

# Village Saving and Loan Association Assessment



## Graduating to Resilience

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## Table of Contents

List of Exhibits .....	1
List of Acronyms.....	2
Executive Summary .....	3
1. Introduction .....	4
1.1 Background.....	4
1.2 Objective.....	4
2. Methodology.....	5
2.1 Quantitative .....	5
2.2 Qualitative .....	5
3. Scope of Existing VSLAs.....	6
3.1 Background.....	6
3.2 Description of Current VSLAs.....	6
3.2.1 Duration of Operation.....	6
3.2.2 Location .....	7
3.2.3 Constitutions .....	8
3.2.4 Management and Committee Structure .....	8
3.2.5 Group Record Maintenance .....	9
3.3 VSLA Membership Information.....	10
3.3.1 Total Membership .....	10
3.3.2 Gender Distribution .....	11
3.3.3 Member Attendance.....	11
3.4 Savings and Loan Performance.....	12
3.4.1 Total Current Cycle Savings.....	12
3.4.2 Interest Rates on Current Cycle Loans.....	13
3.5 Financial Institution Access .....	13
3.5.1 Bank Linkages.....	13
3.5.2 Loss of Money .....	14
3.6 Reasons for Borrowing.....	15
4. Challenges and Mitigation.....	15
4.1 Challenges to VSLA Operation.....	15
4.1.1 Inadequate Training.....	15

4.1.2 Loan Defaults.....	15
4.1.3 Limited Capital .....	16
4.2 Recommended Mitigation Strategies .....	16
5. Conclusions and Recommendations.....	17
Annex A. VSLA Questionnaire.....	A1

List of Exhibits

Exhibit 1. Length of Operation for Existing VSLAs .....6

Exhibit 2. Location of VSLA for Host by Sub-County .....7

Exhibit 3. Location of VSLA for Refugees by Sub-County.....7

Exhibit 4. Presence and Use of Constitution Among VSLAs.....8

Exhibit 5. VSLAs with Standard Management Committee ..... 9

Exhibit 6. VSLAs that Maintain Accessible, Understandable Records ..... 10

Exhibit 7. Distribution of VSLAs by Membership ..... 10

Exhibit 8. Gender Distribution of VSLA Membership..... 11

Exhibit 9. VSLA Attendance ..... 12

Exhibit 10. Distribution of Savings Collected in the Current Cycle ..... 12

Exhibit 11. Distribution of Total Accumulated Savings ..... 13

Exhibit 12. Monthly Interest Rates of VSLA Loans ..... 13

Exhibit 13. Percent of VSLAs with Formal Financial Institution Relationship..... 14

Exhibit 14. Percent of VSLAs That Have Experienced Financial Loss ..... 14

## List of Acronyms

<b>CBT</b>	Community-based trainer
<b>CDO</b>	Community Development Office
<b>FCA</b>	Finn Church Aid
<b>FGD</b>	Focus group discussion
<b>IPA</b>	Innovations for Poverty Action
<b>KII</b>	Key informant interview
<b>LWF</b>	Lutheran World Federation
<b>NGO</b>	Non-governmental organization
<b>SACCO</b>	Savings and Credit Cooperative Organization
<b>SCORE</b>	The Sustainable Comprehensive Responses Project
<b>UGX</b>	Ugandan Shillings
<b>UNHCR</b>	Office of the United Nations High Commissioner for Refugees
<b>VSLA</b>	Village Savings and Loan Association
<b>WFP</b>	World Food Programme

## Executive Summary

As part of the Graduating to Resilience Activity, a team from the AVSI Foundation (AVSI) conducted an assessment to determine the operation and functionality of Village Savings and Loans Associations (VSLAs) in Rwamwanja settlement and the surrounding host community. These savings groups typically aim to reach ultra-poor and vulnerable households who cannot readily access traditional banking or microfinance interventions. With 20-30 members per group, the VSLAs meet weekly to save an agreed amount together, and these funds are shared out at the end of the operating cycle. At present in Rwamwanja settlement, the communities have already been organized into groups for savings and other activities with support from NGOs and donor agencies. This report explores the level of operation and organization of these existing VSLAs to ascertain whether present functionality is sufficient and whether AVSI should form new VSLAs to begin training them at the ground level.

Taking a mixed-methods approach, this assessment reached 51 VSLA groups in seven zones of the Rwamwanja settlement and four sub-counties in Kamwenge. The AVSI team administered a survey to representative members in the VSLAs. The qualitative research occurred alongside the quantitative assessment where members of each group shared their perspectives regarding common reasons for borrowing, types of businesses operated, utilization of share-outs, challenges to group operations, and approaches undertaken to address them.

The quantitative analysis showed that the majority of currently operating VSLAs have been created in the past two years. 73 percent of VSLAs interviewed have a legal constitution in place that outlines the groups' operations. The majority of VSLAs either do not maintain records or, if they do, they are not easily understandable to the groups' members. A troubling finding of the quantitative data is the low level of attendance at regularly held VSLA meetings. Only 44 percent VSLAs were found to have an established relationship with a formal financial institution. Moreover, 58 percent of VSLAs have experienced a financial loss due to theft of group savings. The three most commonly cited reasons for taking out loans among the VSLA groups interviewed include paying school fees, investing in business, and farming. The qualitative analysis revealed the challenges the VSLAs face in their operations. Members cited the inability to create a savings culture, high default rates, and low capital accumulation as obstacles to successful VSLA operation.

