



Impact of Village Banking on Members' Livelihood: A Case Study of Serenje Central, Zambia

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Authors' contributions

This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.

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ABSTRACT

This study analyzed the role of village banking on member's livelihood in Serenje District, Zambia. The cornerstone of poverty reduction for individual, household, and community development is based on easy access to financial services. The concept of village banking can be traced back to ancient societies, where informal savings and credit groups provided a safety net for community members. It is a microcredit methodology whereby financial services are administered locally rather than centralized in a formal bank. To operationalize the study, a mixed research methodology was used. A sample size of 136 participants were drawn using Andrew Fish's Formula from the 16 Village Bank groups. Questionnaires and Interview guide were used to collect both quantitative and qualitative data. This methodological blend not only facilitated exploration of the research objectives but also allowed for a robust analysis of the collected data. Data was analysed using IBM SPSS version 21.0 for quantitative data while thematic analysis was used for qualitative data. The study found that 27% of participants invest resources from village bank in businesses, while 31% of

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participants use the funds for everyday necessities. In terms of challenges, the study established that delays in fund share-out undermined the trust and confidence of participants in microfinance institutions, leading to dissatisfaction and potential attrition. To address the underlying challenges, the study recommends that participants must be trained and empowered to run and manage local finance groups using basic knowledge and tools and that these groups must be regulated to help protect members resources. The findings revealed challenges revolving around the extended waiting period to break the Village Bank circle. Participants find the waiting duration too lengthy for their investments, prompting some to seek loans from other, often more expensive, sources.

Keywords: *Village Bank; micro-finance; livelihood; financial services.*

1. INTRODUCTION

A village bank (VB) is a group of men and women who come together to share and borrow as a group for the purpose of using such micro credits as working capital and consumer financing, and who have agreed mutually guarantee all such group borrowings (Mungai et al., 2024; Oppusunggu et al., 2024). Traditionally, Village Bank initiatives are motivated by the lack of savings and loan facilities in rural areas. In the case of extreme poverty, where households cannot access credit from formal institutions for productive purposes, Village Banking schemes are viewed as self-managed and capitalized microfinance methodologies that can alter the development equation in marginalized communities worldwide, providing members with the means to cope with emergencies, build capital and re-create social dynamics that support genuine self-reliance. It stands as a potent strategy to address financial inequalities and empower communities, ultimately improving people's livelihoods (IPA 2015).

According to FINCA International (2022), The concept of village banking can be traced back to ancient societies, where informal savings and credit groups provided a safety net for community members. It is a microcredit methodology whereby financial services are administered locally rather than centralized in a formal bank. Village bank methodology is said to have been developed by John Hatch in 1984. This methodology has been implemented for more than 30 years now primarily through FINCA International (founded by Hatch) and its subsidiaries Hatch developed the village banking methodology to help the poor farmers of Bolivia who were unable to access bank loans due to their inability to offer collateral as well as provide guarantee that the bank loan would be paid back. As a solution to this, Hatch's idea was that the neighbors in the villages could come together

and approach the banks for a loan which they could guarantee as a group and split the payment across all the members of the group, making the loan recovery easier and possible for the bank.

The concept was spread to Africa by CARE International in Niger in 1991 by developing a similar model called Village Savings and Loan Association (VSLA) and further spread to at least 61 countries in Africa, Asia and Latin America, with over six million active participants worldwide. The aim was to improve traditional community methods of saving, such as rotating savings and credit associations (ROSCA). The idea aimed at several other respects such as to make the groups more sustainable through a series of accountability features that prevent the theft of funds and elite capture, to make them more flexible, as members can at any time borrow the amount, they want up to three times their own level of savings if funds are available and to encourage savings and investments among low-income community members (Mwansakilwa, 2017).

Groups work as a member-owned financial intermediary with two products savings and credit facilitation. Savings are compulsory and are collected at every meeting and conceptualized as buying shares. At every meeting, a member must buy at least one share and is permitted to buy up to two shares in a month. Loans are provided at every meeting from the savings made by the members. If the funds requested by members exceed the amount of saved funds, the group decides who gets the loan by following a predetermined list of criteria written in the group's constitution. The interest rate on loans is set by the group. In the case of Serenje, most groups were charging between 10 and 20% interest on the borrowed money. A group never fines borrowers for late loan repayment, as this may aggravate any underlying crisis the household may be facing. It is assumed that the

embarrassment of being late is a sufficient penalty. The overall interest rate on savings is 3 times lower than the interest on loans because not all the funds are lent out all the time and savings accumulate over time. The actual date of the final share-out is set by the group and tends to be chosen according to the period when most households need cash, in order to encourage the use of savings to meet pressing needs and to discourage their use for unnecessary expenditures. At the end of a cycle, members decide whether to leave or remain in the VB group and whether the group should accept new members (VSL Associates, 2015).

FinScope surveys conducted between 2006 and 2007 indicate that the most striking contrast between Zambia and other countries in the region is its high proportion of people with no access to financial services. About 66% of adult Zambians are unserved by either formal or informal financial institutions. Poor access to financial services has traditionally been cited as a major impediment to the growth of a viable and decent livelihood in Zambia. A high-risk economic and policy environment, expensive credit, and poor financial literacy have all been cited as contributing to limited liquidity for marginalized communities. Poor and rural population segments are often argued to suffer the greatest constraints, with approximately half the rural population financially excluded and only 26% said to be accessing formal financial products (FinScope 2015)

This situation has generated concern among policy makers and collaborating partners. To enhance access to finance among rural households, the Government of the Republic of Zambia (GRZ), through the Ministry of Finance (MoF), and the International Fund for Agricultural Development (IFAD) jointly designed and implemented the Rural Finance Program (RFP) between 2007 and 2013. The RFP was implemented through a consortium of local non-governmental organizations (NGOs), micro-finance institutions (MFIs) and two government parastatals, the Development Bank of Zambia (DBZ) and the National Savings and Credit Bank (NSCB). The goal of the RFP was to improve rural livelihoods by increasing the use of sustainable financial services in rural areas. The RFP had five components, one of which was the development of community-based financial institutions (CBFIs), which focused on increasing the number and capacity of CBFIs in rural areas. The development of CBFIs was aimed at

improving the access of commercially active poor rural households to community-based financial services through the promotion of rural self-owned and managed institutions. To attain this overall goal, the program contracted CBF promoters, consisting of NGOs and MFIs, to support and facilitate the establishment of 2,500 self-owned and self-managed village savings and loan associations (VSLAs), each with up to 10 to 20 active members (Mwansakilwa, 2017).

The World Bank is also actively contributing to Zambia's efforts to advance financial access through the Financial Inclusion Support Framework Country Support Program (FISF-CSP). This program seeks to enhance the utilization, accessibility, and quality of financial services for individuals and enterprises. It encompasses initiatives such as the development of the National Financial Inclusion Strategy (NFIS), improvements in financial infrastructure, strengthened financial consumer protection and financial capability, and the promotion of diversified financial services. The NFIS, disseminated by the Zambian Government on November 8, 2017, is a product of extensive consultations involving the public sector, private sector, civil society organizations, and academia. It represents a detailed roadmap with concrete actions aimed at building an inclusive and competitive financial sector in Zambia (World Bank, 2022).

