Village Savings and Loan Associations – experience from Zanzibar

EZRA ANYANGO, EZEKIEL ESIPISU, LYDIA OPOKU, SUSAN JOHNSON, MARKKU MALKAMAKI and CHRIS MUSOKE

The continuing failure of MFIs to reach remote and rural areas, especially in Africa, has renewed interest in finding alternative models of service delivery that can achieve this goal. The Village Saving and Loan Association model promoted by CARE is an accumulating savings and credit association that is timebound, with a periodic action audit at which all the funds are paid out. The approach was implemented in Zanzibar in 2001–2002 and CARE then left the area. This article reports findings from a follow-up study to assess the performance of the groups. The number of groups had grown and overall outreach had expanded to some 4,500 members. The financial performance of the groups was strong with returns on savings of 53 per cent. The context for this strong performance is a relatively well-off and well-educated population that is likely to have favoured strong group governance.

IN THE LAST FEW YEARS, there has been renewed interest in searching for financial models that can be used to deliver sustainable financial services to the rural poor in Africa. This quest has been motivated by the failure of formal or centralized microfinance institutions (MFIs) to reach remote and rural areas. These organizations (mainstream MFIs and banks), faced with the challenge of a dilapidated infrastructure, low population density, small transaction sizes and risk-prone returns in agriculturally concentrated economies, often find it too costly to deliver services into these rural areas. The idea of a frontier of provision determined by poverty incidence and population density has been suggested, beyond which centralized providers find it difficult to reach but user-owned and managed systems – or decentralized models – such as cooperatives and groups, have inherent advantages in serving (Johnson et al., 2006). Such decentralized models also have the advantage of retaining resources within the rural economy and not producing transfers to pay the costs of running distant head offices.

Formal MFIs have failed to reach remote and rural areas

One approach of this kind is the Village Savings and Loan Associations (VSLAs) modelled on CARE's project in Niger (commonly referred to as the Mata Masu Dubara or the MMD model). CARE has replicated this model in several other countries including Angola, Burundi, Côte d'Ivoire, Eritrea, Haiti, India, Kenya, Lesotho, Malawi, Mozambique,

Ezra Anyango and Ezekiel Esipsu are independent consultants. Lydia Opoku is a postgraduate student at the University of Bath and previously programme coordinator for research and development with Sinapi Aba Trust, Ghana. Susan Johnson is a lecturer at the University of Bath. Markku Malkamaki is the manager of the Decentralized Financial Services Project (Kenya) and Chris Musoke is the deputy manager with the Financial Sector Deepening Project, Uganda. *The study was undertaken by the Decentralized Financial Services (DFS) Project, Kenya, and funded by DFS and the Financial Sector Deepening Project (DFID), Uganda. The DFS Project is supported by the Financial Sector Deepening Trust, Kenya, the Ministry for Foreign Affairs, Finland and UNDP. The article has benefited from comments from Paul Rippey and Hugh Allen.*

Rwanda, Tanzania-Zanzibar, Uganda, Zambia and Zimbabwe. Other international NGOs, including Save the Children, Plan International, World Vision, OXFAM, Freedom from Hunger and Catholic Relief Services (CRS), are also promoting VSLAs, particularly in Africa (Grant and Allen, 2002; Allen, 2006).

While the model is increasingly being replicated, few detailed studies of its performance have yet been undertaken. The Decentralised Financial Services Project in Kenya set out to further research the model in order to fill this gap. This article reports the findings of a study of the approach in Zanzibar. The next section explains the basic approach, the choice of Zanzibar for the study and briefly outlines the methodology employed. The following sections report the findings: first, outreach and performance; second, the profile of VSLA users; third, the usefulness of the model to users; and finally, the role of the apex organization (JOCDO).

Background to the VSLA model

A VSLA is a time-bound accumulating savings and credit association (ASCA) in which 15 to 30 people save regularly and borrow from the group fund. Loans usually have terms of between one and three months and are repaid with interest. On a date chosen by the members at the outset, usually after about a year, all the financial assets are divided among the members in proportion to each one's savings (shares). This process is called the 'action audit' and produces payouts for members. The groups normally re-form immediately and start a new cycle of savings and lending.

