Assessing the Village Savings and Loans programme as a sustainable and cost-effective rural finance in Zimbabwe: Case of Midlands Province

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DECLARATION

I,Alfred G V Machokoto, do hereby declare that this dissertation is a result of my own investigation and research, except indicated in the acknowledged sources and references included in the body of the report and that it has not been submitted in part or in full for any other degree at any other university or college

Student's signature Date

This dissertation has been reviewed and approved by the supervisor.

Supervisor's signature Date

DEDICATION

I dedicate this work to my wife SilibazisoMachokoto, my two daughters Meshtilda and Angela, my son Alfred Wayne Jnr and my brother NhamoMachokoto for supporting me as I put together the dissertation. I also want to thank the Almighty for guiding me and giving me the strength to put this work together. I also dedicate it to my mom, thank you for always supporting me.

``

ABSTRACT

Years of economic decline has seen many financial institutions struggling and in some cases collapsing and closing. Financial institutions are finding it difficult to continue operations with fewer sources of deposits available. This has resulted in financial disintermediation. The rural populace in Zimbabwe has been the hardest hit by the situation as they fail to access finance from the banks and remain largely unbanked. This has seen a financial model, the Village Savings and Loans model being aggressively implemented by non-governmental organizations as a way of cushioning the rural families.This model is meant to be self-sustaining, with the individual group members pooling their own resources and lending the funds among themselves to start income generating activities. However, little is known or documented as to whether the groups formed by the implementing organisations are sustainable and serve their purpose in rural Zimbabwe. The study set out to investigate whether the model is sustainable, cost effective and improves accessibility of finance to rural families in Midlands, Zimbabwe. The study followed a qualitative approach with focus group discussions and interviews with Village Savings and Loans specialists from the two participating organisations, CARE International and World Vision Internationals. The results of the qualitative studies were complemented by quantitative techniques, with questionnaires used to collect data on changes in income levels and determining relationships between the age and growth of the group and any increase in income levels. The study proved the initial proposition that the Village Savings and Loans model is cost effective to both the individuals who join the groups and the implementing organisations. It also proved that the model is sustainable beyond donor presence as some groups were thriving in areas where the implementing organisation had already left the community. Auto replication of the groups also proved that the model is widely accepted in communities in Midlands province and thus proves that it is sustainable. This positive outcome can be used by several implementing organisations to secure more funding so that they cover more areas in Zimbabwe for the benefit of the rural populace.

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I am very grateful to the staff at CARE International and World Vision International who provided me with the necessary information that made this dissertation a success. My sincere gratitude goes to the VSL group members in Midlands who took their precious time to participate in the research. Without them this research would not have been a success. Finally I would like to thank my family who supported me all the way.

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LIST OF ABBREVIATIONS

WVI	World Vision International
WVZ	World Vision Zimbabwe
VSL	Village Savings and Loans
VSLA	Village Savings and Loans associations
IGA	Income Generating Activity
FGD	Focus group discussion
RBZ	Reserve Bank of Zimbabwe
FAO	Food and Agricultural Organization
DFID	Department for International Development
IGATE	Improving Girls' Access Through Education
EPF	Education Program Facilitator

CHAPTER 1

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Introduction

Zimbabwe's financial services sector is on the mend following a near collapse in the 2000 to 2008 era. This was largely a spin off effect from the economic challenges that the country faced during the same period. The African Development Bank (2011) noted that the cumulative decline in economic activity over the period 2000-2008 estimated at about 40% with the economy rebounding in 2009 to register a growth of 5.7%. The bank noted that the economy further grew by 8.1% in 2010. There has been a gap in terms of accessing credit or financing from the financing institutions as a result. The state of the economy has not helped much to the sector as deposits remain subdued. In 2012, deposits averaged below 4% (Reserve Bank of Zimbabwe monetary policy 2012).

Credit has nevertheless become expensive as financial institutions are charging higher interest rates regardless of the source of finance. According to the RBZ (2011), lending rates remained prohibitive ranging between 12% and 18% annually, relatively much higher than the prime lending rate of 9% prevailing in South Africa.In its 2012 monetary policy, the RBZ noted that bank lending rates remained high, against the backdrop of deep-seated liquidity shortages as a consequence of limited access to external credit lines and adverse balance of payments developments. The lending rates also reflected high premiums charged by some banks. Against this background, lending rates charged by banks in 2012 averaged over 22% per annum, while deposit rates averaged below 4% per annum (RBZ, 2012)

The high lending rates has seen most of the people in the rural areas in Zimbabwe not able to get access tocredit finance that they need as they cannot afford the cost of borrowing. The Reserve Bank of Zimbabwe, in its 2011 monetary statement noted this as they encouraged financial institutions to extend provision of financial services

to the marginalised poor and rural communities who are currently unbanked to enable them to make a meaningful contribution to the economy.

This has seen a financial model being aggressively implemented in the Zimbabwean landscape. The Village Savings and Loans modelis a model that seeks to cover the gap that the financial institutions have left in financing the marginalised rural areas in Zimbabwe.The Village Savings and Loans (VSL) model is a self-managed and self-capitalised microfinance methodology. By having its members mobilise and intermediate local pools of investment finance, it offers savings, insurance and credit services in markets outside the reach of formal institutions. The model was developed by CARE International in Niger in 1991 and has spread to at least 61 countries in Africa, Asia and Latin America, with over 6 million active participants worldwide(www.vsl.net, accessed 21/10/2013)

The use of the model in Zimbabwe started in 1999.CARE Zimbabwe started to implement a VSL programme in 1999called KupfumaIshungu(Allen, 2006).Little has been documented as to whether the model has been successful in providing finance to ruralZimbabwe.Its sustainability beyond donor pull out has not been tested(Allen, 2006).This study assesses the model, whether it is sustainable beyond donor presenceas well as its cost effectiveness in providing finance for rural Zimbabwe. It also assesses whether the model improves accessibility of finance in rural areas

1.2 Background

Over the years there has been financial disintermediation resulting from deteriorating economic conditions. The Zimbabwean economy has been on the decline from the year 2000 and the problems worsened in 2008 before the introduction of the multi-currency slowed the decline and saw a remarkable turnaround in the economy. This disintermediation resulted from the decline in deposits as well as the collapse of the industry and a subsequent loss of jobs. This has led to the growth of the informal sector. However this sector remains largely unbanked due to loss of confidence in the banking sector (ADB, 2011)

The collapse of some banking institutions when the sector hit turbulent waters during the peak of the economic decline has seen the populace lose confidence in the sector. This has resulted in most people in the informal businesses and individuals shunning the banks and preferring to keep theirsavings at home. This has affected the deposits to the banks which have in turn affected the loan to deposit ratio. The new regulations by the Reserve Bank of Zimbabwe in terms of the required reserves has not helped either as most banks cry foul that the threshold is too high.

This has also seen most banks failing to raise enough capital to set aside for loans.Banks are getting funds from the few surplus areas but instead of issuing out to deficit areas they are keeping the funds either to get the required thresholds in terms of capital reserves or are investing elsewhere. The low repayment ratio has not helped either and the attached risk to loans is too high. The few who have managed to issue out loans have attached stringent requirements to compensate for the high default risk. This has seen many aspiring creditors fail to access credit. The underprivileged families are the biggest casualties to this whole situation as they are being muscled out of the system and being closed out by the financial institutions.

The political situation in the country has not helped either. There are alotof policies that are being formulated that have seen or affected the banking sector and have also worsened the disintermediation process. The indigenization policy for example has seen most financial institutions that are foreign owned being reluctant to issue out credit to those who need it.

Technological advances has also seen non-banking institutions invading the banking sector and grabbing much needed income that traditionally would have been taken by banks. The Ecocash platform by Econet, E Wallet by NetOne and other platforms have also resulted in financial disintermediation and resulted in low income for financial institutions which has in turn resulted into lower loans or credit made available.

The Village Savings and Loans model is meant to address this financial disintermediation and also finance areas that are unbanked. Most under privileged families do not have access to the financial institutions funding and thus are left out

in terms of getting credit. The model is meant to benefit the less privileged families by having its members mobilise and intermediate local pools of investment finance, offering savings, insurance and credit services in markets outside the reach of formal institutions.Theoretically the model is a panacea for rural financing and has the potential to alleviate poverty, provide financing streams for underprivileged families and a source of investment for the same families.(Allen, 2006)

However, there has been little focus on testing whether the model is sustainable in the long run at family level as well as community level after the donor presence is removed. This study sought to explore whether the model is sustainable in the long run and whether communities can take a leaf from the groups formed already to form their own groups without outside assistance or guidance. The study also seeks to explore whether the same model can be replicated in other parts of the country for the benefit of most underprivileged families.

1.3 Study context

There were a number of impact studies that were done in this area though most of them focused mainly on impact as measured by economic changes without looking much at cost issues and sustainability. The studies revealed that there was a positive impact on the livelihoods of the families who had members that had joined the VSL groups.Allen and Hobane (2004) concluded that the village savings and loan associations have contributed to increased household productive and non-productive asset levels among the great majority of KupfumaIshungu (KI) members in Zimbabwe and some improvement in the quality of housing. The study further noted that there has been a significant reduction in the use of formal-sector and traditional savings instruments, in favour of KI group membership. Thiswas particularly marked by a steep reduction in post office savings schemes.

Anyango (2005) pointed out that the Village Savings and Loans Associations had helped to improve the livelihoods of its members and alleviate poverty, particularly for women who constitute the majority in the Village Savings and Loans groups. This

was confirmed by studies which were done by Allen (2007). Eighty-one per cent of respondents felt that their status in the community had improved as a result of their association with KupfumaIshungu. Allen (2007) pointed out that household productive and non-productive assets have tended to increase with the biggest increases registered in semi-liquid current assets mainly controlled by women. Clearly, household economic security appears to have increased if asset acquisition is taken as a proxy for increased income.

However, these studies faced some methodological limitations. While these results are possible, it is difficult to attribute them to the interventions of VSL alone. First, Allen and Hobane (2004) and Hartley and Rijali (2003) had no control or comparison groups; as a result there is no basis for attributing changes noted to the interventions of the programme. Second, Allen and Hobane (2004), using recall data for a period of four years, may not yield accurate information as people tend to forget what their status was four years ago. Third, none of the studies had any testing of the significance of the changes noted. Together with other environmental factors that were in Zimbabwe, such as hyperinflation which was rampant at the time, it is difficult to use the results of these studies as conclusive evidence of impact.

This study sought to address some of these limitations by using new groups which are currently being formed by World Vision International in 2013 (with duration of existence being less than one year) as control groups that could be used in comparison with older groups that could be tested for impact and economic changes in the communities. These groups could be used as a proxy for financial accessibility testing. Older groups of at least one year were tested for changes and the results were compared with new groups which have not yet benefited much from the program. The use of new groups formed in 2013 by WVI and CARE international addressed this methodological limitation as these new groups also had their own control groups of non VSL members which were created by the two organizations for measuring impact.

1.4 Research problem

There have been a lot of resources that has been used to implement the Village and Savings and Loansprogram in the country. However there has been little or no attention that has been given in measuring the impact in terms of getting desired results of the model which is accessibility of financing for those muscled out of the financial system as well as its sustainability in the long term. Organizations measure success in implementation in terms of achieving the targeted number of groups without paying much attention to the accessibility of the finance at family level and whether the model is bearing the intended result of financial inclusion of the marginalized families.Some of the organizations implementing the program have been concentrating on making sure that they cover more areas and form as many groups as they can but there hasnot been a follow up on whether the model is sustainable beyond their presence.

Most studies focused on the impact of the model in terms of poverty alleviation without focusing on sustainability and the cost of the model to the individual beneficiaries. The studies were also done in areas where the lead organisation still operates and is implementing other activities. This may distort the findings as the beneficiaries may be getting more benefits from unrelated activities which might be changing their live hoods. Studies done by Anyango (2005) and Allen (2007) were done in areas were the lead organization was still operational.

Without focusing on sustainability and accessibility, the studies may not reveal the true nature of the impact of the model at family level and community level. There is need to prove that the groups formed can survive and thrive on their own for the benefit of the community. This will be regarded as sustainable development as it will transform the communities long term. Organisations and donors may be wasting resources that may be channelled to other areas that benefit the communities if the groups are not sustainable. Most donors are worried about value for money and have made sustainable development a prerequisite for future funding. Without proof that the model is sustainable, donor funding for this particular model may start to decline with serious consequences on organisational finances and the communities

that they serve. Most researchers have failed to target this area for study. Literature on sustainability of the groups beyond donor presence is not easily accessible or may not be present as most studies are done on impact using economic indicators only. The same can be said for accessibility. There are no studies that have focused on measuring whether the model improves accessibility of finance to the communities where it is implemented. There is little evidence in literature to suggest that every willing member will be able to join the groups and have access to finance.

This research assesses the sustainability of the model beyond donor presence by focusing on areas where the apex organisation has left the community. The study focused on areas that the lead organizationsare no longer operating in to see if the model or the groups are still viable.Areas that are still being serviced with new groups being formed were also covered but the new groups were used mostly as control groups. The research also assesses whether the model improves accessibility of finance to rural areas in Midlands that are not accessing finance from financial institutions.The studyalsoassessesthe cost effectiveness of the model as a source of finance to rural Zimbabwe.

1.5Research objectives

The objectives of this research are to:

a) assess the use of the model in financing rural families of Midlands
b) assess the model's sustainability beyond donor presence
c) assess the cost effectiveness of the programme as a source of finance
d) draw some strategic conclusions

1.5 Research Proposition

Proposition: The village savings and loan programs are acost effective and sustainablefinancing model forthe rural families of Midlands Province

1.6 Justification of research

This research provides an insight into the model and if there is proof of sustainability, this is a model that can be replicated throughout rural Zimbabwe for the benefit of the less privileged families. Government can also be encouraged to take a lead in implementing the project and could include it in its policies as a poverty alleviation strategy.

The research findings can also be usedto secure more donors funding for implementation. This will benefit the economy with more funding coming into the country as well as more jobs being created.More underprivileged families could benefit from also being included in the program.

1.7 Scope of research

The research covers the period 2006 to 2013 and was mainly focused on the Midlands region of Zimbabwe. The study also focused on the work of only two international non-governmental organizations, World Vision International and CARE International. The two organizations are currently implementing the model together in 2013 but CARE international has already been implementing the model prior to 2013 covering areas such as Bikita, Masvingo and Mberengwa. The study includedMberengwa only as it is the only district that had prior implementation in Midlands.

The research focused on members of the village savings and loan groups. The research sought to measure whether there has been a change in the livelihoods of the members and whether joining the groups enhanced their chances of getting more financing.

1.8 Organisation of the study

The document will have a chapter on literature review. This will review the body of literature that is available on the VSL model. Most of the literature focuses on the operations of the groups and the impact of the model on the livelihoods of the participants. This chapter will be preceded by the research methodology. This chapter will look at the data collection methods and the sampling strategy used as

well as the instruments used for data. The next chapter will look at the analysis of the data collected. This will be the analysis of both the qualitative and quantitative data with comparisons drawn on the findings as to whether the yield the same results. The last chapter will look at the conclusion and any policy and managerial recommendations as well as areas of further research

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature about how savings and loans schemes have contributed to rural financial accessibility, development and the relationship between savings and credit schemes and financial accessibility.

