

The Sustainability and Quality of Village Savings and Loans Groups under CLP-1 and CLP-2

Background

The first phase of the Chars Livelihoods Programme (CLP-1) worked to eliminate extreme poverty on the island *chars* of North West Bangladesh. The end of CLP-1 in March 2010 and the withdrawal of support provide the opportunity to assess the sustainability of some activities. One activity which has been scaled up under CLP-2 is the Village Savings and Loans (VSL) project¹. Through collective savings groups, the VSL project aims to provide the poorest *char* dwellers with 'a safe place to save'. The VSL groups (VSLGs) are composed of 15-25 female members who meet regularly to save money and if desired borrow small amounts (up to 3 times their savings) at low interest rates². This access to credit helps to reduce the vulnerability of the extreme poor who lack the capital to cope with shocks such as illness, flooding and seasonal hunger (*monga*). Under CLP-2 the groups are facilitated by *Char Shasthya Karmis* (CSKs or *char* health workers) recruited from the same community and supervised by Village Savings Officers (VSOs).

Under CLP-1 over 35,600 members were enrolled in VSLGs (at least 22,000 core and 13,000 non-core participants). The savings groups offer access to credit which can help to reduce vulnerability to shocks by smoothing consumption spending during crises and preventing savers from taking high interest loans from informal lenders.

The purpose of this study was to:

- assess the sustainability of VSLGs under CLP-1³;
- review the quality and performance of both core and pilot non-core VSLGs established during CLP-2⁴;

¹ See www.clp-bangladesh.org for full details.

² Interest rates begin at 5% in the first cycle and thereafter are set by the group members themselves.

³ The districts covered were Kurigram, Gaibandha, Bogra and Sirajgonj. Jamalpur was excluded from this study as various compositions of VSLGs were piloted in Jamalpur, however these were on the mainland and many characteristics of the groups formed were different to those rolled-out in the remaining working areas of CLP-1.

⁴ Core VSLGs comprise members who are core participants of CLP receiving the full package of

Key Findings:

CLP-1 groups:

- 32% of savings groups formed under CLP-1 between 2006 and 2009 continue to meet and save;
- Migration (mainly due to river erosion) accounted for 45% of the reasons why groups discontinued;
- The savings groups formed in 2006-2007, had the highest proportion (59%) of active groups compared with the groups formed in 2007-2008 and 2008-2009, these groups were formed in the districts where CLP-2 works;
- Failure to save regularly (36%) and the inability to afford to save regularly (24%) were the main reasons why members 'dropped out' of active groups;
- 89% of active CLP-1 groups reportedly had contact (mostly by phone) with the VSO after the end of the first cycle (mainly for assistance with the annual share-out);
- Only 2% of active CLP-1 members report that their husband decides the purpose of the loan taken and they have a greater decision making role, compared with 17% of core CLP-2 members and 45% of non-core CLP-2 members whose husbands decide.

Currently facilitated CLP-2 groups:

- No major differences were observed in the quality or performance of core and non-core groups;
- Qualitative data revealed that non-core members in exclusively non-core groups were less attentive and willing to follow the VSL rules compared with members of core groups;
- In core groups with up to 5 non-core members, the non-core members reportedly saved more than core members and often had better attendance than the core members.

- analyse the costs and viability of expanding the VSL project to exclusively non-core groups in the wider community.

The findings from this research can potentially influence operational decisions regarding the VSL project in CLP-2.

support, up to 5 members of core groups can also be non-core participants. Non-core groups comprise wider community members and exclude CLP core participants who have received or will receive an asset from CLP.



Differences between CLP-1 and CLP-2

In CLP-1, VSLGs were facilitated and monitored by VSOs. Under CLP-2, VSOs adopt a supervisory role that was previously played by Village Savings Supervisors (VSSs); CSKs now facilitate meetings and in turn are monitored by VSOs. This change is intended to enhance the sustainability of the project by supporting groups for 2 years, instead of 1 year as in CLP-1. CSKs, who are also health workers, can highlight to participants the direct linkage between building savings and the ability to withstand health shocks.

Key terms:

Sustainable VSLGs: members of CLP-1 groups meet regularly⁵ in their established group and the majority of members purchase at least one share per 'share meeting'. CLP recommends 15-25 members per group;

Quality of CLP-1 groups: Data on regularity of meetings were based on interviews with members. Where savings boxes could be opened, indicators include timely loan repayment, correct use of passbooks and box contents;

Quality of CLP-2 groups: attendance, regularity of savings, accuracy of money counting, leadership from chairperson, active participation of members, contents of savings box and observation and reports of conflict and disputes were used to assess the quality of CLP-2 groups.

