a great improvement in the quantity and quality of meals over the last 3 years, compared to non-VSLA households. Thirty-four percent of VSLA households report improved family health over the last three years compared to 22 percent of non-VSLA households. About twice as many VSLA households (57.3 percent) as non-VSLA households (30.4 percent) report an improvement in the education status of family members over the past three years. A higher proportion of VSLA households (79.9 percent) have made expenditures on education over the last 12 months, than have non-VSLA households (65.2 percent).

In terms of long-term economic empowerment, the SII finds more VSLA women own household and productive assets than non-VSLA women. For each asset category, between 40-77 percent of the women have acquired assets with funds (loans or payouts)

directly from the VSLA group. The other women have acquired assets with revenue from IGA or some other source. Moreover, compared to non-VSLA women, almost twice as many VSLA women have made investments in housing during the last three years. Although VSLA membership is not a necessary condition for women's investment in long-term assets, the study indicates that VSLA participation increases women's chances of making such investments. In the case of women's social empowerment, the SII study finds that VSLA women demonstrate more confidence than their non-VSLA counterparts and appear 44 more motivated to take action to improve their lives. VSLA women also have more freedom to participate in community social activities than non-VSLA women.

Finally, VSLA women have more control over decisions to engage in income generating activities and to spend time income accruing than do non-VSLA women. The other major study in Tanzania, and the precursor to this study, was Anyango et al.'s (2006) examination of the performance of VSLA groups in Zanzibar. The study, however, does not have a baseline and does not use a control group. No tests of statistical significance were performed. The study finds that VSLAs in Zanzibar have performed well in terms of growth and sustainability. Total membership rose 258 percent from 2002 to 2006. They have also performed well in terms of profitability – during the last payout for all 25 groups, members received up to a 53 percent rate of return on savings. Respondents also name improved standard of living (22 percent), improved housing (21 percent) and increased income (20 percent) as three major changes as a result of VSLA program participation (Conner, 2010).

VSLA Approach has been very important for the empowerment of poor community among which women have been left out. The experience in many countries demonstrates that, once empowered; poor women make investments wisely and earn returns. The need to create a grassroots organizational base to enable women to come together and analyze their issues and problems themselves, to fulfill their needs was strongly advocated (Mayrada, 2004).

Throughout the world, women are responsible for the well-being of their families. Most girls are obliged to start performing household tasks at an early age, sometimes as soon as

they can walk and this develops a work ethic and a sense of responsibility as nurturers, caregivers and educators of their young siblings.

When women earn money, they invariably invest their earnings in improving the lives of their children and families: in better food, clothing, shelter, health care and educational opportunities. When women earn, everyone benefits.

Moreover, poor women who have access to financial services have proven themselves to be highly creditworthy. Anecdotal evidence indicates that women repay their loans more consistently than do men. Necessity has made women careful strategists who plan for the future, shrewd risk-takers with an eye for economic opportunities and hard workers who put their families' welfare first. Investing in the earning power of women pays big dividends for families, for society and for microfinance institutions, enabling them to serve more and more clients.

Thanks to VSLA, married women often gain greater control over household assets, a more equal share in family decision-making, and greater freedom to engage in and control income-generating activities. Moreover, women involved in VSLAs are more motivated to take action to improve their lives and those of their families and are more able to engage in social and political activities (Strategic Impact Inquiry, 2008).

Even though the status of women is improving from time to time, still issues related to poverty, gender based violence, gender inequality, and the societal lower outlook on women remains to be widespread problems. The presence of these problems and the establishment of pro-women unions like VSLs to avert the effect of these challenges which made this study of VSLA to be vital while investigating the impact it had on their groups.

Numerous studies have found that targeting women as clients is an effective method of ensuring that benefits of increased income accrue to the general welfare of the family (Pitt and Khandker 1998, 2003; Khandker 2005; Strauss and Beegle 1996; Hoddinott and Haddad 1994). Such gender-targeted microfinance has also been shown to have a positive effect on the empowerment and equality of women (Mwenda and Muuka 2004).

Hashemi, Schuler and Riley (1996), in an attempt to deal with the complexities and ambiguities of the meaning of empowerment, create a composite empowerment indicator based on eight components: mobility, economic security, ability to make small purchases, ability to make larger purchases, involvement in major household decisions, relative freedom from domination within the family, political and legal awareness, and involvement in political campaigning and protests. A woman is considered empowered if she scores positively on 5 out of the 8 components. Using a combination of sample survey and case study data and controlling for selection bias by statistically controlling for differences in demographic characteristics such as age, education and wealth, Hashemi et al. found that membership in either the Grameen Bank or the BRAC has significant effects on all eight dimensions.

They also found that each year of membership in either program increases the likelihood of a female client being empowered by 16 percent. Even women who do not participate in the program are more than twice as likely to be empowered simply by living in Grameen villages. The authors argue that credit programs empower women by strengthening their economic roles, increasing their ability to contribute to their families' income, enabling them to establish an identity outside of the family, and giving them experience and self-confidence in the public sphere (Conner, 2010).

2.4 Levels of Community Participation in Village Projects

Community participation as a concept focuses on the idea that involving stakeholders in decision-making about their communities and broader social issues has important social, economic and political benefits. In the 1980s and 1990s, for a variety of reasons, public sector donors, policymakers, as well as both Northern and Southern NGOs, emphasized the value and potential benefits of participatory approaches. Their interest in participation emerged from a range of concerns: failures in state-led development. The risk with an approach to economic development or service delivery that focuses too much on 'community participation' is that it may idealize the internal coherence and solidarity in communities, and miss the essential tasks of supporting effective, accountable and transparent public institutions (World Bank, 2003).

Community participation processes include an identification of stakeholders, establishing systems that allow for engagement with stakeholders by public officials, and development of a wide range of participatory mechanisms. Stakeholders are individuals who belong to various identified 'communities' and whose lives are affected by specific policies and programs, and/or those who have basic rights as citizens to express their views on public issues and actions. The proponents of participatory approaches highlight the value of engagement with stakeholders in terms of greater local ownership of public actions or development projects (Andersson, 1999).

Community participation in service delivery involves far more than the direct delivery of services. A central issue is how different types of participation may contribute to strengthening both the short and long routes of accountability for service delivery. Effective forms of community participation in service delivery provide both opportunities and incentives for local government officials to respond to community needs. This can create opportunities for more downward accountability, and thus reduce the accountability gap between the citizens and policymakers. Transparency at the local level may also be enhanced through score cards for public services or supporting local independent media to act as monitors of project activities (Cornwall and Pratt, 2003).

These measures serve to promote a process of slow improvements in accountability, both short route and long route, through what the WDR 2004 termed "strategic incrementalism" in a weak institutional environment. This means that service delivery obstacles are reduced with long-term efforts to rebuild state capacity, when feasible, through mechanisms of service delivery. At the same time, effective community participation exists in the context of political, social and legal structures which all shape the feasibility of participatory actions (Das, 2006).

Recent research in Indonesia found that the relative trust that communities in Eastern Java had in local government, and the relative lack of local conflict between communities and different identity groups meant less interest in participation. In other parts of Indonesia, however, the differences of identity and in-migration led to mistrust and conflict dynamics that heightened after the 1997 financial crisis. In India, there are notable differences in

community level interactions that connect with political dynamics, as outlined in an essay on Kerala and Uttar Pradesh (United Nations, 2000).

