ASSESSMENT OF THE SELF HELP GROUP (SHG) AND VILLAGE SAVINGS & LOANS (VSL) APPROACHES

REPORT

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January, 2014

EXECUTIVE SUMMARY

Background

The Livingstonia Synod AIDS Programme (LISAP) is an implementing partner of Tearfund's IMPACT project whose goal is to reduce mother to child transmission of HIV. The project has a livelihoods component that seeks to initiate Self Help Groups (SHGs)/community saving schemes. LISAP has been implementing the Village Savings and Loans (VSL) approach since 2006, and in 2011 it introduced the Self Help Group (SHG) concept. Currently, both concepts are being implemented, but there have been cases where the SHGs and VSLs have ended up in conflict and the SHG members felt like merging into VSLs. This prompted Tearfund and LISAP to institute a study to assess and learn from both approaches with a view to developing a hybrid which integrates the best elements of the two and avoids duplication.

Assessment Approach and Methodology

The assessment was both qualitative and quantitative, and mostly used participatory approaches. For purposes of broadening the learning process especially for SHG approach, Tearfund approached St John of God in Mzuzu to allow its SHGs to be involved in the study.

Field studies in LISAP and St John of God groups were done between 18th and 22nd November, 2013. The main methods used for data collection were Focus Group Discussions using a set of guiding questions, and individual interviews using a structured questionnaire. The Focus areas were Mzuzu City (for St John of God groups) and Mzimba. In both cases, the groups were randomly chosen by the Consultant from the list of groups provided by the two institutions, and in each group all or most of the group members were involved in the interviews.

Study Findings

The two groups (Village Savings and Loans facilitated by LISAP and SHG facilitated by St John of God) had similar background characteristics such as sex, age, marital status, and level of education. These were therefore less likely to influence the outcomes of main parameters of assessment, namely: savings and loans, expenditure and utilisation of money accrued from the group, impacts and sustainability.

When initial amount saved per week was analysed against current amount of savings at the end of 2013, each group had recorded significant change in the amount saved. Similarly, members of each group were able to borrow significantly larger amounts of money at the time of the survey compared to the time they joined their respective groups. Across group analysis shows that there was no significant difference between the initial amounts saved by members of VSL in LISAP and SHGs in SJG. The same was true for current savings and initial loans. However, the current sums of money borrowed by SHG members in SJG were significantly larger than those borrowed by VSL members in LISAP, These differences also reflected in the amount of money accrued from the group which was spent on valuable resources and livelihoods assets. SHG members spent significantly larger amounts of money than VSL members and the things both groups spent money on included electronic gadgets especially cellular phones, farm inputs, livestock, clothing, school fees, food and others. Members of SHG approach had better average meal frequency and more diversified diets than members in VSL clubs. However, both groups had similar views about the impacts their groups have had on their lives, which were mostly economic - such as increased incomes and ability to meet their financial needs, and enhanced businesses; and social - which included ability to interact and share social issues, better knowledge on issues affecting their lives, enhanced self esteem, and ability to take on leadership roles. The main drivers of SHG approach success were noted to be:

- Accumulation of savings: The fact that money is not hared makes savings and interest to grow progressively as opposed to sharing out and starting all over again.
- Shared leadership and responsibility: Since the group does not have permanent leaders, the weekly rotation of moderation role gives chance to every member to lead and eventually gain self confidence
- Flexible loan repayment: Loan repayment period is much longer, 8 weeks as opposed to 4 weeks in VSL, and this gives members better chance to invest and re-invest twice, thrice or four times before the loan is repaid and hence the borrower benefits more than VSL
- Intensity of management and technical support: SHGs in SJG are visited at least weekly by a LISAP Facilitator or Community Facilitator (volunteer) and this helps to solve some of the group problems that might arise.
- Clarity of Purpose: SHG were categorized at the start according to the individual member's economic status. It is the higher categories that they do not belong to that motivate performance and inspire them to progress into the next level. This has not yet been introduced in LISAP VSL clubs.

While the SHG approach scored higher in most parameters of assessment, it was noted that it had some short falls. These include:

- Over-dependence of beneficiaries on Community Facilitators for technical support and group guidance, and on the institution in form of facilities.
- High initial cost of training and supervision of the groups as opposed o VSL which is already established and most of the capacity in LISAP and other institutions in the country already built
- In adequately empowerment of individuals to know and internalise their financial records and transactions, which may compromise financial transparency.

The following factors might hinder LISAP from adopting SHG in its current form:

- High administrative cost of implementing the approach
- Inadequate business or marketing opportunities in the rural areas where LISAP is implementing its programmes
- Fear of change by implementing staff, community leaders, as wel as beneficiaries

In trying to come up with an adapted or hybrid approach, the following suggestions are made:

i. Group Formation should pay particular attention to:
   a. First holding a community sensitisation meeting with the community and local leaders to introduce the "new approach"
   b. Conduct PRA session to understand the broader problems of the community and facilitate prioritisation of the issues and strategies before enlisting the potential beneficiaries by economic or livelihoods status
ii. Sensitize the community on the new approach. This will provide more details on what the approach is and what it entails
iii. Identification and Training of Field and Community Facilitators
iv. Implementation of the approach

Conclusions and recommendations

a. Both VSL & SHG are effective for enhancing:
   - a savings culture
   - investment in businesses

- Asset accumulation
- Social interaction & knowledge development

b. SHG has relatively higher potential for:
    - long term economic growth & sustainability
    - Socio-political empowerment of women on issues affecting their community
    - Enhancing leadership & self esteem

c. In the short term, SHG is likely to be more costly than VSL.

d. Replication or up-scaling of SJG experience would need modification of some elements such as:
    - Reduced intensity of support to groups
    - Placing more responsibility of financial transaction records on all members rather than Community Facilitators or Book Writers
    - More vigilance in loan follow up using peer pressure

From these issues, it is recommended that:

1. An adapted approach as suggested in this report be further discussed by LISAP, Tearfund and other partners to understand the broader implications of the new approach in terms of additional financial requirement and capacities of implementing officers and community volunteers.
2. Tearfund and LISAP should organise some study visits St John of God in Mzuzu and other institutions in Malawi that have successfully implemented the SHG approach.
3. Teafund and LISAP should contextualise and package the guiding steps for implementing the adapted (hybrid) approach and widely circulate it to LISAP field and community facilitators as well as community leaders in the target areas for their understanding and further input.
4. Tearfund or other funding stream or donor should set aside and provide adequate resources that would enable LISAP to further pilot and/or roll out or scale up the adapted approach.

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BACKGROUND

Introduction

The Livingstonia Synod AIDS Programme (LISAP) is a department of the CCAP Synod of Livingstonia which was formed in 1994 with a mandate to coordinate and implement HIV and AIDS activities within the Synod's catchment area.

LISAP is an implementing partner of Tearfund's IMPACT project whose goal is to reduce mother to child transmission of HIV. The project is holistic in its approach and has a livelihoods component that seeks to initiate Self Help Groups (SHGs)/community saving schemes.

LISAP has been implementing the Village Savings and Loans (VSL) approach since 2006. In 2011, it introduced the Self Help Group (SHG) concept following a study tour to SHGs in Ethiopia, which have been initiated by Tearfund. Currently, both concepts are being implemented, in some locations simultaneously though with different focus groups. In some instances challenges have emerged in communities where both approaches have been implemented. There are cases where the SHGs and VSLs have ended up in conflict and the SHG members felt like merging into VSLs.

Objectives of the Study

Based on the issues highlighted, a study was instituted to assess and learn from both approaches with a view to developing a hybrid which integrates the best elements of the two and avoids duplication. It is anticipated that the assessment is carried out in light of relevance to the cultural context in Malawi and that the hybrid approach is relevant to vulnerable community members, especially those affected by AIDS. For this reason, the study was designed to:

- Review the origins of the SHG and VSL models that were introduced in the focus communities and highlight major differences between the original model and the actual implementation.
- Assess aspects of best practice in an appreciative way, as well challenges and bottlenecks of SHGs and VSLs as implemented through a comparative study.
- Develop a relevant and feasible merged (hybrid) approach, which combines the best elements of the two, while reflecting on various options and the pros and cons of each.
- Design the modalities of the implementation of the hybrid approach and the pros and cons of the various procedures.
- Conduct the evaluation in light of cultural context – leading to an approach that works and is attractive in the Malawian context – and also acknowledges the dignity of and relevance to the most vulnerable members of the community affected by AIDS. At the same time key stakeholders should participate with a view to creating ownership of the merged approach.

APPROACH AND METHODOLOGY

The assessment was both qualitative and quantitative, and mostly used participatory approaches. For purposes in the study of broadening the learning especially about SHG approach, Tearfund agreed with St John of God (SJG) to involve the latter's SHGs around Mzuzu City.

