IMPACT OF CAPACITY BUILDING ON SUSTAINABILITY OF VILLAGE SAVINGS AND LOANS ASSOCIATIONS IN SUBA DISTRICT, KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for any other award in any University.

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DEDICATION

I would like to dedicate this research project report to my immediate family members; my father Leo and mother Patricia, my son Joel Ochieng Achola and my wife Maurine. All of you have seen me get through this and I will forever be grateful.

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ABBREVIATIONS AND ACRONYMS

AKDN – Aga Khan Development Network

AKF- Aga Khan Foundation

ASCAS - Accumulating Savings and Credit Associations

BDS – Business Development Services

BRAC - Bangladesh Rural Advancement Committee

CBT – Community based trainer

COSAMO - Community Savings Mobilization

CR S- Catholic Relief services

CKWASEH- Chemase- Kibigori Water, Sanitation and Education for Health

ECOMOMF – Expanding Competitive Client-oriented Microfinance services

EAR- Effective annual rate

GSL- Group Savings and Loan

IGA - Income Generating Activity

IG- Intergroupment

ISS- Individual Self screening

JOCDO- Jozani Credit and Development Organization

MIS- Management Information system

MFI - Micro Finance Institution

MMD - Mata Masu Dubara ("Women on the Move")

NGO - Non-Governmental Organization

PAR- Portfolio at Risk

ROA- Return on assets

ROS- Return on savings

PESACA- Pemba Savings and Credit Association

SHG- Self Help Group

SEEP Small Enterprise Education and Promotion

SAVIX- Savings Group Information Exchange

SG- Savings Group

SfC- Savings for Change

SILC- Savings and Internal Lending Community

SLA-	Savings and Loan Associations
SPM-	Selection, Planning and Management
SPSS-	Statistical Package for Social Scientists
TOT-	Trainer of trainers
VA-	Village Agent
VSL -	Village Savings and Loan
VSLA-	Village Savings and Loan Association
WED-	Women Enterprise Development

ABSTRACT

Capacity building of members of Village savings and loans associations (VSLAs) has been ongoing since 1991 when CARE first introduced the Methodology in Niger. CARE'sVillage savings and loans methodology proposes that once mature (after 18 months), groups can function with no external support. However, one of the challenges to sustainability of village savings and loans associations in Suba district is low levels of financial literacy. Little has been done with regard to establishing how capacity building impacts on sustainability of these associations. The purpose of this study was to examine the impact of Capacity building on sustainability of Village savings and loan associations in Suba district. The objectives of this study were: to establish how financial literacy as a component of capacity building impacts on sustainability of Village savings and loan associations in Suba district, to assess the extent to which Selection, planning and management as a component of capacity building impacts on the sustainability of Village savings and loans associations in Suba district, to examine how quality of trainer of trainers impacts on sustainability of Village savings and loans associations in Suba district and to determine how group quality as a component of capacity building impacts on sustainability of village savings and loans associations. The study adopted descriptive survey design where quantitative and qualitative data was collected. Using probability and non-probability sampling techniques, a sample of 109 respondents drawn from a target population of 130 individuals engaged in VSL activities and 3 informants from CARE WED project providing entrepreneurial skills to VSLAs in Suba district were studied. Quantitative data was sourced through the use of questionnaire and was administered to group officials who are also members engaging in saving and loaning activities. The study was delimited to Suba district, Homabay County, Nyanza province. Data analysis employed inferential statistics. Quantitative data was analyzed by use of statistical package for social sciences (SPSS) software/tool to generate frequencies, mean, and correlations. CARE's GSL MIS was also used as a tool to generate financial variables that indicated group performance and quality. Hypothesis testing involved use of correlation tests at 95 % confidence level. Study findings revealed that there was positive correlation of 0.846 between Selection, planning and management and access of group loan fund which was an indicator that training SPM increases access to group loan fund, though it had no significant relationship. Results obtained also revealed that SPM is likely to have contributed to higher number of people engaging in Income generating activities, 98.2% indicated that they do engage in IGA and only 1.8% did not. The study also examined how quality of trainer of trainers impacted on sustainability of village savings and loans associations, 41.3% indicated that they knew a trainer who left before course package was completed, 58.7% indicated they didn't know any, and that trainers completed the trainings. Finally, on group quality, the findings showed that majority, (95%), of members receive loan from group fund indicating that access of loan fund is high in VSLAs in Suba district. The study concluded that there is no significant relationship between financial literacy and sustainability of village savings and loans associations. Key recommendations include encouraging savings and loans associations to attend financial literacy trainings for the benefit of their groups. The study suggested that a study should be conducted to determine the influence of loan fund utilization rate on choice of income generating activities and influence of record keeping and loan loss among village savings and loans associations.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Until the global financial crisis of 2007-09, the global economy was adding an estimated 150 million new consumers of financial services each year. Rates of increase have since slowed but growth continues apace (World Bank, 2010). Most new consumers are in developing countries, where consumer protection and financial literacy are still in their infancy. Particularly in countries that have moved from central planning to market economies, empowering consumers has become a prerequisite for efficient and transparent financial markets and a necessary base to ensure that new consumers have the requisite confidence in the formal financial system. In addition, technological innovation and increased competition for financial services worldwide have created a wide array of financial services available to consumers—all with new risks and rewards. Particularly over the last year, the global financial crisis has highlighted the need for strong consumer protection and financial literacy. As a result, government authorities worldwide are looking at practical and effective ways of improving consumer protection in financial services and promoting financial literacy (World Bank, 2010)

Research conducted for the OECD's study on financial education indicates that the level of financial literacy is low in most countries, including developed countries. In Japan, for instance, 71% of adults surveyed knew nothing about investment in equities and bonds, while surveys in the US and Korea found that high school students failed a test designed to measure students' abilities to choose and manage a credit card or save for retirement(OECD, 2006). Financial literacy is far more basic and boils down to whether they have a bank account. Across the OECD, between 3% and 10% of the population are without a bank account, and are therefore financially isolated in a world where financial transactions – including payment of welfare benefits – are increasingly carried out electronically(OECD, 2006).Perhaps more shockingly, consumers often overestimate how much they know. In an Australian survey, 67% of those taking part claimed to understand the concept of compound interest but only 28% could find the correct answer to a problem using the concept (OECD, 2006).

In India, only about 57% of the population has savings accounts, and this percentage is even lower in the North-Eastern states. Clearly, financial inclusion and financial literacy levels are low. Wealth creation for the investor and the economy will remain a distant dream, unless the public becomes wiser about investing. We need to convert a country of savers into a nation of investors (www.oecd.org).

According to OECD report (2006), in India, big boards like Central Board of Secondary Education (CBSE) and Indian Certificate of Secondary Education (ICSE) should look at introducing relevant financial subjects at the school level. In December 2011, there was a news article mentioning that CBSE has agreed to include a financial literacy programme as part of the curriculum. The board has finalized the outline of the program in association with the finance ministry and the financial regulators.

According to Athmer (2002), currently thousands of MFI reach less than two percent of the poor and even fewer of the very poor. Most of the MFIs are heavily subsidized. The number of MFIs able to combine financial sustainability and a substantial outreach is limited to a few dozen. Capacity building of groups therefore, focuses on VSLA methodology, financial literacy, Income Generating Activities (IGAs) Selection Planning and Management (SPM) and record keeping.

In Bangladesh, an independent survey of 280 VSLA participants in February 2009 estimated 86 percent survival rate of VSLAs promoted in 2007, similar to the actual survival rate after three years of 84 percent measured in the VSL pilot groups (started in 2006) (AKF 2011).The result of the survey indicated that the groups trained on VSLA methodology remained sustainable. According to Saving group information exchange(SAVIX) five year panel study of 332 groups initiated in 2009, more than 90% of groups survive more than five years with a return on assets (ROA) of 36%.

The recent expansion of CARE's model for Village Savings and Loan association (VSLAs) presents a concrete opportunity to deliver financial education in rural areas. Given their tendency to replicate rapidly, VSLAs offer a potent delivery platform for financial education (Condace and Wambugu, 2008). However, in rural Cambodia, one of the greatest challenges to sustainability of Self Help Groups (SHGs) is illiteracy which hinders their ability to maintain records. Literacy is important because it helps build trust within the group through instituting effective control and accountability procedures, such as the rotation of officers, the awareness of all members of the amount of the group fund and their individual share of it, and the ability of all members to learn how to check the records and to ensure that their own passbook are properly recorded (Grove, 2005).

Effective control and accountability procedures are therefore paramount for sustainability of VSLAs. In Nepal, PACT (an NGO) trained members of a women empowerment programme (WORTH) on VSLA methodology in addition to literacy and Business Development Services (BDS). After the training, two thirds of groups survived the Maoist insurgency and civil war in that country until 2006 and were still functioning in 2007, six years after the programme has ended (AKDN, 2010). Furthermore, these groups had created 425 new groups with no external assistance.

Group quality is dependent on the effectiveness of training various modules in the VSL methodology (Individual self screening, group formation and leadership, loan fund development and constitution). It is also affected by how trainings on financial literacy, selection, planning and management is conducted/presented by the village agents or other trainer of trainers like the project manager or field officers. For high quality groups both return on assets and savings are high(above 40%).Loan fund utilization rate nears 100 percent , attendance rate not less than 80% and membership retention rate is not less than 80% percent and portfolio at risk is less than 2 percent (GSL MIS Version 4.02).

In India, a study conducted on 214 Self Help groups (SHGs) revealed that almost 50% of the SHGs had no dropouts; one-third had two or fewer dropouts and that there were dropouts in all wealth ranks. The dropout rate for the very poor was 11.1% and decreases somewhat as we went up the wealth rank (to 7.3% for the non-poor), (though the difference was not so great). Drop outs/ retention rate tells us something about whether SHGs are not always catering to the needs of all their members.(EDA, 2006).The study also found out that a significant proportion of sampled groups (40%) have weak records. Analysis of the northern sample, one region of the sampled area, showed 24% of borrowers were more than three months behind on re-payments, of whom 5% were more than 12 months behind. Default at 12 months was significantly higher for very poor and poor borrowers at 8-9%, compared to borderline (4%) and non-poor (1%) borrowers. Loan fund utilization rate stood at 95%. In Tanzania and Uganda, the percentage of members with loans outstanding was 55 percent and 67 percent respectively with average loan fund utilization rate of 77 percent (Access Africa, 2011)

In Rwanda, CARE capacity building focused on Selection, Planning and Management (SPM) (IGA- capacity building model) in addition to training VSLA methodology. Evaluation of Expanding Competitive Client-Oriented Microfinance Services (ECOCOMF) project found out that one of the objectives, sustainability, was not achieved because the training focused mainly on rate training and business counseling which were the most valuable services provided by the Intergroupment (IG- federation of SLAs), followed by addressing concerns and facilitating the exchange of ideas and experiences among Savings and Loan Associations (SLAs) (MAES ,2007).

Experience especially in Uganda has shown that GS&L works well when blended with market sensitive, flexible and innovative IGAs(Agriculture and Natural Resources) through Income diversification which reduces pressure on natural resources and provides capacity for agriculture-related asset acquisition (i.e. livestock), especially by women . This is achieved through training on Selection, Planning and Management (SPM .SPM is a training course for the non-literate participants of GSL program. It has been designed for participants who are interested in starting up IGAs in drought prone areas to cushion them from risk of financial losses as a result of failed IGAs. It has 3 components: select an IGA which is suitable, plan for successful launch and manage the IGA so as to repay the loan in time which reduces portfolio at risk (PAR) thereby enhancing sustainability of VSLAs.

In Mali, hiring of animator to provide quality training to groups has yielded positive results as many groups enter their 2nd and third year after successful training on vsla methodology. This has led to sustainability of these groups. (Matabisi and Beyene, 2007). The animator play the role of Village agents(are men or women who have participated in a VSLA and undergone training on the methodology and are able to teach how the methodology works on part time basis and are paid by the groups).

In Niger, capacity building of groups has been conducted by ‘private service providers’, whose job is to start savings and internal lending community (SILC) groups according to a standardized level of quality and to protect the SILC, brand. However the impact of the approach on sustainability of VSLAs has not been tested (FSD, 2010).

VSLAs in Zanzibar have performed well in terms of growth and sustainability. Only one of a sample of 25 groups which were over two years old had dissolved itself, but it had been reformed with new leadership. The total membership when CARE left rose from 1272 in 2002 to 4552 in July 2006, an increase in annual growth rate of 258%(FSD, 2010).

Record keeping is vital for sustainability of GS&L groups. Community Savings Mobilization(COSAMO PLUS) Project baseline Survey report prepared by CARE in January 2009 recommended that training services be provided to women especially in record keeping and management skills considering high illiteracy level of women reported in the project area. Illiteracy hinders women ability to keep proper records leading to confusion in financial entry and loss of member’s savings which ultimately result in unsustainably of VSLAs. In line with this, CARE has been encouraging VSLAs to shift from the use of ledgers in record keeping to a passbook-only system because this increases the transparency of records and simplicity of management which enhances sustainability of Savings and loan groups. However, many groups now use both system in parallel resulting in greater confusion and complexity (FSD, 2010).

Analysis of Suba Women enterprise development(WED) project Group Savings and loans Management information system (GS&L MIS) data up to december 2011 portfolio at risk(PAR) was 16.1 %, return on assets was 33.7%, annualized return on assets 38% , return on savings was 48.4% and percentage of members with outstanding loans was 47.3% and attendance rate was 88.7%. The PAR was above the recommended 2%.

1.2 Statement of the problem.

Village savings and loans methodology proposes that once mature (after 18 months), groups can function with no external support. Its proponents suggest that in the best programmes, 95% of the groups continue to function after two years and that the model reaches deeper into rural areas and serves poorer people than other microfinance models. However, one of the challenges to sustainability of village savings and loans associations is access to credit resulting from low level of financial literacy and inadequate quality training. For example, research conducted for the OECD in 2006 indicates that the level of financial literacy is low in most countries, including developed countries. In Japan, for instance, 71% of adults surveyed knew nothing about investment in equities and bonds, while surveys in the US and Korea found that high school students failed a test designed to measure students' abilities to choose and manage a credit card or save for retirement(OECD, 2006). Across the OECD, between 3% and 10% of the population are without a bank account, and are therefore financially isolated in a world where financial transactions – including payment of welfare benefits – are increasingly carried out electronically(OECD, 2006). In Kenya, a survey conducted in 2005 by the Ministry of Planning and National development revealed that just over 30 percent of all household were unable to acess credit (KIHBS, 2005/2006).

Mnjama (2007) in his study on the viability of village saving and lending associations microfinance model in COSAMO project conducted in nyanza province in (2006), found out that there was inadequate quality of training and supervision of groups by trainers and recommended that there was need for quality training for success of VS&L model.

Another study conducted by Apopa in (2010) on CARE program in Kachien, Rachuonyo district examined the influence of women participation in village savings and loan schemes on their socio-economic status. The study concluded that participation in VS&L schemes improves access to financial services. However, the study did not assess the impact of capacity building on sustainability of VSL associations.

CARE introduced Village savings and loans methodology in 2004 in Suba, where members could save and borrow in order to engage in IGAs and repay back loan within three months. This was believed will solve the problem of acess to credit and provide a sustainable credit for group members. In Suba district, the situation was made worse by the low percentage distribution of population who had attended school which stood at 25.8 percent (KIHBS, 2005/2006). In addition, CARE reported a high portfolio at risk of 16.1 percent for groups formed by WED project between October and December 2011(GSL MIS ANALYSIS, DEC 2012). This high PAR meant that majority of members were not repaying their loans in time (within three months) resulting in inadequate loans at the time of request. Studies conducted by Fin access established that banked population was 19 percent in 2006 and 23 percent in 2009(Finacess, 2006 & 2009).A study by Anyango, Esipisu, Opoku, Malkamaki and Musoke (2006) on experience of village savings and loans from Zanzibar revealed that 95% had taken loan during the previous cycle and that 55% of members had taken more than one loan. Another study by Anyango et all (2007) in Zanzibar focused on performance of groups. Their findings revealed that financial performance was strong with return on savings at 53 percent. She concluded that the strong group performance within this context was that the savings- led was popular and working with the rural poor (Anyango et all, 2007). However the study did not establish how capacity building of groups improves access to credit/ group loan. Therefore if the current problem is not adequately addressed, the problems of credit acess will continue to bedevil the global population and economy for years to come .This problem if solved will guarantee a sustainable increased acess to credit in order to strengthen livelihoods hence the need to conduct this study.

