VILLAGE SAVINGS AND LOAN ASSOCIATIONS (VSLAs) IN NORTHERN GHANA

GREATER RURAL OPPORTUNITIES FOR WOMEN LEARNING SERIES

SAVINGS GROUPS

MEDA

Canada
ACKNOWLEDGEMENTS

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ABOUT THE GROW PROJECT

Greater Rural Opportunities for Women (GROW) is made possible with the generous support of Global Affairs Canada and implemented by Mennonite Economic Development Associates (MEDA) with a total budget of CAD 20 million.\(^1\) With support from five Key Facilitating Partners (KFPs) – PRONET North, TUDRIDE, PRUDA, CARD and CAPECS\(^2\) – the GROW project operates in 8 districts in the Upper West Region, empowering women farmers to create opportunities through cultivation, utilization and sale of soybeans, accessing extension services and markets to increase their household’s economic well-being.

GROW’s goal is to improve food security for 20,000 women farmers and their families in the Upper West Region of Ghana. Project activities include helping women improve the availability, access to and utilization of appropriate and nutritious food by strengthening production, processing and linkages to markets. To achieve this, women Lead Farmers are identified to help

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1. The GROW budget of CAD 20 million is made up of CAD 18 million from the Government of Canada and CAD 2 million from MEDA.

2. MEDA’s KFPs are: CAPECS (Capacity Enhancement and Community Support), TUDRIDE (Tumu Deanery Rural Integrated Development Program), CARD (Community Aid for Rural Development), ProNet (Professional Network North) and PRUDA (Partnerships for Rural Development Action).
train others in their communities on good agronomic practices to maximize crop yields, with a special focus on soybean cultivation. Entrepreneurial women farmers are trained and supported to become Sales Agents, buying and aggregating soy from other women and selling it to processors and markets. Women are linked to appropriate financial services, including Village Savings and Loan Association (VSLA) groups, financial institutions and insurance providers. Advocating for women’s increased agency, particularly as it relates to decision-making within the household and community, is another key component of the GROW project.

During the 2017 harvest season, GROW supported 21,500 farmers to harvest 13,643 hectares of soybean, producing a yield of 14,632 metric tons. GROW farmers sold 11,169 tons of this soya at an average price of GHS 200 per 100kg, earning a total of over GHS 22.3 million, or approximately CAD 6.7 million (2017 harvest figures).³

The GROW Learning Series

Over seven years of implementation, the GROW project has learned a great deal about women's economic empowerment and food security in northern Ghana. The project team is happy to share our lessons learned in the GROW Learning Series, a set of documents we are releasing in 2018. Topics include women’s economic empowerment, nutrition and food security, financial inclusion, women and technology and conservation agriculture.

³ In 2017, the average exchange rate was 1 GHS (Ghanaian cedi) to 0.30 CAD (Canadian dollars).
Financial Services Learning Series

Within this Learning Series, the GROW team is producing three short briefs on the project’s financial services work, focusing on our crop insurance pilot, Village Savings and Loan groups and the targeted technical assistance provided to our financial services partners.

Increasing Women Farmers’ Access to Financial Services

The GROW project used a combination of formal and informal financial services to meet the needs of clients with distinct needs and across disparate geographies. While clients in more densely populated peri-urban areas could access commercial savings and loan products, for female farmers located in more remote rural areas, and with lower levels of education, village savings and loans associations (VSLAs) proved to be the best way to begin to access financial services and build financial literacy. Offering these two options ensured that women unable to immediately access a loan from a financial services provider (FSP) could still borrow as well as save.

For women farmers, the GROW project ensured that once the weekly VSLA funds accumulated sufficiently, groups could open a savings account with a formal FSP partner. This approach linked formal and informal financial services in order to provide: a) VSLAs with a secure place to save, as the group’s pool of cash increased, and b) group members with the option to access commercial savings and loan products alongside the ones offered by the VSLA. The result for many VSLA members was a hybrid solution that met their financial service needs.

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4 Approximately 3,300 of GROW clients lived in a peri-urban areas (based on population and availability of basic amenities) while the rest (18,200 clients) lived in the rural upper west.
The VSLA Model

In total, GROW helped to establish 1,016 VSLAs (comprised of 21,000 women in total) reaching all corners of the region in which the project was operational. The VSLAs in the GROW project were established by MEDA’s key facilitating partners (KFPs) and are community-based and member-owned groups. MEDA KFPs, CAPECS, TUDRIDEF, CARD, ProNet and PRUDA, provided regular support and guidance for female farmers to establish and run their VSLAs throughout the life of the project. VSLAs provided a venue for the female farmers to save and borrow for both their personal and business needs, and also enabled female farmers to create credit history if their groups save with FSPs.