Methodology

The study examined the sustainability of groups formed in CLP-1 which no longer receive support from CLP and assessed the quality and performance of currently facilitated core groups and pilot non-core groups under CLP-2. To select the CLP-1 VSLGs, a sample of 110 groups was drawn from a total of 1102 groups and was weighted according to the year the group formed (between 2006 and 2009). These groups, located across four districts were visited to establish whether the groups are continuing to meet independently without support from CLP. Where groups were still active, the group members and 'drop outs' were interviewed using a combination of individual and group interviews with structured and semi-structured questions.

During this survey the same data collectors also visited 60 currently facilitated CLP-2 VSLGs, which were formed in January and February 2011. 20 of these groups were composed of

exclusively non-core members and were located in Kurigram. The core groups mainly comprised core participants, with up to 5 non-core members. The performance and quality of these non-core pilot groups were assessed and compared with 20 core groups in Kurigram and 20 core groups in Rangpur and Gaibandha through observation of the meetings and structured questionnaires with members. Further data on performance of the core and non-core CLP-2 groups in Kurigram were provided by MIS quarterly reporting. Analysis of the costs and viability of expanding the VSL project is based on budgets from CLP-1 and the first year of CLP-2 as provided by CLP's Human Development Unit.

Further qualitative data and validation of the findings was acquired through 2 separate workshops, one with the data collectors and another with VSL staff.

Survival rates of CLP-1 VSLGs

32% of CLP-1 groups continue to meet and save. Surprisingly the oldest groups (formed in 2006/2007) had the highest percentage of active groups. This may have been due to several factors related to the districts in which the groups were formed. Group sustainability could have been impacted by high *char* erosion rates in Kurigram and Sirajgonj and the willingness of the implementing organizations (IMOs) to form and support the VSLGs but most likely by the continued presence of IMO staff from 2008-2010 and in Gaibandha and Kurigram in CLP-2.



Members of a continuing CLP-1 VSLG in Rowmari, Kurigram.

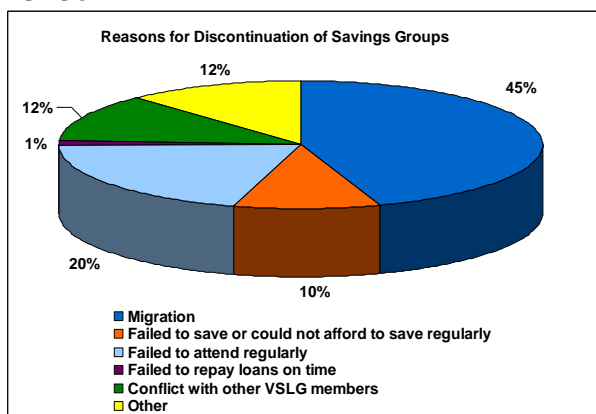
Why do groups discontinue?

The findings shown in Figure 1 indicate that migration; largely as a result of river erosion is the primary reason why savings groups discontinue. Failure of members to attend accounted for 20% of the reasons for discontinuation, failure to save regularly was 10% and 12% reported that conflict with other members caused the group to end.

⁵ Regularly is defined as weekly, fortnightly, monthly, or other consistent meeting arrangement other than on an ad-hoc basis.

Failure to repay loans was not a significant cause for discontinuation, however may have contributed to conflict within the group. 97% of members of CLP-1 VSLGs who are no longer members reported that they would like to join a savings group again, indicating that there is a high demand for the savings groups to continue.

Figure 1: Reasons for discontinuation of VSLGs



*Other includes: problems with accuracy of money counting, disinterest among other members to continue, disagreement over location of meeting place, lack of passbooks and theft of cash from the savings box.

Why do members ‘drop out’ of active CLP-1 VSLGs?

The findings show a different set of reasons to explain why savers leave active groups. ‘Drop outs’ reported that they left their group because they failed to save regularly (35%) or because they could not afford to save regularly (24%). Qualitative data also showed that some members still take loans from money lenders and a small proportion of members use their share-out profits to repay the money lender. Migration due to river erosion accounted for 18% of the reasons why members dropped out and conflict with other members was minimal (3%). 92% reported that they would like to join a savings group again, suggesting that access to financial capital to save on a regular basis may be a significant barrier preventing the members from committing to a savings group and saving regularly.

