

**UNIVERSITY OF AGDER**

**A case study of a Village Saving and Loan Association and its relation to  
poverty reduction among rural households in Kyabakara, Uganda**

**BY**

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The master thesis is carried out as part of the education at the University of Agder and is therefore approved as part of this education. However, this does not imply that the University answers for the methods that are used or the conclusions that are drawn.

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## ***DEDICATION***

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***DECLARATION***

I BusingyeKampemukaSchola hereby declare to the best of my knowledge that the master thesis entitled, “**A case study of a Village Savings and Loan Associations and its relation to poverty reduction among rural households in Kyabakara, Uganda**” is my original work, which has not been presented before to any institution for any academic award other than University of Agder.

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***LIST OF ABBREVIATIONS***

ASCA	accumulative savings and credit associaton
CCP	Community Contact Persons; they are community based, selected and trained persons to keep coordinating VSLAs with the mother NGO. These persons are selected from within the community, and they are designated to a couple of VSLAs in one geographical area.
CDA	Community Development Assistant
COVOID	Community Volunteer Initiatives for Development
NGO	Non-Government Organisation
IGAs	Income Generating Activities
SHG	self help groups
VSLA	Village Savings and Loans Association

### *Abstract*

Village Savings and Loan Association, (VSLA) is a microcredit financial service program which was launched in 1991 by CARE International. Today, the methodology has appealed to most rural poor populations and Sub Saharan Africa inclusive. As a result several studies have been and continue to be carried out to substantiate benefits accruing from participating in VSLAs. And although literature indicates a positive relationship between VSLA participation and poverty reduction, each study has its uniqueness and intensions. This study therefore, intended to add to the vast information by assessing the contribution of one case of KyabakaraKweyamba VSLA located in Kyabakara sub-county, Rubirizi –Uganda, in reducing poverty among its members and their households, using both quantitative and qualitative data from focus group discussions, key informants and household surveys. The study uniqueness lies in its sample which involves VSLA members and then for triangulation purposes their spouses are not left out. And for reliability purposes, local NGO leaders, local and district administration and leadership are brought in the study. Focussing on poverty reduction through asset building, welfare improvement, risks and emergency management; the results suggest that participation in the VSLA has an overall positive effect on various indicators of individual and household welfare. That is, on investment level in assets, income-generating activities (IGAs), education expenses, access to health services, nutritional diet and quality of housing and life. These are promising results given that the VSLA members are self- reliant, without outside/donor hand outs. And the sense of ownership that ensues is also significant for sustainability. More importantly, the VSLA model gives hope for the financially excluded, and a foundation for other development programs targeting the rural poor.

## CHAPTER ONE:1.0 INTRODUCTION

Over the past twenty years microfinance has become one of the hottest topics in development. The reason for this popularity resides in the potential of micro finance to empower people get out of poverty and thus not be dependent upon hand outs. Due to the successes associated with microfinance more simplistic forms of micro finance like village savings and loan associations have emerged. In 2007, more than 100 million of the world's poorest families received a microloan (Daley-Harris 2009, p1). *Chen, S. and Ravallion, M. (2010), in Pedro. O, Kathleen B, Carlos. S, and Hiroki U (2013)* stated that the world witnessed an unprecedented pace of poverty reduction over the last decades - the number of people living in extreme poverty being reduced by more than 700 million. Although, most of this drop in poverty occurred in China and India and other transition countries, leaving the rest of the developing world, including Sub-Saharan Africa with only limited reduction in poverty. Individuals living in extreme poverty today appear to be as poor as those living in extreme poverty 30 years ago, *(Pedro et al 2013)*. Consequently approximately 1.2 billion people remained entrenched in destitution in 2010, *Chen, S. and Ravallion, M. (2010), in Pedro et al (2013)*.

*Over the last decades several* micro loan programs have gained momentum in developing countries particularly targeting those overlooked by formal financial services. According to Manfred Zeller (2001), narrowing the gap between the poor and non -poor requires increasing accessibility and availability of financial services for low income people and the enhancing of their ability to find employment, to connect to markets and to own productive assets such as land. As the numbers of micro loan programs continue to take root in the poor populations, so is the curiosity to understand how the poverty conditions are improving. Although it is difficult to isolate the cause effect relationships, existing studies so far, show that there is significant improvements as a result of micro loan program participation, specifically in poverty reduction by promoting income generating activities (IGAs), household assets accumulation, and initiatives to reduce risks and emergencies.

### 1.1 Defining key concepts

**Poverty reduction:** a sustained decrease in the number of poor and the extent of their deprivation. Poverty reduction places focus on people's capabilities to avoid, or limit, their deprivation; improving the social, economic and environmental conditions of the poor and their access to decision making, (Canadian International Development Agency, (CIDA) 2012)

**Microfinance:** may be defined as the supply of financial services including savings, credits, insurance, and money transfers to microenterprises and poor households (*Danish Forum for Microfinance Guidelines 2010 in Pors. K.*, 2011)

**Savings and loan associations** is one form of microfinance and can be described as organised group of ten to thirty members who in regular meetings pool their own savings, use their own savings as credit and collaborate to sustain systems that enforce transparency and repayment, (*Danish Forum for Microfinance Guidelines 2010 in Pors. K.*)

**VSLAs –Village Savings and Loan Associations (VSLA)** is one approach of savings and loan association. VSLAs are informal self-managed groups that do not receive any external capital and provide people with a safe place to save their money, access small loans, and obtain emergency insurance, (MasterCard Foundation, n.d).

### 1.2 Statement of the problem

In 2012, Uganda was ranked 161<sup>st</sup> among 187 countries on the United Nations Development Program's (UNDP) Human Development Index (HDI) in the Low Human Development category (International Fund for Agricultural Development (IFAD), 2012). The Uganda Economic Policy and Research Centre (2013), revealed that the poor households in Uganda have little or no shelter, inadequate food supply, their health is poor, they are unemployed and a few of their children go to school due lack of school necessities. While Hendricks, (2011) says the situation is compounded by weak infrastructure, market linkages are weak or non-existent. Many places there is also lack of access to financial services, which would enable incomes to increase both by improving and expanding their production, and establishing small enterprises (IFAD, 2012). This confirms Hendrick's (2011) observation

that, for the poorest and most marginalised house-holds in Africa, financial inclusion is a long way off. Few institutions exist to serve the rural areas with financial services and where they exist, they often have inappropriate products that are not well tailored to the prevailing context/activities. This includes support to agriculture which is seasonal and yet the main sources of income for the rural poor. Also, the rural poor also do not have what it takes to access formal credit because assets ownership is often a key determinant for such access.

Although the government of Uganda recognises that the biggest proportion of its population is agricultural and rural, not much has been done by the government to make agricultural and rural programs effective. As a result the rural population in Uganda continue to live in poverty and in high risk environments that do not promote human welfare.

Over time people try to find ways to improve their situation within their capacities by saving amongst themselves and assisted by various NGOs including the Strømme Foundation in Norway and CARE international. With such support community efforts have been transformed into better programs that promise hope for the rural poor.

According to the World Bank (2013), there is need to diversify household income sources especially from nonfarm activities and increased employment in order to enhance the welfare of poor households. This can be supported by the creation of saving clubs into Village Savings and Loan Associations (VSLAs), which often is referred to as “*microfinance services for the poor*”. In fact VSLA promoters argue that this methodology should be seen solely as a tool for economic and social empowerment, (Pors .K., 2011). Although poverty reduction cannot be achieved by mere improvement in economic and social conditions, such improvements can be a stepping stone for the realisation of betterment in other spheres of life which can reduce poverty. Thus, this thesis is about the role VSLAs play in the reduction of poverty emphasising (i) asset building, (ii) welfare improvement and (iii) the management of risks and emergencies among rural people and their households.

### **1.3 Justification of this study**

The study aims to contribute to the body of knowledge on the informal micro finance sector with particular emphasis on community-managed approaches towards poverty reduction. The results of this thesis will be shared with the district authorities and Community Volunteer

Initiatives for Development (COVOID) with the wish that they can help in understanding the contribution of community managed savings micro finance to poverty reduction. This could contribute concrete knowledge that may improve policies that can lead to better credit accessibility for informal savings groups. It may also be an opportunity to contribute to integration of informal micro finance institution and their approaches into national plans such as the Ugandan Poverty Eradication Action Plan (PEAP) and Plan for Modernization of Agriculture (PMA).

#### 1.4 The Main objective and Research Questions.

The overall objective of this study was to establish how VSLAs have contributed to poverty reduction in rural households of Kyabakara Sub-County in Rubirizi district of South Western Uganda. The research focusing on establishing the contribution of VSLA to building assets, welfare improvement, emergencies and risks management was based on the following research questions:

1. How is Kyabakara Kweyamba VSLA organized and managed?
2. What categories of people are involved in Kyabakara Kweyamba VSLA of Kyabakara Sub County in Rubirizi district-Uganda?
3. To what extent has Kyabakara Kweyamba VSLA improved the livelihoods of its members and their households? Specifically;
  - (i) In assets building
  - (ii) Welfare improvement
  - (iii) Emergencies and risks management.
4. What could be the likely challenges originating from;
  - (i) The mode of operation that is based on trust (informal rules and regulations)
  - (ii) The design of credit system
  - (iii) The gender/culture

#### 1.5 Thesis Outline

**Chapter One:** offers the introduction, problem statement, clarifies the concepts, explains the objective of the study as well as the research questions.

**Chapter Two:** presents some of the literature on poverty, and village savings and loan associations and poverty reduction.

**Chapter Three:** explains the methods used in this study. It highlights the research design, strategy, methods used to collect data, sampling techniques, the data analysis procedure, the ethical values that were followed while conducting the research as well as the limitations to the study.

**Chapter Four:** offers background information about the socio-economic and cultural context of the chosen sub county and information concerning COVOID, a NGO which was central to the study and its activities and work with the rural poor.

**Chapter Five:** presents the discussions as related to the research questions and the findings of the thesis. The chapter was arranged according to the research questions

**Chapter Six:** provides the concluding remarks of the study, as well as recommendations based on the findings of the study that may be useful for future research and government policies to improve the supply of financial services to the rural areas.

## CHAPTER TWO: 2.0 LITERATURE REVIEW

Other researchers have written about village saving and loans associations and particularly its role in poverty reduction. Such studies are at varying levels including international, national and local ones. These studies are valuable documents and information to build on because they enrich the understanding of this researcher as she takes on the analysis of her case study.

### 2.1 Poverty Overview

Poverty is a complex and multidimensional concept and as such its definition varies among different contexts, gender, age etc...Nevertheless, the World Bank considers income and expenditure per capita to be adequate yardsticks of measuring the standard of living and hence, classifies those who fall under or above the minimum level of standard of living as poor and non-poor respectively. Thus poverty is seen as the inability to attain a minimum level of standard of living, (World Bank, 2012). In addition, World Bank acknowledges that poverty across the Africa continent may be lower than what current estimates suggest, though the number of people living in extreme poverty has grown substantially since 1990 from 56% to 43% in 2012. It is indicated that 389million poor live in Sub Saharan Africa faced by: fragile contexts and remote areas, with no access to good schools, no health care, no electricity, no safe water and other critical services, (World Bank,2015). Moreover, those who have been able to move out of poverty, progress is often temporary: economic shocks, food insecurity and climate change threaten to rob them of their hard won gains and force them back into poverty.

Whereas in Uganda, the 2014 Poverty Status Report indicates that absolute poverty has decreased considerably. The report shows poverty rates fell to 19.7 percent in 2012/2013 from 24.5 percent in 2009/10. And there was also a corresponding decline in a number of Ugandans living below the poverty line from 7.5million to 6.7million over the same period, (Ministry of Finance, Planning and Economic Development-MFPED, 2014 p.VI). However, the absolute number of poor people has increased due to population growth and poverty remains firmly entrenched in the rural areas which are home to 84% of Ugandans,



(International Fund for Agricultural Development-IFAD, 2013). IFAD goes ahead to say, Uganda's poorest people include hundreds of thousands of smallholder farmers in remote areas unable to benefit in the steady economic growth and modernisation. Nevertheless MFPED (2014) reveals that, the western region of the country has experienced the largest decline over the last two decades; 44 percent points from 52.7 percent in 1992/93 to 8.7 percent in 2012/13. Accordingly, World Bank (2015) advises that it will be critical to find ways to tackle these issues of poverty as we make progress toward 2030. Whereas micro finance is expected to increase incomes, and employment opportunities of the primary enterprises operated by the borrowers, current statistics show that only 54% of adult Ugandan has access to formal financial services, and 74% rural poor rely on informal financial services,(CARE International in Uganda, 2013). Hence informal financial services may enhance the wellbeing of rural people and there is therefore a need to study and better understand the potential of VSLAs in reducing poverty in rural areas.

**Figure 1: Uganda poverty status**

**Number and percent of Ugandans that are poor, insecure non-poor and middle class**

	1992/3	1999/00	2002/03	2005/06	2009/10	2012/13
Millions						
Poor	9.8	7.2	9.8	8.4	7.5	6.7
Non-poor insecure	5.8	9.4	10.1	10.9	13.2	14.7
Middle class	1.8	4.8	5.4	7.8	10.0	12.6
Percent of population						
Poor	56.4%	33.4%	38.8%	31.1%	24.5%	19.7%
Non-poor insecure	33.4%	43.9%	39.9%	40.2%	42.9%	43.3%
Middle class	10.2%	22.4%	21.2%	28.7%	32.6%	37.0%

**Other welfare indicators**

	2005/06	2009/10	2012/13
Houses with iron-roofed house	60.6	61.8	67.6%
Households with at least one mobile phone	16.7	46.3	59.5
Households that have at least two meals a day	92.0	90.7	92.0
Proportion of population using mosquito nets	16.8	41.1	44.1

*Source: Uganda Ministry of finance and planning online resources. Accessed 15/10/2015*

## 2.2 Credit accessibility in Uganda.

The Uganda credit sector is comprised of formal and informal sectors. The formal credit sector is comprised of licensed commercial, regional, rural banks, and formal microfinance institutions. While the informal sector involves the self- help initiatives like VSLAs and rotational savings groups. It is argued that the latter emerged to serve the financial needs of

the unbanked especially the rural poor, who are neglected by the formal sector which target the wealthier population. But since 2001, the Ugandan government has taken steps to double the number of adults accessing formal financial services from 28% in 2009 to 54% in 2013, (CARE International in Uganda, 2013). However, 2.6 million adults remain excluded (15% of adult population) and usage of insurance products in particular remains low, with only 2% of the adult population. Moreover, broad and inclusive access to formal finance services would be essential for sustainable development. According to Economic Policy and Research Centre, (2013) and CARE, (2013), enabling a greater percentage of the population to access formal financial services like savings, credit and insurance products can help in the following ways: i) individuals increased security for their funds and the ability to access bigger loans, ii) benefiting business to reach emerging markets, diversifying and expanding, iii) while also supporting more inclusive growth and increased productivity. However, in Uganda these benefits still remain a dream to the majority (74%) rural poor who are struggling in self- help groups. It is still a dream because, the current 2005 Micro finance Policy provides insufficient framework for Tier4 institutions like non deposit financial institutions, mobile money and self- help groups like VSLA, (CARE,2013). It is further stressed that, low levels of financial education affects the numbers of those wanting to save with formal or informal providers.