1.3 Purpose of the study

The purpose of the study was to assess the impact of capacity building on sustainability of Village savings and loan associations in Suba district, Kenya.

1.4 Objectives of the study

The study was guided by the following objectives:

1. To establish how financial literacy as a component of capacity building impacts on sustainability of Village savings and loans associations in Suba district.
2. To assess the extent to which Selection Planning and management as a component of capacity building impacts on the sustainability of Village savings and loans associations in Suba district.
3. To examine how quality of trainer of trainers impacts on sustainability of village savings and loans associations in Suba district.

4. To determine how group quality as a component of capacity building impacts on sustainability of Village savings and loans associations.

1.5 Research questions

The study sought to answer the following research questions;

1. How do financial literacy as a component of capacity building impacts on sustainability of Village savings and loans associations in Suba district?
2. To what extent has Selection, planning and management as a component of capacity building impacted on sustainability of village savings and loan associations?
3. How does quality of trainer of trainers impact on sustainability of village savings and loans?
4. How does group quality as a component of capacity building impacts on sustainability of Village savings and loans associations?

1.6 Research Hypotheses

The study sought to test the following research hypothesis;

I. There is no significant relationship between selection, planning and management and sustainability of village savings and loans associations.

1.7 Significance of the Study

It is hoped that the study results will play a part in informing key capacity building areas that contribute to sustainability of Village savings and loan associations.

It is also hoped it will help development practitioners make informed choices in promotion of working models for rural finance intermediation. The study can also help the Kenyan government to deliberately come up with capacity building modules for use by Village savings and loan associations and to encourage the development of an active informal sector and also to inform policy considerations that could improve capacity building of the informal sector in rural and peri urban regions of Kenya. This is imperative in contributing to pro-poor growth and poverty reduction goals. Lastly, it is hoped it will contribute to the body of knowledge of community managed microfinance and offer suggestions for improvement of the Village Savings and Loan model and recommend additional areas of analysis or further academic research.

1.8 Basic assumptions of the study

The study was guided by the assumption that women and men exist in Suba District and that they belonged to and participated in Village Savings and Loan associations after undergoing training on VSL methodology and were ready and willing to provide the necessary information relating to these associations. It was presupposed that Capacity building of Village Savings and Loan associations contributed to their sustainability. It was presumed that there was enough time to carry out all the research procedures as outlined in the proposal without a hitch so as to fulfill the intended purpose.

1.9 Limitations of the study

Environmental constraints such as heavy rains coupled with poor transport/ road network were serious challenges to the researcher. To minimize environmental challenges questionnaires were administered mainly on sunny days and efficient motorbike was hired to navigate the rough terrains of Suba district.

Due to financial and time constraints the study targeted at most five officials in each group instead of other group members because they were more likely to be located without spending more resources.

1.10 Delimitations of the study

This study was delimited to Suba District which is an administrative district in Nyanza Province of Kenya. Suba district is one of the four Districts in Nyanza province where CARE Kenya piloted a rural micro finance project initially in 2004 based on the Village Savings and Loan model (VS&L). Its headquarters is Mbita. The district has a population of 214463 (Mars Group, 2012) and an area of 1056km2. The district has two constituencies, Mbita and Gwassi. Mbita Constituency covers Mbita, Lambwe and Mfangano division while Gwassi constituency covers Gwassi and Central. The study targeted two divisions in Mbita Constituency, Lambwe and Mbita and one division in Gwassi, Central division. Four locations Central, Ruri east, Kaksingiri west and Rusinga were surveyed. CARE VSL methodology was first introduced in Kenya in Suba district in 2004.The district had low percentage distribution of population who had attended school which stood at 25.8%(KIHB, 2005/2006).These were the areas where CARE WED project were undertaken and have some of the oldest groups whose members may have received trainings on financial literacy and selection, planning and management.

1.11 Definition of significant terms used in the study

Capacity building: Training of saving groups members /saving and loan association members on Village saving and loans methodology modules(individual self screening, group formation and leadership, group fund development, record keeping and constitution development), Income generating activities selection ,planning and management and financial literacy.

Village Savings and Loan: A VS&L scheme is a self-selected group of people, (usually unregistered) who pool their money into a fund from which members can borrow. The money is paid back with interest, causing the fund to grow. In the context of this study, the term Village and Group are used interchangeably to refer to the same model.

Sustainability of village savings and loan association: ability of a group/association of 15-30 members to continue with saving and lending activities after the implementing Organization offering capacity building and mentorship has left. This association/group continues with its operation using resources generated by association/group members. Amount of credit accessed come from members savings, interest and fines only (not from outside the group).

Selection Planning and Management: Is a training course for members participating in Village savings and loans associations in rural and peri urban areas to help them select suitable Income generating activity, plan for the execution of IGA and manage financial resources in order to repay their loans on time.

Trainer of trainers : community members recruited by the implementing organization , undergo training on the Village savings and loans methodology and are able to train community members on how the methodology works before they start engaging in internal saving and lending .They are also called service providers or agents. They play other roles like mobilizing the community to form groups, mentoring and linking mature groups to external savings and credit.

Financial literacy: Refers to knowledge on money matters including record keeping. This results in awareness creation, effective control and accountability procedures and effective business management skills necessary for sustainability of Village savings and loan associations.

Group quality: These are group/association attributes that exist whenever training is adequately accomplished and methodology followed. It is characterized by high return on assets, return on savings, low portfolio at risk, high membership retention rate and high loan fund utilization rate.

1.12 Organization of the study

The study was divided into five chapters. Chapter one deals with the introduction, Statement of the problem, research objectives, research questions, significance of the study limitations of the study, delimitations of the study, basic assumptions, and definition of terms and organization of the study.

Chapter two reviews existing literature regarding Capacity building of saving and loans groups and sustainability. Related literature reviewed include; financial literacy and sustainability of village savings and loans associations, selection, planning and management and sustainability of village savings and loans associations, quality of trainer of trainers and sustainability of village savings and loans associations and group quality and sustainability of village savings and loans associations. Theoretical framework and Conceptual framework are also looked at and knowledge gaps pinpointed.

Chapter three provides the introduction, research design, target population, sampling procedure and sample size, research instruments, data collection procedures, data analysis techniques and ethical considerations.

Chapter four deals with data presentation of study findings. It outlines Questionnaire return rate, socio-demographic profile, financial literacy and sustainability of village savings and loans associations, selection, planning and management and sustainability of village savings and loans associations and quality of trainer of trainers and sustainability of village savings and loans associations .

Chapter five concludes the study with summary of findings, conclusions recommendations, contribution to body of knowledge and areas for further study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter reviews literature related to capacity building of VSLAs offered by various organizations implementing economic empowerment programmes to rural and peri urban regions of the world. It looks at the global perspective in capacity building and sustainability, underlying key capacity areas and their impact on sustainability of VSLAs. It then narrows down to Kenya focusing on Financial literacy as a component of capacity building, Selection planning and management as a component of capacity building, village agents, group quality as a component of capacity building and sustainability of VSLAs. The chapter reviews the works of various scholars, NGOs articles including management reports and interview with different researchers.

2.2 Capacity building of members of Village savings and loans associations.

Capacity building of VSLAs focuses on VSLA methodology, financial literacy, Income Generating Activities (IGAs) Selection Planning and Management (SPM), training of village agents and record keeping. It is undertaken by CARE and other International Non-governmental organizations like Oxfam America, Catholic Relief Services, PACT, Plan International, and numerous Indian Non-Governmental Organizations (NGOs) to enable VSLAs to remain sustainable in order to uplift the living conditions of the poor. The role of CARE and other support organisations has been to train groups on how to better operate Accumulating Savings and Credit Associations(ASCAs) based on a four –phase curriculum. During an intensive three-month phase curriculum, a trainer visits groups every week and trains them on group dynamics. In the second three- month phase the trainer visits groups every two weeks as they become more independent. After three months, the trainer comes only once in a month. After twelve to eighteen months the trainer ceases to visit the group (Grant and Allen 2002). Therefore VSLAs are sustainable only if they exist without the support of the trainer, after 18 months from the date of formation.

In Bangladesh, an independent survey of 280 VSLA participants in February 2009 estimated 86 percent survival rate of VSLAs promoted in 2007, similar to the actual survival rate after three years of 84 percent measured in the VSL pilot groups .The result of the survey indicated that the groups trained on VSLA methodology remained sustainable(AKF, 2011)

In a study conducted in India in (2000) by Indian institute of Bank Management (Guwahati) in collaboration with Microsave, ASCAs generally operate within the range of 6-12 months. In the villages studied, none operated for less than 12 months. There were 8 indefinite *xonchois (ASCAs)* ranging from 36 to 130 months old. None of these had identified a specific breaking date; it is believed, the training on VSLA methodology led to sustainability of associations (Microsave, 2006).

Capacity building of VSLAs in Africa has been ongoing in many countries. In Niger, various evaluation reports have shown that training groups on VSLA methodology has led to their sustainability. For example, in a 1998 evaluation in Maradi, CARE found out that 96% of the groups created in 1991 were still functioning, and numerous other groups had also been created alongside them. In a 1999 evaluation, CARE found that 100% of the groups created in 1994 were still operating in Tahoua (Grant and Allen 2002). VSLAs in Zanzibar have performed well in terms of growth and sustainability. Only one of a sample of 25 groups which were over two years old had dissolved itself, but it had been reformed with new leadership. The total membership when CARE left rose from 1272 in 2002 to 4552 in July 2006, an increase in annual growth rate of 258% (Grant and Allen, 2002).

In Kenya, a study conducted by Odell and Rippey in (2010) for Rachuonyo COSAMO groups in Nyanza province, Kenya, found out that 43 of 44 groups formed during the COSAMO period and sampled by their study were still operating, and many new ones had since been formed. However, they added an important qualification: that only 8 of the groups were actually formed by CARE under GSL methodology, the rest had been formed earlier as informal local groups. It was conceivable, though pure speculation, that the prior existence of the Rachuonyo COSAMO groups may be a factor in their higher rate of survival, relative to the COSAMO groups in the other districts like Homabay, Suba, Migori, Nyando and Kisumu East. Since It was just a mere speculation it could not be concluded that capacity building, through training on VSLAs methodology led to sustainability of the eight CARE groups(Rippey and Odell, 2010).

Income Generating activities (IGA) selection planning and management (SPM) training module is designed and implemented to impart basic business literacy training and sound business practices to group members. The training provides members of VLSAs with skills to run a profitable business using resources already found within the community. In addition, it helps members map and identify appropriate business opportunities in the market environment, manage costs, fix prices and market products thereby promoting sustainability of VSLAs (CARE, 2004)

Income Generating activities (IGA) selection planning and management (SPM) trainings are common with VSLAs in Africa. For instance in Zimbabwe, SIMBA program meets the needs of neo entrepreneurs with limited experience or skills in managing small businesses by providing intensive training and support to ensure that the association members are given a chance to succeed and move toward economic sustainability. One of the lessons learned from Simba program was that SPM training should be flexible and adapted to the nature of client’s existing skills. For example, a caregiver in a remote rural area may not be as market savvy as a widow entrepreneur in an urban area and hence may require a stronger emphasis on marketing skills. Sessions can distinguish between individual, household and community-based enterprises (Allen, 2002). In Zanzibar, Jozani Credit and Development Organization (JOCDO) and Pemba Savings and Credit Association (PESACA) -partners in WEZA project, volunteer Community Resource Persons trained all groups on Selection, Planning and Management (SPM) of income generating activities to enable them to make informed decisions about taking loans and investing in productive activities. An evaluation report on the sustainability of these institutions in Unguja found out that 40% of respondents believed they are sustainable (Hoogerbrugge, 2010)

Training of group members is carried out by Community based trainers(CBTs) or village agents (VAs)who impart skills necessary for sustainability of savings and loans groups. One of the recommendations of Chemase-Kibigori Water, Sanitation and Education for Health Project (CKWASEH) Final report prepared by CARE in October (2009) suggested that training of CBTs who in turn train GS&L group members and guide through group savings and loans Methodology is a good strategy because the CBTs provide mentorship to the groups after the trainings for sustainability in VSLAs (CARE, 2009). However, in Nyanza province for example, where a number of CBTs contracts were not renewed because of poor performance that resulted in premature share out and death of some groups raising questions on the sustainability of groups trained by CBTs.

Record keeping in VSLAs should be simple because these associations are simple to run and mange. Two-thirds of the 10 000 groups in Niger keep no written records, but stick to a very basic system of exactly similar savings and exactly similar share out, with loans available only for one month. Record keeping that satisfies accounting norms has proven to be too complex and there is an evolution towards simplified systems based on share passbooks and longer-term loans rolled over from month to month to try and offer minimum internal accountability. Keeping it simple is really quite hard. It is quite normal for association records to be in serious disarray and, while the transparency of the methodology protects somewhat against loss and fraud, there is a loss of effectiveness, especially in terms of product range and yield (Allen, 2006)

Poor recordkeeping and the ensuing errors can greatly damage group confidence; it can also lead to problems with fraud. If the perception of members is that this method of savings is not safe then they will resort back to traditional methods with which they are familiar and trust. (Oxfam America, 2007)

According to Hugh Allen and Mark Staehle (2007), *eliminated record-keeping ledge*rs are appropriate to all Associations and in all circumstances. They propose a method where transactions are observed (not recorded in ledger) and savings and loan obligations are tracked in individual passbooks. Ending cash balances are tracked through memorization and simple notes. This means that the least literate member of the association has full information about their savings and loan status and the disposition of the Association's assets. They no longer provide a backup written record-keeping system; because it adds no value (Allen and Staehle, 2007).

Analysis of Suba Women enterprise development(WED) project Group Savings and loans Management information system (GS&L MIS) data up to december 2011 portfolio at risk(PAR) was 16.1 %, return on assets was 33.7%, annualized return on assets 38% , return on savings was 48.4% and percentage of members with outstanding loans was 47.3%. and attendance rate was 88.7%. The PAR was above the recommended 2%. This was before SPM and Financial literacy training were undertaken.

2.3 Financial literacy and sustainability of Village savings and loan associations

Financial literacy plays a critical role in influencing the savings behavior and member participation in pension schemes in addition to reducing debt loads and accumulating wealth and managing it effectively (Agnew, Szykman, Utkus and Young, 2007; FSD, 2008a; Lusardi, Mitchell and Curto, 2010). Financial literacy has been defined as: the ability to make informed judgments and to take effective decisions regarding the use and management of money (Worthington, 2005, p.2). Remund (2010) on the other hand defines it as a measure of understanding key financial concepts. The authors suggest that financially literate population is able to make informed decisions and take appropriate actions on matters affecting their financial wealth and well being.

According to FSD (2009), exclusion decreases as the level of education increases from 55.9% for those with no education to 8% for those with tertiary education. Financial literacy is important for sustainability of VSLAs because before these associations transact with outside institutions, group members must be financially literate. They must be able to fully understand financial products and services being offered so they can assess the appropriateness and implications of any transactions in which they engage. The recent expansion of CARE's model for Village Savings and Loan Association (VSLAs) presents a concrete opportunity to deliver financial education in rural areas. Given their tendency to replicate rapidly, VSLAs offer a potent delivery platform for financial education (Condace and Wambugu, 2008). Several empirical studies found out that poor financial literacy is associated with poor risk diversification, inefficient portfolio allocations and low levels of savings. Low levels of savings lead to inadequate credit especially in VSLAs which are dependent on member savings. Banks and Oldfield(2007) looked at numerical ability and other dimensions of cognitive in a sample of older adults in England(the English Longitudinal study of ageing) and found out that numeracy levels are strongly correlated with measures of retirement savings and investment portfolios, understanding of pension arrangements and financial security.