Active groups: quality and performance

Encouragingly those CLP-1 groups which still meet are performing well and are of a relatively high quality. 75% of recorded loans were repaid within 3 months after taking the loan, the majority of record keeping is accurate (95%), groups meet regularly (80% fortnightly, 17% weekly and 3%

monthly), savings are regular (the majority of members purchase at least one share, per share meeting in 85% of groups) and the average group size is 20 members. No evidence of ‘elite capture’ among the groups was found. 34 out of the 35 active groups’ reportedly plan to continue in the next cycle.

However, 89% of active CLP-1 groups reported that they had contact with the VSO mainly for assistance with the subsequent share-out after support officially ended. Although contact with the VSOs or other IMO staff was unofficial, this outside support and attention may be a key factor in the continuation of these groups.



Box keeper oversees the money counters checking the balance.

Current CLP-2 Groups: the quality of core and non-core groups

Overall there were no major differences observed in the quality of core and non-core groups. For both core and non-core groups the majority of groups had attendance rates over the target of 80%. The large majority of record keeping in the passbooks was accurate, money counting was mostly accurate and all except one group had the full content of the savings box (Table 1).

Table 1: Quality of core and non-core CLP-2 groups

	% of Core Groups	% of Non-core Groups
Attendance rate above 80%	73%	75%
Regular savings	92%	95%
Accurate money counting	84%	100%
Strong leadership from chairperson	97%	90%
Some members did not participate actively	54%	65%
Correct use of passbooks	100%	100%
Contents of savings box	100%	95%
Absence of conflicts & disputes	89%	100%

Both core and non-core groups demonstrated high rates of regular savings (92% and 95% respectively)⁶. These data indicate that non-core members are just as capable of saving regularly as poorer core members who are supported by CLP. Qualitative data provided during the workshop with the data collectors revealed that non-core members in 'core groups' were keen to show their commitment to the group, arriving on time and frequently purchasing the maximum number of shares per meeting.

In contrast, during the workshop with VSL staff, VSOs and CSKs concluded that exclusively non-core groups were less attentive during meetings and less willing to follow the rules and procedures of the VSL meetings than members of core groups. The survey findings also show that active engagement and attentiveness of members were lower in non-core groups; however both groups were weak in this area. Notably at the time of data collection, groups were only 5-6 months old and were still learning, with time for improvement⁷. Although quantitative data on leadership of the chairperson based on the data collectors' observations showed a very high level of leadership, qualitative data reported that leadership was often not effective and leaders were unable to engage all members and maintain order.

Table 2: Savings and loan utilisation

	Active CLP-1 Groups	CLP-2 Core groups	CLP-2 Non-core groups
Average loan (tk)	1405	919*	1117*
Average saving (tk)	-	833*	1047*
Productive utilisation (%)	58	61	79
Consumption utilisation (%)	42	39	21
Most common utilisation of loan	Agricultural inputs (26%)	Agricultural inputs (28%)	Agricultural inputs (29%)
Husband & wife jointly decide on the purpose of loan (%)	71	70	45
Husband decides on the purpose of loan (%)	2	17	45

*MIS data, all other data in the table are obtained from the survey

⁶ Regularity of savings is measured by the number of groups in which 10 or more members purchased at least one share per share meeting.

⁷ Active engagement and attentiveness are based on observations including counting and clapping at appropriate times during the meeting.

Disputes and conflicts were minimal; where present the CSKs and/ or the chairperson were capable of resolving the disputes effectively. Disputes arose over requests for loans more than 3 times the borrower's savings, insufficient credit in the emergency or savings fund to meet all requests and inability to return the loan on time.

Current CLP-2 Groups: savings and loans of core and non-core groups

According to MIS data, non-core groups save marginally more and take slightly higher loans per member than core groups as shown in Table 2. MIS data also show that on average 68% of non-core members have outstanding loans, compared with 62% of core members, suggesting that loan utilisation is marginally higher in non-core groups and therefore non-core groups are performing slightly better than core groups. Return on savings is similar for core (15%) and non-core groups (14%).

