



INVESTIGATING THE IMPACT OF VILLAGE BANKS ON ECONOMIC STATUS OF WOMEN FROM FEMALE HEADED HOUSEHOLDS. A CASE STUDY OF T/A CHIMWALA IN MANGOCHI DISTRICT.

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ABSTRACT

The main objective of the study was to assess the impact of VSLAs on the socio-economic status and welfare of participants in T/A Chimwala Mangochi. “Social Development is the promotion of a sustainable society that is worthy of human dignity by empowering marginalised groups, women and men, to undertake their own development, to improve their social and economic position and to acquire their rightful place in society.” - Bilance, 1997. The VSLAs model has been introduced to empower both men and women to have access to finance in areas suitable to them.

Kumar (2009) states that self-help groups are formed across countries as an effective strategy for poverty alleviation, human development and social empowerment. Therefore, this study sets to examine the extent to which the informal savings associations/groups in southern region of Malawi–Mangochi, T/A Chimwala contribute to the socio-economic status and or welfare of households.

Both qualitative and quantitative methods were used in this study, Primary data was collected using questionnaires and semi structured interviews with the member participants and other non-participants from within the study area of T/A Chimwala Data was analysed using content analysis and SPSS.

CHAPTER ONE.**INTRODUCTION**

This dissertation covers five chapters which starts with back ground of the study, literature review, methodologies, study findings, discussions, conclusions and recommendations.

Village banks are voluntary, small group structures for mutual aid and the accomplishment of a special purpose. They are usually formed by peers who have come together for mutual assistance in satisfying a common need, overcoming a common handicap or life-disrupting problem and bringing about desired social and/or personal change. The initiators of such groups emphasize face-to-face social interactions and the assumption of personal responsibility by members. They often provide material assistance, as well as emotional support; they are frequently "cause" oriented, and promulgate an ideology or values through which members may attain an enhanced sense of personal identity. The strength in us Alfred H. Katz & Eugene I. Bender, 1976 Village savings and loans (VSL) is a unit of members from 12 to 20 who are united together, having a common goal to improve their social, economic, political, cultural, educational, health and the environment needs of their own life. They are sometimes called mutual aid or support groups. The central idea of self-help is to make the individual to realize and understand the concept of: "You alone can do it-but you can't do it alone (need support)." The ideal size of VSL group is 10 to 20 members. (Advantage: In a bigger group, members cannot actively participate. Also, legally it is required that an informal group should not be of more than 20 people).

The concept of poverty consists of less education, poor livelihood, less facilities of health, and low level of income and consumption and also covers all the social dimensions like isolation, vulnerability, insecurity, powerlessness, social exclusion, gender and environmental disparities. The worst most kind of poverty is when people do not have access to the necessities of life like to meet their physical need (Hussain and Hanjra 2003). Poverty and its ups and downs are difficult to define. It is generally believed that poverty is a dynamic phenomenon. It has a lot of dimensions with respect to time and region.

1.1 Back ground information

Female "empowerment" has increasingly become a policy goal, both as an end to itself and to achieving other development goals. A growing literature on intrahousehold bargaining funds that exogenous increases in female share of income, interpreted as providing the female more power in the household, lead to an allocation of resources that better reflect preferences of the woman (Duflo, 2003; Rangel, 2005). This often leads to greater investment in education, housing, and nutrition for children (Thomas, 1990; Thomas, 1994; 1995; 2003). The concept of women's empowerment was first invoked by third world feminists and women's organizations in 1970s (Bisnath, 2001; Datta & Kornberg, 2002; Mosedale, 2003). Women's empowerment can be understood as a process whereby women, individually and collectively, become aware of how power relations operate in their lives and gain the self-confidence and strength to challenge gender inequalities (Oxaal and Baden, 1997). Empowerment is related to change and microfinance has changed women status

socially, economically and politically. Micro credit is a mechanism under which credit is provided to the poorest of the poor on a group liability basis instead of any collateral. From the evidence of millions of microfinance clients around the world, Littlefield et al. (2003) demonstrate that access to financial services enables poor people to increase their household incomes, build assets and reduce their vulnerability to the crises that are so much a part of their daily lives.

Globally, for a long time the role of women in ensuring household food security had not been recognized, as a result women have faced a lot of difficulties in delivering on this role because of inadequate credit facilities. Women produce between 60 and 80 per cent of the food in most developing countries and are responsible for half of the world's food production, yet their key role as food producers and providers, and their critical contribution to household food security, is only recently becoming recognized. (Women in Development Service, 2005). Globally, Saving-led approaches to microfinance are now recognized as one of the most effective means of reaching poor rural households and especially women. This has a potential of improving the household incomes and empower the women towards more sustainable household food security. With the improved income women will be able to availability, access, proper utilization and buffer their resilience to adverse negative conditions (CARE, 2005). As the number of VSLAs as a form of microfinance institutions has increased across the globe, so has an interest in understanding the nature of the clients and how they are impacted by program participation. Although impact studies face a variety of methodological limitations, numerous studies have found substantial positive impacts of participation in microfinance programs, specifically in the areas of eradicating poverty, promoting children's education, improving health outcomes for women and children, and empowering women. (Conner, 2010). The problem of women's access to credit was given particular emphasis at the first International Women's Conference in Mexico in 1975 as part of the emerging awareness of the importance of women's productive role both for national economies, and for women's rights. This led to the setting up of the Women's World Banking network and production of manuals for women's credit provision. Other women's organizations world-wide set up credit and savings components both as a way of increasing women's incomes and bringing women together to address wider gender issues. From the mid-1980s there was a mushrooming of donor, government and NGO-sponsored credit programs in the wake of the 1985 Nairobi women's conference (Mayoux, 1995a). In Central America—El Salvador, Honduras, Guatemala, and Nicaragua—Catholic Relief Services (CRS)'s Agriculture for Nutrition programmer (A4N) works through saving and loans initiative to help women acquire skills in five areas: agricultural production; marketing; saving and lending; group organization and management; and innovation and learning. Local implementing partner agencies were encouraged to start Savings Groups as a means of helping women acquire those skills, particularly savings and lending, group organization, and innovation and learning. Although partner staff, specialized in agriculture, were skeptical of the value of Savings Groups and reluctant to integrate them into their ongoing agricultural programs, the initial success of the groups largely won them over and the groups have subsequently expanded to 257 with 3,283 members (2010). In all four countries, free goods and services were also made available, including veterinary kits, agricultural inputs, and training. (Andrew, Kim, Gaye, & Jose, 2010). In Asia-Pakistan,

Bangladesh and Nepal, VSLA initiatives had positive impacts in empowering women towards nutritional security. In Pakistan, studies by Malik and Luqman (2005) discussed the relationship between microcredit and women empowerment. They assert that “from the previous research studies it was concluded that microfinance and microcredit programs had the potential and powerful impact on women's empowerment. Although these were not always empowering all women, most women did experience some degree of empowerment because it was a complex process of change experienced by all individuals somewhat differently and varied from culture to culture. In Bangladesh, the Chars Livelihood Programme (CLP), a seven-year initiative (2004-2010) aimed at assisting 55,000 extremely poor people in northern Bangladesh. The CLP, of which an asset transfer programs was the primary intervention, providing cash and productive assets to all participating households. The programs recognized that many clients did not access formal savings or insurance products to smooth their consumption patterns, causing them to rely on harmful coping strategies including the drawdown of productive assets (Panetta & Kate, 2010). In Nepal, the WORTH programs started by Pact Inc., was a woman's empowerment programs, with not only a Savings Group component but also literacy, business development, and rights and advocacy training. These interventions were delivered more or less simultaneously, and were seen to be mutually reinforcing: literacy made women better group managers, stronger groups helped in business development, and so on. The program's fieldwork began in 1999, ultimately reaching 125,000 members in 6,000 groups. (Odel,2010). In Sub-Saharan Africa, there are those studies that show mixed impacts. For example, benefits for the poor but not for the poorest (e.g. Copestake et al. 2001; Hulme & Mosley 1996; Morduch 1998; Mosley & Hulme 1998; Zaman 2001); or helping the poor to better manage the money they have (Rutherford 1996:2) but not directly or sufficiently increasing income, empowering women, etc. (e.g. Husain et al. 2010; Mayoux 1999; Rahman 1999). Karnani (2007) argues that money spent on VSLAs could be better used for other interventions, like supporting large labor-intensive industries for job creation. And there is literature that argues that a single intervention (like microfinance) is much less effective as an anti-poverty resource than simultaneous efforts that combine microfinance, health, education, etc. (Lipton 1996). Other researchers have also allude to negative impacts, such as the exploitation of women, unchanged poverty levels, increased income inequality, increased workloads, high interest rates and loan repayment, creating dependencies, and creating barriers to sustainable local economic and social development (e.g. Adams & Von Pischke 1992; Bateman & Chang 2009; Buckley 1997; Copestake 2002; Goetz & Sen Gupta 1996; Kabeer 1998; Rogaly 1996); In East Africa-Ethiopia, Tanzania, Rwanda, Ethiopia and Kenya Village Savings and Loans Associations have contributed immensely to household food security. In Ethiopia, there were few significant differences in the use of coping mechanisms between established clients, incoming clients and community controls about food. Prevalence of consumption of seed crop was similar among established clients and community controls at 17.1% and 19.2% respectively, while incoming clients had a significantly lower rate of seed crop consumption at 11.4% (Doocy et al. 2005). Evidence from Tanzania suggests that participation in the Village Savings and Credit Association is associated with a significant positive increase in meal quality, with an increase in consumption of meat and fish (Brannen 2010). Evidence from Rwanda shows that participation in the Red Cross credit programme is associated with a significant positive increase in meal quality, with an increase in consumption of meat

(Lacalle et al. 2008). Data from Ethiopia show little significant difference in household diet and food security, with additional analysis showing that female client households were more successful in maintaining quality diets than households of male clients or community controls. Differences in current receipt of food aid and length of time receiving food were not significant between the three comparison groups (Doocy et al. 2005). In Kenya, micro-savings impacts suggest that food expenditures increased significantly for client women (Dupas & Robinson 2008). In Siaya and Bondo Districts, the strong interrelationship between the high incidences of both poverty and HIV&AIDS in this region that informed the choice of the two districts as the areas of focus in CARE Kenya's Household Livelihood Security Project (Lok Pachi). The project aimed at enhancing the household livelihood security of approximately 25,000 people sustainably. This was expected to be the major outcome of two major strategies that involved mobilization of at least 5,000 persons especially women, into savings and lending groups to improve their economic capacities and improve access to HIV&AIDS information among the 5,000 household (25,000 beneficiaries), mainly women (CARE,2010). In Bondo district, the participation of women in VSLAs has had impact though there is little documentation to the exact extent. According to Plan International (2011), the women have been able to have a more active participation in so far as agricultural activities are concerned and this has seen a positive change in household food security. Food production has been up scaled because the women have been able to access credit facilities which they have used to purchase farm inputs and implements. Consumptive expenditures and behaviors have also changed; food accessibility has been enhanced through purchases for women participating in VSL. However, the effect on VSLA in women empowerment towards household food security has not been homogenous among the participating women. There are cases where the women seem to have been disempowered because of increased workload and control and misuse of loans and saving by spouses, this has been reported to plunge the women into indebtedness and erode the gains of food security. In the 21st century, women enjoy more freedom and power than ever before. However, they are still disadvantaged when compared to men in virtually all aspects of life. Women are deprived of equal access to education, health care, capital, and decision-making powers in the political, social, and business sectors, human security and to empower women. According to the UNDP Human Development Report, women in Africa represent 52 per cent of the total population; contribute approximately 75 percent of the agricultural work. The world has recognized the vital importance of education as a main aspect of, and produces 60 to 80 percent of the food. Yet they earn only 10 percent of African incomes and own just 1 per cent of the continent's assets. These numbers indicate the tremendous challenges women face on their road to gender equality. Despite repeated efforts made by governments, NGOs, and multilateral development agencies, most women in the developing world are still relegated to micro enterprises and informal tasks.

