

# Approval Form

The undersigned certify that they have read and recommend to the Midlands State University for acceptance of a dissertation entitled: The impact of Village Savings and Lendings on Rural Livelihoods: A case of Vheneka Village: Chipinge District

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A case of Vheneka Village: Chipinge district

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# Dedications

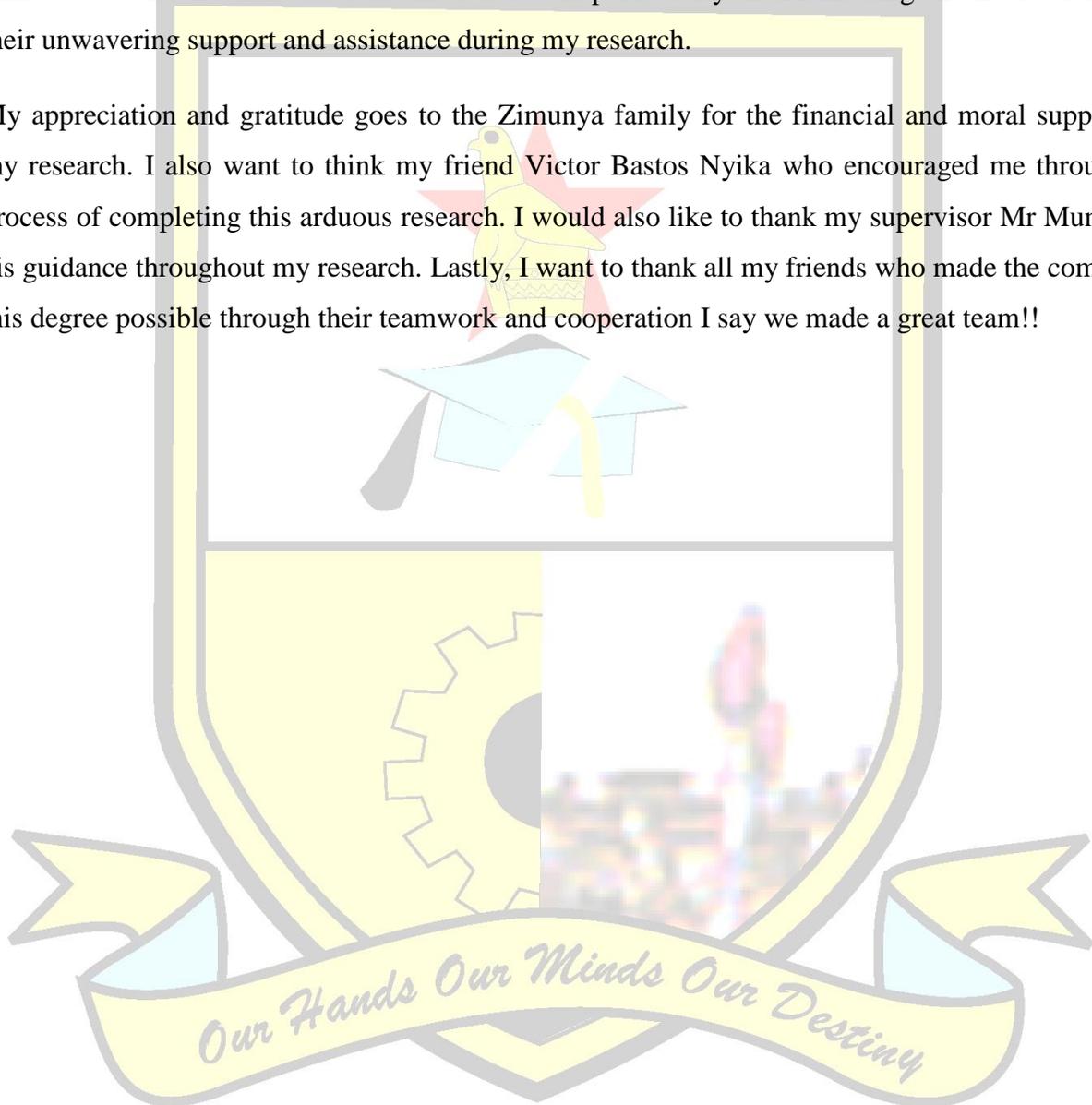
This piece of work is dedicated to my extremely supportive family



# Acknowledgements

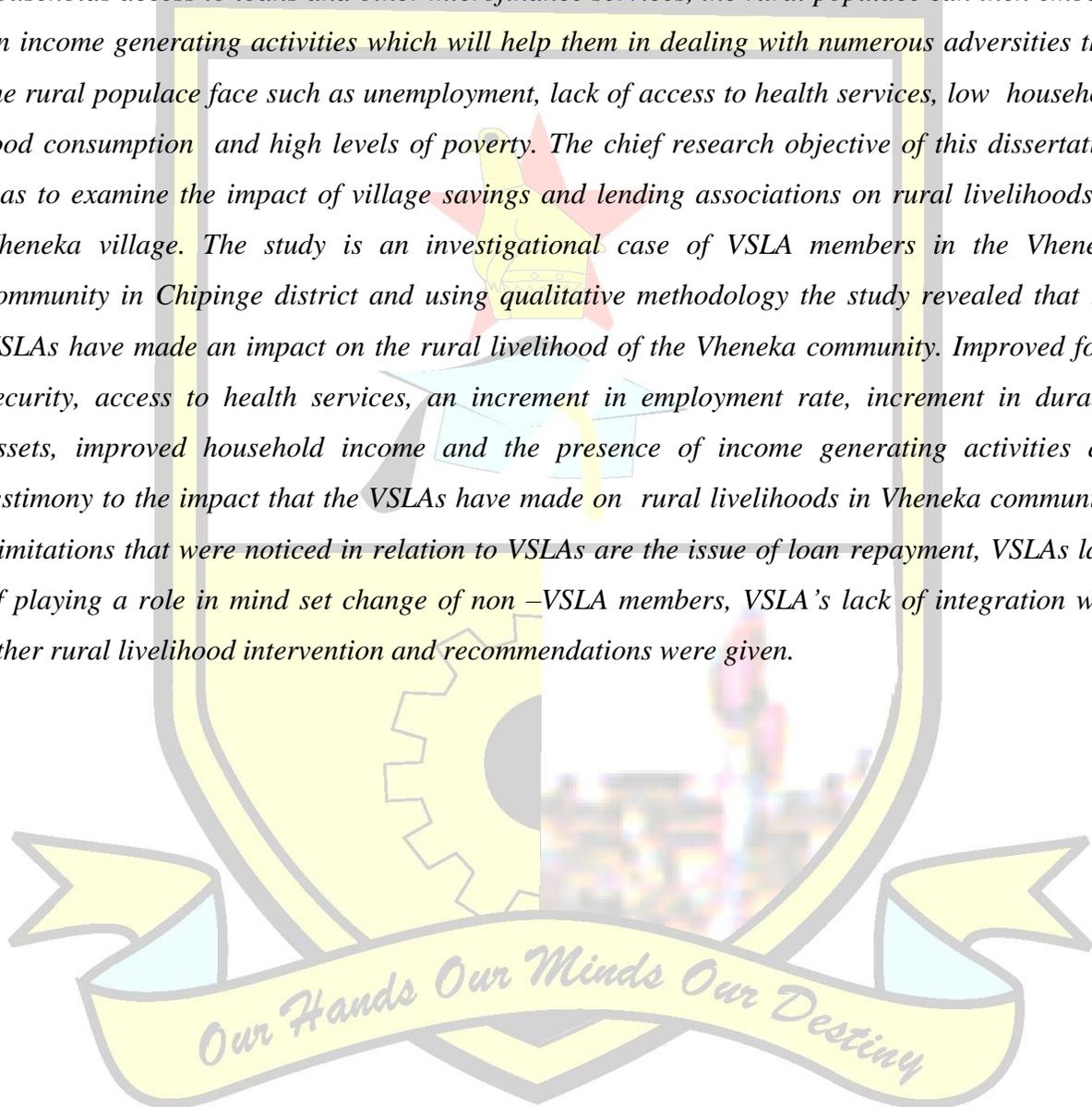
Firstly I would like to acknowledge the presence of God the Almighty from whom all great things come. My sincere gratitude goes to Gladys Muyambo, the Program Unit Manager for Plan International Zimbabwe and the entire Plan International team particularly the Monitoring and Evaluation team for their unwavering support and assistance during my research.

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## Abstract

*Village savings and lending associations have become a strength to consider in regards to the reduction of worldwide rural poverty. The popular proposition is that by enabling poor rural households access to loans and other microfinance services, the rural populace can then embark on income generating activities which will help them in dealing with numerous adversities that the rural populace face such as unemployment, lack of access to health services, low household food consumption and high levels of poverty. The chief research objective of this dissertation was to examine the impact of village savings and lending associations on rural livelihoods in Vheneka village. The study is an investigational case of VSLA members in the Vheneka community in Chipinge district and using qualitative methodology the study revealed that the VSLAs have made an impact on the rural livelihood of the Vheneka community. Improved food security, access to health services, an increment in employment rate, increment in durable assets, improved household income and the presence of income generating activities are testimony to the impact that the VSLAs have made on rural livelihoods in Vheneka community. Limitations that were noticed in relation to VSLAs are the issue of loan repayment, VSLAs lack of playing a role in mind set change of non –VSLA members, VSLA’s lack of integration with other rural livelihood intervention and recommendations were given.*

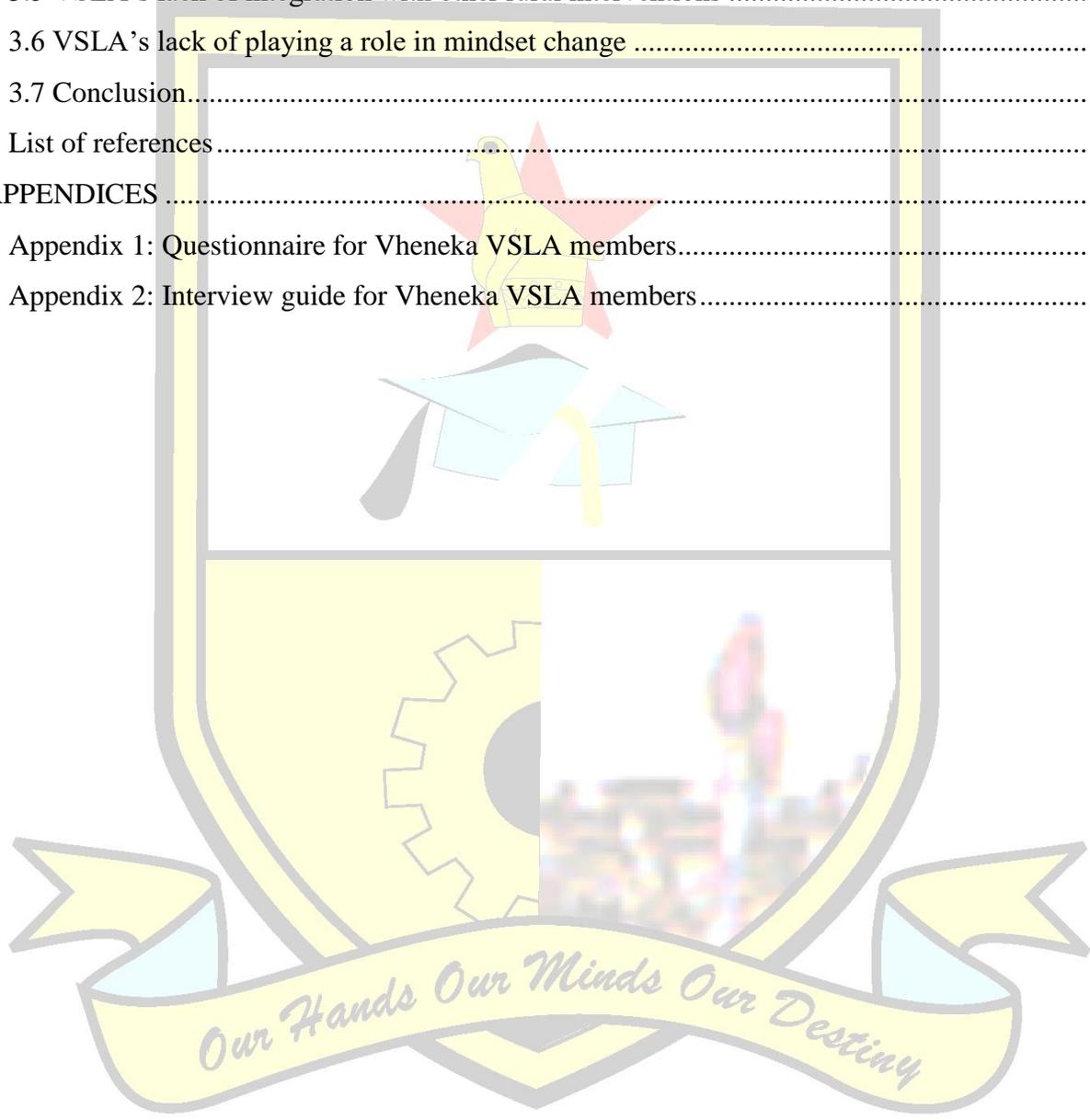


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# List of Acronyms

A.I.D.S                      Acquired Immune Deficiency Syndrome

C.R.S                        Catholic Relief Services

D.F.I.D                      Department for International Development

G.S.L                        Group Saving and Lendings

H.I.V                        Human Immune Virus

I.G.A                        Income generating activities

I.M.F                        International Monetary Funding

N.G.O.S                    Non Governmental Organizations

R.O.S.C.A                Rotating Savings and Credit Associations

S.E.A.D                    Small Economic Activity Development Sector

S.I.D.A                    Swedish International Development Agency

S.I.L.C                    Savings Internal Lending Club



# Introduction

Zimbabwe is amid a number of African developing countries that has been facing a myriad of socio-economic challenges for a significant length of time. This has largely been due to a plethora of factors such as adverse impacts of climate change, economic sanctions, pandemics such as HIV/A.I.D.S and political instability. This has resulted in the vast majority of the public in Zimbabwe facing economic challenges such as lack of access to health services, food insecurity, lack of access to education and the inability to save. It is however imperative to note that the rural populace has been the most affected by these problems because of the inability to have access to finance institutions due to lack of collateral requirements. Seventy percent (70%) of the world's impoverished live in rural areas (Ksoll et al 2013) thus in light of this the government and donor agencies have tried to establish means of survival for the rural general public but all this has been met with difficulties. It is against this background that village savings and associations (VSLAs) have become an undeniably effective mechanism at improving local financial problems. The research therefore investigated the impact of village savings and lending associations on rural livelihoods.

