

Contribution of Village Saving and Loan Association (VSLA) to Household Welfare Improvement in Kole District- Northern Uganda

Judith Akello Abal*

Department of Commerce and Business Management, Lira University
PO box 1035, Lira, Uganda
Tel: +256 772 592115 E-mail: judithakello@yahoo.com

Ocen Tom^{12*} Judith Akello Abal (PhD)¹

1. Department of Commerce and Business Management, Lira University PO box 1035, Lira, Uganda
2. Regional Project Manager for East and Southern Africa based in Kampala-Fleming Fund for AMR (Anti-Microbial Resistance)

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Abstract

The study was conducted to examine the effect of VSLA loan activities on poverty reduction in Bala Sub-county. Specifically, the study examined the effect of lending modality on the household welfare improvement in Bala Sub-county, assessed the effect of financial literacy on the house welfare improvement in Bala Sub-county and assessed the effect of small business financing on the household welfare improvement in Bala Sub-county. The study employed cross-sectional design and the approaches used were both quantitative and qualitative; the sample size of the study population was 110 respondents comprising of members of VSLA in Bala Sub-county, the District Commercial Officer and Community Development officer. From the target population of 110, a sample size of 86 respondents was determined using Krejcie and Morgan. Simple random sampling and purposive sampling techniques were applied to sample the respondents. Questionnaires were used to collect quantitative primary data while interview guide and focus group discussion was employed to collect qualitative data. Data analysis was done with the help of SPSS version 23. Correlation coefficient was used to test the strength and the direction of the relationship between the variables. The finding of the study revealed that household welfare was positively and significantly correlated with lending modality, financial literacy and small business financing. Finally, the results of regression revealed that VSLA lending modality, financial literacy and small business financing all had a positive significant effect on the level of household welfare hence poverty reduction among members of VSLA in Bala Sub-county. Based on the above findings, the study concluded that all the credit activities of the VSLA that were studied by the researcher affect the level of household welfare among the member of VSLA in Bala sub-county. The study therefore recommended that government should support the VSLA activities as it is playing a big role in reducing the level of poverty among the poor people at the grass root level who cannot access credit facilities from the formal financial institutions in Uganda.

Keywords: Micro-Finance, Family, Financial Literacy, Well-being

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1. Background of The Study

Globally, majority of the world's poor live in rural areas of developing countries where they have low standard of living and unable to access credit from formal financial institutions to do income generating activities (Mohamed, Tamba, & Mohamed, 2016). The history of rural financing especially in developing nations is not encouraging and even the explosive global growth in microfinance has been concentrated in urban and semi-urban areas (Allen and Staehle, 2007). The challenge of poverty reduction in Africa is of a different order from those other parts of the world and requires different strategies (Jean, 2018).

Lack of necessary collateral to access financial services from formal financial institution makes many entrepreneurs especially those in the rural areas unable to access financial resources they need to grow their business from the formal financial institutions (World bank, 2012). One intervention that has gained increased popularity in rural areas of Africa is savings groups. Savings groups provide an alternative to existing informal networks and provide more flexibility, transparency, security and one highly standardised type of savings groups is the Village Saving and Loan Association (VSLA). Setting up Village Savings and Loan Associations (VSLAs) has become an increasingly widespread intervention geared towards improving local financial accessibility to the rural poor (Ksolla et al. 2016).

VSLA is an approach that was developed in 1991 by CARE International in Niger with the goal of helping women to cope with the numerous responsibilities that they faced in a puzzling economic and social

environment (CARE international). Starting out with a very basic model where participants contributed savings to a loan fund which made small loans to group members, this matured into a model of VSLA in which a self-selected group of people, (usually unregistered) who pool their money into a fund from which members can borrow.

