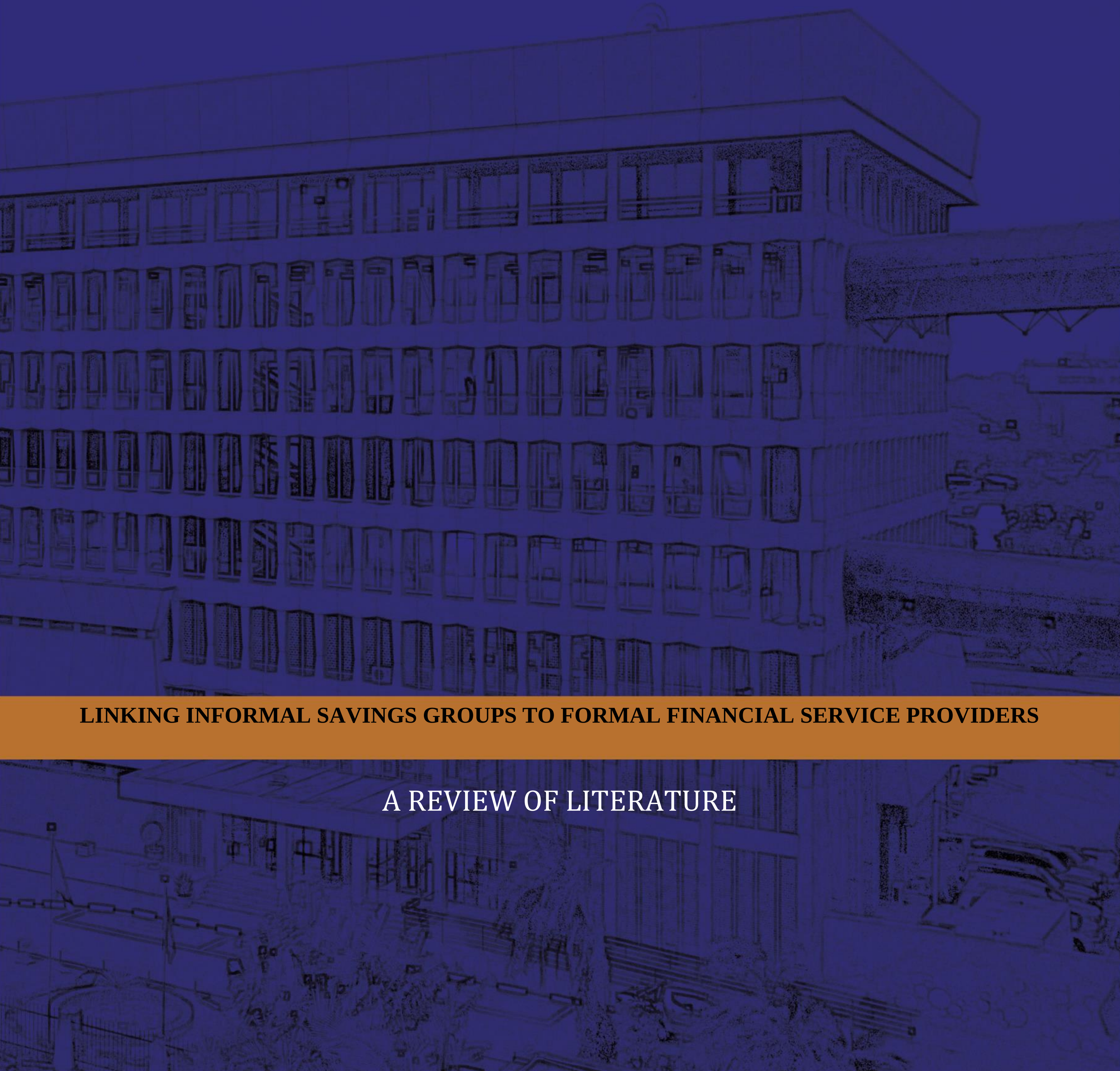
Bank of Zambia



LINKING INFORMAL SAVINGS GROUPS TO FORMAL FINANCIAL SERVICE PROVIDERS

A REVIEW OF LITERATURE

CONTENTS

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Acronyms and Abbreviations

AFI	Alliance for Financial Inclusion
AML	Anti-money laundering
ASCAs	Accumulated Savings and Credit Association
ATM	Automated teller machine
BoZ	Bank of Zambia
CBFIs	Community Based Financial Institutions
CCPC	Competition and Consumer Protection Commission
FSDZ	Financial Sector Deepening Zambia
FSP	Financial service provider
KYC	Know your customer
MCTI	Ministry of Commerce, Trade, and Industry
MFI	Microfinance institution
MI	Micro insurance
MNO	Mobile network operator
MoF	Ministry of Finance and National Planning
NFIS	National Financial Inclusion Strategy
NPLs	Non-performing loans
PSP	Payment Service Provider
PoS	Point-of-Sale
RoA	Return on Assets
ROSCA	Rotating Savings and Credit Association
RUFEP	Rural Finance Expansion Programme
SACCO	Savings and Credit Cooperative
SaveNet	Savings led Microfinance Network of Zambia
SG	Savings Group
SHG	Self Help Group
SME	Small and medium enterprise
VSLA	Village Savings and Loan Association
ZWW	Kwacha (Zambian Currency)

1. Introduction

Financial inclusion has been on the rise in Sub-Saharan Africa and at the global level, mainly driven by digital financial services. However, gains in financial inclusion have been uneven across countries and men remain more likely than women to have an account at a bank, other regulated financial institutions, or mobile money provider. Despite continued gaps in the provision of financial services, especially for the underserved segments of the population, significant progress has been made.

According to the Global Findex 2021 Report, the gender gap in account ownership across developing economies fell to 6 percentage points from 9 percentage points in 2017. The report also states that about 70 million unbanked adults in Sub-Saharan Africa (SSA) received agricultural payments in cash (about 50 percent of these had mobile phones). Digitalizing such payments could increase the share of banked adults in SSA by, on average, up to 10 percentage points. In addition, about 50 million unbanked adults saved semi-formally through mechanisms such as savings groups (SGs). Moving such savings into accounts with formally regulated financial service providers (FSPs) is an important opportunity to increase formal financial inclusion[1].

In Zambia, results from the FinScope 2020 Survey showed that 69.4 percent of the adult population was financially included, while formal financial inclusion stood at 61.3 percent. Further the level of formal financial inclusion was higher among males (64.4 percent) compared to females (58.6 percent), representing a gap of 5.8 percentage points, which was slightly lower than the global average. This was mainly attributed to policy reforms and interventions which led to a surge in the uptake of digital financial services, particularly mobile money by women.