2.1 Brief history of savings groups

According to Anupam (2004) Savings and loan schemes came into existence in the 1970s with programmes in Bangladesh and Brazil. This was based on solidarity group lending mechanism in which every member of the group guaranteed repayment of the loan by members. Early pioneers include Grameen in Bangladesh, Accion in Latin America and the self-employed women's association in India. In Africa, Nigeria is the only African country south of the Sahara of which it is documented that microfinance existed at least as early as 500 years before, namely in the form of rotating savings and credit associations (Anupam et al, 2004). Food and Agricultural Organization (FAO) Economic and Social Development Department (2002) argue that the first savings club in Eastern Africa was started by a Catholic missionary, Brother F. Waddelove, in 1963.

There are several facts that are listed on the Village savings and loans website about the model:

Key facts:

- Repayment rates are the highest in the microfinance industry;
- Over 90% of groups continue to operate more than five years after training;
- The average annualised return on assets is 35.4% (www.thesavix.org accessed 16 November 2013);
- The cost per member averages $22.2 (and as little as $8).

VSLAs have altered the development equation in marginalised communities' worldwide, providing members with the means to cope with emergencies, build

capital and re-create social dynamics that support genuine self-reliance. (www.vsl.net, accessed 21/10/2013)

2.2 Savings and loan schemes

A savings scheme is a programme designed to encourage savings through small but regular deposits or automatic deduction from salaries or wages(Brannen, 2010). Savings and credit schemes aim at poverty alleviation.These savings schemes grant loans to members at reasonable rates of interest in times of need. (Brannen, 2010) The loans help entrepreneurs in impoverished societies to start essential businesses in their communities (Guilford, 2007).

The village savings and loans model facilitate the development of unregulated and usually informal groups that exclusively depend on member savings for their loan fund capital, with no external liabilities to a lending institution to increase the total amount. CARE International advocates the adoption of a particular governance structure, internal regulatory framework and methodology to enable autonomous groups to provide basic and low-cost financial services in local demand. The groups are encouraged to have a constitution for their operations as well as leadership structures to ensure authority in the group. The leadership is chosen by the group members. The constitution governs the way the group operates as well as how th group will recover any funds in terms of default (Allen, 2006)

2.3 The role of savings and Credit schemes

Several studies have shown that village savings and loans allows the poor to protect, diversify and increase sources of income, which helps to smooth out income fluctuations and to maintain consumption levels even during times of crisis. Zaman (2000),in his studies on savings and credit schemes in Bangladesh established that participation in the programs reduces vulnerability by smoothing consumption, building assets, providing emergency assistance during natural disasters, and empowering females.

Microfinance has a very important role to play in development.UNCDF (2004) states that studies have shown that microfinance plays three key roles in development that include:

- helping very poor households meet basic needs and protection against risks,
- improving in household economic welfare and,
- empowering women by supporting their economic participation

Otero (1999, p.10) argues that savings schemes creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organisation building, enables people to move out of poverty. The aim of microfinance is poverty alleviation. It creates sound institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Littlefield and Rosenberg (2004) argue that the exclusion of the poor from the financial services sector has been the driver behind the success of the savings schemes.

Guilford (2007) argues that savings and loan facilities help the poor to start businesses and meet their financial needs whilst improving their livelihoods. This is supported byMagyezi(1999) who reiterates that the savings realised from the small businesses act as collateral security for the families to acquire more and bigger loans. He confirms that such practices promote saving culture. This also improves financial accessibility in those areas where the schemes are available.

2.5 Financial accessibility

Commercial banks and other formal institutions fail to cater for the credit needs of smallholders mainly due to their lending terms and conditions. (Reserve Bank of Zimbabwe, 2010).The rules and regulations of the formal financial institutions have created a perception that the rural families are not bankable since they cannot afford the required collateral hence arenot creditworthy (Adera, 2004). This has seen most of the rural families failing to access much needed finance from the financial institutions.

The village savings and loans model seeks to address this gap that arises from the lack of collateral and the address the myth that the rural populace and the poor are not bankable. (Allen, 2006)There are numerous barriers to using formal financial institutions. In economic terms these can be viewed as transaction costs of potential users. However savings groups can introduce poor people to the discipline of timely repayment and the binding link between time and money that drives all modern economies. There is a down side though as savings groups that remain entirely informal tend to adopt processes that are more consistent with village culture, in which the link between time and money is scarcely imagined, much less institutionalized. Most value is not monetized, and time is linked to agricultural cycles, seasons and festivals rather than a linear calendar. (Brannen, 2010)

The most important transaction costs are the norms and habits that give structure to institutions. The existing literature clearly shows that village savings groups and other 'incubated' savings groups can have an important impact on their members' livelihoods across a range of activities: agriculture, off-farm trade and service businesses, housing and emergency management (Anyango, 2006).This has tended to mean enhancements in working capital for existing enterprises rather than diversification into new and off-farm enterprises. An important dimension has been vulnerability management. Particularly in settings where informal credit is not usually available, the availability of emergency loans permits households to avoid debilitating disruptions in their livelihood projects. (Ashe, 2011).

A slightly different view sees Village savings and loans as a vehicle that can transport members from the mental models and capacities of informal financial markets into the models and capacities required in the formal financial sector. (Ashe, 2011)A key aspect of this transition relates to the informal concept of group 'solidarity' and its complex relationship with the formal concept of 'trust' that leads bank consumers to deposit large sums in institutions whose leaders they have never met. Solidarity is clearly a form of trust, and within limits it supports mutual pooling of capital among those who share it. However, those limits are significant, or there would be no need for village savings groups to break(Ashe, 2011)

Ashe (2011) showed that there is a path to financial inclusion by empowering groups of women to define their own future in Mali. The starting point is saving and lending,

which leads to building trust and social and economic capital, thereby setting the stage for a more ambitious development agenda. He argued that most of the collective activities in the community would not have been likely without the collective experience of the Savings Groups. As villages and local institutions increasingly take the lead, the task of those outside the community will be to support, document and disseminate this experience, thereby vastly expanding the impact of this promising methodology (Ashe, 2011)

2.6 Impact studies

Mutesasira and Mule (2003) in their study in Uganda concluded that most Village Savings and Loans Associations were comprised of very low-income people. The loans ranged from Ush.5,000–50,000 ($2.50–25.00) and savings per member ranged from Ush.200–1,000 ($0.10–0.50) weekly. Both the small size of the required savings contributions and the flexibility in size are of importance to the success of the model. The study also revealed considerable product variety including basic savings and loans, but also emergency and welfare funds in response to high demand for this service from their members.

Allen and Hobane (2004) concluded that the village savings and loan associations have contributed to increased household productive and non-productive asset levels among the great majority of KupfumaIshungu (KI) members in Zimbabwe and some improvement in the quality of housing. The study further noted that there has been a significant reduction in the use of formal-sector and traditional savings instruments, in favour of KI group membership. This they said was particularly marked by a steep reduction in post office savings schemes.

Allen (2007) pointed out that household productive and non-productive assets have improved with the biggest increases registered in semi-liquid current assets mainly controlled by women. Clearly, household economic security appears to have increased if asset acquisition is taken as a proxy for increased income. Anyango (2005) reached similar conclusions. The findings showed that the Village Savings and Loans Associations had helped to improve the livelihoods of its members and

alleviate poverty, particularly for women who constitute the majority in the Village Savings and Loans groups.

However, these studies faced some methodological limitations. While these results are possible, it is difficult to attribute them to the interventions of VSLA alone. First, Allen and Hobane (2004) and Hartley and Rijali (2003) had no control or comparison groups; as a result there is no basis for attributing changes noted to the interventions of the programme. Second, Allen and Hobane (2004), using recall data for a period of four years, may not yield accurate information as people tend to forget what their status was four years ago. Third, none of the studies had any testing of the significance of the changes noted. Together with other environmental factors that were in Zimbabwe, such as hyperinflation which was rampant at the time, it is difficult to use the results of these studies as conclusive evidence of impact.

Studies have also found a positive impact of microfinance program participation on education that is children of microfinance clients are more likely to go to school and stay in school longer (Neponen 2003; Littlefield et al. 2003). Barnes (2001), who, like Dunn and Arbunkle (2001), controls for potential biases with the use of a control group and a combination of advanced quantitative and qualitative methods, finds that the Zambuko Trust program in Zimbabwe has a positive impact on the education of boys aged 6 to 16.

Brett (2010), in a study that he carried out in Kenya, articulated two distinctive and parallel strands related to the impact of group savings loans (see figure 1, below) at the household and group level.

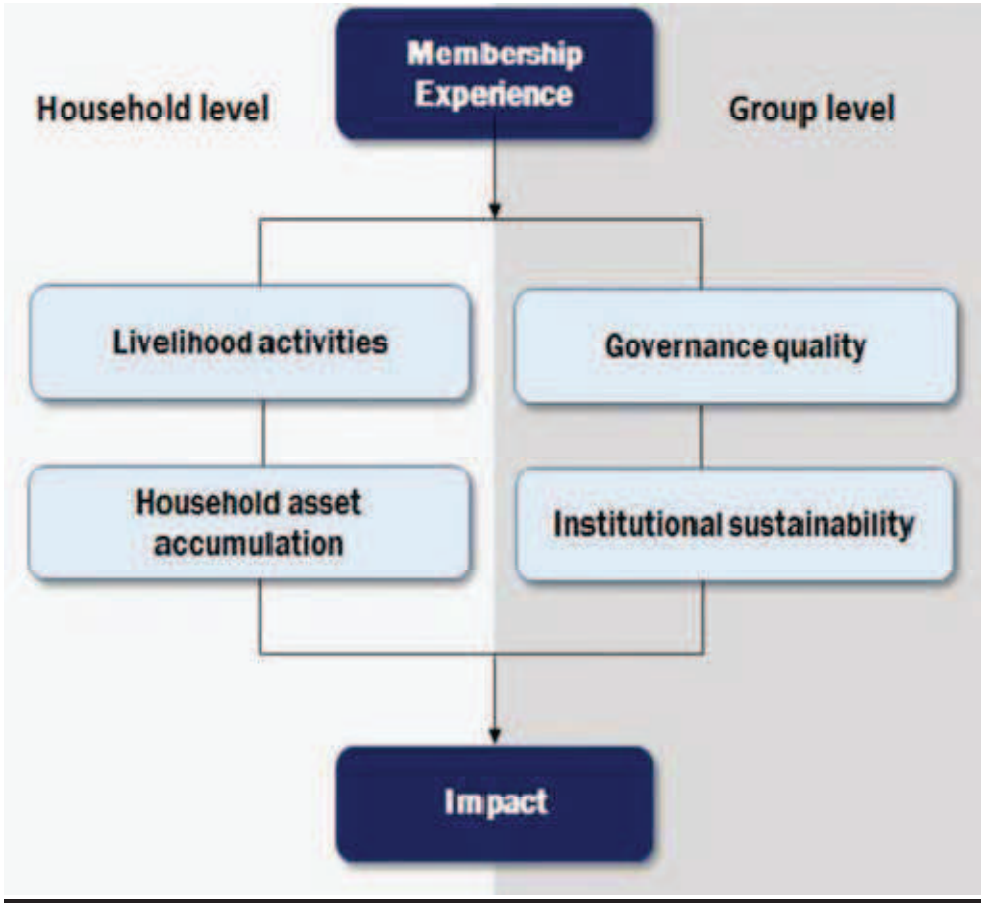


Figure 2.1: Parallel strands articulate the impact of GSLs

(Source: Group savings and loans associations, impact study,Brett, 2010, P10)

At the group level impact studies look at issues of institutional (group) governance and sustainability. Good governance can be expected to result in greater sustainability.This can be expected to lead to repeated replication of the group, or some similar group, after the annual cash-out. Good governance might also lead to the spontaneous replication of new groups that emerge in different villages without any training or outside support. Together, success at the household and group levels can be expected to result in high impact, as large numbers of individuals gain access to a wide range of quality microfinance services, and are therefore able to take greater control of their future circumstances, perhaps emerging from poverty in the process (Brett, 2010).

According to the study, Group Savings and Loans operate in many distinctive market environments unlike centralised or urban based financial institutions Grant and

Coetzee (2005) argue that the distinct market characteristics that make financial service provision unfavourable for centralised or urban-headquartered financial institutions offer an opportunity for Group Savings and Loans and similar savings-led financial groups. The lower cost structures, local knowledge of each other's' financial behaviour and reliability, and norms of solidarity found in savings groups can help to deliver services in these markets, especially the more remote ones.

Some studies have sought to establish direct household-level impact. Hartley and Rijali (2003)'s evaluation study found that Group Savings and Loans had significantly supported the development of income generating activities (IGAs) by households in Zanzibar. These IGAs helped to improve income and added assets, and increased community awareness and understanding of how to work more effectively with financial capital. The study concluded that GSLs were a good tool for poor communities unaccustomed to working with financial assets.Mutesasira and Nthenya (2003), in their study of savings groups in West Nile, Uganda concluded that most savings groups were comprised of very low-income people, and that the savings group model was overcoming a market access problem that 'no other known model of outreach is likely to match'.

Allen and Hobane(2004) concluded that the village savings and loans in Zimbabwe had contributed to increased levels of business and consumer assets amongst the great majority of members' households, and some improvement in the quality of housing. Loans from the groups were directed mainly towards productive activities.The annual pay outs were used to pay school fees or acquiring small livestock and similar 'savings substitutes' that might be seen by the members as a hedge against inflation.

Anyango (2005)'s study of savings groups in Malawi came to the same conclusions. He showed that the increased household incomes. Members diversified into additional economic activities, and expanded some of their activities. The study also revealed that savings group members increased their assets versus the baseline, as compared to control groups who were not members of these savings groups. This enhanced sustainability of the groups as members were able to continuously put in more capital in the group.

2.7 Sustainability

Sustainable development is defined as development which meets the needs of the present without compromising the ability of future generations to meet their own needs(Drexhage, 2012)The village savings and loan model falls in the category of sustainable development and thus donors need to know whether the model is sustainable. The main indicators of sustainability of the model are its existence after the lead organization has left the community, the growth of the groups without external interference and the ability to graduate members into bigger and better business people from individuals operating IGAs without affecting the group. Sustainability of the model can also be measured through the formation of new groups in the community without the interference of the lead organization.

The main focus of this research is to look at on-going performance and sustainability of the model after the donor or lead organization leaves or pulls out of the community. Allen (2002)'s study of Niger showed that there was hardly any group that was directly trained by the lead organizations. Programmers realised that informal training was taking place between groups. The organizations encouraged this in the hope that it would bear auto replication in the future. The organisations decided to incorporate informal trainings in their systems. Thus, the main activity for the organizations was to maintain quality control.