Further, the World Vision Zambia livelihood strategy (2022), which was well aligned to the Government Seventh National Development (SNDP), Vision 2030 and the Sustainable Development Goals working with 48,140 households (240,700 people) using innovative development strategies to improve household resilience and livelihood. The strategy aimed at helping marginalized communities and small holder farmers access cheaper credit, gain agriculture skills, and restore their environment or natural resources, to help them participate on a local value chain by financing their small-scale enterprises and provide financial literacy to improve their money management skills which has a direct effect on their livelihoods (World Vision Zambia, 2022).

According to Park & Mercado, (2015), having a means of living is central to one's existence and quality of life. Financial access has a direct link to poverty reduction, lowering income inequality and improvement in livelihood of individuals across countries. Financial access also makes it

possible for people to carry out their day-to-day financial transactions in a more efficient and secured manner. It also expands their investment opportunities in that it facilitates savings, which is a prerequisite for investment and further puts individuals in a position to better manage their Livelihoods. In the context of Serenje District, Zambia, where a significant proportion of the population has historically been excluded from financial services, the relevance of village banking initiatives cannot be overstated. The inability to access credit for productive purposes, coupled with limited opportunities for savings, has perpetuated poverty and livelihood inequalities in the region. It was from this background that the study aimed to investigate the role of village banking on members' livelihood in Serenje District.

2. LITERATURE REVIEW

In many developing regions, particularly within rural contexts, access to formal financial services remains a challenge, significantly impacting the livelihoods of community members. This chapter will critically engage with existing literature on the role of village banking on the livelihoods of members. It will start by presenting the conceptual frame which is grounded in the concept of village banking, livelihood and the concept of financial inclusion. This will offer a solid basis for understanding the intricate relationship between village banking and the economic well-being of community members. Subsequently, the theoretical foundation supporting the study will be expounded. Further, the empirical review will synthesize findings from pertinent studies, shedding light on the extent to which village banking impacts members' livelihoods, the awareness levels among community members regarding these financial services, and an examination of potential barriers hindering the effectiveness of village banking systems. The chapter ends with an analysis of the gaps from other studies.

In a study by Khandkhan and Samid (2014), on how microcredit and village bank programs in Bangladesh were helping poor communities, they found that the programs continued to have a positive impact on the well-being of people in need. Interestingly, women who were a part of these programs felt more empowered. However, the study also noticed some challenges. In places where borrowing was high, especially among men, there were issues like diseconomies of scale. Despite these challenges, the increase

in people joining multiple programs, driven by competition among 18 different organizations, actually made borrowers' lives better by increasing their assets and net worth without making them owe a lot of money.

Senon and Manda (2022) conducted a study to investigate how access to funding impacts on the ability of the youth to be entrepreneur in Benin. With the increase in the youth population, coupled with increasing unemployment in developing countries, it is important to make funds available to the youth to create their own businesses by removing any barriers to the sourcing of funds. Using the endogenous switching regression technique, together with propensity score matching, the study revealed that age, poverty level, education, experience and presence of a bank branch influence the youth's access to finance in Benin. The study further shows that there is a 15.2% likelihood that a youth with access to funds will lead the youth into entrepreneurship.

According to the survey conducted by World Bank to understand how village bank programs were doing in Bangladesh in the past two decades, there was remarkable growth in these programs, helping around 30 million people with more than \$2 billion every year. The findings showed that these programs continued to make a big and lasting difference, especially for women. The survey also pointed out some challenges like too many programs in some areas and how it affected villages. Despite these challenges, the study provided important information for making these programs even better and more helpful for people in Bangladesh who needed it the most (World Bank, 2022).

In another study conducted by Rutenge (2016), to assess Village Community Bank (VICOBA) in Kishapu District, Tanzania, with a specific focus on its impact on household welfare. The research aimed to identify the tangible contributions of VICOBA, particularly in alleviating income poverty, and to gauge the community's perception of VICOBA activities. The findings revealed that VICOBA members experienced significant improvements in their lives. Members effectively reduced income poverty by accessing affordable credit, paving the way for increased entrepreneurial opportunities. Furthermore, VICOBA membership fostered social cohesion, improved household fund management, and reduced the burden of losses due to mortgaging family resources.

Another study by Ndanshau and Njau (2021) empirically examined demand-side factors that influence financial inclusion in Tanzania. Employing the probit model, the study found that being male, middle-aged, gainfully employed, residing in an urban area, having multiple streams of 19 income and highly educated persons are more likely to be included in the financial sector in Tanzania. Amoah et al. (2020) examine what influences one's choice of using mobile money in the greater Accra region of Ghana. It is imperative to note that psychological and socio-cultural factors influence the use of financial services. Using a logit model, the study revealed that educational level and income constitute the main factors that influence mobile money usage in Ghana.

In a similar vein, Koloma (2021) examined the willingness of the youth to go into business in relation to their level of financial inclusiveness. With the use of logit model and the propensity score matching, it was revealed that for a youth to be more included in the financial sector, it depends on how educated the person is, their employment status, family status and at least a family member having an account. The cost of accessing financial services, perceptions associated with financial services and low income also contribute to entrepreneurial development. Savings and loans were also identified to play a major role in the willingness of the youth to venture into entrepreneurship. The study specifically showed that when the youth is offered a loan, it is more likely for them to go into agribusiness.

Another research by Sichilongo and Sinkala's (2021), study was conducted in Katuba constituency which comprised 8,351 women and focused on understanding the significant development brought to household income by village banking. The study illuminated the vital role played by village banking in poverty alleviation through informal loans primarily targeted at women. Recommendations stemming from these findings stressed the importance of financial training for village banking members, extended loan repayment times to boost profits, and the potential of microcredit initiatives like VBP (Village Banking Program) in raising the economic status of young women in urban areas.

In another study by Phiri W et al (2020), in Zambia's Eastern province, Chipata district, delved into the dynamics of micro, small, and

medium enterprises (MSMEs) and their interactions with village saving and loan associations. The research uncovered notable trends within this region's entrepreneurial landscape. Notably, it found that women played a dominant role in local business activities, reflecting their active participation in entrepreneurship. However, a substantial percentage of individuals fell into the category of "no enterprises," signifying the presence of potential untapped opportunities for economic development.

One of the study's key findings emphasized the positive impact of credit accessibility on business development, particularly the expansion of goods and services offered during the establishment of new enterprises. This suggests that the availability of loans from village saving and loan associations had a significant role in facilitating and diversifying entrepreneurial endeavors. While these findings are specific to the context of Chipata district, they underscore the importance of local financial institutions and credit accessibility in driving the growth and sustainability of MSMEs in this region.

2.1 Contribution of Village Banking to Financial Inclusion

Village banking, as emphasized by SEEP, offers a model that empowers impoverished communities to establish their credit and savings associations within village banks. This approach has been implemented in more than 25 countries across Latin America, Africa, and Asia. Remarkably, there are over 3,000 such banks catering to approximately 84,000 members, with a notable 92 percent being women. The cumulative portfolio of these banks stands at approximately \$8.5 million, featuring an average loan size of \$80 and an impressive 97 percent repayment rate (SEEP, 2022).