The Focus areas for the study were Mzuzu City (for SJG groups) and selected clusters in the Tearfund/LISAP IMPACT project areas in Mzimba District. Field studies for the sampled LISAP and St John of God groups were done between 18th and 22nd November, 2013.

The main methods used for data collection from the groups were Focus Group Discussions using a set of guiding questions and individual interviews using a structured questionnaire. The groups were randomly chosen by the Consultant from the list of groups provided by SJG and LISAP, and in each group all or most of the group members were involved in the interviews. Key Informant Interviews were held with project management staff in LISAP and SJG, as well as Tearfund and CARE (Malawi) for their insights and clarification on relevant issues regarding the study. Secondary data on VSL and SHG and studies done in Malawi and Ethiopia in particular were reviewed to enable comparative analysis of the two approaches.

ASSESSMENT SCOPE

Guided by the Terms of Reference, the assessment was meant to at least answer the following key questions:

- What is the structure, roles and functions of the two approaches in relation to the possibility of a merger?
- Are vulnerable people included or excluded and what are their attitudes towards the two approaches?
- How sustainable are the approaches?
- Have elements of the original SHG approach from Ethiopia and the VSL approach from CARE (Malawi) been excluded?
- What are the opportunities, challenges and risks of a merger?
- What can a hybrid model look like? Is it relevant to the cultural context in Malawi (as it has been mentioned that the SHG approach as practiced in Ethiopia cannot be transferred completely to Malawi)?
- How can the merged model be implemented?
- What are the views of relevant stakeholders?

FINDINGS

The findings of the study have been outlined as follows:

1. Summary of findings from Individual Interviews
2. Summary of findings from Focus Group Discussions and Key Informant Interviews
3. Assessment of the two approaches (VSL and SHG)
4. Proposed hybrid model
5. Requirements and considerations for implementing the proposed model

As indicated in the Background Section of this report, VSL approach has been implemented in LISAP since 2006 with the help of Plan (Malawi) and later CARE (Malawi). SHG approach is fairly new and was only introduced into LISAP about three years ago following a study tour to Ethiopia where SHGs have proved to be very successful. According to the project, implementation of the two approaches alongside each other has proved rather difficult, and it is reported that most communities prefer VSL over SHG. In this study, only one or two of the LISAP groups indicated that they were using the SHG approach. Even then, it was noted that members were not entirely sure about which approach they were using. In the Embangweni (Thoza area), there was even more confusion because they refer to all the groups related to village banking as CADECOM, the institution that introduced and facilitated VSL clubs in the area for many years before the LISAP initiative.

It must be mentioned from the outset that although the report presents a comparative analysis of the groups facilitated by LISAP and those by St John of God, the purpose was to learn from SJG and therefore should not be regarded as a formal evaluation of the St John of God programme.

1.0 Summary of findings from Individual Interviews

1.1 Groups and Number of Members Interviewed

All the groups facilitated by St John of God (SJG) that were contacted in this study had adopted the SHG approach. In LISAP, however, almost all the groups except Temwa, indicated that they were in Village Savings and Loan (VSL) clubs. As said earlier, even those in Temwa, majority of the group members did not seem to know whether they were in VSL or SHG. They were more familiar with VSL than SHG. For this reason, and for the sake of this report, all the groups facilitated by LISAP that were sampled in this study were categorized as VSL. Therefore the analysis in the report is basically focusing on VSL for LISAP and SHG for SJG. The following is the breakdown of the groups contacted and number of respondents by service provider:

LISAP: Total = 63

Kamwe		**Kasuma**		**Thoza**	
Thomo	6	Tovwirane	6	Kavukula	13
Jayi	6	Tikolelerane	4	Temwanani	4
Temwani	10	Kayembe	0	Tovwirane	14

St John of God (SJG): Total = 33

Titemwane	9	Rafiki	9
Pempho	6	Tiyanjane	9

As may be noted, the numbers per group were not consistent. Initially, it was thought that six members per group would be interviewed individually and another six would participate in the Focus Group Discussions. It was later felt that as many members should be invited in order to increase the sample size. This decision mainly affected LISAP groups which were contacted after the SJG. However, in some LISAP clubs the numbers were still small due to low membership. Kayembe Club members did not participate in the interviews due to a funeral in the village. Another point to note is that all the groups contacted both in LISAP and SJG were comprised of women only, so no gender analysis included.

1.2 Background Characteristics of the Group Members Interviewed

In order to understand the differences in the VSL and SHG approaches as adopted and implemented by LISAP and SJG respectively, it was important to analyze the background characteristics of the groups involved in the two approaches. Table 1 therefore presents a summary of these background characteristics.

As indicated in table 2, there were no marked differences between LISAP groups and SJG groups in the key characteristics. In both cases, the average interviewee was an adult (26-64 years of age) married woman in Male Headed Household, semi-literate (can read a sentence in local language but cannot write a letter or do basic calculations), and who had reached senior Primary School level of education.

Table 1: Interviewee Background Characteristics

Interviewee Characteristic	VSL (LISAP)		SHG (SJG)	
	No.	%	No.	%
Marital Status of Interviewee				
Married	54	86%	32	97%
Widowed	7	11%	1	3%
Divorced	2	3%	0	0%
Total	**63**	**100%**	**33**	**100%**
Household Headship				
MHH	48	76%	31	94%
FHH	15	24%	2	6%
Total	**63**	**100%**	**33**	**100%**
Literacy Level of Interviewee				
Literate	22	35%	9	27%
Semi-literate	26	41%	18	55%
Illiterate	15	24%	6	18%
Total	**63**	**100%**	**33**	**100%**
Level of education				
Secondary School 1-4	6	9.5%	12	36.4%
Senior Primary (6-8)	41	65.1%	14	42.4%
Junior Primary (1-5)	12	19%	6	18.2%
No formal education	4	6.3%	1	3%
Total	**63**	**100%**	**33**	**100%**
Age of Interviewee				
Average Age	38.5		36	
18-25 yrs	5	7.9%	4	12.1%
26-64 yrs	57	90.5%	29	87.9%
65 yrs & above	1	1.6%	0	0%
Total	**63**	**100%**	**33**	**100%**
No. of persons per hhld	**5.4**		**6.5**	
Dependency Ratio	**1.01**		**0.9**	

Characteristics of their households also show that there were no major differences between the two groups. For example, the T-Test score for household size was Significant, dependency ratio score was Not Significant, an indication that although SHG (SJG) had more persons per household than their counterparts in VSL (LISAP), the dependency burden was similar.

1.3 VSL/SHG Membership Motivating and Influencing Factors

Interviewees were asked to indicate the period they had been members of their respective groups and factors that motivated or influenced them to be a member of the group. Table 3 is a summary of the findings from the study.

Table 2: Motivating & Influencing Factors for Group Membership

Motivating/Influencing Factors	VSL (LISAP)		SHG (SJG)	
	No.	**%**	**No.**	**%**
Total # of interviewees	63		33	
Avg. # of months as group member	24.9		27.3	
1. To reduce poverty	42	67%	20	61%
2. To interact with friends and colleagues	35	56%	13	39%
3. To gain knowledge about some issues	34	54%	16	48%
4. To save money and start business	30	48%	19	58%
5. Member from previous group	12	19%	1	3%
6. Not sure	2	3%	3	9%

As may be noted from the table, members in the groups under LISAP had slightly less months of membership than their counterparts in the SHG under SJG (24.9 months and 27.3 months respectively). However, statistically, this difference was Not Significant, implying that any major differences between the two groups could not have been influenced by duration of membership. All the other factors presented in table 2 show a similar trend across groups. T-Test scores show that differences in all the motivational factors were Not Significant. This implies that factors that motivated members to join the VSL or SHG in the two institutions were similar. In both cases, the main motivating factor was to reduce poverty. Other equally important factors were social interaction, the need to gain knowledge on relevant issues, the need to save money, and to open up businesses. Members in VSL clubs under LISAP that indicated previous membership were mostly ones that were in VSL clubs in project CADECOM facilitated which had since phased out.

1.4 Members' Views about the Process of Being a Group Member

The target beneficiaries for both the LISAP and SJG initiatives were poor and vulnerable women. It was therefore necessary to seek the views of the members on the transparency and inclusiveness of the process for one to become a member of their respective groups. In response, 67% and 70% of the interviewees in LISAP and SJG respectively indicated that relative to other people in their locality, members of VSL/SHG were considered to be poorer at the time they joined their respective groups. Similarly, 100% and 97% of members in LISAP VSL clubs and SJG Self Help Groups said that the system of enrolling members of the groups was transparent and fair.

Although these processes have been discussed in detail in the Summary of Findings from Focus Group Discussions sub-section below, suffice to say that in both LISAP and SJG, unless one had serious issues that the group had reason to disqualify him/her from joining the group, membership was voluntary and open to everyone in the village. So in effect, inclusion and exclusion errors were minimal in both cases.