In light of these findings, new or existing VSLAs would benefit from training and assistance across a number of organizational and management functions. First, the Activity could help each VSLA draft and implement a constitution to provide a legal framework. Second, the Activity could train VSLAs in effective management structures to reduce the bureaucratic and financial strain on the organization and delineate clear responsibilities. Third, the Activity could provide financial training. In addition to these management practices, the Activity could also promote linkages between VSLAs and formal financial institutions. The Activity may also find it prudent to establish new VSLAs if it is found that these attitudes and practices are ingrained in the organizational culture. The training, when accompanied with interventions such as consumption smoothing, among new VSLAs could help mitigate some of the operational, management, and financial challenges identified in the assessment.

# I. Introduction

## I.1 Background

As part of the Graduating to Resilience Activity, a team from the AVSI Foundation conducted an assessment to determine the operation and functionality of Village Savings and Loans Associations (VSLAs) in Rwamwanja settlement and the surrounding host community. These savings groups typically aim to reach ultra-poor and vulnerable households who cannot readily access traditional banking or microfinance interventions.<sup>1</sup> With 20-30 members per group, the VSLAs meet weekly to save an agreed amount together, and these funds are shared out at the end of the operating cycle.<sup>2</sup> In 2014, 1.2 million people in Uganda belonged to savings groups, although these statistics reflect data from large non-governmental organizations (NGOs) and do not necessarily include groups that have received training from other sources.<sup>3</sup>

The effectiveness of these savings groups has varied, according to the literature. In one research study led by Innovations for Poverty Action (IPA), access to VSLAs in three countries (Ghana, Malawi, and Uganda) did not actually improve households' financial well-being in terms of their average consumption, though it did have a positive effect on other factors, such as women's empowerment and microenterprise outcomes.<sup>4</sup> Another study that investigated the impact of VSLAs in northern Malawi found evidence of certain positive effects on household expenditure and increased agricultural investments and incomes.<sup>5</sup> One reason for the differing outcomes may lie in the heterogeneity of practices among savings groups and their levels of functionality and organization.<sup>6</sup> As such, this assessment from the AVSI team intends to determine the current level of VSLA operation in target communities to ascertain whether to create new groups or to work with existing ones.

## I.2 Objective

At present in Rwamwanja settlement, the communities have already been organized into groups for savings and other activities with support from NGOs and donor agencies, such as the Lutheran World Federation (LWF), Finn Church Aid (FCA), and the World Food Programme (WFP). This report thus explores the level of operation and organization of these existing VSLAs to determine any gaps where AVSI could provide the most support if it chooses to work with the current savings groups. Additionally, our examination of the VSLAs will help to ascertain whether present functionality is sufficient, and if so, that AVSI should form new VSLAs to begin training them at the ground level.

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<sup>1</sup> Burlando, A. and Canidio, A. (2017). Does group inclusion hurt financial inclusion? Evidence from ultra-poor members of Ugandan savings groups. *Journal of Development Economics*, Vol 128, 24-48.

<sup>2</sup> Ibid

<sup>3</sup> Ibid

<sup>4</sup> Karlan, D., Savonitto, B., Thuysbaert, B., and Udry, C. (2017). Impact of savings groups on the lives of the poor. *PNAS*, 114 (12): 3079-3084.

<sup>5</sup> Ksoll, C., Lilleor, H., Lonborg, J., and Rasmussen, O. (2015). Impact of Village Savings and Loan Associations: Evidence from a cluster randomized trial. *Journal of Development Economics*. 120: 70-85.

<sup>6</sup> <sup>6</sup> Burlando, A. and Canidio, A. (2017). Does group inclusion hurt financial inclusion? Evidence from ultra-poor members of Ugandan savings groups. *Journal of Development Economics*, Vol 128, 24-48.

The structure of this report is as follows: We first describe our methodology for approaching the assessment. Section 3 provides details on the scope of existing VSLAs as well as their accessibility and reach. Section 4 explores some of the challenges raised among these VSLA members regarding their current operations and some strategies for mitigating them. Section 5 provides conclusions and recommendations on how best to implement Graduating to Resilience program interventions.

## 2. Methodology

Taking a mixed-methods approach, this assessment reached 51 VSLA groups in seven zones of the Rwamwanja settlement and four sub-counties of Bwizi, Nkoma, Bihanga, and Biguli as well as one town council (Nkoma/Katallyeba). Not all VSLA members participated; rather, we selected 5-10 members from each of the 51 VSLAs to provide us both quantitative and qualitative data. Importantly, the 51 VSLAs selected for inclusion in our assessment represented those groups that we were aware of and not necessarily all VSLAs operating in the area. This is a limitation of our sampling process and our data analysis, since we may have failed to capture important aspects of VSLA operations by not selecting a representative, random sample from the population of VSLAs. All data collection took place in April 2018. Below we present further details on the methodology underlying our quantitative and qualitative approaches.

### 2.1 Quantitative

To measure the operation and performance of the VSLAs, the AVSI team administered a checklist to representative members from each of the 51 VSLAs targeted for inclusion in the assessment. In order to locate the VSLAs in the refugee community, the team worked closely with LWF and the Office of the UN High Commissioner for Refugees (UNHCR) to identify the groups. Meanwhile, the Community Development Office (CDO) provided the list for VSLAs in the host community so that we could reach out to local leaders to organize and gather the members to survey.

All quantitative data were entered directly into the smart phone using the data collection software Kobo Collect. The checklist for these VSLAs, adapted from the VSLA monitoring tool used on another AVSI project (SCORE), contained questions designed to gather data on the demographics of the group, share value, record keeping, cycles shared, cumulative savings, interest rate, and loans. The survey is shown in Annex A. These questions allowed us to gather information on the maturity and functioning of the VSLAs, which would help the team eventually determine whether to use existing groups or form new ones. For each VSLA, we collected responses from the group instead of asking one representative member to complete the tool.