A related study in Kenya by Lemba (2014), investigated the impact of one village Bank: Kenya Rural Enterprise Programme Bank. A case study approach was used in which the K-REP programme was given ex-post evaluation. The evaluation was conducted for the purpose of drawing best practice lessons on the impact of village banking on poverty alleviation. The research findings were expected to register a significant impact on the incomes of the participants considering the popularity of microfinance institutions in Kenya. The results however showed that even though the K-REP

programme was effective in enhancing access to credit and the development of small and medium-sized businesses, the chief objective of raising household incomes remained a distant mirage. Few of the community members held shares in the village bank owing to prolonged droughts and hence lack of savings from crop production. Similarly, access to credit facilities was undermined by the droughts which eroded the borrowing confidence of households. Consequently, only the main business community in the area fully benefited from the programme. The results led to the conclusion that village banking has the potential to reduce poverty in rural areas of Kenya. However, their operations should be aligned with agricultural production calendar of the target community. Further, the integration of strategies such as crop insurance schemes into the 21 bank programme would be relevant towards mitigation of the effects of drought on agricultural production, and cushion farmers against unprecedented income shortfalls.

In another study in South Africa conducted by Mashigo and Kabir (2016), village banks create access to basic financial services to the poor households on a sustainable basis through community/village mutual trust, relationships, accountability, perfect knowledge, customs and participation. Based on these findings, it is recommended that village banks be established and supported adequately and used as a financial inclusion strategy for developing the poor households in South Africa (Mashigo and Kabir 2016).

A related study was conducted in Zambia by Mwansakilwa (2017), on the impact of participation in village savings and loan associations (VSLAs) on rural household consumption expenditure in Eastern and Western Zambia was examined using propensity score matching (PSM). The study highlighted the challenges of low welfare levels in Zambia, including low production and limited access to credit and finance. The results showed that households participating in VSLAs experienced significant and positive effects on their consumption expenditure, with these effects accounting for a substantial portion of their weekly expenses. This suggested that informal savings and lending initiatives like VSLAs can play a crucial role in improving access to affordable credit through savings, especially in regions transitioning from informal to formal

financial sectors. The study recommended a shift in public sector support towards promoting savings among households as a means of creating local capital for investments, in addition to enhancing formal financing options.

In another study conducted by Sibeso, the focus shifted to analyzing village banking and its impact on business expansion among Soweto marketeers in Lusaka, Zambia. This study aimed to investigate the policy and institutional frameworks influencing village banking, explore the organization and significance of village banks among marketeers, and establish ways to strengthen village banking to enhance business objectives among marketeers in Zambia (Sibeso, 2022).

The study found a substantial and positive relationship between village banking and business expansion. The loans obtained through village banking provided the necessary capital to drive business expansion and diversification. This newfound financial stability enabled marketeers to provide for their families' basic needs, including food, health, education, and shelter. The core strength of village bank arrangements lies in their ability to provide basic financial services to marketeers consistently, grounded in community and village mutual trust, relationships, and active participation (Sibeso, 2022).

2.2 Challenges of Village Banking

According to the study conducted in Bolivia, Colombia, Guatemala and Honduras by Painter and MkNelly (2007), the primary question to examine whether client loans grow or stagnate over time. The relationship between loan growth and a variety of factors program loan and savings policies, site selection, and membership dynamics were explored in the context of 7 village banks. The study revealed some challenges such that on average, loan size did not stagnant but increased steadily, although at a rate lower than the original village bank model projections. Membership turnover influx of new clients and drop-out of original clients was also evident across all programs, dampening loan growth rates by approximately 25%. However, recommendations were in other loan cycles to formulate policies pertaining to savings access, meeting frequency, and membership requirements to enhance clients' incentives to retention.

In another study on the role of village banking in Uganda conducted by Luyirika (2010), found that women face some challenges in their access to utilization of the village banks services and these included the following observations, amounts disbursed during share out to members were inadequate to finance reasonable investments and funds were sometimes diverted to some unplanned expenditure affecting capital injection. It was also noted that loans attracted interest rates that make it hard for members to payback both the principle and the charged interest in each period resulting in low return on investment. The study revealed that sometimes the condition attached to the loans are unfavorable especially the repayment schedules pose a high risk to members who are very poor. The 34 respondents made recommendation that the Ugandan government should intervene, especially where interest rates were concerned and it was also recommended that the government should put in place a system to monitor the operations of village banks and MFIs so that they offer adequate services to members (Luyirika, 2010).

Another study was carried out in Kabwata Township Lusaka Banda, (2020). The study aimed to understand how village banking affects the local savings culture. A significant finding was that people in this area preferred saving their money in village banks rather than formal banks. This choice was influenced by concerns about the reliability of formal banks, the lack of collateral 23 requirements, poor services, and the inconvenience of accessing formal banks due to their locations. Respondents also pointed out issues like high fees and the risk of embezzlement within formal banking systems as additional reasons for their preference.

However, the study also highlighted challenges associated with village banking, including difficulties with loan repayments, forming groups, dropouts, and targeting the most impoverished individuals. Interest rates played a crucial role in people's decisions on where to save, with higher rates in village banks making them more attractive. Respondents were well aware of the risks linked to village banking, such as delays in fund submissions, defaults, challenges in tracking embezzlement, and the potential misuse of group funds. A notable obstacle identified in the research was the absence of legal support for village banks. In conclusion, the study sheds light on the complex financial landscape in communities like Kabwata Township and

emphasizes the need to address these challenges to improve financial access and services for all residents (Banda, 2020).

3. METHODOLOGY

3.1 Ethics Statement

Ethical considerations were of paramount importance in this study. Measures were diligently taken to secure permission from all participants, ensuring their informed involvement. Utmost care was taken to uphold confidentiality, safeguarding the sensitive information shared by individuals and entities throughout the study duration. The study adhered to ethical principles encompassing authorship guidelines, copyrights, patenting policies, data sharing protocols, and confidentiality norms. The research received ethical clearance from the University of Zambia, marked by reference no. HSSREC-2021-JUNE-023, affirming the study's alignment with ethical standards and responsibilities.

3.2 Study Design

The research adopted a mixed research methodology, strategically leveraging both quantitative and qualitative data collection methods. This approach was chosen for its inherent capacity to capture a comprehensive understanding of the research questions. A sampling frame of 16 active Village Banking Groups was used, with a sample size of 136 determined through the use of Andrew Fish's formular. Research instruments included questionnaires for quantitative data and interview guide for qualitative data. The research extended its scope by employing an interview guide to gather valuable insights from key informants at the Ministry of Community Development. This methodological blend not only facilitated the exploration of the research objectives but also allowed for a robust analysis of the collected data. Data was analysed using IBM SPSS version 21.0 for quantitative data while thematic analysis was used for qualitative data.

4. RESULTS

4.1 Social Demographic Information

The study examined gender distribution, age, and educational backgrounds to understand the diversity of the participants. Occupational details were assessed to gain insights into the varied professional backgrounds of the respondents. The study also focused on participants'

knowledge of Village Banking and their engagement through the frequency of meetings within the Village Banking Groups.