In addition, whereas women are responsible for much of the country's economic activity, especially in agriculture and informal business, credit access is limited with only 9% of all credit when they make up nearly 40% of businesses with registered premises (Ellis A, Manuel. C, and Blackden.C.M, 2006).Although the Ugandan Constitution provides for equality between men and women, key legislation is inconsistent with gender equality (ibid). Existing laws do not provide incentives or regulations to support inclusive growth, formal financial institutions do not actively seek to reach the previously unreached groups like women and youth who lack collateral and security for loans, (CARE, 2013). Creating opportunities for women can help to not only empower women economically, but also to unlock the full economic potential of the country.

Furthermore women in rural areas are often unable to break out of the confines of these low-margin activities because they generally lack access to formal sources of credit.

Women's access to formal sources of credit is restricted because they often lack collateral, And non-land securities law and practice is undeveloped especially for micro and small businesses. In fact only 7% of registered land in Uganda is in the hands of women, (Ellis A,

The relationships of poor households to financial services:

- Security
- Opportunity
- Power

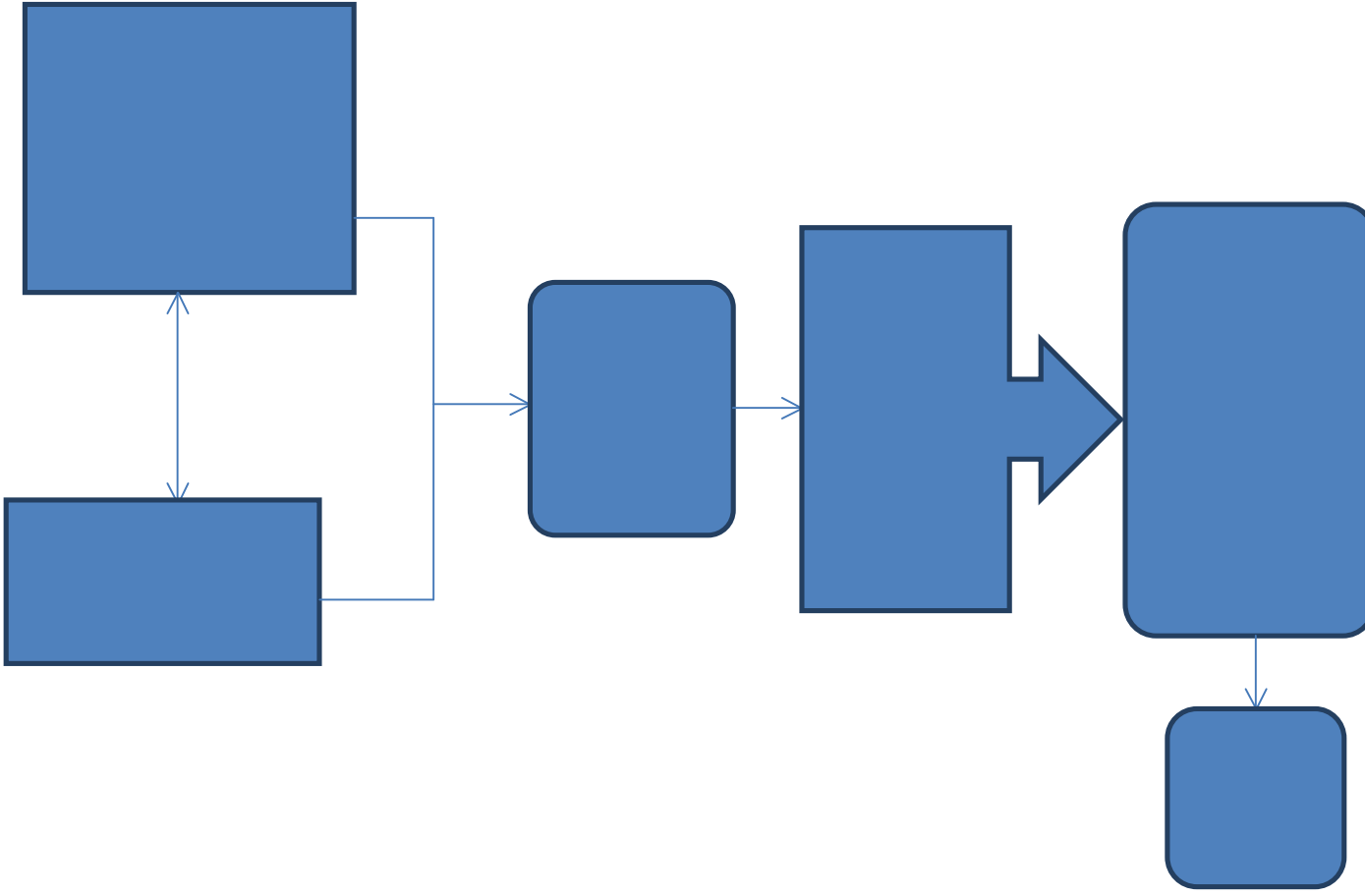
property ownership, customary law often constrains facing women and because of the overall economy, many microfinance institutions and NGOs have made a concerted effort to include women.

VSLA formation (Trust)

Mobilise savings  
Share knowledge  
Access Micro credit  
Social capital  
Gender

Poverty reduced  
Emergencies and risks management  
Assets building  
Welfare improvement

**Figure 2: Conceptual framework:**



For the rural poor and their households, access to financial services is interlinked with security, opportunity and power. The hypothesis for this study was that participation in the VSLA program would result in (1) Emergencies and risks management; (2) Assets building; and (3) Welfare improvement for the members and thus poverty reduced. In fact, Pors, K. (2011) argues that, poor households need to deal with risk as a matter of daily life. Pors quotes, Rutherford's statements in "The portfolios of the poor" 2009,p.61. Rutherford argues that, the most urgent need for the poor is to manage cash-flow, achieve stability in a highly insecure world like making sure that money is at hand to meet basic expenses. And because

they live unpredictable day to day occurrences, so they need capital to start up a business to generate much needed income and wealth. While others want loans to supplement household cost such as school fees and food, Pors, K.(2011).

### **2.3 What are Savings and loan associations?**

Savings and loan associations are called different names in different regions. In Africa, they are called Accumulative savings and credit associations (ASCA) or just savings groups. And while in South Asia, they have been often referred to as Self-help groups, (SHG). However, within savings and loan associations approach, different school of thought and practice have existed. That is; VSLA and SHG. The critical differences in practice are that, VSLAs are a “Minimalist approach, which mainly focus on the financial tools. This approach can be – and is often - combined with other components” while SHG is an “integrated approach, that combines financial tools with other tools such as literacy, organisational management and rights based training empowerment. Focusing on general empowerment with financial tools as the base”, Pors, K.(2011). Therefore, the focus of this study was VSLA school of thought.

### **2.4 Origins of VSLA methodology**

VSLA methodology attracted admiration of pro people non-governmental organizations. And these different organizations have given this approach their own different operational names. For example, CARE international calls it VSLA, Strømme Foundation –community managed microfinance, Oxfam-Savings for Change, while Catholic Relief Services calls it Savings and Internal Lending Communities, (Allen, H. and Panetta, D., 2010). However, the VSLA approach is a community managed savings led methodology to financial services. It was pioneered by CARE in 1991 in the Niger .Then successfully adapted by other agencies to reach the very poor people in over 22 countries of Africa and Asia, (Master Card Foundation, n.d). Whereas CARE international introduced VSLAs in Uganda in 1998 starting in the west Nile region, it commenced all over the country in 2006.

Figure3: VSLA meeting in progress



*A typical VSLA meeting in progress, at the centre is the savings box. In such meetings, saving and borrowing take place. (Source: CARE-Uganda online documents)*

Further, VSLAs operate in self-selected groups usually unregistered but with own internal rules and regulations. These groups comprise of members between 15-30 people, who meet regularly (weekly or fortnightly) and pool their money into a fund from which members can borrow and pay back with a low interest to enable the fund grow. In fact, members can save multiples of minimum amounts, and kept in cash box with three locks as the bank. And the keys of which are held by different officers in the group. Thus ensuring transparency and making it easier to refuse loans to non-members, such as one's husband (Allen and Staehle 2007). In addition to the savings fund, the cash box holds the social/welfare fund. The social fund is a self-insurance mechanism, which can provide members with a small amount in cases of emergencies. And each member contributes a set value every week. And at the end of a year, there is a yearly distribution at an "auction audit" (a date chosen by the members, usually after about a year, to share among the members the savings and interest in proportion to each individual's savings). After the disbursement of funds, the groups normally re-form immediately and start a new cycle of savings and loaning, (Allen and Staehle 2007).

The VSLA model is lauded for its transparency and adaptability for illiterate members. All operations (deposits, withdrawals, loans, loan repayments) occur at weekly meetings with the entire group present so that all activities remain transparent. While, record keeping is designed in a simple and transparent way for the members, each member has an individual passbook, which is stamped every week, with each stamp representing one share. Only the

starting and closing balances of the social fund as well as loan disbursement are recorded in the group ledger (Allen and Staehle 2007).

In addition, VSLAs are built entirely on member savings and interest from loans; they receive no direct capital investment from other supporting organizations. The role of NGOs like COVOID and any others is to supply extensive training on group dynamics, governance and money management for smooth implementation.

### **2.5 The categories of people involved in VSLAs**

It can be argued that, the costs of doing business and delivering services in Africa is likely to be high because of many physical challenges including scattered settlement patterns, the high rates of illiteracy and diseases, and lack of identity papers, all of which may serve to increase credit risk and transaction costs. The VSLA model tries to overcome many of these obstacles and to target the very poor and rural population better than formal, centralized microfinance institutions.

Further, VSLAs have gained popularity in rural economies characterised by long time spans between input and output of the agricultural production, uncertainty and weather dependency. This makes the ability to smooth consumption, to access credit and to employ risk coping strategies very important for households living under such circumstances, (Conning and Udry, 2007 in Ksoll, C., Lilleor, B.H., Lonborg, T. H. and Rasmussen O 2013). However, Cassidy and Fafchamps (2015) in a related study found out that VSLA groups create a degree of financial intermediation between commitment savers and borrowers in rural Malawi.

According to CARE (2013) VLSAs emerged to serve the financially excluded particularly the rural poor. For example, in the last 10 years, CARE has helped facilitate the establishment of 27,222 VSLA groups in rural Uganda representing over half a million people. In fact 51 billion shillings (roughly US \$19 million) have been saved and of these, 72% have taken out loans amongst each other which include paying out the interest rates set by the groups.

According to Innovations for Poverty Action (IPA), (Karlan.D. and Udry.C.2012), in Uganda and Malawi, participation in a VSLA is correlated with; i) wealth, ii) owning a business, iii) reporting a loan, iv). Social integration (attends village meetings, participate in other groups, and have friends willing to lend money). While on the general view, literate women from

wealthier households are more likely to join VSLAs. Therefore, this leaves the question of kind of people involved in VSLAs. But one thing is clear that in the literature, VSLAs are meant for a particular groups of people characteristic of rural based, financially excluded, poor, with unstable income flow. Infact the Uganda VSLA manual by CARE categorically state that the target is the critically but active vulnerable households, (CARE international in Uganda, 2011).

Furthermore, Fletschner (2009) argues that many rural women all over the world contribute to the national agricultural outputs and family food security, yet they are more credit constrained as compared to men of the same socio-economic conditions. To summarize the condition of women, (Liz McKenzie,1993 as cited in Lakwo, 2006, p.3) asserted that *“women account for more than 50% of the world’s population; they do perform 67% of the world’s working hours, are 60% of the world’s labour force, but only earn 10% of the world’s income and own less than 1% of the world’s resources”*. Because of this, microfinance programs target women since they are the most vulnerable in the society.

According to Sara (2011), women lack assets, autonomy, self-confidence and status within the household. Thus by providing them with credit, it is one way of transforming their lives.

## **2.6 VSLA and poverty reduction**

To CARE international and pioneer of VSLAs, Village Savings and Loan Associations (VSLAs) help reduce poverty in three ways: i) assisting members to save so that they are able to accumulate a significant amount of money at the end of the cycle, ii) providing members with an opportunity to request loans of small amounts iii) members earning income from interest paid by members who borrowed. And according to Chambers, (1983), in order to overcome poverty the poor households must help themselves. In addition Ashe (2000) asserts that community based savings institutions are set up to create and increase financial services accessibility to poor households to either eradicate poverty or slow it down. Similarly, the World Bank (2013) acknowledges that people living in poverty, like everyone else, need a diverse range of financial services to run their businesses, build assets, secure smooth consumption, and manage risks. To World Bank, well-managed microfinance programs can help lift people out of poverty, for example when a borrower uses small loans to start and grow a new business.

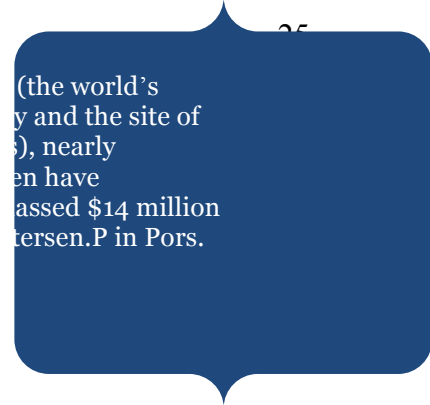
Accordingly, studies conducted in Peru, India and Zimbabwe revealed that, extending small loans to the poor people mainly women for income generating and self-employment had lessened vulnerability through diversifying income earning sources, building assets and strengthening crisis coping mechanisms. The studies further revealed that, those small loans allowed beneficiaries to achieve a better quality of life (Zaman, 2000). However, it can also be argued that, women incomes and assets generated are more likely to be spent on the general consumption needs of the family. Never the less, nutrition and health improvement is a measure of reduced poverty levels in a household. Also, women involvement in the developmental activities can be a major strategy through which such women improve economic and social statuses.

Additionally, in highlighting the challenges of microfinance, Aaron (2009) warned that microfinance is not the complete answer. Aaron cited the most poverty stricken areas in the world being rural and isolated regions, which are difficult for formal microfinance organisations to access. Aaron further argued that, agricultural industries have risks such as droughts, which may leave borrowers unable to repay their loans. Thus, this leaves programs like VSLAs as the option for the rural hard to reach communities, to which CARE (2006) argue that, they have ability to deliver appropriate financial services in remote areas of weak economic activity.

Further, Allen and Hobane (2004), in the studies of VSLA in Zimbabwe confirm a positive change among members of VSLA. Membership in VSLA contributed to increase in household productive and non-productive assets. In the same way, improvement in the quality of housing and growth of income generating activities of members was realised. However, it can also be argued that it is difficult to attribute these results to the interventions of the VSLAs alone. But carefully studied and taking in consideration a period of time, linkages can be drawn between VSLAs and poverty reduction.

Furthermore, an impact study on VSLAs conducted in Ghana and Uganda found out the following: In Uganda, i) women in these associations are more likely to own business; ii) have higher profits in their business enterprises compared to their counterparts who are not, (IPA, 2012). Also, the study further revealed in both countries, women involved in VSLAs express increased influence over household decisions as well as more frequent engagement





with others in their communities. These findings concur with Anyango (2005) study findings in Malawi. Decision making in homes and community involvement for women are positive steps towards achieving women independence and poverty reduction.

