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Analysing the significance of village savings and loan association (VSLA) to community development in Uganda

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Abstract

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. 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. Five research questions were answered, viz. What is the role of VSLA towards poverty reduction and transforming the livelihoods of community members? What is the Contribution of VSLA on women empowerment? What is the level of participation of community members in VSLA programmes? What are the challenges encountered by VSLA members in their day to day activities? And, what is the income level of VSLA members before and after joining VSLA? The outcomes suggest that 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 analyse their issues and problems themselves, to fulfil their needs was strongly advocated. This indicates that 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. It is encouraged that there is an urgent need on the part of male spouses to actively get involved in these activities; also, management of village savings and loan associations should encourage their members to undertake short and medium term projects such as poultry farming, bee keeping, cattle keeping, and bricklaying.

Keywords: *Village savings and loan association, Community, development, poverty reduction, participation*

1. Introduction

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 Micro finance institutions and banks), faced with the challenge of poor 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 demands by formal financial institution for security to access loan has made it very complicated for the average rural farmer to access loans hence limiting access to affordable financial services. VSLA is a low cost financial service founded on the principle of fund pooling, designed to serve the very poor whose income is irregular and high risk to Micro Finance Institutions. As such, VSLAs play an important role in meeting the needs of women and men whose principal purpose for accessing finance is to help them manage household cash flow, respond to life-cycle events or invest in small income generating activities. Moreover, VSLAs provide people, no matter how remote or poor, with access to small amounts of local capital on flexible terms and to transact such loans frequently at very low risk and negligible cost.

1.1 Theoretical background

The continued failure of microfinance institutions (MFls) to reach remote and rural areas in some parts of Europe and especially 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 & 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 (MFTs) to reach remote and rural areas. These organizations (mainstream MFls 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) modelled 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, and Cote D'lvoire, 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).

Today CARE-founded VSLAs serve more than 22.8 million people, (of which 75% of are women), in 26 African countries. The remarkable results of the VSLAs have inspired many other organisations to adopt the approach; it is estimated that in Africa alone more than fourteen million people are currently benefitting from the VSLA methodology. Using the VSLA approach, CARE has managed to reach all layers of rural societies including the very poor and the extremely vulnerable by giving people the power to break the vicious circle of poverty themselves. The strength behind the VSLA methodology is that members are enabled to lift themselves out of poverty with nothing but their own funds. In contrast with many other aid initiatives, the VSLA approach is well understood by communities and the VSLAs themselves are 100% member owned, and results show that members avoid becoming dependent on aid. Furthermore, the VSLAs replicate themselves, involving growing numbers of people and surpassing the scope of the initial programme. Over the years, CARE has continued to innovate and adapt the methodology to accommodate flexible savings amounts and loans of variable lengths and sizes. In 2008, CARE launched Access Africa, a 10-year programme designed to scale up the VSLA methodology to reach 30 million people in 39 African countries, including Uganda. With the entire household benefitting from these services, that makes a total of 150 million people moving out of poverty. The programme offers a range of basic financial services created in order to bring about a virtuous cycle of rising household incomes, improved health, better education and greater participation in their communities and nations. After the 1994 Genocide against the Tutsis, Rwandan government kept 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 macroeconomic policies, encouragement of the entrepreneurship; the promotion of cooperatives, 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).

Nowadays, it's a better approach for the population of an area to go beyond the traditional structures 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. This community empowerment approach 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 Uganda government aims at solving the poverty problems involved in families while making use of the socio economic activities as the mutual aid, the saving and the small loans and other income generating activities.
Although during the last decades microfinance institutions have provided millions of people access to financial services, provision of access in rural areas remains a major challenge. It is costly for microfinance organizations to reach rural low income households, and as a consequence the great majority of them lack access to formal financial services. Traditional community methods of saving, such as the rotating savings and credit associations called ROSCAs, can provide an opportunity to save, but they do not allow savers to earn interest on their deposits as a formal account would. In addition, ROSCAs do not provide a means for borrowing at will because though each member makes a regular deposit to the common fund, only one lottery selected member is able to keep the proceeds from each meeting. Village Savings and Loan

Associations (VSLAs) is an attempt to overcome the difficulties of offering credit to the rural low income households by building on a ROSCA model to create groups of people who can pool their savings in order to have a source of lending funds. Members make savings contributions to the pool, and can also borrow from it. As a self-sustainable and self-replicating mechanism, VSLAs have the potential to bring access to more remote areas, but the impact of these groups on access to credit, savings and assets, income, food security, consumption education, and empowerment can be felt among the various communities in Uganda. Moreover, it is not known whether VSLAs will be dominated by wealthier community members, simply shifting the ways in which people borrow rather than providing financial access to new populations.