The above seems to be a justification for Allen (2004)'s argument that the organisations had actually pioneered an approach that was based on village trainers and its continuing training activity was done by non-professionals selected from the communities themselves. This means that training was done on a limited number of groups to create awareness and to develop market demand. A number of women were selected from the groups who had the capacity and interest to train other groups who become trainers. These women were then engaged by groups that wanted to be trained and negotiated an agreement with them to be paid a fee (approximately $1 per meeting) for the entire training cycle. Therefore, the fact that the training could be done locally by people who are not highly educated and that the cost is low make the prospects of beneficiaries continuing to pay for the service higher, hence its assumed sustainability.

While this argument is plausible, in reality CARE never left the groups on their own, as they started using them as an entry point for other services such as health education. In such a case it would be difficult to measure performance without taking into consideration input from other services offered(Brannen, 2010).Doka and Mossige (2001) posit that it seems the relevance of the savings groups resides in the autonomy of management and the strong feeling of appropriation of the action by the members, the savings of the members directly managed by them and the validity of the conflict resolution system that unites them.

They also argue that the permanent mobilisation of the members and the solidarity which links them and the easy and discreet access to credit also impact on the survival of the group, the methodology mainly founded on increased prestige and the improvement of a traditional system known and accepted by all and the simplicity of the system which permits an easy replication.

According to Brett (2010), earlier studies have indicated that people lose money in savings groups. Nearly 20% of the respondents are aware of such events, including 17% of members. According to a study in Kenya conducted by Research International in 2000 for MicroSave, 40% of the users of informal accumulating savings and credit associations (ASCAs) lost 21% of their money within the 12 months prior to the study. This finding raises questions about how adequately other findings on impact have been addressed in later literature. Impact is not confined to improvements: rather, it could involve negative impact such as loss of personal savings, opportunities, confidence in plans, and trust in institutions.

What remains unresolved, however, is the debate about what impact actually means. While most agree on the household-level impact of GSLs on livelihoods and vulnerability management, they do not agree on what this means in the context of financial inclusion and financial market development (Brannen, 2010). Most external stakeholders also view VSLs in non-financial terms: for example as a ‘business incubator’ or a forum for members to learn microenterprise management skills and practices

2.8 Cost Effectiveness

CARE the pioneers of the VSL,strives to achieve very cost effective incubation of Group Savings and Loans; and to 'look beyond financial sustainability to create savings and loan groups that are also institutionally sustainable, through an intensified emphasis on good training of group members. The project's cost per member in Kenya was KSh604 (USD9.01) (Matthews, 2010).

Allen (2002) revealed a situation where a number of women were selected from the groups who had the capacity and interest to train other groups who become trainers. These women were then engaged by groups that wanted to be trained and negotiated an agreement with them to be paid a fee approximately $1 per meeting for the entire training cycle. This was more cost effective.Brannen (2010) also supported the above notion in his own studies as he pointed that VSL groups does not rely on outside donor funding and does not require continued support of the founding organization, which is more cost-effective, sustainable and easily replicated than many of the other larger organizations. (Ashe, 2011)'s studies in Zanzibar showed a low cost per client to the programme, between US$18-30 long-term

The implementing partner reported having a total number of 1,783 VSLA members by September 2011 out of the 3,800 households in the treatment villages. The cost per member was thus USD $75, 23. As for the benefits, he faced the problem of not knowing whether the estimated effects are permanent or whether they are only temporary. Based on the estimated effect on total household consumption using USAIDs PAT methodology, he found an increase of 3.3% for all households in the treatment villages as reportedwhile the cost per household from a treatment village was USD $35. Corresponding to an increase in the average household income of USD $0.24 per household per day. If this effect is only for one day, the increase in household income comes at quite a high cost—the USD $35 estimated above. The project breaks even after 146 days of such a sustained impact on the PAT consumption measure only. Should these average effects last for a year, the estimated benefits amount to USD $88.99 per household in the treatment villages, well above the estimated implementation costs of USD $35. The introduction of VSLAs has affected other measures above and beyond their impact on household

consumption as measured by PAT. Normally, VSLAs are introduced to a single village, where some VSLA members become village agents, who subsequently start VSLAs in the neighbouring villages. While this limits the costs of the intervention, there is no evidence on what the effects of relying on village agents rather than trained field officers would be. This is quite high compared to the typical cost of implementing VSLAs as reported by Allen and Panetta (2010), which was USD $18 to $48.

2.9 Conclusion

In the above literature, much has been said about savings and loan schemes and how they lead to financial accessibility. However, none of the studies talks about whether the savings and credit schemes are serving the people satisfactorily and using the best strategy which reaches mostly rural people. This study was done to find out whether these loan schemes that were designed to reach rural people are doing so and the strategy that they use in delivering to the populace.

The data collection methods especially used by Allen and Hobane (2004) in the Zimbabwean studies were not conclusive as they did not have any control groups and thus their findings cannotwholly attribute positive changes to the implementation of village savings and loans. In this regard it becomes difficult to use their findings as the basis for deciding on whether this method is effective and serving its purpose or not. However, this research will include control groups in the new groups that are being formed by World Vision International and CARE International in 2013 and thus will close the gap in terms of reliability of the findings.

Brett (2010)'s studies also focuses on the groups that are still starting and still under the guidance of a lead organisation. His studies focused mainly on the operational side of the groups and whether they were successful in taking of. He was not checking on groups that were successful and how long they survive and whether they were getting the desired impact in the community. His studies paint a gloomy picture for the model, a view which is widely disputed by other literature. His findings thus are an exception. This study will focus on both successful groups and those that

are struggling to get an appreciation of the flaws of the model and try to draw strategic decisions as to how to make the model a success

Most of the studies were also commissioned by the donor organizations to look at the impact of their work whilst they were still operating in those areas. However, little has been done to check whether the groups continue surviving without the encouragement and supervision of the donor organizations. There is no evidence of existence after the donor organizations have left the communities. In this regard this study will also target groups that were formed by CARE international in Mberengwa in 2006 and 2007. This will prove whether the groups really exist after donor presence hence sustainability. The study will also seek to establish whether the community itself has learnt from all the trainings done and has actually taken the initiative to “incubate” or form new groups on their own. This is also a measure of how well the model is actually benefiting the community. If the community is able to take a leaf and form new groups on their own, the organizations can actually take credit for introducing a poverty alleviating model.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the processes and procedures involved in conducting the research study. It explains the research design, population, sampling selection techniques, sample size, data sources, data collection instruments, data processing, analysis and presentation.

This study focusedon the accessibility of financing for the participants and examines the sustainability of the village savings and loans model. Accessibility is measured principally through expenditure levels, the accumulation of household assets and the development of income-generating activities (IGAs). To estimate social impact, the study relied on a variety of indicators, including educational expenses, access to health services, nutritional levels, and quality of housing.

The chapter is structured as follows: research design, research philosophy, primary research methods, the sampling strategy, data collection process, data analysis, limitations, ensuring validity and reliability, ethical considerations and the summary.

3.2 Research design

Research design refers to the structure of an enquiry: it is a logical matter rather than a logistical one(Yin, 1989: 29).It is a detailed outline of how an investigation will take place. A research design will typically include how data is to be collected, what instruments will be employed, how the instruments will be used and the intended means for analysing data collected (www.businessdictionary.com, 2014).

The research followed qualitative studies but was complemented by quantitative studies. The use of both methods was done to ensure that there was validity of the findings and to also capture other impacts that might be missed by purely

quantitative studies. Quantitative design strives to control for bias so that facts, instances; phenomena can be understood in an objective way. Qualitative approach strives to understand the perspective of participants or a situation by looking at first-hand experience to provide meaningful data

Focus group discussions and interviews with key informants were used in collecting qualitative data. This allowed the researcher to have more insight into the impact of the model on both the individual and community level. Qualitative studies enabled the researcher to record other impacts that the model has in the community such as bringing the community together, a unity of purpose in the community and a change in the mind-set of the individuals in the community as they realised that their poverty and lack of financing situation is not beyond salvaging. Focus group discussions were held with fifteen to twenty group members from different groups which are also at different stages in terms of their lifetime that is new and old groups.

Open ended questions were used for the focus groups discussions with the intention to start an open discussion. Issues that were being discussed included group formation and membership, general group dynamics, challenges and limitations, behavioural changes, social and economic impact, benefits and/or negative consequences of participation, impact on the community, and the sustainability and effectiveness of model once the apex organization has left.

Unstructured interviews were done with key informants who comprised VSL specialists from both World Vision International and CARE International. The interviews centred on trainings done in the community, how members of the community are selected for the trainings, how monitoring is done in the early stages of the groups and any other support that they render to the groups. The interviews also covered the cost of training each member and any other costs that may be incurred directly benefiting the groups. The interviews also looked at issues of any other spontaneous groups that sprout in the community after the formation of groups by the organizations and whether the organizations have any mechanisms to train these spontaneous groups.

Questionnaires were used to collect quantitative data. The questionnaires were administered to a sample that was chosen from the existing VSL groups. The researcher combined in the sample new groups and older groups. New groups were used more as control groups as they may not have benefited much from the model and thus could be compared with older groups to see if the model had the desired impact in the rural areas, that is, was there any improvement in financial accessibility and was there total financial inclusion in the community as a whole. The researcher hired 5 research assistants to help administer the questionnaires in the community.

Data was analysed at two different levels, with qualitative data analysed on its own and the statistical information from the quantitative data being analysed separately. Results from the quantitative study were used to cross check qualitative research findings. According to Miles and Huberman (1994) and; De Vos (1998), data management is an integral part of data analysis. Managing data is viewed as a challenge, due to the need to comprehend the data and to locate a description to illustrate a concept (Morse & Field, 1996).

In this study the researcher compared the data from both methods. This provided a summary of what the results were and identified common themes in various sets of data in order to generate the mixed results.Other impacts that were not intended by the research but uncovered by the qualitative approach were also recorded in the findings. SPSS statistical package was used for analysing quantitative data.

3.3 Research philosophy

This study followed both the subjective and completely qualitative studies but was validated by quantitative studies. A sample survey and the attendant statistical approaches offered representativeness, quantification, and attribution, while the qualitative approach granted the researcher the ability to uncover processes and to capture the diversity of perceptions, views of minorities, unexpected impacts (Brannen, 2010). The study sought to combine these unique advantages by using a composite of the two methods.This involves the conscious combination of quantitative and qualitative methodologies as a powerful solution to strengthen a

research design where the logic is based on the fact that a single method can never adequately solve the problem of rival causal factors (Patton, 1990; De Vos, 1998).

This captures a more complete, holistic, and contextual portrayal of the unit(s) under study. That is, beyond the analysis of overlapping variance, the use of multiple measures may also uncover some unique variance which otherwise may have been neglected by single methods (Jick, 2006). It is here that qualitative methods, in particular, can play an especially prominent role by eliciting data and suggesting conclusions to which other methods would be blind. In this sense, both methods may be used not only to examine the same phenomenon from multiple perspectives but also to enrich our understanding by allowing for new or deeper dimensions to emerge.

The effectiveness of using composite methods rests on the premise that the weaknesses in each single method will be compensated by the counter-balancing strengths of another (Jick, 2006). That is, it is assumed that multiple and independent measures do not share the same weaknesses or potential for bias (Rohner, 1977). Although it has always been observed that each method has assets and liabilities, this purports to exploit the assets and neutralize, rather than compound, the liabilities. The quantitative aspect of the study focused on a sample survey of current and existing VSLA members. The results from the survey were crosschecked using information gathered from focus group discussions and interviews with key informants.

One of the most important aspects of this study, accessibility levels, was assessed at both the individual and the household level, primarily using the data gathered from the questionnaire. Focus group discussions were then used to measure the accessibility levels at community level. The community level assessment was predominantly focused on capturing any major externalities of the program intervention such as the creation of new independent groups to supplement the existing groups as well as any other unexpected impacts of the model.

3.4 Study population

The research focused on Midlands, Zimbabwe. Midlands has an area of 49 166km^2 and a population of approximately 1.5 million. It has a blend of Shona, Ndebele, Tswana, Suthu and Chewa among languages spoken in Zimbabwe. The region is divided into seven districts. (www.wikipedia.org, accessed 12/10/2013). The research was focused on three of these districts, Gokwe (both North and South Districts) and Mberengwa where the groups were being formed as of 2013. InMberengwa, there were groups that were formed by CARE International since 2006. The two districts are the only ones that benefited from the programs under both World Vision International and CARE international.

The research included new groups being formed by CARE International and World Vision International using funding from DFID under the Improving Girls Access Through Education (IGATE) grant that they were partnering in 2013 as well as old groups that were formed by CARE international since 2006. For the new groups the research centered on the control and the main groups as per implementation plan. There are 4500 groups that were formed in Midlands, in 2013.

Prior studies have been focused on the implementing groups without including the control groups. This has seen results that are not entirely validated as it is difficult to conclude whether the positive changes occurring to group members can be entirely attributed to the model(Brannen, 2010). In Mberengwa, CARE International formed a total of 250 groups between 2010 and 2013. Some of the groups are in areas that they have already pulled out. This gave the researcher an opportunity to check whether the groups actually survived after the presence of the organization.

3.5 Primary research methods

The researcher was able to get original information from the respondents of Midlands through questionnaires and focus group discussions. The researcher also had interviews with key participants who were organizational employees from World Vision International and CARE international. In total 63 questionnaires were

administered to member of different groups that had been sampled representing 10% of the total groups. For the focus group discussions, 15 to 20 members were selected. The interviews with key informants were done with 2 WVI employees and 2 CARE international employees who were part of the implementing team of the VSL model.

The questionnaire tool in Appendix 1, which was translated into vernacular during data collection, covered the basic socioeconomic characteristics of the respondents and their households: information before joining the VSL program, participation in the VSLA program, access to financing after joining the group, asset levels, housing characteristics, access to healthcare and social impact. It also covered the income levels, period in VSL and interest rates charged for the loans. The questionnaires were administered by five carefully selected Education Programme Facilitators who, because of their prior work training andsupporting the VSLA members, knew and were known to the survey participants.The questionnaire was pre tested on VSL groups that were formed by WVI in Mangwe District in MatebelelandWest were the EPF were having a VSL training and monitoring exercise.

The questionnaire was used as a means of collecting data which otherwise would have been difficult to get using focus group discussions only. Changes at individual level and the magnitude of the changes at family level are difficult to capture using qualitative methods and thus these could only be objectively captured using a questionnaire. It was also a means of collecting data such as the distribution of participants by age groups, level of education of participants and income levels before and after joining the VSL, information that could be used to measure accessibility and ability to finance oneself into joining the groups. The questionnaire would also help in determining whether there is total financial inclusion once groups are formed in the community, something which cannot be measured qualitatively

Three focus group discussions, each with between fifteen and twenty participants,were carried out to supplement the information gathered in the individual survey. Theparticipants for the three groups were randomly selected from the original group of

VSLAs, after excluding the sixty three groups that were already included in the quantitativeresearch so as not to recount the information gained through the survey. This was done to capture the different views from the community. The formatof the focus group discussions, which may be found in Appendix 2, included 12open-ended questions that were intended to generate an open discussion. Thequestions covered issues such as group formation and membership, general groupdynamics, challenges and limitations, behavioural changes, social and economicimpact, benefits and/or negative consequences of participation, impact onthecommunity, and the sustainability and effectiveness of the model.