List 1. Gender participation and age distribution

Age Bands	No.	Percent (%)
18-30	27	20
31-39	46	34
40 Above	136	46
18-40+	136	100

Source: Fieldwork Survey: 2023

While determining the gender participation between male and female, the study found that 35.7% of respondents were men and 64.3% were women. In terms of age distributions of the members of village bank, the study revealed that 46% of participants were aged over 40 years, while 34% fell within the age range of 31 to 40 years. Additionally, the age group between 18 and 30 years constituted 20% of the members.

4.1.1 Members education level and occupation

The study assessed members' education and occupational status to get valuable insights into their diverse education and professional backgrounds. This examination sheds light on factors such as job titles, industries, and roles, enriching the research findings and facilitating a comprehensive analysis of the research topic.

In assessing the educational level of participants, the study revealed that 40% of the members have attained Tertiary education, 44% possess a secondary school education, and 17% have completed primary school. To understand the occupation of village bank members, the study revealed the diverse professional backgrounds of Village Bank Group (VBG) members. The research study found that a substantial portion comprising 47% of participants, engaged in full-time business activities. Additionally, 24.3% were employed on a full-time basis, while 29% were involved in either part-time business or part-time employment.

4.2 Effects of Village Banking on Member's Livelihood

The study investigated the influence of Village Banking on members' livelihoods, revealing membership benefits from village banking, village bank outcomes, and duration of the program. The analysis of these factors presented the

results that contribute to the understanding of how Village Banking affect the overall well-being and quality of life of its participants.

4.2.1 Members benefit from village banking

In finding out how the members benefit from the scheme, the study revealed that participants use the money to buy seeds, fertilizers, and even land for homes and shops. This shows how Village Banking supports participants in building and growing various assets. The participants interviewed said that,

"Reflecting on the latest payout received, I made strategic investments aimed at enhancing agricultural productivity and ultimately securing higher returns. With careful consideration, I allocated a portion of the funds towards acquiring essential agricultural inputs, including fertilizers for both top dressing and the basal, catering to the two-hectare plot cultivated during the 2022/2023 season. Additionally, I procured weed killer to effectively manage weed growth, ensuring optimal conditions for crop development. Recognizing the importance of labor in agricultural operations, I set aside extra funds to cover labor costs, thereby streamlining the farming process and maximizing efficiency" (Interview with a village Bank member).

"Membership in the Village Banking scheme facilitated a crucial opportunity for me to secure a plot of land for our residence. When the local council advertised and offered plots for sale, I found myself without the necessary funds to make the purchase. However, due to the timely occurrence of a Village Banking meeting preceding the payment deadline to the council, I was able to leverage the scheme's support. By borrowing from the scheme, I successfully managed to pay for the plot where we have since constructed our home" (Interview with village bank member).

The study also reveals that Village Banking loans help participants grow their businesses. With a low 10% interest rate. Key respondent interviewed confirmed that VB has been a key source of capital for many marketeers and members involved in Business.

"Some village bank schemes I have monitored involve participants borrowing money from the Village Banking program to

invest in agricultural commodities such as maize and soybeans. These individuals then travel to distant areas where these commodities are plentiful and purchase them at favorable prices. Upon returning to the central business center, they sell the commodities at a significantly higher price, often yielding profits nearly five times the amount borrowed from the Village Banking program. This strategy exemplifies the entrepreneurial spirit and resourcefulness of participants, who capitalize on market disparities to generate substantial returns on their investments" (Key respondent from community development).

The research shows that Village Banking loans play a crucial role in meeting basic needs. Participants use the money to pay for school fees, buy school supplies, transport their children to boarding schools, and increase their overall household income.

The study further aimed at establishing how village bank members benefited from the village bank scheme and the findings of the study revealed that 20% used the funds to buy assets, 27% invested in businesses, and 31% spend it on basic needs.

4.2.2 Duration of program circle

The study delved into the significance of the duration in managing Village Bank circles over each period. By examining the length of time that Village Bank circles were managed, the research aimed to understand its impact on the program's effectiveness and outcomes. The analysis explored factors such as the stability of financial practices, the development of trust among members, and the overall sustainability of the program over time.

The study in Fig. 3 present the duration of each Village Bank circle, presenting the results in Fig. 3. The findings revealed that a substantial proportion, accounting for 46.1% of respondents, favored a six-month cycle for breaking the circle while 40% of participants reported a preference for a yearly cycle. These results offer valuable insights into the prevailing practices among Village Bank members regarding the management and duration of their circles. Such information is crucial for understanding the dynamics of Village Banking operations and may inform decisions related to program design and implementation to

better meet the needs and preferences of participants.

4.3 Contribution of Village Banking to Member's Financial Inclusion

In examining the contribution of Village Banking on financial inclusion and members' standard of living. The study revealed that members levels of income increased making them financially inclusive and their standard of living increased through enhanced access to services and improved savings habits. Some members interviewed said that,

"Since joining the Village Bank, it has become our primary source of income for financing our business endeavors. What sets this apart is the accessibility and flexibility it offers. Unlike traditional lending institutions, the Village Bank does not require collateral, nor does it impose strict restrictions on the usage of borrowed funds. As long as we borrow within the prescribed limit, we have the freedom to allocate the funds according to our business needs. This autonomy has been instrumental in fueling our entrepreneurial pursuits, allowing us to seize opportunities and drive growth without the burden of conventional constraints" (Interview with village Bank member).

"Before joining the Village Banking program, our financial situation was characterized by a fixed income that barely covered our basic needs. Each paycheck was allocated to essentials like rent and necessities, leaving no room for additional expenses or savings. However, since becoming members of the Village Banking community, our financial landscape has transformed significantly. The flexibility of borrowing from the program has empowered us to address unforeseen needs as they arise, ensuring financial stability and peace of mind. Moreover, through the shared interest and growth of our pooled funds, we've witnessed tangible improvements in our standard of living. The additional funds received have enabled us to invest in essentials like bicycles, motorcycle repairs, and even entertainment luxuries like TV and Go TV subscriptions. As a result, our overall income levels have seen a notable increase compared to our pre-Village Banking days, signifying a meaningful enhancement in our quality of life and financial well-being" (Interviews with village Bank member).

4.3.1 Member's financial status

In evaluating the financial benefits of Village Banking for its members, the study reveals gender parity in both savings and interest earnings. Analysis indicates that both male and female participants save equivalent amounts during each circle, demonstrating an equal commitment to financial prudence and participation in the program. The study finds that, on average, both genders earn similar levels of interest, with mean values of 1.8667 and 1.623, respectively.

These findings underscore the inclusive nature of Village Banking, where members, regardless of gender, have equal opportunities to save and

earn interest, fostering financial empowerment and gender equality within the community.

4.3.2 Standard of living

Analyzing the standard of living status of Village Bank members is important for understanding the program's impact on participants' overall well-being. Assessment provides insights into various aspects of members' lives, including access to basic necessities, housing conditions, and education. By evaluating the standard of living, researchers can assess the effectiveness of Village Banking in improving socio-economic outcomes and identify areas for further support or intervention.

