



Research Article

Volume-05|Issue-03|2024

Effectiveness of Internal Savings and Lending (ISAL)) Programmes in Vulnerable Households: Case of ISAL Groups in Mabvuku / Tafara in Harare, Zimbabwe

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Article History

Received: 24.11.2023

Accepted: 20.12.2023

Published: 31.03.2024

Citation

Lemeyu, T. (2024). Effectiveness of Internal Savings and Lending (ISAL)) Programmes in Vulnerable Households: Case of ISAL Groups in Mabvuku / Tafara in Harare, Zimbabwe. *Indiana Journal of Humanities and Social Sciences*, 5(3), 17-22.

Abstract: The study tries to determine the effectiveness of Internal Savings and Lending (ISAL) programme, with special reference to ISAL groups in Mabvuku and Tafara communities in Harare, Zimbabwe. ISAL is a community led savings or microfinance scheme that can be practiced by the poor of the poorest. Phenomenological hermeneutic research philosophy and a qualitative research approach were used to underpin the conduct of this study. The focus was on investigating the knowledge, attitudes and practices of caregivers and youths towards economic strengthening activities. A combination of interviews, observations and focus group discussions were used to acquire the primary data. Six focus group discussions were held with both primary and secondary caregivers, particularly those whose children are benefitting under different organizations' education assistance programmes. Interviews with 10 households were also conducted with identified households. Interpretative phenomenological analysis was employed to analyse data. Findings revealed that ISAL helped households to come up with income generating projects meant to take care of orphan and vulnerable children and also able to provide them with education and other support services such as food, clothing and health protection. However, the study concluded that greater proportion of households does not have enough income to provide basic services, particularly for OVC under their households.

Keywords: Internal Savings and Lending, House Holds, Orphan and Vulnerable Children, Economic strengthening

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INTRODUCTION

Zimbabwe is among a number of African developing countries that has been facing serious socio-economic challenges for a significant length of time. This is due to a number of factors such as hostile impacts of climate change, economic sanctions, political instability, HIV/AIDS and COVID 19 pandemic which had far reaching impact on the socio-economic livelihoods and well-being of a huge segment of the population in Zimbabwe. Donors and non-governmental organisations such as Catholic Relief Services, Care International, Plan International and many others are implementing programmes aimed at improving the living conditions of vulnerable households. The goal of this nation-wide collaborative project is to restore dignity and reduce suffering for the most vulnerable people in urban, peri-urban and rural areas throughout Zimbabwe. It is against this background that Internal Saving and Lending (ISAL) have become an undeniably effective mechanism at improving local financial problems. The study, therefore tries to determine the effectiveness of Internal Saving and Lending (ISAL) programme, with special reference to ISAL groups in Mabvuku and Tafara in Harare, Zimbabwe.

Purpose of The Study

The study sought to explore the effectiveness of Internal Savings and Lending (ISAL) programmes in vulnerable households of Mabvuku and Tafara in Harare, Zimbabwe.

BACKGROUND TO THE STUDY

The stretched and deep-rooted economic crisis that has affected Zimbabwe since the 1990s up to the present-day has negative impact on the well-being of the entire nation. This is due to a surplus of factors such as adverse impacts of climate change, economic sanctions, political instability and pandemics such as HIV/AIDS and COVID 19 which impacted vulnerable communities in Africa, practically in Zimbabwe. This has caused many people in Zimbabwe to face serious economic challenges such as lack of access to health services, food insecurity, lack of access to education and inability to save. It is however very important to note that vulnerable households have been the most affected by these problems because of the inability to have access to finance institutions due to lack of collateral requirements (Wadzanai *et al.*, 2022).

