

# Chars Livelihoods Programme

## A Study to Assess the Sustainability and Quality of Village Savings and Loans Groups (VSLGs)

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Australian Government  
Aid Program



## Acronyms and Abbreviations

<b>CLP</b>	Chars Livelihoods Programme
<b>CPHH</b>	Core Participant Household
<b>CSK</b>	<i>Char</i> Shasthya Karmis ( <i>Char</i> Health Workers)
<b>DEMO</b>	Data Entry and Monitoring Officer
<b>DMO</b>	District Microfinance Officer
<b>FY</b>	Financial Year
<b>IGA</b>	Income Generating Asset
<b>IML</b>	Innovation, Monitoring and Learning
<b>IMO</b>	Implementing Organisation
<b>KII</b>	Key Informant Interview
<b>MFI</b>	Microfinance Institution
<b>MIS</b>	Management Information System
<b>UP</b>	Union Parishad
<b>VSL</b>	Village Savings and Loans
<b>VSLG</b>	Village Savings and Loans Group
<b>VSO</b>	Village Savings Officer
<b>VSS</b>	Village Savings Supervisor

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## Executive Summary

The first phase of the Chars Livelihoods Programme (CLP) worked to eradicate extreme poverty and improve the livelihoods of the extreme poor living on erosion-prone island *chars* in the Jamuna River. The end of CLP-1 in March 2010 and the commencement of the second phase (CLP-2) in April 2011 provide the opportunity to assess whether CLP-1 activities have continued without CLP support and explore issues which could influence programme design of CLP-2.

Despite the apparent ubiquity of microfinance institutions in Bangladesh, the majority of *char* participants are unable to access credit and during crises often resort to taking high interest loans from informal money lenders. In response, CLP's Village Savings and Loans (VSL) project offers the poorest with access to credit through collective savings groups, whilst simultaneously providing 'a safe place to save'. The VSL project aims to reduce the vulnerability of the extreme poor who lack the capital to cope with shocks such as illness, flooding and seasonal hunger (*monga*) and offers an alternative to informal money lenders.

Under CLP-1 over 35,600 members were enrolled in VSLGs. CLP-2 plans to scale up this project and form groups in the wider community, aiming to enrol 130,000 (67,000 core and 63,000 non-core participants). This study set out to firstly assess the sustainability of the VSL groups (VSLGs) formed under CLP-1 and found that 32% of the groups are still meeting and saving without support from CLP. Secondly, a review of the quality and performance compared the pilot exclusively non-core groups with core groups and found no major differences in the quality or performance. Although the quality of currently facilitated CLP-2 groups was mainly good, rates of members' participation were low and non-core groups in particular were less attentive and less willing to follow the VSL rules and procedures. Thirdly, the study assessed the costs and viability of expanding the VSL project to non-core members. To avoid deterioration in the quality of the groups and to enhance the sustainability of VSLGs following withdrawal of CLP support, the report makes several recommendations, which are likely to have cost implications for the project.

Other key findings include:

- Migration, primarily due to river erosion is the main explanation for why groups discontinue, accounting for 45%, of reasons (32% directly due to river erosion);
- Reforming VSLGs following the breakdown of the group as a result of river erosion or conflict within the group is a significant barrier to VSLG sustainability;
- Failure to save regularly (35%) and inability to afford to save regularly (24%) were the main reasons why members 'dropped out' of active groups;
- CLP-1 groups which continue without CLP support meet and save regularly, however 89% of continuing CLP-1 groups reportedly had contact with the Village Savings Officer (VSO)<sup>1</sup> after the withdrawal of CLP support, mainly to assist with the annual share-out of savings;
- Low rates of CLP-2 members' participation, occasional weak competency of the management committee to fulfil their roles and *Char Shasthya Karmis*' (CSKs) ability to motivate and engage all group members were identified as the main weaknesses in the quality of core and non-core groups;
- To avoid compromising the quality of CLP-2 groups, effort should be made to ensure that CSKs receive sufficient initial and refresher training and are monitored adequately by VSOs;

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<sup>1</sup> Under CLP-1 VSOs were 'Village Savings Organisers'. Under CLP-2 VSOs have changed their names to 'Village Savings Officers'. For simplicity VSOs in CLP-1 and CLP-2 are both referred to as VSOs throughout this report.

- If no major changes are made to the implementation of the VSL project, it will cost approximately Tk923 per member over 2 years (based on 130,000 members);
- Incorporation of the recommendations made, including extra training sessions are likely to increase the cost of the project.

# 1. Background

## 1.1 CLP's approach to microfinance on the chars

The first phase of the Chars Livelihoods Programme (CLP) began in 2004 and officially ended in March 2010. The £50 million Programme worked to improve the livelihoods of the extreme poor living on erosion-prone islands in the Jamuna River<sup>2</sup>. CLP provided an integrated package of support to Core Participant Households (CPHHs), with the cornerstone being CPHHs' receipt of income generating assets (IGAs). The wider, island *char* community also benefited from various CLP projects, including the Village Savings and Loans (VSL) project, which has provided villagers with 'a safe place to save'.

Unlike many areas of mainland Bangladesh, where microfinance institutions (MFIs) offering services to the poor are ubiquitous, credit options for *char* dwellers are limited due to the high risks and transaction costs of providing the extreme poor with access to credit on the remote *chars*. The perception that *char* dwellers are too poor to be good microfinance clients has dominated MFI in the *chars* to date and the majority of CLP's clients are unable to receive MFI services. Therefore CLP seeks to promote and facilitate appropriate savings and credit interventions in the *chars*.

In its second phase, CLP aims to help lift 67,000 extreme poor households out of poverty by 2016 in 5 new districts<sup>3</sup>. The new phase provides the opportunity to assess the sustainability of CLP-1 VSL groups (VSLGs), learn from the previous savings group cycles and potentially apply lessons learned to CLP-2 to enhance the quality and sustainability of VSLGs under CLP-2. Following the success of VSLGs in CLP-1, in which participants earned 51% more cash income and expended less on loan repayments compared with non-participants, even after controlling for CLP inputs, CLP-2 is piloting the expansion of VSL services to non-core participants in the wider community<sup>4</sup>. This will increase the savings and loan taking capacity of the *chars* and will make the *chars* more likely to attract MFIs. Furthermore, with thousands of households graduating out of extreme poverty and subsequently diversifying their livelihoods and investing in land, CLP-2 may have a role in expanding the microcredit services that are available to poor *char* dwellers.

## 1.2 Village savings and loans groups

In response to the lack of a 'savings culture' amongst the *char* dwellers and the scarcity of suitable microfinance services, CLP introduced the VSL project, which is a very low cost system enabling group members to save and borrow money, as well as access funds in the event of a crisis and thereby reduce their vulnerability to shocks<sup>5</sup>. VSLGs are composed of 15-25 female members who meet regularly to save money and if desired they can borrow small amounts of money (up to 3 times their savings) for short periods (repayment within 3 months), paying monthly interest at a low rate of 5% initially, then the desired rate as set by the group. The group's savings and earnings are shared out amongst the members in proportion to their savings after about 12 months and the credit remains within the group.

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<sup>2</sup> The Programme worked in the districts of Bogra, Jamalpur, Sirajgonj, Kurigram and Gaibandha.

<sup>3</sup> Initially CLP-2 will work in the districts of Rangpur, Nilphamari and Lalmonirhat, as well as the 'old' districts of Kurigram and Gaibandha and will later on move to Pabna and Tangail and return to Jamalpur.

<sup>4</sup> Panetta, D (2009) 'A Review of the Village Savings and Loan Programme'.

<sup>5</sup> VSLGs are modeled on Village Savings and Loan Associations pioneered by CARE in Niger in 1991.

CLP-1 enrolled over 35,600 VSLG members<sup>6</sup> (1712 groups) and as of April 2011, 11,828 have been enrolled in CLP-2 (523 groups) of which, 20 groups are comprised of exclusively non-core members. According to a sustainability study conducted by IML<sup>7</sup>, some VSLGs cease to operate as a result of migration due to river erosion, conflict within the group and lack of group leadership. 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. Moreover, as members of the same community, the CSKs' are intended to enhance the sustainability of the groups. The CLP Annual Review 2010/2011<sup>8</sup> also raised concern over:

*"The sustainability of these VSLGs beyond the project period, in a situation where profit-oriented MFIs are not yet present on the chars". (p28)*

The review suggested that: *"it may be possible to promote VSLGs as community based microfinance organisations, which calls for looking for suitable MFIs, which will make a partnership that is oriented more towards the community than towards organisational profits". (p28)*

This study examines the sustainability of CLP-1 VSLGs in more detail and reviews the quality of currently facilitated CLP-2 groups, to help inform decisions regarding expansion of VSLGs in the community.

### **1.3 Objectives**

There are 3 main objectives of this study:

The first objective is to assess the sustainability of the VSLGs after the withdrawal of support from CLP-1. The study addresses the questions:

- Do VSLGs formed under CLP-1 continue to meet and save regularly in their VSLG without support from CLP?
- Why do some groups discontinue?
- Why do members 'drop out' of VSLGs which continue to meet without support from CLP?
- What is the quality and what are the features of these groups which continue to meet without support from CLP?

The second objective is to review the quality of the currently facilitated operating VSLGs under CLP-2 and compare the performance and quality of the core<sup>9</sup> VSLGs with the pilot VSLGs formed exclusively with non-core participants.

The final objective is to examine the cost and viability of expanding VSLGs to the wider community. The analysis draws on the findings regarding the sustainability and quality of CLP-1 and CLP-2 groups to make recommendations to strengthen and expand the VSL project.

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<sup>6</sup> Of the 35,600 members, only 1500 were non-core households and 12,000 were from the pilot study.

<sup>7</sup> Kenward and Islam (2011) 'A Study to Assess the Sustainability of CLP-1 Activities'.

<sup>8</sup> Premchander, Toufique and Wyler (2011), 'Annual Review 2011, Chars Livelihoods Programme-II, March 2011'.

<sup>9</sup> 'Core groups' may contain up to 5 non-core members.

## 2. Methodology

### 2.1 Survey design

This study comprises three modules:

**Module 1:** Assesses the sustainability of the VSLGs formed in CLP-1 after the phase out of CLP-1 and the withdrawal of CLP support;

**Module 2:** Reviews the quality of core and non-core VSLGs, which are operating in their first cycle under CLP-2;

**Module 3:** Analyses the cost and viability of expanding VSLGs to the wider community.

Data collection for modules 1 and 2 was conducted at the same time during June-July 2011 in the districts of Kurigram, Gaibandha, Bogra, Sirajgonj, Jamalpur and Rangpur. Details of the process of data collection are presented clearly in a matrix of the tools used (Annex 1) and flow charts outlining the sequence (Annex 2 and 3). This data collection was complemented by more qualitative data obtained during a workshop with the data collectors and another with VSL staff including Village Savings Supervisors, (VSSs), Village Savings Officers (VSOs) and *Char* Shastiya Karmis (CSKs or *char* health workers) in September 2011 (Annex 4).

IML trained 11 Data Entry and Monitoring Officers (DEMOs), with 10 DEMOs collecting data and 1 designing the database and entering data at the end of each week. CLP-1 groups which are considered to be sustainable without CLP support must meet the following criteria:

- Group members meet on a regular basis (weekly, fortnightly, monthly or other regular meeting, not ad hoc);
- Group members save on a regular basis (the majority of members in the group purchase at least one share at each 'share meeting');
- The group has a minimum of 15 members and a maximum of 25 members in the group.