VSLAs attempt to overcome the difficulties of offering credit to the rural poor by building on the ROSCA model to create groups of people who can pool their savings to have a source of lending funds (IPA 2015). In a VSLA, members make savings contributions to the pool, and can also borrow from it. VSLAs are built entirely on member savings and interest rates from the loans. Members, however, do receive a year of intensive training in group governance and money management, which allows them to become self-sufficient and even enables them to establish other groups (Brannen & Sheehan-Connor 2012). The activities of the group run in cycles of one year, after which the accumulated savings and the loan profits are distributed back to the members. The purpose of a VSLA is to provide simple savings and loan facilities in areas which do not have easy access to formal financial services

According to Jean (2018), Village Saving & Loan Associations (VSLAs) have proven to be very effective in accelerating growth and building local capacity. VSLAs attempt to overcome the difficulties of offering credit to the rural poor by building on a ROSCA model to create groups of people who can pool their savings to have a source of lending funds. Members make savings contributions to the pool and can also borrow from it. CARE International (2017) gave an overview of the global reach of CARE's village savings and loans association programming. According to the report, globally, CARE has promoted Village Savings and Loan Associations (VSLAs) for over 25 years, to enable women living in poverty to increase their financial skills, gain access to and control over resources, and generate economic opportunities and income.

The concept of VSLA refers to a group of people who save together and take small loans from those savings Groups that meet weekly, and members save through the purchase of shares. The VSLA is a village banking methodology, which offers the productive poor mostly in the rural communities, the opportunity to purchase shares and lend to themselves with agreed interest rate on group basis (Ksolla et al., 2016). With the introduction of VSLA by Care International, a number of initiatives like enterprise skills development, sustainability and self-replicability, economic empowerment, bank linkages have led to the growth of the members of the VSLA (Enterprise Uganda, 2016).

Theoretically, this study was guided by social capital theory and human capital theory. The theory of social capital was put forward by Putman (1995). The theory contends that individuals and organizations will always engage in social networks in order to generate profits (Lin, 1999). It refers to the ability of the actors to gain benefits from their social network, personal relationships and the quality of association (Portes, 1998). Social capital is the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition (Bourdieu & Wacquant, 1992).

The human capital theory was first postulated Schultz in 1961 and developed extensively by Becker in 1964. The theory states that the more an individual progress with training the more competent he/she is. The human capital argument is that entrepreneurs tend to implement certain actions and policies as far as their ability can carry them.

This theory is important to this study in that the more VSLA members receive training, the more they will become competent in financial management practices. This will in turn improves on the performance of the firm leading to growth of VSLA.

In Uganda, the UNDP human development Report (2016) on the country's multidimensional Poverty Index (MPI) shows that 55.1 percent of the population is multidimensional poor while an additional 24.9 percent are classified as vulnerable to multidimensional poverty. Further, the breath of deprivation (intensity) in Uganda, which is the average deprivation score experienced by people in multidimensional poverty, is 48.8 percent.

In Bala sub county in Kole District, rural development is still low and has continued to decline at a steady rate (CFOs report Kole district, 2015). This is due to lack of microfinance services in rural communities as well as lack of collateral to be used by potential entrepreneurs to borrow loans from banks to develop their businesses. Most individuals perceive loans from microfinance institutions as being risky. As a result, these institutions restrict those to get loans and it is upon this background that the researcher's curiosity has been increased to investigate the contribution of VSLA on poverty reduction in Bala Sub county, Kole District.

1.1 Purpose of the study

The purpose of the study was to examine the effect of VSLA on poverty reduction in Bala Sub-county, Kole District.

1.2 Research Hypothesis

The study was guided by the following research hypothesis;

- H₀₁: VSLA lending modality has no significant effect on the household welfare improvement in Bala sub-county, Kole District
- H₀₂: Financial literacy provided by VSLA has no significant effect on the household welfare improvement in Bala sub-county, Kole District
- H₀₃: Small Business Financing by the VSLA has no significant effect on the household welfare improvement in Bala sub-county, Kole District

1.3 Theoretical review

This study was guided by the theory of social capital and human capital theory.

1.3.1 Social Capital Theory

The theory of social capital was put forward by Putman (1995). The theory contends that individuals and organizations will always engage in social networks to generate profits (Lin, 1999). It refers to the ability of the actors to gain benefits from their social network, personal relationships, and the quality of association (Portes, 1998). Social capital is the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of institutionalized relationships of mutual acquaintance and recognition (Bourdieu & Wacquant, 1992). The theory is based on assumptions that; 1) the more the networking, the greater the social capital. 2) The greater the social capital, the higher the priority of the norm of equality. 3) The greater the social capital, the easier to mobilize support for problem solutions.

