REACHING THE HARD TO REACH:
Comparative Study of Member-Owned Financial Institutions in Remote Rural Areas

Case Study

Village Savings and Loans Associations in Niger: Mata Masu Dubara Model of Remote Outreach

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Executive Summary

Village Savings and Loans Associations (VSLAs) are recognized as a strong model for delivering financial services in rural, remote areas. The first version of this methodology, designed by CARE International, in Niger was called Mata Masu Dubara (MMD, Ingenious Women or Women on the Move). More than 40,000 VSLAs (over 1 million members) have been created and adapted in Africa, Asia and Latin America by CARE using this model. International NGOs such as Oxfam, Catholic Relief Services and Plan International, have used similar village and savings-based models in Africa and Asia. It shares some similarities with the Self-Help Group (SHG) model in Asia.

The VSLA in Niger is based on a traditional rotating savings and credit association (ROSCA) practiced in the region known as *asusu*. However, CARE encouraged the following improved features in groups:

- Interest charged internally to grow the fund
- Internal by-laws and a committee to improve governance and management
- A cash box and oral record-keeping system to ensure safety of funds
- Technical support to members in managing the associations

Like all ROSCAs, profits generated from the activities are "cashed out" or "shared out" after a few months and each member receives their share keeping the resources in the community. This is the key distinguishing factor from SHGS. SHGs grow the fund internally through interest but do not always choose to cash out. Often the group will roll the profits back into the group. SHGs are therefore closer to accumulating savings and credit associations than VSLAs though this is changing. Many VSLAs have begun to accumulate as well.

The VSLA model is an attempt to dramatically expand rural outreach by keeping systems simplified enough to be easily replicable yet flexible enough to meet the financial capital needs of its members. Niger is an interesting place to analyze the model's potential. It is the oldest and largest VLSA program in Africa. More importantly, it is at a crossroads that has lessons for other community-based models. In the last few years, VSLAs in Niger have moved from an adapted ROSCA focused on financial services to accumulating associations (ASCAs) that are networked and in some cases, linked to financial institutions. In addition, CARE has facilitated collective activities at the network level such as cereal grain banks. In making this

[1] This case draws from an original draft by Djibril Ba and Dr. Ahmad Jazayeri, both of whom were involved in data collection. Alfred Hamadziripi conducted further data collection and completed the latest draft with assistance from Dr. Serge Djoum.

shift VSLAs have moved to another level of both sophistication and costs. The most immediate impacts of this shift are on governance and breadth of outreach. Governance now is more complex and while members still participate in decision-making they are more dependent on CARE for support in management and governance. The mobilization of savings at the network level may also trigger regulatory oversight at the network level though currently networks and VSLAs are in a grey area. Breadth of outreach is necessarily smaller and dependent on external subsidy over member capital.

This case study examines 25 VSLAs in the Tahoua region of Niger, both networked and non-networked. The case examines important trade-offs facing smaller MOIs, particularly decentralized associations. Under what circumstances is simpler better? What is gained by networking and linking? What is lost? What are the trade-offs between cashing out and accumulating? Between a financial and an integrated model?

This case found that member participation and governance work well in the time-bound, village-based original model but that the more recent move to networks may threaten strong internal governance as well as breadth of outreach. Currently, outreach is 10% of what it was when only financial services were provided. A movement toward networking has meant a trade-off in terms of ownership and internal control by members. Moving to this level of sophistication means that members cannot directly hold each other accountable. Responsibility falls to village agents who have not yet demonstrated their ability to manage more sophisticated systems particularly with written records. The contribution of village agents to both depth and breadth over time is very limited as there has not been significant growth in the VSLA clients since the shift from CARE direct service delivery to the use of agents.

The extent to which networks and linkages add value is still unclear. Networks can help to expand the range of services (financial and non-financial) available to existing VSLAs in remote areas. At the VSLA level members find flexible services through combining VSLA services with traditional ROSCAs. Networked, the VSLAs compete more closely with MFI services. Members identified clear benefits of the networks in terms of larger loans and collective activities that are important for the acquisition of larger assets. However, the terms of linkage are far from favourable to the VSLAs. It will take some time for the VSLAs to be treated genuinely as clients as the SHG linkages have demonstrated in other countries.

Also, the focus on both financial and non-financial activities has meant greater dependence on subsidy. VSLAs have largely been able to cover their own costs with their own income but the VSLA networks are highly dependent on subsidies and it is unclear how they will sustain themselves. VSLAs do reach further and deeper in rural, remote areas. The trade-off is between more simplified, flexible services for many or more complex, diversified services for fewer.

Context and Case Selection

Microfinance in Niger

Niger is an appropriate country to examine remote rural outreach. In 2002, nearly 80% of the population lived in rural areas. Niger is sparsely populated with density of nine persons per square kilometre. Only 12% of the country is arable. Agricultural output accounted for 38% of GDP in 2004 but this fluctuates according to rainfall levels, and Niger is prone to cyclical droughts. Per capita grain production declined from 325 kg to 245 kg between the 1960/2 and the 1990/2 periods respectively (Vennemann, 2000). An extended shortfall in grain production has impacted nearly 22 of the 36 regions or 31% of the population making Niger a net importer of food (OECD, 2006).

Niger is also one of the poorest countries in the world (UNDP, 2007). GNI per capita was estimated at US$240 in 2005 and about 63% of the population earn less than 1 dollar per day. Illiteracy is more than 80%, higher still among women, and primary school enrolment in rural areas is below 50% (OECD, 2006).

It is estimated that 80-90% of the Niger population does not have access to financial services (IMF, 2007). As of 2005, there were an estimated 179 microfinance institutions (MFIs) in Niger serving 225,558 clients. Total combined assets equaled US$8.6 million and total outstanding loans equaled US$12.9 million (IMF, 2007).

Financial services are still biased to urban areas. Despite the fact that agricultural or commercial banks grew from 21 to 38 between 2003 and 2006, their rural outreach is minimal particularly to the agricultural sector. The agricultural sector, representing 38% of GDP, only receives 1% of credit (IMF, 2007). According to the IMF (2007), two thirds of banks are in the capital city where they have a ratio of one branch to 33,700 members while outlying areas are estimated to have a branch servicing 844,000 members.

Outreach has also been limited by poor financial performance and insolvency. Since 1986 the formal financial sector has experienced the closure of institutions such as Caisse nationale de crédit agricoles (CNCA), Development Bank of the Republic of Niger (BDRN) and the National Savings Fund (CNE) (Boulenger & Bedingar, 2006). Formal financial institutions that are available, such as a few commercial banks, tend to be driven by credit lines or guarantees (Boulenger & Bedingar, 2006). Among the challenges faced by MFIs in Niger are 'mismanagement, lack of qualified personnel, of adequate procedures and accounting system,' and inadequate and effective supervision. Even the largest MFIs have had serious financial difficulties. Seven out of ten of the major MFIs are either operating under provisional administration, are close to liquidation or experiencing great financial difficulties, while three are considered successful (IMF, 2007).

Currently the most active institutions in microfinance are credit unions providing savings and credit, credit-only institutions and project related institutions (IMF, 2007). Credit unions provide savings and credit, direct credit institutions provide

credit only, and project related institutions provide credit only as part of specific projects "and thus do not continue operating after such projects are completed" (IMF, 2007). The member-owned sector has been performing relatively better. Credit unions or mutuals such as Mouvement des caisses populaires d'épargne et de crédit (MCPEC), Union des mutuelles d'épargne et de crédit (UMEC), Mutuelle d'épargne et decrédit des femmes (MECREF) and Crédit rural du Niger (CRN) have experienced favourable performance with "a membership of more than 120 decentralized financial systems (DFS) currently reaching out to about 150,000 persons" (Boulenger & Bedingar, 2006). DFSs are mutual loan associations or credit unions, "that are often set up with assistance from several donors such as USAID, the EU, GTZ and Belgian Cooperation" (Boulenger & Bedingar, 2006). The decentralized associations also show greater depth of outreach. According to national level statistics, the penetration rate for VSLA groups at the village level ranges from 1.4% to 3.3% of the total population, slightly higher than the MFI sector ranges from 0.9% to 1.8% for the total population (IMF, 2007).