The focus group discussions were of importance in measuring community wide changes and also helped in revealing some unintended impacts of the program. It also helped in revealing the limitations of the groups which threaten their survival and the sustainability of the model in the long run. The discussions on group dynamics also helped reveal the strength or weaknesses of the model which in turn also determined whether the model would survive long term.

3.6 Sampling strategy

The researcher used probability sampling strategy for this study. Stratified random sampling was used for the purposes of the study. Stratified random sampling is a technique which attempts to restrict the possible samples to thosewhich are ``less extreme'' by ensuring that all parts of the population are represented in the sample inorder to increase the efficiency (that is to decrease the error in the estimation) to obtain estimates of known precision for certain subdivisions of the population by treatingeach subdivision as a stratum. Since sampling is done independently in each stratum, separatestratum estimates and their precision can be obtained by treating each stratum as a``population'' in its own right(Barreiro, 2001). The groups were stratified according to the district and then groups were randomly sampled from the districts.

3.6.1 Unit of analysis

The research mainly focused on the performance of the groups from formation and continually after the lead organization has left the community. It also focused on

whether the formation of these groups had a positive impact on the livelihoods of individuals or households through improved access to financial capital to start income generating activities. In this regard, the VSL groups were the unit of analysis for this research. The individuals making the groups were the units of data collection. The sustainability of the groups and cost effectiveness of the groups were gauged using information provided by individuals who were sampled from the groups and thus represented each group. Focus group discussions were also held to test the impact of the groups in the community.

3.6.2 Sampling techniques

The research followed a stratified random sampling technique. The groupswere stratified according to the three districts Gokwe North, Gokwe South and Mberengwa. This was done to take advantage of the homogeneity of the individual districts under study. The cultures, beliefs, norms and economic activities of the three districts are different and this also affects the success or failure of the VSL groups in the three districts.The districts differ in terms of cultures, values and beliefs and therefore are heterogeneous. However, there is homogeneity within each district and thus it was more reasonable to stratify according to district.

After stratifying the groups according to the districts, groups were then randomly sampled from each district, with 10% of the groups sampled in each district. Individuals were also sampled from each sampled group to represent that particular group in the research.According to Saunders (2009), statisticians proved that the larger the size of a sample, the more closely its distribution will be to the normal distribution and thus the more robust it will be. This is called the centrallimit theorem and it occurs even if the population from which the sample is drawn is not normally distributed. He argued that statisticians have shown that a sample size of 30 or more will usually result in a sampling distribution for the mean that is very close to a normal distribution. Stutely's (2003) advice of a minimum number of 30 for statistical analyses provides a useful rule of thumb for the smallest number in each category within an overall sample. For the purposes of this research, a sample size of sixty

three was used to improve reliability of results. This was twice the central limit figure of thirty.

There were 128 new groups that were formed in 2013 in Gokwe North at the time of the study. Of these, 13 were sample for the purposes of this research. This represented 10% of the new groups in Gokwe North. In Gokwe South, there were a total of 200 new groups. 20 were sampled for the purposes of the research. This also represented 10% of the group. In Mberengwa there was a combination of new groups as well as old groups that were formed by CARE international. 47 new groups were in existence at the time of the study in Mberengwa. 5 of the groups were randomly chosen for the research. This also represented 10% of the new groups in Mberengwa. There were 250 old groups that were in formed in Mberengwa by CARE international in prior to 2010 to 2013. Of these, 25 were randomly selected for the research. This represented 10% of the old groups chosen for the research.The total number of groups that made the sampling frame was 625. For the purposes of this research, 10% of these groups were selected which totaled 63. The table below reconciles the above.

Table 3.1 Reconciliation of sampled groups

New groups				
Area	**Number of existing groups**	**Sampled groups**	**Number of individuals sampled**	**Percentage sampled groups**
Gokwe North	128	13	13	10%
Gokwe south	200	20	20	10%
Mberengwa	47	5	5	10%
Totals	**375**	**38**	**38**	**10%**

Old groups				
Area	**Number of existing groups**	**Sampled groups**	**Number of individuals sampled**	**Percentage sampled groups**
Mberengwa	250	25	25	10%

Grant total	**625**	**63**	**63**	**10%**

The research was done on 38 new groups which represented 10% of the 375 new groups. The groups were classified according to districts in Midlands and then randomly chosen from each district. Each district provided a proportionate number of groups to make up the 63 sampled groups, with each district providing 10% of its total number of groups.Gokwe was split into Gokwe North and Gokwe South. After selection of the groups, individuals were randomly sampled from each group to represent that group. The sampled individuals were not necessarily the group leader. In total 63 individuals were sampled for the research from these new groups.

CARE International implemented the model in Mberengwa and moved on. A total of 250 groups were formed in the districts between prior to 2010 to 2013. This presented an opportunity to test whether the model survived after they pulled out of the area. From this pool old groups, 25 more groups being sampled randomly from the district. This represented 10% of the old groups. This also represented 40% of the total sample and given that the research is mainly focused on sustainability beyond donor presence, this is very ideal.Individuals were randomly chosen from each group to represent that group. This means that 25 individuals were sampled for the research.

3.7 Data collection process

Data sources were both primary and secondary. Primary data were collected for the purposes of assessing accessibility and sustainability of the model whilst secondary data were used to measure the cost effectiveness of the model.

3.7.1 Questionnaires

The questionnaires were administered by the researcher and 5 research assistants that were hired for the task.This improved capacity of the respondents to answer questions since some of the questions were translated into vernacular. The questionnaire covered the basic socioeconomic characteristics of the respondents and their households. It also covered information pre VSL program and after joining VSL to enable the researcher to capture and changes that may have been brought about by joining VSL. It also looked at the cost of getting a loan from the group. The questionnaires also captured demographic information of participants to see the

distribution of the group members by age and sex as well as employment status and income levels.

It also covered information on access to finance before and after joining the VSL group as well as asset levels, housing characteristics and social impact The questionnaire was structured in a way that it captures the changes in financial assets before and after the formation or join the group, education, that is ability to fund children's education, quality of housing as well as social status. In total the questionnaire had 27 questions in different sections of the questionnaire. In total 63 questionnaires were administered to a sample of 63 individuals that had been sampled in the 3 participating districts.

3.7.2 Focus group discussions

Three focus group discussions, each with between 15 to 20 participants, were carried out to supplement the information gathered in the individual survey. The participants for the three groups were randomly selected from the original group of VSLAs, after excluding the63 groups that were already included in the quantitative research so as not to recount the information gained through the survey. One focus group discussion was done for each district that is Gokwe North, Gokwe South and Mberengwa.

The researcher chose a chairperson from each group to control the discussion and ensure that there was order. The researcher would pose questions to the group through the chair and capture responses with the options to probe further any responses that needed more clarifications

Focus group discussions enabled the researcher to measure externalities that were attributable to the model. The format of the focus group discussions included open-ended questions that were intended to g5enerate an open discussion. The questions covered issues such as group formation and membership, general group dynamics, challenges and limitations, behavioural changes, social and economic impact, benefits and/or negative consequences of participation, impact on the community,

and the sustainability and effectiveness of the model. The discussions were largely done in vernacular which the researcher is also conversant in.

3.7.3 Interviews

Interviews were also arranged with four employees of both World Vision International and CARE International who were involved in the implementation of the model. The informants were selected on the basis of their knowledge on the model as they were implementing the model. One VSL specialist and one Education Programme Facilitator were each selected from the two organizations to be part of the interviews.

The general format of the interviews with questions attached in appendix 3 covered, among other things, the nature of services supplied to current groups, the formation of new groups and institutional dynamics. It also covered issues to do with selection of participants for trainings, issues to do with training of spontaneous groups that may sprout in the community, monitoring and evaluating progress and any mechanisms that are put in place to ensure success of the model. This allowed an in depth analysis of how the groups are formed and the nature of services required to get the groups going.

3.7.4 Secondary research methods

The researcher accessed financial reports from World Vision International and other external sources which were established by scholars and academics about variables under study. The researcher was also able to access operational monthly reports which detailed the performance of the groups and the different changes that were occurring in different groups such as the number of dropouts and the reasons for dropping out of the group.

The researcher also got baseline reports which were used as a basis of implementing the model and also detailed the different economic and social dynamics in each community that the model was implemented. This helped the researcher to gain an insight into whether the model could survive in certain communities given the underlying economic and social conditions. Some communities are more business oriented than others and have more business

opportunities than others which give the model a chance of success as it is largely dependent on the success of Income generating activities. Monitoring and evaluation reports were also accessed as well as monthly progress reports from the two organizations for the purposes of the research.

3.8 Data analysis

Data was analysed at two levels, with qualitative data being analysed on its own and quantitative data analysed and used to verify findings from the qualitative analysisQualitative data collected was carefully edited, sorted and coded to eliminate the inconsistencies and errors that were made during the data collection. The data was sorted and coded. It was then classified into three broad categories that were used to confirm or dispute the initial proposition that the VSL model is a cost effective and sustainable source of finance for rural families in Midlands. These three categories were accessibility, sustainability and cost effectiveness. Data which did not relate to the three categories was excluded from the analysis.

Quantitative data collected from the field was also used to find out the relationships that support or contradict the original or new hypothesis by using statistical package for social scientists (SPSS). Information was presented in form of percentages, frequencies, diagrams and tables. Quantitative analysis was mainly done to validate qualitative findings

3.9 Limitations

The response rate was affected by the fact that the research was done during the cropping season and locating respondents was difficult. The respondents were unwilling in some instances to go through the questionnaire citing time constraints as they were busy in their fields. The same could also be said for the key informants as some were busy to go through the interviews citing other commitments. It was even more difficult to get the focus group discussions going as getting together the group was even more difficult. This saw the researcher rescheduling some of the interviews to days that the participants were free, disrupting the data collection schedule.

Given the nature of the research, costs involved during the research like transport, communication, accommodation and meals as well as stationery were high and no funding was available. The research required travel to remote parts of the country and thus required more resources such as a vehicle .The researcher used his own savings as well as other personal resources to be successful in carrying out the study.

Most of the respondents were of the idea that the research had some form of financial benefit and thus needed to be paid for taking part in the research. Some of the respondents may have responded changing facts and hiding vital information as they thought that this would get them funding for their groups thereby distorting findings. However the researcher managed to convince them that the research was entirely academic and thus may benefit them in the future.

The research demanded a lot of time in collecting data and analysis. This was made more difficult given that the nature of the research required a lot of time for collecting and analysing data. The researcher had to give up some of his work time and free time to get the research done

The issue of self-selection into these groups affected the assessments of the model. Self-selection bias in a model like this occurs if members of the group systematically possess unobserved attributes, which those in the general population lack such as entrepreneurial drive or ability or specific preferences which make the results of the program difficult or impossible to generalize to a broader population of potential participants. For example, if program participants are naturally more entrepreneurial or more dedicated than nonparticipants, program impacts may be vastly overestimated. However, this may also go in reverse as well. For example, Pitt and Khandker (1998) find that poorer households are more likely to be borrowers than their neighbours. This may lead to a downward bias on the estimated effect of the program, giving the impression that participation in the program makes clients poorer relative to the population as a whole.

3.10 Ensuring validity and reliability

The data collection instruments were pretested to ensure reliability of the study. This was done in Mangwe district which was not part of the research area. The choice of Mangwe district was done to ensure that the data collection instruments could be used to collect data in any part of the country. This helped the researcher as the three districts that were being studied are different in terms of cultures, values, beliefs and norms. Reliability tests were also done in SPPS to see if the data had internal consistency, with the results presented in the next chapter.Cronbach's alpha was used for this purpose.

As a rule of thumb, a sample size of 30 participants is used as the minimum sample size for quantitative studies (Saunders, 2009).The sample size that was selected for the study was 63 groups, which is above the 30 sample size that can be used for such studies. The increase in the sample size was done to ensure validity of the findings from the research.The 63 groups represented 10% of the total number of groups in the three districts.

3.11 Ethical considerations

The observation of ethical issues was key to this research. Four key principles of ethics in research as postulated in the Belmont report (1979) helped in building trust between the researcher and the research participants are;

- **Respect for persons** –all the research participants were asked for their free consent in participating in this research study and a consent and request letter to attend an interview was circulated to the respondents ahead of the interview and before the start of completing the questionnaire or interview the consent letter would be explained to the participants to create common understanding and allow for informed consent on the part of the participants. The consent letter is attached in appendices to this research report.

- **Beneficence** – Care was taken to minimize the risks associated with the research including psychological and social risks whilst maximizing the

benefits that accrue to research participants due to the research and to this end research participants were assured of the confidentiality of their identity

- **Justice** –The researcher explained to the beneficiaries that the research study did not have direct benefits to them but benefits could potentially accrue to them should the recommendations of this research get adopted by the lead organizations and their donors.

- **Respect of communities** –The cultural values and norms of the research participants was considered with the English Version of the questionnaire being correctly translated into local language (Shona) by the Researcher and his three Research Assistants

3.12Conclusion

The researcher considered the background to the problem in which respondents were exposed to number of interventions all aimed at improving their livelihoods to no avail. Considering the background that the target community has been exposed to many developmental aid interventions, the study seeks to determine whether village savings and loan model can be a better alternative to poverty reduction. Also considering the poverty of some of the organisation's beneficiaries, the researcher has put across a number of research objectives to determine whether this is the best strategy, as well as to identify strategies to improve the lives of the respondents. The researcher was motivated to find out whether the micro savings and lending initiative is a viable strategy to emancipate households from poverty.

Chapter 4

RESULTS PRESENTATION AND DISCUSSION

Introduction

This chapter details the analysis of data collected during the research. The research followed a qualitative approach complemented by quantitative analysis. The analysis of data was done on two levels, the qualitative analysis and the quantitative analysis

4.1 Qualitative data analysis

Patton (1980; cited in Coolican, 1994) stated that the cardinal principle of qualitative analysis is that causal relationships and theoretical statements be clearly shown from and grounded in the phenomena studied. The theory emerges from the data; it is not imposed on the data. For the purposes of this research, focus group discussions and interviews with key informants from World Vision International and CARE international were done. Seventeen participants attended the focus group discussion in Mberengwa whilst sixteen attended the Gokwe North focus group discussion with nineteen attending the focus group discussion in the Gokwe South.

Data from these interviews and focus group discussion were coded and classified into three broad sections for analysis. These are accessibility, sustainabilityand cost effectiveness. The sections and their findings are discussed in detail below.

