



Government of Bangladesh



## **Chars Livelihoods Programme**

### **A Review of the Village Savings and Loan Programme**

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(March 2009)**



**MAXWELL  
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# 1 Executive summary

The Chars Livelihoods Programme (CLP) has nearly three years experience promoting Village Savings and Loan Associations (VSLAs)<sup>1</sup>. During this period, the Village Savings and Loan (VSL) model has been tested with nearly 30,000 participants, including about 14,000 households in mainland areas of Jamalpur District where income opportunities and credit availability are reasonably good and with 16,000 CLP beneficiaries in island chars where income opportunities and credit availability are very poor. VSLAs have been tested with male and female groups as well as groups of mixed gender, age and religion. CLP's experience with the VSL approach is now broad and the findings of this report are based on a robust set of results.

This review is an update of the “*Review of the Village Savings and Loan Association Strategy of the Chars Livelihoods Programme*” (CLP, 2008).<sup>2,3</sup>

As reported by CLP in 2008, the VSL model has not been rejected by participants due to the lack of external credit funds; and does not appear to create any conflict with NGO microcredit programmes, religious leaders or any other stakeholder in the community. On the contrary, VSLA has been widely accepted and appreciated by participants and have created no conflict with the very different offerings of MFIs.



Furthermore, recent evidence also suggests a high degree of institutional and financial sustainability of independent VSLAs promoted by CLP and no observable impact of the end of CLP stipends on the savings mobilisation of the associations and their members.

## Purpose

The purpose of this report is to provide an overview of the Village Savings and Loan Programme and thus the report presents:

1. The performance of VSLAs promoted by the CLP since 2006
2. An examination of the outcomes of participation in VSLAs by CLP beneficiary households

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<sup>1</sup> The Village Savings and Loan approach was developed by CARE in Niger in the 1990s in order to provide simple savings and loan facilities in communities that do not have easy access to financial services.

<sup>2</sup> PANETTA, D. Review of the Village Savings and Loan Association Strategy of the Chars Livelihoods Programme. CLP, 2008.

<sup>3</sup> See “*Review of the Village Savings and Loan Association Strategy of the Chars Livelihoods Programme*” (CLP, 2008) for a complete history of the VSL programme and methodology and programme results for FY 2007-2008.

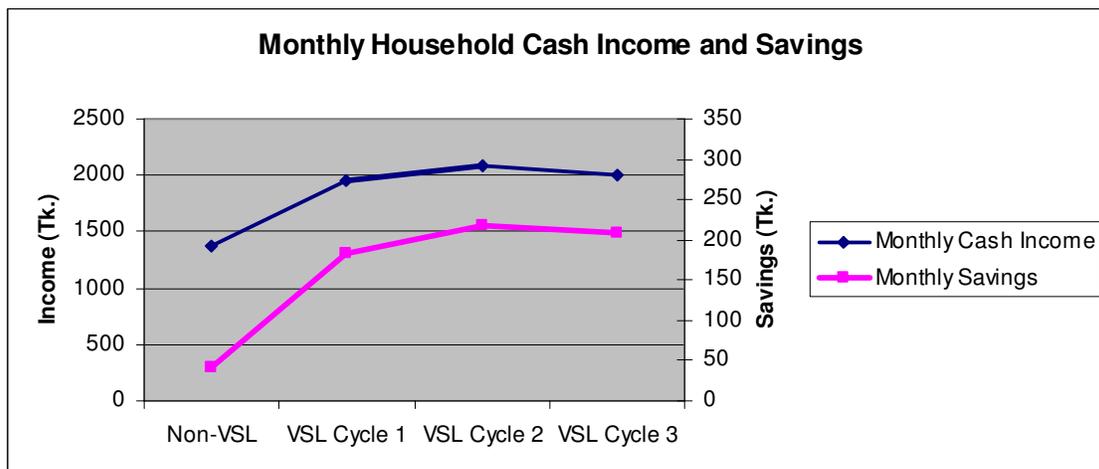
## Main Findings

Compared to non-participants, CLP beneficiaries that are members of an independent Village Savings and Loan Association:

- Save five times as much
- Earn 51% more cash income
- Expend less on loan repayments
- Voluntarily deposit one third of household savings in their VSLA
- Feel more respected in the community
- Participate more actively in household financial decision-making

**VSLA participants earn more cash income<sup>4</sup>** and the opportunity to save safely creates positive new financial behaviour: **VSLA participants both save more and expend less on loan repayments** over time.

**Figure 1:** Household cash income and savings by different VSLA participant cycles



Source: IML VSL Programme Survey (CLP, 2009)

The impact of VSLA participation on household savings is extremely strong and remains statistically significant even after controlling for all CLP inputs, as well as for household cash-flow and for the gender of the household head. The findings of this report also demonstrate that VSLA participants earn more cash income and expend less on loan repayments.

<sup>4</sup> Household cash income excludes loans, grants, scholarships or stipends received by an NGO, government, CLP or any other source.

## **Main Conclusions**

VSLA is appropriate for island char areas where financial services are scarce, opportunities to save safely are limited and the informal cost of capital is 10-20% per month<sup>5</sup>. They have also proven popular in mainland areas, as VSLAs operate at the pace of their members, rather than the disbursement schedule of microcredit programmes.

VSLAs encourage the practice of saving regularly, reducing expenses associated with borrowing, keeping capital and profits in the community and building social capital. They are safe (loss rates under 0.01% of savings), cost-effective (less than Tk.600 per household); and, above all, the VSL approach has been demonstrated as an appropriate way to achieve the CLP Log Frame objective of providing CLP beneficiaries with a “Safe Place to Save”.

## **Background**

The Chars Livelihoods Programme (CLP) aims to improve the livelihood security of the poorest island char dwellers in the riverine districts of Bogra, Gaibandha, Jamalpur, Kurigram and Sirajganj. The CLP is funded by the UK Department for International Development-Bangladesh (DFID-B), sponsored by the Rural Development and Co-operatives Division of the Ministry of Local Government, Rural Development and Co-operatives of the Government of Bangladesh and implemented through 19 Implementing Organisations (IMOs).

The Microfinance Programme of the CLP aims to ensure that at least 100,000 island char households have access to appropriate microfinance services by 2011. As part of this effort, the CLP launched the Village Savings and Loan Programme in 2006 to provide basic, community-managed financial services in areas underserved by formal financial institutions. In July 2006, CLP launched the VSL Pilot Project in the mainland unions of Jamalpur District in order to test VSL as an appropriate model for the promotion of community-managed financial services. Over the last three years, the pilot project has promoted 617 VSLAs with over 14,000 self-selected participants<sup>6</sup>.

In January 2007, the VSL approach was then introduced to 29 CLP Asset Transfer Programme<sup>7</sup> (ATP) groups at two IMOs (GUK-Gaibandha and RSDA) in order to further examine the appropriateness of the VSL model for extreme-poor households in the island chars. Based on the early success at these IMOs, the VSL Programme was expanded at five IMOs (GUK-Gaibandha, MMS, NDP, RSDA and SKS) in July 2007 and another five IMOs (ARCHES, GBS, GKS, RDRS and Uddyog) in July 2008. Since then, CLP has promoted a total of 755 VSLAs with over 16,000 CLP ATP beneficiaries.

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<sup>5</sup> VSLA loans generally cost 5% per month and accumulated earnings are shared amongst the VSLA members at the end of each annual cycle.

<sup>6</sup> In FY 2006-2007, the VSL Pilot Project was implemented by two specialist contractors, Sajida Foundation and TARANGO. In 2007, Sajida Foundation absorbed the entire project and TARANGO was contracted by CLP to provide training and technical support to the VSL Programme at the IMOs.

<sup>7</sup> The CLP's centerpiece activity is the ATP, which provides investment assets to the 50,000 poorest island char households in the Districts of Bogra, Gaibandha, Jamalpur, Kurigram and Sirajganj.

## 2 Purpose of the Review

The purpose of this programme review is two-fold: first, to provide an overview of the overall performance of the VSL Programme; and secondly, to examine the outcomes of participation in the VSL Programme by ATP beneficiaries.

**Section 3** summarises the total outreach of the programme; **Section 4** presents overall programme performance based on the most recent programme data (December 2008); **Section 5** examines the sustainability of the programme and the performance of independent VSLAs promoted by CLP; **Section 6** examines the outcomes of participation in the VSL Programme by CLP ATP beneficiaries, based on an independent study contracted by CLP's Innovation, Monitoring and Learning Unit (IML) in February 2009; and finally, **Section 7** concludes and outlines the forecasted outreach of the VSL Programme at the end of CLP.

## 3 Programme Outreach

Since September 2006, CLP has promoted over 1,372 Village Savings and Loan Associations, including 755 with ATP beneficiaries in the island chars and 633 self-selected (non-ATP) participants in mainland unions of Jamalpur District.

As of December 2008, a total of 1,279 Associations remain active, including 719 composed of CLP ATP beneficiaries in the island chars and 551 consisting of self-selected (non-ATP) programme participants in mainland unions of Jamalpur District.

**Table 1:** Active Village Savings and Loan Associations

|                   | Active Associations |            |            |              |
|-------------------|---------------------|------------|------------|--------------|
|                   | Cycle 1             | Cycle 2    | Cycle 3    | Total        |
| <b>ATP Groups</b> |                     |            |            |              |
| ARCHES            | 45                  | -          | -          | 45           |
| GBS               | 45                  | -          | -          | 45           |
| GKS               | 45                  | -          | -          | 45           |
| GUK-Gaibandha     | 53                  | 27         | -          | 80           |
| MMS               | 93                  | 33         | -          | 126          |
| NDP               | 97                  | 30         | -          | 127          |
| RDRS              | 85                  | -          | -          | 85           |
| RSDA              | 63                  | 15         | -          | 78           |
| SKS               | 41                  | 32         | -          | 73           |
| Uddyog            | 15                  | -          | -          | 15           |
| <b>Sub-total</b>  | <b>582</b>          | <b>137</b> | <b>0</b>   | <b>719</b>   |
| <b>Non-ATP</b>    |                     |            |            |              |
| Sajida Foundation | 123                 | 270        | 158        | 551          |
| <b>TOTAL</b>      | <b>705</b>          | <b>407</b> | <b>158</b> | <b>1,270</b> |

Source: CLP VSL Programme MIS (December 2008)

Since the most recent data collection in December 2008 (above), a reported 29 VSLAs at GUK-Gaibandha and RSDA have successfully completed their second cycle of operation and initiated Cycle 3.

