

REPORT

GAP ANALYSIS AND LINKAGE READINESS ASSESSMENT FOR YOUTH/VILLAGE SAVINGS AND LOANS ASSOCIATIONS (Y/VSLAs)

SUBMITTED TO: CARE INTERNATIONAL UGANDA

CONSULTANT:

FRIENDS CONSULT LTD

Plot 3357, Block 244, Muyenga Road

Next to Georgina Eye Clinic and Surgery

P.O. Box 24366 Kampala, Uganda

Tel: +256-414-349-381

Email: info@friendsconsult.co.ug

Web: www.friendsconsult.co.ug

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LIST OF ACRONYMS

CBT/Fs	Community Based Trainers/Facilitators
CRS	Catholic Relief Services
DADO	Dynamic Argo-Pastoral Development Organization
DINU	Development Initiative for Northern Uganda
FFIs	Formal Financial Institutions
FSDA	Financial Sector Deepening Africa
GADC	Gulu Agricultural Development Company
PAR	Portfolio at risk
SACCOs	Savings and Credit Cooperative Organization
Y/VSLA	Youth /Village Savings and Loan Associations

EXECUTIVE SUMMARY

The Development Initiative for Northern Uganda (DINU), a Government of Uganda initiative with support from European Union, supervised by the Office of the Prime Minister is being implemented by a consortium led by CARE Denmark. The program is being implemented in the Karamoja sub region (covering 11 districts) as well as Kitgum and Katakwi districts. CARE Denmark commissioned gap analysis for Y/VSLA linkage to identify interventions aimed at contributing to improved access to credit through community saving and credit schemes.

The objectives of the study included gap analysis of Y/VSLAs, linkage readiness assessment for mature Y/VSLAs and evaluation “digital readiness” of group members. A representative sample of 773 Y/VSLAs from drawn from all the project districts were covered the study. The sample was classified in three categories: Mature groups totalling 350 (45.3%) Mature and ready for Linkage groups, 390 (50.5%) and Watch Category/Maturing groups and 33 (4.3%)

The analysis revealed that the gaps identified in Mature and Ready-for-linkage Y/VSLAs were closely similar to those in Watch Category (Maturing Groups) category and required more or less similar interventions.

Gaps

The gaps for mature and ready-for-linkage groups that were so closely similar to maturing Y/VSLAs included the following:

1. The 27% mature Y/VSLAs initiated by development partners and Government are still low numbers and therefore they need to do more to increase financial inclusion and improve livelihood of the poor communities
2. Much as women members are more than men and their participation at management committee is good (87% of the groups having more than one woman out of 5), only 34.9% of Y/VSLAs have women chairpersons and this is still inadequate at that level. Women need to be more empowered to take up these lead-high positions within the Y/VSLAs.
3. The literacy levels in the areas, with only 39% having completed secondary and post-secondary school, is low. The key stakeholders need to emphasize training and retraining of members and utilise the skills of other members even if they are not chairpersons if they are to meet the needs FFIs.
4. In most VLSAs, not more than 5 members have attended financial literacy, business development skills and entrepreneur skills trainings¹. This is a challenge to sustainability of the groups due to the risks associated with selection of right business they can afford to manage which may result in failure to repay loans from the group and the FFIs.
5. FFIs mainly look at poor people as individuals, FFIs need to change the perception and look at them as a group such that collectively they present an opportunity for doing business. This in turn requires that the groups improve in strength and become more appealing to FFIs.

¹ 88% for financial literacy, 90% for business development skills and 90% for entrepreneur skills

6. The practice of sharing all the savings and profit annually (practiced by 89.4% of the mature Y/VSLAs) needs to change. A portion of the money raised should be invested. This should be part of the financial literacy training delivered to the groups.
7. Some (15%) mature Y/VSLAs had given out loans to non-members. Though it is good to generate income from outside the Y/VSLA in form of interest, this comes with the risks associated with loan recovery from non-members. FFIs may not encourage lending to non-members when the Y/VSLAs are linked.
8. Few Y/VSLAs (27%) mentioned using of money for trade and investment. Members need to be trained in business/ financial literacy to appreciate the need to invest money in income generating activities (small business).
9. The portfolio at risk (PAR) is high with only 38.6% of the Y/VSLAs reporting PAR better than 5%. The Y/VSLAs need training in managing portfolio quality.

The gaps in either category which were not similar to the other include the following:

1. The loan term of 1 to 3 months reported by 83% of them - too short for some members investing in business or farming activities.
2. Only 50% maturing group believed that members are likely to pay. This is a challenge that needs to be addressed.
3. The attendance rate in maturing groups is low with 69.2% of groups reporting 80% and above attendance.

Recommended interventions

The proposed interventions for the above gaps include the following:

1. Development partners and Government should invest more in creating and supporting Y/VSLAs at all stages until they are linked to FFIs if they are to achieve their goal of financial inclusion as a vehicle to reduce poverty
2. Further women empowerment initiatives, including having them in top Y/VSLA leadership positions, should be strengthened and supported by all the project stakeholders
3. Training in financial literacy, business and entrepreneur skills should be included as part of the package for supporting Y/VSLAs in linkage intervention.
4. Management committees should encourage members to borrow for income generating activities and work with members to introduce a requirement that members wanting to borrow for consumption should have income generating activities.
5. FFIs staff should be given re-orientation and training to appreciate the dynamics of Y/VSLAs and appreciate that Y/VSLAs can present a business opportunity they can tap in because collectively members can raise substantial savings.
6. Y/VSLAs should be assisted to focus on lending members only to avoid the risks associated with lending to non-members.

7. Both Y/VSLAs leaders and member should attend training in portfolio management to ensure sustainability even after electing new management committee members.

The proposed interventions for non-similar gaps include the following:

1. Maturing groups should strengthen controls and minimize the risks of loan default and to adjust maximum repayment period a bit beyond 3 months for some borrowings. This may include training management committees in loan appraisal and monitoring.
2. Maturing groups should strive to link to FFIs so that members can also be in position to get loans with longer loan term.
3. The maturing groups should be encouraged during training to participate in group meetings to ensure cohesion and compliance with the bylaws.

Categorization o digital linkage readiness after field research and analysis

The study revealed that out of the 773 groups that participated in the study:

- a) 355 (45.9%) were mature and ready for digital linkage
- b) 136 (17.6%) were in Watch category (need some support to be ready for digital linkage)
- c) 282 (36.5%) were need of substantial support to get ready for digital linkage.

Gaps in readiness for digital linkage

For digital linkage readiness, the gaps and the corresponding interventions are similar for all the three categories. This can partially be attributed to the fact that readiness to the digital platform is not mainly influenced by the stage of the group but rather other factors including but experience in using a phone, ownership of phones, ability to perform mobile money transaction and network coverage.

The gaps identified for digital linkage readiness include the following:

1. *Disparity in knowledge of and proficiency in mobile money.* Much as most groups have members with experience in accessing mobile money services, it is important to note that not all members are at the same level of understanding of mobile money in the group as demonstrated by the low average number of members registered for mobile money (13 for mature and ready for digital linkage).
2. *High charges on mobile money.* The issue of high charges came out strongly with 89% of the mature and ready for digital linkage groups citing it as serious challenge
3. *English language* is still a barrier considering the literacy level in the area
4. *Trust in and willingness to engage in digital transactions.* The percentage of groups willing to perform digital based transactions is low (66% of maturing; 67% of mature and ready for digital linkage willing to deposit in and withdraw from FFIs using mobile money account)

5. *Phone and network-based challenges.* Majority of the groups expressed concern that when they accessed services from phones, they encounter difficulties (like poor signal, signal loss, error message): 82.7% reported encountering these challenges very frequently, 25% sometimes 57.7% occasionally.

The proposed interventions digital linkage include:

1. The project should work with service providers should train Y/VSLA members who will be just getting the phones for the first time as well as those who already have phones but are not regular mobile money users. The new ones should also be helped in registering for mobile money. Members with experience should provide continuous support to their colleagues who are less experienced.
2. Work with mobile money providers to consider making the charges more affordable so that they benefit from volume. Also, sensitize the Y/VSLA members and communities about the value for money of the mobile money with respect to security, cost of alternative means in terms of money and time
3. Work with mobile money providers to translate mobile money menus and instructions into the main languages like Luganda, Luo, Ateso, Runyakitara and Swahili
4. Sensitize members and communities to trust and use digital transactions. The key players should direct efforts on sensitizing the targeted members through training and visiting areas where similar projects have been successful so that members can hear from fellow underserved communities. This will build trust and confidence to enable members appreciate the benefits of the digital platform
5. FFIs should use both MTN and Airtel as service providers for digital platform to allow flexibility for members to choose their best alternative.
6. Explain to network service providers the value they will unlock and benefit from if they boosted network accessibility in the project area. Mobile money providers should thus ensure that there is always stable network in the area to build confidence and trust with group members and the community at large

1.0 INTRODUCTION

1.1 Background

The Development Initiative for Northern Uganda (DINU), a Government of Uganda initiative with support from European Union, supervised by the Office of the Prime Minister is being implemented by consortium the CARE Denmark with its partners that include:

- i) Catholic Relief Services (CRS)
- ii) Gulu Agricultural Development Company (GADC)
- iii) Dynamic Argo-Pastoral Development Organization (DADO)
- iv) Soroti Rural development Agency (SORUDA).

The program is being implemented in Kitgum, Katakwi and all the districts of Karamoja sub region (Amudat, Nakapiripirit, Nabilatuk, Napak, Abim, Kotido, Kaabong, Karenga and Moroto). It aims to benefit 68,250 (60% women) smallholder farmer households in the project districts.

The project objective is to contribute to:

- a) Increased food security
- b) Improved maternal and child nutrition
- c) Enhanced household incomes through support to diversified food production d) commercial agriculture
- e) Improved household resilience.

The project is expected to result in the following three key outcomes:

1. Increased production of diversified food by women and men smallholder farmers in the project districts.
2. Increased market accessibility for women and men smallholder farmers in the project districts.
3. Improved nutrition & uptake of FP services through gender-responsive community-based approaches in the project districts.

The focus of the gap analysis for Y/VSLA linkage is on outcome 1 whose intermediary outcomes are as follows:

- i. Increased adoption and production of diverse food crops and animal products
- ii. Increased access to key input and output markets for women and men small-scale farmers.
- iii. Improved access to credit along the value chain through community saving and credit schemes.

The project has identified, profiled and trained Y/VSLAs as beneficiaries in the targeted districts. It has also identified Community Based Trainers/Facilitators (CBT/Fs) from the VSLA groups to train other Y/VSLAs. This approach is intended to scale up the intervention to reach out the targeted smallholder farmers to join existing or create new Y/VSLAs.

This report presents the assessment of Y/VSLAs' readiness for linkage by examining the current status of the Y/VSLAs, and gaps that need to be addressed to enable linkage with formal financial service providers. The study also assesses the targeted smallholder farmer (women and men) readiness to use digital platforms to assess services from formal financial service providers.

1.2 Scope and Objectives of the Study

The strength of Y/VSLAs lie in their ability to provide their members with basic appropriate, timely and affordable financial services. However, these savings groups are often faced with challenges that affect their effectiveness. Yet the Y/VSLAs have to mature, grow and link up with the rest of the financial sector. The broad scope of this assignment was to identify gaps that when addressed would improve the readiness of Y/VSLAs to link with formal financial institutions and engage in digital financial transactions.

The objectives of the study include:

1. Gap analysis study of Y/VSLA to map actors, actions, situations, challenges & opportunities to inform women, girls, youth and small holder household engagement in Y/VSLA
2. Linkage readiness assessment for mature Y/VSLAs to assess group readiness and capacity to be linked to formal financial institutions (FFIs) and also inform key actors the needed support for those that are not ready for linkage
3. Evaluate "digital" readiness of group members and telephone network coverage to determine whether digital linkages will be feasible.

The study scope involved:

1. Identifying, mapping, categorizing gaps in Y/VLSAs in the 11 targeted districts and in financial service providers that Y/VLSAs can sustainably work with in financial access.
2. Identifying key financial market opportunities, demand & supply, niches & challenges (including gender barriers affecting financial access and utilization, financial literacy, ethics, professionalism, practices and access issues) in the informal financial business environment to be addressed.
3. Proposing strategies and approaches to be used for increasing financial linkages and facilitating easy access and utilization by the youth, women and girls, strengthening Y/VSLAs, identifying financial market operators and facilitating their meaningful financial Business engagements with Y/VSA.

4. Assessing financial literacy levels among targeted Y/VSLA smallholder farmers to inform financial market engagements.
5. Defining strategies for rolling out the innovative e-Wallet to increase Y/VSLAs ability to save and access financial resources and products to their own needs and overcome the problem of women not having a safe place to save money or accessing affordable loans building on mobile phone technology.
6. Identifying formal financial institutions and private sector actors that Community Volunteers Initiative can work with to implement the digital e-Wallet for development and ease of financial access.
7. Identifying the capacity gaps among banking staff who will engage with mature Y/VSLAs.

1.3 Methodology

Overall focus

The approach and methodology focused on fostering strong linkages and skills development that enhances financial inclusion and growth, by identifying gaps and recommending solutions. The study used both quantitative and qualitative methods to collect data. The same questionnaire was administered to all the Y/VSLAs irrespective of category. In consultation with Care International in Uganda, the consultant identified 773 Y/VSLAs (well more than the earlier proposed 765) from the targeted 11 districts. The Y/VSLAs were classified in 3 categories (1-*Mature and ready for Linkage*, 2-*Watch Category or Maturing Groups*)3- *Nascent Category which needs substantial support*). The categorization was based on their readiness for linkage with FFIs, which was assessed using a linkage rating tool covering but not limited to:

- a) Growth in savings and loans
- b) Level of access to services by members
- c) Loan portfolio quality
- d) Governance and decision making.

Coverage by district

Table 1 below shows groups covered in the 11 districts.

Table 1: Y/VSLAs covered by district and category

District	Mature and ready for Linkage	Watch Category (Maturing Groups)	Nascent Category (Need Substantial Support)	Total
Abim	42	27	3	72
Amudat	6	12	0	18
Kaabong	45	34	1	80
Karenga	27	5	0	32
Katakwi	104	103	8	215
Kitgum	70	60	8	138
Kotido	24	57	9	90
Moroto	17	13	1	31
Nabilatuk	2	31	1	34
Nakapiripirit	4	6	0	10
Napak	9	42	2	53
Total	350	390	33	773

Quantitative and qualitative data collection

Quantitative data from the YY/VSLAs was collected using smart mobile phones on the ODK platform and analysed using SPSS statistical tool. Qualitative data was summarized in tabular form and analysed.

To ensure that quality data is collected the following were undertaken:

- a) *Recruitment of research assistant (RAs)*: RAs were locally recruited and therefore conversant with the dynamics of the area in terms of the ethical issues and the language.
- b) *Thorough training of research assistants*: Due covid 19 challenges, research assistants were trained online via Zoom platform and were given opportunity to ask in case they need clarification. Emphasis was put on standard operating procedures by Ministry of Health.
- c) *Pilot Testing*: Before actual field work, the tools were tested and the feedback was used to improve the tool with respect to ease of administration.
- d) *Daily upload of data*: The online platform enabled daily upload to the central server and this allowed the Data Analyst to review and give feedback in a timely manager.

Business and operational processes examination

The assessment examined the internal operational and management processes and procedures of the Y/VSLAs to ascertain their effectiveness in provision of financial services to members. The key processes assessed included mobilization of savings, mobilization of members/outreach, provision of credit, strength of peer pressure mechanisms, decision making process, legal & registration status and adherence to good practices.

Governance assessment

Linkage readiness of a group lies majorly in the strength of its governance structures, leadership and portfolio management. Assessment of governance and leadership covered aspects such as regularity of meetings, clear separation of roles, occasional election of members, decision making approach, conflicts management frameworks, and availability of guidelines for governance of groups.

Systems and delivery channels

Since Y/VSLAs are locally based and have self-managed with basic paper-based operations, the assessment of systems mainly focused on readiness of Y/VSLAs to migrate from paper-based systems to digital platforms. The Y/VSLAs were categorized into 3 groups using a digital readiness rating tool. The assessment covered ownership and use of phones, knowledge and use of mobile money services, savings and credit access using mobile money, levels of digital literacy and data network coverage in locality.

Identification of Formal Financial Institutions (FFIs) and interviews with them

Formal financial institutions operating in the targeted areas were identified with a view of assessing them to ascertain whether they are interested in linking with Y/VSLAs, have or intend to design appropriate financial products that meet the needs of smallholder farmers, and/ or have the infrastructure to offer services over digital service channels that are currently regarded as critical tools in promoting financial inclusion.

Key informant interviews were administered to the FFIs that have a presence in the targeted area. The assessment also covered other aspects including gender responsiveness and orientation to agriculture because both empowerment of women through access to financial services and responsiveness to agriculture are very important in reducing poverty and improving livelihood at family level.

1.4 Limitations of the study

The study had/ has some mild limitations, including:

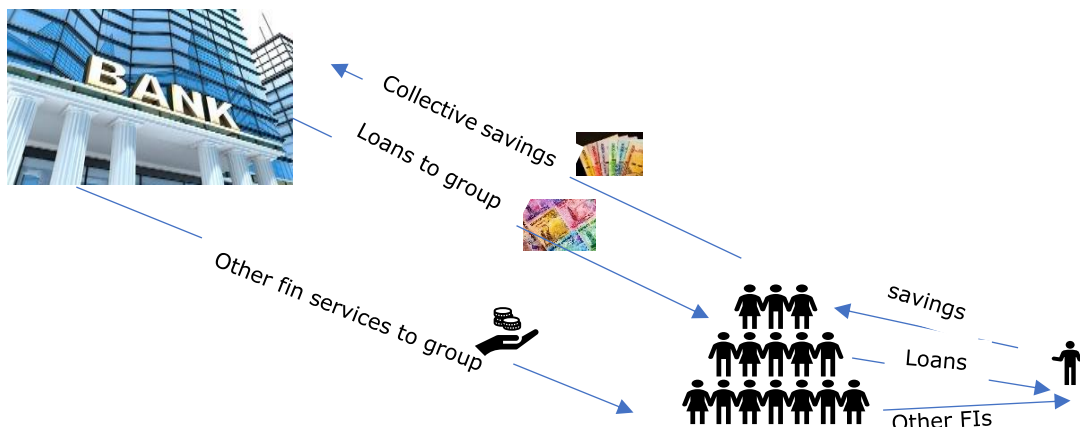
1. COVID 19 restrictions especially curfew that prevented researchers from move after 7.00pm. Researchers had to postpone interviews in cases where the time could not allow them to finish within the recommended time
2. Unfavourable weather conditions especially heavy rains which restricted movement and raised transportation challenges due to inaccessibility of roads leading to the Y/VSLAs.
3. Poor telephone network in some areas hindering communication among the research team and with interviewees. This was resolved by assigning CARE mobilizers to aid with linking researchers and group members.
4. Civil unrest within the region creating security concern for both researchers and interviewees and limiting field time. This was resolved by limiting field hours

within safe windows of time as well as providing introductory letters and t-shirts to researchers for easier and better identification.

5. Long distances between sub counties making accessibility challenging and resulting in high transportation costs and in some cases unnecessary delays.
6. Some districts had many of non-active groups making it difficult for the researcher to identify active groups that were relevant to the assignment. This was resolved by linking researchers to CARE mobilizers to aid in distinction between active and non-active groups.