Community participation initiatives are related to technical efficiency through such areas as overcoming information asymmetry, providing communities with information on quality through various forms of Monitoring and Evaluation, and ensuring that resources are spent for necessary technical resources by service providers. Improving various dimensions of allocative efficiency includes greater attention to the priorities of communities, increased transparency on budgets and public resources through such mechanisms as public budgeting and Public Expenditures Tracking systems, and a subsequent reduction on 'rent seeking' by those in positions of power. Finally, improving accountability involves creating increased transparency from community involvement with public sector agencies, community participation in school management, and community participation in public hearings.

There is broad agreement that community-based interventions have the potential to be more responsive to the needs and priorities of beneficiaries (allocative efficiency). There is also some evidence that community-based projects are comparatively cost effective (productive efficiency) because of lower levels of bureaucracy and better knowledge of local costs. While those projects which draw primarily on locally available skills, materials and financing are clearly likely to be more sustainable, some commentators have argued that this simply amounts to shifting the financial burden of service delivery to potential beneficiaries, which means that care needs to be given to the demands on community time and costs to beneficiaries. Different aspects of allocative efficiency can be seen in the decentralization cases from Kerala and Rwanda, as well as the water programs in Malawi and Ethiopia.

Mobilization of community members to identify problems and plan and manage projects helps strengthen local capacity for collective action. There is arguably inherent value in this and additional benefits are often observed beyond the scope of the original project, e.g. formation of self-help groups and micro enterprise development. However, important questions surround the definition of 'community' and the ways in which the demands of

sub-groups and individuals are represented, e.g. ethnic minorities, women and children (Shah and Rani, 2003).

Community-based approaches typically aim to build 'social capital' but while this is a useful concept it is often applied uncritically with inadequate understanding of cultural and political context and vested interests in the status quo. Some of the difficulties of exclusion or community power dynamics are illustrated in the West Bengal, Cairo, Bolivia and Uttar Pradesh examples Pudjiastuti (2002).

Community participation is increasingly often endorsed as a means of strengthening state-community synergies. This can be seen in the decentralization cases from Rwanda and Kerala, as well as the local participation law in Bolivia. Emerging demand-driven approaches theoretically 'empower' communities to command services and provide a mechanism for (re) building trust and accountability and re-establishing the 'social contract' between communities and government. However major challenges surround integrating emerging community participation approaches with traditional sectoral and local government approaches. The objectives of strengthening local governance and delivering better services are often confused.

There are various ways in which community participation processes and mechanisms can strengthen accountability and also affect service delivery outcomes. Citizens can exert their collective voice (which occurs in the relationships between citizens and policy makers) to influence policy, strategies and expenditure priorities at different levels of policy making (national and local) according to their wishes and preferences. A key summary comes from the work of Goetz and Jenkins on accountability movements in India.

Strengthening the citizen's voice enhances accountability of policy makers motivating them to be responsive to the needs of communities and stimulates demand for better public services from service providers. Local communities can be empowered by law to recall their leaders, which motivate elected leaders to be more responsible to the needs of their communities. Citizens can also exercise power as the end users of services, described in

the WDR 2004 as “Client Power” over service providers and hold them accountable for access, quantity and quality of services.

Clients are usually in a better position to monitor programs and services than most supervisors in public sector agencies—who provide the compact and management. When the policymaker-provider link is weak clients may be the best positioned due their regular interaction with frontline providers. As documented in the case of Educo, where parents had the ability to hire and fire, as well as monitor teachers⁹, as well as the case on school management improvements in basic education often depend on participation by parents (Pudjiastuti (2002).

In terms of the long and short routes, depending on the context, different routes will be more or less amenable to various forms of community participation. The long route includes electoral politics, citizen oversight boards, use of media, social accountability movements that bring together citizen direct action with more formal government mechanisms. The long route is more difficult for community organizations, without some types of enabling environment and functional public institutions that can incorporate or engage with community initiatives. In each context, the state/society nexus shapes the room for access on the long route. External Non-Governmental Organizations, especially international NGOs, are not the short route, but mechanisms for supporting either the short or long route. The short route includes direct provision of services, community monitoring and management of services, contracting with service providers, and projects funded by external NGOs but managed locally (Mozumder and Halim, 2006).

A key aspect of both routes is that there inherent trade-offs between what can be accomplished in improving services, depending on the context. In situations of weak or indifferent governments, or humanitarian crises, donors and international NGOs often substitute various short route mechanisms instead investing in public systems or the sustainability of services. There is also a risk that community participation efforts will mean that make poor people will have to invest more middle class citizens for services. There is a cost to local communities in time and effort and resources (double tax), and a concern that the short-route means letting the state avoid its responsibilities. However, if

the state is indifferent or incapable, the focus on the long route may mean that services fail to reach most poor people, or are of very low quality.

In relation to service delivery, there are a range of issues related to the role of community participation and stakeholder involvement in service provision. The short route of accountability provides for direct community action, both through community provision of services and through communities holding providers accountable at the point of service delivery (Goetz and Jenkins, 1999).

The long route of accountability emphasizes citizen voice and mechanisms for ensuring that policy makers respond to citizen priorities, which links to the nature of political systems. The mechanisms for holding elected and appointed officials accountable are complex and multi-faceted. It is vital to emphasize that elections, even when free and fair, provide only a thin line of accountability. Whether through the short route or the long route, the linkages between community participation and service delivery are complex and highly contextual (Clayton, Oakley & Taylor, 2000).

The contextual issue of what constitutes the “community” that is involved in community participation depends on the internal dynamics and identities (religious, ethnic, gender) in the community and in part on the service. For example, students with disabilities have special needs for quality education but not for immunization. Another example of differences may be found in whether a girl attends school may depend on whether there are separate latrines for boys and girls, as well as on whether there are female teachers for adolescent girls.

Considering the nature of community identity, a wide range of factors such as gender (West Bengal, Cairo)²⁵, caste (Uttar Pradesh, West Bengal)²⁶, economic differentiation (Paraguay, Bolivia)²⁷ have been shown to be factors in terms of the internal definitions of ‘community’. For example, one study on community participation focused on 104 local peasant committees in one of the most impoverished and peasant regions of Paraguay. In the departments of Concepción, San Pedro and Caaguazá, where these committees are located, poorer communities tended to have more successful peasant committees, leading

the author to speculate on the impact of relative undifferentiated economic status on community processes. Studies of migrant versus settled communities in Indonesia and diverse urban communities in Indonesia also showed the plasticity of the boundaries and meaning of community membership (Batley, 2006).

A key element in terms of the national political framework can be found in the various mechanisms that can improve or limit access to and quality of services by empowering people as citizens. These can include a variety of forms of citizen participation in public policy-making through a growing set of instruments: Participatory budgeting; Public Expenditure Tracking Surveys (PETS)³³; Citizen monitoring of public service delivery; Citizen advisory boards; Citizens charters; Integrity pacts; Monitoring procurement³⁴; Balanced Scorecards; PTA, oversight of schools, and communities holding schools or clinics accountable³⁵. Some of these mechanisms will be detailed more fully in Section IV, and a wide range of experiences are now documented in terms of approach, impact and limits.

The degree to which community participation can improve service delivery notably depends on the type of service, even within a specific sector. For example, the nature of clinical health services, such as the treatment of complex illness, is different from a basic health service such as encouraging the use of bed nets and hand washing. Community participation processes can engage citizens in ensuring that bed nets are made widely available and used in their community.

At the same time, policy makers, providers, and citizens can work together to raise awareness and promote the broader diffusion of these services. Community groups and local governments especially can play a strong role in making sure these practices are being more widely adopted.