In addition to the above, a study in Tanzania on VSLAs revealed short-term economic empowerment of women members. It was shown that members in VSLA benefit more than non-VSLA members from increased savings, more income generating activities, greater food security and health, and increased education expenditures. And that most VSLA women (75 percent) have increased their savings since joining VSLA group (Anyango, E., E. Esipisu, L. Opoku, S. Johnson, M. Malkamaki, and C.Musoke, 2006).

Further, VSLAs have grown to be linked with micro-finance institutions (MFIs) and members enabled to borrow larger amounts. According to Enterprise Environment and Equity in the Virunga and Great Lakes, (n.d) 54 of the VSLAs in their project in Rwanda has grown to be linked to Micro Finance Institutions. And thus serving as an array to financial services and increasing financial inclusion.

While in Uganda, Can YaboYoo Village Savings and Loan association group, 80% of women are actively involved in the village savings and loan association schemes. And this has improved their standard of living to an extent that members are becoming more self-reliant by the day. "Women are now able to interact freely with other members, they manage their finances and run their homes by meeting most of the basic needs including paying school fees, paying for medical care and getting involved in the small-scale businesses which they were not doing before" (Candia and Laker, 2009). Candia and Laker continue that VSLAs have inculcated the culture of saving among the people at the same time improved on their socio-economic choices within the community. She said, the scheme has widened the search for bigger business opportunities, for instance those involved in Bee keeping are searching for bigger markets for their Honey and that a number of people have learnt simple accounting in managing their money (Candia and Laker, 2009).

According to Kyogabirwe, (2005), in Kyamuhunga sub county Bushenyi district in western Uganda, women in VSLAs accessed credit facilities and improved their farms, started small enterprises and other income generating projects. Because in rural agricultural communities,

farm inputs like seeds, fertilizers, manure and other necessary equipment are critical. And at the end of a VSLA cycle, sharing of interest and savings provides lump sum cash to members which gives them an opportunity to purchase like livestock and house hold materials like mattresses, (Enterprise Environment and Equity in the Virunga Landscape of the Great Lakes, n.d).

In general, gender-targeted microfinance has shown to have a positive effect on the empowerment and equality of women (Mwenda and Muuka, 2004). Further, Hashemi, Schuler and Riley (1996), created empowerment indicators and these can be closely related to poverty reduction. Because, VSLA beneficiaries exhibit these empowerment components: mobility, economic security, ability to make small purchases, in the long run, ability to make larger purchases, involvement in major household decisions, and relative freedom from domination within the family, political and legal awareness, and involvement in political campaigning and protests.

### **2.7 Factors likely to affect VSLAs.**

While studies on VSLAs have shown a strong linkage with poverty reduction among rural poor and particularly in women, a critical assessment states otherwise. It can be argued that, access to financial services alone cannot solve poverty challenges faced by women if other surrounding factors are not tackled. And some of these factors may be linked to women individual abilities while others are dependent on the environment in which they live in as discussed below.

According to Johnson (2004, p.1359), VSLAs function with binding sets of rules which essentially rely on non-contractual elements—such as trust and moral norms, and religious values. However, these norms are often enforced through sanctions such as guilt, shame and informational sanctions, which may for example aim at damaging someone's reputation. And these sanctions too, have independent motivating power to cause action to take place without external sanctions. As a result, these play a key role in enforcing rules, but some members may not necessarily respond to these sets of rules thus putting the group's funds at risk. Therefore, despite VSLAs' vitality in helping the rural poor women to meet their social, economic and cultural needs, the financial and administrative system threatens sustainability.

Further, the short term loans given to the members; with limited repayment period ranging from one to three months puts a lot of pressure on the beneficiaries. The pressure may come up due to a need to generate adequate income to save and payback the loan within a short time (Micro Save Africa, 2001). And besides, short term loans limit long term investment, (CARE, 2006). However, these are regulated by the practice of approving members for a loan based on their saving capacities.

Also, there is the aspect of culture. Poverty among women and especially rural women is largely associated with culture of the society they live. The predominant socio-cultural norms and values that have defined the way women must conduct and behave in society. Women living in male dominated societies have been trained and groomed to be submissive to their husbands and good home care takers. Thus this limits women ability and potentials to engage in matters of money. According to Kabeer (2005) socio-cultural values and beliefs are very significant in legitimating inequalities. For this reason therefore, poverty reduction is difficult without empowering a woman against such cultural change. Because, in patriarchy societies female life rotate around their male counterparts who exercise their powers as the heads of households to the extent that they want to control the income of the woman. Those who may accept that women can have separate planning for their income, use it as an excuse not to provide to the household needs and expenses and instead depend on a woman because she has accessed a loan. With such overwhelming responsibilities in the hands of a woman alone, many have surrendered their loans to their husbands to help them manage the home. In such situations, loans have become a burden to women instead of a tool to reduce poverty. Oxaal& Baden (1997, p.9) confirm that many income generating activities and programs targeting women often increase their workload without any increase in resource control or decision making power.

Hunt and Kasynathan (2002, p. 20) found that many women have been used as post boxes by their husbands, as they borrow money and pass over the full amount of their loans to their husbands with little or no access to the income and profits generated. Similarly Goetz and Gupta (1996) found that 63% of women loan holders of the three microfinances studied in Bangladesh had exercised limited or no control in loan use. For example in an interview with women groups, it was discovered that 25 members passed on the full amount of their loans directly to their husbands only to receive the amount needed to make their weekly loan repayments. In the same way, Rahman (1996 in Swain, 2006, p.12) revealed that 40% to 70%

of the women who passed over their loans to their husbands were facing domestic violence due to increased tensions in the household.

Further, poverty reduction especially for women stumbles on gender inequalities in decision making. Mayoux and Hartl (2009, p.11) and Kabeer (2005) show that, even when women use their loans to set up economic activities their choice of activity and ability to increase their incomes are largely constrained by gender inequalities. They add that women are the majority savers in most of the rural credit and micro saving schemes, but the biggest loan share is normally given to men even when women have better business ideas compared to those of men (Mayoux and Hartl, 2009, p.11). This is because according to Noreen (2011, p.320), the economic and social status of women can be promoted or withheld by their husbands. Deugd (2002 in Skartlatos, 2004) found that some women are denied access to the financial services and they have no say on the family earnings even when they have contributed to it. In Nicaragua, despite the simple access to financial services, the women who are the poorest of the poor are not always guaranteed of reducing poverty in the household. Because of their lack of decision-making abilities within the family, men still control household resources and economic wealth. Thus, assuming partners of women beneficiaries are educated and understand the benefits of their women involvement in VSLAs this may generate into harmony in homes. They can work together for the betterment of the family other than leaving all the household tasks for the wife which limits her capacity to accumulate income.

## CHAPTER THREE: 3.0 METHODOLOGY OF THE STUDY

### 3.1 Research strategy

A research strategy as defined by Bryman, (2008) is the orientation to the conduct of social research. In addition the choice of the research strategy depends on whether the study aims at testing a particular theory or constructing a theory. This study employed mixed methods of qualitative and quantitative to find answers to its research questions. According to Johnson and Onwuegbuzie (2004), mixed method is a class of research in which the researcher combines qualitative and quantitative research techniques, methods, approaches, concepts or language into a single study. The mixed methods help to validate and enrich the content of the research findings.

Hammersley (1996 in Bryman, 2008, p. 607) justifies the use of mixed methods in this way :

- i) it helps in confirming findings from either qualitative or quantitative strategy which he terms as triangulation,
- ii) the approach also helps in facilitating research, that is to say, one research strategy is employed to aid research using the other, that is to say, in the event of one method of qualitative approach failing to bring out the results properly, the other method of quantitative is employed.
- iii) Thirdly it is another way through which different aspects of an investigation can be merged together.

Bryman (2008, p.385) states that, qualitative researchers prefer viewing events and the social world through the eyes of the people that they are studying. In order to enable this, the research methods comprise group discussions and observations in combination with household survey. In my study, spouses to KyabakaraKweyamba VSLA members helped the researcher in understanding the improvements at household level. The qualitative face to face interactions with the respondents helped in understanding the self-reported improvements and the interpretation of the body language that may not be achieved through group discussions.

#### 3.1.1 Qualitative versus Quantitative

Quantitative and qualitative methodologies tend to differ in their epistemological and ontological foundations (Bryman, 2008). Nevertheless, to Johnson and Onwuegbuzie (2004, p.15), the differences in the epistemological beliefs shouldn't prevent a qualitative researcher from utilizing data collection methods associated with quantitative research and vice versa. This is because both orientations have their advantages and disadvantages, and the two approaches can thus be used to complement each other. Although researchers employing qualitative methods have been criticized for dwelling too long in community settings of the people being studied, in my research I found qualitative methods to be helpful alongside quantitative methods.

### **3.2 Research design: Case study**

According to Bryman (2008, p.31) a research design is a framework for the collection and analysis of data. For this research a case study approach was chosen of a VSLA in Kyabakara sub-county. This choice was made with reference to Yin, (2003, p.1) who claims that the case study approach is appropriate when the focus of the research is on a contemporary phenomenon within a real-life context. In such settings the case studies is helpful in answering some of the most pertinent research questions, i.e. the 'how' and 'why' questions.

Bryman (2008, p. 55) states that, a case focus is of interest in its own right; one has to be careful in drawing more general conclusions from the approach. As well, the findings of this study cannot be used to represent and or inform studies on VSLA and poverty reduction in other context because every association and people has their uniqueness.

### **3.3 Methods and Techniques of Data Collection**

Every research design has to choose methods of data collection that relate to the research questions. Bryman (2008, p. 53) stipulates commonly used methods for the case study approach to be ; participant observation and semi structured interviewing methods since they generate detailed aspects of the case chosen. The methods for this research were chosen in line with its research strategy and they included, focus group discussions, key informant interviews, document reviews, observation and survey/semi structured interviews that generated quantitative.

#### **3.3.1 Document review:**

According to Bryman (2008, p. 522) documents deriving from private sources like companies are likely to be authentic and meaningful in the sense that they are likely to be

clear and comprehensive to the researcher. In addition, Yin (2011, p. 149) states that document reviewing helps the researcher in clarifying details such as some concepts and or even titles such that you don't need to interrupt the interviewees to verify such information. Accordingly, in this research documents were identified and reviewed before embarking on the field study. These documents included the VSLA manual in Uganda developed by CARE International, CARE conference papers on VSLAs, COVOID local reports on VSLA activities, census reports, and district department planning reports. These documents provided insights for the researcher about VSLA management and organisation, provided focus, and clarified contextual issues surrounding VSLA. Further, the district planning reports gave information about the study area, and gender issues. From document review, the researcher gained clarity and became better placed for the study.

### **3.3.2 Focus Group Discussions (FGDs)**

Bryman (2008, p. 474) defines a focus group as a form of group interview in which there are several participants discussing on particular defined topic. Bryman further says that, focus group discussions offer an opportunity for allowing people to probe each other's' reasons for holding a certain view. The researcher employed this method and grouped together members of VSLAs who seemed to have common experiences. The guide developed by the researcher prior to the group discussions gave direction to the content of the discussion. Since the VSLA consists of males and females, some of them spouses/couples, it presented some kind of a limitation to the group discussions about personal experiences and gender/culture questions. This is so because, in mixed sex groups, the researcher noticed that women kept a "safe layer" on the topics by regularly consenting to the responses of their male counterparts. This is how male dominance in the culture is reflected in the responses of women. In order to correct for these biases that emerge from gender inequality, the researcher had to conduct separate discussions with women group discussion in addition to the two mixed gender group discussions. In the women discussion groups, women were more expressive about their experiences.

Although it is generally believed that individuals tend to build confidence between one another during group discussions which should lead to more free expressions, in patriarchal societies, as the one in which the case study was located, women tend to express themselves more freely among fellow women . By probing and using leading questions and following up on the responses, the researcher was able to tap into rich information on the research topic

especially regarding the self-reported improvements of women's livelihoods since they joined VSLA and as well regarding the challenges of VSLA.

Finally, during focus group discussions the researcher experienced the urge to press for true information from some members. The bias was developed during questions on daily income less expenditure of VLSA members. Although the researcher was well aware of the sensitivity these questions possess, it was sensed that under estimations of daily income less expenditure by two members well known to her was misleading. And it was starting to affect responses from other members in the discussion group. This was experienced in the second focus group discussions, realising that other members were following suit with under estimations of income it was making the responses irrelevant. For example, responses on livelihood improvement were reflecting a higher income. Thus, tactfully and politely, the researcher referred the respondents back to the question on income less expenditure. To make sense of the relationship between income and self-reported improvements, and thereafter members made changes in their responses accordingly.

### **3.3.3 Key Informant Interviews (in depth interviews)**

In depth interviews were held with key informants with relevance to the case study especially, the time period spent in that position and position's relation to the subject of VSLA. That is Kyabakara sub county vice chairperson, sub county chief, and community development assistant, community contact person for Nyabubare, district production officer and two NGO officers (Livelihood field officer and programs coordinator). An in-depth interview guide was developed and pre-tested for the collection of data. Kahn and Cannell (1957, p. 149 in Marshall, 2006 p. 101), argue that interviewing in qualitative research is "a conversation with a purpose". To achieve the purpose of the interviewing the researcher in this case made the objective and outputs of the study known to the respondents before the interviews started. As well time management and keeping respondents on track were keenly observed. Further, the researcher with informed consent took notes and recorded the conversations using a mobile phone. According to Yin (2011) recording helps to improve the completeness and accuracy of the initial notes taken during the actual fieldwork, thus enhancing reliability of the information collected. And at the end of each day, the researcher read through her notes to make sure that no key points were overlooked or missed out. The recordings were transcribed within 24 hours, and soft copies kept for further use during the data analysis.



Key informant interviews were held at the most convenient venue for the respondents' and where full concentration was guaranteed. Most of the interviewees chose to be interviewed in their free evening time in their homes. This choice of venue, however, somehow presented disruptions from family members thus slightly affecting concentration and time schedules. Nevertheless, the interviews in these settings helped in gathering and understanding generally the categories of population in VSLA, their point of view on the established management and organisation of VSLA, and how VSLA has improved households' livelihoods in their community. The whys, what and how questions from the interviewees' "point of view" and "understanding" were emphasised. This is because qualitative interviewing gives insight into what the respondent sees as relevant and important (Bryman, 2008)

Further, the researcher found ease in mobilising for the interviews with key informants given that the case study is within her birth place. Because she was personally known to most people accessing offices, officers and setting up appointments for the interviews, and information/documents was prompt. On the other hand, interviews first dragged in informal discussions that did not have relevance to the topic of study. Although such chats provided rapport to the interview, they often dragged on for longer than enough and the researcher was torn between diverting the enthusiastic talker from the informal chat and the subject matter of the interview. Accordingly, the researcher politely set the time frame for the interviews while setting appointments and where this approach did not solve the challenge, they were tactfully referred to the period after the interview.

#### **3.3.4 Household Survey**

For triangulation purposes, a household survey was conducted and spouses of KyabakaraKweyamba VSLA members were interviewed. Guided by a structured questionnaire, male and female spouses of this case were interviewed from their homes. The interviews aimed to further generate information and understanding on livelihood improvements of members and their households over the past five years. Alongside the questionnaire, the researcher was also making observations on the general environment of the house hold. Because, apart from self -reported improvements, physical improvements at house hold level can be observed or seen thus gaining unbiased information.

