

The Contribution Of Village Savings And Loan Associations To The Financial Inclusion Of Women: A Case Study Of Ziika Women Integrated Development Association In Wakiso District

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Abstract :

The study investigated the contribution of ziika women integrated development association (zwida) as a village savings and loan association (vsla) towards the financial inclusion of women in ziika community, wakiso district in uganda. Zwida is an evolution of a small women association established way back in 2001 with an objective of supporting and promoting the enhancement of community household incomes and related sustainability through mobilizing community savings. The study was guided by three objectives: to establish the types of products and services offered by zwida; to establish the requirements for accessing the products and services offered by zwida, and to investigate how the products and services are used as a tool for the financial inclusion of the members of zwida.

Data was collected using questionnaires and interviews. A total of 52 respondents participated in the study. Data was analyzed using frequencies and percentages alongside themes and narrations.

The study found out that zwida offers three key products and services namely: loans, savings and financial education programs. Members are required to make compulsory savings once a month. For one to access the services of zwida, she must be a paying member who has undergone training on the financial matters of the association. The majority of the respondents of zwida have been able to open up bank accounts which have enabled them to access the services of the formal financial institutions. The study concludes that vslas like zwida can be effective tools for financial inclusion.

Key words: Vslas, Saving Products, Loan Products, Financial Inclusion

Introduction :

Financial inclusion is important for improving the living conditions of poor farmers, rural non-farm enterprises and other vulnerable groups such as women. This study examined the contribution of Ziika Women Integrated Development Association (ZWIDA) towards the financial inclusion of Ziika women in Wakiso District. The term financial inclusion first emerged as a named policy in 1997, though significant global efforts to help the poor access financial services pre-date this time (Hendricks, 2011). Financial inclusion gained worldwide attention because of the recognition that one of the key constraints to world development was the lack of financial services by the majority of the poor people. In the recent years, all over the world but mostly in Africa, Village Savings and Loan Associations (VSLAs) have become increasingly widespread intervention aimed at improving local financial inclusion (Ksoll et al, 2013). The idea of VSLAs can be traced back in 1976 when Muhammad Yunus advanced his first loan of \$27 out of his pocket to a group of women weavers in his native Bangladesh (Yunus, 2001). Over the years, the efforts towards financial inclusion have evolved from the VSLAs, through microcredit and currently the common term in use is microfinance. Financial inclusion is hoped to leverage existing financial players, such as, banks, microfinance institutions and government pension programs and connecting them to non financial players like mobile network operators so as to easily avail financial services to the weaker sections of the community (FSD Uganda strategy 2018-2021). To address the constraints affecting the poor in accessing credit, CARE began promoting a new model for ensuring access to financial services through the VSLAs. The VSLA methodology was adopted widely in the year 2000. CARE VSLA program is based on the belief that for the extremely poor, particularly women, the right approach is to begin by

building their financial assets and skills through savings rather than debt. By having access to saving services and small loans, members can smooth irregular income patterns and meet basic household consumption needs rather than taking on significant debt they may be unable to repay (Hendricks, 2011). Government institutions in Uganda like Bank of Uganda, Financial intelligence authority and Insurance regulatory authority have developed a National Financial Inclusion Strategy (2017-22) to deepen and broaden financial access especially to the rural poor (FSD Uganda strategy 2018-2021). ZWIDA is one example of the many VSLAs in Uganda. ZWIDA is an evolution of a small women association established way back in 2001 by a group of working women on the principle of friendship and good neighborhood support literally translated in the local dialect as “Munno mu Kabi” in Kisubi-Kawuku LC1, Katabi Sub County, Wakiso District. The study was guided by the classic Microfinance Theory of Change developed in 2012 by Chris Dunford. The theory suggests that if a poor person goes to a microfinance provider and takes a loan or saves the same amount of money, in view of starting or expanding a microenterprise, the enterprise must yield enough net revenue to repay the loan with major interest and still have sufficient profit. To benefit from the services of a microfinance institution, Dunford (2012), prescribes three preliquisites 1) the person has to take a loan from or save with a microfinance institution or smaller entity 2) Invest the money in a viable business 3) manage the business to yield major return on investment. Avais (2014) refers to financial inclusion as the efforts to deliver affordable banking services to the disadvantaged sections of society that are normally excluded by the formal banking sector. Care International (2014) defines financial inclusion as a state in which all people who can use financial services have access to a full suite of quality services, provided at affordable prices in a convenient manner and with dignity for the client. Women’s financial inclusion occurs when women have effective access to a range of financial products and services that cater for their multiple businesses and household needs (IFAD Report, 2013). This study uses financial inclusion to imply access to financial services at affordable cost in a timely and adequate credit where needed by vulnerable groups such as the low income sections of society like the women of Ziika Community. Financial inclusion in this study was measured by: women’s ability to save money safely with less risk of loss through fire, theft and fraud; ability to send and receive money securely and ability to borrow for consumption or investment purposes. A Village Savings and Loan Association (VSLA) is a group of people who save together and take small loans from these savings (Ksoll et al., 2013). Anyango et al., (2006) define a Village Savings and Loan Association as a time bound Accumulating Savings and Credit Association (ASCA) where between 15 and 30 people save regularly to borrow from the group fund. The activities of the group run in cycles of one year, after which the accumulated savings and profits from loans are distributed back to the members. The purpose of a VSLA is to provide simple savings and loan facilities in a community that may not have easy access to formal financial services. A VSLA is a more transparent, structured and democratic version of the informal savings group found in villages and slums in many parts of the developing world. The CARE International Policy Brief (2014) on financial Inclusion in Uganda reports that 74% of the poor people rely on informal financial services, consisting mainly of community-led self-help groups and welfare funds where they save and loan money amongst themselves. Over the past 10 years, CARE International in Uganda has helped to facilitate the establishment of 27,222 VSLA groups representing well over half a million people and have saved 51 billion Ugandan Shillings. As early as 2001, the women in Ziika Village, in Wakiso District mobilized themselves into an association for purposes of eliminating some of the acute development hardships that confronted them as a community. ZWIDA brings together women to address development related issues key among them being uplifting their low household incomes. The women of Ziika community are engaged in various economic activities such as mixed farming, small scale entrepreneurship and other service-related forms of employment. ZWIDA has a vision of “positively transforming household livelihood”. The key and central objective of ZWIDA is supporting and promoting the enhancement of community household incomes and related sustainability through mobilizing community savings to credit facilities/ investment by members (ZWIDA Constitution, 2010). Full membership is open to women residents of Ziika Zone Community. The members meet weekly and they save money through purchase of shares. The price of each share is decided upon by the members. By saving more frequently in very small amounts, Ziika women have been able to build their savings more easily. The savings of the association are maintained in a loan fund from which members can borrow in small amounts up to three times their individual savings.