Policy, Supervision and Regulation

The policy arena for microfinance is evolving. Subsidy has played a key role in the sector both in terms of interest rates and programs. Nominal interest rates from available financial services providers average 18% while ordinary savings accounts earn up to 3.5% interest per year. Entry into the MFI sector has been discouraged by interest rate ceilings and a history of government credit schemes with subsidized interest rates and low levels of repayment (Grant & Allen, 2002). Interest rate policies have not historically been favourable to a competitive sector.

Where local non-government and government-led credit programs exist, they are usually dependent on external financing. In 2005, subsidies represented roughly 5.9% of total assets in microfinance or US$590 million (IMF, 2007). The World Bank, IFAD, French and Danish development agencies were among the donors working both independently and in collaboration with government programs in rural finance and agricultural programs (IFAD, 2006).

Since the late 1990s, the Niger government has been working on a national microfinance strategy with three principal components: (a) professional development, (b) consolidation, (c) poverty orientation. The strategy has tended toward decentralized services. It called for collaboration between government, MFIs, donors and NGOs to turn around MFIs that were in financial difficulties. In addition, the strategy urged 'donors to entrust all new lending activities to existing permanent professional institutions, most of which were decentralized financial systems' (Boulenger & Bedingar, 2006). The strategy was further refined in a 2005 action plan which sought, among other things, to: Carry out an exhaustive survey of MFIs and collection of data; formalize procedures for MFIs; revise credit policies to make them more appropriate; provide technical support to MFIs and networks; strengthen supervisory and monitoring structures and reporting systems (IMF, 2007). Though implementation of the strategy has been slow, progress in 2006 includes the establishment of a pilot committee to develop the legal and institutional framework for a Microfinance Supervisory Agency, and the commissioning of a comprehensive survey of MFIs.

There is an existing framework for regulation and supervision though clarity is needed around it for decentralized models. Niger is part of the West African Monetary Union where member states share a common central bank (BCEAO), monetary policy, currency and trading regulations. The Niger MFI sector is regulated under the PARMEC law. Regional BCEAOs are responsible for implementing PARMEC while the Ministry of Finance's Micro Finance Monitoring Unit is in charge of supervision, enforcement and monitoring of covered MFIs. Mutualist and cooperative MFIs providing financial services to members and the public are governed by PARMEC law and are required to register under the Cooperatives Act Ordinance Number 84/06 and with the Ministry of Finance.

According to Ouattara, Gonzalez-Vega, & Graham (1999), the PARMEC law does not cover asusus or tontines and other informal associations (in which the VSLA is classified) but these "associations are free to apply for recognition under the law." In other words, they are not required to register. Since 2002, VSLA associations and networks are covered by the Cooperatives Act which regulates all associations formed by community members. Within this Act, VSLA associations and networks register through the Ministry of Home Affairs and are broadly classified under women's associations or agricultural cooperatives formed to satisfy members' common interests which are mostly developmental. Registration requires objectives, location, a constitution and guidelines of the general assembly as well as a fee of US$32. The VSLA groups are required to be registered independently even if they are functionally and structurally linked. There is no supervision function as the associations are considered to be more development than financial intermediaries. As the networks grow in their sophistication and scale, regulatory triggers even under PARMEC, may be piqued.

CARE Niger Village Savings and Loans Associations

The CARE Village Savings and Loans Associations (VSLAs) started in 1991 as a pilot initiative implemented in Maradi district, Southern Niger. By the end of August 2006 there were an estimated 107 networks and 4,712 networked and non-networked VSLA groups operating in southern Niger representing approximately 132,180 women members.

VSLAs are made up of 20 to 25 women who are petty traders, vendors or farmers using the finance both for working capital and consumption such as household utensils. As earlier described, these VSLAs are time-bound. Savings are rotated regularly (weekly/bi-monthly) as the members decide. Attendance is compulsory and each meeting acts as a form of audit where members recite by memory the transactions of the meeting and last meetings' balance. The VSLA charges interest, distributes loans periodically, and at the end of the term distributes the lump sum evenly among members. Members decide all of these features together: The amount of savings, frequency of contributions, by-laws, interest charged, nature of loan distribution, and term for cash out. The cash-out is considered an effective mechanism for controlling fraud and mismanagement as the fund stayed small enough to be managed orally by the members.

CARE Niger provides technical training and assistance for twelve months. During this period, groups undergo training and support through four distinct phases: Mobilisation, intensive development, maturity and graduation. Training that runs through these phases covers aspects of association formation, association management and leadership, loan conditions and procedures, association regulations, record keeping and conflict management. Each VSLA, with facilitation from CARE, develops and agrees on a set of rules from which each member is allocated a set to memorise and recite at the beginning of each meeting. Members felt that the training was valuable in exposing them to new practices and helping them to understand what is happening with their money. Theoretically, after twelve months the association graduates and manages its activities independent of CARE through a village agent that it is able to finance with its own earnings.

Since 2003, CARE has been training village agents to replace their own field agents. They now train and expand VSLAs using village agents. Village agents are individual women resident in communities who are literate, leader oriented and VSLA members identified and trained by CARE to continue supporting groups in the villages. Due to their relatively high levels of literacy they act as secretaries to the associations, taking notes, keeping records and advising on loan decisions. As of August 2006, all of the VSLAs paid for their own village agents even though outreach has fallen as they lack the same productivity as CARE staff.

The most significant introduction was networking introduced by CARE Niger in 2001. Through the networks, savings from member associations are pooled to create a loan capital fund from which VSLA groups borrow on behalf of individual members. The networks provide the groups with a number of supports: Wholesale loans relative to savings; training by village agents; and non-financial training. The activities of the association and network are managed by elected leaders from the members who are also resident in the same village. CARE felt that networking provides larger enterprise oriented loans and the ability to finance collective income generation projects such as cereal banks and oil pressing.

VSLA networks do not have a physical structure or paid staff. They are comprised of members of the VSLAs that take responsibility for savings collection, loan disbursal, quality control and technical support of VSLAs and social/collective functions. As of August 2005, roughly half of the reported 1,069 VSLAs were networked. Each network had approximately six VSLAs or 135 women. Of these CARE reported that 57% were performing well, 40% needed further support and 3% were dysfunctional. Bookkeeping has remained an issue at the networking level where village agents have not effectively taken on the reporting.

CARE had also not envisioned how quickly VSLAs would use the opportunity of the networks to form linkages with financial institutions. CARE's policy was to let VSLA networks and associations form their own financial linkages with limited support. A growing percentage of VSLAs and networks have accessed loans from MFIs and cooperatives, then on-lend to individual members. The contracts are generally between individual members and the financial institutions as these institutions are just becoming accustomed to dealing with associations as clients.

In Niger, linkages have led to mixed results. Though the rates for these larger loans are cheaper than their own networks, there are issues in terms of their products and recuperation. Some of the financial institutions require 20-30% deposit, terms that are too short, and rigid monthly payment requirements that are strictly enforced. There is also evidence of VSLAs borrowing from more than one source leading to borrowed up to five, even ten times their equity. This over-indebtedness has resulted in some VSLAs discontinuing loans with financial institutions and in some cases VSLA closure and seizure of member assets (Allen, 2007b).