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## Background of study

The concept of microfinance has not only developed itself in the lexicon of development practice but also in the public mind (Allen.H 2006). This has been essentially because of socio-economic hardships such as food insecurity, lack of assets, malnutrition, illiteracy, lack of access to water and sanitation and lack of access to financial services that the majority of the public in Africa has faced, mainly in the rural areas. In a bid to try and come up with solutions to tackle all these problems, the concept of village savings and lending associations (VSLAS) was embraced by governments and donor aid agencies in trying to provide the rural population with access to financial services that are fitting, easy to understand and will allow them to have access to money in humble amounts.

The idea of VSALS started in India nearly thirty years ago and where introduced in Africa in Maradi in Niger in 1991, presently they have stretched across approximately 18 countries in Africa and a projected 865 000 people are said to be taking part in VSLAS. According to World renew (2015) Village Savings and lendings are called table banks in Uganda, In Tanzania self help groups and in Malawi village savings and associations. Countries outside Africa such as Afghanistan, Bangladesh, Columbia and Indonesia also have this type of microfinance service and call them primary groups.

The concept of VSLAS has been extensively acknowledged as a strength to consider in relation to attaining sustainable rural livelihoods because Africa has remained the poorest continent in the world despite being endowed with plenty of natural resources. This has been caused by unpleasant impacts of climate change, conditionalities set by I.M.F and World Bank which sent most of the countries in Africa into a deep economic recession, political instability, sanctions as

a result of gross human rights abuse and recurring droughts. According to the Human development report (2003) the bottom ranked 25 ranked nations were all African with the world's poorest living on less than 70 cents a day and emerging as being more poorer than he or she was in 1973,(world bank 2008). Sadly the rural population has been the most affected since the banks and finance institutions have only been able to help people in the urban or peri- urban areas and a gap has been realized in extending help to the poor and situations where the banks have tried to help the rural populace resulted in costs to the banks due to unsettled debts and high operational costs that come with serving the rural general public.

Zimbabwe is also one of the countries in Africa that has been affected by political instability, sanctions; conditionalities set by I.M.F and World Bank and had its rural populace also suffering. In light of this VSLAS were also established to close the gap that had emanated between the rural and urban populace in terms of access to financial services. It is also of vital importance to note that the reason why VSLAS have succeeded is because they have disputed the common impression that monetary funding institutions have that the only way the poor can get out of poverty is through credit and they have brought out the view that most poorest people are prone to choose a system that support them to save first then borrow so that the danger of borrowing what they cannot repay back is mitigated. A number of strategies such as food donations have been tried by governments and donor agencies but due to a creation of dependency syndrome and lack of funding particularly on the side of N.G.Os these strategies have failed but VSLAS have emerged as a recognized livelihood strategy

## **Statement of the problem**

Poverty continues to be one challenge facing Africa including Zimbabwe in particular .The timeframe that was set in relation to the achievement of Millennium Development Goals has almost come to end but Zimbabwe has not fully succeeded in achieving one of the most critical goals which is to eradicate poverty and hunger. This has been largely attributed to reasons such as continued economic sanctions on Zimbabwe, recurring droughts, water scarcity, adverse impacts of climate change and corruption. The rural populace has however been the most affected because of lack of access to formal financial institutions because they lack collateral security. In light of this rural livelihood solutions such as food donations and sustainable agriculture which the government and donor agencies have resorted to in a bid to curb poverty have proved to be vain in trying to address the livelihood challenges that citizens are facing particularly the rural populace. This has given rise to microfinance services called VSLAS which seeks to close the gap that banking institutions and other finance institutions have failed to do to people living in rural areas such as establishing a system which encourages the poor to save then borrow which have been identified by development practitioners as the best possible livelihood intervention in trying to deal with rural livelihood hardships.

## **Theoretical framework**

The research utilized the sustainable livelihood framework. According to the department of international development (D.F.I.D) 1999 a sustainable livelihood is one that is able to recuperate from stress, shocks and maintain as well as enhance its capabilities and assets both now and in the near future. The sustainable livelihood framework is anchored on three pillars which are sustainable livelihood assets, vulnerability context and techniques and interventions. A

close analysis at these pillars will show that programs like the VSLAs are a remedy of meeting all the aspects. Murray. J et al (2001) points out that assets are the building blocks of a sustainable livelihood including both material and social resources. According to S.I.D.A (2001) assets that are crucial for the pursuit of positive livelihood outcomes are human capital, natural capital, financial capital, physical capital and social capital. The sustainable livelihood framework also cites the vulnerability context as one of the factors that informs a sustainable livelihood. The framework brings out the fact that vulnerability and poverty can be seen at two levels, that of an individual and its circumstances and that of a broader extent.

The third aspect that is encompassed in the sustainable livelihoods framework are techniques and interventions and the framework identifies two types of assets which are practical interventions and strategic interventions (Murray et al 2001). The practical strategies assist the efforts of low-income households to build their livelihoods they include employment training, programs, education, small business development and savings programs. Strategic interventions are aimed towards the vulnerability context and methods also used are alliance building and policy work and advocacy. It is then of vital importance to note that the sustainable livelihoods approach clearly calls for services such as VSLAS to address the rural livelihood hardships that the rural populace is facing.

### **Research aim and objectives**

- 1 To explore the modus operandi of Village Savings and Lending associations
- 2 To investigate the impact of VSLAS on rural livelihoods in Vheneka village
- 3 To explore the limitations of VSLAS as rural livelihoods strategies

## Research questions

1 What is the modus operandi of Village Savings and Lending Associations?

2 What impact has VSLAS on rural livelihoods in Vheneka village?

3 What limitations have been faced by VSLAS in trying to make an impact on rural livelihoods?

## Significance of the study

It is the researchers' anticipation that the research benefits development practitioners, government ministries such as the Ministry of small and medium enterprises, N.G.O, s and economists. This piece of work aims to close the gaps that have been realized in the areas of microfinance and also to find way of dealing with restrictions that have been faced by VSLAS members in their group's persistent efforts to sustain themselves from rural livelihood challenges they have been facing. It is the wish of the researcher that the VSLAs be scaled up to more rural areas because of its success in dealing with issues of the ability to save and then borrow in terms of unforeseen emergencies such as death of a family member, sickness and natural disasters such as floods and also helping to start small businesses that will be able to sustain the local communities when other economic ventures such as agriculture have failed. The researcher also hope that the research adds to the present writings about VSLAS and be of considerable help to other scholars who will have interest in investigating on the impact of VSLAS on rural livelihoods.

## Literature review

### Origins of Village savings lending Associations

VSLAs are thought to have started around 1976 in countries such as India and Bangladesh. The idea informing this type of microfinance structure was Muhammad Yunus and the Grameen Bank. The preliminary idea was to aid individuals, families and communities out of poverty through projects which would improve infrastructure generate income and improve the livelihood of the rural general populace. Groups are managed by a committee consisting of a chairperson, secretary and treasurer. Other opinions that have been brought about declare that the idea of microfinance commenced prior to the known “Grameen Bank of 1976”. It is said that every country has its own narration of microfinance and ascribing the history of microfinance to recent ideas misses not only the past, profundity and scale of microfinance but hundreds of years of know-how which mean lessons of trials and mistakes as well as triumphs and disappointments. Writings have confirmed that other unceremonious financial institutions existed throughout the world, the major contrast being the legitimate acknowledgement that is given to the formal financial institutions and the safeguard that is presented to the microfinance programs through a prearranged set of laws and successful management. Microfinance programs such as VSLAs have developed from principally giving credit to the poor to offering livelihood strategies such as investments, indemnity, social fund and non-monetary services such as business skills training and entrepreneurship (Khandker 1998). In Africa evidence of the existence of microfinance services was seen in the mid 1980s and it is contended that purpose of their existence was to serve their indispensable role of availing financial services to the rural general public. VSLAs

have been branded in different vocabulary such as Kufusha mari, ukuholisana, Internal Savings and lendings (ISALS), Self help development groups (SHD), Group savings and Lendings (GSLs) and Savings and internal Lending communities (SILC). The varied terminology used stems from the institution or organization advancing the ideology.

The Village savings and lending associations are an enhanced model of the normal rotating Savings and Credit associations (ROSCAs). VSLAs improves on customary systems by creating accessible, transparent, simple and straightforward to understand accumulating savings and credit groups which are user-owned and self managed in the communities where members reside (Catholic relief services 2004). Rather than following the ROSCA dogma of dispensing all funds to one member at a time VSLAs have the aptitude to build up the contributions of all its members into an account from which the group members may internally borrow at fixed interest rate and terms (Vanmeenen 2010 :1). Tarugarira (2013) cites in Fowler and Panetta(2011) that an assessment undertaken by the Zimbabwe National Task force on Microfinance in 2006 reports that seventy percent (70%) of the economically dynamic population in Zimbabwe do not have access to recognized monetary services and therefore depends on the informal sector Chigarira and Mutesarira (2001) hypothesize that savings associations have been chiefly appealing to women who regard them as means of putting something aside for in-lieu times and as a way of stopping spouses and neighbors from asking for the money if it is somewhere easily accessible such as the house. Tarugarira (2013) cited from Odera and Maruka (2007) that group members of VSLAs generally originate from the same region and knowingly self select themselves on the grounds of trust. The fund develops through interests on loans and fines which are in general put depending on the constitution of a particular group. Towards the end of a prearranged period, members share the accumulated fund that would have been built from

savings, interest earnings, investment profits and fines. Each member receives a lump sum which is proportional to the total sum spared by each individual group member.

Tarugarira (2013) cites in Vanmeenen, (2010) that people faultily err in thinking that households are poor to spare and that whatever diminutive income they earn is rapidly spend. However village savings and lending associations have demystified this belief and have showed that poor rural households can organize themselves, save money and realize an annualized return on savings that can be high as 40%. Berenbach and Guzman (1994) states that the VSLA system permits members to have access to loans after they have spared. It is likewise vital to note that commonality groups proved to be effective in hindering defaults as evidenced by the loan reimbursements accomplished by organizations such as the Grameen bank who utilized this kind of microfinance form. According to Tchami (2007) the aim of microfinance models such as VSLAs is to permit individuals to collectively put together on hand resources keeping in mind that the ultimate objective is to achieve results that are almost unattainable to reach as individuals.

Attwood and Baviskor (1980) suggests that the VSLAS were put up as an outcome of government policies of third world countries and with the intention to fix the differences between the rural and urban general public and this meant that the custom that existed which supported the urban than the rural populace would be changed .Schreiner and Colombet (2005) show microfinance services such as the VSLAs as an endeavor to improve access to small deposits and small loans for deprived family units dismissed by banks. In Zimbabwe Care

introduced the VSLAs in 1998 after its Small Economic Activity Development sector (S.E.A.D) sector saw the need of the rural populaces' need to have access to financial services.

### **Services offered by VSLAs**

Scholars such as Dubbel (1985) have put forward the notion that the formation of VSLAs made governments to bring in new agricultural skills to the rural farmers. According to Chitsike (1988) VSLAs have been utilized a method of passing farming methods to each other and examining farming techniques with each other. VSLAs have furthermore assisted the rural populace in having latest farming hardware and farming methods and this has made more rural farmers to join VSLAs as they helped them to set aside a particular amount of money and then borrow with the goal of buying cutting-edge modern equipment.

Schewttman (2004) draws out that VSLAs are more worried with assisting the poor people than just making profits. Schewttman further clarify that VSLA individuals are the owners of microfinance services and in that capability they are sure to settle on choices that don't affect the institution. VSLAs also give loans that are necessary to low wage families and furthermore give safe facilities for savings so as to empower individuals to adapt up in times of difficulties (Turtianean 2008). Scholars, for instance, Cox (1996) draw out that VSLAs act as intermediaries between individuals who have excess and individuals who are in shortfall. Bailey (2001) draws out that VSLA assist individuals with a right and safe and sound method for saving

## Impacts of VSLAs on rural livelihood

Scholars such as Magil (1994) have contended that VSLAs have been influential in lessening the donor-dependency syndrome. Magil (1994) further postulates that the societies are now taking part in various economic activities such as farming, trade and buying and selling as a result of the VSLAs. Sweetman (2000) states that taking up VSLAs have lessened donor-dependency syndrome and VSLAs are being understood to be a conduit for other forms of community capacity building and a means to a greater end. Carney (1998) states that in the finest of conditions, loans from finance programs help fund self-employment activities that often complement revenue from borrowers rather than drive essential shift in the employment patterns. Folmer et al (2012) notes that microfinance programs such as VSLAs enhance asset ownership and advance standards of living.

According to Yusuf et al (2009) VSLAs are methods of keeping resources together by the rural general public so that they can access for their use due to the failure of recognized institutions such as Banks to reach the rural populace. Whilst studies have shown that participation in VSLAS was rife in Asia, Latin America, the Caribbean Islands and Africa, scholars such as Bouman (1995) states that participation is high in Africa especially in the rural areas where access to formal financial institutions is limited or absent

Tarugarira (2013)cites in Besley and Levenson (1996) states that countries such as Taiwan with reasonably well performing credit markets have as many as 80 percent of their adults population projected to belong to VSLAs .Yusuf et al (2009) states that in Senegal VSLAs helped in unbiased allocation and use of local resources since credit taken was used to fund operational capital necessities of household projects .The income got from the income creating ventures

was used to compensate the arrears at the same time as the excess income was used to finance household necessities ,consequently reducing the level of poverty of the rural people. Littlefield et al (2003) contend that access to financial services increase income by improving investments in income generating ventures prompting resource proprietorship. According to Olalekan (2010) the impact of VSLAs in Nigeria has shown that the existence of VSLAS has brought relief to the people because VSLAs facilitate easy access to funds for convenience sake. This therefore means that the fame of VSLAs across the sphere can be ascribed to their affordability, accessibility and to the certainty that they are strong providers of indemnity. VSLAs have also been noted as a conduit for entrepreneurship.

Tarugarira (2013) cited in Olalekan (2010) that VSLAs are suitable and fitting for the poor in conditions of credit giving than banks or other official financial institutions because the VSLAs terms of business are supple and are put by its own members which is different to formal financial institutions. Olalekan (2010) has also add on the analysis that VSLAs have shown that the informal finance sector is very relevant in improving the poor's access to income for financing household spending needs and income creating ventures in developing countries .

