

# **Influence of Village Savings and Loan Associations (VSLA) on Poor Household Wellbeing in Ayamelum Local Government Area, Anambra State. (2015- 2019)**

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## **Abstract**

This research work investigated the influence of Village Savings and Loan Associations (VSLA) on poor household wellbeing in Ayamelum LGA, Anambra State (2015 – 2019). Due to short comings in the micro finance institution, a big gap has been created in the rural areas in terms of household's financial wellbeing due to; lack of information, high interest rates, lack of collateral to take loans, access to financial facilities. Hence the prevalence of Village Savings and Loan Associations (VSLA), which is a group of people who save together and take small loans from those savings Groups, meeting weekly and members save through the purchase of shares. The researcher adopted a descriptive survey research method. The stratified and simple random sampling technique was used by the researcher to divide the population of 1,075 member of VSLA into two gender based groups and to pick individual respondents. Taro Yamani formula was used to derive a sample size of 292. Both Descriptive and inferential statistics were employed in achieving the objectives of the study. The findings of the study revealed that VSLA promotes access to finance among its members; the loan received from VSLA is used for income generation activities including rice and okro farming (44.86%); petit commerce (16.78%); and Kiosk (15.41%). Other economic activities run are: Rental Business (6.17%); bar (3.42) Okada (3.09%); and transport livestock activities (10.27%). The findings also revealed that participation in the VSLA has an overall positive effect on various indicators of individual and household welfare: that is, on investment level in assets, income generating activities (IGAs), education expenses, access to health services, nutritional diet and quality of housing and life. It was recommended that NGOs and donors should support the creation of new VSLAs and/ or existing VSLAs so that they can increase their capital.

**Keywords: Village Savings and Loan Associations (VSLA), Poor Household Wellbeing, Ayamelum Local Government Area, Anambra State.**

## **Introduction**

Many banks and Microfinance Institutions (MFIs) provide valuable services to the poor in the developing world. They are most successful in economically dynamic urban areas, where investment

opportunities around the borrowing requirements of small-scale enterprises are high; income streams are regular and diverse and the cost of reaching clients is low.

Since the start of the microfinance revolution, people who live in many rural areas and urban slums, and in particular those who are very poor, have been observed to have difficulties gaining access to useful microfinance products. Little wonder, Duvendack, Palmer-Jones, Copestake, Hooper, Loke, Rao (2011) in their conclusion, asserts that almost all impact evaluations of microfinance suffer from weak methodologies and inadequate data, thus leading to misconceptions about the actual effects of a microfinance programme, thereby diverting attention from the search for perhaps more pro-poor interventions.

Surprisingly, this is often the case in countries with a well-developed microfinance sector, a fact that is becoming increasingly evident as the industry matures. Even large-scale microfinance Institutions (MFIs) that are licensed to mobilize savings struggle to provide products that suit the small capital requirements and irregular incomes of their poorest clients, many of whom may borrow from informal sources to support their repayment obligations. They face a high risk of indebtedness if investments or income sources fail them and, to reduce their risk exposure, may only save the minimum necessary to access loans. Thus, MFIs are best configured to serve growth-oriented entrepreneurs, whose income is diverse and reliable; who work full-time in their businesses and who need access to large pools of capital to satisfy their demand for loans. People of this type are usually economically secure and for the most part live in densely populated areas, served by active markets that are deeply integrated into the national economy. Hence, Duvendack, et al (2011) posits that more reliable evidence of impact of microfinance should be provided in order to lead to better outcomes for the poor who assess their services. Possibly, there is a need for an alternative to help the financially excluded.

Consequent upon the above submission, Village Savings and Loan Associations (VSLAs) became popular. Village Savings and Loan Associations (VSLAs) has become an increasingly widespread intervention aimed at improving local financial intermediation. A Village Savings and Loan Association (VSLA) is a group of people who save together and take small loans from those savings Groups. The group meets weekly and members save through the purchase of shares. The VSLA is a village banking methodology, which offers the productive poor mostly in the rural communities, the opportunity to purchase shares and lend to themselves with agreed interest rate on group basis (Ksolla, BieLilleør, Lønborg & Rasmussen, 2016).

According to Ksolla et al. (2016), the vast majority of the World's poor live in rural areas of developing countries with little access to financial services. Access to savings, loans, and other sources of credit is a core component to fostering prosperous and resilient communities. Farmers among other rural dwellers are often faced with financial capital constraints before harvesting their crops; they often need to take loans to support themselves until the next harvest. Lack of information, high interest rates, lack of collateral to take loans, and loan sharks are barriers to farmers' ability to access financial resources. These people are more likely to be economically vulnerable and, for the most part, they live in rural areas that are served only intermittently by local markets, at the periphery of the national economy. While pointing out the challenges associated with formal microfinance institution, Alien and Panatta (2010) aver that microfinance institutions have urban orientation and access to rural areas remain a challenge due to poor road networks thus making their services

unavailable to the rural poor. Besides, it is often not cost effective for microfinance institution to reach the rural poor due to the low population density of rural communities (Brannen & Shechan-Connor 2012). Based on these issues, this study is imminent to bridge the gap in knowledge in Ayamelum LGA concerning the Village Savings and Loan Associations and poor household wellbeing.