Social capital is multi-dimensional and occurs at both the individual and organizational levels (Nahapiet & Ghoshal, 1998). As explained by Schmid & Robison (1995), the concept of social capital includes: obligations, expectations, and trustworthiness of structures; information channels; and norms and effective sanctions. All these have a positive impact on the improvement of the household welfare of the individuals in the network. According to Davidsson & Honig (2003) social networks provided by extended family, community-based or organizational relationships are theorized to supplement the effects of education, experience, and financial capital through reciprocity. VSLA which develops and maintains strong social networks are likely to raise finance to finance their operations and the reverse is true for VSLA which do not have social network programmes. This is explained further by Coleman (1988) that social capital can be a useful resource both by enhancing internal organizational trust through the bonding of actors, as well as by bridging external networks in order to provide resources. At the centre of this social network is trust and fulfilment of obligations like funds borrowed which carry sanctions (Coleman, 1988; Knack & Keefer; 1997; Lin, 1999).

In order for the social network to produce positive results, there should be strong ties among the individuals or organizations in the network. In this regard, Davidsson and Honig (2003) attest to the fact that weak ties though useful may not enhance the generation of desirable social capital from a network. That is why Cook & Whitmeyer (1992) and Quillian & Redd (2006) advocate for strong ties, such as those derived from family or group relationships as they provide secure and consistent access to resources. Moreover, the more personal resources one has, the less likely one is to rely on strong ties. Notwithstanding the critiques labelled against social capital theory, social capital gained from formal and informal networks has been found to benefit business both large and small. It is through networks that markets are created and maintained. The same networks help to identify business partners and well-wishers who potentially fund the VSLA. The application of this theory in identifying and neutralizing challenges faced by VSLA in raising finance is a paramount.

Even though this theory is instrumental in the growth of VSLA that can lead to household welfare improvement of the individual members, social capital is a tool of the elite deployed to ensure that the wrong people do not enter their circles. Also, the social capital derived from these social networks benefits only members of the network. Social capital can be used to achieve goals that are negative. Criminal networks are one of the clearest examples of this sort of consequence. Whereas this may be true for individual level networks, strategic VSLA can build networks strong enough to generate social benefits. However, VSLA may be blocked by larger social networks of financial institutions which target large business enterprises.

1.3.2 Human Capital Theory.

The human capital theory was first postulated Schultz in 1961 and developed extensively by Becker in 1964. The theory states that the more an individual progress with training the more competent he/she is. It is a means of production by which additional investment in human training yields additional output, this statement is supported by Lucas (1988), who states that in a perfect market, educational investment for employees significantly affects his/her level of productivity in the office.

According to Schultz (1961) human capital as a stock of competences inherent in knowledge, capability and skill that are economically usable. Schultz proposed that the stock of competences is acquired through training, talents, IQ and practical experience. Becker (1964) equated human capital to physical means of production (factories and machines). Human capital can be substitutable but is not transferable as physical factors of production (land, labour, capital). Accordingly, consumption constitutes an investment in human capital. Consequently, entrepreneurs with higher specific human capital show high levels of performance than those with

lower-level specific human capital. This is defined as entrepreneurial human capital.

The theory points out that knowledge, skills, and competencies are a form of capital. Human capital theory equates the acquisition of skill and knowledge to the means of production or managing practices in the firm that can lead to growth of the firm.

The human capital argument is that VSLA executives implement certain actions and policies as far as their ability can carry them. According to Berry (2002) the way that firms practice certain behaviours and put-up certain systems into action may depend on the skills, preferences and ability of the owners/managers and other employees available. This theory is important to this study in that it will help VSLA executives improve their knowledge, skills, and competencies in managing their operations and this will lead to the growth of the female entrepreneurs. This theory is based on the assumption that there are levels of ability starting from the executives who do not have clear understanding and then competent executives.

2. Literature Review: An Overview

2.1 Mode of Lending and Household Welfare Improvement

Accordingly, studies conducted in Peru, India and Zimbabwe revealed that, extending small loans to the poor people mainly women for income generating and self-employment had lessened vulnerability through diversifying income earning sources, building assets and strengthening crisis coping mechanisms. This in turn leads to the improvement of the household welfare of the members who are in the group.

Dean (2012) stated that the lending modality of VSLA makes women who in some instances form the majority of the members to have access to the fund that they inject in their business. Women have less access to income because of lack of credit and access to information related to market opportunities; therefore, they are less likely to benefit from entrepreneurship and extension services and have less access to improved technologies in business ideas therefore access to credit and saving facilities enhances the growth of business. With the coming of VSLA, they are able to improve their businesses which in turn lead to the improvement of their household welfare.