Chitieji (2002) points the triumphs of VSLAs to the societal guarantee that enable the group to cordially fix the possible setback of intentional non-payment. Meron (2007) states that microfinance has been vital in achieving productive impacts on the economic empowerment of the rural populace but the income increases have been noted to be small. Hashemi (1996) also discuss on the issue of the input brought out by savings and lending associations towards the rural livelihood of the people in Ethiopia bringing out that development has been noted mostly in the turnout rate of children to primary and secondary and secondary schools particularly those who had guardians or parents in VSLAs.

Miller (2002) comments on village savings and lending associations bringing out the information that VSLAs have also made a major input on closing the space that was there on issues such as gender disparity bringing out the fact that gender inequality has remarkably lowered as men now respect their wives because their women now contribute considerably to the general income of the household. Pitt and Khandker (1998) state that the reasons why VSLAs come out as triumphant is because VSLAs have been started with a clear center of attention which is to offer monetary access to the rural general public. Miller (2002) further states that the VSLAs have advocated for a culture of savings and the system has tried to reduce the “hand to mouth scenario” whereby rural households do not have any form of savings but rather consume everything they have. VSLA have provided a platform for the rural community to save and invest in income generating activities that will bring income when other sections of rural livelihoods such as agriculture are not flourishing.

Scully (2004) have brought a different aspect with regards to the impact of village savings and lending associations and has explained that VSLAs have the likelihood to exclude the poor of the poorest if communities select group members with regards to economic standing segregating the poor and as such the VSLA projected purpose which is to get to the poorest member of the rural society cannot be met. A report by Care (2001) points out that there has been an increase in economic activities and the scale of small business in the rural areas have improved. Murdoch (2000) states that insufficiency of food has been considerably reduced as a result of the VSLAs and a significant number of families have increased the number of meals taken in a day to three times a day.

Murray et al (2001) have pointed out that a sustainable livelihood is when people are able to recuperate from unanticipated catastrophes such as floods and droughts and the D.F.I.D report of

(1999) states that most of rural populace is now able to recover from these catastrophes. Tchami (2007) states that microfinance services such as VSLAs have prompted an increase in assets such as social assets and economic assets such as livestock, tractors and scotch carts. Burgass and Pande (2005) states that credit programs made constructive ripple effects on other areas such as child education and access to health services. Khandker (2005) citing Bangladesh as a case study bring out the fact that microfinance programs such as the VSLAs have not been of help to the participants of VSLAs only but it has had a positive overflow effect to the rest of the community improving household consumption from one meal to three meals per day .

World Bank (1995) draws out that critical services such as health, education, childcare, nutrition and water and sanitation have enhanced as a result of the microfinance programs such as VSLAs .U.N.D.P (1998) postulates that social mobilization, capital creation and capability building of the poor has aided in removing obstacle that bring about poverty and let the rural population overcome their vulnerable conditions. Otero (2000) postulates that VSLAs curtail poverty by creating access to dynamic capital for the poor whom together with human capital make certain efforts that move people out of poverty.

VSLAs provide material capability to a person and reinforce their sense of self-esteem which results in the full contribution of that particular person on the economy of the society (Otero 2000). The purpose of microfinance programs such as VSLAs is not just to avail a source of money to the poor and combat poverty at an individual level. VSLAs have a deep role to play at an institutional level which is to generate institutions that convey financial services to the poor who are not acknowledged by the formal financial institutions because of factors such as lack of collateral security.

Different scholars maintain the view that microfinance has a positive impact on poverty reduction. Kiiru (2007) states that giving credit to poor households permit them to establish micro enterprises that would give them enough income earnings to deal with their household necessities. This would then help deprived households to run away from poverty. This conception is buttressed by her outcomes on the study of VSLA members and non-VSLA member households of Makueni district in Kenya which showed that microfinance has a positive impact on household income. Kiiru (2007) states that by providing realistic microfinance services to the community, development strides will be made and such services should be availed to as many underprivileged households as feasible.

Murdoch (2000) points out that the acknowledgment of microfinance programs lies on an appealing win-win state that permits both the microfinance institutions and the poor to gain. The assumption is that microfinance institutions gain profits from the interest on credit that they advance to the poor whilst the poor gain from the income they get from business ventures that they would have start using credit from VSLAs .Murdoch (2000) states that the fraction of household poverty that is reduced is in sync to the number of households that are reached with microfinance. Tarugarira (2013) cites that Murdoch and Haley (2002) show the positive impacts of microfinance on poverty reduction as it has a sync to the primary six millennium development goals which are meant to be met in 2015 year end and these are to reduce the quantity of people living in extreme poverty, promoting education by promoting gender equality, empowerment of women, , reduction of infant mortality rate by two thirds, decrease of maternal mortality ratios and enhanced access to reproductive health care and the VSLA system has tried to meet all these development millennium goals.

## Summary

The literature review has supported the VSLAs as a strength to consider particularly in terms of sustaining the local communities from socio-economic hardships. Services offered by VSLAs have thrived at closing the space that exists as a result of the failure of conventional finance services to extent finance to the rural populace because of lack of collateral security

## Research methodology

Research methodology can be basically characterized as giving a lucid guideline of the techniques and procedures a research is going to use. Research methodology gives direction to the whole research and gives credibility to the endeavors of a researcher. Haralambos and Halborn (1995) postulates that the methodology concentrates on the comprehensive strategy by which data is separated from the investigation. Bell (1993) also add on putting across the fact that research methodology is the study of methods or means by which data is taken or obtained from a research project. These methods will help remove data from the research area so as to come with preferred results.

According to S, Rajesekar et al (2014) research methodology is an organized way of solving problems. It is a science of studying how research is to be carried out. Essentially the procedures by which researchers go about their work of describing, explaining and predicting phenomena are called research methodology(S, Rajekar et al 2014:56 ).There are basically three types of research methodologies which informs researches and these are the quantitative, qualitative and

mixed research methodologies. The decision to choose which type of methodology to use is determined by the type of research one is undertaking and the desired objective and results. According to Creswell (2009) citing in Newman and Benz (1998) qualitative and quantitative approaches should not be viewed as opposite dichotomies, instead they represent different ends on a continuum. Creswell (2009) further brings out that the mixed research methodology resides in the middle of this continuum because it employs both elements of qualitative and quantitative approaches.

The distinction between using qualitative and quantitative methodologies is framed in the use of words (qualitative) rather than numbers (quantitative) or using close-ended questions (quantitative hypothesis) rather than open – ended questions (qualitative interview questions) (Creswell 2009:3). Creswell (2007) notes that qualitative research is a means of exploring and understanding the meaning individuals or groups ascribe to a social human or human problem whilst quantitative research is mainly concerned by examining the relationship amongst variables. These variables can then be measured using instruments so that data can be analyzed using statistical procedures.

According to Creswell and Plano (2007) the mixed approach uses both approaches in tandem so that the overall strength of a study is greater either than qualitative or quantitative methodologies. This research opted for the qualitative research methodology because the nature of the research which was to determine the impact of village savings and lending associations on rural livelihood seeks to understand meaning, look at and have a deep appreciation and experience of how the VSALS have improved the rural livelihoods. The decision to use the qualitative method was also arrived at by the fact that the process of qualitative research is

largely inductive with the inquirer generating meaning from the data collected in the field through deep narration availed to the researcher through open ended questions.

The qualitative methodology is also exploratory and it is used to gain an understanding of underlying reasons, opinions and motivations and for this reason the researcher saw the feasibility of using this methodology over the quantitative analysis because the quantitative research is more concerned with measuring variables, quantifying problems by way of generating numerical data or data that can be transformed into statistical data. Primary data sources which include interviews and use of open –ended questions were used. Secondary data sources were also used such as desk top research, online publications and journals.

## **Research design**

A research design is a general approach that one can use to put together the different components of a study in an articulate and rational way, thereby ensuring that the research problems are successfully addressed. Research design can also be better explained as the “blue print of a study” According to Armstrong (2013) citing in Borerwe (2009) “There are a number of research designs such as descriptive, correlational ,experimental design, descriptive longitudinal case study and semi –experimental designs”. All these research designs inform different types of researches with different problems and objectives. The research on the impact of village savings and lending associations on rural livelihoods used the case study approach because of its objective to gain a deep understanding of the impact of VSALS program in detail.

A case study can be defined as a research that includes carrying out a detailed study of a person or a group in a specific period of time. Creswell (2009) cited in Stake (1995) that case studies are a strategy of enquiry in which the researcher explores a program, event, activity, or individual in

depth. Cases are bound by time and activity and researchers collect detailed information using a variety of data collection procedures over a sustained period of time and from this definition of a case study it can be noted that the VSLA program can be better understood by using this research design in particular since it involves an in-depth analysis of a particular VSLA to ascertain its impact on rural livelihoods. To add on the research used a case study approach due to the nature of the research which warranted in-depth researches of specific programs David and Sutton (2011) also highlighted on this particular case bringing out that case studies are used for in-depth researches of specific units.

### **Population**

Tustin et al (2005) indicates that population is the group of people which would be targeted for purposes of a research. Fraenkel and Wallen (2003) describe population as a group to whom the researcher desires to produce the results of the study and this implies that the population is the group of people which the study is about and this is defined as the target population. Leary (2004) defines population as the total membership of a defined class of people, objects or events. Leary (2004) also postulates that the inability to access every element of a population does little to suppress the desire to understand and speak for it on whatever aspect and because of the need of a research to investigate, conclude and argue the broader applicability of a finding there is need to apply findings in a credible manner. The population was 200 members of village savings and lending groups in Vheneka and therefore the target population was ten percent of the two hundred VSLA members.

## Sample size

Kothari (2004) indicates that for a substantial population where a complete account is impossible at least a ten percent representation is possible and for this research the total population of the VSLAs club members was 200 and the researcher chose 20 VSLAS club members in line with Kothari's rule. Leary (2004) states that qualitative data generally limits sample size and rather than relying on numbers it is more concerned with the fact that the population targeted captures all the various elements or characteristics of the population under study. According to Kumar (2004) the sample size in qualitative research does not play any significant role as the purpose is to study only one or a few cases in order to identify the spread of diversity and not its magnitude.

## Sampling techniques

Sampling is the process of selecting a few from a bigger group to become the bias for estimating or predicting the prevalence for an unknown piece of information, situation or outcome regarding to the bigger group (Ranjit. K 2005). A sample can also be defined as a subgroup of the population a research is interested in (Ranjit K 2005). The process of selecting a sample from a population has merits and de-merits .The merits are that time and resources are spared and the de-merits are that if the researcher does not find information about the population's characteristics of interest to the researcher it might lead to a mere estimation and prediction and there is a possibility that an error will occur in the estimations (Ranjit 2005). Leary (2004) states that the process of sampling is far from any haphazard activity and is always strategic and mathematical. There are different types of sampling techniques and all have their respective advantages and disadvantages. Random sampling is a process whereby each element in a

population has an equal chance of selection (Leary 2004: 106) The random sampling process has been appraised for eliminating bias in a research and allows for statistical analysis however the disadvantage of the this type of technique is that it demands that all elements of a population are known and accessible which is a rigorous exercise to the researcher given the time frame for completing the research. Another disadvantage of the random sampling techniques are that there might be a possibility that all the desired set of characteristics essential for the research will be absent (Fowler 2002).

Another type of sampling technique is the non random /the non probability sampling technique which is the process of picking respondents based on their convenience and availability.. This particular research employed the non probability sampling particularly using the handpicked sampling/convenient sampling which is defined by Leary (2004) as the selection of a sample with a particular purpose in mind and this allows researchers to study intrinsically interesting cases. It is important to note that the non-probability has been criticized because of its lack of representativeness to a given population under study but however Leary (2004) has refuted these claims and have stated that non –random sampling can credibly represent populations given that the selection is done with the goal of representativeness in mind.

Leary (2004) has also added on the fact that to ensure non –probability sampling does not lack representativeness there is need to guard against erroneous assumptions and unwitting bias. Unwitting bias is the tendency to unwittingly act in ways that confirm what you might already suspect (Leary 2004). Erroneous assumptions are sample selections that are premised on incorrect assumptions for example a researcher researching on the reasons behind the prevalence of h.i.v/aids will go to a nightclub to get answers and in this the researcher would have erred in assuming that the reasons why H.I.V /AIDS is prevalent is because of prostitution only

forgetting that there are other factors of play. Thus in light of this if the researcher guards against these then the non – probability sampling technique stands a credible sampling technique

## **Methods of data collection**

Data collection is the process of gathering and measuring information on targeted variables in an established systematic fashion which enable one to answer relevant questions and evaluate outcomes (www.wikipedia.org) There are various types of data collection tools which can be categorized into primary-data collection tools which are Focus group discussions, interviews, surveys and secondary-data collecting tools namely, government publications, earlier research and online journals. The most prevalent tools in qualitative research are questionnaires, interviews and desk top research.

## **Questionnaire**

A questionnaire is a printed list of questions that respondents are asked to react to (Kumar 2004) questionnaires should be effectively compiled so that the data they contain after a survey can be objectively analyzed. Foddy (1994) indicates that a questionnaire is a research instrument that has a series of questions that helps the researcher to take out information from the respondent. There are primarily two types of questionnaires which are open-ended questionnaires and closed questions Kumar (2004) states that in open-ended questions the possible responses are not given whilst close-ended questions give the possible answers and respondents choose the best suitable answer to the given questions. This particular research made use of the open ended questionnaires as they allow the respondents to give a deep narrative of the impact of village savings and lending associations on rural livelihoods

## **Interviews**

Kumar (2004) citing Monette et al (1986:156) defines an interview as a process whereby the researcher reads questions to respondents and record their answers. Burns (1997:329) states that an interview is a verbal interchange often face to face. Kuale (1996) defines qualitative research interview as an interview whose purpose is to gather descriptions of life world of the interviewee with respect to interpretations of the meanings of the described phenomenon. Carter (1999) notes that an interview is a two way communication method which involves the extraction of data by the interviewer from the interviewee. The researcher also made use of interviews as a research method with the intention that they close gaps in terms of information that might not have been availed through the use of questionnaires. Interviews also enabled the researcher to probe information thereby getting a deep narrative about the impact of VSLAS. Interviews are also noted to be effective in getting information about a person's perspectives knowledge and the answers which were provided also helped the researcher to have a balanced and more accurate result of the impact of village savings and lending associations on rural livelihoods.