The FinScope results also indicated that out of the 9.5 million adults in Zambia, 1.2 million (13.5 percent) belonged to at least one Savings Group (SG) which mostly comprised of women (67.6 percent). This provides an opportunity for FSP to extend their reach to these women, through appropriate product design and linkage mechanisms that have been described in this paper. Encouraging FSPs to on board SGs has potential to enhance formal financial inclusion and bridge the financial inclusion gender gap further. However, the extent to which FSPs can engage with these groups depends on several factors, such as adequate infrastructure, understanding how SGs operate, ease of accessing formal financial services, the mode of service delivery, products specifically designed to cater for SGs, the business case for FSPs and the level of financial literacy among SGs.

The Bank does not have regulatory and supervisory oversight over informal or community based financial services but recognizes SGs as an opportunity that can graduate to formal financial inclusion. It is from this backdrop that the paper presents best practices for linking SGs to FSPs.

2. Definitions of Informal Savings and Lending Mechanisms

2.1. Definition of Informal Savings and Lending Mechanisms

Informal savings and lending mechanisms or Community Based Financial Institutions (CBFIs) are terms used to describe a range of collective savings and lending mechanisms. The common types of CBFIs include Village and Savings Loans Associations (VSLAs), Village Banks (VBs), Savings and Internal Lending Communities (SILC), Accumulating Savings and Credit Associations (ASCAs) and Rotating Savings and Credit Associations (ROSCAs), popularly known as Chilimba. Despite the different names, CBFIs have similar characteristics as observed from the definitions.

[1] World Bank Group, 2022. The Global Findex Database 2021.

ASCAs are member managed groups of 10-30 people who meet regularly - usually weekly, bi-monthly, or monthly - to save money and take small loans from those savings[2] according to rules established by the group. The rules stipulate the amount of money each member can save, borrow, contribute to a social fund[3], interest charged on borrowings and loan tenors. Members can save varying amounts and borrow about three times of their savings. After 9 to 12 months, groups share out by distributing all the money saved, plus the interest earned to the members, usually prorated based on their savings. After the share-out, members begin another cycle of saving and borrowing.

VSLA groups are self-managed groups of 15 to 25 people who meet regularly to save their money in a safe space, access small loans, and obtain emergency insurance[4].