VSLAs methodology of lending has proven to be very effective in accelerating growth and building local capacity of the individual household member hence leading to the improvement of the welfare of the individual members of the household. VSLA members have access to highly responsive and safe financial services, and this enables them to upscale economic activities, improve household health and welfare, acquire business skills, educate their children, and improve the quality of their social lives both within the family and the surrounding community (Enterprise Uganda, 2016).

Over the years, a new economic culture has emerged among the VSLA members. Owing to peer pressure to save, encouragement by other group members during the meetings, training and the availability of start-up capital, most members have opened or expanded businesses. Because of the strict VSLA procedures of lending (lending modality) and the immediate and tangible results, the VSLA methodology has moved people from being idle to being very productive and busy. This has greatly led to the improvement in the household of the people who are in the VSLA. In addition, many participants have adopted better work ethics and habits; people work harder, keep time better and deliver on their word (CARE international, 2017).

Patrick, a member of VSLA in Iganga District said 'my wife and I have been members of the VSLA since 2006. At that time, it was not possible to access any financial services outside of the banks. For many years, we wanted to improve our farm by commercialising it but without capital to invest in the project, it was impossible. Through the VSLA, we have been able to borrow enough money to realise our dreams. We have tripled the size of the area under cultivation and during the planting and harvesting seasons, we hire workers to help us in the field. We pay their salaries with the money from the VSLA and repay the loans with the profit we make from our produce. Sometimes, we wonder how we were ever able to survive before we became members of the VSLA but as of now, our household welfare has greatly improved' (Enterprise Uganda, 2016)

According to World Bank (2013), people living in poverty like everyone else, need a diverse range of financial services to run their businesses, build assets, secure smooth consumption, and manage risks. To World Bank, well-managed microfinance programs can help lift people out of poverty, for example when a borrower uses small loans to start and grow a new business.

Growing evidence highlights that for poor households, savings is a much higher priority than borrowing, as savings builds assets and can help to address risks as well as planned lifecycle events (Hendricks, 2011).

According to quotation from Enterprise Uganda, 2016. Maria, Busia District says, '*I used to work in my restaurant from 7am to 10pm every day but no matter how many hours I worked I could not earn enough to provide for my four children and my deceased brother's five children. So, I decided to join a VSLA group after noticing the positive experiences of other members. I started to save regularly and soon I was able to take out a loan of 150,000 shillings (\$33) which I used to buy more tables and chairs for the restaurant to expand my business and attract more customers. After a while I got so busy that I had to employ three people to help me*'.

According to Maria being a member of a VSLA has really changed her life; her business is very profitable

because she had the necessary access to investment capital and as a result, she could now feed her family well beyond their basic needs and pay for the children's education. She is very proud that her first son is studying at the university in Kampala. She also acquired a plot of land and plan to use my savings from the next share-out to build a new brick house to live in. Maria adds it that her plan is to diversify my business. She wants to set up a shop that will sell the same food items as the restaurant, which will help secure her income and boost her business. Through the VSLA, she learned to focus on her business. She improved her work ethic to be able to contribute to the VSLA and save up money every week (Enterprise Uganda, 2016).

Accordingly, studies conducted in Peru, India and Zimbabwe revealed that, the VSLA lending modality which enable small loan to be extended to the poor people mainly women for income generating and self-employment had lessened vulnerability through diversifying income earning sources, building assets, and strengthening crisis coping mechanisms.

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. The associations set loan terms. During the first cycle loan terms do not normally exceed three months, and in fact may be shorter. The size of a 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. At the same time, it is important that the maximum amount that a member can borrow is in excess of his or her savings, so as to maximize the percentage of funds in use (Allen, 2006).

2.2 Financial Literacy and Household Welfare Improvement

In an impact study on Group Savings and Loans Associations conducted in Kenya, savings groups achieve their impacts through training in basic saving and loan services, including both withdrawals and deposits; 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 Mathews et al. (2010).

The study on VSLAs conducted in Ghana and Uganda revealed that in Uganda, women in these associations are more likely to own business and have higher profits in their business enterprises compared to their counterparts who are not as a result of the training on enterprise development that they normally get, and this has led to the growth of their business hence making them to be in position to take care of their families (IPA, 2012).

