

# Village Saving and Lending

A gateway to the dissemination and adoption of innovations in agriculture

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# VSLA, SILC, SHG....???

## NGO Lingo

- Village Savings and Loans/Lending Associations (VSLA)
- Savings and Internal Lending Communities (SILC)
- Self-Help Groups (SHG's)



# Key Characteristics of Micro-banking

- Groups are self-selected
- People save their own money together
- No outside input of capital
- Group members take loans and interest profits are distributed back to the group
- Common to save on a one year cycle





- Groups operate on mutually agreed upon rules (15-30 members)
  - Meetings
  - Loan rules
- Safety measures-box with 3 locks, funds in circulation
- Share-out usually after one year
- Simple, transparent, structured and democratic





# How does it work?



The image shows an open notebook with a ledger. The left page has a column of dates and a column of 'X' marks. The right page has a similar layout with multiple columns of 'X' marks. The dates range from 3/10/12 to 6/12/13. The 'X' marks are organized into columns, suggesting a record of transactions or member participation over time.

Date	Column 1	Column 2	Column 3	Column 4	Column 5
3/10/12	X				
10/10/12	X				
17/10/12	X				
24/10/12	X				
31/10/12	X				
7/11/12	X				
14/11/12	X				
21/11/12	X				
28/11/12	X				
5/12/12	X				
12/12/12	X				
19/12/12	X				
26/12/12	X				
2/1/13	X				
9/1/13	X				
16/1/13	X				
23/1/13	X				
30/1/13	X				
6/2/13	X				

- 15-30 members max
- 5-person management committee: roles clearly defined and highly decentralized
- Weekly meetings
- Group chooses share price
- Members buy 1-5 shares per week
- Loans given once fund is big enough; 1-3 month loan period.

- Most groups also maintain a social fund
- Savings boxes have 3 padlocks and keys are held by three non-management committee members
- All funds, materials, passbooks and stamps are kept in the box
- Groups operate on annual cycles
- At the start of a new cycle members can leave or join the group





# Advantages of VSLA

- Weekly meetings lead to cohesive groups
- Participants are motivated to save in order to access loans
- Loans are short-term (30-90 days)
- Share-outs increase confidence
- Literate and non-literate are able to participate





# Integration of Agriculture with VSLA



- Weekly meetings provide a natural space to introduce agriculture interventions
- Farmer participants are motivated to increase their agriculture earnings in order to save more; this increases the amount available for loans, increasing interest earned at share-out



- Increasing earnings from agriculture via:
  - Improving staple crop production via improved practices
  - Agricultural enterprises (small livestock, vegetable production, honey, aquaculture, etc.)
  - Bulking production and sales
  - Improved storage



# Integration of VSL and Food Security programs

- Food security
  - Accessibility
  - Utilization
  - Availability
  - Stability
- All elements can be addressed through integration with VSLA
- Motivated farmers are ready to innovate





# Example of SILC in Sierra Leone



- One group, Alantanto, saved 18 million Leones (\$4,186USD).
  - 13 million from savings
  - 5 million in accumulated interest
- Social fund used for sickness, ceremonies, deaths
- Group rules cover all eventualities including death of a member, inheritance, meeting rules, share value, etc., and what to do with the 'cents' left over.

# Contribution to Food Security in SL: A Field Agent's Perspective

- Share-out funds used to purchase ag inputs, land, and increase productivity (hiring laborers)
- Funds used to purchase food
- Farmers increase production, to sell more in the market, to buy more shares
- Funds improve access to health care which leads to better utilization





- VSL/SILC encourages a change of mind-set from using money day to day to planning ahead.
- Decreases dependency on loan sharks, cutting the poverty cycle.
- Funds used for school fees:  
“Investing in children is a long-term food security strategy.”
- “Where are the young suckers when the old banana tree dies?”





# Lessons Learned



- Best success in rural areas where there is no access to formal banking.
- Group trust and cohesion is key. Don't rush start up.
- Discuss timing of share-outs. Avoid Christmas.
- Open opportunity to men and women.
- Small business training and HH food budgeting good essentials.

# World Renew examples from across the globe



- Southern Africa (Mozambique, Malawi, Zambia...)
- East Africa (Kenya, Tanzania, Uganda...)
- West Africa (Niger, Mali, Sierra Leone...)
- Latin America (Guatemala, Honduras, Nicaragua...)
- Asia (India, Bangladesh, Cambodia, Laos...)



# Beyond the village savings group



- Private service providers
- Moving from groups to cooperatives
- Associations
- Credit unions



# Resources

- [edu.care.org/Documents/VSLA%20Program%20Guide\\_Field%20Operations%20Manual%20v.%202.9.pdf](http://edu.care.org/Documents/VSLA%20Program%20Guide_Field%20Operations%20Manual%20v.%202.9.pdf)
- <http://www.crs.org/sites/default/files/tools-research/field-agent-guide.pdf>
- <http://www.crs.org/sites/default/files/tools-research/private-service-provider-implementation-manual.pdf>