



SAVINGS AND INTERNAL LENDING COMMUNITIES (SILC) IN UGANDA

PROGRAM REVIEW
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LIST OF ACRONYMS

ADP	Agricultural Development Program
ASCAs	Accumulating Savings and Credit Associations
CRS	Catholic Relief Services
FA	Field Agents
FGDs	Focus Group Discussions
FURA	Foundation for Urban Rural Advancement
IHD	Integral Human Development
KWD	Kasese Women's Desk (now named KWGS)
KWGS	Kasese Women and Gender Section
LC	Local Council
MFI	Microfinance Institutions
PAR	Portfolio At Risk
PRA	Participatory Rapid Appraisal
ASCA	Accumulating Savings and Credit Associations
SF	Social Fund
SILC	Savings and Internal Lending Communities

EXECUTIVE SUMMARY

SILC is a savings-led program that CRS uses to provide financial services to the poor/poorest. CRS implements the program through different partners with the broad aim of supporting the poor to diversify their income generating activities. To do so, CRS supported communities in Bundibugyo, Kasese, and Kyenjojo to develop Savings and Internal Lending Communities (SILC) as a pilot program. Before roll out, CRS commissioned *MicroSave* to carry out an evaluation of the program to assess its achievements, its challenges and from the lessons learned, make recommendations for expansion. The evaluation focused on six thematic areas (human and spiritual, financial, physical, social, political and natural). The methodology used during the evaluation exercise was mainly qualitative in approach, which was used to obtain primary data. Some basic quantitative analysis was also carried out based on secondary data and information provided by CRS.

Findings

The program helped SILC group members to acquire skills in savings, credit, and record keeping. SILC groups are becoming increasingly popular because of the following reasons:

- The Social Fund component, a mutual fund that members build up that is readily available to solve emergencies and domestic problems.
- The money is kept by the group members themselves.
- Accessibility to credit and savings, in a transparent and immediate manner. Members do not have to wait for others to pay their loans so as to obtain another loan.
- Transactions are completed in a single meeting.
- The loan terms and conditions, interest rates, charges, the loan amount, loan term, and repayment frequency are agreed upon in the meeting.
- Documentation is very simple and easy to manage (one all purpose register).
- Earned interest stays within the group and does not go to any other intermediate party.

Because of easy accessibility of savings and credit services, some SILC members have used their savings and credit to build permanent houses and purchase land, household furniture, livestock and domestic items such as china plates, mattresses and quality sauce pans. Based on this, the program has not only enabled the SILC group members to strengthen their financial asset base but have also helped group members to diversify their income generating activities and build up physical capital.

In line with CRS microfinance mission to serve the poorest clients, honor the dignity of their work, the program facilitated members to save and have access to loans in a group setting and practiced participatory management. For those groups that had gone through the first cycle and shared out, the average profitability on savings was 38% showing that there was a high return on savings under the SILC program. More members were joining existing groups and new ones were being formed. This coupled with a reasonably low dropout rate indicated that there is high growth potential and demand for the program. Financial transactions in terms of accountability and transparency were highly appreciated.

The types of assets highly regarded by the community were livestock, poultry, land, buildings, furniture, motor vehicles, produce and “wives and children”. Generally the assets were income generating and contributed to pre-existing assets in the community. However, it was a challenge to measure the change in individual or community wealth and attribute it directly to the SILC program. This is partly because most SILC groups are still relatively new but also because there were other savings and credit coping mechanisms used in the community before the SILC program.

The SILC program built and supported new social bonds and understanding between individual group members. Members are bound together by the rules and regulations in their respective constitutions. Regular group meetings exposed them to new ideas and compliance to the rules and regulations promoted discipline. As they meet, the members greet, learn and understand more about each other. They support one another and work hard to achieve higher incomes. Social injustices especially discrimination of women were addressed (through group interventions and awareness some now have peaceful homes). The SILC program increased social cohesion which helped to address common issues or conflicts within the community and the groups. Members also make friends, share problems and devise means to cope with the problems, all of which are commendable and must continue in the expansion program.

The involvement of SILC group leaders in conducting meetings and encouraging member's participation in decision making significantly contributed to the strengthening of their leadership skills. To a limited extent SILC members and officials have been involved in positions of responsibilities at different level of the community such as being elected to District Councils and Church Committees.

There was lower impact on the Natural Assets indicator. While SILC members appreciated environmental protection issues such as tree planting, and wetlands protection. There were no organizational structures or programmatic activities to support the protection of the natural environment.

Several issues impacted on the SILC program implementation, these included: (i) There were insufficient funds for transport resulting in groups especially in remote areas not being regularly visited by either Field Agents or Supervisors; in some groups there was insufficient compliance with group rules and regulations and partial completion of records. This appears to be a structural issue, which particularly affects remote groups. (ii) Despite clear job descriptions with reporting policies Field Agents and Supervisors were unclear about reporting mechanisms as well as on who trained whom, who supervises whom and who reports to whom; (iii) There was a lack of feedback between CRS and its partners in terms of providing reports and updating information on all stakeholders and preparation of program budgets. (iv) The reputation risk associated with potential failure of some groups that were involved under the pilot phase, but were not included in the expansion program for operational reasons; (v) accumulation of significant cash amounts towards the share out

Conclusion

Overall, the analysis of the six thematic areas indicates the pilot program achieved most of the intended objectives. With a focus on addressing some of the issues raised in the report, SILC program expansion is recommended. CRS should consider revisiting the clustering of the groups to include those that were under the pilot program as many of these groups were not yet ready to be independent of their Field Agents given the success so far achieved is attributed by many groups, at least partly to the involvement of their Field Agents.

1.0 INTRODUCTION

1.1 *Catholic Relief Services and Savings and Internal Lending Communities (SILC) Program*

CRS was founded in 1943 by the U.S. Conference of Catholic Bishops to assist poor and disadvantaged communities overseas regardless of race, nationality or creed. CRS' mission statement calls for the agency to alleviate human suffering, advance full human development, and foster charity and justice in the world. CRS is one of the world's largest private voluntary organizations, supporting relief and development work in 102 countries and territories around the world, with offices in 70 countries.

CRS is well established and respected in countries where it operates, and has a multi-sector approach to achieving its mandate. With approximately 4,000 field-based and 400 headquarters-based staff, CRS operates programs in agriculture, microfinance, education, emergency relief, health, HIV/AIDS, peace-building, and safety nets and welfare, and water and sanitation. The vast majority of CRS' projects are implemented through the local organizations with which the agency has ongoing relationships. Therefore, strengthening, or building the capacity of these partner organizations is fundamental to programs in every country in which CRS operates.

CRS is committed to long-term development and uses the concept of Integral Human Development (IHD) as a framework for holistic development programming. At the core of the framework is the understanding that people need to be supported to protect and expand their choices, to improve their lives, meet their basic human needs, free themselves of oppression and realize their full human potential. Promotion of financial services through SILC is one of the programs implemented by CRS with the broad aim of supporting the poor to diversify their income generating activities. To facilitate service provision and particularly, increase access to financial services, CRS supports people to develop the Savings and Internal Lending Communities (SILC).

1.1.2 *The Savings and Internal Lending Communities Program*

CRS is implementing the Savings and Internal Lending Communities (SILC) Program in accordance with different Memoranda of Understanding between CRS and its implementing partners¹. The approach was holistic programming in support of Integral Human Development (IHD). The SILC program provides a strategy to increase low household income by providing people, especially women, with income generating opportunities through access to self-managed savings-led financial services. The model has some key principles as outlined below:

- The model promotes financial services to the poorest of the poor who are in need of savings services and of very small initial loans of between US\$ 5 and US\$ 50.
- SILC obviate the need to establish complex or specialized microfinance institutions (MFIs) as community members use their own savings to build self-managed savings, credit and social fund.
- SILC members reflect on their own experience to identify best practices that work
- SILC programs provide financial services that keep money in the community

The SILC Program has its roots in the traditional Rotating Savings and Credit Associations (ASCAs) and Accumulating Savings and Credit Associations (ASCAs). In a typical ASCA, members join together to save a fixed amount of money on a regular basis. During a meeting, one member will receive the contributions of the group that day. Although ASCAs and ASCAs (many ASCAs charge interest that accrues to savers,) are easily

¹ Implementing Partners include ADP of Caritas Fort Portal in Kyenjojo, KWGS of Caritas Kasese and SELF-CARE in Bundibugyo.

accessible to the community, they lack accountability and transparency due to lack of records and honesty on the part of the leaders.²

In the case of the SILC program, members belong to groups whose operating principles (decisions about group size, loan terms, and interest rates) respond to their needs and empowering them in their development effort. Because money remains in the group, all accruing benefits are returned to the group members.

1.2 Overall Objectives of the Program and Desired Outcomes

The overall objective of the SILC program is to enable the economically active poor, especially women to develop their own reliable financial services and to support community self reliance and resilience. The program endeavors to achieve the following:

- People having sustainable access to a social fund for emergency purposes, a secure savings system with positive returns and an internal loan fund;
- Improve community resilience in times of hardships;
- Provide a platform for villagers to solve domestic and local development problems; and
- Financial and social empowerment of individuals, households and communities.

CRS uses Integral Human Development (IHD) as a framework for its holistic development programming to achieve desired outcomes. SILC as one of the bases for IHD intends to build six key asset areas (tangible and intangible resources) that its members could use to lead full and productive lives. The key thematic outcomes that CRS aims to achieve are summarized in Table 1 below.

Table 1: SILC Thematic Outcomes

Asset Strengthening through SILC	
<p style="text-align: center;">Human and Spiritual Assets</p> <p>SILC</p> <ul style="list-style-type: none"> • Helps group members to learn new skills in book keeping, accountability, transparency of transactions, savings and lending policies and procedures, setting by laws; • Benefit from insurance fund/social fund that can be used for health care, education, emergencies; • Obtain extra income for better nutrition and education. 	<p style="text-align: center;">Social Assets</p> <p>SILC:</p> <ul style="list-style-type: none"> • Builds and supports new bonds and understanding between individuals; • Strengthens joint decision-making and action within the group through the social fund; • Helps members become more self-reliant and involved in development activities for community; • Addresses underlying injustices in the social systems by empowering women; • Builds strong social cohesion within groups.
<p style="text-align: center;">Financial Assets</p> <p>SILC</p> <ul style="list-style-type: none"> • Provides communities with savings and lending schemes that generate profits for its members; • Helps group members build up small savings amounts into useful lump sums; • Offers an insurance/social fund scheme for members and their families; 	<p style="text-align: center;">Political Assets</p> <p>SILC:</p> <ul style="list-style-type: none"> • Engages local people, mainly women, in decision-making and governance (empowerment at individual, household and community level); • Strengthens leadership skills of the SILC Executive Committees; • Raises awareness and expectations of accountability and transparency;

² Responses from interviewees in Kyenjojo and Kasese.