Statement Of The Problem :

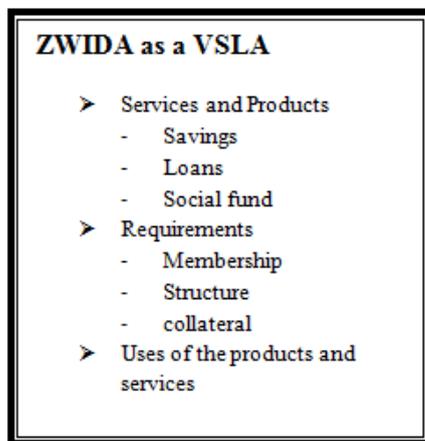
For the poor and often marginalized women in Uganda, few formal financial institutions exist to serve them and where the institutions exist, they have inappropriate products and services (Hendricks, 2011). The women in Ziika village have come together under ZWIDA as a Village Savings and Loan Association (VSLA) to save and access simple loan facilities where access to formal sector financial services is limited. Although a number of ZWIDA members have established bank accounts, access to other financial services like credit from formal financial institutions has remained low (Min. 2/9/2014/15). This study sought to investigate the contribution of ZWIDA as a VSLA to the financial inclusion of the women in Ziika Village.

Purpose And Objectives Of The Study

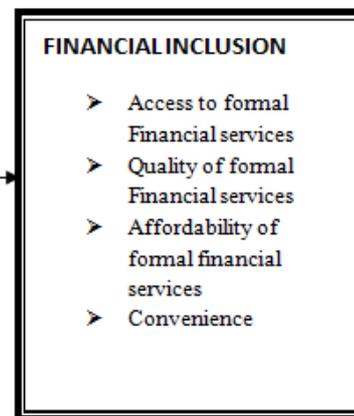
The purpose of this study was to establish the contribution of ZWIDA as a VSLA towards the financial inclusion of women in Ziika Village. The study objectives were: 1) To establish the types of products and services offered by ZWIDA 2) To establish the requirements for accessing the products and services offered by ZWIDA 3) To investigate how the products and services are used as a tool for the financial inclusion of the members of ZWIDA.

Conceptual Review :

INDEPENDENT VARIABLE



DEPENDENT VARIABLE



INTERVENING VARIABLES



Figure 1: Conceptual Framework

Source: Adapted from Hendricks, (2011) paper and modified by the researcher

Figure 1 conceptualizes the variables of the study. The independent variable of the study, ZWIDA as a village savings and loans association is measured by: the products and services offered by ZWIDA, the requirements for accessing the products and the use of the accessed products and services. Financial inclusion in this study was measured by the level of accessibility, quality and affordability of formal financial services facilitated by membership to ZWIDA. The financial services offered by ZWIDA improve financial access to the members which promotes government efforts of financial inclusion. This is however influenced by the existing financial regulatory framework, cultural values and the levels of financial literacy among the members.