The groups rely solely on their own savings and have no access to external funds

The groups rely solely on their own savings and have no access to external funds either from banks, NGOs or other groups. The role of CARE and other support organizations has been to train these groups on how better to operate the ASCAs based on a four-phase curriculum. During an intensive three-month phase, a trainer visits the groups every week and trains them in group dynamics. In a second three-month phase, the trainer visits the groups every two weeks as they become more independent. After six months, the trainer comes only once in a month. After 12–18 months, the trainer ceases to visit the group (Grant and Allen, 2002).

Once mature, groups are supposed to function with no external support

The VSLA methodology proposes that once mature, groups can function with no external support. Its proponents suggest that in the best programmes, 95 per cent of the groups continue to function after two years and that the model reaches deeper into rural areas and serves poorer people than other microfinance models. In order to study the model's achievements, the researchers sought to identify a situation where groups had been trained and then left to operate on their own. This proved extremely difficult since in many cases groups had continued to receive support or training of various kinds from CARE or another programme, even if this was not directly related to the VSLA component, hence creating ongoing incentives for the groups to continue to operate. The case closest to the ideal was the Jozani Savings and Credit Associations (JOSACA) programme in Zanzibar, Tanzania where CARE trained groups between 2001 and 2002. These VSLAs were initiated as part of the Jozani-Chwaka Bay Conservation Project, whose original objective was to conserve the unique biodiversity of the forest reserves and associated buffer zone while enhancing the livelihoods of the surrounding communities. The savings and loans component was added as a separate activity to augment the livelihood component, but it was not tied to the

The groups in Zanzibar were examined after several years of independent operation

conservation objectives. After CARE left, the groups came under the supervision of an apex organization that they themselves ran, the Jozani Credit Development Organisation (JOCDO). While the JOSACA programme was the best option for this study, it did not reflect a situation where the groups were left entirely alone but did offer the possibility of examining how well an apex organization run by the groups themselves was operating.

The overall objective of the study was to examine the performance of VSLA groups in Zanzibar after several years of operations independent of CARE or other NGOs. More specifically it sought to understand the outreach of the programme including reaching poorer members of the community, and its ability to provide useful services and produce change in the lives of users.

Problems may arise from unequal power relations within groups

Community-owned and managed groups tend to stop functioning as a result of default or fraud that erode the asset base of the group and often reflect dysfunctional group dynamcis. It is often argued that these problems stem from lack of literacy and numeracy skills, and a lack of these skills can certainly produce failures in bookkeeping and compliance with policies. However, problems also arise from unequal power relations within groups that produce failures in governance. For example, a few leaders may be very dominant and influence the allocation of group resources, leading to exploitation of the less powerful, for instance by taking loans and failing to repay them. Studies of savings and credit groups have rarely examined the actual lending pattern of the groups and there is little information on whether most or only a few people in the groups can access loans (Rhyne, 2006). The methodology of the VSLA approach aims to produce transparency and accountability through various mechanisms. For example, a locked box is used to keep savings safe and the keys are held by three members other than the treasurer; the fact that the date for the end of the cycle is set at the beginning is a means of ensuring accountability since the group cannot pay out until all loans have been repaid. The study wanted to examine how the methodology is being used and whether changes were evidence of groups adapting the methodology to meet their needs or were indicative of deterioration in group functioning.

The research was undertaken from July to September 2006 and involved four weeks of intensive field research in Zanzibar. At this time there were 158 VSLAs in existence, 61 trained by CARE and 97 trained since CARE left in 2002. The study chose to focus on the 73 groups that were at least two years old in order to understand their sustainability over time. The methodology involved five components. First, a sample of 25 groups was randomly selected from the 73 groups that had been trained and were more than two years old. Their membership and financial performance were examined in detail. Second, a questionnaire survey was administered to a sample of 136 individuals (109 current members and 27 exits) to establish their socio-economic profile, use of VSLA and other financial services, and views of VSLA usefulness. Participatory market research for microfinance tools were used with focus groups to understand the wealth profile of the area and wider environment of financial services in which the VSLAs were operating. Fourth, further in-depth interviews were undertaken with 32 people from eight groups selected for the variety of their performance to explore their views of the operation of the groups and their dynamics. Finally, a series of in-depth interviews was conducted with 10 trainers and four executive committee members of JOCDO, the apex support organization.