Bound, (2019) in Mago, (2020) narrate that the Zimbabwean microfinance dates back to 1963 when the Catholic Missionary initiated the Savings Development Movement (SDM) which focused on micro savings mobilisation by rural women. However, the microfinance groups were disturbed by the liberation struggle, but it later progressed after independence. Soon after independence microfinance started again and it was supported by a stable economic environment. It was later disrupted by the Economic Structural Adjustment Programme (ESAP) which led to massive retrenchments, removal of subsidies, high inflation and closure of most

industries. Study by Gudza (2016) highlighted that ISAL methodology was introduced in Zimbabwe around 1999 by Care International under the name *Kupfuma Ishungu*. Though with time ISAL was then given different names such as *mukando*, *kufusha mari* and many more according to different organisations and languages. Many people who have lost their jobs due to ESAP joined the informal sector creating a great demand for microfinance even in the rural areas because some of the people who had lost their jobs migrated back to the rural areas where life seemed to be cheaper. The Government of Zimbabwe has tried to improve the microfinance situation by supporting Youths and Women's Small and Medium Enterprise through the Ministry of Gender and 16 Youth Development, but this strategy has been criticized for being partisan and sometimes it was manipulated by people who already had better standards of living who were politically connected. The Zimbabwean Government has also put in place a microfinance policy to improve microfinance services in Zimbabwe. Although the government was putting an effort to improve access of microfinance to the poor, it was responsible for the collapse of the sector for example in 2008 NGOs which were engaged in microfinance had their licenses either withdrawn or not renewed because they were accused of supporting the opposition party. This created an environment which was not attractive to microfinance Non-governmental organizations. In Zimbabwe, HIV/AIDS and poor economic conditions have pushed most communities and households deeper into chronic poverty. In trying to cope, communities have created groups and coalitions that help increase resilience to shocks by pooling financial resources and strengthening group engagement. Rotating savings and borrowings, commonly known as "rounds," are one of the main activities carried out primarily by women to address community challenges through the pooling of resources. Catholic Relief Services (CRS) has sought to improve and build on these activities through the introduction of SILC. CRS' SILC approach provides a safe place for poor households to save and increase their income. The idea of the SILC approach is to help members manage their own small resources by teaching them basic financial management skills. The accumulation of savings and the ability to access flexible credit also allow members to invest in productive activities. ISAL programme enables people to access reliable financial services within their community and to support community self-reliance and resilience. The basic principle of the ISAL system is that members self-select into groups for the purposes of saving and lending. ISAL provides savings and simple insurance facilities to communities that do not have access to formal sector financial services. When the amount of money saved by the group is sufficient, members are encouraged to borrow from the funding pool at mutually agreed upon loan terms and monthly interest rates. This allows the fund to grow and helps members move away from dependency on external subsidies towards self-reliance and empowerment. ISAL builds up members' financial

assets; increases human assets by acquiring skills in numeracy, bookkeeping, and policies and procedures related to SILC governance; develops social assets through the election of a committee and the drafting of a constitution; practices solidarity by supporting the poorest members of the community and building group cohesion and self-reliance; leverages political assets through the collective voice of its members; and multiplies physical assets by allowing members to invest their loans in productive income generating activities (IGAs).

NGOs such as CRS, Care International, Plan International and many others rolled out the SILC programme which has its history stretching back to about thirty years ago, when it was introduced in India as Community managed – savings led approach. SILC have about 30 million members globally and have penetrated the Asian and African continents mostly in vulnerable communities because of their model which encourages to save and then borrow later. SILC do not receive any external capital, but rather they are a group that is often comprised of ten to a maximum of twenty-five members and provide its members with the opportunity to borrow humble amounts of money and obtain emergency insurance when problems such as sickness or death of a family member arise to any of the members in a particular group. In Mabvuku and Tafara communities in Harare, Zimbabwe one of the local organisations has been implementing activities under a USAID grant, targeting OVC with a component which focuses on economic strengthening of households. The project is currently supporting 1311 households, with education assistance to OVC whilst also implementing economic strengthening activities with their caregivers with the aim of empowering these families to be self-sustainable (Mavambo Trust, 2019).

RESEARCH QUESTION

How effective is the Internal Savings and Lending (ISAL) programmes in vulnerable households of Mabvuku and Tafara in Harare, Zimbabwe?