### 2.2 Qualitative

The qualitative research occurred alongside the quantitative assessment for the same 51 VSLA groups. Members of each group shared their perspectives regarding common reasons for borrowing, types of businesses operated, utilization of share-outs, challenges to group operations, and approaches undertaken to address them. These discussions involved 5-10 participants of mixed gender, and the AVSI team obtained consent from those individuals in the VSLA who took

part in the focus groups. To ensure quality, the AVSI team conducted debrief meetings with all team members each day after data collection so that people could share experiences and seek clarity as necessary.

The data gathered from the discussion with VSLA members allowed us to learn more about the challenges and operations of these groups and provide context to the survey data. The discussion and presentation of this qualitative data follow our summary of findings from the quantitative survey. The quantitative data presented in Section 2 helps to illustrate the current structure of these organizations as well as their savings and loan activities before we explore in further depth the perceptions of members regarding the design of these VSLAs in Section 3.

### 3. Scope of Existing VSLAs

#### 3.1 Background

The quantitative survey provided the evaluation team with a descriptive picture of VSLA structure, membership, and financial activities. This section presents the findings to illuminate the VSLAs’ performance in meeting members’ expectations and financial needs. Understanding the relative strengths and weaknesses of existing VSLAs will assist the team in deciding if the Activity’s VSLA component should work with existing VSLAs and strengthen existing linkages or should build these groups from the ground up.

#### 3.2 Description of Current VSLAs

##### 3.2.1 Duration of Operation

The majority of currently operating VSLAs have been created in the past two years. Less than one quarter of VLSAs have been in operation for at least five years. The breakdown of the number of VSLAs founded in each year, going back to 2013, is shown in Exhibit 1. Nearly 67 percent of VSLAs began operations within the past two years, and a disproportionate share of VSLAs opened in 2017. This spike in formations potentially indicates targeted operations in this sphere by other organizations operating in and around the settlement.

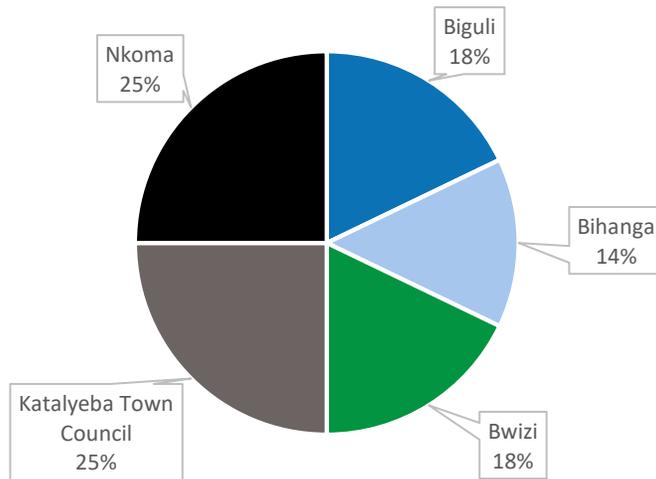
*Exhibit 1. Length of Operation for Existing VSLAs*

<b>Year</b>	<b>Number of VSLAs founded</b>	<b>Percentage in sample</b>
2013	5	10.41
2014	6	12.50
2015	4	8.33
2016	1	2.08
2017	26	54.67
2018	6	12.50

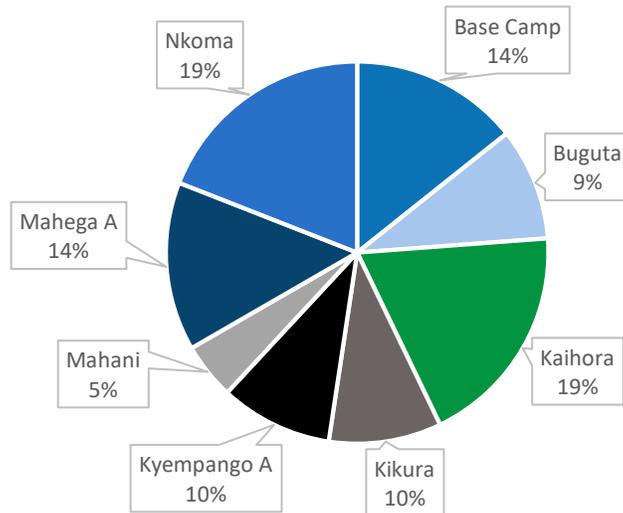
### 3.2.2 Location

Exhibits 2 and 3 show the sub-counties from which the VSLAs identified for this assessment were interviewed among the host and refugee communities.<sup>7</sup> The VSLAs in the host community were almost evenly distributed among the five sub-counties, while the VSLAs in the settlement had an uneven distribution.

*Exhibit 2. Location of VSLA for Host by Sub-County*



*Exhibit 3. Location of VSLA for Refugees by Sub-County*



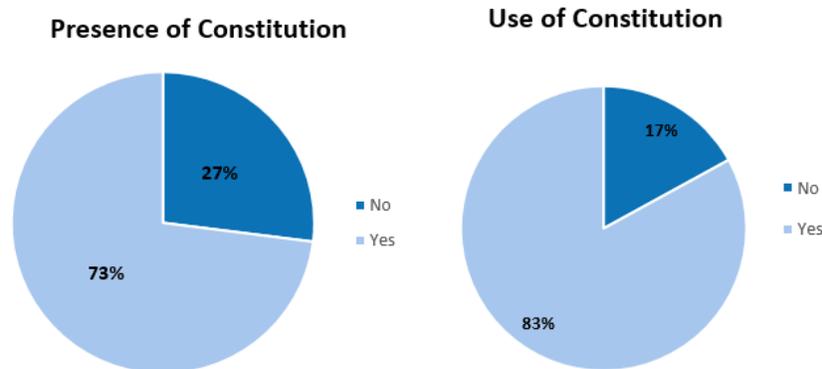
<sup>7</sup> We only have location data for 49 out of the 51 VSLAs identified.