Time constraints prevented data collectors from revisiting the groups to assess the quality of their group by observing the meeting and checking the passbooks and box contents<sup>10</sup>. However, 23 of the 35 active CLP-1 groups' savings boxes were opened and therefore **regularity of savings, timely loan repayment, correct use of passbooks** and **box contents** were recorded. Data on the **regularity of meetings** were based on interviews with members. Further information on the problems faced by groups and the leadership of the management committee members were obtained from the workshops with DEMOs and VSL staff. Currently facilitated groups' meetings were observed by DEMOs, which were followed by group and individual interviews to obtain data on the following indicators of quality:

- Attendance;
- Regularity of savings;
- Accuracy of money counting;
- Chairpersons' leadership;
- Members' participation;
- Use of passbooks;
- Content of savings box;
- Disputes and conflict.

Table 1 outlines how these indicators were measured.

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<sup>10</sup> Due to the withdrawal of CLP support of these CLP-1 groups the meeting times and dates were not known in advance.



Table 1: Indicators of quality for CLP-1 and CLP-2 groups

	Indicator	Measurement
CLP-1 and CLP-2 groups	Loan repayment	To date all members who took a loan 3 months ago or more have repaid their loan ( <i>too early to assess in CLP-2 groups</i> ).
	Savings regularity	10 or more members purchase at least one share per 'share meeting'.
	Use of passbooks	Members' passbooks are correctly completed. This means that each member must have a passbook and: <ul style="list-style-type: none"> <li>• passbooks have been stamped in the correct place for each share purchased;</li> <li>• loans taken have been recorded in the correct place;</li> <li>• repaid loans have been recorded in the correct place.</li> </ul> If 1 or 2 passbooks in the group have been incorrectly completed (for 2 or less questions), the group will count as correctly completed, as this is just a small minority.
	Content of savings box	The group has the main items required to hold a group meeting. The main items are: 1 lockable cash box, at least 2 locks with keys and passbooks for all members.
CLP-2 groups	Attendance	More than 80% of the group members attended the observed meeting.
	Accuracy of money counting	The money counters counted the correct amount of money in front of the whole group.
	Leadership from chairperson	The chairperson led the meeting effectively with a clear and, or loud voice.
	Members' participation	Groups may have both positive and negative participation: <p><b>Positive:</b> The majority of group members repeated the amount of money in the bag as announced by the record keeper in the closing balance.</p> <p><b>Negative:</b> Some members did not participate actively (e.g. count out loud, clap if a member purchases 5 shares or if a member repays a loan).</p>
	Conflict and disputes	Disputes or conflicts witnessed during the group meeting or reported to the DEMO by group members during the interview after the meeting.

Quarterly MIS data supplied by the CLP Microfinance Coordinator provided data on key performance indicators for the currently facilitated groups. These data were collected by the VSOs in June 2011. The third module involved desk based data collection and analysis using budgetary data provided by the CLP Human Development Unit.

## **2.2 Data collection**

Locating CLP-1 groups was a challenge for data collectors, as some groups had moved their meeting location, often many of the original members had migrated to another *char*, or another part of the *char* and one village had been completely eroded. For the eroded village, the data collector was informed that the group members were dispersed in various locations which were unreachable in the given time, therefore this group was omitted from the data collection, giving a data set for a total of 109 groups.

Module 2 required DEMOs to observe currently facilitated VSLGs' fortnightly meetings, before conducting interviews with some of the members. Therefore the data collection had to be planned based around the meeting times and venues of the groups. CLP-1 groups located close to the current groups were visited during the same time period to maximise time efficiency, however no CLP-1 VSLG meetings were observed.

Occasionally groups changed their meeting times and/ or dates without informing the implementing organisation (IMO), which resulted in data collectors returning to the group again – a costly exercise for groups in remote locations such as Rowmari. Other interruptions to the data collection process were Union Parishad (UP) elections, days of national strikes (*hartal*) and finding CLP-1 groups where the *char* had already partially eroded and the group had moved the meeting place. Due to changed meeting dates and the availability of data collectors to reach groups in remote areas on the specific meeting day, 3 CLP-2 core groups could not be reached, therefore data was collected for a total number of 57 CLP-2 groups.

A workshop was held with the DEMOs in September 2011 to validate the findings and gain further qualitative data from the survey. A daylong workshop was held in CLP's district office in Kurigram with VSL staff members from 6 different IMOs.

The third module compiled data from modules 1 and 2, alongside data from CLP's monthly reporting records and budgets supplied by the CLP's Microfinance Coordinator to evaluate the costs and viability of expanding VSLGs.

## **2.3 Sampling methodology**

### **Module 1:**

To select the sample of CLP-1 VSLGs 110 groups from a total of 1102 groups were selected from the main population, across four districts<sup>11</sup>. Due to the nature of the study – sustainability, greater weight was given to the groups in earlier cycles. The total sample by cycle and IMO is shown in Table 2 and the population from which this is drawn is presented in Annex 5.

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<sup>11</sup> Various compositions of VSLGs were piloted in Jamalpur with the Sajida Foundation, however these were on the mainland rather than island *chars* and many characteristics were different to those VSLGs rolled-out in the remaining working areas of CLP-1 e.g. some groups with male members or wealthy members. For these reasons groups in Jamalpur were excluded from this survey.

Table 2: Sample by IMO and cycle

District	IMO	FY			Total
		2006-2007	2007-2008	2008-2009	
Bogra	GBS	0	0	4	4
Sirajgonj	NDP	0	9	6	15
	MMS	0	9	6	15
	ARCHES	0	0	4	4
	GKS	0	0	4	4
Gaibandha	GUK-G	14	8	4	26
	SKS	0	7	1	8
	AKOTA	0	0	1	1
Kurigram	RSDA	15	7	3	25
	RDRS	0	0	8	8
<b>Total Sample</b>		<b>29</b>	<b>40</b>	<b>41</b>	<b>110</b>

**Module 2:**

As of April 2011 523 groups were in their first cycle under CLP-2. To assess the quality and performance of these currently facilitated CLP-2 groups and compare the findings of the pilot non-core groups with the core groups, the sample of core groups was taken from those formed at the same time as the pilot non-core groups (January and February 2011).

In total 372 groups were formed in January and February 2011, from this population 60 groups (20 non-core, 40 core groups) were selected as shown in Table 3. Given the limited time and financial resources, 20 core groups in Kurigram were randomly selected across a range of IMOs to enable comparison with the 20 non-core, which were formed in Kurigram and a further 20 groups were randomly selected from Gaibandha (also a CLP-1 working area) and Rangpur (not a CLP-1 working area). The groups in Nilphamari and Lalmonirhat were excluded due to time constraints (Annex 6).

Table 3: Sample population of VSLGs formed in January and February 2011

District	IMO	January and February 2011		Total
		Core groups	Non-core groups	
Kurigram	RDRS	7	8	15
	RSDA	4	12	16
	MJSKS	2	0	2
	AID COMILLA	2	0	2
	BDSC	2	0	2
	ZIBIKA	2	0	2
	SOLIDARITY	1	0	1
	<b>sub-total</b>	<b>20</b>	<b>20</b>	<b>40</b>
Gaibandha	AKOTA	5	0	5
	GUK	5	0	5
<b>sub-total</b>	<b>10</b>	<b>0</b>	<b>10</b>	
Rangpur	RDRS	10	0	10
<b>sub-total</b>	<b>10</b>	<b>0</b>	<b>10</b>	
<b>Total Sample</b>		<b>40</b>	<b>20</b>	<b>60</b>

### 3. Results: the sustainability and quality of CLP-1 groups

The study found that overall only 32% of the VSLGs formed between 2006 and 2009 are still meeting in their savings groups; all of these groups are meeting and saving regularly. Migration (mainly due to river erosion) was the main reason explaining why groups discontinued their meetings. The most common reasons for members dropping out of active groups, which continue to meet without CLP support was the failure or inability to save regularly (59%). The analysis below first presents the survival rates and sustainability of CLP-1 groups, then identifies the composition and features of the 'active' groups that continue to meet without CLP support. This section then outlines the reasons why members 'drop out' of groups and why groups discontinue, before providing a brief assessment of the quality of the active CLP-1 VSLGs. Finally the experiences of a sample of members provide further insight into members' motivation for joining the savings groups, the size of the loans taken, the utilisation of the loans and the members' decision making responsibility regarding financial decisions related to the savings group.

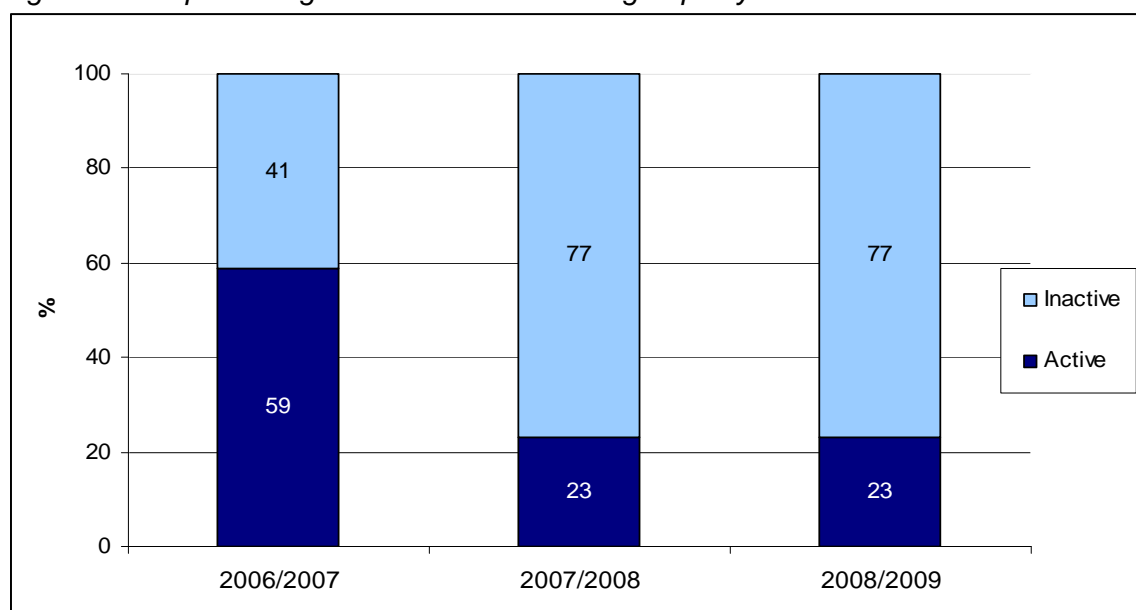
#### 3.1 Sustainability

##### **VSLG survival rates:**

Among the 109 groups sampled, only 35 groups (32%) continue to meet and save in their VSLG. The proportion of active and inactive groups varied across all 3 financial year (FY) cycles and all 10 IMOs (Table 4). Disaggregated by the FY that the group was established, surprisingly the oldest groups (formed in 2006/2007) had the highest percentage of active groups (Figure 1):

- 59% of groups formed in 2006-2007 are still active;
- 23% of groups formed in 2007-2008 are still active;
- 23% of groups formed in 2008-2009 are still active.