The methodology of VSLA entails training members on enterprise development skills. Members are identified and trained by Community Based Trainers and Village Agents and collaborate with local governments to ensure linkages between VSLAs and government programmes. Community Based Trainers (CBTs) sensitise and mobilise group formations. During implementation, they provide training and give technical assistance to groups, and they report to the IPOs. This approach has made many VSLA to be very successful and its members have been in position to improve on the level of their business which in turn had led to the improvement in the level of the household welfare of the members (Pors, 2011).

2.3 Small Business Financing and Household Welfare Improvement

According to SWEP II Report, (2016), VSLAs normally finance common activities that members understand them and that they are able to make sales from it on daily basis. This is to enable them be in position to make the weekly payment. Further, the members appraise the business before financing to see that there are no possible risks that can affect the business making the member not to be in position to pay back the borrowed funds.

Hashemi (2012) indicated that women participating in the groups have increased ownership of property and assets at the household level and have been in position to sustain their businesses compared to members who are not participating in groups. Further, the VSLA usually finance common businesses which are agreed upon by the group and the businesses are normally micro-small enterprises that in most cases sell on a daily basis.

Corner (2012) put it that, Poor women participating in VSLA invest in income generating activities which in most cases are small businesses that increase their economic security, provide more assets for their families and this has positive contributions towards the happiness of their husbands leading to respect of views of the women hence 60% of the women able to own many assets like land, shops and business in their names without spouse complaints and are in position to sustain their businesses.

2.4 Research Gap

The study looked at the theoretical and empirical review of related literature. All the related literature reviewed on the effect of lending modality on the household welfare, the effect of financial literacy by VSLA on the household welfare and the effect of small business financing and the household welfare have revealed a positive significant effect. However, those studies were carried in different context so the result may not be used to depict the situation in Bala Sub-county. This therefore leaves a gap based on the geographical scope so as to understand

whether similar result can be got in Bala Sub-county.

3. Methodological Process

3.1 Research Design

The study employed cross-sectional research design. The choice of the design was because the researcher had scheduled to collect from the respondents only once.

3.2 Study Population

This study population comprised of the 35 VSLA in Bala Sub-county. The key informants for this study included the District Commercial Officer, Community Development Officer and VSLAs members in Bala Sub-county.

3.3 Sample Size and Sampling Techniques

The researcher employed Krejcie and Morgan table to determine size from the study population that took part in the study. The researcher employed simple random sampling to select the respondents.

3.4 Data Collection Methods

The study explored the use of closed ended questionnaire and focus group discussion in data collection where respondents were required to provide answers to structured questions and semi-structured interview.

3.5 Data Analysis

The raw quantitative data collected using the questionnaires were edited to ensure its accuracy, consistency, and completeness. With the help of statistical package for social sciences (SPSS) Version 23, the responses were coded (variables assigned numerical figures) to enable the responses to be categorized accordingly, after which descriptive, and inferential statistics was used to do analysis.

Univariate analysis was carried out using descriptive statistic. Here, the researcher made use of the mean, standard deviation. This helped to test the importance of VSLA on the level of welfare improvement.

The researcher employed Pearson's Correlation to measure the correlation between independent variables and dependent variable. A correlation of positive one meant that there was a perfect positive linear relationship between variables while a correlation of negative one meant that there was a perfect negative linear relationship between variables.

Multivariate analysis was also carried to establish the simultaneous effect of independent variables on the dependent variables. In this case, regression analysis was applied. Multivariate analysis helped to reveal statistical relationships between variables and was to be used to predict or estimate the behaviour of variables (Saunders et al, 2009).

3.6 Ethical Considerations

As part of ethical consideration, the researcher assured the respondents of confidentiality of the information that they will give to the researcher. The researcher also observed the principle of informed consent. Here, the researcher had to first seek for consent for accessing and using any data. The respondents were also informed that the data was to be used for study purpose.

4. Findings and Discussion

4.1 Effect of Mode of Lending on Household Welfare Improvement

The regression results presented in table 4.14 indicate that the coefficient for credit and savings culture of 0.308 was statistically significant at 1% level of confidence. The study found that lending modality of VSLA had significant effect on household welfare of the people in Bala Sub-county. The above also concurs with the views of the key informant and that from the focus group discussion that;

'the way VSLA gives out their money or loan has really helped many people in Bala sub-county who have joined the groups to be in position to send their children to school while others have managed to construct permanent houses', CDO Kole District.