Asset Strengthening through SILC	
<ul style="list-style-type: none"> • Provides secure cash savings as an alternative for or in addition to savings in livestock, grain etc; • Strengthens the local community's financial asset base; • Diversifies livelihood income strategies and financial assets. 	<ul style="list-style-type: none"> • Has the potential to change traditional political structures into more inclusive political structures as SILC groups can claim rights and advocate for resources with the local government.
Physical Assets SILC: <ul style="list-style-type: none"> • Increases individual wealth and allows members to invest money in their households or income generating assets and communal assets, • Provides an influx of locally generated resources to build new less vulnerable assets to meet basic and productive needs. 	Natural Assets SILC: <ul style="list-style-type: none"> • Groups have the potential to provide organizational structure in support of natural environmental protection systems in cooperation with local governments and NGOs

1.3 Purpose of the Review

CRS East Africa Regional Office commissioned *MicroSave* to carry out an evaluation of the SILC program. This evaluation entailed assessment of the achievements, challenges and lessons learned from the SILC pilot program, then making appropriate recommendations for expansion and rollout.

1.4 Review Methodology

The methodology used during the evaluation exercise used a qualitative approach to data collection. Some basic quantitative analysis was also carried out based on the secondary data and information provided by CRS. Specifically, CRS provided data (information already collected) on the performance of SILC groups. The data was checked against group records during the review. The tools presented in Table 2 were used to collect the primary data. A total of 166 people (109 women and 57 men) were met and interviewed from 13 groups in Kyenjojo and Kasese Districts (see Appendix 1 and 3 respectively).

Table 2: Research Tools Used and Number of Respondents Interviewed.

Tool	Why it was used	How it was used	Interviewees
Focus Group Discussions (FGD)	<ul style="list-style-type: none"> • To establish skills acquired by members • Usage of social fund • Alternative savings and credit mechanisms in SILC community. • Uses of alternative sources of credit • Performance of alternative savings mechanisms and credit sources • Sources of external income in SILC areas • Causes of social conflict. • Mitigation strategies. • Type of training received by SILC leaders and members. • Perception of personal social outcomes of participation in SILC. • Type of skills acquired by both SILC leaders and members. • Number of SILC leaders involved in leadership • Type of community leadership roles SILC leaders / members get involved in. 	<ul style="list-style-type: none"> • By discussion with selected SILC members, non SILC members, women only and men only groups using pre tested discussion guides, • This was crowned by question and answer session at the end of the FGD. 	<ul style="list-style-type: none"> • 130 respondents broken down as (8 female only FGD, 8 men only FGD, 7 non members FGD, 3 SILC Supervisors, 6 FAs, 98 Members FGD)

Tool		Why it was used	How it was used	Interviewees
		<ul style="list-style-type: none"> Numbers of meetings the SILC leaders are involved. To establish level of involvement in environmental protection. Used to establish the access, processes and usage of the social fund as well savings and credit in the SILC group 		
Participatory Rapid Appraisal (PRA)	Simple Wealth Ranking	To establish, <ul style="list-style-type: none"> Understand community's definition of wealth, perception of wealth status, what assets are highly regarded in community. Sources of income among the SILC members and community at large Acquisition of assets and wealth derived from profits. Understand how the SILC has helped to strengthen the community financial asset base. 	<ul style="list-style-type: none"> Through participation of selected SILC group members and Ranking the key productive and community perception of wealth in the community 	<ul style="list-style-type: none"> 7 members
	Financial Landscape (Appendix 5)	<ul style="list-style-type: none"> Used to understand how and why the community uses/ and has used different financial service providers over time in the community with the view of trying to see how SILC program can be improved.. 	<ul style="list-style-type: none"> Through participation of selected SILC group members. 	9 members
	Household Generation, receipt and spending of cash analysis	<ul style="list-style-type: none"> Understand the level of gender and family empowerment, level of house effort in generating resources, control of resources and usage of income generated. 	<ul style="list-style-type: none"> Through participation of a selected SILC group members. 	<ul style="list-style-type: none"> 16 members
Structured Questionnaire		To: <ul style="list-style-type: none"> review SILC group records Establish : <ul style="list-style-type: none"> Percentage increase in members income Percentage of increase in member income Percentage size of end of cycle lump sums to members Average amount of member's savings per cycle. Percentage profitability on savings. Average number of assets owned by households Percentage of women in target areas Percentage of women among SILC leaders (stratified across key roles) 	<ul style="list-style-type: none"> By checking and verifying SILC group records and use of performance data provided by the SILC Program. Collecting information and primary data using structured questionnaire 	<ul style="list-style-type: none"> 13 groups
One to one interviews & Observation		<ul style="list-style-type: none"> Overview of partner's views and perception about the SILC program, performance and benefits in their respective program areas. To see practical compliance, SILC meeting processes and general economic activities in SILC group operational areas. 	<ul style="list-style-type: none"> Visiting respective partner offices and discussion with the relevant management & staff. By observation and noting of the processes and economic between groups visited. 	<ul style="list-style-type: none"> 4 members³

The SILC program areas for purposes of this evaluation were selected across the mutually agreed guidelines with CRS (the sample of groups visited were selected from the list of groups that were meeting during the evaluation period provided by CRS). Research criteria like: women and men only Focus Group Discussions; shared out savings SILC groups, community based non members, etc. were considered. The sampling design was stratified across the age, size of membership, portfolio size of the SILC groups. With the assistance of the CRS SILC Program staff and partners, eight groups from Kyenjojo and five from Kasese⁴ were selected. Visits were arranged to meet mixed groups, women only groups, men only groups, SILC leaders groups, non SILC members, community members and individuals including leaders and staff of partners and program volunteers.

³ The one to one interviews included: CRS Volunteer assisting SILC project , Team Leader CRS Western Region,; Director Caritas Kasese Diocese; Coordinator of Kasese Women & Gender Section - Caritas Kasese,

⁴ The original program had been planned for seven SILC groups from Bundibugyo. However, due to an Ebola outbreak, the field visit program changed to Kasese, where for the same reason, two groups could not be met due to increased threat of the disease.

The results of the FGDs, PRA sessions, literature review, interviews and observations used to understand the program outcomes among SILC members were analyzed using tally sheets and spreadsheets.

1.5 The Review Team

The evaluation Team was comprised of John K Beijuka and Samson Odele of *MicroSave*. In Kyenjojo District, the team was joined by Ms Nyakaana of ADP and former Supervisor SILC Program and Baala, the new SILC Supervisor. In Kasese district, the Supervisor SILC Program provided by CARITAS, Kasese Diocese joined the team and was very useful in taking us to the groups.

2.0 SILC Operations in Western Uganda

2.1 Administrative Structures

CRS implements the SILC program in western Uganda districts of Bundibugyo, Kasese and Kyenjojo through partners namely KWD, Self Care and ADP. In Kasese, Kasese Women Development directorate of Caritas (KWD) Kasese Diocese implemented the SILC project with 40 groups mobilized trained and currently performing savings and credit activities. Earlier KWD was implementing an economic development component under the CRS-Community Resilience and Dialogue (CRD) psychosocial project, targeting victims of the armed conflict in Kasese. This program targeted 28 groups in the project sub-counties of Kyalhumba, Rukoki, Karambi and Kyabarungira. In the SILC program, the average number of people in the group ranges from 24-30, with the majority being women. On average, members in all groups save between Ush.200-(US\$ \$0.11-\$0.28) per week per member. Currently the total number of groups assisted with the savings-led approach is 68. The target population is rural women organized in women's groups mainly involved in farming and trading activities.

Self-Care mobilized and monitored 40 SILC groups in Bundibugyo District. Self-Care was established during the insurgency of 1996-2000 in Bundibugyo. Its main mandate is to provide services to vulnerable women to facilitate and empower them to have sustainable development and improved livelihoods. The 40 SILC groups were in addition to the 35 SLA groups mobilised and supported under the CRD project in the subcounties of Harugale, Busaru and Bundibugyo T.C. Self-Care targets young adults for vocational training and SILC assisted in bringing in the aspect of savings and credit for clients that got involved in micro-enterprises after vocational training. The target groups for SILC also included other community members that lived as neighbours with the young adults.

ADP also worked with CRS in the mobilization of 40 community groups and the introduction of the SILC methodology. ADP supports various farmer groups in Kyenjojo District which are also the target for the SILC project. The SILC pilot worked with 40 groups and the expansion is intended to cover 120 more farmers' groups. Through community-based extension workers, ADP trains groups in improved farming techniques, farm business education, agro-marketing, and savings. These groups have training on various agronomic practices and may already have known and/or practiced traditional ASCAs. In Uganda, agriculture is the primary source of income, employment and food security for over 70% of the rural poor. Therefore, providing basic financial services to these existing ADP supported farming groups was critical.

The SILC program in Uganda had 38 staff comprising one Project Manager, 30 Field Agents, 6 Supervisors and 1 Volunteer.

2.2 Socio-economic Characteristics of the SILC participants

The SILC program in Uganda has reached participants who view themselves largely as average members of their communities, which are largely viewed as poor. Responses from the communities suggested 60% were perceived as poor in Mwenge district and 85% were perceived as poor in Busongora county, Kasese district.

According to national poverty indicators from the 1999 survey, among the areas visited the SILC program is targeting poor communities with the Mwenje County, Kabarole having 30.65% defined as poor, but greater poverty incidence in Busungora County, Kasese 58.29% and Bukonjo County, Kasese at 66.14%

The evaluation team conducted five wealth ranking exercises; the sample included one group in Mbaale Parish, Rwaitengya Parish, one in Nyaibanda Parish in Mwenje County in Kyenjojo District; and two groups in Buhuhira parish Kasese District. Most SILC members viewed themselves as of average wealth in their communities, although a few members view themselves as poorer. This means that on average they:

- Live in a mud and wattle semi-permanent house with iron sheet roofs.
- May have 1-2 goats or cows.
- Have 2-5 acres of land.
- Wear second hand clothes.
- Like others in the community, the family uses government health centers instead of the more expensive private hospitals.
- Have a household of 6- 15 including own children.
- Have one mattress and children sleep on straw filled mattresses known as “Kadeya”.
- They operate outdoor businesses (*jua kali*).
- Have plastic plates and cups.
- Children go to nearby schools (government-sponsored schools)

More details are provided of wealth in the community in Section 3.3

2.3 *Basic SILC Financial Intermediation Process:*

The SILC financial intermediation process involves collecting savings, disbursement of loans, making repayments and contributions of a set amount (usually between 10% - 20% of total saving) towards a social fund. Savings amounts range from Ush.100 (US\$0.06) to Ush.1,000 (US\$0.60) per week. From accumulated savings loans are provided to group members at an interest rate of 5-10% per month depending on the group constitution. SILCs have been trained to start savings and loan activities concurrently to be able to grow savings and to increase the fund utilization rate during a cycle, which typically lasts one year.

2.4 *The Position of SILCs within the Financial Landscape*

SILCs are one of several savings and credit options open to community members. It was ascertained that ASCAs, MFIs and family friends were among the major alternative sources of credit to SILC. The most popularly used credit mechanisms were the SILC program, ASCAs and an NGO called Change Agent that provided microfinance. Three years ago, HOFOKAM was popular because it had just been introduced into or near SILC targeted sub counties, it exhibited a vigor and was client friendly. These attributes deteriorated over time and clients grew unhappy with its inflexible credit delivery methodology. For example, clients did not like offsetting default loans against their savings, and weekly loan repayments and disliked its harsh recovery methods.