## **Observation**

Marshall and Rossman (1989) states that observation is the planned account of proceedings, behaviors and artifacts in the social setting selected for a particular study. Observation allows the researcher to illustrate existing situations using the five senses providing a "written photograph" of the situation under study (Erlandson et al 1998). The researcher used observations method in gathering information from the research field. The researcher observed the group's project on livestock husbandry where the project was taking place and also some remarkable changes on infrastructure of VSLA members. This gave reliability to the data that was being given by the

respondents during interviews and questionnaires which concurred with some observations made by the researcher.

### **Desk research**

The research also utilized desk research as method of collecting data. Desk research is categorized under secondary research which involves analyzing already existing data pertaining to a certain topic. The data is usually in the form of annual reports, surveys, professional journals and databases. This method includes the collection and study of already existing data concerning and related to a certain topic. This is considered to be the starting point of every research as it gives the researcher the general overview of the whole topic. It helps to enlighten the researcher about the concepts involved in a certain topic before focusing much on the research area. Desk research allowed the researcher to have a vast knowledge about the topic in the form of already existing literature.

The already existing literature about VSLAS as a livelihood intervention programme made the researcher buttress his literature review during the research. The researcher made use of books, e-journals, published electronics sources and newspapers. It should be noted that desk research is an effective and convenient medium for gathering data but however caution against validity of data should be taken as there is a probability that personal bias will be found in desk –top research

## **Delimitation of the study**

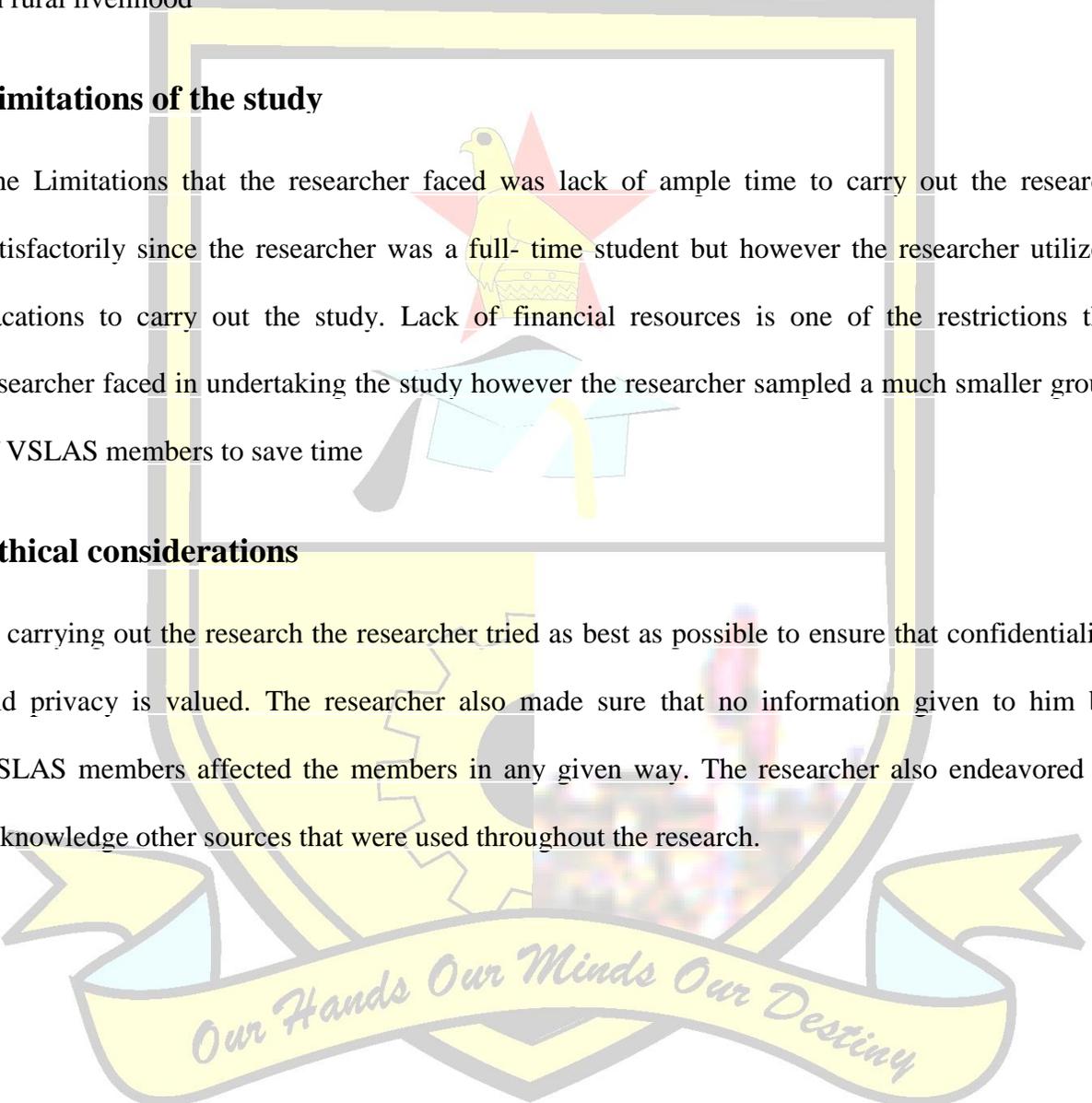
The research focused on village savings and lending groups in Vheneka village in Chipinge district ward 27. The research main thrust is focused on the impact of village savings and lending associations on rural livelihood

## **Limitations of the study**

The Limitations that the researcher faced was lack of ample time to carry out the research satisfactorily since the researcher was a full- time student but however the researcher utilized vacations to carry out the study. Lack of financial resources is one of the restrictions the researcher faced in undertaking the study however the researcher sampled a much smaller group of VSLAS members to save time

## **Ethical considerations**

In carrying out the research the researcher tried as best as possible to ensure that confidentiality and privacy is valued. The researcher also made sure that no information given to him by VSLAS members affected the members in any given way. The researcher also endeavored to acknowledge other sources that were used throughout the research.



*Our Hands Our Minds Our Destiny*

# Chapter One

## 1.0 Village savings and lending associations: Modus Operandi

### 1.1 Introduction

The chapter specifically looked at the background of Village Savings and Lending Associations (VSLAS) and the concept of VSLAS as a whole. The research also strived to highlight the guiding principles of this rural livelihood intervention particularly why it has emerged as strength to consider with when looking at issues to do with microfinance for the rural populace. The VSLA Movement in Zimbabwe and the operations of Village savings and lending associations was also discussed in this chapter.

### 1.2 Background and concept of VSLAS

Zimbabwe has been faced by an unprecedented economic decline from the 1990,s to present. This has been largely caused by a plethora of factors such as the E.S.A.P.S of 1990s which wanted to ensure debt settlement and economic reformation by requiring the state to roll back and allow market forces to dictate to peace of the economy. As such poor countries were required to reduce spending on things like health, education and development whilst debt repayment and other economic policies were prioritized.

Persistent droughts, climate change, the H.I.V /A.I.D.S pandemic, economic sanctions imposed by the European Union and climate change are all factors which contributed in sending Zimbabwe into a deep economic quagmire whose effects are still being felt to present. To add on the disorganized land reform programme of 2000 also reduced donor support and exacerbated

the country's economic situation. However it is imperative to note that in Zimbabwe the most affected were the rural populace because of the lack of capital to venture into income generating projects as a result their inability to have access to finance services because of lack of collateral security. As a result there was a growing need to introduce a rural livelihood intervention that would curtail the challenges that the rural populace faced.

NGOs such as Care rolled out the Village Savings and Lending schemes which have its history to about nearly thirty years ago when they were introduced in India as Community managed – savings led approaches. VSLAS have about 30 million members globally and have penetrated the Asian and African continents mostly the rural areas because of their model which encourages to save and then borrow later. VSLAS do not receive any external capital but rather they are a group that is often comprised of ten to a maximum of twenty five members and provide its members with the opportunity to borrow humble amounts of money and obtain emergency insurance should problems such as sickness or death of a family member arise to any of the members in a particular group.

VSLAS are built on pillars such as savings, asset building and the provision of credits that is in line with the capability of a member to reimburse back the loan. VSLAS are simple to run and open opportunities to a wide range of financial services. VSLAS are also capable of noticeably raising self esteem, social capability mainly among women who represent about 70% of the members (Hugh et al 2002). VSLAS members are uniform in terms of financial levels and live in the same area. Financial restrictions for example the price per each share is determined by the average financial capacity of every member in a particular group. The groups are made up of a chairperson, deputy, secretary, treasurers, bookkeepers and box keepers. Each group develops its constitution which consists its social fund, savings and credit policies. On every meeting

every member contributes a fixed amount of money that is equal to one share .After loans have been taken the group does not hold on to any funds based on a “zero balance policy which stipulates that no idle money should be left in the cash box so that the cumulative value of money increases as people repay back their loans at a fixed interest which is usually 10%.

The VSLA group in Vheneka initially started off not following the “zero balance policy” but after realizing the risks that are associated with leaving money in the box the group realigned its policies to following the correct procedures. The group also realized that if all money available is not loaned out the cumulative value of the shares will become stagnant since money will be lying idle in the cash box and this made the group to start advocating for a “zero balance policy at every meeting and the group started realizing a increase in the cumulative value of shares after money borrowed was returned with an interest rate of ten percent.

The VSLA group can be noted to have followed the rule that stipulates that every member purchase one share at every savings meeting but however circumstances where some members have failed to purchase a single share has been noted. This has been mainly caused by the fact that the society is agrarian in nature and naturally relies on selling cotton for survival but there are times of the year when proceeds from cotton sales diminish to the extent that members cannot save during savings meeting. This is caused by the lack of an entrepreneurial drive among the majority of the Vheneka community that would be enable them to undertake other viable projects when cotton sales are not thriving

### 1.3 Governance of VSLAs

According to Hugh et al (2002) membership selection of the VSLAS is autonomous in nature and permits members to choose who they would want to work together with in their respective groups. Hugh et al (2002) emphasizes on the issue of membership selection pointing out that because trust is fundamental to the effective functioning of VSLAS, members should be allowed to choose each other without any manipulation from the coordinating agencies, trainers or village agents. Rogaly and Johnson (1997) also reinforce the initiative of self – selection hypothesizing that encouraging self selection allows groups to be standardized and this is a contributing aspect to the sustenance and success of the group. Members also choose each other by attractive qualities such as hardwork, good standing in the community and the capability to save money. The Vheneka group however has had a scenario whereby the financial capacity of the group members has been different and this had the prospect of leading to an upset in the balance of power.

Training of VSLAS is usually done over a period of one month. Topical issues that the VSLAS members are usually trained about include helping members define the critical purpose of establishing VSLAS. Members are also trained on other significant issues such as conflict resolution, how to elect officials of a group, penalties for offences committed such as being late for meetings, late loan repayment. The group is also trained on issues such as how to make recordings for shares bought, loan repayments, terms of savings and loans and record keeping that is easily understood by all people especially taking consideration that the groups comprised of literate and illiterate people. The Vheneka group has been trained fully on these aspects and this has contributed immensely to the success of the group since every group member had a clear picture of what the group aimed to achieve in relation to their livelihoods

The basic principle of VSLAS is that members should save money in the form of shares. The savings are then invested into a loan fund and then members borrow the money and repay back with an added service charge which is usually 10% more of what you have initially borrowed. Transactions are made transparently in front of all members of a particular association. The Vheneka group has made an effort to make sure that all transactions are done transparently. To safeguard against transactions to be made outside of the normal association meetings, groups use a heavy duty metal lockable box with three authentic padlocks. The keys are given to three different people after meetings who are not capable of scheming to perform unconstitutional cash transactions.

The lockable box also goes with another separate person from the one with the keys to open the box as such the system is in such a way that for the box to be opened there should be four people. The Vheneka Group has followed these rules so that there is no act of foul play with money and this has instilled confidence within the system and the group members have noted that if the rules were not followed there was a possibility of misuse of funds and as result the impact of the system would not have been realized. Groups should not save and lend each other for more than a year and they are stipulated to share out the money after a year in accordance to the number of shares an individual bought. The period the members will be saving and lending each other money is called a cycle and a cycle is usually a year.

The accumulated savings and service charges realized are then added together and divided in proportion to the shares every individual saved and as such the system allows for everyone to realize a share-out that is significantly higher to the money or he/ she saved.

All members should have an individual passbook so that it becomes clear for everyone to track their loan liabilities and the shares they have bought which are recorded in the passbook. The Vheneka group started off not having passbooks for every individual member and recorded all the transactions in one book and this sometimes led to arguments with members querying if their transactions were being handled appropriately. As time progressed the group purchased individual passbooks and clarity improved in relation to the transactions made by members.

According to Allen Hugh et al (2000) an association should be strictly made up of 10 to 25 members and this is necessary so that the association strikes a balance between being big enough to create a useful pool of capital and keeping meetings manageable. Associations meet at regular intervals which are usually after a fortnight or month depending on what each association agree on. Associations are governed by an elected five member governing body which consists of a chairperson, secretary, treasurer and two money counters. The management should be re-elected at the end of each cycle and should there be a situation that warrants the removal of a committee member before the end of a cycle an emergency meeting can be organized and members of an association should unanimously agree whether it is befitting to remove that particular committee member.

VSLAS like any other organization are also bound by a constitution in their operations. A constitution is a set of rules and principles governing a group, country or any organization and binds everyone encompassed by it to the contents it has. Every association should develop a constitution to lead its activities. According to Allen Hugh et al (2002) constitutions mainly performs two functions which are first to provide a framework for governance, dispute resolution and disciplinary action and secondly to specify conditions for share -purchase /savings access to loans and benefits from the social fund. A constitution should also contain

- Association's names, date of formation and locality.
- Names of every associate
- Association criteria
- Corrections

## 1.4 Operations of VSLAS

According to Hugh et al (2000) for an effective fund, development associations should save through share purchase. The share purchase system is the main core business of the VSLAS activity and this is a system whereby every member contributes a fixed amount of money that is equal to the value a share for example if a share is 5dollars then everyone is mandated to buy at least one share at every savings meeting. However any member is allowed to buy to a maximum of five shares at each savings meeting if he /she have the money. The more the shares a member buys the higher return she will get at the end of the cycle – share out meeting. Hugh et al (2000) further postulates that regularity in saving is the key to mutual confidence and success.