Overall outreach and financial performance of the VSLAs

The number of VSLAs had increased significantly since CARE left

The number of VSLAs in Zanzibar has increased significantly since CARE left. Only one of the sample of 25 groups that were over two years old had dissolved itself, but it had been re-formed with new leadership. Total membership rose from 1,272 in 2002 to an estimated membership of 4,552 in July 2006, an increase of 258 per cent (an annual rate of growth of 37.5 per cent). The average membership per group is 29, with women forming 70 per cent of members. The exit rate of 12 per cent over four years (annual rate of loss of 3.1 per cent) was also relatively low and indicates low membership turnover.

The original share value was Tsh500 (US$0.4); 52 per cent of the groups sampled had retained this, while 48 per cent had increased it to Tsh1000 ($0.8). Weekly contributions can be a maximum of three shares so that these ranged from Tsh1,500 ($1.20) – which members said was affordable – to Tsh3,000 ($2.40) in some of the maturer groups in the higher potential areas. The survey of members showed an average saving of Tsh8,972 ($7.18) per month. During the last cycle, members had saved an average of Tsh112,420 ($90), and while this average is for groups at different stages in their cycle, the maximum period of saving was 18 months.

During the last cycle, members had saved an average of $90

The original VSLA loan policy was that loans should be a maximum of three times savings, repaid in monthly instalments over three months with interest of 5 per cent per month to be paid monthly. The threefold multiple of savings had not been strictly implemented, but remained in the majority of groups (84 per cent) and in four groups there was now no loan ceiling, but problems had arisen with this and produced a need to look at savings levels in relation to loan sizes. The loan term had been extended to four months in a number of groups, also with some rescheduling. Interest was now paid altogether with the loan in a single payment after three months in all 25 groups. The interest rate on loans had been reduced in 10 of the 25 groups to between 1 and 3 per cent per month, while one group had decided not to charge interest at all, citing a conflict with Islamic laws.

The member survey indicated that the last loan taken averaged Tsh102,428 ($82) and the average for women was slightly higher than that for men, but this was not significant. It was reported that 95 per cent of members had taken a loan during the previous cycle and 55 per cent had taken more than one loan, suggesting a good rotation of funds around the group. There was no significant difference in the frequency of borrowing related to gender, and although more leaders (67 per cent) had taken more than one loan compared to non-leaders (53 per cent), this difference was also not significant.

In remote, rural communities, the community-managed loan fund is sometimes the only feasible model

The mean asset base of the sampled groups was Tsh3.9million ($2,975) per group, which suggests a total asset base for all the VSLA groups in the area of Tsh587million ($470,184). Again it is important to recall that these assets have been built since the groups' last action audit when the group assets were completely distributed to members in the payout. Assets compared favourably with mean shares of Tsh2.5million ($1,988) per group and results in share capital at 67 per cent of total assets, giving rise to a healthy balance sheet. Even when other contributions, such as education (to pay for the services of trainers), welfare and insurance were added, the total liabilities arising from contributions only rose to 75 per cent and indicated good accumulated income (retained earnings) of 25 per cent (as at July 2006).

Table 1. Key financial ratios for sample of 25 groups (July 2006)

Financial ratio	%
Net loans/total assets	70
Member shares/total assets	67
Non-earning assets/total assets	28
Other contributions/total assets	8
Cumulative group income/total assets	25
Delinquent loans (long- and short-term)/total assets	23
Liquidity ratio	32
Portfolio at risk: long-term loans (>30 days)	31
Portfolio at risk: advances (<30 days)	33

Table 1 shows that the ratio of net total loans outstanding to total assets was 70 per cent. This includes both short-terms loans of usually one month and referred to as advances, and longer-term loans (three months), of which the delinquent loans were 23 per cent of the total assets. Most of the groups interviewed did not give fresh loans in the quarter before the payout unless it was an emergency.