Change Agent and ASCAs continue to be as popular as they were three years ago. In particular, Change Agents give loans that are paid in monthly installments for six months; their service is accessible to the communities and allows savings withdrawals from personal accounts. On the other hand ASCAs provide loans, are easy to operate, credit and savings are easily accessible and ASCA member are familiar with them because “*they have always been in our communities long before alternative savings and credit mechanisms come into being*”. However, the availability of funds for credit is limited and at times members are not trustworthy.

Though ASCAs and Change Agent are ranked the same with SILC, use of SILC are becoming increasingly popular because of the following reasons:

- The Social Fund component, a mutual fund that members build up that is readily available to solve emergencies and domestic problems.
- The money is kept by the group members themselves.
- Accessibility to credit and savings, in a transparent and immediate manner. Members do not have to wait for others to pay their loans so as to obtain another loan.
- Transactions are completed in a single meeting.
- The loan terms and conditions, interest rates, charges, the loan amount, loan term, and repayment frequency are agreed upon in the meeting.
- Documentation is very simple and easy to manage (e.g. an all purpose register).
- Earned interest stays with the group and not any other intermediate party.

The performance of alternative credit and savings sources in the SILC program area for the last three years is presented in Table 3. A more detailed comparison between SILCs and other financial mechanisms is provided in Annex 5.

Table 3: Performance of Alternative Credit and Savings Sources Last 3 Years

Financial Service Provider	Now	3 Years Ago
HOFOKAM	**	*****
FURA ⁵	*	
SILC	*****	
CHANGE AGENT (MFI)	*****	*****
ASCAs	*****	*****

Key: ***** is Highest Perception, * is Lowest Perception, No asterisks is N/A.

Source: Field Findings

Because of the accessibility of savings and credit services, SILC members said that they have used savings and credit to build permanent houses and purchase land, household furniture, livestock and domestic items such as china plates, mattresses and quality sauce pans. Based on this, the program has not only enabled the SILC group members to strengthen their financial asset base but has also helped group members to diversify their income generating activities and build up physical capital. There were cases whereby members have operated enterprises that have attracted income from areas outside their area of operation. For example, some members have regularly attended livestock markets in the SILC program area.

2.5 General Financial Performance

The SILC program started one and half years ago as a pilot project, program operations included savings mobilization, both of ordinary savings and the social fund. Once there were sufficient funds for lending groups started lending activities. This section considers savings and credit performance and identifies some areas where management practices may be improved.

Savings Performance: Members were mobilized into groups and trained in the SILC group methodology. As at September 30, 2007, there were 118 SILCs in Kyenjojo, Kasese and Bundibugyo with 2,757 members of which, 74.1% were women, there were an average of 23 members per SILC. Membership growth was 7.2%. The total cumulative value of savings was Ush.66.339.088 (US\$ 37,480), with an average member savings of Ush.24,062 (US\$ 14) as at September 30, 2007. From the accumulated member savings, loans were provided to group members at an interest rate of 5-10% per month depending on the respective group constitutions so as to generate profits for the members. Data on SILC groups that had passed through the first cycle and shared out showed that the average profitability on savings was 38% indicating that the SILC program is profitable to members (Table 4).

⁵ FURA – Foundation for Urban Rural Advancement

Table 4: SILC Groups Savings Profitability

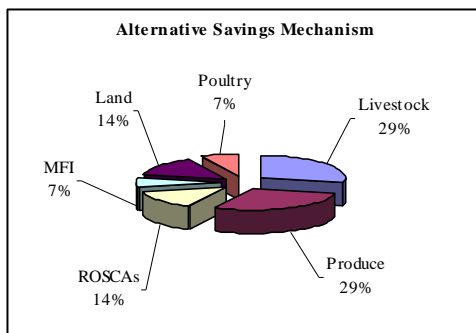
	Bituumo Mixed Farmers	Kiswarra Garlic Growers	Mwarro Orphan Care	Kyegenywa Poultry Keepers	St Kagwa	Thukoleki Women Group	Kunuubi Beekeepers	Kaigoro United Rural Farmers Association	Average and Totals
Total Savings	617,000	728,000	831,400	841,800	762,000	600,300	184,010	226,000	598,814
Amount Shared Out	818,350	1,020,000	1,131,350	1,052,000	1,251,850	657,150	234,450	445,100	826,281
Profitability of Groups	33%	40%	36%	25%	64%	9%	27%	97%	38%

Source: Field Data Collected from Kyenjojo and Kasese

The average net profit per member was Ush.5,596 (US\$ 3.16). About 67% of the group resources (total group assets less the SF) were lent out.

In groups such as Wasewanaba in Kasese, a share out was carried out but records were incomplete and poorly maintained. In some other groups like St Monica in Kakunyu, Kyarumba sub-county the records were maintained in supplementary exercise books and pieces of paper and not in the official SILC all purpose register. The supplementary records were not kept in the box and therefore there is a danger of misplacement.

Figure 1: Alternative Savings Mechanisms

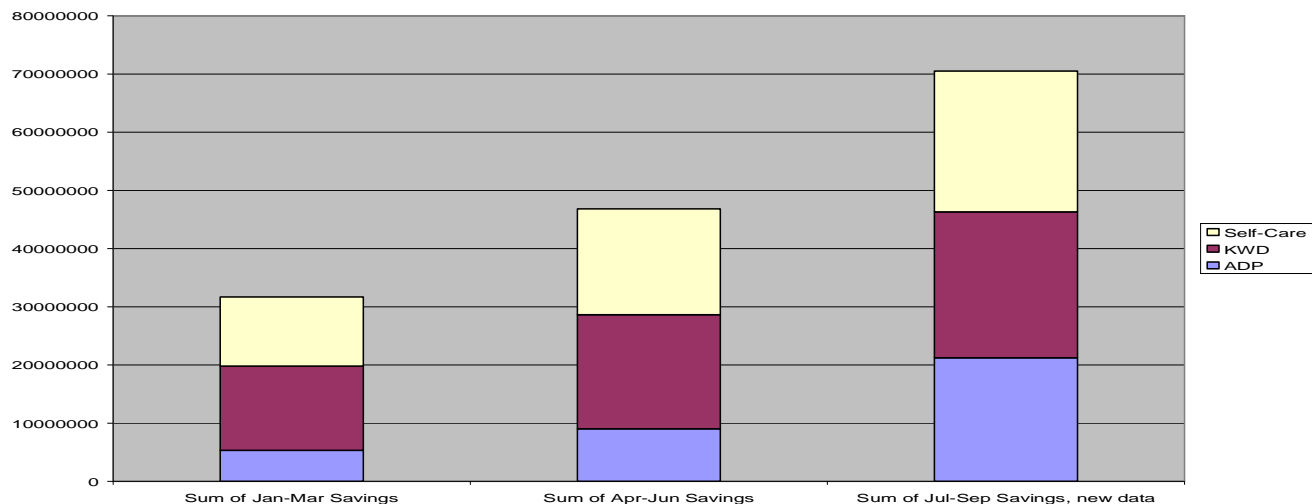


The share out indicated that the program enabled members to build small savings into lump sums. This further provided members a forum for cash savings to complement other alternative forms of savings that included livestock-goats, cows and pigs (29%), produce – maize, coffee, bananas, tea, beans, cassava etc (29%), land and ASCAs (both 14%) while MFIs – such as HOFOKAM and Foundation for Urban Rural Advancement (FURA) 7%, and poultry – some broilers and layers, also accounted for 7% (Figure 1).

Source: Field Findings –Kyenjojo & Kasese

Total savings growth has been impressive as shown in Figure 2 below.

Figure 2: Savings Growth



Source: CRS SILC Program Office – Fort Portal

Credit Performance: As at September 30, 2007, 5,280 loans have been disbursed and the value of loans of Ush.138, 200,816 (approximately US\$ 78,000), at an average loan size of Ush.26, 174 (US\$ 15). The value of loans outstanding was Ush.59, 760,971 (US\$ 33,763), an average loan outstanding per SILC of Ush.506, 449 (US\$ 285) and the yield 23.3% as at September 2007. Portfolio at Risk (PAR) was 18.8 %. Causes of the high PAR were given as migration, death, low income of the members, use of loan funds for emergencies such as sickness, funerals, school fees etc., willful defaults, neglect, inflexible loan terms, loss of business and a failure/inability to enforce constitution and procedures⁶.

In the expansion phase measures can be taken to encourage the application and enforcement of the constitution and procedures, in situations where SF is found to be inadequate, groups will need to be encouraged to increase SF contributions to cater for emergencies aligned to community needs; and increase flexibility in loan terms and conditions.

The aggregated/accumulated savings, loans provided, for Bundibugyo, Kyenjojo and Kasese are presented in Table 5 below.

Table 5: Cumulative Savings & Loans Performance at September 30th 2007: Bundibugyo, Kyenjojo and Kasese

	Aggregate	Average
Savings		
Cumulative Value of Savings	66,339,088	
Average Member Savings		24,062
Total Number of Savers	2,757	
Loans		
Cumulative Value of Loans	138,200,816	
Cumulative Number of Loans	5,280	
Average Loan Size		28,174
Value of Loans Outstanding	29,760,971	
Number of Active Loans	1,209	
Average Outstanding Loan Size		49,430
Average Outstanding Loan Portfolio per SILC		506,449
Loan Principal Repaid to date	78,439,845	664,744

Source: CRS SILC Program Office – Fort Portal.

Net Worth: As at September 30, 2007, the SILC Groups' net worth was Ush.89,232,901 (approximately US\$ 50,500) consisting of the following:

Table 6: SILC Groups Net Worth

Item	Amount (Ush)	Amount (US\$)
Cash on Hand and Bank	21,506,971	12,151
Loans Outstanding	59,760,971	33,763
Goods	501,500	286
Social Fund	7,465,950	4,218
Debtors	2,500	1
Total	89,232,901	50,419

Source: CRS SILC Program Office – Fort Portal

⁶ CRS adds – A high PAR during the SILC cycle is normal as opposed to a more typical MFI program. Members allow borrowers to roll-over loans at fee and it is exactly this flexibility that is appreciated by all. However all loans are normally 100% repaid by the end-of-cycle and before the share-out as members want to share in the profit and continue in a subsequent cycles.

The SILC group members interviewed said that “before SILC, they would not ever think of being in groups whose net worth was so high or realize such a level of profitability in such a short time”. To them the SILC contribution to their groups’ profitability has been significant and was largely attributed to the backstopping support of the FAs and their supervisors.

From observations of group operations during the group meetings in Kyenjojo and Kasese and the general analysis of the financial performance of the SILC program, members understand the principle of saving and accessing loans in a group and group participatory management. It was further observed that the amount of savings (ordinary and SF), loan application, approval, disbursement and recovery are all openly discussed and decided upon by all members of the SILC group in the meeting. However, as the members conduct the group meetings, there are observed shortcomings clearly presented in the “As Is” process map presented in Appendix 3 and summarised in Table 7 below. Generally, the group meeting process was satisfactory but the identified weaknesses will need to be addressed in the expansion program.