The value of a share is set by an association to allow the poorest members to save reliably and regularly to at least one purchase one share per every savings meeting (Hugh et al 2000). The share however should not be set so low to the extent that the objective of saving is not realized by the majority populace. The value of a share can be increased or decreased by an association only on the start of a new cycle. Most of the rural VSLAS members rely on agriculture for survival and as such it is no new phenomenon that at certain times of the year saving is an arduous exercise and it is at this stage that share purchase can be suspended to members who have been seen to be really struggling in purchasing shares. However caution should be taken on issue of share suspension because if not monitored closely the situation will escalate into a

scenario whereby almost every member ask for share – purchase suspension when he /she feels like doing so and the end result becomes an association which does not realize profits and the reason behind saving will be not met. The Vheneka group however has decided not to follow the idea of share-purchase suspension because as a group they agreed that share- purchase suspension will make them not to realise the impact of the VSLA system. The size of a loan that a member can borrow should not be more than three times the value of shares that particular member has bought The group in Vheneka have not followed these rules and this had led to one of the members failing to reimburse the money .

The period of loan repayment is subject to the borrowing member. It must be carefully agreed on and noted down in full view of all members of an association when a member expects to repay back the loan granted to him /her. A member cannot request another loan before clearing the outstanding loan and usually the loan should not surpass 12 weeks without being repaid back. Late loan repayments do not carry a fine as they can exacerbate underlying household economic crisis. In the case of Vheneka the rule that a member should not borrow money that is three times the value of his /her share has been abused by some members particularly those with the highest shares and this led to an escalation of disputes

The social fund is one of the remarkable features of the VSLA model. The social fund is a fund that is contributed by each member of the association at every savings meeting. At the beginning of every savings meeting each member is mandated to contribute a certain amount of money agreed on by the group for specific purposes such as funeral expenses, emergency assistance such as sickness and educational costs for orphans. The social fund is not loaned out to any associate and is just contributed solely for emergencies. The social fund has acted as a funeral

policy cover for the rural populace who do not have access to formal funeral policy covers because of lack of incoming generating facility and formal jobs. Anyone in need of the social fund during the course of the cycle must make the request publicly. It is then at the discretion of the whole group that a member can be given the social fund. The member of the association is not expected to bring back the money since it is solely used for emergencies. The social fund has system has been followed as it is by the Vheneka VSLA group and it can be noted to have helped VSLA members. A certain member whose husband died in a car accident used the social fund to cater for the funeral expenses and acknowledged that without the social fund system she would have struggled to make ends meet.

Record keeping is considered to be an essential tool for the effective management of VSLAS. Associate members invest confidence and trust in a group whose transactions are clear, accurate, accessible to everyone and not veiled in obscurity. Hugh et al (2002) also comments on the issues of record – keeping stressing out the fact that record – keeping is an activity of the whole association and not just the duties of the management committee. The management’s responsibility in this case is to make sure everyone has an appreciation of the amounts involved and the process. The VSLAS advantage of other systems is that it has adopted the passbook system whereby every member tracks his /her loan and shares individually. This improves confidence within the system. The diagram below shows a typical example the share -purchase section of a passbook used in VSLAS.

Single Share Value	<u>TShts 500</u>				
Cycle Number	<u>1</u>				
Mtg. No.	Shares Bought per Meeting				
1	→				
2	→	→			
3	→	→	→		
4	→	→	→		
5	→	→			
6	→				
7					
8					
9					
10					
11					
12					
Starting number of shares	0				
Total number of shares bought this period					
Total number of shares redeemed this period					
Net shares end period (to be carried forward)					

**Figure 1 Source: VSLAS operating manual (Hugh et al 2002)**

The passbook above shows a typical example of a group whose share was valued at 500 shillings and the owner of this passbook bought only one share at the first meeting which is equal to 500 shillings. As members make their contributions the treasurer uses a rubber stamp or mighty marker to indicate the number of shares the person has bought and then cross out the empty spaces to prevent fraudulent entry of shares at any given time. On the second savings meeting the member with the passbook brought two shares which is equal to 1000 shillings. On the third savings meeting, the member bought three shares which are equal to 1500 shillings. By the sixth meeting the member with the passbook had bought 12 shares which carry a value of 6000 shillings. At the seventh meeting the member then explained that she /he was not able to

purchase any shares due to an underlying economic crises and she/he was allowed the share purchase suspension. At the same time the same the member asked she /he redeem three of the shares initially brought earlier at other savings meetings. The treasurer then cancels three of the member's shares as illustrated above and then gives her 1500 shillings which is equal to the value of three shares. The member is then left with 9 shares which are equal to 4500 shillings .In light of this; the pass book above illustrates the record keeping aspect of VSLAS which happens to be a fundamental aspect of the schemes. The pass book has also gained popularity because of its simplicity in using meaning it can be used by the literate and illiterate after they have received training. The passbook is also used for tracking loans and it also contains a section where the loans are recorded as show below.

**Record of Loans**  
**Cycle Number** 1

Loan No.	Date	Amount Borrowed	Monthly Service Charge	Signed Borrower	Repaid	Signed Secretary
1	12/3/5	30,000	3,000	Monica	3,000	Helen
	9/4/5	30,000	3,000	Monica	10,000	Helen
	7/5/5	23,000	2,300	Monica	25,300	Helen

Figure 2 VSLA operating manual (Hugh et al 2002)

The diagram above illustrate the loan section of the passbook and on the illustration above the particular member borrowed a loan of 30 000 at an interest price of ten percent (10%) It is imperative that the borrower sign to accept that he/she has received the money. The secretary must also sign that he / she has witnessed the transaction. The interest is recorded in the monthly service charge section so this particular member is supposed to pay back \$ 33000 back with ten percent of the amount initially borrowed in which case is \$3000 in this scenario. Associations usually use ten percent (10%) as service charge. The loan system also allows for a member to repay the interest accrued only before paying back the initial amount which this particular member did on the association's second saving date. However because the initial amount which is \$30 000 has not been paid back the service charge applies until the member has started paying off the initial amount.

The member with the passbook above then paid \$10 000 back at the next meeting and left a balance of \$23 000 which translate to mean that another monthly service charge of ten percent will be added in which case in the scenario above it will be \$2300. This then means that for the member to settle the loan below the member will have to pay\$ 25 300 as she/he did and the loan was settled .The secretary will then cancel out that the loan has been completely repaid and sign off as illustrated above. In the case of Vheneka VSLA group has followed the system as it is and as result there has been transparency and accountability. The Vheneka group has used the passbooks illustrated above and as a result disputes in terms of transactions were minimized.

During the early stages of the introduction of the VSLAS the coordinating agency, agricultural extension officers, lead farmers and field officers take part actively in the associations

meetings; provide direction and light on aspects the association might have not grasped during training. Any concerns highlighted by the groups on issues to do with record keeping and other pertinent issues are addressed during this phase. The field officer then train the group on other aspects such as entrepreneurship .The rationale behind training VSLA associates on entrepreneurship is that group members realize the gap that has been there in their respective geographical areas in relation to business opportunities and utilize them so that they yield the full benefit of being in a VSLA. In the case of Vheneka groups were trained on aspects such as buying and selling, poultry, weaving and cross-border trade. The field officer also offer support on share purchase/savings loan fund and social fund transactions.

The VSLA training is divided into two phases which are the pre -phase graduation and the graduation phase. Under the pre-graduation phase the field officer decrease monitoring the associations. Visits will be done when associations have their monthly savings meetings but the field officer will not participate actively in the groups. However if circumstances arise whereby the group need corrections or guidance in relation to the operations then the field officer offer advice to the group. The last phase of the VSLA training is graduation phase and under this phase the groups undertake their savings and other activities for a considerably long time without technical assistance from the field officer. The field officer visit the groups mainly to collect data and monitor the group's ability to graduate from the project and operate as a stand-alone association from the implementing organization.

## 1.5 The contemporary worldwide view of village savings and lendings

The village savings and lending associations (VSLAs) have emerged as a strength to consider particularly in issues to do with providing microfinance facilities and improving the rural livelihood for the rural populace. Government institutions, funding agencies, policymakers, and donors across the globe have all engaged in efforts to make the VSLAs a sustainable form of intervention and are currently in a bid to scale up the program to the uttermost parts of rural areas across the globe in countries such as Bangladesh, Nepal, India, El Salvador and other third world countries. Murdoch (2007) indicates that a small number of recent innovations have held much hope for reducing poverty in developing countries and for the few innovations that have held hope of reducing poverty the issue of sustainability has been a problem. Specialists in the field of microfinance for the rural populaces have indicated that VSLAs have the aptitude to successfully and competently provide technical support and sustainable financial services to the poor households who are barred from the formal financial institutions for lack of collateral security.

Village savings and lending associations are perceived as an opium for financial and social empowerment of individuals and communities, creating a gateway for fundamental human development on which community based problems solving become triumphant. According to Yunus (2006) the accomplishment lie in the fact that microfinance helps in the creation of opportunities for entrepreneurship which enables the poor to get rid of unemployment and poverty by fulfilling their potential. It is known for a fact that when appropriately utilized microfinance offers a variety of benefits to beneficiaries. Schreiner (1997) posits that microfinance initiatives such as VSLAs can effectively tackle issues of poverty; lack of access to services such as health, education and the lack of income to get those particular services. According to Anyango et al (2005) VSLAs programmes have been successful to the extent that 95% of the groups have

continued to function more than two years after they have been formed and the VSLA model continues to go deeper into rural areas and serves poorer people than most microfinance models.

## **1.6 The village savings and lendings associations' progress in Zimbabwe**

The village savings and lending associations scheme was launched by Care in Zimbabwe in 1998. The program was motivated by the fact that the organization had realized that the rural populace is lacking access to formal financial institutions and in cases where they had access to them, the terms and conditions did not suit the rural populace thus there was need to introduce a financial institution whose operations would suit the characteristics and needs of the rural populace.

Village savings and lending associations are also known as ISALS, Kufusha Mari or ukhohliswana. After a successful piloting of the project, agricultural extension officers have been trained so that they scale up the programme to rural areas which did not have any form of livelihood and hence were finding access to income generating projects an impossible accomplishment. Areas which were firstly targeted are those which receive low rainfalls and hence as a result did not realize bumper harvests which resulted in low consumption of food, lack of nutritious meal and general poverty caused by a limited range of means of income. These areas are Chivi, Seke, Gokwe, Kariba and Chiredzi districts. As time went on the VSLA Success in the districts in which it was implemented made it to be piloted to other rural areas which needed access to finance services and entrepreneurial skills

## 1.7 Village savings and lending associations in Chipinge district

In 2012 Plan international piloted the VSLA program in Chipinge district in areas such as Checheche growth point, Middle Sabi and Vheneka. These areas targeted are semi-arid and because of their nature income generating projects are limited to production of cash crops such as cotton only. It is also imperative to note that these areas are near the boundaries of Chipinge and Chiredzi district and as such the climatic conditions in those areas are inclined towards the climate in Chiredzi which is not suitable for agriculture. Cotton is the only seasonal cash crop that is found in those districts and recently due to climatic changes there has been low rainfall and the only source of income which is cotton has not been sufficing the needs of the rural populace due to lack of adequate rainfall as such the rural populace faced challenges in terms of achieving a stable livelihood.

Other factors which have contributing in poverty trends in those areas are the H.I.V/A.I.D.S pandemic and natural disasters such as floods. Interventions such as conservative agriculture, irrigation schemes and food handouts provided little hope of dealing with the predicament the rural populaces in those areas were facing. Thus there was need to introduce a program such as village savings and lending associations that will enable the rural populace to harness the little they have and use channel it towards other entrepreneurial activities that would bridge the gap that the agricultural sector has been failing to do in improving the rural livelihoods of the people in those areas.

The VSLA programme strives to enable the rural populace to form strong and cohesive groups which are able to mobilize their savings which are then used for different needs such as food, health education and other income generating projects. There is a nexus between VSLAs and

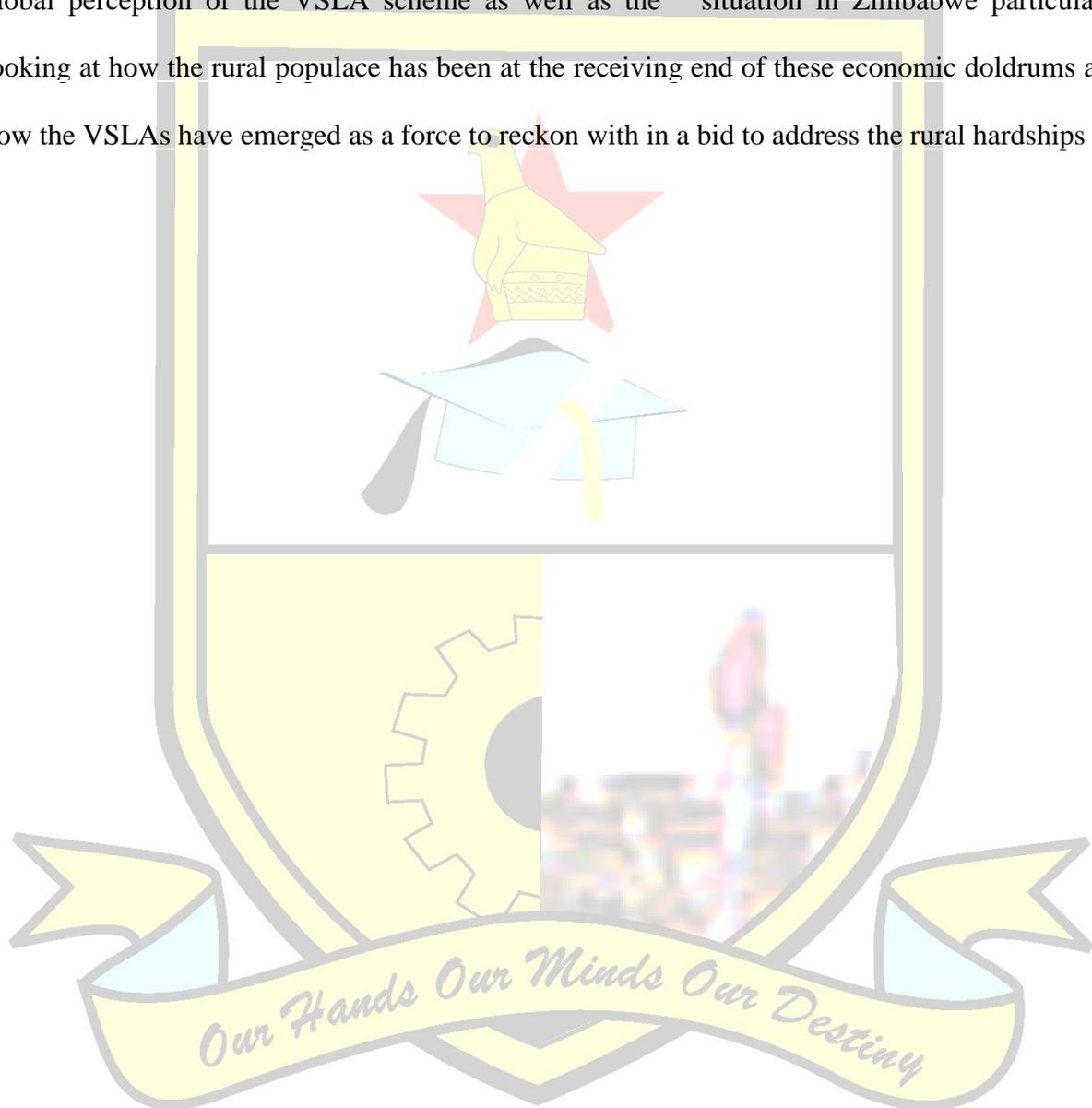
entrepreneurship in that the concept has potential of transforming the ordinary rural populace into well respected entrepreneurs because the VSLA strength is the inclusion of a component of entrepreneurship in its programme.