Originally, the survey was planned to involve 60 spouses of VSLAs members, but when the design changed to a one VSLA case study so did the number of spouses change. Thus 10 spouses of KyabakaraKweyamba VSLA members were interviewed in the survey. It should be noted that, KyabakaraKweyamba membership involved couples, where both the husband and wife were members in the same association. This situation slightly affected the available number of spouses for the survey. And considering that the month of January is a busy period when farmers are preparing their gardens for the planting season, promptu visits to households were opted for. Guided by the Community contact persons (CCPs), the researcher located households/homes of VSLA members and 10 spouses were interviewed, (5 females/ 5males). Investigation primarily concentrated on finding and understanding research question; *how has KyabakaraKweyamba VSLA improved the livelihoods of its members and their households*, specifically on assets building, welfare improvement, risks and emergency management.

During survey interviews with spouses of Kyabakara VSLA members, the researcher made critical observations about the information that had been obtained from spouses in focus group discussions. In fact Yin (2011, p. 143) states that observing can be an invaluable method of data collection “*because what you see with your own eyes and perceive with your own senses is not filtered by what others might have reported to you or the author of some document might have seen*”. Accordingly, some house hold assets, live stocks reported in group discussions were confirmed during house hold surveys. Moreover Yin (2011) gave categories of items that can be observed which include;

- ❖ The characteristics of an individual such as their dressing, gestures, non-verbal behaviours and others
- ❖ The interactions between or among people
- ❖ The actions taking place whether human or mechanical and
- ❖ Lastly the physical surroundings including visual and audio cues. This also may include objects associated with a specified person or that person’s organization, and in many cases such props may serve as a point of departure in starting a qualitative interview (Yin, 2011, p. 145).

Further, observation helped the researcher to understand and interpret findings from the interviews. The researcher observed and took some photos to complement self-reported

improvements as a result of VSLA. This was helpful in documenting the research question which aimed at understanding the improvement in KyabakaraKweyamba members' livelihood and their house holds

### **3.4 Sample Size and Selection**

A total of 47 respondents were studied and they included members of KyabakaraKweyamba VSLA, male/female spouses of VSLA members, community leaders, NGO officers and community contact persons. To obtain reliable data for the main objective of this study, it was decided to select a VSLA that had existed for not less than five years. It was assumed justifiable for a VSLA with members that had gone through five cash outs, to have rich experiences to help understand the contribution of VSLA to poverty reduction. And armed with information on the background of VSLAs in the sub county, membership and the performance of VSLAs in the sub county, KyabakaraKweyamba VSLA was selected purposively. KyabakaraKweyamba VSLA had existed for over 5 years and because of its consistent vibrant members, COVOID considered it one of the successful VSLAs in the sub county. Bryman (2008, p. 441-451) says, purposive sampling technique involves selection of respondents or units according to their relevance to the topic being studied.

It was difficult for the researcher to trace the members of the VSLA referred to by COVOID since the researcher didn't know them and their locations. The snowball sampling technique was employed to reach KyabakaraKweyamba VSLA executive members who then introduced the researcher to their general members and later to the spouses. The technique involves making initial contact with a small group of people who then help in establishing contacts with others (Bryman, 2008, p. 184).

The initial plan was to select 132 respondents from all the 30 administrative villages of Kyabakara Sub County. However it turned out to be difficult to study members from different VSLAs since information obtained in the preparatory phases of the field work showed that different savings and loans associations had different dynamics. Thus within the given time and resource framework of the research, the researcher decided to select one of the successful VSLAs based on the information of COVOID. This VSLA consisted of 30 members and supplemented with 17 secondary respondents, 47 respondents in total were involved in the different phases of this case study. Key informants who emerged during the field study were

very insightful their views and information gave the researcher a good basis for improving or modifying the data collection and the analysis.

**Table: 1. Respondents breakdown**

**Classification of respondents**

<b>Respondent category</b>	<b>Number of respondents</b>
<b>Focus group discussions</b>	
Members of the VSLA (3 groups)	30
<b>Key informant interviews</b>	
Sub county leadership (vice chairperson)	1
Sub county administration (chief and community development assistant)	2
Community contact person (community based, responsible for coordinating VSLAs with the mother NGO)	1
NGO officers working in the district (COVOID livelihood field officer and programs coordinator)	2
District administration (Production officer)	1
<b>Household survey</b>	
Spouses of VSLA members (5 men/5 women who are non-members in this case)	10
<b>Total</b>	<b>47 respondents</b>

### **3.5 Data management and Analysis**

Since the research strategy was mixed methods, the analysis of data was based on both qualitative and quantitative methods. Although qualitative research is known for large amounts of data that may be in different pieces, such data was brought together to throw light on what the research questions aimed to find out. Bryman (2008, p.540-560) describes most of the appropriate approaches used in analysing qualitative data. These include grounded theory, thematic analysis, narrative analysis, critical discourse and qualitative content analysis. For this study, thematic analysis was used to analyse the data. To Bryman, thematic analysis doesnot have distinctive cluster of techniques from other methods of data analysis,

since these themes have been applied in most approaches to qualitative data analysis. Although many researchers are used to coding, to some of them a theme approach in the analysis is more or less the same as a code (Bryman, 2008, p.554). Thematic analysis is a product of thorough reading and re-reading of the transcripts and/or field notes, from which the researcher constructs themes and sub-themes emerging from the various phases and approaches in the data collection. The themes and sub-themes emerge from the repeated statements by the respondents in the text, which are later applied to the data (Bryman, 2008, p.554). Howitt and Cramer (2008) emphasize that it is advisable for the researcher to collect data him or herself so as to produce an insightful thematic analysis. In line with this argument, the researcher of this study was part of every process of the research including collecting data with a help of a research assistant and analysis of the data.

Qualitative research in most cases leads to the collection of large amounts of data, and to manage the qualitative data collected each piece was reviewed on a daily and at times weekly basis. Subsequently the data was categorized according to themes, which had been generated from the research questions. Then the recorded interviews were transcribed on a daily basis to avoid mixing up of respondents' voices. This made it easier to connect data with the literature while presenting the findings. In order to determine the numbers and percentages of respondents, quantitative data analysis was employed.

### **3.6 Procedure of research**

The researcher received an introductory letter from the Department of Global development and planning of University of Agder, Kristiansand Norway, which was used to introduce the researcher to the respective respondents and authorities at district, sub-county and village levels.

Pre-testing of the research instruments was done to ensure that correct and valid data was collected. Both primary and secondary respondents were located and appointments fixed. Data collection was done by the researcher assisted by a graduate level research assistant under close supervision of the researcher to ensure that all relevant information was collected. The information was edited before leaving the respondents and a daily evaluation of field progress was done. Guided by the research questions coding was based on themes that emerged from overviews of the data collected through interviews and the household survey, basically to

enhance clear and concise presentation of data. Thereafter data was entered into the computer for analysis. Data was analysed adequately and a report compiled.

### **3.7 Ethical Considerations**

Bryman (2008, p. 113) states that researchers cannot do away with ethical issues as they directly affect the integrity of the results as well as that of the disciplines involved. With this in mind, the researcher decided to take ethics into account by conducting an integral study. During data collection, the rights of individuals were respected. Even in focus group discussions, the researcher first asked consent from all respondents for their involvement. For example, seeking informed consent from respondents to ensure their participation based on free will, made the researcher explain fully what the study was about and how it functioned as an academic requirement on the side of the researcher. On the other hand, the respondents asked questions to clarify their doubts, in particular there existed suspicions that the study aimed at soliciting political ideas for one female member of the Ugandan parliament. Such questions gave an opportunity to the researcher to clarify the research intentions and benefits of the study.

In addition, respondents were informed about the procedures of the study including privacy and confidentiality issues. Confidentiality of information was promised to protect and enable respondents to trust the researcher with the information from the sensitive questions. Sensitive information/issues were not explored anyhow unless the respondent consented to provide such information, e.g. comparing home conditions in terms of feeding and availability of home necessities in present and years before joining VSLA. Also, in focus group discussions the researcher mapped the room and used numbers not names in her note taking to improve security and confidentiality of information. Finally at the end of each process, respondents were thanked for their participation in the study.

### **3.8 Challenges and limitations of the Study**

Some of the anticipated limitations came to disappear over time while others became more real. The researcher experienced false expectations from many respondents. This is because it was a year preceding national elections in the country and several underground activities soliciting for votes were going on. As a result, the researcher was thought to be either

mobilising for herself or for another member of parliament. While other respondents kept with the thought of the study to result into a project fund. In fact whenever I finished, a member would pass a statement that “*mwanawaitu, kwolagalukeyookweomubajungu, tulondereeyoobuyambi*” literally meaning, our child, when you return to those whites, try to get us support”. The researcher continuously emphasised the purpose of the study as purely academic.

Furthermore, some respondents were hesitant to respond to the question that was seeking daily income. While others under estimated and / overestimated their daily income. Whenever this behaviour was observed, the researcher assured confidentiality. However though, the researcher found it hard to evaluate whether respondents gave accurate estimates of their daily income. And in one-way or the other it had an effect on the research question, although not on the entire research project.

The field activities were financially costly thus stretching the researcher’s budget. Although it was anticipated to be cheap given that Kyabakara Sub County is her home village, with the same language and free accommodation and with no transport costs requirements it rather turned out contrary. The expected benefit was an oversight on the side of the researcher because the difficulties outweighed benefits. The area has very poor telephone network, lacks internet mobile network coverage, and all computer services like printing and photocopy were non-existent. And as such, the researcher was cut off from the outside world where she could consult with her supervisor or colleagues. Besides, the people in the sub county are majorly illiterate thus research assistant had to be sourced from a far distance. On the other hand, the semi illiterate respondents caused the activities to take longer in hours than planned due to longer explanations the researcher had to do.

## **CHAPTER FOUR: 4.0 THE STUDY AREA**

### **4.1 About Rubirizi District -Geographical Location**

The study was carried out in Rubirizi District which is located in South-west Uganda and is bordered by the following districts; Kasese to the north, Kamwengye to the northeast, Ibanda to the east, Buhweju to the southeast, Bushenyi to the south, Rukungiri to the southwest and the Democratic Republic of Congo to the west. The District headquarters at Rubirizi are located approximately 90 kilometres (56 miles), by road, northwest of Mbarara, the largest city in Ankole sub-region. The coordinates of the District are: 00 16S, 30 06E and it has an average altitude of 1,300 metres (4,300 ft) above sea level (Planning Department - Rubirizi District, 2014).

#### **4.1.1 Historical background of Rubirizi district**

Rubirizi District was carved out of Bushenyi District in 2010. Rubirizi district was earlier known as Bunyaruguru County. The population of Rubirizi District comprises a number of ethnic groups, i.e. the Banyaruguru, Banyankore, Bakiga, Baganda, Batooro and Bakonzo. The District is hilly and rural, consisting mostly of small to medium sized villages and with no major towns. Women head 25.6% of all households in Rubirizi District. Most of the population is impoverished, earning their living through subsistence farming. The average per capita income per person per day is 1,705 Ugandan shillings. According to national housing census, (2002) the average number of people in each household are six.

#### **4.1.2 Soils and vegetation**

The soils in the District are generally sandy clay loams. The parent rock to these soils is Rift valleys are sediments and volcanic ash. Due to population pressure, and poor methods of farming and land tenure systems, soils and land degradation are rampant. The District natural resources also include fertile arable soils in almost all Sub counties, large water bodies such as lakes and rivers, swamps, and mineral deposits.



## 4.2 Case Study area –Kyabakara Sub County.

The study was carried out in Kyabakara sub county, located in the North East of Rubirizi district, Western Uganda. Kyabakara Sub County consists predominantly of Banyankore and Bakiga ethnic groups who are basically homogeneous in nature and culture. The population depends on agriculture as the main source of activity and income. Small holder farmers operate with farm sizes ranging from 0.5-2 hectares, and they deal with multiple crops including maize, beans, finger millet, potatoes, ground nuts and cassava, and taking advantage of two rainy seasons per year. These seasons peak in April/May and October/November. The surplus of household crops is sold for cash. Banana takes the most cultivatable land and is also the main staple food, while coffee is grown as a cash crop. Beans, millet and cassava are grown throughout because they act as main source of food and income. Although the sub county is blessed by areas of fertile soils, production levels and productivity have been declining due to population pressures on land and poor farming methods in particular of planting short cycle crops without sufficient attention to fertility replacement (Kyabakara sub county Production Department report-2014).

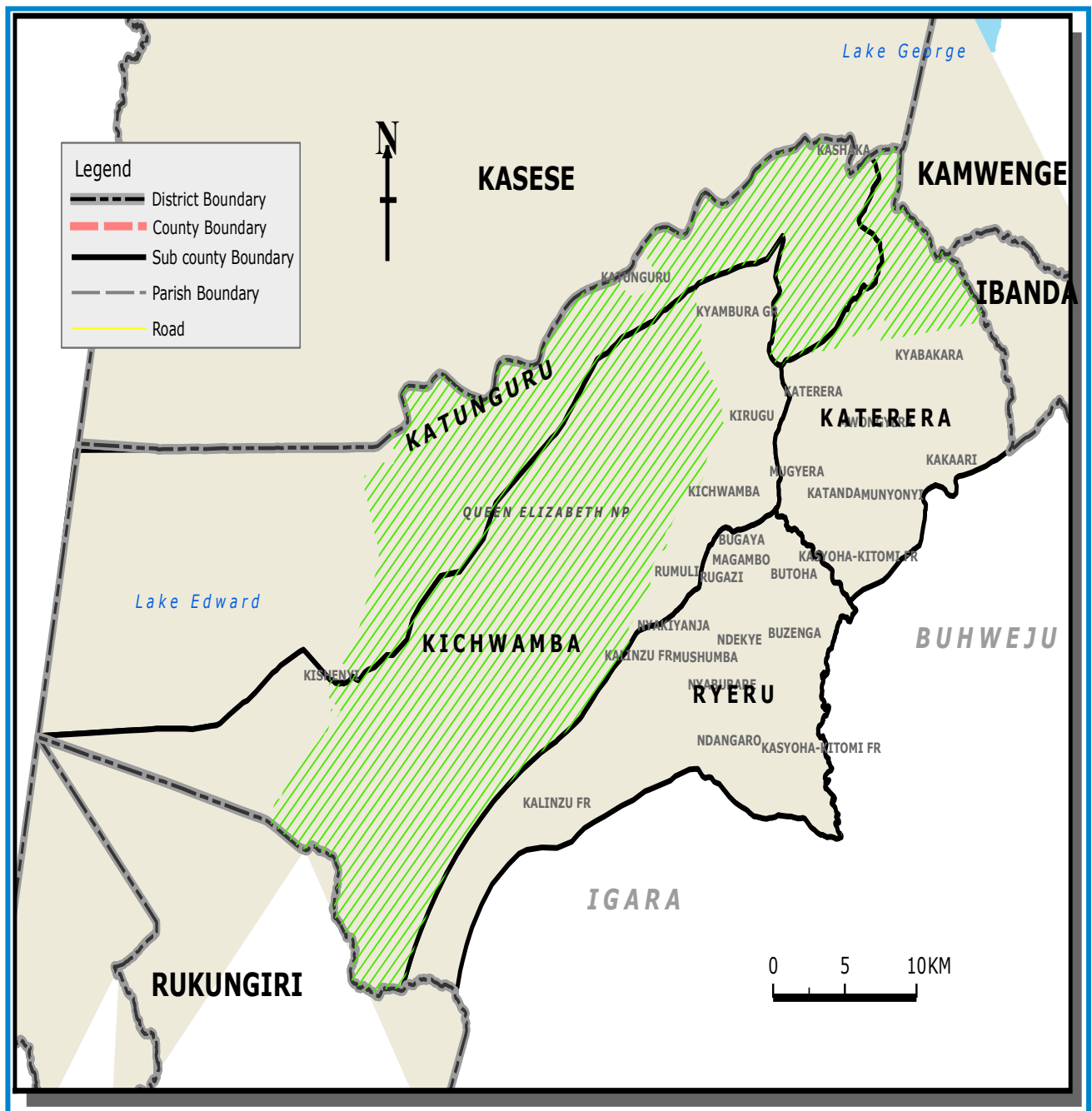
### 4.2.1 The work of men and women in Kyabakara sub county.