In addition, women still make-up most part-time and temporary workers in developed countries. Consequently, these women working in informal economies are likely to have less access to basic health care services, education, financial capital, political appointments, employee rights, and land ownership.

The Malawi National Statistical Office (NSO) (2010) shows that rural women especially female headed households are amongst the poorest demographic in Malawi whereas female headed household earn 60% only

of the annual income of male headed households and represent most ultra-poor households in the country. Most of female headed households are mostly found in Mangochi and other districts where they believe that going to South Africa will change some their living standards. So married men as soon as they arrive in south Africa they also marry some ladies abroad just to make sure they are safe as a result they forget their family in Malawi and the woman is ready to take care of the children alone and this calls for female headed house which becomes very difficult for a woman alone to take care of the children. Zastrow, (2010) argues that Children growing up in one-parent homes undoubtedly have more problems and more adjustments to make than children growing up in homes where there are two adults to share the responsibilities for child rearing which is very difficult for a child to get full education. However, the VSLA serve to provide opportunities for female headed households to have financial asset but the exact effect of VSLA is unknown because of lack of literature to explain the relation between VSLA and education of children from female headed households.

The micro - finance program extends small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and for their families with the aim of helping the families to meet the needs of life. A number of studies have found that access to microfinance services decreases the incidence of poverty. Dunn and Arbuckle (2001) find that only 28 percent of microfinance clients in Lima, Peru live below the poverty line compared to 41 percent of non-clients. Khandker (2005) also finds positive effects on poverty rates. He finds that between 1991/92 and 1998/99, moderate poverty in all villages declined by 17 percentage points: 18 points in areas where Grameen Bank or BRAC was active, and 13 points in non-program areas. Among program participants who had been members since 1991/92, poverty rates declined by more than 20 percent – about 3 percentage points per year. Khandker estimates that more than half of this reduction is directly attributable to microfinance, and finds the impact to be greater for extreme poverty than moderate poverty, further calculates that microfinance programs reduce average village poverty level by one percentage point each year in program areas. Microfinance thus helps not only poor participants but also the local economy. Overall, Thomas finds that microfinance accounts for 40 percent of the entire reduction of moderate poverty in rural Bangladesh.

Since the 1970s, and especially since the new wave of microfinance in the 1990s, microfinance has come to be an important development policy and a poverty reduction tool. Some argue (e.g. Littlefield et al., 2003; World Savings Bank Institute, 2010) that microfinance is a key tool to achieve the Sustainable Development goals (SDGs). The fifth SDGs touches on promoting gender equality and empower all women and girls. Microfinance encompasses Village Savings and Loans Associations (VSLAs) which provide financial services to low-income clients who generally lack access to more formal banking services. Numerous studies have found that targeting women as clients is an effective method of ensuring that benefits of increased income accrue to the general welfare of the family (Pitt and Khandker 1998). Schuler and Riley (1996), to deal with the complexities and ambiguities of the meaning of empowerment, create a composite empowerment indicator based on eight components: mobility, economic security, ability to make small

purchases, ability to make larger purchases, involvement in major household decisions, relative freedom from domination within the family, political and legal awareness, and involvement in political campaigning and protests.

A woman is considered empowered if she scores positively on 5 out of the 8 components. Using a combination of sample survey and case study data and controlling for selection bias by statistically controlling for differences in demographic characteristics such as age, education and wealth. Find that membership in either the Grameen Bank or the BRAC has significant effects on all eight dimensions. They find that each year of membership in either program increases the likelihood of a female client being empowered by 16 percent. Even women who do not participate in the program are more than twice as likely to be empowered simply by living in Grameen villages. The authors argue that credit programs empower women by strengthening their economic roles, increasing their ability to contribute to their families' income, enabling them to establish an identity outside of the family, and giving them experience and self-confidence in the public sphere. Terry (2006) finds that loans from FINCA-Tanzania create major positive changes in the lives of female borrowers, including an improvement in social status and self-esteem, and an increase in confidence. Women also feel empowered through an increase in income and the ability to accumulate savings, purchase household assets and contribute towards children's education. The findings also suggest that members of the household and the community, at large, view female participants in a more positive way. The poor people make complex financial decisions and use limited range of financial instruments and resources available to them to address or meet their varying needs in life. the available formal or informal tools however are risky and expensive or lack necessary flexibilities which makes savings life difficult for the poor due to lack of accessible loans in the community. The quest to create opportunity for the poor people to have access to loans has traditionally focused on providing credit thorough formal alternatives to informal money lenders.

Kesanta & Kindre, (2015) find out that the savings groups influenced members to build a cuture of savings and taking loans where it was observed that the the savings groups trained there members to be disciplined in planning and executing their plans, and that members are encouraged to share the plans with their spouses and it was required that a spouse had to be one of the referees for taking a loan. The culture of saving and taking loans also contributed to the reduction of idleness in the community because people are busy, thinking of how to improve their lives through taking and paying back loans. Flora, Ndabaga, & Oduor, (2015) in their research revealed that through the VSLA`s the economic status of the beneficiaries is improved, the majority of the people save an amount that is greater than Rwf 15,000 and indicate that from their savings they started income generating activities and improved their life where the majprity of the people started income generating activties the majority of the respondents bought houses, pay school fees for their children and some pay for their medical insurance.

VSLA is a type of microfinance that is managed by communities and it provides communities with access to savings, credit and insurance services. Allen (2005) and Hendricks (2011) describe the VSLA as a savings' group formed and organized by many people. According to Master Card Foundation Consultants VSLA is a safe- managed group that does not receive any external capital and provides its members with a safe place to save their money, access small loans, and obtain emergency insurance. A central part of the VSLA model is the self-selection of members during group formation, to increase sustainability of groups (Mersland& Eggers, 2007). Formation is done based on members deciding themselves on the composition of the group (Allen & Staehle, 2009).

Each group is composed of 15 to 25 self-selected individuals, who pool their money into a fund (the savings / resource pool) and take small loans from these savings (*The VSL Associates, 2009 and International Rescue Committee, 2012*). This agrees with the contribution of Allen (2005) that the VSLA approach is characterized by a focus on savings, asset building, and the provision of credit proportionate to the needs and repayment capacities of the borrowers. The purpose of a VSLA is, principally, to provide savings and simple insurance facilities in a community that does not have access to formal sector financial services, but when the amount of money saved by the membership is sufficient, any of them can borrow from this source and must repay the loan with interest. This allows the fund to grow.

The members meet on a weekly basis to deposit their savings. After five weeks of savings, members can take credit of up to three times the value of their savings, depending on the amount of money available from the savings of all the members. The activities of the group run for a year, after which the accumulated savings and the loan profit are distributed back to the members. In Malawi and elsewhere women make up the largest proportion of the VSLA making up to 85 % of the membership (Care Malawi, 2005). VSLAs are not widespread because they are more complex to administer and require a system of record keeping (Hugh, 2006).

The key activities of VSLAs include mobilization of savings, lending and risk management. According to Hussain and Hanjira (2003), mobilization of savings, allows of the VSLAs to be independent from external sources of financing which normally have tough conditions, eliminate credit rationing, and provide members with a greater selection of savings and loan products Barnett (2008) argues that for the VSLAs to be sustainable there must be sufficient savings generated for lending and investment and that such savings are the main source for development of micro-businesses as a basis for income generating activities Care Malawi (2005) depicts that training are conducted as part of the VSLA's implementation programme which covers area of business skills, budgeting, financial literacy and money management.

Tsegaye (2003) asserts that once competitive pricing policies and pro-active marketing strategies are put in place, large volumes of savings are mobilized quite rapidly and the challenge then becomes effective protection (security) and the sound investment in safe loans and other investments According to Khandker

(2005), the development and implementation of a risk management is therefore very essential and it is in this context that an overseeing organization like an NGO plays an important role in coordination of the activities through local based volunteers or promoters. Lending is another major service that is provided to members and as the more savings are accumulated the more capacity for larger loans opens (Flora, Ndabaya&Odur(2015).

VLSAs activities contribute significantly on the group member's cohesion and yet to the family cohesion; as it can be observed (Bokosi, 2006). VLSAs group members are for both sexes and act as one family they all contribute and can play different roles in the group. Working together for better performance in the group is one of the indicators of social cohesion and the improvements of relationship among members of the group for the reason that members trust one another even onto business, the relationship between VSLAs members have been improved from learning from each other and that include skills in loan management, gained confidence to use loans and to speak in public, knowing to use modern agriculture techniques, and a culture of saving to promote and create income generating activities. Group savings allows people for future savings for example food storage when the stores are used up (CARE, 2011) This is to say that through the group savings and loans people are able to have money for future consumption when the family has little or no resources to use, most of the people in the developing countries use the money they get from the groups to buy farming equipments, a research carried in Sierra Leone support the claim that there is a correlation between good economic standing and household food security in Sierra Leone (RAFS, 2017) the number of household food loans taken out increases in August and September, this time of year is known as the hungry season because it is when food in households reaches low levels. Loans for household food in the hungry season can act as a shock absorber in providing stability for the short term however looking at the average loan size in VSLA groups loans taken for household food consumption will only impact food security in short term.

Providing simple savings and activities and loan facilities in a community that does not have easy access to MFI services (Allen, Staehle, & Panetta, 2007), most people in rural areas do not have access to loans this is so because the interest rates are high as compared to the money per households that people in rural areas earn. VSLAs are aiming at giving opportunity to the people who can not have access to loans from the financial institutions by giving them simple savings and loans facilities in order to improve the living standards of the people in rural areas. Savings and loans helps members to add new investment, study carried by Matthews, Musoke, & Green, (2010) shows that the majority of the people joining the saving groups in order to have access to loans so that they can be able to open other new investments for example small business shops in order to support themselves during difficult times this is so because difficult for a rural household to reliably create without the help of a financial service provider of some type. The number of income-generating activities per household increased and IGA became more stable, while household labour allocated to IGAs increase, Eighty-one percent of respondents felt that their status in the community had improved as a result of their association this is so because through the loans that they get they are to open small scale businesses so that they can repay back the loans in order to receive more shares from the group as a result people develop more activities in order to generate more income and other resources.

The VSLAs have performed well in terms of growth and sustainability. A study in Zanzibar shows that Only one of the sample of 25 groups which were over two years old had dissolved itself, but it had been reformed with new leadership. Total membership rose from 1,272 in 2002 (when CARE left) to an estimated membership of 4,552 in July 2006, an increase of 258% (an annual rate of growth 7 of 38%). The average membership per group is 29, with women forming 70% of the membership. VSLAs have also performed well in terms of profitability. During the last payout for all 25 groups, the mean rate of return was 53%, with individual groups' rates ranging from 10% to 92%. The mean payout was Tsh.5mn (\$4,000) per group and Tsh.172,535 (\$138) per member. 72% of the groups had paid out dividends during the twelve months before the study. This evidence suggests that the majority of groups are conducting an action audit annually and paying members' dues with dividends (Anyango, et al., 2006)

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 (Frank & Just, 2014), in the way that Poor and less educated people are easily intimidated by the formal, lengthy and complicated procedures at banks, just as many people distrust the banks because of the nontransparent pricing structures. When VSLAs were introduced most of these issues were addressed by offering financial services with low or no overhead costs, completely transparent and collective decision making, charge free savings and dividends from the loans as a result people economy is improved.

