

## CARE INTERNATIONAL IN UGANDA

# Impact of the Banking on Change Project

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A Village Savings and Loan Intervention that Integrates Bank Linkages, 2009-2012



This synthesis report provides a brief introduction to the project, results; lessons learned as well as recommendations for future VSL based projects.

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## 1. INTRODUCTION

The Baking on Change Project in Uganda had three objectives.

- I. To establish 1,400 VSLA groups predominately in eastern Uganda, which had the effect of aiding 35,000 clients access financial services through the VS&LA methodology.
- II. To assist 10,000 clients in acquiring skills to strengthen their existing businesses or start new ones as a result of coaching through Selection Planning and Management (SPM) training and
- III. To link up 5,000 VS&LA clients to formal financial institutions, of which Barclays is the primary partner

The core strategy was to work in conjunction with Implementing Partner Organisations (IPOs): Iganga District Farmer's Association (IDFA) in Iganga, Southern Easter Private Sector Limited (SEPSPEL) in Bugiri and Busia, Uganda Women's Efforts to Save Orphans (UWESO) in - Katine Sub county, Soroti district, and West Nile Private Sector Foundation (WENIPS), to mobilise groups to form Village Loans and Savings Associations (VSLAs) and to work with mature VSLAs that have existed for a minimum of two years and link them to formal financial institutions as well as provide these mature groups with skills in Selection, Planning and Management of Income Generating Activities. The IPOs receive funding from CARE; the latter also provides overall management and technical guidance to IPO's throughout the implementation period. Baseline studies were conducted in two cohorts comprised of newly formed VSLAs, comprising a total of 57 groups with 1227 members. The aforementioned information highlights the results and presents lessons learned, along with key aspects of the project.

## 2. PROJECT RESULTS

By end of May 2012, the project had formed 1503 groups with 43884 members, of whom 31063 were female and 12931 males, surpassing the group target by 7% and membership target by 26%. It had also linked 214 VSLAs, comprising 4293 females and 1994 males, to formal banking institutions, which also exceeded the project target of 5000 members. Business skills & financial literacy were provided to 6,350 members, despite the target being 10,000 people. Access to financial services improved considerably. The savings and loans performance (Table 1) is consistent with the findings related to financial access as found by end line study.

**Table 1: BoC Savings and Loans performance as at 30/09/2012**

Category	Performance
Cumulative savings	5,129,775,650
Average Savings per member	89,649
Average loan size	117,106
Returns on savings	37%
Portfolio at risk	0.5%
Loan utilization	84%

**Savings and loans access among BoC VSLA members:** VSLA members is the study use multiple savings mechanisms but the primary method is through VSLAs (98.7%), in their houses (29.6%), at banks (9.9%) and others save in form of accumulating property (8.4%). The number of VSLA members who got loans increased from 87% at baseline, to 98% (14% increase). The average number loans secured/got increased by 77% while the average

amount of money taken in loans increased by 39%. At the same time, there was a decrease, ranging from 70% to 100%, in the number VSLA members who got loans from all other sources (Bank, MFI, ROSCAs, relatives, and burial farmers associations).

### 3. LESSONS

#### 3.1 VSLA impact on livelihood conditions of the members

The BOC project has had a positive impact on the beneficiaries in that loans are more easily accessed (from within their group), the loans were in turn utilized for spending on the household's basic needs, income generating activities, and for investment in children's education. As a result, livelihood indicators improved at time of evaluation in comparison to the baseline data.

Household monthly incomes appreciated from UGX149, 537.6 (US\$ 59.8) = at baseline to UGX236, 631 (US\$94.6) at the final evaluation phase. Farming (crop and animal) remained the most worthwhile investments. The increase in income contributed to improvements in all other indicators measured at baseline, namely IGAs, assets owned, quality of meals, access to health care, access to education and the quality of housing.

##### **Income Generating**

**Activities/Businesses:** VSLA members had different types of IGAs, eg selling cooked food, fresh food, buying produce among others. Households that had increased their business funding over the last one year rose from an initial 52.7% to 67.5% at end line. VSLA members who invested in productive assets throughout the project implementation period increased. By the end of the project, the number of households able to own what is locally defined as basic necessities increased (12.3% at baseline to 23.3% at end line). The percent of households owning the aforementioned items increased for 18 specific items, but reduced for 5 items.