SILC is a model developed by Catholic Relief Services for user-owned, self-managed, savings and credit groups. A SILC typically comprises 15-30 self-selecting members, and offers a frequent, convenient, and safe opportunity to save. SILC helps members build useful lump sums that become available at a pre-determined time and allows them to access small loans or emergency grants for investment and consumption[5].

VB is a microcredit methodology which is designed to reach the working poor and help lift them out of poverty. It is defined as a group of low-income entrepreneurs who come together to share, guarantee one another's loans and become engines of development[6]. The basic structure of a village bank is much like a support group comprised of as many as 30 or 40 members from a village or community. The loans that are issued by village banks are typically very small and may be from a financial institution, within the group or from the government.

ROSCA is an association of self-selected people, usually women who, agree to make a regular, fixed cash contribution, which goes in turn to each member, in a pre-determined order[7]. Each member receives the total amount contributed by the group at a given interval.

In this paper, we will generally refer to all forms of CBFIs or informal savings mechanisms as Savings Groups (SGs)

2.2. Typical Elements for CBFIs

a) **Self-selection -** membership is based on locality and relationships usually among friends, family, church or workmates.
b) **Number** – group members usually range from 10 – 40.
c) **Ownership** – managed and operated by the members.
d) **Relationship** – based on trust and mutual respect.
e) **Dealings** - collect savings from and lend to group members usually with interest.
f) **Common goals** – harness financial and non-financial benefits.

[2] SaveNet Master Trainer's Training Guide.
[3] A social fund is a type of mutual insurance accessible in emergencies as determined by the group.

[4] https://www.care-international.org/what-we-do/womens-economic-justice/village-savings-and-loans-associations

[5] https://www.crs.org/sites/default/files/tools-research/agent-productivity-in-fee-for-service-savings-groups.pdf

[6] https://finca.org/our-work/microfinance/financial-services/village-banking

[7] UNCDF (2018). Savings Groups' Linkages Toolkit: A guide for financial service providers in the Era of Digitisation.

g) **Governance** – mutually agreed rules/constitution to govern all members.
h) **Self-regulation** - minimal external interference or financing.
i) **Savings cycles** – usually 6, 9 or 12-month cycles and in some cases weekly.
j) **Share-out** - at the end of the cycle, a 'share out' takes place when savings and interest income are distributed to members in proportion to their accumulated savings. It also acts as an entry and exit point for members.

3. Statistics on Community Based Financial Institutions in Zambia

3.1. FinScope 2020 Survey Results

The FinScope 2020 Survey established that 13.5 percent of adults belonged to at least one Community Based Financial Institution (CBFI). This represented 1.2 million Zambian adults of age 16 years and above out of 9.5 million. The common CBFIs in Zambia were Chilimba, SGs and Village Banks. The majority of adults belonging to CBFIs were females, at 67.6 percent and from urban areas.

Figure 1: Common CBFIs in Zambia

	%	**No.**
Chilimba	8.0	800,000
Savings groups	5.3	500,000
Village bank	2.2	200,000

Lusaka Province had the highest proportion of adults belonging to SGs followed by Northern Province (14.9 percent) and Copperbelt (14.9 percent), while Northwestern Province had the lowest proportion (6.4 percent).

Table 1: Number and Proportion of Adults Belonging to SGs

Province	**Adult Population**	**Adults Belonging to SGs**	**Proportion of adults belonging to SGs**
Lusaka	1,838,908	325,972	17.7
Northern	763,127	113,495	14.9
Copperbelt	1,615,204	235,657	14.6
Central	959,739	135,229	14.1
Eastern	1,061,034	139,698	13.2
Southern	1,079,153	131,333	12.2
Luapula	647,734	67,420	10.4
Muchinga	614,782	63,228	10.3
Western	466,570	39,894	8.6
Northwestern	491,842	31,562	6.4
	9,538,092	**1,283,486**	**13.5**

3.2. SaveNet

SaveNet is an organization that, promotes, and mentors on the development and sustainability of savings groups, village banks and self-help groups. This includes provision of governance, leadership, regulation of groups through constitution development, trainings on SG methodology, financial education, entrepreneurship, and intermediation with external stakeholders like formal financial service providers for additional financial services[8].

As at end 2020, the membership of SaveNet had increased by 89.2% from 202,972 members in 2017 to 383,937 members comprised of 15,241 SGs. These groups had total savings valued at K71,007,397 and loans valued at K78,765,611.