Savings and Loans Associations have often been argued, but not without controversy, to be a tool for empowering women. Women make essential contributions to economic development, household income and many more. However, women have always suffered inadequate credit facilities, weakening their role. Women remain an invisible workforce in global production chains, where they dominate as house-workers and temporary labourers. To date, the approach has spread to 2.3 million people in 26 African countries notably Angola, Benin, Burundi, Cameroon, Cote Devoirs, DRC, Egypt, Ethiopia, Ghana, Kenya, Lesotho, Liberia, Madagascar, Mali, Malawi, Mozambique, Niger, Rwanda, Sierra Leone, Somalia, South Africa. South Sudan, Tanzania, Uganda, Zambia, Zimbabwe. Outside Africa CARE has facilitated savings led groups in Afghanistan, Bangladesh, Cambodia, Columbia, Ecuador, El Salvador, India and Indonesia (Hendricks, 2011). After 2004 other facilitating agencies apart from CARE began to initiate their savings group in Africa. Village savings and loans association (VSLA) which is locally called as Bank M'khonde, has been pioneered by CARE and has been successfully adapted by other agencies including Plan, Oxfam, Catholic Relief Services and the Aga Khan Foundation, reaching approximately two million very poor people in 22 countries. The VSLA model was introduced by CARE in Niger in 1991. Since then, CARE has continued to innovate and adapt the methodology to accommodate flexible savings amounts and loans of variable lengths and sizes. By 2001, CARE (Cooperative for Assistance and Relief Everywhere) had facilitated the creation of over 9,000 VSLAs with

Approximately 250,000 members in rural Niger, collectively amassing more than \$14 million in savings. In 2007, over 87 percent of the 9,000 groups were still operating and studies indicate there are now well over 400,000 female members. Even though the village banking's are mainly managed by females both single parent and married. Female headed household are said to be the poorest group in the community which affect the education standards of the child. A study done by Rajaram, (2009) shows that female headed household are not poorer compared to male headed household However, based on the standard of living index measure of poverty, female-headed households are marginally poorer than their male-headed counterparts as a result this makes women regarded as poor people in the society because they fail to have proper basin needs in the society.

In Malawi however, the village Savings and Loans Associations are being promoted by care international, Catholic Relief Commission (CRC), Salvation Army, SOS children under the unit of family strengthening and Emmanuel international, even though the organizations use different names for the same concept of VSLA. The study was done in one of the areas monitored by the government branch community development in Mangochi. Village Savings and Loan Associations(VSLAs)—a type of local financial institution that has been standardized by CARE and is increasingly being promoted by a host of different organizations—take many of the elements of ROSCAs and add more flexibility in savings and loans, standardize the governance structure and reinforce accountability elements.

Their study also shows that violation of legal rights of widows in property (mainly in land ownership) contributes much to the poor economic of the widow. The Malawi National Statistical Office (NSO) (2010) shows that rural women especially female headed households are amongst the poorest demographic in Malawi whereas female headed households earn 60% only of the annual income of male headed households and represent most ultra-poor households in the country. Zastrow, (2010) argues that Children growing up in one-parent homes undoubtedly have more problems and more adjustments to make than children growing up in homes where there are two adults to share the responsibilities for child rearing which is very difficult for a child to get full education. However, the VSLA serve to provide opportunities for Female headed households to have financial asset but the exact effect VSL is unknown because of lack of literature to explain the relation between VSLA and education of children from female headed households. Much as the success of microfinance has been widely recognized in the last couple of decades as testament that the poor are “bankable”, the microfinance industry has grown more sophisticated rendering themselves to some degree inaccessible to some of the poorest communities in rural Africa. In addition, most microfinance institutions (MFIs) do not offer saving services which are often the services in highest demand in rural Africa. This is mainly since the development of microfinance institutions (MFIs) in Malawi is in its infancy stage, the existing formal financial institutions do not yet serve the rural poor, and also the few MFIs which have been introduced by government with support from development partners and some NGOs have been concentrated in urban and semi-urban areas. The savings and credit cooperatives and micro-credit institutions have not reached the rural poor for reasons such as high risk, high cost of service and a narrow market (Kishindo, 2000). It is for this reason that the Village Saving Loan Associations (VSLAs) have become a widely

acceptable concept. VSLA is a low-cost financial service founded on the principle of fund pooling, designed to serve the very poor whose income is irregular and high risk to MFIs. As such, VSLAs play an important role in meeting the needs of women and men whose principal purpose for accessing finance is to help them manage household cash flow, respond to life-cycle events or invest in small income-generating activities.

The primary purpose of the VSLA is to provide simple savings and loan facilities in a community that does not have easy access to formal financial services. VSLAs therefore aim at increasing the capacity of impoverished households to manage their financial resources and withstand shocks to their livelihoods by providing access to three basic financial services – savings, credit and insurance to the poor people who may prefer to build their wealth or assets via savings. The VSLA model addresses such challenges that the rural poor do experience by allowing the poor people to access financial services in the rural setting or in a setting that is more convenient for them. The clear majority of the world's poor live in rural areas of developing countries. There they endure long periods of time between inputs into and outputs from agricultural production, uncertainty about harvest outcomes, and dependency on the weather. This makes it crucial that they can smooth consumption, to access credit and to employ strategies for coping with risk (Conning and Udry, 2007). However, the history of rural financial intermediation is not encouraging, and even the explosive global growth in microfinance has been concentrated in urban and semi-urban area (Allen and Panetta, 2010; Daley-Harris, 2009; Demirgüç-Kunt and Klapper, 2012). When formal financial institutions are not available, households rely instead on networks, moneylenders and informal financial mechanisms, which exist in a myriad of forms (Collinsetal., 2009; Rutherford, 2001). Some of the most well-known are perhaps ROSCAs (rotating savings and credit associations) (Besley et al., 1994). In its simplest form, members contribute to a common pot of money that is awarded to a different member at each meeting. Apart from the first and last members, each member will be both a saver and a borrower in the course of a cycle (Anderson and Baland, 2002; Besley et al., 1994; Bouman, 1995; Klonner, 2008). Village Savings and Loan Associations (VSLAs)—a type of local financial institution that has been standardized by CARE and is increasingly being promoted by a host of different organizations—take many of the elements of ROSCAs and add more flexibility in savings and loans, standardize the governance structure and reinforce accountability elements.

1.2 Problem Statement

Most studies show that female headed households are the poorest group in the country. This is a very big problem in Mangochi mostly these areas of chimwala and chiwaula villages most of the women they don't have husbands, but they take care of children alone without the support of the husband. Barros et al. 1997), argues that women, who are usually the bread winners in female-headed households, face gender discrimination with respect to education, earnings, rights, and economic opportunities. Buvinic and Gupta (2014) maintain that women's lower average earnings compared to men, less access to remunerative jobs, and productive resources such as land and capital contribute to the economic vulnerability of female-headed households.

Study done by Oxaal (2007), shows that Households with single women as the head can potentially face even a higher risk of poverty because of the cultural and social stigmas attached to their marital status. For instance, a widow or a divorcee does not participate in many social functions and festivals because people perceive her presence as inauspicious. Chen and Dreze (2005), continue to say in their study that widows in rural India get very little economic support from their communities or other family members. They do not find any evidence to show that members in joint families' care for widows in the family either.

The clear majority of the world's poor live in rural areas of developing Countries. There they endure long periods of time between inputs into and outputs from agricultural production, uncertainty about harvest outcomes, and dependency on the weather. Kumar (2009) states that self-help groups are formed across countries as an effective strategy for poverty alleviation, human development and social empowerment. But there are conflicting views about the impact of these informal groups (savings schemes). Schlauffer (2008) notes that while the existence of the informal services highlights the general demand for financial services, the services are usually not sufficient to seize economic opportunities in rural areas to the full. Meanwhile, others like Ferrara (2001) assert that people who do not have access to the formal labour market can often benefit from pooling resources and working in groups. Some studies have been done in India where the study was observed that in the pre- group joining stage, the members who were unemployed became employed and this changed their family income category. The inequality of the distribution of the family income had reduced for the group of people who had joined SHGs. It was further observed that from low-income group, more people had shifted to high-income levels. The increase in average family income at constant price is significant and the family average consumption expenditure and food expenditure at constant prices had reduced significantly in a pre-group and post-group level of the average monthly income and expenditure comparison. Also, the post-group joining monthly average family health related expenditure decreased significantly at the constant price. The results obtained show that family health related expenditure is significantly lower for group members than that of the non-group members. And group forming authorities have significant impact on reducing the medical expenditure of the group members. Tanmoyee's results also showed that the rate of school drop-out significantly lowered in the families of group members than the families who do not belong to self-help groups. Another study was done by Mwalughali (2013), who analysed the impact of Community Savings and Investment program (COMSIP) activities on household income and credit of member households of COMSIP groups in Mangochi District in southern Malawi. The results also show that COMSIP groups attract females more than males. The results show that age of household head, education of household head, consumer-worker ratio and tobacco growing do not determine household decision to join COMSIP groups, but little is known regarding their impact on the social development. There are no in-depth studies on the assessment of impact of Community Savings and Investment Promotion (COMSIP) initiative activities on households' welfare in terms of their health expenditure and level of schooling. Therefore, this study sets to examine the extent to which the informal savings associations/groups in central region of Malawi–Mangochi, TA chimwala, contribute to the socio-economic status and or welfare of households. Therefore, this study will fill the gap by focusing on VSLAs and their impact on participants' social welfare development.

1.3 Main Objective.

The main objective is to assess the impact of Village Savings and Loans from the female headed households.

1.4 Specific Objectives.

- To compare the incomes of female headed households and non-female headed households participating in VSLAs
- To determine the child-related expenditure pattern in female-headed households
- To assess the benefits of educating children of female headed households using VSLAs money
- To assess the challenges which female headed households face at VSLs

1.5 Research Hypotheses

While holding other factors constant, the study tested the outlined null hypotheses;

- a. VSLA participation does not influence the income of participants' households
- b. VSLA participation does not influence Health expenditure of participants' households.
- c. VSLA participation does not influence the education of children of VSLA participants
- d. There are no challenges associated with participation in VSLAs

2.5 Significance of the study.

VSLA's mainly aims at helping people more especially the poor people who do not have access to microfinance institution. The groups are governed by the members themselves in the way that all people participate during the meetings. This research was conducted on economic status purposes and will help to provide useful insights on VSLAs' impact on the economic status of female headed households participating in VSLA's which will be important for the improvement of the management and administration of the VSLAs. Academically, the study will create additional stock of knowledge on education impact of VSLAs. This will be therefore relevant to academicians and future researchers.

1.6 Key words

VSLAs meaning village savings and loans which provide loans to its group members.

Female headed households these are families headed by women all the duties are performed by women.

Economic status this is the status of women that determine their living standards of women.

1.7 Summary

This chapter extends the concept and content of what the study it is all about and what it is ensuring, gives the whole structure of the research including how you are giving to rank the structure and terms required to have a good outcome. Contains important questions, objectives, significance of the study, problem statement,

background and a broad introduction of the study. It helps the reader to allocate its content know and understand the topic of the research whoever is using it.

CHAPTER TWO

Literature Review

2.1. Introduction

This chapter discusses the related literature that has been reviewed concerning the topic under study. Particularly, it looks at the concept of VSLA, its management and administration, Measurement of Social-Economic Status, the effect of VSLA participation on the income of households, the effect of VSLA participation on health expenditure of households, the effect of VSLA participation on education of children of VSLA participants and the challenges associated with participation in VSLAs. The aim is to gain a solid understanding of the issues of focus in this study.

2.2. Village Savings and Loan Associations (VSLAs)

The model of Village Savings and Loan Associations (VSLAs) has made its entrance to the microfinance stage. One line of criticism focuses on the inability of microfinance to reach the poorest segments of society – urban slums and remote rural areas (Helmore et al, 2009; Allen, 2006; Myrray& Rosenberg, 2006). The VSLA is a part of the microfinance branch under the generic term: community-managed microfinance (CMM), which facilitates methods of saving as well as borrowing for rural and poor population (Rasmussen, 2011).