**Meals:** On average, households consumed two meals per day both at baseline and end line.

##### **Box 1: One year experience of a married woman**

I am married to a husband who likes drinking alcohol and playing cards and we have 4 children. In 2009, I was advised by IDFA to join a VSLA but I turned it down because I had no way of finding the money to save. I thought about it later and decided to join. I sold G.nuts and then a hen to save in the VSLA. Then I underwent SPM training, kept wondering what business would do even if i had savings in the VSLA. The trainer took us through the processes of identifying a trade. I continued to save for some time and later borrowed 50,000/=, i bought piglet, the balance I bought sukumawiki (spinach), seeds for greens then maize brands to feed the birds. I grow the vegetables for 3 weeks, after some months i sold the piglets. I paid back the loans and borrowed 100,000/=, and then reinvested in cassava with which I made 42,000/= weekly. I paid back the loan and remained with interest of 200,000/=. With this, started making bricks and left a percentage to pay the monthly interests. I sold the bricks and made 900,000/=. I repaid all the loans, kept utilising the money and later I bought iron sheets. We are soon sharing the money and i plan to buy more piglets and a cow. I'm very grateful to IDFA who brought me light. I used not to eat meat, but now I can when I want. I am very grateful to IDFA, CARE and all those behind VSLA, my household has changed a lot and you can even see it from the way I look. My life would not be the same. Female, Eastern Uganda

**Household access to health care:** There were significant changes in VSLA members' (and their household's access to health care) ability to access health care services; VSLA members who had the ability to meet medical expenses for their household increased from 80.1% at baseline to 89.1% at end line. Also, there was a slight increase in the average

amount of money spent on medical expenses by VSLA members at baseline (UGX 86941.66 (US\$ 34.7) and end line [UGX87881.09: US\$35.2], thus there is an overall improvement in access to health care.

**Household assets: Asset ownership increased for both cohorts.** There was a significant percentage increase (33%) in the number of VSLA members who bought at least one asset at the time of the baseline and end line. At the end of the project, it was found that beneficiaries spent on average 42% more to buy assets. The average number of assets owned increased during the project life. Overall, the average number of assets owned by households increased.

**Change in Quality of housing:** Improvements to walls of households were recorded as the beneficiaries were starting to utilize modern burnt bricks (4.1% at baseline to 7.7%), cement blocks (2.4% to 7.7%), traditional burnt bricks (42.2% to 70.6%) and fewer households using wooden walls (42.9% to 5.9%). Households with iron sheets increased from 40.2% at baseline to 44.2% at the final. Grass thatched houses reduced from 57.9% at baseline to 55.3%. Energy sources for households improved, with less households reporting a use of wood, paraffin, and candle, while more reported use of battery/generator and others (solar, gas and torches). Households using covered pit latrines rose from 56.4% to 57.4% and those using uncovered pit latrines reduced from 35.3% at baseline to 32.8%. Clearly there is an improvement in most indicators of quality of housing for VSLA members.

**VSL Women members' Empowerment:** There were improvements in indicators of women empowerment: ability to solve problems, women influencing their spouse's decisions and influencing important decisions in the community. There was a positive change in women and the perception of their social positions, which is exemplified by the following: "my spouse values my role in the household" and "other members of the extended family show me respect. Women's ratings on their contribution to all household's financial expenses increased for health, household equipment and food expenses.

Additionally, women's control of financial resources increased as did their ability to sell freely the production from their fields. It was discovered at the baseline that women experiencing gender based violence believed they were more likely to inherit their husband's poverty. While the changes were not statistically significant, they signal potential of VSLAs to have profound positive changes in women's empowerment. Women participation in VSLAs has created harmony in homes since they are now able to provide for the family and their husbands have noticed the advantages of saving and now support them in the saving. In engaging in BOC activities more women are able to include:

- independent decision making in regards to life choices and issues like children' education, their health, their own savings, and property ownership
- Freely participating in community functions and are listened to as they now own property
- Ability to provide leadership within their groups
- Improve their personal health. One woman's experience sums it up (Box 2):



Challenges experienced in IGAs by women were less cultural but economic; women’s social position and self esteem can greatly be improved through VSLAs, but significant improvements can only be realized after considerable time, and the three years of BOC is not sufficient. These improvements accrue from several attributes that women associate with VSLAs: practical business skills, life skill building (self reliance, confident, social skills) discipline and good behaviour in the community.