As of December 2008, the Village Savings and Loan Programme included 27,801 active participants; consisting of 15,439 participants in ATP groups and 12,362 self-selected (non-ATP) participants.

**Table 2:** VSL Programme Membership

|                   | Active Members |              |              |               |
|-------------------|----------------|--------------|--------------|---------------|
|                   | Cycle 1        | Cycle 2      | Cycle 3      | Total         |
| <b>ATP Groups</b> |                |              |              |               |
| ARCHES            | 1,058          | -            | -            | 1,058         |
| GBS               | 1,027          | -            | -            | 1,027         |
| GKS               | 967            | -            | -            | 967           |
| GUK-Gaibandha     | 1,037          | 538          | -            | 1,575         |
| MMS               | 2,026          | 671          | -            | 2,697         |
| NDP               | 2,023          | 611          | -            | 2,634         |
| RDRS              | 1,915          | -            | -            | 1,915         |
| RSDA              | 1,354          | 315          | -            | 1,669         |
| SKS               | 890            | 664          | -            | 1,554         |
| Uddyog            | 343            | -            | -            | 343           |
| <b>Sub-total</b>  | <b>12,640</b>  | <b>2,799</b> | <b>0</b>     | <b>15,439</b> |
| <b>Non-ATP</b>    |                |              |              |               |
| Sajida Foundation | 2,682          | 5,948        | 3,732        | 12,362        |
| <b>TOTAL</b>      | <b>15,322</b>  | <b>8,747</b> | <b>3,732</b> | <b>27,801</b> |

Source: CLP VSL Programme MIS (December 2008)

Until June 2008, the VSL approach was introduced directly to pre-existing ATP groups that had been mobilised by CLP for the primary purpose of the Asset Transfer Programme. Many of these groups, especially in the earlier phases of the programme (ATP I and II), were composed of individuals from different villages thus increasing the costs of participation (travel time and costs) and reducing the attendance and participation by members residing farther from the VSLA meeting site.

In June 2008, CLP revised its strategy for the introduction of the VSL approach to its beneficiaries and now promotes VSLAs at the village-level, rather than at the level of the pre-existing ATP groups. All ATP beneficiaries from the village, regardless of ATP group or phase, are eligible to establish and join a VSLA on the basis of voluntary participation and self-selection. In other words, within a given CLP village, there may be several VSLAs composed of ATP beneficiaries from different ATP groups and phases. The immediate outcome has been reduced travel time to attend meetings, increased attendance and enhanced solidarity based on self-selected groups.

Furthermore, CLP's revised VSL implementation strategy (June 2008) permits ATP groups to include non-ATP participants in their VSL activities. ATP groups may include up to 5 non-ATP participants in their VSLA; these members are invited and selected by the ATP beneficiaries on a voluntary basis and CLP does not facilitate this process in any way. Furthermore, these members participate fully in the VSL activities of the group but do not receive any of the inputs provided to CLP beneficiary households.

As of December 2008, ATP groups included a total of 1,031 non-ATP beneficiaries in their VSLA, which represents 6.7% of all VSLA members in ATP groups and 9.4% of groups initiated since the policy change.<sup>8</sup>

From an operational perspective, the immediate impact is greater operational and financial efficiency. The option to include non-ATP beneficiaries in the VSL activities of ATP groups has enabled ATP beneficiaries to establish VSLAs in more concentrated areas, diminishing travel time to VSLA meeting sites by the members and the Village Savings Organiser. Furthermore, while no information has yet been collected on the 1,031 non-ATP participants, the inclusion of non-ATP beneficiaries has generated a variety of reported positive social outcomes. In most cases, the non-ATP members are of comparable socio-economic status but did not meet CLP's selection criteria for the ATP programme. Their inclusion in the VSL Programme appears to have improved the community's perception of ATP beneficiary households and reduced resentment towards them. In some cases, the non-ATP members are only marginally poor and enjoy a considerably better standard of living. Their inclusion has improved the credibility and visibility of the VSLA in the community and empowered the ATP beneficiaries who remain solely responsible for the operations of the association. In all cases, only ATP beneficiaries are eligible to be elected to the Management Committee and the number of non-ATP participants is limited to 5 per VSLA to ensure that the association is not captured by local elites.

Finally, and perhaps most importantly, the inclusion of non-ATP members has transformed the ATP groups from a group of individuals organised for the finite purpose of asset transfer to an inclusive community institution that may generate social capital and other social and economic benefits long after the withdrawal of CLP from the area.

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<sup>8</sup> TARANGO. VSL Mid-year Report. January, 2009.

## 4 Overall Programme Performance

This section presents the overall performance of the VSL Programme; and **the data in this section relates exclusively to the Village Savings and Loan Associations in their training cycle (Cycle 1) and currently supported by CLP.** In the training cycle, VSLAs receive a series of 9 training modules and meetings are attended by a Village Savings Organiser (VSO) with decreasing frequency for a period of one year; and association-level data is collected by CLP on a quarterly basis.

Upon completion of the training cycle (Cycle 1), the assets of the VSLA are distributed among the members according to the amount they have saved, the association initiates its second cycle and continues to operate independently without any support from CLP. The following section (**Section 5**) presents the performance of independent VSLAs that have graduated and continue to operate independently in Cycles 2 and 3.

### 4.1 Savings

VSLAs promote the habit of saving regularly in small, flexible amounts. In 2009, ATP beneficiaries are projected to save an average annualised amount of Tk.932 in their VSLA; while self-selected (non-ATP) programme participants are projected to save an average annualised amount of Tk.1,693. The difference between ATP and non-ATP savings rates is explained by the increased economic well-being of self-selected (non-ATP) participants in the Jamalpur mainland.<sup>9</sup>

**Table 3:** Savings deposits, return on savings and share-out

|                   | Annualised Savings per Member (Tk.) | Annualised Return on Savings (%) | Projected Annualised Share-out per Member (Tk.) |
|-------------------|-------------------------------------|----------------------------------|---|
| <b>ATP Groups</b> |                                     |                                  |   |
| ARCHES            | 1,459                               | 22%                              | 1,780   |
| GBS               | 1,248                               | 43%                              | 1,785   |
| GKS               | 1,012                               | 27%                              | 1,285   |
| GUK-Gaibandha     | 892                                 | 36%                              | 1,213   |
| MMS               | 797                                 | 51%                              | 1,204   |
| NDP               | 797                                 | 49%                              | 1,187   |
| RDRS              | 717                                 | 32%                              | 947   |
| RSDA              | 1,067                               | 43%                              | 1,526   |
| SKS               | 954                                 | 32%                              | 1,259   |
| Uddyog            | 381                                 | 45%                              | 552   |
| <b>Average</b>    | <b>932</b>                          | <b>38%</b>                       | <b>1,274</b>                                    |
| <b>Non-ATP</b>    |                                     |                                  |   |
| Sajida Foundation | 1,693                               | 33%                              | 2,252   |

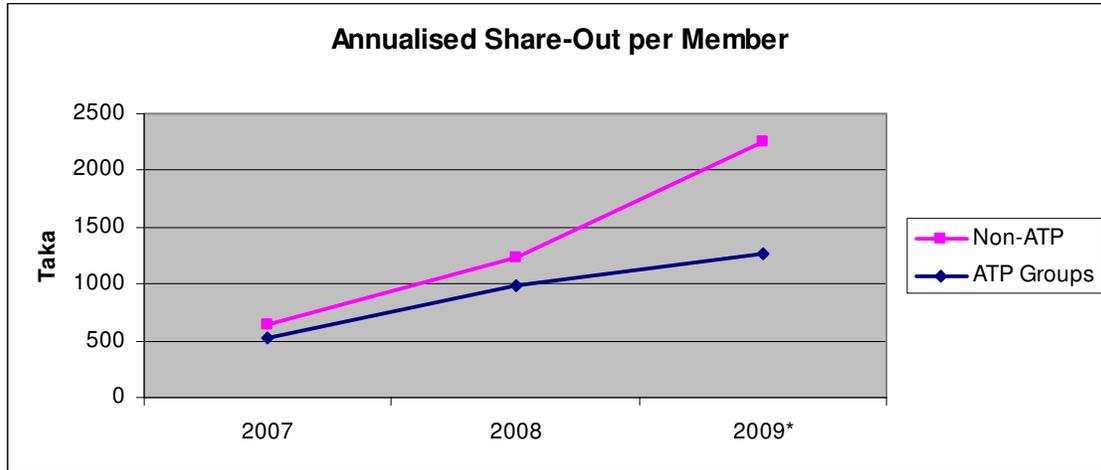
Source: CLP VSL Programme MIS (December 2008)

<sup>9</sup> The average household daily income of self-selected participants (non-ATP) is Tk.56 (VSL Pilot Project Mid-term Report, 2007).

The average annualised return on savings of ATP groups is 38% and ranges from a low of 22% at ARCHES to a high of 51% at MMS; while non-ATP groups average an annualised return of 33%.

In 2009, ATP groups are projected to share-out an annualised amount of Tk.1,274 per member, 140% more than new VSLA members in 2007 (Tk.531). Meanwhile, non-ATP groups are projected to share-out an annualised amount of Tk.2,252: 251% more than new VSLA members in 2007 (Tk.641).

**Figure 2:** Annualised Share-Out per Member



\*Forecasted

Source: CLP VSL Programme MIS

In the first year of the programme, savings mobilisation was minimal for the first three months and savings rates increased rapidly in the second quarter before finally stabilising after month six. In the second year of the programme, new participants saved at comparable rates but reached that level more quickly.