The challenge of working with entrenched cultural and economic factors, such as gender or various levels of inequality, was highlighted in a study by Jose Molinas which brought together information and an econometric analysis of the key factors underpinning effective forms of community participation or “collective action” based on a survey of 104 peasant

cooperative institutions in Paraguay.⁴⁴ The most important results of this analysis were the determination that the level of cooperation was not necessarily directly correlated with either the nature of inequality of endowments within the community or the level of external assistance. Instead, the study found that cooperation increased related to the level of women's participation and social capital.

Molinas pointed out that even with this research, there were significant questions for understanding the relationship between the nature of community social relations and the relative effectiveness of community participation mechanisms. Molinas' research noted the importance of understanding how and to what extent does intra-community inequality affect cooperation, the ways in which gender composition of a group makes a difference in the prospects for cooperation (Molinas, 1998).

In addition, Molinas noted that attention needs to be given in each context to what extent external assistance may enhance cooperation at the community level, and whether the density of informal horizontal relationships enhances the prospects of cooperation in more formal, usually urban or peri-urban settings. He also found that there were divergent views on the effects of inequality on people's cooperative behavior.

Similar issues emerge in the study by Schaap and Nandi⁴⁵ regarding use of Participatory Rural Appraisal in West Bengal. They found that the existing structures of the government mandated community bodies, the panchayats, meant that community participation efforts needed to take enough time to work through existing hierarchies and power relationships. They also noted that while women and scheduled castes had positions due to special quotas, they were often beholden to more powerful public figures, and indeed the women were called 'wooden dolls'. On the other hand, they found instances of women exercising significant authority when they had gained their seats through regular political processes.

Mozumder and Halim evaluated the effectiveness of a participatory institutional development mechanism related to improved primary education in Bangladesh. Their overall conclusion was that, with some recognized difficulties or shortcomings, the two key factors for the participatory process, school catchment area mapping and school

planning, were generally successful in reaching improved primary school enrollment, higher retention, reduced dropout and overall better learning. These participatory school management approaches utilized social capital by involving communities to attain better learning achievement (Schaap and Nandi, 2005).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methodology adopted in the study. Specifically, it pays special treatment to the design, population, sample and sampling procedure, research instrument, validity and reliability, data analysis, ethical considerations, limitations to the study, among the other considerations.

3.1 Research Design

For research purpose, the researcher used both descriptive and analytical research designs as guiding principles to the entire study. The descriptive approach was for strategies used by AEE in facilitating the local communities to transform their lives through VSLA programmes.

On the other hand, the analytical design applied for investigating the efficiency of VSLA strategies to the beneficiary of VSLA. The above was achieved by collecting data using questionnaires and review of documents as outlined under data collection instruments.

The researcher used also the correlational and survey research design that required the researcher to go to the field to conduct a research and evaluate the activities that were implemented during the period the VSLA came into being. The survey enabled the researcher in collecting views and opinions of the respondents regarding their situations before and after joining the VSLA. The correlational design helped to establish the relationship between the Independent and the Dependent Variables.

3.2 Study Population

In general terms, according to Daramola (2007) population means a group of people inhabiting a specified geographical location. For research purposes, the population is the entire set of persons that have at least one common characteristic of the interest to the researcher. The researcher targeted VSLA members as the study population who are located in three sectors of Rulindo District which are Buyoga, Masoro and Ntarabana. A

total of 900 researchable populations were established from the well established VSLA groups in the various sectors.

3.3 Sample size

A sample is a group which is selected from a large group of population for the purpose of study with a view of making a generalization about the population as a whole. Researchers and scholars consider a sample as a limited number of individual, objects or events by which the observation allows to give conclusions applicable to the entire population in which the choice was made (Nworgu, 1991).

Minimum sample sizes of 276 respondents were identified as participants in the study by the use of Slovens Formula (Appendix IV).

3.4 Sample selection

When selecting the sample of the study from the VSLA, the following factors were considered. By the time this study was conducted, there were a total of 218 VSLA in Rulindo District. Therefore group maturity was one of the basis on which an impact of VSLA was assessed. All the 218 VSLA were listed according to their maturation and were coded accordingly. Among the listed VSLAs, those whose maturation was at least three (3) years were purposively selected for impact assessment, as it was believed that VSLAs with less than three (3) years of maturation do not have the same viable impact on members.

In view of that, 30 VSLAs consisting of 900 members (630 women and 270 men) were identified. All 30 VSLAs matured were selected. Then, among these 900 VSLA members, a total of 276 respondents were objectively selected to participate in the study by the aid of simple random and purposive sampling techniques.

The date and time of administration of the instruments were decided in consultation with all respondents individually based on their availability.

3.5. Data collection instruments

The research instruments included mainly the self administered questionnaires and documentations.

3.5. 1 Questionnaire

This consisted of a list of questions that respondents were required to answer in by choosing or ticking their right choice options. Most questions were close-ended questions but with a space where the VSLA members could add comments or other information. The questionnaires were designed in such a way that the respondents gave as many answers as possible by selecting from the answers proposed and would possibly add comments in space reserved for that.

In data collection, the researcher used questionnaire to collect data from VSLA representatives. In addition, the questionnaires comprised of closed statements.

3.5.2 Documentation

Other data were collected from books, journals, dissertations, theses, reports and electronic documents for more accurate and up-to-date information that supported this study.

3.6 Validity and Reliability

To ensure validity of the research instrument, the researcher ensured that questions or items in it conform to the study objectives. Lecturers and supervisor's assistance were requested to evaluate the relevance, wording, omissions, and clarity of questions or items in the instrument. Thus, a content validity index of 0.7 (Amin, 2003) led the SAQs be declared reasonably content valid. Reliability of the instrument on the variables was tested using the Cronbach Alpha Method provided by Statistical Program for Social Sciences (SPSS) and a Cronbach alpha (α) of 0.7 led the SAQs to be declared reasonably reliable or consistent (Amin, 2003).

3.7 Data processing and analysis

Data was processed through three processes of: editing, coding and tabulation. Editing aimed at identifying errors in testing questionnaires and eliminated them whenever possible. This enabled the researcher to cross-examine the relationship between the statements and corresponding responses to ensure accuracy, consistency and uniformity.

Coding helped in giving each item/statement a tag so as to facilitate data entry into computer program of SPSS.

Use of frequency and percentage tables enabled accurate presentation of data on respondents' demographic characteristics.

Sample Means were generated using SPSS to reflect the levels and extents of the relationship between the independent variable and the dependent variable respectively.

3.8. Ethical Consideration

So as to ensure the privacy and anonymity of the responses from the field, the findings were generalized in a way that does not pin a particular respondent. Besides, respondents were fully informed about the study as being purely academic and that confidentiality of their information was treated with utmost respect and trust. Respondents were requested to sign an Informed Consent committing themselves to be part of the study and that they would be availed information they provide if they so asked.

3.9. Limitations to the Study

Some respondents hesitated giving information for fear of being victimized by the findings of the study but the researcher assured them of the confidentiality of their information and therefore accepted to participate in the study.

It could have been possible that some respondents answered the questionnaire without putting in mind the real concept of objectivity.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0. Introduction

In this chapter, the researcher presents the findings to the study as gathered and edited from the field following the pertinent study objectives.