From empirical knowledge, Kyabakara sub county is patriarchal society. This is a social cultural practice described as the rule of the father. It is a social system in which men hold the power and women are largely excluded (Ezeunwa E. N, 2011). The income level of the majority population is very low, as well as the education level, especially among women and the adult population. Both men and women work in the informal agricultural sector which is characterized by ease of entry, reliance on local resources, family ownership, small-scale labour intensity, and the need of simple skills obtained outside the formal education system. The gender roles are sociologically stereotyped based on the femininity or masculinity characteristics of men and women. Food Agriculture Organisation (FAO) (2012) defines gender roles as *“those behaviours, tasks and responsibilities that a society considers appropriate for men, women, boys and girls.”* Marketing and commercial agricultural production are predominantly the responsibility of men alongside the work of land preparation for cultivation. Men own or have the rights to most land and thus determine crop production decisions in the rural households. Women and girls are predominantly engaged in providing labour for planting, weeding, harvesting and threshing crops, and processing produce for both food and sale. They are also responsible for taking care of smaller animals

as well as being responsible for household maintenance including child rearing. Men prefer participating in activities where they expect direct financial gains. Activities which do not result in such benefits including attending community meetings are ignored by men and left as a responsibility of women. In fact men spend more of their work time in remunerative jobs while women are left to perform most of the unpaid work activities (COVOID assessment report, 2010)

**Figure 4: Map of Rubirizi district-Kyabakara Sub County in the North east.**

***Source: Uganda Bureau of Statistics 2012***



#### 4.3 About COVOID and its work in the case study area

This study focuses on one case KyabakaraKweyamba VSLA an association that was formed as a result of COVOID livelihood project in Rubirizi district and which is behind the formation of all other VSLAs in the district. Through COVOID, this case was selected for the study. Community Volunteers Initiative for Development (COVOID) is the main indigenous non-profit non-governmental organisation in the district, registered with the Uganda Government (Ministry of Internal Affairs). The organization was founded in 2003 by a group of community members from Bushenyi district to champion the interests of children

and women affected and infected by HIV/AIDS, abuse and poverty in the general community. COVOID derives its mandate from United Nations Convention for the Rights of Children (UNCRC, 1989) and promotes the implementation and operationalization of the United Nations Millennium Development Goals. COVOID acknowledges the fact that poverty is still rampant in Uganda, and further draws its mandate to the fact that 62% of the poor in Uganda are children. Hence the children should be consulted as part of the Poverty eradication action Plan (PEAP) process, and have their rights addressed.

#### **4.3.1 Area of Operation**

COVOID is officially mandated to operate in Greater Busheyi Districts of Rubirizi, Bushenyi, Mitooma, Buhwenju and Sheema.

#### **4.3.2 Vision Statement**

COVOID envisages a Uganda where there is universal promotion and observance of rights of children

#### **4.3.3 Mission Statement**

COVOID exists to work towards *“Strengthening the capacity of communities to provide for the rights of children.* COVOID believes that Child development is traditionally a community responsibility. The community must therefore be facilitated and empowered to create an environment that supports children enjoy their full rights.

COVOID aims to spearhead efforts geared towards eradicating poverty in rural communities through mobilizing people to participate in income generating activities (IGAs), savings groups, promoting community awareness on HIV/AIDS in order to avert new infections and strengthening the capacity of families to protect and care for AIDS orphans and other vulnerable children, promoting basic education and other rights through mobilizing communities and supporting schools in the area of operation, promote sustainable biodiversity conservation activities among community members, building community capacities in aspects of human rights, peace building and good governance, and availing the community with necessary information through research and documentation.

## **CHAPTER FIVE: 5.0 DISCUSSION OF FINDINGS**

The main purpose of this chapter is to present and discuss the findings of this case study. The findings are drawn mainly from forty seven respondents as indicated in the sample frame (see page 35). In addition, relevant literature as discussed in the literature review section will also be drawn upon in the conclusions of whether KyabakaraKweyamba VSLA contributed to reduction of poverty within its members and their households. However, focus is put on asset accumulation, welfare improvement, risks and emergency management.

### 5.1. Organization and Management of KyabakaraKweyamba VSLA group

Findings from document review and respondents revealed that before a VSLA was formed open sensitisation meetings were carried out in their area. And for this case, COVOID through local leaders sensitised and trained community members in Kyabakara Sub County. And later, community members were encouraged to go ahead and form VSLAs on their own without any material support. Once formed, in the first Nine months there was thorough training of members on management of their VSLA and recommended manuals and tools for effective and smooth running. Thereafter, the VSLA was left on its own except for the community coordinating persons who kept irregular supervision and acts as the reference person for the mother NGO/COVOID. KyabakaraKweyamabagroup was made up of 30 members, with a 5persons management committee, (Chairperson, treasurer, secretary and two money counters). However the grandfather of VSLA model in Uganda, CARE international VSLA manual stipulates between 15-25 members for VLSAs.

After training the group, it bought a tool kit that contains a safe box, three padlocks, pass books and stamp. The tool kit purpose is to prevent unauthorised cash movement, keep records intact and ensure transparency and accountability. All members had an individual passbook, and keys to padlocks on the safe box are kept by three different individuals who are not on the management committee. The stamp is used to mark shares in the passbook whenever member buys/saves and for this group; one star/stamp represented 1000 UGX bought/saved. Moreover, everyone was required to save/buy up to 5shares and no more in every weekly meeting. Besides,all transactions are carried out at meetings in front of all the members of the association. Announcement of opening and closing balances of the savings and social fund in the cash/safe box to the rest of the members by the treasurer before saving is also done. In this group the cycle of savings and lending is time bound, at the end of an agreed period which in this group is one year (as recommended in the manual), the accumulated savings and service charge earnings are shared out amongst the group members basing on the amount each member has saved throughout the cycle—this is paramount in ensuring members put in a lot of efforts to save more but most importantly for resolving outstanding issues of transparency and for maintaining the confidence of the members. A cycle must not last for more than one year prior to share-out. This they said is necessary to permit varying rates of shares and to track loans taken out by members.

It was noted that for this group to have survived in the last 5 years, a number of other regulations have been agreed upon, followed and implemented and these include;

Not giving out loans to members more than three times what is saved, and not giving out a loan to a member with an outstanding loan. All loans must be paid back within three months and in case of unavoidable delays an extra month is granted. This regulation differs from the general VSLA guidelines which limits loans to a period of three months. By the change in the general guideline of loan period, it shows how KyabakaraKweyamba has contextualised the guidelines and come to own their association. This has ensured that all group members get access to loans but also it has showed good financial discipline as it does not destabilise the group.

Members expressed good knowledge of the procedures but were only ignoring them since they assumed they knew each other very well and would want to save time during the process. However, the following were observed:

- Use of a lock box with three keys kept by non-committee members and opening of the lock box would take place in the presence of the general assembly. All transactions would be carried out in front of the group members and the money kept securely in the box, and all the group members seemed to be aware of that procedure. They sat in circle to ensure every member has a clear view of what was taking place during meetings.
- Maintenance of credit records, the association has an elected management committee of 5 people. These leaders count and announce the money saved, loaned out or paid back by members to all group members. And this is tracked by the three money counters who keep separate records including updating the total group shares. Each group member had their own saving pass books in which shares were recorded and this helps in verifying each member written records and to create in the minds of the participants a sense of safety. On the other hand, each member pays 500UGX towards welfare fund which is used during emergencies. Interesting is that welfare money is kept separate from savings/not in the saving box. It is rather kept by a member and accessed at any time of emergency without interest charges or borrowing procedures.
- On the day of the visit, member attendance was 100% Members followed every bit of procedure right from the day's agenda, saving procedures, loan disbursement and

repayment procedures, welfare fund bye-laws and time management procedures. The group members were very observant and attended to every detail and this was attributed to the fact that they want to see their group prosper.

*“Our group has existed for five years now, and so are the majority members. We have allowed new members to join us whenever there is a vacancy but we are keen on the character of those who join us. We are doing well; in fact we are the most successful VSLA in the district. Members are open-minded and loyal to the cause; the attendance is very good and members are always punctual, we rarely keep cash because members take loans and repay quite timely. I am sure our group will prosper and members will be able to achieve much more”*The group chairperson said.

Members sit in open circle during savings meetings; counting money is done in the open for every member to see. Asked why it was so, respondents shared that, they do it for transparency purposes. However, the researcher also learnt that, this was also to avoid those who cheat, that have once taken advantage of members’ trust. In one of the VSLAs in the subcounty, young people would come to monthly meetings dressed in gumboots and would receive people’s savings dropping in their gumboots without other members noticing. And when time for counting reached, they would not have cash equivalent to savings brought. Until members discovered this dubious act, blind trust was stopped; every member is keen during cash count days.

## **5.2. Categories of people involved in Kyabakara Kweyamba VSLA**

To CARE international (2013), “financial inclusion of the rural unbanked population”, “connecting the world’s poorest people to the global economy” are some of the several reasons why informal micro credit models like VSLAs were developed. While studies and several documents by CARE international repeatedly place women participation in VSLAs at majority membership ( $\geq 70\%$ ), other features can be used to understand further the categories of people participating in VSLAs. In trying to answer the research question for this particular case, the following demographic characteristics were used. They included gender, age, and marital status, number of children, occupation, daily income and educational level. These are characteristics the researcher considered in trying to understand the situation, constraints and possibilities, of people that are involved in the chosen VSLA. And the findings reveal



something unique with the membership in the VSLA; it reveals a certain age group, gender, marital status, and occupation and education level. Below are the findings:

**Table 2: Respondent's categorisation by gender**

<b>Gender</b>	<b>Frequency (n=30)</b>	<b>Percentage</b>
Female	23	63.3
Male	7	36.7
<b>Total</b>	<b>30</b>	<b>100%</b>

The gender category was used to help understand the participation level of men and women in Kyabakara Kweyamba. As shown above in the table, women participation stood at 63.3% way higher than male participation which accounted for 36.7%. The differences in percentages are significant with the men proportion almost twice of the women proportion. Although this may be an indication of rural women uptake of informal credit services than men in this association, more likely it is simply a reflection of the yearning for financial inclusion as well as a step forward towards women economic independence. Given the position/roles of women in Rubirizi district, it is not surprising that women are involved more, (nonpaid jobs as indicated in the literature) in financial activities. Also, the fact that the methodology relies on self-selection of membership based on trust, women may have selected fellow women. In fact, in one focus group discussion that was composed of women only, it was found out that KyabakaraKweyamba had fewer men because of trust issues. One woman in a focus group discussion said thus, “*some men get loans but they never pay without a hustle*”. Moreover, the methodology operates on informal rules and regulations, unfamiliar members to the existing members may likely be segregated. However, women membership domination in this case is not an isolated finding, Candia and Laker (2009) found 80% women participation in Can YaboYoo Village Saving and Loan Association -in Uganda. Nevertheless, there is need to be concerned with the disparity in participation between men and women if the model is to realise greater effects especially for the rural un banked.

**Table 3: Respondents' categorization by age**

<b>Age category</b>	<b>Frequency (n=30)</b>	<b>Percentage (%)</b>
20-29	-	-
30-39	9	30

40-49	12	40
50-59	6	20
60+	3	10
<b>Total</b>	<b>30</b>	<b>100%</b>

The findings show that the age group below 30 years did not participate in KyabakaraKweyamba VSLA, while age between 30-59 participated more than any other age category. Then those aged 60 and above participated least. It is recognised that the VSLA manual limits the recruitment of members below 20 years. However, members in this case have stayed in this VSLA for the past five cash outs (Five years) this being the sixth year. The rest of the age categories do not seem to present a significant difference between their participation levels. Given the social responsibility that maybe at hand for these age groups, (of 30-39, 40-49, 50-59) it is likely that they will need financial credit to smoothen their consumption needs. For example, it is at these age category that there are family responsibility, dependants and community roles which all increase the need for consistent income. In addition, the above active age group statistics indicate critical gap in the adult financial service accessibility in Kyabakara subcounty. It further implies a limited tax base given that adults are involved in informal non taxed financial services which are a limitation to service provision by the government because less is obtained from the population.

**Table 4: Respondents' categorization by their marital status**

<b>Marital status</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Male</b>	<b>Female</b>
Single	-	-	-	
Married	25	83.3	7	18
Separated/divorced	1	3.3	-	1
Widowed	4	13.3	-	4
<b>Total</b>	<b>30</b>	<b>100</b>	<b>7</b>	<b>23</b>

The above findings show that majority of the respondents 83.3% were married, followed by 13.3% who were widowed, followed by 3.3% who were separated or divorced. While the unmarried population did not participate in the VSLA at all, the married population were more involved in the VSLA than other categories of respondents. The significant differences were likely due to the fact that married people are regarded as more stable and more reliable as compared to their un married counterparts. Some male beneficiaries revealed that married people are more prepared to bear any difficult situation around them as compared to the

single and widowed. Thus, a structure like the VSLA that relies on informal rules is likely to be dominated by responsible community members who fear putting their integrity at stake. Further, the total absence of un married community members also is linked to less pressing needs they have compared to married and windowed or divorced people. For example, from empirical knowledge, the single and unmarried stay with their parents in the same homestead under their providence of all the basic needs. Therefore, it is the responsibility of the parents to ensure the wellbeing of the house hold, including planning and consistent provision of better livelihood of their house hold members. While widows have to work extra harder, especially when there are children involved the burden of meeting school requirements, healthy needs and general welfare is on one parent. And this is made worse by the absence of government programs that cater/support orphans or widows. Therefore, it is likely participation in KyabakaraKweyamba is related among others to meeting the needs like welfare that cannot be publicly satisfied.

**Table 5: Respondents' categorization by their educational level**

<b>Level of education</b>	<b>Frequency (n=30)</b>	<b>Percentage %</b>	<b>Female</b>	<b>Males</b>
No education	5	16.6	5	-
Primary	20	66.6	16	4
Secondary	3	10	-	3
Tertiary /vocational	2	2	2	-
<b>Total</b>	<b>30</b>	<b>100</b>	<b>23</b>	<b>7</b>

First and foremost, the research included education levels to understand the level of involvement of educated and un educated population. And the above figures showed that most respondents had obtained the first level of education, primary education, (66.6%). While 16.6% of participants who are all women did not have any form of formal education. From the literature, women are the most affected population by poverty similarly educational levels affects a person's ability to understand certain information. Moreover, education levels have significant implication on the members participation and likely also on the accruing benefits. The UNDP 2007 report as cited in (Fletschner and Kenney, 2011) revealed that women's

lower levels of literacy and lack of exposure to other languages hampers their ability to benefit directly from what is provided in writing or in languages other than those they speak at home. In the same way, during the researcher's visit to one of the associations cash round meetings, it was observed that a few affluent members were actively involved in the savings procedure while others laid a back. And despite the fact that women percentage in the association was significantly higher than men's, men were leading in the savings procedures in the meeting. And apart from the fact that Kyabakara Kweyamba was chaired by a primary educated level woman at the time of research, (and interestingly has been chairperson since the association was formed-5years back) and the key keepers being women, the rest of women humbly followed the proceedings according to the few affluent members. Perhaps this was due to the majority members having low levels of education.