A study conducted in Ukraine by Financial Sector Development Project (FINREP) and USAID in (2010) revealed that the major factors influencing financial literacy in Ukraine are gender, level of education, occupation, region and wealth. Age and area of residence have not been found significant in explaining financial literacy. Concerning the debt side, empirical studies reveal that lack of financial literacy may result in costly borrowing and high debt load(Lursadi and Tufano(2009), Stango and Zinman(2009), Campbell(2006)

A study by Anyango, Esipisu, Opoku, Malkamaki and Musoke (2006) on experience of village savings and loans from Zanzibar revealed that 95% had taken loan during the previous cycle and that 55% of members had taken more than one loan.

Mutesasira and Mule (2003) in their study in Uganda on the impact of village savings and loans associations concluded that most VSLAs were comprised of very low-income people. The average savings per member and the average loan size provided some evidence of the depth of outreach. The loan accessed ranged from Ush.5,000–50,000 ($2.50–25.00) and equivalent of between Ksh 200 to 2000 and savings per member ranged from Ush.200–1,000 ($0.10–0.50) weekly. The project reached very low-income households.

Finacccess conducted a study in (2009) on financial capability in Kenya and the study found out that about 28% of Kenyans report taking loans to repay loans, which is alarmingly high, given that only 36.1% of Kenyans have current loans outstanding. Among those with an outstanding loan 47.5 % report needing to take additional loans in order to repay. According to the same study, majority (63%) of Kenyans report having no creditors. Most individuals that have a loan have them from only one or two sources. Those who have three or more credit sources tend to be from the higher income groups.

In Nepal, PACT (an NGO) trained members of a women empowerment programme (WORTH) on VSLA methodology in addition to literacy and Business Development Service (BDS). After the training, two thirds of groups survived the Maoist insurgency and civil war in that country until 2006 and were still functioning in 2007, six years after the programme has ended (AKDN 2010). Furthermore, these groups had created 425 new groups with no external assistance. However, in rural Cambodia, one of the greatest challenges to sustainability of Self Help Groups (SHGs) is illiteracy which hinders their ability to maintain records. Literacy is important because it helps build trust within the group through instituting effective control and accountability procedures, such as the rotation of officers, the awareness of all members of the amount of the group fund and their individual share of it, and the ability of all members to learn how to check the records and to ensure that their own passbook are properly recorded (Grove, 2005).

An assessment of financial status Self Help Groups (SHGs) depends on good quality records and preparation of standardized statements. A study conducted in 2006 in India on SHGs, revealed that financial statements were not being regularly prepared. In only 28% of the SHGs (22% in the south, 35% in the north) was an income and expenditure statement available, and in an equal number, a balance sheet and portfolio information. While members were usually able to provide approximate figures of total savings and total loans outstanding, they were not able to provide figures for profits earned or loans outstanding to banks, for example, SHG member involvement in loan decision-making did not translate to their being reasonably well versed with the financial status of their SHGs, and in the absence of financial statements, SHGs (or SHPAs promoting them) cannot monitor their financial position (EDA, 2006)

Financial literacy levels in developing countries are quite low. For instance, DFID (2008) shows evidence that only half of the adult population knew how to use basic financial products. The same study found that in seven African countries only 29% of adults had a bank account and that approximately 50% used no financial products whatsoever, not even informal financial products. In Kenya, FSD (2009) reported that 59.5% of the population was excluded from the use of formal financial services. According to FSD (2009), exclusion decreases as the level of education increases from 55.9% for those with no education to 8% for those with tertiary education. Mnjama (2007) in his findings on the viability of village saving and lending associations microfinance model in COSAMO project conducted in nyanza province in (2006), in which suba district was included in the survey, had established that 80% of the groups that were on their third savings cycle were still in need of CARE Kenya's, training support years after the trainers have left .He established that in suba district, it was a struggle to develop a culture of savings and mobilize local resources because of over-dependence on donors and that the community had become accustomed to externally funded programmes. This therefore called for awareness creation on savings and debt management to change the attitude of community members (Mnjama, 2007)

Community Savings Mobilization(COSAMO PLUS) Project baseline Survey report prepared by CARE in January 2009 recommended that training services be provided to women especially in record keeping and management skills considering high illiteracy level of about 20% women reported in the project area(DHS , 2003), (CARE, 2009)

2.4 Selection, planning and management and sustainability of Village savings and loans associations

Selection, planning and management is a training course for both literate and non-literate who are interested to start or improve their income generating activities. CARE Uganda first piloted this training through Veterans Integration Through Extension of New Development Opportunities (VITENDO) and later with JENGA Projects in the West Nile region. CARE Uganda was inspired by a training course developed in 1994 by CARE Bangladesh's Small Economic Activity Development (SEAD) Sector and based upon a training concept developed in 1991 by CARE Bangladesh's Rural Maintenance Program (RMP). CARE Bangladesh's SEAD sector trained Bangladeshi NGOs in topics related to micro enterprise development. Rural maintenance program, which employed destitute rural women to maintain a network of rural roads throughout Bangladesh, helped its participants to develop income generating activities so that they did not fall back into destitution following their release from wage employment (CARE, 2004). Rural maintenance program also developed the Income Diversification Project (IDP) in 1991 to enable the women who were scheduled for release to select appropriate IGAs based upon a careful assessment of their skills and resources (CARE, 2004).

Income generating activities selection, planning and management trainings are common with VSLAs in Africa. For instance in Zimbabwe, SIMBA program meets the needs of neo entrepreneurs with limited experience or skills in managing small businesses by providing intensive training and support to ensure that the association members are given a chance to succeed and move toward economic sustainability. One of the lessons learned from Simba program was that SPM training should be flexible and adapted to the nature of client's existing skills. For example, a caregiver in a remote rural area may not be as market savvy as a widow entrepreneur in an urban area and hence may require a stronger emphasis on marketing skills. Sessions can distinguish between individual, household and community-based enterprises (Allen, 2002).

In Rwanda, CARE capacity building focused on SPM (IGA- capacity building model) in addition to training VSLA methodology. Evaluation of Expanding Competitive Client-Oriented Microfinance Services project (ECOCOMF) found out that one of the objectives, sustainability, was not achieved because the training focused mainly on rate training and business counseling which were the most valuable services provided by the Intergroupment (IG- federation of SLAs), followed by addressing concerns and facilitating the exchange of ideas and experiences among Savings and Loan Association (SLAs) (MAES, 2007).

In Zanzibar, Jozani Credit and Development Organization (JOCDO) and Pemba Savings and Credit Association (PESACA) -partners in WEZA project, volunteer Community Resource Persons trained all groups on Selection, Planning and Management (SPM) of income generating activities to enable them to make informed decisions about taking loans and investing in productive activities. An evaluation report on the sustainability of these institutions in Unguja found out that 40% of respondents believed they are sustainable (Hoogerbrugge, 2010). A study by Brannen conducted in the same year on the impact of village savings and loans revealed that a greater proportion of members (54%) invested in productive activities (Brannen, 2010).

Experience especially in Uganda has shown that GS&L works well when blended with market sensitive, flexible and innovative IGAs(Agriculture and Natural Resources) through Income diversification which reduces pressure on natural resources and provides capacity for agriculture-related asset acquisition (i.e. livestock), especially by women . This is achieved through training on Selection, Planning and Management (SPM) .Selection, planning and management is a training course for the non-literate participants of GSL program. It has been designed for participants who are interested in starting up IGAs in drought prone areas (CARE, 2004).

A study conducted in Uganda on the impact of SPM and SLA revealed that almost twice as many SPM trained respondents in West Nile, had invested their loans or shared out funds in business as compared to those respondents that only had been engaged in the SLA program (71% SPM vs. 34% Non-SPM). Non- SPM trained individuals tended to invest their funds in non-productive ventures such as paying off school fees and scholastic materials (63% SPM vs. 22% Non SPM), purchasing household items (56% SPM vs. 17% Non-SPM) and incurring other household expenses like buying salt, sugar, and soap (45% SPM vs. 33% Non- SPM) (Beyene , 2006)

In Kenya, an End term evaluation of Sustainable Livelihood Security project for the Vulnerable Households in Nyanza province 'DAK ACHANA' revealed that majority, 78% engaged in IGAs related to farming, followed by service and manufacturing (RDC, 2009) .

Mnjama (2007) in his study on the viability of village saving and lending associations microfinance model in COSAMO project conducted in nyanza province in (2006), pointed that at CARE COSAMO project inception, 80% of the target group did not have IGAs. CARE by then had not trained any group on SPM. He concluded that incorporating SPM as a major part of VS&L operations were crucial for increasing the economic status of group members (Mnjama, 2007)

2.5 Quality of Trainer of Trainers and sustainability of Village savings and loans associations

A study conducted by Brannen in 2010 on the impact of village savings and loan association program in Zanzibar, Tanzania found out that existing VSLAs had performed well in terms of financial sustainability; savers experience a rate of return on their savings of up to 58% and attrition rate was 3% per year or roughly 20% over a six year period. He concluded that the VSLA program offered useful and beneficial financial services in an environment where there were few alternatives (Brannen, 2010).

Another study conducted by Anyango, Esipisu, Opoku, Johnson, Malkamaki and Musoke in 2006 on the Experience of Village savings and loans association in Zanzibar revealed that VSLAs had performed well in terms of growth and sustainability. Total membership rose by 258% from 2002 to 2006 .During the last payout for 25 VSLAs, the return on savings was 53%. (Anyang, Esipisu, Opoku, Johnson, Malkamaki and Musoke, 2006)

In Niger, capacity building of groups has been conducted by 'private service providers', whose job is to start savings and internal lending community (SILC) groups according to a standardized level of quality and to protect the SILC, brand. However the impact of the approach on sustainability of VSLAs has not been tested. Capacity building of groups through training of VAs (Village agent- model) was designed by Access Africa to ensure the self-replication and sustainability of VSLAs in rural and urban settings across the continent (FSD, 2010).

In Mali, hiring of animator to provide quality training to groups has yielded positive results as many groups enter their 2nd and third year after successful training on VSLA methodology. This has led to sustainability of these groups. (Matabisi and Beyene, 2007). The animator play the role of Village agents who are men or women who have participated in a VSLA and undergone training on the methodology and are able to teach how the methodology works on part time basis and are paid by the groups(Matabisi and Beyene, 2007).

In Tanzania 19% of VAs trained on VSLA methodology in 2009 were replaced because they were either not performing well or had moved away. Apex organizations, which are registered organizations comprised of, and owned by, VSLAs were formed to represent the interests of VSLAs. A primary role of the CBTs and VAs is to build the groups' capacity for independence. It is expected that many groups, after undergoing a year of training and mentoring, would be able to continue functioning successfully without CARE and without a VA. In Uganda, experience has shown that this is the case. The groups may make some changes, but they continue as VSLAs (Helmore, 2009) More still, CARE Tanzania and CARE Access Africa are working to identify the best operational model that can lead to the sustainability of VSLAs in the project areas. This is not the case in neighboring Uganda where experience has shown that groups that have undergone a year of training and mentoring continue to function successfully without CARE and without VA hence are sustainable. This raises questions on the quality of training given to village agents in Tanzania (Matabisi and Beyene, 2007).

Training of group members is carried out by Community based trainers(CBTs) or village agents (VAs)who impart skills necessary for sustainability of savings and loans groups. One of the recommendations of Chemase-Kibigori Water, Sanitation and Education for Health Project (CKWASEH) Final report prepared by CARE in October 2009 suggested that training of CBTs who in turn train GS&L group members and guide through group savings and loans Methodology is a good strategy because the CBTs provide mentorship to the groups after the trainings for sustainability in VSLAs (CARE, 2009).

Mnjama (2007) in his study on the viability of village saving and lending associations microfinance model in COSAMO project conducted in nyanza province in (2006), found out that there was inadequate quality of training and supervision of groups by trainers and recommended that there was need for quality training for success of VS&L model (Mnjama, 2007)

Analysis of Suba Women enterprise development(WED) project Group Savings and loans Management information system (GS&L MIS) data up to december 2011 portfolio at risk(PAR) was 16.1 %, return on assets was 33.7%, annualized return on assets 38% , return on savings was 48.4% and percentage of members with outstanding loans was 47.3% and attendance rate was 88.7%. The PAR was above the recommended 2%.

2.6 Group quality and sustainability of Village savings and loan associations

Group quality is dependent on the effectiveness of training various modules in the VSL methodology (Individual self screening, group formation and leadership, loan fund development and constitution). It is also affected by how trainings on financial literacy, selection, planning and management are conducted or presented by the village agents or other trainer of trainers like the project manager or field officers. For high quality groups both return on assets and savings are high(above 40%).Loan fund utilization rate nears 100 percent , attendance rate not less than 80%, membership retention rate not be less than 95 percent and portfolio at risk should be less than 2 percent. The VSLA methodology proposes that once mature, groups can function with no external support. Its proponents suggest that in the best programmes, 95% of the groups continue to function after two years and that the model reaches deeper into rural areas and serves poorer people than other microfinance models (Anyango, Esipisu, Opoku, Johnson, Malkamaki and Musoke, 2006).

A study conducted by Finacccess on financial capability in Kenya revealed that about 36% of Kenyans belong to various types of savings group. But, about 10% of those who participate in savings groups have lost money in the past. About 53% of those members lost money in a savings group more than one year ago. Interestingly, those in the lowest expenditure quintile report using a savings group in spite of having lost money (Finacccess, 2009).An impact study conducted by FSD in 2010 in Nyanza and Western Kenya, concluded that all considerations of impact and segmentation are dependent on institutional or group quality; especially after donors (such as CARE) phase out, and over longer time periods and even now, 17% of members and 23% of non-members interviewed know someone who has lost money in a GSL. While these figures are considerably lower than those in other ASCA and ROSCA segments (where 56% of members have experienced personal losses of savings) GSLs have existed for a far shorter period of time, so the data is not comparable.

According Savings group information exchange(Savix) quarter four 2011 , Catholic relief services, an NGO, posted attendance rate, retention rate and annualized return on assets of 71.6%, 98.9% and 26% respectively for its SILC project in Kenya(www.thesavix.org).The SAVIX is a reporting system that provides transparent and standardized data on community-managed microfinance. The SAVIX collects and validates financial and operational data from more than 70,000 savings groups and 137 projects, promoted by 6 facilitating agencies in 23 countries in the developing world. Benchmarking and informed decision-making are critical to achieve high-quality programme results and the aim of the site is to facilitate analysis, develop norms and improve performance across the sector (www.thesavix.org).

According Savings group information exchange(Savix) panel study of 332 groups formed in 2009, one year old groups posted attendance rate, retention rate and annualized return on assets of 86.4%, 98.9% and 47.8% respectively in 2010(www.thesavix.org). Another study conducted by the same organization one year later, for groups that are 2 years old posted attendance rate, retention rate and annualized return on assets of 83%, 99% and 49% respectively in 2011(www.thesavix.org)

In India, a study conducted on 214 Self Helps groups (SHGs) revealed that almost 50% of the SHGs had no dropouts; one-third had two or fewer dropouts and that there were dropouts in all wealth ranks. The dropout rate for the very poor was 11.1% and decreases somewhat as we went up the wealth rank (to 7.3% for the non-poor), (though the difference was not so great). Drop outs/ retention rate tells us something about whether SHGs are not always catering to the needs of all their members.(EDA, 2006).The study also found out that a significant proportion of sampled groups (40%) have weak records. Analysis of the northern sample, one region of the sampled area, showed 24% of borrowers were more than three months behind on re-payments, of whom 5% were more than 12 months behind. Default at 12 months was significantly higher for very poor and poor borrowers at 8-9%, compared to borderline (4%) and non-poor (1%) borrowers. Loan fund utilization rate stood at 95 %(EDA, 2006).