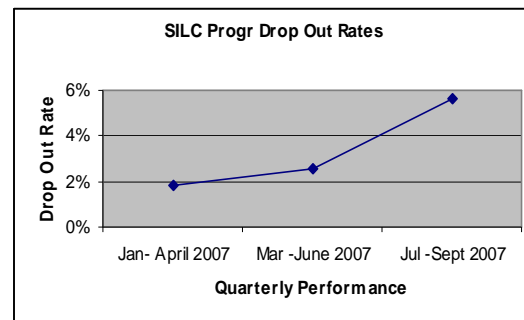
Table 7: Summary of Shortcomings observed in SILC Group Meeting Processes

1.	Delay in beginning meeting due to late arrivals (30 min – 1 hour).
2.	Sometimes, the members cannot remember the cash balances of the previous meeting.
3.	Poor handling of keys: one person holding more than one key.
4.	Registers are not kept up to date during the meetings (lack of capacity (secretary) to keep proper records) making it very difficult to establish the cash balances and account for the day’s transactions.
5.	Other supplementary records are kept instead of the official group registers (example: pieces of paper, exercise books, and other registers).
6.	The register or other documents are not kept in the box. Some times these are kept by one of the group officials.
7.	Inadequate funds available for SF and loans to cater for each member’s needs.
8.	Groups fail to enforce compliance to the group rules and regulation (constitution) leading to default and fines collection.
9.	Money lent towards non productive activities such as ceremonies making repayments very difficult.
10.	Some groups do not get borrowers to sign in the register against the loans received.
11.	The meetings last longer (1.5 -3 hours) than the anticipated one hour.

Low dropout but rising trend: The SILC program was highly appreciated by all group members interviewed; as a result more members are joining existing groups and new groups are being formed. The trend was confirmed by a reasonable low rate of drop outs of 2 – 6% for the first, second and third quarter of 2007.

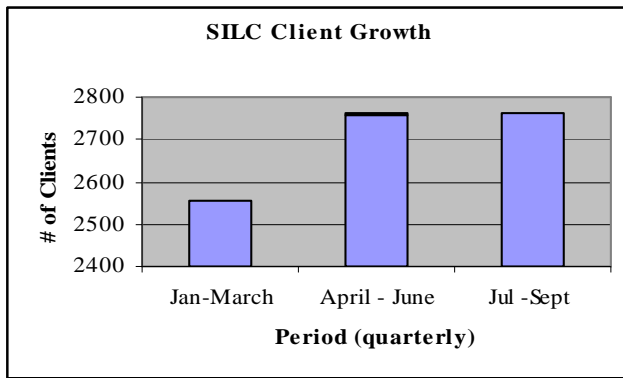
Members leave due to un-met expectations, death, migration and failure to repay loans which frustrates other well performing members.

Fig 2: SILC Dropout



However, the increasing trend in drop outs will need to be carefully watched with Field Agents encouraging compliance with the group constitutions; regular attendance of meetings; continuous sensitization of members about SILC benefits and; courteous leadership and maintenance of good and clear records.

Figure 3: Rate of Growth of SILC Groups and SILC Program Potential



Source: CRS SILC Program Office-Fort Portal

Table 8: Growth Rates

Jan-March	0%
April – June	8%
Jul -Sept	0%

Source: CRS SILC Program Office.

As shown in figure 3 and table 8, SILC groups increased by 8% in the second quarter (April – June 2007) but stopped growing in the last quarter (July – Sept 2007). This was reported to be due to funding shortages.

Despite no growth in the last quarter, there is evidence of high growth potential and demand as indicated by the formation of new groups in the community that apply the SILC methodology but are not SILC groups. This was pronounced in Kyenjojo where ADP groups become SILC members and several were pressing FAs to become members. There are also cases where the community members expressed interest to join the SILC program but were advised to form their own SILC groups. This was also true in Kyabarungira in Kasese SILC program area where two non SILC groups were meeting alongside the SILC groups in the same location, at the same time and using the SILC methodology.

3.0 *Identified Effects of the Project and Financial Performance*

3.1 *Human and Spiritual Assets Strengthening*

Human Assets Strengthening: The human aspect of the six thematic areas included helping members learn new skills including group skills and trust among members and benefiting from the social fund to cope with emergencies. This entailed provision of training in three phases (preparatory, training and continuous supervision) and acquisition of various skills.

Preparatory and Awareness Phase: The awareness, formation and promotion of SILC groups were carried out by Field Agents (FA) who had earlier been selected by the respective partners and trained by CRS in the SILC methodology. The preparatory phase was followed by training of SILC group members, specifically in the formation of self selected groups, group cohesion and dynamics, the role and application of the constitution (rules and regulations), procedures of SILC group meetings, savings and credit operation at the group meeting.⁷ The field visits to the SILC targeted sub-counties in Kyenjojo and Kasese also showed that SILC members knew the program and the community was aware of it.

Training, Monitoring and Supervision: Continuous member training, monitoring and supervision of skill acquisition and application of the skills acquired were part of the SILC program design. At the SILC group level, supervision is carried out by the Field Agents who are supervised by the overall SILC supervisor from the implementing partner to ensure that: i) FA's impart the required skills; ii) group records are properly maintained; iii) meetings are effectively conducted; iv) groups comply with their constitutions; and v) groups handle conflict resolution among group members.

⁷ The group meeting takes place as follows: Opening the meeting; calling the register; savings and social funds verification and contributions; fines and expenses; loan repayment; total available; loan disbursement; statement of worth; announcements and closing.

The FA's live in the communities and are provided with Ush.50, 000 per month (around US\$30) to supervise 3-4 SILC groups and their members. The FAs in all the SILC targeted sub counties have done a good job in terms of:

- Maintaining good group cohesion and togetherness as evidenced by low drop outs and minimum group members conflicts;
- Instilling the savings and credit culture among the groups visited;
- Imparting business skills to group members;
- Members especially women being able to talk in public;
- Promotion of time keeping and discipline are core values of every group visited;
- Group skills and trust among SILC members
- To a certain extent record keeping skills; and
- Raising goodwill towards SILC as evidenced by demand and formation of new groups in both Kyenjojo and Kasese SILC targeted sub-counties.

However, it was established that (i) SILC group meeting procedures were not always followed; (ii) in some groups the rules and regulations as stipulated in the respective constitutions were not strictly complied with (in most cases, the group officials were not enforcing them, for example, non-payment of fines where members do not attend meetings); and (iii) not all members were saving as expected and defaults are beginning to surface in some of the groups visited. These weaknesses were mainly attributed to: FA's lack of skills and inability to follow the SILC Agent Guide; members not fully understanding what was taught coupled with inadequate revision; and irregular monitoring and supervision particularly in more rural groups.

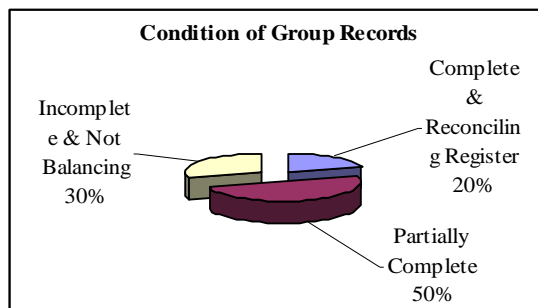
The SILC groups visited in the sub-counties in Kyenjojo indicated that the supervisor visited regularly and monitored their operations and to a certain extent ensured that the FA's were doing what they were expected to do. This was partly attributed to the fact that the supervisor of Kyenjojo was a resource person and employee of the Agricultural Development Project (ADP) that happened to be a partner of CRS in the implementation of the SILC program. In Kasese, some SILC groups were regularly visited and monitored as evidenced by signatures in the visitor's book while those groups in difficult geographical terrain such as Kyabarungira were not regularly visited to the extent that records were not updated since August 2007.

However, there were shortcomings noted during the evaluation.

i. Insufficient skills in the compliance of the SILC group meeting process as well the rules and regulations. The observed process flow during the evaluations was different from the expected process flow, as illustrated by the attached "As Is" SILC group meeting process map (Appendix 3).

ii. In the 13 SILC groups visited, most of the group records were either partially completed (50%) or incomplete (30%), while 20% of the records were complete (Figure 5). In all groups attendance register, SF and savings are well recorded. The net-worth ledger and cash book were not complete mainly because of insufficient skills of the secretaries in record keeping. As a result: (i) the physical cash in the boxes could not be reconciled to the records; (ii) the group members could not tell how much cash was in the box since the last meeting; and (iii) there is latent risk of fraud by the group officials now or in the near future.

Figure 5:



Source: Field Findings

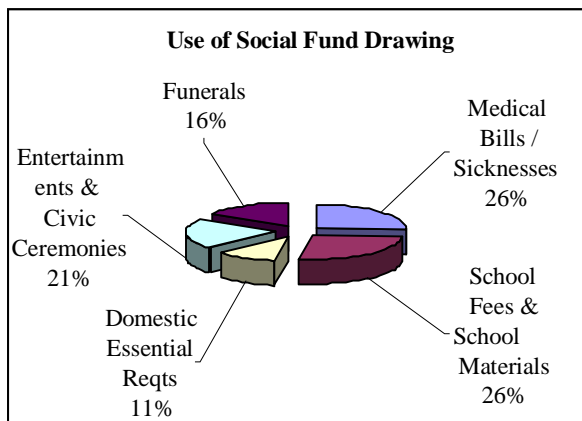
iii. The record book caters for List of Members, Social Fund, Savings, Fines, Loans, Cash Book, SILC Association Net worth and Notes. It is simple and comprehensive yet groups were maintaining supplementary records in the form of pieces of paper, exercise books and counter books where share out, loan disbursements

and recoveries were recorded. In the 13 groups visited, the supplementary books were in most cases kept outside the box. There is no need to change the record keeping system. It would be helpful to arrange more training for secretaries to perfect their skill in record keeping avoiding the un-necessary extra documents.

iv. There was no evidence that the FAs and supervisors checked the records when they visited the groups since they did not sign anywhere in the record book.

The Social Fund Operations: The operation and use of the social fund (SF) in all groups visited was highly appreciated. There were testimonies of significant benefits for example, meeting medical bills as evidenced by a member's testimony "Nyowe ningoza SILC tindigirugamu hakuba okwahura mu SLIC kukatambira ise nyowe obubakamusemeza Mulago" literally meaning that I love SILC and I will never leave it because it saved my father's life after an operation in Mulago Hospital when I obtained support from my group through the Social Fund. Members have also funded some school requirements, including materials and school fees by obtaining support through the Social Fund. One member of St. Monica group in Kyarumba said her child would have been chased out of school when her husband was on a safari if there had been no SF. In many other groups visited, the SF helped members to buy simple domestic requirements such as salt, soap, paraffin and match boxes rather than borrowing these items from neighbors. In some of the 13 groups visited, funds obtained from the SF is refunded when the support is sought for purposes other than emergencies such as medical and funeral expenses for example, entertainment (visitors and civic ceremonies). The uses of Social Fund drawing are presented in Figure 6.