VSLA is a type of microfinance that is managed by communities and it provides communities with access to savings, credit and insurance services. Allen (2005) and Hendricks (2011) describe the VSLA as a savings' group formed and organized by many people. According to Master Card Foundation Consultants VSLA is a safe- managed group that does not receive any external capital and provides its members with a safe place to save their money, access small loans, and obtain emergency insurance. A central part of the VSLA model is the self-selection of members during group formation, to increase sustainability of groups (Mersland& Eggers, 2007). Formation is done based on members deciding themselves on the composition of the group (Allen & Staehle, 2009).

Each group is composed of 15 to 25 self-selected individuals, who pool their money into a fund (the savings / resource pool) and take small loans from these savings (*The VSL Associates, 2009 and International Rescue Committee, 2012*). This agrees with the contribution of Allen (2005) that the VSLA approach is characterized by a focus on savings, asset building, and the provision of credit proportionate to the needs and repayment capacities of the borrowers. The purpose of a VSLA is, principally, to provide savings and simple insurance facilities in a community that does not have access to formal sector financial services, but when the amount of money saved by the membership is sufficient, any of them can borrow from this source and must repay the loan with interest. This allows the fund to grow.

The members meet on a weekly basis to deposit their savings. After five weeks of savings, members can take credit of up to three times the value of their savings, depending on the amount of money available from the savings of all the members. The activities of the group run for a year, after which the accumulated savings and the loan profit are distributed back to the members. In Malawi and elsewhere women make up the largest proportion of the VSLA making up to 85 % of the membership (Care Malawi, 2005). VSLAs are not widespread because they are more complex to administer and require a system of record keeping (Hugh, 2006).

The key activities of VSLAs include mobilization of savings, lending and risk management. According to Tsegaye (2003), mobilization of savings, allows of the VSLAs to be independent from external sources of financing which normally have tough conditions, eliminate credit rationing, and provide members with a greater selection of savings and loan products Barnet (2008) argues that for the VSLAs to be sustainable there must be sufficient savings generated for lending and investment and that such savings are the main source for development of micro-businesses as a basis for income generating activities Care Malawi (2005) depicts that training are conducted as part of the VSLA's implementation programme which covers area of business skills, budgeting, financial literacy and money management.

Tsegaye (2003) asserts that once competitive pricing policies and pro-active marketing strategies are put in place, large volumes of savings are mobilized quite rapidly and the challenge then becomes effective protection (security) and the sound investment in safe loans and other investments According to Tsegaye (2003), the development and implementation of a risk management is therefore very essential and it is in this context that an overseeing organization like an NGO plays an important role in coordination of the activities through local based volunteers or promoters. Lending is another major service that is provided to members and as the more savings are accumulated the more capacity for larger loans opens (Tsegaye, 2003).

2.3 Measurements for Socio-Economic Status

According to Phusit (2006), methods for measuring household socio-economic status (welfare) are categorised in two: Metrix (money) measures and alternative approaches. metric measures look at income or expenditure) and is traditionally used by economists because it is easy to measure and is widely well understood by the public. However, practical problems associated with the accuracy in quantifying income or expenditure, especially in developing countries have arisen (Sahn and Stifel, 2002; Geir, 2006) such as data are collected based on recall memory, the recall data are prone to measurement errors, under-reporting in hope for public support and memory lapse in households where there are many sources of income (Geir, 2006) and difficulty of converting household products into money terms. The difficulties involved in measuring income in developing countries led to a search for non-monetary proxies of household welfare. In the alternative approaches, one of the measures is the use of the household asset index (Phusit - 2006, Sahn and Stifel - 2002, Filmer and Pritchett, 2001). In fact, Filmer and Pritchett (1998) assert that both the asset index and current consumption expenditures are proxies for a household's true, but unobserved, long run wealth or economic status.

Most studies using an asset - based wealth index have constructed the index using a standard list of assets comprising household ownership of consumer durables (like; TV, Radio, Bicycle, Watch, Motorcycle, Telephone, Sewing Machine, Stove, Refrigerator, Car), the characteristics of the Household's dwelling (Toilet facilities, building material, source of drinking water), Household land ownership, number of rooms for sleeping/ number of household members per room (Dekker, 2005; Filmer and Pritchett, 2001). This study also adopted the asset-index in addition to the income and expenditure. As a basis of defining the assets used in this study, the asset variables used in the study include some of the assets used by those of Nsabagasani et al (2008), in Uganda Pangas, Rake, Land, Bicycle, Motorcycle, Sponge Mattress, Wheel barrow, Ox-Plough, Radio, Mobile telephone, Weighing Scale, Boat/ Canoe, and others (not specified). However, other relevant assets have been included under this study. These are: semi- permanent/ permanent house, number of rooms for sleeping, sofas, other chairs (like plastic chairs), tables, bed, motorcycle, breakable plates, cattle, oxen, pigs, goats/sheep, chicken, watch and sewing machine.

2.4 Impact of VSLAs on Social Economic Status of Households

In a study in Ghana and Malawi by Care international among members and non-member of Village savings and Loan (VSLA) results indicated that VSLA members were likely to take a loan to finance household expenses like school fees and farming inputs. The results further revealed increase in female household decision making, female school enrolment and a better social integration among participating households. However, the study observed no changes resulting from the impact of VSLA on food security, food consumption, assets accumulation and small business production between the treatment and control groups. This was in sharp contrast with other studies and was attributed to the time factor as some of the variables take considerable time like asset accumulation to be observed among the households (Care international).

According to Hendricks (2010), data from the Village Agent performance assessment reveal that the majority of VSLA members in Malawi engage in farming activities. Participation in VSLAs allows them to plant additional crops and sometimes engage in new income generating activities (Hendricks, 2010). Allen and Hobane (2004) have reviewed the impact of VSLA in Kenya and Zimbabwe. Their conclusion was that the participation in VSLAs helped to improve the livelihoods of its members and to alleviate poverty, particularly for women who constitute most of the groups. Number and magnitude of economic activities increased because of participation in the VSLAs. The study also concluded that participation of group saving, and loans had contributed to increased levels of business and consumer assets among the great majority of members' households, and some improvement in the quality of housing. The study also noted that the number of income generating activities per household increased and household labour allocated to IGAs increased. Also, while loans from the groups were directed mainly towards productive activities, pay-outs focused overwhelmingly on paying school fees or acquiring small livestock and similar 'savings substitutes' that might be seen by the members as a hedge against inflation.

A similar assessment of VSLA in Malawi by Koll & Lon Borg (2010) also reached similar conclusions. Their research findings provided evidence that VSLAs has improved member livelihood. Despite using a small sample population, the research showed that within two years respondents who were part of VSLA had had their welfare raised along several dimensions. Through the participation in VSLAs, there was both improved food security and strengthened household income indicators. Participants reported spending their savings on agriculture and their loans on Agriculture and small-scale businesses and there were indications that both Agricultural investments and output increase, specifically an increase in the use of fertilizer and irrigation and in the total value of maize sales.

Three studies conducted in Peru, India and Zimbabwe revealed that, extending small loans to the poor people mainly women for income generating and self -employment had lessened vulnerability through diversifying income earning sources, building assets and strengthening crisis coping mechanisms. It allowed them to achieve a better quality of life (Zaman, 2000). In Ghana, the VSLA members were more likely to own livestock and other valuable assets and in Kenya VSLA members were able to invest in many ventures, send their children to school and either repaired or constructed new homesteads. In Uganda, VSLA participants improved their farms, started small enterprises and other income generating projects. As a result, they bought most household necessities, which they used not to have (Kyogabirwe, 2005).

According to Candia and Laker (2009), VSLA improved the standard of living for the members to an extent that members were becoming more self-reliant, being able to interact freely with other members, managing their finances and running their homes by meeting most of the basic needs including paying school fees, paying for medical care and getting involved in the small-scale businesses which they were not doing before. (Candia and Laker, 2009). Hartley and Rijali (2003) in the evaluation of a CARE project in Zanzibar found that Group Savings and Loans (GSLs) had supported the development of income generating activities (IGAs) by households. These IGAs helped to improve income and added assets.

In a controlled two-year randomized trial study in Northern Malawi, Ksulletaal found evidence of positive effects on household consumption including number of meal in a day, increase in household expenditure and the number of dwelling rooms. In additional household participating in VSLA had increase income in savings and credit obtained through VSLA which increased the household investment in agricultural and small business. In Malawi, Anyango (2005) arrived at similar conclusions. The findings showed that the savings groups had helped to improve the livelihoods of its members through increased household incomes particularly among women who comprised most of the members. 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.

VSLAs beneficiaries are mostly women. Investing in women's capabilities empowers them to make choices and contributes to greater economic growth and social development (Sarumathi and Mohan, 2011). Women can use savings and credit for economic activity, thus increasing incomes and assets and control over these incomes and assets leading to enhanced woman social and economic status (Sarumathi and Mohan, 2011). The economic contribution that VSLA participants make to their households may lead to greater wellbeing for women and children as well as men (Skarlatos, 2004, Swain and Wallentin, 2008).

Several evaluations in Niger revealed that female members tend to keep their businesses in operation throughout the year, have a bigger say in household decisions, enjoy better nourishment, invest more in their children's education and enjoy higher social status than non-members (Athmer, 2002 cited in Allen, 2002). Allen's study of West Nile Savings Groups (2005) concluded that members had accumulated useful sums at cash out and that they used them to invest in agriculture including livestock, business stock and housing improvement. The existing literature clearly shows that VSLAs 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. The self-help micro credit groups play valuable roles in reducing vulnerability of poor households through asset creation, income and consumption smoothing, provision of emergency assistance, and empowering women to have control over household assets, increased self-esteem and knowledge (Zemen, 2001).

2.5 Challenges Encountered by VSLAs Participants

The predominant socio-cultural norms and values that have defined the way women must conduct and behave in society. Women living in male dominated societies have been trained and groomed to be submissive to their husbands and good home care takers. Thus, this limits women ability and potentials to engage in matters of money. According to Kabeer (2005) socio-cultural values and beliefs are very significant in legitimating inequalities. In some situations, men have found an excuse for not providing household needs and meeting expenses and instead depend on a woman because she has accessed a loan. In other instances, women have surrendered their loans to their husbands to help them manage the home. In such situations, loans have become a burden to women instead of a tool to improving the socio-economic status of households. Oxaal& Baden (1997:9) confirm that many incomes generating activities and programs targeting women often increase their workload without any increase in resource control or decision-making power.

According to Johnson (2004:1359), VSLAs function with binding sets of rules which essentially rely on non-contractual elements such as trust, moral norms and religious values. Much as these play a key role in enforcing rules, some members may not necessarily respond to these sets of rules thus putting the group's funds at risk. Therefore, despite VSLAs' vitality in helping the rural poor to meet their social, economic and cultural needs, the financial and administrative system threatens sustainability.

The short-term loans given to the VSLA members basically with a limited repayment period ranging from one to three months puts a lot of pressure on the beneficiaries. (Micro Save Africa, 2001; and Allen, 2005). The pressure comes in due to a need to generate adequate income to save and payback the loan within a short time (Wright & Mutesasira cited in Micro Save Africa, 2001). CARE (2006) adds that the short-term loans limit long term investment.

Mayoux and Hartl (2009:11) mentions that the women are the majority savers in most of the rural credit and micro saving schemes, but the biggest loan share is normally given to men even when women have better business ideas compared to those of men. This is true of VSLAs. In most of the VSLAs, most of the members are women according to Care Malawi (2005). However, as argued by Deugd (2002) cited in Skartlatos (2004), despite the simple access to financial services, the women who are the poorest of the poor are not always guaranteed of reducing poverty in the household because of their lack of decision-making abilities within the family. According to Deugd (2002) cited in Skartlatos (2004), men still control household resources and economic wealth. Some women are denied access to the financial services and they have no say on the family earnings even when they have contributed to it (Deugd, 2002 cited in Skartlatos, 2004).