4.1. Demographic Characteristics of the Respondents

Respondents in this study were categorized according to gender, age, marital status, occupation, education level, and number of years spent in village saving and loan associations. Respondents were requested to declare their appropriate profiles information so as to enable the researcher classify and categorize them accordingly. The study employed a close-ended questionnaire in soliciting all the relevant information that was needed and then analysis was made as per their responses by the use of frequencies and percentage distributions as presented in table 4.1 below:

Table 4.1

Demographic Characteristics of the Respondents

Main Category	Sub-Category	Frequency	Percentage (%)
Gender	Male	146	41.5
	Female	205	58.5
	Total	351	100
Age	18-25	40	11.3
	26-33	98	27.9
	34-42	156	44.4
	43-50	40	11.3
	50+	17	4.8
	Total	351	100
Marital Status	Single	87	24.8
	Married	234	66.7
	Widowed	30	8.5
	Total	351	100
Occupation	Peasant	205	58.4
	Trader	64	18.2
	Craft	34	9.7
	Salaried job	20	5.7
	Casual Labourer	28	8.0
	Total	351	100
Level of Education	Primary	189	54.0
	Secondary	94	27.0
	Tertiary	68	19.0
	Total	351	100
Number of years in VSLA	1-3	162	46.1
	4-6	189	53.9
	Total	351	100

Source: Primary Data

Table 1 above presents respondent's demographic characteristics with regard to their gender, age, marital status, occupation, level of education and the number of years they have spent in their respective Village Savings and Loan Associations.

With regard to gender, majority of the respondents to this study were females (58.5%) and males constituted a small number of (41.5%). This reveals the fact that most Village Savings and Loan Associations are dominated by the women who strive to make ends meet as far as providing for their family basic needs is concerned. Like in any other society or community, issues of savings and loan associations are rarely initiated and effectively by men.

Respondent's age grouping as per research finding reveal that majority were in the age bracket of 34-42 (44.4%), followed by the age of 26-33 (27.9%), whereas the age bracket of 18-25 and 43-50 constituted equal percentages of (11.3%) respectively. Those who were 50 years plus made the least representation of (4.8%) only. This finding is attributable to the fact that the age brackets of 26-33 and 34-42 constitute the most active labourforce of a nation who are at all times tasked to devise mechanisms of providing for their family wellbeing and thus on pressure to join associations that promise to improve their lifestyles.

Respondent's marital status reveal that majority (66.7%) were married and (24.8%) still singles. The widowed were also represented by a small number of (8.5%). This finding further demonstrates the fact that the married have obligations and responsibilities to perform in and within their environments making them much inquisitive to undertake activities that promise to improve their general welfare.

Respondent's occupation status in the research finding reveal that over half were peasants (58.4%) who earn their day to day living from undertaking agricultural activities to support their nutritional needs and other family basic needs. Traders were represented by (18.2%), crafts (9.7%), casual labourers (8.0%) and civil servants only (5.7%). This finding reveals to us the fact that most Village Savings and Loan Associations are



dominated by the peasantry class and partly the business community. Those who are able to find for themselves jobs in governments and other sectors of the economy mindless to join such groupings since they have a source of income that they can rely on to support themselves and their families as well.

Respondent's education status as presented in the table reveals that over half of the participants to the study were primary leavers (54%); secondary leavers (27%); and tertiary leavers constituting small number of only (19%). This finding reveal the extent to which Village Savings and Loan Associations derive its membership from the least educated in society as those with some good academic qualifications get absorbed in the work environment or keep on roaming streets with a view of getting what to do in the near future.

Regarding the number of years spent in respective Village Savings and Loan Associations, majority of the respondents to this study (53.9%) had spent a period of 4-6 years. Those who spent 1-3 years constituted slightly small percentage of (46.1%). This shows the extent to which the study tried to get views and opinions of those who had had a contribution and impact from such local financial arrangement.

4.2. Objective One: Role of Village Savings and Loan Associations Programmes towards transforming the Livelihood of Community Members

This first objective was set to examine the contribution of village savings and loan associations programmes towards transforming the livelihood of community members taking a case study of Rulindo District in Rwanda. Contribution of village savings and loan associations programmes towards transforming the livelihood of community members in this study was measured using eleven qualitative statements and respondents were requested to indicate the extent to which they agree or disagree with each of the statements or items by indicating the number that best describes their respective opinions. All the eleven statements on contribution of village savings and loan associations programmes towards transforming the livelihood of community members were likert scaled using four points ranging between 1= Strongly disagree, 2= Disagree, 3= Agree, and 4= Strongly Agree. Their responses were edited, coded and analyzed using Means as summarized in table 2 below:

Table 4.2

Descriptive Statistics on the Contribution of Village Savings and Loan Associations Programmes towards Transforming the Livelihood of Community Members

Item	Mean	Interpretation	Rank
As a member of VSLA my living condition has improved as compared to the period before joining such a programme	3.65	Very High	1
With financial support from VSLA, I am able to meet medical bills for my family	2.99	High	7
VSLA programmes have helped community members establish small income generating activities in the neighbourhood	3.44	Very High	3
VSLA programmes have helped boost food production by promoting crop production in Rulindo District	3.15	High	5
VSLA programmes have helped boost entrepreneurship skills among community members	2.89	High	8
VSLA have helped community members invest in short and medium term projects	2.32	Low	9
Through teaming up as VSLA members, we are able to get better bargaining prices for our agricultural produce	3.09	High	6
Through support from VSLA community members are helped with livestock management	2.22	Low	10
Through savings in VSLA I am able to accumulate some little money compared to the times before	3.24	High	4
Through loans acquired from VSLA I am able to use part of it to meet school fees for my children	3.45	Very High	2
Government have helped VSLA members find market for their agricultural produce	1.98	Low	11
Average Mean	2.94		

Source: Primary Data

Table 2 above presents respondent's views and opinions on the contribution of village savings and loan associations programmes towards transforming the livelihood of community members in Rulindo District, Rwanda. Accordingly, the following three items were rated very high: Living condition has improved as compared to the period before joining such VSLA (Mean = 3.65); VSLA programmes have helped community members establish small income generating activities in the neighbourhood (Mean = 3.44); Through loans acquired from VSLA I am able to use part of it to meet school fees for my children (Mean = 3.45). These three areas reveal a positive contribution by VSLA towards improving the welfare of community members as it makes them start up income generating activities alongside meeting school fees obligations.

In addition, the following five items were ranked high: VSLA programmes have helped boost food production by promoting crop production in Rulindo District (Mean = 3.15); with financial support from VSLA, I am able to meet medical bills for my family (Mean = 2.99); VSLA programmes have helped boost entrepreneurship skills among community members (Mean = 2.89); Through teaming up as VSLA members, we are able to get better bargaining prices for our agricultural produce (Mean = 3.09); Through savings in VSLA I am able to accumulate some little money compared to the times before (Mean = 3.24). These further reveal agreement to the effect that VSLA has helped contribute positively towards the livelihoods of rural community members in Rulindo District.

The following three areas were rated low on the contribution of VSLA: VSLA have helped community members invest in short and medium term projects (Mean = 2.32); through support from VSLA community members are helped with livestock management (Mean = 2.22); and government have helped VSLA members find market for their agricultural produce (Mean = 1.98). These three areas reveal small areas that need to be strengthened so as allow community members have a meaningful contribution from their VSLA. Overall, living condition has improved as compared to the period before joining such VSLA ranked highest and government have helped VSLA members find market for their agricultural produce ranked lowest.