Delinquency only tends to become a problem in the quarter before payout

The group records were not designed in a way that groups could easily keep track of delinquent loans and as a result they had usually improvised an additional record in an extra exercise book. Groups also treated loan terms differently, as indicated above. Groups reported that delinquency only tends to become a problem in the quarter before payout and were therefore quite lenient on borrowers who were late with payments. If any member has not repaid her loan by the time of the action audit, the shares equal in value to her debt are cancelled in her passbook. Profits are calculated only after all the debts have been paid with defaulters' shares (Allen and Staehle, 2006). Detailed examination of the records suggested the sampled groups overall had a delinquency rate of 31 per cent portfolio at risk (PAR) on the long-term loans outstanding portfolio, and 33 per cent PAR on the portfolio of advances outstanding.

The groups were confident that they would always recover their loans in full

However, PAR in this model is not necessarily a good measurement of the health of a group's loan portfolio as the loan-asset ratio changes over the cycle. For example, in one group an outstanding advance of Tsh13,100 ($10) that was in arrears meant the PAR was reflected as 100 per cent. However, the group had an asset base of Tsh6.5million ($5,200) with a large proportion (Tsh2.3million or $1,800) in cash. None of the groups interviewed had written off any loans during any cycle and they felt confident that they would always recover their loans in full.

Profitability was analysed in two ways. First, as the profitability of the groups during the last time each group made a payout, and second, the current accumulated value of retained earnings (not yet paid out) held within the groups at the time of the survey. During the last payout for all 25 groups, the mean rate of return was 53 per cent, with individual groups' rates ranging from 10–92 per cent. The mean payout was Tsh5 million ($4,000) per group and Tsh172,535 ($138) per member. Regarding payouts, 72 per cent of the groups had paid dividends during the 12 months before the study. This evidence suggests that the majority of groups are conducting an action audit annually and paying members' dues with dividends. Accumulated profits per member in the groups over the current cycle were a mean of Tsh31,405 ($25), ranging from Tsh465 ($0.40) for groups at the beginning of the cycle to Tsh130,375 ($104) for groups that were about to pay out.

This data shows that VSLAs have expanded impressively over the period since CARE left and performed very well for their members, producing dividend rates of 53 per cent in the last cycle. The cost to donors of the VSLA programme was $425,000 or $6,967 per group for the original 61 groups ($240 per member). This has reduced significantly with the subsequent growth of the programme to $2,690 per group and $93 per member. However, this compares with data for MMD in Niger (Grant and Allen, 2002) that give early costs at $1,000 per group and $33 per member, subsequently falling to $18–25 per member as the programme expanded and became more efficient. Clearly this project was more expensive and did not have time to reduce costs and move to scale as others of its kind have.

The project in Zanzibar was quite expensive

Profile of VSLA users

The survey of individual members showed that these were predominantly women (64 per cent) and had a mean age of 35, with 67 per cent being under 40 years. The overall gender/age profile suggested that it was older men and younger women who were members (though there was no significant difference in ages by gender). While the majority were married (70 per cent) there was a relatively high proportion (20 per cent) of single members whose mean age was 19 years. These members appeared from the in-depth interviews to be mainly acting as proxies for others such as parents, siblings or teachers and were not therefore directly benefiting from participation.

Agriculture was the primary income source for 46 per cent of member's households, business 22 per cent, and fishing and employment equal at 16 per cent. A large proportion cited fishing as a secondary or tertiary income source (63 and 53 per cent respectively). An analysis of household income sources by village indicated that the area of residence has a great effect on the type of occupation and income. As expected, the primary income of households in the coastal areas tended to come from fishing, business and paid employment, while in the forest areas it came mainly from agriculture and employment.

In order to adequately contextualize the study, we set out to directly compare the socio-economic profile of the VSLA members with that of Zanzibar and the Tanzanian mainland by asking questions from the Tanzanian Demographic and Health Survey (DHS) (NBS and ORC Macro, 2005). This produced some very interesting results. Household size was the same as the Zanzibar mean of six persons. However, DHS data indicate that some 23 per cent of households in Zanzibar are headed by women, but only 11 per cent of our sample were women-household heads, which is a striking difference that we cannot explain.

VSLA members were quite well educated

The research showed that VSLA members were quite well educated, even in comparison to the Zanzibar population. Among VSLA women members, 58 per cent compared to 48 per cent of women in Zanzibar and only 5 per cent in Tanzania, had some secondary-level education; for men VSLA members this was 55 per cent compared to 53 per cent for Zanzibar and 9 per cent on the Tanzanian mainland.