There is a clear demonstration effect: in many villages, new members and associations join the programme having already observed the operations of existing associations. These new participants begin their VSLA operations with a greater understanding and confidence in the system; and, as a result, savings rates increase earlier in the first cycle.

## 4.2 Credit

VSLAs provide small loans to their members from the accumulated savings of the association. There is no supplemental capital from the promoting NGO, MFIs, banks or CLP.

VSLA loans vary from Tk.100 to Tk.2,000 in the first cycle. At present, 30% of ATP beneficiaries have an active loan with an average outstanding loan size of Tk.600; while 64% of self-selected (non-ATP) programme participants are active borrowers with an average outstanding loan of Tk.735.

The Loan Fund utilisation rate – the percentage of accumulated savings out on loan – averages 60% among ATP groups and varies considerably between IMOs from a low of 27% at SKS to a high of 71% at GKS; meanwhile, a high Loan Fund utilisation rate of 88% among non-ATP groups indicates that funds revolve at a high level of efficiency, and that demand for loans remains strong at a monthly service charge of 5-10%. It is interesting to note that in self-selected associations (non-ATP groups), the fund utilisation rate is significantly higher despite a higher average monthly interest rate of 7.2% compared to 5% in ATP beneficiary groups.<sup>1011</sup>

**Table 4:** Loan Size and Loan Fund Utilisation

|                          | <b>Average Outstanding Loan Size per Borrower (Tk.)</b> | <b>Percentage of Members with Active Loans (%)</b> | <b>Loan Fund Utilisation Rate (%)</b> |
|--------------------------|---|--|---------------------------------------|
| <b>ATP Groups</b>        |   |  |                                       |
| ARCHES                   | 586   | 24%  | 59%                                   |
| GBS                      | 356   | 47%  | 78%                                   |
| GKS                      | 401   | 29%  | 71%                                   |
| GUK-Gaibandha            | 1,011   | 24%  | 47%                                   |
| MMS                      | 666   | 30%  | 53%                                   |
| NDP                      | 703   | 38%  | 68%                                   |
| RDRS                     | 345   | 20%  | 62%                                   |
| RSDA                     | 984   | 37%  | 55%                                   |
| SKS                      | 767   | 23%  | 27%                                   |
| Uddyog                   | 185   | 29%  | 83%                                   |
| <b>Average</b>           | <b>600</b>  | <b>30%</b>   | <b>60%</b>                            |
| <b>Non-ATP</b>           |   |  |                                       |
| <b>Sajida Foundation</b> | <b>735</b>  | <b>64%</b>   | <b>88%</b>                            |

Source: CLP VSL Programme MIS (December 2008)

<sup>10</sup> TARANGO. *VSL Pilot Project Monitoring Report No.1*. April, 2008.

<sup>11</sup> The maximum allowable interest rate in ATP groups is 5% while there are no interest rate restrictions on non-ATP (self-selected) groups.

### 4.3 Operational and Financial Efficiency

CLP's experience suggests an optimal caseload of 400-500 VSLA members/VSO in the island chars and 500-600 VSLA members/VSO in the mainland areas of Jamalpur.

**Table 5:** Operational and Financial Efficiency in FY 2008-2009

|                          | <b>Operational Efficiency: VSLAs/VSO</b> | <b>Operational Efficiency: Members/VSO</b> |
|--------------------------|--|--|
| <b>ATP Groups</b>        |  |  |
| ARCHES                   | 15.0                                     | 353  |
| GBS                      | 15.0                                     | 342  |
| GKS                      | 15.0                                     | 322  |
| GUK-Gaibandha            | 13.3                                     | 259  |
| MMS                      | 18.6                                     | 405  |
| NDP                      | 19.4                                     | 405  |
| RDRS                     | 14.2                                     | 319  |
| RSDA                     | 21.0                                     | 451  |
| SKS                      | 20.5                                     | 445  |
| Uddyog                   | 15.0                                     | 343  |
| <b>Average</b>           | <b>16.7</b>                              | <b>364</b>                                 |
| <b>Non-ATP</b>           |  |  |
| <b>Sajida Foundation</b> | <b>18.0</b>                              | <b>419</b>                                 |

Source: CLP VSL Programme MIS (December 2008)

In 2008-2009, the average annualised cost per ATP beneficiary is Tk.431, down 19% from the previous year. Including the forecasted unit cost of training and monitoring by a specialist contractor from July 2008 until the end of the programme in June 2010 (Tk.96), the total cost per current programme participant is Tk.527.

The 2007-2008 annualised cost per self-selected (non-ATP) participant in Jamalpur was Tk.600; and at the closure of the VSL Pilot Project in March 2009, the projected cost per participant over the period of FY 2006-2009 will be about Tk.1,060.

Through increased operational and budgetary efficiency, CLP has demonstrated that it is feasible to provide basic financial services to the very poor and remote populations of its target area for under Tk.600 per participant. Furthermore, through improved staff recruitment and management of working areas and operational schedules, **it is feasible to deliver the VSL Programme at a total cost of under Tk.500 per participant.**

**Table 6:** Financial Efficiency

| <b>Financial Efficiency: Annualised Cost per Member (Tk.)</b> |                 |                 |
|---|-----------------|-----------------|
|   | <b>FY 07-08</b> | <b>FY 08-09</b> |
| <b>ATP Groups</b>   |                 |                 |
| ARCHES  | -               | 501             |
| GBS   | -               | 461             |
| GKS   | -               | 423             |
| GUK-Gaibandha   | 539             | 458             |
| MMS   | 475             | 420             |
| NDP   | 461             | 404             |
| RDRS  | -               | 501             |
| RSDA  | 643             | 329             |
| SKS   | 538             | 342             |
| Uddyog  | -               | 484             |
| <b>Average</b>  | <b>531</b>      | <b>432</b>      |
| <b>Non-ATP</b>  |                 |                 |
| Sajida Foundation   | 600             | 600             |

Source: CLP VSL Programme MIS (December 2008)

## 5 Sustainability: Performance of independent VSLAs

### 5.1 Survival rate of independent VSLAs

The best prediction of the sustainability of the VSL approach in the chars is based on the survival rate of VSLAs promoted in Jamalpur, which provides nearly three years of data:

- a) Among the 186 VSLAs initiated in FY 06-07
  - 88% continued to operate independently in their second year (FY 07-08)
  - 84% continue to operate independently in their third year (FY 08-09)
- b) Among the 324 VSLAs initiated in FY 07-08
  - 83% continue to operate independently in their second year (FY 08-09)

Overall, the VSL Pilot Project promoted 510 VSLAs with self-selected participants in FY 2006-2008 and 428 remain active, which represents a survival rate of 84%.

**Table 5:** Survival rate of VSLAs promoted under the VSL Pilot Project (2006-2009)<sup>12</sup>

| VSLAs Promoted | Active VSLAs |          |          |
|----------------|--------------|----------|----------|
|                | FY 06-07     | FY 07-08 | FY 08-09 |
| FY 06-07       | 186          | 165      | 158      |
| FY 07-08       | -            | 324      | 270      |
| FY 08-09       | -            | -        | 123      |

Source: Sajida Foundation Monthly Report (January 2009)

The survival rate of independent VSLAs promoted among ATP beneficiaries in the island chars is equally strong. However, the long-term survival rate of these associations is not as clear due to the diverse intervention strategies of the IMOs with independent VSLAs. CLP prescribes a series of no more than three visits per cycle to independent VSLAs: 1) to initiate the cycle; 2) to collect basic data mid-way through the cycle; and 3) to assist the association with its share-out at the end of the cycle if needed. In fact, some IMOs have maintained a much closer relationship with independent VSLAs for the purpose of other, non-CLP interventions; while other IMOs have completely terminated their contact with the independent VSLAs and have not even maintained a list of active, independent VSLAs as prescribed by CLP.

The first 29 VSLAs that were established by GUK-Gaibandha and RSDA in early 2007 have, in fact, completed their first cycle in early 2008, successfully completed their second cycle in early 2009, initiated their third cycle in early 2009 and continue to operate independently. The evidence – a 100% survival rate of VSLAs established in FY 2006-2007 – is encouraging but the sample is too small to draw conclusions about the long-term sustainability of VSLAs in the island chars.

As several IMOs have not maintained an updated list of active, independent VSLAs, the exact survival rate of independent VSLAs promoted with ATP beneficiaries cannot be

<sup>12</sup> As of January 31, 2009.

determined. Nevertheless, an independent survey of 280 households contracted by CLP in February 2009 provides the following estimates.

**Table 6:** Estimated survival rate of independent VSLAs in second year of operation

| <b>Survival rate of independent VSLAs</b> |            |
|---|------------|
| GUK-Gaibandha                             | 91%        |
| MMS                                       | 100%       |
| NDP                                       | 83%        |
| RSDA                                      | 100%       |
| SKS                                       | 56%        |
| <b>Average</b>                            | <b>86%</b> |

Source: IML VSL Programme Survey (CLP, 2009)

The estimated survival rate of VSLAs initiated by CLP in 2007 is 86%, compared to an actual survival rate of 84% measured in the VSL Pilot Project after three years. With the exception of SKS, the estimated survival rate of VSLAs initiated by CLP in 2007 is comparable to international standards and ranges from 83% at NDP to 100% at MMS and RSDA. The reasons for the considerably lower survival rate of independent VSLAs promoted by SKS are not yet clear and should be investigated immediately as their underperformance is likely to provide CLP with valuable lessons.

## **5.2 Performance of independent VSLAs**

A sample of 18 independent associations in Jamalpur, selected and visited randomly in January 2009, suggests that savings deposits are significantly greater among independent VSLAs (Cycle 2 and 3) than new associations (Cycle 1). In January, the average cumulative savings per member in independent VSLAs was Tk.1,044 compared to Tk.292 in new associations. The average attendance rate was identical among new and independent VSLAs: 94%; and average membership has risen by nearly two members per VSLA, from 22.9 to 24.6.

