



VILLAGE SAVINGS AND LOAN ASSOCIATIONS SCHEMES (VSLASS) AND WOMEN'S SOCIO-ECONOMIC DEVELOPMENT FROM RURAL AREAS. A CASE OF KIBILIZI SECTOR, NYANZA DISTRICT, RWANDA

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ABSTRACT

Village Saving and Loan Associations (VSLAs) have proven to be very effective in accelerating growth and building local capacity. The aim of this study is to determine the impact of Village Savings and Loan Associations of women on socio-economic development in Kibilizi sector, Nyanza District, Southern Province in Rwanda. The 89 respondents were selected from 801 women participating in VSLAs located at Kibilizi sector. The study adopted qualitative descriptive research. The result of the study shows that the reasons for joining VSLAs in Kibilizi is to get money easily when they need it, to increase income, to exchange ideas about business, to ask loan, to meet and exchange with friends, to keep money safe and to save money. Before taking a loan,

members were encouraged to share the plans with their spouses and it was required that a spouse had to be one of the referees for taking a loan. VSLAs made women buying mutual health and paying school fees of their children. It has been found that the women could earn between 150,000 Frw and 200,000 Frw per month. The study also shows that the loan given through VSLAs are reinvested through agriculture and livestock and the number of eating per day was increased whereas they eat two and three per day thus ensuring food security in their households. The 93% of women agreed that saving and income increased due to VSLAs even though they meet the challenges of getting stakeholders, members not paying regularly their contribution, lack of leadership skills and lack of training in business related activities. Further research may attempt to work on comparative study of the effects of women VSLAs between rural and urban areas in Rwanda.

Key words: Village savings, Loan associations schemes, Women's socio-economic development

INTRODUCTION

The vast majority of the World's poor live in rural areas of developing countries with little access to financial services. Access to savings, loans, and other sources of credit is a core component to fostering prosperous and resilient communities (Ksolla et al.2016)).

Countries across the globe have different terms for these Village Savings and Loans Associations (VSLAs), irrespective of the groups bearing the same goals (Boyd A, et al.2020). For instance, in Egypt, they are called Rotating Savings and Credit Associations (ROSCAs) or, Accumulated Savings and Credit Associations. Loans obtained from these associations are of low interest compared to other microfinance banks. Many of these VSLAs are not registered with the registrar of the business. They usually act on a trust basis since they just unite people from the same village, workplace, church, or any other common ground. (Nnama-Okechukwu CU et al, 2020 and Shaaban S.2019).

According to Sibomana and Shukla (2016), VSLAs have proven to be very effective in accelerating growth and building local capacity. VSLA members have access to highly responsive and safe financial services, and this enables them to upscale economic activities, improve

household health and welfare, acquire business skills, educate their children, and improve the quality of their social lives both within the family and the surrounding community.

VSLAs have enabled many members to engage in income-generating activities, contributing to household expenses from their profits. This improves unity at home and reduces household conflict. Members are able to send children to school and purchase supplies such as books, pencils and school bags. Some members said they are able to provide household meals without reliance on their husbands, although most said their meals were of their farm produced maize and rice, and locally grown vegetables (Naphtali et al, 2021).

In Nigeria through Pro Resilience Action (PROACT Village Savings and Loan Associations (VSLAs) have enabled rural financial inclusion. The VSLA approach was targeted at combating increased poverty and improving the resilience of poor rural farming households in Kebbi and Adamawa States, Nigeria. The three case studies presented here reflect the new, transformative realities of increased income, access to loans, safe spaces for women, improved rural enterprise and the empowerment of women engaged in the VSLAs. Formed in January 2017, Kungiya Ryankasuwa is a women's Village Savings and Loan Association (VSLA) in Tarasa Community, Birnin Kebbi Local Government Area, Kebbi State, Nigeria. With two yearly share-outs made so far, totalling N300, 350 (\$827) and over N400, 000 (\$1,101), respectively, it has quickly started to change its members' lives. (Naphtali et al, 2021).

According to Care International report (2022), achievements in VSLAs showed that 1.2M people in 2021 (totalling 13.7M since 2015) have been impacted by VSLAs where by Nearly 38,000 new VSLAs formed in 2021 and 280 CARE projects across 45 countries included VSLAs.

In Rwanda, there is an empowerment of women participating Village Saving and Loan Association(VSLAs) projects where consumptive expenses and conducts have altered, and food availability improved through increases acquisitions due to women contributing to VSLAs. However, the economic contribution of VSLA to women economic empowerment has not been homogeneous among the participating women. There are cases where the women seem to be disempowering because of increased workload, evaluation and misuse of loans

and savings by their husbands, thus plunging the women into indebtedness and erosion of the gains of economic empowerment (World Bank, 2017). Village savings and loans associations (VSLAs) approach is a micro credit model under which 25-30 members meet in a self-managed group once a week to save and borrow money. This approach has played a key role in providing access to financial services for women who don't have bank accounts. This programme is improving family members' well-being as they can borrow small loans to invest in income generating activities, or respond to emergencies instantly.