4.1.1 Accessibility

The participants noted that by joining the VSL groups, a member enhanced his/her chances of getting a loan and thus would have accessibility to funds that they were not able to access before joining the group. One participant said:

Before joining the VSL group I had no one who could assist me with cash whenever I had problems or wanted to start a small project. This is something which has changed since I joined the VSL group. I sold a few chickens to join the group but the benefits that I am enjoying are far out weighing the loss of my chickens. I now have

easy access to cash without any need for collateral. I now have a small project that I run as I got capital from the group.

The VSL members have access to capital that the ordinary member of the community doesn't have. The participants noted that every member was mandatorily supposed to get a loan so as to increase the capital base through interest charged on the loans. The loan amount is determined by the by the size of funds ploughed into the VSL group by the members. This is the sole reason why the lead or apex organization encourages the individuals to start IGAs to supplement their income for repayment of the loan and its interest.

The participants also pointed out that there was no collateral required for accessing the loans, something which ensured that everyone was able to access the funds, even without any assets for collateral. There is a trust among the members that each individual will be able to repay the loan not only for the benefit of the group but for the individual's benefit as a way of growing their savings in the group and increase their base amount in case of further borrowing from the group. All of the participants confirmed that they got loans from the VSL groups.

Most of the participants shared that the reason that they joined the VSL group was to raise capital for their business, including those who had businesses already running. Two of the participants were shop owners who revealed that they joined the VSL groups to access funds for expanding their businesses, with one of the participants admitting to accessing funds which she used to turn her tuck-shop into a bigger shop. She pointed out that she had used the funds to convert her small tuck-shop into a bigger shop by extending the existing small building, with some of the funds used for increasing her stocks. She said that:

Joining the VSL group was the best decision I have ever made. I had a small tuck shop and was struggling to expand it and increase stocks. The small profit that I was making was not enough to extend the tuck shop into a shop and also increase stock to fit the new big shop. Since joining VSL I have been able to borrow and finish the

construction work as well as increasing my stock. This has seen a significant increase in my profits as I now have a wider variety of goods to sell.

Some of the participants noted that by joining VSL they had been able to develop their homes and pay for school fees and other basic necessities.

Participants also pointed out that by not requiring collateral, the loan were easy to access and the process was efficient and fast as there were no administrative issues and stringent requirements for one to access loans. The fact that payment terms could easily be negotiated makes the loans more accessible as the flexible repayment plans means that members are able to repay their loans and will not hesitate to get loans.

However the mandatory nature of getting the loans is also a downside to others as this means that they have to borrow even when they do not need the funds and even when their IGA is struggling. This puts the group member under pressure to raise the interest component as they can keep the borrowed amount and wait to repay it. Some admitted to borrowing the funds during times that they do not need the cash and advancing a loan to a non-member, charging a slightly higher profit than what the group charges, in other words taking advantage of the profit from arbitrage. Some participants admitted to making money through arbitrage, repaying the principal and interest to the group and keeping the difference to themselves. An elderly woman said:

Due to my age I have not been able to do a very successful IGA. However, my grandson showed me a way making money using VSL group funds without me struggling with an IGA. I have been forced to get loans from the group as per our constitution but instead of using it I have been advancing it to non-members, charging higher interest rates than what the group charges. This has enabled me to repay the interest and principal and in some cases I also make a profit that keep. I keep borrowing and repaying n the hope that I will get a big share when we complete our circle at the end of the year and share the proceeds

This increases accessibility to the whole community though in such instances the group members would require collateral from the non-member. Some of the participants also pointed out that they had accessed the loans through this way before they joined VSL before they decided to do away with the middlemen and join the groups. By advancing loans to non-members, the VSL group members ensure that there is accessibility to the whole community, an unintended benefit of the VSL.

During interviews with VSL experts, they pointed out that eventually members may be able to graduate into bigger business people who can access finance from financial institutions. This was evidenced by some of the participants who admitted that their businesses had grown and they were now able to bank their proceeds and negotiate with banks to get loans. Shop owners who were among the participants admitted to accessing loans from the banks occasionally though they kept their membership with the groups as well and still actively participated in the running of the groups.

There was a concern though on self-selection bias. During interviews with VSL experts, the researcher discovered that during formation of the groups, lead members chose other group members of the same status and financial capacity. There was no mixture in terms of ability to pay that is the most vulnerable are likely to form groups with their most vulnerable counterparts whilst those who are better off in terms of financial capacity join together to form strong VSL groups that easily survive. The most vulnerable are still excluded as the whole group may fail to raise enough capital to start lending. The amount raised may not be enough to borrow and start a meaningful or viable IGA, thus such groups suffers a still birth and disintegrates quickly. This means that the most vulnerable families are still left out and still cannot access much needed financing. Those who are lucky to join the more stable groups still cannot access much as the savings dictates the amount of loan that an individual can get. In this regard the individual cannot start a viable IGA and struggles to raise the interest component when they borrow, ultimately dropping out or defaulting on the loan and dismissed from the group.

There were more women participants than males in the VSL groups. This meant that most men are still left out from accessing finance. One of the participants noted that apex organizations targeted women when mobilizing for training. This meant that there was still no total inclusion as men were left out of the program. This was corroborated by VSL implementers from WVZ who noted that the new groups that they were forming were specifically targeting women than men. Their argument was that women were more likely to succeed in doing IGAs than their male counterparts. They also argued that women were more likely to accept the model than their male counterparts.

This is supported by literature which also showed that most of the organizations targeted women than males for the model, even in other countries.Ashe (2011) showed that there is a path to financial inclusion by empowering groups of women to define their own future in Mali. This showed that women were being targeted for the model. Allen (2007) pointed out that household productive and non-productive assets have improved with the biggest increases registered in semi-liquid current assets mainly controlled by women. This bias towards women may see underprivileged men being left out from the model and failing to access much needed finance for their own benefit. In this regard the model fails as it only finances women and not the entire rural populace of Midlands.

4.1.2 Sustainability

The main focus of this research was on the sustainability of the VSL groups in the rural areas.The research revealed that there were several factors that affected the sustainability of the VSL groups though most of the groups survived even after the apex organizations left the community.

Focus group discussion participants pointed out that there were spontaneous groups that were forming outside the formal training of the lead or apex organization. The groups were forming after realising the benefits from other successful groups in the community. The rate of the formation of spontaneous groups depended on the success of other groups in the community, with more groups forming where VSL

groups formed by the apex organization are thriving. The formation of spontaneous groups is testament to the sustainability of the VSL model as a financing tool as auto replication is used as a measure of the success of the model. This supports Brett (2010)'s assertion that good governance might also lead to the spontaneous replication of new groups that emerge in different villages without any training or outside support. Together, success at the household and group levels can be expected to result in high impact, as large numbers of individuals gain access to a wide range of quality microfinance services, and are therefore able to take greater control of their future circumstances, perhaps emerging from poverty in the process (Brett, 2010).

This also buttresses Allen (2002)'s findings in Niger which showed that there was hardly any group that was directly trained by the lead organizations asprogrammers realised that informal training was taking place between groups. The organizations encouraged this in the hope that it would bear auto replication in the future. The organisations decided to incorporate informal trainings in their systems. Thus, the main activity for the organizations was to maintain quality control.This means that training was done on a limited number of groups to create awareness and to develop market demand. Therefore the fact that the training could be done locally by people who are not highly educated and that the cost is low make the prospects of beneficiaries continuing to pay for the service higher, hence its assumed sustainability. This was evident in the research as the apex organizations only trained a limited number on group members who then form groups which includes those who were not trained.

The self-selection into VSL groups also enhances sustainability as group members choose each other on the basis of trust and capacity to contribute to the group and repay loans. Members choose groups which suit their income status and ability to contribute to the group. Those already with businesses chose groups where members had higher income levels. This in itself ensures the sustainability of the individual group as the members have a common strength. The desire to do well and get out of poverty also inspires the groups with lower incomes, and ensures that

there is a common purpose for the group, poverty alleviation. This ensures that the group members work aggressively to see the group succeed and enjoy the benefit of the success. One of the participants noted that the sole reason that they joined the group was to fight poverty. She joined a group where she felt she would fit in and together they had made it their ultimate goal to change their poverty status for the better. This ensures the survival of the group hence its sustainability. This was corroborated by interviews with key informants who noted that groups with business people flourish more and quickly grow. They also pointed out that self-selection was good for the groups as it ensured that members on the same level playing field gets a chance to secure finance.

Implementing organizations encourage the VSL members to start IGAs from loans that they access from the VSL groups so that they are able repay the loans they get as well as being able to grow their shareholding in the group. During interviews with key informants from WVZ and CARE, they noted that the group members receive an SPM training (Selection, Planning and Management). This helps them select viable IGAs and also equips them on how to manage the IGAs. The success or failure of the individual IGAs impacts on the success or failure of the group as whole. If the IGAs for group members succeed, the group thrives as they invest more in the group and borrow more, resulting in more interest income for the group. Most of the focus group discussion members confirmed that they had viable IGAs or businesses that were thriving. This is evidence that the model is sustainable as the more the members make from their viable IGAs, the more they put into the group and the more the group grows.

During focus group discussions in the three districts, the participants noted that the communities were accepting VSL as a tool for sustainable development. They noted that the model was a tool for change, changing the communities for the better in terms of poverty. This, they pointed out, may have been one of the reasons that there were new spontaneous groups being formed in the community. The acceptance of the model ensures that there is continuity even after the lead organization leaves the community as the community takes the initiative to ensure survival of the groups and formation of more groups for their benefit. The participants however noted that there was need for traditional leaders to understand the model and take a lead in its implementation in their areas. This will ensure survival of the

model. Use of the existing local structures ensures sustainability as it is a prerequisite for sustainable development.

Camaraderie and respect for others is one of the unintended benefits of joining the VSL. The VSL members pointed that there was great camaraderie among the members and a mutual respect for others. This ensured that they shared ideas and shared experiences about their different situations, helping them see things differently and treat each other in a way that they could never do before joining VSL. The participants noted that by socializing and working together, they had become united in one common purpose, changing the communities and alleviating poverty in the community. This supports Ashe (2011)'s view that sees Village savings and loans as an informal concept of group 'solidarity' and its complex relationship with the formal concept of 'trust' that leads bank consumers to deposit large sums in institutions whose leaders they have never met. Solidarity is clearly a form of trust, and within limits it supports mutual pooling of capital among those who share it. This trust and pooling of resources and ideas ensures the continuity of the group and its sustainability in the long term.

Governance issues also determine whether the groups succeed or fail. During interviews with key informants they noted that they only encourage the groups to adopt and constitution and ensure that there was proper governance. As pointed out by Brett (2010), good governance can be expected to result in greater sustainability. This can be expected to lead to repeated replication of the group, or some similar group, after the annual cash-out. Good governance might also lead to the spontaneous replication of new groups that emerge in different villages without any training or outside support. Most focus group discussions participants showed that their groups had good governance practices with clear channels for conflict resolution and recourse in terms of failure to repay loans. This can only foster continued success of the groups even beyond donor presence.

4.1.3 Cost effectiveness

The cost effectiveness of the model can be viewed in two distinct ways, the cost to the VSL members and the cost to the implementing organization.

4.1.3.1 Cost to members

During focus group discussions the participants noted that they chose to join VSL to take advantage of lower interest rates charges that they were charged when accessing loans. They noted that the average rate charged by most groups was 10% though there were occasional cases where one would be charged higher rates or lower rates depending on the amount borrowed and the tenure of the loan. Longer repayment period attracts higher interest rates and shorter periods attract lower interest rates. The amount borrowed also determined the interest rates charged as members are charged more for higher amounts. This, the members pointed out, was a premium for the risk taken by the group by issuing a large sum to one individual.

The lower cost of capital also meant that most of the members were able to access loans and could easily pay back, resulting in a higher repayment rate and a very low default rate the participants noted that there were isolated cases of default and the groups would eventually get the repayment, with the group member given more time to source funding. Where the amount is higher the group would need collateral which they would take and dispose to recover their finances.

4.1.3.2 Cost to organizations

According to WVZ financial records, the cost of training an individual for the new groups is approximately $3.50 per person/participant. This is cost effective especially compared to the benefits of the program in the community. The figure is also very low given that most of the participants also pass on the information to community members at no cost when they form the VSL groups. The trained members act as the focal individual or group leaders who then choose or encourage those who were not trained to join the group at a free cost.

The evidence above supports Allen (2004)'s argument that the organisations had actually pioneered an approach that was based on village trainers and its continuing training activity was done by non-professionals selected from the communities themselves. This means that training was done on a limited number of groups to create awareness and to develop market demand. Therefore the fact that training could be done locally by people who are not highly educated and that the cost is low make the prospects of beneficiaries continuing to pay for the service higher, hence its assumed sustainability.

4.2 Quantitative analysis

The research also included quantitative. The data was subjected to a Kolmogorov-Smirnov test to determine whether it follows a normal distribution. Reliability tests were also done suing Cronbach's alpha.

Reliability tests

Data was tested for reliability. Cronbach's Alpha was used for this purpose. According to Cronbach (1951), a reliability coefficient demonstrates whether the test designer was correct in expecting a certain collection of items to yield interpretable statements about individual differences (Cronbach, 1951). The data had a Cronbach's alpha of 0.669, showing an acceptable level of reliability and consistency using 5 variables

Reliability Statistics

Cronbach's Alpha	N of Items
.669	5

Source: Primary data

The Kolmogorov-Smirnov normality test

The Kolmogorov-Smirnov one-sample test assesses the degree to which an observed pattern of categorical frequencies differs from the pattern that would be expected on the null hypothesis (www.vassarstats.net, accessed 2/02/2014).The One-Sample Kolmogorov-Smirnov Test procedure compares the observed

cumulative distribution function for a variable with a specified theoretical distribution, which may be normal, uniform, Poisson, or exponential (www.ibm.com). This test was used for this research to test whether data collected followed a normal distribution.

Table 4.1:One sample Kolmogorov-Smirnov test

		Level of education	Income Level	Accessibility pre VSL	Period in VSL	Value of loan	Interest	Age of respondent
N		50	50	50	50	50	50	50
Normal Parameters[a]	Mean	2.58	2.10	1.88	1.50	1.44	2.46	2.76
	Std. Deviation	.906	.580	.328	.505	.501	.503	1.422
Most Extreme Differences	Absolute	.319	.388	.523	.339	.370	.360	.223
	Positive	.319	.388	.357	.339	.370	.360	.223
	Negative	-.261	-.332	-.523	-.339	-.308	-.318	-.137
Kolmogorov-Smirnov Z		2.256	2.746	3.696	2.396	2.616	2.542	1.580
Asymp. Sig. (2-tailed)		.000	.000	.000	.000	.000	.000	.014

a. **Test distribution is Normal.**

Source: Primary data

The test showed that the data was normal as shown in the table

Distribution of respondents

Distribution of respondents that participated in the research is shown below. Of these 79% of the sampled individuals responded to the questionnaires with a 21% non-response rate. The total of 50 questionnaires represented 8% of the 625 VSL groups. This is still above 30 minimum number noted as the rule of thumb by Saunders (2009) and thus ensures validity of the results of this research.