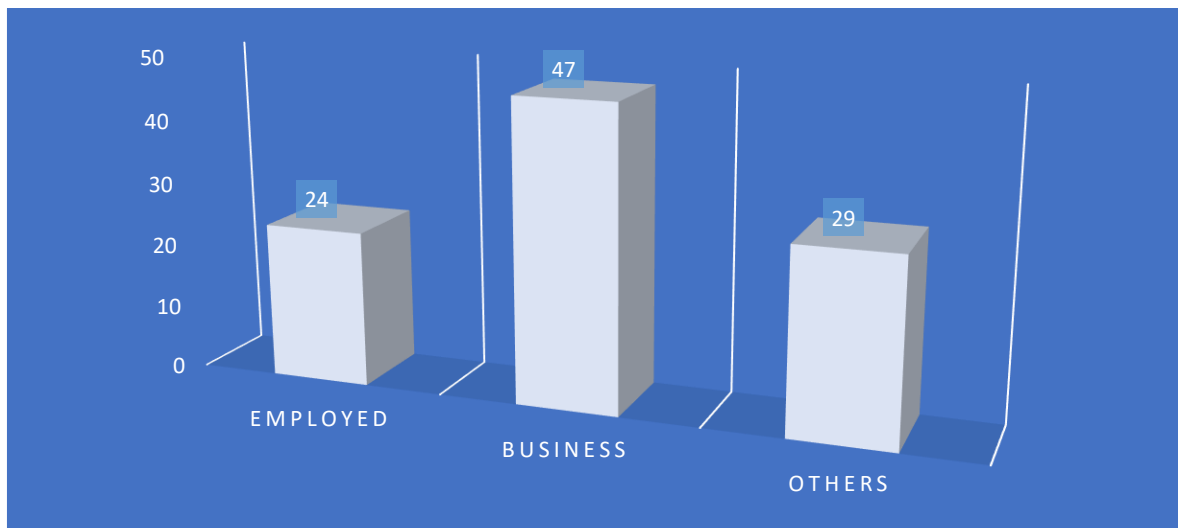


Fig. 1. Occupation

Source: Fieldwork Survey: 2023

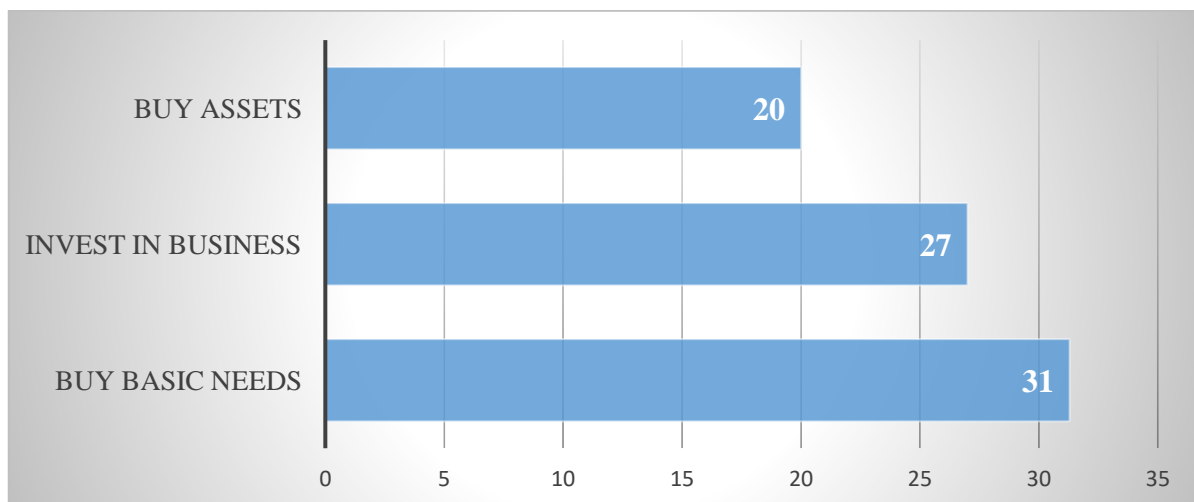


Fig. 2. Ways members benefited from Village Banking

Source: Field work Survey; 2023

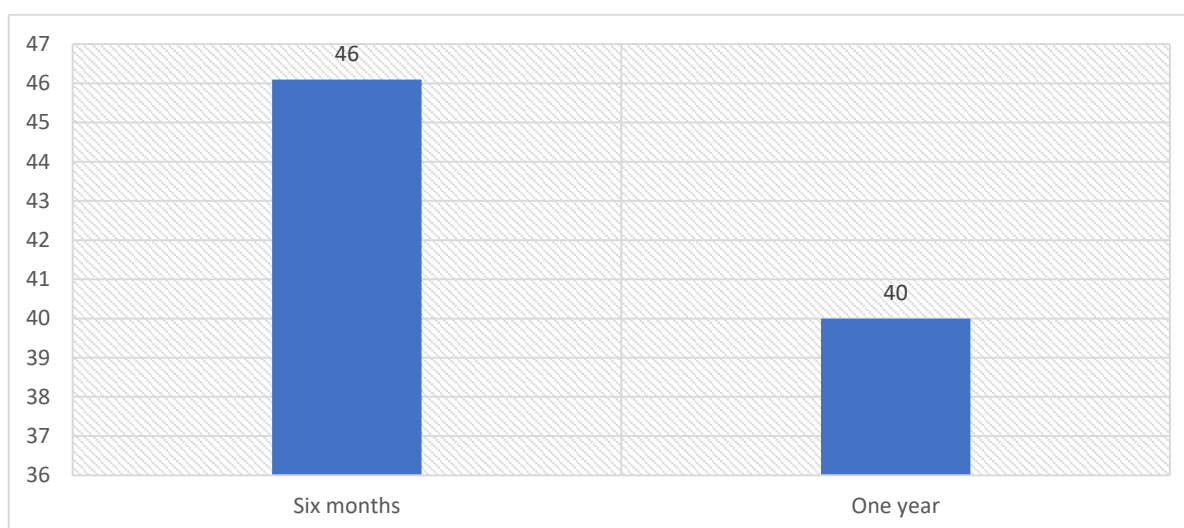


Fig. 3. Village bank period Circle

Source: Fieldwork Survey: 2023

Table 1. Financial earnings

		Mean
How much each member saves	Male	1.8667
	Female	1.8261
The interest each member makes	Male	1.6667
	Female	1.6232
Has village banking been beneficial	Male	1.1333
	Female	1.0725