Figure 6: Uses of Social Fund Drawing



Source Field Findings

The SF is very highly rated among all group members who recognized its importance. However, contributions are minimal and the demand for support from the fund often exceeds funds available. The low contribution is a result of the SILC methodology itself where by members are encouraged to have individual savings other than putting resources into a pool that is collectively controlled and used by all group members, the SF is normally 10-20% of the individual savings amount.

Spiritual Assets Strengthening: Based on discussions with the CRS representative in the program area, members of the community and partners, the non denominational approach to development was noted. This was attributed to the fact that CRS works with all communities and partners irrespective of religious denominations. CRS implements its programs through partners who have their own values that are not discriminatory. One of such partners is Caritas. There are no specific activities built into the SILC program for spiritual development and SILC members have no problem with the religious diversity in their membership. The willingness of the program to accommodate different faiths is commendable.

For SILC groups in all program areas, it was observed that there is harmony at group meetings and SILC operations. For example, at Mukunyu in Kasese, both the Roman Catholic and Anglican Church (Church of Uganda) are located on the summit of the same hill next to each other. During our visit to SILC groups in Kyarumba, Mukunyu village, there were not enough chairs in the Roman Catholic Church during Mass. The members of the congregation just went up to the Anglican Church and obtained the chairs needed. Most SILC members in that community belong to various religious denominations and live together as one community. In some of the SILC groups in Kyenjojo visited, members were Roman Catholics, Anglicans and Muslim.

3.2. *Financial Assets Strengthening*

One of the basic principles of the SILC program is that members form a self selected SILC group to provide savings, credit and a simple insurance facility in a community which does not have access to formal financial services. This is in line with: (i) CRS Microfinance mission namely to serve the poorest clients, honor the dignity of their work, advance their work in relation to their community and strengthen partners that work with them.

As stated in Table 1 above, the expected outcomes under the Financial Asset Indicator included: A savings and lending scheme that generates profit for members; builds up small savings amounts into useful lump sums; obtains extra income for members; provides a simple insurance/social fund for members and their households; cash savings to complement other economic activities such as livestock, crop production, trade; and diversified livelihood income strategies and financial assets.

These objectives have clearly been achieved as reported extensively under *Section 2.6 General Financial Performance*. As at 30th of September 2007 the total cumulative value of savings was Ush.66.339.088 (US\$ 37,480), with an average member savings of Ush.24,062 (US\$ 14) as at September 30, 2007. From the accumulated member savings, loans were provided to group members at an interest rate of 5 -10% per month depending on the respective group constitutions so as to generate profits for the members. Data on SILC groups that had passed through the first cycle and shared out showed that the average profitability on savings was 38% indicating that the SILC program is profitable to members.

3.3 *Physical Assets Strengthening*

A simple wealth ranking was used to understand the perception of wealth status in the community and the type of wealth items as regarded by the communities in SILC target sub-counties. This exercise was undertaken in five communities⁸ this revealed significant variation in perceived poverty levels, as shown by responses from Mwenge communities where interviewees in Kihura Kyenjojo district where 60% are perceived as poor and 85% in Busongora county, Kasese district.

From simple wealth ranking sessions carried out in Kyenjojo and Kasese program area. The terminologies “rich”, “not so rich” and “poor”, are relative rather than absolute, therefore, those who are “rich” are perceived to be wealthier than those who are “not so rich” who are perceived to be wealthier than the “poor”. The terms “rich”, “not so rich” and “poor” are used during focus group discussions to try to remove the stigma of people associating themselves as among the poorest a factor that of itself makes drawing absolute conclusions from a small sample difficult. The majority of SILC participants surveyed perceive themselves to be of average wealth “not so rich”, although several report that they are “poor” by the standards of their community. Their definitions of “rich”, “not so rich” and “poor” are given in Table 9 below.

⁸ The sample included one group in Mbaale Parish, Butit sub-county; one group in Rwaitengya Parish Kihura sub-county; one group in Nyabanda Parish Nyantungo sub-county all in Mwenge County in Kyenjojo District; and two groups in Buhuhira parish of Kyabarangira sub-county Busongora County, Kesese District.

Table 9: SILC Members' Perception of Wealth Status in Their Communities

"Rich" ⁹	"Not So Rich"	"Poor"
<ul style="list-style-type: none"> • Have a business with capital of Ush 2,000,000 (\$1,200)–3,000,000 (\$1,750). • Have land of at least 10 acres • Have more than one wife (2 - 4 wives). • Have plots of land around the trading centre. • In a monogamous marriage, children are few (3-4 children) because they practice family planning but can have 4-5 dependants of relative children whose parents have died of HIV/AIDS. • Can afford 3- 4 balanced- diet meals a day (the meals are not scheduled as break fast, lunch, tea, dinner as in towns but can go through such meals at ad hoc times). • Can access good health care (both health centres in the community and private hospital). • Have good appearance and their wives can afford salons to treat their hair. • Have sofa sets in the houses. • Have enough mattresses for all family members and visitors. • Uses China instead of plastic plates. • The children attend relatively good and expensive schools in and outside their communities. • Have a permanent house. • Have a motor vehicle (Motor cycle, car or lorry; (there were some members with such assets in SILC in both Kasese and Kyenjonjo)). • Have many livestock (5-10 cows, 5-10 goats). • Have a government job. • Adequately educated with at least a diploma. • Dress well with new clothes from shops. 	<ul style="list-style-type: none"> • Have a mud and wattle semi-permanent house with iron sheet roofs. • May have 1-2 goats or cows. • Have 2-5 acres of land. • Wear second hand clothes. • Like others in the community, the family uses government health centers instead of the more expensive private hospitals. • Have a household of 6-15 including own children. • Have one mattress and children sleep on straw filled mattresses known as "Kadeya". • They operate outdoor businesses (<i>jua kali</i>). • Have plastic plates and cups. • Children go to nearby schools (government-sponsored schools). • Also educated. 	<ul style="list-style-type: none"> • These are usually not active with little work done. • They perform menial and contract jobs. • Regularly fall sick and can't afford treatment even at Government Health Centers • Live in unhygienic grass thatched houses which often leak and are not plastered. • Can't afford to purchase essential commodities unless they perform contract work for the rich. • They hardly own land and when they do, it is < an acre. • Like other children in the community, they attend UPE government-aided schools but can not afford to buy scholastic materials and uniform. • Simple or no furniture in the house. • They don't sleep on mattresses. and where they do, the mattress is a piece of cloth or sac stacked with grass straws • Eat one poor meal a day. • They have one wife but with many children (over 10 children) because practice no family planning). • They have no personal transport and often walk long distances because they are no public buses.

⁹ Note as explained on page 12 the terms "Rich", "Not so Rich" and "Poor", are relative terms and are used in Focus Group discussions to de-stigmatize poverty.

Generally, villagers rely on subsistence farming, and earn small income from collecting and selling firewood, burning and selling of charcoal and bricks, manual labor in richer people's banana plantations and engage in petty trading such as selling tomatoes, bananas, pancakes and cassava. Income from these activities is low and there are limited opportunities for income diversification. At times they struggle to provide for basic family items such as food, clothes, shelter, drugs, and education for their children.

Table 10: Wealth Classification

	Kyenjojo	Kasese	Average	Percentage
Rich	3	2	2.5	11%
Not So Rich	21	11	16	68%
Poor	4	6	5	21%
	28	19	23.5	100%

Source: Field Findings

According to the definitions and understanding of wealth in Kyenjojo and Kasese SILC program areas, 68% of the people in the community are considered “not so rich”, 11 % “rich” and 21 % “poor” (Table 10). The majority of SILC members fall under the category of “not so rich”¹⁰.

The type of assets highly regarded by the community were found to be livestock and poultry (goats, cows, pigs and local poultry respectively); land; buildings (homes and commercial); furniture; motor vehicles (cars and motorcycles); produce (maize, coffee, cassava, beans and *Matooke*); and “wives and children”¹¹.

Generally assets were income generating especially for the “not so rich” and “poor”. It is a challenge to attribute the change in both individual and community wealth as solely due to the SILC program, as there were and are other savings and credit coping mechanisms used in the community. However, according to group members met, belonging to the SILC program supplemented the various sources of savings and credit services which enabled them to increase individual wealth at both household and community levels.

3.4 Social Assets Strengthening

As regards social assets, group member's perception of personal, social outcomes of participating in SILC and the project expectation were to:

- Build and supporting new bonds and understanding between individuals;
- Strengthen leadership skills of the SILC leaders;
- Enable self reliance and encourage participation in the development activities;
- Address underlying social injustice by empowering women; and
- Build social cohesion within SILC groups.

The group members met commended the SILC methodology for building and strengthening bonds and understanding between individuals. According to the members, the initial purpose of members' group meeting is to save and obtain credit and support from the Social Fund. However, as they meet, they greet, learn and understand more about each other; they dress better than most people in the community, in fact members often wear their best clothes for formal meetings. Members support one another and work hard to achieve higher incomes; and have peaceful homes. They also make friends, share problems and devise means to cope with the problems, all of which are highly commendable.

On a formal basis members are bound together by the rules and regulations contained in the constitution. The regular group meetings exposed the members to new ideas within and outside the community. Compliance to their constitution promotes discipline and helped to ensure that social injustices were addressed. It was noted that women actively participate of leadership responsibilities, and in most groups women were chairpersons, secretaries, SILC box key holders, and money counters. In the thirteen (13) groups visited in Kyenjojo and Kasese, 56% of the SILC group leadership was women. Women clearly participate in group activities and in the decision making process at SILC meetings and through taking more responsibility are encouraged to address

¹⁰ The numbers shown in table 8 represent randomly selected known members of the community falling into wealth categories as defined and isolated by the focus group members using a wealth ranking PRA tool.

¹¹ In Kasese, wives and children are announced among the assets /properties left by the deceased person.

underlying gender injustices within the home. Some women SILC members have felt able to speak in public about issues, which in conservative patriarchal communities is a significant development.

At the SILC meeting, SILC leaders guide, manage and encourage members participation in decision making as regards (i) amount saved (ii) contribution to the SF and iii) loan approval, disbursement and recovery. SILC leaders' involvement was recognized to significantly strengthening leadership skills, encouraging greater self reliance and participation in development activities.

The SILC program has created social cohesion among groups which has significantly helped to address common conflicts/strains that exist not only in the community but also in SILC groups. The causes of community related conflicts included, land issues, gossip, business competition and jealousy, infidelity, domestic violence, partisan politics, alcoholism and child abuse.

On the other hand, the causes of SILC group related strains were: perceived favors in SILC loan disbursements and recoveries; poor body hygiene and household sanitation leading to shunning of some members; women empowerment whereby women get money and become disrespectful to their husbands which also creates the "*feeling of inferiority complex on the part of the husbands*"; and non compliance to SILC group rules and regulations, for example failure to fairly apply the rules and regulations as required by the respective constitutions.

The SILC program contributed to the resolution of these conflicts by:

- Instilling the feeling of oneness among the members;
- Promoting more social interactions including greeting each other as and when they meet;
- Setting themselves as good examples in community, leading to members knowing each other more;
- Increasing community respect for the participant: "*Having cash earns one community respect and can be listened to and consulted in resolving community conflict*"; and
- Credit use and savings are discussed at house hold level between spouses before accessing the financial service, thus eliminating suspicion and promoting discussion and families working together.