Hunt and Kasynathan (2002: 20) found that many women have been used as post boxes by their husbands, as they borrow money and pass over the full amount of their loans to their husbands with little or no access to the income and profits generated. Similarly, Goetz and Gupta (1996) found that 63% of women loan holders of the three microfinances studied in Bangladesh had exercised limited or no control in loan use. In the same way, Rahman (1996 in Swain, 2006:12) revealed that 40% to 70% of the women who passed over their loans to their husbands were facing domestic violence due to increased tensions in the household. This raises a question “does access to financial services and increase in household income necessarily translate into improved socio-economic status among the VSLAs households? By implication therefore, much as women are active participants in VSLAs, cultural factors and their positions in society affect how they benefit from participating in such groups and this further to limits the maximization of the positive impact of VSLAs on socio-economic status of participating households.

Further, the maximization of the impact of VSLAs on socio-economic status of household's stumbles on gender inequalities in decision making. Mayoux and Hartl (2009:11) and Kabeer (2005) show that, even when women use their loans to set up economic activities, their choice of activity and ability to increase their incomes are largely constrained by gender inequalities.

Allen (2005) notes that VSLAs face different challenges and common ones include loan amount to members is very small at the beginning of the cycle and the fact that the members do not usually have access to loan funds at any appropriate time. In their study, Mineetal., (2013) outline the various challenges VSLA encounter during their setup such as: most VSLAs not benefiting from any expertise during their initial setup; have challenges in coming and raising initial money; have issues with defaulters, theft and absenteeism of members during meetings; poor book keeping; and difficulty in attracting new members.

CARE (2010) contends that there are high liquidity levels at the end of the cycles that put group members at risk of being robbed. In addition, CARE (2011) states that some VSLA members do not afford to commit to the program, even though it only requires a few cents per week. Hollar (2011) agrees with CARE (2011) by pointing out that while the flexible share is likely to attract those who are better-off, the very poor may be excluded by self-organising groups, or they may be either unable to make the weekly quotas.

CARE (2011) study identified several social consequences of VSLAs. For instance, daughters were taking on the tasks of mothers while the mothers were occupied with the tasks of managing their loans and pursuing business activities. Other concerns were that VSLAs created an unbalanced status perception of the women among the villagers who are VSLA participants and those who are not. Women also expressed some concern about the reactions of their husbands if they were to start earning more. Although most times this led to a greater balance in the households, sometimes it led to jealousy and even violence by the husbands who feel threatened by the increased incomes of their wives. Other women complain that their husbands are less responsible for the household and subsequently reduce their commitments (CARE, 2009).

Hollar (2011) asserts that VSLAs do have some notable constraints which include: the time it takes to accumulate enough capital to make loans (at least five weeks of savings); the size and length of loans is constrained by both the rate at which funds grow and demand for them; the complexities of the share system which is tracked with passbooks requires literacy; the participation in meetings is mandatory and time consuming and some VSLA members may be unable to make the time commitments to attend mandatory meetings.

2.6 Theoretical Framework

2.6.1 SUSTAINABLE LIVELIHOODS FRAMEWORK

The framework helps in understanding and analysing the livelihoods of the poor. It is also useful in assessing the effectiveness of existing efforts to reduce poverty which in this study is referred to the socio-economic status. The Sustainable Livelihood Framework (SLF) views people as operating in a context of vulnerability whereby they have access to certain assets or poverty reducing factors. These gain their meaning through the prevailing social, institutional, and organizational environment. This environment also influences the livelihood strategies that are open to people in pursuit of beneficial livelihood outcomes that meet their own livelihood objectives (DFID - 1999, Kollmair and Gamper - 2002). The core ideas represented in the SLF (DFID, 1999) are as follow:

2.6.2 Vulnerability Context

The Vulnerability Context comprises of Trends (i.e. demographic trends, resource trends, trends in governance), Shocks (i.e. human, livestock or crop health shocks; natural hazards, like floods or earthquakes, drought, disease, pests; economic shocks; conflicts in form of national or international wars) and Seasonality (i.e. seasonality of prices, products or employment opportunities).

2.6.3 Livelihood Assets

People require a range of assets to achieve their self-defined goals, whereas no single capital endowment is sufficient to yield the desired outcomes on its own. Assets are of special interest for empirical research to ascertain, if those, who were able to escape from poverty, started off with a particular combination of capital, and if such a combination would be transferable to other livelihood settings. Livelihood assets include: human capital (education skills, knowledge; ability to labour and good health),

social capital (networks and connectedness, membership in associations/groups), natural capital (Natural resource stocks/base - land, water, forests, air quality, erosion protection, etcetera), physical capital (basic infrastructure and producer goods needed to support livelihoods - affordable transport, secure shelter and buildings, adequate water supply and sanitation, farm equipment, sewing machine access to information, etc), financial capital (availability of cash or equivalent: stocks – cash, bank deposits or savings and other liquid assets; regular inflows of money –labour income, pensions, transfers and remittances).

2.6.4 Transforming Structures and Processes

Structures can be described as the hardware (private and public organisations) that set and implement policy and legislation, deliver services, purchase, and trade and perform all manner of other functions that affect livelihoods. Complementary to structures, processes constitute the “software” determining the way in which structures and individuals operate and interact for example; policies, legislation and institutions, culture and power relations.

2.6.5 Livelihood Strategies

Livelihood strategies comprise the range and combination of activities and choices that people undertake to achieve their livelihood goals.

2.6.6 Livelihood Outcomes

Livelihood outcomes are the achievements of livelihood strategies, such as more income (e.g. cash), increased well-being (e.g. non-material goods, like self-esteem, health status, access to services like education, sense of inclusion), reduced vulnerability (e.g. better resilience through increase in asset status), improved food security (e.g. increase in financial capital in order to buy food) and a more sustainable use of natural resources (e.g. appropriate property rights). Outcomes give us an idea of how people are likely to respond to new opportunities and which performance indicators should be used to assess support activity.

The study adopted the SLF framework because VSLAs can be considered as interventions where by rural households engage or participate in with the aim of achieving increased well-being or SES as a livelihood outcome, indicated by improvement in income level, accumulation of assets/wealth, and improvement of educational opportunities.

2.7 DAI's PARALLEL STRANDS: THE IMPACT OF GROUP SAVINGS

DAI (2010) articulated and presented two distinctive and parallel strands related to the impact of Group Savings and Loan at the household and group levels as shown in the diagram below. According to DAI (2010), at the household level, analyses examine the kinds of livelihood activities that savings group members undertake, and their results in terms of asset accumulation. VSLAs result in asset accumulation; support the protection of income and better household management of income and assets across time, while credit from the group supports increases in income. At the group level, impact studies look at issues of institutional (group) governance and sustainability which in turn 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 wider range of quality services (financial), and are therefore able to take greater control of their future circumstances, perhaps emerging from poverty in the process

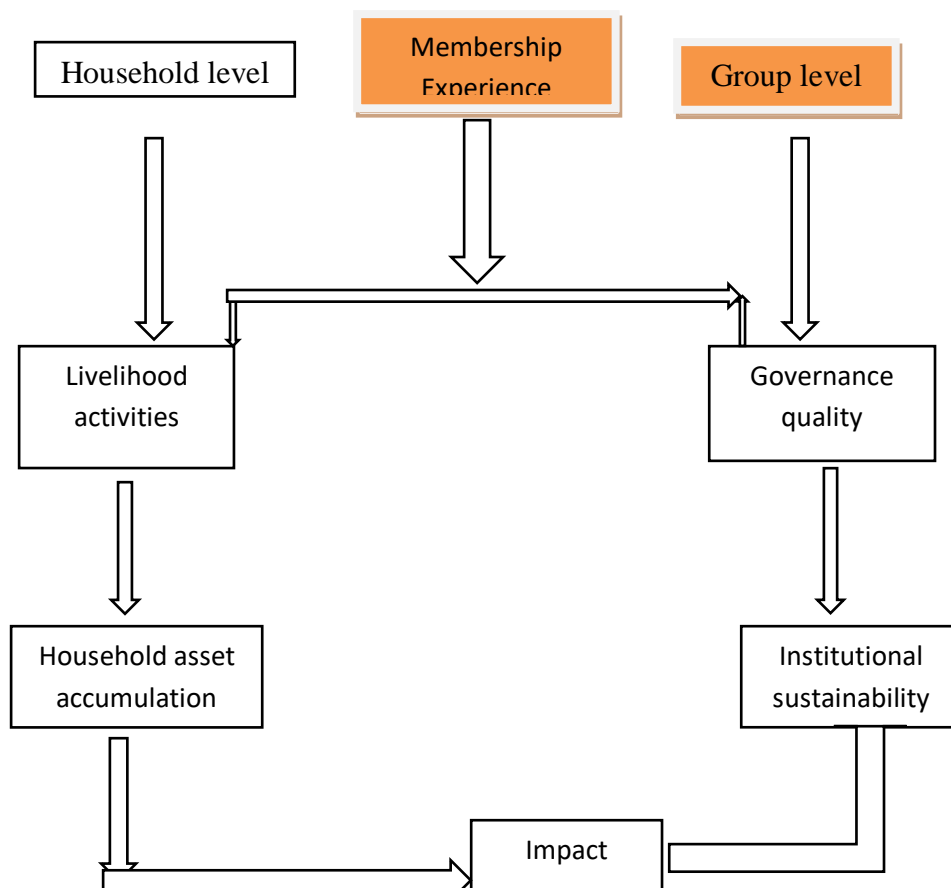


Figure 2.1.0: Illustration of DAI's parallel strands of the impact of group savings. Adopted from DAI (2010)

The study will also utilize the DAI framework particularly the household level side to analyse the impact of VSLAs at the household level whereby impact is manifested in terms of SES or welfare indicators such as income, household asset accumulation and education.

2.8 Empirical Literature

In a Tanzanian impact study by Brannen (2010) and the results from this study suggest that participation in VSLA has an overall positive impact on various indicators of household and individual welfare including

asset expenditure levels, the development of IGAs, education expenses, access to health care services, nutritional levels and quality of housing. In a mid-term review exercise conducted in Northern Uganda by Nsabagasani et al (2008), 76 VSLA members were interviewed. It was noted during the focus group discussions that VSLAs had increased the member's ability to mobilize savings whereby through savings, group members are able to send their children to school. It was also reported that VSLA enables members to meet their basic needs such as medical care, and payment of school fees for their children.

Allen and Hobane (2004) conclude that, in Zimbabwe, membership in a VSLA contributes to an increase in household productive and non-productive asset levels among the majority of participants, as well as to some improvement in quality of housing. The findings also suggest that program participation has led to an increase in the number of income-generating activities (IGAs) and to an increase in stability of such activities. Furthermore, participation in VSLA improved their status in community. However, it is difficult to attribute these results to the interventions of the VSLAs alone.

However, Anyango (2005) reaches similar conclusions as Allen and Hobane (2004) when studying the VSLA program in Malawi. He finds that VSLA participation helped to improve the livelihoods of its members and to alleviate poverty, particularly for women who constitute most of the groups. Number and magnitude of economic activities increased because of participation in the VSLA. Anyango et al (2007) conducted a study on VSLAs in Zanzibar where 100 current VSLA members and 30 past members were interviewed from 25 groups. The results demonstrated that members had their living standard, quality of housing and income increased.

There have been two major studies done on the VSLA program in Tanzania. The most extensive study is the Women's Empowerment Strategic Impact Inquiry (SII), which was completed in 2006. The study incorporates a quantitative questionnaire, which was given to 181 women, including 134 VSLA members and 47 non-members. The study finds, in terms of short-term economic empowerment, VSLA women benefit more than non-VSLA members from increased savings, more IGAs, greater food security and health, and increased education expenditures.