Further, low level of education will likely make it difficult in fully understanding book keeping, management and organisation guidelines. In the end, manipulation by those who have formal education may not be avoidable. In fact, the sub county chief shared this in the interview: *Those who have attained average level of formal education have not been involved in the VSLA because they are not considered trustworthy, the semi illiterate think that they are capable of manipulating accounts figures.* He went further to say that the educated young members in Kyabakara sub-county abandoned the village in search of greener pastures in urban centres leaving the elderly-less educated for agricultural work in the rural areas. While the community development assistant and COVOID livelihood officer concurred that the educated consider VSLA as below their standards rather they can access financial support from (formal microfinance institutions which are about 9 kms away) other formal financial institutions for bigger loans to improve their livelihood. In fact, one teacher in this case said that money from the VSLA is only meant to supplement her income generated from monthly salary, and other income generating activities.

And for formal microfinance, working in such low educated population means more costs involved. Especially workers have to be tailored to speak the different common local languages, translating the products information into local languages and more time explaining concepts of which some may not turn out with exact meaning.

**Table 6: Respondents categorization by occupation**

Category	Frequency	Percentage	Females	Males
Peasant	22	73.3	19	2

Business/trade (produce buying)	4	13.3	2	3
Professional/skilled work (primary teacher and tailor)	2	6.7	2	-
Others(specify) Motorcycle transport service and local council chairman	2	6.7	-	2
<b>Total</b>	<b>30</b>		<b>23</b>	<b>07</b>

Although findings above indicate that peasants dominate with 73.3%, other fields of work are also involved in VSLA. Business/traders at 13.3 and professional/skilled work at 6.7% while others, (motorcycle transport service and local council leader) made 6.7%. There is a clear line between peasants and other occupations in this case, indicating dominance of subsistence farmers. Given that peasants rely on seasonal rains to grow their crops for both food and raise cash through sale of surplus, their consumption patterns are not consistent. And they have to wait for harvest season to have money to meet most of their needs. But emergency cases like sickness or weather vagaries may occur, one respondent shared that “we are regularly caught up in emergency situations that need money and yet we do not have because we rely on crop sale”. It was also found out that for a peasant, seasonal crop diseases outbreak in their gardens is high. Therefore these arguments can partly explain why there were more peasants in KyabakaraKweyamba VSLA than other groups of people. This implies that peasants’ participation in VSLA will likely help them diversify their income sources, and be able to deal with manageable agriculture/farming emergencies and inputs.

However, one may wonder how peasants relying on seasonal harvests get money to save (1000-5000UGx) weekly requirement. It was found out that some members work extra hard for paid labour, carry out retail trade in produce, borrowing from friends, and growing crops specifically to raise savings. This is an implication that the VSLA is encouraging hard work and inculcating a culture of sacrifice and saving. On the other hand the table also shows women are more in peasant work which does not differ from district planning information as indicated in the literature. Women being in peasant/subsistence work which may significantly interfere with their ability to move away from informal savings to formal credit systems, and level of exposure to poverty becomes high.

**Table 7: Categorization by No. of children in a household**

No.	Frequency	Percentage
0-3	6	20

4-6	7	23.3
7+	17	56.6
<b>Total</b>	<b>30</b>	

The table shows respondents with 7+ children (56.6%) constituted more than half of the respondents. This shows that, majority members in KyabakaraKweyamba VSLA exceed the national fertility rate at 5.9 children, (UBOS, 2013). This finding implies that house hold heads have to work extra hard in order to provide for the needs of huge family number they have. And also, it is doubtable such a household head who is peasant, primary educated has capacity to save with formal microfinance institutions. Rather it is likely that a big family head will afford micro saving schemes because of his/her huge family demands. However also, the figures show that VSLA involvement in Kyabakarakweyamba is not limited to those with huge families who are considered at high vulnerability to poverty but rather even those with small families. This may mean that the VSLA model appeals to all sizes of households.

**Table 8: Respondents' categorization by daily income less expenditure**

<b>Income Category(UGx)</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Female</b>	<b>Male</b>
<b>1\$=3600UGx</b>				
≤2000	23	76.6	20	3
2100-3000	3	10	1	2
3100-4000	2	6.6	1	1
4100-5000	1	3.3	-	1
5100-6000	-	-	-	
6100+	1	3.3	-	1
<b>Total</b>	<b>30</b>		<b>23</b>	<b>7</b>

Findings in the table above show a big and sharp gap between those who earn the least ≤2000 UGx and those who earn slightly better. Also, women take up the biggest percentage of those who earn the least. Although income less expenditure figures may not be accurate and not reliable, it nevertheless gives rough estimates to understand the economic standards of people in KyabakaraKweyamba. For example, one's income can help understand purchase capacity of basic goods and services in the rural settings. And relating it to the records on members' savings, it indicated that members with less income saved less than those with more income. And in the savings growth trend, the first year/cycle of their VSLA it indicated a difference in

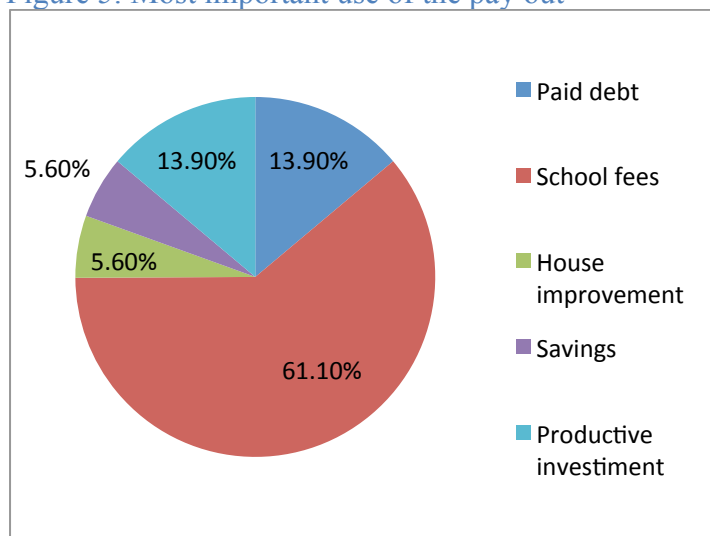
each year/cycle with an improvement in the stars/shares of a member by each year that passed. One box key keeper said, *“in the beginning, the star /share was at 500UGx and members with better income would manage five stars while others could not meet the five stars requirement for each week, but now our share is at 1000UGx and more people afford five shares each week. We are now considering 2000UGx each share in the next cycle/year because most members want it and can afford it.”*

On the other hand, considering the facts in the literature review, that women in the district are more involved into unpaid labour work, it is likely that such factors have considerably affected women’s capacity to have income. Although, there is an insignificant difference in percentages of men’s income and for women, the general income levels indicated here are slightly low to motivate a formal financial institution. It can however be argued that, these figures may not be accurate given that the educational levels in the previous table showed low levels of education. And thus members may not be able to know the accurate record to estimate their incomes which are usually not in monetary terms.

### **5.3. How Kyabakara Kweyamba VSLA has helped its members to improve their livelihoods.**

Although it is considerably difficult to quantify impacts of program participation and to attribute cause and effect, the researcher tried to focus on a comparison of period before and after joining the VSLA (before and after five years of membership). Considering self-reported improvements from respondents, key informant interviews and observations, the researcher obtained reliable data on members’ improvements in assets building, welfare and emergency management. And it was noted that the benefits were not equally realised, in fact some agreed that VSLA involvement was very beneficial while others disputed the improvements were attributed to several developmental trends in the area. Meanwhile, it was also found out that the statistics below are skewed towards the female gender and to a smaller extent to their male counterparts.

Figure 5: Most important use of the pay out



Data source: VSLA assessment results

Figure 5 above shows VSLA members appear to use the pay out to fill a variety of household needs, which may suggest a positive program impact on consumption smoothing within the household. School needs appears to be the most common use of the pay out with a substantial portion, also spending on productive investment and debts clearance coming next. Housing improvements and saving came in last. It was learned that the timing of the pay-out is usually set to coincide with occasions that require such large sums of money, such as at the start of the school calendar or before a major holiday like Christmas. Noted among the thirty respondents who had received pay outs (about 80%) of the members had spent 4-5 years in this group. This means that a greater number of members had received group pay out 3-5 times in the past years/sharing cycle. The findings indicate a large proportion of respondents invest in productive, income-generating activities. Thus one can argue that members have and are determined to reduce poverty in their households.

### 5.3.1 Productive investment / assets. (13.90%)

Table 9: Average number of assets since joining VSLA 2010-2015

#	Type of Asset	Owned before joining VSLA	Owned after joining



			VSLA	
<b>Livestock</b>				
1.2	Sheep	22	39	
1.3	Goats	71	123	
1.4	Chicken/Duck	108	304	
1.5	Pigs	0	82	
<b>Transportation</b>				
2.2	Motorcycle	0	2	
2.3	Bicycle	6	15	
<b>Agriculture related</b>				
3.1	Farm land		6 people	
3.2	Expanded coffee plantations	11 people	30 people	
3.3	Trees/eucalyptus farm	0	5	
3.4	Apiary /bee projects	0	2	

The table shows the percentage average changes in the number of household assets which is generally positive. All in all, there has been a great improvement as indicated by the percentage change on all household assets. Most of the group members' investments were recorded to be cross cutting in aspects of their lives. Although the chart above shows a big percentage spending on school needs, the fact was that income generation activities are widely ventured into than

others. This was attributed to the need for income security, given that such investments can easily be turned into cash in case of need, for example livestock.

#### 5.3.1.1 Transportation for ease of movement

The topography and lack of standard roads within Rubrizi district makes transport a challenge. The road network in Kyabakarasub county makes movement of goods and people difficult especially during rainy season, as the roads become slippery. Thus, market accessibility for agriculture products becomes expensive. For this reason, some members of Kyabakara Kweyamba used their money to reduce on the transport burden. One of the members said that, purchasing a bicycle in their household was to help carrying/fetching water from the distant source, carrying their produce and saving time wasted walking on foot. Although the transport system in Uganda was revitalised by the emergency of motorcycles/bodaboda; which stand an advantage over vehicles in poor road situations, this is still expensive to use for many in rural areas. Moreover, only two members of Kyabakara Kweyamba have so far managed to buy motorcycles even though; one uses it to provide transport service for income generation.

### 5.3.1.2 Agriculture related investment

Although VSLAs have quite small loans and cash outs, Kyabakara Kweyamba members invested in land purchase, livestock and other agriculture related income generating activities. Due to land fragmentation resulting from sharing among siblings when they grow independent, most families are left with small pieces which may not sustain an average household. And still land sales are common especially to get cash for emergency cases like paying high medical bills, tuition cases etc... Land is an important factor in production that is valued highly for farming, or even rented to generate money. In this case, the land bought was used to expand on coffee growing as a cash crop, and cassava, bananas as food crops.

In addition, unlike women in the past who depended entirely on the man's riches, today women are expanding their incomes through investment in assets. In the table above, it was found out that livestock and farm land investment was done by women only. Women are becoming concerned on how much assets they own. Although this was not a concern among men respondents, they intimated that VSLA cash was considered small only suitable for emergency needs like school fees, medical bills etc... The respondents informed the researcher that, women nowadays need to be self-reliant, and should own self-sustaining projects in case of separation with the husband. This reveals that some women's motivation to investment is both insecurity at economical and marriage level. Livestock provide a steady source of nutrition and draught power and may be easily sold when there is an urgent need for money within the household (Deshingkar, P., J. Farrington, L. Rao, S. Akter, P. Sharma, A. Freeman and J. Reddy (2008). and Udry 1995).

### 5.3.2 Welfare /House improvements (13.90%)

Table 10: showing self-reported improvements in welfare

Area of improvement	Gender Frequency		Total no.
	Female	Males	
Paying school fees and other scholastic materials	23	7	30

Bought household materials	23	-	23
Improved feeding /diet	15	3	18
Improved personal and general household hygiene	13	3	16
Created social capital, and confidence in public.	4	4	8
Finished their houses and are better looking now	-	5	5
Put the children to better private school now	-	5	5
Started small business	3	1	4
Managed to pay bride price for her two sons	1	-	1

### 5.3.2.1. Paying children school fees and other scholastic materials

Considering the importance of education for a child's social and economic prospects (as well as the prospects of his parents), access to educational services is one of the most important indicators of a household's well-being. Although the Ugandan government offers free Universal primary and secondary education to its nationals, it is still challenging for rural peasant households to send children to school. There are quite a number of factors behind this especially in the rural areas of Uganda. In majority public schools, the education standards are poor, and what seems to be free education is not free in reality. Because, there are other costs such as scholastic materials like uniforms, books, examination fees and lunch box that parents have to meet. And this is indeed constraining for the most of the rural Ugandans who have big families and struggling to meet the basic needs of life. Besides, several studies have indicated that if women get access to income/credit, they spend the biggest percentages of their income on children's education, health and clothing including other family needs (Cheston and Kuhn, 2002; Noreen, 2011; OECD, 2012). However this happens only if women have full control of the incomes. But in circumstances where men take advantage of women's income, there are fewer chances of determining women's achievement. Nevertheless, those men and women interviewed in Kyabakara Kweyamba VSLA, the association has helped them to meet their obligation. Through saving and borrowing from the association, the needed requirements to take their children to the government schools are somewhat covered. And for those not satisfied with the performance in public schools, they opt for private schools although it costs them more.

### 5.3.2.2 Household related materials/improvements

The information from both primary and secondary respondents showed that VSLA members had several reasons to smile as a result of their involvement in VSLA methodology. Below are some of the views that were raised by women respondents:

“There was a time when we used to borrow household chattels from the neighbouring homesteads. Some families would even borrow salt, pangas, knives, hoes, and Jerry cans while others would even borrow shoes and clothes to attend village parties. Now, most of these things are available in our homes.” Availability of household daily use tools is an important aspect towards realising a comfortable home.

Most members of Kyabakara Kweyamba use somewhat wall material which is mud and pole, sun-dried bricks, or baked bricks. While such houses are considered improved quality, baked bricks with cement houses are generally considered to be the better building material. And although the results indicate that more than half of the members use lesser quality building materials, the other members have at least moved to better quality housing (*refer table 10*). Interestingly, the improvement in the quality of their housing has occurred between the past 2-3years. Thus this change can arguably be linked to participation in the VSLA program, because VSLA gives households access to lump sums of money that may facilitate investments in housing quality. Although one member in the discussion group did not attribute his better housing status to being in the VSLA, the other members’ investment may help to explain some of the changes in housing quality. This result confirms the findings of Anyango et al. (2006), who found that VSLA members are more likely to own and live in better constructed homes than the general population.