1.5 Savings and Loans

Analysis of financial performance of the groups was regarded as one of the key parameters of group performance. For this reason, the study asked interviewees to indicate amount of money they saved and borrowed from the group. They were also asked to indicate how money accrued through the group was spent.

Presented in Table 4 are analyses of the savings made by group members in both the LISAP VSL Clubs and SJG SHGs at the time one joined the group and at the time the survey was done (current), as well as amount borrowed at start and currently (or at the time of the survey). The figures presented are an average of all the LISAP-VSL contacted and all SGJ-SHG contacted.

Table 3: Weekly Savings and Loans at Entry & Currently

		VSL (LISAP)	**SHG (SJG)**	**Probability**	**Level of Significance**
		K	K		
Avg Weekly Savings	Initial	305.56	319.39	($p \geq 0.05$)	NS
	Current	12,799.21	11,483.03	($p \geq 0.05$)	NS
	Probability (Initial vs. Current)	($p \leq 0.01$)	($p \leq 0.01$)		
	Level of Significance	**	**		
Amt Borrowed	Initial	2,835.80	4,000.00	($p \geq 0.05$)	NS
	Current	18,444.44	70,606.06	($p \leq 0.01$)	**
	Prob. (Initial vs. Current)	($p \leq 0.01$)	($p \leq 0.01$)		
	Level of significance	**	**		

Means significant (at 95% level of confidence); **Means Highly Significant (at 99% level of confidence); NS Means Not Significant

An example might help clarify the presentation in Table 4.

Assume Jane joined LISAP-VSL in January 2012 and saved an initial amount of K305.56. At the same time Mary joined an SJG-SHG and started saving K319.39. When analyzed statistically, the difference in the amount of money the two ladies started with is NOT SIGNIFICANT.

In November 2013, at the time of the survey, when the two ladies were asked how much weekly savings they had made, Jane's record book showed K12,799.21 while Mary's showed K11,483.03. When analyzed statistically, the difference between the two figures was NOT

SIGNIFICANT. However, when Jane's amount of K305.56 that she started saving in January 2012 was compared with the K12,799.21 she had saved by November 2013, the difference was HIGHLY SIGNIFICANT. Similarly, when Mary's 2012 amount of K319.39 was analyzed against the K11,483.03 that she had saved by November 2013, the difference was HIGHLY SIGNIFICANT.

So, using the savings analysis, the important thing that the data set is indicating is that whether in VSLA or in SHG, the amount saved over time is likely to be SIGNIFICANTLY larger than what you would have started with. This makes sense in that in both approaches there is accumulation of savings.

In terms of borrowings, let us say that the amount of money that Jane could borrow from her VSL group in January 2011 was K2,835.80, while in SHG Mary was able to borrow an initial amount of K4,000. When analyzed statistically, the difference between the two amounts was NOT SIGNIFICANT. When the researcher asked each one of them the amount last borrowed from the group (i.e. before the interview in November 2013), Jane from LISAP-VSL indicated that her last borrowing was K18,444.44 and Mary from SJG-SHG said she borrowed K70,606.06. When the initial amounts borrowed were analyzed against the current amounts borrowed, that is to say, form K2,835.80 to K18,444.44 for Jane in VSL, and from K4,000 to K70,606.06 for Mary in SHG, both of them were able to borrow SIGNIFICANTLY larger amounts of money currently than they were able to in January 2012. Again, it makes sense since as members pay back their loans with interest, the total available amount increases and therefore members are likely to borrow larger sums of money than before. On that basis one would say, whether in VSL or SHG, you would borrow more if you stay with the group longer, therefore no difference between the two approaches. However, when Jane's current borrowing is analyzed against Mary's current borrowing, the difference between the two amounts borrowed is HIGHLY SIGNIFICANT, which implies that amount that Mary borrowed from SHG was SIGNIFICANTLY larger than what Jane was able to borrow from VSL towards the second year of their group membership.

There are two important messages that could be deduced from the data set on borrowing. First, that whether one is a member of VSL or SHG, the amount of money borrowed over time is likely to be SIGNIFICANTLY larger than what they might have started with, implying that both approaches liberate their members from borrowing from unscrupulous money lenders. The longer they save with the group, the more money they are likely to borrow and, hopefully, invest or solve their financial problems. On that basis, there is NO DIFFERENCE between VSL and SHG. Second, the extent of the difference between VSL and SHG in the current amount borrowed by their respective members is so large that it cannot be contested. Explained in terms of growth, one would say that starting from the same point, SHG group members are likely to grow SIGNIFICANTLY bigger in terms of investment capital over a period of two years or so, than their counterparts in VSL since the SHG members will be able to borrow much larger sums of money than their colleagues in VSL.

The other side of the argument is that with VSL, members share their savings and therefore might not be correctly reflected in the borrowing analysis. The presentation in Table 4 is based on additional data collected from LISAP, which indicates amounts of money saved and shared as entire groups (not sampled members) for the eight LISAP groups that were involved in the study.

The results in the table show that on average, each member of SHG/VSL in LISAP received K27,711.78 as value of shares plus in all the eight groups in 2013, and this was 39% of the average amount that a member of the SHG in St John of God borrowed (K70,606.06). These figures clearly testify to the fact that SHGs, if well managed, have higher potential of increasing the amount of money disposable to the members than VSLs where money is shared annually.

Table 4: Amount shared by members of VSL/SHG under LISAP (2011-2013)

		Kamwe			Kasuma		Thoza			Total
		Thomo	Jayi	Temwani	Tovwirane	Tikolelerane	Kavukula	Temwanani	Tovwirane	
2011	**# of members**	12	15	7	12	10		16	26	98
	Share value	50	50	50	100	50		50	200	
	Amt shared	10,000	300,000	42,000	47,000	186,000		63,000	88,250	736,250
	Avg/member	833.33	20,000	6,000	3,916.67	18,600		3,937.50	3,394.23	7,512.76

2012	**# of members**	15	18	15	12	15	20	25	26	146
	Share value	100	120	50	100	100	200	50	200	
	Amt shared	40,000	396,000	94,000	520,000	368,000	105,000	111,500	352,720	1,987,220
	Avg/member	2,666.67	22,000	6,266.67	43,333.33	24,533.33	5,250	4,460.00	13,566.15	13,611.10
2013	**# of members**	20	18	17	15	15	17	16	28	146
	Share value	100	100	100	100	100	200	100	200	
	Amt shared	475,000	540,000	410,000	1,465,720	455,000	50,000	120,500	529,700	4,045,920
	Avg/member	23,750.00	30,000.00	24,117.65	97,714.67	30,333.33	2,941.18	7,531.25	18,917.86	27,711.78

Another interesting dimension demonstrated by figures in Table 4 is that although there was no clear relationship between share value and final amount shared per member, Tovwirane and Kavukula, the groups that charged the highest share value (K200) were consistently among the lowest in terms of amount shared. Since this was additional data (post main survey), the reasons for the inconsistency were not explored.

The differences between SHG under SJG and VSL/SHG under LISAP in terms of money borrowed from the group were more pronounced in the expenditure of revenue accrued from the groups as indicated in 1.6 below.

1.6 Utilization of Money Accrued from VSL/SHG

Interviewees were asked to indicate how the money accrued from the group was utilized. As indicated in Table 5, on average VSL (LISAP) club members spent K28,453.17 on valuable items, while their counterparts in SHG (SJG) spent K98,745.13 and this difference was Significant at 99% level of confidence.

Further analysis of how money accrued from VSL/SHG was utilized shows a similar expenditure pattern across the two groups. SHG members on average spent more money on each expenditure item than their counterparts in VSL, which essentially indicates quantity differences. This is a further indication that other things being equal, SHG approach has higher potential for asset accumulation than VSL approach.

Table 5: Utilization of Money Accrued from VSL/SHG

Item	**VSL (LISAP)**			**SHG (SJG)**		
	No.	%	Avg Amt (K)	No.	%	Avg Amt (K)
Electronic Equip	13	21%	2,109.52	22	67%	16,454.55
Farm Inputs	31	49%	5,290.48	20	61%	24,507.58
Livestock	25	40%	4,523.33	19	58%	10,230.30
Clothing	21	33%	2,747.62	15	45%	10,806.06
Groceries	20	32%	1,700.00	15	45%	3,933.33
Fees	16	25%	2,988.10	15	45%	8,748.48
Food	18	29%	1,517.14	13	39%	9,230.30
Household Goods	3	5%	420.63	13	39%	4,966.67
Labour	8	13%	1,342.86	9	27%	2,750.00
House	0	0%	-	5	15%	4,060.61
Transport Hire	6	10%	1,057.14	4	12%	2,393.94
Farm Implements	2	3%	38.89	1	3%	175.76
Other	29	46%	4,717.46	10	30%	5,840.91

1.7 Benefits from VSL/SHG

Interviewees were asked to indicate their opinion on benefits realized for being a member of the VSL/SHG. Table 6 shows that "Ability to meet financial needs" was highly regarded by both groups as an important benefit of being a member of their respective groups.