### 3.2.3 Constitutions

The evaluation team examined the distribution of VSLAs that use some form of legal documentation as guidance for group operations and how redress mechanisms should function. Exhibit 4 (left) shows that 73 percent of VSLAs interviewed have a legal constitution in place that outlines the groups' operations. The fact that 27 percent of VSLAs operate without a formal legal structure dictates that the Activity must assist these groups in developing guidelines that codify operational functions and redress mechanisms. Without such guidelines in place, these VSLAs are vulnerable to internal conflict should disputes arise between members, potentially causing these groups to fall apart.

However, the presence of a constitution is itself not indicative that formal guidelines are referenced for operational procedures and dispute resolutions; the group must actively engage with these guidelines for them to be useful. Exhibit 4 (right) shows VSLA responses to inquiries on the use of their constitution, given that they have a constitution in place at the time of the survey. Usage is high across the sample, with 83% of VSLAs stating their constitution plays an active role in VSLA operations.

*Exhibit 4. Presence and Use of Constitution Among VSLAs*

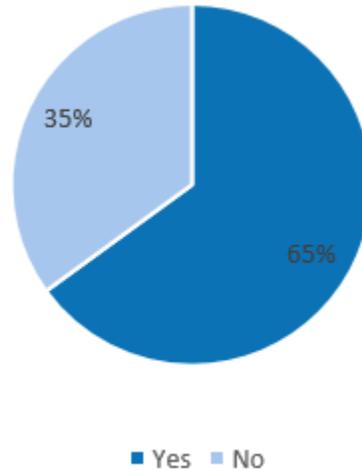


### 3.2.4 Management and Committee Structure

Another common facet of VSLA structure is usage of a management committee to oversee group operations. While management structures can vary across different contexts, the most common practice is to appoint a chairperson to act as the groups' executive authority, a secretary to maintain meeting minutes and other relevant records of group activities, a treasurer to maintain the groups' accounting, and two money counters, who maintain the physical cash and handle collection and disbursement. It is common practice to maintain two counters to serve as oversight in cash management. Exhibit 5 shows that 65 percent of interviewed VSLAs operate under this standard management structure. The remaining VSLAs either operate with no

management structure in place or use a much more complex structure with many more positions compared to a typical group.<sup>8</sup>

*Exhibit 5. VSLAs with Standard Management Committee*



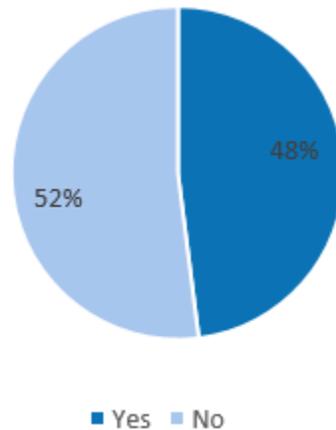
### 3.2.5 Group Record Maintenance

The purpose of the management committee is to record and operationalize group savings to easily identify individual savings contributions, eligibility for withdrawal from the groups' accumulated savings, and borrowing history of its members. To achieve this purpose, these records need to be well maintained by the management committee and must be easily understandable to all members of the savings group. Individual members need to be able to reference their savings history with their VSLA to understand how much they have saved, what their return is on their deposits, and when they are eligible for a loan from the group and for how much. Unfortunately, as Exhibit 6 shows, only 48% of the 51 VSLAs met these criteria. The majority of VSLAs either do not maintain records or, if they do, they are not easily understandable to the groups' members. A lack of understanding of the group's financial history exposes the group to potential fiscal mismanagement, theft of group funds by those with access to the account, or mistrust among group members should a conflict arise.

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<sup>8</sup> One interviewed VSLA had a Chairperson, Vice Chairperson, General Secretary, Vice Secretary, Treasurer, Mobilizer, Security Officer, and Publicity Officer.

Exhibit 6. VSLAs that Maintain Accessible, Understandable Records

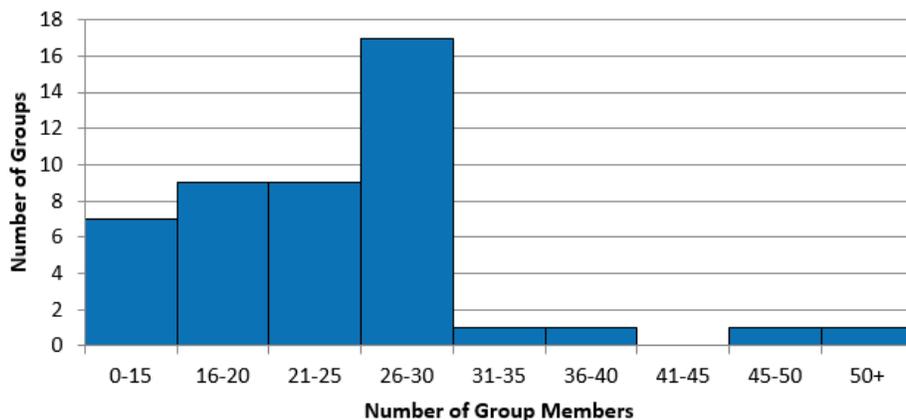


### 3.3 VSLA Membership Information

#### 3.3.1 Total Membership

Exhibit 7 shows the distribution of total membership in each VSLA by membership ranges. The vast majority of VSLAs have 30 or fewer members, and it is most common for VSLAs to comprise between 26 and 30 individuals. This distribution is typical of VSLA sizes for several reasons.<sup>9</sup> First, the more members in a savings group, the longer it takes for each individual member to become eligible for a withdrawal, which can cause individuals to not have access to a loan from the group when they need it. Second, a savings group with too few members cycles extremely quickly, so each member gets access to the pot more frequently, but the amount is much smaller since there are fewer members to contribute. Individuals may be unable to cover specific costs with a smaller distribution amount, such as emergency medical bills or capital and business investments.