Source: Fieldwork survey; 2023

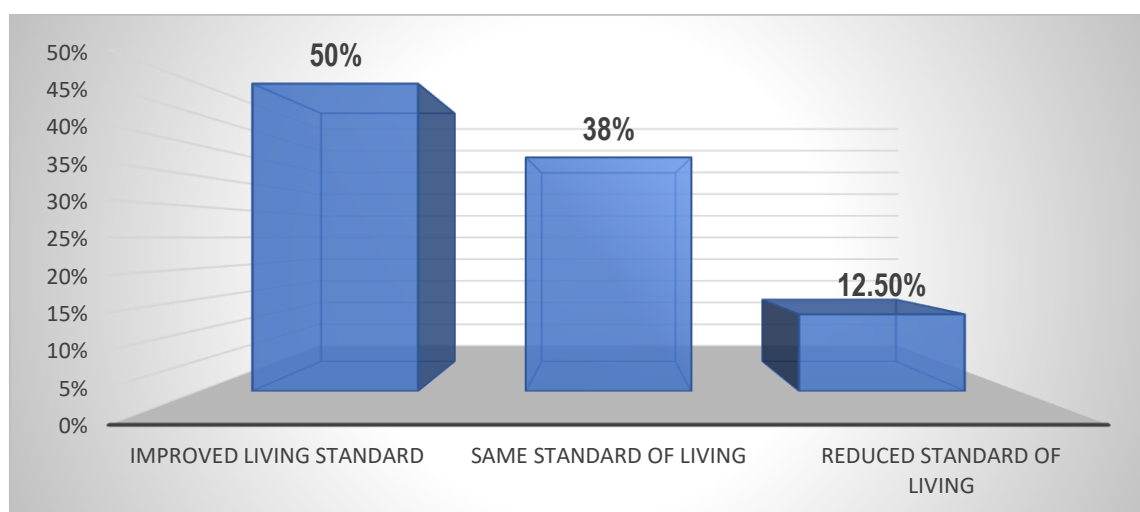


Fig. 4. Standard of living

Source: Fieldwork survey: 2023

In determining the standard of living among respondents, the study revealed that 50%, reported experiencing an improvement in their standard of living. For 38% of respondents, their

standard of living remained unchanged, indicating stability in their socio-economic status. However, 12.5% of participants reported a reduction in their standard of living. These

findings revealed the variability in the impact of Village Banking on members' socio-economic conditions, highlighting the importance of further analysis to understand the factors contributing to these outcomes and to inform targeted interventions to support those experiencing a decline in living standards.

4.4 Challenges Faced by Village Bank Members

The study aimed at establishing the challenges faced by village bank members, revealing several noteworthy issues. Among these challenges are the absence of effective mechanisms to address defaulters, the premature closure of village bank schemes, and resignations by members. These issues pose significant risks, particularly in terms of potential financial losses resulting from fund investments made by members.

4.4.1 Closure of village banks

In finding out the number of respondents who have experienced the closure of their Village Bank groups. The study's findings indicate that a significant majority, comprising 72.2% from various Village Bank groups, have never encountered group closure for any reason. In contrast, a smaller percentage, 14.8%, reported group closure.

"Among the Village Bank groups registered in our records, a significant number have

ceased operations, with only 16 out of the 38 initially registered groups remaining highly active. However, our monitoring efforts have revealed that many of the village bank groups which are active are not documented in our registers. This discrepancy suggests that while some groups may have become less active, others continue to operate successfully outside of our formal monitoring mechanisms" (Key informant interview).

4.4.2 Members resignations

The findings on members resignations highlight the importance of addressing issues related to fund disbursement timeliness, interest rates, and financial sustainability to enhance member retention and overall program effectiveness in the village bank program.

While examining the resignations among the members, the study, reveals that a small percentage of members, specifically 2.6%, expressed a desire to quit Village Banking for various reasons. Among these reasons, 2.6% cited delays in receiving funds, another 2.6% mentioned high-interest rates, and 4.35% cited a lack of funds to sustain their membership.

"One key challenge I have observed the village bank schemes is the increasing number of reports on members resigning from the schemes and go away with money for their friends which leave the group with a shortage of money than expected" (Market master).

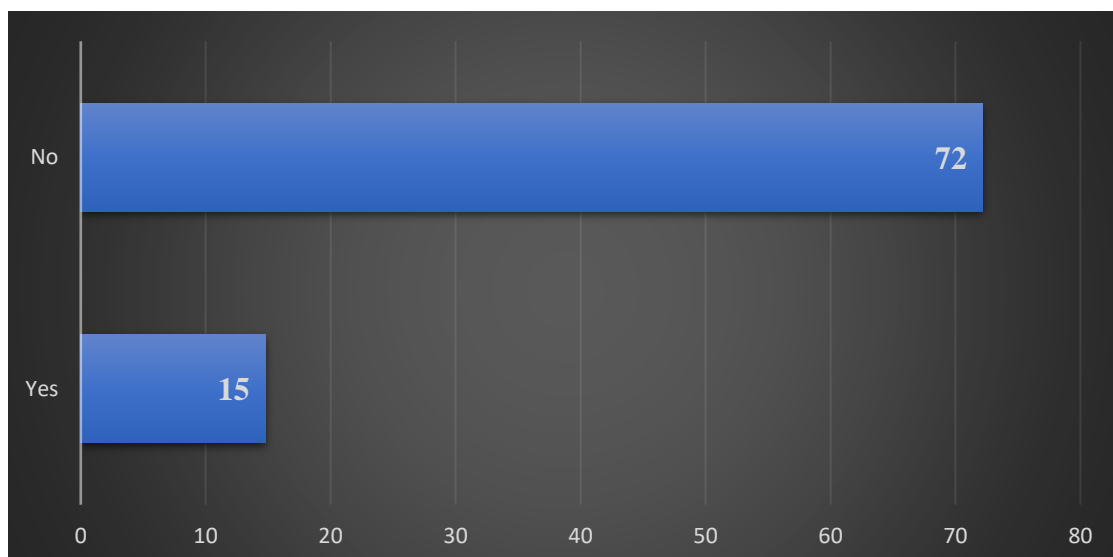


Fig. 5. Village bank closures

Source: Field work survey; 2023



Fig. 6. Reasons of quitting village banks

Source: Fieldwork survey: 2023

4.4.3 Lack of mechanism to address defaulters

The study revealed that many groups do not have lay down procedures on how to deal with members who fail to pay back money. Some members interviewed said,

“Our Village Banking program faces a critical challenge with the absence of mechanisms to address defaulters. Currently, there are no punitive measures in place for members failing to repay loans, and responsibility for pursuing defaulters remains unassigned. This lack of accountability undermines the program's financial sustainability and erodes trust among members. To mitigate this issue, there is a pressing need to establish clear policies, procedures, and enforcement measures to manage defaulters effectively and promote a culture of financial responsibility within our program” (Interviewed village member).

This situation leaves faithful members adversely affected, as defaulting members are left to repay at their own discretion, impacting the expected payout amounts for all participants.

The study also revealed that, challenges revolved around the waiting period to break the Village Bank circle. Most Village Bank members were finding it difficult to finish the circle because of their low incomes to continue sustaining themselves while making contributions to the scheme.

“The challenge we face with our village bank is that the waiting period before we get our final payout is usually too long for us to get our savings and our interests and the situation prompt us to seek loans from elsewhere and often more expensive than our source. We do this to address immediate financial needs, with the intention to repay these loans upon receiving payouts from the Village Banking scheme” (Interviewed village bank member).

Though members stress so much to sustain savings during the active circle, the study revealed that they find a very good relief at the time of payout even when they find it difficult allocating extra funds towards savings.