According to Access Africa 2011, VSLAs have proven to be effective at ensuring that all members have access to savings and credit services. CARE’s MIS track both loan fund utilization rates and percentage of members with loans outstanding. In Tanzania and Uganda, the percentage of members with loans outstanding was 55 percent and 67 percent respectively with average loan fund utilization rate of 77 percent (Access Africa, 2011)

2.7 Theoretical Framework

The study theoretical framework was based on the Social capital theory. Social capital is comprised of formal and informal systems of norms, institutions and organizations that promote trust and cooperation in communities and also in wider society. It is "capital" because it is a resource that helps to accelerate the accumulation of well-being, and "social" because it is not the exclusive property of individuals but is possessed by social groups and can be a characteristic of entire social systems. Although the theory of social capital draws heavily on the neoinstitutional economics of North, Coase and others, and on the sociological formulations of Bourdieu and Coleman, its best known exponent today is Robert Putnam, who has also elaborated most completely the theoretical structure and the empirical evidence for social capital (1993a, 1993b, 1995, 1996). Most of these writers agree on five features of social capital: in economic exchange, the existence of trust based on shared norms and familiarity, together with stable relationships based on reciprocity, reduce "transaction costs" that arise when dealing with strangers in unregulated economic environments. Similar benefits accrue from social capital (norms, institutions and organizations) in the civic sphere: trust and shared identity facilitate both the constitution of social actors and the emergence of honest, effective government ("strong society, strong government").

Finally, social capital is strengthened each time it is activated. Virtuous circles are activated as positive experiences of trust in economic matters and success in common cause lead to greater trust and greater civic commitment.

Putnam's (1993, 1995) theory of social capital has functionalist roots also (especially its focus on social integration), but it is furthermore influenced by notions of pluralism and communitarianism. His central thesis is that a well functioning regional economy together with a high level of political integration are the result of that region's capacity to successfully amass social capital(Siisiainen, 2000). Social capital here has three components: moral obligations and norms, social values (particularly *trust*) and social networks (especially the membership of voluntary associations). These forms of social capital are central to the promotion of civil communities and civil society in general.

According to Putnam, the productive activity of social capital is manifest in its capacity to "facilitate coordination and cooperation for mutual benefit" (Putnam, 1995). The threat to this productive capacity comes from changing social trends which appear to indicate that such 'coordination and cooperation' is on the decline. To illustrate, Putnam cites America's falling participation numbers in union membership, net religious involvement, parent-teacher organizations, and group associations. Most models of sustainable community development stress the importance of widespread participation in the decision-making process. Unfortunately, community studies document numerous barriers to broad involvement and the high level of activeness envisioned by proponents of sustainable community development. In searching for ways to overcome these barriers, scholars and policymakers have embraced the idea that we can enhance efforts to create more sustainable communities by increasing the local stock of social capital. With the emergence of sustainability as the central force behind many new efforts in community development, attention has focused on building the local capacity to create more environmentally friendly and socially equitable places to live. In the course of this search, scholars and policymakers have increasingly embraced the idea that this process depends on increasing a community's available stock of social capital (Coleman 1988, 1990; Putnam 1993; Flora 1998).Unfortunately, the critical linkage between sustainable community development and social capital remains largely unexamined; it is simply assumed that building social capital will enhance efforts to create sustainable communities. The study examines this line of reasoning in light of what I view as the most important conceptual issues surrounding the relationship between social capital and sustainable community development. Although the concept of social capital has been around since at least the early 1960s, when Jane Jacobs used the term in her classic work,

The Death and Life of Great American Cities**,** it did not gain widespread currency until recently, with the publication of two influential books: Making Democracy Work by Robert Putnam and Trust by Francis Fukuyama. What struck reviewers of these books was that although they were written from different ends of the ideological spectrum (Putnam being more liberal and Fukuyama more conservative) they reached the same basic conclusion: successful cooperation for long-term mutual benefit depends on the cultivation of social capital. The line of reasoning behind this argument is probably most clearly articulated by Putnam, who draws heavily on James Coleman's (1 988; 1990) writings on social capital. Putnam conducted a study of twenty regional Italian governments that were created in 1970. The question that motivated his research was why is it that in some of these regions people were better able to cooperate for the common good? Or, to put things in more specific terms: What factors are associated with successful collective action in cases where the short-term individual benefits are not clear to all participants? In most such instances, even if all parties are predisposed to cooperate, cooperation is nevertheless problematic in the absence of enforceable commitments. This problem is exacerbated by the fact that all parties face the same fundamental predicament. That is, before you are willing to participate in a collective action, you must trust the other participants (Putnam, 1993).

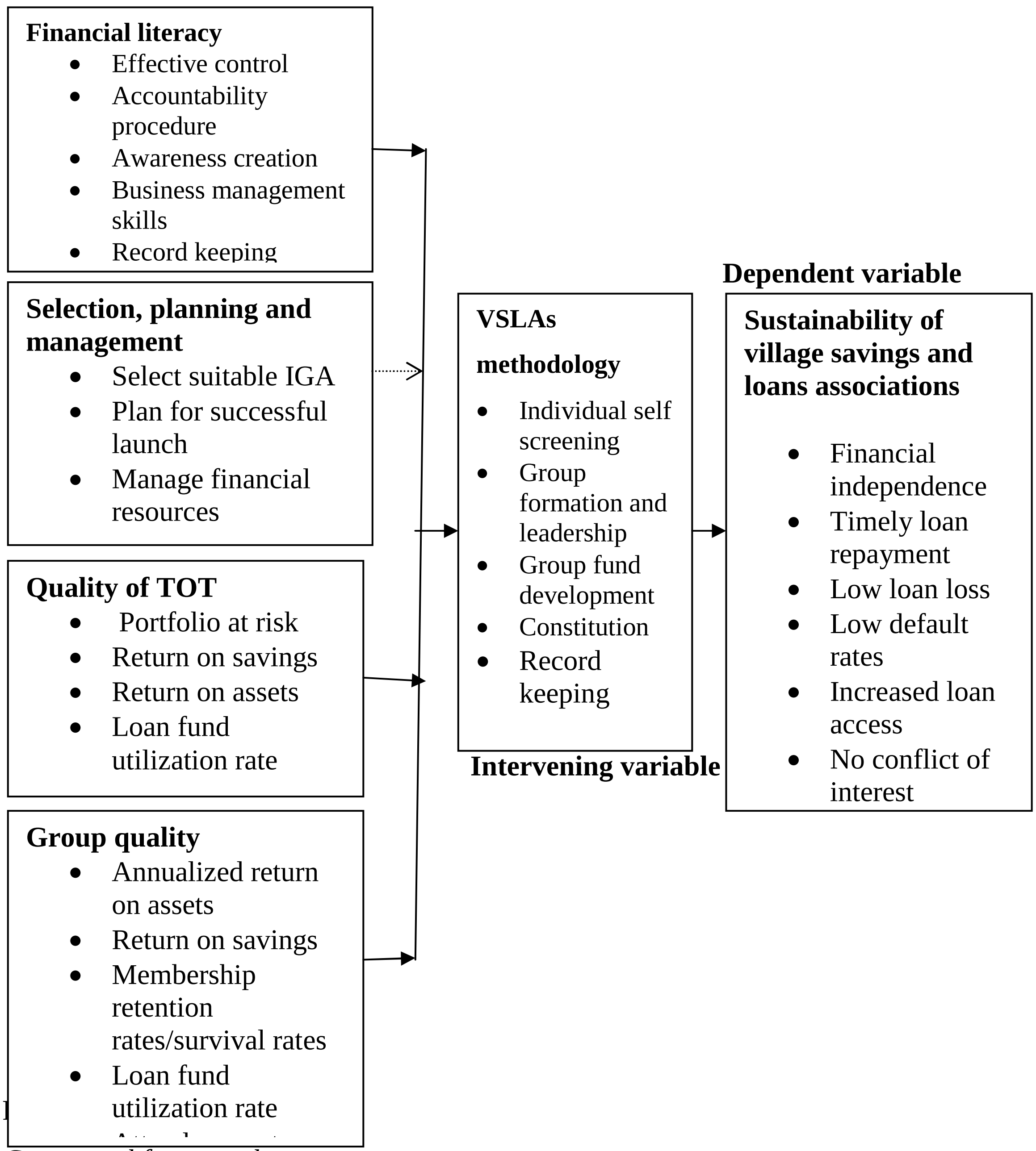
This theory is related to sustainability of Village savings associations because according to VSL model, sustainability issues start from individual self screening (ISS). ISS ensures that members who trust one another come together and form groups for mutual benefit (as seen during share out where each group member receives profit on pro rata basis). Any form of distrust may result in suspicion, compromising the quality of the group which eventually leads to collapse of VSLAs.

Problems emerge from Putnam's interpretation of social capital. Siisiainen 2000, for example, points to an inadequate coverage of the concept of 'distrust' and its singular association with pathological forms of collective action. In addition, Putnam's emphasis on voluntary associations (which are usually of a specific type) precludes consideration of individuals who have conflicting interests or are simply disinterested in engaging with networks. In group savings and loans associations, issues of trust, different goals and objectives are some of the factors that may hinder ability of individuals to derive a relationship with each other.VSLAs members who do not trust one another may opt out of the scheme to pursue their own interest. Group drop outs may significantly impact on sustainability of these associations some of the members may leave behind a huge debt burden .Finally, it should be noted that what develops and hold networks are trust, shared interest and joint work.

2 .8 Perceived Conceptual framework

This study was guided by the following conceptual framework

Independent variables



Conceptual framework

Key;

Direct relationship

In the Conceptual framework above it was perceived that Sustainability of village savings and loans associations is achieved through training trainer of trainers on VSLA methodology, financial literacy and record keeping. It is also perceived that there is exists a relationship between financial literacy and sustainability of village savings and loans associations through increased loan access, timely loan repayment, low loan losses, low default rates, shared information and lack of conflict of interest.

There also exists relationship between selection, planning and management and and access to group loan fund. High quality of trainer of trainers contributes to low portfolio at risk, high returns on savings, high loan fund utilization rate and high returns on assets. At the same time, quality of group contributes to high member retention rate. Under the VSL methodology groups are trained on group fund development which includes the setting of interest rate charged on members' loans. In addition to training VSLA members, who form associations after undergoing individual self screening, trainer of trainers participate in community mobilization which results in formation VSLAs, mentor groups to ensure quality for sustainability. This is characterized high returns on savings and assets, high meeting attendance rates, high loan repayment and utilization rates, low dropout rates or high membership retention rates and low portfolio at risk.

Whenever quality training is offered to both trainer of trainers and VSLAs, sustainability is achieved. However poor quality training results in breakup of VSLAs due to high PAR, low ROS, ROA and loan fund utilization rates. Groups with low loan fund utilization rate always have extra money left in the group's safe or box. No interest is earned on this idle money in the box resulting in low growth in loan fund.

After groups have been trained on VSL methodology, financial literacy and record keeping, group members receive training on Selection, planning and manage to enable them select appropriate IGA, plan execution of the IGA and manage financial resources in order to repay loans advanced. Low defaults lead to low portfolio at risk which enhances the sustainability of Village savings and loans associations.

Capacity building of groups on financial literacy results in more awareness creation on use of loan fund and how to manage debts, save, effective control and accountability procedures. Business management skills help members of VSLAs manage and run profitable business for their sustainability.

2.9 Knowledge gap

Capacity building of VSLAs focuses on VSLA methodology, financial literacy, Income Generating Activities (IGAs) Selection Planning and Management (SPM), quality of trainer of trainers and group quality. It is undertaken by CARE and other International Non-governmental organizations like Oxfam America, Catholic Relief Services, PACT, Plan International, and numerous Indian Non-Governmental Organizations (NGOs) to enable VSLAs to remain financially sustainable in order to uplift the living conditions of the poor. However, most studies have concentrated on the impact of village savings and loans methodology on sustainability and livelihood.

Studies on sustainability have dwelt on the ability of groups to exist after the trainer has left ignoring the aspect of financial sustainability, which is the ability of group to rely only on funds generated through member savings, interest and fines in order to meet their loan demands. The study looked at how capacity building on financial literacy and Selection, planning and management contribute to financial sustainability through access of group loan fund (credit).

The VSLA methodology proposes that once mature, groups can function with no external support. Its proponents suggest that in the best programmes, 95% of the groups continue to function after two years and that the model reaches deeper into rural areas and serves poorer people than other microfinance models (Anyango, Esipisu, Opoku, Johnson, Malkamaki and Musoke, 2006).

A study conducted in Uganda in 2006 on the impact of SPM and SLAs on the empowerment of women revealed that that almost twice as many SPM trained respondents in West Nile, had invested their loans or shared out funds in business as compared to those respondents that only had been engaged in the SLA program (71% SPM vs. 34% Non-SPM). Non- SPM trained individuals tended to invest their funds in non-productive ventures such as paying off school fees and scholastic materials (63% SPM vs. 22% Non SPM), purchasing household items (56% SPM vs. 17% Non-SPM) and incurring other household expenses like buying salt, sugar, and soap (45% SPM vs. 33% Non- SPM) (Beyene , 2006)

In Kenya, a study conducted by Odell and Rippey in 2010 for Rachuonyo COSAMO groups in Nyanza province, Kenya, found out that 43 of 44 groups formed during the COSAMO period and sampled by their study were still operating, and many new ones had since been formed.

2.10 Summary of literature reviewed

Capacity building of village savings and loans association members has been ongoing since 1991 when CARE introduced VSLA methodology in Niger. In addition to training the methodology, some of the group members from the oldest groups have also received training on financial literacy and Selection, planning and management.

Financial literacy literacy plays a critical role in influencing the savings behavior and member participation in savings and loans schemes in addition to reducing debt loads and accumulating wealth and managing it effectively.

Selection, planning and management training on the other hand is offered to VSLAs members for them to select suitable income generating activities, manage the IGAs in order to engage in profitable activities so as to repay the loans owed to group in time.

Trainer of trainers also undergoes training on VSLA methodology in addition to financial literacy and selection, planning and management before they conduct training to group members. The quality of trainer is measured by the percentage of members who understand the methodology, financial literacy and selection, planning and management. Indicators such as portfolio at risk, return on assets and return on savings are also used to gauge quality of trainers.

Group quality is the product of effective training and its indicators include return on savings, loan fund utilization rates, membership retention rates and annualized return on assets. From the above variables it is possible to assess if they have any impact on sustainability, a key concern in many VSLAs.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, a detailed description of how data will be sourced, processed, analyzed and interpreted to fulfill the research objectives is outlined. The methodology elements considered in this chapter included the study design that was applied, the actual area of study, target population, the sample size and sampling procedure that was employed, data collection instruments, validity and reliability of the instruments, data collection methods, data processing and analysis techniques and ethical considerations.

3.2 Research Design

This study was both qualitative and quantitative using descriptive survey design. Cross sectional as a form of descriptive study design was applied for this study. This type of study design is suitable for this work given that it involves gathering data in order to answer questions based on the current status of the subjects of study. Longitudinal was not used for this study given that it is a tiresome process that would requires a lot of time and money, a resource which might not be available for the researcher as it involves collecting data at different points in time maybe after every three months. Moreover, according to Babbie (1973) cross sectional descriptive study design are best suitable for collecting information on a population at a single point in time. In accordance to this study, the effort was to assess the impact of capacity building on sustainability of village savings and loans associations' .The study adopted a questionnaire-based survey approach besides using the key informant guide. Benefits associated with the survey design include ease of establishing correlation between variables and comparison, possibility of administration to many people and anonymous completion of questionnaires. On the other hand, disadvantages that were associated with it include possibility of response biases.