4.3. Objective Two: Level of Participation of Community Members in VSLA Programmes in Rulindo District

This second objective was set to examine the level of participation of community members in VSLA programmes in Rulindo District, Rwanda. Level of participation of community members in VSLA programmes in this study was measured using twelve qualitative statements and respondents were requested to indicate the extent to which they agree or disagree with each of the statements or items by indicating the number that best describes their respective opinions. All the twelve statements on level of participation of community members in VSLA programmes were likert scaled using four points ranging between 1= Strongly disagree, 2= Disagree, 3= Agree, and 4= Strongly Agree. Their responses were edited, coded and analyzed using Means as summarized in table 3 below:

Table 4.3**Descriptive Statistics on the Level of Participation of Community Members in VSLA Programmes in Rulindo District**

Item	Mean	Interpretation	Rank
Membership in VSLA is open to all community members interested	3.54	Very High	1
Community members get actively involved in VSLA activities	2.98	High	3
Community members were involved in the formulation of VSLA vision and goals	2.24	Low	8
Community members are involved in the implementation of VSLA activities	2.87	High	4
Community members are involved in monitoring and evaluating VSLA programmes	2.67	High	6
Community members are called upon to make and take decisions on their savings and investments	3.37	Very High	2
Community members provide free labour to the management of VSLA activities	2.45	Low	7
Community members provide materials within their communities required for the betterment of their association	2.80	High	5
Community members attend VSLA meetings regularly	1.79	Low	10
Community members attend all seminars and workshops organized by VSLA funders	1.74	Very Low	12
Community members submit their savings regularly to VSLA account	2.23	Low	9
Community members pay back loans given to them in time	1.99	Low	11
Average Mean	2.55		

Source: Primary Data

Table 3 above present respondent's level of participation in VSLA programmes in Rulindo District, Rwanda. Accordingly, study means reveal that the following two items were rated very high: membership in VSLA is open to all community members interested (Mean = 3.54) and community members are called upon to make and take decisions on their savings and investments (Mean = 3.37). These means indicate suggest that membership being open allows all community members to have the freedom of entry and exit and those community members are actively involved in making choices on how to save and invest their monies.

Besides the above mentioned, the following four items were rated high: community members get actively involved in VSLA activities (Mean = 2.98), community members are involved in the implementation of VSLA activities (Mean = 2.87), community members are involved in monitoring and evaluating VSLA programmes (Mean = 2.67) and community members provide materials within their communities required for the betterment of their association (Mean = 2.80). These findings further suggest good levels of participation in VSLA programmes among communities of Rulindo District.

Further, the following six items were rated very low and low: community members attend all seminars and workshops organized by VSLA funders (Mean = 1.74), Community members were involved in the formulation of VSLA vision and goals (Mean = 2.24), Community members provide free labour to the management of VSLA activities (Mean = 2.45), community members submit their savings regularly to VSLA account (Mean = 2.23), Community members pay back loans given to them in time (Mean = 1.99) and Community members attend VSLA meetings regularly (Mean = 1.79). These six ratings suggest areas for improvement in the management and running of VSLA programmes so as to have an all inclusive beneficiary participation to take the initiative to greater heights.

4.4. Objective Three: Challenges Encountered By VSLA Members in their Day to Day Activities in Rulindo District

This third objective was set to examine the challenges encountered by VSLA members in their day to day activities in Rulindo District, Rwanda. The challenges encountered by VSLA members in their day to day activities in Rulindo District in this study was measured using twelve qualitative statements and respondents were requested to indicate the extent to which they agree or disagree with each of the statements or items by indicating the number that best describes their respective opinions. All the twelve statements on challenges encountered by VSLA members in their day to day activities in Rulindo District were likert scaled using four points ranging between 1= Strongly disagree, 2= Disagree, 3= Agree, and 4= Strongly Agree. Their responses were edited, coded and analyzed using Means as summarized in table 4 below:

Table 4.4**Descriptive Statistics on the Challenges Encountered by VSLA Members in their Day to Day Activities in Rulindo District**

Item	Mean	Interpretation	Rank
VSLA members face the challenge of lack of funders to uplift their association	3.44	Very High	1
VSLA members face the challenge of lack of government support	3.09	High	4
VSLA members face the challenge of lack of commitment from some members	2.18	Low	8
VSLA members face the challenge of failure of some members to save monthly	2.34	Low	7
VSLA members face the challenge of weak constitutional arrangement within their association	1.98	Low	10
VSLA members face the challenge of the failure of members to pay back loans acquired from the association	3.39	Very High	2
VSLA members face the challenge of high interest rates on loans given to members	1.34	Very Low	12
VSLA members face the challenge of lack of support from financial institutions	2.97	High	5
VSLA members are fully supported by microfinance institutions	2.15	Low	9
VSLA have policies and procedures that promote friendly transactions across all members	2.37	Low	6
VSLA members face the challenge of low/poor saving culture among community members	3.32	Very High	3
VSLA members are trained in the management and sustainability of their project	1.46	Very Low	11
Average Mean	2.50		

Source: Primary Data

Table 4 above presents respondent's views and opinions on the setbacks to their day to day activities in VSLA programmes. Accordingly, respondents rated the following 5 areas high as problematic: VSLA members face the challenge of lack of funders to uplift their association (Mean = 3.44), VSLA members face the challenge of the failure of members to pay back loans acquired from the association (Mean = 3.39), VSLA members

face the challenge of low/poor saving culture among community members (Mean = 3.32), VSLA members face the challenge of lack of government support (Mean = 3.09), and VSLA members face the challenge of lack of support from financial institutions (Mean = 2.97). These problematic areas suggest weaknesses and the lack of commitment from the different players in the system to stand with VSLA activities. The lack of funders, weak government support, and weak support from banks pose a threat.

In addition, the following 3 areas further suggest challenges to VSLA activities: VSLA members are fully supported by microfinance institutions (Mean = 2.15), VSLA have policies and procedures that promote friendly transactions across all members (Mean = 2.37) and VSLA members are trained in the management and sustainability of their project (Mean = 1.46). These findings suggest the need for serious improvement plans geared towards bringing microfinance institutions closer to the people, enactment of friendly transaction principles that is fair to all and urgent need to train members on how they can be able to sustain their projects in the future in of otherwise.

4.5. Objective Four: Income Levels of VSLA Members before and after Joining VSLA Programmes in Rulindo District.

This fourth objective was set to examine the income levels of VSLA members before and after joining VSLA programmes in Rulindo District, Rwanda. Income levels of community members in this study were measured categorized income levels and respondents were requested to indicate the level at which they were before and their current levels after joining VSLA programmes. Their indices were gathered and summarized in table 5 below:

Table 4. 5**Respondent's Monthly Income Levels before and after joining VSLA Programmes**

Category		Frequency	Percentage (%)
Membership fee	20000	351	100
Monthly savings	5000-20000	351	100
Income level before joining VSLA	15000-25000 RF	254	72.3
	25000-50000 RF	97	27.7
	Total	351	100
Income level after joining VSLA	15000-25000 RF	134	38.2
	25000-50000 RF	150	42.7
	50000-100000 RF	67	19.1
	Total	351	100

Source: Primary Data

Table 5 above present respondent's income levels before and after joining VSLA programmes. Accordingly, respondents indicated that they pay a membership fee of 20000 RF so as to be part of their respective groupings.

Regarding monthly subscriptions, research findings revealed that community members make initial monthly savings ranging between 5000-20000 depending on one's ability and income level.