The other major study in Tanzania, and the precursor to this study was Anyango et al.'s (2006) examination of the performance of VSLA groups in Zanzibar. Although the results from Anyango et al. (2006) are promising, the study suffers from several methodological weaknesses and therefore its results are not entirely reliable. This study therefore aims to expand and improve upon this work.

Tanmoyee (2009) estimated the economic impact of self-help groups (SHGs) in India with data collected from group members as well as non – group members. It was observed that in the pre – group joining stage, the members who were unemployed became employed and this changed their family income category. Also, the post-group joining monthly average family health related expenditure decreased significantly at the constant price. Alternatively, the monthly average family saving increased after joining of SHGs. Tanmoyee (2009) maintains that this result is very obvious as the SHGs promote the saving habit among the group members.

The results obtained also show that family health related expenditure is significantly lower for group members than that of the non-group members. And group forming authorities have significant impact on reducing the medical expenditure of the group members. Lastly Tanmoyee's results also showed that the rate of school drop-out significantly lowered in the families of group members than the families who do not belong to self-help groups.

Anyango et al (2007) conducted a study on VSLAs in Zanzibar where 100 current VSLA Members and 30 past members were interviewed from 25 groups. They also interviewed an additional 36 randomly selected exit members to understand the dynamics of exiting VSLAs. Regarding the usefulness of VSLA in the livelihoods of members, the respondents indicated the main changes in their lives that they thought had arisen as a result of VSLA as an improved living standard, improved housing and increased income as major changes, the ability to save and improved savings habits as a positive result. It was also noted that although savings and loan sizes are relatively small, they are useful amounts to members – especially the pay-out.

In a Tanzanian impact study by Brannen (2010), the sample considered by Anyango et al (2007) was used to ensure that only the most mature groups (VSLAs) and participants were included in the study to analyze the long – term impacts of VSLAs. The treatment group in the study consisted of mature / veteran VSLA members who were significantly older than the control group in terms of the years of participation in VSLA and the control group consisted of new VSLA members (participants) under new VSLA groups that were still in the initial stages and had not begun saving in or borrowing from their new VSLAs.

In a mid-term review exercise conducted in Northern Uganda by Nsabagasani et al (2008), it was noted that VSLAs had increased the members' ability to mobilize savings whereby through savings, group members are able to send their children to school. It was also reported that VSLAs had enhanced the unity in the communities whereby members of the same community respect each other and continue to support each other in times of need. It was also reported that VSLA enables members to meet their basic needs such as medical care, and payment of school fees for their children. People appreciated the arrangement where they could access financial support whenever there were needs for example; access to loans and the use of welfare fund to pay off children's hospital bills. It should however be noted that the findings by Nsabagasani et al (2008) were just narrations from focus group discussions and they lack rigorous scientific methodological settings like the application of statistical and/or econometric techniques of analysis as well as the use of treatment and control groups.

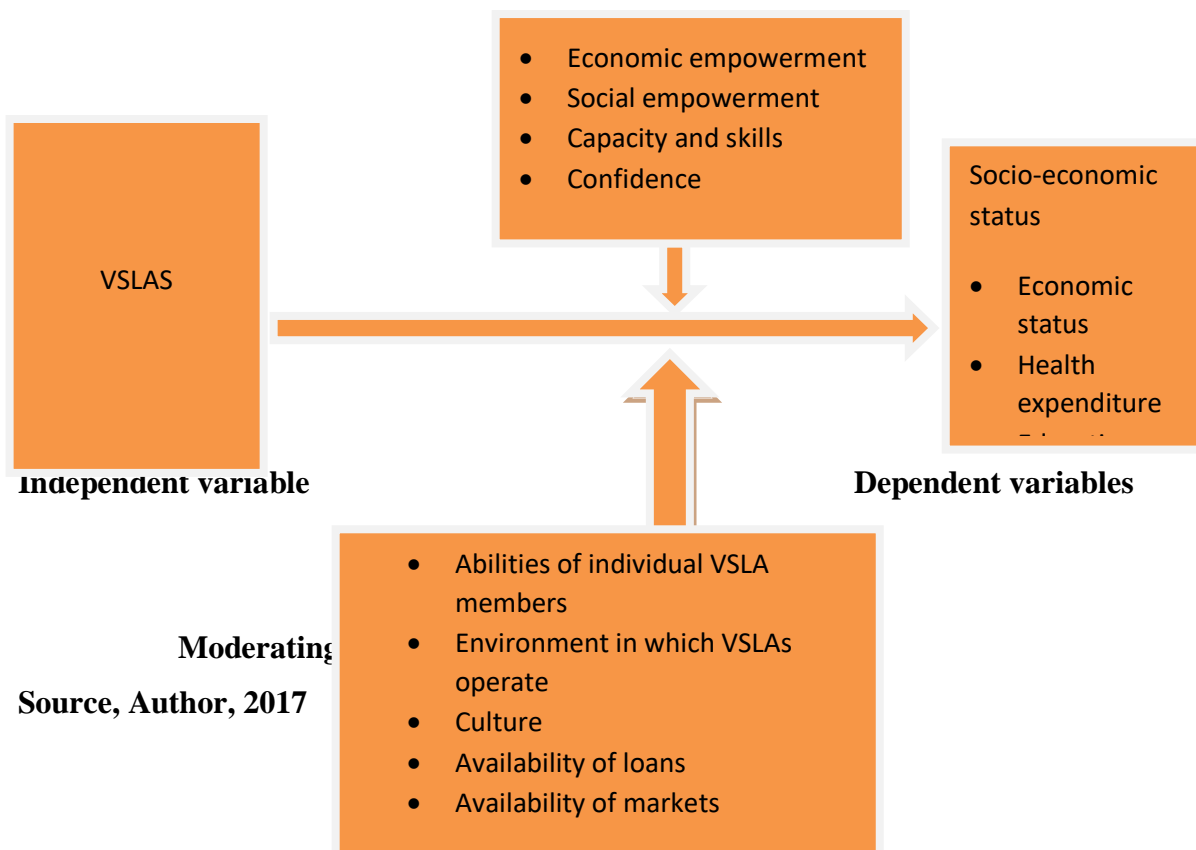
Ranjula and Adel (2008) revealed in their results that longer membership in SHGs positively impacts on asset creation, robust to various asset specifications. With longer participation in SHGs, members move away from pure agriculture as an income source towards other sources such as livestock income. According to a study by Kumar (2009), it was found that participation in SHG activities enables the rural households to earn more

income, and improve social awareness and thus helps in achieving higher nutritional security. The findings show that participation significantly and positively influence the household income. Villanger and Enes (2004) assessed whether there are any effects on income changes and poverty reduction from being a member of a community that has a more democratic system of decision making, or from being a member of a society with more participation and cooperation.

2.14 Conceptual Framework

The study was based on the conceptual framework as depicted below:

Intervening variables



2.9 CONCLUSION

From the literature reviewed, it has been noted that most impact studies have employed the methodological design of using treatment and control groups to carry out analysis. Such studies include those of Tanmoye (2009), Debadutta (2009), Brannen (2010) among others. In that regard, this study adopted the same approach by focused on the VSLA participants and non- VSLA members to compare their socio-economic status. Most importantly, from the literature, it was noted that there is a lot of studies done on the impact of VSLAs. However, most of them have been program impact evaluation studies and not academic studies. The program

evaluation studies therefore lacked rigorous scientific methodological process and hence the need for more academic studies to fill that gap, this study will therefore contribute in narrowing such a gap.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology used in the study. It focuses on the study design, the research type, the study population, sampling techniques, data source, data collection methods and tools and data analysis techniques. It further shows how the analysis was carried out to meet the research objectives and test the set hypotheses.

3.2 Research strategy

This study used both research strategies, quantitative methods and qualitative strategies. Qualitative research is used mostly in social research., employing the qualitative research method allowed the researcher to obtain a more realistic world that cannot be experienced in the numerical data and statistical analysis used in quantitative research. According to Qualitative research is defined as a means of exploring and understanding the meaning individuals of groups ascribe to a social or human process Creswell (2009). According to Bryman, (2008) this research strategy usually emphasises words rather than quantification in the collection and analysis of data.

The two research strategies were combined in the study to fulfil the requirement of the data to be rich schutt (2004). The main purpose of using qualitative and quantitative research strategy is to enrich data that provide a good wider ground for making generalization. In case of data presentation and analysis, it helps to reduce errors of misrepresentation and inadequacy of information unlike using single research strategy. Therefore, this study used both quantitative and qualitative research strategies.

3.2.1 Quantitative Research

The quantitative method is a research strategy that emphasizes quantification in the collection and analysis of data (Bryman, 2008). Quantitative research strategy which involves collection and compilation of data about a certain population using well defined concepts, methods and procedures was used in this study in order to produce precise and easily generalizable statistic findings. The main concerns of the quantitative paradigm are that measurement is reliable, valid, and generalizable in its clear prediction of cause and effect (Cassell & Symon, 1994). Quantitative methods allow researchers to conduct a broad survey, which involves many subjects and generalization of findings to yield accurate results. Additionally, they allow researchers to summarize vast sources of data. According to scheafer (2001) argued that quantitative research strategy is very much compatible with large samples. Furthermore, quantitative methods are reliable and valid because they employ prescribed procedures. They also eliminate bias in a study because they involve many cases and few variables, which prevent researchers from using subjects known to them. Quantitative methods enable researchers to correlate independent and dependent variables to determine causality within a study framework.

Therefore, using quantitative method, it helped the researcher to arrive at more objective conclusions by reducing subjectivity of judgment. Hence this helps in eliminating and minimizing subjective judgment, to achieve a high level of reliability and accuracy by providing data that is descriptive.

3.2.2 Qualitative Research

Employing the qualitative research method allowed the researcher to obtain a more realistic world that cannot be experienced in the numerical data and statistical analysis used in quantitative research. The qualitative method enabled the researcher to obtain more in-depth information related to the topic study where the participants give out optimistic information related to the study. In addition, the qualitative research helped in collecting the primary data in a flexible, non-structured way and this allowed for the emergence of new information and interpretations.

3.3 Study Area

The research was conducted in Mangochi district in T/A Chimwala which is a rural area with a population of approximately 10,000 people. Mangochi is mostly predominantly by Yao people who depend much on farming.

3.4 Population study

The population study of the area consists 10 VSLA groups which compose of maximum number of 30 people. Using the secondary data, total population of participants was 258 which consist of 187 females and 71 males. The average age of both male and females was 28 and 38 respectively. The study targeted both men and women who were aged between 20 and above.

3.5 The Study Sample

The study sample was made of 60 individuals of whom 30 were VSLA participants while the other 30 were non-participants. In the social sciences, however, controlled experiments are difficult and often impossible to arrange. Therefore, most social scientists have come to rely on the control group method, which involves comparisons between a ‘treatment’ group and an identical group (or as nearly identical as possible) that did not receive the treatment. The non-participants were used as a control group, so that the researcher should be able to answer if there was an impact on the socio-economic status of the VSLA members. The non-participants were used to compare the differences which were there between those who were participants and those who were not.

3.6 Sampling procedure

3.6.1 Sampling procedure for VSLA participants

The research employed a purposive sampling to identify the VSLA participants that participated in the study. Purposive sampling is a form of non-probability sampling in which decisions concerning the individuals to be included in the sample are taken by the researcher, based upon a variety of criteria which include specialist knowledge of the research issues or capacity and willingness to participate in research (Mason, 1996).

Purposeful sampling was used for the recruitment of participants for this study. It involves selecting research participants according to the needs of the study (Glaser & Strauss; Morse, 1991) in that researchers choose participants who give a richness of information that is suitable for detailed research (Patton, 1980). The selection criteria for inclusion were Village Savings and Loan participants who were the leaders in their respective field and who could articulate their experiences as it relates to the phenomena being investigated—providing rich information related to the study. Hence, this type of sampling was used in this research to get the specialized knowledge from the VSLA participants.