2.0 OVERVIEW OF LINKAGE BANKING WITH Y/VSLAs

The concept and practice of Linkage Banking is depicted below:



Several low-income people (typically 30 to 50) come together to pool together regular savings, lend members from this and transact other business related to the savings and lending within the group. In linkage banking, the group then becomes a customer of a bank – thus linking its members to formal financial services through the group.

Serving poor/ low-income individuals is generally expensive and results in lower revenue for formally regulated financial service providers like banks. Poor households have limited investment opportunities and small transaction amounts. This often means that these formal financial institutions lack the incentive to service poor people outside the high volume urban and peri-urban centres. This often leaves Tier IV institutions such as SACCOs and credit only MFIs (often not well formalised) to serve the lower income people in rural areas.

Y/VSLAs play a vital role in bringing financial services closer to the rural poor, where access to formal financial services is limited. However, on their path to growth, Y/VSLAs normally encounter several constraints and challenges to growth in serving its members, typically the rural poor. The constraints include but not limited to:

- Weak governance structures and processes

- Insecurity of their money since its kept in houses
- Poor financial products that in some cases do not fully meet members’ needs
- Low loan amounts for members with good business opportunities to finance
- Inconsistent savings among some members².

To improve their contribution to financial inclusion, Y/VSLAs need to link up with the formal financial institutions to serve the poorer communities through linkage banking. In countries like Uganda where cost of capital is high and funds are scarce, savings groups offer a viable opportunity to aggregate cheaper funds. Savings groups, which typically consist of 30 to 50 members each, aggregate funds in group accounts, resulting in much higher balances than typical low-balance individual accounts³. This provides a business case for FFIs for savings mobilization while the linkage banking can address the constraints like access to appropriate products and security of funds. The FFIs can also offer services through digital platforms that improve access to services for Y/VSLAs.

3.0 GAP ANALYSIS OF YOUTH/VILLAGE SAVINGS AND LOAN ASSOCIATIONS (Y/VSLAS)

This section presents the gap analysis for the Y/VSLAs by the three categories based on their readiness to link with higher tier financial institutions. The 773 Y/VSLAs had 20,035 members (13,575 females and 6,460 males).

3.1 Mature and Ready-for-Linkage Y/VSLAs

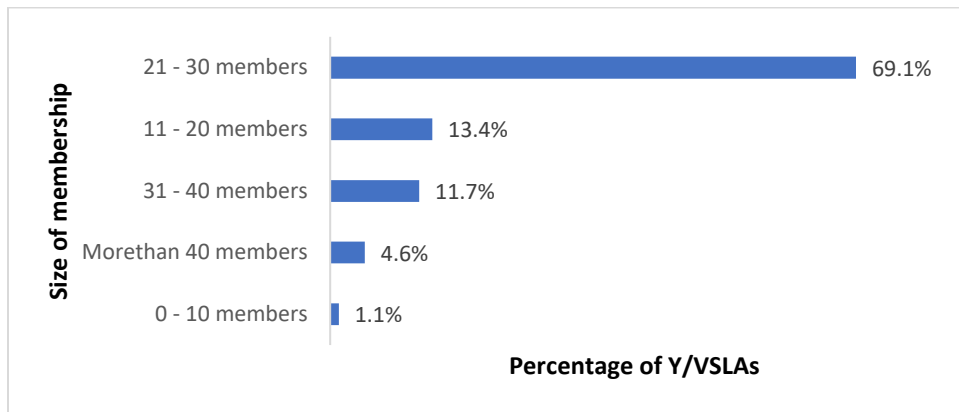
Membership

The mature and ready-for-linkage category had 350 Y/VSLAs with 9,232 members (6,013 females and 3,219 males) at formation and the current active members are 9,859 (6,618 females and 3241 males) generally representing an increase of 7%. Majority (69.1%) of the Y/VSLAs have members ranging from 21 to 30 members. Figure 1 shows the percentage of Y/VSLAs by size of membership

² State of Practice: Savings Groups and the Dynamics of Inclusion- SEEP Network in partnership with Financial Sector Deepening Africa (FSDA) and Catholic Relief Services (CRS).

³ <https://www.cgap.org/blog/can-digital-linkages-revitalize-tried-and-true-savings-model>

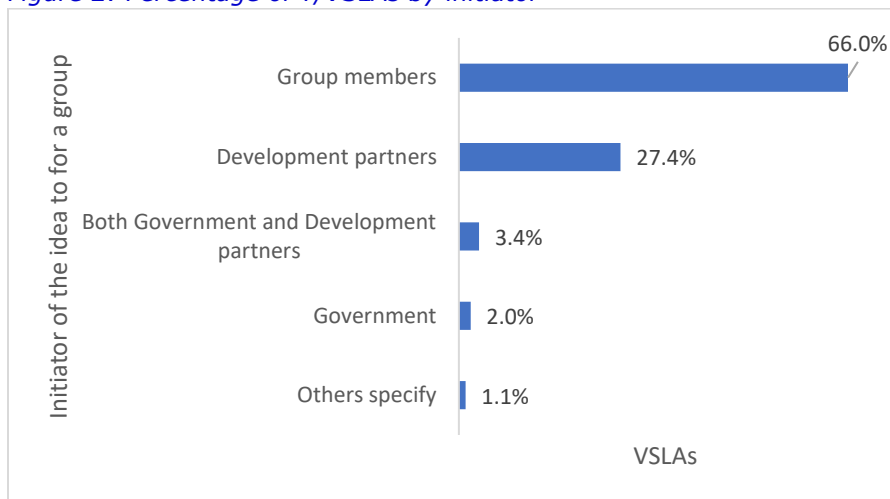
Figure 1: Current number of active members of the Y/VSLAs



Initiators

Majority (66%) of the Y/VSLAs were initiated by members while 32.8% were initiated by Government and development partners. Development partners and Government need to do more to increase financial inclusion through Y/VSLAs since these groups have shown that poor people can also save and improve their livelihood. Figure 2 below presents percentage of Y/VSLAs by Initiator.

Figure 2: Percentage of Y/VSLAs by initiator



Age and gender of members

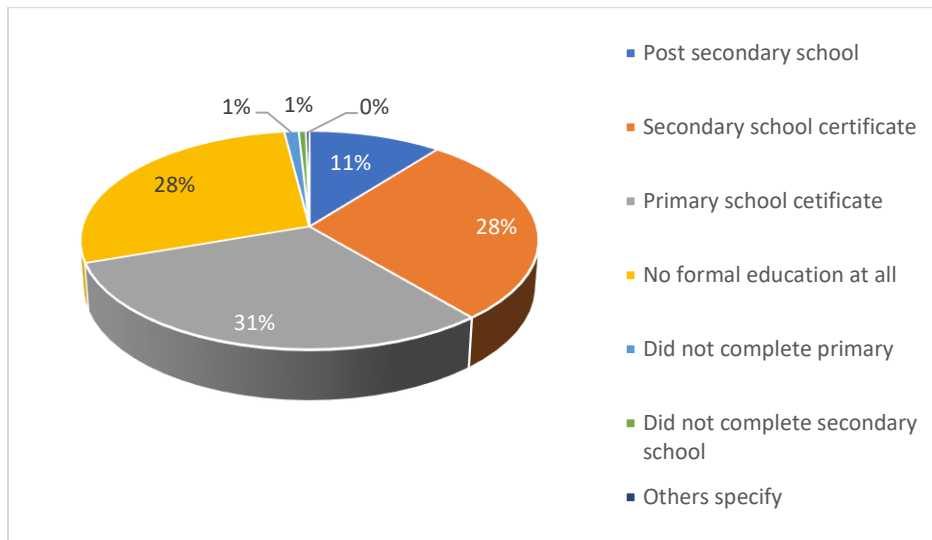
A majority of the mature Y/VSLAs have youth members with, 53.1% of them having the youngest member aged 20 and below. This confirms that youth are actively participating in efforts geared toward improving their livelihood. It is also important to note that among the youth, significant numbers of females/ girls are accessing financial services from Y/VSLAs. About 63.7% of mature Y/VSLAs have youngest member as a girl. The female members need to take up top positions proportionately.

Overall, 67.1% of the VSLA members are female and 3.9% male – meaning through the VSLA system, a lot more women are provided with financial service. The study also revealed that much as women are more than men in the VSLA memberships, only 34.9% mature Y/VSLAs have women as chairpersons.

Literacy

The literacy level in the area is still somewhat low with only 39% completed secondary and post-secondary school. But general literacy is fair enough to support linkages and digitization if people are sensitized and trained. Only 28% of the population have had no formal education at all. There is need to train members and also utilise the skills of other members even if they are not chairpersons. Figure 3 below presents highest of Education attained by the chairperson

Figure 3: Highest of Education attained by the chairperson

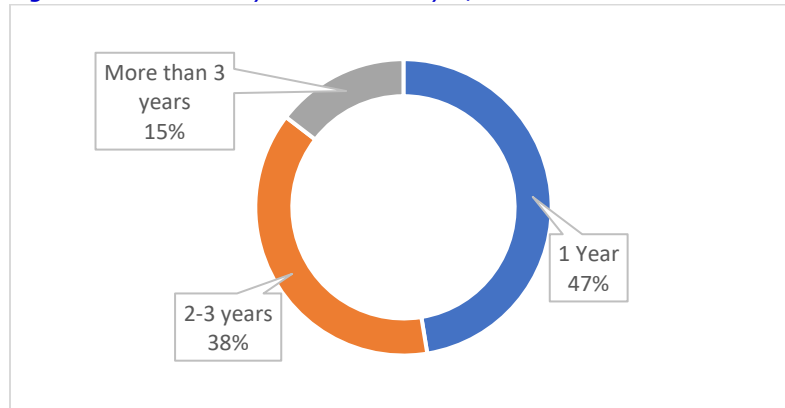


3.1.1 Governance of mature and ready for linkage Y/VSLAs

Management committee selection and tenure

In most (98.6%) Y/VSLAs, the leaders are elected by all members. This means that members trust their leaders and are willing to support them when coordinating activities and implementing new ideas like designing new products and delivery channels. In 85% of mature Y/VSLAs, leaders do not serve more than a 3-year term of office, which is good for governance and leadership. The Y/VSLAs have strong mechanism, embedded in their constitutions, to change leadership and this motivates the leaders to perform well during their tenure. Figure 4 below presents the maximum indicative maximum number of years the leaders can serve.

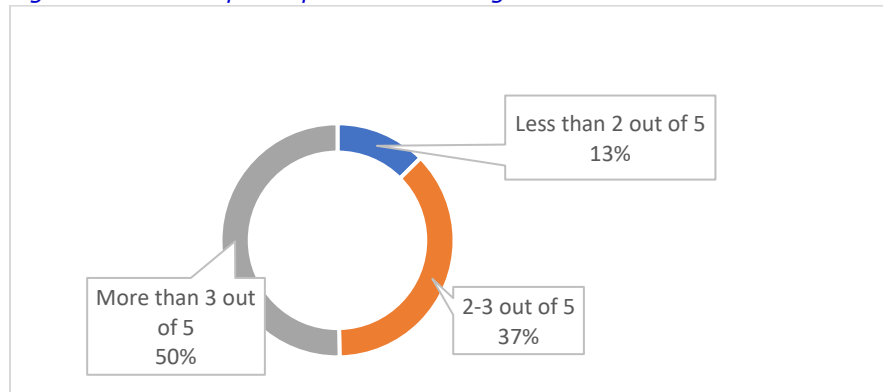
Figure 4: Maximum years served by Y/VSLA leaders



Women participation

Generally, participation of women on management committees is good. Most of the groups (87%) have more than one woman out of 5 people on the management committee. Figure 5 below presents women participation on management committees

Figure 5: Women participation on management committees



Registration status and bylaws of the Y/VSLAs

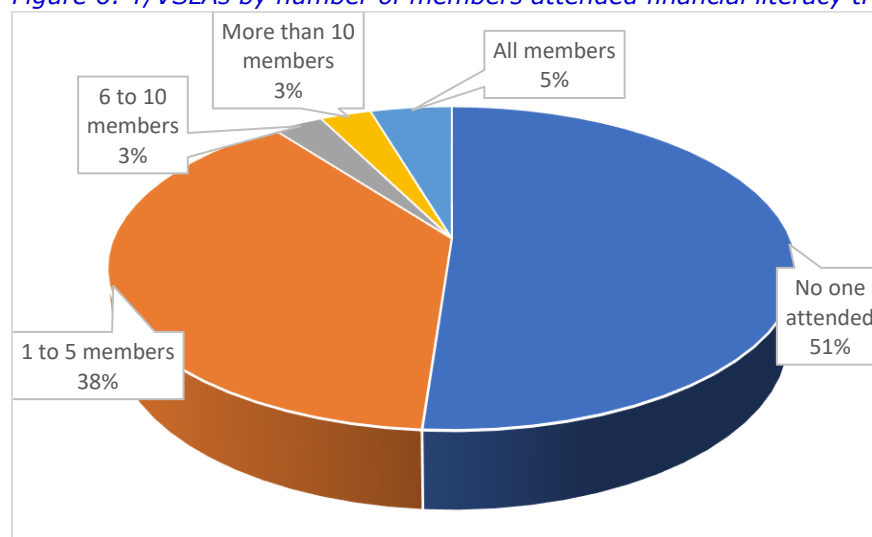
In the mature category, 70% had registered implying. The rest (30%) had not registered which is quite high. There is need to encourage the remaining Y/VSLAs to register as it is one of the requirements for linking with formal financial institutions. It was encouraging to find that 92% of the VSLA in the category had bylaws or constitution to guide members on how to conduct group business and help management committees in decision making and conflict resolution. Most of the Y/VSLAs follow the bylaws or the constitution, and 86.9% of them indicated that they strictly follow the provisions of their constitution.

3.1.2 Trainings Attended by Mature Y/VSLAs

Financial literacy training

The Y/VSLAs vitally need financial literacy training. In 89% (no member attended in 51% and 1 – 5 members in 38%) of the mature Y/VSLAs, not more 5 members attended financial literacy training. Figure 6 below shows that 51% of all members of the surveyed Y/VSLAs had not attended any financial literacy training. A further 38% had only between one and five members who have attended, and only 5% of the groups had all members having attended financial literacy training. For sustainability, members need to be trained in financial literacy to appreciate the need for savings and investment, frugality, debt management, personal/ household budgeting and related topics.

Figure 6: Y/VSLAs by number of members attended financial literacy training

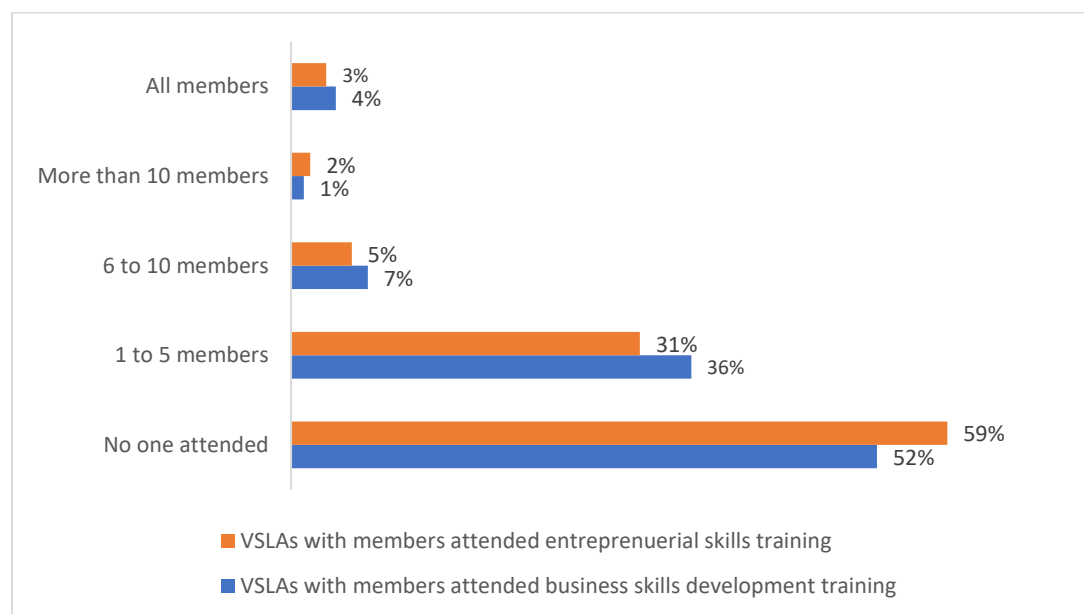


Business/ entrepreneurial skills training

Like the case was for financial literacy training, in most (88%) of the Y/VSLAs not more than 5 members had attended business skills development training. This was also similar to entrepreneurship skills training with 90% of Y/VSLAs indicating that not more than 5 members had attended such training.

Lack of business/ entrepreneurial training can pose significant challenge as most members are likely to encounter many challenges in selecting and running businesses with borrowed funds from the group. Failure to select and run the right business can result in failure of members to meet repayment of the loans from the group, which could in turn weaken the group. Group members need to attend both trainings to be in position to select the right business and effectively manage it. For Y/VSLAs to link with formal financial institution, members need to be trained in financial literacy, business skills and entrepreneurial skills to minimize risks associated with non-repayment. Figure 7 below shows Y/VSLAs by number of members attended business skills development training.

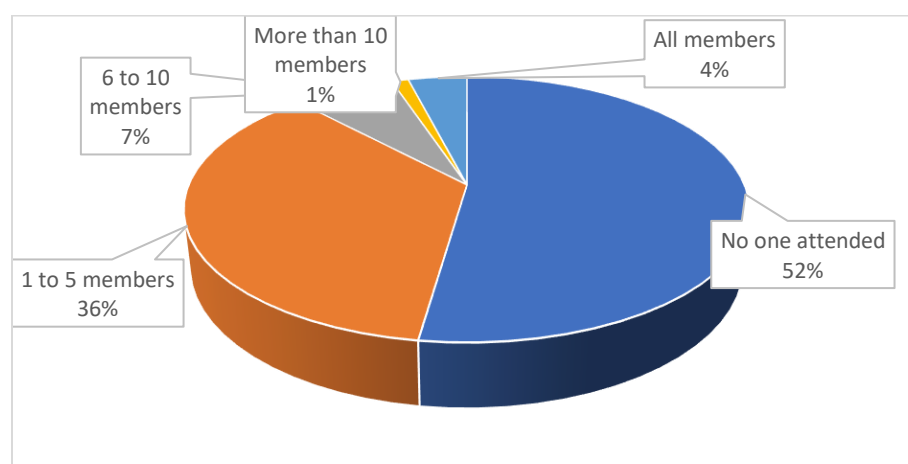
Figure 7: Y/VSLAs by number of members that have attended training



Vocational skills training

Vocational skills training also had the same trend as business and financial literacy, with 88% Y/VSLAs not having more than 5 members who have attended such training. Fully 52% of all Y/VSLA members had not attended any vocational training. Vocational skills training is vital in rural communities, and should be encouraged to help both the youth others joining the group to acquire necessary skills for producing goods and services that can be bought. Figure 8 below presents vocational skills training by members who have attended in a VSLA.