Local Context: Southern Niger and Case Selection

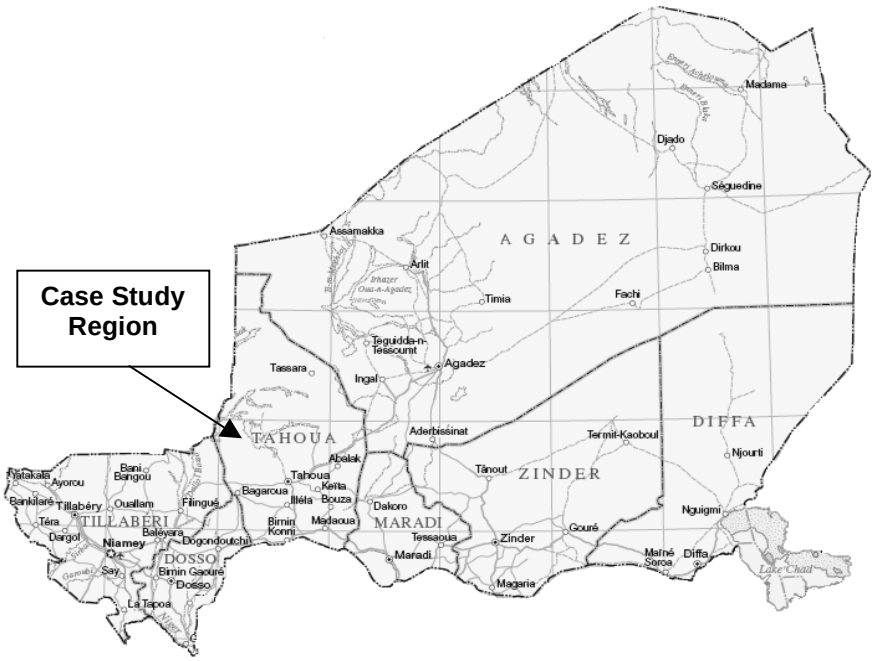
The intention of the research was to help answer some questions about different types of member owned institutions (MOIs): What potential they have for depth, breadth, scope, length, worth and cost of outreach. The second level of analysis examined how outreach was affected by three areas: Networking and linkages; governance and ownership; and regulation and supervision. The perspective of analysis was from the lowest tier MOIs, in this case VSLAs and what value various relationships and supports provided. See Appendix C for research definitions and general case methodology.

Two villages within the Tahoua Region were selected for this study. In each village, several in-depth focus group discussions and mapping exercises particularly worth/demand of alternative financial services and ownership were held with a cross-section of association members, village agents and executive committee members. Thirty-three members were interviewed in Tama and fifty in Bagaroua. Key informant interviews were held with key CARE staff, executive committee members, regulators and village heads.

It is helpful to contextualize the village in Niger. Administratively, Niger is divided into regions, then districts (*prefectures*), sub-districts (*sous-prefacture*) and communes comprised of several villages. A village has a population size estimated to average 8,400 people and with an average household size of 6.4. In Niger it is estimated that each village has 1,313 households (Global Health Facts, 2001). VSLA associations and the networks are formed comprising members at the village level.

Tahoua Region has a relatively low population density (10-25 persons/km^2) in semi-desert remote rural areas where 80% of livelihood activities are centred on subsistence millet production and a limited range of off-farm income generating activities in the trade sub sector. Livestock comprising cattle, camels, goats and sheep, are key in farm production and income generation to supplement crop production. In each village, homesteads are concentrated in one site separated from farm and grazing land. These areas have limited minimum access to health and other services. The villages reserve one day per week as a market day where farmers and traders sell a wide range of products. Cash is the predominant means of transacting during these events.

Figure 1: Map of Tahoua Region, Niger



Adapted from UN map No. 4234, Niger, 2004.

For this case, twenty-five VSLAs were chosen in the villages of Tama and Bagaroua of approximately 1,423 VSLAs (39,070 members) in Tahoua Region. Twenty-one VSLAs were networked into two networks and four VSLAs were not networked at all. Tama network is 225 kilometres (km) from the district capital from which the road is almost half tarred and half gravel and rough. Muliblia network in Bagaroua is about 100 km from the district capital and has the same road access as Tama. The nearest MFI to Tama is about 45 km while Bagaroua is 160 km from the nearest MFI and cooperative. The roads linking Tama and Bagaroua to these financial services providers are poorly maintained gravel roads whose bad condition contributes to erratic transport service. The networks convene at the cluster level, still within no more than 5 km of the villages. The following chart shows CARE Niger's current outreach relative to the sample selected.

Figure 2: Current CARE Niger VSLA Data

	No. VSLAs	No. Members	No. Networks	No. Villages	Penetration Rate
Niger	4,712	132,180	107	n/a	n/a
Dosso	738	21,021	17	289	3.4 VSLAs per village
Maradi	1,602	46,760	19		
Tahoua	1,423	39,070	38		
Tillabéri	949	25,329	33		
Commune (2 villages)	78	2,142		2	4 VSLAs per village
Sample	25	565		2	9-32% of households

Annual Report, 2006. Note: These are estimates as there has been conflicting data from various sources.

Of the 25 VSLAs in the sample:

- 4 were not networked
- 21 were networked and have begun to accumulate their funds
- 10 continued to cash out and rotate savings and loans independent of the networks (including the 4 not networked)
- 25 have added written bookkeeping to the oral bookkeeping
- 25 have replaced CARE field support with village agents
- 17 (one network) have accessed a cooperative loan (linkage)

There were six VSLAs in Tama and nineteen VSLAs in Bagaroua. Four VSLAs were not networked, two in each village. Formation of groups started in 1999 in Bagaroua and 2000 in Tama through direct promotion from CARE. Prior to CARE's intervention traditional asusus and friends/relatives were the main financial service used in the two villages. Outreach in Tama represented 9.1% of households. Bagaroua's outreach was slightly higher representing 32.9% of the households in the village in part due to beginning earlier, and in part due to village agent capacities.

Member-Owned Institution Remote Outreach

Breadth of Outreach

To understand the breadth of outreach in the VSLA model, it is important to look at the global picture. At the end of 2005, there was cumulatively 6,138 VSLAs created and 171,523 members served. US$4,073,000 in savings and approximately US$6,000,000 in loans have been mobilized. (CARE Annual Report, 2005).

Since their inception, with only 45 associations and 1,500 members VSL associations have grown dramatically with particularly high rates of growth in the late 1990s and peaking at close to 7,000 associations and 200,000 members. However, the figures represent cumulative data rather than current. While many VSLAs have been created, there is no reliable data to understand how many VSLA members continue to participate and how many new groups have spontaneously formed.

Importantly, CARE began a new strategy in 2002 that impacts outreach. Their strategy was to allow existing groups to grow and expand through the village agents. CARE began to focus its attention on providing integrated services, an "empowerment" approach including support services such as assisting VSLAs to federate and engage in cereal storage and other collective activities. To do this the creation of networks became necessary to work practically across hundreds of groups.

Within the estimated 132,180 members reported in 2006 approximately 50,000 members would receive CARE's technical support through this empowerment approach (Allen, 2007a). Because of the reporting difficulties, the exact impact on outreach with reliable historical data is hard to know. Clearly, the decision to focus on an integrated approach to financial services (cereal banks and other collective activities) has reduced the rate at which new VSLAs are created, because the existing VSLAs are now receiving more in-depth services. The other issue is what continued

support of village agents, if any, is necessary for the continued expansion and self-replication of groups.

Depth of Outreach

Nevertheless, VSLAs have a relatively favourable outreach to the vulnerable in rural Niger. A wealth ranking exercise was held with two focus groups representing a livelihood cross-section of ten members each. The profiles were represented through drawn household profiles accompanied by notes. VSLA members categorised households in their villages into 4 main profiles:

- **Wealthy:** High number and quality of assets, outbuildings, number of rooms, livestock, farm implements and operating businesses. They comprise about 30% of the village population and other community members view them as self sufficient who produce surplus. They do no participate in VSLA.
- **Average:** Fewer assets than the wealthy, they do not operate any business and have fewer rooms. They may produce enough to feed their family but not always and would not produce surplus. They comprise about 30% of the village and about 35% of the VSLA membership.
- **Vulnerable:** They have only one house with one or two rooms and one small granary but do not produce enough to feed themselves half the time. They are estimated to be 60% of the commune households and make up 50% of VSLA membership.
- **Most Vulnerable:** Usually have one hut and have no productive asset base and always do not produce enough to meet seasonal household food requirements and partly depend on donations, do not own livestock and agricultural production implements. These constitute 7% of the village and make up 15% of VSLA membership.