After years of engaging in weekly savings and loans, members become empowered and are able to engage formal financial institutions for bank account creation. Their savings become more secure and these women can access bigger loans for bigger businesses.

According to Care International report 2017, 77% of VSLAs group members in Rwanda are women, the main services in this program include VSLA formation, financial literacy, Enterprise management/entrepreneurship, Business mentorship, Good and viable agriculture practices.

Rural people in Rwanda like most citizens need a range of appropriate and affordable financial services to address a range of financial needs such as safe accessible savings, microcredit payments and transfer service domestic and/or international as well as insurance. The challenge is the set of services and products seem relevant to limited people as such formal institutions are seen as places for big money meaning big loans for investing in a business or building a home and are not convenient store for low income citizens with short term and temporary savings (MINECOFIN, 2018).

Operating with a self-sustainable approach, VSLAs have potential to improve financial access in more remote areas, but it is not clear exactly what impact these groups have on female empowerment (Brannen & Sheehan-Connor, 2016). Regarding VSLAs in Rwanda, Katararwa (2020) states that women are constrained from full participation and benefits from VSLAs, due to inequitable power relations and normative gender roles. Gendered social norms in Rwanda determine how borrowing, saving and investing differs among male and female VSLA members, and how decisions on loans and assets purchased with the loans are made (CARE Rwanda, 2012). However, many initiatives and programs are being implemented in order to enhance gender equality and women's empowerment in Rwanda (Katararwa, 2020), but complete evidence on

what effect these initiatives have in relation to VSLAs and evidence on prevailing challenges with achieving positive impacts through VSLAs are lacking (Habamenshi, Habumuremyi & Mvunabo, 2019).

In Nyanza district as well as in Kibilizi sector in particular, poor and less educated people are easily intimidated by the formal, lengthy and complicated procedures at banks, just as many people distrust the banks because of the non-transparent pricing structures. Women's informal groups are crucial to improving the standard of living for women. Therefore, this research intends to show how informal groups at grassroots level are a factor of a paramount importance to enable women economic empowerment especially through the creation of income generating activities. This study can contribute to the currently limited knowledge base that exists of the relationship between female empowerment and VSLA activities.

MATERIALS AND METHODS

The survey considered a target population of 801 women participating in VSLAs in Kibilizi sector through which a sample of 89 has been determined using Slovin's formula as follows:

$$S = \frac{N}{1 + N(e)^2} \quad \text{Therefore, } S = \frac{801}{1 + 801(0.1)^2} \approx \mathbf{89 \text{ women}}$$

Where:

S= Sample size

N= Population size (the universe)

e = Margin of error for an infinite population (< 10000 individuals).

The total sample of respondents were made by 89 women and 4 women representatives to make 93 total participants.

Simple random sampling was chosen to select women representatives involved in VSLAs in Kibilizi Sector. This was dictated by the nature of the study which was aimed at getting information from specific respondents. The researcher chose 4 women representing other in four cells (Rwotso, Mututu, Cyeru and Mbuye).

Data collection exercise was done using both questionnaire and structured interview guide to get primary data from respondents. Data were analyzed using SPSS version 23.

RESULTS

The figure 1 shows that the different reasons for belonging to VSLAs as stated by respondents are to get money easily when they need it (31.46%), to increase income (24.76%), to exchange ideas about business (8.99%), to ask loan (12.36%), to meet and exchange with friends (5.62%), to keep money safe (6.74%) and to find where to save money (10.11%). Before taking a loan, members were encouraged to share the plans with their spouses and it was required that a spouse had to be one of the referees for taking a loan. The culture of saving and taking loans also contributed to the reduction of idleness in the community.