Figure 8: Attending vocational skills training by members attended

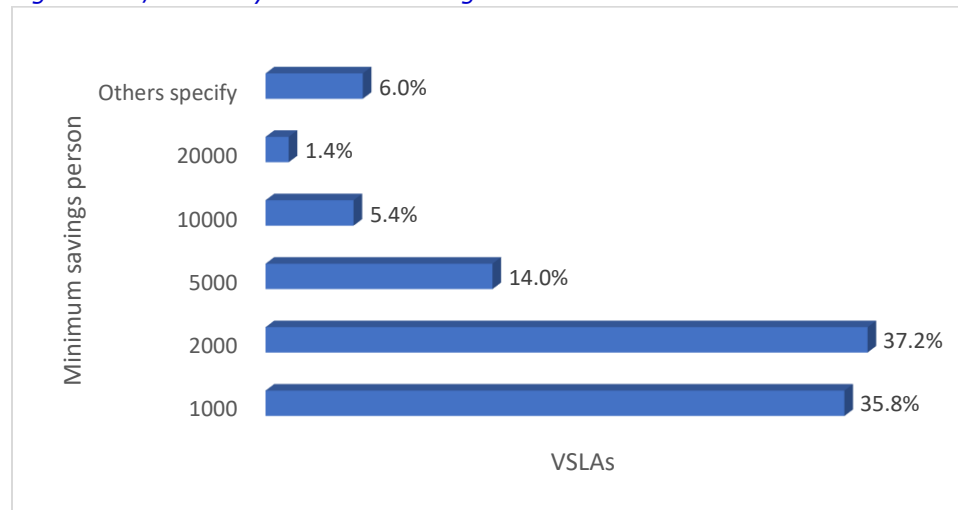


3.1.3 Savings

Y/VSLA savings offer and volumes

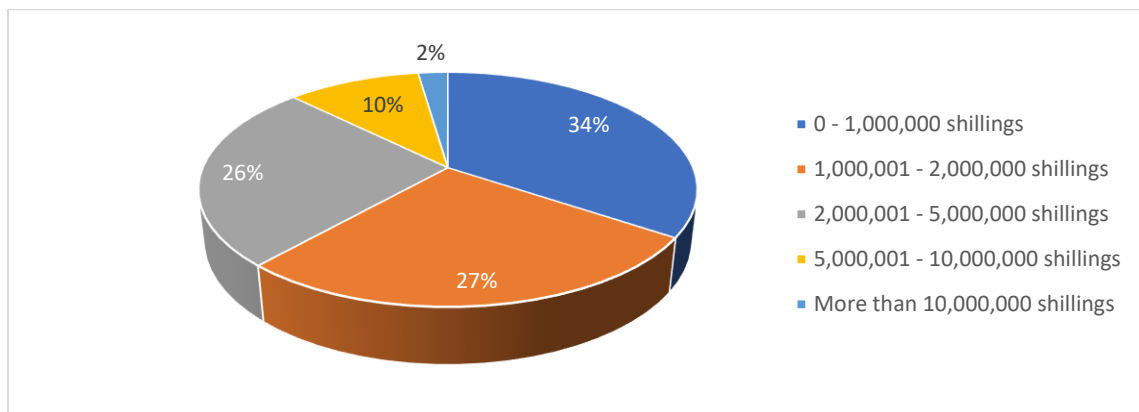
Only one out of 350 mature and ready for linkage Y/VSLAs was not offering saving to its members. Most of the groups (93.4% for maturing and 99.4% for of mature groups) meet and save on weekly basis. Y/VSLAs allow members to save small amounts of money per week. Figure 9 below shows that 87% of groups allow members save between UGX 1000 and UGX 5000. This enables people below the pyramid to have an opportunity to save thereby increasing financial inclusion. Figure 9 below presents Y/VSLAs by minimum savings.

Figure 9: Y/VSLAs by minimum savings



In the first six months of 2021, 66% of mature Y/VSLAs had each collected savings of more than UGX one million despite the challenges of COVID 19. This confirms that the poor are capable saving and willing to save. These collective savings in groups can provide business to formal financial institutions in terms of deposits. The FFIs can also provide loans to the groups. Figure 10 below shows mature VLSAs by amount of savings in the first six month

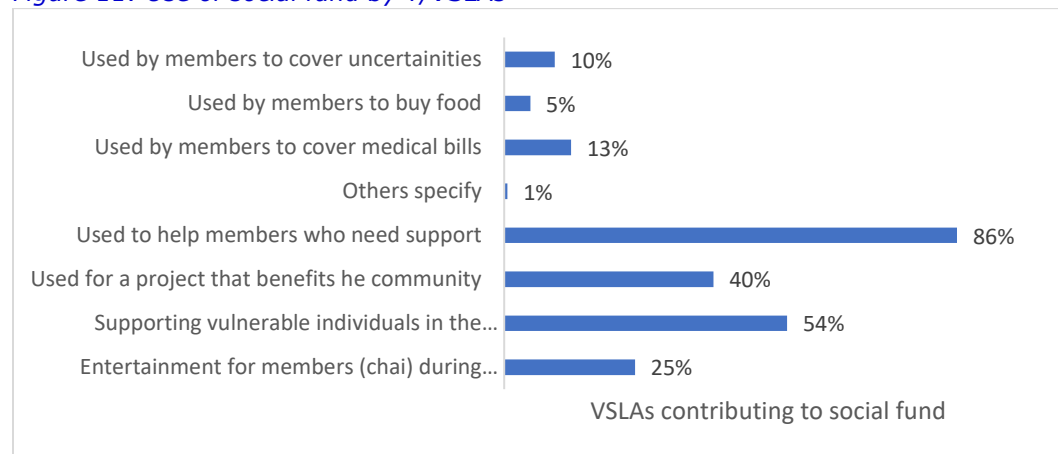
Figure 10: Mature VLSAs by amount of savings in the first six month



Intermediation and social funds

At the time of the study in September 2021, 63.3% of mature groups indicated that they had less than one million in their cash box implying that they had offered loans to members. In addition to the savings, most (92.6%) groups contribute and keep money aside as social fund. Of those whose members contribute to the social fund, only 12% pay interest on the social funds. Social fund is mainly used for helping members who need support and venerable individuals in the community. Figure 11 below shows that 86% of mature groups use the money to support members in need and 54% indicated that they use the fund to support vulnerable individuals in the community. This is a clear indication that in addition to improving the livelihood of members, the groups are providing support to the vulnerable community in the neighbourhood. Figure 11 below shows the use of social funds by Y/VSLAs.

Figure 11: Use of social fund by Y/VSLAs



3.1.4 Loans

Loans offer by Y/VSLAs

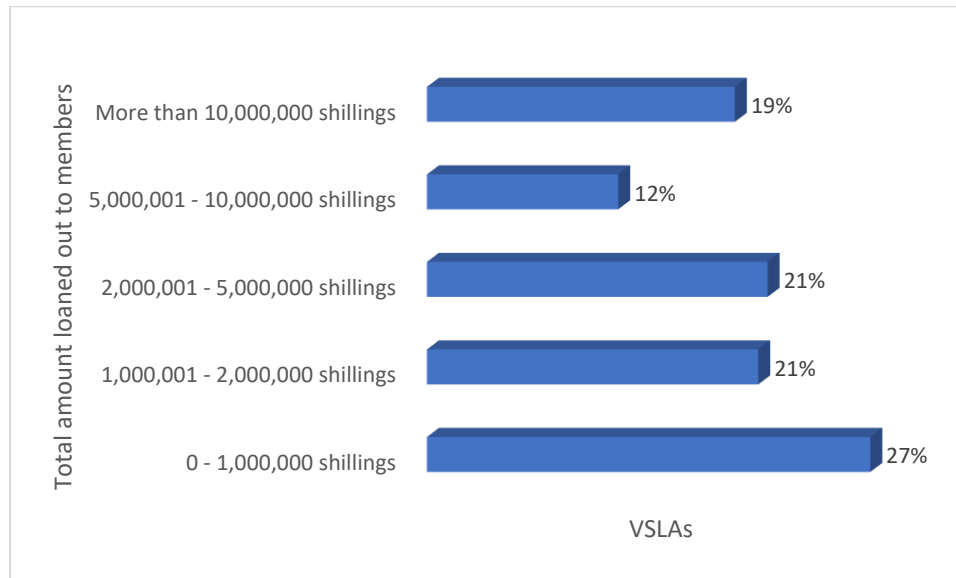
In the mature Y/VSLAs category, 99% of the groups were offering loans to members. The loans are mainly short term. Most (80%) of the groups offer loans for 1 to 3 months and 19% for less than one. However, some members need loans for longer periods like 9 months or one year. This creates a need for linkage with FFIs who are able and willing to offer loans for longer periods. Majority of the groups believe that members are willing to pay. Good repayment rates among Y/VSLAs are partially attributed to pressure from management committee. This provides an opportunity for the FFIs to utilize the management committee to follow up members in case of delayed loan repayment.

The analysis shows that 52% of Mature Y/VSLAs have provided loans since inception to members amounting to over UGX 2 million, confirming that there is a demand for loans among group members that can be addressed by linking to FFIs. Figure 12 below shows the percentage of Mature Y/VSLAs by total amount loaned out since inception.

Portfolio quality and lending to non-members

It also was noted that 15% of mature Y/VSLAs had given out loans to non-members. Though it is good to generate income in form of interest, it comes with other challenges of risks associated with loan recovery that need to be mitigated. In terms of portfolio quality, 63% of mature Y/VSLAs have loans with arrears. This calls for training portfolio management for the management committee and other members. Figure 12 shows Percentage of Mature Y/VSLAs by total amount loaned since inception

Figure 12: Percentage of mature Y/VSLAs by total amount loaned since inception



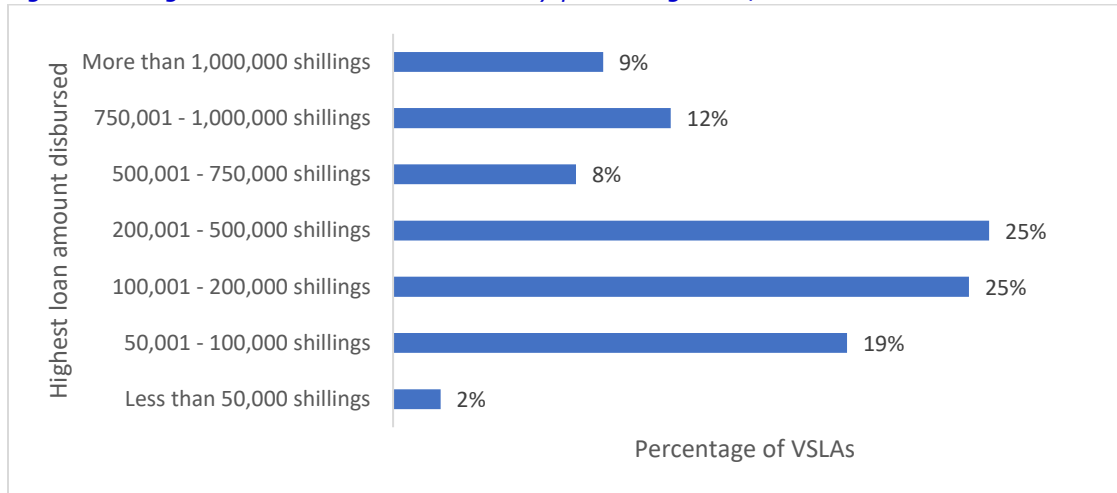
Interest on loans

Out of the mature 338 Y/VSLAs who responded on interest rate, 86% charge 10% per month and 10% charge 20% per month. The interest rates are relatively high compared the interest rate charged by FFIs (although this is later distributed to members according to their respective savings deposits). Linkage banking will provide an opportunity to group members to access loans at relatively lower interest rate.

Highest and lowest single loan to a member

Out of the 346 mature Y/VSLAs, 9% have been able disburse loans over UGX one million. In 71% of the mature Y/VSLAs, the highest amount disbursed is UGX 500,000 and below. Figure 13 shows the highest loan amount disbursed by percentage of Y/VSLAs. In terms of the lowest amount disbursed, 71.4% of the mature Y/VSLAs have disbursed less than UGX 50,000 confirming that Y/VSLAs can serve their members at the BoP. Figure 13 below shows the highest loan amount disbursed by percentage of Y/VSLAs

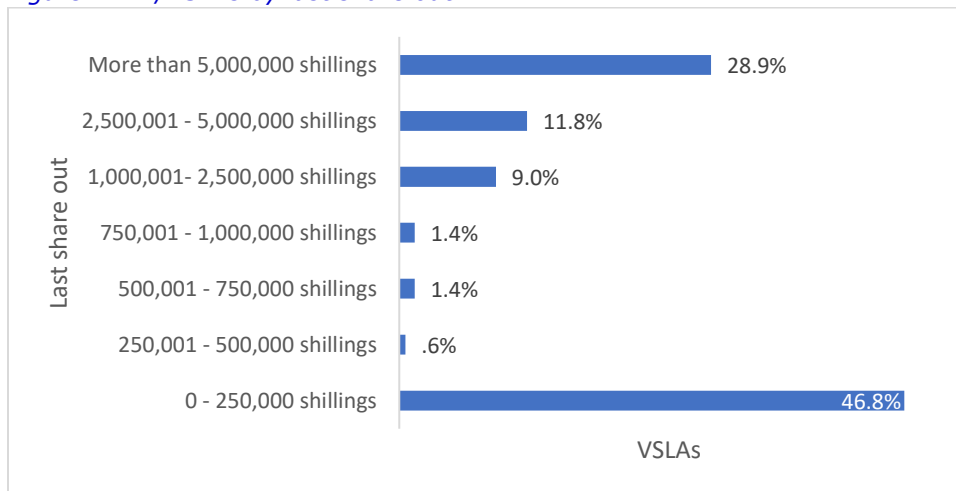
Figure 13: Highest loan amount disbursed by percentage of Y/VSLAs



Share outs

Out of the 312 mature Y/VSLAs who last shared out, 28.9% shared more than UGX 5 million and 20% shared between 1 million and 2.5 million. Figure 14 below shows an abnormal 46.8% of Y/VSLAs that shared less than UGX 250,000. This can be partially attributed to COVID 19 that hindered members from savings. Most (89.4%) of the mature Y/VSLAs share-out all the savings and profit at the year end. This needs to change after training in financial literacy because a portion of the money needs to be invested. Figure 14 below shows the Y/VSLAs by last share out.

Figure 14: Y/VSLAs by last share out



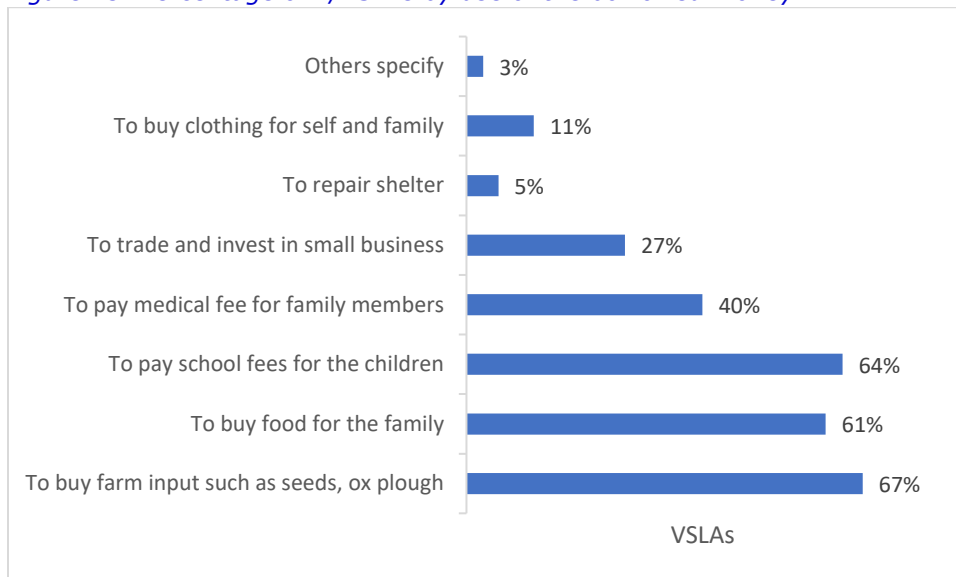
Use of other financial service providers

Some members (31%) of mature Y/VSLAs belong to a SACCO, are clients of an MFI or have a bank account. Of these, 20.5% borrowing money from these sources in addition to the money they borrow from the VSLA. These groups should use these members to sensitise others about the benefits of using FFIs.

Use of borrowed money

Most of the members in mature Y/VSLAs use the borrowed money for buying farm input, invest in their small businesses, paying school fees and buying food. From the figure below, 67% of Y/VSLAs said their members use the borrowed funds for buying inputs, 61% of Y/VSLAs said members use it to buy food for the family and 64% of the Y/VSLAs said members use it for paying school fees. Very few Y/VSLAs (27%) mentioned using the money trade and investment. This further highlights the need for business, entrepreneurial and financial literacy training. Figure 15 below shows the percentage of Y/VSLAs by use of the borrowed money

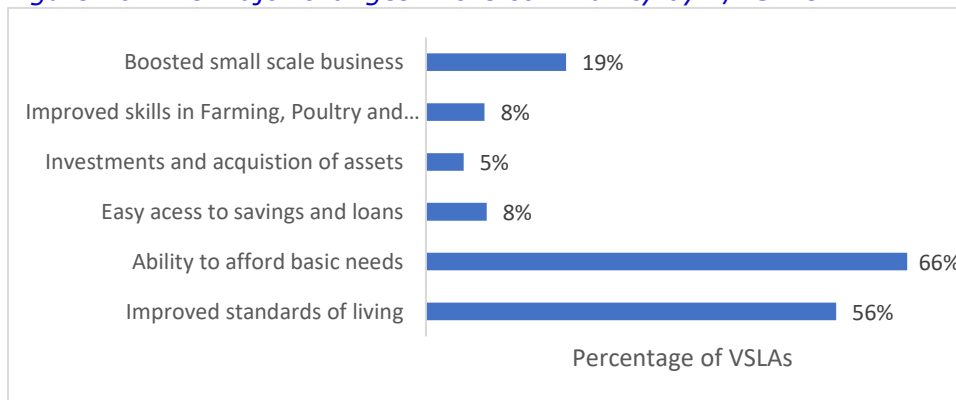
Figure 15: Percentage of Y/VSLAs by use of the borrowed money



Perceived impact of VSLA on members' lives

Improvement in standard of living (by 56% of Y/VSLAs) and ability to afford basic need (by 66% of Y/VSLAs) were echoed by majority of mature Y/VSLAs. Figure 16 shows the major changes in the community by Y/VSLAs.

Figure 16: The major changes in the community by Y/VSLAs



3.1.5 Other key performance indicators

This subsection covers some key performance indicators of the mature Y/VSLAs with a view of identifying gaps that need to be addressed.

Attendance of meetings

The mature Y/VSLAs attendance is good with 93.1% of groups reporting 80% and above attendance rate. This shows that the members are committed to their groups and are able to monitor the activities. The portfolio at risk (PAR) is high with only 38.6% of the Y/VSLAs reporting PAR not more than 5%. The Y/VSLAs need training in managing portfolio quality.

Loan funding, write-offs and decision making

The mature Y/VSLAs are investing most of their assets in loans which is good because it generates income for the members. Out of the 350 groups, 82.6% are utilizing more than 75% of member savings to give out loans to members. The groups typically do not write-off loans: 90% of mature groups do not write-off loans at all. This does not mean they do not have bad loans, but write-offs might encourage more defaults.

Most members are active borrowers since 71% indicated that over 60% of the members are active borrowers. In terms of loan governance, all mature Y/VSLAs always make decisions by consensus as demonstrated.