METHODOLOGY OF THE STUDY

The current study adopted Phenomenology as the research philosophy. The aim of phenomenology is on a specific aspect of life which affects a group of people who share common experiences, and in this study these people are from the vulnerable households of Mabvuku and Tafara in Harare. Merriam (2019) suggest that phenomenology is a study of people's conscious experience of their lifeworld, that is their everyday life and social actions. Hence, this study sought to establish the perceptions, views, experiences and feelings of the vulnerable households in Mabvuku and Tafara communities of Harare, Zimbabwe. The current study further employed qualitative phenomenological approach (Merriam, 2019; Yin, 2009 and Lemeyu, 2022) which sought to understand the effectiveness of Internal

Savings and Lending (ISAL) programmes in vulnerable households of Mabvuku and Tafara in Harare, Zimbabwe. Merriam (2019) states that the use of a qualitative phenomenological approach gives in-depth understanding of complex research phenomena. Based on this approach, the study found a qualitative phenomenological approach most relative as it allowed the researcher to examine the perceptions, views, awareness, knowledge and feelings of those members who are members of ISAL programmes in Mabvuku and Tafara communities. The study further employed phenomenology research design. Creswell (2009) defines research design as the framework for the research, the blueprint or detailed plan through which the study is carried out, and should be consistent with the qualitative phenomenological approach in which this study was carried out. The researcher further adopted phenomenology research design as an interpretative, open, flexible and responsive method allowing the researcher to deeply and thoughtfully settle into and sit with the phenomenon under study (Vagle, 2014; Lemeyu, 2022). The study employed a purposive sampling technique to select 8 participants who are members of the ISAL programme in Mabvuku and Tafara, and 2 representatives of NGOs working in these communities. The power of purposive sampling techniques is rooted in the identification of relevant and rich sources of data. Hence, the researcher in this current study was only targeted those people whom he thought would provide reliable information on the effectiveness of Internal Savings and Lending (ISAL) programmes in vulnerable households of these two communities of Mabvuku and Tafara. Likewise, Interpretative phenomenological studies require researchers to study experiences as lived by those being studied (Aspers, 2009). In that respect there is a need for research instruments which are tools developed by researchers to achieve their stated objectives when carrying out a research study. In this study the researcher used interview, focus group discussion and observation guides as numerous scholars (Fusch *et al.*, 2018; Corbin *et al.*, 2015; Flick, 2014; Hammersley, 2013; David & Sutton, 2011; Hennink *et al.*, 2021) encourage for the triangulation of data generation methods. The researcher developed household questionnaires structured in such a way that combined closed and open-ended questions to better capture respondents' opinions and ideas on various issues pertaining to the study. Since the study involved vulnerable households, relevant ethical principles were considered prior to and during the course of the study.

FINDINGS AND DISCUSSIONS

This section captures results based on the research question and purpose of the study as mentioned above.

The Socio-Economic of The Study Population

It emerged from the study that most of the ISAL participants were females. This is best explained by the fact that the targeted participants in the study were

caregivers of orphans and vulnerable children (OVC) who are the beneficiaries of education assistance from NGOs working in Mabvuku and Tafara in Harare. Most of the participants revealed that they had 6 or more people in their households whilst, the minimum had 5 members in the household. These proportions have a huge influence on the sustainability of the households being supported by the project. Whilst they are expected to run income generating projects, it is also important to realise that some of the households' compositions are big thus making it difficult for them to distribute the little income from their projects amongst the different services for the household such as education, health, Food and many other. One of the participants from a FGD conducted in Mabvuku had this to say:

"I have 7 members in my household and of these, 4 are orphaned as a result of HIV and AIDS. To an extent, ISAL lifted the burden of taking care of the household, but I still struggle to provide basic services to these children, especially buying them food and paying their school fees. It is by the grace of God that none of the children have been sick in a long time otherwise I would not have managed to provide them with basic healthcare"

The study established that the highest proportion of households with 6 or more members were found in both communities. However, the participants further revealed that there is serious lack of support from their spouses and family members.