GROW VSLAs were comprised of between 15 and 30 female members. This number varied in the project depending on the size of the community where the VSLA was established, as well as the number of groups in each community. Each member made a required weekly deposit of between GHS 5-10, and the pooled funds served as loan capital for any members wanting to borrow. In addition to the compulsory savings, there was a weekly collection of GHS 1 per member for the VSLA’s emergency fund. Members paid into an informal ‘insurance’ plan and could claim support from this fund for unexpected costs, including funerals or other unforeseen circumstances.

Group Governance

The governance of the GROW VSLAs was consistent across the project region. The group elected a group management committee consisting of three members: a chairperson, a secretary, and a treasurer. The committee organized the operations of the VSLA which included facilitating group meetings, collecting regular savings, approving and issuing internal loans to the group members based on any requests and monitoring repayments.

MEDA KFPs facilitated the formation of VSLAs in each of the GROW supported communities. KFPs provided the blueprint for group formation, election of the management committee, development of internal bylaws and other required initial support. KFPs then supported the groups through regular monitoring, and coaching on an as-needed basis. Membership was voluntary and required committing to the group by-laws, which were explained and clarified by the chairperson. All groups were retained written constitutions, but rules were announced orally, as were all balances discussed at the meetings, to accommodate the low level of literacy and numeracy in Ghana’s remote rural areas.
A Hybrid Approach: Blending Formal and Informal Financial Services

The VSLA loans were much cheaper than members could receive from external lenders, easy to access, and repayment terms were more flexible and determined collectively. For these reasons, a VSLA loan was preferable for women with lower incomes who were just beginning to grow their businesses. A loan from an external microfinance institution (MFI), for example, costs a minimum of 3% per month in the areas where GROW groups were established. A VSLA loan, on the other hand, cost only GHS 1 for each GHS 100 borrowed, which makes interest 1% per month, a third of the cost of a commercial loan.

The loan size was determined based on the amount of individual savings a member had in the group: for most groups, the maximum amount of funds lent to an individual was three times the amount that that member had saved. A further benefit to the borrower in the VSLA is that the interest is paid into the pool of funds and equally divided amongst members at the end of each year or cycle. During the life of the GROW project, the VSLAs completed 6 cycles.

GROW’s VSLA members saved mainly for three purposes: to cover education costs, housing maintenance, and for agricultural investment. Loans were used in a similar way, depending on the farmer’s income levels. If a member lost some of their working capital, they typically chose to use their savings for business activities and borrow to cover family expenses such as education. The project found that members usually borrowed either once or twice a year. The amounts varied from GHS 50 -700. As the group savings began to grow, and as members required larger investments in their businesses, they began to access formal savings and loans from GROW partner FSPs.

The VSLAs were linked to one of six FSPs – Tumu Cooperative Credit Union (TCCU), Mwintuur Microfinance Limited (MML), Sissala Rural Bank (SRB), Group Ndoum (GN Bank), Wa Cooperative Credit Union or Vision Fund – depending on their geographic location. Some VSLAs moved from keeping cash in a lock box to depositing in a formal group account. The account proved valuable in two ways: first, it ensured the security of the funds; and second, it allowed members to deposit voluntarily at their convenience. By the end of the project, 249 of the 1,016 (24.5%) of VSLAs were saving in a formal financial institution, 8,685 (41%) of VSLA members had individual savings accounts, and over 1,200 (6%) VSLA members had taken loans.
Client Story

Amina is a farmer in Tumu with five children under 18. Her farm is five hectares, and in 2017 she planted three hectares of maize, one hectare of soybeans, and one hectare of ground nuts. She harvested 2900 kg of maize, 500 kg of soya, and 1200 kg of ground nuts. She is a member of the VSLA in her community and uses her savings mainly for her farming activities, but she is also actively taking loans both from the VSLA and TCCU. In 2017, she took a loan of GHS 250 from the VSLA and GHS 800 from TCCU to invest in harvesting and post-harvest activities, such as dry-season gardening.

She really appreciates the financial services provided by the VSLA, but also finds the meetings valuable in other ways. She told MEDA that gathering together with other female farmers regularly facilitates discussions about the market, as well as the challenges of running a business. They also come together during farming and harvesting seasons to share information on the costs associated, including ploughing and transportation to the market to ensure they are all paying a fair price.

She also appreciates the opportunity to borrow both formally through TCCU and informally. TCCU officers came to her community and helped with the loan application process. They also came to her village to collect the repayment. Accessing financial services from both formal and informal services helped Amina make investments in her farm that she could not otherwise have made. At the close of the project, she was still repaying her loan to TCCU but was confident that she could repay it in its entirety and on time.