3.1.6 Gaps identified that may affect linkage

The gaps identified include the following:

1. The 27% mature Y/VSLAs initiated by development partners and Government is a low proportion and therefore they need to do more to increase financial inclusion and improve livelihood of the poor communities.
2. *Modest participation of women as management committee chairpersons.* Much as women members are more than men and their participation at management committee is good (87% of the groups having more than one woman out of 5), only 34.9% of Y/VSLAs having women chairpersons and this is still not enough at that level. Women need to be empowered to take up higher positions within the Y/VSLAs.
3. *Low literacy levels.* The literacy level in the area with only 39% completed secondary and post-secondary school is low. The key stakeholders need to emphasize training and retraining of members and also utilise the skills of other members even if they are not chairpersons if they are to meet the needs FFIs.
4. *Low financial literacy, business skills/ knowledge and entrepreneurial skills among members.* In most Y/VLSAs, not more than 5 members have attended financial literacy, business development skills and entrepreneur skills trainings. This is a challenge to Y/VSLA sustainability and effectiveness of linkage with FFIs.
5. *FFIs look at poor people in Y/VSLAs as individuals.* FFIs need to change the perception and look at them as a group such that collectively they present an opportunity for doing business.

6. *Sharing all the savings and profit checks the potential member-developmental impact of the Y/VSLAs.* Nearly 90% of the mature Y/VSLAs practice this, and they need to change so that a portion of the money raised can be invested.
7. *Lending to non-members.* Some (15%) mature Y/VSLAs give out loans to non-members. Though it is good to generate income in form of interest, it can pose undesirable challenges of recovery.
8. *Low business activity among Y/VSLA members.* Very few Y/VSLAs (27%) mentioned using of money for trade and investment. Members need to be trained in financial literacy to appreciate the need to invest money in income generating activities (small business).
9. *Poor portfolio quality.* The portfolio at risk (PAR) is high with only 38.6% of the Y/VSLAs reporting PAR more than 5% (although for Y/VSLAs, it is reported that eventually nearly all loans are paid up before the share out). The Y/VSLAs need training in managing portfolio quality.

3.1.7 Proposed interventions to address gaps

The proposed interventions include the following:

1. *Support Y/VSLAs continually till they are linked.* Development partners and Government should invest more in creating and supporting Y/VSLAs at all stages until they are linked to FFIs if they are to achieve their goal of financial inclusion as a vehicle for reducing poverty. Partial support creates weak groups with slow maturity
2. *Support Y/VSLAs with gender-inclusive practices in their governance.* Women empowerment initiative should be strengthened and supported by the project, through working with Y/VSLAs to include a requirement of having women and men alternate in successive elections as chairpersons.
3. *Support training in financial literacy, business and entrepreneurship skills.* Access to finance is of limited developmental effect unless the beneficiaries effectively engage in income generating activities. Training and skilling group members in these areas should therefore be included as part of the package for supporting Y/VSLAs at all stages.
4. *Cultivate enhanced business/ entrepreneurial mindset among Y/VSLA members.* Management committees should encourage members to borrow for income generating activities. This will be complemented by the financial literacy, business development skills and entrepreneurship skills trainings.
5. *Sensitize FFIs to link with Y/VSLAs for mutual benefit.* FFIs staff should be given re-orientation training to appreciate the dynamics of Y/VSLAs and they can present a business opportunity that FFIs can tap into.
6. *Help Y/VSLAs stick to member-based lending.* Y/VSLAs should focus on lending members only to avoid the risks associated with lending to non-members.

7. *Work with Y/VSLAs to embrace accumulation of earnings for continuity and sustainability.* As part of this, help them introduce policies to share part (say 60%) but not all the savings and profit at the year end
8. Both Y/VSLAs leaders and member should attend training in portfolio management to ensure sustainability even after electing new management committee members.

3.2 Watch Category (Maturing Groups)

This section presents the analysis for the maturing groups. Where the results of this category are closely similar to the results of the mature category handled in the previous subsection, only the key information of interest presented without analytics like graphs.

Membership size

The maturing category comprised of 390 Y/VSLAs with a total of 9,897 members (6,612 females and 3,285 males) at start and the current active members are 9,335 (6,385 females and 2,950 males) generally representing a decrease of 6%. A majority (68.2%) of the maturing Y/VSLAs have numbers ranging 21 to 30 members.

Initiation

Majority (56.2%) of the Y/VSLAs in this group were initiated by members compared to the 66% for mature group, while 31.8% were initiated by government and development partners. Still the 31.8% of maturing groups initiated by development partners and Government a low number. There is need for government and development partners to do more to increase financial inclusion through Y/VSLAs in the area.

Women and youth in membership

Like mature Y/VSLAs, maturing groups have significant numbers of youth members. 56.2% of maturing Y/VSLAs have their youngest member aged 20 or below. The youth in maturing groups are also actively participating in efforts geared toward improving their livelihood. This category also has girls accessing financial services from the Y/VSLAs. About 68.5% of them have youngest member as girls. In maturing groups, the percentage of groups with women chairpersons is 35.1%, comparable to 34.9% in matured Y/VSLAs. This further confirms the need to empower women to take up higher positions within the Y/VSLAs.

Literacy

In maturing groups, the literacy level is even lower than it is in the mature groups. In maturing groups 27.4% of members completed secondary and post-secondary school compared to 39% registered in mature groups. This means for the maturing groups, there is even more need to train members and also utilise the skills of members to help other members.

3.2.1 Governance in Watch category (maturing groups)

The governance systems and structure in maturing groups are similar to that of matured groups. The leaders are elected by all members and thus most members trust

their leaders and are willing to support them as they coordinate activities and implement new ideas. This was reported by 97.9% of maturing groups which is close to 98.6% reported by mature Y/VSLAs. Again, in most groups (90%) leaders do not serve more than 3 years in a term of office and this is good for group governance. It is also important to note that in most groups (83%), leaders do not serve more than 3 terms. As mentioned earlier, this is a strong mechanism for motivating the leaders to perform when given opportunity to lead

3.2.2 Trainings attended by watch category (maturing groups)

The situation in maturing groups is similar to that of mature groups with respect to training in financial literacy training, business skills and entrepreneurship skills.

Financial literacy, business and entrepreneurship skills training

In 81% of the maturing groups (compared to 89% matured ones), not more than 5 members attended financial literacy training. No member had attended such training at all in 54.1% and 1 – 5 members had attended in 26.4% of the groups. For business skills development training, in 82% of the maturing Y/VSLAs not more than 5 members had attended (compared to 88% mature Y/VSLAs). For entrepreneurship training, 86% of maturing Y/VSLAs indicated that not more than 5 members had attended the training compared to 90% matured Y/VSLAs. This confirms that members in both maturing and matured Y/VSLAs are facing similar problems with respect to training the relevant fields/ skills. They are likely to encounter similar challenges in selecting and running businesses with borrowed funds from the group unless a well focused initiative of training them is implemented.

Vocational skills training

The situation is similar with vocational skills training for this category, with 89.5% maturing Y/VSLAs not having more than 5 members who have attended vocational skills training (62.3% with no member attended and 27.2% with 1-5 members attended). In comparison, the figure for mature Y/VSLAs is 87%.

3.2.3 Volume of savings in maturing groups

Savings

Generally, the maturing groups behaviors are closely similar to matured groups as in respect to savings mobilization. The study revealed that 97.4% of maturing groups were offering savings to members compared to 99.7% matured groups. In both maturing and matured, they were meeting and saving on weekly basis. The percentage of maturing groups that have minimum savings at UGX 1,000 per week is high (48.9% of maturing compared to 34.4% of mature ones⁴). The total savings by the end the first six months was also relatively low for maturing groups (71.3% in maturing compared to 34.4% of mature) groups had saved less than one million. We can observe that 87.4% of maturing groups had little money in the cash box of one million or less. In comparison, only 63.3% in matured groups had less than 1 million at hand.

Social fund

⁴ Mature groups have minimum weekly savings > UGX 1,000

With respect to contribution to the social fund, both maturing (91.3%) and matured (92.6%) were contributing. Table 2 below shows comparison of Mature and ready for Linkage and Watch Category (maturing groups).

Table 2: Comparison of Mature/Ready For Linkage and Watch categories

Activity/indicator	UGX Amounts	Watch Category (Maturing Groups)	Mature and ready for Linkage Groups
Members save regularly		97.4%	99.7%
Weekly meeting		95.3%	93.4%
Weekly saving		99.7%	99.4%
Minimum contribution	1,000	48.9%	35.8%
	2,000	35.5%	37.2%
	<i>Over 2,000</i>	15.6%	28.2%
Total saving end first six month	0 - 1,000,000	71.3%	34.4%
	1,000,001 - 2,000,000	21.3%	27.2%
	<i>Over 2m</i>	7.4%	38.4%
Amount in cash box	0 - 1,000,000	87.4%	63.3%
	1,000,001 - 2,000,000	6.8%	16.9%
	<i>Over 2m</i>	5.8%	19.5%
Groups contribute to social fund		91.3%	92.6%
Pay interest on social fund		85.3%	88.2%
Social fund used to help members who need support		73.8%	79.1%

3.2.4 Loans for maturing groups

Loan amounts

Like the mature Y/VSLAs, most maturing groups offer loans to their members. Table 3 below shows that 82% of maturing groups were offering loans compared to 99.1% matured groups. Few (14%) maturing groups had issued a loan of more than UGX 2 million to a member since they started this VSLA compared to 52% in mature groups. Table 3 below presents comparison of Watch Category (Maturing Groups and Mature and ready for Linkage).

Interest rates, loan terms and perception on likely repayment

Most (91.1%) maturing groups charge 10% interest rate per month. In 83% of the maturing groups the loan term ranges from 1 to 3 months compared to 80% in matured groups. The loan terms are short for some members, and this can be addressed by linking to FFIs. When asked about whether members are likely to pay their loans, 50% maturing group believed that members are likely to pay while 63% of matured groups also felt the members will pay. This is a challenge of perception that might influence both saving and commitment to the groups, although it may also indicate actual on-time repayment problem. This need to be addressed through improved controls and training to minimize the risks of loan default.

Share-outs

The study shows that 80% of the maturing groups shared not more than UGX 250,000 which is very low. In comparison, mature groups had only 47% share UGX 250,000 and below. This calls for training in financial literacy, business skills development and entrepreneur skills to be in position to identify small businesses they can run and also appreciate the need to invest in income generating activities. This will enable the members improve household incomes, raise their savings into the groups and thus receive higher amounts at share-out.

Loan amounts and use

In 94% of the maturing groups, they have not disbursed any loan above UGX 500,000. This implies that the groups are offering very small loans that may not satisfy the needs of some members. This further attests to the need to link with FFIs. On the use of the money borrowed, 46% of the maturing group members mainly use the money to buy farm inputs such as seeds, ox ploughs, fertilizers and pesticides compared to 67% matured groups. There are few (28%) maturing groups where the borrowed money is mainly used to invest in trade/small business, which is comparable mature groups with (27%). There is need to encourage members to use the money for income generating activities, whether farming or trade. Only 23% of the maturing groups had members with accounts in FFIs and 18% had members that borrow from FFIs. Table 3 shows comparison of Maturing and Mature/Ready for Linkage on several aspects related to their loans to members.

Table 3: Comparison of loan aspect of maturing and mature/ready for linkage

Activity/Indicator	Range/ %age	Watch Category (Maturing Groups)	Mature and ready for Linkage
Lending money to member		82.1%	99.1%
Loaned more than 2 million to a member start		14%	52%
Interest per month to members	10%	91%	86%
	20%	6%	10%
Interest per month to non-members	10%	75%	67%
	20%	13%	16%
Loan term	1 - 3 months	83%	80%
Group believe members likely pay		50%	63%
Amount of last share-out	UGX 0 - 250,000	80%	47%
	More UGX 7,000,000	4%	29%
Highest amount a member ever borrowed	UGX 500,000	94%	71%
Loan money used to buy farm input		46%	67%
Loan money used to trade and invest in small business		28%	27%
Members belong to a SACCO, use MFI or have a bank account		23%	31%
Members borrowing from FFIs		18%	21%

3.2.5 Other key performance indicators

This sub section covers indicators to ascertain the performance of the maturing Y/VSLAs with a view of identifying gaps that need to be addressed for better linkage readiness.

Attendance of group meetings

The attendance rate in maturing groups is slightly low with 69.2% of groups reporting 80% and above attendance rate compared to 93.1% for matured groups. The maturing groups need to be encouraged during training to participate in meeting. They should also be helped to include provisions for mandatory attendance in their constitutions.

Loan portfolio quality

The portfolio at risk (PAR) is better in maturing groups with 63.3% of groups reporting not more than 5% compared to 38.6% of mature groups. The reason could partly be because of the close mutual and peer pressure from new group and lower amounts (easy to repay) lent by the new groups. Overall, however, nearly all the loans to members get paid by the end of every Y/VSLA cycle.

Loan intermediation and write-offs

The loan fund utilization (intermediation) rate in maturing groups is low as demonstrated by only 54.9% (compared to 82.6% mature groups) reporting utilization of more than 75% of savings deposits for lending. During portfolio management training, members should be educated on the importance of investing in loans because in addition to generating income in form of interest, it enables members to finance their businesses. Like in the matured groups, most (96.7%) groups are not writing off loans. The reason is that it would encourage more default, and towards the cycle end the loans get paid off.

Borrowing members

Only 52% of the maturing (compared to 70.9% matured groups) are having 60% and above active borrowers. Both maturing and matured groups normally make decisions with consensus. Table 4 below presents a comparison of the two categories based on these performance indicators.

Table 4: Comparison of performance indicators

Performance indicator	Range	Maturing groups	Mature/ ready for Linkage
Attendance rate	80% and above	69.2%	93.1%
Portfolio at Risk	Not more than 5%	63.3%	38.6%
Loan fund utilization rate	More than 75%	54.9%	82.6%
Amount written off	Did not write-off	96.7%	90.0%
Members with active loans	60% and above	51.0%	70.9%
All decisions made in consensus		96.7%	99.4%

3.2.6 Gaps identified that may affect linkage

Most of the gaps in matured groups are also being experienced by maturing groups. The following are the gaps in maturing groups:

1. The 31.8% of maturing groups initiated by development partners and Government is not adequate to cause notable development effect. There is need to do more to increase financial inclusion – help communities to start Y/VSLAs and nurture them to maturity and linkage.
2. In maturing groups, the percentage of groups with women chairpersons (35.1%) is low, considering that a majority of VSLA members, typically more than 70%, are female.
3. The loan term of 1 to 3 months reported by 83% of the groups is short and might be too restrictive for some members.
4. Only 50% of the maturing groups believed that members are likely to pay. This, while not informed by the actual repayment rates, is a challenge that needs to be addressed for confidence in the groups to be enhanced.
5. The attendance rate in maturing groups is low with 69.2% of groups reporting 80% and above attendance. Since all the business of Y/VSLAs happens at the meetings, low attendance is not good for the individual or the group.

3.2.7 Proposed intervention to address the gaps

Most of the proposed interventions for matured groups are also relevant for maturing groups. The following interventions need to be implemented:

1. *Initiate and nurture more Y/VSLAs for developmental impact.* Development partners and Government should invest more in creating and supporting Y/VSLAs at all stages until they are linked to FFIs if they are to achieve their goal of financial inclusion as a vehicle to reduce poverty
2. *Improve women in group leadership.* Although women are a majority of members in all the groups and they are fairly well represented in the management committees, few of the groups have female chairpersons. In this regard, women empowerment initiative should be strengthened and supported within the project.
3. *Loan related training.* Y/VSLA leaders and members should train on loan/ portfolio management, including reviewing loan features and terms to be more responsive to all members. Among the aspects here should be loan tenure extension to six months for some members engaged longer maturing businesses. It should also expose the member to the actual repayment performance of loans, to improve their perception of repayment likelihood.
4. *Member improvement training.* Training in financial literacy, business development skills and entrepreneurship skills should be included as part of the package for supporting Y/VSLAs in linkage intervention. This improves the demand for and gainful utilization of loans from the groups.

5. *Loans for income generation.* Management committees should encourage members to borrow for income generating activities more than for consumption purposes. Financial literacy, business development and entrepreneurship skills trainings should include effective business start, running and income generation.
6. *Sensitize Y/VSLA members to attend more group meetings.* The maturing groups should be encouraged during training to participate in group meetings to ensure cohesion and compliance with the bylaws. The trainings should have sessions that clearly bring out the implications of absence or low attendance of meeting on the person and the group.
7. FFIs staff should be given re-orientation training to appreciate the dynamic of Y/VSLAs and appreciate that Y/VSLAs can present a business opportunity they can tap in because collectively members can raise substantial savings for on-lending
8. Y/VSLAs should focus on lending members only to avoid the risks associated with lending to non-members.
9. Maturing groups should strengthen controls and minimize the risks of loan default. This may include training management committees in loan appraisal and monitoring.
10. Maturing groups should strive to link to FFIs so that members can also be in position to get loans with longer loan terms and access more financial services.

3.3 Nascent Category (need substantial support)

Using the well designed and agreed linkage readiness rating tool, only 33 groups were classified as being in the Nascent category (need substantial support). The number of groups in this category was too small to need quantitative analysis. Furthermore, these groups were largely still in formation and thus there was no meaningful data or experience to extract from them. However, similarities of results from maturing and mature groups strongly suggest that the groups in Nascent category will experience similar challenges. They thus also need the measures recommended for both mature and maturing groups.

It is, therefore, recommend that interventions suggested for mature and maturing groups should be implemented for the nascent category groups right away as so as to ensure that these groups are able to link with FFIs as soon as possible.

4.0 Y/VSLA READINESS FOR DIGITAL LINKAGE

Maturity indicators and Y/VSLA categories

This section presents an evaluation of members readiness for digital linkage, and covers different related aspects including ownership of phones, ability to transact with the phone, understating of mobile money and digital finance channels as well as level

data network penetration and language and other constraints. The Y/VSLAs are divided in three categories namely:

- a) Mature/ ready for digital linkage [no.=355]
- b) Watch/ need some support category [no.=136]
- c) Need substantial support to use digital platforms [no.=282].

4.1 Mature and Ready for Digital Linkage

This sub section presents the assessment of Y/VSLA members' readiness for digital linkage for the mature and ready for digital linkage groups. The discussion covers the status of all groups in general and narrows down to mature and ready for digital linkage groups. The tables and figures in the section provide data for comparison with other categories and will be referred to in the subsequent sections.

4.1.1 Members' ownership of mobile phones

Out of the 773 groups that were interviewed, only 14 groups did not have members who own a phone - representing 1.8%. All the 355 mature and ready for digital linkage groups had members owning phones. This implies that some or most members know how to use phones. These can help the rest of the members when the use of digital platform is implemented. Table 5 below presents Y/VSLAs with members owning a phone by category.

Table 5: Y/VSLAs with members owning a phone by category

		Mature/ ready for Digital Linkage	Watch Category (Need some support)	Need Substantial Support	All Y/VSLAs
VSLA without members owning a mobile phone	No. of groups	0	0	14	14
	% of groups	0.0%	0.0%	5.0%	1.8%
VSLA with members owning a mobile phone	No. of groups	355	136	268	759
	% of groups	100.0%	100.0%	95.0%	98.2%

The study revealed that the 773 groups interviewed had 7,349 phones of which 495 were smart phones and 6854 were feature/basic. The mature and ready for digital linkage group members had 4,518 of which 394 were smart phones and 4,142 were feature/basic. This confirms that this category has reasonably enough phones to access financial services via digital platform. Table 6 shows Number of phones by category.