Income Generating Activities (Igas)

The study sought to understand the factors of motivation of participants as well as deterrent factors to non-participants. The study further looked at participants who were implementing IGAs as it sought to analyse factors motivating them. The participants revealed that there were multitude of primary push factors that have made them to join ISAL groups. All the participants established that the joined ISAL programme in order to save money and have access to low interest loans with flexible conditions. They further revealed that they were also attracted by the community solidarity aspect of ISAL groups that was unique in comparison to other alternative financial institutions. The participants strongly believed that the savings were the most attractive component of ISAL programme. It emerged from the study that ISAL offered participants a secure reserve to save their money and valuable training on how to manage their finances. Participants highlighted that ISAL gave them opportunity to save money for their households needs. The general feeling of the participants was that most of them joined the programme in order to set up capital and gain business knowledge and training. It emerged from the study that most participants tried to get loans from well-established financial institutions such banks and micro-financial institutions, but they failed to meet the needed requirements, hence joining ISAL was the only option to secure loans. The study

established that the participants considered ISAL loans as start up loans for household income generating activities. The profits from the household projects would then be used to pay for food, school fees, clothing, household asserts and other households' requirements. On the other hand, some participants revealed that household income of caregivers with more than one school child do not have enough income to provide services to children under their care, let alone surplus income to invest in ISALs and IGAs. Some group participants highlighted that:

"...groups' performance was average, with a few savings, ...average group performances show a situation where households are able to meet certain basic needs such as food and clothing, but failing to meet other critical needs such as education and health"

"ISAL groups normally comprised of 5 to 25 people who come together to serve and borrow money so as to improve their livelihoods. The members pool their funds together every month and repay at the end of the following month at an interest rate of 20%."

One of the FGDs revealed that women appreciate their new-found roles as breadwinners, hence their strong motivation to engage in economic strengthening activities. Women said that men are reluctant to participate in economic strengthening activities citing embarrassment and busy schedules as major deterrents. However, it further emerged from the study that at average group performances show a situation where households are able to meet certain basic needs such as food and clothing, but failing to meet other critical needs such as education and health. One of the participants states that:

"ISAL groups were making a positive impact in terms of providing us with capital to start income generating activities. Through income generating activities we are now able to purchase physical asserts such as clothing, shelter, and other utensils and we are also able to meet our daily needs such as food and sending our children to school."

Participants from both communities were asked if they wanted to continue participating in ISAL and the reason why. All respondents said they wished to continue participating. The main reason given was that ISALs and small IGAs were the most fashionable initiatives which guaranteed them income to continue providing services for their households.

Children's Education

The study established that most ISAL members were now prioritizing sending their children to school. In general, the participants highlighted that they use funds from ISAL programmes for important household expenditure. One FGDs revealed that they were using ISAL funds for their children's education. This concurs

with Saith (2016) who established that education is an important tool in achieving a sustainable livelihood. The sustainable livelihood framework echoes that development of human capital is important in achieving a sustainable livelihood. Participants revealed that before joining ISAL programmes they were not able to provide school requirements such as school fees, uniforms, stationery and other academic needs for their children, and that would affect their children's academic performance. It emerged from one of the interviews that lack school requirements was one of the greatest challenges that impact negatively on children's education as most of them used to be asked to go back home for non-payment of fees, lack of stationery, lack of proper school uniforms. The study revealed that most participants after joining ISAL programme they are now able to take good care of their children and provide most of the things needed for their children's education. The study established that ISAL have made a significant impact in terms of prioritizing children's education in Mabvuku and Tafara. One of the participants states that:

"Prior to the introduction of ISAL groups, education was not being prioritized, especially Early Childhood Development because of lack of money to buy food, uniforms and other expenses that were associated with sending a child to school. ISAL helped us to cover all these expenses ..."

Challenges Encountered in Isal Groups

It emerged from the study that ISAL grouped face various challenges such as lack of financial management skills, leadership not inclusive, transparent and credible, internal conflicts, members not paying up what they borrowed, corruption and members leaving the groups. Participants revealed that that the major challenge faced by ISAL groups is that of members not paying up the money they borrow. The following responses also came out during FGDs that due to the migratory nature of urban populations, it is difficult to maintain group unity. Also, underlying was the fact that when people migrate, they disappear with borrowed funds leading to the group collapsing. The study further established that ISAL members were failing to use money to generate more income. The participants also revealed that ISAL groups in Mabvuku and Tafara are riddled with conflicts, some which end up with the intervention of the police. Participants alluded to the fact group members do not respect the group constitution as they consistently violate it. Participants further revealed that there is lack of support form their spouses and other family members.