The concept of Village Saving and Loans Associations (VSLAs) is not new. It was initiated by CARE International in Niger in 1991 and in Uganda in 1998 (Allen & Staehle, 2007, p. 9). Over the years, use of VSLAs has been adopted by more Non-Government Organizations (NGOs) and the Government of Uganda to address the financial service gap from formal financial institutions and offering access to finance which are customized in order to meet the requirements of the poor, inclusive of the rural women. VSLAs have been credited for rising household incomes, improving health, education and participation of members in their communities (CARE 2014).

Access to financial services is a decisive factor in eliminating poverty and generating local development. The Village Savings and Loan Association (VSLA) is CARE’s successful micro finance model under which savings groups are formed at community level to reduce poverty by financially and socially empowering poor and vulnerable people. A VSLA is a self-managed group that does not receive any external funding; it provides its members a safe place to save their money, to access loans and to obtain emergency insurance. Members can take out loans to cover expenses such as school fees and medical bills without selling productive assets, or they can use the loans to invest in income generating activities to raise household income. As a result, VSLA members experience significant improvements in household health and wellbeing, and an overall improved quality of life. And economic standard of living

In Uganda, Agriculture is the largest provider of employment to the Ugandan workforce. It accounts for over 70% of the total labour force in Uganda, employing predominantly women (76%) and youth (63%) living in the rural areas (FAO, 2018). Farming however is largely subsistence and the majority of farmers face a variety of challenges ranging from inadequate knowledge and skills, access to credit, information about what to produce and how to produce to earn more money and unpredictable prices, which are often low. Lending by financial institutions to the farmers is very minimal due to the high risks associated with farming and lack of collateral. This has forced many farmers to borrow from unscrupulous money lenders who lend at exorbitantly high interest rates crippling the farmers more Village Savings and Loans Associations (VSLAs) are thought to play a critical role in bringing financial services to rural areas of Uganda, where access to formal financial services is typically very limited. However, evidence on the impact of these groups has been sparse. In Uganda, Innovations for Poverty Action worked with researchers and CARE to rigorously evaluate the impact of VSLAs on rural households. Overall, the promotion of the groups led to an improvement in financial inclusion, household business outcomes, and women’s empowerment. There was also evidence of improved resilience in villages affected by drought; households experienced improved food security and income.

1.2 Problem statement

Developing countries have achieved remarkable, although uneven, improvements in living standards over the past 30 years, and development cooperation 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 (20 I I) African countries Like Malawi, Tanzania, Rwanda and Uganda have adopted VSLA as a means of helping people to access full financial inclusion. Village savings and loan association (VSLA) scheme is a micro finance model that was started by CARE international in 1991 in Maradi, Niger to provide access to financial services by financially and socially empowering the poor and vulnerable people in rural communities. The VSLA provides its members with a safe place to save their money, to access loans and to obtain emergency insurance. Governance and management is entirely by members. The strength behind the VSLA methodology is that it encourages a culture of saving among members who are required to save weekly by buying shares ranging from one to five. The share price is determined by the members of the association at the beginning of the cycle. Members can then borrow from the VSLA using their savings as collateral without necessarily having to mortgage, sell their property or crop at a cheap price in times of need or emergencies.

1.3 Purpose of the Study

The study seeks to answer the following research questions

a) What is the role of VSLA towards poverty reduction and transforming the livelihoods of community members?
b) What is the Contribution of VSLA on women empowerment?
c) What is the level of participation of community members in VSLA programmes?
d) What are the challenges encountered by VSLA members in their day to day activities?
e) What is the income level of VSLA members before and after joining VSLA?

2.0 OUTCOMES OF THE STUDY

2.1 The role of VSLA towards poverty reduction and transforming the livelihoods of community members

Savings **-** 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 overtime, 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 (Deli'Amore, 1980).

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 instalment 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 instalments, or partial repayments; in an annuity, each instalment 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).

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, 1992).

Saving and loan association **-** This 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 outset, 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 pay-outs for members. The groups normally reform (regroup) 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. According to Rhyne, (2006), the VSL method is currently comprised of 5 steps:

a) Identification and selection of group participants: A sensitization meeting is held to inform the community about the VSL methodology. Each VSLA is comprised of 15 - 30 self-selected members.
b) Supporting newly established groups and training two representatives on the VSLA 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 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 based on individual member savings.
c) Learning about savings and loans methodology: trainers facilitate learning and groups are encouraged to form networks or inter group with other groups.
d) Training on savings use: Three day training on selection, planning and management of income generating activities is provided.
e) 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.