3.6.2 Sampling procedure for non-participant

The research employed a non-probability Sampling of convenient sampling to identify non-participant. The non-participants were selected through convenience sampling. In this type of sampling, study participants were selected based on their availability to the researcher (Schutt, 2004). Convenience sampling was used in this study to enable the researcher to achieve the sample size required in the study relatively fast and inexpensive way. Hence reduced cost and time consuming.

3.7 Data Collection Methods

Both primary and secondary data methods were employed in this research. Primary data collection methods were used to collect data from the VSLA participants and non-participants. The secondary data collection methods were done by reviewing already existing literature from books, journals, newspaper, media (both print and electronic) and the internet as well.

3.7.1 Primary Data Collection Methods

Primary data was collected through semi-structured interviews and questionnaire to come out with required information or data related to the study. Using primary data, the investigator collected data specific to the problem under study. Addition to that there was no doubt about the quality of the data collected (for the investigator). Lastly it was possible to obtain additional data during the study period

3.7.2 Semi-structured Interview

Primary data was collected through semi-structured interviews which are a type of interviews related to qualitative research. In this type of data collection, the researcher has a list of questions or specific tools to be covered, often referred to as an interview guide, but the interviewee has a great deal of leeway in how to reply. All the questions are asked to every study participant and a similar wording is used from interviewee to interviewee (Bryman, 2001). This approach of data collection enabled the researcher to ably uncover in depth knowledge on the research topic. This is because the researcher had the chance to probe on some of the interesting discussions and query where it was not understood.

3.7.3 Questionnaire

Questionnaire is a quantitative instrument which contains questions, usually closed in nature, that are given to respondents to answer or fill with or without the researcher being present (Mitchell & Jolly, 2001) the tool was used in this study because it can carry a large number of respondents.

3.8 Secondary Data Collection

Secondary data refers to the data collected from documents or papers containing similar data as observed in the field during primary data collection which is also known as desk research (Bryman, 2001). The secondary data was collected by reviewing already existing literature from, books, journals, newsletters, media (both print and electronic) and the internet. This was important as the existing data helped the researcher to shape the nature and course of the study. Furthermore, the various documents regarding the topic under study assisted the researcher in gaining vast knowledge relating to the primary data obtained from the participants. Further, the secondary data helped the researcher in relating theories with facts on the ground as perceived by the research participants.

3.8 Data analysis

Data analysis techniques which are used in this study is content analysis and SPSS. These two-data analyses were used because both qualitative and quantitative research strategies were used in this study.

3.8.1. Content Analysis

This study employed content analysis due to its nature of being qualitative research. Content analysis refers to the analysis of the documents and text that seek to quantify content in terms of predetermined categories and in systematic and replicable manner (Mason, 1996). The researcher identified dominant themes in the study and related them to the objectives of the study. After identifying the themes, the researcher grouped the collected data based on the themes. The collected data was then coded and entered into Micro Soft Excel computer package for production of tables and charts that allowed comparison and interpretation of data

3.8.2 Statistical Packages for Social Science (SPSS)

The researcher used SPSS to analyse the quantitative data mathematically. SPSS is a widely used computer program that allows quantitative data to be managed and analysed. However, due to the nature of the research study, the data was mostly analysed through the content analysis. The data was analysed using SPSS to generate, table, and hypothesis was tested using compare means and using a logistic regression analysis to find out if there was an impact on VSL monthly income, healthy expenditure and number of years spend schooling. The results were presented in tables through frequency, mean and standard deviation

3.9 Ethical Considerations

Ethics refers to a system of moral values concerned with the degree to which research adheres to professional, legal and social obligation to the study participants. Social research must strive to protect subjects from undue harm arising because of their participation (Denise, 1995). This requires that subject's participation should be

voluntary and as fully informed as possible (Nkhata, 2009). The researcher ensured that the participants were duly informed of the research and its purpose and that consent was sought before undertaking the interviews. The research also ensured that the data collected from the participants was treated with high levels of confidentiality. Further, the researcher recognized all authors of all written documents that were used in this research.

3.10 Validity and Reliability

With validity and reliability, the researcher should measure exactly what one says he is measuring and the data collected must match or be similar from one respondent to the other to the extent that if the research is carried out again in the future it will yield similar results as obtained during the research (Bryman, 2001).

3.11 Limitations of the Study

The process of conducting any scientific research is not only rough but also requires high levels of concentration. Considering that the researcher is only human, high levels of concentration was not always possible. This in one way or another, compromised the quality of the results. Furthermore, due to financial limitation, travelling to the target area was costly. In addition, considering that the study used non-probability sampling techniques, the results of the study will not be generalized to the total population.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter focuses on the analysis and interpretation of data that was collected from respondents in the district of Mangochi, T/A Chimwala. The analysis and interpretation of data was according to research questions as a set out on the questionnaire and data collected as corresponding responses. The data analysis was done through descriptive statistics. The responses have been summarized and presented in the form of tables and figures.

4.1 PROFILE OF RESPONDENTS

4.1.1 FREQUENCY OF SEX RESPONDENTS

Table 1: Sex Distribution among the Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
male	24	40.0	40.0	40.0
female	36	60.0	60.0	100.0
Total	60	100.0	100.0	

Showing the number of respondents in the table of male and female involving the males in order to differentiate the results.

Table 2; Age of Respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-30	7	11.7	11.7	11.7
31-40	18	30.0	30.0	41.7
41-50	25	41.7	41.7	83.3
51-60	9	15.0	15.0	98.3
61-70	1	1.7	1.7	100.0
Total	60	100.0	100.0	

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
participants and non-participants - monthly income	28663.50000	31641.31236	4084.87586	36837.31772	20489.68228	-7.017	59	.000

The results presented in table 4.2.1 above addressed the first specific objective of the study which was “to determine the effect of VSL participation on the income of households”. A comparison of average monthly incomes was made, and the comparison was on VSL participants ‘treatment’ group versus non-VSL participants ‘control’ group. Results from table 4 of the two-sample t-tests (Group Mean Comparisons) reveal the following about VSL participants and Non-VSL participants; Here, the null hypothesis tested was using two paired sample correlations where the significant indicated 000 as shown in the above table. The null hypothesis was not accepted at ($p < .005$). This means that the estimated average monthly income of VSL participants is significantly different from (greater than) that of the non-VSL participants. The result confirms the hypothesis that “there is a difference between the mean income of VSL participants and non – participants”.

Table .2.2; Monthly Income for Participants and Non-Participants

participants and non-participants	Mean	N	Std. Deviation
Participants	52160.0000	30	29761.83161

non-participants	5170.0000	30	2992.19099
Total	28665.0000	60	31640.93479

This result confirms that household participation in VSLs leads to an improvement in their income overtime since the incomes of the participants are higher as compared to those of the non-participants hence portraying the long term positive impact of VSLs on household income. To further assess the role of VSLs on household income, mean and standard deviation was run to measure the impact of participation in VSLs on the income generated by a household. Results are displayed in table 4 above.

4.3 CONTRIBUTION OF VSL PARTICIPATION ON HEALTHY EXPENDITURE

Paired Samples Correlations

	N	Correlation	Sig.
Pair 1 participants and non-participants & access to better health	60	-.547	.000
Pair 2 participants and non-participants & do the savings impact your family health	60	.869	.000
Pair 3 participants and non-participants & do the savings impact your health expenditure	60	.673	.000

The results presented in table 4.2.1 above addressed the second specific objective of the study which was “to determine the effect of VSL participation on health expenditure patterns”. A comparison of healthy expenditure patterns was made and the comparison was on VSL participants ‘treatment’ group versus non-VSL participants ‘control’ group. The comparison of healthy expenditure patterns were determined by access to better health, impact of savings on family healthy and savings were spend on buying drugs, paying medical bills and transportation. Results from table of the two sample t-tests (Group Mean Comparisons) reveal the following about VSL participants and Non-VSL participants; Here, the null hypothesis tested was using two paired sample correlation where the significant indicated 000 in all patterns as shown in the above table. The null hypothesis was not accepted at ($p < .005$). This means that the estimated healthy expenditure of VSL participants is significantly different from (greater than) that of the non-VSL participants. The result confirms the hypothesis that “there is a difference healthy expenditure of VSL participants and non – participants”.

Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)	
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference					
				Lower	Upper				
Pair 1	participants and non-participants - access to better health	-2.083	1.183	.153	-2.389	-1.778	-13.640	59	.000
Pair 2	participants and non-participants - how do the savings impact your health expenditure	.067	.406	.052	-.038	.172	1.271	59	.209
Pair 3	participants and non-participants - how do the savings impact your family health	.033	.258	.033	-.033	.100	1.000	59	.321

This result confirms that household participation in VSLs leads to an improvement in their health expenditure overtime since the incomes of the participants are higher as compared to those of the non-participants hence portraying the long term positive impact of VSLs on household income. To further assess the role of VSLs on healthy expenditure, mean and standard deviation was run to measure the impact of participation in VSLs on the impact of healthy expenditure generated by a household. Results are displayed in tables above

The results from the table indicated that through savings the member's healthy expenditure is relatively high than those who are non-participants indicating that there is an impact of VSL

“When we face some calamities like emergence illnesses, we are able to borrow money from the group, where we were able to use the money for drugs or transportation to take the patient to the hospital”

4.4 CONTRIBUTION OF VSLs TO EDUCATION INTERMS OF NUMBER OF YEARS SPENT SCHOOLING

Paired Samples Correlations

	N	Correlation	Sig.
Pair 1 participants and non-participants& education status	60	-.358	.005

Paired Samples Test

	Paired Differences					T	Df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 participants and non-participants - education status	.067	.880	.114	-.161	.294	.587	59	.560

The results obtained under this section were used to address the third specific objective of the study which was “To determine the effect of VSL participation on the number of years spent schooling by VSL participants”. A comparison of number of years spent schooling was made and the comparison was on VSL participants ‘treatment’ group versus non-VSL participants ‘control’ group. The comparison of number of years spent schooling were determined by how many children reached secondary school level and those that reached primary and drop outs. Results from table of the two-sample t-tests (Group Mean Comparisons) reveal the following about VSL participants and Non-VSL participants; Here, the null hypothesis tested was using two paired sample correlation where the significant indicated .005 as shown in the above table. The null hypothesis was accepted at ($p < .005$). This means that the estimated contribution of VSL on education of VSL participants is significantly equal to that of the non-VSL participants. The result confirms the hypothesis that “there is equal contribution number spent schooling of VSL participants and non – participants”.

This result confirms the hypothesis that VSLs contribute to number of years spent schooling amongst rural households. This finding suggests that through VSLs, rural households (participants) are in position to afford

school related expenses or extra charges and fees imposed by schools such as; examination fees, The results also show that the number of children in the family significantly increases the probability of number of years spent schooling by children in the family. This can be so because in poor communities, higher number of children reduces the probability that a child will enjoy or get the chance of getting educated due to the fact that the families may not be in position to support or sustain paying many children in schools because of financial constraints or poverty. This result appears counter – intuitive but it may arise due to the fact that some community groups do not encourage education because either they don't spread the message or sensitize group members about the benefits of education hence not taking children's education seriously, or the inability of such groups to

4.5 CHALLENGES FACED BY THE VILLAGE SAVINGS AND LOAN MEMBER PARTICIPANTS

4.5.1 Limited Repayment Period

The short-term loans given to the VSLA members basically with a limited repayment period ranging from one to three months puts a lot of pressure on the beneficiaries. (Micro Save Africa, 2001; and Allen, 2005). The pressure comes in due to a need to generate adequate income to save and payback the loan within a short time (Wright & Mutesasira cited in Micro Save Africa, 2001). CARE (2006) adds that the short-term loans limit long term investment.

