SHIFT FROM MICROFINANCE INSTITUTION TO VILLAGE SAVINGS AND LOAN (VS&LA)

The Assistant Chief- Kowe Sub Location, pensively, addresses a huge Village Savings and Loan Open Day Meeting at Kondit Market. He noted;

“I have never seen a high number of women like the turn up for a meeting like this. It seems the women in this area only attend meetings that benefit them. This is wonderful.”

By:
AMOS M MATE,
Plan International Inc

Introduction:
Building of local financial institutions to provide financial services to women in rural areas has several challenges. In most cases, only the capacity of the local institution is built and not the would-be beneficiaries.

In Nyanza Province of Kenya, it was realized that even after the capacity of a local institution was built through a comprehensive partnership, the expected rural population remained largely locked out. The confidence of women in rural areas remained low. It was
also noted that traditional financial systems such as Rotating Savings and Credit Associations (ROSCAS) continued to attract large numbers.

The introduction of Village Savings and Loan (VS &L), also referred to as MMD to the same region recorded high participation. To implement this methodology, patience, time and the understanding of the communities’ financial coping mechanisms was crucial and that the direct involvement of staff from an external institution would create implementation conflict.

To kick start the implementation process, I sourced for facilitators who had been fully trained in the MMD methodology by CARE – Kenya. CARE International, having been the pioneer of this methodology.

With the support of these facilitators, participants from CBOs in the region were selected and the concept shared in general for a week. During this awareness sessions, the interested participants were identified and invited for a 2 week intensive training on the methodology. The trained individuals, referred to as Community Resource Persons (CORPs) continued with awareness meetings in the various CBOs. The exercise continued until January 2006 when interested members started forming themselves into smaller groups. With the assistance of the CORPs, the facilitators started training the groups on the methodology and also ensure that the trained CORPs grasped the concept well by going through practical sessions. The implementation took off in all the CBOs but at different pace.

To officially launch the methodology, the communities in North and South Kowe, feeling proud of what the methodology had done in their lives, organized an Open a sharing day at Kondit Market. All the CBOs in the region were invited to witness the progress made. 1,021 people attended the function. Out of the participants, 696 were women from the 2 CBOs (North and South Kowe)

During the meeting, it was noted that;
◆ the community has coined a name for the methodology; Riwrulok e teko (unity is strength);
◆ the community believes that savings and loan activities is the source of unity for the community hence the necessary strength to address the vagaries of poverty;
Mixed Group Transacting

Women-only Group Transacting

♦ the methodology has been taken positively by all the residents;
♦ the 2 CBOs had 20 groups already practicing the methodology;
♦ that over 169 members had been recruited and were actively participating in the methodology;
♦ that the first 6 transacting groups were formed in February 2006 and since then 14 groups had formed and the number is increasing;
♦ the groups had generated over Ksh 120,000 and over Ksh 90,000 was held in loans to members;
♦ that the groups had savings for purchase of assets and for social/emergency expenses;
♦ the dependency of women on their husbands had drastically reduced hence emerging stability in their homes;
♦ the activities of the groups were wholly owned, directed and managed by the members without any external interference whatsoever;
♦ those in the groups worked much harder and hence did not waste time on non productive but time consuming activities as it were before they joined the groups;

From the groups, the following lessons were clear that:
♦ members of the transacting groups had started small business such as vegetable vending, cereal selling and petty trading from small loans they received and hence self employed;
♦ transacting members were able to critically analyze the root causes of the problems that faced and affected the operations of their traditional Merry Go Rounds;
Treasurer showing money collected for all to count

♦ the methodology does not discriminate people according to class; willing members come together and start off;
♦ there was a strong understanding to why group savings had to be retained in the community and group as loans. Banking of their savings in banks was fully discouraged;
♦ default in payment of savings and Loan was not a major issue;
♦ the community members were becoming more cohesive and responsive to community activities. The attendance of over 1,000 for the meeting and especially women, who hardly and turned up for other project planning meetings, was evidence of what individual economic empowerment can do to the community;
♦ Communities were able to appreciate and learn faster from other communities especially in the adoption of an idea. From the open day presentations, other CBOs vowed to organize such open days. Every CBO official attending from other areas confessed to have something to share with the rest. This could be replicated to other activities that the communities have implemented over years;
♦ An idea well introduced and adopted by the community flourishes on its own without unnecessary and expensive external supervision as is the case with other methodologies in microfinance.

The MMD had significantly contributed to the transformation of the behavior, thinking and the activities of women who had joined. A brief discussion with one of the members revealed the following:

"Since made the decision to form our own group and start savings, we have been forced to work hard so that we are not ashamed on the group meeting day because we cannot pay savings or repay loan. We have found ourselves waking up very early in the morning to start off our activities. When you go to the market at 6 am, you find most of the group members there. The joy of it all is that we can provide most the necessities to our family without waiting for our husbands. Imagine I could not even buy a match box on my own before I joined the group. I hope the women could come so that we move together to happiness.”

As the groups continue with transacting, the following challenges were foreseeable;
A sign of money in the village, the plates are full of it

- Record keeping was still a challenge and over dependence on the CORP for the same would prove tricky;
- The escalating demand for loan as compared to savings contribution could drift the groups off their original vision;
- The level of exposure and insecurity in the area generally could not be appropriate for the groups to use the Cash Boxes prescribed in the methodology. An initiative had to be created to avert risks.

The massive turn up of women for this project and the emerging challenges contributed to the design of partnership involving International NGOs and a leading Commercial Bank to initiate and scale up the programme across countries in Africa, Asia and Latin America.
As the meeting closes, the bigger question for I in general and Nyanza Region in particular is what next? Kisumu staff consults!