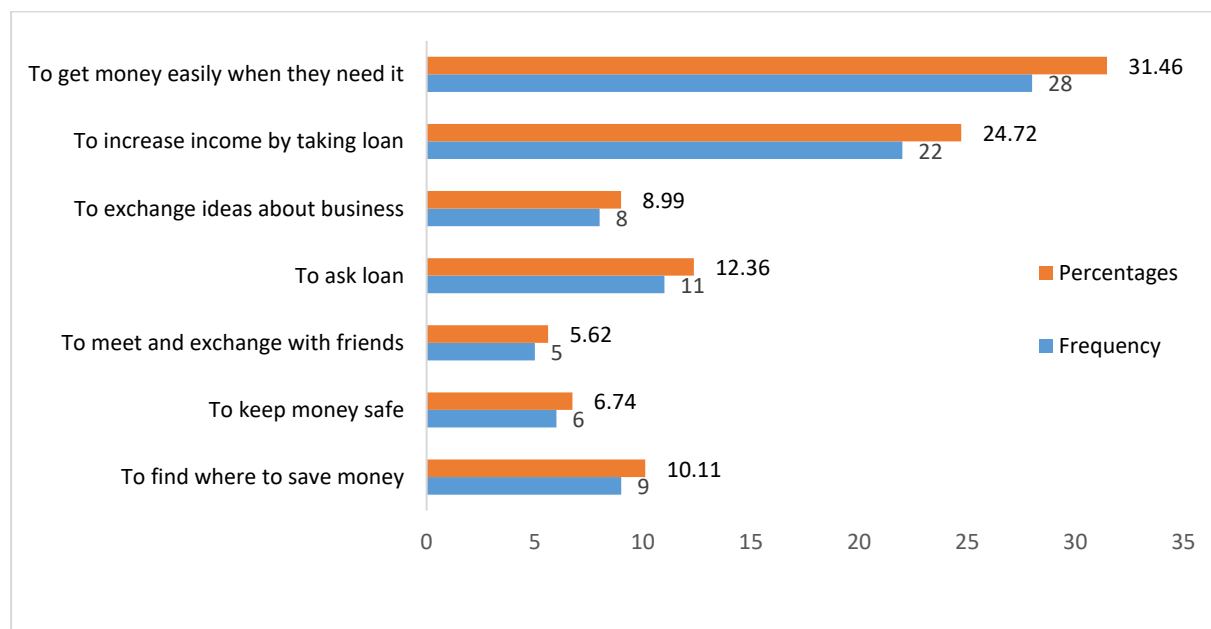


Figure 1: Reasons for joining VSLA

These findings confirmed the results from Susan et al 2010, where they found that for Accumulating saving associations, the most cited reason perhaps surprisingly was to get money when they face an emergency; this perhaps underlines the importance of the credit component of these financial

The figure 2 shows that the livelihood of VSLAs 'members has changed through buying mutual health insurance for their family members (26.97%), paying school fees for their children

(26.30%), buying land (21.35%), buying domestic animals (14.61%), buying mattress to sleep (7.87%) and able to contribute in social event (5.62%).

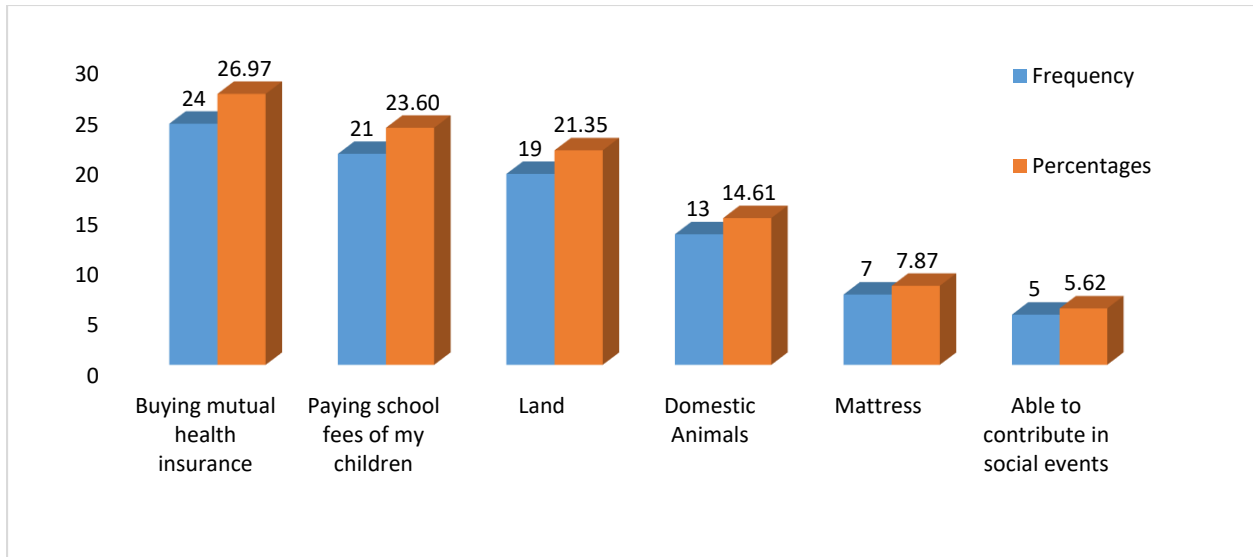


Figure 2:Contribution of VSLAs in improving women’ livelihood

They probed more on paying school fees for their children, they learned that vulnerable children whose parents are not members of savings groups find it difficult to continue with secondary school education despite passing their examinations. In relation to income, the researcher wanted to have information from the beneficiaries if their income has increased since they entered in VSLAs, if it allows them to satisfy their basic needs mainly nutrition, housing, health and education. The situation of household income is highlighted in figure 3.