Table 2: Statistics on SGs under the SaveNet Network (2020)

Province	No. of SGs	No. of Members	No. of Women	Value of Savings (ZMW)	Loan Value (ZMW)
Central	2,763	51,846	44,126	4,825,242	5,163,202
Copperbelt	487	36,445	6,545	11,693,042	17,682,866
Eastern	2,968	72,621	43,969	7,393,893	7,463,950
Luapula	3,647	91,513	53,724	9,737,516	10,300,896
Lusaka	827	13,480	11,822	9,838,099	8,082,090
Muchinga	151	11,392	1,843	2,036,938	1,410,242
Northern	1,541	38,306	18,961	7,335,417	8,694,248
Northwestern	164	5,188	1,810	1,440,078	2,149,363
Southern	1,972	44,243	24,889	10,149,545	10,389,697
Western	721	18,903	10,098	6,557,627	7,429,057
	15,241	**383,937**	**217,787**	**71,007,397**	**78,765,611**

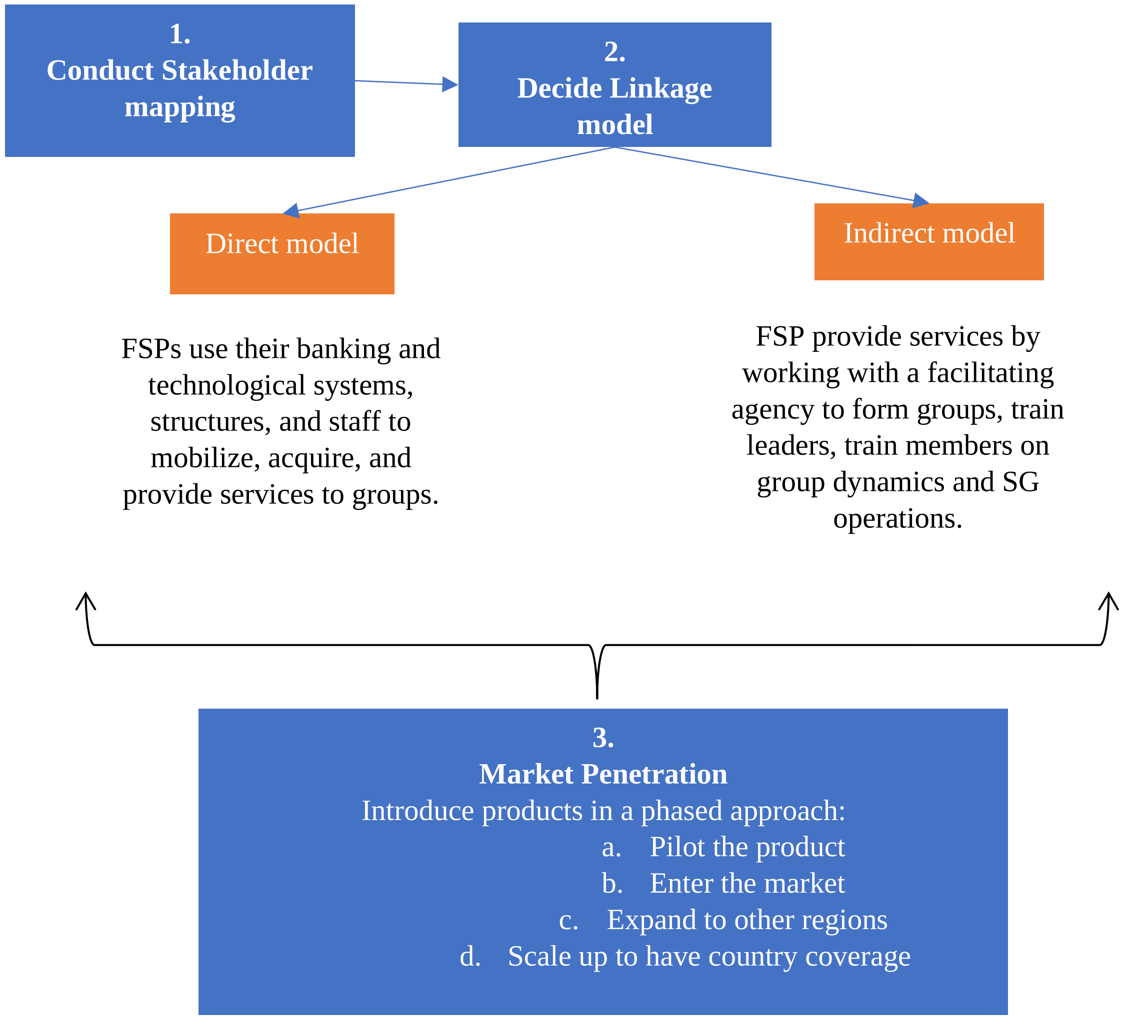
Source: http://www.savenet.org.zm

[8] http://www.savenet.org.zm/

4. Linkage Mechanisms

This paper provides information on mechanisms for providing SGs with linkage models that meet their needs either individually and/ or as a group. There are two types of linkage models described, the direct and Indirect mechanisms. The four main steps to consider when tapping into the informal SGs subsector by an FSP are as follows:

Figure 2: Steps for Linkage Mechanisms



4.1. Stakeholder mapping

It is important for FSPs intending to work with SGs to undertake a stakeholder mapping exercise through which the various stakeholders and their roles could be identified. Stakeholder mapping enables FSPs to develop more effective engagement strategies and appropriate partnerships. Some of the stakeholders could be:

- Community members
- Community leaders
- Facilitating or implementing NGOs
- Donors
- Government
- FinTechs
- Associations or apex bodies

4.2. Linkage Approach

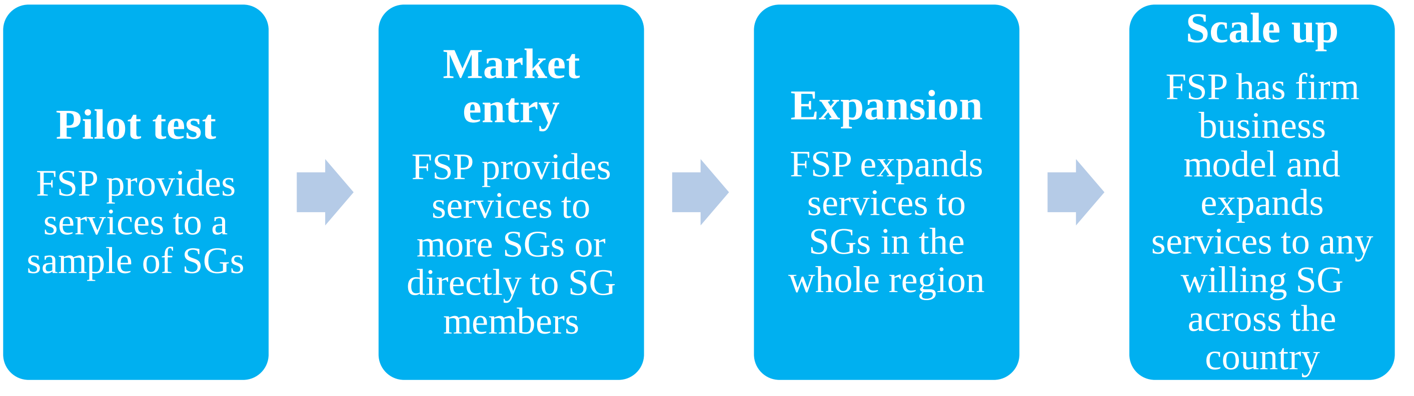
There are broadly two linkage approaches that can be used by FSPs to provide services to SGs groups:

1. Direct linkage model	This approach involves FSPs (bank, non-bank and FinTechs) using their banking and technological systems, structures, and staff to mobilize, and provide formal financial services directly to groups or individual members of savings groups.
2. Indirect linkage model	An FSP works with a facilitating agency to form SGs, train leaders, and members on group dynamics, SG operations and formal account modalities.

4.3. Market Penetration

A review of literature and case studies indicates that most FSPs adopted a phased approach to linking SGs. The following are the four phases in the linkage process: The pilot phase, market entry, expansion, and finally scale-up phase (Figure 3).

Figure 3: Phases for Market Penetration[9]



5. Key Factors for Successful Linkage

According to CARE International, Plan International and the UNCDF, there are six key components for successful engagement between SGs and formal FSPs. These are as follows:

5.1. Collaboration

Partnering with Non-Governmental Organizations (NGOs) that have a known methodology enables the FSP to establish standard operating procedures because the savings group record-keeping procedures and group constitution are known. The partnership could also cover areas such as product design as well as piloting of products developed for SGs.

An example is the CARE International’s 2013-2017 UNCDF/MicroLead-funded project which was delivered across six districts in Tanzania’s north-eastern Kilimanjaro Region, in partnership with Mwanga Community Bank (MCBL). Prior to MicroLead, CARE and MCBL had an existing partnership that resulted in the development of savings products tailored to the needs of VSLAs[10].

[9] UNCDF (2018). Savings Groups’ Linkages Toolkit: A guide for financial service providers in the Era of Digitisation.