And the majority of households the researcher surveyed in the association had traditional pit latrines, while a significant proportion of children in the households slept under a mosquito net. Overall, it appeared that the members significantly have better access to improved sanitation facilities. Although most reported ‘often’ experiencing problems in accessing medical services, given the high prevalence of malaria and typhoid in Uganda the use of a mosquito net and latrines are important indicators of the general health of a household. Thus, participation in the VSLA program increased the probability of accessing private health care services.

In addition, considering that measuring poverty reduction is difficult, a household’s asset expenditure was therefore used as a proxy. In fact, Pitt and Khandker 1998; Khandker (2005), state that Microfinance programs are generally reported to have a positive impact on the level of household expenditures. The results displayed in the table below generally confirm this

thought; suggesting that membership in the VSLA facilitates a higher level of spending on household assets.

**Table 11: List showing in household assets bought per gender**

Item	Per Gender		Total bought
	F	M	
Small home radios	13	4	17
Chairs	6	-	6
Beds	5	2	7
Mattresses	8	2	10
Sauce pans	13		13
Cup boards	3		3
Ceramic plates, cups and flask.	19	-	19
Water tank		2	2
Small solar panels for lighting home and cell phone charging	-	6	6
Television set	-	1	1

The above items were obtained using pay outs and loans from the association. From the discussions and the survey, it came out clear that women were main investors in household assets. Women said that men are not as much concerned with the household assets saying that they are not priority. In trying to understand this allegation from women, the researcher confirmed from male respondents that the male pre occupation was large scale, long term investments for their families, for example coffee planting, building a house, tree planting, and children school fees

Furthermore, members were helped to get capital to start produce buying and selling business. This business involves buying agricultural produce in low season when the supply is high but with low demand and prices. Then the produce is stocked to be sold in high season when they have better prices. The respondents interviewed traded in coffee, beans, maize, cereals, ground nuts and dry cassava and at times fresh fruits. The respondents intimated that this is a one way of saving their cash which earns profits in terms of selling at better prices rather than keeping Uganda shillings which is not stable. Besides produce selling being source of income, it can be turned into cash and/food during emergency situations in the

family. Thus dealing in produce and selling activity is hitting two birds with one stone for such members.

Furthermore, the quantitative results are corroborated by the focus group discussions. Participants of the discussions listed a variety of small businesses, each of which were funded using a loan or savings pay out, including raising ducks and chicken to sell; and selling food stuffs in the local trading centre and in weekly market days. One participant used UGshs 80,000 (about US\$22) loan to buy sweet bananas, cassava flour and oil to start a pan cakes business. Now she is one of the most popular sellers of pan cakes in the area. Another member used a loan to start cold porridge selling and now runs a small popular hung out spot, but profitable operation. And another one VSLA member planted a tree farm, the product of which can be sold at Ugshs120, 000 each (US\$33) for construction purposes. Overall, VSLA participation seems to have a positive impact on the growth and diversification of income sources.

On the other hand, household diet has not been affected in any way by joining VSLA but instead improved. Members are now able to plan for their families on a weekly basis, and for this reason a big number reported improvements in their household diets as they could afford to buy meat at least once in a week.

### **5.3.3 How VSLAs have improved emergency and risks management of Kyabakara Kweyamba members.**

VSLA manual/guidelines recognise that the target group of this methodology require a special attention towards risks and emergency management (referred to as welfare fund) besides savings accumulation. And this is because the unbanked rural poor households like those of Kyabakara sub county live in environments/circumstances that expose them to risks that require emergency response. However, it is argued in literature and by respondents that the exposure to risks vary among groups, individuals, and even by household contexts. Never the less, there are cross cutting risks in any community characteristic of Kyabakara sub county. For example, members of KyabakaraKweyamba households shared the same unclean water source problem; they all rely on seasonal agriculture harvests for their food and income, and have large families living in congested houses. Therefore, all these conditions required insurance to improve risk bearing capacity of the people. And thus people of KyabakaraKweyamba VSLA, being in this association it helped them in the following ways.

First and foremost, the VSLA runs a welfare fund; in the VSLA training manual welfare fund is defined as the funds contributed by members and carter for members' emergencies and social obligation, (CARE International in Uganda SUSTAIN, 2011, p. 18). Although public health services in Uganda have been scaled all over the country, complicated medical cases/ doctors are not accessible in rural areas like Kyabakara and not even within the District of Rubirizi. Thus cases of complicated nature are referred to referral hospitals or private /religious regionally situated hospitals. In such cases, the patient will require transport, upkeep costs and at times some hospital sundries and in worse cases, money to give in as bribe to different sections like at laboratory, scan services, guards, attending nurses and buying medicine that are not in the hospital pharmacy. On the other hand, in private hospitals, consultation fees are required before a patient is attended to. Accordingly, members of KyabakaraKweyamba have been helped to deal with these cases with less stress. One member in the discussions said, "I cannot forget the gap this association has helped me deal with; my wife became critically ill and needed operation but I did not have any money to advance on her operation fees. This association gave me non interest money of 150,000UGX that I required". The researcher found that, the association gives out such money without any major protocols and regardless of a member's saving status. This is perhaps the fact that the members know each other well, they live in the same community/sub county and therefore use their closeness in space to ease each other's life.

Furthermore, the association has helped members in times of loss/death of their loved ones. The welfare fund too, is used to help members meet emergency expenses that come with death, for example buying a coffin. Also, from group discussions and survey, it was learnt that members help each other deal with tough emotional times of loss by being there for the member. Like in any other parts of Uganda, when a community member or friend loses loved ones, such a person is visited, night vigil conducted in their homes, sleep overs for at least three nights. In such time, people voluntarily contribute food, water, fire woods, cook and eat and sleep together to comfort the bereaved. This is not exceptional with Kyabakara Kweyamba members, only that the above are mandatory to offer to fellows of the association. Literature shows that rural household risks and emergency bearing capacity and coping strategies lies on social networks like friends, families, religious institutions and informal associations like VSLA which provide both social leverage and social support. Such networks have helped people get by, or cope, confide in someone, or obtain a small interest

free cash loan. In fact financial support is rarely a risk coping mechanism in rural households but rather social support.

In rural agricultural areas, there is greater instability in food supply, due to reliance on seasonal rains to grow food and there is a likelihood of experiencing a shock based on weather vagaries thus famine and hunger. Also, pests and diseases outbreak that can wipe out crops in gardens within the shortest period, are common occurrences. For example, in the past three years, Western Uganda was hit by banana bacterial wilt which destroyed banana plantations and yet bananas are the staple food in the area. Not even government information provision helped regulate the fast spread of the disease. As a result, the western region was hit by hunger and famine, which Kyabakara Sub County was not spared. From the discussion with respondents, the association helped buy a disinfectant chemical (Jik) which it used to share among members to use in cleaning tools used in banana plantations. This reduced the burden of buying individually because they bought in bulk with discounts. Although the bacterial wilt destroyed the plantations completely, but the sense of togetherness expressed helped to deal with the distressful times. And with the current Ugandan government lack of risk-bearing capacity it is with such self-help associations that households cope with such risks and emergencies.

It should be noted that economically/private savings is not the main or only way in which households insure against risks. From these findings, the rural households cope with risks and emergencies mostly by turning to families and friends for help. Except that, savings or assets provide liquidity in times of economic hardship but which is also minimal. And although one can argue that VSLA help members build precautionary savings by investing in IGA, house hold assets the strength of risks and emergency management for the rural poor seems to lie in the social networks of all kinds, VSLA inclusive.

#### **5.4 Challenges faced by the VSLA methodology**

As earlier discussed, the VSLA methodology was a brain product of CARE international. It is applauded for capturing the rural unbanked active poor. Although the above findings of this study show that KyabakaraKweyamba VSLA to a greater extent helped in building of assets, improving welfare, and management of risks and emergencies, inherent in the methodology also are the challenges. To note is that the focus of this study was challenges originating from the use of



informal rules and regulations, the design of the credit system and finally, gender/culture. The following were the findings.

#### **5.4.1 Challenges due to informal rules and regulations.**

The informal rules and regulations have provided a lee way for the crooks because they know that the only punishment they can receive is to get expelled from the association. To one member, relying on trust denies a chance to some people who want to join their association. This is because without trust of at least three existing members, a new member cannot be allowed to join them. Further, loan assessment is also given based on trust of member not necessarily due to savings capacity. Although members in group discussion did not agree to the possibility that decision to loan giving cannot be biased if there is no clear criteria, observation by the researcher in one of her visits to their weekly meetings noted that bias was possible. This is because, the meetings were dominated by a few members and in their absence the group seemed not sure of the routine activities. And I also learnt that, at one time one of the vocal members held more than recommended shares/positions which indicated a loop hole thus a possibility for out spoken members to be biased and derail from the informal rules and regulations. Although it has not yet happened, the practice puts the members' savings at risk.

Despite the apparent overall success of the VSLA program, late loan repayment was a common concern raised during the focus group discussions and key informant interviews. In one case, the group reported one of its members to the police in hopes of recovering the missing funds. Occasionally, groups fail to recover the loan completely, which could have a negative impact on the long-term sustainability of the group and the model. However, although there is no available data on the default rate, loan repayment does not appear to be a systematic problem. The average maximum possible return on members' savings (for net savers) suggests that the majority of VSLAs are very financially sustainable.

#### **5.4.2 Challenges due to design of credit system**

Several focus group participants expressed concerns over weekly share contributions. Many have had trouble finding the necessary funds to meet the required weekly contribution. While it also puts pressure on savers and they end up enrolling for paid labor, borrow from friends or grow separate crops to cater for weekly savings. For this reason, the researcher learnt that fines had been removed for failing to contribute a share every week. However, this may threaten the financial sustainability of the VSLA model and the success of the loan services.

The other challenge was the average interest rates charged on loans. Although the interest rate is pre-determined in the VSLA manual at 10% per month, from the findings, some members would wish it lowered to 5% to encourage every member to borrow more often. This is because, given the short period the loan is supposed to be repaid back, this is indeed a discouraging interest rate for struggling borrowers. Although, compared to 20+ percent per month charged by formal financial institutions, this is slightly lower.

In addition, the loans are given without pledging collateral and members do not get advice on investment. Findings also indicated that there is lack of loan appraisal skills given that the association is significantly informal. In such instances even when the risk of borrowing is high, and when they are given loans they fail to pay back.

The repayment period for loans in Kyabakara Kweyamba does not differ from what is stated in the VSLA manual, that is, not more than three months. However from the interview with the sub county chief, that although the immediate repayment obligation was meant to reduce defaults, it rather inhibits meaningful investments for those with non-diversified incomes. Because the likelihood that the micro investment is stable in the short period is not practical and as such, the small enterprises do not take-off. And from the respondents, the short period puts pressure on the borrower and to meet these conditions some had to borrow from friends or sale off an asset to pay the loans. These findings do not differ from those of Field, Pande and Papp(2010)that the immediate repayment obligation of the microcredit contract-widely was held to be important for reducing default –may actually inhibit investment in micro enterprises by making relatively illiquid entrepreneurial investments too risky for small business owners in the short run.

#### **5.4.3 Challenges due to culture and gender**

The VSLA methodology is based on the premise that members should only form the association with those who reside in the same community, well known to each other and trust worthy. However, from the discussions both in focus groups, survey and interviews with key informants, it was noted that trust is not a constant factor. This is because women by default had been taken to be trust worthy, also betrayed them. Sharing one scenario that happened with the ex- member of KyabakaraKweyamba VSLA, one of the executive member said, “Our former female member took a loan to buy coffee in low season, but the husband sold it without consulting with her. In the end she had no money to pay back in time and that is how

she got discouraged and dropped from the association”. The fact that in patriarchal society’s power over family property belong to a man, it presents a challenge to the growth, and realization of the intended benefits.

Findings from household survey with female spouses of KyabakaraKweyamba VSLA members indicated that their households had not benefited from the VSLA. One lady stated that even if a man gets a loan from the VSLA he does not invest the money in productive projects that can generate income to improve the household’s standard of living. “Mine instead gets income for drinking with his friends to show that they are financially powerful”. This was supported by the community development assistant of Kyabakara sub-county. He had this to say, “Some husbands get loans without the knowledge of their wives; do whatever they want with the money. Their wives only come to know when it is time to repay and the husbands have failed to pay back”. While a woman respondent had this to say, “It is amazing to know what men do with the loans they get from the VSLA”.

The above quotations imply that even when some men access funds from the VSLA, it might not necessarily benefit the household. Majority of the women respondents believed that money from the VSLA is more useful at household level when it is given to women than to men. Alternatively, discussions with male spouses of VSLA members revealed that their wives participating in the VSLA brought an improvement in the home. That although they had not benefited directly from the projects managed by their wives, the house hold welfare had generally improved. They eat better meals and their home environment generally looks better, their wives are no longer demanding when the husbands do not have money for domestic use, and generally there is peace at home.

## Chapter Six: 6.0 Conclusions and Recommendations

It appears from the case study of the VSLA that savings have given most members the capacity to improve their household livelihood, independent of the benefits of borrowing from the VSLA. In the VSLA program, savings also facilitates the loan function, which presents further opportunities to improve the overall well-being of the household. Furthermore, establishing the program around members' savings rather than injections of donor capital also helps to create a sense of program ownership for the members. This, in turn, helps to build self-confidence and a sense of community among members. It may also facilitate loan repayment by increasing members' sense of liability and responsibility within the group.

While it is recognized that it will sometimes be necessary to use a loan for the purposes of consumption smoothing, life-cycle events, emergencies, housing, or education expenses, VSLA training strongly encourages the use of loans for investment in productive pursuits, as it facilitates repayment. While both current members use the VSLA loans principally to support personal consumption (school fees/household expenses), a greater proportion of current members use the loans to invest in productive activities. This large proportion that invests in productive, income-generating activities may help to explain the desire or even ability of current members to remain in the program.

The findings from this study and the general experiences of the VSLA program in the literature should also encourage a broader conception of the purposes and potential benefits of microfinance. There is a widespread assumption that the sole role of microfinance is to promote development of microenterprises by providing essential capital. Clients use their loans to invest in productive enterprises and then use the resulting cash to repay the loan. However, there are many other sources of potential benefits of program participation other than investments in productive capital. One such benefit is that of consumption smoothing. The majority of VSLA clients, including those from Kyabakara VSLA, are relatively poor and face a variety of competing demands on their limited financial resources. Sometimes, additional funds are necessary to cope with major life-cycle events or emergencies, or to fund necessary housing improvements or education expenses. The funds from VSLA program participation are used for a wide variety of consumption purposes, including purchasing food, paying for school fees, housing improvements and medical expenses. By supplying these funds when needed, the VSLA enables members to maintain a steady level of consumption and prevents them from slipping into a more desperate level of poverty, thereby improving

their chances of ventually moving up the income ladder. It is no doubt the study demonstrates the numerous benefits that may arise through the fulfilment of such basic needs, even with no change in household income. The positive effects reported in this case study suggest that by access to credit and savings, poverty may be reduced if the VSLA is well organised and a level of trust between the members have developed over time like 5years. Inother words, the observed VSLA benefits are a result of the increased ability to spend on different items rather than the capacity to spend more overall. Overall, the VSLA model appears to be both successful and sustainable, and offers potential teaching benefits for other microfinance programs in developing countries.