5. DISCUSSION

5.1 Effects of Village Banking on Member's Livelihood

The study investigated the effect of Village Banking on members' livelihoods, revealing membership benefits from village banking, village bank outcomes, and duration of the program. The analysis of these factors presented the results that contribute to the understanding of how Village Banking affect the overall well-being and quality of life of its participants.

5.1.1 Members benefits from village banking

In establishing how village bank members benefited from VB, the findings of the study

revealed a diverse way in which village bank members benefit from their participation in village banking initiatives. Notably, 20% of participants utilize the funds to invest in tangible assets such as houses and land, reflecting a strategic approach towards wealth accumulation and asset diversification. This finding aligns with the research done by Senon and Manda (2022), which contend that access to credit can facilitate asset accumulation among low-income households, thereby contributing to long-term financial stability and resilience. Furthermore, the study reveals that 27% of participants invest in businesses, highlighting the role of village banking in fostering entrepreneurship and small business development. This finding resonates with empirical research demonstrating the positive impact of microfinance on income generation and business growth, as access to credit enables individuals to invest in productive assets, expand their operations, and create employment opportunities.

Additionally, the study indicates that 31% of participants use the funds for everyday necessities, underscoring the importance of village banking in addressing immediate household needs and enhancing financial resilience. This finding corroborates previous research highlighting the role of microfinance in providing a safety net against income shocks and enabling households to meet basic needs such as food, healthcare, and education. Moreover, the study 43 found that participants use the funds to purchase inputs such as seeds and fertilizers, as well as land for homes and shops, further emphasizing the multifaceted impact of village banking on livelihoods and asset accumulation. This finding points to evidence that access to credit enables smallholder farmers to invest in agricultural inputs, improve productivity, and enhance food security.

These findings highlight the program's usefulness in providing financial support to participants, enabling them to invest in various aspects of their lives and attain assets that would otherwise be beyond their financial means. The programme emerges as a pivotal driver for participants to build and grow various assets, contributing significantly to economic stability within the community. Furthermore, the study highlights the substantial impact of Village Banking loans on business growth, facilitated by a low 10% interest rate. This affordability has empowered participants to generate profits nearly five times the borrowed amount,

exemplifying the program's instrumental role in fostering the success and expansion of small businesses and promoting overall economic empowerment within the community. The findings are constant with Senon and Manda (2022), who conducted a study to examines the impact of access to finance on rural youths' entrepreneurship in Benin using data from the second wave of the School-To-Work Transition Survey, involving over 900 youths. The findings of the study were that, access to finance increases the probability of youth entrepreneurship by 15.2% on average. Moreover, the study shows a significant gender gap in rural entrepreneurship of 5.24% among youths with access to finance in Benin. The study further agrees with findings by Khandkah and Samid (2014), on how microcredit and village bank programs in Bangladesh were helping poor communities, they found that the programs continued to have a positive impact on the well-being of people in need where women who were a part of these programs felt more empowered.

5.1.2 Duration of program circle

The research findings on the duration of each Village Bank cycle provides insights into the operational dynamics of such microfinance initiatives. Notably, 46.1% of respondents reported a six-month cycle for breaking the circle, while 40% indicated a yearly cycle. This variation in cycle durations reflects the flexibility and adaptability of village banking programs to the unique needs and preferences of the communities they serve.

Empirical studies on microfinance have highlighted the importance of considering the timing and frequency of loan cycles in ensuring the effectiveness and sustainability of microfinance interventions. For instance, research by Khandkah and Samid (2014), suggests that shorter loan cycles, such as six months, may be better suited for meeting short-term financing needs and promoting regular savings habits among participants. Shorter cycles can also facilitate quicker turnover of funds, enabling participants to access credit more frequently and respond to evolving business opportunities or financial emergencies. On the other hand, longer loan cycles, such as yearly cycles, may be more appropriate for financing larger investments or capital-intensive ventures, as they provide participants with sufficient time to generate returns and repay their loans. Additionally, longer cycles may reduce

administrative burdens and transaction costs associated with frequent loan disbursements and repayments, thereby enhancing the operational efficiency of village banking programs.

Furthermore, the choice of loan cycle duration can also impact participants' ability to effectively manage their cash flows and plan for future investments. Research by GIZ (2014) suggests that aligning loan cycles with seasonal cash flows and business cycles can improve participants' ability to repay loans and maximize the impact of credit on income generation and asset accumulation. The results in this research findings are line with the recommendations submitted in the Village Bank Handbook manual compiled and recommended by GIZ (2014). The Village Bank Operational Handbook sets standards for the organisation and processes to set-up and run a community-based village bank. It contains the accumulated experiences and best practices of the GIZ-managed program Access to Finance for the Poor (AFP) the currently largest and longest running microfinance project in the Lao PDR. The hand book recommended that each circle should take one year but members should meet once or twice in a month.

5.2 Contribution of Village Banking to Member's Financial Inclusion

The examination of Village Banking's contribution to financial inclusion and members' standard of living yielded positive results were 50% experienced an improvement in their standard of living, 38% maintained the same standard, and 12.5% reported a reduction in their standard of living, revealing an improvement in both aspects. Enhanced access to services and improved savings habits were evident, contributing to increased financial inclusion. Furthermore, members reported improvements in their standard of living, marked by higher income levels and enhanced living conditions. These findings collectively paint a picture, suggesting that Village Banking members are no longer financially exclusive, experiencing tangible benefits that positively influence their economic well-being and overall quality of life.

The study agrees with research conducted by Mwansakilwa (2017), on the impact of participation in village savings and loan associations (VSLAs) on rural household consumption expenditure in Eastern and Western Zambia was examined using propensity score matching (PSM). The results showed that

households participating in VSLAs experienced significant and positive effects on their consumption and expenditure, with these effects accounting for a substantial portion of their weekly expenses. This suggested that informal savings and lending initiatives like VSLAs can play a crucial role in improving access to affordable credit through savings, especially in regions transitioning from informal to formal financial sectors. The study recommended a shift in public sector support towards promoting savings among households as a means of creating local capital for investments, in addition to enhancing formal financing options.

However, contrary results were presented in Kenya in a study by Lemba (2014). The research investigated the impact of one village Bank: Kenya Rural Enterprise Programme Bank. A case study approach was used in which the K-REP programme was given ex post evaluation. The results revealed that even though the K-REP programme was effective in enhancing access to credit and development of small and medium-sized businesses, the chief objective of raising household incomes remained a distant mirage. Few of the community members held shares in the village bank owing to prolonged droughts and hence lack of savings from crop production. Similarly, access to credit facility was undermined by the droughts which eroded the borrowing confidence of households. Consequently, only the main business community in the area fully benefited from the programme. The results led to the conclusion that village banking has the potential to reduce poverty in rural areas of Kenya. However, their operations should be aligned with agricultural production calendar of the target community. Further, integration of strategies such as crop 46 insurance schemes into the bank programme would be relevant towards mitigation of the effects of drought on agricultural production, and cushion farmers against unprecedented income shortfalls.