During the phase of implementation of the VSLAS no financial assistance is given to the associations but technical capacity only. The implementing agency therefore focuses on training the associations on mobilizing capital and how to utilize these savings in a way that will improve their livelihood. Plan international and agritex staff members trained the groups in the Chipinge district and issues that were covered under the training were selection and planning of income generating projects, techniques for running an income generating project and determining capital injection and how to realize profits.

The purposes of the training course is to assist the beneficiaries of the VSLAs programmes to select an income generating projects that is in sync with their individual characteristics after careful consideration of the technical , marketing and financial aspects of an alternative income generating initiatives as well as creating sustainability .It is imperative to note that if an element of sustainability is not taken into consideration in any rural livelihood intervention then there are is a high probability that the intervention will fail since there will be lack of continuity. In Chipinge District in Vheneka village (ward 27) five village savings and lending groups were formed in 2012 with an average number of 87 people but as time progressed the number of groups increased to eight groups with the total VSLA Members reaching 200 by mid 2015

## 1.8 Conclusion

This chapter provided an overview of the VSLAs explaining their concept that is their “modus operandi” which encompasses their governance and operations and also strived to look at the global perception of the VSLA scheme as well as the situation in Zimbabwe particularly looking at how the rural populace has been at the receiving end of these economic doldrums and how the VSLAs have emerged as a force to reckon with in a bid to address the rural hardships



# Chapter Two

## 2.0 VSLAs and its impact on rural livelihood in Vheneka Village

### 2.1 Introduction

This chapter highlighted the impact of village savings and lending associations on rural livelihoods in Vheneka. There has been a general consensus in development discourse that a sustainable livelihood is basically measured by indicators such as food, security, nutrition, employment rate, reduction in poverty and the acquiring of durable and productive assets. The chapter therefore sought to measure if the indicators of a sustainable livelihood were achieved. Through the questionnaires, interviews and desk research techniques that were used to undertake the research, the impact of the VSLAs on rural livelihoods will be presented in a descriptive nature and therefore results will be discussed and presented thematically. Findings from other scholars will be used to buttress the findings of this particular research on the impact of VSLAs on rural livelihood.

### 2.2 The Situational assessment of Vheneka area before the implementation of VSLAs

Zimbabwe's economic situation has continued to deteriorate because of a plethora of factors such as bad governance, economic sanctions, unfavorable macroeconomic policies climatic changes, recurring droughts, H.I.V/A.I.D.S pandemic and economic sanctions. According to Kadzere (2008) in the year 2008 the inflation rate had reached a startling 238 million %. Import limits caused products to vanish on almost every shop's shelf and life expectancy declined

drastically to 37 years for men and 34 years for women by 2006. Dore (2008) posits that over a third of the country's population especially those in the rural areas began to be reliant on food aid for a means of survival.

It is worth noting that the rural populace have been the most affected with these economic doldrums because of a number of factors such as the inability to have a stable source of income, lack of diversity in terms of sources of income, high levels of illiteracy in the rural areas, high levels of unemployment because of lack of decentralization of industries to the rural areas by the government as well as the inability to have access to microfinance services because of factors such as geographical location and lack of collateral security to access loans from conventional finance institutions. The Vheneka area under study has also been not spared from the difficulties that the rural populace in Zimbabwe is facing in the wake of a dilapidating economy.

The Vheneka area in Chipinge is a semi- arid area on the boundary of Chipinge and Chiredzi district that falls into natural region 5 and as a result is subject to frequent seasonal droughts. H.I.V /A.I.D.S is rife in the area leaving a considerable number of female and child- headed households who have struggled to keep up with the worsening economic hardships. The soils are also sandy making them unsuitable for a wide range of crops. It is against this background that the VSLAs have been embraced by NGO s such as Plan international in trying to provide a panacea to the problems that the rural populace have been facing.

The study revealed that levels of unemployment in Vheneka area were high prior to the introduction of VSLA as a livelihood intervention and as a people living in the area were living below the average standards of living.

The research also brought out the fact that education was not treated as a prioritization in the area before the introduction of the VSLA scheme. One of the VSLA participants Mrs Gwegweni in an interview was quoted saying

*“.... Chinhu chikuru chatinokoshesa kuwana chekudya nekuwana pekurara kana pasina madonor anokwanisa kuendesa vana kuchikoro vaitogara havo vasingaendi kuchikoro nekuti mari yekuvaendesa tanga tisina”*

Translated this meant that the only aspect that the villagers prioritized is to look for food to eat and shelter and without assistance from NGOs in terms of sending their children to school the children would stay at home helping their parents with peasant farming and household chores since there was no money to send them to school .

The study also revealed that prior to the implementation of VSLAs, access to health services has been problematic because the majority of the populace failed to meet transport costs to the clinics to get treated. In a case where some of the community members could manage to go to the clinic to seek medication they could not access some of the drugs because they were out of stock and hence there was need to go to look for the medication in pharmacies in the nearest town of Chiredzi but because of lack of money for the medication and transport they could not go to look for medication and as such the health of the rural populace was compromised. Other economic hardships the community of Vheneka faced was lack of a steady source of income, lack of a balanced diet and lack of standard infrastructure and durable assets

## 2.3 An assessment of the impact of VSLAs in Vheneka after its initiation

### 2.3.1 VSLAs and its impact on employment creation

60 % of the respondents indicated that prior to the VSLA introduction, the issue of unemployment was a problem in the Vheneka area and the lack of labour demand has been caused by a number of factors such as the lack of industries in rural areas due to economic and political crisis in the country. It is imperative to note that most of the people in the Vheneka community did not have access to formal education because of the inability of their parents/guardians to send them to school as a result of poverty and as such high levels of illiteracy were realized in the Vheneka community making formal employment difficult. Of the 67 % who indicated that employment creation in the community was a challenge 43% indicated that at times piece jobs were available on nearby growth points and farms but the wages were little as unskilled labour does not attract wages which are enough to earn them a decent living.

It is of paramount importance to note that there is a nexus between unemployment and poverty and a situation whereby the rate of unemployment is low in a certain area will translate to high levels of poverty in that particular area. The research revealed that the VSLAs scheme had been paramount in bridging the gap of unemployment in the Vheneka area. A response in one of the questionnaires indicated that the VSLAS have been of immense benefit to the community of the Vheneka area by creating employment in a way the community never anticipated

*“Kufusha mari kwakaita kuti ndikwanise kuvhura tuckshop yangu muno maVheneka kubudikidza neloan yandakatora. Ndakutomuka ndichiendawo kubasa zvandanga ndisingamboiti makore ese apfuura. Nditorine vanhu vaviri vanondishandira mutuckshop yangu”*

Translated the statement means that the VSLA scheme has enabled this particular VSLA group member to obtain a loan and open a tuck shop and the participant now wakes up every day with some form of employment. The participant also mentions that he has been able to employ other two people to work in his tuckshop. This therefore shows that the VSLAs have not only created employment opportunities for people who are directly in the VSLAs scheme but the programme has also had a ripple effect on other members of the community creating employment opportunities for them.

Another respondent Mrs Kampala also commented on the opportunities that VSLAs had brought about positing that the VSLAs have not only created employment opportunities to people benefitting directly from the scheme but also other members of the Vheneka community at large stating that through the loans they borrow from the VSLA schemes they have secured labour to plough in their fields whilst they undertake other different income generating activities and those people who are hired to plough the land have benefitted since prior to the VSLAS they were idle and with the introduction of VSLAS they have managed to generate income thereby improving their standards of living through access to basic health care and an improved consumption of food.

The study also revealed that the creation of employment opportunities by VSLA have reduced the level of poverty in the Vheneka area. 50% of the respondents revealed in the questionnaires that the level of poverty has significantly lowered because of the employment opportunities the VSLA scheme has created for them. Worth mentioning is the fact that the strength of the VSLA scheme is based on the component of equipping its participants with business skills. Previous rural livelihood interventions such as irrigation schemes, conservative agriculture and nutritional gardens lacked the aspect of teaching the rural populace business skills as such all the profits and

income realized were consumed on aspects such as food, clothing, agricultural inputs and other household basics in a hand to mouth scenario left the rural populace with nothing to save and as a result the rural populace's capacity to cope up with uncertainties such as droughts, shortage of food, emergencies such as sickness and death of a family member diminished.

Ten percent (10%) of the respondents in the questionnaires administered brought out the fact that as a result of the entrepreneurial activities that they are undertaking, they have gleaned the importance of access to health facilities especially in the area of maternal and neo-natal care. Prior to the introduction of the VSLA scheme, transport expenses and money to buy medication was a challenge but with the introduction of village savings and lending associations the rural livelihood of the people of Vheneka has improved with people seeking access to primary health care since they have now have a stable source of income from their entrepreneurial endeavors.

65 % of the respondents interviewed stated that the VSLAs impact on rural livelihoods has been significant because through loans borrowed from the group they were able to establish a nutritional garden and resuscitated a dysfunctional borehole so that they have a source of water and sell the vegetables to nearby markets. Of the 65 %, five of the respondents stated that they grow vegetables and then sell the produces themselves creating self-employment. It is important to note that the VSLA program's impact on creating employment has made significant impact on the livelihood of the Vheneka VSLA community because they have mitigated the risk of failing to have a stable livelihood. Ksoll (2013) also comments on this stating that the rural communities are characterized by long time spans between agricultural input and output and between these spans lies uncertainty in terms of weather and rainfall patterns thus there is need to have a livelihood strategy that will facilitate the ability to smooth consumption, access to credit

and provide a channel for risk coping strategies which are important under these circumstances and VSLAs can be deemed as the rightful intervention.

The study also revealed that employment has been created through starting businesses such as poultry. Prior to the training of VSLA members on entrepreneurial skills the Vheneka community did not have a culture of saving or any entrepreneurial mindset and as such any livelihood intervention introduced to them lacked sustainability. Niyibizi (2014) also supports this assertion positing that the VSLA methodology has helped the poor and vulnerable to create new sources of regular income in order to ensure long term and self – driven satisfaction of basic needs like health and education.

### **2.3.2 VSLAs and its impact on food security**

Food insecurity is considered to be a situation whereby a particular community, household or individual is not capable of producing or securing enough food for consumption or sustenance. 100% of the respondents of the questionnaires concurred that food insecurity has been a challenge in the Vheneka area because of the climatic conditions in the area which are not suitable for crop production. The recurring droughts caused by low rainfall have been a major characteristic of the Vheneka area and it landed the majority of the households in a deep state of food insecurity to the extent that made the rural populace of the Vheneka area to be food insecure and as such there has been an exodus of male household heads migrating to neighboring countries such as Mozambique and South Africa with the anticipation that if employed they will send money for food to their families.

The Exodus left a lot of female headed households and child –headed households who failed to cope up with the food security challenges and thereby have relied on food aid and hand –outs from donors but this has proved to be not sustainable as funding on the side of NGOs have depleted and as such leading to starvation of the majority. The study also revealed that the issue of girl child marriages had become rampant in the Vheneka area and this was caused by impoverished households who in a bid to find food to eat for survival would engage in girl -child betrothals in exchange for food.

The W.F.P report of 2011 states that the food security situation in Vheneka area also exacerbated the H.I.V /A.I.D.S scenario in that members of the community started engaging in prostitution for a means of survival and also the lack of a proper and balance meal for already infected people exacerbated their health conditions. However with the introduction of the village savings and lending schemes , VSLA members started to combat food shortages crisis by taking out loans and engaging in income generating projects such as poultry, sewing, animal husbandry and other small income generating projects ninety percent( 90%) of the respondents in the interviewees indicated that through the income they realized form the end of cycle –share out of VSLAS they established a bakery and now bake and sell bread to the nearest town of Chiredzi and the profits they acquire are now used to buy food and other basic necessities .

One person (5%) revealed that the issue of girl child marriages has reduced significantly due to the fact that most of the households are now food secure and a result they no longer have to resort to desperate means of trying to be food secure such as girl child betrothal to old affluent businessmen of the community. The study also revealed that the number of meals consumed per day had increased to three meals per day . 15 % of the respondents in questionnaires postulated that the prior to the implementation of VSLAS they could only manage to have one or two meals

per day but since the time they joined the VSLAs they have borrowed money from the groups and have engaged in entrepreneurial activities such as honey making that they were taught and have managed to realize profits. From these profits the VSLAs members have managed to buy food and have managed to have balanced meals have been realized in most of the households. Mrs Mbiro the secretary of the VSLA group in Vheneka was quoted in the interview process speaking on the issue of food security saying

*“ Kubudikidza nemukando tava kukwanisawo kudya katatu pazuva. Tinorima mugarden medu tichitengesa zvirimwa zvacho uye vana vavakuendawo kuchikoro vadya bota. pamusoro paizvozvo tava kukwanisa kurongedzera vana chekudya kuchikoro panguva yebreak”*

When translated the secretary was saying through the VSLA scheme most of the households in the Vheneka area are now managing to have three meals per day because through the nutritional gardens they have sold vegetables and released profits therefore parents/ guardians of children who are of school- going age are now managing to cook porridge and sent children to school with something to eat at lunch breaks.