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. 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 manual 2016).

Poverty reduction - 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 that you can afford 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, 20 11). Poverty is pronounced deprivation in wellbeing, and encompasses 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, 20 12). Poverty reduction (or poverty alleviation) may be referred to 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.

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 Blast land, 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 VSLA 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 30 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 to 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 but depending on individual financial capacity. 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 instalments 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 differently 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. 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 as membership contribution/registration 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; the share price may only be changed at the end of the savings cycle but not in the middle of the savings 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).

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). Village Savings and Loan Associations (VSLAs) help alleviate poverty in three ways:

a) Assisting members to save so that they are able to accumulate a significant amount of money at the end of the cycle;
b) Providing members with an opportunity to request loans of small amounts that facilitates business ideas hence increasing on household income;
c) Members earning income from interest paid by members who borrowed. Lauren (20II) added that in 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 23 kilometres in Uganda from the nearest tarmac road

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.

VSLA build assets and skills so that the poorest can move into the formal sector. It provides a solution to this challenge financial inclusion, 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.

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 insinuations' 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. 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.

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.

2.4 Contribution of VSLA on Women & community empowerment

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. 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. A study by Zaman (2000) focusing on the 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. 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 analyse their issues and problems themselves, to fulfil their needs was strongly advocated (Mayrada, 2004).

Throughout the world, women are responsible for the wellbeing 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.
VSLA enables married women to gain greater control over household assets and 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 VSLAs to avert the effect of these challenges. Numerous studies have found that targeting women as VSLA clients is an effective method of ensuring that benefits of increased income accrue to the general welfare of the family (Pitt & Khandker 1998, 2003; Khandker 2005; Strauss and Beegle 1996; Hoddinott & Haddad 1994). Such gender-targeted microfinance has also been shown to have a positive effect on the empowerment and equality of women (Mwenda & Muuka 2004). 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, 20I0).

2.5 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. For a variety of reasons, public sector donors, policymakers, as well as NGOs, emphasize the value and potential benefits of participatory approaches. Their interest in participation emerged from a range of concerns like failures in state led development. 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 & Pratt, 2003). The VSLA approach is an appropriate tool for encouraging community participation and promoting community development the model act as a vehicle for promoting a positive change in the community since after the formal savings processes other crosscutting issues like gender, education, politics, HIV aids , infrastructure development planning and implementation and eventual success of both government and nongovernmental projects are discussed and under taken in this organised community forum (Clayton, Oakley & Taylor, 2000).

2.6 Challenges Encountered by VSLA Members in their Day to Day Activities

Allen, H. (2006) 'Village Savings and Loan Associations: Sustainable and cost-effective rural finance', states a number of challenges ranging from, low/poor saving culture among community members, inadequate loan funds, the failure of members to pay back loans acquired from the association in time, lack of support from financial institutions, lack of funders to uplift VSLA associations and suggest that there in need for serious and robust 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

2.7 The Income Levels of members before and after joining VSLA Programmes

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. This can greatly be attributed to affordable loan terms and conditions that promotes business development and improved household income (Dunn & Arbunkle, 200I).

3.0. Conclusion

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. It can rightly be asserted that village savings and loan associations has 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. Women have greatly been empowered as a result of VSL and Levels of beneficiary participation in village savings and loan association have improved though some community members to such organized groupings have tried all within their means to get involved in the affairs of these associations however sometimes 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. 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, inadequate loan funds, 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. 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.

4.0 Recommendations

Basing on the literatures available, the following alternative measures have been devised to help improve on the activities of village savings and loan associations.

a) 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.
b) Management of village savings and loan associations should encourage their members to undertake short and medium term projects such as poultry farming, bee keeping, cattle keeping, and bricklaying.
c) 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.
d) women and other 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.
e) 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.
f) Communities 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.
g) Government need to come up with programmes that sensitize/teach community members having a savings culture as part of their entrepreneurial skills.
h) Credit trustworthiness should be a philosophy planted in the mind-set of community members who come for loans.

i) Well-wishers should come to the rescue of village savings and loan associations with financial support required to boost their respective activities and projects.
j) Government and Non-Governmental Organizations and other Charity Organizations need to take lead in training community members on how they can be able to sustain their locally generated initiatives locally.

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