3.3 Target Population

The study targeted a population of 133 individuals. This comprises 130 Village savings and loans association members who are also group officials from 26 groups, one Project manager, one project officer and one field officer. The 26 groups were trained by five community based trainers in four locations. Each group has five officials; chairperson, secretary, treasurer and two money counters. Two CBTs trained groups in one location. This is the population from which the sample was drawn (CARE WED MIS, DEC. 2011).

Table 3.1

Data on Target Population for the study

Study Population	**Total population**
VSL members	130
Project manager	1
Project officer	1
Field officer	1
Total	**133**

From table 3.1, target population was 133 which consisted of 130 VSL members, 1 project manager, 1 project officer and 1 field officer.

3.4 Sampling Procedure and Sample size

This section discusses how the sample size was arrived at and sampling procedure that was employed in the study.

Yamane (1967:886) provides a simplified formula to calculate sample sizes based on Cochran's formula for determining sample sizes. This formula was used to calculate the sample sizes. The calculations were done at 95% confidence level and maximum variability of P = 0.5.

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

Where n was the sample size, n_0 was the target population of a particular group and N was the total target population

3.4.1 Sample size

The study used 113 members as sample size drawn from the target population. Mugenda and Mugenda (1999) points out that a sample size of more than 30 is usually recommended for social research. This sample size was within the acceptable limit. The study first stratified the population into homogenous subgroups . A simple random sample was undertaken among the VSL groups to come up a representative sample of VSL members for study. Non- probability sampling was used to get samples of project manager, project officer and field officer. 130 VSL members used in the study were contacted through snow ball method. Table 3.2 shows the sample size.

Table 3.2

Sample size of the population of study

Study sample	Total population	Sample size
VSL members	130	110
Project manager	1	1
Project officer	1	1
Field officer	1	1
Total	**133**	**113**

3.4.2 Sampling technique

The sampling technique is summarized using table 3.3 as follows:

Using

$$\boldsymbol{n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}}$$

Stratified random sampling, a probability procedure was applied to arrive at sample size for the quantitative aspect of the study since the respondents in the target population were in different proportions in different locations. The procedure ensured that elements whose number in the sampling frame was small were given a fair representation in the ultimate sample and also minimized the effect of sampling error. A simple random sample was undertaken among the VSL groups to come up a representative sample of VSL members for study. In addition, purposive sampling, a non-probability procedure, was used to arrive at the 3 samples also indicated in the same table. The cases had the information required by the study. Such cases are often handpicked because they are informative or possess the required characteristics. Since the target population was 3, under this category, it was logical to include all the 3 elements in the sample. Using the formula above, 110 VSL members from 26 groups were randomly sampled from a target population of 130 members from four locations in Suba district. Additional 3 members were purposively sampled and included in the above sample size to give total sample size of 113 individuals.

Table 3.3

Sampling technique

Location	**No.of groups**	**Respondents**	**Sampling procedure**	**Target population**	**Sample size**
Central	8	Group members/officials	Simple random	**40**	**31**
Rusinga	4	Group members/officials	Simple random	**20**	**18**
Ruri east	5	Group members/officials	Simple random	**25**	**22**
Kasingiri west	9	Group members/officials	Simple random	**45**	**39**
		Project manager	purposive	**1**	**1**
		Project officer	purposive	**1**	**1**
		Field officer	Purposive	**1**	**1**
TOTAL	**26**			**133**	**113**

3.5 Research instruments

The study utilized two sets of research instruments to obtain the required information. These included an administered questionnaire which was used to source quantitative data from Village savings and loan association members and an in-depth interview guide which was used to source qualitative data from project manager, project officer and field officer .Both instruments were used in order to achieve the six objectives of the study. The instruments targeted information under the following thematic areas; financial literacy as a component of capacity building of village savings and loan associations and sustainability, selection, planning and management as a component of capacity building of village savings and loan associations and sustainability, Quality of trainer of trainers and sustainability of village savings and loan associations and finally group quality as a component of village savings and loan associations and sustainability of village savings and loan associations , views, opinions, feelings, attitudes, impressions and perceptions on the impact of capacity building on sustainability of Village Savings and loans associations and suggestions on areas of improvement. Such information is best collected using a questionnaire and an interview guide (Touliatos and Compton, 1998; Bell, 1998).The questionnaire was orally administered after seeking the consent of respondents. In this case, the researcher asked questions and at the same time filled in answers from the respondents. Where questions were not well understood, reframing followed to ensure that the right answers were given.

The selection of these instruments was guided by the nature and objectives of the study and the time available.

3.5.1 Pilot testing

Pilot testing of the research instruments was done with selected members participating in VS&L associations in East seme location of Kisumu west district. The pilot test targeted Nyi Asembo women group with a membership of 30. This group was ideal because it is made up of members doing business along the lake just like majority of groups in Suba district which also shared some characteristics. In addition, it was one of the oldest groups which CARE trained in that region when the methodology was first introduced in Nyanza province. Systematic random sampling was used to generate a sample size of 6. This was repeated until all the thirty members were captured in the pilot test. Respondents' choices were checked for appropriateness. The researcher also verified if the questions were comprehended the same way by the respondents. In addition, average time taken to complete the questionnaires was noted. Findings indicated that respondents were taking too long to answer the questions though their interpretation questions were the same. The researcher had the instruments appraised and amended by the supervisors. A number of questions not addressing the objectives of the study were deleted before final instruments were reproduced.

3.5.2 Validity of Instruments

According to Dooley (1996), validity is the extent to which the study instruments captured what they purport to measure. Validity of instruments is critical in all forms of researches and the acceptable level is dependent on logical reasoning, experience and professionalism of the researcher (UNESCO, 2004). The researcher discussed the contents of qualitative data with the supervisors before conclusions and generalizations were made in order to uphold content validity. The researcher also noted down and interpreted the circumstances upon which arguments were made. This ensured that all responses and sentiments were scrutinized before being accepted as valid findings of the study questions in the instruments versus the objectives or research questions of instruments.

3.5.3 Reliability of instruments

Reliability refers to how consistent a research procedure or instrument is (Kasomo, 2006). It therefore means the degree of consistency demonstrated in a study. The researcher strived to maintain a high level of reliability by ensuring that questions in the questionnaire were designed using simple language that was easy to understand by the respondents. This was accompanied by side notes to enable the respondents understand the requirements and provide reliable responses. The interactive approach to information collection allowed the researcher to elaborate and clarify questions in order to elicit reliable responses. A group of items that were thought to measure different aspects of the same concept were combined to form a single scale (4 items on training). Cronbach's coefficient alpha was used to analyze internal consistency reliability. A correlation coefficient equal to 0.719 was obtained.

3.6 Data Collection Procedures

The study utilized both quantitative and qualitative data from primary and secondary sources. Permission to proceed to the field and collect data was sought from the national council of science and technology after presentation and approval of the study proposal. Primary data was sourced by the researcher and his research assistants through administration of questionnaires to group officials who doubles up as members of village savings and loan associations while in-depth interviews were used by the researcher himself to source data from project staff (project manager, project officer and field officer). Research Assistants directly administered questionnaires to and conducted interviews with respondents. Primary data was generated from scrutiny of group attributes related to Village savings and loan activities, group management and administration and records. Secondary data was sourced through review of essential documents including number of VS&L groups established, type of capacity building offered, type of IGAs established, type of records kept, who trained the groups and financial literacy offered.

3.7 Data Analysis Techniques

For the purposes of this study, data was analyzed using both qualitative and quantitative analysis. Statistical procedure employed descriptive statistics which included computing standard deviation, frequencies, means and percentages to investigate the individual set of observed variables. Bivariate correlation was also determined and the null hypothesis was rejected for Significance (2-tailed) values greater than 0.05 and accepted for Significance values less or equal to 0.05. Eventually, qualitative data was organized in tables sorted by respondents and questions. Analysis was carried out for common themes based on patterns, relationships and differences. Study findings were then presented using descriptive statistics, cross tabulation and figures. Both quantitative and qualitative data were incorporated into one main study report.

3.8 Ethical Considerations

The research team observed three universal ethical principles, including respect for participants, beneficence and justice. We recognized that participants have the right for self-determination; hence, all participants were consented by fully explaining purpose of the study, potential risks and benefits; as well as the fact that participation was totally voluntary. Participants were also informed about their right to withdraw consent at any time without a penalty. The research team also had the responsibility to uphold the social well-being of all participants. In this regard, kept all information sourced in this exercise confidential and away from the reach of unauthorized persons; personal interviews will also be confidential, at least audibly. Finally, we gave all participants equal opportunity to take part in the study.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSIONS

4.1 Introduction

This chapter presents the research findings which have been discussed under the thematic sub-sections in line with study objectives. The sub-themes include: Questionnaire return rate, social demographic profile, financial literacy and sustainability of village savings and loans associations, selection planning and management and sustainability of village savings and loans associations, quality of trainer of trainers and sustainability of village savings and loans associations and finally, group quality and sustainability of village savings and loans associations.

4.2 Questionnaire Return Rate

This section presents questionnaire return rate for different categories of respondents that were targeted during the study period. Quantitative primary data was sourced through administration of questionnaires to both male and female subjects who are members of village savings and loans associations. It was necessary to establish questionnaire return rate in order to highlight challenges faced by the interviewer and interviewee in different locations where the study was undertaken. The return rate is illustrated using table 4.1

Table 4.1

Questionnaire Return Rate

	Target Number	**Returned**	**Percentage**
Questionnaires	110	109	96

Of 110 interviewees targeted in this category, 109 (96%) responses were obtained. This means that all except one VSL officials targeted in this category participated and responded to the study questionnaire. This was achieved because the study made callbacks to respondents targeted to ensure that each and every one participated in the study as was envisaged. Only one interviewee could not answer questions because he was feeling unwell. Nachmias and Nachmias (2005) argued that a response rate of 75% is acceptable for academic survey studies**.** Poor Questionnaire Return Rate leave both the validity and reliability of the survey open to many questions. Questionnaire Return Rate of above 80% affirms the credibility, validity and reliability of of research instruments (Taylor, 2008)

4.3 Socio- Demographic Profile

Since, age, gender, marital status and education are important mediating variables that might impact sustainability of Village savings and loans associations as well as determine the extent to which VSLA users contribute towards accumulation of funds for savings and credit advancement in the programme, it was necessary to establish if there is any link between these variables and amount of savings made, loans advanced, fines and unpaid balance of late loans. These are discussed in the following subsequent sub-themes as follows:

4.3.1 Distribution of Respondents by Age

In order to identify the dominant age bracket in VSLAs in Suba district that accesses loan fund, respondents were categorized into different age bracket and their mean age determined. The study asked respondents who accessed loan fund to indicate the age bracket they belonged.

Table 4.2

Age distribution of VSL members

Ages (years)	**Frequency (f)**	**Percent (%)**
20-30 Years	27	24.8
31-40 Years	51	46.7
41-50 Years	21	19.3
Above 51 Years	10	9.2
Total	**109**	**100**

Out of 109 respondents who participated in the study, 27 (24.8%) were between 20 – 30 years of age, 51 (46.7%) were between the ages of 31 – 40 years, 21 (19.3%) were between the ages of 41 – 50 years and 10 (9.2%) above 51 years of age. This implied that majority of VSL members who accessed loan fund from their associations fell between 31- 40 years age bracket and are more likely to be actively involved in VSL activities for sustainability of their associations. Therefore VSL associations in Suba district with members in 31- 40 years age bracket are more likely to remain sustainable than those of other age brackets.

4.3.2 Distribution of Respondents by Gender

Gender stratification is key in any economic activity as it gives relative contribution to economy by sex. From the perspective of this study, the idea was to look at the composition of members of VSLAs and link it with the proportion that are able to access credit within the group and from group loans fund. The study asked respondents to state their gender. The responses were represented in table 4.3

Table 4.3

Gender Status of VSL Members

Responses	**Frequency (f)**	**Percent (%)**
Male	36	33
Female	73	67
Total	**109**	**100**

Out of 109 who were interviewed in the study, 36(33%) were males, the remaining 73(67%) were females. This data indicates that there are more females than males VSL members in suba district. Data collected from the field showed that more female than male access credit within the group, invest in productive IGAs and, repay loans in time. Therefore VSLAs dominated by female are likely to remain sustainable.

4.3.3 Distribution of Respondents by Marital status of Respondents

It was fundamental to establish the composition of VSL member interms of their marital status in relation to loan access within groups. Loan access within VSLAs is an indicator of sustainability of VSLAs. To achieve this, respondents who participated in the study were asked to state their marital status. This was illustrated using table 4.4

Table 4.4

Marital status of Respondents

Responses	Frequency (f)	Percent (%)
Single	5	4.6
Married	86	78.9
Separated	2	1.8
Divorced	1	0.9
Widowed	15	13.8
Total	**109**	**100**

Of the 109 respondents who participated in the study, 86 (78.9%) were married, 2(1.8%) separated, 1(0.9%) divorced, 15(13.8%) were widowed and 5(4.6%) were single. From table 4.4 it could be implied that majority of members of VSLAs are married couples. Data collected from the field showed that majority of those who access loans within the group are married couples. This suggest that VSLAs with married members are more likely to remain sustainable than those composed of single members.

4.3.4 Distribution of Respondents by Highest level of education

Illiteracy is a key challenge in many VSLAs. It hinders the ability to maintain records such as membership/ registration, attendance, saving, loan, fine and write offs. It also creates luck of trust, effective control and accountability procedures which may lead to loss of funds in VSLAs consequently hindering their continued independency. In order to determine the level of education of the VS&LA participants, the respondents who participated in the study were asked to state the highest level of education that they had attained .This was illustrated using table 4.5 as follows:

Table 4.5

Respondents Highest level of education

Educational level	**Frequency (f)**	**Percent (%)**
None	7	6.4
Primary	74	67.9
Secondary	24	22
College	4	3.7
Total	**109**	**100**

Out of 109 respondents who took part in the study, 7 (6.4%) indicated that they had not had any form of education, 74 (67.9%) had primary education as the highest level attained, 24 (22%) indicated that they had attained secondary level, the rest 4(3.7%) had attained college level of education. This data indicates that majority of VSLAs are made up of members whose level of education is primary. Data collected from the field showed that majority of VSL members in suba district who access loan within their groups had attained primary level of education. It could be deduced that level of education is not likely to hinder the sustainability of VSLAs.

4.3.5 Distribution of Respondents by Investment Area

VSLAs members acquire loan in order to engage in investments that are profitable and also in other productive activities that could enable them repay loans in time for financial sustainability**.** The study sought to establish the types of investments where VSL members commit their funds obtained within group. The table 4.6 shows responses.

Table 4.6

Types of Investment

Responses	**Yes (f)**	**Percent (%)**	**No (f)**	**Percent (%)**	**Total (f)**
Crop Farming	67	61.5	42	38.5	**109**
Business	70	64.2	39	35.8	**109**
Livestock Farming	38	34.9	71	65.1	**109**
Casual Labour	14	12.8	95	87.2	**109**
Other	13	11.9	96	88.9	**109**
Formal employment	8	7.3	101	92.7	**109**

From the table 4.6, 67(61.5%) engage in crop farming, 42(38.5%) do not. Majority of members do engage in business 70(64.20%) as compared to 39(35.8%) who do not. 38(34.9%) and 71 (65.1%) engage and do not engage in livestock forming respectively. A mere 14(12.8%) and 13(11.9%) are casual labourers and others respectively. 8(7.3%) engage in formal employment while the remaining 101(92.7%) do not. The findings revealed that respondents invested in productive activities that are likely to make VSLAs sustainable. A study conducted by Brannen in Unguja in 2010 on the impact of village savings and loans also revealed that a greater proportion of members

(54%) invested in productive activities which enable them to make timely loan repayment for sustainability of Village savings and loans associations.