## **5.3 Impact of end of CLP stipends**

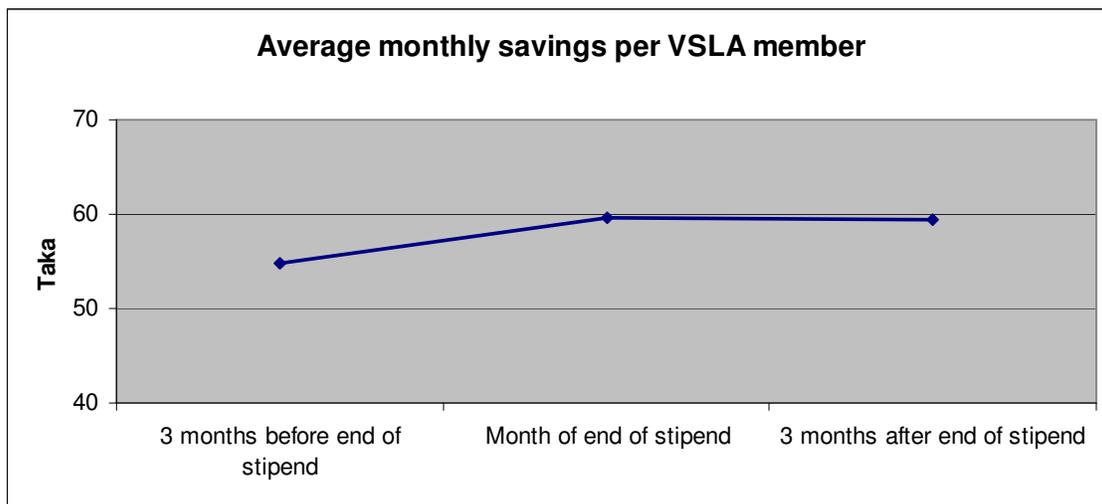
CLP beneficiary households receive a package of physical assets, mainly livestock, and an 18-month cash stipend worth a total of about Tk.20,000, the equivalent of about one-year's household income. CLP also provides each household with a package of social, livelihood and market development inputs and training worth a further Tk.20,000.<sup>13</sup> In particular, the transfer of a productive asset and an 18-month cash stipend radically changes the economic dynamics of the household. Similarly, the end of an 18-month period of stipend support by CLP represents a significant transition in the household economy and may have an impact on the VSL activities of ATP groups, particularly on savings mobilisation.

<sup>13</sup> See [www.clp-bangladesh.org](http://www.clp-bangladesh.org) for further details on CLP's beneficiary selection criteria, Asset Transfer Programme and other livelihoods, social development, infrastructure and market development programmes.

From May to July 2008, about 3,000 VSLA members reached the end of the 18-month cash stipend period under ATP-II. Thirty VSLAs whose ATP beneficiaries had their stipend support withdrawn during this period were purposely-selected<sup>14</sup> and tracked for a period of 7 months, including three months before the end of stipend support, the month in which stipend support ended and three months thereafter. The following tables demonstrate that **the end of CLP stipend support has not had an immediate outcome on savings mobilisation** and provide strong evidence that **the withdrawal of cash-stipend support from CLP does not have an adverse effect on the performance of active VSLAs.**

**Table 7** shows that average monthly savings per member actually increased from Tk.55 to Tk.59, in the three months after the end of stipend support compared to the three-month period before.

**Table 7:** Impact of withdrawal of ATP stipend on VSLA savings deposits

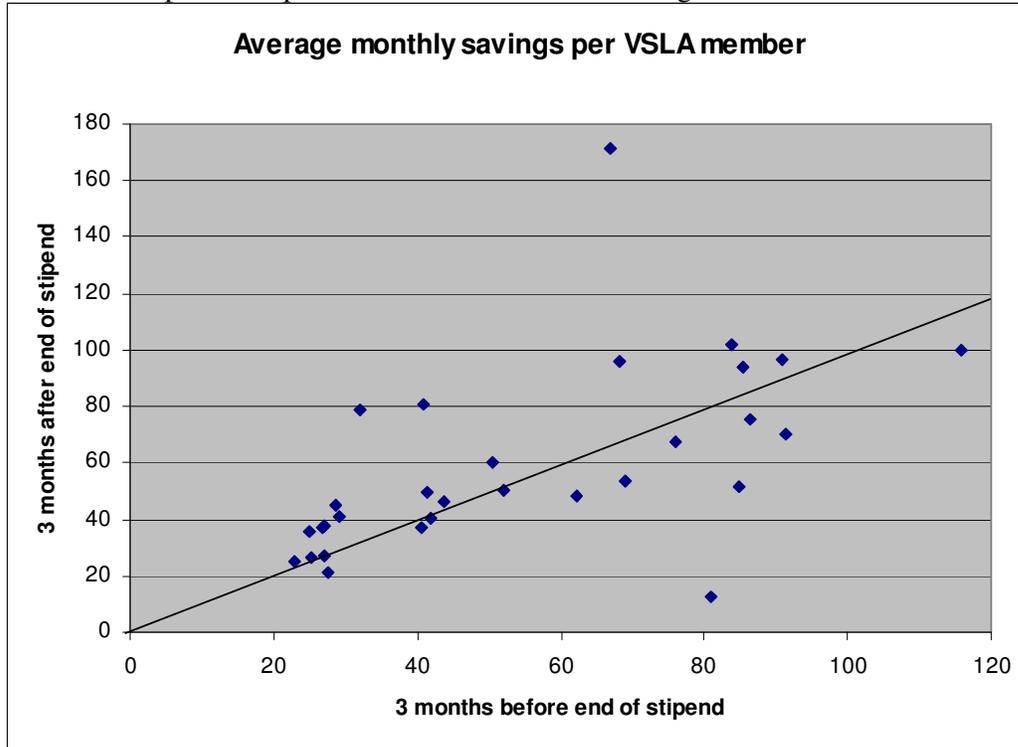


Source: CLP, Enterprise Development Unit (February 2009)

**Table 8** plots the average monthly savings per member of 30 VSLAs in the three months after the end of stipend against the three-month period before. The 45-degree line indicates no change; while points above the line indicate VSLAs whose savings mobilisation has increased after the end of stipend support and points below the line indicate VSLAs that have experienced a decrease in savings mobilisation after the end of stipend support

<sup>14</sup> Savings mobilisation of VSLAs is typically lowest in the first months of the cycle and highest in the last months. In order to control for the natural cyclicalities of VSLA savings mobilisation, 30 VSLAs were purposely selected according to the following criteria: among all the VSLAs that are mainly composed of ATP-II beneficiaries, whose stipend support ended in May-July 2008, those whose stipend end date was closest to the middle of the current cycle were selected.

**Table 8:** Impact of stipend withdrawal on VSLA savings mobilisation



Source: CLP, Enterprise Development Unit (February 2009)

### 5.4 Security of assets

The VSLAs promoted by CLP have, over the last three years, demonstrated resilience to severe floods and extremely low vulnerability to theft.

The severe floods of August 2007, reported to be the harshest in over half a century, suspended economic activity completely for nearly one month and displaced many island char dwellers. In some areas, VSLA activities were temporarily suspended for up to one month but all resumed their normal activities shortly after the flood waters subsided. After the floods, there were reports that VSLA cash-boxes had been fastened to roofs, moved to neighbouring villages and even buried in order to protect them; however, there were not any association failures or loss of assets due to the floods.

Also, in three years, among the 1,270 VSLAs promoted by CLP (nearly 2,000 annual operating cycles), only three have experienced a theft or loss of funds. The two thefts were the act of the box-keepers' respective families and the loss of a single box remains unclear. In all three cases, most of the missing funds were replaced by the box-keeper and the **losses represent less than 0.01% of the total savings mobilised by the programme so far.**

## 6 Outcomes of VSL Programme participation by CLP ATP beneficiary households

The CLP's centerpiece activity is the Asset Transfer Programme (ATP), which provides investment assets to the 50,000 poorest island char households of its working area. CLP ATP beneficiary households receive a package of physical assets, mainly livestock, and an 18-month cash stipend worth a total of about Tk.20,000, the equivalent of about one-year's household income. CLP also provides each household with a package of social, livelihood and market development inputs and training worth a further Tk.20,000.<sup>15</sup>

This section examines the immediate outcomes of participation in the VSL Programme by CLP ATP beneficiaries, based on an independent survey contracted by CLP's Innovation, Monitoring and Learning Unit (IML) in February 2009:

The quantitative study, conducted by the Grameen Bikash Foundation in February 2009, surveyed 540 ATP beneficiary households from 10 IMOs in four districts, including:

1. 200 non-VSL programme participants
2. 200 members of first-cycle VSLAs
3. 100 members of second-cycle VSLAs
4. 40 members of third-cycle VSLAs

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<sup>15</sup> See [www.clp-bangladesh.org](http://www.clp-bangladesh.org) for further details on CLP's beneficiary selection criteria, Asset Transfer Programme and other livelihoods, social development, infrastructure and market development programmes.

## 6.1 Savings

As reported by CLP in 2008, the impact of VSL programme participation on household savings is positive and strongly significant.

The average monthly household savings of non-VSL programme participants is Tk.40, the equivalent of half the agricultural day wage. First-cycle VSLA members report an average monthly household savings of Tk.184; while second and third-cycle VSLA member households report to have saved an average of Tk.218 and Tk.209, respectively, in January. Furthermore, nearly all VSLA member households report to have saved during the month of January compared to only 28% of non-VSL participants.