A Review Of Related Literature :

Products And Services Offered By Village Savings And Loan Associations A research by the Rockwell Research Unit conducted by Ksoll et al (2013) investigated the impact of VSLAs in forty six villages in Malawi using a cluster randomized trial. They found that when formal financial institutions are not available, households use informal mechanisms instead. Rutherford (2000) points to the widespread use of Rotating Savings and Credit Associations (ROSCAs), Accumulating Savings and Credit Association (ASCAs), and similar informal financial networks as a clear testament to this phenomenon. VSLAs are a form of microfinance whose membership range from 10 to 30 members with the aim of mobilizing own savings which in turn they can lend to members to help uplift their wellbeing (Pors, 2011). The members save as a group and self-manage loans for group members (Allen, 2006; Hollar, 2011; Anyango, *et al.*, 2006). VSLAs offer two basic products to their members, that is, savings and loans (Mutesasira & Mule, 2003). In the study carried out by Mathews et al, (2010) in Kenya on the impact of VSLAs on the members' livelihoods and their market potential, it was found that VSLAs are meeting most of their intended objectives. The loans accessed from the VSLAs have helped members invest in various income generating activities. Loans accessed are repaid with interest and the loan period usually ranges between one and three months. On a date chosen by the members, they may choose to share out all, or part of the financial assets in proportion to one's savings. The pay-out is called the "action audit". Thereafter, the groups may start a new cycle of savings and lending. In terms of the competitiveness of VSLA products, most members value the fact that VSLA loans are 'instant', involve no collateral, attract low borrowing costs and utilize very simple processes (Mutesasira & Mule, 2003). The maximum amount of loans a member can access at a given time is determined by the members' savings and the availability of credit. Most of the lending within VSLAs is internal lending. According to Mutesasira & Mule, (2003), 86% of the VSLAs interviewed engaged in internal lending. VSLAs lend to non-members indirectly through members where some members borrow money on behalf of a nonmember. While the VSLAs are created principally to intermediate savings and credit to members, they are also engaged in a number of activities that help generate income for the VSLA, and also provide safety nets for members. For example, in the study by Mutesasira & Mule (2003) on the VSLAs in West Nile, they discovered that some of the ways that the VSLAs were using the group to generate income was through grain mills, sale of group labor for farming, tree planting and road maintenance. The challenge of inadequate capital by many VSLAs is managed through the use of the ROSCA model to create groups of people who can pool their savings in order to have a source of lending.

Requirements For Accessing The Product And Services Of VSLA :

All members of the VSLA are eligible to take loans which are provided for purposes that are agreed to by the association, as noted in its constitution/by-laws (Allen, 2006). The size of the loan available to a member may be linked to the total value of his or her shares– not more than a multiple of this value. This prevents the risk that a member may borrow far more than they have saved, and then abscond or be overwhelmed by too much credit. Loan principal repayments are made when due, or earlier as the borrower wishes. The period of loan repayment may vary as the association may decide, but the full amount of the principal sum lent to the member must be reimbursed at this time, or earlier. If the borrower makes late payment beyond the end of the agreed loan period, he or she may be fined and must pay any accrued interest, while the principal sum is rolled over to the next reimbursement meeting. While loans are ideally to be used productively to fund income generating activities (IGAs), VSLAs usually ear-mark a portion of quotas as a social fund, reserved to help members meet emergencies, such as illness or death in the family. Such loans are interest free. VSLAs operate on a cycle. Unlike village banks, members cannot withdraw their savings until the end of the cycle. As the end of the operating cycle approaches, no new loans are issued and old loans are repaid. When all the association's cash is on hand, the money is shared out amongst the members on the basis of a formula linked to the number of each person's shares, as a proportion of the whole (Bureau of Applied Research in Anthropology, 2009). The VSLAs that require collateral use a range of guarantees, including shares, household assets, next of kin endorsement, and spouse endorsement. Spouse endorsement is mandatory where female VSLA members are borrowing, because the VSLAs feel it is important that decisions on borrowing be done with the knowledge and approval of the borrower's husband. This ensures that domestic conflicts do not arise as a result of the borrowing itself, or if the borrower fails to repay and the collateral is seized (Mutesasira & Mule, 2003).

Village Savings And Loan Associations And Financial Inclusion;