3.5 *Political Assets Strengthening*

Among the expected outcomes of the SILC political thematic areas were; i) changing traditional political structures into more inclusive structures; and ii) SILC groups claiming rights and advocating for resources with local government.

Findings from the field indicated that it was too early to register any achievements in these two expected outcome areas. This was confirmed by a respondent in Kasese who said "*it would be too much to expect these outputs from the program in such a short pilot phase of the project, and I feel it would be interesting to see the impact if there were local council (LC) elections in our community.*"

Given the constraint of time, SILC members and officials have been involved in positions of responsibilities at different levels. Cases include (i) the involvement of women in village and church committees; (ii) a former FA was elected as a district councilor representing Karambi sub-county in Kasese; (iii) the SILC program recruited a number of FAs from among the SILC members some became supervisors; and (iv) others played executive roles in the communities and churches where they live.

3.6 *Natural Assets Strengthening*

SILC members appreciated environmental protection but the SILC program itself did not have activities that were specifically geared towards environmental protection. However, individual members had interacted with government and NGO extension workers concerning environmental protection programs. A local economic activity was cutting trees and selling firewood and charcoal members were aware from the media and government programs that "*when you cut a tree you plant two*".

4.0 *Other Issues That Had an Effect on Program Implementation*

During the course of the evaluation, several issues that impacted on the SILC program implementation were noted and observed.

- *Funds for supervision:* Supervisors and FAs received Ush.50,000 (\$30) for supervision per month which was inadequate to cover the distances between partner offices and groups. This meant that not all groups could be effectively supervised especially in Kasese where the terrain was difficult.
- *Training of FA/Supervisors and competence levels:* Originally, supervisors and FAs were trained by CRS. The FAs were then supposed to train group secretaries. Midway through the pilot, it was recognized that additional training was required to assist the secretaries. A workshop was developed for all SILC secretaries for each partner to meet together for additional training. CRS supported this training in conjunction with the SILC supervisors. While this was excellent action research in practice, there was insufficient supervision of both the FAs and supervisors activities during the pilot phase. Furthermore, there are no mechanisms in place to establish the competency levels of FAs and Supervisors.
- *Partner participation in budgeting:* Partners expressed minimum participation not only in program design but also in the budgeting process. One partner said they were given a budget to implement to which they had minimum input.
- *Feedback with the implementing partners:* There is need to improve the feedback with partners on performance reports especially in terms of follow up on issues raised by either party.
- *Accumulating cash:* Although cash boxes and padlocks are themselves security measures, in some groups the boxes contained millions of shillings towards the share out, which creates a significant risk. At the same time, the accumulation of the SF was discouraged because of holding too much cash. However, the demand for SF is insatiable. Discouraging the accumulation of cash and an almost 100% share out does not create track record which would enable linking maturing SILC groups to formal financial institutions, even though it is recognized that developing linkages to formal financial institutions is not a goal of the program.
- *Early choice of record keeping methodology:* CRS should assess groups for implementation of literate or non-literate methodology prior to the formalization of the group.

5.0 CONCLUSIONS AND RECOMMENDATIONS

The SILC program has reached people with limited access to formal financial services. It has provided Field Agents and group members with new skills, and encouraged good savings and credit practices among group members, who can access small loans when required. Social cohesion has been improved and there is evidence of sharing experiences for mutual benefit. Group members have been empowered to manage the SILC mechanisms. There is some evidence of political empowerment, although this is moderate.

5.1 *Human and Spiritual Assets*

Generally members succeeded in learning new skills in bookkeeping, accountability, transparency of transactions, savings and lending policies and procedures, setting up by-laws. The demand for SILC services appears to be high, with spontaneous imitation groups being established.

The social fund was of significant benefit to fund emergencies (e.g. medical, school fees). However, members are not encouraged to save significant amounts for the SF in part due to limited security for accumulated savings and the desire to promote individual savings. As a result demand for funds exceeds the available funding. This suggests that SILC groups should assess their SF needs, and determine the appropriate amount to contribute to the fund that can be sufficient to cover the emergencies of the group.

CRS trained FAs to carry out sensitization of the community about the program resulting into the formation of SILC groups. There was a general understanding of the SILC program methodology among the SILC members. The SILC program also applied some lessons learned during implementation which led to additional training of secretaries. Despite this there were challenges in implementing the methodology to the extent that meeting procedures, rules and regulations were not always followed, group records were often partially completed and there was insufficient checking of records by FA's and Supervisors.

Suggested improvements include: i) careful selection of sufficiently skilled FAs and Supervisors including the ability to read English; ii) additional training and monitoring of FAs and Supervisors in the use of the field guide for training of members in the SILC methodology; iii) sufficient funding of FAs and Supervisors to enable them to travel to all groups; iv) training more members in addition to secretaries in record keeping.

In addition increasing feedback between implementing partners' and CRS should be encouraged.

5.2 *Financial Assets*

The SILC program enabled members to access financial services (savings and credit) and insurance through Social Fund in the SILC targeted area. The program enabled members to understand the basic principles of savings and accessing loans in a group in a participatory approach. It also enabled members to generate profits, build up small savings into useful lump sums, provision of a simple insurance and cash savings to complement other economic activities in the community. It further enabled members to carry out financial transactions and practice good internal controls such as handling of keys, keeping simple records in accountable and transparent manner. In this way members are continuing to acquire simple financial management skills.

Sharing out at the end of the cycle poses a challenge to some groups because there is nothing to start the lending operation with at the beginning of a new cycle. Apparently, many SILC groups that shared-out were not guided to use part of their share-out funds to start off the next cycle with enough money for immediate lending. SILC members should be encouraged to carry forward part of their accumulated savings after sharing out so as to have sufficient funds for lending when they start a new cycle.

Areas that participated in the pilot phase such as Bugoye and Rukoki should be considered in the expansion phase or support their capacity to become self sustaining.

5.4 *Physical Assets*

Group members understand what wealth is in terms of the assets they have, style of life, education, social amenities, and access to health services, hygiene and sanitation in their homesteads. Most SILC members are of average levels of wealth for their communities which are regarded as poor. Average group members have semi permanent houses, 2-5 acres of land. They have 6-15 children, who access government health and education facilities and often sleep on straw mattresses. Clients have one or two goats or a cow and operate small “jua kali” businesses.

Belonging to the SILC program supplemented various sources of savings and credit services which enable them to increase individual wealth at both household and community levels. Changes in both individual and community wealth cannot be solely attributed to the SILC program, as there are other informal savings and credit coping mechanisms being used in the community. It is recommended that during the expansion program, a mechanism to assess the impact of the program on the changes of members social and wealth status should be introduced.

5.5 *Social Assets*

The SILC methodology helped to build new bonds and understanding between individuals. Strengthening leadership skills of the SILC group leaders and encouraging participation in the development activities, social injustices were addressed by empowering women and building social cohesion within SILC groups. Members support one another and work hard to achieve higher incomes; and have peaceful homes. They also make friends, share problems and devise means to cope with the problems, all of which are highly commendable. Members make decisions to choose either records or passbooks so that members, literate or non literate are brought on board regarding the SILC methodology, which not only promotes transparency but also minimizes suspicion and social conflicts and strains that usually come out of financial transactions in groups.

SILC leaders guide and manage new members as regarding the amounts to be saved, contribution to SF, loan approval and disbursement; a very significant contribution in strengthening their leadership skills, enabling self reliance and encouraging participation in development activities.

Financial empowerment of women created strains in family relationships in some groups, due to changing gender relations. However, there was a sense of unity among members, with greater social interactions both within the group and within the community. The social attributes of the SILC program are commendable and should be encouraged to continue during the expansion program.

To minimize social strains and conflicts between spouses, joint training programs where spouses participate should be encouraged so that both spouses should know what happens in SILC and the benefits that accrue from the participation in SILC programs.

5.6 *Political and Natural Assets*

To a limited extent, SILC members and officials have been involved in positions of responsibilities such as former FA being elected and becoming a councilor at the district level.

The SILC program did not particularly address the participation in natural environmental protection. In the last twelve months, participation by individual SILC members in the protection of the environment was under different government programs on environmental protection. However, there is high awareness that “when you cut a tree, you replace it by two” which should be exploited further in the SILC program expansion phase.

LIST OF APPENDICES

Appendix 1a: Overall SILC Project Performance

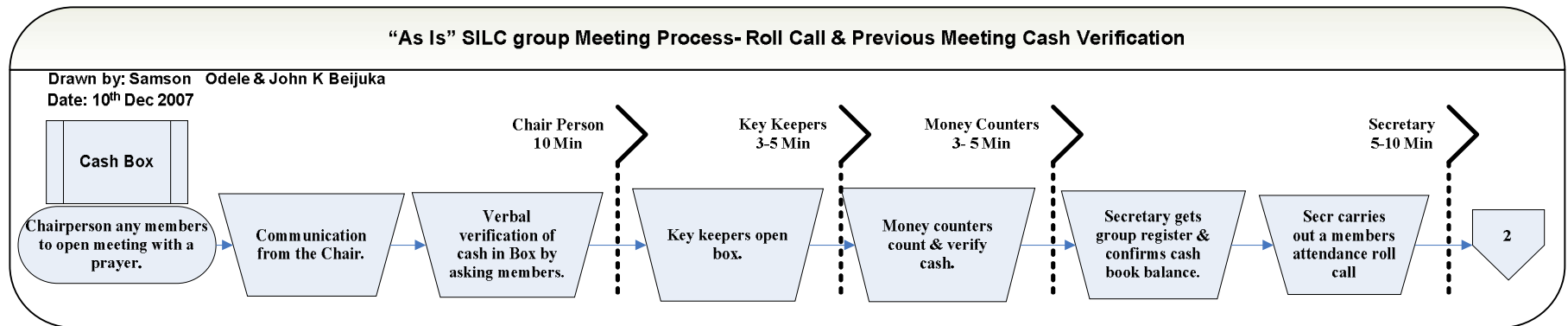
Overall SILC Project Performance			
Figures are in Ugandan Shillings	Institution:	ADP, KWD, SELF-CARE	
<i>Scale</i>			
<i>Association Membership</i>	Aggregate	%	Average
Total Number of Current Members	2,757		
Total Number of Men	714	25.9%	
Total Number of Women	2,043	74.1%	
Total Number of SILCs	118		
Average SILC Membership			23.4
Membership Growth Rate		7.2%	
Attendance Rate		81.6%	
Dropout Rate	144	5.6%	1.2
Number of Members Belonging to Graduated Groups	0		
Total Number of People Assisted by the Programme	2,757		
<i>Composition of Current Assets & Liabilities</i>			
Cash on Hand and at Bank	21,506,980	24.1%	182,263
Loans Outstanding	59,760,971	67.0%	506,449
Goods	501,500	0.6%	4,250
Social Fund	7,465,950	8.4%	63,271
Debts	2,500	0.0%	21
Net Worth	89,232,901	100.0%	756,211
<i>Financial Performance</i>			
<i>Savings</i>			
Cumulative Value of Savings	66,339,088		
Average Member Savings/Contribution to Date			24,062
Increase in Value of SILC Group Savings	15,427,864	23.3%	130,745
<i>Loans</i>			
Cumulative Value of Loans	138,200,816		1,171,193
Cumulative Number of Loans	5,280		44.7
Average Loan Size			26,174
Value of Loans Outstanding	59,760,971		506,449
Number of Active Loans	1,209		10.2
Average Outstanding Loan Size			49,430
Average Loans Outstanding per SILC			506,448.9
Loan Principal Repaid to Date	78,439,845		664,744
<i>Portfolio Quality</i>			
Value of Loans Past Due	<input type="checkbox"/>	11,249,403	95,334
Portfolio at Risk	<input type="checkbox"/>		18.8%
Risk Coverage Ratio	<input type="checkbox"/>	1.4	
<i>Current Yield</i>			
Average Net Profit per Member to Date		23.3%	5,596
Annualised Average Net Profit per Member			4,300