Table 4.2 Distribution of respondents by district

	Frequency	Percent	Cumulative Percent
Mberengwa	26	52.0	52.0
Gokwe North	10	20.0	72.0
Gokwe South	14	28.0	100.0
Total	50	100.0	

Source: Primary data

4.2.1 Distribution of group members by gender

The research revealed that more women participated in the VSL groups than males. The ratio of women to man is 24:1 with 48 women having participated in the research against only 2 males. This shows a bias by most apex organization to promoting the model to women as evidenced by new groups which are being formed by World Vision that are targeting mothers only. This may mean that accessibility is largely one sided, with women more able to access finance more than their male counterparts in the rural areas. The purpose of the model is financial inclusion in the rural areas, regardless of their gender status. Though 72% of the women were married, arguments were made that they represented their families. Thus men were also included through their spouses. The gap remains too high and men may be deprived from accessing funding that they may also require. The distribution of participants according to gender is highlighted in figure 4.1.

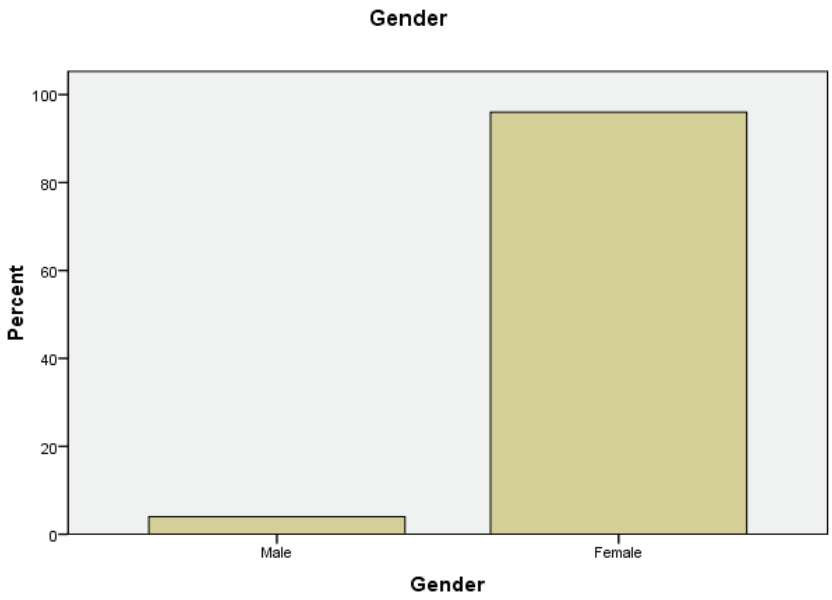


Figure 4.1

Source: Primary data

4.2.2 Level of education

The level of education of the group members is important to the survival of the group though the research proved that there was no direct link between group success and the level of education of its members. However, in determining the cost effectiveness of the model to its customer, the research showed that costs were linked to level of education. Transaction costs increase with a decrease in the level of education of the group members.

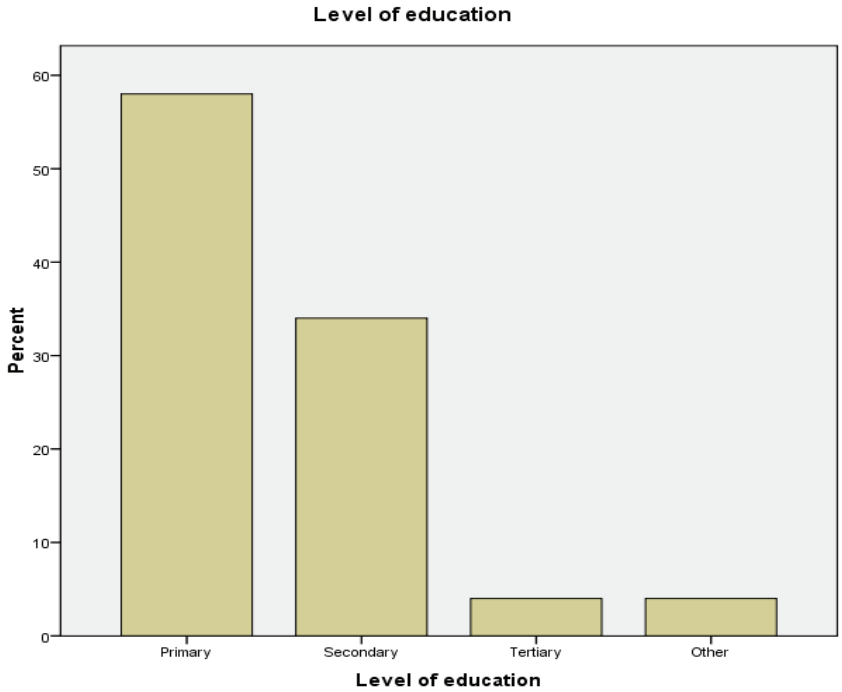


Figure 4.2: Level of education

Source: Primary data

The distribution of respondents according to education revealed that 58% of the group members had acquired primary education with 34% having done Secondary level whilst 4% had tertiary education and a further 4% having attained other (Standard 6). The level of education does not necessarily affect the success of the group though it determines how an individual quickly grasps the concepts of the model during training. Every member of the group runs an IGA and it is important that they have a basic understanding of record keeping and book keeping. This may be a challenge if a member is illiterate. Thus, the level of education can to a larger extent determine the success or failure of individual IGAs which feeds into the performance of the group as a whole. The calculation of interest rates and loan repayment amounts becomes more difficult for the group members especially where there is no mixture of primary and secondary level group members.

This may threaten the very existence of the group as miscalculations may be costly for the group and may stall progress of the group. Cases of overcharging members on interest were rampant as loans issued are mostly for one month. This was evidenced by most groups where the distinction between annual and monthly interest calculation was not clearly shown as they simply charged a flat percentage even though it was for a month. This made the VSL groups more expensive than the financial institutions as interest rates ranged from 5% to as high as 20% but with 100% ofthe repayments done in a month, the charges were a flat percentage without making a distinction between annual interest and monthly interest rates.

This supports Brannen (2010)'s notion that some savings groups that remain entirely informal tend to adopt processes that are more consistent with village culture, in which the link between time and money is scarcely imagined, much less institutionalized. Most value is not monetized, and time is linked to agricultural cycles, seasons and festivals rather than a linear calendar. The failure to correctly link time and money, i.e. the time value of money can result to the failure of the groups (Brannen, 2010)

4.2.3 Accessibility before joining VSL and after joining VSL

The accessibility to loans is proof of whether the model is achieving its intended goal of financial inclusion to the rural families of Midlands Province. The purpose of the model is for rural families to have access to financing that they are not getting from the financial institutions. The research checked on accessibility before joining VSL as a way of drawing comparisons with accessibility after joining VSL. This was done to prove whether the model increases accessibility to finance.

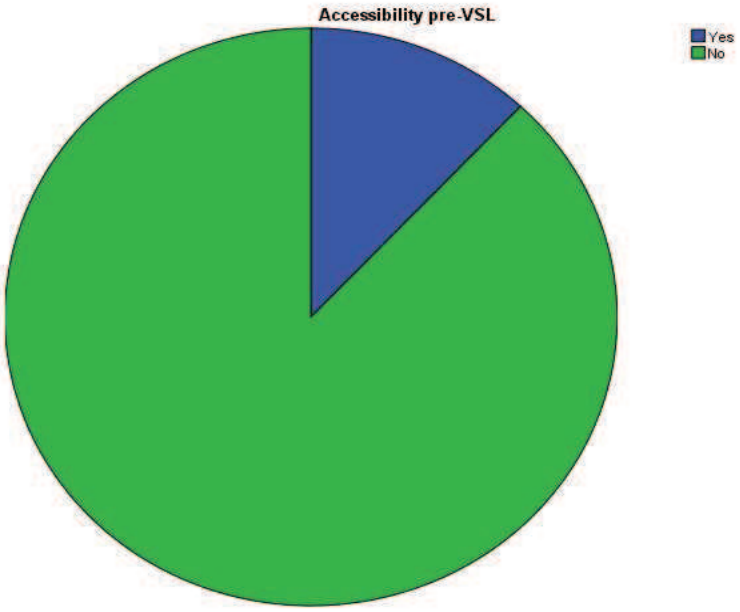


Figure 4.3

Source: Primary data

The research revealed that 88% of the respondentshad no accesses a loan before joining the VSL group due to various reasons whilst 12% had accessed loans before. However, after joining VSL, 100% of the respondents were able to have access to loans. This may largely be due to the fact that every member of the group is mandatorily required to take a loan so that the group benefits from interest income.

The evidence above shows that VSL groups increasethat chances for an individual to get financing. Ashe (2011) showed that there is a path to financial inclusion by empowering groups of women to define their own future in Mali. The same can be said of these VSL groups. There is evidence that by forming these VSL groups, there is financial inclusion of the rural families of Midlands Province.

4.2.4 Reasons for not taking loan before joining VSL

The research revealed various reasons as to why participants had failed to access a loan before joining VSL. This was included in the research as a way of finding out the causes of financial exclusion of these rural families in Midlands province.

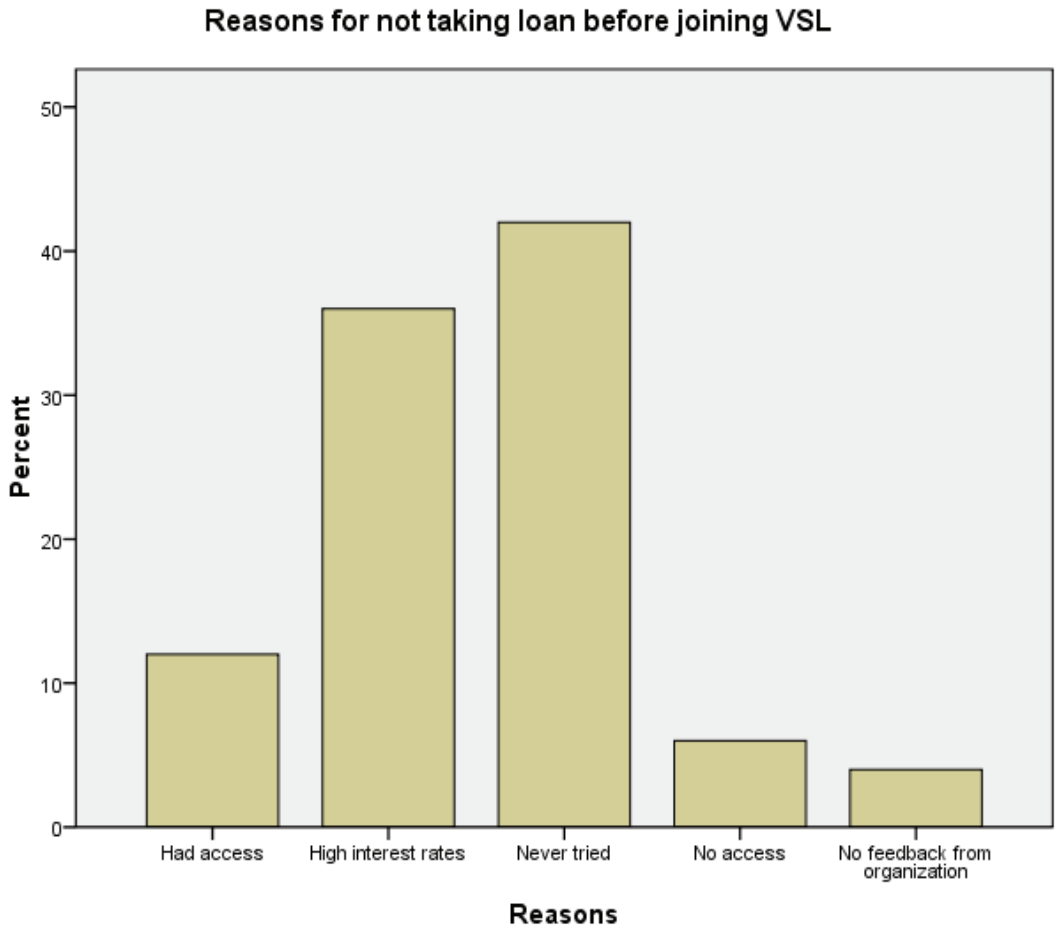


Figure 4.4

Source: Primary data

Only 12% of the respondents had access to loans whilst 42% never tried to get a loan. Interest rates were also cited as a reason with 36% of the respondents pointing out that they were afraid of the high interest rates being charged by the banks. This is despite evidence showing that the VSL groups may be charging higher than the banks due to their miscalculation of interest rates. This may be evidence of lack of access to a financing organization coupled with other requirements that are needed by financial institutions. This supports the notion raised by the RBZ 2010 monetary policy that commercial banks and other formal institutions fail to cater for the credit needs of smallholders mainly due to their lending terms and conditions. (Reserve Bank of Zimbabwe, 2010). A further 6% of the respondents pointed out that they did not have any access to financial institutions and 4% pointed out that they had applied but had not received any feedback from the organization, meaning that their applications had failed.

4.2.5 Period in VSL group

The distribution of respondents by time spent in the VSL is shown below. This is used as a measure of sustainability as groups that have survived for longer are proof that the model is achieving its objectives

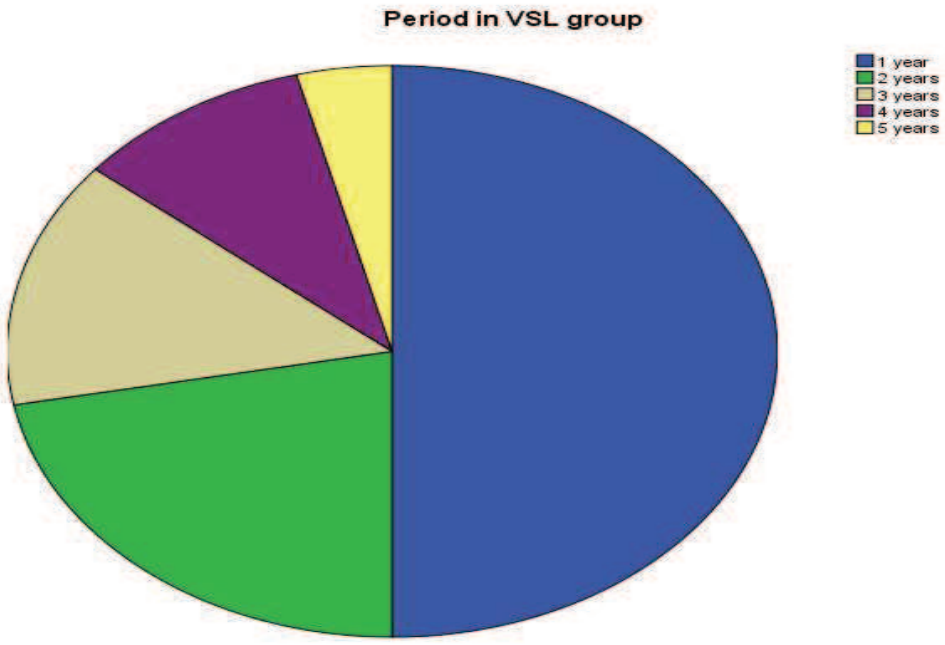


Figure 4.5

Source: Primary data

Figure 4.5 shows the distribution of the groups by period in the VSL groups. New groups accounted for 50% of the sample whilst the other 50% were at least 2years old. The new groups were used as control groups and were compared to the older groups to draw conclusions on the success or failure of the model.