### **Objectives of the Study**

The main objective of this study is to investigate the influence of Village Savings and Loan Associations (VSLA) on poor household wellbeing in Ayamelum LGA, Anambra State. (2015 – 2019)

### **Research Question**

1. To what extent does VSLA impact on poor household wellbeing?

### **Hypothesis of the Study**

1. H<sub>01</sub>: VSLA does not significantly have effect on poor household wellbeing.

## **REVIEW OF RELATED LITERATURE**

### **Conceptual Review**

#### **What is Village Savings and Loan Associations (VSLA)?**

Village Savings and Loan Association (VSLA) is a group of people who save together and take small loans from those savings Groups. The group meets weekly and members save through the purchase of shares. The VSLA is a village banking methodology, which offers the productive poor mostly in the rural communities, the opportunity to purchase shares and lend to themselves with agreed interest rate on group basis (Ksolla, BieLilleør, Lønborg & Rasmussen, 2016).

#### **Fundamental principles of VSLA Model**

The fundamental principles of VSLA were developed by Alain Hugh and Mark Staehle (2009).

The main 14 principles are the following:

1. VSLA is for the poor and the very poor According to this principle, VSLA enables poor people to manage their household cash flow more efficiently and flexibly, and to invest in income generating activities that secure and stabilize cash income. Its most dramatic impact is on self-respect and social capital, particularly among the young women who will form 90% of VSLA membership
2. Associations are comprised of a General Assembly and a Management Committee. Members of the Management Committee are elected by the General Assembly. Each member of the General Assembly has one vote. The Management Committee consists of five people: a Chairperson, Record-keeper,

Boxkeeper and two Money-counters. The Management Committee must be re-elected at the start of each cycle.

3. Members of a self-selected group form a VSLA save money in the form of shares: The savings are invested in a loan fund, from which members can borrow money and must repay with an agreed and reasonable interest. The primary purpose of a VSLA is to provide simple savings and loan facilities in a community that does not have access to formal financial services. Loans can also provide a form of self-insurance to members, particularly if they are supplemented by a Social Fund to provide small but important grants and no-cost loans to members in distress.

4. VSLA are comprised of 15-25 members. This size enables the group to strike a balance between creating a useful pool of capital and keeping meetings manageable. Members are usually drawn from the adult population. Membership is open to youth-both men and women.

5. Associations are autonomous and self-managing, basing their system of governance, policies, and operating procedures on a written constitution. This is fundamental, because a VSLA's goal is institutional and financial independence. The organizations that initiate and promote VSLAs should never seek to manage an Association's affairs on behalf of members.

Each Association develops a written constitution that is signed by every member. A Constitution performs two functions: first to provide a framework for governance, dispute resolution and disciplinary action and secondly to specify the conditions for share purchase/savings, access to benefits payable from the social fund. Each member of the General Assembly may be assigned one or more rules to remember, on which they are likely to be questioned at meetings. This has the effect that after some months everyone knows the regulations by heart. Associations agree on the length of the operating cycle and this is recorded in the constitution. A cycle should not be less than nine months, or longer than a year.

6. All transactions are carried out at meetings in front of all the members of the Association, promoting transparency and accountability. To ensure that transactions do not take place outside Association meetings, a lockable cash box is used to prevent unauthorized cash movement and the risk of record tampering. The cash box requires three keys, each one held by a different member of the General Assembly.

7. The cycle of savings and lending is time bound At the end of an agreed period or 'cycle' (12 months) the accumulated savings and service charge earnings are shared out among the membership in proportion to the amount that each member has saved throughout the cycle. This is critical for transparency and the confidence of all members. A cycle must not last for more than one year prior to share out

8. All members have an individual passbook: This is necessary to permit varying rates of savings and to track member loan liabilities. The starting and closing balances of the VSLA social fund and loan fund are memorized at each meeting.

9. Associations meet at regular intervals during their first cycle, either weekly or fortnightly as the members agree. After VSLA complete a cycle and become independent, meetings may reduce in frequency to once every four weeks.

10. All members of the Association save through Share-purchase This is the core activity of the VSLA and regularity in saving is the key to mutual confidence and success. Between 1- 5 shares can be purchased at each meeting. The value of a share is set by the Association. It is set at a level that allows the poorest members reliably and regularly to buy at least one share per meeting. At the end of the share-out meeting, members who plan to continue to the next cycle may consider making a lump-sum starting contribution to the loan fund in order to initiate lending activities with a useful amount of money on hand. If they decide to do this, all members should agree to contribute the same amount at the first meeting of the next cycle, which should take place immediately. The amount of the contribution on this one occasion is not limited to the normal five share ceiling. Once the start-up shares are stamped into all passbooks, deposit shares will be bought as normal, subject to the normal five-share ceiling. When a new cycle begins, members can agree to change the value of the standard share. The price of a share cannot be changed during the cycle.