<i>Personnel Profile</i>			
Programme Staff		38.0	100.0%
Project Manager (PM)		1	2.6%
Field Agents		30	78.9%
Other	FA Supervisors	6	15.8%
Other	Volunteer	1	2.6%
Support Staff		0.0	0.0%
Data Capture Clerk(s)			0.0%
Driver(s)			0.0%
Other			0.0%
Other			0.0%
Other			0.0%
<i>Efficiency</i>			
Ratio of Field Staff to Total Staff			78.9%
Caseload: Groups per FA		3.9	
Caseload: Individuals per FA		91.9	
Active Clients per Staff Member		72.6	
Portfolio Utilisation			67.0%
Number of months completed this fiscal year		12	
Total Recurrent Expenditure this Fiscal Year		72,250,000	
Total Expenditure to Date		72,250,000	
Cost per Client		26,206	
Annualised Cost per Active Client		314,472	
Cost per Unit of Financial Assets			81.0%

Appendix 1b: List of groups visited

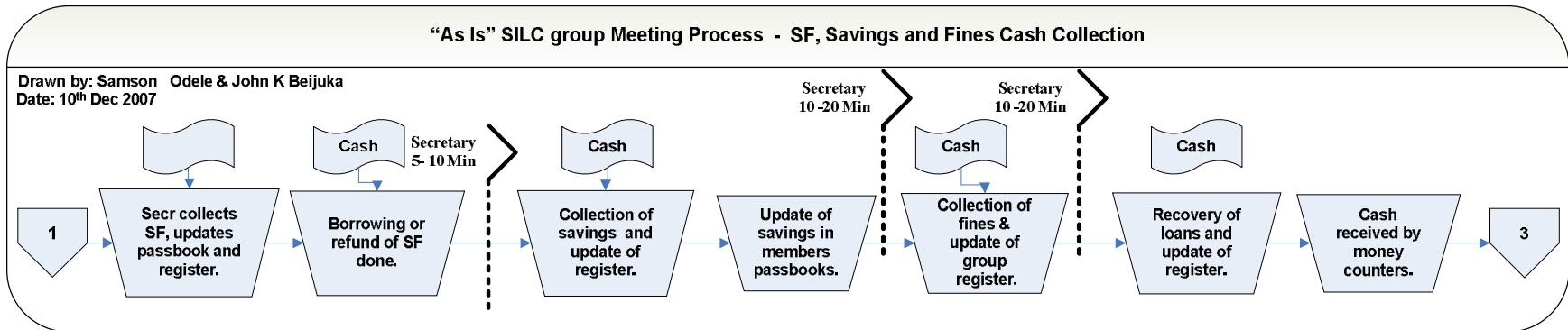
	Name of SILC	Parish	Sub- County	County
ADP GROUPS – KYENJOJO				
1	Kinubi Bee Keepers	Mbaale	Butiti	Mwenge
2	Kaigoro United	Mbaale	Butiti	Mwenge
3	Kigombe Tweyimukye	Rwamukoora	Katooke	Mwenge
4	Kiseeta Savings & Credit Association	Kirongo Ward	Kyenjojo T/C	Mwenge
5	Kiswarra Garlic Growers	Rwaitengya	Kihuura	Mwenge
6	Bituumo Mixed Farmers	Rwaitengya	Kihuura	Mwenge
7	Mwaro Orphan Care	Nyaibanda	Nyantungo	Mwenge
8	Kyeganywa	Nyaibanda	Nyantungo	Mwenge
CARITAS GROUPS – KASESE				
1	Kithoma Baghole Thukulhakulhane	Buhuhira	Kyabarangira	Busongora
2	Kithoma Baghole Mwase Thukulhakulhane	Buhuhira	Kyabarangira	Busongora
3	Wasewanaba United Women	Kabatunda	Kyabarangira	Busongora
4	St. Kagwa SILC Group	Kyambogho	Karambi	Bukonjo
5	Baghole Thukoleki SILC Group	Kalongo	Kyarumba	Bukonjo

Appendix 2: As is SILC group Meeting Process Map for Kithoma Baghole Mwase Thukulhakulhane, Kithoma Baghole Thukulhakulhane, Kyeganywa, Mwaro Orphan Care and Kiswara Garlic Growers¹²

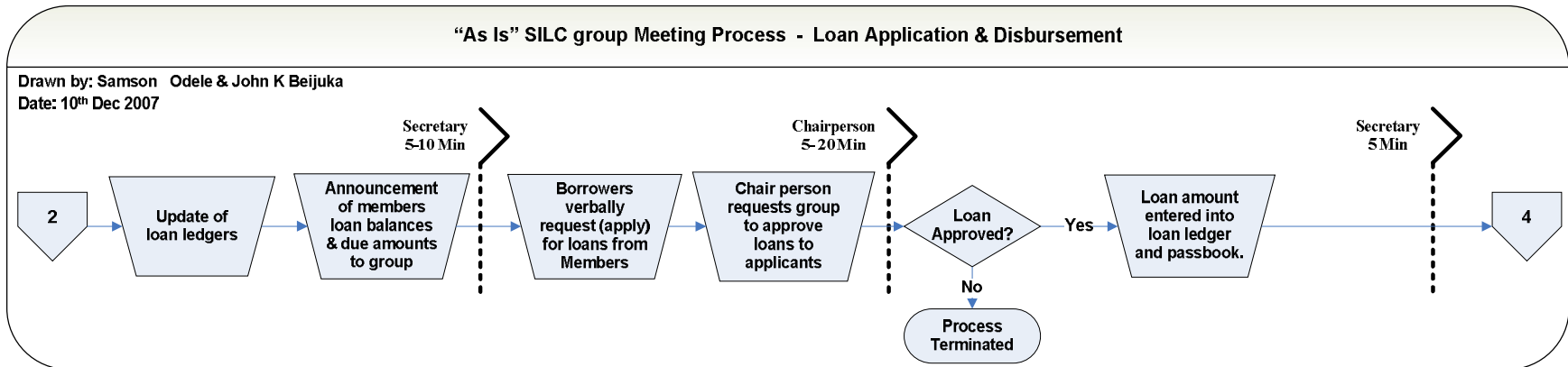


Process Description	<ul style="list-style-type: none"> • The chair person calls the meeting to order, request one group member to open with a word of prayer. • Chair person asks members to verbally confirm the amount of cash in the box that was kept during the previous meeting. • Chair person request the key keepers to open the box. 	<ul style="list-style-type: none"> • The three key keepers open the box. 	<ul style="list-style-type: none"> • The money counters count and verify to the group members the SF, fines and savings kept in the box. 	<ul style="list-style-type: none"> • Secretary gets the register from the box and confirms that the amount read out to members is consistent with the cash balance in the register. • The secretary calls the attendance register.
Process weaknesses	<p>Operational Weakness</p> <ul style="list-style-type: none"> • Delay in beginning meeting due to late coming (30 min – 1 hour). • Sometimes, the members can not remember the cash balances of the previous meeting. 	<p>Operational Weakness</p> <ul style="list-style-type: none"> • In some cases there was poor handling of keys. In particular there were observations of one person having more than one key. 	<p>Operational Weakness</p> <ul style="list-style-type: none"> • Some sections of the register (cash book and the SILC group net worth) are not up to date. • Some groups keep other forms of documents in place of the official group register on which they record the balances (example: pieces of paper, exercise books, other registers). 	<p>Operational Weakness</p> <p>Poor record Keeping:</p> <ul style="list-style-type: none"> • The register or other documents are not kept in the box. Some times these are kept by one of the group officials. • Some times it’s difficult to confirm cash because the books are not updated with the latest transactions. • Some times the groups have incomplete documents.

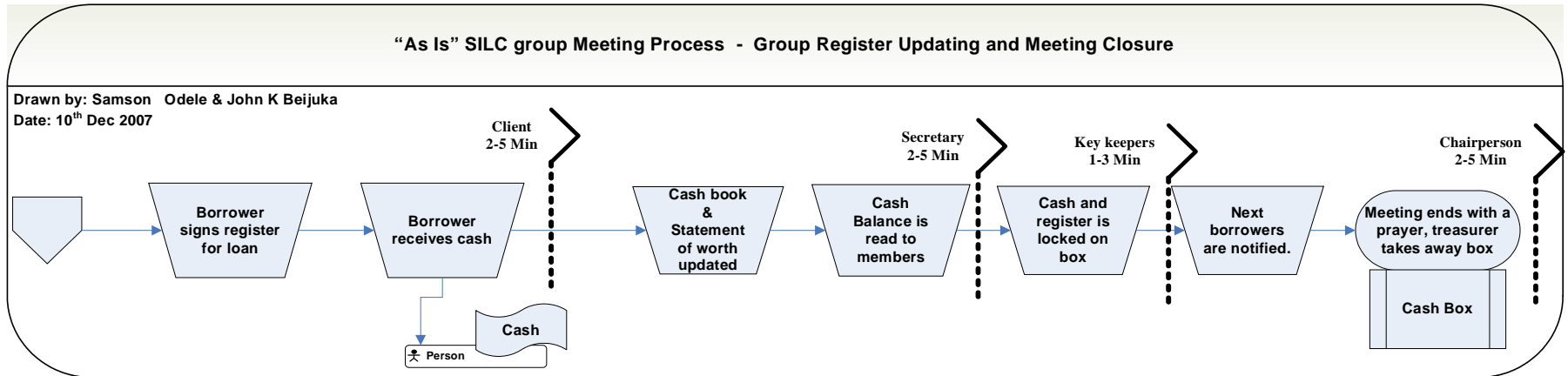
¹² Only a small number of groups were sampled. However, the noted operational weaknesses had at least a 20% manifestation in the groups for which the process flows were investigated. Note that no specific quantitative data was taken to determine the frequency of appearance of each of the conditions except for condition and status of group records as shown in Figure 5, Section 3 in the report.