Table 6: Respondents' Views on the Impact of Belonging to VSL or SHG

	LISAP		SJG	
	No.	**%**	**No.**	**%**
Total No. of Interviewees	**73**		**33**	
1. Economic				
1.1 Increased income	37	51%	15	45%
1.2 Enhanced business	31	42%	13	39%
1.3 Ability to meet basic financial needs	62	85%	29	88%
1.4 No more paying high interests to money lenders	27	37%	7	21%
2. Social				
2.1 Improved entrepreneurial skills	4	5%	8	24%
2.2 Able to interact and share social issues	55	75%	27	82%
2.3 Increased self image (esteem)	36	49%	11	33%
2.4 Better knowledge of issues affecting my life	51	70%	17	52%
2.5 Ability to take leadership roles	26	36%	8	24%
3. Political				
3.1 Ability to speak on issues affecting our community	31	42%	17	52%
3.2 Ability to act on issues affecting our community	41	56%	22	67%

Other important benefits included:

a) Social interaction with friends;
b) Increased household incomes;
c) Better knowledge of issues affecting their lives;
d) Ability to act on issues affecting their communities; and
e) Enhancement of businesses.

The results in table 6 show that the opinions about the benefits accrued from VSL or SHG were fairly similar. However, results in table 7 show that there were significant differences between the two groups in terms of nutrition as one of the non-direct benefits.

As indicated in the table, the differences in number of meals and diversity of meals were highly significant between the two groups. **Holding other factors constant**, if nutrition is the intervention of high development priority, SHG would be a better option than VSL. This emanates from increased disposable incomes realized by SHG members compared to their counterparts in VSL.

Table 7: Diversity of Food Consumption (based on Malawi Six Food Groups)

	LISAP		LISAP		Prob
	No.	**%**	**No.**	**%**	
Avg # of meals/day	2.81		3.0		($p \leq 0.01$)
Three meals/day	45	71%	32	97%	
Two meals/day	14	22%	1	3%	
One meal/day	4	6%	0	0%	
Total responses	**63**		**33**		
# of Food groups/day	4.48		5.1		($p \leq 0.01$)
High DD (4-6 food gps)	53	84%	31	94%	
Min DD (3 food gps)	7	11%	2	6%	
No DD (1-2 food gps)	3	5%	0	0%	
Total responses	**63**		**33**		

1.8 Lessons Learned from the Quantitative Analysis

This analysis has demonstrated a number of important issues:

a. Both VSL and SHG as practiced by LISAP and SJG respectively have helped individual members (in both cases women) to increase their savings and amount of loans accessed through their respective groups. This has an economically empowering ability for the women to enhance their business opportunities and livelihoods.
b. Members of both VSL and SHG expressed high opinion in terms of benefits accrued from their group. For most of the women involved, this was a rare opportunity to belong to such a club that enhanced their social interaction as well as increased their income earning ability to reduce poverty. These are important binding factors for group survival.
c. While most factors were similar across groups (VSL and SHG), the extent of accumulation of savings as shown by average amounts borrowed by members, amount of expenditure on essential goods, improved nutrition, as well as accumulation of household assets, were all significantly in favour of Self Help Group Approach. This shows that if the intention is to enhance livelihoods outcomes of the target community over the long term, one is better off with SHG than VSL.

2.0 Summary of Findings from Focus Group Discussions and Key Informant Interviews

Selected VSL and SHG members underwent Focus Group Discussions in order to supplement and complement the results from the individual interviews. The issues below highlight what was discussed and noted as relevant and important to this assessment.

2.1 Self Help Groups as Adopted and Practiced by St John of God, Mzuzu

Group Formation

SHG facilitated by SJG are formed using a rigorous and transparent process of engaging beneficiary households in identifying the priority issues through Transect Walk, Social Maps, and Household Vulnerability Assessment. It is through the household listing that each household in the target community (village or location) is classified into three broad livelihood categories – (a) Vegetables/"Mphangwe" (poorest – those who can only afford to eat vegetables); Fish/"Somba" (poor – those who can regularly eat vegetables but at times afford to buy some fish); and Meat/"Nyama" (less poor or well-off, those that can at times afford meat in their diet). In all the groups visited, all indicated that when they joined SHG they were at Vegetable/Mphangwe status. At the time of the survey, they believed they had moved out of the poorest category and would classify themselves as being at Fish/Somba status as a result of their participation in SHG. Their vision was to be at Meat/Nyama status, which they thought they were not far from attaining.

Group Structure, roles and functions

The SHGs as practiced in St John of God are non-hierarchical, meaning that there is no Executive Committee. Instead, they have a weekly rotating position of Moderator who conducts business of the day and presents a discussion topic for the meeting. The only non-rotating position in the group is that of Book Writer (two or three people) since it requires one to be able to read and do calculations. All the group members perform similar roles and functions.

Frequency and Content of Meetings

The SHGs meet weekly for 2-3 hours. The structure of their meetings has two main parts: the Savings and Borrowing or finance session, and a session to discuss the topic of the day. Examples of issues discussed are: Cervical Cancer and HIV and AIDS, financial management, and Family management. The moderator conducts the "banking side" of business, and once through, presents and moderates the discussion topic. In some cases Community Facilitators or other Field Facilitators from the project assist on the topic of discussion.

Savings and Loan Procedures

The weekly amount of money saved does not vary much, but amount of money borrowed does vary and all the groups reported increases over time, in one group up to K150,000 per borrowing. There is no sharing of any money at the end of the year, but members are able to borrow at times appropriate to them. Repayment period is flexible. In one SHG, for loans up to K20,000 the payback period was 8 weeks; K50,000 for 16 weeks, and K100,000 for 20 weeks. 20% extra interest is charged on outstanding balance beyond the stated period.

Role of Community Facilitators

Community Facilitators who are paid monthly honoraria by the project facilitate the formation of new groups, and supervision and provision of technical support to the groups. They do this regularly with the support from the project technical team. One Community Facilitator supervises about 29 groups, over a wide geographic area. SHGs within Mzuzu City meet at SJG premises where they are permitted to use SJG facilities for their meetings, for example, discussion room and in some cases some refreshments. Those outside Mzuzu City catchment meet at a place of their choice.

Utilization of the Borrowed Money

Money borrowed from the group is utilized for different functions, but principally, all members are encouraged to invest all, if not part, of the money in a business of their choice. They do not visit each other to see how business is progressing, but get concerned when one is not repaying their loan according to schedule.

Training and Capacity Building

Training is an important and integral part of the SHGs in SJG. Members are trained in Business Management, health issues and other social topics. All the groups were very impressed with the technical support they received from the project.

Group Vision

All the groups were quite articulate in their vision – that of moving out of their current poverty status to something higher. Some groups expressed intention of contributing resources to set up a joint business venture. However, all of them thought they would need a few more years of support from the project in order to move towards independence. Through the project, Cluster Level Associations have been formed (two as at November 2013) whose role is to act as an umbrella body of all the SHG in SJG. CLA focus more on community activities and its members play a major role in group formation and supervision, acting as one voice on topical issues and programmes in their communities, and as referral for SHGs. Most of the group formation and supervision tasks are currently done by the project through Community and Field Facilitators, but the intention is for the CLAs to take over. The long term view is to form a Federation of CLAs which would be a national apex body.

Challenges expressed and noted

A number of challenges were highlighted by the implementers and beneficiaries and some noted by the study team. The following are only some of them.

a. Business fluctuation. This was generally noted as a major challenge for most small-scale business women. They indicated that to find a business that would consistently make adequate money to repay the loan and bring extra for the house was not easy. Due to small size of business, the choices tended to be few, and usually in businesses ventures whose market is already flooded. Those outside the City area thought they had even less opportunity to compete when they factored in transport cost to and from town.
b. Conflicting approaches. The culture of handouts promoted by some quarters of society was thought to be eroding the desire to work for independence. This was said with respect to NGOs that provide free inputs and in some cases attractive participation conditions that tend to have short rather than long term gains for the beneficiaries. In a subtle way, there was reference to VSL approached which was looking attractive to SHG members due to the fact that they share money at the end of the year. However, follow up discussions indicated that majority of SHG in all the groups were against sharing. The reason given was that after sharing, the group starts from zero, and takes long to accumulate enough money that can be borrowed and reasonably invested in business.
c. Over-dependence on Project. This was presented from two fronts: the Community Facilitators indicated that the workload was currently too heavy for the honorarium received. They thought the number of groups had grown rapidly and geographic coverage widened. On the other hand, there were clear indications that the groups would struggle to survive if Community Facilitators stopped visiting them. Those using SJG facilities had no future plans of moving out of the premises and finding facilities of their own. In other words, exit strategy for the initiative was not clear in the eyes of most of the group members to the extent that some thought they would enjoy endless support from the project.