11. Suspension of share-purchase/savings, an Association may allow a member who is experiencing financial difficulties to stop saving (buying shares), but only for a limited period.

12. Loans are made every four weeks, all members of the Association have the same right to borrow from the loan fund, which is comprised of the members' share purchase money, loan service charges and fines. The Association sets the length of the loan repayment term, which should never be more than six months and, during the first cycle, no longer than 12 weeks. The size of a loan available to a member may not be more than three times the total value of all the shares they have bought. This ensures a fair distribution of capital and prevents the risk that any one member will be overwhelmed by too much credit.

13. The Association decides the percentage rate of the service charge for loans, and notes it in the constitution Service charges on loans are due at four-week intervals. The service charge is applied to the balance of the loan every four weeks until fully repaid. It must be paid when due, regardless of whether or not the member repays loan principal. Loan principal repayments are made at four-week intervals. The period of loan repayment is agreed when the loan is taken, but the borrower may repay early, to avoid further service charges if (s)he wishes. When a borrower pays part of the balance due, the remaining balance is treated as a new loan, with the service charge percentage applied to the new amount and due at the end of the next four-week period.

14. By their internal regulation all group members have equal profit on accumulated interest. This is because all members equally contribute to accumulate the saving; which is the loan capital. While those who save do end up paying more, they also get more benefits as they are able to use the savers funds.

### **VSLA Methodology**

According to Sibomana and Shukla (2016), VSLAs have proven to be very effective in accelerating growth and building local capacity. VSLA members have access to highly responsive and safe

financial services, and this enables them to upscale economic activities, improve household health and welfare, acquire business skills, educate their children, and improve the quality of their social lives both within the family and the surrounding community. Non-governmental organizations engage in VSLA to organize low income generating communities to access money services. USAID projects has been supporting women and youth to enhance households' economy through the establishment of Village Savings and Loan Association (VSLA). According to Care International (2017), VSLA formation and management uses a five main phases of savings and loan methodology cycle as explained below:

1. Start Up: This phase will include identification of potential VSL members, assessment of their capacity to participate in VSLA initiative, profiling of the group members, including social economic status, self- selection and formation of VSL groups.
2. Support to group formation & management: Once groups have been formed, the project will embark on intensive training on leadership, conflict resolution, group management, reporting, meeting facilitation, social events, etc. The phase will go hand in hand with the selection and training of VSLA Agents who will be expected to continue forming and training new VSLA groups during and beyond project implementation period.
3. Support to the saving and lending process: This will include training on VS/L scheme, internal savings, process of forming Inter groups and facilitate saving and lending processes and activities. Inter groups are clusters of multiple Village Savings and Loan Associations, brought together to facilitate linkages
4. Provision of Business Development Skills/Plan: To enable VSLA members to invest wisely, the project will train them on Selection Planning and Management (SPM) of Income Generating Activities IGA's. The project will also train the groups in market survey & analysis, marketing skills and design and implementation of Small Economic Projects.
5. Linking VSLA groups to formal financial institutions: This is the final stage of this project, when members reach at a certain level where they require bigger loans which associations cannot accommodate, then this indicates that they have entered in to huge investments. At this stage, the project will facilitate them to enter in to agreement with formal financial institutions which have the capacity to support such types of investments.

## **Empirical Studies**

In Nigeria, Chinwe u, Nnama-okechukwu et al (2019) conducted an impact study on Village saving and Loan Association in Nigeria, the researchers endeavored to clarify concept and present result from the quantitative study using focus group discussion (FGD) for 48 families who participated in the SOS children village Nigeria Family strengthening from 2010 to 2015. The overall result suggests that VSLA is a program intervention that is successful and sustainable. Result revealed that 70% of the people in the program attained self-reliance during the project life span.

In Uganda, Busingye Kampemuka Schola (2015) conducted a case study of a Village Saving and Loan Association and its relation to poverty reduction among rural households in Kyabakara. VSLA is a

microcredit financial service program which was launched in 1991 by CARE International. The study used a mix of both quantitative and qualitative approaches. Local NGO leaders, local and district administration and leadership are brought in the study. Focusing on poverty reduction through asset building, welfare improvement, risks and emergency management; the results found that participation in the VSLA has an overall positive effect on various indicators of individual and household welfare: that is, on investment level in assets, income generating activities (IGAs), education expenses, access to health services, nutritional diet and quality of housing and life. These are promising results given that the VSLA members are self-reliant, without outside/donor handouts. And the sense of ownership that ensues is also significant for sustainability. More importantly, the VSLA model gives hope for the financially excluded, and a foundation for other development programs targeting the rural poor (Schola, 2015).

