

Expanding Village Savings and Loans Associations in Budaka District, Uganda

This programme will be implemented by our partners Safe Neighbourhood Foundation (SNF). ICA:UK¹ has worked with SNF since their inception in 2005. SNF, who are based in Budaka town, has developed extensive experience in setting up and supporting Village Savings and Loans Associations (VSLAs) as part of their wider community development initiatives in their home region.

Most of the people who live in rural areas and urban slums have no access to financial institutions. Women, in particular, face difficulties in accessing formal credit because they have very limited property rights, have limited mobility and are less likely to participate in the formal sector economy. Most microfinance institutions focus on the provision of credit. However, the very poor prefer savings services, as it builds assets rather than liabilities.

In this context, the general **objectives** of the VSLA programme are to:

- Deliver business knowledge to community members in Budaka for sustainable business development and income growth
- To enable families dependent on farming to diversify their income streams and cope better with changing seasons
- To instill good governance and leadership skills amongst business groups and associations.
- To contribute to an improved standard of living of group members and the communities that we work with.

SNF's work with VSLAs started in 2014 and to date 210 have been established.

Each group consists of around 30 members, with the majority usually women. The intention of this new phase is to establish a further 30 groups, so involving around 900 people.



¹ See Annex for more details on ICA:UK

Our Approach

The VSLAs are open for everyone, and are locally based democratic organisations. They combine savings with providing loans to both small groups and/or individuals. This money can then be used for productive investments, with the profits generated by these investments being reinvested in the VSLA. In this way the funds for more loans and investments will gradually increase.



SNF holds introductory sessions on VSLA administration straight after selection/formation of each of each group. Members are introduced to the methodology of Savings and Loans at a start-up (sensitization) meeting, in which a savings and credit committee is appointed and materials are distributed to the group members including the cash box, books of accounts, pass books for members.

In the early stages the weekly saving and credit sessions (one to two hours) are often accompanied by additional training, equipping members in:

1. **Basic business skills and financial management**, covering topics such as qualities of a business person, customer identification, product / service improvement, pricing, increasing sales and maximizing profits, identifying opportunities to sell, developing business ideas, separating business money from personal money, rules governing loans from the VSLA, and
2. **Group formation and management**, enhancing their capacity to organize and manage group activities, including governance, leadership, decision-making, conflict resolution, communication and group dynamics

To begin with the weekly meetings are under the guidance and monitoring by the facilitators, but groups quickly become able to organise and run their own meetings without external support.

The Impact

Over the past 5 years the impact of the VSLAs has been noted at a number of levels in a number of ways:

1. The success of the scheme and the benefits being seen for individual members has encouraged more community members to join the groups, often meaning a significant increase in the size of the group, or new groups being formed.

2. While the majority of members are women, an increasing number of men have been attracted to join in the groups, often as ordinary members under the leadership of women. This has contributed to a more equitable gender balance in a society where men have traditionally held the power.
3. The success of the groups and the growing numbers of people involved in them has contributed both towards improved livelihoods, greater social cohesion, and farming families having alternative sources of income during
4. A number of groups have become registered with the Budaka District Council so that they are formally recognized as Associations rather than remaining informal groups
5. There are many individual stories of how people have benefited from being part of a VSLA. Here are some more examples:

"I am a member of Cornerstone VSLA. Before joining this group, I had lost my teaching job in a primary school teacher. My husband had no job either yet I was the sole bread winner in the home. This group was established in our area beginning of this year 2017 and it found me in a very terrible state struggling to make ends meet. I barely had savings but could struggle and make ground nuts paste which I sold to obtain money for upkeep and for savings. I obtained a loan from the group and was able to expand my business. In addition to selling ground nuts paste, I opened up a small shop where I could now be stationed unlike before where I was moving house to house to get buyers. I started selling from the shop and added other things like millet flour, tomatoes, vegetables and bananas. I also started baking cookies like pancakes to supplement on the business. My business is now doing very well. I was able to pay back the loan instalments every month, pay school fees for my children and remain with saving money moreover much higher than before."