2.2 Self Help Group and Village Savings and Loans as Adopted and Practiced by LISAP

Group Formation

Temwa SHG is one of the few groups facilitated by LISAP that have challenged to remain as an SHG. Although it did not have much in common with SHG facilitated by SJG as described above, its members were quite adamant that they found more merit in being an SHG than a VSL Club. Their argument was that while there were ups and downs in volume of money in VSL due to sharing and re-starting, SHG tended to be progressive since money is not shared. They liked the flexible loan repayment conditions, rather than the type that forced members to sell each others' property to recover the loan.

In both the VSL and SHG approaches adopted by LISAP, group formation process was not clear. It was reported that a Facilitator (from LISAP) would go into the community (village) and inform them about VSL/SHG and what it entails. After the briefing, interested community members would then register as members of VSL/SHG. When asked why they opted to form VSL and not SHG, one club in Kasuma indicated that the Facilitator introduced the two as "Village Bank Lichoko na Village Bank Likulu" referring to SHG as small Village Bank and VSL as large Village Bank. The small village bank was said to be for poor people who could at that time only manage to save about K20 per week and maximum number of people per group as 20, while VSL as the bigger village bank was for people (up to 25 members maximum per group) who could manage to save K100 weekly. Besides, SHGs were said to be endless saving groups and proceeds would be used to assist Orphans and Vulnerable Children, People Living with HIV, and other vulnerable people in the community. On the other hand, VSL members would save and borrow the money for investment in business and other uses. They would also share their saved money at the end of each year. In this case it, therefore, it only made sense that the community opted for VSL.

Group Structure, roles and functions

Contrary to the non-hierarchy concept of SJG SHGs, the VSL/SHGs visited in LISAP were hierarchical, with an Executive Committee and related sub-positions. All group processes are facilitated by the Executive Leaders. Rotation of positions was not clear, but some indicated that the period was dictated by the group by-laws or constitution. Apart from specific interventions such as training on a particular topic, there were reported to be very few contacts with LISAP Facilitators or their representatives. One of the LISAP Field Officers also concurred with the group members' observation, citing the large geographic area and too many groups to be supervised as one of the key challenges.

Frequency and Content of Meetings

Similar to SHGs facilitated by SJG, LISAP VSL/SHG clubs meet weekly for 1-2 hours. The main focus of the meetings is financial with very little or no time spent on discussing issues equally important and relevant to their lives. In most cases, the discussions were reported to be in form of announcements. It was also reported that there are times after the weekly meeting when members go to visit a member or a relative of a member who is sick or bereaved to provide financial, social, spiritual, or moral support.

Savings and Loan Procedures

The weekly process of saving and borrowing as described by the members of the groups were very similar to those followed by SHGs in SJG described above. However, the use of cash boxes was not noted in both SJG and LISAP, indicating that all or most of the money saved was immediately borrowed and residual funds kept for a short period before being issued to members at a lower interest rate (since it has to be paid back the following week). Another deviation from the original concept of VSL in particular was use of names instead of numbers as originally intended by the VSL approach. Only one group visited (Kavukula SHG in Thoza) reported use of numbers instead of names. However, they too did not know the essence of using numbers instead of names. This particular club seemed to have strong influence from the VSL approach introduced and implemented in the area by CADECOM, yet performs and behaves as SHG. It had 21 members in 2012, but the number reduced to 13 in 2013. Some reasons cited for the dropout rate were loan default or dismissal from the group if one was known to belong to both SHG and CADECOM (VSL). This was thought to be common in their area, and some default cases were linked to this double membership. For example, a member of CADECOM VSL would join LISAP SHG and borrow money to repay a loan in CADECOM VSL. On a positive note, the same group (Kavukula) indicated that they started with K8,600 savings in 2012, but the amount had accumulated to K200,000 at the time of the survey in November 2013. Their vision was to contribute money to buy a maize mill which would generate income for shares and investment in other businesses. They however expressed need for training in Business Management, SHG Management, as well as frequent supervisory visits and technical backstopping by LISAP. They indicated that CADECOM had a fulltime facilitator who would frequently visit and strengthen the clubs, something which was missing in their case. As for the advantages and disadvantages of sharing the saved money, the group was quite categorical in refusing to opt for sharing the money and thought that the SHG was the better way to go. One of the things highlighted was that their colleagues in VSL stage a village party to mark the end of the saving season, which to them was ravish and not very desirable. The issue of end of saving season party was also mentioned in Kasuma and was said to take quite significant amount of money to host.

Role of Community Facilitators

It has already been highlighted that LISAP Facilitators were not able to visit all the groups frequently. One point that has been emphasized in the SHG Ethiopia experience is that to build an effective SHG it requires intensive moderation, and therefore the role of Facilitators is very crucial at least in the first three years of formation of the group. This has similarly been noted from the SJG experience. The issue of intensity of facilitation is a weakness in LISAP's SHG initiative that needs to be addressed if sustainable VSL or SHG are to be formed.

Utilization of the Borrowed Money

Similar to SHG facilitated by SJG, groups under LISAP indicated that they encourage each other to invest borrowed money in business entities. What was noted and reported, however, is that most, if not all the groups have location disadvantage. There are no or very few established formal market centres in the rural areas, and therefore people have to travel long distances to sell commodities. Lack of knowledge in business management has made some people go into businesses which they have little or no idea of the market – when is the appropriate time, how much profit would be made, where would they sell the commodity, etc. As a result, some groups in Kamwe and Kasuma areas opt to do casual piece work (*ganyu*) as a group and use the money to buy shares. Much as this sounds an easier way out, it is not a positive strategy in that the people spend more time farming in other people's gardens instead of their own. In this case, it is more of a desperate rather than development strategy.

Training and Capacity Building

The need for training in the LISAP facilitated groups was quite explicit and urgent, especially in SHG management, business management, and core developmental issues of HIV and AIDS, Prevention of Mother to Child Transmission of HIV and others.

Group Vision

Apart from the common notion of reducing poverty, most of the groups in LISAP were not driven by a particular desire. As indicated earlier, those in SJG clearly knew where they were three years ago (Mphangwe), how far they had moved in 2013 (Somba), and where they desire to be in 2016 (Nyama). This is an important psychological driver of one's success. As the adage goes, "success drives more success", so one is inspired to do more if they have a focused goal to achieve. Those in LISAP require similar approach that would motivate them to move forward. Vision about the communities they live in was even more remote, an indication that it is an area that has probably not received much attention from the training. It is our opinion that visioning exercises might help to motivate the people towards their individual, group, and community development goals, and should be initiated.

Challenges expressed and noted

Issues of marketing and business opportunities discussed under SJG SHGs were similar to those experienced by LISAP groups. Other challenges highlighted by the LISAP groups included the following:

a. Failure to progress. There was general feeling among LISAP group members that in most cases, the amount of money available for borrowing tended to limit their growth in business. There was therefore request for them to be trained in the other approach (SHG) so that they might experience some differences.
b. Weak leadership. Although this was not openly expressed, 62% of LISAP groups compared to only 33% of SJG groups indicated that leadership in their group was weak. The success of a group to a large extent is determined by the strength of its leadership. In SJG they use the non-hierarchical structure. While it may not be the panacea for all the group leadership problems, or indeed a universally applicable philosophy in all the groups, its success in SJG SHGs may be reason enough to consider trying this approach in SHG or VSL. Contrary to hierarchical leadership structures, in classless group leadership there is less blame game for leadership failures. If anything, all the members feel personally attached to successes and share blame for failures of the group. With weekly rotating leadership, there is little chance that a classless leadership group would get stuck with bad leadership, a thing that is quite common with hierarchical structures. For LISAP, if classless structure is not an option or not seen to be amenable to its *modus operanda*, the alternative is to substantially invest in leadership training.
c. Early weaning of the groups: For SJG groups, the challenge noted was over-dependence on the project for technical and organizational support. For LISAP, the reverse may be true. One group reported that for the whole of 2013, they had been visited by a LISAP facilitator only three times, and on one or two of those three occasions, the visits were more or less for communicating

a message from the Head Office. This could be equated to early weaning of the groups, although unfortunately, the groups seemed far from ready to be on their own. There is therefore need for investment in intensive technical support to the groups.