Regarding their income levels before joining VSLA programmes, majority of the respondents (72.3%) were in the income level ranging between 15000RF-25000RF. Only (23.7%) could afford between 25000RF-50000RF. According to research findings, after securing membership to VSLA only (38.2%) of the respondents were still earning a monthly income of between 15000RF - 25000RF; majority (42.7%) were now earning between 25000RF – 50000RF. In addition, a good number of the respondents (19.1%) indicated that they had now jumped to another monthly income level of between 50000RF – 100000RF. These findings reveal a great impact in the improvement of respondent's income levels after securing membership in VSLA programmes.

4.6 Relationship Between VSLA and Poverty Reduction in Rulindo District

Table 4.6

PLCC Results showing the Relationship between VSLA Approach and Poverty Reduction

	r. value	sig. value	Interpretation
VSLA Vs Poverty Reduction	.658	.001	Positive and Significant

Level of significance at 0.05

Results in table 4.6 suggest that Village savings and loan association is positively correlated to poverty reduction in Rulindo District located in Rwanda ($r = .658$, $\text{sig.} = .001$). Therefore, at the 0.05 level of significance, the null hypothesis is rejected and the alternative hypothesis accepted to the effect that VSLA approach significantly affects poverty reduction.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0. Introduction

This chapter presents a summary of the major findings to the study. The presentation is done in conformity to the study specific objectives. Thereafter, conclusions are made on each of the specific objectives as well as pertinent practical recommendations that can help improve VSLA programmes in Rulindo District located in Rwanda.

5.1. Discussion

Demographic Characteristics of the Respondents to the Study

- 5.1.1 Majority of the respondents who took part in this study were females (58.5%) as compared to the males who only made up a small percentage of only (41.5%). This reveals the fact that most Village Savings and Loan Associations are dominated by the women who strive to make ends meet as far as providing for their family basic needs is concerned. Like in any other society or community in Africa, issues of savings and loan associations are rarely initiated and effectively undertaken by men. Therefore, it is imperative to note that the females unlike their counterparts are always caught up with the role of providing for their families and will always enter associations that promise to address their plight.
- 5.1.2 Research findings revealed that Respondent's age grouping was mainly dominated by those in the range of 32-42 followed by those in the range of 26-33. This can be attributed to the fact that this is the most active members in the community comprising of men, women, and the young who are caught up with the task of making ends meet for themselves on the one hand and the general welfare of their families on the other.
- 5.1.3 Majority of the participants to this study were married couples (66.7%) followed by the singles at (24.8%). This therefore suggests to us that most community undertakings are pursued by the married who have to provide for their families.

- 5.1.4 Most members of the community who take part in village savings and loan associations are those with low education status especially those who are unable to climb up higher education ladders so as to be able to find for themselves jobs in the public sector and other employment agencies such as the private sector and Non Governmental Organizations.
- 5.1.5 Closely related to the above most members to village savings and loan associations are those doing peasantry/ farming as their occupation followed by the wider business/trading community. The other categories of the wider population do not actively engage themselves in self-help projects within their respective communities.
- 5.1.6 Most memberships to village savings and loan associations are filled up with persons who have been in the arrangements for periods ranging between 1-3 and 4-6 years. This is very true for most community self-help projects that do not last for long period of time due to the lack of sustainability from within the members.

Objective Number One: Role of Village Savings and Loan Associations Programmes towards transforming the Livelihood of Community Members

According to research findings, the contribution of village savings and loan associations programmes towards transforming the livelihood of community members is positive.

To begin with, it has helped local community members improve on their living conditions as compared to the period before joining such village savings and loan associations. Therefore VSLA programmes have become a turning point for the communities by aiding them have better day to day living conditions.

Besides, the village savings and loan associations have been able to help community members to establish small income generating activities in the neighbourhood. Such income generating activities have also helped widen their daily incomes and hence, better financial status that is capable of helping them live a descent life guaranteed.

In addition, these village savings and loan associations have been instrumental in ensuring that the local community members have easy access to association loans used to meet school fees for member children this is very instrumental since members do not

have problems to follow the tedious procedures involved in banks while securing easy loans since most community members may not have collateral securities required by banks for accessing their loans.

Very important to mention is the contribution of village savings and loan associations to the boosting of food production by promoting crop production in Rulindo District. This becomes an important contribution since basic human nutritional needs are fully catered for. This helps avoid instances of malnutrition and undernourishment among community members.

Also important to mention about the contribution of village savings and loan associations is its help in meeting the medical bills for families who are members to such associations. Health being one of the problematic areas in developing countries, needs a combined effort of all community members instead of living it for government who are always broke for having a poor population as well.

Very important to mention is the contribution of village savings and loan associations towards the boosting of entrepreneurship skills among community members and helping them have a strong bargaining power for their agricultural products as compared to when they would bargain individually. This is a very instrumental role as it aids the community members have the skills needed for searching alternatives to life within their respective environments.

Objective Number Two: Level of Participation of Community Members in VSLA Programmes in Rulindo District

It can be rightly argued that levels of community participation in VSLA is open to all community members interested in giving a hand to the association in one way or another. This therefore indicates that membership is open to all community members who would wish to join to improve on their lifestyles given the situations that force them to get actively involved.

Participation further in village savings and loan associations is further enhanced by community members by their participation when called upon to make and take decisions on their savings and investments. This is very instrumental in situations where every activity to be undertaken follows the views and opinions of all association members. Thus, in case a decision backfires, the blame is equally shared among all members

instead of shifting blames to a single project management committee in cases where they would take a decision without thorough consultation across all interested stakeholders.

Equally important to note is the role of community members in the implementation of VSLA activities. This becomes a good initiative since whatever to be done gets the blessings of all community members. Beyond participating in the implementation phase, they also get involved in the monitoring and evaluating VSLA programmes. This helps members to understand where things could be going wrong and hence, alternatives sought for immediately to rectify the situation at hand.

Community members in village savings and loan associations provide materials within their communities required for the betterment of their association. Such materials involve providing free labour to the various activities needed to bring to order a specific programme such as rectifying simple structures among others.

Objective Number Three: Challenges Encountered by VSLA Members in their Day to Day Activities in Rulindo District

Several challenges fall on the way of many village savings and loan associations in their day to day activities. To start with, VSLA members face the challenge of lack of funders to uplift their association. It should be noted that member contributions alone may not be enough to meet their financial needs and aspirations. This therefore requires that funding from well wishers comes in to boost the pool from internal contributions.

Credit trustworthiness is another challenge to village savings and loan associations. This is caused internally by members to the association who are unable to refund back the principle loans as well as interests on borrowed loans. This makes it hard for the internal collections to accumulate or regenerate for the future of other member needs. Therefore, for sustainability of such local financial arrangements, there is need for members to fully meet their financial obligations to their respective associations.

In addition, village savings and loan associations also face the challenge of low/poor saving culture among community members. This low/poor saving culture is brought about by the low income levels among the rural population without a stable financial base

from where to meet their monthly obligations. Besides, some people tend not to feel comfortable with their monies in these associations and would rather save as little as possible.

Lack of government support is another factor behind the success of most village savings and loan associations. Governments always fail to get their hands in such associations due to the fact that they are many and therefore present lots of pressure on the government that has to attend to other needs of these very community members.

In addition, financial institutions such as banks and microfinance institutions have not been very supportive to the plight. Initially, governments expect financial institutions to handle savings and investments of the population and therefore, internal community arrangements are only meant to reinforce such actions. Thus, prompting the need for financial institutions to continue supporting such local financial arrangements.

Another setback to the management of village savings and loan associations has been the lack of training to all community members on the sustainability of their associations in for the future. The lack of training to community members to village savings and loan associations makes it impossible for the continuity of such local arrangements to helping community members.