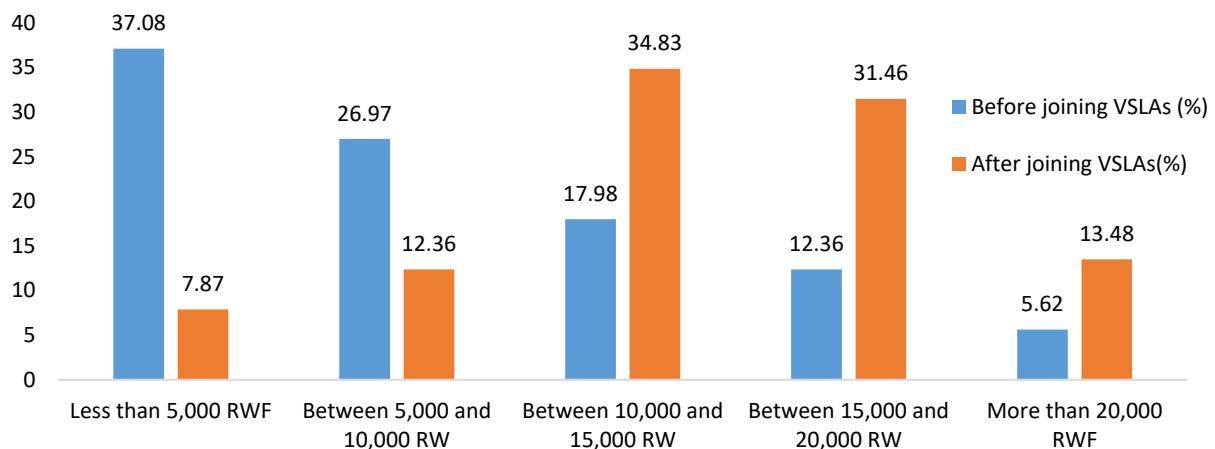


Figure 3: Household income per Month

The results in figure 3 indicate that there is a significant improvement whereas 37.08% of the member of VSLAs earned less than 5.000 Frw before whilst after membership. It has been found also that after joining 12.36% member earned between 5000 and 10,000 Frw, 34.83% earned between 10,000 Frw and 15,000 Frw and 31.46% earned between 15000 Frw and 20000 Frw and 13.48% earned more than 20,000 Frw compared to before joining VSLAs. In fact, when you invest less, you gain less. During the interview we had with respondents involved in income generating activities, the major issue they were facing before joining the informal group is to find a big amount of money to run with. One of the major challenges for many rural women is lack of economic empowerment. The researcher was curious to know whether respondents have income generating activities as they are members of VSLA, their views are indicated in figure 4:

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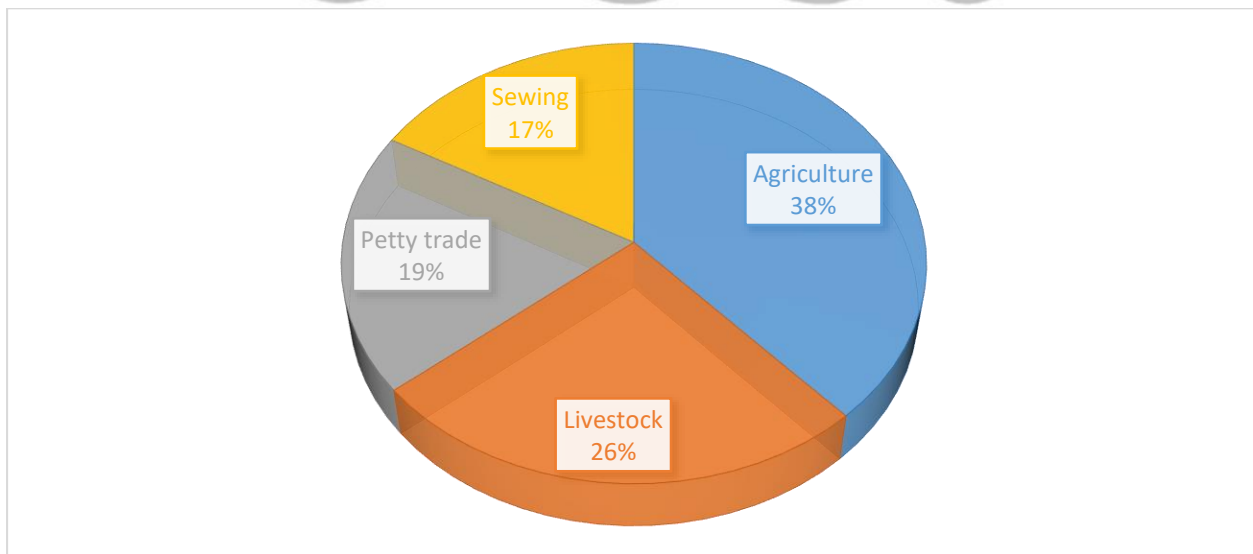