Table 6: Number of phones by category

	Mature and ready for Digital Linkage	Watch Category (Need some support)	Need Substantial Support to use Digital Platform	Total
No. of Smart phones	394	49	52	495
No. of Feature/Basic	4,124	1,216	1,514	6854
Total no. of phones	4,518	1,265	1,566	7,349

The above statistic represents an average of 10 phones per group.

4.1.2 Level of data network penetration in the location of the group

Network penetration

In terms of network penetration, 759 (98.2%) of the groups indicated that the members' sim cards were connected to MTN and 364 (47.1%) are connected to Airtel (some groups were register to both MTN and Airtel). For the mature and ready for digital linkage, all the 355 groups indicated that the members' sim cards were connected to MTN while 223 (62.8%) out of 355 were connected to Airtel.

Most used service provider

On which service provider is mostly used in the project or local area, 97.9% mentioned MTN and only 2.1% Airtel. For the mature and ready for digital linkage category, 97.7% mentioned MTN and 2.3% said Airtel. Most groups cited network coverage in the area (71%) followed affordability (63%) as the main reason MTN mostly used. Should the project decide to cooperate with network service providers, therefore, MTN is the provider of preference. Network providers need to ensure that there is always stable network in the area to build confidence and trust with group members and the community at large. Table 7 presents the reason for network service most use provider by category.

Table 7: Reason for network service provider preference by Y/VSLA category

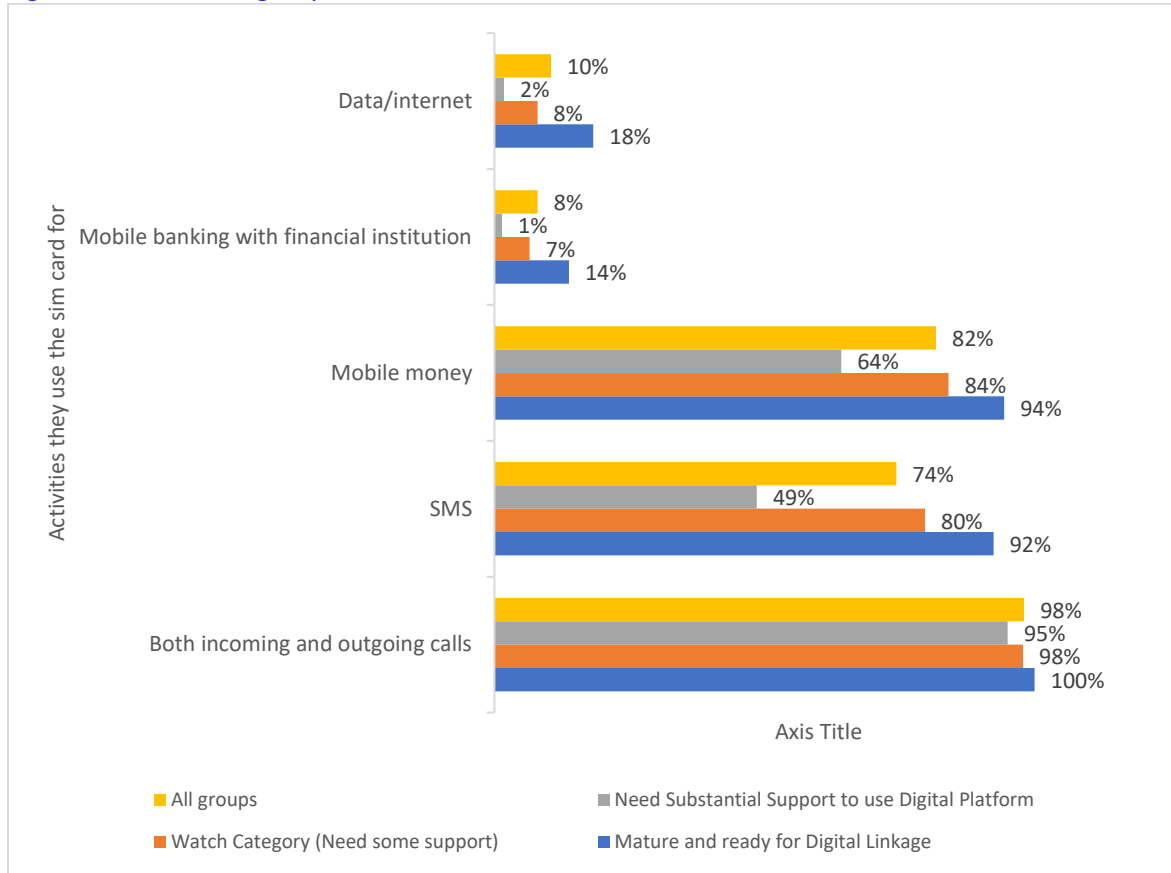
Reason for network service provider being mostly used	Mature/ ready for Digital Linkage		Watch Category (Need some support)		Need Substantial Support		All Y/VSLAs	
Affordable	234	66%	79	58%	177	63%	490	63%
Network coverage the my area	292	82%	101	74%	155	55%	548	71%
Network coverage in many areas across the country	147	41%	60	44%	58	21%	265	34%
Better customer service	154	43%	50	37%	64	23%	268	35%
Majority of friends/colleagues use it	189	53%	68	50%	138	49%	395	51%
Others specify	6	2%	6	4%	5	2%	17	2%
Total	355		136		282		773	

4.1.3 Members' ability to transact using mobile phones

Use of sim cards

The sim cards are mostly used for incoming/ outgoing calls, followed by mobile money. Out of 773 groups, 98% use it for both incoming and outgoing calls followed by mobile money at 84%. The percentage is even higher for the mature and ready for digital linkage category with 100% for both incoming and outgoing calls and 92% for mobile money. This implies that groups will not find it difficult to migrate to the digital platform after training from the service provider and FFIs. Figure 17 below shows activities group members use the sim card for.

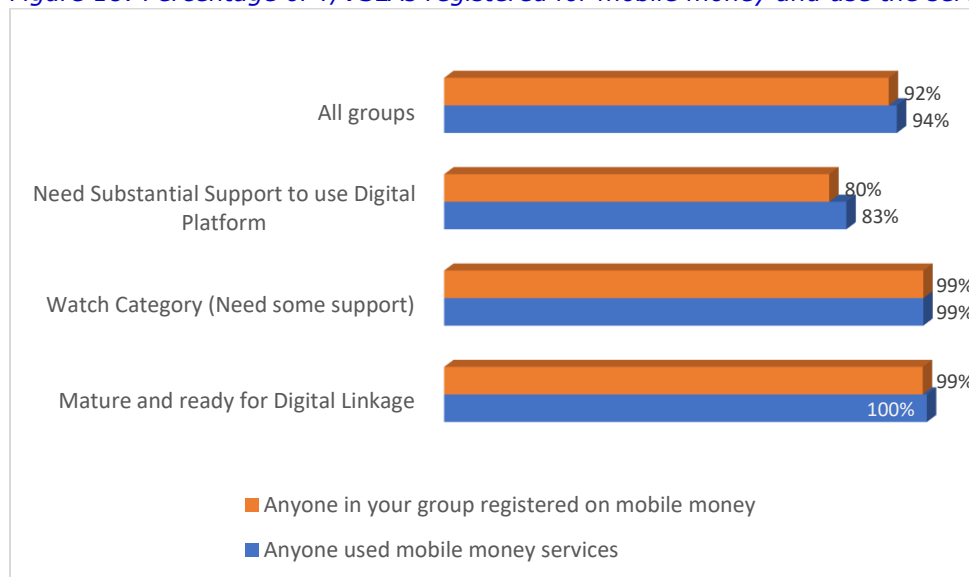
Figure 17: Activities group members use the sim card for



4.1.4 Members' understating of mobile money & other digital finance channels

On registration and use of mobile money, 92% and 94% of the groups had members who had registered for and use mobile money respectively. The percentages were even higher when it came to mature and ready for digital linkage groups with 99% and 100% respectively. This confirms that groups have members with knowledge and experience in using mobile money and this is very important for migration to mobile banking. Figure 18 below shows the percentage of groups registered for mobile money and use the services.

Figure 18: Percentage of Y/VSLAs registered for mobile money and use the services



The average number of members owning phones and have registered for mobile money is 10 members for all Y/VSLAs and 13 members for mature and ready for Digital Linkage. There should be training and support from fellow group members to those who will be just getting the phones or registering for mobile money for the first time. Table 8 below presents the key statistics on phone ownership and mobile money access.

Table 8: Average number of members with phones and have registered with mobile money

	Mature and ready for Digital Linkage	Watch Category (Need some support)	Need Substantial Support to use Digital Platform	All Y/VSLAs
No. of members owning phones and have registered for mobile money	4,417	1,141	1,182	6,740
No. of groups with members registered with mobile money	352	132	225	709
Average number of members registered with mobile money	13	9	5	10

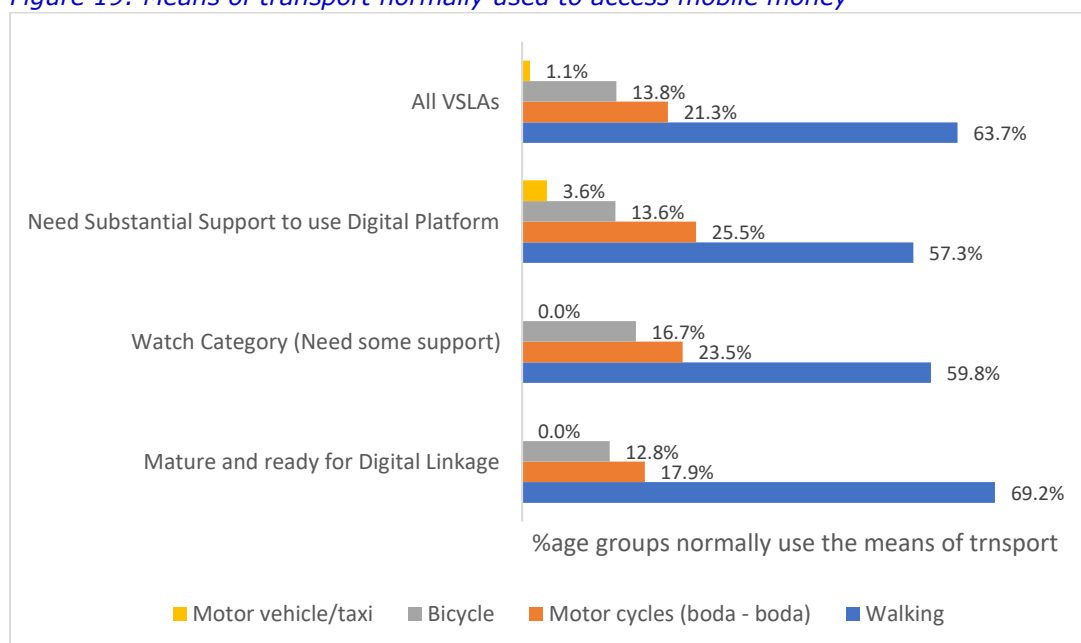
In most groups, members are registered for mobile money with MTN. Table 8 below shows that 92% of groups have their members are registered with MTN while 34% of them with Airtel. The percentage of groups for mature and ready for digital linkage category are even higher with 99% registered with MTN and 48% with Airtel. FFIs should use both MTN and Airtel as service providers for digital platform to allow flexibility for members and ensure maximal reach.

Table 9: Service provider registered with by category

Service Provider Registered with	Mature and ready for Digital Linkage		Watch Category (Need some support)		Need Substantial Support		All Y/VSLAs	
	No. of Y/VSLAs	%	No. of Y/VSLAs	%	No. of Y/VSLAs	%	No. of Y/VSLAs	%
MTN	352	99%	134	99%	225	80%	711	92%
AIRTEL	171	48%	45	33%	43	15%	259	34%
No. of Y/VSLAs	355		136		282		773	

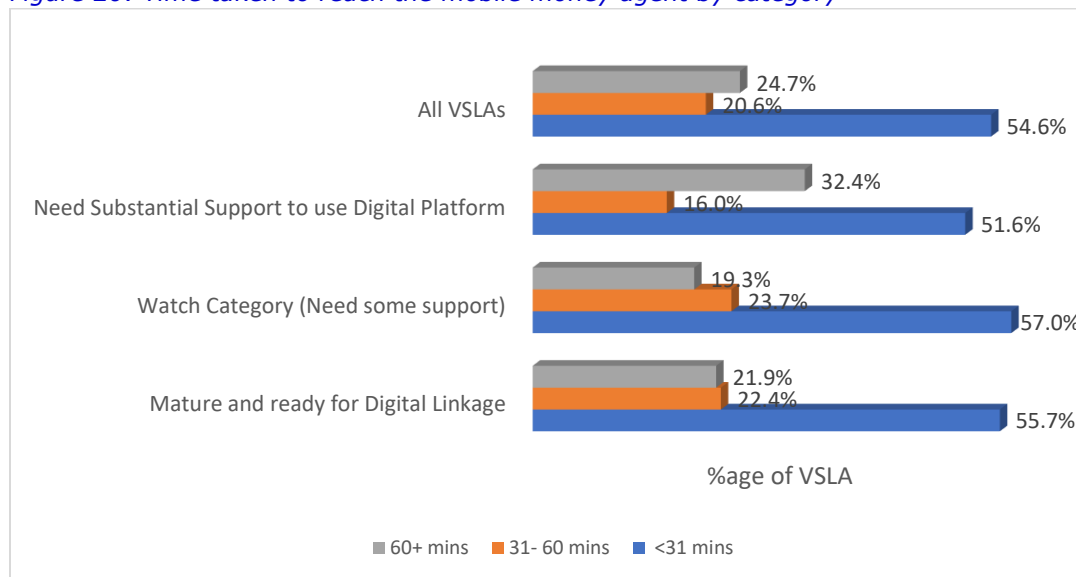
Majority of the mobile money agents are in walking distance from where the groups meet. In all groups, 63.7% of members normally walk to the agent to access services. For the mature and ready for digital linkage category, 69.2% normally walk to the agent to access. Figure 19 presents Means of transport normally used by group members when going to a mobile money agent.

Figure 19: Means of transport normally used to access mobile money



Majority (54%) of the groups take less than half an hour to reach the mobile money agent. For the mature and ready for digital linkage, people in 55.7% of the groups take less than 30 minutes to reach the agents. Figure 20 shows time taken to reach the mobile money agent by category of the groups.

Figure 20: Time taken to reach the mobile money agent by category



4.1.5 Language and other constraints in use of mobile money

General

Majority of the groups had the concern that in accessing services from phones, they encounter difficulties like poor signal, signal loss, and error message. Out of the groups, 80.2% (very frequently 19.5%, sometimes 60.7%) encountered difficulties. The situation is similar for mature and ready for digital linkage groups in which 82.7% (very frequently 25%, sometimes 57.7%) encountered difficulties. Table 10 below shows how often groups encountered difficulties when they accessed services from phone. This is a serious challenge that network service providers need to address by providing stable connectivity on the network because it creates mistrust among groups if it is not stable. Table 10 presents How often groups encountered difficulties when accessing services from phone.

Table 10: Frequency of difficulties in accessing services from phone.

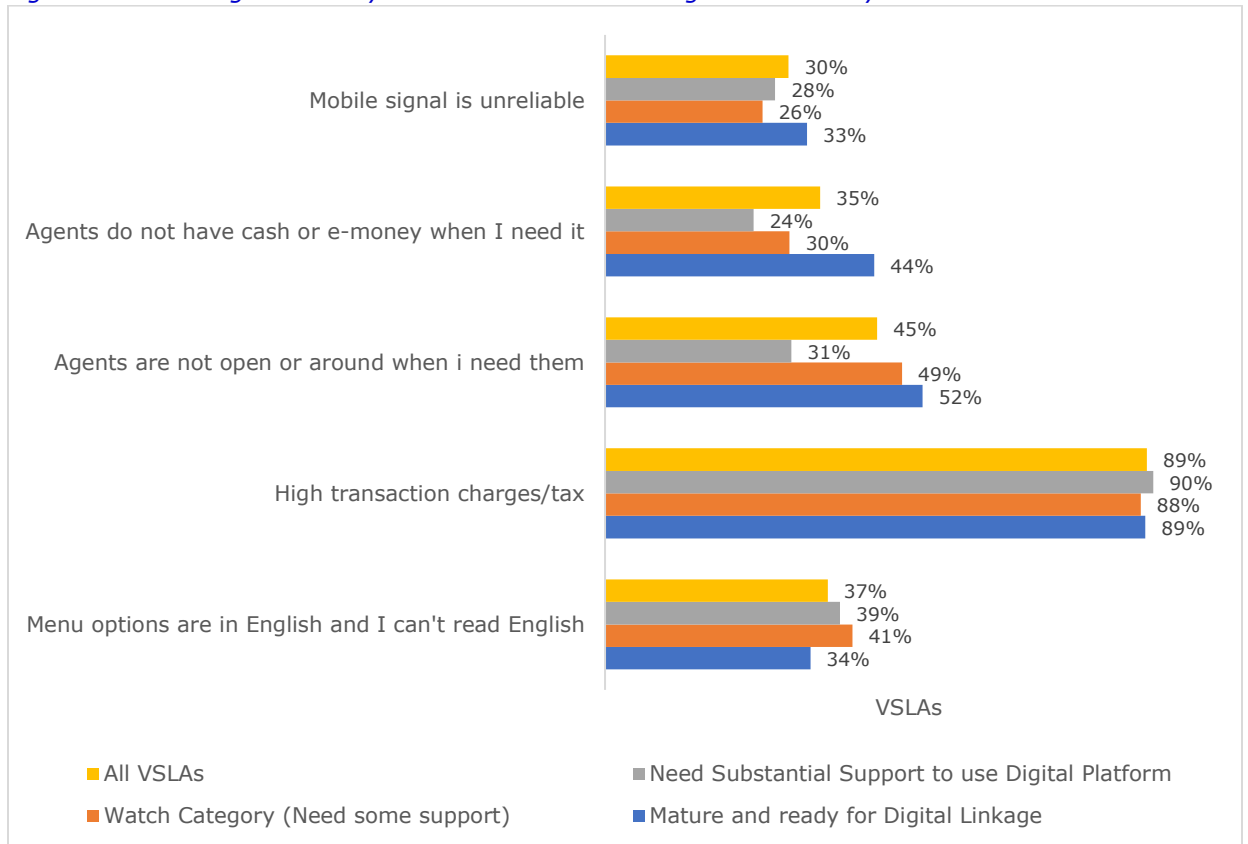
How often groups encountered difficulties when they accessed services from phone	Mature and ready for Digital Linkage	Watch Category (Need some support)	Need Substantial Support to use Digital Platform	All Y/VSLAs
Very frequently	25.0%	18.5%	11.6%	19.5%
Sometimes	57.7%	53.3%	69.8%	60.7%
Infrequently	8.0%	19.3%	13.8%	11.9%
Not at all	9.4%	8.9%	4.9%	7.9%
No. of Y/VSLAs	352	135	225	712

The above table shows that there is a sizeable number of hiccups to be addressed in promoting mobile money service use in the project area.