This finding agrees with those of CARE international (2017), Enterprise Uganda (2016), World Bank (2013), Hendricks (2011) and Dean (2012). According to those studies, the lending modalities of VSLA have greatly help in improving the household welfare of the members of the VSLA. This is as a result of the growth of their business which result from the funds they borrow from the group.

4.2 Effect Financial Literacy on Household Welfare Improvement.

The regression results presented in table 4.14 indicate that the coefficient for VSLA trainings of 0.331 was statistically significant at 1% level of confidence. The study found that VSLA trainings had significant effect on household welfare of VSLA members in Bala Sub-county. This is also in line with the views got from the key

informants and that from the focus group discussion where they put it that; *'the training they have been getting from the VSLA have made to be in position to know how to utilize the money they get from the VSLA inform of loan and this has made most of them to improve on their household level'*, District Commercial Officer, Kole District.

This finding is consistent with studies by IPA (2012), Mathews (2010) and Mutesasira and Ntheanya (2003). According to those studies, VSLA training helps to equip the members with entrepreneurial skills of running their businesses. They are also trained in financial literacy and this makes them to be in position to utilize the funds that they borrow from the group very well, something that leads to the profit growth of their businesses. This implies that the group members are always having surplus income that enables them to meet the basic needs of their families leading to improved welfare of their families.

4.3 Effect of Nature of business financed by VSLA on Household Welfare Improvement.

In another instance, the regression results presented in table 4.14 indicate that the coefficient for loan trainings of 0.437 was statistically significant at 1% level of confidence. The study found that nature of operation had significant effect on household welfare of VSLA members in Bala Sub-county. The finding from most of the key informants also concurs with the above as most of them put it that.

'the kind of business where VSLA gives money to members have made most of them to be in position to grow and currently the level of businesses for most of the members have gone up from where it was before they had joined VSLA groups.' District Commercial Officer, Kole District.

This finding concurs with studies by SWEP II Report, (2016), Corner (2012), Allen (2006) and Hashemi (2012). Accordingly, to those studies, the nature of business to be financed is very much considered by the members of the VSLA. This is because their interest is that they would want to finance the business that can easily yield return so that the VSLA member who has borrowed the fund can be in position to make repayment within the stipulated period of time. Also they interest themselves in financing the businesses that the members understand and the one that the person is doing has experience in it.

4.4 Conclusions

The focus of the study was to establish the effect of VSLA on household welfare in Bala Sub-county. The regression results revealed that mode of lending had a high positive significant effect on poverty reduction in Bala Sub-county. A unit change in mode of lending would lead to poverty reduction in Bala Sub-county by 0.308. Financial literacy also had a positive significant effect on household welfare in Bala Sub-county. A unit change in financial literacy would lead to improvement of the household welfare in Bala Sub-county by 0.331 while nature of business financed also had a significant effect on household welfare in Bala Sub-county. A unit change in nature of business financed by VSLA has a positive and significant effect on the level of household welfare by 0.437 in Bala Sub-county.

Based on the findings of the study as summarized above, it can be concluded that VSLA methodology is a worthy initiative as it empowers people economically in terms of increase in business income, improved asset growth at community and household and the level of the household welfare in general. The study established that more women become empowered economically because of the 'participation of women from those households in the VSLA in Bala Sub-county, Kole District.

5.2 Recommendations

From the finding of the study, the researcher wishes to make the following recommendations.

There is need for the government to recognize that poor people need a range of financial services not just savings and credit, given that their incomes are low, unpredictable, and irregular. They need to enhance linkages of the established VSLAs to financial and agricultural institutions.

The government should enhance women's ability to access better markets. This can be accomplished by investing in infrastructure and transportation services that enable women to travel safely, in a reasonably priced and culturally appropriate way; sharpening their negotiating skills; and by facilitating women's participation in associations or cooperatives.

To maximize the positive effect that VSLAs is having in empowering the low-income earners economically, the government should make efforts to increase their ability to generate and control income by increasing on the level of training of financial literacy.

The government should enhance women's ability who in most cases makes up the majority of the group members to fulfil their roles as bread winners and businesswomen by improving women's access to resources, technology and information. More efforts should be put to safeguard women's right to land ownership. Better taxation policy for the rural women doing small business in the market through reduction on service tax by government, this will motivate women in joining business industry.

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