Figure 4: Income Generating Activities of Women joined VSLAs

The results revealed that the women of VSLA in Kibilizi sector has changed their life through loan acquired from their savings. Many generating incomes were investing in agriculture (38%), livestock (26%) and sewing or tailoring (17%). This could imply that the youths had good returns from their income activities. Actually rural life preference has a significant positive effect on involvement in farming generating activities. This implies that rural women who had higher rural life preferences also were increasingly involved in non-agricultural income generating activities.

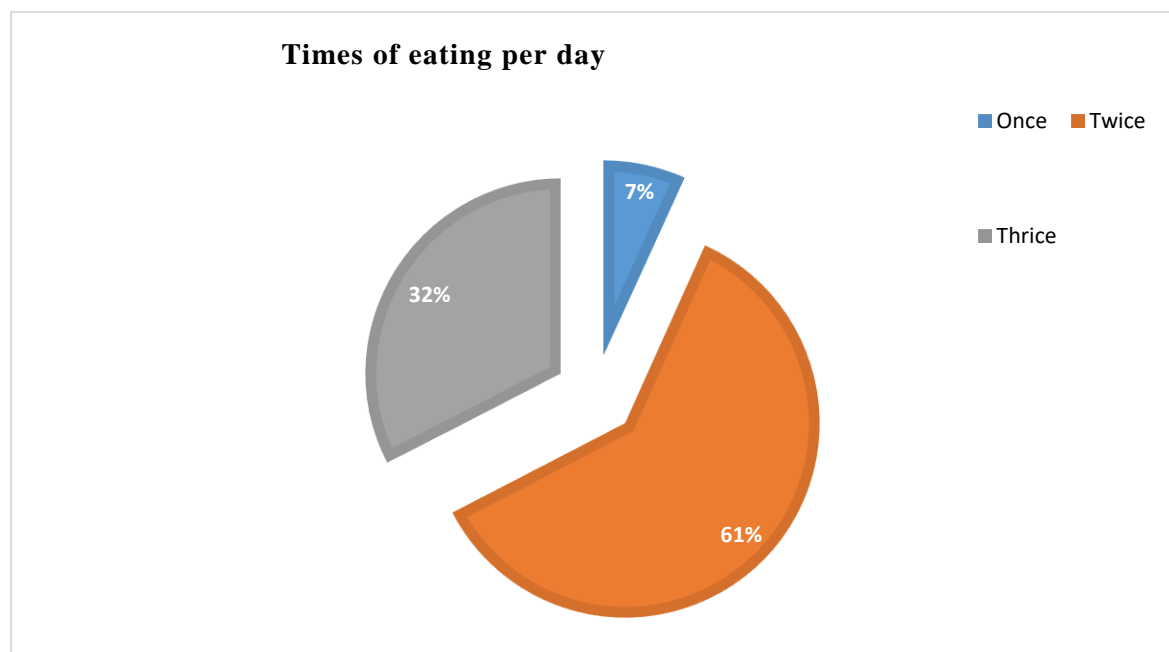


Figure 5: Times of eating per day for Women joined VSLAs

According to the majority of respondents, the meal among respondents was very irregular after they enter in VSLAs; the majority of them eat twice per day (61%), followed by those who eat three times per day (32%) and the least was those who eat once time per day (7%). Those who eat once, it is either at noon or in the evening. The fact of not being able to eat three times a day is an indicator of low household income. Members of VSLAs believe that their household 's diet has improved since they became members of VSLA. It has been noticed that those for whom the diet has not changed have more than 8 family members. Therefore, food security among the family of rural women of Kibilizi sector who joined VSLAs has improved.

Children education in area of intervention

Education is one of the most important sources of opportunity in any culture because it is associated with many of life's chance. Education is widely acknowledged as an important means in development strategies to improve conditions and reduce poverty in developing countries. In order to be aware if all children from the families of respondents benefit from education, the questions asked by the researcher reveal the following that the majority of the respondents agreed that VSLAs helped them to find easily the school materials and uniforms (46.07%), able to find school fees easily (35.96%) and drop out for their children (17.98%) as shown in figure 6.