In Democratic Republic of Congo, Challenges Consulting Ltd (2015) conducted an evaluation of the Tuungane-linked Village Savings and Loan (VSLA) initiative in Maniema province, one of the most impoverished provinces. This study, using 15 trained interviewers in five groups, carried out over 160 interviews with VSLA women examining their lives before VSLA and now. Also interviewed were VSLA men and non-VSLA women and men, as well as persons of standing in the local communities. Additional evidence was gathered from a number of VSLA meetings, non-VSLA meetings and women's focus groups. 100% of the results showed impressive improvements with regards to the changes in the lives of women, men and their families and communities since joining VSLA groups, thus providing a significant boost to Tuungane objectives. Changes were seen in: Family revenue/income (+203%); Women's role, voice and influence in family decision-making and future planning; Women's confidence to speak out in public in VSLA groups and community meetings; Women's confidence to take on formal positions in local governance; Reduction in domestic violence; Increase in children going to school; Increase in social cohesion; Increase in micro-enterprise. The research affirms that the only perceived negatives, and unintended consequences, have been: (i) a current of disappointment, envy, frustration and even anger from those neighbours and community members not included in VSLA groups, and (ii) a lack of resources meaning that the self started (auto-cr  er) groups cannot be provided with support (Challenges Consulting Ltd, 2015).

In Tanzania, Anyango et al. (2017) conducted a research on Village Savings and Loan Associations using experience from Zanzibar. According to the research, the continuing failure of MFIs to reach remote and rural areas, especially in Africa, has renewed interest in finding alternative models of service delivery that can achieve this goal. The Village Saving and Loan Association model was promoted by CARE is an accumulating savings and credit association that is time bound, with a periodic action audit at which all the funds are paid out. The approach was implemented in Zanzibar in 2001–2002 by CARE. This research reported findings from a follow-up study to assess the performance of the groups. The research found an improved standard of living referring to ability to meet food and basic needs (22 per cent), improved housing (21 per cent) and increased incomes (20 per cent) as the three major changes. The financial performance of the groups has been strong, both in lending and producing returns to member's savings at a mean rate of 53 per cent in the last cycle. This suggests that despite weak training, local people have been able to implement the approach very effectively. The membership of the VSLAs was found to be relatively well-off and well educated, with over half of members having been educated at secondary level (Anyango et al., 2017).

In Burundi, a research of Bundervoet (2013) assessed the effectiveness of Village Saving and Loan Associations in Burundi. The research affirms that Village Savings and Loans Associations (VSLAs) have become increasingly popular as a means to provide basic financial services to the unbanked poor. The research found that VSLAs are effective in providing basic financial services and significantly increase consumption and assets of participants. The impacts are found to be particularly large for participants living below the poverty line at baseline. In contrast, the non-poor have little to gain from VSLA participation (Bundervoet, 2013).

In Rwanda, a research of Niyirera and Mulyungi (2018) assessed the contribution of Village Savings and Loan Associations on building sustainable rural livelihood in Rwanda using a case study of families in care of SOS Children's Village Kigali. The objectives of the study were: to establish the effect of the community VSLAs to the living conditions of rural families, to assess the extent to which, selection, planning and management of their small income generating activities influences sustainable rural livelihood, to examine how quality of trainings impacts sustainable rural livelihood through VSLAs in Rwanda. Descriptive research design was used to collect quantitative data from a sample population of 85 active members of VSLAs from SOS in Rwanda. Data collection was done using questionnaires which were administered to the respondents who are members of the village saving and Loan Associations. Content validity was used to establish the appropriateness of the instruments while half-split method was used to establish reliability. Quantitative data from the field were processed using SPSS (Statistical Package for Social Sciences) Version 21. The analyzed data was presented in the form of tables using frequencies and percentages. The research found that VSLAs are playing an important role in enhancing rural household welfare, manifested by improvement of household income, supporting household asset accumulation, supporting the education expenditure for rural household's children, reducing the school drop – out rates amongst rural households and supporting the development and diversification of IGAs by households (Niyirera & Mulyungi, 2018).

Sibomana and Shukla (2016) assessed the effect of Village Savings and Loan Associations on Small and Medium Enterprise (SME) growth in Rwanda using a Survey of Kayonza District. The research found that VSLA services allowed access to credit to 30% of the all households which were unable to access credit. VSLA services increased capital base increased of members business, increased profitability of the business, made business expand its branches, made members business acquire assets, made members business cash flow to improve and above all VSLA savings has made my progress from hand to mouth to planning for the future. VSLAs have proven to be very effective in accelerating growth and building local capacity. VSLA members have access to highly responsive and safe financial services, and this enables them to upscale economic activities, improve household health and welfare, acquire business skills, educate their children, and improve the quality of their social lives both within the family and the surrounding community. VSLA addressed the challenges face by poor and less educated people who were are easily intimidated by the formal, lengthy and complicated procedures at banks, just as many people distrust the banks because of the nontransparent pricing structures. VSLAs allowed them accessing financial services with low or no overhead costs, completely transparent and collective decision making, charge free savings and dividends from the loans.