Livelihood conditions did not just improve only for VSLA members but also for the wider community. The impacts identified by VSLA members include: improvement in hygiene and sanitation; social cohesion and empathy towards people in vulnerable situations, positive business competition in the community leading to creation of semi urban vibrant local communities, social security measures in the community and development of a culture of savings. Overall, wider community impacts include:

- An increased number of people contributing to community functions and projects
- An increased variety of services provided
- Community receives attention from government and other partners
- Increased employment options through IGAs in community
- Visibility of communities enhanced through VSLAs- ‘models’

**Box 2: A VSLA member on the Wonders of VSL in her life**

I am from Katine Sub-country; Ochuloi Village, I would like to tell you the wonders of VSLA in my life. I got married but I lost my husband in 2008. CARE with UWESO came and mobilized people in my village. Those women who were there decided to form a group and members gave me the honour to be the chairperson. Up to the second cycle I was still the leader of that group. They chose me because of the training and saw me a better person. Through this experience, I was empowered and got another opportunity to be a leader in another group. I became a treasurer in another community group...From this VSLA I borrowed 400,000/= and my children go to boarding schools and they are doing well at school. Through VSLA I bought an ox plough and one bull. Above all I have gained ability to stand for public offices, I can speak and people listen. Before I joined VSLAs my home used not to have visitors but now I receive various visitors, including donors, NGOs even the members in my VSLA. I have a shelter, toilet and household items...I do not have any problem anymore. Time management was my problem before VSLA, but to set an example, I was the first person to be here this morning for this meeting. I have my future plan, through VSLA; my children will go to higher institutions of learning. Thank you, unless I die that is when I will sign off with VSLA, Female VSLA member’s testimony during stakeholders engagement event in , Eastern Uganda .

**Business skills:** There was a significant change in the % age of VSLA members with at least one skill strengthened (68.3% to 76.3%). VSLA members expressed significant improvements in thirteen skills related to managing income generating activities (IGAs).

VSLA members’ gained new knowledge in the areas of: calculating their profits, keeping accurate records, and learning the importance of financial discipline i.e context for loan application & loan utilization. While some members mentioned they had these skills at baseline, they appreciated the importance of BOC in ensuring these skills were put to use.

Agriculture, particularly crop production, remains the mainstay of the economy and so IGAs are of particular importance to VSLA members. Yet, given the fragility of Uganda's rain fed agricultural system, economic benefits from such interventions will fluctuate from one season another. Therefore, emphasis needs to be placed on agricultural based IGAs being value-adding activities that help to, improve storage facilities, and other agricultural technologies, including crop varieties.

BOC has provided a platform to interact with different partners more closely, these partners include: financial institutions, government leaders especially at the sub-counties level (who has drawn more cooperation from public officers). Through this, Government leaders have learnt more about BOC and promoted it, to begin with, in their households and then externally:

*Everywhere I go in this district, I meet organised women groups in the villages. The impact of the National Agricultural Advisory Services, is almost not there? The same with Universal Primary Education; people don't own these programs. What could be the problem? We need to reflect on this. It is different with Banking on Change. CARE has excelled in participatory management, within Banking on Change, you organized women, and youth to save their own money that is why they move so fast! The linkage to banks is critical. How do you keep 30million shillings in a box? It becomes essential and gives an advantage to have bank linkage. Iganga, District Leader.*

**Challenges:** Despite the successes and benefits associated with BOC, there are a number of challenges experienced in the process. They include the following:

- Seasonal & climatic changes which negatives affect income generating activities and capacity to save
- Limited Bank outreaches, making access difficult
- Bank staff limited knowledge about VSLA
- System changes, in banking, leading to confusion among VSLA members
- Inadequate communication, leading to confusion among VSLA members
- Delays in opening bank accounts due to lengthy processes and mistakes such as change in signatories by group leaders,
- Loan defaulting within VSLAs, reducing group cohesion

### **3.2 VSLA Linkage with formal financial institutions (Barclays)**

The strategy was to work with mature VSLAs that had existed for a minimum of two years, because these VSLAs had more potential to succeed with linkages for a number of reasons. Firstly, as a result of participating in VSLA, the members already have the culture of savings, . Secondly, they would have some level of financial literacy. Thirdly they would have saved reasonable funds to benefit from a partnership with a formal banking institution. As mentioned above, the linkage was a big success. However, successful linkage banking with VSLAs requires well thought out awareness strategies that dispel community fears of banks. These fears include high interest rates and the lengthy processes of opening an account, among others. The use of success stories helped IPOs to address these challenges.