All VSLAs are comprised of women, mainly from self-identified vulnerable and average wealth groups. The most vulnerable and the wealthy are not as active in VSLAs. Significantly, interviews with non-members, men and traditional leaders revealed that they feel the VSLAs have played a role in improving the status of women and the situation of their households.

At present, 9% of Tama households and 32% of Bagaroua households participate in the VSLAs. Members explained the lack of participation of other women:

- Lack of willingness to spare time from other activities for VSLA meetings
- Inability to raise the required contributions
- Fear to misuse loans
- Not having income generating activities
- The husbands' denial of permission to participate
- Only interested in external capital but unwilling to save and borrow within the association

Members defined remote as follows:

- Poor gravel road infrastructure
- The time they take to travel to the nearest regional capital requires leaving before 6:00 am and arriving after 5:00 pm.

- Lack of electricity, cell phone and fixed line communication
- Some days when no cars travel to the local areas
- Lack of access to conventional public transport, such as buses and lorries, and use of motor cycles to get to points with access to public transport
- Amount paid to use public transport (US$7 per single trip)

Scope of Outreach

Financial services accessible in Tama and Bagaroua included: VSLA groups, VSLA networks, friends and relatives, asusus, an MFI and a cooperative (Figure 3).

Figure 3: Financial Services Available Locally

Financial Service Provider	Products	Amounts	Nominal annual interest rate & fees	Eligibility/ Guarantee	Terms	% Local Market	Distance (km) to communities
VSLA Association	Savings	US$0.05- 0.40 weekly		Weekly savings; peer pressure		21% of households	0-3 km radius
	Loans	US$2-21 loans	10% /month Re-scheduling possible.		Monthly repayment. 1-3 mo. term		
VSLA Network	Savings	US$1-5 bi-weekly as a group		Association membership		21% of households	Within 5 km radius
	Loans	US$21-105 loans per member	10% /month Penalty on late payments.	Some level of savings but no fixed ratio	Monthly repayment. Usually 1-3 mo. term.		
Microfinance Institution	Loans	Average loans US$110)	24 to 30% /annum*	Guarantee 10% of loan	6 months	0%	45 km. Bagaroua; 160 km. Tama
Cooperative	Loan	US$2,100**	12% US$50 Admin, application & document certification	Guarantee 10% of loan	6 months	10% of female pop. in Bagaroua, 3% of Tama & Bagaroua females	45 km. Bagaroua; 160 km. Tama radius
Friends and Relatives	Loans	Flexible	None	None	Flexible	70-90% in both villages	Within 3 km.
Asusu (ROSCA)	Savings	US$1-2	None	Weekly savings; peer pressure	Bi-monthly or monthly	90% in Bagaroua 30% in Tama	Within 3 km.

*These rates are taken from Boulenger & Bedingar (2006).
**The network which borrowed is not a member to the cooperative so they are not saving with them but they paid a loan guarantee. Minimum or maximum savings amounts of the cooperative could not be established.

MFIs and Cooperatives

Tama and Bagaroua communities generally consider MFIs and cooperatives geographically distant and expensive. Most individual VSLA members in rural areas have not accessed MFI credit. Some members described it as difficult to mobilize the deposits necessary to leverage external funds. However, the Bagaruoa network has accessed finance from a local cooperative through CARE's facilitation.

In 2006, Bagaroua network was linked with a cooperative to access a US$2,100 loan that was distributed equally among the member associations. The loan was used for

business activities, at interest of 12% over a 6-month repayment period. Other costs associated with the loan amounted to US$49, consisting of administration and application fees, guarantee, certification of documents, committee signature and security services. The network received its loan when it had savings worth US$2,100. In May 2007, the loan had been repaid and the association had no intention to access a repeat loan as they felt this was too expensive and they had not benefited much for their livelihoods.

VSLAs and Networks

Except for the four VSLAs that were non-networked, members saved and borrowed at both the VSLA and the network level. Being networked had an impact on activity at the association level. Both networks had required savings from the associations as a guarantee for their loans though there seemed to be no fixed ratio. There were two scenarios. Some VSLAs stopped the cashing out process so to accumulate for the network savings. Others continued to cash out at the association level and simply saved more at the network level.

No interest was paid on the savings collected. However, it is assumed by both the networks and the associations that once the networks are showing profits, members can either collect dividends or choose to re-invest. Neither at the moment is near profitability.

On the lending side, members can access loans up to US$100 at the network level as compared to the US$20 at the association level. The interest rate that the network level charges to the VSLA members is the same 10% monthly that they charge to on-lend to their members. Otherwise, it was felt that the costs would be too high. They already exceed the cost of borrowing externally. This lack of spread affects the association's viability as does the fact that the networks lend directly to VSLA individual members through the association and not to the association as a whole. This has implications for governance, bookkeeping, efficiency and viability.

The other main difference at the VSLA level is flexibility. Members can access emergency loans if they need to and there are funds available. They can also re-schedule their loans or pay interest only during difficult periods of the year making effective interest rates quite high. Penalties exist at both levels for late payments but are less practiced at the association level. At the network level, VSLA groups who fail to make two consecutive repayments are suspended from receiving further loans for up to three months.

Cereal Banks

One of the main reasons for CARE to facilitate the networking of VSLAs was to own and operate cereal banks building on what the women were already doing, buying and stocking some grain with their own resources. It has been a response to food insecurity challenges experienced since 2005. Networks established cereal banks which CARE supported with part of the building material and US$1,050 used to buy part of the initial stock. The sample VSLA networks also contributed part of the building material and cash used to buy cereal stock.

During the harvest, the network purchases cereal (mostly millet), stores it for about eight months until the hungry season, and resells it at much higher prices but still below market prices. This has been a successful activity with indications of increasing stock levels each season being observed for the sample sites. The intervention ensures that grain is readily available to both VSLA and non-VSLA members. The management of the funds for the cereal bank and the network savings and loan initiatives are supposed to be separate. In practice, financials are currently mixed. However, each network does keep a separate record book for this activity's transactions and the funds are not diverted for on-lending even when there is no grain being bought. In Tama, the network has opened a separate bank account where they deposit surplus cereal bank cash. A sub-committee mandated with the management of the cereal bank has been elected at each of the networks.

The VSLA members have high regard for the role that cereal banks play in making grain accessible to members and the community. Though the members have not shared out the profits from the cereal banks there is appreciation of the potential gains from the ownership and operation of the activities. Management of and profits from the cereal banks remain at the network level. Based on the action plans the profits may be used to re-invest in some of activities (livestock breeding, collective agricultural field, extraction of groundnut oil, etc.) used to benefit the community as a whole.

Worth of Services and Membership

In the context where a range of financial services are available members were able to identify appealing features that addressed their specific needs.

Figure 4: Preference for Alternative Financial Services by VSLA Members*

	VSLA group	VSLA network	Friends & relatives	Asusu	MFIs	Comment
Emergency	1	2	4	3	5	Given an option, prefer VSLA group as this is less embarrassing. Safety was also an issue.
Food	1	2	4	2	5	VSLA flexibility allows for social needs which will be a risk if money from other sources is used.
Livelihood activities	2	1	5	3	4	Large loans accessed from Network. MFIs offer even larger loans but are difficult to access. Though interest is high in VSLA this is owned by the members.
Assets	2	1	4	3	5	VSLA members value acquisition of large assets such as livestock. Bigger assets.

*In their rating members did not separate MFIs and cooperatives.

Most members expressed satisfaction with the services they are getting from their VSLA. The VSLA is generally rated as the most preferable financial service and closest option available to the members that provided flexibility for social needs. Other reasons for VSLA membership included:

- Opportunity to borrow: lack of access to loans elsewhere with no other service providers
- To access capital loans for their businesses
- To work with other women
- To try a new initiative introduced in the village

VSLA members continue to practice the traditional asusu from which they obtain a predictable lump sum payment used for a range of household consumption and productive needs. Combining asusu with VSLA membership guarantees a relatively stable income flow and access to cash. Members noted that both are important for emergencies but the VSLA would be less embarrassing to access. They also felt that their funds were safer with the VSLA.