Table 2. Socio-economic characteristics of members' households

Indicator	*VSLA sample (%)*	*Zanzibar* (%)*	*Tanzania mainland* (%)*
Housing quality:			
House tenure: owned by household	72	84	-
House flooring material: cement	74	56	26
House wall material: poles/mud	7	39	33
House wall material: sun-dried/ baked bricks	0	3	49
House wall material: cement bricks	10	37	16
House wall material: stones	82	-	-
House roofing material: iron sheets	74	66	50
Number of sleeping rooms: 1	9	19	31
Number of sleeping rooms: 2	39	36	37
Number of sleeping rooms: 3	37	32	20
Services:			
Electricity supply	20	24	11
Piped water	71	80	34
Traditional pit toilet	79	80	81
Source of cooking fuel: wood	97	93	-
Household assets:			
Radio	85	80	58
Television	14	20	6
Telephone/mobile phone	44	23	9
Refrigerator	13	15	4
Paraffin lamp	93	45	39
Household level access to bank account	10	6**	6**
Household transport assets:			
Bicycle	63	53	40
Motorcycle	12	9	1
Car/truck	2	2	2
Ownership of agricultural land	60	48	80
No. of households	136	252	9,735

Notes: * Data source: NBS and ORC Macro, 2005. ** Figures compare with the 2004/5 HBS national key indicators for Zanzibar and the 2000 Tanzania Mainland HBS respectively.

Members are generally at least as well off as the Zanzibar population

Table 2 shows the socio-economic characteristics of member's households. Overall these suggest that the households in the VSLAs had a very similar profile to households in Zanzibar as a whole, while data for the Tanzanian mainland show that the Zanzibar population does much better than the population on the mainland in terms of household quality and access to services. Household assets and means of transport also suggest that the VSLA members in most cases are at least as well off as the Zanzibar population and much better off than the Tanzanian population.

Two-thirds of our sample had at least three meals a day and one-third had two, which was similar to the overall position in both Zanzibar and Tanzania. They also ate meat with a similar frequency to other Zanzibar households. Despite these similarities, a lower proportion (49 per cent) reported 'never' having problems satisfying their food needs, compared with 63 per cent for Zanzibar as a whole, and a much higher proportion (40 per cent) reported that they 'seldom' had difficulty, while much lower proportions reported they 'sometimes', 'often' or 'always' had such problems. This apparently worse food security is surprising given the overall socio-economic profile, but may indicate a degree of response bias in comparison with the other, more objective indicators being collected.

The findings of the individual survey based on self-reported wealth categories showed that the majority (80 per cent) reported themselves as poorer than most and among the poorest in the community. Overall, these findings are consistent with those from the wealth ranking exercises. Participants of focus group discussions in the wealth ranking exercise classified households in three VSLA operating communities into three distinct wealth categories – rich, middle and poor – based on the type of diet, housing, asset ownership and economic activities. When asked to place community members in their respective communities into these three categories, the groups placed most in the middle (53 per cent) and poor (45 per cent) categories, with only 2 per cent placed in the richest category. The wealth ranking exercise was then used to make an indicative assessment of the outreach of the VSLAs to these different categories. Of households in the middle wealth categories, 22 per cent were in the VSLAs and 26 per cent of the poorest group. Since 3 of the 5 richest households were in the VSLAs this suggests a high proportion of 60 per cent, but as indicated this category is rather small.

The rather high proportion of people reported in the middle and lower wealth categories by both methods (self-report and wealth ranking) may have been in part a result of reporting bias concerning expectations that the research team's findings would influence the potential for future support. However, the classification of a small number of people as rich may also reflect a new tendency for some people to do very well, and others aspire to these standards. These subjective assessments do not contradict the fact that the objective indicators of socio-economic status suggest that the members of the VSLA are in general at least as well off as the population of Zanzibar as a whole. The evidence also suggests that despite some being relatively well off, VSLA membership occurs across wealth categories. The high proportion of members with a secondary level of education is particularly striking.