Exhibit 7. Distribution of VSLAs by Membership

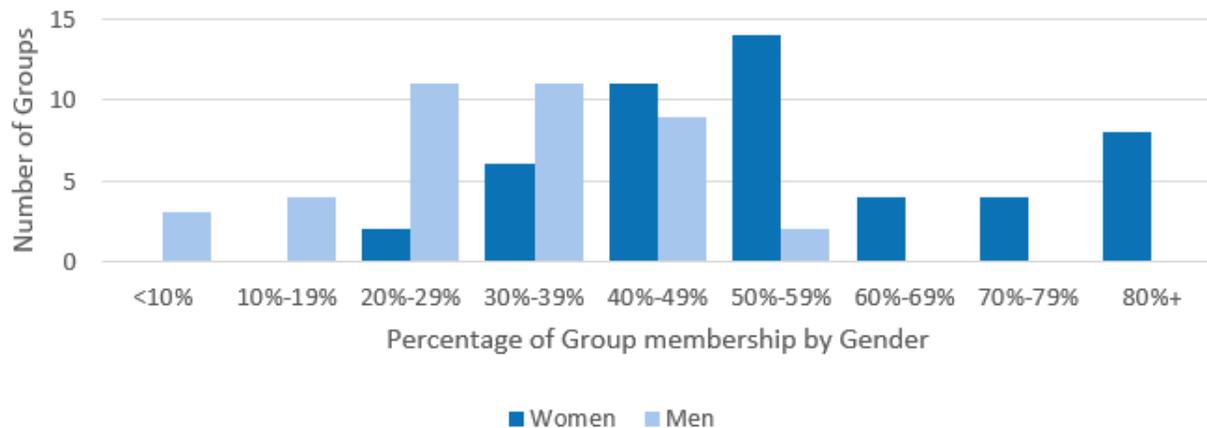


<sup>9</sup> VSL Associates. VSL Model. Retrieved from: <http://www.vsla.net/aboutus/vslmodel.jsessionid=1x4wohvdxyw4uu2s6g002qkw>

### 3.3.2 Gender Distribution

The gender distribution across VSLAs offers insight into equity considerations that may arise when determining whether to support existing VSLAs or create new savings groups for Activity participants. Gender diversity in VSLAs indicates that women can potentially access credit and have some measure of financial independence. Exhibit 8 shows the gender distribution and frequency of that distribution for VSLAs in the sample. This visualization shows that women are much more likely to be members of a VSLA whose membership is majority female, whereas men are more likely to be members of VSLAs with a more even gender split.

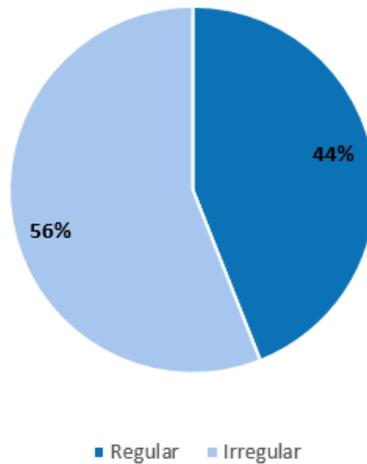
*Exhibit 8. Gender Distribution of VSLA Membership*



### 3.3.3 Member Attendance

A troubling finding of the quantitative data is the low level of attendance at regularly held VSLA meetings. For a VSLA to effectively meet the needs of its members, regular attendance by group members is key. Without regular attendance, the management committee cannot accurately gauge members' expectations, savings goals, or collect regular savings contributions. The high rate of absenteeism, shown in Exhibit 9, is also disconcerting because members are supposed to provide a valid reason, such as being ill or having a scheduling conflict, for not attending meetings. While addressing norms and expectations around meeting attendance will need to be an area of focus for the team in crafting the VSLA component of the Activity, the irregular attendance may also be due to the time burden or work demands of individuals in the group.

Exhibit 9. VSLA Attendance



### 3.4 Savings and Loan Performance

#### 3.4.1 Total Current Cycle Savings

Exhibit 10 shows the wide distribution of savings collected in the current cycle. This distribution could be influenced by the difference in saving cycles, which are determined by each VSLA and typically run from eight months to one year, and difference in group membership. VSLAs that have a longer savings cycle provide more time for their members to contribute. Similarly, the more active members a VSLA has, the more money it can contribute to monthly savings. This distribution reflects the VSLA membership distribution, with the majority of smaller VSLAs concentrated in smaller aggregated cycle savings, ranging from 200,000 to 1,000,000 Ugandan Shillings (UGX). The remainder of the variation will reflect differences in membership size, the relative activity of its members, and the size of individual contributions.