**Table 9:** Household Savings

| <b>Household Monthly Savings - January 2009</b> |                             |  |                              |
|---|-----------------------------|--|------------------------------|
|   | <b>Average Amount (Tk.)</b> | <b>No. of working days at agricultural day wage of Tk.80</b> | <b>Households that Saved</b> |
| <b>Non-VSL</b>                                  | <b>40</b>                   | <b>0.50</b>  | <b>28%</b>                   |
| <b>VSL Cycle 1</b>                              | <b>184</b>                  | <b>2.30</b>  | <b>100%</b>                  |
| <b>VSL Cycle 2</b>                              | <b>218</b>                  | <b>2.73</b>  | <b>100%</b>                  |
| <b>VSL Cycle 3</b>                              | <b>209</b>                  | <b>2.61</b>  | <b>90%</b>                   |

Source: IML VSL Programme Survey (CLP, 2009)

**Table 10** estimates the impact of each CLP input<sup>16</sup> on household savings, controlling for the gender of the household head and household cash-flow<sup>17,18</sup>

As expected, the relationship between household savings and cash-flow is positive and significant; and CLP beneficiary households exhibit a marginal propensity to save of 2%.<sup>19</sup> Controlling for large outliers, the robust OLS regression also reveals a significant relationship between the gender of the household head and savings: female-headed households save Tk.9 less per month than dual-headed households.

Controlling for the gender of the household head, household cash-flow and all CLP inputs, **the impact of VSL programme participation on household savings is positive and strongly significant.** First-cycle VSLA member households save Tk.125 more per month than non-participants; while second-cycle and third-cycle VSLA member households save Tk.94 and Tk.72 more, respectively.

<sup>16</sup> CLP's Asset Transfer Programme, Homestead Garden Programme and Emergency Flood Grants are not included as all survey respondents reported to have received these CLP inputs.

<sup>17</sup> Cash-flow includes cash income, loans, grants, scholarships and stipends received by an NGO, government, CLP or any other source.

<sup>18</sup> In addition to the OLS regression a robust OLS regression is provided to account for large outliers in the dependent variable.

<sup>19</sup> Marginal propensity to save (MPS) refers to the increase in savings that results from an increase in income (cash-flow is used as a proxy for income). For instance, a MPS of 2% means that, as a result of an increase in income of Tk.100, savings increases by Tk.2.

**Table 8:** Impact of CLP inputs on household savings

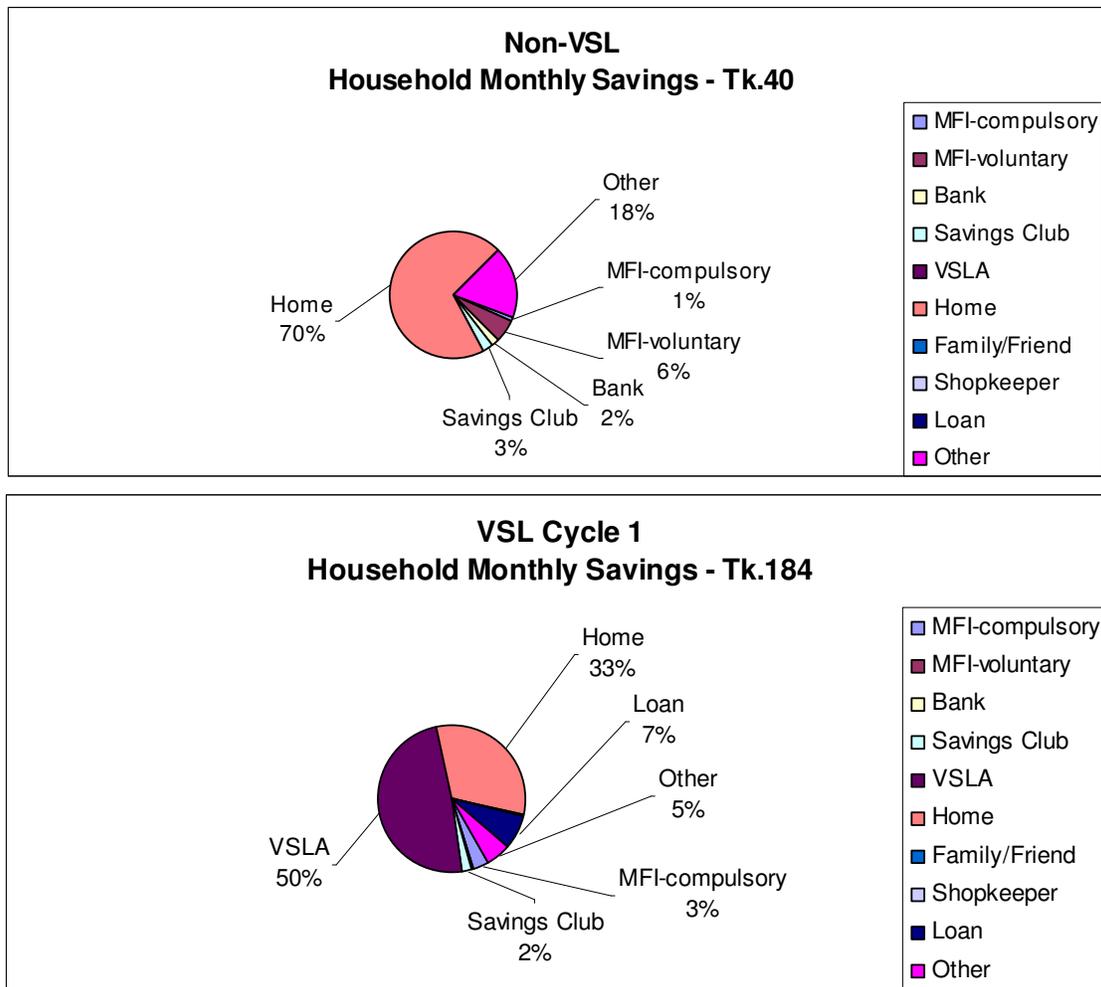
|                              | Total Household Monthly Savings (Tk.) |            |
|------------------------------|---------------------------------------|------------|
|                              | OLS                                   | Robust OLS |
| <b>Female HHH</b>            |                                       |            |
| Coefficient                  | 4.74                                  | -8.65      |
| p-value                      | 0.91                                  | 0.07       |
| <b>HHD Monthly Cash-Flow</b> |                                       |            |
| Coefficient                  | 0.02                                  | 0.00       |
| p-value                      | 0.00                                  | 0.00       |
| <b>VSL Cycle 1</b>           |                                       |            |
| Coefficient                  | 124.55                                | 79.70      |
| p-value                      | 0.00                                  | 0.00       |
| <b>VSL Cycle 2</b>           |                                       |            |
| Coefficient                  | 93.87                                 | 55.48      |
| p-value                      | 0.08                                  | 0.00       |
| <b>VSL Cycle 3</b>           |                                       |            |
| Coefficient                  | 71.79                                 | 51.25      |
| p-value                      | 0.37                                  | 0.00       |
| <b>Plinth</b>                |                                       |            |
| Coefficient                  | 66.23                                 | -7.92      |
| p-value                      | 0.08                                  | 0.06       |
| <b>Tubewell</b>              |                                       |            |
| Coefficient                  | -57.80                                | -5.58      |
| p-value                      | 0.46                                  | 0.52       |
| <b>Latrine</b>               |                                       |            |
| Coefficient                  | 2.53                                  | 6.99       |
| p-value                      | 0.95                                  | 0.10       |
| <b>Flood Relief</b>          |                                       |            |
| Coefficient                  | 73.55                                 | 4.10       |
| p-value                      | 0.12                                  | 0.43       |
| <b>Erosion Grant</b>         |                                       |            |
| Coefficient                  | 344.24                                | 18.80      |
| p-value                      | 0.00                                  | 0.03       |
| <b>IEP</b>                   |                                       |            |
| Coefficient                  | -53.07                                | 8.65       |
| p-value                      | 0.46                                  | 0.28       |
| <b>Food Grant</b>            |                                       |            |
| Coefficient                  | -48.29                                | -2.79      |
| p-value                      | 0.33                                  | 0.61       |
| <b>CONS</b>                  |                                       |            |
| Coefficient                  | -69.40                                | 6.46       |
| p-value                      | 0.30                                  | 0.38       |
| <b>F-stat</b>                |                                       |            |
| F-stat                       | 6.46                                  | 37.49      |
| <b>p-value</b>               |                                       |            |
| p-value                      | 0.00                                  | 0.00       |
| <b>R-squared</b>             |                                       |            |
| R-squared                    | 0.13                                  | -          |

Source: IML VSL Programme Survey (CLP, 2009)