## Theoretical Framework

### Theory of change (ToC)

A Theory of Change (ToC) is characterized by the following:

(i) Is based on a collaborative and participatory process, involving multiple stakeholder perspectives and allowing the views of women, youth, duty-bearers, claim-holders and vulnerable communities to be reflected during theory of change development and validation; (ii) Is clearly targeted towards changes that will benefit the most vulnerable and marginalized individuals and groups in society; (iii) Addresses issues of inequality and discrimination by tackling root and underlying causes in addition to immediate causes; (iv) Explicitly targets women and girls and ensures that they are equal beneficiaries of change; (v) Identifies specific development changes to be realized for women and other targeted groups, rather than relying on assumptions about how particular groups benefit; (v) Envisages sustainable and inclusive changes by looking to strengthen the effectiveness of institutions and mechanisms that are tasked to monitor, track and empower those who are left behind or at the risk of being left behind; (vi) Addresses poverty-environment linkages and contributes to enhancing sustainability; (vii) Is clearly targeted towards changes that will benefit the most vulnerable and marginalized individuals and groups in society.

## RESEARCH METHOD

### Research Design

The researcher adopted a descriptive survey research method.

### Area of study

The area of study was VSLA members in Ayamelum LGA in Anambra central Senatorial zone.

### Population of the Study

The total population of the research comprises 1,075 members of VSLA operating in Ayamelum LGAs of Anambra plus 9 Community Improvement chairmen, 6 staffs of NGOs working with VSLA in the LGA. In sum, the total population of the research is 1,090 people.

Table 5: Research population

|            | Total Population |   |        |    |       | Sample population |        |       |
|------------|------------------|---|--------|----|-------|-------------------|--------|-------|
| No Of VSLA | Male             |   | Female |    | Total | Male              | Female | Total |
| 40         | M                | % | F      | %  |       |                   |        |       |
|            | 82               | 8 | 993    | 92 | 1075  | 23                | 269    | 292   |

Source: Primary data, 2020.

### Sample Size Determination and Sampling Procedure

The stratified sampling technique was used by the researcher divide the population into two gender based groups for getting opinions from both sexes. The results were 993 women and 92 men. Also, simple random sampling was use to pick individual respondents.

Taro Yamani formula was used to determine the sample size of the study as seen in the Table

The formula is stated as

$$n = N / 1 + N (e^2)$$

where;

n = desired sample size

N = Population of the study

e= acceptable error limit (5% is proposed)

Substituting the formula

$$N = 1,075$$

$$e = 5\% = 0.05.$$

$$n = \frac{1075}{1 + 1,075 (0.05)^2} = \frac{1075}{1 + 1,075 * 0.0025} = \frac{1075}{1 + 2.6875}$$

$$n = 1075 / 3.6875 = 291.5 \text{ approximated to } 292$$

### Data Analysis

Both Descriptive and inferential statistics were employed in achieving the objectives of the study. Frequency distribution, percentages and mean score rating were used to achieve objective the research questions.

## DATA PRESENTATION AND ANALYSIS

### Socio-Economic Characteristics of the respondents

Data collected were presented and analyzed. Research questions and hypothesis were respectively answered and tested based on the data collected.

**Table 7: Socio-Economic characteristics of Responding Members**

| No. | Variables              | Frequency | Percentage (%) |
|-----|------------------------|-----------|----------------|
| 1.  | Sex of the Respondents |           |                |
|     | Male                   | 23        | 7.88           |
|     | Female                 | 269       | 92.12          |
|     | Total                  | 292       | 100.00         |
| 2.  | Age of the respondents |           |                |
|     | Less than 20           | 08        | 2.74           |
|     | 20- 25                 | 54        | 18.49          |

|    |                              |     |        |
|----|------------------------------|-----|--------|
|    | 26-30                        | 64  | 21.92  |
|    | 31-35                        | 72  | 24.66  |
|    | 35 and above                 | 94  | 32.19  |
|    | Total                        | 292 | 100.00 |
| 3. | Educational Level            |     |        |
|    | Primary School               | 221 | 75.68  |
|    | Secondary                    | 41  | 14.04  |
|    | Informal education           | 30  | 10.28  |
|    | Total                        | 292 | 100.00 |
| 4. | Income Generating Activities |     |        |
|    | Small business               | 49  | 16.78  |
|    | Farming                      | 131 | 44.86  |
|    | Livestock                    | 30  | 10.27  |
|    | Kiosk                        | 45  | 15.41  |
|    | Bar                          | 10  | 3.42   |
|    | Okada                        | 9   | 3.09   |
|    | Rental business              | 18  | 6.17   |
|    | Total                        | 292 | 100.00 |

**Source:** Field Survey, 2017

Table 7 revealed that 7.88% of the respondents were male and 92.12% female. 2.7 percent of respondents are age less than twenty while 18.49% aged between 20-25 years. 21.92% were between 26-30 years, 24.66% were between 31-35 years while 32% were 35 years and above.

75% of the respondents attended primary school, 14.04 attended secondary school while 10.28% had informal education.

Concerning income generating activities; 16.78% have been into small businesses, 44.86% are involved in farming, 10.27% are into livestock farming, while 15.41% had kiosk with which they did business. 3.42% had bar as a means of generating income, 3.09% did Okada business, while 6.17% were into rental business.