The research also revealed that the general nutritional status of the populace in Vheneka area had improved as the projects that the village savings and lending association's group members had initiated were realizing lucrative profits benefitting not only the VSLA members but the Vheneka community at large. Ten percent (10%) of the respondents also commented on the issue of the benefits of the VSLA scheme in terms of improving food security and nutrition stating that the strength of the VSLA methodology is that through the income generating activities they have started , a lot of people in this area have benefitted because they now source labour to help them because the amount of work will be too much for them and as such the people who provide

labour to them might not be in direct engagement with the VSLAS and through the payments they make to them they have benefitted also and have improved their food security status as well as their nutritional status.

### **2.3.3 VSLAs and its impact on poverty reduction**

Poverty can be described as the general scarcity or a state whereby one lacks a certain amount of money or material possession. Poverty has been a perennial feature of most African rural areas. (Ksoll 2013) states that almost seventy percent (70%) of the world most impoverished people live in rural areas. It is important to note that whilst the eradication of poverty has remained one of the most critical goals under the development millennium goals ,a lot of factors are still attributing to the high levels of poverty in rural areas such as financial illiteracy, recurring droughts, lack of diversification but the prime factor has been the notion that most rural communities are not credit worthy and they engage in informal economic activities to the extent that banks and financial institutions have seen it as highly costly to serve the rural areas. Basically there are two types of poverty which are absolute and relative poverty.

Absolute poverty can be defined as the condition under which one cannot afford the minimum provisions needed to maintain health and working efficiency whereas relative poverty can be best defined as an individual or group's lack of resources when compared with that of other members in the society as such the impact of the village savings and lending associations on poverty will be measured using both the relative and absolute means of defining poverty depending on the context of the given situation .

The Vheneka rural area has also been not spared from the ties of poverty due to factors which have been cited above .The researcher observed that the VSLA program had gone a considerable

length in dealing with the issue of poverty. Prior to the introduction of village savings and lending associations most of the households in Vheneka area had thatch roofs, poor ventilation and cow dung floors but as a result of the VSLA most of the houses now have cement floors, iron sheets and proper ventilation .An observation made by the researcher also revealed that some successful group members had managed to electrify their houses through the profits they realized in VSLA end of cycle share out. 50 % of the respondents stated that as a result of the VSLAs implementation the household income had doubled to about three U.S dollars per day. The respondents cited that prior to the introduction of VSLAS they would live on almost a dollar to less than a dollar per day since they did not have a regular source of income but with the coming of village savings and lending associations, the rural populace of the Vheneka community have managed to venture into income generating activities which have elevated their economic and social status to the extent that they are able to afford basic necessities such as food.

The researcher also learnt that the VSLAs have reduced poverty to the extent that the majority of the rural populace no longer suffered from malnutrition due to a lack of a proper and balanced diet. Prior to the introduction of VSLAs the health of the community was deteriorating remarked one of the VSLA participants who happen to be a health care worker. The researcher also observed that durable assets were accumulated a result of the VSLA scheme. Durable assets that the VSLA community accumulated were scotch –carts, wheelbarrows, ploughs and other assets which add value to the economic status of and individual. In a interview carried out by the researcher on 24 September 2015 a VSLA group member Mrs Mahachi a widow had this to say

*“ndinoda kutenda mufushwa kubudikidza nezvauri kutiitira mudunhu rino rekwaVheneka. Zvekufusha mari zvandibatsira chaizvo . Mufushwa usati wavapo ndairima kubukidza*

*nekukumbira magejo avamwe asi nekuda kwemufushwa ndakakwanisa kutenga gejo rangu rekurimisa, chikochikari nemombe dzekurimisa . nhasi ndavakukwanisa kuzvirimirawo pasina kukumbira zvinhu zvevanhu uye vanhu vava kundiremekedza”*

Translated the interviewee acknowledge that the VSLA have gone a considerable length in lifting the Vheneka community from the poverty situation they have been in . Prior to the implementation of the VSLA program the interviewee did not have any form of durable assets because she had no economic capacity to buy things for herself. Mrs Mahachi was a widow whose husband had died five years ago she was struggling to provide for her children and build reputable assets for herself and thus when it came to farming seasons she had to rely on borrowing ploughs, wheelbarrows ,cows and scotch cards from neighbors. But through the VSLA she saved little by little until she was able to borrow a considerable amount of money to buy her farming equipment and because of VSLAs she does not rely on borrowing anymore when it comes to farming, fetching water or other tasks that need assets such as scotch-carts and wheel barrows. This has given credence to the sustainable livelihood framework which indicates that physical capital is of paramount importance to the achievement of a sustainable rural livelihood framework. Thus from this one can note that the VSLA has been effective in providing durable assets to the rural populace of Vheneka community.

The researcher also observed that assets such as livestock had increased for people who are directly in contact with the VSLA scheme. Half of the respondents of questionnaires that were administered to the selected sample concurred unanimously that through the VSLAs they have managed to save and took loans which they have utilized by buying livestock such as sheep, goats and cattle. Furthermore the respondents have cited that with the increasing number of livestock they have resorted to selling their livestock to butcheries and make profits which are

then used in improving the standards of living in the area such as sinking boreholes and electrifying their houses. In light of this I can confidently state that the VSLAs have made impact in terms of improving the livelihoods of people in the Vheneka area.

Other notable changes to the rural livelihood of the people in the Vheneka area that were observed were that there is now presence of positive –health seeking behavior because the general standards of living for the people in Vheneka has improved and disposable income has increased people have generally set a precedence of seeking medical attention whenever it warrants to do so. Prior to the introduction of the VSLA scheme which paved pathways for IGAs most households were financially strapped and as a result did not seek treatment hence endangering their lives. Thus in light of this it can be noted that the right to health services has been realized as a result of the Village savings and lending associations.

The researcher also observed that the VSLAs had made an impact on the rural livelihoods in terms of improving the water and sanitation situation of the Vheneka area. With the coming of Village savings and lending associations people have managed to sink boreholes on their homestead hence having access to clean and safe water. Before the introduction of the income generating activities scheme by the village savings and lending associations people used to fetch water from the nearby Save river which is dirty and contaminated but with the VSLAs people have resorted to drinking clean and safe water.

The VSLAs methodology of social fund has also improved the livelihood of the rural populace in that usually the social fund is given as a grant to a VSLA member especially on issues to do with health and other crises which might warrant social fund thus if a member's health situation is prioritized when that particular individual's health is sound then the member will be able to

engage in entrepreneurial activities that will lift him / her out of poverty. Sixty percent (60%) of the respondents commented on the impact of the Village savings and lendings social funds bringing out the fact that not only has social fund benefited the VSLA members directly but other members of the Vheneka society especially the disabled and the old have been given social fund proceeds for their upkeep and this has improved their livelihoods significantly as they now also have enough food to eat and clean, safe water to drink , improved infrastructure and access to health services thus for this it can be noted that the social fund has also had a positive spillover effect to the rest of the Vheneka community as a result improving their economy .

### **2.3.4 VSLAs and its impact on education**

Education is an important tool in achieving a sustainable rural livelihood. The sustainable livelihood framework echoes that development of human capital is essential in achieving a sustainable rural livelihood. The researcher noted that most VSLA members were prioritizing sending their children to school. The researcher also observed that VSLA have been influential in the rate of attendance of children to school. In the questionnaires administered to the selected sample 15% of the respondents stated that prior to the introduction of village savings and lending groups education was not prioritized especially early childhood education (E.C.D) because of lack of money to buy food, uniforms and other expenses that are associated with putting a child in school but with the coming of VSLAs the community has managed to prioritize putting children into school.

60 % of the respondents also noted that VSLAs have made a significant impact in terms of prioritizing sending their children to school. With the coming of VSLAs members took loans and send their children to primary and secondary schools thereby upholding every child's right to

education. The researcher also observed that children are now going to school with the appropriate uniform and shoes required by different respective schools in the Vheneka Communal areas. Mrs Mwarota a grandmother and guardian to two children was quoted in the interview held by the researcher saying

*“Kufusha mari kusati kwavapo vazukuru vangu vanga vasingazivi kunonzi kuenda kuchikoro vakapfeka shangu. Chandaitoshingirira kuita kuvatsvagira mari yekuti vaende kuchikoro sezvo ndisingashandi asi kubudikidza nekufusha mari ndakatora chikwereti ndikatanga kutenga ndichitengesha iye zvino vazukuru vangu vakuenda kuchikoro vane uniform yakakwana neshangu dzechikoro”*

Translated, Mrs Mwarota a grandmother to two grandchildren who lost her children to the H.I.V/ A.I.D.S pandemic says before she decided to join the VSLAs the only thing she prioritized was making sure she looks for money to pay fees for her grandchildren and as result her grandchildren went to school barefooted but with the coming of VSLAs she borrowed money and started a small business of buying second hand clothes “mabhero” in Mozambique and selling them in Chiredzi and the surrounding areas of Vheneka hence she is now able to buy the appropriate clothing and school shoes for her grandchildren. One respondent cited that the VSLA scheme has facilitated the development of her educational status. In an interview conducted by the researcher Chipu Tichawangana stated that:

*“The VSLAs have facilitated my dream of going to a teaching college true. Having passed my ‘O’ Levels I could not proceed with education because of finance issues but with the coming of VSLAs I have managed to raise money and started a business of buying clothes at the Mussinna border post and selling them in my area and I have managed to raise my school fees for the first year and I will continue engaging in buying and selling until I have finished my teaching course.*

This clearly brings out that the impact of the VSLAs to the rural livelihood has been positive as a range of factors that kept people in absolute or relative poverty has been eradicated with individuals now able to advance themselves educationally and this has also given credence to the sustainable livelihood framework which also cites human capital as imperative to a sustainable rural livelihood.

### **2.35 VSLAs and its impact on cross-cutting issues such as gender equality**

Topical issues that were also brought about in the interview held by the researcher are that the VSLAS have also helped in promoting gender equality. According to Hugh 70 % of VSLA members worldwide are women and because of the successes that the VSLAs have made in terms of the impact of rural livelihoods across the globe. Men have started respecting women because of the contributions they make to the household income. One interviewee Mrs Masuka stated that

*“Since I joined VSLAs the element of gender equality has prevailed in my house. My husband now consults me on major decisions affecting our livelihood as a family. I think this is chiefly because he now realizes that through the poultry project I have embarked on I now make valuable contributions to the family and our standard of living has improved and as such iam no longer treated as a child – bearing machine whose duties is to bear children only and not to make vital decisions which affect my life and I want to thank the VSLA program for closing that gender gap which had long exisisted not only in my family but in other women’s houses as well”*

Thus from this it can be noted that the VSLA has also acted as a conduit for gender equality issues. Martins (2015) also comments on this issue bringing out that VSLAS have boosted confidence in women and because of the economic empowerment that the women now have they

can also have access to political decision making structures of the society because recent studies have shown that the reason why women have been failing to be actively involved in political decision making is because of the lack of a solid economic base and VSLAs have closed that gap.

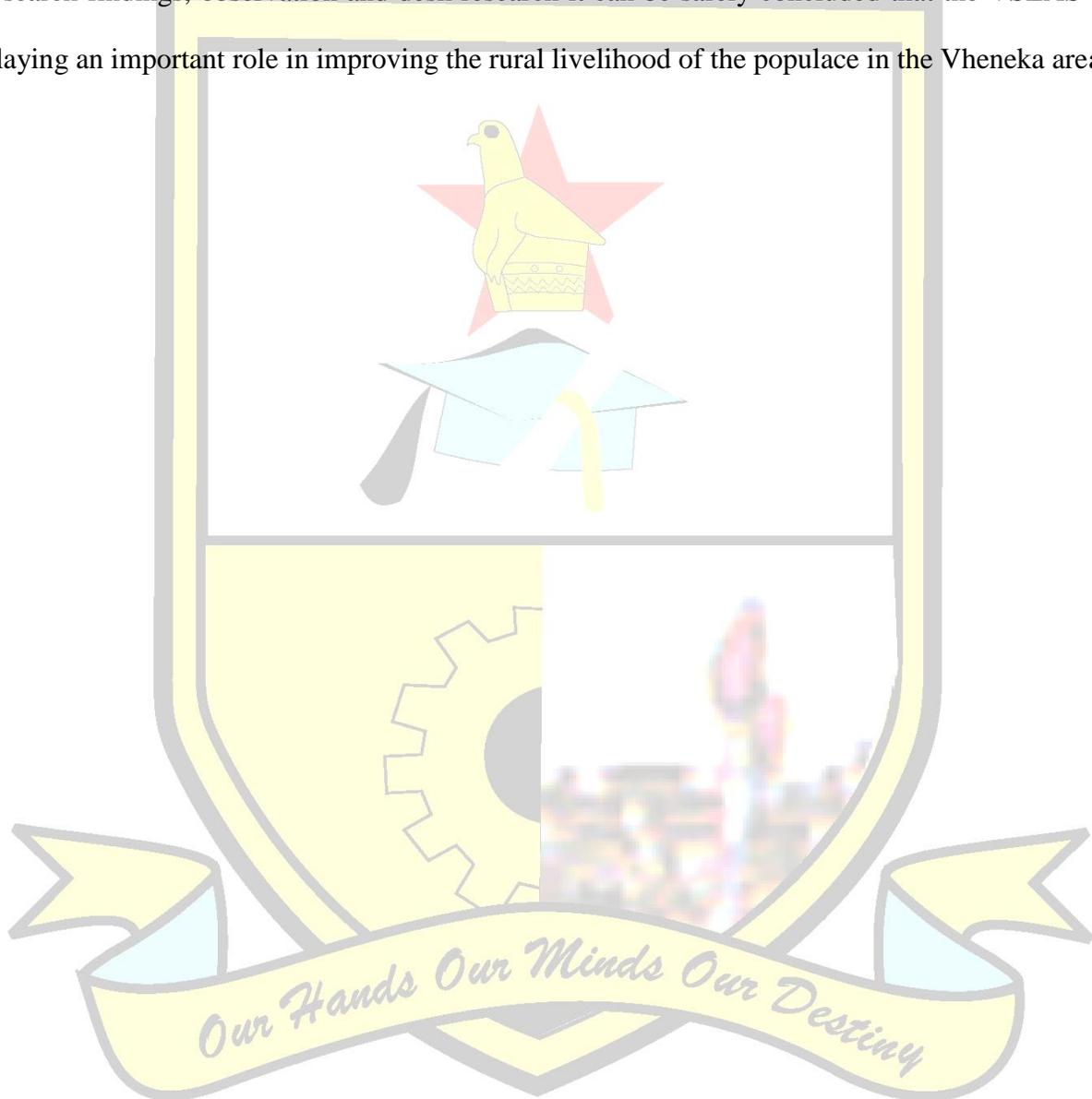
The study also revealed that VSLAs have also made impact on issues of maternal and neo-natal care. As groups make their monthly savings, cross-cutting issues of maternal and neo-natal care are discussed since most of the VSLA group members are women and as such there has been a positive response in term of positive –health seeking behavior, home births have significantly lowered and safe births at hospitals are now being realized. The study also revealed that the level of respect especially for people who are directly involved with the programme has improved. One respondent in an interview was quoted saying:

*“Before the implementation of the VSLAS I was not respected in the community because I had nothing then I decided to join VSLAs and now I have improved my standards of living and no longer live in absolute poverty and as result people are now respecting me.*

Hamadziripi (2008) also comments on the issue of respect that VSLAs have brought about and have postulated that VSLAs have been fundamental in earning its members self respect because their living standards have improved. The sustainable rural livelihood framework also reinforces this aspect citing social capital as fundamental to the achievement of rural livelihoods.