A paper presented by Hendricks (2011) at 2011 Global Microcredit Summit assessed Village Savings and Loans Associations, as a path way to financial inclusion. Hendricks (2011) VSLA model is based on the belief that for the extremely poor, particularly women, the best approach is to begin by building their financial assets and skills through savings rather than debt. Through participation in a VSLA members can diversify their activities, plant additional crops and even add new income generating activities. At the same time, they are able to save and borrow in ways that allow them to smooth cyclical household consumption patterns. Several studies have sought to establish the impact of VSLAs on their members. Hartley and Rijali (2003) in the evaluation of a CARE project in Zanzibar found that Group Savings and Loans (GSLs) had significantly supported the development of income generating activities (IGAs) by households. These IGAs helped to improve income and added assets, and increased community awareness and understanding of how to work more effectively with financial capital. The role of VSLAs in improving members' welfare is supported in Kizza and Kamiza, (2019). In a study of VSLAs in Zimbabwe, Allen and Hobane (2004) concluded that the VSLAs in Zimbabwe had contributed to increased levels of business and consumer assets amongst the great majority of members' households, and some improvement in the quality of housing. The number of income generating activities per household increased and household labor allocated to IGAs increased. Also, while loans from the groups were directed mainly towards productive activities, pay-outs focused overwhelmingly on paying school fees or acquiring small livestock and similar 'savings substitutes' that might be seen by the members as a hedge against inflation (Langat, 2016). In a study of savings groups in Malawi by Anyango (2005), it was found that the savings group programme had helped to improve the livelihoods of its members through increased household incomes particularly among women who comprised a majority of the members. The study also revealed that savings group members increased their assets versus the baseline, as compared to control groups who were not members of these savings groups. In an impact study on Group Savings and Loans Associations (GSLs) conducted in Kenya by Mathews *et al.* (2010), it was found that savings groups achieve their impacts through the delivery of various financial services, such as, basic saving and loan services; emergency saving, loan and grant services; social solidarity and mutual commitment; and creation of an unthreatening learning environment for members that allows them to understand money management, financial institutions and group governance at their own speed and level. The existing literature clearly shows that GSLs and other 'incubated' savings groups can have an important impact on their members' livelihoods across a range of activities: agriculture, off-farm trade and service businesses, housing and emergency management. However not so many researchers have linked the contribution of VSLAs to the financial inclusion of women. Hendricks (2011) makes the link of VSLAs to the financial inclusion of women by arguing that as women's income levels grow, the financial products offered by the VSLAs no longer meet all their needs and thus they shift into the formal sector while often still accessing financial services through the informal sector. VSLAs are meant to build assets and skills among their members to enable them access formal financial services. Karlan and Udry (2012) argue that with time, activities of members with VSLAs will translate into their increased power to interact with the formal financial system thereby promoting financial inclusion. Hendricks (2011) provides several reasons explaining why VSLAs are a necessary tool to promoting financial inclusion among the poor. Hendricks (2011) arguments include: 1) VSLAs provide financial services in amounts that are generally too small and too frequent to ever be provided by the formal sector 2) VSLAs build assets and skills that can enable the poorest transit into the formal sector by providing access to savings, credit, insurance and overall financial management 3) VSLA compliments a financial inclusion strategy.

Methodology :

Research Design

The study adopted a case study research design because it allows for an in-depth understanding of the study context (Kothari, 2004). The study was conducted among the members of ZWIDA in Ziika Village, located along Kampala – Entebbe Highway about 23kms from Kampala City. The village is in Katabi Sub County, Wakiso District in Uganda. The study examined the activities of ZWIDA for the years 2010-2014. This period was chosen because though Ziika women have been operating as a self-help group, it was not until 2010 that they were officially registered as an association with a constitution governing their operations. The study targeted a population of 65 women registered as members of ZWIDA from whom a sample of 56 women was drawn. The leaders of ZWIDA were purposively selected. The rest of the respondents who are

not leaders of the association were selected conveniently basing on their willingness to participate in the study. The study used both questionnaires and personal interviews to collect information from the key informants.

Data Sources and Quality control

Primary data was obtained directly from the members of ZWIDA through questionnaires and interviews with the study respondents while secondary data was obtained by the researcher through reviewing the available documents like the constitution of ZWIDA. Validity was ensured through three basic processes. 1) the researcher applied cumulative validation in which the findings of the study were compared with other studies and a judgment made about the validity of the findings. 2) communicative validation which entailed the involvement of the participants – by checking the accuracy of the data, evaluation of the process, and employing expert external audits and using triangulation 3) ecological validation where the researcher carried out the study of ZWIDA members in their natural environment, taking into consideration their life and conditions (Sarantakos, 2005). Reliability was ensured by the researcher accurately capturing the data from key informants through prolonged engagement and persistent observation as well as using peer reviews or debriefing in which the collected data and the researcher’s interpretation were subjected to discussion with peers for different perspectives on the collected data.

Data Analysis

After data collection, the researcher organized and prepared the data for analysis by transcribing interviews and typing up field notes. The analyzed data is presented under broad themes and narratives of the respondents presented verbatim. The researcher respected the research ethical principles of informed consent, confidentiality, anonymity and privacy of the members of ZWIDA.