Cost and language

The issue of high charges came out strongly with 89% of the groups citing it as serious challenge. The percentage for mature and ready for digital linkage was also 89%. The English language is still a barrier considering the literacy level in the area. Service providers should provide affordable charges but also sensitize the community about the value for money of the services they offer with respect to security, cost of alternative means in terms of money and time. The project could also interest the mobile network operators to have menus in alternative languages. Figure 21 below shows challenges faced by members when accessing mobile money services

Figure 21: Challenges faced by members when accessing mobile money services



4.1.6 Willingness of the groups to embrace the digital platform

Groups were asked whether they were willing to perform digital based transactions. Despite the fair existence of network infrastructure in the area and members' experience with mobile money, more than 40% of the groups are not yet willing to switch to digital (mobile money) transactions like depositing and withdrawing money, receiving loans, and paying back loans. Only 58% maturing groups were willing to transact with FFIs using mobile phones. For mature and ready for digital linkage category, the percentage was 67%. Although way more than half of the groups are psychologically ready for digital transactions, the figures of those willing are still low. This is a real challenge that needs to be addressed by bursting lack of knowledge and experience with the platforms, negative perception, resistance to change and fear of

the “unknow world”. The project and its partners should direct efforts towards sensitizing the target members through training and study visits/ exposure to areas where similar projects have been successful so that members can hear from fellow underserved communities. Table 11 below presents the willingness to embrace the digital platform by digital readiness category.

Table 11: Willingness to embrace the digital platform by digital readiness category

Willingness to embrace the digital platform	Mature and ready for digital linkage	Watch Category (Need some support)	Need Substantial Support	All Y/VSLAs
Willing to use mobile money to deposit money in a formal financial institution	66%	60%	43%	56%
Willingness to use a mobile money account to receive money from a formal financial institution	67%	67%	43%	58%
Willingness to receive a VSLA group loan using mobile phone	52%	56%	46%	50%
Willingness to receive a personal loan using mobile phone	54%	59%	46%	52%
Willingness to payback your VSLA loan using mobile phone	59%	59%	46%	54%
Willingness to pay back FI loans using mobile phone	60%	60%	46%	55%
Willingness to use mobile phone to deposit and withdraw money from individual bank account	60%	56%	39%	52%

4.1.7 Gaps that may affect digital linkage

The gaps include the following:

- a) *Proficiency with use of mobile money.* Much as most groups have members with experience in using mobile money, not all members are at the same level of understanding of mobile money in the groups
- b) *Low numbers registered for mobile money.* The average number members registered for mobile money per group is 13 for mature and ready for digital linkage groups.
- c) *High charges.* To low-income people, every Shilling matters. This came out strongly with 89% of the mature and ready for digital linkage groups citing it as serious challenge
- d) *English language* is still a barrier considering the comparatively low literacy level in the project areas.
- e) The percentage of groups willing to perform digital based transactions is low as demonstrated in Table 11 above.
- f) Difficulties encountered in using phones to transact (like poor signal, signal loss, error message)

4.1.8 Proposed intervention to address the Gaps related to digital linkage

The proposed interventions include:

- a) To address proficiency with use of mobile money, work with service providers should train members and help them register for mobile money, and encouraging experienced members to help others.
- b) To address low numbers registered for mobile money, encourage the groups to offer special loans, with lower interest rates, for acquisition of mobile phones with a condition that they immediately register for Mobile Money
- c) To address the problem of high charges, work with network providers to offer affordable charges and sensitize the communities about value for money and timesaving in using mobile transactions.
- d) To address the problem of English language as a barrier, work with network service providers to translate mobile money menus and interactive language into major languages (Luganda, Swahili, Ateso, Luo, Runyakitara)
- e) Study visits – Take a few committee members from each group where digital transactions are working very well, in rural poor communities like theirs. These will become ambassadors of digital payments and build trust in others.
- f) FFIs should use both MTN and Airtel as service providers for digital platform to allow flexibility for members to choose and also Airtel can act as an alternative backup for members.
- g) Work with network providers to ensure that there is always stable network in the areas, to build confidence and trust with group members community.

4.2 Watch Category (need some support)

This section presents the assessment of members' readiness for digital linkage for the Watch Category (need some support). For the quantitative analysis, we will refer tables and figures presented in corresponding sub sections in Section 4.1.

4.2.1 Members' ownership of mobile phones

All the 136 Watch category groups had some members owning phones. Those who own phones can help the others on how to use the digital platform when it is implemented. The Watch category group members had 1,265 phones of which 49 were smart phones and 1,216 of them basic. Tough still inadequate, these are reasonable numbers of phones to start with.

4.2.2 Data network penetration in the locations

In the Watch category, all the 136 groups indicated that the members' sim cards were connected to MTN while 63 (46.3%) out of 136 were connected to Airtel. This implies that MTN and Airtel both have presence in the area and thus can be used.

According to the responses, MTN is the mostly used network, as mentioned by 97.1% of respondents. Most groups sighted network coverage in the area (74%) followed by affordability (58%) as the main reason for MTN being mostly used.

4.2.3 Members' ability to transact using mobile phones

The sim card is mostly used for voice calls and mobile money. Out of respondents in the 136 groups, 98% use phones for voice calls 84% for mobile money. This indicates that although mobile money usage is presently somewhat low, groups will not find it very difficult to migrate to the mobile money platform after training.

4.2.4 Members' understating of mobile money and digital finance channels

On registration and use of mobile money, 99% of the groups had members who had both registered for and use mobile money in the Watch category

In this category too, not all members are at the same level of understanding of mobile money in the groups. The average number of members owning phones and registered for mobile money is in this category 9. So, there should be training and support from fellow members to their less apt peers.

Most (99%) of the Watch category groups have their members registered for mobile money with MTN with 33% of the groups have members registered with Airtel. FFIs should use both MTN and Airtel as service providers for digital platform.

In the Watch category groups, majority of the mobile money agents are in walking distance from where the groups meet. This was mentioned by 59.8% of the groups in this category, and 57% of the groups reach agents within 30 minutes or less.

4.2.5 Language and other constraints in use of mobile money

Majority of the groups mentioned that when they access services from phones, they encounter difficulties like poor signal, signal loss and various error messages. Out of 135 of the groups, 71.8% encountered difficulties (18.5% very frequently and 53.3% sometimes). As the case is with mature and ready for digital linkage category, network service providers need to address this challenge by providing stable and reliable connectivity.

High transaction charges pose a challenge to many groups, as mentioned by 88% of the Watch category groups. Service providers should work out affordable charges and sensitize the community about the value for money of mobile money services.

4.2.6 Willingness of the groups to embrace the digital platform

About 33% of the groups in this category are not yet willing to switch to digital transactions, and this challenge can be addressed by sensitizing members through training and study visits as mentioned in the previous section.

4.2.7 Gaps that may affect digital linkage

The gaps are generally similar to those of the mature and ready for digital linkage groups presented in Section 3.2.7

4.2.8 Proposed intervention to address the Gaps related to digital linkage

The proposed interventions are those recommended under mature and ready for digital linkage groups presented in Section 3.2.8

4.3 “Need Substantial Support” Category

This section presents the assessment of members’ readiness for digital linkage for the Need Substantial Support category. For the quantitative analysis, we refer to the tables and figures presented in the corresponding sub sections in Section 4.1.

4.3.1 Members’ ownership of mobile phones

Most groups in this category also have some members owning phones. Out of the 282 groups, 95% had members with phones. This means some members in the groups know how to use a phone. The “Need Substantial Support” group members had 1,566 phones of which 52 were smart phone and 1,514 were basic. This can provide a good start to build on and improve phone ownership and use among members.

4.3.2 Data network penetration in the location of the groups

In this category, 95% of 282 groups indicated that the members’ sim cards were connected to MTN while 27.7% to Airtel. MTN and Airtel both have presence in the area, although like in other cases MTN dominates.

MTN is the most used (98.5% of responses), while only 1.5% said Airtel is the most used. Most groups sighted affordability (63%) followed by network coverage (55%) as the main reasons for MTN popularity. It is important to note that in this category, affordability is a more critical issue than network coverage.

4.3.3 Members’ ability to transact using mobile phones

The sim card is mostly used for normal voice and mobile money. Out of 282 groups, 95% use it for voice calls and 64% use it for mobile money. This implies that groups will not find it very difficult to migrate to the digital platform after training from the service provider and FFIs

4.3.4 Members’ understanding of mobile money and digital finance channels

Access to mobile money

For mobile money, 92% of the groups had members who had registered and 94% had use mobile money services. This confirms that groups have members with knowledge and experience to use mobile money which is good for migration to mobile banking. Similar to other groups, not all members in the group are at the same level of understating of mobile money. So, there should be training and support from fellow

colleagues to members who will be just getting the phones for the first time and registering for mobile money.

Popular network

Like in other categories, most (80%) of the Need Substantial Support groups have their members registered for mobile money with MTN. Only 15% of the groups have members registered with Airtel. FFIs should use both MTN and Airtel as service providers for digital platforms for mobile money.

For many members of groups in this category, mobile money agents are in walking distance from where the groups meet. This was echoed by 53.3% of the groups in this category and in 51.6% of the groups, members reach agents within 30 minutes or less.

4.3.5 Language and other constraints in use of mobile money

Majority of the groups expressed concern that when they accessed services from phones, they encounter difficulties (like poor signal, signal loss, error message etc.). Out of 225 of the groups, 81.4% (very frequently 11.6%, sometimes 69.8%) encountered difficulties. As mentioned earlier with mature and ready for digital linkage category, this is also a challenge to this category, that network service providers need to address by providing stable connectivity on the network because it creates mistrust among groups if it is not stable.

High transaction charges pose a challenge to many groups with 90% of Need Substantial Support to use Digital Platform groups mentioning it as a challenge. Service providers should provide affordable charges but also sensitize the community about the value for money of the services they offer with respect to security, cost of alternative means in terms of money and time.

4.2.6 Willingness of the groups to embrace mobile money

More than 47% of the groups are not yet willing to switch to digital transactions using mobile phone. This challenge can be addressed by sensitizing the targeted members through training and organizing study visits.

4.3.7 Gaps that may affect digital linkage

The gaps are generally similar to those of the mature and ready for digital linkage groups presented in Section 3.2.6

4.3.8 Proposed intervention to address the Gaps related to digital linkage

The interventions are generally like those of the mature and ready for digital linkage groups presented in Section 3.2.7.

5.0 FORMAL FINANCIAL SERVICE PROVIDERS (FFIs)

Linkage requires that higher tier (preferable formal and regulated) institutions work with Y/VsAs as their clients for deposits, loans and other services. The study covered eight formal financial institutions (FFIs) operating in the project area, including 3 Commercial Banks (Tier I), 2 Credit Institutions (Tier II) and 2 SACCOs and one credit-only microfinance institution (Tier IV). Tiers I to III are regulated by Bank of Uganda while Tier IV institutions are regulated by Uganda Microfinance Regulatory Authority (UMRA).

5.1 Commercial Banks (Tier I)

The three commercial banks were selected because they had presence in the project areas. They are the three largest banks in Uganda – Stanbic Bank, Centenary Bank and dfcu Bank.

Target market and offerings

The main target market for commercial banks in the area are individuals, micro, small and medium enterprises. Considering that project areas are mainly rural, these commercial banks offer agricultural loans in addition to trade and other financing. One commercial bank also focusses serving SMEs with long-term funding.

The commercial banks offer savings and wide range of loan products with varying product features including microfinance loans, business loans, housing loans, education loans, phone loans and agricultural loans. In terms of delivery channels, all the banks have brick and mortar branches with ATMs in certain locations. Two of them also offer agent banking in the project area. The interest rate range from 11% (for agriculture, a special purpose scheme funding) to 25% or higher per annum depending on the loan size and loan period.

Relevant products

These commercial banks' loan products targeting groups were developed in consultation with Y/VSLAs and take cognisance of the VSLA model. Commercial banks believe their products are appropriate because they involved the targeted clients in designing them. They also intend to refine the products depending on the needs of their clients and explained that they are always conscious about gender when designing their products. This notwithstanding, the product mix, features, pricing and other aspects need to be independently assessed for suitability to Y/VSLAs, and refined to greater uptake by these groups.

Banks' view of challenges and recommendations to address

On actual and expected challenges, commercial banks mentioned the following:

- a) Fraud from corrupt executives lead to collapse of group
- b) Need for inculcation of attitudes, habits, and behaviours needed for healthy financial decision-making by the groups
- c) Challenge of providing services at the lowest cost, considering the fact that most of these groups are in poor rural communities.

- d) Difficulty of branch access (branch too far away) from some groups
- e) Lack of training on the use of bank services – better financial literacy needed,
- f) Lack of respect from bank staff for savings group representatives, which might interfere with the linkage banking business.
- g) Inadequate understanding of Y/VSLAs viability, operations and attractiveness through aggregating large numbers of small savings/ loans.

Recommended interventions include the following:

- a) *Train groups to manage risks.* Continuously train the Y/VSLAs and where necessary, give technical assistance to minimize on fraud. This may require external funding.
- b) *Train groups in prudent management* and financial decision making, to help them do good business for sustainability and growth. This should include training in the use of banking services.
- c) *Explore options for lower transaction costs and interest.* Work with formal financial institutions to lower the cost of access by Y/VSLAs
- d) Digitize their meetings, savings, loans, sharing outs
- e) *Establish agents near groups* to minimize risks associated with theft of cash
- f) Digital lending to VSLA and members and training of members
- g) Train banks' staff on how to offer services to low income groups for mutual benefit between the groups and the bank.

5.2 Credit Institutions (Tier II)

Offerings and pricing

In the project areas, credit institutions target the mass market, mainly the rural and peri rural women, youths and MSME. They offer savings, credit, money transfer, deposit-linked insurance, and payment services. For channels, they use brick and mortar branches and agency banking. One of the institutions also offers mobile and internet banking services, which could provide an opportunity for the groups. Cis offer group loans (flexible repayment period of up to 12 months), top up loans, and insurance cover in case of death or injury).

One CI has VSLA Account deposit products (moderate, 1 free weekly withdrawal, no monthly charge), Save As You Earn Account (interest of up to 4% per annum, 4 free withdrawals per annum, no monthly charges, can borrow up to 100% of saved amount). The VSLA account was designed to empower rural groups to save together and borrow small loans from the joint group savings. The product features include competitive interest on deposits, free e- statements, low account charges and affordable funds transfers both locally and globally.

The products were designed in consultation with the Y/VSLA groups. The institution hopes to design more products targeting Y/VSLAs. They believe the needs of female

and male members differ in some respects, so build in the gender angle in product design.

On challenges, CIs are cite registration issues (some not registered), low on-time repayment, weak collateral and limited financial literacy in most groups. Suggested interventions include the following:

- a) Fund at a subsidized rate which will allow them provide loans at a more favourable rate
- b) Support activities to create awareness and increase financial literacy amongst the women groups
- c) Clear registration guidelines for registering Y/VSLAs to create uniformity and sustainability.

5.3 SACCOs and Microfinance Institutions (Tier IV)

Offerings and pricing

SACCOs are member-based, and target farmers, SMEs, Y/VSLAs and some salaried workers. They offer savings and loan products. The loans are up to 10 million, interest rate of 2% to 3% per month. The two SACCOs also have loans for groups with 2% pm interest rate. They involve Y/VSLAs in designing the product believe the loan is appropriate to members' needs. SACCOs also offer agricultural loans. Services are offered to both men and women without discrimination.

Challenges and proposed solutions

The following are the challenges as stated by SACCOs:

- a) Groups failing to manage liquidity, thus failing to meet members' needs.
- b) Groups demand for their savings any time, making their deposits unreliable
- c) Women relocate to other areas on marriage and sometimes tracing is difficult
- d) Failure to pay some loan by groups, yet SACCOs do not take collateral
- e) The groups register with the SACCO, not individuals: thus follow up is at times difficult.

The following are the proposed solutions:

- a) SACCOs should develop two types of accounts for the groups, the "on-demand" account from where money can be withdrawn any time, and "contractual savings" which only matures at the end of a stated period.
- b) Improve loan monitoring (SACCOs to groups) and train groups in liquidity management
- c) Continuous training in financial literacy to group and members

6.0 CONCLUSIONS

6.1 Mapping of Y/VSLAs

The ToR for this assignment stated “Mapping the targeted 357 mature/existing Savings Groups...”. During the inception phase, Care advised that a more representative sample of about twice that size was needed, and the consultant engaged 773 of them. In mapping the groups according to agreed criteria, the following categorization was made.

CATEGORY	NUMBER	PERCENTAGE
Mature and ready for Linkage	350	45.3%
Watch (Maturing Groups)	390	50.5%
Nascent (Need Substantial Support)	33	4.2%
Total	773	100%

6.2 Profile of FFSPs

The consultant was required to identify and profile the FFSP that will support the linkages by location, products and services that suite the needs of Y/VSLAs. Having interacted with FFSPs and the groups, the following are recommended for linkage with the groups:

Tier 1:

1. Centenary bank
2. dfcu Bank
3. Stanbic Bank

Tier II

1. Brac bank Uganda
2. Post bank

There are no MDIs in most of the project area and the Tier IV financial institutions might not add much value to the groups since they face similar problems with the groups, and both their resource endowment and capability to build capacity of the groups is low.

6.3 Y/VSLA Member Needs and Gaps

The consultant was required to conduct Y/VSLA member needs assessment and information/knowledge GAP analysis, to inform the linkage processes. The gaps identified are explained under sections 3.1.6 and 3.1.6, and include the following:

For mature groups

- The 27% mature Y/VSLAs initiated by development partners and Government is a low proportion

- Modest participation of women as management committee chairpersons
- Low literacy levels
- Low financial literacy, business skills/ knowledge and entrepreneurial skills among members
- FFIs look at poor people in Y/VSLAs as individuals and miss business opportunity
- Sharing all the savings and profit checks the potential member-developmental impact of the Y/VSLAs
- Lending to non-members by some groups can turn problematic.
- Low business activity among Y/VSLA members
- Poor portfolio quality.

For maturing groups

- Inadequate number of maturing groups initiated by development partners and Government is not adequate
- In maturing groups, the percentage of groups with women chairpersons (35.1%) is low, considering that a majority of VSLA members, typically more than 70%, are female.
- Too short and restrictive loan terms
- Low confidence of group members in others' ability to pay
- The attendance rate in maturing groups is somehow low.

6.4 Financial Literacy Levels

The consultant was also tasked to assess financial literacy levels among targeted Y/VSLA members to inform their improved financial service operations. The assessment in this regard is presented alongside other analysis under sections 3.1.2 and 3.2.2 and they include the following:

- The Y/VSLAs vitally need financial literacy training because in 51% of them, no member had ever attended financial literacy training
- In 38% of the groups, less than 5 members had attended
- Only 5% of the groups had all members having attended financial literacy training.

6.5 Strategy for Digital Solutions

The ToR required the consultant to suggest strategies for rolling out the digital solutions. For all the categories of Y/VSLAs, the recommendations are set out under sub section 4.1.8 and they include:

- Working with service providers to train members and help them register for mobile money and encouraging experienced members to help others.
- Encouraging the groups to offer special loans, with lower interest rates, for acquisition of mobile phones
- Working with network providers to offer affordable charges and sensitize the communities about value for money and timesaving in using mobile transactions.
- Working with network service providers to translate mobile money menus and interactive language into local languages
- Study visits for leaders including committee members
- Partnership with MTN and Airtel as service providers for digital platform
- Working with network providers to ensure that there is always stable network in the project areas.

6.6 Necessary Partners

The consultant was required to identify a Formal Financial Institution (FFI) and Private Sector players that Community Volunteers Initiative can work with to implement the digital Sub-Wallet. The identified partners include the following:

FFSPs

1. Centenary bank
2. Dfcu Bank
3. Stanbic Bank
4. Brac Bank Uganda
5. Post bank

Mobile network providers

1. MTN
2. Airtel

6.7 Capacity Gaps Among Partners

The consultant was required to identify capacity gaps among consortium partner staff, private sector partners from the financial sector to engage with mature Y/VSLAs. The gaps identified include:

- Financial institutions have low knowledge of bank staff on VSLA operations
- Financial products offered to Y/VSLAs need to be reviewed for greater responsiveness

- Financial institutions seldom have a capacity building budget for groups like Y/VSLAs, whereas these groups, to be viable, need regular training and technical assistance
- Networks in several of the project areas is unstable
- Network providers' pricing of mobile money transactions is high and potentially prohibitive.