Exhibit 10. Distribution of Savings Collected in the Current Cycle

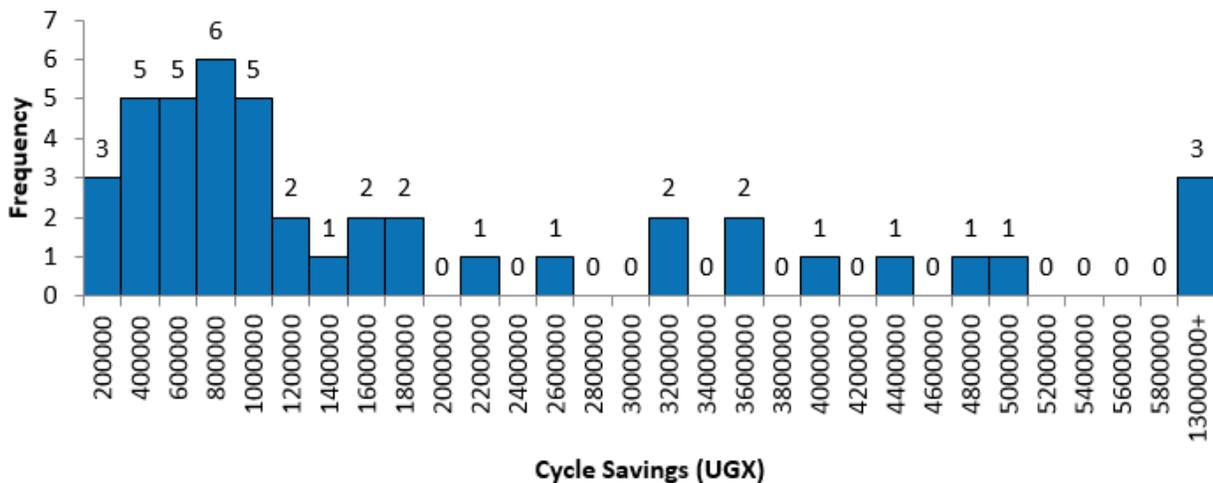
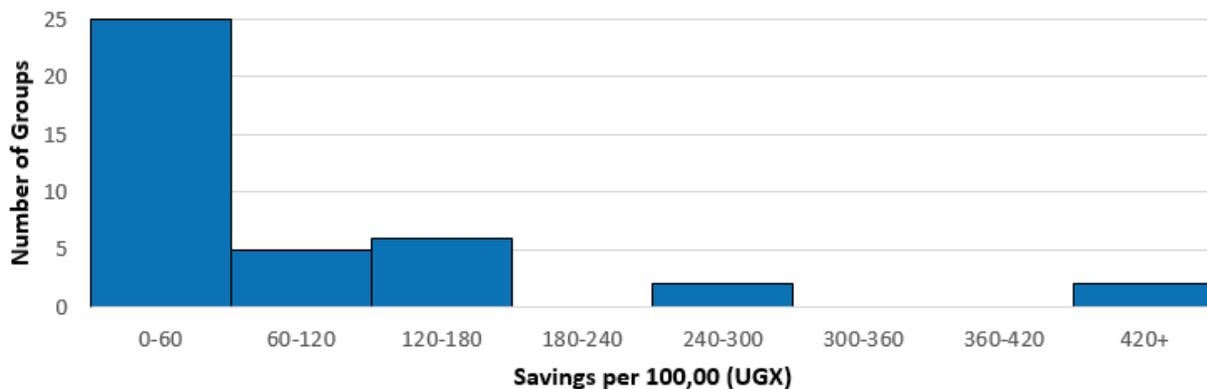


Exhibit 11 shows the distribution of total savings each VSLA has accumulated from its members. This shows that the majority of VSLAs have achieved a cumulative savings balance of about 6

million UGX, with a narrower distribution across the high savings levels. This could be due to the fact that many of the VSLAs are relatively new, as described in Section 2.2.1.

*Exhibit 11. Distribution of Total Accumulated Savings*



### 3.4.2 Interest Rates on Current Cycle Loans

In addition to acting as a savings mechanism, VSLAs provide loans to their active members. The VSLA charges interest on this loan to create returns for the group’s portfolio, which acts as interest earned on members’ deposits, thereby creating an incentive for members to join the group and make savings contributions. The distribution of interest rates charged by VSLAs is shown in Exhibit 12. Nearly all VSLAs lend money to their members either at a monthly interest rate of 5 percent (46 percent of the sample) or at 10 percent (48 percent of the sample), though there are a few outliers that charge as high as 25 percent. VSLAs need to balance competing interests when deciding what interest rate they should charge for loans to their members; rates should be high enough to create a large enough return to the portfolio to entice new members and deposit contributions, but not so high that members are discouraged from borrowing from the VSLA and look to other institutions for financing or cannot get credit at all. The Activity can help VSLAs identify and set an appropriate interest rate to balance these priorities.

*Exhibit 12. Monthly Interest Rates of VSLA Loans*

Interest Rate (%)	Percentage of Sample
5	46
10	48
20	4
25	2

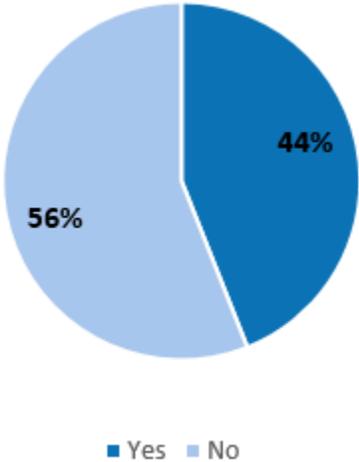
## 3.5 Financial Institution Access

### 3.5.1 Bank Linkages

After a VSLA has been in operation with more than 1-2 cycles, it is critical for the organization to maintain a relationship with a formal financial institution, either a savings cooperative (SACCO) or a bank, to ensure the safety of the group’s cash assets and to open up access to external credit

and financing options for the group’s members. Exhibit 13 shows that only 44 percent of VSLAs have an established relationship with a formal financial institution. The other VSLAs must resort to less sophisticated means of securing assets and accessing credit. A lockbox must be used to store cash, and financing is restricted to the group’s aggregated savings only.