Presentation, Analysis And Interpretation Of Data :

Demographic Characteristics of the Respondents

The demographic characteristics of the respondents in the categories of age group, highest level of education attained , marital status, length of membership with ZWIDA and the nature of work done are presented in Table

Table 1: Demographic Characteristics of the Respondents

VARIABLE	DETAILS	FREQUENCY	PERCENTAGE (%)
Age	21-30	00	00
	31-40	15	30
Highest level of education	41-50	10	20
	51 and above	25	50
	Primary	9	18
	Secondary	13	26
	Certificate	9	18
	Diploma	19	38
	Degree and above	00	00
Marital Status	Married	25	50
	Widowed	6	12
	Divorced	4	8
	Single	15	30
Membership Time	1-3 years	25	50
	4-6 years	22	44
	7-10 years	3	6
	10 years and above	00	00
Nature of Work	Farmer	9	18
	Civil Servant	13	26
	Business lady	28	56

Source: Primary data, 2015

Table 1 show that half of the respondents (50%) were 51 years and above, followed by those in the age groups of 31-40 (30%) and 41-50 (20%) respectively. There were no respondents in the age category of 21-30 years. This could imply that efforts to popularize ZWIDA among the young are still limited.

The majority of the association's members are diploma holders (38%), followed by Secondary level dropouts (26%) and the number of certificate holders equals to the primary school dropouts (18%). This implies that majority of the respondents were able to read, understand the questionnaire and gave appropriate responses. Of the 50 respondents who returned the questionnaires, half of them were married (50%), 30% were single, 12% were widowed and 8% divorced. 50% of the respondents had joined the association for less than three years, 44% of the respondents had been members for the period of between 4-6 years, while only 6% had been members for a period between 7-10 years. This means that only a few of the founding members of ZWIDA participated in the study. The majority of the respondents (56%) were involved in business activities, 26% were in the civil service while 9% were involved in farming.

Types Of Products And Services Offered By ZWIDA As A Village Savings And Loan Association :

The first study objective aimed to establish the types of products and services offered by ZWIDA as a VSLA. This objective was meant to shade light on the available products and services for members of ZWIDA and also to explore in detail the nature of these products. The findings indicate three key products offered by ZWIDA: loans, savings and financial training services.

On the nature of loans offered by ZWIDA it was discovered that two major types of loans are advanced by the association as shown in Table 2.

Table 2: Types of Loans offered by ZWIDA

Loan category	Frequency	Percentage (%)
Business loans	36	72
Personal loans	14	28
Total	50	100

Source: Primary Data, 2015

Table 2 shows that ZWIDA members mainly access business loans 36 (72%) as opposed to personal loans 14 (28%). This is line with the employment characteristics of the members as reported in Table 1 where most of the members are directly involved in business as their main employment and 18% in farming. Most of the business loans are taken by members with a view of expanding their businesses. The majority of the members 45 (89%) reported having borrowed amounts in the range of 500,000 Uganda Shillings to 1,000,000 Uganda Shillings while only 5 (11%) had borrowed up to 2,000,000 Uganda Shillings. In an interview with one key informant, it was revealed that there is no specific amount that an individual is restricted to borrow. She reported that: "The beauty with ZWIDA is that we allow members to borrow whatever they wish to have in as far as the member meets the requirements and the money is available. I am happy that our members borrow even up to two millions. This of course helps our money to grow since they return the borrowed money at an interest." On the frequency of borrowing by ZWIDA members, most of the respondents 34 (67%) reported borrowing once in a cycle while 13 (26%) reported borrowing twice in a cycle. Only 3(7%) reported borrowing thrice in a cycle. It was discovered that those who borrow thrice in a cycle usually borrow small amounts of money. It was reported that the members of ZWIDA make savings once a month (the last Thursday of every month) although they meet on a weekly basis. During the weekly meetings loans are disbursed to the members who have expressed need. A few members reported that there are special loans given out once a year. All ZWIDA members that participated in the study testified that savings are a compulsory component of the association. However, they differed on the compulsory value that each member is mandated to contribute. Whereas most respondents reported that the minimum mandatory value was 5,000 Uganda Shillings, others reported a value of 10,000 shillings. One key informant during an interview session revealed that members are encouraged to save as much as they can. As for their personal monthly savings, the majority 27 (54%) reported saving between Uganda shillings 6,000 to 10,000; 10 (20%) reported saving 5,000; 9 (18%) reported saving 16,000 and above while 4 (8%) reported saving between 11,000 to 15,000. All respondents were in agreement that ZWIDA operates on a savings cycle and

that the members are free to withdraw their savings at any time they wish to do so. The third product identified by the respondents is the financial training program. A key informant reported that: Given the types of loan products offered to the members, stronger emphasis is put on ensuring that members use the borrowed money for the purposes for which they borrow this money. This is done through trainings aimed at improving the financial capacity of the members. A similar view was expressed by another respondent who affirmed that: You see, it is always good to learn from your mistakes. At the start we used to take things for granted but now we have learnt that our members need to be trained in managing their savings and meeting their intended purposes of borrowing. Some of our members used to take business loans and use them for other purposes. Many of these were caught up in the circle of borrowing from one institution to pay another. But since we started these trainings, members have learnt to use borrowed money effectively. All the beneficiaries of ZWIDA loans have to undergo a compulsory training on financial matters. This apparently is a key condition for membership.