The benefits of bank linkages are numerous and include: a secure location for savings is provided, easy financial accessibility /tailor made products, and the customer gains a greater knowledge base on banks and their services. However, the long distances to banks impose a risk, as carrying money long distances poses risks.

While members expected loans from banks, this was not necessarily the case once a group has been linked. Thus the immediate benefit has been security more than loan access, further suggesting that programming needs to consider the best time possible for this to happen. Members take their savings to banks towards the end of the cycle, when they are about to share for security reasons. According to IPOs, there is a need to actualize loans provision by the banking institution. Banks benefit from VSLAs member's deposits because they are able to loan it out and generate profit. VSLAs with more savings but less than two years requested to be linked to banks.

Linkage Banking Challenges:

### **3.3 CO overall efficiency regarding cost per client as compared with other countries**

The average cost per client is 18216.3 UGX, (\$7.4). CARE Uganda implements using locally based partners, who recruit and train Community Based Trainers (CBTs), usually not highly qualified but cost effective. Qualitative interviews with VSLA members revealed that IPOs trained field officers who provide effective training in financial literacy and SPM which the VSLAs attribute to the success of their profitable businesses. The training empowered VSLAs members to identify profitable enterprises to enable them generate daily incomes and to manage records as individuals and groups. The knowledge levels about savings of VSLAs who received training have increased and there is a variance in the enterprises they are managing because they plan well.

### **3.4 In country partnerships between CARE and Barclays, and between the 3 partners in alliance countries**

**Partnership with Barclay Bank:** The partnership with Barclays Bank was excellent, largely owing to a clear understanding of roles and professionalism exhibited by the staff members on the project. Customer care was also appreciated at Barclays bank, the staff were always available, and were even on call to help clients. Add something on monthly meetings between CARE and Barclays Kampala to iron out any pending issues. Also Barclays bank acting as an equal partner rather than donor

**CARE worked in partnership with four IPOs.** These partners had their capacities assessed and their weaknesses were addressed during the implementation period. These are well-established organizations. The support from CARE international ensured that these IPOs had annual work plans and were followed throughout activity implemented. Monitoring and evaluation tools were developed based on targets in the work plans.

Regular feedback is essential for successful coordination with IPOs. This includes not only feedback on formal outputs but also field visits. These steps help to maintain a healthy relationship between CARE and the IPOs.

BOC has enabled the communities to trust the IPO & CARE interventions, as it exposes them to new possibilities.



### **3.5 Add-ons: the design, the delivery.**

The add-ons in the VSL methodology in BOC include: bank linkages, financial literacy (savings, credit & debt management, investment, service options) and selection, and planning and management (SPM) of income generating activities.

Introduction of BOC to communities has raised awareness and the desire of the groups to keep their money in a secure and safer place.

Banks can be accessible by the rural, poor and illiterates provided that banks understand the potential in doing businesses with the poor.

Adherence to the VSLA methodological principles especially internal rules and regulations is critical in the bank linkage.

It is important to train and create awareness as well as appreciation of bank linkages at all levels including with the bank staff

It is very critical to create process ownership amongst different stakeholders because it eases roles distribution and fulfillment at different levels of implementation, e.g. group members are involved in opening their own bank accounts, choose their signatories, monitor deposits and withdrawals, without interference from the LBOs and CBTs, having the effect of giving the members more confidence to appreciate that their money is secure.

Financial literacy & SPM are very empowering tools in linkage banking and they need to be integrated measures as loan de-faulting is a problem that affects group harmony and success.

Linkage banking directly responds to the negative image of banking services as viewed by some VSLA members. This negative image includes the following: Poor deliverable channels – beneficiaries are located far from banks and put their money at risk during the journey to the bank, there are lengthy procedures to withdraw, costly procedures during group registration, delay in loans released by banks, inconsistencies of signatures by Signatories, high ceilings set on loans by the bank which limited group members with big businesses, and communication gaps between groups and bank, especially on new procedures.

### **3.6 Implementation model – Village Agent Model**

Besides partnering with locally based organizations, CARE Uganda used the village agent model to form and train new VSLAs. All IPOs were engaged in the development of a VA model tailored to their geographical locations and in consideration to their respective cultures. This followed the continuous reports on high demand as a challenge and externally short project spans that left communities yearning for more technical guidance on how to benefit from VSLAs

Therefore, 128 VAs were identified and trained to participate in BOC project activities and were able to form 617 VSLAs as contribution to the project target.