Figure 1: The percentage of active and inactive groups by FY formed



The higher proportion of active groups in the first cycle may be related to the districts which these were in (Kurigram and Gaibandha), as groups formed in the latter years

also drew the sample from Sirajgonj and Bogra (Figure 2). Group sustainability may have been impacted by high *char* erosion rates in Kurigram and Sirajgonj or the commitment and capacity of the responsible IMO. However qualitative data suggests that it is likely that despite cessation of official CLP support, the continued presence of IMO staff in Kurigram and Gaibandha encouraged VSLGs to continue to meet, for example if IMO staff were passing through the areas they would enquire about what the previous core participants are doing and if they are still meeting, or VSOs were called to assist with the share-out at the end of the cycle.

Figure 2: The percentage of active and inactive groups by district

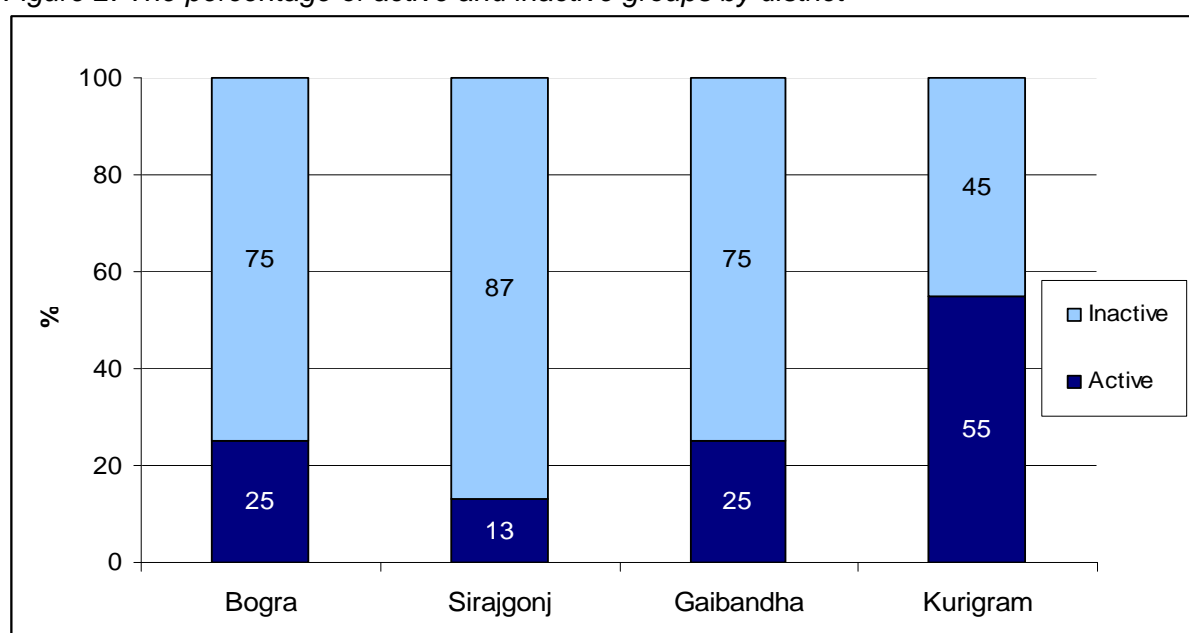


Table 4: Percentage of active and inactive groups disaggregated by IMO and FY cycles

DISTRICT	FY cycle	2006-2007		2007-2008		2008-2009	
		ACTIV E (%)	INACTIV E (%)	ACTIV E (%)	INACTIV E (%)	ACTIV E (%)	INACTIV E (%)
Bogra	GBS					25.0	75.0
Sirajgonj	NDP				100		100
	MMS			44.4	55.6		100
	ARCHE S					25.0	75.0
	GKS					33.3	66.7
Gaibandha	SKS				100		100
	GUK-G	35.7	64.3	12.5	87.5		100
	AKOTA					100	
Kurigram	RSDA	80.0	20.0	57.1	42.9	33.3	66.7
	RDRS					50.0	50.0
<b>TOTAL</b>		<b>59</b>	<b>41</b>	<b>23</b>	<b>77</b>	<b>23</b>	<b>77</b>

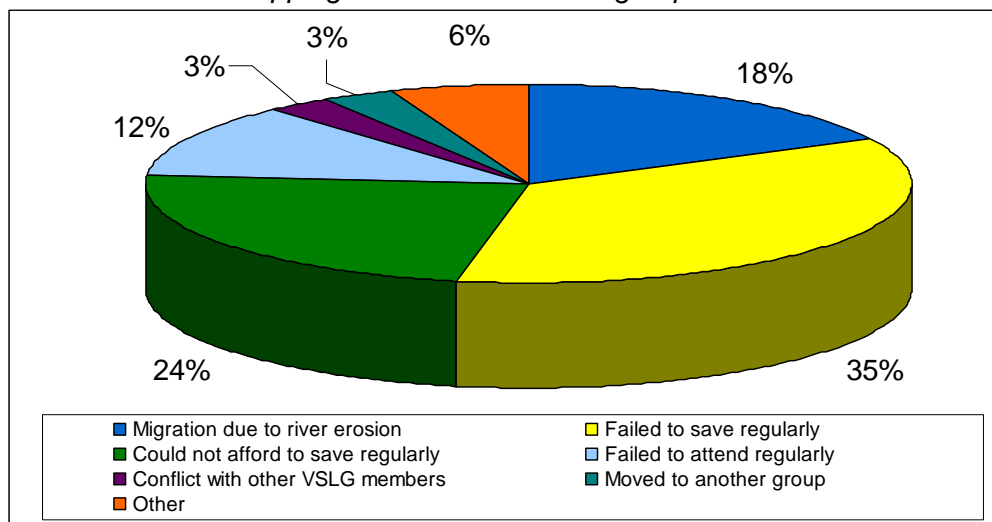
**'Dropping out' and discontinuation of VSLGs:**

The small proportion of original members in CLP-1 VSLGs which continue to meet indicates that a large number of members choose, or are forced to leave their VSLG even if the other group members continue. The main reasons why members left currently active groups were: failure to save regularly (35%) and the inability to afford to

save regularly (24%). Migration due to river erosion accounted for 18% of the reasons why members left currently active savings groups (Figure 3). The large proportion of members who dropped out because they did not save regularly suggests that the capacity of *char* dwellers to save even small amounts is very low and/ or members are not educated sufficiently in the benefits of building assets through saving in the VSLG. Qualitative data yielded in the workshops supported this data; VSL staff reported that during *monga* members were often unable to save and where members were divorced, or their husband had a second wife, the women often received little or no money from their husbands rendering them unable to save regularly.

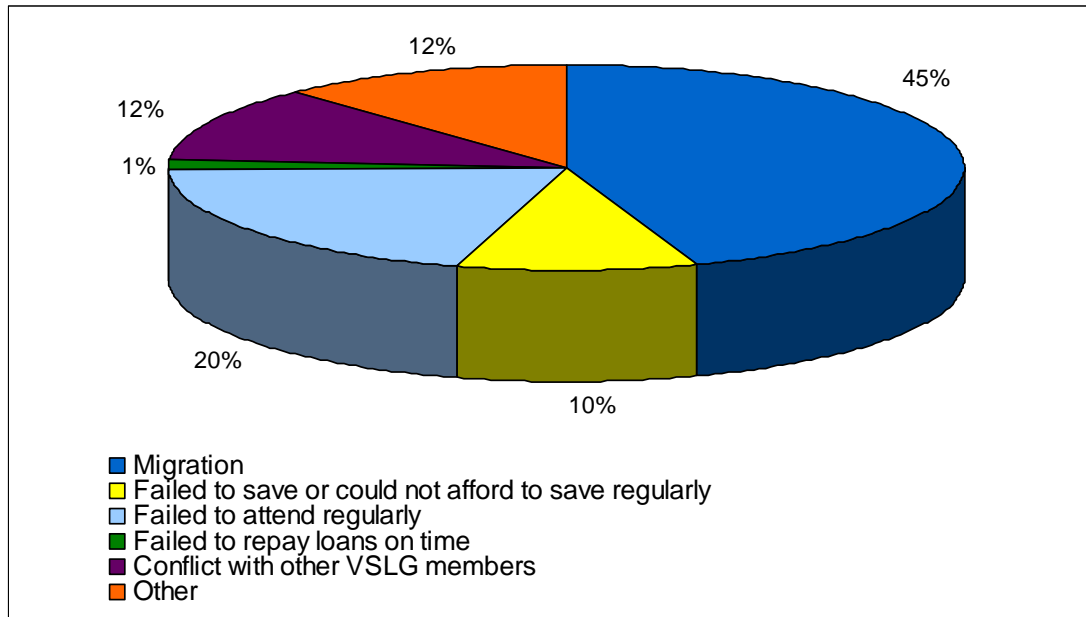
Leaving active groups as a result of conflict with other members represents a small proportion (3%) of explanations compared to the reasons given by previous members of discontinued groups (13%). This suggests that conflict can break down groups, therefore groups with less incidence of internal conflict are more likely to be sustainable. 'Other' reasons why members left active groups were disinterest among members in continuing the group and in one case the respondent was not informed about the reformation of the group when the next cycle began and not given the opportunity to join.

Figure 3: Reasons for 'dropping out' of active CLP-1 groups



For CLP-1 groups which discontinued after CLP withdrew support, the main reason given for why the members discontinued the group was migration (45%), largely due to river erosion. Failure of members to attend the VSL meetings regularly was the second most common reason (20%) and conflict with other VSL members (12%) was the third most common reason (see Figure 4) for why groups discontinued. According to VSL staff, disputes over attendance, loan repayment and members' disinterest to participate often lead to conflict within the group. Problems with money counting represented only a small proportion of reasons for discontinuation, however could have contributed to conflict within the VSLG. 'Other' includes problems with accuracy of money counting, disinterest of members to continue, disagreement over the location of the meeting place, lack of passbooks and in one case theft of cash from the savings box.

Figure 4: Reasons for the discontinuation of CLP-1 groups



Of those who dropped out of currently active groups, 92% of respondents said that they would like to join a savings group in the future<sup>12</sup>. This could mean that the availability of money for the purpose of saving is preventing members from continuing in a VSLG. Among the respondents who were previously members of currently inactive groups, 97% report that they would like to join a savings group again in the future. For groups which are no longer active, the primary barrier to continuation is the challenge of reforming the VSLG after the group has been broken as a result of migration or conflict between group members.

If, as suggested by the ex-members interviewed, there is a high demand for VSLGs, then the sustainability of village savings groups could be enhanced by responding appropriately to the challenge of merging, reforming and starting new VSLGs. As highlighted during both workshops and observed during data collection of CLP-1 groups, 'leadership' is central to groups reforming after migration and the continuation of existing groups. Leadership skills of the members, particularly the members of the management committee could be strengthened and when necessary these management committee members must be able to competently take on the responsibilities of committee members in their absence. Further and more specific 'sustainability training' could also be incorporated into the VSL training sessions at the beginning and end of the first cycle. Such training would help mentally prepare the members to take on responsibilities without any outside support or encouragement and provide practical advice on how to organise the group and what to do if they do not have some of the savings box materials such as passbooks.

**Composition and features of active groups:**

The findings indicate that there is a constant movement of members in and out of groups and only one of the active groups retained 100% of the original members from the first cycle in its current cycle (the original group was formed in 2008/2009). Surprisingly the majority of the VSLGs formed more recently (2007/2008 and 2008/2009) have less than 50% of the original members. Again this could be attributed to the extent of river erosion and subsequently migration in certain areas. The data collectors reported that where

<sup>12</sup> Respondents may have provided this response to satisfy what they thought the data collectors wished to hear, or if they thought this would make them more likely to receive further support.

members are forced to migrate and move to an area with another VSLG, merging with existing groups is common, yet they often have to wait for the beginning of a new cycle before they can join.