DISCUSSION

The study established that most of the of ISAL programme in Mabvuku and Tafara in Harare are females and the majority of them are above 40 years. The study further revealed that most of them had no five ordinary level educational qualifications. In addition, the study established that females are more interested in

ISAL than males. This concurs with a study by Manirampa, (2014) who revealed that generally, men do not like to engage themselves in small livelihood activities such as selling vegetables along the streets, rather they prefer to do manual work in industrial areas. The current study further established that the impacts of ISAL as the microfinance on livelihoods of its group members. The impact is focused in terms of the changes to livelihoods assets and the use of livelihood assets to cope with vulnerability. The impact of ISAL programme was based in terms of the changes to livelihoods assets and the use of livelihood assets to cope with vulnerability. A study by Johnson & Rogaly (2017) highlighted that the provision of ISAL can assist the poor in finding means to protect their livelihoods against shocks and to build up and diversify their livelihood activities. Chowdhury, Mosley & Simanowitz (2018) argued that if microfinance is to fulfil its social objectives of bringing financial services to the poor, it is important to know the extent to which its wider impacts contribute to poverty reduction. A study of 16 different ISAL programmes in Southern Africa established that having access to financial programmes such as ISAL have led to an enhancement in the quality of life of participants and have increased their self-confidence and also had helped them diversify their livelihood security strategies and thereby increase their income (Robinson, 2019). This is also supported by findings of this current study when it noted that a number of women in Mabvuku and Tafara gained confidence and became breadwinners in their households. More importantly, the study established that ISAL promotes women empowerment. Women need empowerment as they are constrained by the norms, beliefs, customs and values through which societies differentiate between women and men (Manirampa, 2014). Internal Savings and Lending cannot empower women directly, but can support them through trainings and awareness rising to overcome the existing norms, cultures and values that place them at a disadvantage in relation to men and to help them have greater control over resources and their lives (Mosedale, 2019). In support, Littlefield (2021) revealed that access to ISAL may empower women to become more confident, more assertive, more likely to take part in family and community decisions and better able to confront gender inequities.

Furthermore, the current study established that health care and education are two key areas of ISAL at a household level. A study by Wright (2021) highlighted that the impact of ISAL interventions on health and education, nutritional indicators seem to improve where ISAL groups have been working well. This is in line with study by Littlefield, Murdugh and Hashemi (2019) who revealed that ISAL interventions have been shown to have a positive impact on the education of participants' children because one of the first things that poor people do with new income from micro-enterprise activities are to invest in their children's education. However, one of the challenges this study established was late loan

repayments. This concurs with a study by Brannen (2020) who revealed that the main challenge of ISAL programme was that of late loan repayments and is a common concern in the operation of ISAL groups.

CONCLUSIONS

The study concludes that females are more interested in ISAL programmes than males, this was because males do not like small livelihood activities such as selling vegetables and vending. The study further established that participants in Mabvuku and Tafara joined ISAL groups due to various factors such as lack of collaterals which are a requirement by formal microfinance and banks for one to qualify for a loan. Furthermore, the study concludes that the greater proportion of households in Mabvuku and Tafara in Harare, Zimbabwe do not have enough income to provide basic services, particularly for OVC under their households. The study further concludes that ISAL groups in Mabvuku and Tafara are facing many challenges, the main one being that of members not paying up what they would have borrowed.

RECOMMENDATIONS

Based on the study findings, the study recommends that:

- The government, NGOs and CBOs should take the lead in empowering vulnerable communities.
- There is need to scale up ISAL programmes to other vulnerable communities so that they may have better standards of living.
- Beyond expanding Income Generating Activities (IGAs) ISAL participants should be linked to other business management training expertise to support their growth orientation.

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