

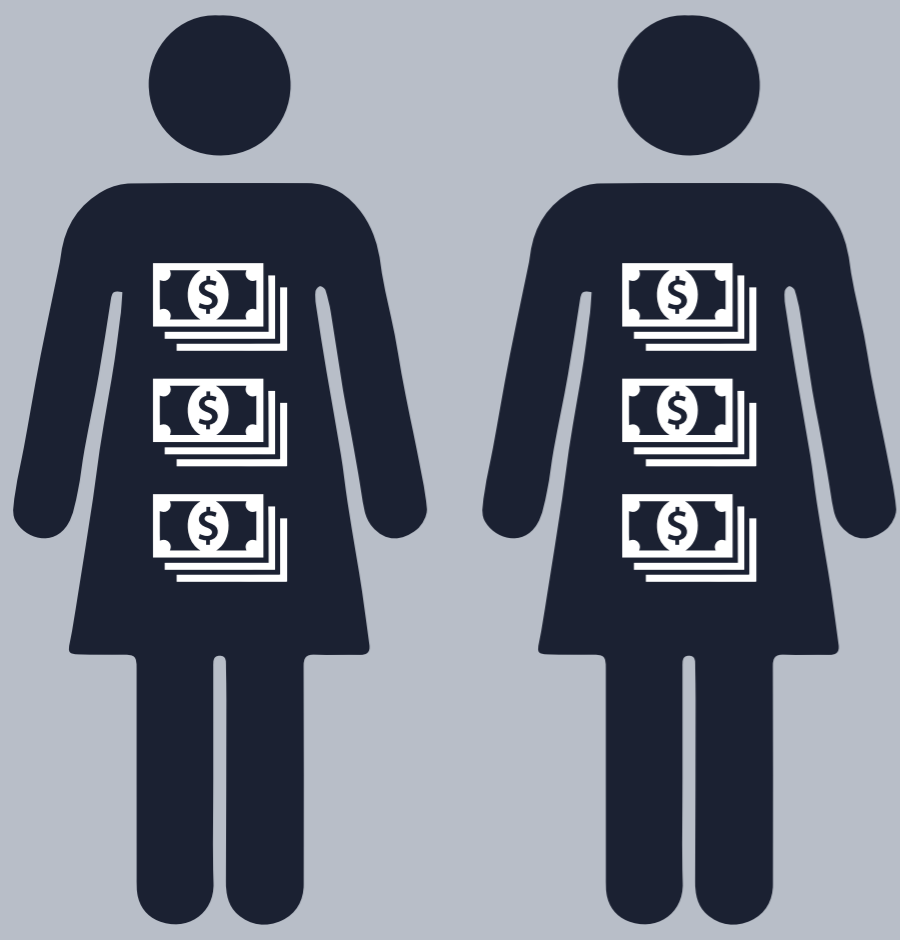


UNITED WE STAND: Village Savings and Loan Associations



Universal
LIMBE LEAF TOBACCO COMPANY LIMITED

In Malawi, as in most of rural Africa, farmers find it difficult to get loans from formal financial institutions. In the continued efforts to promote fair labour practices and eradicate child labour, Limbe Leaf Tobacco Company (LLTC) noted a gap in farmers' income during the tobacco off season and decided to target tobacco farmers' spouses to be part of the solution. At the same time LLTC conducted a research which found that their contracted farmers had poor financial management skills, leading to various problems like families lacking school fees and learning materials for their children and even involving the children in tobacco farming tasks. To respond directly to both issues, in 2013 LLTC decided to set up Village Savings and Loan Associations (VSLAs). The Non-Governmental Organisation Mponela Aids Information and Counselling Centre was engaged to train LLTC's field technicians in the management of the VSLAs.



So far LLTC has set up over 200 VSLAs with approximately 4,200 members. Members are mainly women, since they are often responsible for looking after the household finances and ensuring that the money is spent wisely for the benefit of the whole family. On average a VSLA consists of 26 women.

VSLA members need to be trained on financial literacy in order to make the associations a success. Members learn that planning and budgeting are the most effective way for managing money, and are encouraged to have a spending plan for any profits from their savings and investment.



The VSLA's provide the members with an opportunity to borrow and invest. The women are trained on how they can best invest the money to benefit their families. Women are encouraged to invest in productive assets and income-generating activities to diversify their income sources and to select the activity according to current market trends and profitability. 80% of the members are engaged in small scale businesses such as producing and selling vegetables and running grocery shops. Savings are used not only to start income generating activities such as these, but also to purchase fertilizers for food crops and to buy livestock, as well as to pay school fees for children and to buy exercise books or school uniforms. On average an association's contributions plus interest obtained during the course of the year consist of approximately US\$ 1,350.

LLTC also takes the opportunity of working with the members to spread other types of messages. Since most of the VSLAs members are farmers' wives, LLTC trains these women on the seven principles of ALP with a major emphasis on risks of child labour and ensuring a safe work environment.

LLTC is proud that most of the women in the VSLAs are now financially independent. The next logical step is to help them grow and think big. So LLTC invited Microloan Finance Limited (MFL) to train the VSLAs in managing bigger businesses and finding viable and profitable businesses. After this, MFL will help VSLA members with funding and expertise so that they can run bigger businesses and hopefully realize bigger profits.



60 litres of milk a day = **\$8**

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annual avg income per person a year not even = **\$520**

Grace Dzuwa is a well-to-do woman by local village standards. She is economically independent with eight cows to her name, four of which produce milk. Through the VSLA, Mrs. Dzuwa now is a proud owner of a house with cement floor and an iron-corrugated roof, several goats and chickens and a healthy bank balance. Her cows give her 60 litres of milk every day, and she gets more than 8 US\$ every day from milk sales, a feat in a country where the annual average income per person per year is not even 520 US\$. Nutrition is not a problem in her household, and her children drink milk every day. She also bought a motorbike which her husband, a contracted farmer to LLTC, uses to travel around in his part time job of fixing boreholes. They now are making plans to buy a small van. Perhaps with the coming in of Microloan Finance for the VSLAs to think big, Mrs. Dzuwa will realize her dream sooner than later.