Since 2002, CARE Niger has encouraged accumulation within groups. However, 10 of the 25 groups in the sample continued to cash out based on the regularity of their need for cash. In focus group discussions, on loan use and perceptions on benefits derived from VSLA, more weight is given to consumption than productive loans. Members constantly make reference to cases of illness, travel, food and death where members were assisted through the loans.

Members expressed their interest in network services for larger loans and livestock purchase. Since formation, Tama and Bagaroua networks have experienced a 2% dropout of members. According to current members the reasons for drop out were death, lack of food and lack of interest in saving in order to borrow.

Members did not distinguish between MFIs and cooperatives in their preferences and both were rated low. Though the loans from MFIs and cooperatives have lower nominal interest rates than networks, members expressed preference for VSLA where the capital is retained in the communities. They also found some of these financial institutions difficult and bureaucratic to access.

Cost and Length of Outreach

In the long-term, associations have two choices: They can remain time-bound and cash out or they can form a network or cooperative. To date, likely due to CARE's emphasis, most associations are networked or are planning to network. Some of the more developed networks have expressed interest in becoming federation of networks but so far only five in urban areas (Niamey) and one in a rural area (Say) have transformed and become completely independent of CARE.

There are really two levels at which sustainability should be understood: The VSLA level and the network level.

VSLAs

Cashing out at the end of each cycle has allowed groups to be viable within their resource means. They are not growing (accumulating) and members are not accessing larger loans however, the resources available are distributed effectively and can be easily monitored by the members. Internal control is easier at this level. Sustainability in this sense, means graduating from CARE to self-management including the ability to manage their own finances and cover the costs of their bookkeepers and village agents. CARE has noted that approximately 95% of associations continue once support was withdrawn though evidence is not available. Village agent payments as a percentage of real GNI represent only .5%. They reach between 75-105 members on average or 2-5 VSLAs. The village agent in Tama has been active since 2000 during which she has trained fourteen groups within Tama

and four other surrounding villages. This translates to an average output of two groups per year in six years. In Bagaroua the village agent has trained 37 groups over a seven year period producing an average of five groups per year. CARE's use of village agents is a cost cutting measure as they only cover their training of trainers' costs while the agent is paid for her/his training services by the community. VSLAs that continue to require support can contract with CARE trained village agents at a cost of approximately US$0.10 per month. Self replication and agent promoted growth is very low at the two sites. Agents indicate that not all groups have been able to pay them and they either end up volunteering or not training. Village agents at times walk between 8 to 10 km or use their own money to access other villages for training. This has impacted on their intensive engagement with VSLA training which has led to the slow growth. The lower cost of village agents may have sacrificed breadth of outreach.

Fees and interest they charge themselves cover these costs and members determine these fees and rates. Individual weekly contributions of around US$0.40 are around 8.5% of weekly national GNI per capita. This is considered affordable for members who determine the contribution levels themselves. Weekly compulsory meetings are another implicit cost of borrowing or participation. Delegates are not compensated for the additional work. There are no indications of complaints from current members on the time and costs associated with their participation in VSLA. However one reason given for non-participation by other community women was lack of time to attend the numerous VSLA meetings.

Even with low costs, VSLAs that accumulate and network struggle more in terms of viability. Loans at the level of the VSLA groups are at a monthly nominal interest of 10% to their members. This is the same rate that VSLAs borrow from their network. No spread is left for association viability. The emphasis on individual members, both in the cash out process and now through network loans directed at individuals may have long-term effects on the association's sustainability.

When groups join a network, they become part of a more complex financial structure and with it increased costs and complexity. There is also a liquidity drain on the groups to the network level where network loans are tied to the savings of a group. Fewer savings are available at the group level for accumulation, distribution and emergencies. These savings become a source of funds and revenue for the network. In other words, the viability of the group and the network are in tension.

Network Level

While still early days for networks, their sustainability seems to be a serious concern. Tama and Bagaroua networks show operational sustainability figures of .2% if cereal bank activities are considered. Operational expenses as a percentage of total average assets is 358%. In other words, their financial income is not close to covering operating expenses and even an increase in fees and interest rates could not cover these high costs. These figures are estimates as there were financial inconsistencies in the data and loan losses are not included. Separating the cereal bank activities also shows that the high subsidies available do not cover the costs of the cereal bank activity.

In Tama and Bagaroua, groups paid fees to their networks at US$42 and US$11 respectively. The size of the fee varied. Involvement with collective income-generating activities such as cereal banks has resulted in higher fees. Fees cover costs of registration, stationery, lock boxes—approximately $US6 without involvement in cereal banks, and upwards of US$20 if there are collective income-generating activities. For the two networks, which all have collective IGAs, it is a requirement for new members to, as part of the joining fees, contribute towards the initial capital outlay for the collective activity.

The VSLA networks visited had received external subsidies from CARE, World Food Program and other donors. Between the two networks, subsidies represented a high 52% of their source of funds (liabilities and equity). To assist groups in establishing networks, CARE provides subsidised facilitation on organisational development training covering the network structure and responsibilities, financial service mobilisation, types of network income generating activities and community level exchange visits that have been conducted between networks. CARE field supervisors provide training on network formation at no fees. In addition, networks have been provided with financial resources by CARE to purchase building materials and grain for the cereal banks. In the case of Tama and Bagaroua, the level of external subsidy amounted to nine times and three times, respectively, the volume of capital and contributions mobilized internally by members. For the sample sites, the subsidies are not connected to the savings and loan products but cereal banks.

Clearly, the social/collective activities have had an impact both on financial sustainability at both levels. It is not part of this study to weigh the benefits of these activities as clearly CARE Niger is intending a double bottom line and feels that subsidies are essential to address the social concerns. However, it is important to note that both the financial performance and the way that financial information is gathered have the capacity to undermine the networks—both financial and social.

What Has Enabled This Member-Owned Institution to Achieve Remote Outreach?

Regulation and Supervision

VSLA groups have been below regulatory screens. VSLA networks are registered under the Cooperatives Act Ordinance No. 84-06 of March 1984, and are supposed to receive support and supervision from the Ministry of Community Development. While they are registered, they do not receive regulatory guidelines or any external supervision visits to check on compliance. While detailed financial records are not available it does appear that even without external supervision VSLAs are functioning well. VSLA groups are supported by CARE trained village agents, while networks themselves receive support from CARE staff. However, as the networks grow beyond a handful of groups and their level of activity increases, external supervision and regulation may be necessary. So far, members have no concerns about networking or placing their deposits in networks though they do feel that it is safer to borrow and save at the group level.

Legal registration has had its benefits at both the group and network level. VSLA groups and networks consider legalization important for recognition by authorities and other opportunities for linkages and other forms of support. Members are confident that registration under the Act contributed to their qualification for support from CARE, World Food Programme (WFP) and the local authority for cereal banks. Networks have made registration of the VSLA groups, under the same Act, one of the requirements for membership. All groups under the two networks are registered and members have been responsible for handling the processes and associated costs, quite typical for the networked groups.

In practice, VSLA networks largely self-regulate with the support of CARE. However, networks and groups have varying degrees of knowledge and understanding of the bylaws. Few have modified their bylaws and in some cases groups are acting contrary to internal rules (networks have been observed lending directly to individuals). Tama and Bagaroua have adapted these rules and regulations. The sample networks both have, within their management committee, quality control and auditing subcommittees that monitor the executive committee's activities and their compliance with the rules and regulations and network plan. The subcommittees are made up of delegates nominated by the VSLA groups. However, on the financial side, given the relative complexity of transactions and current absence of structured record keeping, it is not clear that the subcommittees have the capacity to effectively perform an internal supervisory role.