3.0 Analysis of the Two Approaches – VSL and SHG

In order to propose a meaningful and effective system that could be adopted by LISAP as well as other institutions in the country, it would be important to consider the two approaches (VSL and SHG) not in absolute, but rather in relative terms. This is important since there are a number of factors that this study did not seriously tease out or control that may have important bearing on the outcomes of either system if implemented in an environment other than the one observed. For example, this study did not go into details of analysis of location variable: would vicinity to town have an influence over the type of business chosen, amount borrowed or saved? It also did not factor in previous experience with similar approaches and business experience. But for practical purposes, a synthesis of the critical factors of success should provide a reasonable argument for accepting or modifying an approach. Outlined below are influencing and critical factors of success as observed by the study team from the way the two approaches were implemented by LISAP and SJG.

3.1 Summary of Key Outcomes of VSL and SHG Approaches

Earlier quantitative and qualitative analyses demonstrated that:

a. Both VSL and SHG led to increased incomes of the participating individuals as witnessed by significant increases in weekly savings and amount of money borrowed when the groups started about three years ago and currently (November 2013);
b. In both the approaches, borrowing from the group enhanced income spending on, and accumulation of, valuable livelihoods assets;
c. Participating households held positive views about the group approach they were in;

However, it was also noted that:

a. Over the years, e.g. three years, SHG approach was better than VSL in terms of extent of accumulated savings and borrowings which was also reflected in the volume of expenditure; and
b. Intensity of facilitation makes SHG approach more costly than VSL approach in the short term.

3.2 Main Drivers of SHG Success

a. **Flexible loan repayment**: Loan repayment period is much longer, that is 8 weeks as opposed to 4 weeks in VSL, and this gives members better chance to invest and re-invest two, three or four times before paying back the loan, as a result the borrower tends to benefit more.
b. **Accumulation of savings.** These result from continued savings and borrowings, which leads to increased volume of borrowings, which in the long term leads to larger spending and investments, as opposed to the up and down scenario in the VSL approach where money is shared at the end of each savings cycle.
c. **Shared Leadership and Responsibility**. Each member of SHG is forced to assume a decision making position, which empowers them to take an active role in the functions and operations of the group. This minimizes finger-pointing and blame game as regards management of the group.
d. **Intensity of Management and Technical Support**. SHG is a new concept and therefore requires intensive coaching and follow ups, at least in the first three years according to those who have more experience with the approach. SJG provided this and continues to do so through Community Facilitators.

e. **Clarity of Purpose and Vision**. The simple approach used by SJG of categorizing individuals into three progressive categories somehow managed to enhance personal and group aspiration to attain a higher level goal.

3.3 Adoption or Adaption of SHG Approach

A number of factors could hinder Adoption of the SHG in its totality especially at a large scale like LISAP catchment area. These include:

a. **High Administrative Cost**. Although this study did not do a rigorous analysis of the cost of managing the initiative, it is apparent that intensive technical supervision and support would cost substantial amount of money to implement, for example, across most areas of Mzimba District where the IMPACT project is being implemented, let alone across districts of Rumphi, Karonga, etc where LISAP is operating. There is therefore need to identify more cost-effective strategies for implementing the initiative in LISAP.

> **Critical Success Factors for SHG based on Experience from Other Parts of the World**
>
> - Voluntary nature of the group
> - Small size and homogeneity of membership
> - Transparent and participative decision-making
> - Brisk/fast use of funds for micro-enterprise creation
> - Regular meeting of the members
> - Discussion of (topical issues that appeal to their lives) such as issues on gender and social problems
>
> **Adapted from Jaya S. Anand, Discussion Paper No. 38, 2002**

b. **Inadequate Business Opportunities**. The SHG facilitated by SJG were mostly within Mzuzu City where business opportunities may be more than in the rural areas where LISAP is operating. It might therefore be important to adapt some of the strategies in the approach to suit the rural environment.

c. **Fear of Change**. It is apparent that the VSL approach is well established in LISAP and many institutions in Malawi. It would therefore be naïve to imagine that adoption of a new approach like SHG would be accepted outright both by the beneficiaries and implementing or facilitating personnel. People are known to fear change and would therefore opt to remain in the comfort zone of the status quo rather than risk failure. It is therefore prudent to identify positive elements of what is already known, and integrate with what is less familiar to them, but vital for long term success.

4.0 The Choice of a Hybrid System

In order to make a choice of a hybrid system, it might be important to review elements of the original concepts of SHG and VSL. This, together with the analysis of the study, could provide some basis for an informed decision.

A draft evaluation report titled "Qualitative Assessment of Tearfund-Funded Self Help Groups in Ethiopia" provides a crisp summary of the concept of SHG and to a large extent VSL concept as well. A section from the report has been reproduced in whole and presented below in order to give a better picture of the two approaches:

Both SHGs and SGs (Savings Groups or VSL) have a similar structure, with a few notable exceptions.
Key similarities include:

- SHGs/SGs are composed of 15 to 25 self-selected individuals who meet regularly and frequently to identify needs, provide support to each other, and save. Importantly, members share affinity – i.e. they are from similar wealth or livelihood groups.
- Groups pool their savings to make loans to each other on which they charge a service fee or interest rate (mutually agreed in their by-laws), which in turn increases the loan fund. Member's savings and loans are recorded in individual passbooks and/or one central ledger (some use memory-based systems that require no paper records at all).
- Many groups also have an insurance fund (sometimes referred to as a social fund) that serves a variety of emergency and social purposes, according to rules set by the group. These funds are used to help members and/or others in the community who have suffered hardship; approval rests with the group and funds may be disbursed immediately.

Key differences include:

- Savings Groups generally operate in 9 to 12 month cycles. At the end of every cycle, the accumulated savings and interest earnings are shared out amongst the membership thus providing useful lump sums to members. After each share-out, groups immediately begin another cycle of saving and borrowing.
- By contrast, Self Help Groups do not typically share out at the end of each cycle, but rather take a long-term view to their groups' formation, including maintenance of funds within the group's account over the long term.
- The overall ethos of the Self Help Group approach is very much focused on community relationships and support, and start with a problem solving approach. This is the building block for all activities that follow, including savings. By contrast, the starting point for Savings Groups is a financial one. Having said this, interviews with SG facilitators clearly indicate that group formation and relationship building are very much at the heart of the approach.
- SHGs also tend to take a longer-term focus, sustaining development through the establishment of Cluster Level Associations (CLAs – groupings of SHGs) and Federal Level Associations (FLAs – groupings of CLAs) that take on many of the roles of the project office over time, creating a self-sustaining structure. These associations are made up of representatives of the SHGs, as well as funded by the SHGs. They provide support to the SHGs, as well as an organizing body as the SHG number grow.

The following are key facts about the concept of VSL as promoted by CARE:

- A Village Savings and Loan Association (VSLA) is a group of 15-25 people who save together and take small loans from those savings. The activities of the VSLA run in 'cycles' of about one year, after which the accumulated savings and the loan profits are shared out among the members according to the amount they have saved.
- VSLAs are trained by Field Officers (salaried NGO staff) or Village Agents (who receive fees from the VSLAs for the training). Village Agents are members of VSLAs who are identified as having the skills to train others to start VSLA groups.
- The first cycle of VSLA is a training and supervision cycle of 36 weeks. During the first cycle, the Associations will meet weekly. After the first cycle, the graduated VSLAs will share out every year. Members save through the purchase of between 1 – 5 shares every meeting. The share-value is decided by the VSLA at the start of each cycle. At each meeting all members have the right to buy between 1-5 shares. The share value is set at the beginning of each annual cycle, and cannot change during the cycle.
- Members can choose to have a Social Fund, to use for small grants when members are in distress. This is required in the first cycle, but optional in future cycles.
- All members have the right to borrow up to a maximum of 3 times their shares
- Loans are taken and repaid once every 4 weeks. All loans should be repaid within a maximum of 12 weeks.
- All VSLA transactions are performed at meetings in front of all the members. To ensure that transactions do not take place outside Association meetings, cash and passbooks are locked in a cash-box secured with three padlocks. The three keys are held by three Association members, who are ***not*** part of the Management Committee.
- All members have an individual passbook. Share purchases are recorded using a rubber stamp. Loans are recorded in the back of the passbook. Loan Fund and Social Fund balances are noted by the Record-keeper and memorised by all members at each meeting.
- Passbooks remain locked in the box between meetings to prevent tampering with the records of shares purchased by the members.
- The Association has a five-person Management Committee elected for one cycle (approximately one year).
- At the end of every annual cycle, all outstanding loans are recovered and the loan fund is shared out. Each member then receives his or her share according to the number of shares purchased by that member.

From the foregoing, VSL and SHG approach have more similarities than differences. The proposition therefore is that LISAP should adapt the SHG approach to suit its current situation. The following is the proposed process, structure, roles and functions:

1.0 Group Formation

1.1 Conduct community sensitisation meeting. This is to introduce the approach and agreed on the next village session which will be more interactive and detailed in outlining the problems and strategies of the community through PRA or other interactive methods.