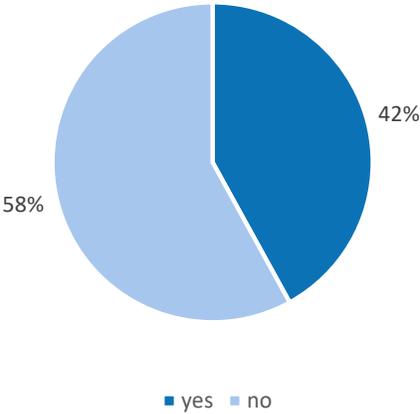
*Exhibit 13. Percent of VSLAs with Formal Financial Institution Relationship*



**3.5.2 Loss of Money**

The need for VSLAs to establish relationships with formal financial institutions would be less important if no problems existed in asset security or opening up further financial opportunities for their members. However, as Exhibit 14 shows, the quantitative survey revealed that 42 percent of VSLAs have experienced a financial loss due to theft of group savings. This illustrates the need for VSLAs to improve the security of their members’ assets, as the incentive to participate in a savings group is reduced if individuals believe that their deposits are not secure. The Activity can work with VSLAs to help establish these relationships to improve potential members’ perceptions of the security of their assets held by a VSLA.

*Exhibit 14. Percent of VSLAs That Have Experienced Financial Loss*



### 3.6 Reasons for Borrowing

The three most commonly cited reasons for taking out loans among the VSLA groups interviewed include (in order of frequency mentioned): 1) paying school fees, 2) investing in business, and 3) farming.<sup>10</sup>

Almost all VSLA groups interviewed mentioned that they use the money borrowed to invest in their businesses, which a few groups specified as farming or petty retail and trade (mostly agricultural products, such as silver fish, vegetables, and maize and cassava flour). No major difference emerged between responses from VSLA groups in refugee or host communities, although the prevalence of using borrowed funds for medical treatment was mentioned a few more times in the refugee community compared to the host.

## 4. Challenges and Mitigation

The VSLA groups interviewed provided a variety of responses regarding challenges they face when attempting to improve their operations. Although some of these limitations reflect the unique circumstances of each VSLA, a few common obstacles emerged, which we detail in the sections below. These groups offered possible potential approaches to addressing the challenges, and this discussion follows the presentation of challenges.

### 4.1 Challenges to VSLA Operation

#### 4.1.1 *Inadequate Training*

Respondents across VSLAs reiterated that their groups suffer from lack of adequate training on how to grow a savings culture, improve recordkeeping, and conduct the necessary administrative tasks to run a business. As such, they have little knowledge regarding how best to organize these VSLAs and keep track of the money lent and repaid. Several VSLAs reported that they do not have money boxes or ledgers to organize their activities, including attendance sheets to mark who has been at meetings. VSLA members in a few groups stated that they could not relay current levels of disbursement because of the absence of a systematic register.

In addition to not understanding the practices needed to efficiently run a VSLA, members explained that they have little to zero knowledge on VSLA concepts and the general methodology that guides VSLA operations. Thus, VSLAs stated that they suffer from not only lack of training on how to better operate and organize their lending practices, but also confusion and misunderstanding of the principles that underpin the formation and purpose of these VSLAs. Although some VSLAs reported having constitutions, several others said they had no written charter. In one refugee VSLA, the interviewer noted that the VSLA constitution for this group was written in English so most members could not read the document.

#### 4.1.2 *Loan Defaults*

VSLA members reported poor repayment rates within the group. A few VSLAs mentioned that members leave or disappear after obtaining the loans or drop out mid-cycle. One VSLA in a

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<sup>10</sup> Paying school fees and investing in business were both mentioned in 38 of 51 VSLA groups.

refugee community said that some of its members return to the Democratic Republic of Congo (DRC) and fail to repay their loans prior to leaving. Although VSLAs seemed to indicate that certain individuals default completely, several VSLAs did report that members eventually pay back their loans, even if with much delay. The hardship of loan repayment primarily arises because of poverty, although one refugee VSLA group explained that illness affects members' ability to repay their loans.

According to a VSLA group interviewed in the host community, quarrels within the organization can erupt because of loan defaulters. No other VSLA explicitly pointed to this consequence, but as explained below, if members cannot repay and continue to save, it has implications for the level of funds generally available for all VSLA members.

#### *4.1.3 Limited Capital*

Low levels of contributions to VSLAs means that these groups often have inadequate funds to lend to their members. The root cause of this inability to save, as explained in a few FGDs with VSLAs, is poverty. Many of the households in these savings groups do not have sufficient income to save large sums of money or to do so consistently. Some of these VSLA groups attempted to explain the cause of poverty that plagues their members, and their responses ranged from low profit margins from the sale of agricultural produce to poor crop productivity due to pests and diseases. One group noted that their members' ability to contribute effectively depends on timing, because they can only actively save during harvest season. Given the scant savings collected at the end of each cycle, members cannot utilize VSLAs for any kind of sizeable loan and must turn instead to traditional financial institutions in those instances.

Similar to the obstacle that sickness can present to repaying loans, illnesses can also affect the level of savings. Specifically, as explained in one VSLA, some members sell their labor to earn sufficient income for pooling into the VSLA, and this practice becomes more difficult when they fall ill and cannot engage in work.

#### **4.2 Recommended Mitigation Strategies**

Although not all VSLAs provided detailed solutions to overcome the challenges discussed above, most of them could put forward some ideas on how to improve their operations. The suggestions given primarily seek to ensure the VSLA accrues enough capital to provide adequate loans to its members. Along these lines, several groups suggested increasing the membership fee, only providing loans for emergencies, and calculating loan amounts to members based on the amount of savings they have contributed.