The requirements for accessing ZWIDA products and services :

The second study objective was to find out the requirements for accessing ZWIDA products and services. There was agreement that loans are only extended to members of ZWIDA. According to one of the respondents membership is attributed to only those who fulfill the following conditions: a) Should have registered with the association b) Should have paid membership fees c) Save monthly with the association d) Should be a resident of Ziika Village e) Should have attended the financial education training. ZWIDA has two sources of its loan funds. The respondents revealed that whereas a greater amount of the loan funds come from the association's core activities of savings, loan interests and the income generating activities, ZWIDA has also received money from Walsh University in the United States of America, through the University of Kisubi. The respondents reported that for a member to access the funds supplied by Walsh University, the basic requirement is that one must have submitted in a project proposal. No guarantees are required for this loan as membership is considered a sufficient condition. On the other hand, borrowing from the association's savings requires a member to express interest and provide two guarantors. Additionally, the respondents revealed that the loans are accessed at a negotiable interest rate. Depending on the amount and the time one has to take before repaying the loan, interest rates of 3%, 5% and 10% are charged on top of the loan application fee. The minimum amount charged as loan application fee was found to be 2,000 Uganda shillings. The findings revealed that the average time taken for members to repay their last loans acquired from the association was between 5-7 months 31(62%) while only 6(12%) repaid their loans between 8 to 9 months. When asked about this variation, one key informant argued that: We allow this flexibility because we trust our members. This is not a bank, for the small loan amounts it usually takes 4 months whereas for the big loans we provide a timeframe of up to 7-9 months. We consider this sufficient time for one to begin paying their loan. On the procedure by which members get the loan, it was revealed that there is general consensus among the members during the loan application and disbursement meetings. Several factors are considered in cases where more than one loan application has been filled. The majority of the members (79%) reported that in such cases the "first come, first served" rule of thumb is used. A small percentage (21%) argued that the meeting appraises the applicants in terms of their needs and their general performance in the association. Other respondents explained that at the association level, groups were formed in which such issues are resolved to ensure general satisfaction among all the association members. The researcher also sought to find out whether ZWIDA charges a penalty for late repayment of the loans and there was a difference in opinion on this question with 37(75%) saying no penalty is charged while 13 (26%) said a penalty is charged. This difference in opinion may have arisen as a result of members considering their personal experiences of being charged or not. This means that those who have been charged a penalty for late payment are only a quarter of the total respondents. This finding is corroborated by an explanation by one of the key informants. The point is that in order to encourage the members to pay up their loans in time we always tell them about the penalty for late payment. However we rarely charge our members even though some take a lot of time. Such members keep on appealing to your sympathy. Yet still there are the stubborn ones, these unfortunately force us to charge them for late repayment in order to recover our costs of looking for them to pay their loans.

ZWIDA Products And Services As A Tool To Enable Financial Inclusion Of Members :

The third objective of the study was to investigate the use of the products and services offered by ZWIDA for the financial inclusion of its members. By financial inclusion the study considered the access and use of formal financial services by the members of the association.

There was mutual agreement among all the respondents that ZWIDA is involved in several income generating activities. Whereas such activities as poultry and piggery farming are carried out by ZWIDA members on a group basis, the key income generating activity for the association was reported as being the sale of charcoal and firewood. In discussing this with a key informant during the interview, she highlighted the value that the members of the association attach to their business. She said:

Of course there are several businesses that we could have engaged in but we chose selling of charcoal and firewood. Every family must eat and given our conditions, most of the families use firewood or charcoal for cooking. By selling these items we are able to increase the money available for the members to borrow. It has been successful as a business but it equally has challenges

On the need for the members of ZWIDA to engage in income generating activities, one respondent voiced the need for a model business that is managed at the association level arguing that: “*The income generating activities we are involved in as an association help to act as models for the individual members of the association. We try as much as possible to put into practice the business trainings we get through these income generating activities*”. The views expressed by the two respondents above indicate that ZWIDA is involved in income generating activities for two reasons. 1) To improve the income of the association and 2) to apply the skills learnt by the members for improved personal businesses. The income generating activities had had a positive impact on members’ savings as 44 (89%) of the respondents reported an increase in their savings since joining the association. When asked about where they keep their savings, it was reported that majority of the respondents (64%) save their money in formal bank accounts. This was followed by ZWIDA, and SACCOs at 24% and 12% respectively. It is interesting to note that none of the respondents acknowledged keeping their savings in house. This implies that the members of ZWIDA have learnt to save with the informal as well as the formal financial institutions. The respondents were asked to rank the uses of the money they receive from ZWIDA and the ranking shows the order of uses of the money as: 1) productive investment- using the money in ways aimed at generating more money 2) School fees 3) Household assets 4) paying off debts 5) medical expenses 6) others including construction, funeral arrangements, parties and celebrations. The explanation behind this ranking can be summarized in the words of one respondent quoted below: As leaders of ZWIDA we encourage our members to use the loans acquired and the savings withdrawn from the association in ways that will ensure future streams of cash flows. We advise that the priority area should be productive investment activities like business startups or farming. But some of the women in the group are single mothers, while others are divorced, yet still others have the responsibility of providing for the families. For such women, they sometimes use the money for school fees, medical fees and other household related activities. The respondents expressed divergent opinions on the question of whether the loans and savings products offered by ZWIDA have been sufficient for them as members to meet all their needs. There was an average of three for every one respondent who felt that ZWIDA products and services are sufficient to meet their needs. That is, 12(24%) expressed sufficiency while 38 (76%) expressed insufficiency of the products provided by ZWIDA. This implies a growing need for more financial services among the members of ZWIDA.