Although CARE has promoted and provided technical assistance on the VSLA model they do not provide ongoing oversight that would compensate for a lack of supervision. Some level of oversight is provided by village agents who live in the sample sites. Each sample village has a resident agent whose supervisory roles involve inspecting accuracy of group records and adherence of networks to their own rules and regulations. However, they do not have an enforcement role. Village agents have not recorded any mismanagement and deviations from regulations. Networks appreciate the role of agents in helping improve their understanding of their records and performance.

The main trigger for strict external regulation is the mobilization of public deposits. The main regulatory framework for West African microfinance, the PARMEC law, requires that all microfinance activities be carried out through legally recognized structures with specific requirements in terms of management and reporting. Organizations not covered by PARMEC are not supposed to mobilize public funds. This creates grey areas and leeway with PARMEC for VSLA and similar models where members collectively save and borrow without collecting funds outside of membership. At present, member-owned models are split between the cooperative law (VSLA networks) and the PARMEC law. Two separate regulatory frameworks make linkages, graduation and coordination more challenging across the sector which can ultimately affect members and their services.

The potential value for external regulation and supervision exists at the VSLA network level. The protection of members' savings and stability of VSLA networks will be critical in the context of increasing savings transactions, demand for larger

loans, and tracking of transactions. While the two sample networks have so far managed as they seek to add new members, the role of the regulators and supervisors will help to minimise possible risks. This will come with costs, money, time and standards, which will have consequences on sustainability of the networks.

Networks and Linkages

The original VSLA model was an independent women's savings and credit group that paid out at the end of a cycle and recommenced again with the same or different members. It was based on the traditional asusus, local ROSCAs. More recently, CARE has been encouraging the groups to form networks, transforming into more stable and registered entities as was found with these networks. In response to the demand for larger loans, CARE has focused on consolidation, accumulation, and building linkages between VSLA networks and MFIs. Presently, about 75% of Niger's VSLAs are linked and 87% are networked.

The criteria for membership to the networks include: Group motivation; willingness to do voluntary work; preliminary training on VSLA; legal registration; internal bylaws; demonstration of association cohesion; a good financial statement; a signed member request form; and accepting to participate in collective activities. Though the membership fees differ, the criteria used to determine the figure is the same and equivalent to the founding groups' contributions towards the network registration fees, buying record books and the cash box, and costs related to setting up the cereal bank. Groups that have satisfied the membership criteria have enjoyed the benefits of borrowing from the network, procuring grain and participating in network meetings. The network meetings are valued as platforms for knowledge exchange by women on issues they face in groups or in their daily lives.

The value added of network level loans is not sufficiently apparent and widespread. In joining the networks, groups have also committed to network level savings which can de-capitalize the association's funds. The understanding is that incremental growth in the network capital will allow larger loans to members. The networks have provided member groups and individuals opportunities for access to pooled savings and disbursement of larger loans. In all sites, every group has had a chance to access loans which they considered large compared to what they used to disburse or continue to disburse from the groups.

The role of the networks goes beyond financial services to business development services and other non-financial services. Through the networks, groups have accessed adult training, training on HIV/AIDS and income generating activities such as the cereal banks. Though these do not relate directly to the managing of the savings and loan activities, members did value these services. Interestingly, the role of networks to provide a liquidity balancing function between VSLAs, as is seen elsewhere, was not raised.

One aspect of networking that CARE had not explicitly supported is the use of a network as a platform to form other financial linkages. In Bagaroua, the network successfully accessed and repaid a cooperative loan for the VSLA members. In urban areas, VSLA networks tend to have more diversified linkages than those in rural

areas. The case of Moira network in Niamey demonstrates linkages with CARE, SNV, GTZ, Solidarity Bank and the Prime Minister's offices, for various capacity building subsidies on aspects such as access to grants, systems development, expansions and office requirements. There is evidence of a growing number of linkages in both urban and rural areas though specific data is not available. What is clear is that there are advantages (larger, cheaper loans; non-financial services valued by members) and disadvantages (terms; high deposit ration; possibility of over-indebtedness). In this case, CARE provided information on sources but did not facilitate the linkage or provide capacity to the networks or VSLAs around it. In this sense, the linkages seem to be demand-driven even though many VSLAs, like the one in our case, are not returning for repeat loans. CARE recognizes that more support and capacity building is necessary both on the side of the VSLAs and the MFIs if linkages are to be successful.

Is this just a case of the VSLAs gaining capacity to link as well as the MFIs gaining a real understanding of this market? Or are VSLAs better off controlling and improving upon their own financial services?

In order to understand the choices and trade-offs available to VSLA members, it is important to place Niger in the broader context. VSLAs in Niger have been encouraged to make the following adaptations:

- Combine oral bookkeeping with written
- Use village agents over CARE staff
- Accumulate instead of cashing out
- Network and, if desirable, make linkages with financial institutions

The trend elsewhere in Africa has been in the opposite direction—away from centralized written records and ledgers and toward individual passbooks and more sophisticated forms of memorisation and witnessing. While it is generally thought that the time-bound associations are extremely limited due to the necessary simplicity and uniformity, there have been some interesting adaptations. Other countries have introduced daily savings using tokens, variable contributions (using shares instead of savings), and the use of member passbooks to record all transactions and eliminate the general ledger (Allen, 2007a). These adaptations keep the focus on member control, transparency and understanding. They show that simplified does not always mean rigid.

Nevertheless, there are trade-offs. Doing away with the central ledger means that the association cannot develop or show its credit history. If the association does develop its ability to form linkages it may not be in a position to demonstrate it financially. It is helpful then to think of three options for associations as follows:

Figure 5: Choices and Trade-Offs for VSLAs

	Benefits	Drawbacks
Time-Bound ROSCA-like VSLA (focus on individual members)	Simplicity but some range of services possible More direct member control & flexibility Lower costs Cashing out provides liquidity in predictable lump sums and "cleans" the books Witness form of internal control High return on savings/equity	Limited resources Rigid distribution process–based on simplicity and uniformity Association viability reduced as there is no accumulation
Accumulating ASCA-like VSLA (focus on association)	Possibility of larger loans and longer terms, more range in services such as flexible loan payments Bookkeeping allows credit history for linkages Growth of association fund	Member returns compete with viability of association More complex Reduced transparency and direct control of members Need for leaders or village agents to keep books
Networking (focus on network)	Access to larger loans Cereal banks and other non-financial services Registration that facilitates other linkages such as financial Possibility of regulation	Limited liquidity as savings with networks are longer term Viability of network competes with viability of group More complex, and hence need professional management Reduced transparency/control and increased costs

It is important to understand the tensions that exist at each level: Between the individual members' access to their finance and the association's ability to grow; and between the association and the network's viability. Put in this light, CARE Niger's methodology seems in transition. Some like ROSCAS are still cashing out a maximum of 15% of their resources, but have not adapted any of the time-bound innovations found elsewhere. Others are accumulating, it seems, mainly to network though the viability and sustainability of these networks is still in question. Where the association's viability fits in is not clear in the current strategy. It would be helpful to have a much more thorough understanding of members' preferences regarding these three options and their relative trade-offs.

Governance and Member-Ownership

Trade-offs between the various VSLA options also have an impact on governance and ownership. How is it different for associations and at the network level? What did members value in member ownership? To what extent is this a member-owned model?

VSLAs have an internal management committee comprised of a president, secretary, treasurer and two controllers elected by the group as a whole. Members determine their own cash out schedules, contribution levels, and interest rates. They understand that the money comes back to them. Members memorize their bylaws. Members had varying degrees of knowledge and understanding of their bylaws and few VSLAs have modified their bylaws. The only example seen where a member recited a governance by-law that she had memorized related to punctuality that was an issue for that VSLA. The members express a sense of empowerment to hold the VSLA leaders accountable for group processes and activities. VSLA members did not indicate tendencies, by VSLA leaders or other powerful individuals, towards manipulation of VSLA financial resources at the expense of the interests of other members.