As for loan defaulters, some VSLA groups stated that they discriminate based on the profile of the lender and only provide loans to those members with low or no debt. The differing treatment of individuals according to their repayment history also extends to the interest rates imposed. Nonmembers who seek assistance from the VSLA group are often charged a higher interest rate, ranging from 7-10 percent. Although a few VSLAs stated that fines should be levied on those people who cannot repay on time regardless of their membership status, overall, the responses that came through these groups indicated a preference for non-punitive measures, such as

requiring loan defaulters to work on other people's farmlands so they can earn a wage and pay the loans.

Lastly, VSLAs called on NGOs for more support, whether it be in the form of trainings or direct financial assistance. The FGDs noted that some of the VSLAs do not have community-based trainers (CBTs) to provide mentorship and/or help set up an effective sharing system as part of their savings mechanism.

## 5. Conclusions and Recommendations

As a component of its overall approach to creating sustainable livelihoods for its beneficiaries, the Graduating to Resilience Activity will provide its participants with access to the financial knowledge, tools, and organizations they can use to build and sustain an economic livelihood and lift themselves out of poverty. An integral component of this approach is supporting community-based financial associations, VSLAs, through which Activity participants can effectively and securely save for long-term financial goals and access credit to finance business and other productive activities. The team conducted this assessment to determine the overall scope and effectiveness of VSLAs operating in and around the Rwamwanja refugee settlement.

Based on the findings of the VSLA assessment, the team found a number of steps that could be taken to improve the performance of existing VSLAs in the region. A total of 51 VSLAs were identified, which were assessed on their organizational and management practices, membership, financial capacities, and member experiences. The assessment identified shortcomings of these VSLAs which, with Activity support, could be potentially addressed and corrected to increase the efficacy of these organizations.

New or existing VSLAs would benefit from training and assistance across a number of organizational and management functions. First, the Activity could help each VSLA **draft and implement** a constitution to provide a legal framework that guides organizational practices and creates mechanisms for dispute resolution. Second, the Activity could train VSLAs in **effective management structures** to reduce the bureaucratic and financial strain on the organization and delineate clear responsibilities. Third, the Activity could provide **financial training** so that all members can review their deposit history and financial standing individually and with the organization, thereby improving members' sense of financial security and willingness to participate in the organization.

In addition to these management practices, the Activity could also **promote linkages between VSLAs and formal financial institutions**. Maintaining an account at a formal financial institution could further secure members' savings (as theft is reportedly common among the VSLAs surveyed), reducing the likelihood that an individual forgoes membership due to security concerns. Such a relationship could also provide VSLA members with another potential avenue to secure credit.

However, as the Activity moves forward with the VSLA component, Activity staff should bear in mind the operational challenges that members identified during the qualitative component of the assessment. Members cited the inability to create a savings culture, high default rates, and low

capital accumulation as obstacles to successful operation to their VSLA. The Activity may find it prudent to establish new VSLAs if it is found that these attitudes and practices are ingrained in the organizational culture and are difficult to overcome through education and training. Although difficult, the Activity could provide financial and management training to beneficiaries at the onset of VSLA formation, which when accompanied with interventions such as consumption smoothing, could help mitigate some of the operational, management, and financial challenges identified in the assessment.

Annex A. VSLA Questionnaire

**SECTION A: VSLA BIO**

Name of VSLA group..... Group No.....Cycle No.....  
 Total Members.....Male.....Female..... Date of start .....

CBT or VA  
 Name.....  
 IP.....District ..... Sub county.....  
 Village .....

**SECTION B: GROUP FUNCTIONALITY AND PERFORMANCE**

Question	Response	Scores
1. Presence of constitution?	Yes [ ] No [ ]	
2. Is the constitution in use? (Hint: Ask some members to list some rules)	Yes [ ] No [ ]	
3. Member attendance of meetings Hint: Choose 3 random attendances register for different group meetings. Add the total number of members for the 3 selected registers to get cumulative attendance number for the 3 meetings (Ignore double counting). Divide the total sum from the 3 selected register by 3 to get the average number of those who attended the 3 meetings. Divide the average number of those who attended the 3 meetings by the total number of the VSLA Members registered in the group and multiplying the results by 100% to get the average attendance rate (in %percentage). <i>Note: if the attendance rate is 85% and above indicate regular.</i> If attendance rate is below 85% indicate irregular and list the main reasons for the irregularity .....	Regular [ ] Irregular [ ]	
4. The group have Management committee (Chair, Treasurer, secretary and 2 money counters)	Yes [ ] No [ ]	
5. Group records are in place and members understands the record well (Hint: check and ensure that the record book contains records on attendance, welfare, savings, and loans	Yes [ ] No [ ]	

ledger) and all those records are regular updated. Ask any 3 random members to explain any of the records).		
6. Safety: The group cash is secure in a cash box and keys are kept separately or if kept in the bank, then bank account have at least more than 1 different signatories.	Yes <input type="checkbox"/> No <input type="checkbox"/>	
7. Total current cycle savings (UGX)..... 8.		
9. Total loans current cycle (UGX) ..... 10. Loan interest rate per month.....	<input type="checkbox"/> <input type="checkbox"/>	
11. If group is in third cycle; is the group linked to the bank/ formal finance for saving and or credit?  If yes, indicate name of bank/institution .....	Yes <input type="checkbox"/> No <input type="checkbox"/>	
12. The group has NEVER experienced any case of money loss.	Yes <input type="checkbox"/> No <input type="checkbox"/>	



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