These villages are not attractive to MFIs or banks

Usefulness of the model in the livelihoods of members

Availability of other financial services. As is the case for many rural communities in Africa, these villages are not particularly attractive to MFIs or commercial financial institutions. The research provided information about the range of financial services available in the area and their use by the respondents. Traditional user-owned and managed groups like ROSCAs (rotating savings and credit associations) remained the main sources of savings and loans (29 per cent); cooperatives were the next most highly used savings service (6 per cent), followed by ASCAs (1 per cent), and the bank (1 per cent). For loans, the most significant source was relatives and friends (18 per cent), followed by the cooperatives (2 per cent), employers (2 per cent), and the bank (1 per cent). There was no significant difference in the utilization of these services between men and women. The average loan sizes reported from these sources was relatively low at approximately Tsh50,000 ($40). Loans from the bank, SACCO (a cooperative) and employers were used for long-term investments like housing and business projects, while those from friends and relatives were used for short-term needs such as school fees, celebrations, debt payments and emergencies (for example, sickness and funerals).

The research found that there were numerous difficulties in accessing services from formal and non-banking financial institutions, although generally they were felt to be comparatively more reliable and secure than the informal sources. Lack of mobilization centres, proximity and unfavourable policies were cited as some of the constraints. For instance, participants said that although the commercial bank was popular and liked by community members because of its accessibility (operating mobile banking) and the security of their savings, it had relocated to a town that is out of reach and has stopped the mobile unit, with similar problems cited for other MFIs. However, although informal sources of financial services are usually available, respondents expressed misgivings about using them. Misappropriation, insecurity of money, unreliability and lack of confidence were cited. For example, it was clear during the focus group discussions that some participants had lost their money through informal financial institutions such as ROSCAs. They referred to some of them as *wanyang'anyaji*, literally meaning robbers, and were not willing to take risks with them.

Some participants had lost their money in informal financial institutions

Usefulness of VSLA savings and loan services. With this context, members have benefited from the savings services offered by the VSLAs and the majority, particularly women, have appreciated the opportunity to save, have generally been satisfied with the security of their money, appreciate the incentive their VSLA offers to accumulate money in affordable amounts and the opportunity to get lump-sum payouts with profits at the end of the cycle for consumption or investment. It was evident that the dividend payout was liked by all members and was a major reason for joining the group. The members felt that the way the dividend payout was determined enabled them to decide in advance what project they wanted to invest in, and – as they knew the date for the next action audit – they could project how much money they would have saved. In their own words, they looked at this whole process as targeted savings, which they greatly appreciated. As one respondent said, 'with the payout system you get what you want. So if you want to get a bigger payout, then you must save the maximum Tsh3,000 per week'. Box 1 further illustrates this.

The main use of savings were housing projects

As seen in Table 3, the main use of savings for women were housing projects or improvement (24 per cent), the purchase of household assets (21 per cent) and the payment of debts (16 per cent). Men mostly used them for housing projects and improvement too (46 per cent), the pur-

Box 1. Mwana Hamisi Mlenge

Mwana Hamisi Mlenge and her husband are members of the Maendeleo group in Chwaka. She operates a small business selling chapatti and handkerchiefs in town. She joined the group in 2001.

'I have received payout four times. The first payout was worth Tsh15,000. I used part to pay for school fees for my two sons and the balance to purchase food and other household items that I needed for the Ramadhan celebrations. That payout really helped me because it came during the celebrations and I had a lot of pressure to pay fees for my children. I received what I expected and I was very happy. The second payout was Tsh120,000. I used Tsh60,000 to pay school fees for my sons. With the rest of the money, I assisted my husband to extend our house. The third payout was worth Tsh140,000 and I used all of it to pay school fees for my sons. The final payout was worth Tsh160,000. I used Tsh120,000 to pay school fees for my son and the remaining Tsh40,000, I spent on my personal effects.

The payouts have played a very important role in my life. They come at a very opportune time, during our religious celebrations. Through the payouts, I have been able to educate my sons up to secondary level. I am sure that I will manage to pay even their college fees through my savings. Without this group, my sons would never be where they are now.'

chase of household assets (15 per cent) and productive investment (13 per cent). However, women also used savings for family celebrations (12 per cent). Overall the data show that a significant proportion (49 per cent) mentioned food and household expenses as one of the three main uses of their savings payouts. Other significant uses were housing project/improvement (48 per cent) and productive investment (31 per cent). The investment in housing in the area is also reflected in the high proportion of respondents with stone walled houses (see Table 2).