4.4 Financial Literacy and Sustainability of Village Savings and Loans Associations

Financial literacy in the context of this study refers to knowledge on money matters including record keeping. The objective of this study was to establish how financial literacy as a component of capacity building of village savings and loans associations impact on sustainability of village savings and loans associations. This section presents the findings under the following sub- thematic areas: awareness creation on savings and debt management, effective control procedures and sustainability of VSLAs, accountability procedures and sustainability of VSLAs, training on accountability procedures, training on effective control procedures, record keeping method adopted , record keeping method preferred by groups and loss of funds. This information is important because if VSLAs members are trained on the areas pointed above, their associations are likely to experience financial independence, timely loan repayment, low default rates, increased loan access, low loan losses and lack of conflict of interest which are the key variables of sustainability of VSLAs.

4.4.1 Awareness Creation on Savings and Debt Management

The study sought to elicit response on Awareness creation on savings and debt management. This was to establish whether before actual savings and loaning groups were taken through the modules and sensitized on the need to understand those modules. In VSLAs, during awareness creation, members are taken through the importance of savings and advantages of acquiring credit. This helps in making proper judgement before one decide to join any VSLA. Respondents were asked to state whether they have received awareness creation on savings and debt management. The findings are shown in table 4.7

Table 4.7

Awareness Creation on Savings and Debt Management

Responses	**Frequency (f)**	**Percent (%)**
Yes	105	96.3
No	4	3.7
Total	**109**	**100**

Out of 109 respondents who participated in the study, 105(96.3%) indicated that they have received awareness creation on savings and debt management. A paltry 4(3.7%) out of 109(100%) indicated otherwise. Majority of respondents agreed that they have received awareness creation on Savings and debt management before trainings on the same. Awareness creation on savings and debt management ensured that there was self screening and that members who formed associations also screened themselves in order to weed out individuals whose previous behavior and records in their villages or area of residence indicated they could not be trusted with credit. This self selection of individuals who knew one another well lowered likelihood of default and enhances loan access in those VSLAs for their sustainability. Data collected from the field indicated that majority of groups had not witnessed any loss of group funds as a result of bad debts or write offs. The findings showed that capacity building was high in VSLAs and that the associations are likely to remain sustainable. A study conducted by Mnjama in (2007) on the viability of village saving and lending associations microfinance model had established that in suba district, it was a struggle to develop a culture of savings and mobilize local resources because of over-dependence on donors and that the community had become accustomed to externally funded programmes. This therefore called for awareness creation on savings and debt management to change the attitude of community members.

4.4.2 Effective Control Procedures and sustainability of VSLAs

The study sought to establish if indeed there exist Effective Control Procedures. This was to test whether before actual savings and loaning groups were taken through the modules and sensitized on the need to understand those procedures .Effective control procedures ensures that there are checks and balances and that the methodology is fully followed. These include meeting procedures and following the laid association constitution during transactions in order to ensure that a group completes its savings cycle. Respondents were asked to state whether there exist effective control procedures. The findings are show in table 4.8;

Table 4.8

Effective Control Procedures

Responses	**Frequency (f)**	**Percent (%)**
Yes	103	94.5
No	6	5.5
Total	**109**	**100**

Of the 109 interviewees who responded, majority, 103 (94.5%) replied that there are effective control procedures, a mere 6 (5.5%) said that there aren't. For example, there was minimal loses in group fund validating the responses. This was an indication that the methodology was fully followed because majority of members were repaying loans within 3 months as indicated in the group constitution and accessing loans from group fund enhancing sustainability of VSLAs. This study supports the village savings and loans methodology that in good quality groups where the methodology is strictly followed, loan should be repaid within a period of three months. This finding showed that awareness on effective control procedures impacted positively on sustainability of VSLAs in suba district as there were minimal losses of group fund.

Mnjama (2007) in his findings on the viability of village saving and lending associations microfinance model in COSAMO project conducted in nyanza province in (2006), in which suba district was included in the survey, had established that 80% of the groups that were on their third savings cycle were still in need of CARE Kenya's, training support years after the trainers have left (Mnjama, 2007)

4.4.3 Accountability Procedures and Sustainability of VSLAs

The study sought to find out from respondents if there exist accountability procedures in their VSLAs. Accountability here means that association members must account for all they have received interms of loans. Any loss of association fund is an indication of lack of accountability and may result in collapse of VSLAs and inability to remain financially independent for sustainability. Respondents were asked to state whether they have received training on accountability procedures. Responses were as indicated in table 4.9;

Table 4.9

Accountability Procedures

Responses	Frequency (f)	Percent (%)
Yes	101	92.6
No	8	7.4
Total	**109**	**100**

On accountability procedures, a majority 101 (92.4%) indicated that there existed accountability procedures in their associations. A mere 8(7.4%) said there were no accountability procedures. Correlational analysis between accountability procedures and loss of group funds yielded a negative correlation coefficient of 0.131 indicating that accountability procedures is likely to reduce loss of funds from the group thereby enhancing sustainability of VSLAs.

4.4.4 Training on Sustainability of VSLAs

It was necessary to establish the percentage of respondents who underwent training after awareness creation in order to understand if they were actually in need of this training area. Respondents were asked to state if they have received training on financial literacy services. The study findings are presented in table 4.10;

Table 4.10

Training on Sustainability of VSLAs

Responses	**Frequency (f)**	**Percent (%)**
Yes	96	88.1
No	13	11.9
Total	**109**	**100**

Out of 109 of respondents, 96(88.1%) indicated that they have received training on Financial literacy, the remaining 13(11.9%) had not. Response to training was about 90% indicating the interest in financial literacy services. Data collected from the field indicated that majority repaid their loans within time and also received loans within the group, an indicator that training in financial literacy assisted in sustainability of VSLAs. Lursadi and Tufano (2009) revealed on their study on pension schemes that lack of financial literacy may result in costly borrowing and high debt load. Mnjama(2007), in his study on the viability of VS&L microfinance model, a case of COSAMO project in Nyanza province, recommended that regardless of an organization capacity to monitor individuals IGAs, it is important to reinforce group members on financial education with basic business orientation. According to a study conducted by Conroy and Panetta (2011) for Aga Khan foundation on Beyond Financial services WORTH Nepal, two thirds of the groups survived the Maoist insurgency and civil war after their members were trained on VSLA methodology in addition to literacy and business development skills and were still functioning six years after the programme had ended (AKF, 2011)

4.4.5 Training on Accountability procedures

Accountability procedures ensures that members of VSLAs account for their loans; pay interest on their loans, repay principle within agreed period, pay fines and save for growth of group fund for sustainability of VSLAs. All these were also present in their constitution which they developed by themselves. Respondents were asked to indicate if they have received training on accountability procedures. The percentage of those who remember receiving training on Accountability procedures are indicated in table 4.11;

Table 4.11

Training on Accountability procedures

Responses	**Frequency (f)**	**Percent (%)**
Yes	99	90.8
No	10	9.2
Total	**109**	**100**

Out of 109 respondents, 99(90.8%) indicated they were trained on Accountability procedures. The rest, 10(9.2%) received no training on the same. This means that majority of respondents received training on accountability procedures .Data collected from the field indicated that of majority members repay their loans within a period of three months and that the losses are minimal. This implied that training on accountability procedures impacted positively on loan repayment and reduced loan losses enabling group members to access enough credit within the group fund hence the associations are likely to remain sustainable. Correlational analysis between accountability procedures and loss of group funds yielded a negative correlation coefficient of 0.131 indicating that accountability procedures is likely to reduce loss of funds from the group thereby enhancing sustainability of VSLAs.

4.4.6 Training on Effective control procedure

The study also sought to find out if training on Effective control procedures was actually conducted to group members. This training was key in ensuring that group members solve their issues with reference to their constitution. The percentage of those who remember receiving training on Effective control procedures are indicated in table 4.12;

Table 4.12

Training on Effective control procedures

Responses	**Frequency (f)**	**Percent (%)**
Yes	97	88.9
No	12	11.1
Total	**109**	**100**

Out of 109 respondents, 97(88.9%) indicated they were trained on Effective control procedures. The remaining, 12(11.1%) received no training on the same. The percentage of those who received training was lower compared to those who received awareness creation on Effective control procedures, 88.9% versus 96.3%. From key informant, the Field officer confirmed that they actually trained group members on how to develop group constitution, how constitution is used during loan disbursement, levying of fines and election of group officials. Mnjama (2007) in his findings on the viability of village saving and lending associations microfinance model in COSAMO project conducted in nyanza province in (2006), in which suba district was included in the survey, had established that 80% of the groups that were on their third savings cycle were still in need of CARE Kenya's, training support years after the trainers have left.

4.4.7 Record keeping adopted by groups

The study also sought to identify record keeping method adopted by groups. This was critical in establishing the link between the methods used and losses of funds by groups which are likely to impact sustainability of Village savings and loans associations. Majority of Village savings and loans associations target the illiterates in rural and peri urban areas, and it has been recommended that Passbook only, a memory based system is ideal for members to keep their savings and loans records. The study asked respondents to indicate the records adopted by their groups. Table 4.13 shows how the responses were;

Table 4.13

Record Keeping Method Adopted by Groups

Responses	**Frequency (f)**	**Percent (%)**
Ledger	9	8.3
Passbook	5	4.6
Both	95	87.2
Total	**109**	**100**

The number of respondents who indicated that they used both Passbook and ledger were 95 (87.5%) compared to 9(8.3%) and 5(4.6%) for ledger only and Passbook only respectively. This finding showed that majority of VSLAs has adopted the use of both ledger and passbook in recording their transactions. A study conducted by FSD in 2010 on the impact of group savings and loan associations on their users' livelihoods revealed that many groups use both system of record keeping in parallel resulting in greater confusion and complexity. This is likely to result in loss of funds which render associations unsustainable but contrary to this, the losses were minimal in suba in groups. The correlation between loss of funds and record keeping method adopted by the group was 23.9% and two tailed significance was .013 indicating that loss of funds was not by chance and it was likely as a result of record keeping method adopted by the group. However there was a weak correlation between record method used and loss of funds.

4.4.8 Record keeping method preferred by groups

The study sought to identify record keeping method preferred by groups .This is critical in informing the type of record keeping method that should be recommended for use in Village savings and loans associations. Respondents were asked to state record keeping method they would prefer. Table 4.14 shows how the responses were;

Table 4.14

Record Keeping Method Preferred

Responses	Frequency (f)	Percent (%)
Ledger	1	0.9
Passbook	48	44
Both	59	54.1
Total	**109**	**100**

Out of 109 respondents who indicated their preference for record keeping method mentioned above, 59 (54.6%) were for both, 48 (44.5%) for passbook only and only 1 (0.9%) was for ledger. A study conducted by FSD in 2010 on the impact of group savings and loan associations on their users' livelihoods also revealed that many groups use both system of record keeping in parallel. Key informant findings showed that respondents recommend use of passbooks only for use by members of village savings and loans associations where the numbers of people who are illiterate in a group are higher than those who are literate. In any case, if one or two members can fill passbooks, then the kind of record keeping method used does not matter because the same member can fill summary in ledger and at the same time fill passbooks.

4.4.9 Loss of group funds

Loss of groups fund impact negatively on financial and institutional sustainability as many VSLAs may not be able to transact their businesses. The study sought to find out if the groups witnessed any loss of funds as a result of bad debts and/or write offs.

Respondents were asked to state if their groups have witnessed loss of funds .The table 4.15 shows how the respondents reacted;

Table 4.15

Loss of Funds

Responses	**Frequency (f)**	**Percent (%)**
Yes	45	41.3
No	61	56.0
Don’t Know	2	1.8
Blank	1	0.9
Total	**109**	**100**

According to table 4.15, 45(41.3%) respondents indicated that their groups have witnessed loss of funds, another 61(56.0%) reported no loss at all, 1(0.9%) did not answer the question, while the remaining 2(1.8%) were not aware of any any loss of funds in their respective groups. The finding showed that majority of associations had not witnessed any loss of funds therefore are likely to remain sustainable. The study revealed that, approximately 41% of groups witnessed loss of association’s funds. Although this is the case, data from the field indicated that majority of groups are sustaining themselves. It was most likely that the losses were minimal. According to a study conducted by FSD in (2010) in Nyanza and Western on the impact of village savings and loans associations 17% of members knew someone who had lost money in a GSL. This is considerably lower than those of other ASCA and ROSCA segments where 56% of members have experienced personal losses of savings.

4.5 Selection, Planning and Management and Sustainability of Village Savings and Loans Associations

The study sought to assess the extent to which Selection, planning and management impacts on the sustainability of Village savings and loans associations in Suba district. Members of VSLAs undergo training on SPM in order to select suitable Income generating activities, execute and manage those IGAs in order to repay loans on time. This ensures financial independence and sustainability of VSLAs. This section presents the kind of Income generating activities groups engage in, reasons for VSLA break ups and impact of selection, planning and management on loan repayment duration under the following sub-themes:

4.5.1 Types of Income Generating Activities

It was imperative to identify the kind of IGAs groups engage in because the purpose of training Selection, planning and management was to enable group members select suitable IGA, plan for execution of the IGAs and manage it in order to repay the loan on time. Respondents were asked to name the kind of Income generating activities they engage in. Table 4.16

Table 4.16

Types of Income Generating Activities

Responses	**Frequency (f)**	**Percent (%)**
None	2	1.8
Fish monger	29	26.5
Sukumawiki	13	11.8
Farming	60	55.0
Vegetables	20	18.3
Others	4	3.6
Total	**109**	**100**

From table 4.16, 2(1.8%) of respondents indicated they don't engage in any IGA, 29(26.5%) were fishmongers, 60(55.0%) engage in farming as a business, 13(11.8%) sell Sukumawiki, 20(18.3%) trade on vegetables and 4(3.6%) others. This finding showed that majority of group members select suitable and productive IGAs necessary for sustainability of VSLAs after receiving training on selection, planning and management. A study conducted by Brannen in Unguja in 2010 on the impact of village savings and loans also revealed that a greater proportion of members (54%) invested in productive activities which enable them to make timely loan repayment for sustainability of Village savings and loans associations. Mnjama (2007) in his study on the viability of village saving and lending associations microfinance model in COSAMO project conducted in nyanza province in (2006), pointed that at CARE COSAMO project inception, 80% of the target group did not have IGAs. CARE by then had not trained any group on SPM. He concluded that incorporating SPM as a major part of VS&L operations was crucial for increasing the economic status of group members.

4.5.2 Reasons for Village Savings and Loans Associations Break up.

The study sought the views of respondents on reasons why Village Savings and Loans Associations break up. It also tested the understanding of respondents on whether they are aware of reasons that has led to collapse of associations. This could give insight on some of the reasons that hinder sustainability of VSLAs .Respondents were asked to state reasons that has led to break up of village savings and loans associations

Table 4.17

Reasons for Village Savings and Loans Associations break up

Responses	**Frequency (f)**	**Percent (%)**
Lack of Trust	7	6.4
Member Default	67	61.5
Conflicting Interest	17	15.6
Misinformation	11	10.1
No Information Sharing	7	6.4
Total	**109**	**100**

Out of 109 respondents who gave their views on why VSLAs break up, 7 (6.4%) indicated lack of trust, 67(61.5%), member default, 17(15.6%) conflicting interest, 11(10.1%) and 7(6.4%) said it is because of misinformation and no information sharing respectively. The study found out that majority of VSLAs breaks up as a result of member default. When there is default, loan fund is likely to remain inadequate hindering members from engaging in IGAs. This therefore means that the associations are likely to remain financially unsustainable.

4.5.3 Impact of Selection, Planning and management on Loan Repayment Duration

This section sought to determine whether or not training on SPM had any impact on loan repayment duration. VSLAs members are trained on SPM in order to select suitable ,productive and profitable IGAs that enable them repay loans on time. It is most likely that when loans are repaid in time, association members are able to access loan fund whenever they want it without any delay. It is also because they are likely to receive enough loans. Loans paid after 3 months are treated as late loans which are useful in calculating Portfolio at risk. When there is portfolio at risk, there is likelihood of loss of funds as a result of bad debts. This means association is not going to be financially sustainable. Respondents were asked to state if they made their loan repayment on time. Table 4.18 shows the responses;

Table 4.18

Were Loans Paid On Time?