CLP recommends VSLGs should have a minimum of 15 members and a maximum of 25. Data on the groups which have continued without CLP support show that the total number of members per group ranges from 5-40, with an average of 20. The largest group, comprising 20 core members and 20 non-core members absorbed a large number of members from other groups which were forced to discontinue as a result of river erosion. The smallest group, comprising just 5 members lost most of its members when they migrated due to river erosion. This demonstrates the desire of some members to continue the group but a lack of capacity to organise groups and recruit new members to form a VSLG with a suitable number of members, which would enhance the sustainability of the VSLG.

Overall the proportion of core and non-core members in each group varies considerably and the average number of core members and non-core members per group is 12 and 8 respectively. The number of non-core members per group has increased compared with the original groups, which had up to 5. This slight increase in the involvement of non-core participants demonstrates the willingness of wider community members to be involved in the savings groups.

89% of CLP-1 groups which continued after the withdrawal of CLP support reported that they have had contact with the VSO after the end of the first cycle when the support officially ended. The primary reason for contact with the VSO (71%) was to request assistance from the VSO to assist with the share-out after the official period of support from the VSO had ended. Other reasons are shown in Table 5.

*Table 5: Reasons for contact with VSOs after official support ended*

<b>Reason for contact</b>	<b>% of responses</b>
Assistance with share-out as requested by group	71
Group requested VSO's assistance for another reason	13
Group requested VSO's assistance to resolve a dispute	10
VSOs conducted checks on groups as requested by the IMO	6
<b>Total</b>	<b>100</b>

Most of the active groups (80%) continue to meet fortnightly as they did with VSO support in the first cycle. 17% meet weekly and 3% meet monthly. Of the 35 active groups, 5 groups have increased their interest rate to 10% and all the other groups have retained a 5% rate of interest on loans. The average price of one share is Tk21, as 2 groups have increased the price of one share from the original Tk20 to Tk40 and one group has increased the price to Tk50, 7 groups have reduced the cost of one share to Tk10 and the remainder have kept the price of one share at Tk20.

### **3.2 Quality of active VSLGs and additional information**

The active groups are operating without external assistance from CLP, therefore the meeting times and dates of the groups were unknown to data collectors. As a result, it was not feasible to observe the meeting procedures and group dynamics and the data on the quality of the groups are limited. However, given that the data collectors were already meeting with at least three of the VSLG members, this provided opportunity to collect some data to gain an indication of the quality of these groups based on recorded



data on the regularity of savings, timely loan repayment, correct use of passbooks and contents of the savings box. 20 of the 35 active groups were able to open their savings box in the presence of the data collector to enable checks of passbooks and an inventory of the savings box<sup>13</sup>. As already established under 'sustainability' all groups reported to meet regularly.

Based on the data recorded in the passbooks for the groups which could be checked: In 85% of the groups 10 or more members purchased at least one share in each meeting, reflecting good regularity of savings. Of the passbooks that were checked, in 75% of the groups all members had repaid their loans within 3 months, which shows a relatively high repayment rates and was consistent with responses provided by members when asked how many members if any members had not repaid their loans within 3 months. 95% of groups in which the passbooks could be checked were completed correctly, indicating a good level of accuracy in record keeping by the management committee. This indicates that the majority of continuing groups maintain savings and loan records well, which is important for transparency and in this respect, have successfully adopted the correct VSL practice.

One aspect of the VSL practice which has been followed less successfully is that of the share-out at the end of the cycle. During the workshops DEMOs and VSL staff reported that groups often sought assistance from VSOs or other IMO staff for the share-out and did not have the skills to conduct this.

20% of the groups that could have their box's checked continue to meet even without some of the main items originally in the savings box. This shows that the lack of physical items for VSLGs does not necessarily inhibit continuation. Many of the groups used passbooks from other VSLGs which had discontinued and used a pen to mark shares, where they had lost the stamp or the ink had run out. Only those groups which were close to the mainland (for example in Sirajgonj) photocopied passbooks when they required new ones. Some other groups were too remote and found it too difficult to access a photocopier. Encouragingly there no reports of losses or thefts of cash from the savings boxes among currently active groups.

### **3.3 Savers' experiences of VSLGs**

Most of the members reported that they joined a CLP savings group to gain access to a loan and improve their family's income. Overall those who have continued with their VSLG after withdrawal of CLP support, reported the positive impact that the savings group had; group members who saved more, received larger amounts at share-out, which allowed them to invest in income generating assets such as goats or land. Additionally many said that they continued in the group because it provided them with easy access to a loan during crises for spending on healthcare, food and house repair. Qualitative data collected during the workshops also found that a minority of members still borrowed from informal, high interest lenders and sometimes had to use their share-out money to repay the loans.

#### ***Savings and loans***

For members of groups, which no longer receive CLP support, the loans taken range from Tk100-4000, with an average of Tk1405.<sup>14</sup> On average 58% of loans are utilised for productive purposes, with the largest proportion of loans spent on agricultural inputs

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<sup>13</sup> 15 boxes could not be opened either because the box keeper or one or more key holders were not available at the time of data collection.

<sup>14</sup> These figures are based on the first 2 loans taken in the most recent cycle.

(26%), other productive purposes include livestock or poultry purchase, feed or medicine for livestock and poultry, education, land and investment in a small business (Table 6). Consumption expenditure accounted for 42% of loan utilisation, primarily for food (17%). There was no evidence of 'elite capture' in the data or through interviews with the members sampled, whereby members of the management committee monopolise the group's loan fund. Other 'elites' in the group may be taking larger loans, receiving loan preference or refusing to repay loans but unless this was reported during the interviews this survey was unable to detect this.

*Table 6: Loan utilisation of savers in groups which no longer receive CLP support*

<b>Purpose of loan</b>	<b>Percentage of loans</b>
Agricultural inputs	26
Food/ family food consumption	17
Education	10
Healthcare costs	10
House maintenance repair and house building	9
Livestock or poultry feed or medicine	9
Livestock or poultry purchase	7
Small business	5
Clothes	4
Land investment	1
Loan repayment	1
Other*	1
<b>Total</b>	<b>100</b>

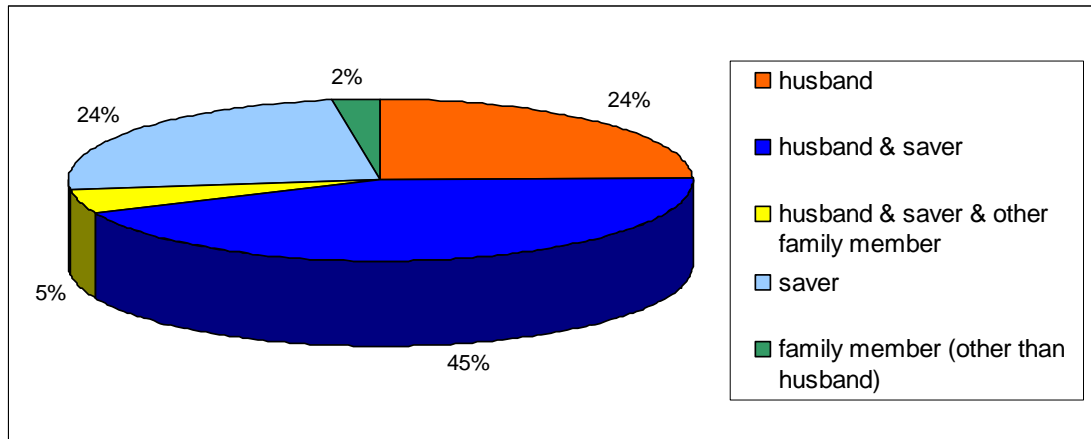
*\*mobile purchase*

Another positive finding which may be attributed to the VSLG and the wider CLP activities is the high level of economic decision making among VSLG members. 71% of members interviewed reported that the husband and wife decide jointly on the purpose of the loan taken and only 2% of members reported that the husband decides, other savers said that they decided alone (15%) or with another family member (other than the husband). This indicates a relatively high level of shared decision making, which may be a higher level of empowerment among the savers than before they began CLP activities or with non participants<sup>15</sup>. Nonetheless most savers are reliant upon their husbands to provide or contribute to the money used to purchase shares (Figure 5). 45% of members reported that the money used to purchase shares usually comes from the husband's and the wife's income and 24% said that the money for savings came from the saver's own income and another 24% reported that the money usually came from the husband's income alone.

More information on the experiences of savers is presented in brief case studies in Annex 7.

<sup>15</sup> No baseline data are available for this indicator.

Figure 5: Sources of funding for purchasing shares



## **4. Results: currently facilitated CLP-2 groups**

Overall no major differences were found in the quality or performance of the currently facilitated (CLP-2) non-core groups compared with CLP-2 core groups. However, qualitative feedback from the workshops with VSL staff and data collectors suggested that many non-core members in exclusively non-core groups were less attentive than core groups and less willing to follow the VSL procedure, rules and instructions of the CSK. This section analyses the data on the quality of core and non-core groups according to the survey data and supplementary qualitative data from the workshops. MIS data on the performance of these groups are presented followed by additional information on loans and loan utilisation. Finally brief comparisons are made between the quality and characteristics of the groups formed in CLP-1 with the new CLP-2 groups.

### **4.1 Quality of core and non-core CLP-2 groups**

As outlined in the methodology, 8 indicators were used to compare the quality of the pilot non-core groups, with core CLP-2 groups formed in January/ February 2011. The indicators are:

- Attendance rates;
- Regularity of savings
- Accuracy of money counting;
- Chairpersons' leadership;
- Members' participation;
- Use of passbooks;
- Content of savings box;
- Disputes and conflict.

The results outlined below and presented in Figure 6 show that overall both groups were of a high level of quality and no major differences in quality were observed between CLP-2 non-core groups and core groups.

#### ***Attendance***

75% of non-core groups had attendance rates above 80% on the day of data collection, compared with 73% of core groups. The main reasons for absence from group meetings were (in declining order of frequency): member's illness, family member's illness, visiting a relative outside the village, too busy with other work, other: voting in UP elections and one core member's husband did not permit her to attend the meeting.

Data collectors observed that non-core members of 'core groups' (which may have up to 5 non-core members) usually arrived on time to group meetings and had good attendance rates compared with core members in the same group. They reported that non-core members were keen to demonstrate their commitment to the group, in order that they would be looked upon favourably by CLP, as they thought this would increase their likelihood of receiving an asset from CLP.

#### ***Regularity of savings***

In 95% of non-core groups 10 or more members purchased at least one share per meeting, compared with 92% of core groups. This difference is very small, however indicates that non-core members are just as able and willing to save as core members who receive a monthly stipend from CLP.

Similarly to 'attendance', data collectors noted that non-core members in 'core groups' save regularly and frequently purchased the maximum 5 shares in every meeting.

### ***Accuracy of money counting***

All non-core groups' money counters on the management committee counted the money correctly; this was a higher rate of accuracy than the core groups, where 84% of core groups' money counters counted the money accurately. This could be due to a higher level of education and numerical skills among non-core members.

### ***Chairperson's leadership***

As identified in analysis of CLP-1 groups, leadership of the chairperson and other management committee members is essential to the quality and sustainability of the group. Strength of leadership is difficult to measure; moreover leadership goes beyond what can be observed in the meeting alone, as good leaders will encourage and motivate savers, make fair decisions in resolving disputes, set a good example and be well respected by the other members.