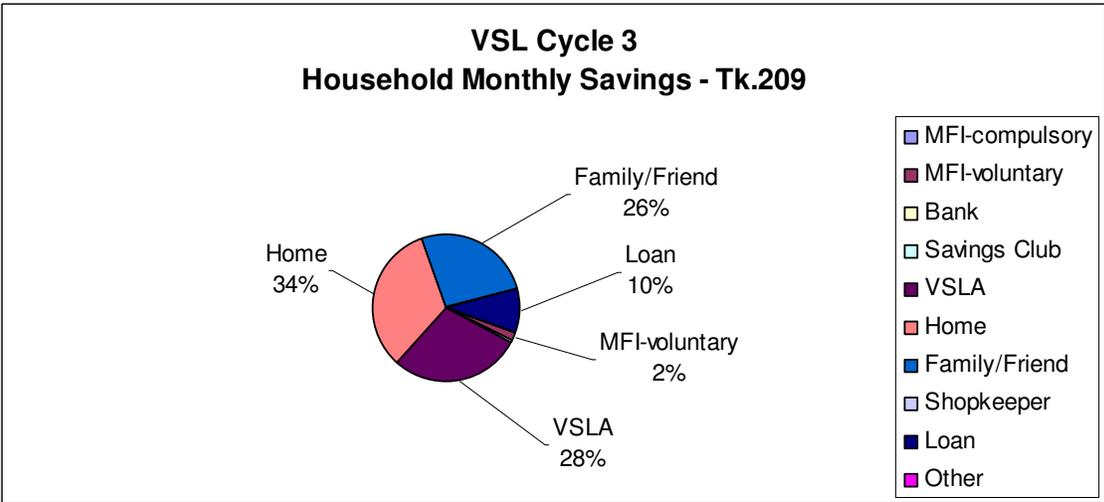
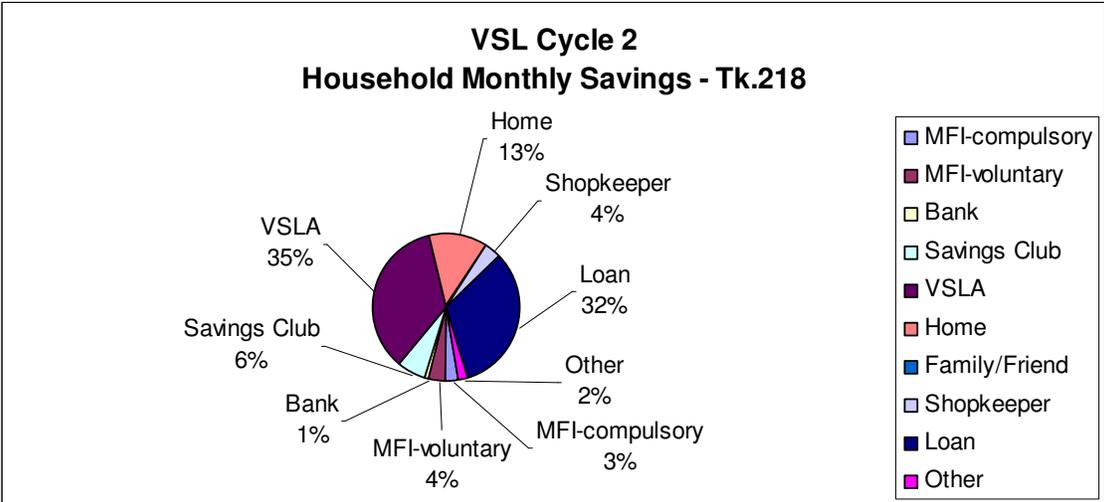
Households residing on a CLP-constructed plinth also save more, with the plinth contributing to an increase of Tk.66 in monthly savings. The security provided by a plinth to household members, livestock and physical assets may in fact extend the household's decision-making horizon and increase its confidence to save and invest in financial and physical assets.

Participation in a VSLA also changes the *manner* in which households save (see **Figure 2**). Non-VSL participants hold 70% of their savings inefficiently in the form of cash in the home and deposit more than 20% of their savings in insecure savings clubs, among various other sources. In contrast, as early as the first cycle, VSLA members deposit an average of 50% of their household savings in their VSLA and hold only 33% in the form of cash in the home. Accordingly, 85% of members report that the VSLA provides them with their first opportunity to manage their savings efficiently (CLP, 2008).<sup>20</sup>

**Figure 2:** Composition of household savings



<sup>20</sup> PANETTA, D. Review of the Village Savings and Loan Association (VSLA) Strategy of the Chars Livelihoods Programme. CLP, 2008.



Source: IML VSL Programme Survey (CLP, 2009)

## 6.2 Credit: Household Borrowing and Loan Repayments

In 2008, CLP reported that VSLA members borrowed significantly less than non-participants and loan-taking declines over time. VSLA members reported to borrow less because the association provides them with easier access to capital in the amounts needed and, as a result, they are less inclined to borrow more than required from other informal sources.<sup>21</sup>

However, the relationship is much less clear according to the IML VSL Programme Survey in 2009 (see **Table 9**). Average household borrowing in January 2009 is not statistically different between non-participants and VSLA members in cycles 1 and 3; and there is a large increase in borrowing among VSLA members in their second cycle.

The increased borrowing of VSLA members in 2009 is due to the graduation of a large number of older VSLA members from the Chars Livelihoods Programme. Upon graduation, CLP beneficiaries are no longer restricted from borrowing from a NGO-MFI and possess the assets typically required as collateral by MFIs. In fact, the large increase in borrowing among second-cycle VSLA members is driven by a small number of members, in only two unions, that have heavily increased their borrowing from MFIs. In short, the results in the table below are mainly due to graduation of CLP beneficiaries and the supply of financial services by MFIs in a limited area of the CLP, rather than the impact of participation in VSL programme.

**Table 9:** Household Borrowing

| <b>Average Household Monthly Borrowing - January 2009</b> |               |                 |             |              |
|---|---------------|-----------------|-------------|--------------|
|   | <b>Formal</b> | <b>Informal</b> | <b>VSLA</b> | <b>TOTAL</b> |
| <b>Non-VSL</b>  | 0             | 371             | 0           | <b>371</b>   |
| <b>VSL Cycle 1</b>  | 2             | 276             | 130         | <b>407</b>   |
| <b>VSL Cycle 2</b>  | 280           | 882             | 114         | <b>1,276</b> |
| <b>VSL Cycle 3</b>  | 0             | 363             | 125         | <b>488</b>   |

Source: IML VSL Programme Survey (2009)

<sup>21</sup> PANETTA, D. Review of the Village Savings and Loan Association (VSLA) Strategy of the Chars Livelihoods Programme. CLP, 2008.

Nevertheless, with the exception of second-cycle VSLA members for the reasons explained above, **participants in the VSL Programme expend less on loan repayments and the amount declines over time.**

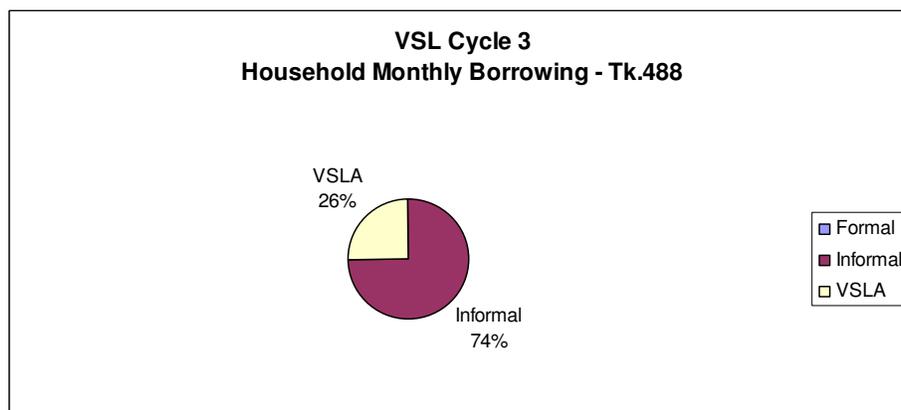
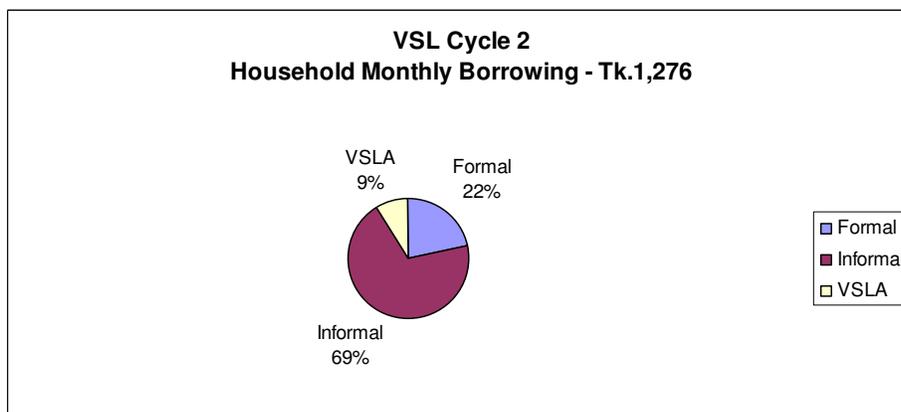
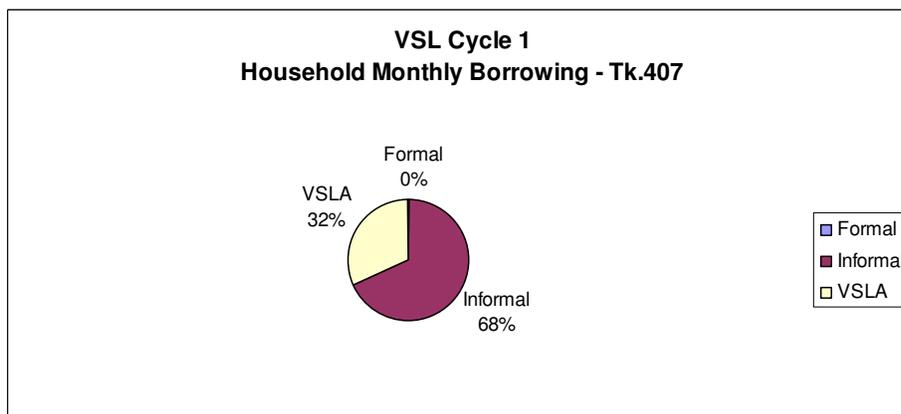
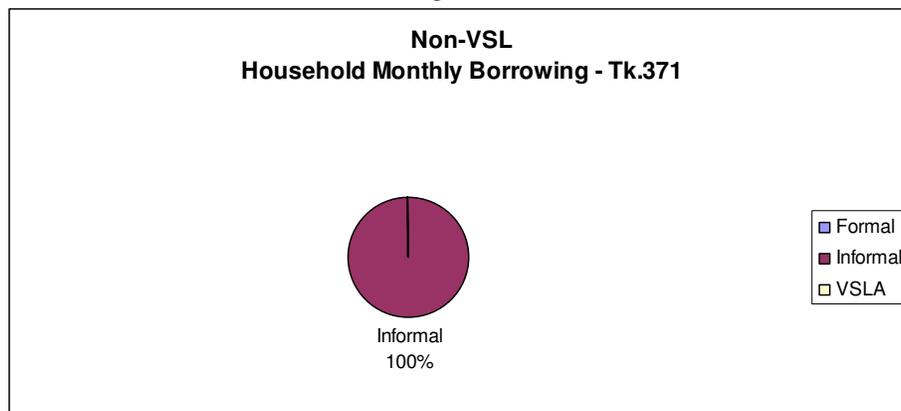
**Table 10:** Household Loan Repayments

| <b>Average Household Monthly Loan Repayment -<br/>January 2009</b> |               |                 |             |              |
|--|---------------|-----------------|-------------|--------------|
|  | <b>Formal</b> | <b>Informal</b> | <b>VSLA</b> | <b>TOTAL</b> |
| <b>Non-VSL</b>   | 11            | 215             | 0           | <b>227</b>   |
| <b>VSL Cycle 1</b>   | 8             | 126             | 48          | <b>182</b>   |
| <b>VSL Cycle 2</b>   | 139           | 149             | 14          | <b>302</b>   |
| <b>VSL Cycle 3</b>   | 0             | 148             | 29          | <b>178</b>   |

Source: IML VSL Programme Survey (2009)

Also, as reported by CLP in 2008, participation in a VSLA does change the *manner* in which households borrow (see **Figure 3**). VSLA members report to substitute informal borrowing from moneylenders, shopkeepers and relatives with more flexible and accessible credit from their VSLA; and the VSLA becomes an increasing share of that debt over time.