Participants of both workshops reported that some VSLG members continue to borrow from informal money lenders. CSKs and VSOs recognised that further action is required to continually warn members of the negative impact of informal borrowing. Members of all VSLGs (CLP-1 and CLP-2) reportedly used the loans mainly for productive rather than consumption utilisation and primarily to purchase agricultural inputs. Other productive purposes include investment in land, cattle, other livestock or poultry and inputs such as food and medicine for rearing livestock and poultry.

Household economic decision making

One of the key differences between core and non-core groups is that 45% of husbands decide the loan purpose in non-core group members' responses compared with just 17% in core groups. In CLP-1 groups that continue to function, the husband's domination of decision making regarding the loan purpose is only 2%. This shows that women in core CLP-2 groups and continuing CLP-1 VSLGs have a greater role in economic decision making regarding the VSLG loans.

Expanding the VSL project

Under CLP-1, in total over 35,600 members were enrolled in VSL groups. The target for CLP-2 is to enrol 130,000 (67,000 core and 63,000 non-core participants), with approximately 22 members per group.

Advantages of expanding the VSL project to non-core participants:

- Encourage social cohesion, bridge existing social gaps between core and non-core members and make asset transfers less divisive among the community;
- Facilitate a social support network for non-core as well as core women;
- Reduce the dependence on high cost loans,
- Non-core groups will potentially have higher savings, loan capacities and greater credit worthiness to create demand for financial services and attract other MFIs to the *chars*;
- Reduce per capita costs as groups can be run in the same area using the same staff and facilities, and materials such as the savings boxes and their content can be purchased in bulk;
- Improve attendance by having more options for which group members join.

Despite these positive factors caution must be taken to ensure that the quality of groups does not deteriorate as the quantity of groups increase. Assessment of the quality of current CLP-2 groups (both core and non core) showed that member participation was weak (albeit in early on in the cycle). Some groups experienced problems with the management committee who demonstrated weak leadership and/ or inaccurate money counting; in other cases the CSKs failed to facilitate the group effectively. Such issues must be addressed if the project is to be scaled up. There is concern that the supply of experienced and competent VSOs and CSKs is insufficient to match the high numbers of new groups which could compromise groups' sustainability.

Conclusion and recommendations

Sustainability: CLP-1 groups which no longer receive official CLP support and continue to save are operating successfully and providing a useful source of credit to members, with high repayment rates. Qualitative data from the workshops suggest that informal contact with, and support from IMO staff were likely to have motivated groups to continue. Barriers to continuation of VSLGs are: continual migration breaking groups, access to money for savings, weak leadership and materials such as passbooks. The findings support the extension of support from 1 year (CLP-1) to 2 years (CLP-2). Sustainability of CLP-2 groups could be further improved by:

- Incorporating more '*sustainability training*' in all members' training at the end of the first two cycles;

- Promoting and demonstrating leadership skills during training and in each meeting;
- 'Light support' from IMOs to provide technical support/ helpline and mentoring to assist groups if they wish to reform after CLP completes formal inputs;
- Providing the option for continuing groups to purchase materials such as replacement passbooks from IMOs.

Quality and Performance: Overall the results show no major differences in the quality and performance of core and non-core groups. Qualitative data from workshops did however identify that members of exclusively non-core groups were less attentive and willing to follow the rules and procedures of the VSL group than core group members. According to MIS data non-core groups perform marginally better than core in savings, loans and profit per member. Members' participation, management committee's leadership and accuracy of counting could be improved for both core and non-core CLP-2 groups, as could the CSKs facilitation skills to engage all members. Among the recommendations CLP-2 could:

- Increase the amount of training CSKs receive and focus more on facilitation skills to encourage active participation of members and help to build leadership capacity of group members, especially non-core;
- Ensure that non-core participants are clearly oriented, to explain why they have not received an asset and prevent expectations that they might receive assets;
- Review and improve the current process of regular monitoring of group quality, accompanied by action to address specific weaknesses in each group;
- Ensure CSKs inform members of the negative impact of taking loans from informal money lenders and strongly discourage this type of borrowing.

Expanding the Project: The VSL project has demonstrated its success and worthiness to be scaled up⁸. However, further measures could be taken to improve the quality and potential sustainability of CLP-2 groups. Incorporating these recommendations is likely to have budgetary implications and the costs of extra training sessions will increase the project cost.

⁸ Panetta, D (2009), Chars Livelihood Programme, A Review of the Village Savings and Loan Programme. Chars Livelihoods Programme. www.clp-bangladesh.org