The chairperson's leadership was measured according to whether she conducted and guided the meeting effectively with a clear and loud voice. 95% of non-core groups demonstrated strong leadership by the chairperson compared with 97% of core groups. This quantitative data seems too high when considered alongside the levels of members' participation. Other observations made by the data collectors and by VSL staff in the workshops reported that in some of the non-core groups the chairperson did not succeed in maintaining discipline within the group to follow the VSL procedure and rules, indicating that their leadership was not effective.

### ***Members' participation***

For both core and non-core groups the level of participation from members was relatively weak. The percentage of non-core and core groups where the majority of group members repeated the amount of money in the bag as announced by the record keeper in the closing balance was 35% and 49% respectively. In 65% of non-core groups and 54% of core groups some of the members did not participate actively, for example count out loud, clap if a member purchases 5 shares or if a member repays a loan, which members are encouraged to do.

These data support reports from the VSL staff and the data collectors that non-core members in exclusively non-core groups were less attentive and willing to follow the procedures of the VSL meeting. However participation was relatively weak for both core and non-core groups during this early stage in their savings cycle. This suggests that members of both core and non-core groups could be encouraged to participate more actively in the meetings to ensure accountability, transparency and cohesion of the group, which could contribute to enhancing the sustainability of the group. Improved leadership and facilitation skills of the chairperson and the CSK could help achieve this.

### ***Use of passbooks***

100% of both core and non-core groups completed the passbooks correctly. Correct use of passbooks was based on the stamping of shares purchased, records of loans taken and repaid.

### ***Contents of savings box***

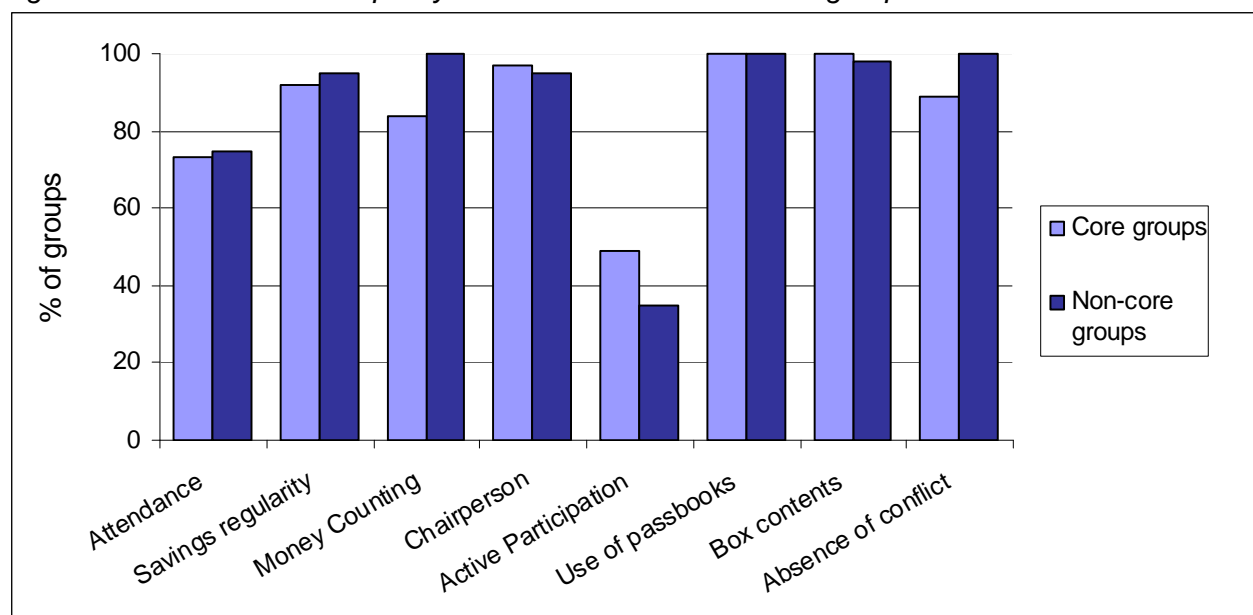
One of the non-core groups had a pad-lock and key missing, therefore did not have all the main items, giving a total of 98% with all the main items, compared with 100% of core groups.

### ***Conflicts and disputes***

Overall only 4 groups were found to have disputes; none of these were in non-core groups. These disputes arose over requests for loans more than 3 times the borrower's savings, the inability to return the loan and which members should have priority in borrowing from the emergency loan fund. The conflicts were resolved by a variety of

means: by the chairperson, the CSK, the management committee and one remained unresolved.

Figure 6: Differences in the quality of core and non-core CLP-2 groups



### **Performance of the CSKs**

An assessment of the quality of the groups also enabled data collectors to provide qualitative data on the performance of the newly recruited CSKs who, under CLP-2 take on the group facilitation role which was performed by VSOs under CLP-1. In one case the CSK was absent from the meeting and in a minority of cases (mainly non-core groups) the CSK failed to facilitate a disciplined meeting and in one case the CSK misinformed the group on an issue.

Given the low levels of active participation and reports that non-core groups are less willing to follow the CSK's instructions and procedures, groups may benefit from enhanced facilitation skills of CSKs to ensure that all members are engaged in the meeting. To overcome the confusion of non-core members in core groups who think that if they perform well in the savings group they will receive an asset from CLP, the group members should be provided with a clearer orientation from the outset of the VSL project to avoid any false expectations. This message should be reinforced by the CSK throughout the cycle.

### **Other issues and problems faced in currently facilitated CLP-2 groups**

Core group members expressed concern over the difficulties they faced attending social development group meetings and VSL meetings on the same day, as this was too tiring and time consuming. Therefore efforts should be taken by IMO to ensure that these meetings are rescheduled and do not occur on the same day. Another problem reported was that members were unsure about what to do in the case of absence of a management committee member. All members of the management committee should be capable of temporarily assuming other's responsibilities in their absence to ensure the smooth running of the meeting and accuracy of money counting and records.

## **4.2 Performance of current core and non-core groups**

MIS data for the first quarter of these groups' cycles reveal that non-core groups may be performing marginally better than core groups (Table 7). However the difference is small and the data were collected when groups were still in the early stages of the first cycle. The MIS data show higher attendance rates for both core and non-core groups than were found in the data collected by DEMOs - again there is little difference between core and non-core groups' rates. According to MIS data members of non-core groups save more (Tk1047) compared with members of core-groups (Tk833). On average 68% of non-core group members have outstanding loans compared with 62% in core groups and non-core groups have a slightly higher value of outstanding loans per member (Tk1117) than core groups (Tk919).

*Table 7: MIS data measuring the performance of core and non-core currently facilitated CLP-2 groups*

<b>Indicator</b>	<b>Average core</b>	<b>Average non-core</b>
Number of members per group	23	26
Attendance rate (%)	97	96
Savings to date (taka)	833	1047
Profit per member (taka)	133	147
Return on saving (%)	15	14
% of members with loan outstanding	62	68
Value of loans outstanding per group (taka)	21,077	27,967
Value of loans outstanding per member (taka)	919	1117

Whilst these data reflect very early stages of the cycle, they suggest that non-core members are willing and able to save and borrow as much as, and more than core group members. These data show that on average there is little difference in the performance of core and non-core groups, however non-core groups seem to save marginally more and take higher loans than core group members. The return on savings for core and non-core groups is similar (15% and 14% respectively), implying that VSLGs are being well utilised by non-core group members and that non-core groups are benefiting financially at a similar rate to core groups.

## **4.3 Loan utilisation of core and non-core group members**

Most core and non-core group members joined a VSLG because they wanted access to a loan and to improve their family's income. For both core and non-core groups' loans taken up to June 2011 were largely used for productive purposes, mainly for agricultural inputs, livestock or poultry purchase and investment in a small business as shown in Table 8. Despite core groups receiving a monthly stipend from CLP, core groups utilise their loans for consumption more than non-core groups and a higher proportion of their loans are spent on food and house maintenance, repair and house building compared with non-core group members. Consumption loans were mainly used for house maintenance or building, healthcare costs and food.

Table 8: Loan utilisation of savers in core and non-core CLP-2 groups

Purpose of loan	% of loans core group members	% of loans non-core group members
Agricultural inputs	28	29
Food/ family food consumption	11	0
Education	3	8
Healthcare costs	7	14
House maintenance repair and house building	14	7
Livestock or poultry feed or medicine	3	0
Livestock or poultry purchase	14	21
Small business	11	21
Clothes	3	0
Land investment	3	0
Loan repayment	0	0
Other	3	0
<b>Total</b>	<b>100</b>	<b>100</b>

One of the key differences between core and non-core groups under CLP-2 is that 45% of non-core members report that their husbands decide the loan purpose compared with just 17% in core groups. Joint decision making between the husband and wife is higher amongst core group members compared with non-core (70% and 45% respectively). This indicates that women in core VSLGs have a greater role in economic decision making regarding their savings and loans, which is likely to be a result of the CLP activities. For more information on the experiences of savers see the brief case studies presented in Annex 8.

#### 4.4 Quality of active CLP-1 VSLGs and currently facilitated CLP-2 VSLGs

Regular rates of saving are high among members in core (92%) and non-core (95%) CLP-2 groups and this rate drops slightly to 85% for CLP-1 groups which continue to meet without CLP support, demonstrating sustained regular savings among groups which continue without CLP support. 80% of groups which had their box contents checked had the main items, however for the 20% that did not it shows that the groups can continue even without the provided 'savings kit'. A rate of 95% of CLP-1 groups that meet without support from the VSO maintained records correctly in their passbooks compared with 100% of CLP-2 groups.

The proportion of loans spent on consumption and productive purposes does not differ greatly between CLP-1 and CLP-2 groups and in CLP-1 groups which continue without CLP support agricultural inputs remain the most popular purpose for loans taken. In CLP-1 groups, which have completed 2 or more cycles, the average size of members' loans is higher than the loans taken by currently facilitated groups, indicating that active CLP-1 groups are saving more than members in currently facilitated groups.

CLP-1 members demonstrated greater independence regarding their income, as only 10% said that they relied solely upon their husband's income to purchase shares, compared with 70% of CLP-2 core members and 91% of CLP-2 non-core members. This suggests that VSLG members who have been saving for more than 1 cycle generate a small income to purchase or contribute to purchasing shares, possibly as a result of investment in income generating activities.



## 5. Expanding the VSLG project

CLP-1 enrolled over 35,600 members in VSL groups, of these at least 22,000 were core participants and 13,000 were non-core participants. The target for CLP-2 is to enrol 130,000 (67,000 core and 63,000 non-core participants), with an average of 22 members per group, forming approximately 6000 groups. Following the recommendations proposed in the 'Social Development Strategy' 2010<sup>16</sup>, CLP-2 will form VSL groups with the wider community, as well as CLP core participants and CLP-2 is currently piloting 20 groups comprising exclusively non-core members. Drawing from the findings of the sustainability of CLP-1 groups, the quality and performance of CLP-2 groups and budgetary data provided by CLP's Human Development Unit, this section analyses the costs and viability of expanding the VSL project and scaling up the exclusively non-core groups.

### 5.1 Advantages of expanding

As identified in a study conducted in 2009<sup>17</sup> and summarised in the Social Development Strategy (2010), the positive impact of VSLGs in CLP-1 include:

- VSL members saved as much as 51% more cash income than non-participants and expend less on loan repayments;
- VSL members voluntarily deposited one third of household savings in their VSL group, achieving 'a safe place to save' for participants;
- Provision of access to collective savings - an important unmet need which can smooth consumption;
- Creation of social capital, empowering women to have a greater role in household decision making and gaining increased respect from the community.