[10] CARE (2017). The Franchisee Model for Savings Groups: UNCDF MicroLead Partner Case Study Series.

5.2. Maturity of SGs

- Consider, initially offering formal financial services to facilitated SGs[11] and then gradually extend to non-facilitated groups as they acquire more experience with the target market.
- Consideration for adopting the readiness assessment tool proposed by CARE International and UNCDF, with modifications, for use in assessing whether a group is ready for linking[12] (see appendix for details).

5.3. Types of Products

Findings from the review show that the following could be considered for successful linkage**:**

- **Focusing on demand rather than supply:** Developing customer centric products that mimic the practice employed by SGs to address the needs and demands of the groups.
- **Disbursement of loans:** A formal financial institution could disburse a loan to a savings group, which could be managed as part of the SG funds and disbursed in the same way as their normal group loans.
- **Pegging the interest on loans lower than SG internal loan:** This would attract the SGs to open accounts as they would be able to make a margin on the loan, while the FSP would also gain in having more stable saving accounts.
- **Maintaining a conservative credit to savings ratio:** To prevent SGs from becoming over-indebted, it is important that a conservative savings to credit ratio is maintained.
- **Avoid unfair loan recovery practices:** It is important to maintain trust of the SGs and avoid aggressive loan collection practices in order not to create negative experiences/perceptions for the SGs customers.

5.4. Digitization

- Technology, specifically digital financial platforms/solutions, are important efficient drivers for savings groups' linkages as remote areas can be reached without physical presence of FSPs.
- Lack of credit history, which is due to lack or poor record keeping, is one of the main barriers to accessing credit from formal financial service providers. Therefore, FSPs/NGOs working with SGs could consider adoption of simple (easy to use) digital applications which are able to build a credit history for each SG member based on their savings, borrowing and loan repayment (e.g., Jamii.One application[13]).

[11] SGs that are Mobilized and trained by external parties,
usually NGOs. The converse is true for non-facilitated SGs
[12] UNCDF (2018). Savings Groups' Linkages Toolkit: A guide for financial service providers in the Era of Digitisation. The toolkit utilises six tools namely, 1. Savings groups market assessment tool, 2. Savings group market analysis, 3. Savings groups linkage environmental scan, 4. List of indicators for business case analysis, 5. Business case study datasheet, and 6. Sample financial data sheet (for manual data collection)

[13] Jamii.one is an application developed by a Danish Technology company. The App can be used to effectively manage SG meetings and maintain records. It is also able to build financial histories of SG members based on their savings, borrowing and loan repayment.

5.5. Financial Literacy

Providing extra financial literacy training to SGs on basic bookkeeping and financial management helps to build effective credit history. Before accessing a loan from an FSP, SGs need additional training on what it means to get a loan, the type of loan product, process for disbursement, loan conditions and managing repayments.

5.6. Dedicated and Trained Staff

It is important for FSPs to have dedicated trained staff to serve SGs and engage with NGOs. Loan officers need additional training and coaching as lending to SGs requires them to relate differently to this type of clientele.

6. Features of a Savings Group Savings Account

Several case studies highlighted the following product features of savings accounts as ideal for savings groups:

- No minimum amount to open an account.
- No minimum balance requirements.
- At least one free weekly withdrawal permitted per group.
- No charges on cash deposits.
- Monthly charge not exceeding K10.
- At least one free monthly bank statement.

6.1. Account Opening Requirements

To open a savings account, FSPs/PSPs usually require the following KYC documents:

i. National registration card or any of the following: passport, driver's license, or voters' card.
ii. Three passport-size photos (one from each account signatory).
iii. Copy of SG constitution.
iv. Group minutes confirming resolution to open an account.
v. An introductory letter from a community leader.

Once a SG has opened an account, the process for group members to open their own individual accounts is expedited with less KYC requirements. Individual SG members would be able to open accounts by providing one of the forms of ID mentioned above, and a confirmation of legitimacy from the SG leader.