#### **Table 8: Challenges of VSLAs in improving the lives of poor households in Anambra State.**

A program such as VSLA cannot be without challenges. The respondents were asked to list a number of challenges they face in their daily life. The questions were in form of four levels Likert scale where 1 = Strongly Disagree; 2 = Disagree; 3 = Agree; 4 = Strongly Agree. The results are summarized by the following table 8

Table 8: Challenges faced by VLSA

|   | N   | Min. | Max. | Mean | Std.Dev |
|---|-----|------|------|------|---------|
| Failure to repay back the loan                                | 292 | 4    | 4    | 4    | .000    |
| Delay in repayment  | 292 | 4    | 4    | 4    | .000    |
| Lack of direct intervention of Community Improvement Team     | 292 | 4    | 4    | 4    | .000    |
| Domination by some relatives or internal small groups         | 292 | 2    | 4    | 2.24 | 0.536   |
| High risky safety of savings                                  | 292 | 4    | 4    | 4    | 0       |
| Lack of strict applications of internal rules and regulations | 292 | 3    | 4    | 3.79 | 0.407   |
| External supports that are not equally shared                 | 292 | 4    | 4    | 4    | .000    |
| Valid N (listwise)  | 292 | 3.57 | 4    | 3.72 | 0.135   |

Source: Author's computation of primary data (2020) using IBM SPSS Statistics 23.

The table 19 above outlines a series of challenges faced by VSLAs including: (i) failure to repay back the loan; (ii) delay in repayment; (iii) lack of direct intervention of Community Improvement Team; high risky safety of savings; (iv) external supports that are not equally shared. The mean value of those variables is 4.00 and the standard deviation is 0.000 meaning that unanimously responded agreed on those challenges. Lack of strict applications of internal rules and regulations has the mean value of 3.79 close to 4 and its standard deviation is 0.407 meaning that respondents agreed in homogeneity on that lack of strict applications of internal rules and regulations constitute challenge to VSLA in Ayamelum LGA. Domination by some relatives or internal small groups as a challenge in VSLA has a mean value of 2.24 close to 2 meaning tending to disagree and its standard deviation is 0.536 a little above 5.

This means that this variable is not a dominant challenging issue for VSLA in Ayamelum LGA. The cited challenges are reaffirmed by the focus group discussions. One focus group discussion reported: "We prosper progressively but slowly due to some of our members who get the loan and once they get income they forget to repay back; and delays next session of loan...". Others said: "We feel unsecured due to our savings that are hold in households. The risk is high to steal such amount and this can lead our VSLA to dissension".

### Test of hypothesis One

H<sub>01</sub>: VSLA does not significantly have effect on poor household wellbeing.

**Table 9 Test of hypothesis one**

| <b>Correlations</b>    |                 | <b>VSLA</b> | <b>Poor<br/>wellbeing</b> | <b>Household</b> |
|------------------------|-----------------|-------------|---------------------------|------------------|
| <b>VSLA</b>            | Pearson         | 1           | .807**                    |                  |
|                        | Correlation     |             |                           |                  |
|                        | Sig. (2-tailed) |             | 0.000                     |                  |
|                        | N               | 292         | 292                       |                  |
| <b>Poor Households</b> | Pearson         | 0.807**     | 1                         |                  |
|                        | Correlation     |             |                           |                  |
|                        | Sig. (2-tailed) | 0.000       |                           |                  |
|                        | N               | 292         | 292                       |                  |

\*\*Significant at 1% level.

By using the Pearson correlation analysis as obtained above, it was found that the result is significant at 1% level. Thus, there is a positive relationship between VSLA and poor household wellbeing. This implies that VSLA strongly affect poor household wellbeing. On this basis, we therefore reject the null hypothesis and accept the alternative hypothesis which states that VSLA has significantly affect poor household wellbeing.

## SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

### Summary of Findings

Data revealed that 92.12.92 % of VSLA members are female, 32.17% are above 35 years while 75.68% has primary school as their highest education qualification. The research found the following indicators:

#### (i) Financial inclusion

The research found that VSLA promotes access to finance among its members. VSLA members accessed the loan with different size. The majority of members (23.28%) have received the loan between 41,000 and 50,000. Very few accessed huge amount of loan exceeding 100,000 Naira.

The size of the loan is determined by the size of the savings a member has in VSLA.

#### (ii) Income generation activities

The research found that the loan received from VSLA is used for income generation activities including rice and okro farming (44.86%); petit commerce (16.78%); and Kiosk (15.41%). Other economic activities run are: Rental Business (6.17%); bar (3.42) Okada (3.09%); and transport livestock activities (10.27%). This finding is line with Okonkwo and Okoro (2018) whose study established that retained earnings and membership contribution/savings have significant effect on cooperative financial performance among cooperative thrift and loan societies, a similar association.

#### (iii) Monthly income

VSLA loan invested in cited income generation activities allows monthly earnings to members where the majority earns less than 10,000 NGN per month (35.95%); followed by those who earn between 11000 and 20,000 NGN per month (27.41%). Those who earn between 21,000 and 30,000 NGN are 20.54%; whereas those who earn between 31,000 and 40,000 NGN are 13.7%. Members who earn

between 41,000 and 50, 000 NGN are 2.4%. The research found none who earn more than 50,000 NGN per month.