“When we borrow money from the group we are supposed to pay back the loan after three weeks by fourth week we are supposed to pay back all the money; this forced us to get small loans which you can not engage into bigger business which can bring more profit”.

4.5.2 Threatens Sustainability

According to Johnson (2004:1359), VSLAs function with binding sets of rules which essentially rely on non-contractual elements such as trust, moral norms and religious values. Much as these play a key role in enforcing rules, some members may not necessarily respond to these sets of rules thus putting the group's funds at risk. Therefore, despite VSLAs' vitality in helping the rural poor to meet their social, economic and cultural needs, the financial and administrative system threatens sustainability

“One of the problems we face in this group is property confiscation so as to force us to pay back the loans.”

4.5.3 Risk of being Robbed

CARE (2010) contends that there are high liquidity levels at the end of the cycles that put group members at risk of being robbed. In addition, CARE (2011) states that some VSLA members donot afford to commit to the program, even though it only requires a few cents per week . Hollar (2011) agrees with CARE (2011) by pointing out that while the flexible share is likely to attract those who are better-off, the very poor may be excluded by self-organising groups, or they may be either unable to make the weekly quotas.

“we only meet once a week, Mondays, but every time we have a meeting we are supposed to come with K1,300 to the group for banking; which is something difficult to others, yet that money could be used for other purposes like to buy other things like books, writing materials etc.”

Furthermore, participants were forced to get loan by the end of year when they were distributing the money to the participants where by the profit which were made through that year were given to the members as forced loans.

” When we are closing the group by the end of the year we make more profit which when we share the profit the remaining money is forced to the members to get loan so that they will repay back as soon as the group is opening again. This forced members to get loans in time where they are not supposed to get loan.”

CONCLUSION

Village Savings and Loans in Mangochi Traditional Authority Chimwala has assisted many families from female headed households since these families are able to solve some financial problems through Village Savings and Loans.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, DISCUSSIONS, RECOMMENDATIONS AND CONCLUSION

5.0 Introduction

This chapter provides the conclusion and recommendations of the study. Specifically, it contains the summary of the study findings, conclusion, recommendations, and the areas identified for future research.

5.1 SUMMARY

The indices of rural household welfare in Malawi have remained low (poor) and/ or insignificantly changing over time despite their participation in informal savings schemes such as VSLAs among others. There was therefore a need to carry out a scientific investigation to establish the impact of VSLAs on household welfare or socio - economic status (SES) from female head households. This study was set out to analyse the role of Village Savings and Loan Associations (VSLAs- an informal saving scheme) in enhancing the welfare or SES of rural households in Malawi. The results show that participation in the savings scheme has been found to have create a positive impact on household welfare, manifested in three ways - household income, healthy, and education.

Evidence from the study shows that the average monthly income of the VSLA participants is statistically significantly different from and larger than those of the non-participants. The mean asset index (possession scores) of the VSLA participants is also statistically significantly different from and larger than the ones for the non-participants.

Evidence also shows that there is a positive and significant relationship between participation in VSLs and healthy expenditure. Reported monthly monetary savings by the individuals, education, and size of land under cultivation, the number of household members who are employed and household size also impact positively and significantly on household asset accumulation.

Further evidence shows that participation in VSLA significantly improves the probability of children in the family reaching secondary school level, which is a positive indicator of the impact of VSLAs in supporting the education of rural household's children. An educated person from at least the primary level reduces the probability of having school drop - out children in the family but not significantly. The number of children and participation in other community groups are found to significantly cause a rise in the probability of having school drop - out children in the family.

Lastly, it has also been evident that participation in VSLAs and the monthly savings made by VSLA members into the association's savings pool have a positive and significant impact on the household incomes of the participants under the study. The number of VSLAs that an individual belongs to also positively and significantly influences his household income.

5.2 CONCLUSION

Overall, the conclusion of this study is such that, Village Savings and Loan Associations (VSLs) which are part of informal savings schemes are enhancing the Socio-Economic Status (SES) or welfare of rural households in Malawi. This is based on the positive impacts on; household income, healthy expenditure, and education that have been revealed in the findings. The scheme (VSLs) can therefore be replicated to other rural areas in other parts of the country to contribute towards the improvement of household welfare.

5.3 RECOMMENDATIONS

Deriving from the evidence and conclusion of the study, the following recommendations followed:

5.3.1 Encourage the development of VSLAs. This is based on the finding that Village Savings and Loan Associations (VSLAs) are having a positive impact on household welfare. The development of VSLAs can be encouraged by the government and development agencies since they are positively impacting on some of the welfare indicators and serving the financial service needs of the rural poor which can contribute to the fight against poverty. This can be arrived at by supporting the VSLAs for instance in terms of training for proper recordkeeping and management as well as proper use of the member's savings. Also, business related trainings can be appropriate to strengthen the development of IGAs amongst the VSL participants.

5.3.2 Embark on community sensitization to enhance savings mobilization. This recommendation stems from the finding that the savings made by the VSL participants have a positive and significant impact on income and that the reported monthly savings have a positive and significant impact on healthy expenditure. Members of VSLs can be encouraged to save more and sensitization of the general community is necessary about the importance of savings since the savings made are significantly influencing welfare indicators in the positive direction. The member's savings are indeed helping to buy drugs, transportation, pay for children's education and support the development and diversification of Income Generating Activities. Sensitizations can be done by providing financial extension services in the rural areas and the use of other awareness creation channels.

5.4 Area for further Study

From the study findings there is need for further study because when these people are participating in village banks they face many challenges. In most of the cases the loan they take from the village bank they are given a very short period of time to pay back the loan as a result they fail to pay the loan it results into property confiscation as to force them to pay back the loan. Some of these catastrophes members face when participating in village gave a picture for further study which would be done in any other districts of Malawi.

APPENDIX

QUESTIONNAIRE

The bearer of this questionnaire Jacob chawinga. Is a fourth-year student at the DMI ST JOHNS THE BAPSTIST UNIVERSITY OF MALAWI. With the consent from the departmental head of social work at his institution and the Traditional authority responsible; T/A Chiwaula, he is conducting an academic study which aims at finding out the social impact of village savings on rural people. The study will solely be conducted in the villages within T/A Chiwaula in Mangochi district. This finding of this study will make him fulfil the requirements of the award of his Bachelor's Degree in Social Work. Would you therefore allow him to do his academic study in your village?

Questionnaire

Tick where appropriate

SECTION A: DEMOGRAPHIC INFORMATION

Questionnaire Code: 01

Age range

- a. 20-30
- b. 30 -40
- c. 41 -50
- d. 51-60
- e. 61 and above

Gender: 1. Male 2. Female

Marital status: 1 Single 2. Married 3. Separated 4. Divorced 5. Widowed

Number of family members:

Means of survival

Working

Farmer

Dependent

SECTION B: OPEN QUESTIONS

1.What is the name of your group (bank Mnkhonde)?

Dzina la gululanundichiyani?

1. When did you join the group?

Nanga inuyomudalowalitiguluri?

2. What motivated you to join the group?

Kodi chinakupangitsanindichiyanikutimulowegululi?

3. How many times do you meet in your group per month and why?

Kodi mumakumanakangatipamwezigululindipochifukwachiyani?

4. How much money do you contribute in your meetings?

Kodi mumasungitsandalamazingatimukakumana

5. Are there any possibilities for one to take a loan from the group?

Kodi mumaloledwakutengakongolekuguluri?

Yes	No
-----	----

6. If yes, then what determines the amount of loan to be taken by an individual?

Zimatengerachiyankutimunthuadziwendalamazomweakhozakubwereka?

7. If this is possible then how is it refunded

Nanga ngongoleyimabwezedwabwanji?

8. What follows if one fails to refund the loan

Nanga munthuakalepherakubwezachimachitikandichiyani?

SECTION C. Questions impact

9. Can you tell me about any tangible benefit that you get from the savings?

Kodi ndiphindulanjilomwemumapezapopakusungitsandalamakwanu?

10. According to your assessment, how do the savings impact your:

A. Family health?

B. Household health expenditures?

Kodi kusungitsakukwapindulirakhomolanumotani?

According to your assessment, how do the savings impact your family economic status?

11. According to your assessment, how do the savings impact your family social status?

12. According to your assessment, how do the savings impact the education of your children?

15. Through the VSLA participation, have you managed to own the following:

Direction: Please use the rating guide provided. Kindly circle the number corresponding to your answer / your scoring. Strongly Disagree = 1; Disagree =2

Not Sure =3; Agree =4, Strongly Agree = 5

Assets building
Members have acquired a plots/land to expand their agriculture 1 2 3 4 5
Members have constructed houses/stores to expand their business 1 2 3 4 5
Members have improved their transport system by purchasing a bicycle, motorcycle (any of these) 1 2 3 4 5
Household has acquired livestock 1 2 3 4 5
Members have furniture such as sofas, table sets, etc. 1 2 3 4 5
Members' cash inflow or earnings have improved 1 2 3 4 5
Members have some investments from which they earn money (like IGAs) 1 2 3 4 5
Members also have cash at bank 1 2 3 4 5

Welfare improvement
Members access better health services and facilities for their family 1 2 3 4 5 Members live in better condition and well-ventilatedhouse 1 2 3 4 5
The nutrition of the household has improved and take at least three meals in a day 1 2 3 4 5
Members meet the basic educational needs of their children 1 2 3 4 5
The social life styles of the members have improved (e.g attending parties, friends etc.) 1 2 3 4 5
Members provide better clothing to themselves and their children 1 2 3 4 5
House household drinks have a latrine 1 2 3 4 5
Household uses mosquito nets 1 2 3 4 5
Household can afford good meals e.g. fish, or meat for the family 1 2 3 4 5

Emergencies and risks management
Members save some money in bank to meet unexpected occurrences 1 2 3 4 5
Members store enough food to cater for calamities or catastrophe 1 2 3 4 5

13. Tell me any benefits that you have observed being in the group so far?

Munganenepochiyani za phindu la kususngitsandalama

14. Does one need to have any special knowledge before joining the group?

Kodi munthuamayeneraadziwepokanthukena kali konseasanaloweguluri?

15. How do you differentiate the new and old entrants in the group in terms of loans acquired?

Mungasiyanitsebwanji za katapidwe ka ndalama ka omweadayamba kale ndiomwealowakumene?

For objective 4 Challenges of VSLA

16. Can you explain some of the challenges that you face in your group?

Tafotoko zanimavutoomwemumakumananawomugululanu?

17. Direction: Please use the rating guide provided with reference to the challenges of VSLAs. Kindly circle the number corresponding to your answer / your scoring. Strongly Disagree =1; Disagree = 2; Not Sure= 3; Agree = 4; Strongly Agree = 5

Un binding rules and regulations for the VSLAs put member savings at risk	1 2 3 4 5
The group operates as self-selected groups and segregates willing members in the community	1 2 3 4 5
Norms on members are enforced through sanctions such as guilt and shame which are negligible to some	1 2 3 4 5
The group does not seek for external sanctions on defaulters	1 2 3 4 5
The group does not exercise any control on loan use	1 2 3 4 5 6
The short-term loans given to the members with limited repayment period puts a lot of pressure on the beneficiaries	1 2 3 4 5
Short term loans limit long term investment	1 2 3 4 5
Loaning based on saving capacity limits meaningful loans	1 2 3 4 5
Male dominance over women makes women empowerment very difficult as they are groomed culturally to be submissive to their husbands	1 2 3 4 5
Women’s choice of activity and ability to increase their incomes are constrained by their	

husbands 1 2 3 4 5
Many women have no say on the family earnings even when they have contributed to them being generated 1 2 3 4 5
The economic and social status of women is controlled by their husbands. 1 2 3 4 5

18. Can you explain some of the challenges which you encounter in VSL group as an individual in terms of?

A. Access to credit savings,

B. Income

C. Food security,

D. Education consumption

E. Healthy expenditure

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