1.2 Conduct PRA session with the community (usually on a separate day agreed upon after the introductory meeting). This should culminate into the following:

1.2.1 Clearly stated problem(s) that the community would like to solve. [*What are our priority problems? What is likely to happen if we do not do anything about it?*]

1.2.2 A list of all household members that identifies each by their wealth status or level of vulnerability and categorised using locally acceptable terms [*Who are most affected: Men, Women, Boys, Girls, PLHIV, Elderly People, Child headed Households? On what basis are or can they be identified? How would their situation best be described?]*

1.2.3 A clearly stated goal and vision for moving forward [*What goal(s) can we pursue in the next three years in order to reduce or eliminate the identified problem(s)?*]

1.2.4 List of pathways for solving the stated problems and meeting the stated goals. There will be many, but Savings and Loans is likely to be one and probably the entry point [*How can we reach our goal?* Which ones are of greatest priority in terms of urgency and impact on the goal (number of people involved or whose lives would change, the likelihood of realising the change, etc)

The issues discussed and agreed upon should be well summarised on a flip chart paper and well kept by the community's potential beneficiaries for annual review and reference.

2.0 Orient community members on SHG approach

2.1 Structure: Non-hierarchical, rotating leadership used by SJG is more empowering to the members and develops their leadership skills and self esteem.

2.2 Membership: This should be by choice, but with emphasis on the principles of voluntarism, small size of group, homogeneity, and shared purpose/goal. 20 members per group is more ideal number for effective group management.

2.3 Roles and functions: All members should be willing to take on any group role or function except for specialised ones like record keeping. Book Writers need to be chosen based on their literacy and numeracy skills, but need to have alternates that should fill in the gap in case of an emergency.

2.4 Responsibilities: VSL places responsibility on every member to know and memorise amount of money saved and how much is left. This enhances transparency and strengthens trust.

2.5 Frequency of meetings: Group meetings are held weekly in both VSL and SHG. This allows frequent interaction and builds solidarity. The principle of homogeneity of membership should be emphasised.

2.6 Weekly savings: SHG approach (SJG) uses one figure for all the members to save weekly. This reduces the need for elaborate calculations of interest accrued and avoids variations of amounts saved by members. Experience has shown that even in, variations in proceed shared at the end of a VSL saving cycle can be a cause for frustration for members that received less, no matter how transparent in terms of how savings were done.

2.7 Loans: Determination of who and how much to borrow should be need-based and negotiated by the members of the group in a transparent and open manner without being too prescriptive. However, all members should be given equal chance and encouraged to take a loan at least three times in a year. Forced borrowing should be discouraged as it forces some members to get the money, keep it and look for more money to pay back as interest. This may lead to impoverishment rather than development. Members should encourage each other to explore investment opportunities, and even do some joint ventures.

2.8 Loan repayment: Flexible loan repayment system has been heralded as the key to success in SJG SHG. Most groups in SJG use 8 to 20 weeks repayment period depending on the volume of money borrowed. The basic principle should be to allow the borrower to do at least three short cycles of micro-enterprise investment before they pay back the loan. Shorter durations at the start because there will be less money to meet the demand, and longer duration when more resources are available and more people have established their businesses. For example, one woman got a loan of K1,000 and bought and sold vegetables which realised K3,000. She used K1,000 for other things, and re-invested K2,000 which realised K6,000. She then repaid the loan after second week and had balance which she continued investing in the vegetable business. This is the kind of thinking that should be emphasised and inculcated in the minds of the group members.

2.9 By-laws: Both VSL and SHG emphasise development and adoption of group by-laws, and minor penalties for violation. This helps to institute discipline in the group.

2.10 Social fund: Both VSL and SHG have encouraged members to set up a separate fund to assist each other in times of need. This is important for group solidarity.

2.11 Community Role: This is emphasised in SHG and not so much in VSL. Social empowerment should motivate members to see issues even beyond their immediate vicinity.

3.0 Identify and Train Field and Community Facilitators

Borrowing from VSL approach, the SHGs should be formed and trained by Field Officers/Facilitators (salaried NGO staff) or Village Agents/Community Facilitators (who are volunteers). Community Facilitators should be members of SHG who have been identified as having the skills to train others. They should receive more intensive and specialised training to start and supervise a maximum of five SHGs. This considers the fact that she as a member has to attend her own SHG and be able to visit four other groups. This assumes that she will assist groups under her supervision to schedule the meetings one after the other. In the long run, the Community Facilitators may receive a small facilitation fee from the groups under their supervision. Initially, the project should provide incentives such as T-shirts, bicycle for field work, allowance when on training outside their area of duty, etc, depending on resource availability. The project should avoid creating expectations of salary for the obvious issue of sustainability.

4.0 Implementation

Effective implementation of the proposed structure requires commitment at all levels especially the implementers. There is need for change of mindset and belief that this approach works as witnessed with SJG. One important activity that could help deepen understanding and appreciation is to organise study visits to SJG. All Field Facilitators and relevant Officers in LISAP should be given chance to visit the groups in SJG before taking on the proposed approach. Community Facilitators, once identified, should also have chance for the study tour as part of their training.

It has been emphasised by different stakeholders in and outside the country that there are no shortcuts to successful implementation of SHGs. There is need to commit resources towards capacity building at all levels. Field Facilitators need to be enabled with appropriate transport in order for them to effectively supervise the groups and provide technical backstopping, at least in the first three years.

CONCLUSION AND RECOMMENDATIONS

This study was instituted to assess and learn from VSL and SHG approaches with a view to developing a hybrid which integrates the best elements of the two and avoids duplication. Based on the analysis of the findings, the following are the key issues highlighted by the study:

e. Both VSL & SHG are effective for enhancing:
    - a savings culture
    - investment in businesses
    - Asset accumulation
    - Social interaction & knowledge development
f. SHG has relatively higher potential for:
    - long term economic growth & sustainability
    - Socio-political empowerment of women on issues affecting their community
    - Enhancing leadership & self esteem
g. In the short term, SHG is likely to be more costly than VSL.
h. Replication or up-scaling of SJG experience would need modification of some elements such as:
    - Reduced intensity of support to groups
    - Placing more responsibility of financial transaction records on all members rather than Community Facilitators or Book Writers
    - More vigilance in loan follow up using peer pressure

From these issues, it is recommended that:

1) An adapted approach as suggested in this report be further discussed by LISAP, Tearfund and other partners to understand the broader implications of the new approach in terms of additional financial requirement and capacities of implementing officers and community volunteers.
2) Tearfund and LISAP should organise some study visits for various levels of LISAP staff at head Office and field levels, as well as selected community leaders from the catchment area in order for them to learn from the experience of St John of God in Mzuzu and other institutions in Malawi that have successfully implemented the SHG approach.
3) Teafund and LISAP should contextualise and package the guiding steps for implementing the adapted (hybrid) approach suggested in this report and widely circulate it to LISAP field and community facilitators as well as community leaders in the target areas for their understanding and further input.
4) Tearfund or other funding stream or donor should set aside and provide adequate resources that would enable LISAP to further pilot and/or roll out or scale up the adapted approach.

APPENDIX

1. Documents Consulted

Jaya S. Anand (2002). Self-Help Groups in Empowering Women: Case study of selected SHGs and NHGs, Discussion Paper No. 38

Tsegay, E., Dejenu, M., Dadi, T., Etherington, K., & Venton, C.C. (2013). Partnerships for Change: A Cost Benefit Analysis of Self Help Groups in Ethiopia, Tearfund Horn of Africa Regional Office, Tearfund (UK) and Tearfund (Ireland)

Carter, I. Releasing Potential: A Facilitator's Learning Guide for Self Help Groups

Qualitative Assessment of Tearfund –funded Self Help Groups in Ethiopia

2. Terms Of Reference

Consultancy for Assessment of the

Self Help Group and

Village Savings and Loans Approaches

Introduction

The Livingstonia Synod AIDS Programme (LISAP) is a department of the CCAP Synod of Livingstonia. LISAP was formed in 1994 with a mandate to coordinate and implement HIV and AIDS activities within the Synod's catchment area. LISAP's vision is *''a society with reduced HIV and other sexually transmitted infections''.*

LISAP is an implementing partner of Tearfund's IMPACT project. Its goal is to reduce the mother to child transmission of HIV positive pregnant women. The project is holistic in its approach. Its livelihood component seeks to initiate Self Help Groups (SHGs)/community saving schemes.

LISAP has been implementing the Village Savings and Loans (VSL) approach since 2006. In 2011, LISAP introduced the SHG concept following a study tour to SHGs in Ethiopia, which have been initiated by Tearfund. Currently, both concepts are being implemented, in some locations simultaneously though with different focus groups. In some instances challenges have emerged in communities where both approaches have been implemented. There are cases where the SHGs and VSLs have ended up in conflict and the SHG members felt like merging into VSLs.