Logose runs two businesses; 1. Tents and Chairs for hire; 2. Outside catering, cooking meals at parties and funerals. She has 200 chairs for hire at 300 shillings per day and 3 tents at 50,000 shillings per day. Her businesses employs 15 people on part-time basis, regularly borrows 1,000,000 shillings from the group. She operates from home and therefore avoids rent expenses. Her main challenge is customers who pay late. She finds it easy to pay school fees and meet medical bill for her family thanks to cheap credit from the group

Florence runs a mobile money business featuring the two main networks operating in the country; i.e. MTN and Airtel. The business involves enabling clients access money sent to them, helping clients send money, recharge mobile airtime. She borrows regularly from her group and operates from home hence cutting out rent charges. Florence keeps meticulous records of mobile money transactions in order to avoid losses. She sells vegetables as a side business to tap money from clients who make cash withdrawals via mobile money. She no longer struggles to meet family expenses since the group is always willing to lend her money

Grace has a retail shop selling general consumer goods, mainly foodstuffs and household appliances. The business incurs 40,000 per month for rent. Grace usually borrows from the group to purchase stock for her shop. She supplements her business with income from an evening business she runs, selling a local snack called Chapati, a man is employed to prepare and sell Chapati and 300 are sold daily each going for 1,000. She says the group has taught her to be self-reliant and as a result, she

has accumulated savings and can borrow the amount she requires in case of an emergency for example sickness of a family member

Alice is a cassava farmer. Her farm is just half an acre but she still hires two strong men to weed when need arises, paying each 10,000 whenever the garden is cleared of weeds. Cassava takes a year to mature and the half acre can yield her 300,000 shillings, a small but useful amount for this mother of three in a polygamous family where mothers often have to single handedly raise their children. Naula often borrows from the group where she is also the treasurer. The credit facility has helped her pay school fees and pay medical bills. She plans to borrow from the group and invest in a special type of cassava, called red beauty, which is more high yielding compared to the local breed she currently farms

Stephen operates a drug shop in Nalugondo trading centre, selling all sorts of medicine for human illnesses. He does not pay rent since he owns the building from where he operates. He spends 300,000 shillings per month on purchases which when sold give him 530,000 shillings. He hopes to borrow more from the VSLA this year in order to expand the business. The drug shop not only earns him money but is also a pool of medicines from which he is able to treat his own family members. It is also a source of pride for him because the community respects him for investing in a business that is so useful to residents

Annex: ICA:UK: Our status, Mission and Values

ICA:UK is registered in England and Wales as a company limited by guarantee (No.3970365) with charitable status (No. 1090745) and is based in Manchester, U.K. Established in 2000, ICA:UK works nationally and internationally with individuals, communities and organisations to engender a culture of participation. We are statutory members of the Institute of Cultural Affairs International (ICAI) network (www.ica-international.org) .

For us, **a culture of participation** is characterised by:

- People's voices being heard, differences in people and ideas being both respected and valued, meaningful conversations being held, and plans being informed by different perspectives and owned more widely. Rights are upheld, teamwork is valued.
- Informed choice of the appropriate level of participation in any given situation
- The concept being applied at different levels- whether it is the team leader looking to build their team, the chief executive seeking to improve workplace wellbeing, the local authority wanting more meaningful involvement of the community or service users, the membership director wanting to engage with their members more effectively

In order to maximise ICA:UK's contribution to developing and sustaining a culture of participation we seek to:

- a) Reflect and practice our values (see box below) in our structure and our work
- b) Develop the skills and knowledge to enable widespread understanding and effective use of facilitation methods and skills
- c) Inform and encourage the behaviours and attitudes which recognise and value participation amongst the people who use, experience, commission and promote facilitation methods
- d) Continue to research and develop effective methods, including the development of new approaches, the introduction of facilitation into new fields, and gathering and disseminating evidence of the methods' effectiveness
- e) Work with others to develop a conducive environment developed at the national/international level which, through policy, supports effective practice

ICA:UK's values

Shared responsibility- by fostering individual and collective responsibility, trust and honesty to create a sense of belonging

Constant learning- by asking questions of ourselves and of others

Wholeness- by respecting the diversity and uniqueness of individuals and communities, encompassing mind, body and spirit

Making a difference- by making a contribution as part of our individual life journeys and enabling others to do the same

A global perspective- by maintaining a global and historical perspective to provide a context for our actions at the local, national and international levels