Responses	**Frequency (f)**	**Percent (%)**
Yes	91	83.5
No	18	16.5
Total	**109**	**100**

Out of 109 of respondents, 91(83.5%) indicated that borrowers made loan repayment on time and only 18(16.5%) owned loans three months after disbursement. Data collected from the field showed that majority repaid loans within a period of 3 months. The implication of this is that training on SPM was likely to have contributed to more members engaging in productive and profitable IGAs that enable them repay loans in time with minimal roll over. A study conducted by Sinhna in (2006) for EDA on Self help groups, transacting savings and lending, showed that 24% of borrowers were more than 3 months behind on repayment, 5 % of were more than 12 months behind. However, these groups had not received training on SPM.

4.5.4 Relationship between Selection, Planning and Management and Sustainability of Village Savings and Loans Associations

The study sought to establish how Selection, planning and management as a component of capacity building impacts on sustainability of Village savings and loans associations in Suba district. It looked at the relationship between training on Selection, planning and management and sustainability through access to group loan fund**.** In Selection, Planning and Management training, group members are trained on how to select suitable IGA, plan for execution of IGA and manage the IGA in order to repay the loan on time for continuous access of loan fund generated from member savings, interest and fines. The null hypothesis was stated that there is no significant relationship between Selection, planning and management and sustainability of Village Savings and Loans Associations. Table 4.19 shows the relationship between Selection, planning and management and access of group loan fund.

Table 4.19

Correlation between training on Selection, Planning and Management and Access of Group Loan Fund

	Do all group members receive their loans from group fund?	
Have you been trained on Selection, planning and management?	Pearson correlation	-0.019
	Sig(2-tailed)	.846
	n	109

In table 4.19, correlation is -0.019, n is 109 and two tailed significance is 0.846.This negative correlation coefficient means that as one variable increases the other decreases. Since the two tailed significance value of 0.846 is greater than 0.05, there exists no significant relationship between the two variables. Therefore we fail to reject the null hypothesis.

4.6 Quality of Trainer of Trainers and Sustainability of Village Savings and Loans Associations

Quality of trainer of trainers was gauged by trainees' perception on trainers and module coverage, number of members leaving or dropping out of their associations before 18 months, achievement of financial sustainability through decreased portfolio at risk, increased return on savings, return on assets and loan fund utilization rate. The study sought to examine how Quality of Trainer of Trainers impacted on Sustainability of Village Savings and Loans Associations under the following sub- themes:

4.6.1 Understanding all Modules Trained in Village Savings and Loans Associations

Understanding the modules trained in Village Savings and Loans Associations was key in gauging the Quality of Trainer of trainers. This is likely to impact on group quality and therefore enhance sustainability of VSLAs. Respondents were asked if they understood all the modules trained in their village savings and loans associations. The following table presents the findings of this section;

Table 4.20

Understanding All Modules Trained

Responses	Frequency (f)	Percent (%)
Yes	69	63.3
No	40	36.7
Total	**109**	**100**

Out of 109 respondents, 69(63.3%) understood all the modules trained in Village Savings and Loans Associations, the remaining 40(36.7%) did not. Majority of respondents indicated that they understood all the modules trained .Data collected from the field also showed that majority of members did not leave before 18 months and indicator that quality was good and therefore associations were likely to sustain themselves. Mnjama (2007) in his study on the viability of village saving and lending associations microfinance model in COSAMO project conducted in nyanza province in (2006), found out that there was inadequate quality of training and supervision of groups by trainers and recommended that there was need for quality training for success of VS&L model.

4.6.2 Trainer Leaving before Completion of Course package and Group Quality

It was imperative to find out if there were trainers who left before completion of course package so as to establish whether or not this had any impact on group quality which is likely to impact sustainability of VSLAs in Suba district. Community based trainers are recruited by CARE on a temporary basis and trained to be trainer of trainers for VSLAs. They earn stipend depending on the number of clients trained. Premature departure of trainer of trainers' is likely to compromise group quality through inadequate training and therefore impact on sustainability of VSLAs. Respondents were asked if they knew any trainer who left before the course package was completed. The table 4.21 gives a summary of findings;

Table 4.21

Trainer of Trainer Leaving before Course Package was Completed

Responses	**Frequency (f)**	**Percent (%)**
Yes	45	41.3
No	64	58.7
Total	**109**	**100**

Out of 109 of those who responded to this question, 45(41.3%) indicated they knew a trainer who had left before course package was completed, the remaining 64(58.7%) didn't know any trainer who left before completing his/her course package.

When trainers complete their training package, trainees' understanding of the methodology is likely to be enhanced. Majority of respondents indicated that their trainers completed course package. This implied that training was of high quality in majority of groups. Data collected from the field showed that loan was adequate and majority accessed it within group fund, loan repayment within time and loan fund utilization rate was high. Majority of groups are therefore likely to remain sustainable. Helmore(2009), on a study conducted for Access Africa on Self replication and sustainability of CARE's Village savings and Loans associations found out that in Tanzania, 19 percent of total village agents(trainer of trainers) were replaced because they were not performing or had moved away. Mnjama (2007) in his study on the viability of village saving and lending associations microfinance model in COSAMO project conducted in nyanza province in (2006) had pointed at inadequate training as a challenge for viability of VS&L model.

4.6.3 Reasons as to Why Trainer of Trainers Leave before Course package is completed

It was important to establish reasons why Trainer of trainers ends their contract with groups and CARE before course package is completed. Respondents were asked to state reasons why trainer of trainers leave before training is completed. The table 4.22 presents some of the reasons;

Table 4.22

Reasons for Early Departure of Trainer of Trainers

Responses	**Frequency (f)**	**Percent (%)**
Left for college	3	2.8
Found Another Job	22	20.2
Stipend not Adequate	16	14.7
Other	1	0.9
Total	42	38.5
Missing	67	61.5
Total	**109**	**100**

Out of 109 respondents, 67(61.5%) did not answer the question on why trainers leave, 3(7.1%) indicated that trainers left before completing course package to attend college, 22(52.4%) marked that they found another Job, 16(38.1%) said the stipend paid to them was not adequate while the remaining 1(2.4%) indicated other reasons. A midterm evaluation report for women empowerment project in Tanzania prepared by Hoogerbrugge in 2010 revealed that 19% of village agents who were trainer of trainers were replaced because they were not performing or left because of other reasons (Hoogerbrugge, 2010).

4.6.4 Indicators of Performance for Trainer of Trainers

Portfolio at Risk, Return on Savings, Return on Assets and Loan fund utilization rate were some of the indicators that were used to measure Quality of Trainer of Trainers. Proponents of VSL methodology argue that whenever quality training is offered to groups, Portfolio at Risk(PAR) should not exceed 2%, Annualized Return on Assets and Saving should be around 40% and above and Loan fund utilization rate should be 60% and above. In fact, in GSL management information system, a PAR of over 2% is treated as an error and is a quality issue. Group financial data was collected and analyzed using software developed by the Village savings and loans associates with variables picked mainly from Small Enterprise Education and Promotion (SEEP) ratios which provided standard comparison of groups performance ratios. Table 4.23 shows the result of Analysis for data collected in the study area.

Table 4.23

Indicators of Quality of Trainer of Trainers

Indicator Variable	**Percent (%)**
Annualized Return on Savings	54.9
Portfolio at Risk	4.7
Loan Fund Utilization Rate	64.2
Return on Assets	39.7

From Table 4.23, Annualized return on Savings was 54.9%. This was way above the 40% threshold, Portfolio at risk was 4.7%, above the normal 2% indicating that if the trend continued in subsequent transactions, then groups were likely to lose funds and subsequently break up. Loan fund utilization rate was within the acceptable limits and Return on Assets was 39.7% (approximately 40%), an indication that majority of groups performed better and were likely to remain sustainable. Out of the four indicators tracked, only Portfolio at Risk gave below average indicating that the quality of majority of Trainer of Trainers were generally good but the few who trained poor quality groups had realized high unpaid balance of late loans. As at December 2011 , before groups received training on all course packages, the results were as follows; Portfolio at risk was 16.1 %, Return on assets was 33.7%, Annualized return on assets 38% , Return on savings was 48.4% and percentage of members with outstanding loans was 47.3%.(WED GSL MIS DEC 2012).This is an indication that there has been an improvement on group quality and that quality of trainer of trainers is likely to have impacted on sustainability of village savings and loans associations in Suba district.

4.7 Group Quality and Sustainability of Village Savings and Loans Associations

The study sought to establish how Group quality impacted on sustainability of Village savings and loans associations. Group Quality was assessed by respondent's opinion on the number of members who accessed loan from the group; members who have left the group in the last two years, owed group loans and the time have taken before they repaid their loans. Data on variables that measure group quality such as Portfolio at Risk, Return on Savings, and Annualized Return on Assets, Loan fund utilization rate, which were already captured on the previous section, and Membership Retention rate calculated using registered members and number of drop outs were analyzed using GSL MIS version 4.03 because it was the only software that could automatically analyze such data with precision.

4.7.1 Number of group members accessing loan fund

The study sought to determine the number of members who access loans from group. The figures generated were then used to back those from Management Information System. The percentage of members that access loan fund from the group is an indication of financial sustainability of the association. Respondents were asked to state the number of members who access loan from the group. The findings were then presented in table 4.24;

Table 4.24

Number Accessing Loan from the Group

Responses	**Frequency (f)**	**Percent (%)**
>1/2	83	76.1
<1/2	5	4.6
ALL	20	18.3
Blank	1	0.9
Total	**109**	**100**

Out of 109 respondents, 1(0.9%) did not answer the question posed., 83(76.9%) indicated > ½ , only 5(4.6%) indicated < ½ while the remaining 20(18.5%) indicated all The higher percentage of 95% for those who said more than half and all access loan from the group is an indicator that group quality was generally good and therefore the associations are likely to remain financially sustainable.

4.7.2 Members who dropped out of their groups

It was important to determine the number of members dropping out of their respective groups in order to work out membership retention rate which is important for sustainability. The lower the dropout rate, the higher the retention rate and vice versa. According to proponents of the VSLAs methodology, a retention rate of 80% is desirable in VSLAs. Respondents were asked to state if they know any member has left their group in the last two years. The table 4.25 presents the findings of this section;

Table 4.25

Number of Members that have Left Group in the Last Two Years

Responses	**Frequency (f)**	**Percent (%)**
>1/2	45	41
< 1/2	50	45.9
All	2	1.8
Blank	12	11
Total	**109**	**100**

Out of 109 respondents, 12(11.0%) did not respond to the question asked, 45(46.4%) indicated that > ½, 50(51.5%) indicated < ½ while the remaining 2(2.1%) indicated all. Maximum acceptable dropout rate for VSLAs is 20%. Majority of VSLAs do replicate after the first share out especially after the first twelve months and as members leave, new ones also join. However the study did not ask respondents to indicate if those who left were replaced but analysis of data from the MIS indicated that membership retention rate was 98.1% and indication that they were indeed replaced and therefore they were likely to remain sustainable.

4.7.3 Members who owe group loans

The study also sought to establish the percentage of members who owed group loans. This was useful in estimating percentage of members with loans outstanding and hence loan fund utilization rate which is key for sustainability of VSLAs. Respondents were asked to confirm if they owe group any loan The table of results was presented as shown in table 4.26;

Table 4.26

Any Loans owed to Group

Responses	Frequency (f)	Percent (%)
Yes	101	92.7
No	7	6.4
Blank	1	0.9
Total	**109**	**100**

Out of 109 respondents, 1(0.9%) did not answer the question, 101(92.7%) indicated that they owed group loan, the remaining 7(6.4%) did not owe any loan therefore the number of members with loans outstanding was approximately 93% an indication that majority of group members take loans that earn interest for continuous growth of group fund which is likely to make their associations remain financially sustainable.

4.7.4 Loan Repayment period

Respondents were asked to provide the number of months they have failed to repay their loans. This was used to gauge if at all there were loans past three months. Existence of loans which are more than three months old means that there is likelihood that the associations are likely to remain financially unsustainable due to loses and write offs .Respondents were asked to state the number of months they have been unable to repay their loans .The findings were presented in table 4.27 ;

Table 4.27

Loan Repayment Period

Responses	**Frequency (f)**	**Percent (%)**
0	45	41.3
1	25	22.9
2	24	22.0
3	9	8.3
Blank	6	5.5
Total	**109**	**100**

The study found that out 109 respondents, 45(41.3%) owed loan for less than one month, 25(22.9) owed loan for a period of one month, 24(22%) for two months, 9(8.3%) for three months and a mere (6) 5.5 % of the total respondents targeted did not respond to the question on loan repayment. Excluding the missing values, all respondents stated that they owed loans which were less or equal to three months old. This is an indication that loses and write off are likely to be minimal and therefore the associations are likely to remain financially sustainable.

4.7.5 Indicators of Group Quality

Portfolio at Risk, Return on Savings, Annualized Return on Assets and Loan fund utilization rate and membership retention rates were the indicators that were used to measure Group Quality. These indicators were derived from Small Enterprise Education and Promotion (SEEP) ratios. Whenever quality training is offered to groups, Portfolio at Risk should not exceed 2%, Annualized Return on Assets and Saving should be around 40% and above but not exceeding 150% and Loan fund utilization rate should be 60% and above and a membership retention rate of 98% is desirable. The table below shows the result of Analysis for data collected in the study area;

Table 4.28

Indicators of Group Quality

Indicator variable	**Percent (%)**
Return on Savings	54.9
Portfolio at Risk	4.7
Loan Fund Utilization Rate	64.2
Annualized Return on Assets	39.4
Membership Retention Rate	98.1

From table 4.28, Annualized return on Savings was 54.9%. This was way above the 40% threshold, Portfolio at risk was 4.7%, above the normal 2% indicating that if the trend continued in subsequent transactions, then groups were likely to lose funds and subsequently break up. Loan fund utilization rate was within the acceptable limits and Return on Assets was 39.4% (approximately 39%). Out of the four indicators tracked, PAR and ROA gave below average indicating that the quality of Group was compromised. This result meant that the groups are less likely to sustain themselves. As at December 2011, the results were as follows; Portfolio at risk (PAR) was 16.1 %, Return on assets was 33.7%, Annualized return on assets 38% , Return on savings was 48.4% and Membership retention rate was 98.1% (WED GSL MIS DEC 2012). In Bangladesh, an independent survey of 280 VSLA participants in February 2009 estimated 86 percent survival rate of VSLAs promoted in 2007, similar to the actual survival rate after three years of 84 percent measured in the VSL pilot groups (started in 2006) (AKF 2011).The result of the survey indicated that the groups trained on VSLA methodology remained sustainable. According to Saving group information exchange(SAVIX) five year panel study of 332 groups initiated in 2009, more than 90% of groups survive more than five years with a return on assets (ROA) of 36%. The findings of this survey support the SAVIX finding of a retention rate of more than 90%.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of findings, conclusions, recommendations and contributions to the body of knowledge.

5.2 Summary of findings

The main objective of this study was to assess the impact of Capacity building on Sustainability of Village Savings and Loans Associations in Suba district, Kenya. Establishing the relationship between financial literacy, selection, planning and management and sustainability of village savings and loans association was the main focus of the study. In order to establish the relationships above, data related to training on financial literacy, SPM, loan access and repayment period was sourced. This data was subjected to preliminary analysis and summarized in form of frequency tables. The summaries were subjected to further analysis to test relationship between paired variables, to compute correlation coefficient and test if null hypotheses were true.