The researcher sought to find out the alternatives available for them to meet their financial needs outside ZWIDA and 26 (62%) said they borrow/save with the bank; 9 (21%) said they borrow/save with friends and 7 (17%) said they borrow/save with a SACCO. The researchers sought to find out the percentage of the members of ZWIDA with a bank account in the formal financial institution and which bank is the members’ favorite. The findings indicated that 45 (90%) of the respondents had a bank account and only 5 (10%) lacked a bank account. The common banks accessed by the members of ZWIDA are Centenary Bank, Stanbic Bank and DFCU bank in that order. The researcher also wished to find out the type of financial services the members of ZWIDA who access formal financial institutions seek out for. The majority of the respondents 26 (52%) reported depositing excess savings that cannot be saved with ZWIDA, 17 (34%) reported accessing larger loans that cannot be provided by ZWIDA and 7 (14%) reported accessing both loans and savings services. When asked about their opinion on specific aspects of financial inclusion

received from the banks, the findings revealed that: on issues of affordability of bank charges 23 (46%) took a neutral stand, 15 (30%) disagreed meaning the bank charges are not affordable while 12 (24%) agreed meaning that bank charges are affordable. On the quality of services provided by the banks; the majority of the respondents 28 (56%) expressed satisfaction with the services, those who took a neutral stand equaled those who expressed dissatisfaction with the services at 11 (22%) each. On issues of accessibility of the financial services, 21(42%) agreed on accessibility; 18 (36%) took a neutral stand while 11(22%) disagreed meaning that it is hard to access financial services from the banks. The respondents also expressed a high level of satisfaction 28 (56%) with the services offered by the formal financial institutions such as being provided with ATM cards and other literacy programs. The respondents highlighted the key causes of dissatisfaction with formal financial institutions including: lack of access to ATM Centers, ATM failures, long queues in the banks, insistence on guarantors, high interest rates, and bureaucracy in the entire banking process. The respondents were asked about the benefits they have derived from accessing the products and services of ZWIDA. About three quarters of the respondents suggested that the ability to increase their incomes and savings was the key benefit they have attained from ZWIDA. This in turn has enabled several members to open bank accounts with the formal financial institutions as one of the respondents affirms:

We are proud as an association that we are helping our members access formal financial services. Over 80% of the members of this association as we talk now have bank accounts in different banks. Most of these join the group without these accounts but when they save with us, take out loans and learn from our trainings, their incomes improve and the next thing you hear, they have opened bank accounts. ZWIDA is truly empowering women financially.

There were widespread levels of agreement on the importance of business trainings offered by ZWIDA. Several skills were identified as direct skills acquired from these business trainings. Such skills as budgeting, saving, planning and money management were highlighted by the respondents. Some of the other benefits derived from membership in ZWIDA were non-financial in nature. For example the association has been credited for building a sense of community, and trust among the members.

Discussion Of The Findings :

Products And Services Offered By Zwida As A Vsla

The study found out that the key products and services offered by ZWIDA as a VSLA are loans, savings and financial education programs. Findings of the study revealed that the loans advanced by ZWIDA are either business loans or personal loans. The business loans are preferred given that many of the members' financial concerns are enterprise related. These findings relate to those of Mathews et al, (2010) who report that most members of VSLAs who take loans are interested in starting new businesses or expanding existing ones, or simply to finance their working capital in a more reliable way. Most members of ZWIDA being farmers also need loans frequently to pay for seeds, fertilizer and labor.

The study found out that ZWIDA has a savings component as part of the services offered. This is a compulsory part of the association. Savings are made once a month and the amount saved varies from one individual to another. The findings concur with the findings by scholars like O'Donoghue & Robin (1999); Ashraf, Karlan & Yin (2009) who argue that since VSLAs entail a minimum level of compulsory savings and members with self-control problems, may use VSLAs as a commitment device to save.

The study also found out that ZWIDA offers a financial education program to its members before loans are advanced to them. This finding echoes Hendricks (2011) works on VSLA where he reports that when a member joins a VSLA, they are taught key principles of managing money, including cash flow and budgeting skills.