Objectives

This consultancy seeks to assess and learn from both approaches with a view to developing a hybrid, which integrates the best elements of the two and avoids duplication. It is anticipated that the assessment is carried out in light of relevance to the cultural context in Malawi and that the hybrid approach is relevant to vulnerable community members, especially those affected by HIV/AIDS.

Therefore, the study shall;

- Review the origins of the SHG and VSL models that were introduced in the focus communities and highlight major differences between the original model and the actual implementation.
- Assess aspects of best practice in an appreciative way, as well challenges and bottlenecks of SHGs and VSLs as implemented through a comparative study.
- Develop a relevant and feasible merged (hybrid) approach, which combines the best elements of the two, while reflecting on various options and the pros and cons of each.
- Design the modalities of the implementation of the hybrid approach and the pros and cons of the various procedures.

Conduct the evaluation in light of cultural context – leading to an approach that works and is attractive in the Malawian context – and also acknowledges the dignity of and relevance to the most vulnerable members of the community affected by HIV/AIDS. At the same time key stakeholders should participate with a view to creating ownership of the merged approach.

Focus Communities

So far, LISAP has initiated VSL and SHGs in Karonga, Mzimba and Rumphi districts. The area of the IMPACT project is Mzimba district only.

The assessment will primarily focus on communities that are part of the IMPACT project with an emphasis on depth of information rather than attempting to cover all districts. Therefore the case studies for this assessment are three communities that have VSLs, as well as SHGs. Two of these communities will be in Mzimba district and one control community in either Karonga or Rumphi. At least two of these communities should have experienced challenges described above. However, Tearfund is flexible to learn from other organisations who have implemented SHGs to inform this evaluation.

LISAP will select the actual communities for the field work in consultation with Tearfund and the consultant.

Scope

The consultancy is meant to at least answer the following key questions:

- What are the roles, functions and Study the structure, roles and functions of the two approaches in relation to the possibility of a merger.
- Are vulnerable people included or excluded and what are their attitudes towards the two approaches?
- How sustainable are the approaches?
- Have elements of the original SHG approach from Ethiopia and the VSL approach from CARE been excluded?
- What are the opportunities, challenges and risks of a merger?
- What can a hybrid model look like? Is it relevant to the cultural context in Malawi (as it has been mentioned that the SHG approach as practiced in Ethiopia cannot be transferred completely to Malawi)?
- How can the merged model be implemented?
- What are the views of relevant stakeholders?

Methodology

This consultancy should be a hybrid of an external and a participatory evaluation. That means that the field work will be conducted by and external consultant or team of consultants, yet stakeholders give feedback towards the findings in a participatory workshop after the field work and before the final report is submitted. It is anticipated that this approach to an evaluation would provide objective technical expertise and ownership of results.

Several quantitative and qualitative methodologies and tools could be applied depending on their relevance and suitability. The consultant shall select methodologies and develop tools that offer sufficient depths and insights leading to the anticipated output.

At the very least, the following stakeholders shall be involved:

- Field study with beneficiaries/stakeholders, including vulnerable people with HIV/AIDS
- Representatives of the local church and other community leaders
- LISAP staff
- Tearfund Ireland and Tearfund Malawi staff
- CARE Malawi for information on VSL approach
- Tearfund Ethiopia for information on SHG approach

The methodology should also include collecting of secondary information through literature review to support analysis and recommendations.

Field visit time should be limited to a maximum of 7 days, maximum total length should be 20 days, though both can be shorter.

Output

The evaluation should lead to a hybrid approach, which can be implemented in Malawi and is owned by key stakeholders who will implement it. Therefore the outputs of the consultancy will include a participatory workshop and a comprehensive report.

The workshop should present initial findings and recommendations regarding the hybrid approach and its implementation strategy followed by a discussion with key stakeholders facilitated by the consultant. Feedback that surfaced during the discussion should be captured and incorporated into the report. It is suggested that the workshop takes place in Ekwendeni or Mzuzu straight after field work to allow participation of LISAP staff and avoid additional travel costs. Preferably the roughly workshop should include a powerpoint presentation highlighting key findings. It is anticipated that the workshop will have a length between 2 hours and 4 hours.

The comprehensive report documents the origins, process of the evaluation and its results, while recommending an integrated methodology of SHG and VSL and how it can be implemented. Therefore, the study report should capture all aspects of the evaluation described in this TOR and clearly describe procedures followed, methodology employed, as well as key findings and recommendations.

The consultant(s) assigned for the assessment might have their own ways of presenting the outputs of the assessment; however, the following outline is suggested:

- Executive summary
- Background
- The assessment process
- Methodology
- Assessment scope
- Findings
- Conclusion and recommendations
- Appendix

The draft report will be forwarded to key stakeholders for review. Relevant feedback should be incorporated into the final report.

Skills and Experience

The consultant shall have at least a Master's Degree in a relevant field, as well as a proven track record with at least three years experience of doing similar studies but not primarily for academic purposes. The consultant should have a good understanding of community managed approached to savings and financial services for the poor. It is expected that the consultant has experience in Malawi and a sound understanding of its cultural context. Female consultants are encouraged to apply.

Work Plan

The assignment shall start within 15 working days from the day of signing the contract. The consultant is expected to provide a detailed work plan of all the activities that will be carried out.

Payment

The first payment will be a 40% of the total cost of the study which shall include all operational costs. The remaining 60% shall be disbursed after the final report has been accepted by Tearfund and LISAP.

Proposal Submission

Interested individuals or groups of individuals should submit;

- CV
- Well written narrative proposal
- Financial proposal
- Including **three traceable** referees with full contact details to.

Send the documents via email to the following address: mphanguluwe@gmail.com.
The email should be addressed to the Director Mphatso Nguluwe.

Deadline for receiving proposals is **Friday**, **15th April 2013**.

3. What are VSLAs?

A Village Savings and Loan Association (VSLA) is a group of 15-25 people who save together and take small loans from those savings. The activities of the VSLA run in 'cycles' of about one year, after which the accumulated savings and the loan profits are shared out among the members according to the amount they have saved.

VSLAs are member-managed. Programme staff and Village Agents will train members, but never manage the VSLA, write in the passbooks or touch money belonging to the members.

VSLAs are trained by Field Officers (salaried NGO staff) or Village Agents (who receive fees from the VSLAs for the training). Village Agents are members of VSLAs who are identified as having the skills to train others to start VSLA groups. A VAs role will be to:

- assist VSLAs they have trained when they would like assistance between cycles (share-outs, membership changes, renovating the constitution, elections)
- provide refresher training
- assist in resolving conflicts
- in the long-run they may provide a range of formal financial products as agents (of insurance companies, banks, remittance service companies, etc.)

The first cycle of VSLA is a training and supervision cycle of 36 weeks. During the first cycle, the Associations will meet weekly. After the first cycle, the graduated VSLAs will share out every year.

Members save through the purchase of between 1 – 5 shares every meeting. The share-value is decided by the VSLA at the start of each cycle. At each meeting all members have the right to buy between 1-5 shares. The share value is set at the beginning of each annual cycle, and can not change during the cycle.

Members can choose to have a _Social Fund,_ to use for small grants when members are in distress. This is required in the first cycle, but optional in future cycles.

The Loan Fund is comprised of share money and loan profits (from service charges).

All members have the right to borrow up to a maximum of 3 times their shares

The service charge for loans is determined by the members at the beginning of the cycle. It cannot be changed during the cycle.

Loans are taken and repaid once every 4 weeks. All loans should be repaid within a maximum of 12 weeks.

All VSLA transactions are performed at meetings in front of all the members. To ensure that transactions do not take place outside Association meetings, cash and passbooks are locked in a cash-box secured with three padlocks. The three keys are held by three Association members, who are _not_ part of the Management Committee.

The main purpose of the cash-box is to ensure that no transactions occur outside the Association meeting, rather than to prevent theft by outsiders. Theft of boxes by outsiders is very rare.

All members have an individual passbook. Share purchases are recorded using a rubber stamp. Loans are recorded in the back of the passbook. Loan Fund and Social Fund balances are noted by the Record-keeper and memorised by all members at each meeting.

Passbooks remain locked in the box between meetings. This is very important, to prevent tampering with the records of shares purchased by the members.

The Association has a five-person Management Committee elected for one cycle (approximately one year). Associations also develop a Constitution that contains the Social Fund, Share-purchase and loan policies of the Association. Each member has one vote in electing the Management Committee and developing the constitution. VSLAs ensure that their members memorise the basic features of the constitution.

At the end of every annual cycle, all outstanding loans are recovered and the loan fund is shared out. The loan fund (which includes lending profits) is divided by the total number of savings shares purchased by members during the cycle, to calculate a per-share value. Each member then receives his or her share according to the number of shares purchased by that member.