### 2.3.6 Conclusion

The chapter provided a comprehensive analysis and explanation of the impact of village savings and lending associations on the rural livelihood of the people in the Vheneka area. From the research findings, observation and desk research it can be safely concluded that the VSLAS are playing an important role in improving the rural livelihood of the populace in the Vheneka area.



# CHAPTER THREE

## CHALLENGES AND PROSPECTS

### 3.0 INTRODUCTION

This chapter concentrated on the challenges that the VSLA program has faced in their pursuit to make an impact on rural livelihoods in Vheneka. Outstanding challenges that were noticed by the researcher during the study include issues to do with governance, management, loan reimbursement and limited product contribution. The chapter also however looks beyond these challenges and provide future projections of the village savings and lending associations.

### 3.1 CHALLENGES FACED BY VSLAS IN VHENEKA AREA

#### 3.2 Operational challenges

Lack of a clear set of guidelines and roadmap is one of the limitations that the VSLA group in Vheneka has faced. A scenario whereby more powerful members exploit the loan fund by taking more than what their shares stipulates them to take has been noticed by the researcher. In the case of Vheneka group there were VSLA members who had become exceptionally powerful to the extent of leading to an upset in the balance of power and this led them to bend the rules such as taking out loans whilst they still had other pending loans. The researcher suggests that controls such as restricting loans that are three times the shares of an individual member should be put in place. Another issue pertaining to governance of the VSLAs is the fact that VSLAs depend on

members' saving capacity to provide the association's lending capital and a scenario whereby loan demand by members transcend the availability of money was noted by the researcher through interviews done. VSLA members of the Vheneka group reached a certain point whereby some members did not buy shares as stipulated by the constitution and the group condoned the behavior which ultimately led to a deficit in loans. The researcher suggests that to guard against this there is need to make sure that at every savings meeting every group member buys a share and the savings should be left to mature until a certain prescribed time and this will help in mitigating the cited challenge.

VSLAs should be in such a way that linkage to formal financial institutions such as banks is established because one of the limitations that the researcher saw in terms of VSLA operations is that other members need linkages with formal financial institutions and as such the VSLA current operations were not catering for those individual needs. The researcher also saw that the limitation that the VSLAs to some extent is facing is that savings are interrupted at the end of year share –out and to some extent it interrupts member's efforts over time to accumulate large amounts of capital. The researcher suggests this limitation can be controlled by ensuring that at the first meeting after the end of cycle share –out meeting when groups start over again savings are re-invested at a higher amount than the normal monthly amount if it was not used for other needs and income generating activities. The segregation of poor members of the community is also one of the limitations that should be guarded against in the operation of VSLAs in Vheneka

### **3.3 The challenge of the multi –currency system**

The challenge of the multi currency system is one of the limitations that the researcher noticed in terms of the operations of the VSLA system. Whilst the introduction of the multi-currency system brought hope and stability to the economy, it has affected other institutions particularly the Village savings and lending associations. Twenty percent of respondents in the questionnaires that were provided during data collection cited the multi –currency approach as one of the challenges that the group has faced particularly on issues of the ever changing exchange rate of the south –African rand, Botswana Pula and the Zambian Kwacha. In the case of Vheneka, disputes have escalated over the exchange rate of the different currencies and this has affected the operations of the group. The researcher recommends that one type of currency be agreed on by the group

### **3.4 The Challenge of loan reimbursement**

The problem of loan repayment by some members in Vheneka is one of the limitations the researcher noted. From an interview conducted with one of the VSLA participants it was revealed that whilst members know that they are obligated to repay back loans, scenarios whereby the payment of loans has been omitted has been seen. One VSLA member is said to have taken a loan and failed to repay back the loan at the stipulated time. After having been quizzed for some time in relation to paying back the loan the member is reported to have run away from the Vheneka community. A police report was filed in accordance to the constitution of the group but the member is still at large with reports indicating that the member had run away to South Africa.

The problem of loan repayment has been attributed mostly to the fact that people borrow money without investing it in a project for purposes of yielding profits and when loan repayment is due there is a possibility that they might not be able to repay back the money. The researcher strongly recommend that members should not borrow money that surpasses their shares so that when a situation arise where repaying back loans become a burden members can simply cede their shares with the same value of the amount they borrowed. The researcher also encourages the starting up of income generating projects as trained under the VSLA methodology so that when due time to repay back loans comes, individuals will not struggle in paying the money back.

### **3.5 VSLA's lack of integration with other rural interventions**

The researcher also observed that Village Savings and Lending Associations lacked the element of integration with other development interventions. VSLA should be in sync with any development initiatives that are rolled out in the community for a better rural livelihood. In the case of the Vheneka VSLA group, the researchers found out that the VSLA members tend to incline towards VSLAs only and were reluctant to try other rural livelihood interventions yet a better rural livelihood can be achieved if the programs work hand in hand.

VSLA members interviewed noted that other NGOs such as World Vision, Care International and the Norwegian Refugee Council had introduced other rural livelihood interventions such as the livestock pass on model, honey making projects, conditional and unconditional cash transfer projects and other livelihood interventions but they were reluctant to participate in these projects because they felt VSLA alone would enhance their better standards of living thus there is need

to train the VSLA members on integration of VSLA with other projects for the realization of a more diverse rural livelihood in Vheneka.

### **3.6 VSLA's lack of playing a role in mindset change**

VSLAs have failed to encourage other members who are non-VSLA members on the benefits of joining a VSLA association. In the case of Vheneka the researcher noted that non-VSLA members were reluctant to join the Village Savings and Lending groups despite substantial evidence available of how VSLAs had contributed to rural livelihoods. This was because of factors such as patriarchy, religion, culture and other hindering factors. VSLA members in Vheneka especially women noted that some of their friends had told them they were not able to join Village savings and lending groups because their husbands told them that they will be taught radical feminist ideologies during savings meeting and as such they would not allow their wives to join VSLA groups. Thus there is need for VSLA group members to play a role in mind set change of other community members who might be hindered from joining VSLAs. This can be done through awareness campaigns, dramas, teachings and using role model VSLA members in order to change the mind-set of the community at large.

### **3.7 Conclusion**

The researcher noted that the VSLAs had made a remarkable impact on the rural livelihood of the Vheneka community and the indicators which were noted are as highlighted below:

- Ninety percent of the respondents responded that their household income had improved and the standards of living for their respective households had improved as a result of their participation in village savings and lending associations.

- Fifty percent of the respondents stated that their food security status had improved and the number of meals taken per day had increased to three and they now have a balanced diet.

- The attendance rate of children to school had improved particularly at E.C.D level as well as the quality of clothing of the general population of school going age in the Vheneka area.

- Access to health facilities had improved as a result of positive health seeking behavior in Vheneka area.

- Income creating ventures had come to life in Vheneka and the employment rate had improved especially in the informal sector.

- Mutual decision making within family systems had improved and the level of respect for VSLA members had improved in the Vheneka community

In sum the study figured out that rural communities have faced considerable livelihood challenges that range from food insecurity, unemployment, lack of access to financial services, malnutrition, poor social relations and high levels of poverty. Thus in light of the adversities the rural populace of Vheneka were facing, VSLAs were established to curtail these challenges. Practical evidence collected by the researcher have shown that VSLAs have to a great extent proved to be a panacea to the rural livelihood challenges that the Vheneka community has been

facing as evidenced by the fact that employment was created through income generating projects, there was reduction in both relative and absolute poverty, increased household food consumption and as a result there is need to scale up VSLAs in other communities so that the rural populaces realize better standards of living.



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# APPENDICES

## Appendix 1: Questionnaire for Vheneka VSLA members

Anesu Abel Zimunya is a student at the Midlands State University undertaking the Bachelor of Arts honors degree in development studies. He is carrying out a research project on the impact of village savings and lending associations on rural livelihoods .Please respond to the following questions as possible as you can. NB: All the information acquired during this interview will be solely used for study purposes only.

1 .Sex of respondent: Female  Male

2 .Age of respondent: Below 25 years  25 to 40  40 and above

3. What it is the sex of your household head: Female  Male

4. What is the total number of individuals in your household?

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5. What is the name of your savings group?

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6. When did you establish your savings group?

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7What influenced you into joining a savings group?

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8. What have been the main loan utilization purposes?

9. What benefits have you realized by being in a village savings and lending group?

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10. What do you consider as the rural livelihood challenges you have been facing in Vheneka area?

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11. How has the savings and lending group (VSLAs) addressed these rural livelihood hardships?

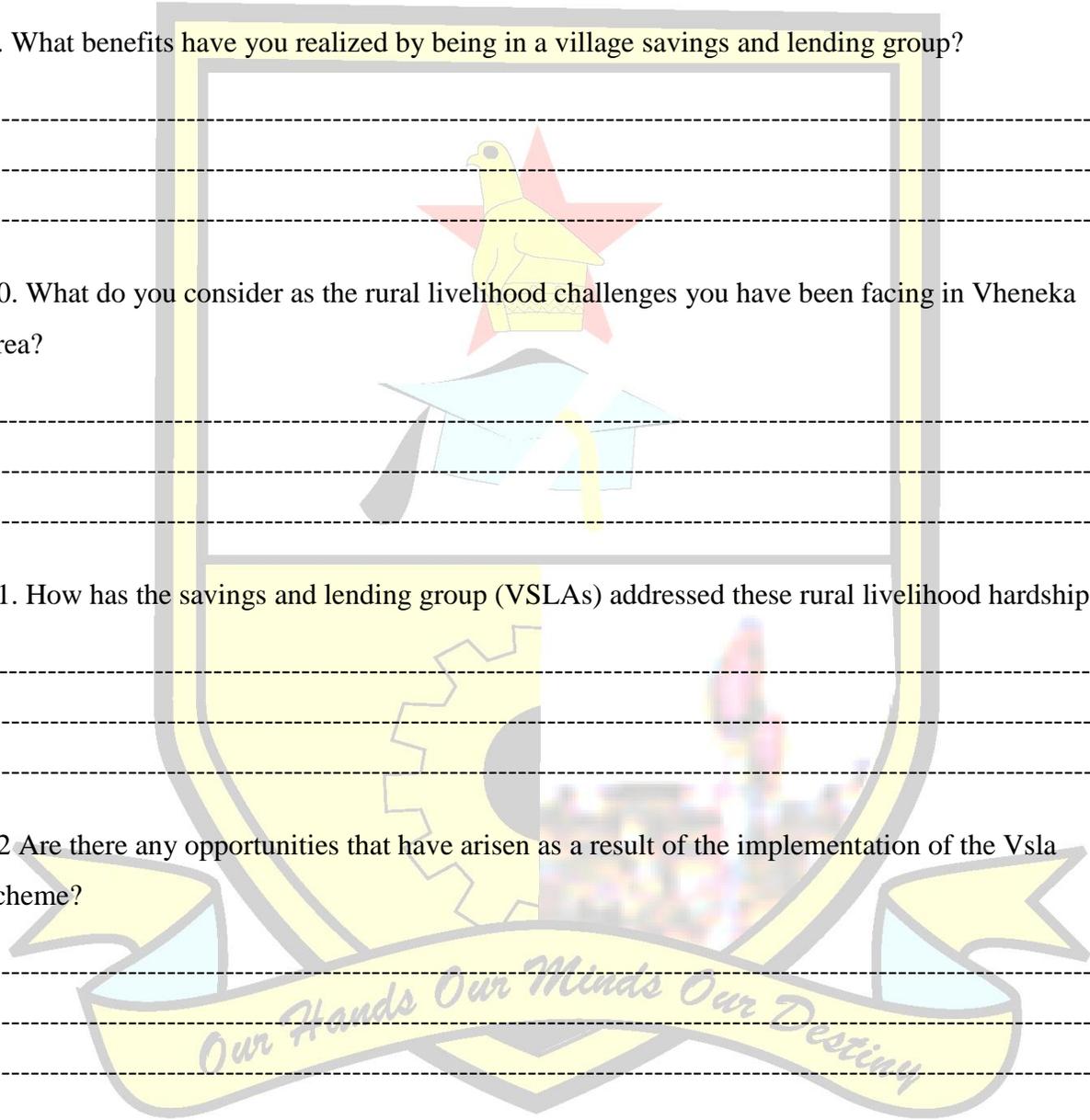
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12. Are there any opportunities that have arisen as a result of the implementation of the Vsla scheme?

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13. Have you made impact in household decision making decisions since you joined the savings group?

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14 What changes do you expect in terms of Vsla implementation?





5. What were the major uses of this income? What platforms did your group use to save?

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6. How have these services been useful/ how have you made use of these services?

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7. What are the major loan utilization purposes?

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8. What changes have been brought about at household level? In the community?

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9. What OTHER changes have been brought by participation in savings groups? (*Health services, Access to food etc.*)

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10. How has participation led to changes in decision making at household level? (*Financial decisions, allocation of household labour, Income generating activities, Health decisions*)

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