Expansion of VSLGs to non-core participants in the wider community is being piloted under CLP-2 and there are potential social, economic and logistical advantages of expanding the VSL to non-core participants, these include:

- Encourage social cohesion, bridge existing social gaps between core and non-core members and help to make asset transfers less divisive among the community;
- Facilitate a social support network for non-core as well as core participating 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 can join.

### 5.2 Viability

The review of the quality and performance of CLP-2 groups presented in section 4, found no major differences in the quality or performance of the pilot non-core groups compared with core groups. Nonetheless some weaknesses in the quality of CLP-2 groups were highlighted and caution must be taken to ensure that quality of groups does

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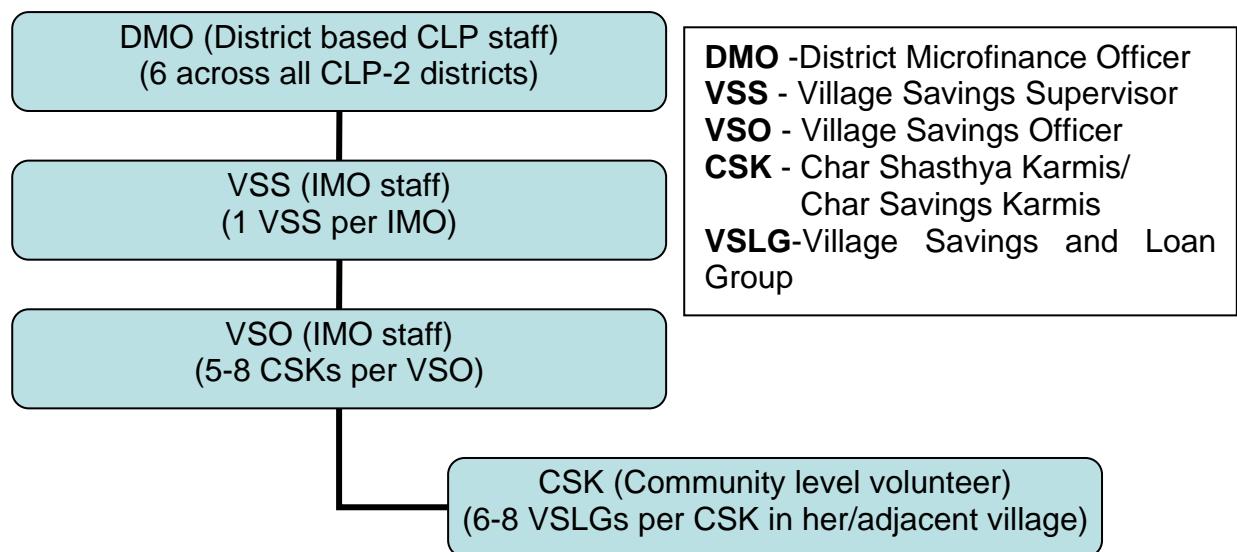
<sup>16</sup> Premchander, S (2010), 'Review of the Social Development Component of the Chars Livelihoods Programme'. [www.clp-bangladesh.org](http://www.clp-bangladesh.org)

<sup>17</sup> Panetta, D (2009), Chars Livelihood Programme, a Review of the Village Savings and Loan Programme. Chars Livelihoods Programme. [www.clp-bangladesh.org](http://www.clp-bangladesh.org)

not deteriorate as the quantity of groups increase. Furthermore although CSKs were envisioned to enhance the sustainability of the groups, their facilitation and positive impact on the group will only be effective if they are competent in their role and have received sufficient, appropriate training.

- CSKs should be well trained and have effective facilitation skills to correct inaccurate money counting and record keeping by the management committee, as well as ensuring active participation and commitment of all members;
- Non-core group members should be carefully selected to exclude ill-motivated members who may dominate groups. This can be achieved through community's selection of suitable members;
- Without regular social development group meetings, non-core VSLG members may lack the discipline required to follow VSL rules and procedures and maintain regular savings and loan repayments. To compensate for the absence of social development meetings CSKs must be well trained and supervised to maintain the discipline and procedures of the VSL group, to ensure it functions smoothly;
- The supply of experienced and competent VSOs and CSKs must be sufficient to match the high numbers of new groups to avoid compromising the sustainability of groups. Figure 7 presents an organogram showing the number of groups that each VSL staff member is responsible for under CLP-2.

**Figure 7: VSL staff in CLP-2**



The CLP-2 VSL groups will be formed in all districts of CLP-2 excluding Gaibandha where CLP-2 is phasing out the VSL project. This is due to the weakness and initial unwillingness of the IMOs to implement the VSL project in this district. Whilst it is difficult to estimate the number of potential eligible and willing non-core participants in each village, the Human Development Unit are confident it will be possible to enrol as many non-core participants as core participants to reach the target of 130,000 members in the CLP-2 districts.

### **5.3 Cost of operations**

The VSL project in CLP-1 only cost Tk600 per participant per year to run the project. This compared with similar projects in other countries which ran on a minimum of Tk1000 per participant per year. Under CLP-2 the cost per member based on the target

of over 130,000 members will be reduced to approximately Tk923 over a two year period. Therefore the cost per member will be Tk461.50 per year, or Tk600 for the first year (as in CLP-1) and Tk323 in the second year when support is phased out gradually. See Annex 9 for a breakdown of the VSL budget for CLP-2 per financial year.

The costs of running the VSL project include:

- Direct costs:
  - Project inputs (VSL box, kits, meeting passbooks, flip charts);
  - Meetings, workshops and training (VSOs, VSSs, DMOs)
  - IMO project support staff personnel costs (VSOs, VSSs, CSKs) and organisational overheads;
  - Capital costs for IMOs (motorbikes, raincoats, umbrellas, etc);
  - Training and other costs for IMOs;
- Indirect costs:
  - CLP project support staff (DMOs)
  - Capital (transport, communications etc).

If recommendations as outlined in the following section are incorporated into CLP-2 these are likely to increase the cost of the VSL project.

## 6. Recommendations: improvement and expansion

Based on the findings from all 3 modules of this study a number of recommendations can be made to enhance the sustainability and quality of the VSLGs which help inform decisions regarding expansion of the VSL project.

### 6.1 Improving the sustainability of VSLGs

The survey findings and workshops identified that barriers to the continuation of VSLGs are constant migration breaking groups, access to money for savings, weak leadership and access to materials such as passbooks. The lessons learned from the sustainability of CLP-1 groups can be applied to currently facilitated CLP-2 groups to improve their sustainability. Recommendations to improve the sustainability of VSLGs are:

- Incorporate more **'sustainability training'** in all members' training throughout the first cycle, as well as at the end of the first cycle. Such training should:
  - Make it clear from the outset that the group will only be supported by the CSK and VSO for a certain time, after this the groups will have to lead the group themselves, elect the management committee, resolve disputes and share-out the savings at the end of the cycle;
  - Teach members how to take the lead in merging with existing groups, reforming groups, motivating previous members and forming new groups if there are no existing groups to build upon. Advise members the appropriate number of members per group. Leadership skills can be promoted and demonstrated during training sessions and in each meeting;
  - Encourage members to think about how they would continue to save, borrow and keep accurate records if they were missing some of the contents of the box. The CSKs could offer practical suggestions as to how the group might manage without all 3 padlocks and locks, or if they run out of ink or passbooks (e.g. photocopy existing passbooks);
- **'Light support'** from IMO's after the completion of the second cycle and the end of CLP support could provide technical support or a helpline to mentor and assist groups if they wish to reform after CLP completes formal inputs and provide training for new management committee members;
- CLP could provide continuing groups with the option to **purchase materials** such as replacement boxes and passbooks;
- During the first half of the second and third cycles optional **one-day trainings** could be available for management committee members from several groups in one area to attend in order to facilitate **sharing of experiences** in groups in which CLP support is being phased out;
- Increase the amount of **training CSKs** receive from 5 days of basic training and 3 days of refresher training to enable more focus on facilitation skills to encourage active participation of members and help to build leadership capacity of group members, especially non-core members who do not attend social development group meetings;
- Incorporate **warnings about money lenders** to ensure that members do not become indebted to money lenders and do not reap the benefits of their collective savings groups;
- CSKs could encourage the group members to work and **earn money** from income generating activities in order to ensure they can have an income of their own to enable them to save regularly without relying solely upon their husband's income;

- Adjust the **training on share-out sessions** to provide more than one training session on the share-out process to increase members' capacity to carry this out without outside assistance. Or provide advice on nominating and training another trusted village member to assist with the share-out.

## **6.2 Strengthening the VSLGs**

Many of the recommendations to improve the sustainability of groups are likely to have a positive impact on improving the quality of the groups. Specific weaknesses identified in CLP-2 groups, which compromise the quality of the groups include weak participation from group members who are not attentive or actively engaged in the meeting, unwillingness to follow chairperson's instructions and rules of the VSLG, such as paying a fee for late arrival. Absence of members of the management committee, non-core members' of 'core groups' false expectations of the extent of CLP's activities and disputes arising over insufficient funds, 'elite capture' or repayment of loans.

The majority of these problems could be addressed by improving the leadership skills of the management committee and the CSK's capacity to facilitate the group effectively and engage all members. This could be achieved by:

- **Increasing the training days** and content of training to improve facilitation and motivational skills, which can help equip CSKs to ensure equal access of all members to loans;
- Reviewing and improving the current process of VSO's **regular monitoring** of group quality, accompanied by action to address specific weaknesses in each group and potentially include further assessment of leadership skills within the group;

Other recommendations include:

- Careful **selection of the management committee**, especially the chairperson and replacement of any members if they are not fulfilling their role;
- 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;

In sum group quality is likely to be compromised if the CSKs are not well trained and supervised by the VSOs. The current training programme is insufficient for CSKs to learn about and understand the VSL system as well as develop their leadership, facilitation and numerical skills, which must be transferred to the group members.

## **6.3 Conclusion**

This study assessed the sustainability of CLP-1 VSLGs after CLP withdrew support and reviewed the quality and performance of currently facilitated VSLGs under CLP-2. The findings from analysis of CLP-1 groups identified barriers to the sustainability of the groups and the study provided insight into the factors which affect the quality of VSLGs. The lessons learned from CLP-1 groups and the early review of CLP-2 VSLGs can be applied to the current VSL project to strengthen CLP-2 groups.

Only 32% of the groups formed under CLP-1 are still meeting and saving. The main barriers to continuation of VSLGs identified are frequent migration breaking groups, access to money for savings, weak leadership and access to materials such as passbooks. Therefore CLP-2 must provide appropriate responses to the disruption, merging and reforming of groups if sustainability rates are to improve. Notably 89% of continuing CLP-1 groups reportedly had contact with the VSO after the withdrawal of

CLP support, mainly to assist with the annual share-out, indicating the importance of some form of external support for a longer period of time than originally set.

Among the recommendations, the most significant modification to the current implementation would be for CLP to provide a more gradual phase out, continuing to offer 'light support' to groups for 1-2 cycles after groups' formal inputs from CLP cease. This should be supplemented by the delivery of more specific 'sustainability training' in the training modules and leadership development. Encouragingly the quality of the groups which do continue is good, average membership size is 20 per group, savings are regular, records are accurate and members demonstrate a higher level of economic decision making than members of CLP-2 groups, furthermore ex-members expressed a high demand for VSLGs. Disappointingly the collective savings groups have not completely eradicated savers' use of money lenders and further action is required to address this.