**Figure 3:** Sources of household borrowing



Source: IML VSL Programme Survey (CLP, 2009)

### 6.3 Loan Disbursement and Utilisation

One of the main reasons that ASCAs<sup>22</sup> or savings clubs have a limited lifespan is that the group is often manipulated by the more dominant members, typically the person who manages the group's records. The loan policies of the VSL model promote a more accountable and transparent loan request process; and, in fact, there is no evidence that the Management Committee members of a VSLA are more likely to take a loan from the association than the general members.

Among the 300 VSLA member respondents to the IML VSL Programme Survey, only 13 had received more than two loans. Furthermore, while 50% of the surveyed respondents are current members of the Management Committee, no more than 59% of the recorded loans have been disbursed to Management Committee members.

The VSL Programme does not impose any restrictions on the use of loan funds. The primary uses of VSLA loans are for funeral expenses and health expenses, as well as investments in poultry and land leases.

**Table 11:** Loan Utilisation

| <b>Loan Utilisation</b>        |                |                |                |                |
|--------------------------------|----------------|----------------|----------------|----------------|
| <b>Primary purpose of loan</b> | <b>Cycle 1</b> | <b>Cycle 2</b> | <b>Cycle 3</b> | <b>OVERALL</b> |
| Funeral                        | 39%            | 41%            | 31%            | <b>38%</b>     |
| Health                         | 12%            | 13%            | 8%             | <b>12%</b>     |
| Poultry and poultry inputs     | 9%             | 13%            | 4%             | <b>10%</b>     |
| Land Lease                     | 14%            | 3%             | 17%            | <b>10%</b>     |
| Livestock and livestock inputs | 7%             | 7%             | 19%            | <b>9%</b>      |
| Food                           | 7%             | 7%             | 2%             | <b>6%</b>      |
| House repair                   | 3%             | 9%             | 2%             | <b>5%</b>      |
| Agricultural inputs            | 3%             | 3%             | 4%             | <b>3%</b>      |
| Education                      | 3%             | 3%             | 0%             | <b>2%</b>      |
| Clothing                       | 3%             | 1%             | 2%             | <b>2%</b>      |
| Loan repayment                 | 1%             | 0%             | 8%             | <b>2%</b>      |
| Non-agricultural IGA           | 1%             | 1%             | 2%             | <b>1%</b>      |

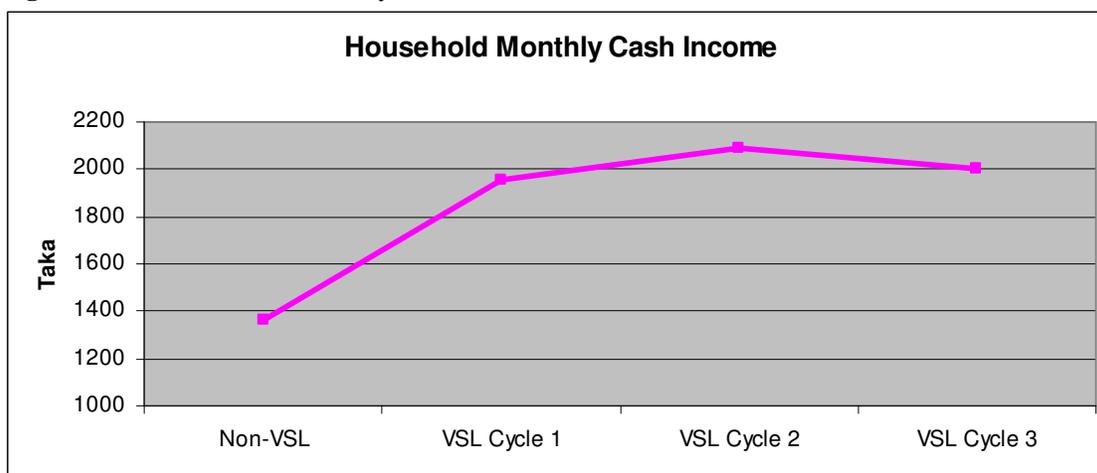
Source: IML VSL Programme Survey (CLP, 2009)

<sup>22</sup> Accumulated savings and credit associations (ASCA) are informal community groups where members save together and extend loans to members from the accumulated savings.

## 6.4 Household Cash Income

The household income of VSLA members increases significantly over the first two cycles and then appears to stabilise.<sup>23</sup> While the notable increase in income cannot be attributed exclusively to participation in the VSL Programme; the significantly greater income compared non-participants, who have received the same package of CLP interventions, suggests that participation in the VSL Programme has positive impact on household cash income.<sup>24</sup>

**Figure 4:** Household monthly cash income



Source: IML VSL Programme Survey (CLP, 2009)

<sup>23</sup> Household cash income excludes loans, grants, scholarships or stipends received by an NGO, government, CLP or any other source.

<sup>24</sup> There may, however, be self-selection and survivor biases in this observation: it is possible that more economically-active CLP beneficiaries participate in the VSL Programme; and that the more successful VSLA members continue to participate in subsequent cycles while the least successful ones drop out.

## 6.5 Emergency Fund

The Emergency Fund provides members with a simple form of self-insurance to meet emergency needs. Twenty-seven percent of respondents have received support from the Emergency Fund at least once.

Ninety-six percent of the disbursements from the Emergency Fund are in the form of a no-cost loan, commonly referred to as *Hawlat*, for an average amount Tk.225. The remaining 6% of the disbursements were made in the form of grants worth an average amount of Tk.153. Grants are generally made for funeral expenses.

**Table 12:** Emergency Fund Utilisation

| <b>Emergency Fund Utilisation</b> |                |                |                |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <b>Primary purpose of loan</b>    | <b>Cycle 1</b> | <b>Cycle 2</b> | <b>Cycle 3</b> | <b>OVERALL</b> |
| Health                            | 56%            | 56%            | 33%            | <b>52%</b>     |
| Education                         | 9%             | 19%            | 21%            | <b>17%</b>     |
| Food                              | 9%             | 14%            | 25%            | <b>15%</b>     |
| Clothing                          | 3%             | 4%             | 4%             | <b>4%</b>      |
| Livestock and livestock inputs    | 0%             | 0%             | 13%            | <b>2%</b>      |
| Funeral                           | 0%             | 1%             | 0%             | <b>1%</b>      |
| Loan repayment                    | 3%             | 0%             | 0%             | <b>1%</b>      |
| Poultry and poultry inputs        | 0%             | 0%             | 4%             | <b>1%</b>      |
| Other                             | 21%            | 5%             | 0%             | <b>8%</b>      |

Source: IML VSL Programme Survey (CLP, 2009)

The Emergency Fund has produced mixed results. In the VSL Pilot Project, 42% of independent VSLAs liquidated and eliminated their Emergency Fund in the second cycle.<sup>25</sup> The Emergency Fund is highly valued by members that have received support to meet emergency health needs and cover funeral expenses; however some associations report that the Emergency Fund creates conflict and competition for no-cost capital and members routinely solicits support from the Emergency Fund for non-emergency needs.<sup>26</sup>

Since July 2008, VSLAs have been instructed to cease their Emergency Fund contributions when the balance reaches Tk.500. This has reduced the potential for conflict with the Loan Fund, increased the financial efficiency of the association and increased the popularity of the Emergency Fund concept.

<sup>25</sup> CLP VSL Programme MIS, 2008.

<sup>26</sup> PANETTA, D. Review of the Village Savings and Loan Association (VSLA) Strategy of the Chars Livelihoods Programme. CLP, 2008.

## 6.6 Share-out

The most common uses of share-out funds are food purchases, investments in productive assets and savings in the form of VSLA shares.

On average, VSLA members invest 33% their share-out in an asset, income-generating activity or further savings; consume 44% (primarily in food purchases), expend 6% on loan repayments and 18% for other purposes.

**Table 13:** Utilisation of share-out funds

| <b>Utilisation of Share-Out Funds</b> |                  |                             |
|---------------------------------------|------------------|-----------------------------|
| <b>Purpose</b>                        | <b>Frequency</b> | <b>% of Share-out Funds</b> |
| <b>Investment</b>                     |                  |                             |
| Productive asset                      | 21%              | 13%                         |
| Non-productive asset                  | 5%               | 3%                          |
| Husband's business                    | 2%               | 3%                          |
| Home repair/improvement               | 4%               | 4%                          |
| Land lease                            | 2%               | 0%                          |
| Agricultural inputs                   | 3%               | 2%                          |
| Savings in VSLA shares                | 77%              | 8%                          |
| Savings (non-VSLA)                    | 5%               | 0%                          |
| <b>Subtotal</b>                       |                  | <b>33%</b>                  |
| <b>Consumption</b>                    |                  |                             |
| Food                                  | 61%              | 30%                         |
| Health                                | 16%              | 4%                          |
| Education                             | 9%               | 3%                          |
| Religious festival                    | 9%               | 7%                          |
| <b>Subtotal</b>                       |                  | <b>44%</b>                  |
| <b>Other</b>                          |                  |                             |
| Debt repayment                        | 9%               | 6%                          |
| Gave money to husband                 | 2%               | 0%                          |
| Other                                 | 32%              | 18%                         |
| <b>Subtotal</b>                       |                  | <b>24%</b>                  |

Source: IML Programme Survey (CLP, 2009)

## 6.7 Food security

Seventy-five percent of CLP beneficiary households surveyed in February 2009 had experienced a food shortage in the previous month. The incidence of food scarcity among VSLA members is slightly lower than non-VSL participants and only 65% of third-cycle VSLA members reported a food shortage in the previous month; however the difference is not statistically significant.