Objective Number Four: Monthly Income Levels before and after joining VSLA Programmes

A membership fee of 20000 RF once a year is considered affordable to all group members in addition to the monthly subscriptions ranging between 5000RF – 20000RF. This minimum contribution allows members to contribute according to their respective income abilities.

Village savings and loan associations have been instrumental in boosting and enhancing the income levels of their members as it has not always left them the same. This is depicted by the changes in income earnings during the period before and after securing membership to these village savings and loan associations.

5.2. Conclusions

Most village savings and loan associations are dominated in their membership by females who are caught up with the responsibility of trying to devise way forward as far as providing for their family basic needs are concerned.

Role of VSLA to Transforming the Lives of Community Members

It can rightly be asserted that village savings and loan associations in Rulindo District found in Rwanda have played quite an impressive role in promoting and transforming the lives of the rural population through monthly savings that accumulate and invested in small income generating projects that further boost the welfare of community members this notwithstanding a few areas where members have not been able to explore.

Levels of Participation of Community Members in VSLA Activities

Levels of beneficiary participation in village savings and loan association are moderate. This is to say that community members to such organized groupings have tried all within their means to get involved in the affairs of these associations though at times they find difficulties marrying other family obligations with association responsibilities. This at times makes it hard on their part to attend meetings, seminars among others.

Challenges Encountered by VSLA Members in their Day to Day Activities

Quite a number of challenges confront members of village savings and loan associations in their day to day activities. Such factors are internal to their own environments on the one hand such as low/poor saving culture, weak association policies and procedures, credit untrustworthiness among others and external forces on the other such as little government support, failure of financial institutions to render a hand to their activities to mention.

Member Income Levels before and after joining VSLA Scheme

It should rightly be stated that participation of community members in village savings and loan associations has not left them the same. Rather, there have been improvements in their welfare as a result of engaging in different activities devised by members and privately supported by member savings. Such entrepreneurial skills have led to members undertaking small income generating activities that has in turn improved their income levels slightly.

5.3. Recommendations

Basing on the findings to the study, the following alternative measures have been devised to help improve on the activities of village savings and loan associations in Rulindo District in particular and the Republic of Rwanda in general.

Role of VSLA to Transforming the Lives of Community Members

1. To get the activities of Village Savings and Loan Associations taken to better levels, there is an urgent need on the part of male spouses to actively get involved in these activities so that they support their female counterparts with not only contributions but also engaging in small income generating activities that in turn shall improve on their welfare.
2. Management of village savings and loan associations should encourage their members to do undertake short and medium term projects such as poultry farming, bee-keeping, cattle keeping, bricklaying among other projects capable of providing a sustainable income to members in the future when needed most at times of paying for school fees, footing medical bills, among the other basic needs of life.
3. In addition, government should seek to find market for member produce both internally from the local market such as local manufacturers who need raw materials, hotels and through external means especially seeking for market from their trade partners.

Levels of Participation of Community Members in VSLA Scheme

1. Community members in village savings and loan associations should be encouraged to attend association meetings whenever organized so as to brainstorm on the way forward of their respective projects. This should be the initiative of their association management committee helped with village opinion leaders, church leaders, local leaders who mobilize people to get to chart ways forward.
2. It is imperative that upon thinking of starting up any project to benefit local community members, they should be widely consulted and involved in such programmes right from its formulation stages, implementation and evaluation/monitoring than getting them start in the middle. By this, they will

have ownership of the project as it becomes their own brain-child and therefore ready to surrender their commitment towards the success of the association.

3. Communities further need to be encouraged to always provide for their associations and projects incentives such as free labour and other local resources/materials required for the general maintenance of their day to day activities. This is one area that will ensure the sustainability of their respective initiatives.
4. Government need to come up with programmes that sensitize/teach community members having a savings culture as part of their entrepreneurial skills. Such a saving culture if planted in the minds of the community members will widen their investments in the future let alone allowing them think creatively on how to generate monthly subscription incomes.
5. Credit trustworthiness should be a philosophy planted in the mindset of community members who come for loans. To be strengthened, there is need for strong and effective association constitution that clearly spells out the penalties that accrue from defaulting association finances.

Challenges Encountered by VSLA Members in their Day to Day Activities

1. Well-wishers should come to the rescue of village savings and loan associations with financial support required to boost their respective activities and projects. Banks, microfinance institutions, private investors and Nongovernmental organizations should take the lead in spearheading such community initiatives meant to improve people's standards of living.
2. Whereas government is always over-burdened with many obligations to looking after their citizens, it should establish a department which is not a ministry responsible spearheading locally organized community initiatives. The support to be provided should range from logistics to technical aid meant for the betterment of locally generated initiatives.
3. Non Governmental Organizations and other Charity Organizations need to take the lead in training community members on how they can be able to sustain their locally generated initiatives locally. This will aid future maintenance of their programmes even when external support ceases to exit.

4. Above all, there is the need for serious improvement plans geared towards bringing microfinance institutions closer to the people, enactment of friendly transaction principles that is fair to all and urgent need to train members on how they can be able to sustain their projects in the future in case of otherwise.

5.4 Areas for Further Research

Given the limited scope of this study, the results cannot be generalized to all village savings and loan associations in the Republic of Rwanda and elsewhere. Therefore, there is need to undertake similar studies in other contexts to be able to obtain a wider picture of the situation at hand of small community organized projects to meant to support members at such lower levels. Therefore, the following are suggested areas for further research:

1. Contribution of Banking Institutions towards the Sustainability of Village Savings and Loan Associations.
2. Sustainability of Village Savings and Loan Associations in the Republic of Rwanda.
3. Contribution of Non Governmental Organizations towards Locally Generated Community Self-Help Projects.

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Appendix I
Letter to respondents

Dear respondents,

I am carrying out a research in Rulindo District, whose purpose is to investigate the contribution of Village Savings and Loan Associations to poverty reduction in population of this District.

I need your assistance by providing me with information with reference to the attached research instruments. You should provide the most appropriate answer in your opinion by indicating the extent to which you agree or disagree with each of the statements or items by indicating the number that best describes their respective opinions in the given space as the case may be. The success of this research will depend on your positive cooperation. Your response will be kept confidential. In any case the questionnaire is anonymous. Please Endeavour to complete the questionnaire as shortly as possible and return it to the researcher.

Thank you

Yours faithfully

Clément NSENGIMANA (Researcher).

Appendix II

INFORMED CONSENT

I am giving my consent to be part of the research study of Mr. NSENGIMANA Clément that will focus on the Contribution of Village Savings and Loan Associations Approach to Poverty Reduction: A case of Rulindo District, Rwanda.

I shall be assured of privacy, anonymity and confidentiality and that I will be given the option to refuse participation and right to withdraw my participation anytime.

I have been informed that the research is voluntary and that the results will be given to me if I ask for it.

Initials _____

Date _____

Appendix III Questionnaires

Demographic Information

Gender of respondent

Female ☐ Male ☐

Age of respondent

Occupation: Farmer ☐ Trader ☐ Craft ☐ State employee ☐ NGO ☐
employee ☐

Level of schooling reached: No education ☐ Primary ☐ Vocational Training ☐
Secondary ☐ University ☐

Marital status: Single ☐ Married ☐ Divorced ☐ Widowed ☐

Number of years as member of Village Saving and Loan Association

One year ☐ Two years ☐ Three years ☐ More than three ☐

In the sections that follow kindly be guided with the scoring system below. Circle your choice on the space provided before each item.