6.8 Strategies for increasing linkages.

The consultant was required to propose strategies and approaches to be used for increasing linkages and facilitating easy access and utilization by the farmers, particularly women and girls involved in the FFSP linkage process. This was done by proposals to address challenges in the various sections (2,3,4 and 5) of this report. All these are aimed and increase linkages between YY/VSLAs and formal financial institutions. Since the big majority of groups members are already women, anything that makes group members readier for linkage by definition makes the women readier.

6.9 Addressing Digital literacy

The consultant was to propose effective strategies for the project to address digital illiteracy, because it challenged previous digital sub-wallet project.

- Study visits – take a few committee members from each group where digital transactions are working very well, in rural poor communities like theirs.
- Working with network service providers to translate mobile money menus and interactive language into major languages (Luganda, Swahili, Ateso, Luo, Runyakitara)
- Training of Y/VSLA members by network service providers
- Help to digitally illiterate members by those already proficient in doing digital transactions.

APPENDICES

APPENDIX I LINKAGE GAP ANALYSIS QUESTIONNAIRE FOR YOUTH/VILLAGE SAVINGS AND LOANS ASSOCIATIONS (Y/VSLAs)

Good morning/afternoon. My name is, a researcher with Friends Consult Ltd, a consulting firm. We are conducting a study on behalf of CARE International in Uganda aimed to linking Y/VSLAs to formal financial institutions (FFIs). The information provided will remain confidential and your name will not be provided to any other third party while the results will be presented as an aggregate of views from the different respondents. The interview will take not more than 40 minutes. Can we please continue with the interview?
1=Yes 1 2=No

IDENTIFICATION PARTICULARS

Name of VSLA			
Village			
Palish			
Sub county			
District			
Region			
Setting	1 <input type="checkbox"/> Urban 2 <input type="checkbox"/> Rural (Village outside Municipality/City)		

Names of Respondents:			
Gender of Respondents:	1 Male <input type="checkbox"/> 2 Female <input type="checkbox"/>	1 Male <input type="checkbox"/> 2 Female <input type="checkbox"/>	1 Male <input type="checkbox"/> 2 Female <input type="checkbox"/>
Position of Respondent in VSLA:			
Respondents Contacts:			

Date of Interview:	
Name and Code of Interviewer:	

Supervisor:	
Start Time:	End time:

SECTION 1: GENERAL INFORMATION ABOUT THE VSLA	
1.01	Date of establishment of VSLA group: Date <input type="checkbox"/> Month <input type="checkbox"/> Year <input type="checkbox"/>
1.02	What was the number of members when you started? Total <input type="checkbox"/> Male <input type="checkbox"/> Female <input type="checkbox"/>
1.03	What is the number of active members today? Total <input type="checkbox"/> Male <input type="checkbox"/> Female <input type="checkbox"/>
1.04	Age of youngest person and of the oldest person in the group? 1 Youngest <input type="checkbox"/> Gender <input type="checkbox"/> 2 Oldest <input type="checkbox"/> Gender <input type="checkbox"/>
1.05	Name of Chairperson:
1.06	Gender of Chairperson: 1 Male <input type="checkbox"/> 2 Female <input type="checkbox"/>
1.07	What is highest level of formal education of the chairperson? 1 <input type="checkbox"/> Post-Secondary School 2 <input type="checkbox"/> Secondary School Certificate 3 <input type="checkbox"/> Primary School Certificate 4 <input type="checkbox"/> No formal education at all 5 <input type="checkbox"/> Others specify
1.08	How are the group leaders elected? By all members <input type="checkbox"/> By only committee <input type="checkbox"/>
1.09	How many years do leaders serve in a term of office? 1 year <input type="checkbox"/> 2-3 years <input type="checkbox"/> More than 3 years <input type="checkbox"/>
1.10	What is the maximum number of terms a leader can serve? 1 year <input type="checkbox"/> 2-3 years <input type="checkbox"/> <input type="checkbox"/> More than 3 years <input type="checkbox"/>
	What is the proportion of women on the management committees? a. Less than 2 out of 5 <input type="checkbox"/> b. 2-3 out of 5 <input type="checkbox"/> c. More than 3 out of 5 <input type="checkbox"/>
1.11	Is this VSLA registered? 1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/>
1.12	Does it have a by-law or a constitution? 1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/>
1.13	Does the group strictly follow the by-laws or constitution? 1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/> 3 Somehow <input type="checkbox"/>
1.14	b) Who initiated the idea of forming the group? 1 Government <input type="checkbox"/> 2 Development partners <input type="checkbox"/> 3 Both Government & Development partners <input type="checkbox"/> 4 Group members <input type="checkbox"/> 5 Others <input type="checkbox"/> , specify _____
1.15	How many group members have attended financial literacy training? 1 <input type="checkbox"/> No one attended 2 <input type="checkbox"/> 1 to 5 Members 3 <input type="checkbox"/> 6 to 10 members 4 <input type="checkbox"/> More than 10 members 5 <input type="checkbox"/> All members

1.16	How many group members have attended business skills development? 1 <input type="checkbox"/> No one attended 2 <input type="checkbox"/> 1 to 5 Members 3 <input type="checkbox"/> 6 to 10 members 4 <input type="checkbox"/> More than 10 members 5 <input type="checkbox"/> All members
1.17	How many group members have attended entrepreneurial skills trainings? 1 <input type="checkbox"/> No one attended 2 <input type="checkbox"/> 1 to 5 Members 3 <input type="checkbox"/> 6 to 10 members 4 <input type="checkbox"/> More than 10 members 5 <input type="checkbox"/> All members
1.18	How many group members have attended vocational skills training? 1 <input type="checkbox"/> No one attended 2 <input type="checkbox"/> 1 to 5 Members 3 <input type="checkbox"/> 6 to 10 members 4 <input type="checkbox"/> More than 10 members 5 <input type="checkbox"/> All members
1.19	Do you have a group project(s)? 1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/> If yes, what economic activity is the project focusing on? _____
1.20	Does your group carry out savings? 1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/>
1.21	Which year, month and day did your group start to save? Year <input type="checkbox"/> Month <input type="checkbox"/> Day <input type="checkbox"/>
1.16	How often does the group meet? 1 Daily <input type="checkbox"/> 2 Weekly <input type="checkbox"/> 3 Every two weeks <input type="checkbox"/> 4 Monthly <input type="checkbox"/>
1.17	How often are savings made? 1 Daily <input type="checkbox"/> 2 Weekly <input type="checkbox"/> 3 Every two weeks <input type="checkbox"/> 4 Monthly <input type="checkbox"/>
1.18	How much is the Minimum contribution per person? 1 <input type="checkbox"/> 1,000 shillings 2 <input type="checkbox"/> 2,000 shillings 3 <input type="checkbox"/> 5,000 shillings 4 <input type="checkbox"/> 10,000 shillings 5 <input type="checkbox"/> 20,000 shillings 6 <input type="checkbox"/> Others specify
1.19	What is the total savings by the end the first six month in Uganda shillings? 1 <input type="checkbox"/> 0 - 1,000,000 shillings 2 <input type="checkbox"/> 1,000,001 - 2,000,000 shillings 3 <input type="checkbox"/> 2,000,000 - 5,000,000 shillings 4 <input type="checkbox"/> 5,000,000 - 10,000,000 shillings 5 <input type="checkbox"/> Others specify
1.20	How much is in your Box as of today?

1.21	<p>a) Does the group contribute and keep money aside as social fund? 1 Yes [<input type="checkbox"/>] 2 No [<input type="checkbox"/>]</p> <p>b) If yes, how much is contributed as social fund to date in Uganda shillings? _____</p> <p>c) If yes, do you pay interest on social fund? 1 Yes [<input type="checkbox"/>] 2 No [<input type="checkbox"/>]</p>
1.22	<p>What are the 3 things the social fund is mostly used for?</p> <p>1 [<input type="checkbox"/>] Entertainment for members (chai) during meetings 2 [<input type="checkbox"/>] Supporting vulnerable individuals in the community 3 [<input type="checkbox"/>] Used for a project that benefits the community 4 [<input type="checkbox"/>] Used to help members who need support 5 [<input type="checkbox"/>] Others specify _____</p>
1.23	<p>Have you started to Lend / Loan out money? 1 Yes [<input type="checkbox"/>] 2 No [<input type="checkbox"/>]</p>
1.24	<p>How much has been loaned in total by group members since you started this VSLA group?</p>
1.25	<p>How much has been loaned in total to group members only as of today?</p>
1.26	<p>How much was borrowed by non-members as of today?</p>
1.27	<p>What total value of loans with arrears (installments not paid) for more than 30 days?</p>
1.28	<p>How much interest per month in percent is charged for every loan to your members?</p>
1.29	<p>How much interest per month in percent is charged for every loan to non-members?</p>
1.30	<p>What is the loan term (period) of your loans?</p> <p>1 [<input type="checkbox"/>] Less than one month 2 [<input type="checkbox"/>] 1 - 3 months 3 [<input type="checkbox"/>] 4 - 9 months 4 [<input type="checkbox"/>] 10 - 12 months 5 [<input type="checkbox"/>] more than 12 months</p>
1.31	<p>On a scale of 1 - 10 please rate how likely is it that the borrower will pay on the agreed date. (1 for will never pay, 10 for absolutely certain will pay) [_____]</p>
1.32	<p>What is amount written off at share-out? _____</p>
1.33	<p>What was amount of last share-out amount?</p>
1.34	<p>What is the highest amount a member ever borrowed?</p> <p>1 [<input type="checkbox"/>] Less than 50,000 shillings 2 [<input type="checkbox"/>] 50,000 - 100,000 shillings 3 [<input type="checkbox"/>] 100,001 - 200,000 shillings 4 [<input type="checkbox"/>] 200,001 - 500,000 shillings 4 [<input type="checkbox"/>] 500,001 - 750,000 shillings</p>

	<p>5 <input type="checkbox"/> 750,001 – 1,000,000 shillings</p> <p>6 <input type="checkbox"/> more than 1,000,000 shillings</p>
1.35	<p>What is the smallest a member has borrowed?</p> <p>1 <input type="checkbox"/> Less than 50,000 shillings</p> <p>2 <input type="checkbox"/> 50,000 - 100,000 shillings</p> <p>3 <input type="checkbox"/> 100,001 - 200,000 shillings</p> <p>4 <input type="checkbox"/> 200,001 - 500,000 shillings</p> <p>4 <input type="checkbox"/> 500,001 - 750,000 shillings</p> <p>5 <input type="checkbox"/> 750,001 – 1,000,000 shillings</p> <p>6 <input type="checkbox"/> more than 1,000,000 shillings</p>
1.36	<p>What is the total value of assets for the VSLA (loans and other assets)?</p> <p>_____</p>
1.37	<p>a) Do any of your members belong to a SACCO, MFI, or have Bank Account?</p> <p>1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/></p> <p>b) If yes, how many?</p>
1.38	<p>Are members still borrowing money from this source on top of the money they have borrowed from your VSLA group? 1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/></p>
1.39	<p>a) What are the 3 mostly likely use of the money borrowed by members?</p> <p>1 <input type="checkbox"/> To buy farm input such as seeds, ox plough</p> <p>2 <input type="checkbox"/> To buy food for the family</p> <p>3 <input type="checkbox"/> To pay school fees for children</p> <p>4 <input type="checkbox"/> To pay medical fee for family members</p> <p>5 <input type="checkbox"/> To trade and invest in small business</p> <p>6 <input type="checkbox"/> To repair shelter</p> <p>7 <input type="checkbox"/> To buy clothing for self and family</p> <p>8 <input type="checkbox"/> Others specify</p> <p>b) If 5, please state 2 types of businesses that is most common</p>
1.40	<p>List 3 main things member think has changed in their household or to them individually since they started the VSLA group.</p>
1.41	<p>List 3 main fears (at the moment) members have about their VSLA group.</p>
1.42	<p>a) Does the group share out the all the savings and profit at the end of every year?</p> <p>1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No</p> <p>b) If no, what percentage is shared?</p>
SECTION 2: ACCESS, OWNERSHIP AND USAGE OF PHONES	
2.01	<p>Does anyone in your VSLA own a mobile phone? 1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No</p>

	If NO in previous question, skip to 2.10																					
2.02	How many members own mobile phone in your group? _____																					
2.03	Please indicate the number of phones by type: 1 Smartphone [____] 2 Feature/Basic phone [____]																					
2.04	To which Telecom networks or service providers are the sim cards registered? (MULTIPLE RESPONSE) 1 <input type="checkbox"/> MTN 2 <input type="checkbox"/> Airtel 3 <input type="checkbox"/> UTL 4 <input type="checkbox"/> Africell 5 <input type="checkbox"/> Smile 6 <input type="checkbox"/> Others specify																					
2.05	Of the mentioned, which sim card/network is mostly used? (<i>single response only</i>) 1 <input type="checkbox"/> MTN 2 <input type="checkbox"/> Airtel 3 <input type="checkbox"/> UTL 4 <input type="checkbox"/> Africell 5 <input type="checkbox"/> Smile 6 <input type="checkbox"/> Others specify																					
2.06	Why do you use it most? (<i>multiple response allowed</i>) 1 <input type="checkbox"/> Affordable 2 <input type="checkbox"/> Network coverage in my area 3 <input type="checkbox"/> Network coverage in many areas across the country 4 <input type="checkbox"/> Better customer service 5 <input type="checkbox"/> Majority of friends/colleague use it 6 <input type="checkbox"/> Others specify																					
2.07	For which activities do they use the sim cards of the mentioned networks/service providers? (<i>multiple response allowed</i>) <table border="1" style="margin-left: 40px;"> <thead> <tr> <th></th> <th>Activity/service</th> <th>Codes for the activity</th> </tr> </thead> <tbody> <tr> <td>MTN</td> <td></td> <td>1. Both incoming and outgoing calls</td> </tr> <tr> <td>Airtel</td> <td></td> <td>2. SMS</td> </tr> <tr> <td>UTL</td> <td></td> <td>3. Mobile money</td> </tr> <tr> <td>Africell</td> <td></td> <td>4. Mobile banking (transacting across financial institution accounts)</td> </tr> <tr> <td>Smile</td> <td></td> <td>5. Data/internet</td> </tr> <tr> <td></td> <td></td> <td>6. Others specify</td> </tr> </tbody> </table>		Activity/service	Codes for the activity	MTN		1. Both incoming and outgoing calls	Airtel		2. SMS	UTL		3. Mobile money	Africell		4. Mobile banking (transacting across financial institution accounts)	Smile		5. Data/internet			6. Others specify
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Smile		5. Data/internet																				
		6. Others specify																				

2.08	How often do they use their mobile phone to do the following activities?					
	Activity	Daily	weekly	monthly	yearly	Never
	Making/receiving calls					
	Sent/received text messages					
	Sent/received photo messages (MMS					
	Used/browsed the internet					
	Downloaded music, video or games					
	Send/Receive money through mobile money					
	Make transaction with a financial institution like bank, MFI, SACCO, VSLA					
	Pay utilities like water, Umeme, PayTv					
	Pay for other services like tax, school fees, Solar					
	Used Facebook, WhatsApp, Twitter, Instagram or another social networking site					
2.09	<p>What are the MAIN REASONS some members don't own a mobile phone set?</p> <p>1 <input type="checkbox"/> Household member has phone</p> <p>2 <input type="checkbox"/> Relative or friend has a phone</p> <p>3 <input type="checkbox"/> No one in their house owns a phone</p> <p>4 <input type="checkbox"/> Using a phone is against the culture/religion</p> <p>5 <input type="checkbox"/> They don't have anyone to call</p> <p>6 <input type="checkbox"/> Not allowed to use a phone by their spouse, parents or other family members</p> <p>7 <input type="checkbox"/> Had phone, but it was lost, stolen, or broken</p> <p>8 <input type="checkbox"/> Had phone, but sold it for cash</p> <p>9 <input type="checkbox"/> Don't have money to buy a phone</p> <p>10 <input type="checkbox"/> Don't have money to pay for airtime</p> <p>11 <input type="checkbox"/> There is no network where they live</p> <p>12 <input type="checkbox"/> Don't have a need to use a phone/don't want a phone</p> <p>13 <input type="checkbox"/> Don't have ID to register a SIM card</p> <p>14 <input type="checkbox"/> No electricity for charging in this area</p> <p>15 <input type="checkbox"/> Don't know how to use one</p> <p>16 <input type="checkbox"/> Others, specify</p>					

	Please Skip to 3.0
2.10	<p>What are the MAIN REASONS all members don't own a mobile phone set?</p> <p>1 <input type="checkbox"/> Household member has phone</p> <p>2 <input type="checkbox"/> Relative or friend has a phone</p> <p>3 <input type="checkbox"/> No one in their house owns a phone</p> <p>4 <input type="checkbox"/> Using a phone is against the culture/religion</p> <p>5 <input type="checkbox"/> They don't have anyone to call</p> <p>6 <input type="checkbox"/> Not allowed to use a phone by their spouse, parents or other family members</p> <p>7 <input type="checkbox"/> Had phone, but it was lost, stolen, or broken</p> <p>8 <input type="checkbox"/> Had phone, but sold it for cash</p> <p>9 <input type="checkbox"/> Don't have money to buy a phone</p> <p>10 <input type="checkbox"/> Don't have money to pay for airtime</p> <p>11 <input type="checkbox"/> There is no network where they live</p> <p>12 <input type="checkbox"/> Don't have a need to use a phone/don't want a phone</p> <p>13 <input type="checkbox"/> Don't have ID to register a SIM card</p> <p>14 <input type="checkbox"/> No electricity for charging in this area</p> <p>15 <input type="checkbox"/> Don't know how to use one</p> <p>16 <input type="checkbox"/> Others, specify</p>
SECTION 3: MOBILE MONEY SERVICES	
3.01	<p>Has anyone in your group ever used mobile money service?</p> <p>1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No</p>
If you answered NO in previous question (3.01), go to 3.14	
3.02	<p>Has anyone in your group registered on mobile money?</p> <p>1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No</p>
If NO in previous question (3.02), go to 3.13	
3.03	How many of members owning phones have registered for Mobile money? _____
3.04	<p>How many members have been registered on mobile money for period indicated below?</p> <p>1 Less than 1 month _____</p> <p>2 1-6 months _____</p> <p>3 7-12 months _____</p> <p>4 More than 12 months _____</p>
3.05	<p>Which mobile money service providers are they registered on? (<i>multiple response allowed</i>)</p> <p>1 <input type="checkbox"/> MTN (MTN Mobile Money)</p> <p>2 <input type="checkbox"/> AIRTEL (Airtel Money)</p> <p>3 <input type="checkbox"/> UTL (M-sente)</p> <p>4 <input type="checkbox"/> Africell</p> <p>5 <input type="checkbox"/> Others specify</p>