The research indicates that training of VSLA members and regular financial advice will help them to overcome the challenges being faced in the effort to reduce poverty. And such training should also include the spouses of VSLA members. Alternatively, effort should be made to educate spouses of VSLA members especially men that are not supportive of the work of their wives.

This was a case study conducted over a limited time period and with limited resources. This implies that both the depth and breadth of the study could be improved if more resources and time were available. In particular in-depth interviews with female participants as well as other members of the family and the community could yield a better basis for learning about the experiences of the VSLA and how they could be used to inform the struggle for poverty reduction in the rural areas of Uganda and Africa further. In particular the research shows that the role of gender issues in household poverty reduction stand out as central.

And trust is an indispensable factor in VSLA success. For all the VSLA activities right from selection of members, managing savings, and loaning out are based on trust. For example in borrowing from the association, a member uses 25% of his/her money and the rest, 75% is members' money/savings. This approach banks on trust that the member will be able to pay back.

Finally, what cannot be underscored is that VSLA methodology encourages hard working attitude, increased planning and saving culture in members. Looking at the categories of people in this case and then what they have achieved over the period they have been in the association, is a clear breakthrough for the members.

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Date: 15 December , 2014 Visiting Address:  
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To Whom It May Concern.

#### SCHOLA KAMPEMUKA BUSINGYE

This is to certify that Schola Kampemuka Busingye is a student at University of Agder, Norway. She is pursuing a MSc degree in Development Management and is planning to conduct field work and data collection in Uganda in connection with her master's thesis. Field work in connection with the master's thesis is a compulsory part of the master programme.

She will do her thesis on the topic: "*Village savings, loan associations and poverty reduction among rural women. A case study of Kyabakara sub county - Rubirizi district*", and is planning to do the data collection spring, 2015.

We would be most grateful if she could be rendered any necessary assistance during the period of her fieldwork.

With Best Wishes,  
Yours Sincerely,



Jannik Stølen Timenes  
Academic Adviser  
Department of Global Development and Planning  
University of Agder

## APPENDIX II: PARTICIPANT CONSENT FORM

Dear respondent,

I am Busingye Kampemuka Schola student of Masters of Science in Development Management at the University of Agder in Norway. I am conducting study “**A case study of a Village Savings and Loan Associations and its relation to poverty reduction among rural households in Kyabakara, Uganda**”

**Purpose:**

The purpose of this study is to gain insights into how VSLAs have contributed to poverty reduction in rural households. Therefore, the researcher seeks to understand the critical role the informal financial service has played among rural poor people and their households. The focus of the study is especially on how members who participate in VSLA can improve their assets; improve their welfare, and how participation in VSLA can help them in emergencies and risks management. Based on literature reviews the study assumes that these aspects are linked in important ways to poverty reduction. Such knowledge will enable provision of better planning and management strategies for such groups in the Sub-county and in the entire country as well.

**Participants:**

The study will include members of KyabakaraKweyambaVSLA and their spouses, community leaders, Sub-county community development officer, NGOs/CBOs representatives in the sub-county and other relevant representatives from the sub county. Would you be willing to participate in this study?

Participant’s name.....

Signature.....

Date .....

**APPENDIX III****QUESTIONS FOR FOCUS GROUP DISCUSSION WITH MEMBERS OF Kyabakara  
Kweyamba VSLA****(A) INTERVIEWER QUESTIONNAIRE****Objective : Category of people involved in VSLAs in KyabakaraKweyamba VSLA****1. Age:**

1. 20-29
2. 30-39
3. 40-50
4. 50-59
5. 60 and above

**2. Education level**

1. None
2. Primary School
3. Secondary School
4. Tertiary
5. Practical education/courses

**3. Number of Children**

1. None
2. 1-3
3. 4-6
4. 7 and above

**4. Marital Status**

1. Single
2. Married/ Cohabiting
3. Separated / Divorced
4. Widow / Widower

**5. Occupation Status**

1. Student
2. Farmer
3. Business /trade
5. Handicrafts production
4. Unemployed
5. Salary employed

**6. Daily income less expenditure**

1.  $\leq 2000$ UGX
2. 2000-3000 UGX
3. 3000-4000 UGX
4. 4000-5000UGX
5.  $\geq 5000$  UGX



## 7. Number of Shares in the VSLA Owned by the member interviewed

1. One share
2. Two shares
3. Three shares and above

## 8. How long have you been in this VSLA?

**Probe:** Does owning more shares mean having a more influence in the association?- what does it mean ?

*Besides the shares, do you have any other support you generate externally? (if yes, proceed and ask these probes. If No, skip to Obj.2) What type and who initiated this? if yes, who defined the type of support provided for the group? Why does the group need such a support? Whether the support is sufficient or not to meet the members' demands? If there is any external support, how long has the support been provided and by whom, e.g. individuals, a NGO other institutions etc. ?*

## Objective 2 (a): Organisation and management of KyabakaraKweyamba VSLA

**Note:** We are trying to see how this organisation operates. Look at organisation and management structure, who does what, objectives of the organisation, principles, and so on... Important to note here is that, get information as it is in the organisation, no need to ask the whys...Later alone this is the information that is going to be based on while asking questions. For example, if someone has said that one of their principles is promoting gender equality, and then later alone you find out that the percentage of men is higher than that of women, and vice-versa.....thats when the whys come in.

**Remember that every question you generate should have a direct link with the objective.**

**Then,** any rules that govern the organisation? How have they helped you achieve your objectives and goals; or do you think they have helped you in achieving your goals and objectives.

What gender dominates the group and why?

How does your group operate its saving box to inform and involve the illiterate and least influential members of the group? Is there any training of group members in this regard? In case so, who and how is this training organized? Do all members understand and trust the

manner in which the saving box of the VSLA is operated or handled? If so, give reasons in support of your answer and if not why? How do you maintain safety of the savings box?

Then, have you given out a loan before? What are the requirements/criteria for accessing a loan in your group? Do you have any special case loans?

**Note: the following issues are important to bring out-** Who is in charge of giving out loans and who are entitled to receive such loans?; How much can be given out as a loan and at what are the interest rate and terms of repayment?; How long is the grace period?; For what activities can loans be granted and for what activities can it not be granted and why?; How are loan applications or request appraised and what are the concrete collection procedures?; What actions are taken by the group in case of default on the loan?; To what extent are members satisfied with the manner in which the loan procedures are handled and why?; How many people have so far received loans in the last six months and during the last year? Are there any other issues about organisation and management that you would like to share?

### **Objective 3: Improvement on livelihood of members and their households:**

**Note:** *seek to get experiences and achievements in the last 5years as a result of this saving association. Anything tangible results due to the association which have improved their livelihood...let them compare their livelihood before and today after 5years in this association.*

(a) Do you now own any assets such as plots/land, income generating machines, livestock, transport systems, furniture, short term investments, bank accounts, cash etc. (prompting information on how many own any particular assets and in what quantity or amount). **How before?**

(b) Do you now have access to health services and what terms and where (government aided hospital government health centers, private hospitals, private clinics, drug shops and or at the homes of traditional healers)? Why do you access the health services in a particular place and not in other places? **Was the situation the same 5years before?**

(c) To what extent do you provide your children's with their educational needs (as regards to scholastic materials, uniforms and other demands as required by the school administration)? At what level have you been able to support your children's education needs (as regards to primary level, secondary level and tertiary)? What type of schools do your children go to and why? Was there any possibility of choice? **Please compare with 5years before**

(d) How many times in a day do you take hot meal? What kinds of food do you normally take in a meal (e.g. fish, vegetables, fruits, beans etc.) and why? Do the children receive any food in school? **Compare before**

(e) Do you dress your children better now and how many times a year do you buy clothes for your children and for yourself? **How before?**

(f) What is the nature of the house you sleep in (number of rooms, roofing, walls and floor, compound, ventilation ceiling, electricity, water etc.)? **how before?**

(g) Do you in any way insure your assets? If so, how? If not, why? Do you keep money in a bank account to meet uncertainties? How do you ensure food security at home? How do you ensure cleanliness and hygiene at home and at your work place? Do you have any possibility to influence the cleanliness around you? **Compare before?**

**Objective 4: To investigate the likely challenges in VSLA that might be originating from:**

- The mode of operation in VSLA that is primarily based on trust (informal rules and regulations)
- The design of the VSLA credit system (short term loans, interest rates, based on savings...)
- And the gender/culture issues relating to the VSLA

**Note: Deeply investigate these elements in particular.**

-What are origins and character of the challenges facing NyabubareTweyambe association (as regards to mode of operation, self-selection of membership, moral/ or sanctioning of defaulters, maintenance of funds; design of credit management as regards to control on loan use, short term loans compared to long term in relation to repayment period and loan in relation to investment; (for example, how does it affect investment?) and the gender/culture as regards to male dominance and likely pseudo control , gender inequalities, position of women in family earnings/decision making, and its impact on women performance etc)? Any gender specific difficulties met in loan recovery?

-Any issue you would like to share in relation to these specific challenges?

**APPENDIX IV (B): INTERVIEWER QUESTIONNAIRE FOR SPOUSES OF  
MEMBERS OF VSLA**

**1. Demographic Characteristics of spouses of members involved in theVSLA**

**1. Age:**

1. Below 20
2. 20-39
3. 40-59
4. 60 and above

**2. Education level**

1. None
2. Primary School
3. Secondary School
4. Tertiary

**5. Occupation Status**

1. Student
2. Famer
3. Business /trade
4. Handicraft activity
5. Unemployed
6. Employed

**Objective 3: Improvement of the livelihoods of KyabakaraKweyamba members and their house holds.**

**Direction 1:** Please use the rating guide provided below with reference to the livelihoods of women involved in VSLAs and their households in Kyabakara Sub-county. Kindly circle the number corresponding to your answer / your scoring.

Strongly Disagree (SDA)	Disagree (D)	Not Sure (N)	Agree (A)	Strongly Agree (SA)
1	2	3	4	5

		SDA	D	N	A	SA
<b>Assets building</b>						
1	Members of the group have acquired valuable machines that can help them generate more income	1	2	3	4	5
2	Members have acquired a plots/land to expand their agriculture	1	2	3	4	5
3	Members have constructed houses/stores to expand their business	1	2	3	4	5
4	Members have improved their transport system by purchasing a bicycle, motorcycle, motorcar (any of these)	1	2	3	4	5
5	Household has acquired livestock	1	2	3	4	5
6	Members have furniture such as sofas, table sets, wardrobes	1	2	3	4	5

	etc. at home/office					
7	Members' cash inflow or earnings have improved	1	2	3	4	5
8	Members have some investments from which they earn money (like IGAs)	1	2	3	4	5
9	Members also have cash at bank	1	2	3	4	5
<b>Welfare improvement</b>						
10	Members access better health services and facilities for their family	1	2	3	4	5
11	Members live in better condition and well ventilated house	1	2	3	4	5
12	The nutrition of the household has improved and take at least three hot meals in a day	1	2	3	4	5
13	Members meet the basic educational needs of their children	1	2	3	4	5
14	The social life styles of the members have improved (e.g. attending parties, friends etc.)	1	2	3	4	5
15	Members provide better clothing to themselves and their children	1	2	3	4	5
16	House household drinks boiled water, has a latrine	1	2	3	4	5
17	Household uses mosquito nets	1	2	3	4	5
18	Household can afford fish, or meat for the family	1	2	3	4	5
<b>Emergencies and risks management</b>						
16	Members save some money in bank to meet unexpected occurrences or event	1	2	3	4	5
17	The assets of members are covered with insurance	1	2	3	4	5
18	Members store enough food to cater for calamities or catastrophe	1	2	3	4	5
19	The environment members live is hygienically sound	1	2	3	4	5

#### Objective 4: Origin of Challenges of VSLA in Kyabakara Sub County

**Direction 1:** Please use the rating guide provided below with reference to the challenges of VSLAs in Kyabakara Sub-County. Kindly circle the number corresponding to your answer / your scoring.

Strongly Disagree (SDA)	Disagree (D)	Not Sure (N)	Agree (A)	Strongly Agree (SA)
1	2	3	4	5

		SDA	D	N	A	SA
<b>The mode of operation</b>						
1	Un binding rules and regulations for the VSLAs put member savings at risk	1	2	3	4	5
2	The group operates as self-selected groups and segregates willing members in the community	1	2	3	4	5
3	Norms on members are enforced through sanctions such as guilt and shame which are negligible to some	1	2	3	4	5
4	The group does not seek for external sanctions on	1	2	3	4	5

	defaulters					
<b>The design of credit system</b>						
5	The group does not exercise any control on loan use	1	2	3	4	5
6	The short term loans given to the members with limited repayment period puts a lot of pressure on the beneficiaries	1	2	3	4	5
7	Short term loans limit long term investment	1	2	3	4	5
8	Loaning based on saving capacity limits meaningful loans	1	2	3	4	5
<b>The gender/culture</b>						
9	Male dominance over women makes women empowerment very difficult as they are groomed culturally to be submissive to their husbands	1	2	3	4	5
10	Women's choice of activity and ability to increase their incomes are constrained by their husbands	1	2	3	4	5
11	Many women have no say on the family earnings even when they have contributed to them being generated	1	2	3	4	5
12	The economic and social status of women is controlled by their husbands.	1	2	3	4	5

## **APPENDIX V: INTERVIEW GUIDE FOR KEY INFORMANTS**

Interview guide for a research project on **A case study of a Village Saving and Loan Association and its relation to poverty reduction among rural households in Kyabakara, Uganda**

### **Title/Position**

- \_\_\_\_\_ (1) community leaders, and VSLA coordinating persons
- \_\_\_\_\_ (2) community development officer
- \_\_\_\_\_ (3) NGOs/CBOs representative
- \_\_\_\_\_ (4) Sub-county official
- \_\_\_\_\_ (5) District official

- Categories of people involved in VSLA as regards their age, gender, marital status, education, socio-economic status, and occupation. Prompting relevance of these demographic characteristics with membership and poverty reduction (based on reports if possible).
- (a) Organization of the selected VSLA: prompting information on the ownership of internal rules and regulations, level of external support, composition of gender, account operation amidst the illiterate and least influential; ways of carrying out

transactions, giving out loans etc. (considering evidence-based information from reports if any).

(b) Management of the selected VSLA: prompting information regarding competence of leaders, trainings undertaken by leaders, transparency and record keeping culture among leaders, technical and monitoring support for leaders, election procedures of leaders and their roles and responsibilities; role of constitution in leadership (considering evidence-based information from reports if any).

- Improvement on livelihood of members and their households: unearthing information regarding asset ownership as regards to plots/land, income generating machines, transport systems, furniture, short term investments, bank accounts, cash inflow etc.; welfare improvement as regards to members level of accessibility to health services, educational services, house improvements, nutritional information, clothing, social life style, housing facilities etc.; emergency and risk management as regards to asset insurance, money in banks, food stability, health and occupational hazards, cleanness and hygiene at home. (Considering evidence-based information from reports if any).
- Origin of challenges of VSLAs in Kyabakara Sub-County (identifying aspects related to mode of operation as regards to non-contractual elements, sanction to defaulters, maintenance of funds; design of credit management as regards to control on loan use, short term loans in relation to repayment period and loan in relation to investment; and the gender/culture as regards to male dominance, gender inequalities, position of women in family earnings etc.
- Ways of improving VSLA program and empowering rural poor socially and economically through VSLA.