Perhaps more important is the oral bookkeeping system. Members recite transactions and memorize balances from previous meetings. They are also set up in peers for accountability. Each peer memorizes their partner's amount and payment. This is an important form of internal control that can be carried out by illiterate and innumerate members. The downside is that the group must cash-out and the terms must be necessarily short to allow for memorisation. Therefore, there is a trade-off between the flexibility/diversity of products, accumulation of funds and internal control. However, the oral procedures combined with mandatory attendance at group meetings and transactions undertaken in front of all group members have ensured transparency and accountability. In essence, each meeting is a type of audit for these time-bound VSLAs. Members did confirm that they find savings and loans activities safer at the VSLA level, even as compared with the VSLA networks.

Historically, the cash-out and the oral record keeping have been two mechanisms of internal control. Both written bookkeeping and networking pose challenges to this type of witness internal control and cash-out audit. Recently, almost all VSLAs have combined rudimentary bookkeeping with the oral procedures. They do not have a standard process that is used. Each keeps track of money coming in and basically what has been disbursed. Balances are not generally reconciled. The written books are seen to complement the oral system and are intended to minimise the chances of memory lapses and misrepresentations. There is a danger that members will stop relying on their own memory and witness and begin to rely on the village agents or internal leaders. This is a very different form of control and books are not kept well enough to do so. At the sample site in Tama, the network was yet to make entries into the written record keeping system as the village agent said there was no time. It is unclear whether capacity is also an issue. Written bookkeeping was only recently introduced so it is still too soon to tell.

In terms of networking, many VSLAs now accumulate and deposit their savings in the networks to access larger loans with longer terms. There are no indications of disagreements regarding this practice. Variations are noted at the group level where ten have continued with their own savings and lending and cashing out. This is a decision made by the groups in the interests of their members, recognizing limitations that may exist on the capital at the network level and the need for predictable lump sums.

Members felt a strong sense of ownership at the network level too. Members view expression and acceptance of their views and contributions during deliberation and decisions at meetings and consultations at the network level as sufficient evidence of their ownership.

At the network level, VSLAs send elected delegates to weekly meetings. Each network has several committees who carry out the work of the network: A main management committee supported by subcommittees on supervision committee, advisory and quality control.

The management committee of the network represents, through consultation, the interests and needs of members usually identified and prioritised during general assembly meetings. The general assembly for a network includes all the elected delegates from member groups. In spite of the fact that they are represented in decision-making, members still feel that they influence the decisions and bylaws of the network. From inception, once several VSLAs have agreed to form a network, they must meet in a General Assembly to identify their own priority needs and develop an action plan. Thereafter, the elected delegates at the network level regularly report back and consult with their VSLAs on progress in the implementation of the plan and other issues that may emerge.

Members felt ownership through their capacity to hold leaders accountable, decide on savings and loan conditions, decide the criteria for membership and loan access, and the identity given to the network and association. Despite this, there were indications of dominance by individual women members. In Tama and Bagaroua networks, discussions tended to be dominated by few members. The other members expressed their trust on the literate to speak on their behalf as they felt that they have been more exposed.

CARE's training of village agents is one aspect of their interest in creating networks and groups that are eventually self-managed. The danger is that members defer to the village agents and that they can abuse this authority. There was no indication of domination in terms of access to loans or other services. Village agents play roles at both the group and network levels where they assist in training of new members or groups, assist in recording transactions and refresher training when needed. They are a communication link between CARE and the VSLA structures.

Institutional sustainability or self-management for associations and networks remains a key issue. Will these VSLAs last beyond CARE's support? CARE has provided subsidy and technical support in management for both groups and networks, as well as a set of standard bylaws for guidance, management and control of operations. Despite CARE's role in developing the by-laws, VSLA members believe that they own and influence the functions and decisions made in their structures. CARE is moving to provide more technical support to networks rather than VSLAs now. Village agents will provide that support in future. However, village agents have not received adequate training or remuneration to play this role. How networks will be able to cover their costs with their own financial income is also a challenge.

The period to self-management between a village agent and a VSLA, from training to maturity and independence or self governance, is twelve months. VSLAs in Tama and Bagaroua are now independent and considered self managed. When required, they may request support from the village agent and bookkeeping ability remains mixed at the VSLA level.

Figure 6: VSLA Group Development Cycle

Time to self-management	Group Indicators	Member Indicators	Capacity Building Topics
12 months I. 6 weeks training + weekly follow-up II. 3 month development III. Handling own books, policies, links	Group Leadership, Decision-making, both financial and nonfinancial Problem-Solving and conflict resolution External linkages Accounts maintenance Sustainable Growth of fund	Increase income More influential in family matters Gain self respect in community and families Confidence	Women's group formation Group records Financial management of loan fund Common issues and opinions Learning and Training plans

Looking to the future, VSLA members envision that networks will be able to broaden their membership and financial services to other community members. They want to support their networks to continue making bigger investments in IGAs to broaden the range of services and products, beyond grain, that they offer to members and the broader community. The households that are not currently involved in VSLA are considered a priority in the vision of the networks. They want to explore strategies of actively incorporating other women left out. For networks, there is not a clear path to self-management from subsidy as has been developed for VSLAs.

Conclusion

The VSLA model is working well in response to member needs allowing women in remote rural locations convenient opportunities to save and lend in the context of very few options. MFIs and cooperatives are still too far and expensive. The real question is not whether VSLAs add value to the formal MFI sector but whether they have genuinely improved upon the traditional ROSCA or asusu.

Interestingly, most members combine their VSLA with the traditional asusu as the ROSCAs still provide much-needed flexibility in rural areas. The most dominant households reached by VSLAs are in the vulnerable profile with limited reach in other categories. Neither the most vulnerable nor the wealthy groups participated heavily in VSLAs. VSLAs seem to represent an in-between step to MFIs. However, as the VSLAs move to more networked models they compete more closely with MFIs and cooperatives.

The original VSLA model has undergone many changes. Now there is the possibility of forming a network, though some VSLAs have decided to remain non-networked and continue to cash out. Those that continue to cash out do so to have more ready access to predictable lump sums. The move to network has been motivated by the limited capital for on-lending at the VSLA level. Through the network, groups pool their financial resources together from which larger loans are disbursed to members to purchase larger assets such as livestock. In addition, the network is used as a channel to negotiate and access external capital from MFIs and/or cooperatives for

on lending to groups. The role of the network has also extended to facilitating access to other non-financial services, specifically cereal bank activity.

The extent to which networks and linkages add value is still unclear. Members identified clear benefits in terms of larger loans and collective activities that are important for ownership. However, the terms of linkage are far from favourable to the VSLAs. It will take some time for the VSLAs to be treated genuinely as clients as the SHG linkages have demonstrated. The focus on both financial and non-financial activities has meant a trade-off in terms of new VSLAs being formed. Also, networks are highly dependent on subsidies and it is unclear how they will sustain themselves.

Member governance and ownership is demonstrated to be high within the VSLA. Members inform and influence their own rules and regulations and are positioned to hold the elected leaders accountable in their actions. Assembly level planning, regular consultations and feedback meetings are characteristics of platforms meant to ensure transparency and representation of members. There is a general feeling of empowerment and ownership by the women which has led to high retention of membership in VSLA.

A movement toward networking has meant a trade-off in terms of ownership and internal control by members. Moving to this level of sophistication means that members cannot directly hold each other accountable. Responsibility falls to village agents who have not yet demonstrated their ability to manage more sophisticated systems particularly with written records. The contribution of village agents to both depth and breadth over time is very limited as there has not been significant growth in the VSLA clients since the shift from CARE direct service delivery to the use of agents.

Finally, it is unclear how networks playing a financial intermediation role will be and should be regulated or supervised. Regulation of MFIs in Niger is guided by the PARMEC law but its coverage of member-owned institutions does not include VSLAs or their networks at present. For legal recognition, VSLA structures are registering under the Cooperatives Act but without clear regulation and supervision that accompany this status. The VSLA has not been affected both in terms of scope and depth by the current status of regulation. The network and groups are largely depending on internal regulation by members with some level of oversight as provided through the CARE staff and trained agents.