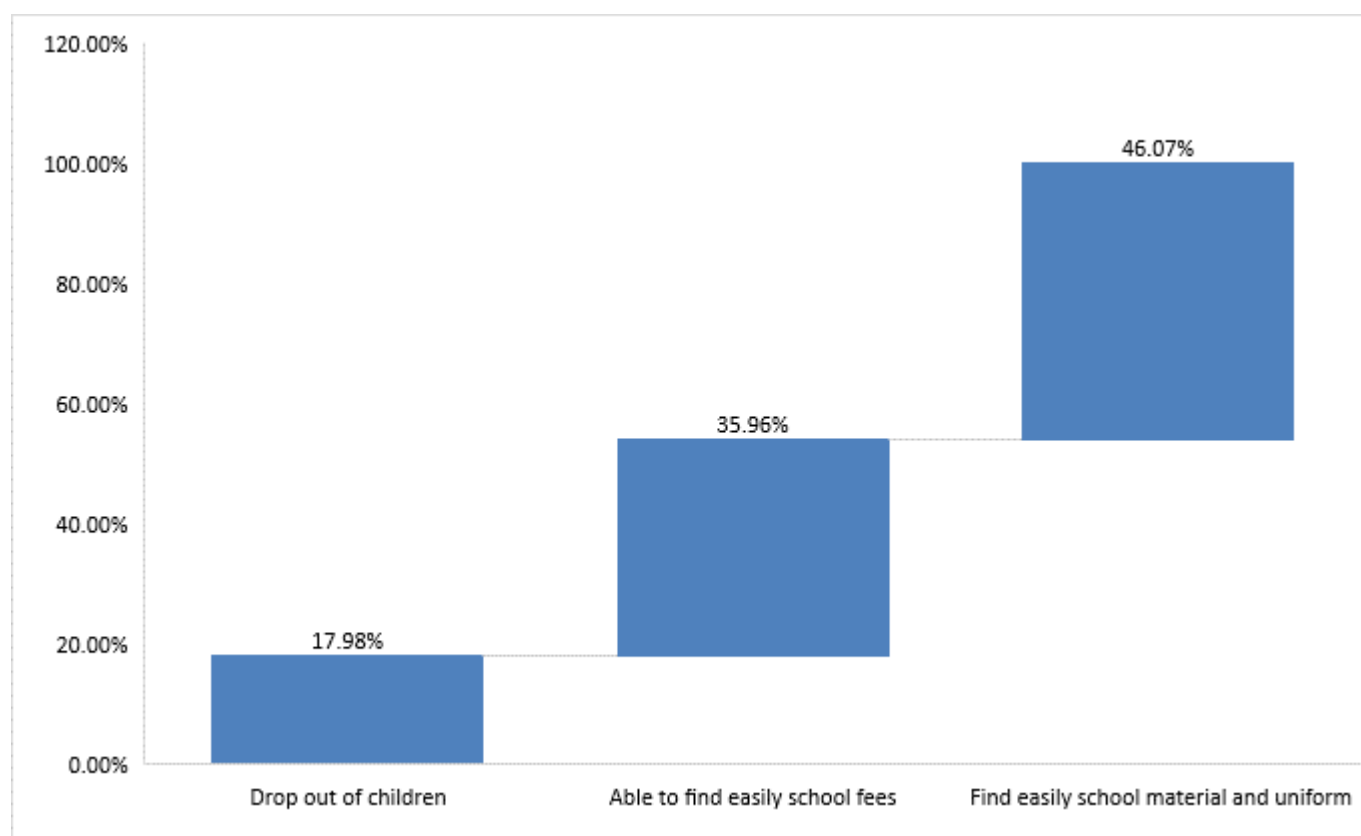


Figure 6: Children education in area of intervention

This meant that, before joining the VSLA, the majority the kids did not have their basic school needs provided by the parents which limits their advancement to secondary school level. After joining the group, members of VSLA appreciated the concept of savings and loans as it has helped reduction of absences in schools. *“The VSLA has changed my life so much. My living conditions*

changed because I have access to loans to support my farm and provide school expenses for my children.” Interviewee D said

Healthcare in Rwanda is accessed mainly via healthcare insurance (Mutuelle de Santé), which significantly reduces the amount people have to pay for services. The poorest people who cannot afford the insurance are vulnerable compared to those who can afford health insurance. The access to health and medical services has significantly improved since there are Government’s subsidies to the adherence of the poor to health insurance services.