The pattern of loan use differs in interesting ways to that for savings payouts. Primary uses of loans are more likely to be business and household expenses than housing improvement, as was the case for savings payouts. Respondents explained this as being because the payouts were larger than the loans and hence a more useful sum to use in housing improvement. A relatively high proportion of women reported using loans to repay debts, which was explained as repaying funds borrowed from friends within the groups. Members who did not require loans borrowed for their colleagues and such colleagues would in future borrow to repay the loans. Men tended to rank loans as the major reason for joining the groups during focus group discussions, while women saw other benefits such as savings and social networking.

For women, increased income was the most notable change

Change in the lives of users. The research asked respondents to indicate the main changes in their lives that they thought had arisen as a result of the programme. In order to properly assess the impact of the services a different methodology would have been required that was not possible given the primary focus of the study on ongoing group performance. For women, increased income (as a result of improved business and ability to buy more inputs) was the most notable change, with 13 per cent of the

Table 3. Main uses of loans and savings payouts

	Savings payouts			*Loans*		
Percentage of respondents reporting	*Women main use (n=86)*	*Men main use (n=48)*	*Overall**	*Women main use*	*Men main use*	*Overall**
Housing project/ improvement	24	46	48	6	14	15
Household asset	21	15	29	7	2	11
Repaying debts/ borrowing for others	16	6	26	20	2	24
Family celebration e.g. Ramadhan, wedding	12	8	23			2
Business/productive investment	9	13	31	35	48	58
Food/household expenses	7	6	49	25	27	52
Educational expenses	6		13	1		2
Savings	4	4	7			
Investing in spouse's business		2	3			
Medical expenses	1		6			
Emergency				6	5	12

Note: * percentage of respondents citing the use as one of their three main uses – column totals therefore exceed 100 per cent.

female respondents mentioning it. Ability to save or the inculcation of savings habits and improved housing were the second and third major changes respectively (with both accounting for 12 per cent of the respondents). For men the three main changes were: an improved standard of living – referring to the ability to meet basic needs such as food – (21 per cent), increased incomes (17 per cent) and improved housing (15 per cent).

The overall findings (taking into consideration what the respondents considered as either the most or second most important changes in their lives) showed an improved standard of living referring to ability to meet food and basic needs (22 per cent), improved housing (21 per cent) and increased incomes (20 per cent) as the three major changes.

The action audit is key to ensuring repayment

Group dynamics. The action audit is clearly a key element of the model in ensuring repayment. Since the date of the payout is set at the beginning of the cycle, the members plan for the cash use and there is therefore a lot of pressure not to delay the action audit. This provides an important lever for repayment in a context where it can be difficult for people to enforce repayment from others whom they know well.

Some groups have made adaptations and adjustments to the byelaws. On the one hand, evidence suggests that there has been little adaptation,

Table 4. Changes since joining the programme

	Women (%) (n=86)	*Men (%) (n=48)*	*Overall* (%)*
Increased income/business improvement – ability to buy more inputs, expansion	13	17	20
Improved housing (roofing sheets, electricity, etc.)	12	15	21
Ability to save/inculcate the habit of saving	12	8	16
No significant change	11	0	7
More and/or better food or meeting basic needs/ standard of living	9	21	22
Increased ability to cope with emergency/loan	8	8	14
Increased self esteem/ social network/support	7	2	5
Increased household assets	6	13	13
Initiated new business/ additional business	5	8	8
Increased welfare e.g. helping family members, weddings, festivities	5	0	3
Education for self or children	4	2	6
Increased ability to plan and manage business	4	0	7
Increased business assets	4	4	9
Worse off/better standard of living before joining programme	2	0	2
Other	1	2	4
Total	100	100	

Note: * percentage of respondents citing the use as one of their three main uses – column totals therefore exceed 100 per cent.

for example, the rule that loans should be a maximum of three times savings seems relatively well enforced, and most groups have had an action audit in the last year. On the other hand, there is evidence that many groups have adapted the byelaws in ways consistent with the model as conditions and members desires have evolved, such as changing interest rates and extending the length of the cycle. Only two groups of the 25 had delayed the breaking of a cycle due to members not repaying on time; other groups that had changed the length of their cycle did that from the day of re-formation in order to achieve higher payouts. Adaptations therefore seem largely to be motivated by the need to adapt the model positively to needs.