Score	Response Mode	Description
4	Strongly Agree	You agree with no doubt at all
3	Agree	You agree with some doubt
2	Disagree	You disagree with some doubt
1	Strongly Disagree	You disagree with no doubt at all

PART B: CONTRIBUTION OF VSLA PROGRAMMES TOWARDS TRANSFORMING THE LIVELIHOOD OF COMMUNITY MEMBERS

- ___ 1. As a member of VSLA my living condition has improved as compared to the period before joining such a programme
- ___ 2 Through savings in VSLA I am able to accumulate some little money compared to the times before

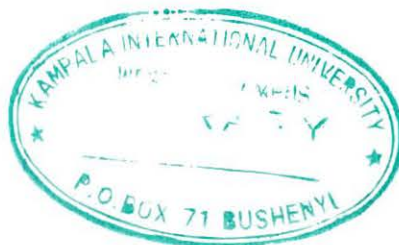
- ___ 3. Through loans acquired from VSLA I am able to use part of it to meet school fees for my children
- ___ 4. With financial support from VSLA, I am able to meet medical bills for my family
- ___ 5. VSLA programmes have helped boost entrepreneurship skills among community members
- ___ 6. VSLA programmes have helped community members establish small income generating activities in the neighbourhood
- ___ 7. VSLA have helped community members invest in short and medium term projects
- ___ 8. VSLA programmes have helped boost food production by promoting crop production in Rulindo District
- ___ 9. Through support from VSLA community members are helped with livestock management
- ___ 10. Through teaming up as VSLA members, we are able to get better bargaining prices for our agricultural produce
- ___ 11. Government have helped VSLA members find market for their agricultural produce

SECTION C: LEVEL OF PARTICIPATION OF COMMUNITY MEMBERS IN VSLA PROGRAMMES IN RULINDO DISTRICT

- ___ 12. Membership in VSLA is open to all community members interested
- ___ 13. Community members get actively involved in VSLA activities
- ___ 14. Community members were involved in the formulation of VSLA vision and goals
- ___ 15. Community members are involved in the implementation of VSLA activities
- ___ 16. Community members are involved in monitoring and evaluating VSLA programmes
- ___ 17. Community members are called upon to make and take decisions on their savings and investments
- ___ 18. Community members provide free labour to the management of VSLA activities
- ___ 19. Community members provide materials within their communities required for the betterment of their association
- ___ 20. Community members attend VSLA meetings regularly
- ___ 21. Community members attend all seminars and workshops organized by VSLA funders
- ___ 22. Community members submit their savings regularly to VSLA account
- ___ 23. Community members pay back loans given to them in time

SECTION D: CHALLENGES ENCOUNTERED BY VSLA MEMBERS IN THEIR DAY TO DAY ACTIVITIES

- 24. VSLA members face the challenge of lack of funders to uplift their association



- ___ 25. VSLA members face the challenge of lack of government support
- ___ 26. VSLA members face the challenge of lack of commitment from some members
- ___ 27. VSLA members face the challenge of failure of some members to save monthly
- ___ 28. VSLA members face the challenge of weak constitutional arrangement within their association
- ___ 29. VSLA members face the challenge of the failure of members to pay back loans acquired from the association
- ___ 30. VSLA members face the challenge of lack high interest rates on loans given to members
- ___ 31. VSLA members face the challenge of lack of support from financial institutions
- ___ 32. VSLA members are fully supported by microfinance institutions
- ___ 33. VSLA have policies and procedures that promote friendly transactions across all members
- ___ 34. VSLA members face the challenge of low/poor saving culture among community members.
- ___ 35. VSLA members are trained in the management and sustainability of their project

SECTION E: INCOME LEVEL

Membership Fee.....

Income level before joining VSLA

- a) 15000 -25000 Franks
- b) 25000-50000 Franks

Income level after joining VSLA

- a) 15000 -25000 Franks
- b) 25000-50000 Franks
- c) 50000-100000

Appendix IV

Slovens Formula

$$n = \frac{N}{1 + N (e)^2}$$

$$n = \frac{900}{1 + 900 (0.05)^2}$$

$$n = \frac{900}{1 + 900 (0.0025)}$$

$$n = \frac{900}{3.25}$$

$$n = 276$$

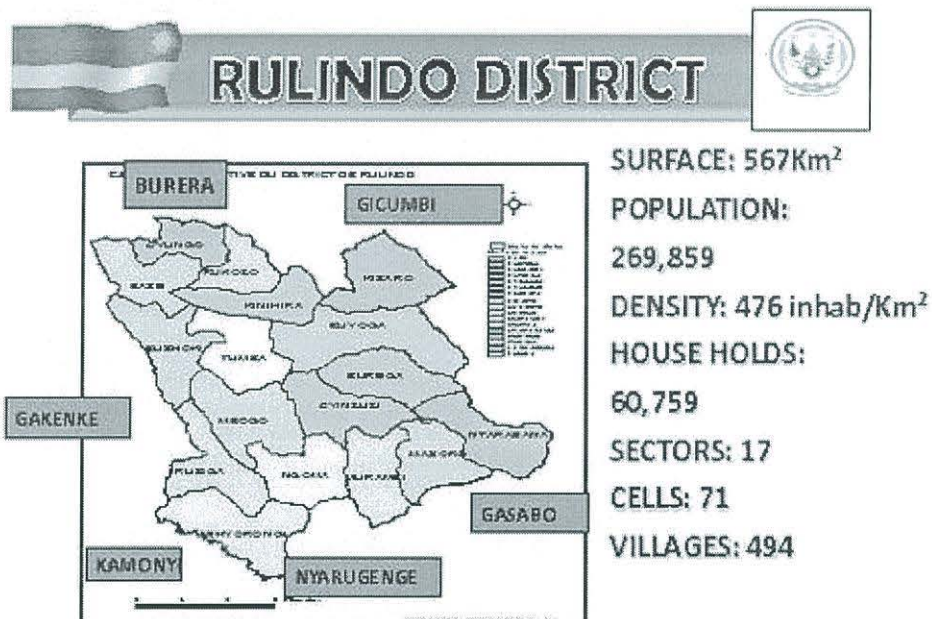
Appendix V

RULINDO DISTRICT PRESENTATION.

PRESENTATION OUTLINES

1. RULINDO MAP
2. ECONOMIC DEVELOPMENT
3. SOCIAL WELL FARE
4. GOOD GOVERNANCE

RULINDO MAP



30th June, 2012

RE: NSENGIMANA CLEMENT: MPA/26839/82/DF-KBL.

This is to confirm and introduce to you the above referenced as a bona fide

Distance Learning student of KAMPALA INTERNATIONAL UNIVERSITY (KIU)

KABALE STUDY CENTRE pursuing **MASTER OF PUBLIC ADMINISTRATION AND
MANAGEMENT.**

He has completed all the necessary **Class work /Assignments and Examinations** for
his two year(s) course of study and he is progressing normally with Research project on:

THE CONTRIBUTION OF VILLAGE SAVING AND LOAN ASSOCIATIONS

APPROACH TO POVERTY REDUCTION;

Case Study of: **RULONDO DISTRICT, RWANDA.**

As part of his studies (**Research work**), he has identified your Institution to be having
Valuable relevant Information he has to collect through Questionnaires, Interviews and
other Reading materials respectively from your place.

In this regard, the Management of Kampala International University request that you
kindly assist him by availing/furnish him with the required information or data that he
might need for his research project, appreciates your full commitment and support
rendered to him throughout his stay with you.

Yours Service



0773335490
KIU - KABALE STUDY CENTRE