Numerous lessons have been learnt from using Village Agents as a methodological and VSLA sustainability model. These include among others:

- i. Involvement of existing VSLA members and local leaders in the selection of VAs
- ii. VAs performs better if they selected from mature existing VSLAs.

- iii. Training of VAs on how to promote VSLA and mentor groups before commencement of their duties
- iv. Formalization of the VA/VSLA relationship witnessed by local leaders and well documented
- v. Close mentoring and follow-up by IPO staff during the first year of VA's work to ensure quality
- vi. A clear linkage and relationship between a VA and IPO to ensure sustainability of toolkit supply and benefit from other VSLA add-ons like micro insurance as well as reporting
- vii. Formal facilitation need to be provided to VAs if they are to be deployed to raise project target such as training materials, transportation etc.

## 4. RECOMMENDATIONS

There are numerous benefits from participating in a VSLA, and it is now seen as plausible to integrate other initiatives within VSLAs over and above activities with an economic focus. Qualitative findings suggest that VSLAs are platforms for change. The self-development that takes place as a result of membership to a VSLA is amplified through social networks, i.e. the ties that people have beyond their immediate environment. For instance, friendship and business relationships made in the VSLA community are strong ones. VSLAs were also deliberately being used as platforms for awareness education on health, information channels, and exposure to new ideas, which had the effect of creating a new sense of purpose among members. CARE and partners might benefit from an integrated approach as they seek to improve the quality of life of the poor. After all, the first years of being a VSLA member mainly focus on improving basic needs and its only when these needs are fulfilled that other economic investments takeoff.

As women's social economic status improves through VSLAs, so do their responsibilities in the household, especially in terms of children's education. In future, there is need to design strategic interventions that will reduce the likely strain on women.

The versatile nature of IGAs among the BoC VSLA members (cross border trade, general merchandise, charcoal burning, fresh foods, brewing, tomato selling, fish, cooked food business etc) means that market linkages and other skills enhancement in the given business fields are essential. Linkages with other development partners might help the SPM component of VSL yield more sustainable results.

**Linkage banking:** Linkage banking products increased savings among VSLA groups. As VSL member's savings capacity increases, so does desire for bigger loans. Therefore, there is need to develop loan products that recognize the logic of sharing, end of cycle of VSLAs and implications for group lending. Given the risks associated with transporting large sums of money to the bank; it may be necessary explore other forms of service delivery e.g. mobile banking and community outreaches. Mobile banking can help reduced risks associated with carrying large sums of money to banks.

**Financial literacy:** Implementing this component requires patience due to the technical challenges faced by the clients-illiteracy, limited appreciation of processes for opening bank accounts, securing loans and formalities for signing agreements. However, it is a must do for effective and successful linkage banking since it enables VSLA members make informed decision of whether they should participate in linkage banking or not and what they should expect.

**SPM:** This should be given to almost all groups especially those aspiring to be linked as is seen as the necessary variable for success.

**Design:** The project impact is a function of many factors. Articulating these factors at the beginning of an intervention can help explore causal factors for impacts associated with the project and provide stronger evidence base. These would then be monitored along the implementation period.

**Urban Vs rural targeting:** Urban areas where people are very mobile may not necessarily follow the VSLA methodology practice of a meeting weekly. However, once trust is established among group members, urban groups tend to succeed just as much as rural ones. Mobility of urban dwellers needs to be considered as an important factor when working with urban VSLA groups.

**Other add ons:** Uganda's population is largely youth, aged below thirty years, many of whom have little education and, hence, have few opportunities for formal employment. While emphasis has been placed on women, targeting the unemployed youth can also have positive impact on the wider community. In BOC phase II, CARE will explore strategies for targeting this group, with a tailor-made trade specific SPM to enable them chose viable enterprises.

## **5. CONCLUSION**

BOC has had positive changes both quantitatively and qualitatively in all key indicator areas as a result of the project. Such benefits include: increased access to financial services (savings and loans), increased level of engagement in IGAs, increased investments in productive assets, higher quality of housing, greater investment in education, greater access to health care and women's self-esteem and social perception has gone up. VSLAs created under BOC will live beyond the project. However, women's economic empowerment should be treated with caution as it might have the adverse effect of increasing their responsibilities within the homes.