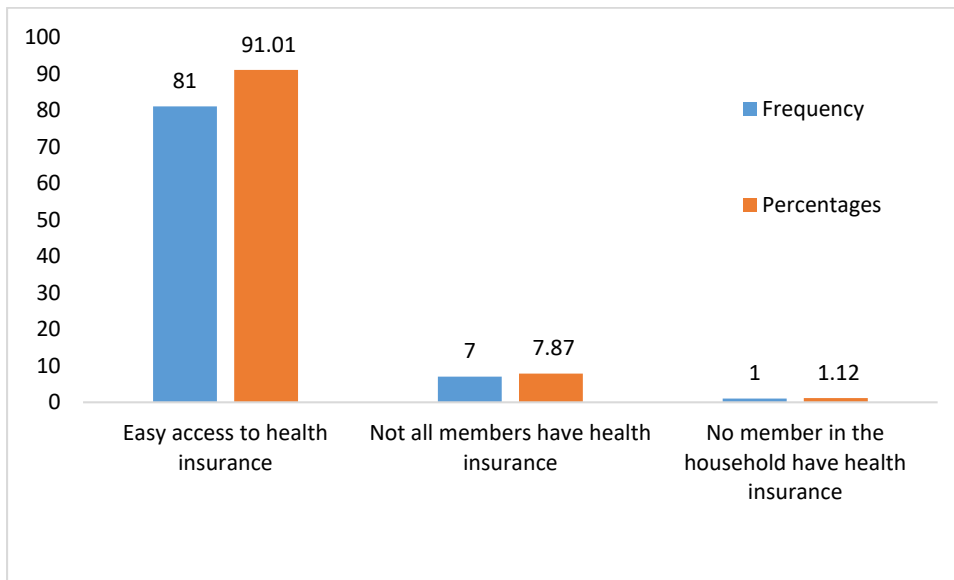


Figure 7: Health conditions of respondents joined VSLAs

The figure 7 indicates that it is easy to get health insurance for the majority of the member of VSLA (91.01%) Therefore, VSLAs contribute to improve health of rural women of Kibilizi sector who joined saving group.

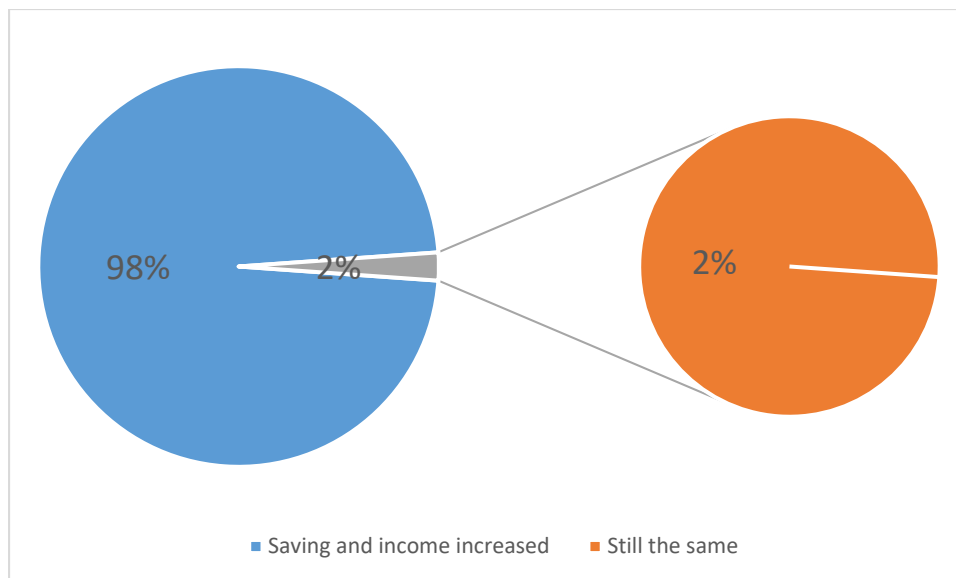


Figure 8: Saving situation of the members of VSLAs

The result illustrated in figure 8 indicates that saving and income increased (98%). Members who saved more were able to get more loans to expand and establish businesses and improve their farming and livestock activities as stated by some member of VSLAs.

“Since I join VSLA my life has changed in the sense that previously things were not going well. I now get advice on how to save money so that it will benefit me, and also that in the future if I need money I have something to fall back on. Said Interviewee A

Majority of the members reported they did not save any money before joining the group. For those who tried to save kept their money in secret places at home and therefore did not lead to increase their savings as the money was lying idle, as a result this did not improve their businesses as their major aim was to fulfill some basic needs as well as for the future of their children.

The rural VSLA influenced members to build a culture of saving and taking loans. Before joining the VSLA, this was not the case as most people were afraid of loans. Rural women grouped themselves in savings groups at Kibilizi sector. These initiatives are the key strategies to encourage poor households to save for future needs. As a result of saving, taking a loan, and repaying it, many women gained the confidence to approach the local microfinance institutions for bigger loans to expand their income-generating activities.