To a large extent the segregation of official duties has also contributed to discipline in groups that are performing exceptionally well. These groups had smooth leadership transitions and the retired leaders continued to be members of the groups. Poorly performing groups have problems with the delegation of authority and leaders tend to dominate. This has been found to be a cause of conflict and one such group had to be reconstituted.

Evidence suggests that the CARE trainers started with a clear and rigid model that is still being introduced to the new groups. The rigidity of the model's initial implementation has probably been a strength and has reduced slippage of policies and procedures. However, after two or three years, members of the groups have debated how it might work better and have started to change byelaws to suit their situations.

The role of JOCDO

JOCDO took over the role of CARE in training and support

Trainers and community representatives created JOCDO to take over the role of CARE in training and support. Subsequently registered as an NGO, the organization is run by an executive committee of 20. Having no external funding, its income is from three sources: first, groups pay JOCDO an initial registration and annual membership fee (only some 35 per cent of the groups were in fact doing so). Second, JOCDO supplies new groups with the lockable boxes and stationery from which they make a profit. Third, the trainers are supposed to pay a portion of their training fee to JOCDO.

There are now 25 trainers of whom 17 were trained since CARE left. These trainers provide training to groups for a fee of Tsh2,000 per day ($1.60) of which they are expected to give Tsh500 ($0.40) to JOCDO. The trainers did not find this adequate compared to other income opportunities available to them. This contrasted to the situation in CARE's time when there were added benefits for trainers such as attending training sessions and visits to other projects, for which allowances were often paid.

The trainers provide minimal support services to the groups beyond the initial training and the old groups have effectively operated on their own. In terms of new groups, the trainers provide the initial training but many groups reported that the overall curriculum was not completed. Nor has JOCDO improved the trainers' skills sufficiently for groups to appreciate their additional support value beyond the initial training. As explained by JOCDO officials, the limitation of support service delivery has been due to lack of resources, inadequate capacity and inappropriate recruitment procedures. JOCDO has no monitoring and evaluation system and its own internal support structure is weak, nor does it have a clear business plan or strategy for sustainability. Despite this, JOCDO has facilitated an impressive expansion due to strong demand for the services.

A lack of resources has limited the support services

Conclusion

The membership of VSLAs in Zanzibar has expanded at a rapid rate of 37.5 per cent per year over the four years since CARE departed and left further training in the hands of a local apex organization. While JOCDO has facilitated this expansion, it is also the case that training quality is low and trainers have often not completed the training curriculum. The expansion therefore demonstrates strong demand for the services.

The degree of continuing external services the community groups need has often been underestimated

Moreover, the financial performance of the groups has been strong, both in lending and producing returns to member's savings at a mean rate of 53 per cent in the last cycle. This suggests that despite weak training, local people have been able to implement the approach very effectively. The action audit at a date agreed in advance creates a vital means of transparency and accountability at the end of the cycle that is very different to the usual self-help group methodologies. The ability to save for a purpose and know how much will be received and when was clearly very popular with users. Moreover, although savings and loan sizes are relatively small, they are useful amounts to members in a context where other financial services are limited and inconvenient.

The membership of the VSLAs was found to be relatively well-off and well educated, with over half of members having been educated at secondary level. This is likely to be an important reason why the growth has been impressive and ongoing financial performance strong, especially in the context of weak training and support. A larger number of better-educated members could be expected to strengthen the governance of the groups since more members are likely to feel capable of taking on leadership roles, dealing with record-keeping and engaging in debating policy changes. At the same time, they are more likely to be able to question poorly performing leaders. Although recent training appears to have been limited, it does appear that the group policies have not been changed significantly, and where they have, this has been to produce improvements for members – especially in terms of higher payouts.

Such positive performance may not be replicable in poorer and less well-educated environments

This evidence suggests that the VSLA model has performed very well in Zanzibar in producing useful and sustainable financial services to communities poorly served by other organizations. However, when considering how the approach may work in other contexts, it is important to consider the relatively well-off socio-economic status of the members – especially the relatively high levels of secondary education. These factors mean that such positive performance may not be so easily replicable in poorer and less well-educated environments. We look forward to the findings of further detailed studies of the model that will enable us to understand the relative importance of these factors.

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