A comparison of the pilot non-core groups and core groups under CLP-2, revealed that there were no major differences in the quality (based on 8 different indicators) or performance (based on MIS data) of non-core groups compared with core group.. However, qualitative data from workshops did 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. Nonetheless, these findings support the scaling up of exclusively non-core groups, for the VSL project to reach the wider community as well as core participants.

By providing the poorest with access to loans to smooth consumption and invest in productive assets, empowering members through a social support network and increasing their economic decision making role within the household, the VSL project has demonstrated its success and worthiness to be scaled up. If CLP-2 can apply the lessons learnt from CLP-1 groups on what is causing the discontinuation of VSLGs and meet these with appropriate solutions, the sustainability rates of CLP-2 groups could be higher than those of CLP-1 groups.

Importantly whilst the CSKs are intended to improve the sustainability of the groups, findings indicate that the CSKs require more focused training to build the capacity of groups to continue without external assistance. Incorporating the recommendations outlined in this report is likely to have budgetary implications increasing the cost of the VSL project under CLP-2.

## Annex 1: Matrix of tools

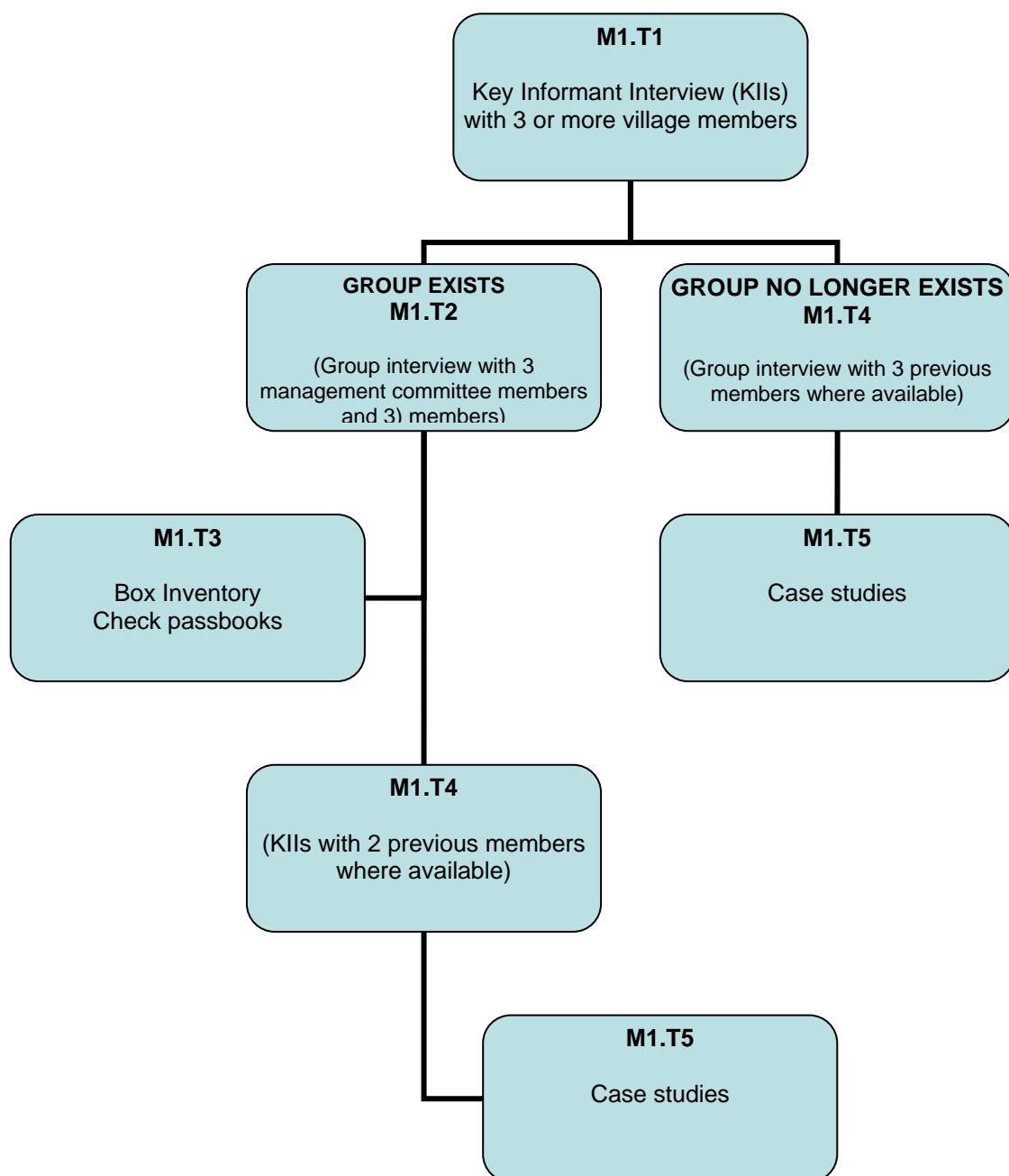
Module	Objectives	Sample	Methodology	Tools	Data Collector																
1	<p><b>Assess the sustainability of CLP-1 VSLGs and the quality of these groups.</b></p> <ul style="list-style-type: none"> <li>Identify the percentage of VSLGs formed that continue to operate without CLP support;</li> <li>Identify the reasons why the groups that are no longer meeting have discontinued;</li> <li>Develop an understanding of the reasons why savers leave savings groups;</li> <li>Assess the quality of the VSLGs that are functioning without CLP support;</li> <li>Provide case studies presenting the reasons why individuals left savings groups and why others continue to save, including the perceived benefits of the savings group.</li> </ul>	<p><b>Main sample:</b>  <b>110 groups</b> will be sampled from a total of 1102 groups across 4 CLP-1 districts. Greater weight will be given to the groups in the earlier cycles:</p> <table> <tr> <td>2006/2007:</td> <td>29</td> </tr> <tr> <td>groups</td> <td></td> </tr> <tr> <td>2007/2008:</td> <td>40</td> </tr> <tr> <td>groups</td> <td></td> </tr> <tr> <td>2008/2009:</td> <td>41</td> </tr> <tr> <td>groups</td> <td></td> </tr> <tr> <td><b>Total =</b></td> <td><b>110</b></td> </tr> <tr> <td><b>groups</b></td> <td></td> </tr> </table>	2006/2007:	29	groups		2007/2008:	40	groups		2008/2009:	41	groups		<b>Total =</b>	<b>110</b>	<b>groups</b>		<ul style="list-style-type: none"> <li>DEMOs interview up to 3 village members (significant community members such as imams, teachers or health workers where possible) to identify and locate current and previous members of the specified savings group (M1.T1),</li> <li>For the groups that are still meeting, DEMOs will explain to the members located the purpose of the research and conduct group interviews using structured questionnaires with 3 members of the management committee and 3 other VSLG members to assess the sustainability and quality of the VSLG (M1.T2),</li> <li>DEMOs will ask the members to open the VSLG box in order to record an inventory of the box contents. The DEMOs will also record how the passbooks have been used. The box keeper, and the three key holders will be required to open the box (M1.T3),</li> <li>For groups that are still meeting, DEMOs will use the information from the initial interviews to locate 2 previous group members and interview them to identify why they left the group (M1.T4),</li> <li>For the groups that no longer meet, DEMOs will use information from the initial interviews to locate 3 previous group members to identify why they left the group and why the</li> </ul>	<p>M1.T1  M1.T2  M1.T3  M1.T4  M1.T5</p>	<p>11 DEMOs (10 in the field, 1 entering data)</p>
2006/2007:	29																				
groups																					
2007/2008:	40																				
groups																					
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groups																					
<b>Total =</b>	<b>110</b>																				
<b>groups</b>																					

Module	Objectives	Sample	Methodology	Tools	Data Collector
			<p>group stopped meeting (M1.T4),</p> <ul style="list-style-type: none"> <li>• DEMOs will conduct short interviews with active VSLG members and individuals interviewed who left the savings groups, to provide case studies on the experiences of savers (M1.T5).</li> </ul>		
2	<p><b>Compare the quality of core and non-core VSLGs, currently operating in their first cycle under CLP-2.</b></p> <ul style="list-style-type: none"> <li>• Collect and analyse data on the quality of both core and non-core VSLGs; <ul style="list-style-type: none"> <li>-frequency of VSLG meetings</li> <li>-average meeting attendance rates</li> <li>-regularity of savings</li> <li>-the strength of the management committee</li> <li>-the extent of cohesion or conflict within groups</li> <li>-whether CSKs are performing their duties and fulfilling their role</li> </ul> </li> <li>• Provide a typical picture of core and non-core VSLG savers and why they chose to be members, the size and</li> </ul>	<p><b>3 different sample populations:</b></p> <ul style="list-style-type: none"> <li>• All <b>20 non-core VSLGs</b> formed by RDRS and RSDA in Kurigram</li> <li>• A random sample of <b>20 core VSLGs</b> formed January and February in Kurigram</li> <li>• A random sample of <b>20 core VSLGs</b> formed in January (12) and February (8) by GUK in Gaibandha and RDRS in Rangpur.</li> </ul> <p><i>(Groups from Rangpur and Gaibandha were</i></p>	<ul style="list-style-type: none"> <li>• DEMOs will use the lists of names and locations of the currently operating VSLGs sampled and the information from the VSOs and CSKs/ or DMOs to identify the meeting date and ensure that the DEMOs arrive at the venue of each sampled VSLG meeting 30 minutes before the meeting start time,</li> <li>• DEMOs will introduce themselves to the group and explain that they will observe the group during their meeting,</li> <li>• DEMOs will observe the meeting and record information on the quality of the meeting (M2.T1),</li> <li>• When the meeting concludes, DEMOs will thank the group and ask 3 group members to meet with him/her for individual interviews after all of the passbooks have been checked,</li> <li>• DEMOs will then take an inventory of the box contents (M2.T2) and check each passbook (M2.T2) to ensure that they are being used correctly. From the passbooks, DEMOs will record details on attendance rates, the regularity of savings and loan repayments,</li> <li>• DEMOs will interview 3 group members</li> </ul>	<p>M2.T1 M2.T2 M2.T3 M2.T4 M2.T5</p>	<p>11 DEMOs (10 in the field, 1 entering data)</p>