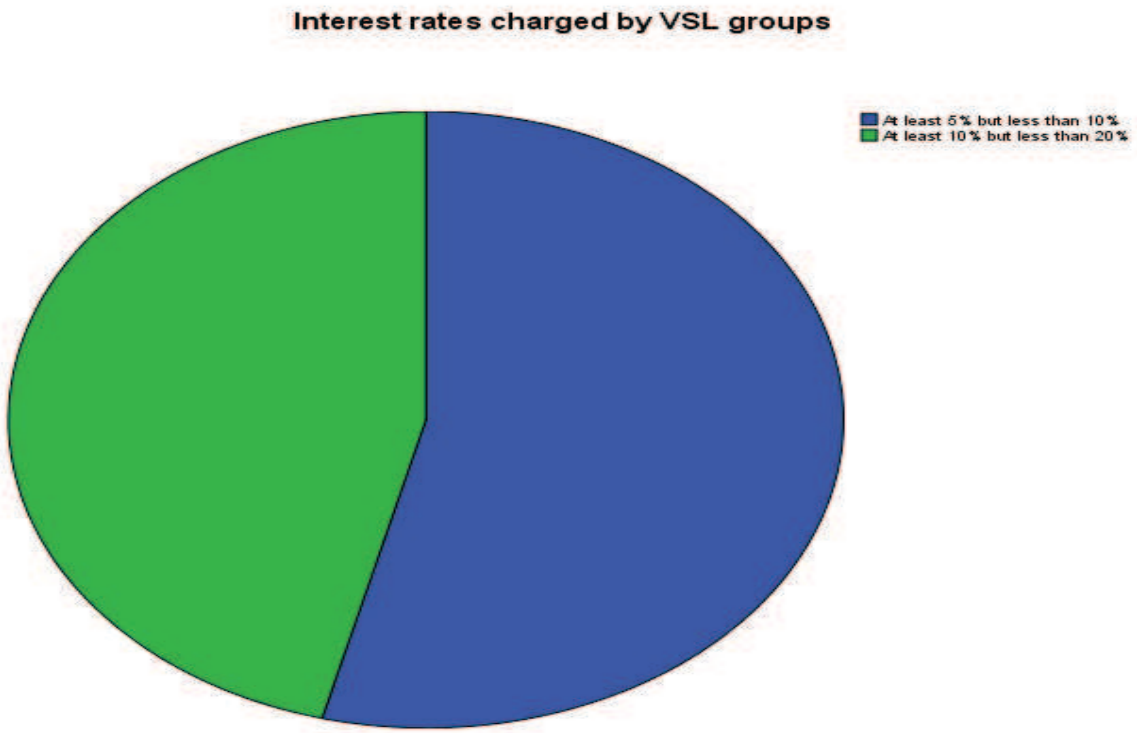
With 28% of the groups having been in existence for at least 3 years, this was evidence of the sustainability of the model. These were targeted groups in areas where the apex organization is no longer operating and their existence show that the groups can survive after the apex organization leaves the community. Most studies done in this area focused on the groups that were in existence in areas that the organizations are still operating in. This is pointed out by Brannen (2010) who

argued that in such a case it would be difficult to measure performance without taking into consideration input from other services offered by the apex organization. Doka and Mossige (2001) posit that it seems the relevance of the savings groups resides in the autonomy of management and the strong feeling of appropriation of the action by the members, the savings of the members directly managed by them and the validity of the conflict resolution system that unites them. This was in evidence in most groups that had survived beyond donor presence in Midlands.

4.2.6 Interest rates charged by VSL groups

Interest rates charged by the group determine the level of interest income the group earns and also determines whether the individuals have the ability to repay their loans. It also determines whether the model is relatively cost effective.

Figure 4.6



Source: Primary data

Figure 4.6 shows that 54% of the groups are charging low interest rates ranging from 5% to 10% per annum. This is a very low cost of funds compared to banks and other

financial institutions in the country. Interest rates charged by banks and other financial institutions averaged 22% per annum during that same period (RBZ, 2012). This shows that the VSL groups are a cost effective financial source for the customers who are the rural families in Midlands. The research revealed that 46% of the groups are charging between 10% and 20% per annum. This is still lower than most banks.The RBZ pointed out that lending rates charged by banks in 2012 averaged over 22% per annum.

4.2.7 Regression and correlation analysis

In order to show that the groups can be sustainable, regression analysis and correlation were used to measure the income levels with time, the amount borrowed and interest charged on loan amounts.

4.2.7.1 Relationship between period in VSL and income level

All calculations were done in SPSS statistical package with only the results being presentedbelow.

Table 4.3 Regression analysis- Income level

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.728[a]	.530	.521	.869

a. Predictors: (Constant), Period in VSL

The regression model shows that there is a positive link between the age of the group and the income level of the group's individuals. The income level is usually affected by the success or failure of the IGAs of the individuals. If the income level is used as a proxy to measure the success of the group then the VSL groups thrive with time and thus are sustainable. Sustainability of the group is affected by the individual incomes of the group members as their ability to contribute to the group

increases or decreases with income. Furthermore their ability to repay loans is enhanced by their income level.

This positive relationship shows that the group can continue to prosper is it survives the initial stages of its life and if its members are able to set up viable businesses.Viability of the businesses is measured by the increase in the income of the members. This was proved by this research as incomes increased with time. This notion is supported by Doka and Mossige (2001) who argue that the permanent mobilisation of the members and the solidarity which links them and the easy and discreet access to credit also impact on the survival of the group, the methodology mainly founded on increased prestige. The prestige comes with increased income and wealth and the desire to accumulate more wealth.

The results of the regression analysis were cross checked with correlations which also showed that there is a positive correlation between income level and the period that one takes in a VSL group. The results of the correlation analysis are shown below.

Table 4.4 Correlations

Correlations

		Period in VSL	Income Level
Period in VSL	Pearson Correlation	1	.728**
	Sig. (2-tailed)		.000
	N	50	50
Income Level	Pearson Correlation	.728**	1
	Sig. (2-tailed)	.000	
	N	50	50

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data

The Pearson correlation coefficient 0.728 shows that there is a positive correlation between the time one takes in a VSL group and the income level of the individual. This is good for the group as it enhances its sustainability.As their income has increased and hence their borrowing power, the group members borrow more as evidenced by the regression analysis.

Table 4.5 Regression analysis-Value of loans advanced

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.599[a]	.359	.345	.705

a. Predictors: (Constant), Income Level

The data from the regression analysis shows that there is a positive relation between the income levels and the value of the loan borrowed. As the group ages and members' income increases, they are able to borrow more to expand their business. This means that the group benefits more from interest income and has a chance of survival that is becomes more sustainable. The high incomes level means that group members are able to repay the loans advanced to them and thus ensures continuity of the group.This is also evidenced by an increase in interest rates as the group ages and the members are now more able to pay the higher interest rates. This is evidenced by the regression analysis below.

Table 4.6 Regression analysis-Interest rates

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.201[a]	.040	.020	.498

a. Predictors: (Constant), Period in VSL

The analysis shows a weak positive relationship between the age of the group and the interest rates. This, however, shows that as the group ages and the income levels increase, the group is able to charge more. This may show an aggressive approach to trying to grow the wealth of the group for the benefit of its members as they realise the benefits of having the group. This also enhances the sustainability of the group as the interest income grows. Increased interest income enhances growth of the group and increases chances of the group surviving for long.

4.2.8Repayment challenges

Repayment of loans by the individuals making up the group also determines the sustainability and growth of the group or its failure. A number of defaults can see the group fail as its capital base dwindles and interest income dries up. The growth of the group is determined by the interest income as well as the contributions of the group members.

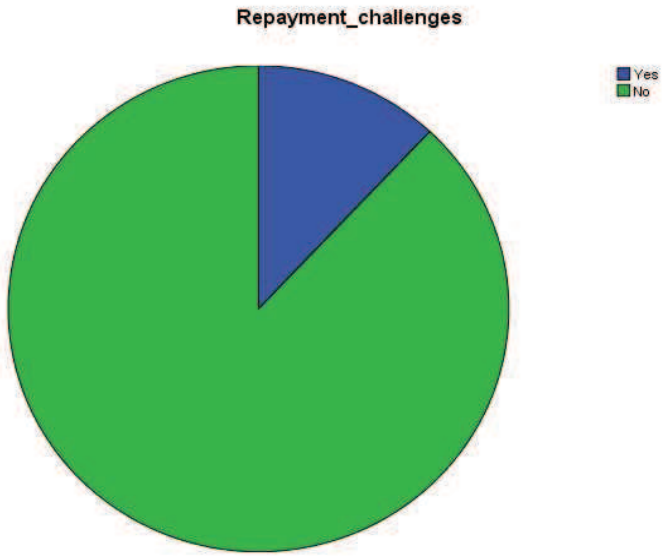


Figure 4.7

Source: Primary data

Figure 4.7 shows that only 12% of the respondents pointed out that they have had challenges in repaying their loans with 88% of the respondents able to repay loans advanced to them by the group. This is also an indicator of the sustainability of the groups. Repayment of the loans keeps the group afloat and operating and a number

of defaults can have a negative impact on the survival of the group. The high number of repayments is healthy for the sustainability of individual groups.(Brannen, 2010)

4.3 Conclusion

The data collected and analysed shows that the VSL model is achieving its intended target. Both data collection methods gave the same results in this regard. This showed that the model is transforming the lives of the rural families in Midlands by enhancing access to finance and setting up of viable businesses.

CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter looks at the policy and managerial recommendations from the research and areas of further research. It also looks at the discussion of the main argument as well as theoretical contributions.

5.2 Research conclusion

The research revealed that the VSL model is getting the desired results in rural Midlands. The research showed that there was greater accessibility to finance resulting from the formation of VSL groups. This is shown by the 100% response to the question on accessing loans after joining VSL, with all the members having accessed loans after joining the group. This compares to 88% of participants who revealed that they had not taken a loan before joining the VSL group.

The research also revealed that the groups survive beyond donor presence. This is enhanced by the fact that the implementing organizations are not bringing any outside funding into the groups but are letting the members raise their own capital. This removes the dependency syndrome and encourages the group to grow. The fact that members are trained on IGA selection and management also ensures sustainability, with evidence showing that the IGAs are successful and individual income is increasing with time in the VSL group or as the VSL group ages.

The research also showed that the model is cost effective both to the customer, which are the VSL group members and the implementing organization. The lower interest rates encouraged borrowing by the members and enhanced accessibility as well. WVZ reported a cost of $3.50 per participant for the VSL training. This is cost effective given the benefits of the model. The fact that those trained also pass on the

message to those not trained in the community means that the cost involved per person is low compared to the return.

5.3 Discussion of objectives

The objectives of the research were to assess the use of the model in financing rural families in Midlands, its sustainability beyond donor presence and its cost effectiveness as a financing option. The research fulfilled all the above objectives and the findings of the research can be used to draw some strategic conclusions about the use of the model in financing rural families. The model is being used successfully in Midlands and has shown signs of sustainability beyond donor presence as evidenced by surviving groups in Mberengwa where the lead organization left the community

5.4 Discussion of the main proposition

The research had the below proposition:

Proposition: The village savings and loan programis a cost effective and sustainable financing model for the rural families of Midlands

This position has been satisfied by the research as the research has shown that village savings and loans program is cost effective and sustainable in providing finance to rural families of midlands

5.5 Policy recommendations

There is need to have mechanisms in place to include the most vulnerable in the community. The study revealed that the model is more likely to benefit those who have the capacity to raise the initial capital to join the groups. This means that the most vulnerable can still be left out by the model though they may be in dire need of financing to start their own IGAs and move out of poverty.

There is also need to deal with self-selection bias. This relates to both the groups and the individual as well. Self-selection bias on individuals is a result of how the

lead organization markets the model when they first enter the community. Individuals come as a result of how good the organization mobilizes and markets the product. If not marketed well, a few members can come resulting in larger portions of the community being left out during the crucial training stage. At group level, the organizations need to ensure that there is a mechanism to ensure a mixture of individuals with different capacities and capabilities. Currently members self-select group members that have similar attributes to them. By addressing this, the organization may be able to address the issue of leaving out the most vulnerable families.

Participants pointed out that their IGAs were facing challenges due to competition and lack of formal licencing with 32% having cited competition as a threat to their IGAs. They pointed out that the licences fees were high and they faced problems in operating without these licences. There is need for the implementing organizations to enter into negotiations with relevant authorities so that these members can get licenced at a lower fee. There is intense competition sometimes among members of different groups or in the same group as they do similar IGAs. There is need for organizations to encourage the members in such cases to pool their capital and form cooperatives as competition affects their prices and ultimately their proceeds from IGAs.

5.6 Theoretical contribution

The research sought to explore areas that had been left out in many studies on the VSL methodology, mainly sustainability and accessibility. Most studies measured the model's impact using economic indicators that might not support sustainability. Furthermore most studies were done in areas that the implementing organisation will still be operating in, distorting the findings of the studies as impact could not be attributed exclusively to the model. This study addressed this flaw by targeting mainly areas that the lead organisation was no longer operating in to measure the real impact of the model and whether it is sustainable if the groups are left on their own. The findings proved that the groups can continue thriving without the supervision or monitoring of the lead organisation.

There were methodological shortcomings in similar studies that were done in this area of study. For example Allen (2004)'s study only focused on existing old groups without having control groups to check whether the model was contributing to the betterment of the livelihoods of the rural families. This may have distorted the real impact of the model and may have resulted in overstating the positives and undermining the negatives of the model. This research sought to rectify this shortcoming by using new groups as control groups which were compared to older groups. This was done based on the realistic assumption that the new groups have not benefited much from the model compared to their counterparts who may have been in operation for a longer period. This ensured that the above shortcoming is minimised and may have revealed the real impact of the model in the communities where it is being implemented.

5.7 Managerial recommendations

The study revealed that there are several other supporting activities that need to be done to complement the model and make it a success. These activities also determine the sustainability of the model and the long term survival of the groups. These include:

5.7.1 Focus on training members on IGAs to complement model

The study revealed that the lead organisations only focus on mobilizing communities and training them on the basics of the model. They train them on how the VSL operates, how they can form groups, how to operate their groups and other structural and governance issues such as coming up with constitutions and mechanisms for issuing and recovering loans. They also encourage the members to form income generating activities to be able to repay the loans accessed as well as increase their shareholding in group. However, the lead organisations are not training the group members on how to operate the IGAs. This has seen a number of willing participants drop out of the groups after the IGAs they would have started failed or collapsed. This has an impact on the groups as any losses that may occur as a result may have an impact on the survival of the group. There is therefore need for the lead organisations to ensure that the group members are well equipped with the necessary skills to start and operate successful IGAs.