(iv) Improved life

VSLA improved the lives of the members through a number of indicators including: payment of school fees and materials for children; improved feeding at home; payment of health services; improve Nutrition and food security; improved clothing; improved agricultural and livestock harvests; increased savings; and enhanced capability to contributing to festivity or funerals. The mean value of these 4 variables is 4.00 meaning agreement; and the standard deviation is 0.000 meaning high homogeneity. Payment of health services comes with a mean value of 3.87 with standard deviation of 0.342; and nutrition and food security at home comes with the mean value of 2.60 below 3 and a standard deviation of 1.272 above 1.

(v) Improved Shelter

VSLA improved shelter for some members: 34.25% of respondents repaired their old houses; 23.97% cemented the houses; 11.98% built new houses; 12.67% installed electricity at their home; 10.27% constructed toilets in their houses.

(vi) Assets and equipment

VSLA empowered members acquiring assets and equipment: 82.88% acquired mobile phones; 46.0% acquired mattresses through VSLA; 20.55% acquired radio; 3.42% acquired TV; and 51.57.1% acquired land for farming. These findings are supported by the tables 15 to table 18 of this research. These findings are corroborated by different findings from different researchers in Uganda, Tanzania and Democratic Republic of Congo. The research of Anyango et al. (2017) on Village Savings and Loan Associations using experience from Zanzibar in Tanzania found an improved standard of living referring to ability to meet food and basic needs (22 per cent), improved housing (21 per cent) and increased incomes (20 per cent) as the three major changes. Improved socio- economic development through VSLA was outlined by the research of Busingye Kampemuka Schola (2015) who conducted a case study of a Village Saving and Loan Association and its relation to poverty reduction among rural households in Kyabakara in Uganda.

The research found that the results found that participation in the VSLA has an overall positive effect on various indicators of individual and household welfare: that is, on investment level in assets, income generating activities (IGAs), education expenses, access to health services, nutritional diet and quality of housing and life.

These are promising results given that the VSLA members are self- reliant, without outside/donor handouts. And the sense of ownership that ensues is also significant for sustainability.

## Conclusion

This study concludes that concerning indicators of improved socio- economic welfare achieved by poor households through VSLA, the research found that VSLA promotes financial inclusion through the provision of loan to poor people. VSLA increased monthly income among members, VSLA improved the lives of the members by ensuring their provide the basic needs on their families and acquiring assets and equipment.

## Recommendations

The following recommendations were made based on the findings made in the study. Community Improvement Teams to be more involved in VSLA activities. NGOs and donors should support the creation of new VSLAs and/ or existing VSLAs so that they can increase their capital. Also, members of VSLA who fail to repay back the loans should be sort after for recovery and possibly penalized because it affects the community of members and affect the lives of many households; and even the development of the community in general.

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### Appendix 1

#### The current status of VLSA in Ayamelum per Maturity Period

Table 1: VSLAs with 1 Year of Maturity

| S/N   | VSLA         | Members |     |       | Savings   | Loan      | Cash in Box | Social Security |
|-------|--------------|---------|-----|-------|-----------|-----------|-------------|-----------------|
|       |              | M       | F   | Total |           |           |             |                 |
| 1     | chioma       | 2       | 24  | 26    | 940,000   | 389,500   | 550,500     | 15,000          |
| 2     | chisom       | 1       | 22  | 23    | 1,011,400 | 490,700   | 520,700     | 30,500          |
| 3     | Nneamaka     | 5       | 18  | 23    | 517,000   | 281,000   | 236,000     | 68,300          |
| 4     | Ofuobi       | 0       | 25  | 25    | 1,500,350 | 1,190,000 | 310,350     | 17,500          |
| 5     | Chioma Jesus | 2       | 18  | 20    | 381,000   | 165,000   | 216,000     | 21,500          |
| 6     | udoka        | 3       | 25  | 28    | 807,950   | 568,500   | 239,450     | 43,550          |
| 7     | obinwanne    | 2       | 26  | 28    | 1,001,700 | 586,000   | 415,700     | 39,050          |
| 8     | ifunanya     | 0       | 27  | 27    | 1,424,000 | 1,167,000 | 257,000     | 50,250          |
| 9     | God is able  | 0       | 25  | 25    | 960,700   | 466,000   | 494,700     | 2,000           |
| 10    | Chiamaka     | 0       | 20  | 20    | 1,253,050 | 479,900   | 773,150     | 49,050          |
| Total |              | 15      | 230 | 245   | 9,797,150 | 5,783,600 | 4,013,550   | 336,700         |

Source: Primary data, 2020.