7. Benefits of Linking Savings Groups to Financial Service Providers

The linkage of SGs to FSPs refers to the process and activities that enable a regulated FSP to provide formal financial services either to the SGs or its members. There are business opportunities to form a mutually beneficial partnership between FSPs and SGs. There is a demand for services by SG members which goes beyond the capacity of services that their groups can provide. The following are the key benefits for both SGs and FSPs emanating from linkage mechanisms:

7.1. Benefits to Savings Groups

i. **Cash Security** – cash deposited with an FSP is safer than the practice of keeping cash in a box.
ii. **Consumer protection** – Being formally regulated, FSPs are required to provide accurate and unbiased information about the products and services they provide to the SGs for them to make best choices. Where there is fraudulent activities or other unfair practice by the FSP, a defined recourse mechanism is in place.
iii. **Training** – Some FSPs provide financial literacy training to SGs on basic bookkeeping and financial management. This helps instill financial discipline and enables members to take advantage of other financial services.
iv. **Recapitalization and additional funds** – FSPs provide loans to the SG which is additional funds to the savings for lending to members. Usually, most groups have to rebuild their loan fund because there are unable to lend to members after a share-out. Therefore, SGs have the opportunity to access additional credit from FSPs to help them to recapitalize their groups and jumpstart their lending more quickly after each share out.
v. **Access to a wider product range** – group members can access other financial products such as investments, insurance, or the capital market through FSPs.
vi. **Creation of financial history** – SGs and their members benefit from financial histories that are created by FSPs. This enhances their chances of accessing higher amounts of credit and other financial services.
vii. **Default risk** – this can be reduced by FSPs who would be able to invest the excess money saved on behalf of the SGs instead of their practice to sometimes force members to borrow the excess money even when they do not need it.
viii. **Member assurance** – women are better payers of credit and group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment thereof.

7.2. Benefits to Financial Service Providers

a) **Low cost of funds** – Deeper outreach and customer growth allows mobilization of large deposits that entail a low cost of funds for FSPs.
b) **New interest** (e.g., from linkage loans) and non-interest income (e.g., from transaction fees for agents) from new communities
c) **Managed information asymmetries and convenience** - points for and lowered cost of customer acquisition. FSPs can reduce transactions costs and partially address information asymmetries that would otherwise frustrate their efforts to engage with low-income consumers.
d) **Transaction history or footprint** – FSPs have access to customer financial behavior history/records to facilitate lending and enable product development.
e) **Agent networks** – availability of liquidity for agent network management.
f) **Risk management** - lending to SGs is more manageable because of the shared responsibility. With group loans, peer pressure and group guarantee act as a reinforcement mechanism for loan repayment since most groups are comprised of friends, neighbours, and family members.

8. Potential Risks to Linking SGs to FSPs

Table 4: Potential Risks to Linking SGs to Formal FSPs

Risk	Mitigant
Cyber-crime and Fraud: The risk 'card-not-present' fraud may increase as FSPs rely more on technology, such as the use of mobile money and e-commerce platforms.	• More investment in cyber security by FSPs. • Awareness campaigns and financial literacy for the public on how to protect their personal bank and transaction details.
Consumer protection issues: Technology has brought on board millions of first-time consumers of financial services, most of whom may not be well informed, thereby increasing the possibility of such consumers being exploited or defrauded.	• Consumer awareness and financial literacy.
Poor loan repayment: This is primarily experienced when lending to immature groups, or groups with poor solidarity.	• Lend only to mature groups[14].
Fraud by SG members: Fraudulent practices by group leaders (falsifying share-out records, putting multiple names in the group, persuading the group to take a loan which only they will benefit from), village agents, or loan officers.	• Target to work with facilitated groups. These are trained and usually have governance structures in place. The facilitating government department or NGO usually has records of actual members of the group. • FSPs can enhance authentication protocols to biometrics or multi-factor authentication for SGs members.
Data privacy: The risk of personal data breaches is an area of great concern not just for regulators and policymakers but also consumers. As innovators embrace the use of artificial	• Installing and maintaining up-to-date firewalls. • Strict user account security.

[14] Generally, mature SGs are those that have completed more than one share-out. The converse is true for immature SGs.

intelligence and social media information of potential clients, data privacy can potentially be compromised.	• Educating SGs on the importance of installing important security patches and reading/familiarizing with user/privacy agreements
Technological risk: Given the importance of various mobile money platforms and their inter-linkages with financial institutions and markets, an outage or system malfunction could have an impact across the entire financial sector.	• Use of recovery sites • Off-site or remote data backups • Regular updates • Secure servers/wireless networks
Over-indebtedness: There is a risk that the group may borrow too much and be unable to repay. This would make the group worse off than before getting the loan.	• Promote responsible lending through training/education. • Use of Fintech Apps which are able to score/assess the credit worthiness of the groups/members since they are linked to FSPs and are building transaction history.

9. Conclusion

Financial inclusion has been on the rise at global, regional, and national level, mainly driven by digital financial services. However, gains in financial inclusion have been uneven across different segments of the population, such as between men and women. Despite this, significant progress has been made to narrow the gaps. According to the 2021 Global Findex Report, the gender gap in account ownership across developing economies fell to 6 percentage points from 9 percentage points in 2017. In Zambia, according to the 2020 FinScope Survey, the formal financial inclusion gender gap narrowed to 5.8 percentage points from 10 percentage points in 2015.