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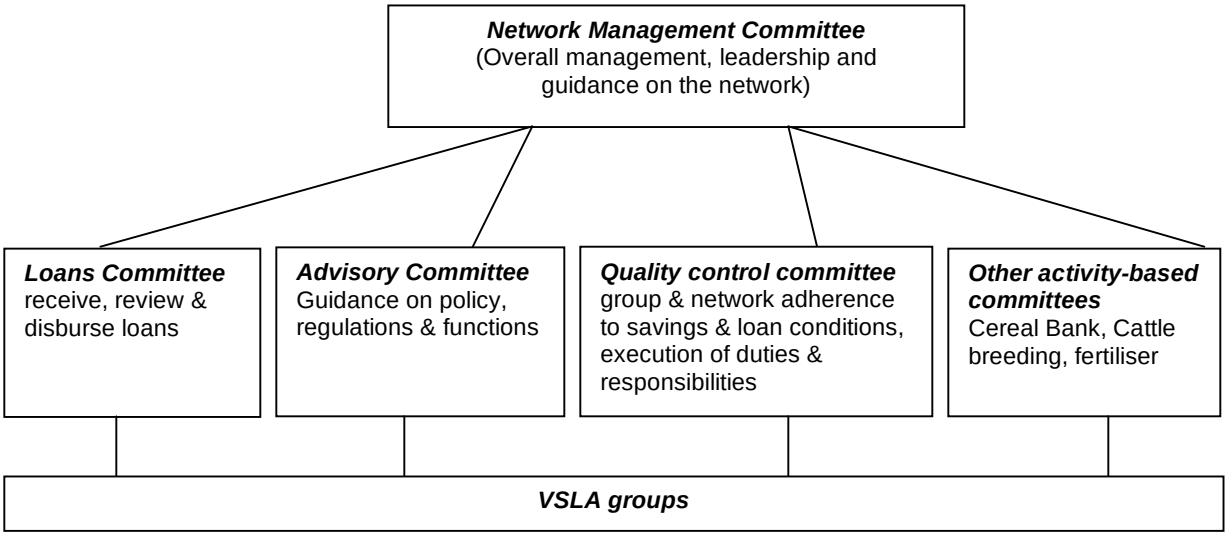
Abbreviations:

ADF	African Development Fund
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest
BDRN	Development Bank of the Republic of Niger
CNCA	Caisse nationale de crédit agricoles
CNE	National Savings Fund
CRN	Crédit rural du Niger
DFS	Decentralized financial systems
IGA	Income generating activities
MCPEC	Mouvement des caisses populaires d'épargne et de crédit
MECREF	Mutuelle d'épargne et de crédit des femmes
MFI	Microfinance Institution
MOI	Member Owned Institution
PARMEC	Projet d'Appui à la Réglementation sur les Mutuelles d'Epargne et de Crédit
ROSCA	Rotating Savings and Credit Association
SHG	Self-Help Group
UMEC	Union des mutuelles d'épargne et de crédit
VSLA	Village Savings and Loans Association

Appendix A: Network and VSLA Groups Structure



Appendix B: Financials

B1: Key Financial Indicators for Bagaroua and Tama Networks

Key Indicators (US$ and %) 2006	
Depth	
Size of average savings balance as % of GNI per capita	2%
Size of average loan balance as % of GNI per capita	1%
Population density	10-25 persons/km^2
Number of formal or semi-formal service providers in service area	2
% female clients	100%
Length	
Operational self-sufficiency	3%
Financial self-sufficiency	Not available
Portfolio at risk > 30 days	Not available 7% past due loans
Total Operating Expenses/ Average Total Assets	358%
Average staff salary and benefits / GNI per capita	Not available
Breadth	
Number of active borrowers	525 approx. assuming 21 per group
Number of active savers	535
Number of base-tier units	25 groups
Cost	
Effective interest rate on average loan size	767.90%
Worth	
Retention rate	Not available
Other	
Growth in Total Assets	Not available. Only current information.
Net Loans/Total Assets (fund utilization)	30%
Income from collective activities as % expenses for collective activities	4.6%

B2: Financial Data for Bagaroua and Tama Networks

	Bagaroua	Tama
Number of Groups	19	6
Number of Women	432	103
Savings	1 082 760	150 000
Interest	11 000	11 650
Fees	0	0
Shares	380 000	120 000
Financial product- collective activities	0	381 300
Social funds	0	0
Other contributions	400 000	1 500 000
Gifts, legacies and donations	3 200 000	2 494 000
Outstanding loans	351 000	350 000
Outstanding overdue loans	50 000	0
Storage and other	5 232 000	3 046 950
Losses	0	0
Funds on collective activities	0	475 000
Material purchase	182 200	52 000
Social emergency fund	685 000	617 000
Cash in hand	336 000	116 000
Delay of payments	0	0

Financial Reports provided by CARE Niger- Local Currency

B3: Income Statement For Bagaroua and Tama Networks ($US)

	Bagaroua Network	Tama Network
Financial Income	**Amount**	
Interest and Fees	23	24
Other Income		
Income - collective activities		798
Total Income	23	822
Financial Expenses		
Interest on Member Savings	0	0
Total Financial expenses	0	0
Gross Financial Margin	23	24
Provision for Losses		
Net Financial Margin	23	844
Operational Expenses		
Storage	10,948	994
Material purchase	381	6,376
Depreciation		109
Total Operating Expenses	11,329	7,479
Net Income from Operations	(11,306)	(7,475)
Non-operational income (collective activities)	(11,306)	798
Net Income (before donations)		(6,677)
Subsidies, gifts and legacies	6,695	5,219
Excess of Income over Expenses	(4,611)	(1,458)

Generated by Study

Appendix C: Methodology

Study Objective

To illustrate how varied member-owned models in different contexts have been able to achieve significant outreach in remote, rural areas.

Defining Member-owned

- Clients are both owners and users of the institution
- Member equity is tied to ownership and decision-making (shares; savings; rotating/internal capital)
- Member equity is a key source of funds
- Legal entity is based on member-owned (i.e. association)

In order to cut across models definition needs to account for a variety of forms of equity and decision-making. Even what legal entities are possible will vary from context to context.

Defining Remote

Unserved in its own market. This can be due to several factors:

- Geographical distance from nearest service or input provider
- Population density
- Socio-cultural aspects of access such as gender or ethnic background as in the case of lower castes in Asia or indigenous groups in Latin America

Study Methodology

The intention of the research is to help answer some questions about different types of member-owned institutions to determine what potential they have for depth, breadth, scope, length, worth and cost of remote outreach, using Schreiner's (1998) six aspects. In-depth institutional analysis of each MOI sample examines remote outreach and demand by remote members and member groups. The second level of analysis focuses on how remote outreach is influenced by three key drivers:

- Networking and linkages
- Governance and ownership
- Regulation and supervision

The perspective of analysis is from the lowest tier association, SACCO or set of groups and their members. Selection of case MOI(s) is based on the 20% most remote MOIs within their sample universe. Selection is based on remote members/groups that are representative and mostly strong. The sample universe would be the district, sub-region or cluster of MOIs according to second-tier organizations, political boundaries or regulatory areas. Depending on size of MOI and sample, range could be a number of self-help groups to one SACCO or village association.

Case-Selection Criteria

- Remote in terms of households is proxied by one or more of the following:
    - Location of access points (decentralized and centralized level if receiving different services at each point).
    - Distance of access points to local centre and nearest road (nature of road), availability of transportation.
    - Depth of outreach (varies by context but broadly a factor of population density and infrastructure, poverty level, and other indicators of social exclusion).
- Member-owned (not managed externally; members involved in decision-making)
- Strong breadth of outreach relative to the context
- Informative in terms of one or more of our key research questions (governance and member-participation; external resources; regulation and supervision; type of MOI)
- Not so unique or idiosyncratic that it does not have lessons that can be applied to other contexts
- Relatively financially viable
- MOI is transparent, information is readily available or fairly easily collected and staff is willing to collaborate in collecting information.

Schreiner, M. (1998). Aspects of outreach: A framework for the discussion of the social benefits of microfinance. *Journal of International Development, 14*(5), 591-603.