Table 2: VSLAs with 2 Year of Maturity

| S/N | VSLA        | Members |    |       | Savings   | Loan      | Cash in Box | Social Security |
|-----|-------------|---------|----|-------|-----------|-----------|-------------|-----------------|
|     |             | M       | F  | Total |           |           |             |                 |
| 1   | Adaku       | 5       | 24 | 29    | 1,013,550 | 484,750   | 528,800     | 53,750          |
| 2   | Ifeoma      | 1       | 28 | 29    | 1,266,000 | 584,000   | 682,000     | 74,000          |
| 3   | Faithful    | 5       | 27 | 32    | 808,000   | 305,000   | 503,000     | 30,350          |
| 4   | Chizitere   | 6       | 25 | 31    | 1,785,000 | 1,600,000 | 185,000     | 15,000          |
| 5   | Umu Ife     | 2       | 27 | 29    | 667,570   | 328,770   | 338,800     | 32,840          |
| 6   | Chiadikaobi | 3       | 25 | 28    | 1,027,650 | 492,650   | 535,000     | 16,000          |

|       |           |    |     |     |            |           |           |         |
|-------|-----------|----|-----|-----|------------|-----------|-----------|---------|
| 7     | onyemachi | 2  | 26  | 28  | 1,324,410  | 773,000   | 551,410   | 38,100  |
| 8     | udoamaka  | 5  | 27  | 32  | 1,597,600  | 631,000   | 966,600   | 64,500  |
| 9     | Adaobi    | 3  | 25  | 28  | 1,027,650  | 492,650   | 535,000   | 16,000  |
| 10    | Ijeoma    | 3  | 27  | 30  | 1,388,000  | 604,000   | 784,000   | 87,150  |
| Total |           | 35 | 261 | 296 | 11,905,430 | 6,295,820 | 5,609,610 | 427,690 |

Source: Primary data, 2020.

Table 3: VSLAs with 3 Year of Maturity

| S/N   | VSLA        | Members |     |       | Savings    | Loan      | Cash in Box | Social Security |
|-------|-------------|---------|-----|-------|------------|-----------|-------------|-----------------|
|       |             | M       | F   | Total |            |           |             |                 |
| 1     | Onyeka      | 2       | 24  | 26    | 1,350,740  | 1,164,000 | 186,740     | 10,000          |
| 2     | Ifedimma    | 1       | 22  | 23    | 1,324,410  | 773,000   | 551,410     | 38,100          |
| 3     | chibundu    | 3       | 18  | 21    | 1,056,300  | 889,900   | 166,400     | 12,600          |
| 4     | Iyom Jesus  | 0       | 25  | 25    | 2,110,600  | 848,000   | 1,262,600   | 72,600          |
| 5     | Kenechukwu  | 2       | 25  | 27    | 822,000    | 374,000   | 448,000     | 16,700          |
| 6     | Adaugo      | 3       | 25  | 28    | 1,169,250  | 674,250   | 495,000     | 62,000          |
| 7     | Chidimma    | 2       | 26  | 28    | 1,487,860  | 1,102,500 | 385,360     | 1,000           |
| 8     | God is able | 0       | 27  | 27    | 1,834,700  | 1,054,700 | 780,000     | 53,050          |
| 9     | Chinaechem  | 0       | 25  | 25    | 1,387,000  | 678,000   | 709,000     | 50,400          |
| 10    | Ukabuife    | 0       | 30  | 30    | 1,597,600  | 631,000   | 966,600     | 64,500          |
| Total |             | 13      | 247 | 260   | 14,140,460 | 8,669,250 | 6,724,260   | 430,000         |

Source: Primary data, 2020.

Table 4: VSLAs with 4 Year of Maturity

| S/N   | VSLA              | Members |     |       | Savings    | Loan       | Cash in Box | Social Security |
|-------|-------------------|---------|-----|-------|------------|------------|-------------|-----------------|
|       |                   | M       | F   | Total |            |            |             |                 |
| 1     | Chibuike          | 2       | 26  | 28    | 1,618,210  | 1,187,000  | 431,210     | 80,060          |
| 2     | Udodi             | 1       | 25  | 26    | 1,633,410  | 1,383,000  | 250,410     | 54,250          |
| 3     | Chukwuebuka       | 3       | 25  | 28    | 1,228,675  | 645,200    | 583,475     | 9,900           |
| 4     | Glory Women       | 4       | 25  | 29    | 2,328,500  | 1,960,000  | 368,500     | 60,000          |
| 5     | Unstoppable group | 2       | 27  | 29    | 1,050,720  | 458,000    | 592,720     | 63,445          |
| 6     | One love          | 3       | 25  | 28    | 1,303,290  | 1,034,400  | 268,890     | 30,700          |
| 7     | ChukwuEmeka       | 1       | 26  | 27    | 1,597,600  | 631,000    | 966,600     | 64,500          |
| 8     | Adaugo            | 0       | 27  | 27    | 2,220,850  | 795,000    | 1,425,850   | 75,150          |
| 9     | Chinyere          | 2       | 25  | 27    | 1,696,600  | 1,274,100  | 422,500     | 16,200          |
| 10    | Ifunanya          | 1       | 24  | 25    | 1,785,000  | 1,600,000  | 185,000     | 15,000          |
| Total |                   | 19      | 255 | 274   | 17,715,905 | 11,447,600 | 6,268,305   | 518,255         |

Source: Primary data, 2020