The Requirements For Accessing The Products And Services Of ZWIDA :

The study found out that membership to the association is a key requirement for accessing the products and services offered by ZWIDA. All the respondents reported that the association does not offer loans to non-members. Loans are given to members who are assumed to have learnt about management of the borrowed money from the training offered by the association and also given the fact that VSLAs usually do not advance loans based on security but on member's savings. This however constrains VSLAs from accumulating more profits in case they lent to the more risky non members (Allen & Hobone, 2004)

The sources of loan funds for ZWIDA are two: 1) the funds from internal operational activities of the association and 2) funds from Walsh University. The findings revealed that the interest rates for accessing loans from ZWIDA vary from 3%, 5% to 10%. The study findings also indicate that ZWIDA has a clear loan processing procedure. The association appraises and evaluates the loan application in what most respondents considered a fair and effective approach. The findings of this study concur with the recommendation by Brannen (2010) of the need to follow predetermined criteria before extending credit to a member.

The study found out that there is no clear penalty charged for late payment of loans. This is in contrast to the recommendation by Allen (2006) who recommends imposing clear penalties on members who default on the loan periods who should be made to pay any accrued interest. When such fines are not in place, borrowers usually extend their loan period denting other members of the opportunity to borrow. For the case of ZWIDA, not imposing a penalty may be in line with the need to really help the disadvantaged but deserving women of the ZWIDA community.

The use of Products and Services as a tool for the Financial Inclusion of the members of ZWIDA

The study findings revealed that ZWIDA as an association is involved in income generating activities. This practice is a common occurrence among several of the VSLAs in Uganda (Mutesasira & Mule, 2003). While the VSLAs are created principally to intermediate savings and credit to members they are also engaged in a number of activities that help generate income for the VSLA and also provide safety for the members. Anyango (2005) argues that income generating activities allowed the group to spread its risk so that if there were to be failure in the performance of the loan fund, the association would not lose everything and would have an alternative stream of income.

The findings of the study reveal a strong influence of ZWIDA on the savings of the members. It was discovered that engaging in the activities of the association enabled members to experience an improvement in their incomes that translated into increased savings with the formal financial institutions which is by Anyango (2005). This is supported by Hendricks (2011) who maintains that as households and businesses grow, financial products offered by the informal sector providers (such as VSLAs) no longer meet the needs of the clients and they would then move into the formal financial sector.

As a result of the increased savings, majority of the members of ZWIDA were able to open up bank accounts (86%) and consequently keep their savings with the banks. These results are a clear indication in support of the VSLAs as a key to the promotion of financial inclusion from the informal sector to the formal financial sector. The study found that most of the borrowed money and personal savings are used for productive activities by members of ZWIDA which is also supported by Allen & Hobone, 2004. The productive activities have consequently helped members of ZWIDA to increase their household incomes and standards of living. This is in line with Hartley & Rijali (2003) finding during the evaluation of a care project in Zanzibar where it was found that group savings and loans had significantly supported the development of income generating activities (IGAs) by households.

Although members of ZWIDA have embraced the services of formal financial institutions like banks, they still expressed challenges with these banks. The study found out that challenges like high interest rates, lack of ATM centers, ATM failures, and bureaucracy are still strong barriers for the effective use of formal financial services as also cited by Matthews, Musoke & Green, 2010.

Conclusions :

ZWIDA as a VSLA offers three types of financial products in form of: loans, savings and financial education programs. Savings are compulsory for all members and are made on a monthly basis. The amount saved largely determines the loan to be accessed.

ZWIDA offers loans only to its members at varying interest rates for varying timeframes. Loan funds come from the association core activities and funds from Walsh University in the United States through the University of Kisubi. There is no clear penalty on those who delay funds borrowed from the VSLA.

VSLAs like ZWIDA can be effective tools for the financial inclusion of their members. Through accessing credit, the members are enabled to enhance their income generating activities which in turn leads to increased incomes and demand for higher levels of credit. This increased demand that cannot be met by the VSLA leads the members to enroll for the services in formal financial institutions like banks. The key

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obstacles to transition from the largely informal to the formal financial institutions are the high transaction costs, such as: high interest rates, lack of ATM centers, ATM failures, and bureaucracy.

Recommendations :

ZWIDA as a Village Savings and Loans Association offers three types of products namely loans, savings and financial education programs. Most members' access to invest in IGAs making it necessary to strengthen the financial education programs to provide financial management skills to members accessing these loans to minimize the credit risks associated with poor financial management.

ZWIDA offers loans only to its members at varying interest rates for varying timeframes. There is no clear penalty on those who delay funds borrowed from the VSLA. There is need for ZWIDA as a VSLA to come up with clear policies on the penalty for loan repayment delays as means to effect good financial discipline among all members

Governments should work hand in hand with the formal financial institutions to reduce the transaction costs that lock out savers from VSLAs that would wish to join the formal financial institutions. For example, make the cost of borrowing from banks affordable to low income earners and increase on the spread of formal financial institutions to rural settings where the majority low income earners reside.

Areas For Further Study :

The researcher suggests that a study be done to include several VSLAs selected from the different parts of the country. 2) The researcher also recommends that a study be carried out on how technology can be used as a tool to promote the financial inclusion of women in Uganda.

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