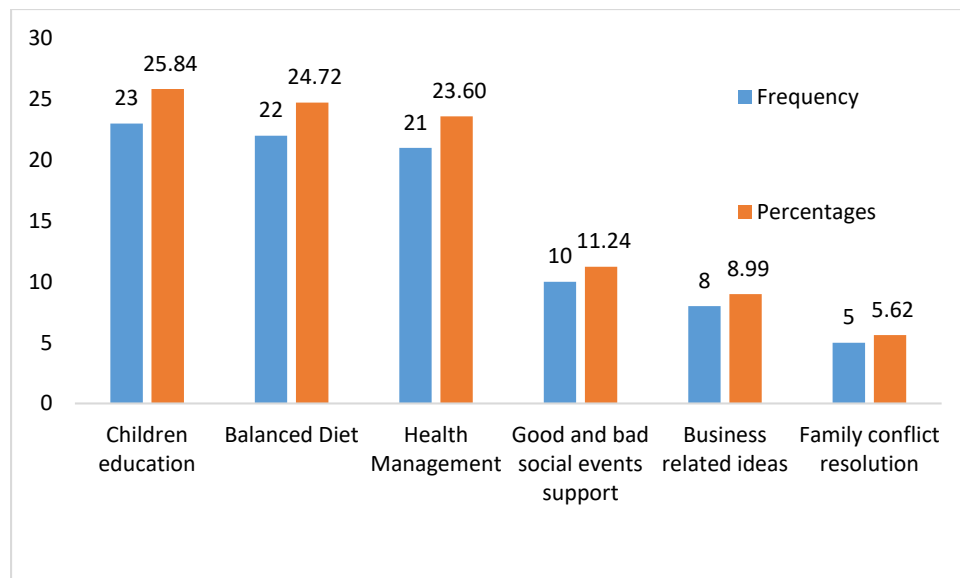


Figure 9: Social benefits of the members of VSLAs in Kibilizi sector

As it is indicated in the figure 9, most of the respondents benefited from children’s education (25.84%), balanced diet (24.72%), health management (23.60%), good and bad social events (death or marriage) by 11.24%, business related ideas (8.99%) and family conflict resolution (5.62%).

“My life has improved because I do not struggle to care for my family now. I am in a better position to take care of my children by giving them the best education. I can do all this because I am a member of VSLA.; Now everything is going well. I am able to pay my children’s school fees. I am able to pay my house bills without problems. I am actually enjoying life.” Interviewee C said

“My relationship with my family has improved since I can now provide my family with needs better than before.” Also people in my community see me as a hard working woman and also willing to help others in the community.” Interviewee B said

In fact, being members of VSLAs has enabled women to benefit from informal education where they interact between them. Interaction of members enabled sharing of experiences and ideas. Most of ideas and experiences were business related; this was mainly due to that this is the main objective of most of the groups, that is, empowering women economically through group initiatives. This has reduced conflicts, discrimination and violence against women because men and women participate in income generating activities within the household.

CONCLUSION

The study concludes that the reasons for joining VSLAs in Kibilizi is to get money easily when they need it, increase income, exchange ideas about business with others, get loan easily, meet and exchange with friends, keep money safe and save money for future needs. It also revealed that before taking a loan, members were encouraged to share the usage plans with their spouses and it was required that a spouse had to be one of the referees for taking a loan. VSLAs made women buying health insurance for their entire families and pay school fees for their children. The study also concludes that the loan given through VSLAs were reinvested through agriculture and livestock activities which helped the members in getting meals for their respective family members. This increased the number of eating per day thus ensuring food security in their households. The main challenge faced are getting stakeholders, members not paying regularly their contribution, lack of leadership skills and lack of training in business related activities. This is also revealed by (Evan at al, 2020) that the village savings and loan association in the refugee camp helps in overcoming important issues encountered in their daily living style.

RECOMMENDATIONS

Referring to the findings presented and in view of the challenges analyzed in this study, in order to overcome the anomalies identified, some issues need to be tackled by the concerned authorities. Increasing trainings and workshop for rural women in VSLA in communication skills, leadership, management skills, etc. Increase researches and surveys on women VSLA to know their challenges like the reasons behind their drop out from the group. In regards to the impact of VSLA towards the economic empowerment of rural women, there is a need to support them in capacity building; There is a need to form an umbrella association for all rural VSLA operating in the same Sector for harmonization of life savings activities. Engage directly with VSLA in a bid to improve their operations in ways that will deliver higher quality services to some of the poorest people who currently lack access to loans. Further researcher may attempt to work on comparative study of the effects of women VSLAs between rural and urban areas in Rwanda; The impact of VSLAs on family conflict resolution in Rwanda and Analysis of the effectiveness of VSLAs versus women VSLA in Rwanda

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