5.7.2 Increase of training period

The training period for the VSL methodology is too short and lead organisations may need to consider reviewing the training period. The training is done in five days and a lot of modules are done in such a short time. The study revealed that the aim of the lead organisation will be largely to identify group leaders and other members of the groups (core members). However given that58% of the participants have acquired primary education only they may need more time to grasp the concepts. This may also affect the operations of the groups and their sustainability. The lead organisations need to consider increasing the training period to ensure that the potential members are fully equipped with the necessary skills to form and operate the groups.

5.7.3 Refreshers trainings for members

The study revealed that most of the group members will not have been trained on VSL as they are recruited by those who would have been trained. The basic concepts of the model are that the lead organisation trains a selected number of participants in the community and then they act as training of trainers, training other members of the community. This however means that there might not be enough training for other members. Other members of the community are also taking the initiative to form more groups. These groups may not have the proper training to operate the groups. There is need for the lead organisations to do refresher trainings specifically on group members without focus on the whole community as they do at the beginning. This will further strengthen the operations of the groups and also gives those who had not been trained an opportunity to get training. This is very vital to the sustainability of the groups.

5.7.4 Governance trainings

The study revealed that some of the groups were operating without proper structures and any binding constitution. In such cases conflict resolution and other operations of the group were threatened as there was no basis for recourse in case a member

broke the verbal rules set by the group members. Without proper leadership, the group is always on the brink of implosion as there is no proper control on the operations. No penalties would be set in such cases and the operation of the group is largely informal.

However, though this looks ideal for the members as they depend on trust, the study revealed that such groups do not grow and are on the brink of collapse due to a relatively higher default rate or late payment of loans. The lead organisations need to emphasize the importance of governance in the groups and must enforce the creation of the constitution during the formation of the groups. The lead organisation also needs to ensure that they enforce selection of leadership structures at the beginning and a plan on how to select future group leaders and ensure that there is fair selection of leaders to avoid power squabbles that may threaten the existence of the group.

5.8 Areas of further research

The study mainly focused on the use of the village savings and loans model in rural areas. However further research can be done to test the applicability of the model in urban areas. There are several families and individuals in urban who are suffering the same fate as those in the rural areas. Some families in the urban areas have also been muscled out of the financial system due to low incomes. Some do not have the collateral needed by financial institutions when getting a loan. There is need to test the model in the urban areas and see if it is a success and whether it brings the same results as those in the rural areas.

The study was done in only one province, Midlands province. However some organisations have been implementing the model in other parts of the country. There is need to do further studies in other parts of the country to see if the model is also bringing out the same results and whether there are other factors that determine the success or failure of the groups.

Appendix 1: Questionnaire

UNIVERSITY OF ZIMBABWE-GRADUATE SCHOOL OF MANAGEMENT

MASTERS IN BUSINESS ADMINSTRATION

RESEARCH QUESTIONNAIRE FOR BENEFICIARIES

TOPIC: "Assessing the Village Savings and Loans program as a sustainable and cost-effective rural finance in Zimbabwe: Case of Midlands".

Student Name: Alfred Goliath VambayiMachokoto

Registration Number: R035456B

SECTION A: ADMINISTRATION SECTION

1. **Questionnaire Number**----------
2. **Date of interview**----------
3. **District** ----------
4. **Ward** ----------
5. **VSL Group Name**----------

SECTION B : DEMOGRAPHIC SECTION

1. **Age of respondent**----------
2. **Gender** (1) Male (2) Female
3. **Level of education** (1) Never attended school (2) Primary (3) Secondary (4) Tertiary (5) Degree (6) Other----------
4. **Marital Status** (1) Single (2) Divorced (3) Separated (4) Widowed (5) Married (6) Single Parent
5. **Employment Status** (1) Not employed (2) Informally employed (3) formally employed
6. **Income level (gross per month)** (1) less than US$30 (2) US$30- <US$100

(3) US$100-<US$300 (4) US$300-<US$500 (5) >US$500

7. **Household Head** (1) Male (2) Female (3) Child Headed

SECTION C: INFORMATION PRE VSL

1. Did you have any access to loans before joining the VSL Group?
   (1) Yes (2) No
2. a) If the answer is **NO** to question 1 state reasons for failure to get loan
   State……
   ……
   ……
   ……
   ……..
   2b) if yes states type of organization that you accessed the loan from
   (1) Bank (2) Micro Finance institution (3) Another family (4) Another Individual

   2c) How many loans did you get?

   State…….

   2d) what was the value of the last loan that you got?
   (1) Less than $100 (2) $100 to $500 (3) More than $500

   2e) what was the interest rate per year that you were charged for the loan?
   (1) Less than 5% (2) 5% to 10% (3) Between 10% and 20% (4) More than 20%

   2f) Did they require any collateral for the loan?
   (1) Yes (2) No
   2g) If yes state what you used as collateral
   State…….
3. Who made the decision to join the VSL group?
   (1) Husband (2) Wife (3) Self
   (4) Other……
   ……..

SECTION D: INFORMATION ON VSL

1. How long have you been a member of the VSL group

   State number of years…….
2. How many circles of the group have you completed?

   (2) None (3) 1 circle (4) More than 1 circle

3. Did you have any savings before you joined the VSL group?
   (1) Yes (2) No
4. If yes where did you keep your savings?
   (1) Bank Account (2) at home (3) other credit schemes (4) other……
5. How did you raise funds to join the VSL group?
   (1) Existing income generating activities (2) Sell household asset (4) Existing/Prior savings (3) other (state)……..
6. Did you get any loan(s) from the group since you joined?
   (1) Yes (2) No

   If No give reasons……
   ……
   …
7. What was the value of the loan that you last got?
   (1) Less than $100 (2) Between $100 and $500 (3) Above $500
8. What was the interest rate per year that you were charged for the loan?
   (1) Less Than 5% (2) 5% to 10% (3) between 10% and 20% (4) More than 20%
9. What was the duration of the loan?
   (1) 1 month (2) 1 to 3 months (3) More than 3 months
10. Was there any collateral required to access loan?
    (1) Yes (2) No
11. If yes what did you use as collateral?State…….

12. Please rank your three most important uses of funds from VSL.
    (1) Food
    (2) House improvements
    (3) School fees
    (4) Medical expenses/Health related issues
    (5) Productive investments (Farming)
    (6) Household assets
    (7) Paid off previous debts (accumulated before joining)
    (8) Family ceremonies
    (9) Lending to a non-member

13. List the assets that you have owned or accessed in your family as a direct result of the VSL
    (1) Oxen (state number)---------- (2) Goats (state number)------(3) House (rural/township) (4) Capital asset (state) ----------(5) Car (state number)----------(6) Ox-drawn cart (7) Farm equipments (list)----------(8) Other (list)----------

14. How did you ensure that you get profits that you used to grow your shareholding and service the loan? (1) Income generating activities (2) Sell house hold asset (3) Other (state)----------

15. What do you understand by the term poverty?----------

16. Would you say you were poor before joining the VSL group? (1) Yes (2) No (3) Other----------
--
Why do you say so?.....
.....
.....

17. State some of life necessities that you were not able to attain before joining the VSL group? (1) Not able to send children to school (2) Not able to afford access to health services (3)Not able to have three meals per day (4) Not able to cloth the children and family (5) Not able to build an ordinary house for the family (6) Other----------
---

---

18. Has there been a change in your poverty status as a direct result of the VSL? Explain……
……
……
……
……..

19. What has been your experience following your joining the VSL group? (1) Able to send children to school (2) Able to afford access to health services (3) Able to have three meals per day (4) Able to cloth the children and family (5) Able to build an ordinary house for the family (6) Other----------
---

---

20. Do you think you have the capacity to start and sustain any income generating activity to service your loan?

(1) Yes (2) No

21. If yes what will be the source of your capital?
    (1) The VSL group (2) Sell Household asset (3) Other
    (specify)…….

22. If NO,
    Why……
    ……
    ……
    ……
23. What have you done/ Will do to ensure continuity of your Income generating activity?
    ……
    ……
24. What are the likely challenges that you foresee in running the income generating activity?----------
    ----

25. Have you had any challenges in repaying the loan?
    (1) Yes (2) No
26. What have been the main causes of your failure to repay the loan? (1) Making losses on the project (2) Used the loan to pay other debt (3) Used the cash to pay for high medical costs on terminal illness in the family
    (6) Other ----------
27. What action did the group take to recover outstanding amount?
    Explain……
28. In what way do you think the VSL scheme is different from other credit schemes or organization? In your opinion do you think whether it is better to join the group or look for loans elsewhere? Explain.----------
    ----

THANK YOU FOR YOUR TIME

Appendix 2: Focus group Discussion format

Consent to Participate in the Focus Group:

You have been selected to participate in a VSL focus group discussion. The purpose of this study is to purely academic. You have a right to choose not to participate in the discussion. All responses will remain anonymous and they will be aggregated before presentation. Any answer is accepted for these questions. Participation in this study does not offer any financial rewards and will not affect your membership or role in your VSL group. Therefore, we ask you to feel at ease and to provide frank and honest answers without fearing any persecution or disclosure.

1. Tell me a little about your groups and how they work
2. What are some of the challenges and limitations that your groups face?
3. Tell me about your life before you joined the group and how has that changed since you became a member of the group?
4. In what ways has your behaviour changed since you joined the group?
5. In your view does the VSL program has any effects in the way people get financing in your community?
6. What do you believe the benefits are to belonging to a VSLA group? What are your reasons for joining?
7. Have there been any negative consequences of joining the VSLA group? If so, what are they?
8. How does the community treat VSL members? Do they treat you differently than before you were members?
9. Have you seen any effect of the VSL on the community as a whole?
10. Are there any new groups being formed in the community without the help of the apex organization?
11. If so, who is helping the new groups with training?
12. Is there anything else you would like to say about the VSL program?

Appendix 3: Interviews with key informants' format

1) Can you briefly tell me the process in forming VSL groups, from mobilisation, training to the formation of the groups
2) What kind of training is done for the beneficiaries?
3) The training period is 5 days. Is the training period enough?
4) Is there any refresher training that is done for the groups once they are operational?
5) How are the groups formed? Is there any input from your side in terms of choosing group member?
6) Is self-selection of members into groups a problem or an advantage?
7) What is the cost of training an individual and in your own opinion is it cost effective? (probably comparing to the benefits of the model)
8) Are there any other services rendered to the groups after formation?
9) The model seems to target women more, are we not disadvantaging men in the process? Is the model not about financial inclusion of the families regardless of who joins?
10) It seems the groups cannot make a distinction between annual interest and monthly interest rates and in the end the loans may be very expensive. Is there any training done on this? Is it part of the training program?
11) Has there been a deliberate effort to collect data in areas that you have pulled out to see if the groups are still operational and viable?
12) In your own opinion, what contributes to the success or failure of the model or the groups?

Appendix 4:Statistical tables

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	2	4.0	4.0	4.0
	Female	48	96.0	96.0	100.0
	Total	50	100.0	100.0	

Level of Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary	29	58.0	58.0	58.0
	Secondary	17	34.0	34.0	92.0
	Tertiary	2	4.0	4.0	96.0
	Other	2	4.0	4.0	100.0
	Total	50	100.0	100.0	

Accessibility pre VSL

		Frequency	per cent	Valid per cent	Cumulative per cent
Valid	Yes	6	12.0	12.0	12.0
	No	44	88.0	88.0	100.0
	Total	50	100.0	100.0	

Have you accessed a loan since joining VSL?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	50	100.0	100.0	100.0

Reasons for not taking loan before joining VSL

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Had access	6	12.0	12.0	12.0
	High interest rates	18	36.0	36.0	48.0
	Never tried	21	42.0	42.0	90.0
	No access	3	6.0	6.0	96.0
	No feedback from organization	2	4.0	4.0	100.0
	Total	50	100.0	100.0	

Period in VSL

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 year	25	50.0	50.0	50.0
	2 years	11	22.0	22.0	72.0
	3 years	7	14.0	14.0	86.0
	4 years	5	10.0	10.0	96.0
	5 years	2	4.0	4.0	100.0
	Total	50	100.0	100.0	

Interest rates charged by VSL groups

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	At least 5% but less than 10%	27	54.0	54.0	54.0
	At least 10% but less than 20%	23	46.0	46.0	100.0
	Total	50	100.0	100.0	

Repayment challenges

		Frequency	Per cent	Valid per cent	Cumulative per cent
Valid	Yes	6	12.0	12.0	12.0
	No	44	88.0	88.0	100.0
	Total	50	100.0	100.0	

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.501	1	.501	2.019	.162[a]
	Residual	11.919	48	.248		
	Total	12.420	49			

a. Predictors: (Constant), Period in VSL

b. Dependent Variable: Interest

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.344	1	13.344	26.828	.000[a]
	Residual	23.876	48	.497		
	Total	37.220	49			

a. Predictors: (Constant), Income Level

b. Dependent Variable: Value of loan

Appendix 5: Letter of permission WVI

11 Conagerrd

Waterfalls

Harare

20 November 2013

The National Director

World Vision Zimbabwe

59 Joseph Road

Mt Pleasant, Harare, Zimbabwe

Dear Sir,

Reference: Permission to access WVZ financial records for my MBA dissertation

With reference to the above, your permission is sought for me to access WVZ financial records for the purposes of my research and also to seek information from World Vision (Zimbabwe) staff on Village Savings and Loans associations.

I am an employee of World Vision Zimbabwe and also an MBA student with the Graduate School of Management (GSM), University of Zimbabwe (UZ). In partial fulfilment of my degree requirements, I am required to carry out a research project. The topic that I have selected is entitled; "Assessing the Village Savings and Loans programme as a sustainable and cost-effective rural finance in Zimbabwe: Case of Midlands".

Your authority is sought for me to access the financial records for the purposes of determining the cost of training the groups and monitoring them until such a time that they are independent and need no further assistance. I also require permission to collect, analyse and report on data collected from new groups that are being formed

under the DFID funded IGATE programme which World Vision is a lead partner. The conduct of this research is consistent with ethical requirements and standards governing the carrying out of professional research study. Among some of these ethical principles the researcher guarantees confidentiality of the information collected and confidentiality of responses from the sampled VSL group members. The conclusions of the study will be presented in aggregate terms without any reference to specific individual respondents and the report will only be used for academic purposes. In doing this research the researcher is committed to avoiding the following; deception, physical and psychological injury to participants, damage of World Vision International's reputation, forcing World Vision staff to participate in this research and making a profit from this research project.

My contact number is +263 773 235 092, email address alfredmachokoto@gmail.com, alternatively alfred_machokoto@wvi.org, and my supervisor is Dr.AnoldChidakwa with the following contact details, cell +263 772 125212 email amchidakwa@yahoo.com.

Thank you for your favourable consideration.

Yours faithfully

Alfred Machokoto G V

Approved/Not Approved----------

For and on Behalf of the National Director, World Vision Zimbabwe

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