Further, the FinScope 2020 Survey established that 1.2 million Zambian adults belonged to a savings group (SG). Of these, the majority were women (67.6 percent). Therefore, linking SGs to formal financial service providers presents an important opportunity to increase formal financial inclusion and to further reduce the gender gap.

It is against this background that the Bank has produced this paper to provide insights on the linking of SGs to formal FSPs. This is in no way meant to cartel the growth in the number of people participating in these informal savings mechanisms. The Bank does not regulate informal CBFIs but views SGs as a working informal model that could eventually evolve over time to be part of the formal financial sector by leveraging digital financial platforms or agent networks. For SG members, being linked to formal FSPs guarantees safety of funds and the possibility to build financial/credit history which could enable access to more funds from the FSPs. This would not only make a huge difference to vulnerable segments of society but also spur higher productivity and growth in the economy by connecting the informal income-generating activities with the formal financial system.

The benefits of FinTech and advancements in technology need to be harnessed to develop products that are affordable and meet the needs of SGs. This would also increase financial access in remote areas which have no formal physical presence of FSPs. This can be achieved through voluntary partnerships with various stakeholders that are already working with SGs such as NGOs and apex bodies that facilitate the formation and training of SGs especially in rural areas as part of their interventions for livelihood improvement.

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11. APPENDICES

Appendix I: Readiness Assessment Tool (Care, 2014)

No.	Criteria	Measure	Scoring Criteria	Score
QUANTITATIVE MEASURE – TOTAL MARKS 75%				
1	Maturity of group	Date of first savings cycle	< 1 year 1-2 years > 2 years	0 6 10
2	Savings volume on previous cycle		< K15,000 K15,000 – K22,500 K22,501 – K37,500 > K37,500	0 7 10 12
3	Savings volume of this cycle	Net value of savings at	< K5,500 K5,500 – K7,500 > K7,500	0 3 5
4	Attendance rates	Number of members attending meetings	< 80% 80% - 90% > 90%	0 3 5
5	Loan fund utilization	Value of loans outstanding / Total assets of the group (i.e., value of fixed assets and other funds)	< 50% 50% - 75% > 75%	0 6 10
6	Portfolio at risk	Portfolio at risk	PAR > 10% PAR > 5% & < 10% PAR > 3% & < 5% PAR > 1% & < 3% PAR = 0%	0 3 5 8 10
7	Amount written off as a % of last share-out amount	Amount written off at share-out	5% or more 2% - 5% 1% - 2% 0%	0 3 6 10
9	% of members with active loans	% of members with active loans	< 40% 40% - 60% 60% - 80% > 80%	0 3 6 8
9	Value of investment	Amount of money that has been used; average loan per member	< K400 K400 – K750 K751 – K1,100 > K1,100	0 3 4 5
QUALITATIVE MEASURES				
1	Member discipline during the meeting	Did all the members come on time for the meeting, or, if some members came late, did they pay a fine?	Yes	4
			No	0
2	Meeting procedures	Were all the members seated according to their number and did they carry out transactions in that order?	Fully as per procedure	4
			Generally as per procedure	2
			Significant deviation from procedures	0
3	Member awareness of group norms	Did all members appear to have good awareness of group norms?	All members display awareness	4
			Most members display awareness	2
			Very few members display awareness	0
4	Decision making about loans	When a member wanted	Yes	1
			No	0

		to take a loan, did the secretary check how much they had saved in this cycle and apply the rule of providing a loan not more than 3 times the member's savings in this cycle? Were all decisions made with consensus?		
5	Quality of record keeping	Errors in transactions recording	Loan recording Principal Yes=0; No=1	1
			Interest Yes=0; No=1	1
			Savings and date of saving recording Yes=0; No=1	1
			Closing balances Yes=0; No=1	1
6	Members' discipline during the meeting	Discipline and participation in decision-making, group transactions	No discipline or participation	0
			Good discipline and participation	3

Appendix II: Scoring Categories and Point-Allocation System (CARE, 2014)

No.	VSLA Marks Obtained	Decision about Linkage
1	Less than 40 marks	The group should not be linked.
2	40 – 59 marks	Link the VSLA ONLY for savings products.
3	60 – 79 marks	Link the group for both savings and credit,
4	80 marks or above	but credit not to exceed 50% of the amount