Process Description	<ul style="list-style-type: none"> Secretary calls forward each group member to save SF. Members who are required to refund SF are requested to pay up. Total SF savings declared and those with needs are allowed to access. 	<ul style="list-style-type: none"> Secretary calls each and every member forward to make a saving. The group register (saving ledger) and individual members pass book are updated with savings entries. 	<ul style="list-style-type: none"> The secretary collects fines from those who have broken any of the group rules and regulations (for example-coming late) 	<ul style="list-style-type: none"> Group secretary calls every member whose loans are due to make payment. Payment entries are made in the register (loan ledger) and members' passbook. The money counters receive and count the money that has been collected by the group.
Process weaknesses	<p><i>Operational Weakness</i></p> <ul style="list-style-type: none"> Inadequate SF available to cater for every ones needs. Failure to refund. 	<p><i>Operational Weakness</i></p> <p>Poor records management due to:</p> <ul style="list-style-type: none"> Failure to capture all savings entries in the register. Lack of capacity (secretary) to manage correct entries. Delayed capture of records, waiting for the following week. 	<p><i>Operational Weakness</i></p> <ul style="list-style-type: none"> Groups fail to enforce compliance to the group rules and regulation (constitution). 	<p><i>Operational Weakness</i></p> <ul style="list-style-type: none"> Failure to collect loans due on a timely basis. Failure to enforce guarantee system and repayment among the members.

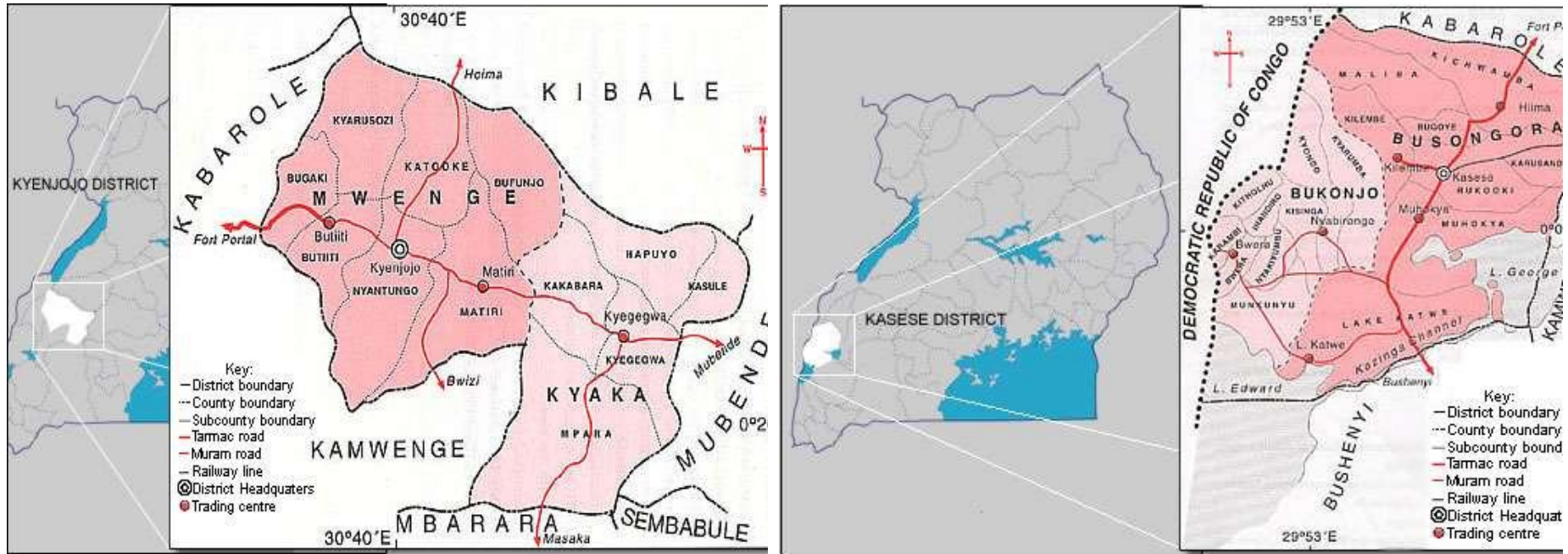


Process Description	<ul style="list-style-type: none"> • The loan ledger (group register) is up dated. • Members loan balances and due amounts, dates are announced for information purposes and as a reminder to look for installment. 	<ul style="list-style-type: none"> • Loan applicants are told to make a verbal request to the group, stating the amount, the purpose and plan of payment. • The chair person asks the group to approve the loan. 	<ul style="list-style-type: none"> • If loan request is approved by the group, the loan amount is updated in the loan ledger section of the register. • The group members pass book is updated with the loan amount, noting the payment dates. • If not approved, the process ends or member is told to wait for the following week.
Process Weaknesses	<p><i>Operational Weakness</i></p> <ul style="list-style-type: none"> • Failure to update the loan ledger (group register). 	<p><i>Financial Weakness</i></p>	<p><i>Financial Weakness</i></p> <ul style="list-style-type: none"> • Insufficient funds to cater for every body’s needs and demands.



Process Description	<ul style="list-style-type: none"> • The borrowing members sign the register as acknowledgement (agreement) of receipt of the loan. • Borrower receives cash from the treasurer. 	<ul style="list-style-type: none"> • Secretary updates the register (cash ledger) and statement of worth. • The cash balance is read to the members 	<ul style="list-style-type: none"> • Cash and register is placed into the box. • The key keepers lock up the cash and the register in the box. 	<ul style="list-style-type: none"> • The chair person reminds all those with loans and the group about the amounts due and when it is due. • The chair person closes the meeting and the treasurer takes away the box.
Process Weaknesses	<p><i>Operational Weakness</i></p> <ul style="list-style-type: none"> • Some groups don't get borrowing clients to sign for the loans in the register. 	<p><i>Operational Weakness</i></p> <ul style="list-style-type: none"> • Some of the registers are not updated at all. 	<p><i>Operational Weakness</i></p> <ul style="list-style-type: none"> • Some registers are kept outside the box. 	<p><i>Operational Weakness</i></p> <ul style="list-style-type: none"> • The meeting last longer than the anticipated 1 hour (1.5 -3 hours).

Appendix 3: Kasese and Kyenjonjo SILC Program Target Areas



Appendix 4: SILC Program, Strength, Weaknesses Opportunities and Threats

Strengths	Weaknesses
<ul style="list-style-type: none"> • Reaching people without sufficient access to formal financial services. SILC does not have much competition in areas of its operations. • Provide FA with skills which they did not have before. • Teaching people to learn best practice of savings and credit culture (these people were not saving before). • Ability to get loans when required. • Group cohesion and ability to learn from one another in a group / community setting. • Empowerment of community members, to be their own managers in taking decisions on the use of their own funds. • General improvement to their lives /changes in their lives • Easier process than any other option 	<ul style="list-style-type: none"> • Effective groups depend on mutual respect and self discipline. However, this is sometimes lacking. • People must be ready to work for themselves and not expect to receive funds from outside of the group. • The program relies heavily on FA for proper training. In case it is not done well then the program can fail. • Shift in poverty level is not clear, not easily measurable. Not known how long it takes.
Opportunities	Threats
<ul style="list-style-type: none"> • Sharing of ideas concerning social matters, or management of the group • Working with groups to improve and implement other areas like helping them to understand finances around sales, health education etc • Learning business skills and being able to use loans well 	<ul style="list-style-type: none"> • Lack of transparency, hoping everybody is good. Some don't know how much money is in the groups. • Poor loan documentation • Lack of understanding of the principles of money management. • Poor FA performance [absenteeism, poor training and lack of supervision]. • Poor oversight / supervision • Limited funds in the groups / low savings • Poor infrastructure and difficult terrain

Appendix 5: Relative Popularity of Available Financial Intervention Mechanisms in the Communities

Financial Mechanism	Now	3 Years Ago	Reason for level of popularity
HOFOKAM	**	*****	<p>The Institution was popular 3 years ago because:</p> <ul style="list-style-type: none"> ○ It was the only formal MFI in areas where it was operational; and ○ They had too much vigor in service delivery at the time of introduction. Their officers moved in the villages marketing and processing loans. <p>Currently considered unpopular because of:</p> <ul style="list-style-type: none"> ○ They are very strict on the regular and inflexible weekly savings rate of Ush.1,000 per member of the group. The amount is considered high for the SILC kind of clients. ○ HOFOKAM does not easily refund savings; ○ Used peoples savings to recover other peoples default loans; members lost savings and this discouraged members; and ○ Respondents reported that loans attracted high interest rate (Note this is qualitatively different to SILC groups who decide to charge high interest rates and where profit stays within the group)
FURA	*		<p>The institution was not there 3 years ago. It's being introduced in the communities with some popularity as stated below:</p> <ul style="list-style-type: none"> ○ Loans are easily accessible through the group meeting; ○ They allow members to save for the social fund (SF) needs; ○ Loan easily accessed because they keep the money themselves; ○ Has interest rate of 5% PM; and which is considered low by the members. ○ Flexible in their loan terms and conditions. You may be allowed to pay on monthly basis. <p>It is still considered not popular as others because:</p> <ul style="list-style-type: none"> ○ It is still a relatively new institution as compared to others and therefore not widely used as yet.
SILC	*****		<p>SILC program was not in the communities 3 years back.</p> <p>Currently SILC is considered to be popular because of the following reasons:</p> <ul style="list-style-type: none"> ○ Can help members solve domestic problems through the social fund(SF); ○ Cash (loan & SF) can be access immediately since the group collects and disburses the money within and during the group meeting; ○ You don't necessarily have to wait for others to repay before accessing SF or loans; ○ Has a simple record book that is easy to use. Recorded in the presence of all members.

Financial Mechanism	Now	3 Years Ago	Reason for level of popularity
			<ul style="list-style-type: none"> ○ Benefits are to the members and it is self managing. Members don't lose their interest to somebody else and don't have to pay somebody else to manage for them.
CHANGE AGENT (NGO)	*****	*****	<p>Popularity has remained the same over the period for the following reasons:</p> <ul style="list-style-type: none"> ○ The loan terms and conditions are flexible (monthly loan repayments and up to 6 months loan term); ○ In areas where they operate, they are located among the community and highly accessible. <p>However, the only challenge is that member can not access their savings as long as the loans are outstanding.</p>
ASCAs	*****	*****	<p>ASCAs are considered popular for the following reasons:</p> <ul style="list-style-type: none"> ○ Started in the communities long before other financial mechanisms were introduced and members have learned how to deal with them. ○ A member can use house hold items as security for the loans. This transfers the burden of group guarantee to the individual who takes/accesses the loan. ○ Allows members to receive lump sum amounts at a go; ○ Members may chose not to charge interest on lump sums given out; and ○ Documentation is not necessary for management of an ASCA since the lump sum is given to the members. <p>The only challenge is that the officials can easily steal people's money and may not be trusted.</p>

Popularity Ranking ranges from nothing to 5 stars. 5 stars being most popular while no score implies that the institution was not there during that time.

Suggested areas that could make SILC more popular

- The group members could be trained in business skills so that they can efficiently manage their business. Training in the areas of business record keeping, sales and purchase and calculating profits.
- Gender training because men complain that women waste time in these groups. This will also provide an opportunity for the men to understand what their women do, thereby encouraging and increasing transparency, reducing the need to explain at home.
- Family and health education on issues that is very common in the families. This would reduce expenses on health related problems. Best hygiene practices would be encouraged.
- Kitchen gardening to reduce food expenses.
- Train and encourage best practices in farming and livestock.