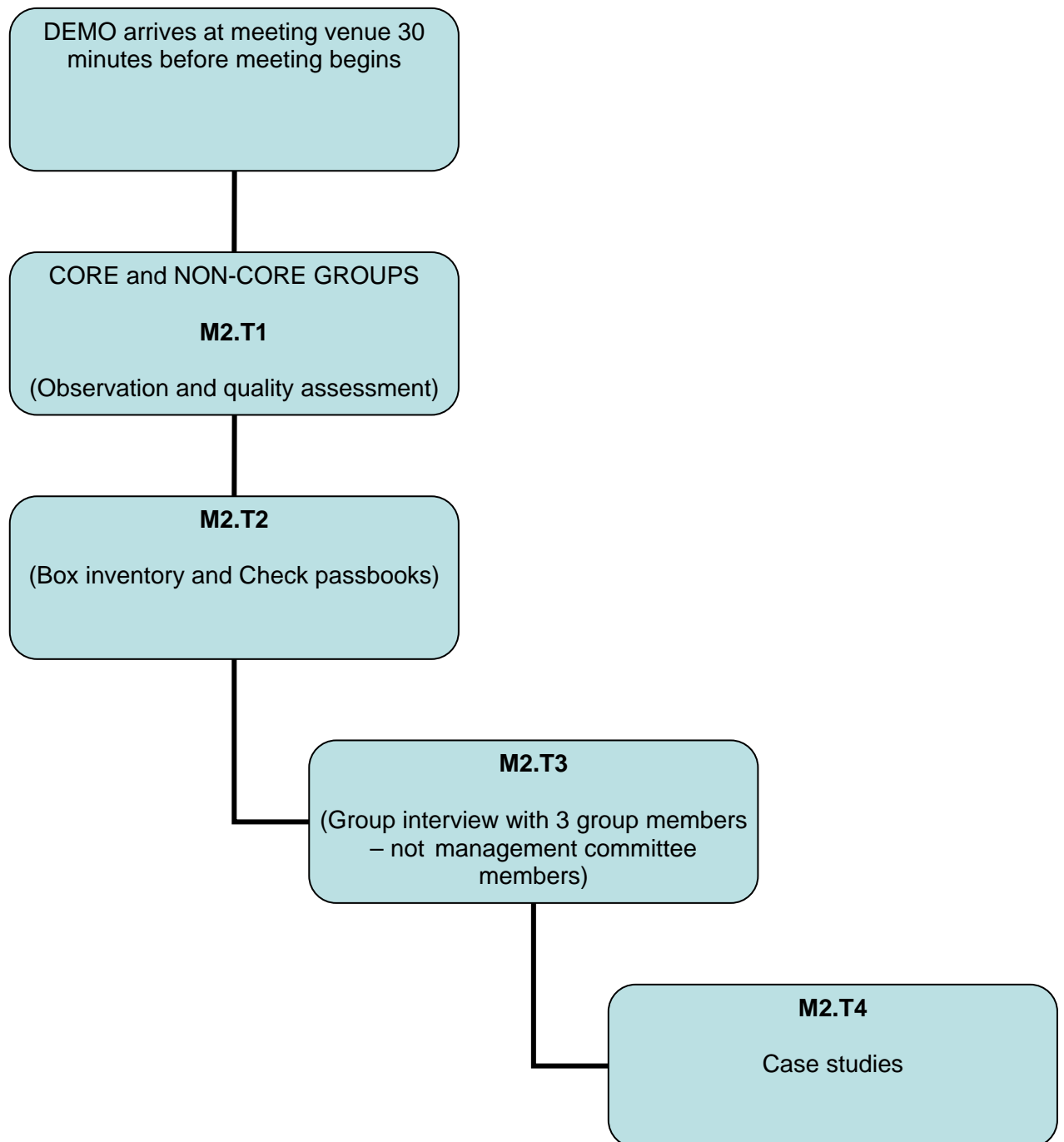


Module	Objectives	Sample	Methodology	Tools	Data Collector
	use of their loans and their plans for the future.	<i>selected because they were formed in January February – the same time that the core and non-core groups were formed in Kurigram)</i>  <b>Total = 60 groups</b>	individually to identify the reasons why they joined the group, whether there are any internal conflicts within the group and whether the management committee are fulfilling their role satisfactorily (M2.T3), <ul style="list-style-type: none"> <li>• DEMOs will conduct short interviews with VSLG members to provide case studies on the experiences of current savers (M2.T4). Members will be selected by DEMOs based on which members are most willing to provide responses and time availability.</li> </ul>		
<b>3</b>	<b>Analyse the costs and viability of expanding VSLGs to the wider community.</b> <ul style="list-style-type: none"> <li>• Provide data on core and non-core population sizes in CLP-2 working areas;</li> <li>• Identify the perceived benefits of VSLG membership,</li> <li>• Assess the potential risks of expanding the VSL project,</li> <li>• Obtain VSL budgetary data from CLP-1 and CLP-2 from MFI coordinator.</li> </ul>		<ul style="list-style-type: none"> <li>• <i>Draw together data from module 1 and 2 to assess the advantages of VSLG membership according to the past and current members.</i></li> <li>• <i>Use information from module 1 and 2 to evaluate the costs and viability of expanding VSLGs to the wider community.</i></li> </ul>		IML and CLP MFI coordinator

## Annex 2: Data collection process – Module 1



## Annex 3: Data collection process – Module 2



## **Annex 4: Workshops**

### **Workshop 1**

**Date:** 12<sup>th</sup> September 2011

**Venue:** Rural Development Academy, CLP Head Office, Bogra

**Participants:** 5 DEMOs

**Objectives:** To validate the findings from the VSL study and gain further qualitative feedback from the data collectors on the sustainability of CLP-1 groups and the quality of core and non-core CLP-2 groups.

### **Workshop 2**

**Date:** 19<sup>th</sup> September 2011

**Venue:** CLP District Office, Kurigram

**Participants:** 2 VSSs, 3 VSOs, 3 CSKs from 6 different IMOs in Kurigram

**Objectives:** To validate the findings from the VSL study and supplement the data by gaining qualitative information from VSL staff concerning:

- the barriers to sustainability of CLP-1 groups and possible solutions;
- the quality and performance of core and non-core VSLGs under CLP-2;
- factors which reduce the quality of VSLGs under CLP-2;
- training of CSKs and VSOs;
- monitoring of VSLGs;
- possible means of strengthening currently facilitated VSLGs.

## Annex 5: Total population of CLP-1 VSLGs by IMO and cycle

Districts	IMO	FY			Total
		2006-2007	2007-2008	2008-2009	
Bogra	GBS	0	0	81	81
Sirajgonj	NDP	0	69	111	180
	MMS	0	69	115	184
	ARCHES	0	0	81	81
	GKS	0	0	78	78
Gaibandha	GUK-G	14	61	65	140
	SKS	0	57	18	75
	AKOTA	0	0	17	17
Kurigram	RSDA	15	55	49	119
	RDRS	0	0	147	147
<b>Total</b>		<b>29</b>	<b>311</b>	<b>762</b>	<b>1102</b>
<b>Total Sample</b>		<b>29</b>	<b>40</b>	<b>41</b>	<b>110</b>

## Annex 6: Total population of VSLGs formed in January and February 2011

District	IMO	January		February		Total
		Core groups	Non-core groups	Core groups	Non-core groups	
Kurigram	RDRS	50	6	18	2	76
	RSDA	38	6	5	6	55
	MJSKS	22	0	4	0	26
	AID					
	COMILLA	25	0	6	0	31
	BDSC	24	0	8	0	32
	ZIBIKA	18	0	8	0	26
	SOLIDARITY	8	0	5	0	13
	<b>sub-total</b>	<b>185</b>	<b>12</b>	<b>54</b>	<b>8</b>	<b>259</b>
Gaibandha	AKOTA	20	0	23	0	43
	GUK	23	0	13	0	36
	<b>sub-total</b>	<b>43</b>	<b>0</b>	<b>36</b>	<b>0</b>	<b>79</b>
Rangpur	RDRS	9	0	5	0	14
	<b>sub-total</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>14</b>
Nilphamari	POPI	6	0	4	0	10
	<b>sub-total</b>	<b>6</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>10</b>
Lalmonirhat	SKS	6	0	4	0	10
	<b>sub-total</b>	<b>6</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>10</b>
<b>Total</b>		<b>249</b>	<b>12</b>	<b>103</b>	<b>8</b>	<b>372</b>
<b>Total Sample</b>		<b>24</b>	<b>12</b>	<b>16</b>	<b>8</b>	<b>60</b>

## Annex 7: Case studies from CLP-1 Groups

**Member's name: Rupali**

**Group: established 2008/2009 in Indurmara village, Bogra**

Rupali, a core participant of CLP joined a savings group in Bogra the financial year 2008/2009 and assumed responsibility as the box keeper. In the most recent cycle (2<sup>nd</sup> cycle) Rupali took loans to cover food and healthcare costs, purchase agricultural inputs and made decisions regarding her savings and loans jointly with her husband. Rupali's savings came from her earnings from goat and poultry rearing as well as her husband's income.

A dispute arose within her group when one of the members took a loan and migrated to Dhaka without repaying the loan. After 6-7 months the member returned and repaid the loan with interest. However the other participants had lost their trust and were unsure about whether they wanted to reform the group.

Rupali took a leading role in holding discussions with the other members and managed to gather a group of members willing to reform the savings group. Rupali invested some of the profit from the recent cycle to purchase shares to help set up the new cycle. Some of the members in the new cycle used passbooks from nearby inactive groups. All other contents of the savings box were retained ready for use in the new cycle.

**Member's name: Sharmin**

**Group: established in 2007/2008 in Chaluhara Purbo Para**

As a core participant, Sharmin joined the village savings group because she needed access to a loan and completed 3 cycles. Using income from her poultry and livestock rearing and vegetable cultivation, in addition to her husband's income, Sharmin purchased shares and made decisions jointly with her husband regarding the size and purpose of the loans she takes.

In the most recent cycle Sharman took a loan of Tk630 to pay for her children's education, Tk1000 for agricultural inputs including fertiliser, Tk900 for cattle medicine and Tk2000 to purchase a goat. After the most recent share-out, she spent her Tk1800 on rice. Unfortunately due to conflict amongst group members, the group broke down and no longer continues to meet. Sharmin's husband is also a member of a village savings group and she said that she would like to form a new savings group.

## Annex 8: Case studies from CLP-2 Groups

**Member's name: Mazena**

**Group: Poschimpara char in Gaibandha**

Mazena, a core participant of CLP-2 joined the savings group because she needed access to a loan and was attracted to the low interest rate. Her first two loans were taken for house maintenance (Tk1000) and agricultural inputs (Tk1500). Currently her husband makes the decisions regarding her savings and loans. Although Mazena earns some money from poultry rearing and sewing, it is money from her husband's income that is used to purchase shares. Mazena plans to save money and use the profit from share-outs to purchase land, or cattle, if she does not have enough savings she will purchase a goat.

**Member's name: Varoti**

**Group: Moddhopara char in Rangpur**

Varoti is a non-core member of mixed core and non-core savings group. She joined to improve her family's income and used her first two loans (Tk700 and Tk1200) to purchase agricultural inputs for sharecropping. Currently Varoti does not have an income source of her own and depends on money from her husband to purchase shares to save. Whilst Varoti and her husband decide jointly how much she saves, decisions regarding her loans are made by her husband. From the share-out at the end of the cycle, Varoti hopes to have enough money to purchase some land, if she doesn't have enough money for land she will purchase cattle instead. So far Varoti says that she has felt the benefits of having access to a loan when she needs it and would like to continue with another cycle when the current cycle is complete.

**Member's name: Jaheda**

**Group: Natarkandi char in Kurigram**

As a core participant Jaheda joined the savings groups as she wanted access to a loan to invest in her husband's onion business and was attracted to the low interest rates. The first loan taken (Tk500) was to cover healthcare costs for her child and the second two (Tk1500 and Tk2000) were used to invest in their onion business. Jaheda uses money from her vegetable cultivation and poultry rearing to purchase shares and makes decisions jointly with her husband. Jaheda will use the money she will earn from the share-out to contribute to her children's education.

## Annex 9: Target number of VSLG members and budget for CLP-2

CLP-2 FY	Target number of new members	Target number of new groups	Budget (taka)
2010/2011	12,682	560	9,202,832
2011/2012	53,636	2440	45,271,373
2012/2013	63,682	2900	57,396,970
2013/2014			
2014/2015	Support only, no new groups	Support only, no new groups	8,128,825
<b>Total in CLP-2</b>	<b>67,000 core + 63,000 non-core</b>	<b>5900</b>	<b>120,000,000</b>