Nevertheless, access to grants and flexible no-interest credit from the Emergency Fund may impact the way VSLA members manage food scarcity and ultimately improve household food security. In fact, 19% of VSLA members that experienced a food shortage received a loan from their VSLA; and VSLA members are significantly less likely to beg to cope with emergency food needs.

## 6.8 Improved status in the household and the community

Nearly all respondents report to feel respected in their household; and there is no statistically significant difference between VSLA members and non-VSL participants. VSLA members are, however, significantly more likely to feel respected in the community. VSLA members explain that they are less dependent on providers of informal credit and charity from neighbours and, as a result, have more bargaining power in commercial transactions and are treated more respectfully by the community.<sup>27</sup>

Participation in a VSLA also appears to have a significant impact on the household decision-making process. In male-headed households, female VSLA members report a slightly greater role in household decisions related to consumption and a significant increase in household financial decision-making.<sup>28</sup>

**Table 14:** Household Decision-Making in Male-Headed Households

| Decision / Primary Decision-Maker | Non-VSL | VSL Cycle 1 | VSL Cycle 2 | VSL Cycle 3 |
|-----------------------------------|---------|-------------|-------------|-------------|
| <b>Consumption expenditure</b>    |         |             |             |             |
| Husband                           | 82%     | 90%         | 85%         | 72%         |
| Wife                              | 18%     | 9%          | 14%         | 24%         |
| Other                             | 1%      | 1%          | 1%          | 3%          |
| <b>Savings</b>                    |         |             |             |             |
| Husband                           | 26%     | 46%         | 9%          | 28%         |
| Wife                              | 42%     | 54%         | 82%         | 69%         |
| Other                             | 32%     | 0%          | 1%          | 3%          |
| <b>Loan-taking</b>                |         |             |             |             |
| Husband                           | 52%     | 63%         | 63%         | 52%         |
| Wife                              | 18%     | 19%         | 31%         | 34%         |
| Other                             | 30%     | 17%         | 6%          | 14%         |

Source: IML Programme Survey (CLP, 2009)

<sup>27</sup> PANETTA, D. Review of the Village Savings and Loan Association (VSLA) Strategy of the Chars Livelihoods Programme. CLP, 2008.

<sup>28</sup> There is no observable difference between the role of VSLA members and non-VSL participants with respect to household non-financial decision-making.

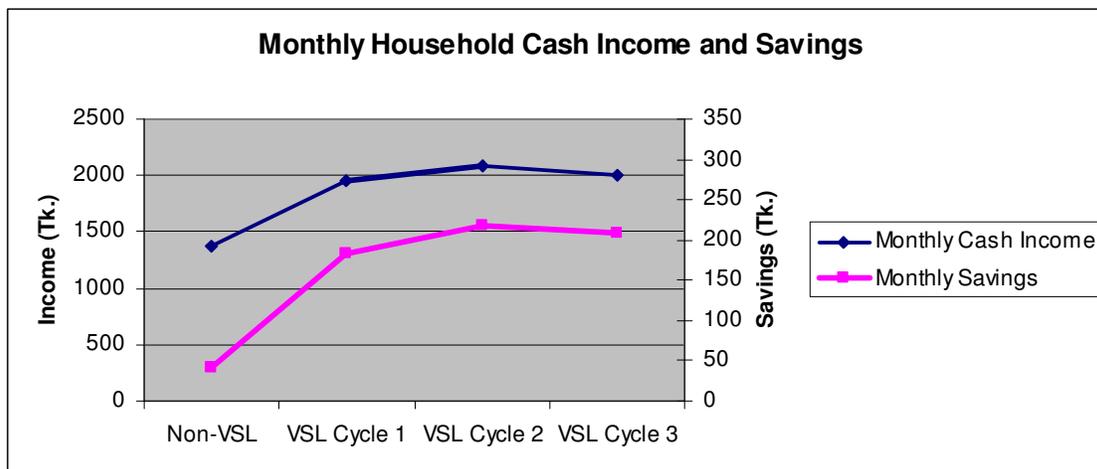
## 7 Summary and Conclusions

The Chars Livelihoods Programme now has over 18 months experience promoting VSLAs with both CLP ATP beneficiary groups and self-selected participants alike; and the results, as reported in this review, are very similar. The VSL Programme has demonstrated to create no conflict with other CLP inputs, to support CLP market development activities (particularly livestock and poultry inputs), and to support the CLP LogFrame objective “to provide CLP beneficiaries with a safe place to save”.

### Main Findings

VSLA participants earn more cash income and the opportunity to save safely creates positive new financial behaviour: VSLA participants both save more and expend less on loan repayments over time. The impact of VSLA participation on household savings is extremely strong and remains statistically significant even after controlling for all CLP inputs, as well as for household cash-flow and for the gender of the household head. The findings of this report also demonstrate that VSLA participants earn more cash income and expend less on loan repayments.

**Figure 5:** Household cash income and savings by different VSLA participant cycles



Source: IML VSL Programme Survey (CLP, 2009)

This report demonstrates members of independent VSLAs earn 51% more cash income than non-participants. Furthermore, controlling for all CLP inputs as well as household cash-flow and gender of household-head, participation in the VSL Programme has a statistically significant impact on the savings of ATP beneficiary households.

There is also a clear substitution effect: VSLA members replace informal financial services with the services from their VSLA. First, VSLAs provide easier, more flexible access to credit in smaller amounts that are more appropriate for the poorest. Secondly, savings deposited in a VSLA generate a return of about 30% per annum and are generally more secure than cash saved in the home or a village savings club; and finally, a decreased dependence on restrictive (and sometimes exploitative) informal financial services may also reduce household vulnerability.

ATP beneficiaries in VSLAs also report to feel more respected in the community due to a decreased dependence on informal credit and charity; and participate more actively in household financial decision-making.

The findings of this report also demonstrate that the end of CLP stipend support has not had an immediate outcome on savings mobilisation and provide strong evidence that the withdrawal of cash-stipend support from CLP does not have an adverse effect on the performance of active VSLAs.

Despite some initial reluctance from conservative members of the community, VSLAs have been widely accepted by CLP beneficiaries, IMO field staff and senior management, local government officials, religious leaders and other members of the community. In 2008, CLP reported that many members of the community, who are not CLP beneficiaries, had requested to join VSLAs; and, in fact, ATP groups now include over 1,000 non-ATP beneficiaries in their VSL activities. The inclusion of non-ATP members has transformed the ATP groups from a group of individuals organised for the finite purpose of asset transfer to an inclusive community institution that may generate social capital and other social and economic benefits long after the withdrawal of CLP from the area.

In short, the VSL Programme has demonstrated to be useful for both ATP beneficiaries and self-selected participants, complement CLP's Asset Transfer Programme and market development activities, and support the LogFrame objective "to provide CLP beneficiaries with a safe place to save."

## Forecasted Outreach

At the end of the Chars Livelihoods Programme of DFID in June 2010, CLP forecasts that the Village Savings and Loan Programme will have promoted over 1,900 VSLAs, including 1,280 with ATP beneficiaries in the island chars and 633 self-selected (non-ATP) participants in mainland unions of Jamalpur District.

**Table 15:** VSL Programme participants by end-of-project (2006-2010)

| <b>VSL Programme Participants</b> |                          |                |               |
|-----------------------------------|--------------------------|----------------|---------------|
| <b>ATP Groups</b>                 | <b>ATP Beneficiaries</b> | <b>Non-ATP</b> | <b>Total</b>  |
| ARCHES                            | 1,896                    | 165            | 2,061         |
| GBS                               | 1,896                    | 165            | 2,061         |
| GKS                               | 1,896                    | 165            | 2,061         |
| GUK-Gaibandha                     | 2,884                    | 251            | 3,135         |
| MMS                               | 3,911                    | 340            | 4,252         |
| NDP                               | 3,892                    | 338            | 4,230         |
| RDRS                              | 3,793                    | 330            | 4,123         |
| RSDA                              | 3,339                    | 290            | 3,629         |
| SKS                               | 1,442                    | 125            | 1,568         |
| Uddyog                            | 336                      | 29             | 365           |
| <b>Sub-total</b>                  | <b>25,286</b>            | <b>2,199</b>   | <b>27,485</b> |
| <b>Non-ATP</b>                    | <b>ATP Beneficiaries</b> | <b>Non-ATP</b> | <b>Total</b>  |
| Sajida Foundation                 | 0                        | 14,202         | 14,202        |
| <b>TOTAL</b>                      | <b>25,286</b>            | <b>16,401</b>  | <b>41,687</b> |

**Table 16:** Village Savings and Loan Associations promoted by end of project, June 2010

| <b>VSLAs Promoted</b> |              |
|-----------------------|--------------|
| <b>ATP Groups</b>     |              |
| ARCHES                | 96           |
| GBS                   | 96           |
| GKS                   | 96           |
| GUK-Gaibandha         | 146          |
| MMS                   | 198          |
| NDP                   | 197          |
| RDRS                  | 192          |
| RSDA                  | 169          |
| SKS                   | 73           |
| Uddyog                | 17           |
| <b>Sub-total</b>      | <b>1,280</b> |
| <b>Non-ATP</b>        |              |
| Sajida Foundation     | 633          |
| <b>TOTAL</b>          | <b>1,913</b> |

Based on current estimates of association survival rates, there will be about 1,500 active VSLAs which continue to operate independently at the completion of the Chars Livelihoods Programme in June 2010.