3.06	<p>Which means of transport do members normally use to reach the nearest agent point from the meeting location?</p> <p>1 <input type="checkbox"/> Walking 2 <input type="checkbox"/> Motor cycles (boda-boda) 3 <input type="checkbox"/> Bicycle 4 <input type="checkbox"/> Motor vehicle/taxi 5 <input type="checkbox"/> Others specify</p>																																																		
3.07	<p>How long does it take to reach at the nearest agent point from meeting location using the means of transport mentioned in the previous question?</p> <p>1 <input type="checkbox"/> <10 mins 2 <input type="checkbox"/> 10-20 mins 3 <input type="checkbox"/> 21-30 mins 4 <input type="checkbox"/> 31-60 mins 5 <input type="checkbox"/> 60+ mins</p>																																																		
3.08	<p>How many members in the group have performed the following activities in the last indicated number of months?</p> <table border="1" data-bbox="321 787 1279 1896"> <thead> <tr> <th data-bbox="321 787 917 829" rowspan="2">Activity</th> <th colspan="2" data-bbox="917 787 1279 829">No. of members</th> </tr> <tr> <th data-bbox="917 829 1096 871">One month</th> <th data-bbox="1096 829 1279 871">Six months</th> </tr> </thead> <tbody> <tr> <td data-bbox="321 871 917 945">Sent money to family members, friends, or other reasons</td> <td data-bbox="917 871 1096 945"></td> <td data-bbox="1096 871 1279 945"></td> </tr> <tr> <td data-bbox="321 945 917 1018">Received money from family members, friends, or others</td> <td data-bbox="917 945 1096 1018"></td> <td data-bbox="1096 945 1279 1018"></td> </tr> <tr> <td data-bbox="321 1018 917 1092">Taken a loan or made payments on a loan, gave a loan or received payments on a loan</td> <td data-bbox="917 1018 1096 1092"></td> <td data-bbox="1096 1018 1279 1092"></td> </tr> <tr> <td data-bbox="321 1092 917 1165">Save money for a future purchase or payment</td> <td data-bbox="917 1092 1096 1165"></td> <td data-bbox="1096 1092 1279 1165"></td> </tr> <tr> <td data-bbox="321 1165 917 1239">Transfer money between a mobile money account and bank account</td> <td data-bbox="917 1165 1096 1239"></td> <td data-bbox="1096 1165 1279 1239"></td> </tr> <tr> <td data-bbox="321 1239 917 1312">Transfer from bank account to mobile money account/wallet</td> <td data-bbox="917 1239 1096 1312"></td> <td data-bbox="1096 1239 1279 1312"></td> </tr> <tr> <td data-bbox="321 1312 917 1386">Checked account balance, change PIN, receive mini-statement, etc.</td> <td data-bbox="917 1312 1096 1386"></td> <td data-bbox="1096 1312 1279 1386"></td> </tr> <tr> <td data-bbox="321 1386 917 1459">Deposited money on mobile money account/wallet</td> <td data-bbox="917 1386 1096 1459"></td> <td data-bbox="1096 1386 1279 1459"></td> </tr> <tr> <td data-bbox="321 1459 917 1533">Withdrew money from mobile money account/wallet</td> <td data-bbox="917 1459 1096 1533"></td> <td data-bbox="1096 1459 1279 1533"></td> </tr> <tr> <td data-bbox="321 1533 917 1606">Paid a utility bill (i.e., electricity, water, solar, TV/cable)</td> <td data-bbox="917 1533 1096 1606"></td> <td data-bbox="1096 1533 1279 1606"></td> </tr> <tr> <td data-bbox="321 1606 917 1648">Paid for school fees</td> <td data-bbox="917 1606 1096 1648"></td> <td data-bbox="1096 1606 1279 1648"></td> </tr> <tr> <td data-bbox="321 1648 917 1722">Paid for other goods and services (rent, etc.)</td> <td data-bbox="917 1648 1096 1722"></td> <td data-bbox="1096 1648 1279 1722"></td> </tr> <tr> <td data-bbox="321 1722 917 1795">Paid for large acquisitions, including land, cattle,</td> <td data-bbox="917 1722 1096 1795"></td> <td data-bbox="1096 1722 1279 1795"></td> </tr> <tr> <td data-bbox="321 1795 917 1837">Paid tax, fine or fee</td> <td data-bbox="917 1795 1096 1837"></td> <td data-bbox="1096 1795 1279 1837"></td> </tr> <tr> <td data-bbox="321 1837 917 1896">Bought airtime</td> <td data-bbox="917 1837 1096 1896"></td> <td data-bbox="1096 1837 1279 1896"></td> </tr> </tbody> </table>	Activity	No. of members		One month	Six months	Sent money to family members, friends, or other reasons			Received money from family members, friends, or others			Taken a loan or made payments on a loan, gave a loan or received payments on a loan			Save money for a future purchase or payment			Transfer money between a mobile money account and bank account			Transfer from bank account to mobile money account/wallet			Checked account balance, change PIN, receive mini-statement, etc.			Deposited money on mobile money account/wallet			Withdrew money from mobile money account/wallet			Paid a utility bill (i.e., electricity, water, solar, TV/cable)			Paid for school fees			Paid for other goods and services (rent, etc.)			Paid for large acquisitions, including land, cattle,			Paid tax, fine or fee			Bought airtime		
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	Other specify																						
3.09	How many members perform the activity most frequently?																						
	<table border="1"> <thead> <tr> <th>Activity</th> <th>No. of members</th> </tr> </thead> <tbody> <tr> <td>Deposit</td> <td></td> </tr> <tr> <td>Withdraw</td> <td></td> </tr> <tr> <td>Send money</td> <td></td> </tr> <tr> <td>Receive money</td> <td></td> </tr> <tr> <td>Buy airtime</td> <td></td> </tr> <tr> <td>Check balance</td> <td></td> </tr> <tr> <td>Pay solar</td> <td></td> </tr> <tr> <td>Pay utilities</td> <td></td> </tr> <tr> <td>Pay TV</td> <td></td> </tr> </tbody> </table>	Activity	No. of members	Deposit		Withdraw		Send money		Receive money		Buy airtime		Check balance		Pay solar		Pay utilities		Pay TV			
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Deposit																							
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Receive money																							
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Check balance																							
Pay solar																							
Pay utilities																							
Pay TV																							
3.10	<p>Every time someone sends you money using Mobile Money, how do you usually receive it?</p> <p>1 <input type="checkbox"/> I always ask the sender to transfer to my registered mobile money account</p> <p>2 <input type="checkbox"/> I ask the sender to transfer to an agent</p> <p>3 <input type="checkbox"/> I ask the sender to transfer to a registered account of a household member or relative</p> <p>4 <input type="checkbox"/> I ask the sender to transfer to a registered mobile money account of a friend</p> <p>5 <input type="checkbox"/> I ask the sender to transfer to an account in a financial institution</p> <p>6 <input type="checkbox"/> Others specify</p>																						
3.11	<p>If you access the service from your phone or from a phone of someone you know, how often do you encounter difficulties (poor signal, signal loss, error msg, etc.)?</p> <p>1 <input type="checkbox"/> Very frequently 2 <input type="checkbox"/> Sometimes</p> <p>3 <input type="checkbox"/> Infrequently 4 <input type="checkbox"/> Not at all</p>																						
3.12	<p>What challenges are you facing with mobile money services (MULTIPLE RESPONSE)</p> <p>1 <input type="checkbox"/> How I see the account on my phone/Menu options are confusing to me text is in English, I don't read English</p> <p>2 <input type="checkbox"/> High transaction charges/tax</p> <p>3 <input type="checkbox"/> Agents are not open or around when I need them</p> <p>4 <input type="checkbox"/> Agents do not have cash or e-money when I need it</p> <p>5 <input type="checkbox"/> Mobile signal is unreliable</p>																						

3.13	<p>What is the main reason that no one in your group has registered/signed up for mobile money services?</p> <p>1 <input type="checkbox"/> We don't have a sim card</p> <p>2 <input type="checkbox"/> Nearest agent is too far/No agent in our area</p> <p>3 <input type="checkbox"/> Nearest agent is normally out of e-float</p> <p>4 <input type="checkbox"/> Network not reliable</p> <p>5 <input type="checkbox"/> We can make a mobile money transaction even when I do not have a MM account</p> <p>6 <input type="checkbox"/> We can use an account of a registered household member hence no need to sign</p> <p>7 <input type="checkbox"/> We can use an account of a registered friend /neighbor hence no need to sign</p> <p>8 <input type="checkbox"/> We don't see the advantage of registering</p> <p>9 <input type="checkbox"/> The registration process is not favorable</p> <p>10 <input type="checkbox"/> We cannot access the nearest registration agent</p> <p>11 <input type="checkbox"/> Others specify</p>
	<p>GO to 4.01</p>
3.14	<p>Why hasn't anyone in your group used mobile money services before? (MULTIPLE RESPONSE)</p> <p>1 <input type="checkbox"/> Fees for using this service are too high/expensive</p> <p>2 <input type="checkbox"/> No one among my friends or family uses this service</p> <p>3 <input type="checkbox"/> Use other informal services e.g., buses for transfer,</p> <p>4 <input type="checkbox"/> Use other formal services e.g., banks,</p> <p>5 <input type="checkbox"/> We do not know what it is</p> <p>6 <input type="checkbox"/> We do not know how to use the services</p> <p>7 <input type="checkbox"/> No agent in our area</p> <p>8 <input type="checkbox"/> We do not need the services / We do not make any transactions</p> <p>9 <input type="checkbox"/> We have not registered for mobile money</p> <p>10 <input type="checkbox"/> Using such services is difficult</p> <p>11 <input type="checkbox"/> We do not have money to make any transactions</p> <p>12 <input type="checkbox"/> We cannot use mobile money services on my phone</p> <p>13 <input type="checkbox"/> We do not trust that my money is safe on a mobile money account</p> <p>14 <input type="checkbox"/> My male family members (i.e., husband, father, in-laws) do not approve of me having a mobile money account</p> <p>15 <input type="checkbox"/> It is against my religion</p> <p>16 <input type="checkbox"/> We don't use them because all agents are men</p> <p>17 <input type="checkbox"/> Mobile money does not provide anything better/any advantage over the financial services I currently use</p> <p>18 <input type="checkbox"/> We don't have a phone set</p> <p>19 <input type="checkbox"/> Other specify</p>
<p>SECTION 4: WILLINGNESS TO USE MOBILE MONEY FOR BANKING</p>	
4.01	<p>Would you be willing to use a mobile money account to deposit money in a formal financial institution like Banks or Microfinance Institutions?</p> <p>1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No</p>

4.02	Would you be willing to use a mobile money account to receive money from a formal financial institution like Banks or Microfinance Institutions on a phone? 1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No
4.03	Would you be willing to receive a VSLA group loan using mobile phone? 1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No
4.04	Would you be will to receive a loan using mobile phone? 1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No
4.05	Would you be willing to pay back your VSLA group loan using mobile phone? 1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No
4.06	Would you be willing to repay the loan using mobile phone? 1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No
4.07	Would you be willing to use your mobile phone to deposit and withdraw money from your individual bank account? 1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No
SECTION 5: FORMAL FINANCIAL SERVICES	
5.01	Has any member in your group ever had an account with a Bank/MDI/Microfinance/SACCO? 1 <input type="checkbox"/> Yes 2 No <input type="checkbox"/>
5.02	How many members in your group have active account with a Bank/MDI/Microfinance/SACCO? 1 <input type="checkbox"/> Bank _____ 2 <input type="checkbox"/> MDI (<i>FINCA PRIDE UGAFODE EFC YAKO</i>) _____ 2 <input type="checkbox"/> SACCO _____ 3 <input type="checkbox"/> MFI _____ 4 None
5.03	How many have made transactions in the last six (6) months in a Bank/MDI/Microfinance/SACCO?
5.05	Which means of transport do members normally use to reach the nearest Bank/MDI/Microfinance/SACCO? 1 <input type="checkbox"/> Walking 2 <input type="checkbox"/> Motor cycles (boda-boda) 3 <input type="checkbox"/> Bicycle 4 <input type="checkbox"/> Motor vehicle/taxi 5 <input type="checkbox"/> Others specify
5.06	How long does it take you to reach the Bank/MDI/Microfinance/SACCO from the meeting location using the means transport mentioned in the previous question? 1 <input type="checkbox"/> < 30 mins 2 <input type="checkbox"/> 1 hour 3 <input type="checkbox"/> 1 hour 30 minutes 4 <input type="checkbox"/> 2 hours 5 <input type="checkbox"/> more than two hours

Rating for Linkage							
No.	Parameter	Parameter Indicator	Source Of Data	Scoring Criteria	Tick	Assigned Score	Parameter Score
1	Maturity of group	Date of first savings cycle		1. Less than 1 year 2. 1 to 2 years 3. 2 years or more		0	
						6	
						10	
2	Savings volume in the previous cycle	Net Value of savings at share-out in last cycle	MIS Archive - Number 12 -	1. Less than 2 million UGX 2. 2 to 5 million UGX 3. 5 to 8 million UGX 4. More than 8 million UGX		0	
						7	
						10	
						15	
3	Savings volume this cycle	Net Value of savings this cycle	Number 12	1. Less than UGX 0.50 million 2. 0.50 to 1 million UGX 3. More than 1 million UGX		0	
						3	
						5	
4	Attendance rate	Number of members attending meeting	Number 10	1. Less than 80% 2. Between 80 to 90% 3. More than 90%		0	
						3	
						5	
5	Loan fund utilization rate	Value of loans outstanding divided by Total assets of the group (i.e., Value of fixed assets and other funds)	Calculated	1. Less than 50% = 0 2. 50% to 75% = 6 3. More than 75% = 10		0	
						6	
						10	
6	Portfolio at risk (PAR)	Portfolio at risk	Calculated	1. If PAR more than 10% 2. PAR between 5% and 10% 3. PAR between 3% and 5% 4. PAR between 1% and 3% 5. If PAR is Nil (0%)		0	
						3	
						6	
						9	
						10	
7	Amount written off as a percentage of last share-out amount	Amount written off at shareout	Number 18	1. 5% or more = 0 2. Between 2% and 5% 3. Between 1% and 2% 4. Nil (0%)		0	
						3	
						6	
						10	
8	% of members with active loans	% of members with active loans	Calculated	1. If less than 40% 2. Between 40% and 60% 3. Between 60% and 80% 4. More than 80%		0	
						3	
						6	
						10	
9				1. Yes		5	

	Member discipline during the meeting	Did all the members come in time for the meeting, or if some members came late, did they pay a fine?		2. No		0	
10	Meeting procedures	Were all the members seated according to their number and carry out transaction in that order?		1. Fully as per procedure 2. Generally, as per procedure 3. Significant deviation from procedures		5 2 0	
11	Member awareness about group norms	Did all members appear to have good awareness about group norms?		1. All members display awareness 2. Most members display awareness 3. Very few or none of the members display awareness		5 2 0	
12	Decision making about loans	When the members wanted to take loan, did the Secretary check how much they had saved in this cycle and apply the rule of providing a loan not more than 3 times the member saving in this cycle?		1. Yes 2. No		5 0	
		Were all decisions made with consensus?		1. Yes 2. No		5 0	

Decision-making matrix for linkage		
No.	Marks obtained by the VSLA group	Decision about linkage
1	Less than 40 marks	Do not link the group
2	40 to 60 marks	Link the group only for savings product
3	61 to 80 marks	Link the group for both savings and credit. Credit amount not to exceed 50% of the amount shared out in last cycle.
4	Above 80 marks	Link the group for both savings and Credit. Credit not to exceed two times the amount shared out in last cycle

Rating for Digital Readiness						
No.	Parameter	Parameter indicator	Scoring criteria	Tick	Assigned score	Parameter score
1	Members' ownership of mobile phones (smart; ordinary), (<i>female and male</i>).	No. of member owning phone	5 and more 3 to 4 0 to 2		20 10 0	
2	Members' understating of mobile money and digital finance channels (ATMs, agent banking, internet banking; mobile banking).	No. of Members' understating of mobile money and digital finance channels	5 and more 3 to 4 0 to 2		20 10 0	
3	Members' ability to transact using mobile phones (smart; ordinary).	No. of member able to transact	5 and more 3 to 4 0 to 2		20 10 0	
4	Level of data network penetration in the location of the group.	No. of Data network operators available in the location	2 and more 1 0		30 10 0	
5	Language and other constraints in use of mobile money	No. of members understanding English language	5 and more 0 to 4		10 0	

Decision-making matrix Digital Readiness		
No.	Marks obtained by the VSLA group	Decision about linkage
2	Below 50marks	Do not Implement digital wallet
3	50 to 69 marks	Provide necessary support
4	70 and Above marks	Implement digital wallet

APPENDIX II
KEY INFORMANT INTERVIEW GUIDE
FOR FORMAL FINANCIAL SERVICE PROVIDERS

Good morning/afternoon. My name is, a researcher with Friends Consult Ltd, a consulting firm. We are conducting a study on behalf of CARE International in Uganda aimed to linking Y/VSLAs to formal financial institutions (FFIs). The information provided will remain confidential and your name will not be provided to any other third party while the results will be presented as an aggregate of views from the different respondents. The interview will take not more than 40 minutes. Can we please continue with the interview?
 1=Yes 2=No

IDENTIFICATION PARTICULARS

Name of respondent	
FFSP	
Position of Respondent	
Sub county	
District	
Contact of Respondent	
Date of Interview:	
Name and Code of Interviewer:	
Supervisor:	
Start Time:	End time:

1. How is your institution regulated?

2. What is your main target market?

4. What types of products are you offering (overall)?
5. What are the features of this products?
6. Do you have products and service targeting Y/VSLAs? If yes, kindly the features of this product.
7. How were the products design? Were the Y/VSLAs members engaged?
8. Why do think they are appropriate for the Y/VSLAs?
9. Do you expect to design more products targeting Y/VSLAs in the near future (possibly in one or two years)? If yes, what is motivating to do so?
10. Do you offer agricultural oriented products? Kindly, explain?
11. Do you think it is important for you to be gender sensitive while designing and delivering your product? If so, what have done to ensure that your services are gender sensitive?
12. What challenges do you think your institutions will encounter when linking and offering services to the Y/VSLAs?
13. What interventions to do you think can address those challenges?

APPENDIX III

DOCUMENTS REVIEWED

1. Annual Progress Report for Inclusive Market-Based Development for Smallholder Farmers in Northern Uganda
2. Baseline Study for 'Inclusive Market-based Development for Smallholder Farmers in Northern Uganda' under DINU Program
3. State of Practice Report: Savings Groups and the Dynamics of Inclusion (Benjamin S. Allen, 2018)
4. Digital Sub-Wallets for Increased Financial Empowerment of Women Project: Semi-Rapid Gender Analysis, CARE Uganda, 2017
5. Can Digital Linkages Revitalize a Tried and True Savings Model? By Daryl Collins, Salah Goss
6. FinScope 2018 Survey
7. Financial Inclusion Insights Report – Feb 2016

APPENDIX IV

KEY INFORMANTS INTERVIEWED

No.	NAME OF RESPONDENT	FFSP	POSITION
1	Robert Canwat Opobo	Centenary Bank	Chief Manager Microfinance/Retail Microfinance
2	Christine Murenju	Post Bank Uganda	Executive Assistant & Communications Officer
3	Afema Robert	Brac Bank Uganda	Manager Communications & Customer Care
4	Stella Kanyike	Stanbic Bank	Corporate Communications Manager
5	Sylvia M. Ongom	DFCU Bank	Project Manager
6	Samuel Ocanya	Letshego Microfinance	Head of Financial Inclusion
7	Okumu George Ojok	Kitgum SACCO	Operations Manager
8	Achayo Rosemary	Kitogogong SACCO	Manager

APPENDIX V

GROUP DATA BY CATEGORY



CARE LINKAGE DATA
BY CATEGORY.xlsx