The first objective of the study sought to establish how financial literacy as a component of capacity building of village savings and loans associations impact on sustainability of village savings and loans associations in Suba district. Results obtained indicate that out of 109 of respondents, 91(83.5%) indicated that borrowers made loan repayment on time and only 18(16.5%) owned loans three months after disbursement after receiving awareness creation on effective control procedures. As awareness creation on effective control procedures increases, loan repayment period reduces. This is supported by the negative correlation of 0.052 between awareness creation on effective control and loan repayment period. It is therefore evident that groups that have undergone awareness creation on effective control are likely to realize timely loan repayment hence enhancing quality. In addition, the negative correlation of 0.036 between financial literacy and access of group loan fund is an indicator that that as financial literacy increases, access to group loan fund may be limited by other factors.

The study also assessed the extent to which selection, planning and management as a component of capacity building impacts on sustainability of village savings and loans associations in Suba district. Results obtained reveal that SPM is likely to have contributed to higher number of people accessing group loan with101(92.7%) indicating that they owed group loan, the remaining 7(6.4%) did not owe any loan therefore the number of members with loans outstanding was approximately 93% an indication of a quality groups which are likely to sustain themselves. Furthermore, out of 109 of respondents, 101(94.5%) indicated that borrowers made loan repayment on time. Correlation between SPM and access to group loan was negative 0.019 indicating that there exists a relationship between Selection, planning and management and sustainability of village savings and loans associations

The study also examined how quality of trainer of trainers impacted on sustainability of village savings and loans associations. This was assessed by whether trainees understood all modules trained. Out of 109 respondents, 69(63.3%) indicated they understood all modules that were trained, 40(36.7%) said they did not. This was reflected on group performance where Annualized return on Savings was 54.9%. This was way above the 40% threshold; Portfolio at risk was 4.7%, above 2% recommended by some projects for savings groups but better than December 2011 figure of 16.1%.

Loan fund utilization rate was within the acceptable limits and Return on Assets was 39.7% (approximately 40%). As at December 2011, the results were as follows; Portfolio at risk (PAR) was 16.1 %, Return on assets was 33.7%, Annualized return on assets 38% , Return on savings was 48.4% and percentage of members with outstanding loans was 47.3%.(WED GSL MIS DEC 2011). There was a great improvement in performance after trainer of trainers underwent training on financial literacy and Selection, planning and management.

On group quality, the findings shows that majority (95%), of members receive loan from group fund indicating that access of loan fund is high in VSLAs in Suba district. Loan repayment period is within three months though portfolio at risk is above 2% a concern in quality of trainer of trainers and group quality. More than half of members also owe group loan increasing the number of loans outstanding and loan fund utilization rate.

5.3 Conclusions

Financial literacy training on effective control procedures, savings and debt management and accountability procedures contribute towards financial dependence of VSLAs, timely loan repayment, increased loan access and low default rates by loanees thereby enhancing sustainability of VSLAs. Use of both ledger and passbook in record keeping is common in most VSLAs (88% of VSLAs).Passbook only is common in groups with illiterate members. In addition, financial literacy also minimizes loan losses and conflict of interest in VSLAs.

Selection, planning and management trainings has encouraged most members of savings and lending schemes to engage in productive activities like farming which has enabled them repay their loans in time and access more loans from the group fund.

Quality of trainer of trainers (TOT) is measured by the percentage of trainees who understand all the modules trained. Quality was above average. Trainers of trainers do not receive adequate stipend and therefore prematurely abandon their duties due to low morale. Quality of TOT impacts on sustainability of VSLAs through reduced portfolio at risk increased annualized return on assets and return on savings.

Group quality was good because of high membership retention rates (low dropout rates), increased access of loan and timely loan repayment.

The study findings demonstrated that there is no significant relationship between financial literacy and sustainability of village savings and loans schemes in Suba district. The findings also demonstrated that there is no significant relationship between selection, planning and management and sustainability of savings and loan associations in Suba district.

5.4 Recommendations

Having looked at the main components of this study, the following recommendations are arrived at;

1. Capacity building on financial literacy should be undertaken in order to promote financial dependence of groups. This ensures that members adequate loans from their savings and loans schemes. It also ensure timely loan repayment, low loan losses, low default rates and minimizes conflict of interest.

2. Selection, planning and management should be designed in away that it takes into consideration various economic activities. For example, if majority of residents of a particular region engage in farming as a business, then modules should be tailor made for this category.

3. Quality of trainer of trainers impact on group performance by reducing portfolio at risk, increases returns on savings, loan fund utilization rate and return on assets. A concern in VSLAs is retention of trainer of trainers before their contract expiry date; therefore they should be motivated through mentoring and improved remuneration.

4. Group quality is largely dependent on quality of trainer of trainers. About a third of trainers do not understand all modules trained; therefore the trainings should be simplified through the use of caricatures and it should be more practical. The practical aspect of the trainings should be enhanced in order to achieve high returns on savings, low loan losses, high loan fund utilization and member retention rates.

5.4.1 Recommendation for policy issues

1. It evident that financial literacy services trainings offered especially to members of village savings and loans schemes do not have standardized training modules that takes into consideration the needs of the poor. The government should therefore come up with an efficient curriculum to be used by the informal financial sector. The curriculum should be designed in such a way that it takes into consideration the semi-literates in the society.

2. Trainer of trainers leave before their contract is over because their stipend are not adequate, therefore the government should set aside funds to support nongovernmental organizations in remuneration of trainer of trainers.

5.4.2 Suggestions for Further Research

1**.** This study did not examine how loan fund utilization rate influences the choice of IGA due to inadequacy of resources. In view of this, a study should be conducted to determine the influence of loan fund utilization rate on choice of Income generating activities in order to inform the nature of businesses to be undertaken by borrowers.

2. A study should also be conducted to determine the influence of record keeping method on loan loss among village savings and loans associations

5.5 Contribution to the Body of Knowledge

Objective	**Contribution to the body of knowledge**
1.To establish how financial literacy as a component of capacity building Impact on Sustainability of village savings and loans associations in Suba district	Financial literacy enhances loan access and loan fund utilization rates
2. To assess the extent to which Selection, planning and management as a component of Capacity building impacts on sustainability of village savings and loans associations in suba district.	Selection, planning and management enhances loan access and ensures timely loan repayment
3.To examine how quality of Trainer of trainers impacts on sustainability of village savings and loans association in Suba district	Group quality impacts on returns, portfolio at risk, loan fund utilization rate and membership retention rates
4.To determine how group quality as a component of Capacity building impact on sustainability of village savings and loans associations in suba district	Group quality impacts on returns, portfolio at risk, loan fund utilization rate and membership retention rates

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APPENDIX I

TRANSMITTAL LETTER

Tom Auma Achola 15th July, 2012

University of Nairobi,

Kisumu Campus,

P.O.Box 81-40100

KISUMU

Dear Respondent,

RE: SURVEY DATA COLLECTION

My name is Tom Achola. I am a student from University of Nairobi. We are conducting a survey to assess the Impact of Capacity building on Sustainability of Village savings and Loans Associations in Suba district. The information provided by you will be treated as highly confidential and will in no way be disclosed to any third party. We therefore request you to feel free and provide frank and honest answers without fearing any exposure or disclosure.

Looking forward to your cooperation.

Kind Regards,

Tom Achola

APPENDIX II

T 101: VSL MEMBERS QUESTIONNAIRE

SECTION I

	QUESTIONS	**RESPONSES**	**INSTRUCTIONS**
1.0	**INTRODUCTION**		
1.1	Date of interview	-------/-------/2012	DD/MM/YY
1.2	Interviewer ID	---------------------	INDICATE A TWO-DIGIT CODE
1.3	Administrative location	Central…………1 Ruri East…..........2 Rusinga West…..3 Kaksingiri West…………….4	CIRCLE THE MOST APPROPRIATE

SECTION II

SOCIO DEMOGRAPHIC PROFILE

2.0	**SOCIO- DEMOGRAPHIC PROFILE**		
2.1	How old are you?	20-30 Years 31-40 Years 41-50 Years Above 51 Years	INDICATE AGE BRACKET

2.2	Gender	Male………………1 Female…………….2	CIRCLE THE MOST APPROPRIATE
2.3	What is your marital status?	Single…………………1 Married……………….2 Separated………........3 Divorced……………..4 Widowed…………….5 Cohabiting……………6	CIRCLE THE MOST APPROPRIATE
2.4	What is your highest level of education?	None………………….1 Primary………………2 Secondary……………3 College……………….4 University……………5	CIRCLE THE MOST APPROPRIATE

2.5	Where do you invest your loan funds?	None…………………1 Crop farming…………2 Livestock farming……………….3 Business………………4 Formal employment…………..5 Casual labour………....6 Others………………..7	CIRCLE ALL THAT APPLIES
2.6	How long have you been a member of VSLA?	1-2 Years……………1 2-5 Years……………2 Over 5 Years………..3	CIRCLE THE MOST APPROPRIATE

SECTION III

3.0	**FINANCIAL LITERACY AS A COMPONENT OF CAPACITY BUILDING AND SUSTAINABILTY OF VILLAGE SAVINGS AND LOANS ASSOCIATIONS**		
3.1	Have you received any awareness creation on Financial literacy services?	Yes……………………1 No…………………….2 Don't Know…………..3	CIRCLE THE MOST APPROPRIATE ANSWER
3.2	Have you been trained on Financial literacy?	Yes……………………1 No…………………….2 Don't Know…………..3	CIRCLE THE MOST APPROPRIATE ANSWER

3.3	Did you receive any of the following from your Financial services provider?	**Awareness creation/ Training**	**Yes**	**No**	CIRCLE ALL THE STATED ANSWERS
		Savings & Debt Management	1	2	
		Effective control procedures	1	2	
		Accountability procedures	1	2	
		Business management skills	1	2	
3.4	Which record keeping Method is being adopted by your group?	Ledger……………………1 Passbook…………………..2 Both………………………3			CIRCLE THE MOST APPROPRIATE

3.5	Which record keeping method do you prefer?	Ledger……………………1 Passbook…………………..2 Both……………………….3	CIRCLE THE MOST APPROPRIATE
3.6	What kind of records does your group keep?	Savings……………………1 Loans……………………...2 Membership……………….3 Social fund………………..4 Others(Specify)………….…5	TICK ALL THAT APPLIES
3.7	Has your group witnessed any loss of funds?	Yes…………………………1 No………………………….2 Don't Know……………….3	CIRCLE THE MOST APPROPRIATE

SECTION IV

4.0	**SELECTION, PLANNING AND MANAGEMENT AS A COMPONENT OF CAPACITY BUILDING AND SUSTAINABILTY OF VILLAGE SAVINGS AND LOANS ASSOCIATIONS**

4.1	Have you received training on Selection, planning and management?	Yes……………………1 No…………………….2	CIRCLE THE MOST APPROPRIATE ANSWER
4.2	If yes, when did you receive the training?	…………. Years ago	INDICATE NUMBER OF YEARS
4.3	How useful was SPM training to your group?	Very useful…………1 Useful……………….2 Not Useful…………..3	CIRCLE THE MOST APPROPRIATE ANSWER
4.4	The last time you received a loan from your group, how much was the funding	Ksh-------------------	INDICATE THE FIGURES
4.5	What kind of Income generating activity do you engage in?	None…………………..1 Fish monger…………..2 Sukuma wiki………….3 Vegetables……………4 Others…………………5	CIRCLE THE MOST APPROPRIATE ANSWER

4.6	Do all group members receive their loans from group?	Yes……………………1 No……………………..2	CYCLE ONLY ONE OPTION
4.7	To what extent was the loan fund useful in addressing your needs?	Very useful……………1 Fairly useful…………..2 Not useful…………….3	CIRCLE THE MOST APPROPRIATE ANSWER
4.8	Do you know any member who has left your VSL group?	Yes……………………1 No……………………..2	CYCLE ONLY ONE OPTION
4.9	If yes 4.8 above, why do you think VSLA break up?	Lack of trust…………1 Member default………2 Conflicting interest…...3 Misinformation………..4 No information sharing.5	CYCLE ALL THAT APPLIES
4.10	Have you been repaying your loans on time?	Yes……………………1 No……………………..2	

SECTION V

5.0	**QUALITY OF TRAINER OF TRAINERS AND SUSTAINABILTY OF VILLAGE SAVINGS AND LOANS ASSOCIATIONS**		
5.1	Did you understand all the modules trained?	Yes……………………1 No…………………….2	CIRCLE THE MOST APPROPRIATE ANSWER
5.2	Do you know any trainer who left before course package was completed?	Yes……………………1 No…………………….2	CIRCLE THE MOST APPROPRIATE ANSWER
5.3	If yes in 5.2 above, why did he/she leave?	Left for college……….1 Found another job…....2 Stipend not adequate…3 Others(Specify)……….4	CIRCLE THE MOST APPROPRIATE ANSWER
5.4	State the value of loans unpaid after 3 months for your group	Kshs-------------------	INDICATE AMOUNT

5.5	State your groups value of loans outstanding	Kshs……………….	INDICATE AMOUNT
5.6	What profit did you group made this cycle	Kshs……………….	INDICATE AMOUNT
5.7	State the total amount paid into your groups potential fund	Kshs………………………	INDICATE AMOUNT
5.8	Indicate total assets of your group this cycle	Kshs…………………..	INDICATE AMOUNT
5.8	State the value of fixed assets for your group	Kshs………………………	INDICATE AMOUNT
5.9	State the total value of other funds	Kshs………………………..	INDICATE AMOUNT
5.10	State the age of your group	………………. Weeks	

SECTION VI

6.0	**GROUP QUALITY AND SUSTAINABILTY OF VILLAGE SAVINGS AND LOANS ASSOCIATIONS**		
6.1	How many access loans from your group?	>1/2 of members……1 < 1/2 of members……2 All……………………3	CIRCLE THE MOST APPROPRIATE ANSWER
6.2	How many members have left your group in the last two years	>1/2 of members……1 < 1/2 of members……2 All……………………3	CIRCLE THE MOST APPROPRIATE ANSWER
6.3	Do you owe your group any loan	Yes…………………..1 No……………………2	CIRCLE THE MOST APPROPRIATE ANSWER

6.4	If yes in 6.3 above, how long have you been unable to repay your loan	-------------- Months	
6.5	Indicate number of registered members in your group	---------------------	INDICATE NUMBER
6.6	Indicate number of people who have dropped out of your group	--------------------------	INDICATE NUMBER

APPENDIX III

DATE OF INTERVIEW --------------------------/-------------------------/2012

ADMINISTRATIVE DIVISION --

ADMINSTRATIVE LOCATION --

NAME OF INTERVIEWEE --

FINANCIAL LITERACY AND SUSTAINABILITY OF VILLAGE SAVINGS AND LOAN ASSOCIATIONS

a)Explain how financial literacy impact sustainability of village savings and loans associations?

b) How would you ensure accountability in savings and loan group?

c) State some of the financial literacy services that are provided to savings and loan groups.

d) List some of Effective control procedures that have been applied by savings and loan groups.

SELECTION, PLANNING AND MANAGEMENT AND SUSTAINABILITY OF VILLAGE SAVINGS AND LOAN ASSOCIATIONS

a)What did you know about Selection, planning and management?

b) How important is Selection, planning and management in promoting choice of Income generating activities for sustainability of village savings and loans associations

c) To what extent does Selection, planning and management impact sustainability of village savings and loan associations?

TRAINER OF TRAINERS AND SUSTAINABILITY OF VILLAGE SAVINGS AND LOANS ASSOCIATIONS

a) What are some of the reasons that have led to premature departure of Trainer of trainers?

b) How does quality of Trainer of trainers impact sustainability of village savings and loan associations?

c) According to your opinion, does trainer of trainers play any key role in sustainability of village savings and loans associations? Explain.

GROUP QUALITY AND SUSTAINABILTY OF VILLAGE SAVINGS AND LOANS ASSOCIATIONS

a) Outline some of the quality issues impacting village savings and loans associations

b) How would you judge a group that is correctly following village savings and loan methodology?

c) According to your opinion what are some of the quality issues that contribute to sustainability of village savings and loans associations?

d) How would a group ensure maximum return on savings?

e) Explain the relationship between retention rates and sustainability of village savings and loan associations, if any.