5.2.1 Member's financial status

In assessing the financial benefits derived from Village Banking, the study indicates that both male and female members saved the same amounts during each circle, and, on average, both genders earn the same interest, as indicated by a mean value of 1.623. The responses regarding the effect of Village Banking on members' financial situations were consistently positive. The study highlights those

members, irrespective of gender, can access loans based on their savings amounts and frequency during the circle, provided there are sufficient funds available. Importantly, the research underscores that Village Banking participants enjoy the privilege of accessing cash without the need for collateral, fostering financial inclusivity. These findings underscore the inclusive nature of the Village Banking program, where all members benefit equally, receiving the same interest rates and privileges.

The outcomes of the study resonate with the research conducted by Sichilongo and Sinkala (2021), in Katuba constituency which consists of 8,351 women, the sample size consisted of 40 participants. The purpose of the study was to assess how village banking has been beneficial to the women of Katuba Constituency demonstrating a consistent positive trend in village banking participation. The study reported that women engaged in village banking utilized the loans to initiate diverse businesses, including the establishment of supermarkets and bars, and to procure farming supplies such as fertilizer and seeds. The alignment of these findings across different regions underscores the transformative potential of Village Banking, particularly in empowering individuals, especially women, to embark on entrepreneurial ventures and improve their economic circumstances.

5.2.2 Standard of living

In establishing the contribution of village banking on the standard of living, the study found that, 50% of respondents experienced an improvement in their standard of living, while 38% maintained the same standard, and 12.5% reported a reduction in their standard of living. These findings underscore the diverse outcomes experienced by participants and highlight the multidimensional nature of poverty alleviation efforts.

Empirical studies on microfinance and poverty alleviation have provided valuable insights into the factors influencing changes in participants' standard of living. The Research contend that access to credit and financial services can contribute to improvements in standard of living by enabling participants to invest in income-generating activities, smooth consumption patterns, and cope with financial shocks. By providing access to credit, village banking programs empower participants to make productive investments, expand their businesses,

and increase their incomes, thereby enhancing their overall well-being (Nath, et al., 2017).

However, the research findings also indicate that a significant proportion of respondents (12.5%) reported a reduction in their standard of living. While the reasons for this reduction are not explicitly stated, it may be attributed to various factors such as economic downturns, business failures, or unexpected expenses. Studies by suggest that despite the potential benefits of microfinance, participants may face challenges such as over-indebtedness, lack of business skills, or limited access to markets, which can hinder their ability to fully capitalize on credit opportunities and improve their standard of living. Moreover, maintaining the same standard of living (38%) among respondents suggests that while access to credit may help stabilize household finances and meet basic needs, it may not necessarily lead to significant improvements in overall well-being. This finding resonates with research by Noyani (2020), which suggests that poverty alleviation efforts need to address broader structural issues such as access to education, healthcare, and employment opportunities to achieve sustainable improvements in living standards.

The study results are similar to the study which was conducted byimba (2022), The purpose of the research study was to establish the Effects of Village Savings and Loan Associations (VSLAs) on Micro, Small and Medium Enterprise (MSME) Growth in Chipata District of Zambia. The results of the study indicated positive and statistically significant effect of VLSA on the MSMEs growth parameters although there was no significant effect on the investment in other sectors of the economy and quality of goods/services provided at the confidence level indicated in the study. The findings also revealed that MSMEs activities in Zambia were dominated by women who constituted a larger percentage of total entrepreneurs. The study further established that access to 48 credit had positive influence on the amount of goods/services provided, start-up capital, technological advancement, business investment, annual turnover, and sales and profit of the business. Lastly, the study also revealed that the loans obtained by MSMEs from VSLAs were sufficient.

5.3 Challenges Faced by Village Bank Members

The study aimed at establishing the challenges faced by village bank members, revealing

several noteworthy issues. Among these challenges are the absence of effective mechanisms to address defaulters, the premature closure of village bank schemes, and resignations by members. These issues pose significant risks, particularly in terms of potential financial losses resulting from fund investments made by members.

5.3.1 Closure of village banks

In finding out the number of respondents who have experienced the closure of their Village Bank groups, the study has revealed that a majority of respondents, comprising 72.2% from various Village Bank groups, have never encountered group closure for any reason, while a smaller percentage, 14.8%, reported group closure. These findings imply that Village Bank groups generally exhibit resilience and longevity, which can have positive implications for both current participants and potential newcomers.

Empirical studies on microfinance and group-based lending have emphasized the importance of group cohesion and stability in ensuring the effectiveness and sustainability of microfinance initiatives. Research by Nyoni (2020) suggests that the success of microfinance programs often hinges on the strength of social capital within the community and the ability of group members to support each other in times of need. The absence of Village Bank closures indicated by 72.2% of respondents underscores the sense of stability and security provided by these programs, which can foster trust among participants and encourage others to join Village Bank meetings Patel and Patel (2020). Moreover, the findings suggest that Village Bank groups may benefit from a sense of institutional resilience, which can be attributed to various factors such as effective governance structures, robust risk management practices, and strong community support networks. The research further highlights the role of group cohesion and collective decision-making processes in mitigating the risks of default and ensuring the successful operation of microfinance programs over the long term.

Additionally, the absence of Village Bank closures may also reflect the effectiveness of support mechanisms provided by implementing organizations or external stakeholders, such as training and capacity-building initiatives, monitoring and supervision protocols, and

access to technical assistance or financial resources. These support mechanisms play a crucial role in enhancing the resilience and sustainability of Village Bank groups, thereby contributing to their ability to weather external shocks and challenges.

5.3.2 Members resignations

In determining the reasons that affect the programs sustainability and effectiveness. The study revealed that 2.6%, expressed a desire to quit Village Banking for among other reasons, 2.6% cited delays in receiving funds, another 2.6% mentioned high-interest rates, and 4.35% cited a lack of funds to sustain their membership.

These findings highlight some of the common barriers and challenges faced by participants in microfinance programs. For example, research by the research suggests that delays in fund disbursement can undermine the trust and confidence of participants in microfinance institutions, leading to dissatisfaction and potential attrition. Delays in receiving funds can also disrupt participants' business operations and limit their ability to capitalize on economic opportunities, thereby diminishing the perceived benefits of membership. Similarly, concerns about high-interest rates are a common issue in microfinance, as they can impact the affordability of credit for low-income borrowers. Research by Patel and Patel (2020) suggests that while microfinance institutions aim to provide access to credit for underserved populations, high-interest rates can pose a significant financial burden on borrowers, particularly those with limited income and resources. High-interest rates may also deter potential participants from joining microfinance programs or lead existing members to seek alternative sources of financing.

Furthermore, the lack of funds to sustain their membership highlights the importance of addressing financial constraints and ensuring the affordability of microfinance services. Studies by Kukano and Kantchewa (2020), emphasize the need for microfinance programs to adopt flexible repayment schedules and loan terms that accommodate the financial circumstances of participants, thereby reducing the risk of default and attrition. The study is in agreement with Banda's (2020), research findings in Kabwata Township, Lusaka. The study aimed to understand how village banking affects the local savings culture research in Kabwata. The findings of the study were that groups were

finding difficulties in retaining Village Banking members, because of high interest rates particularly those from impoverished backgrounds. Additionally, the findings revealed that respondents demonstrate a clear awareness of the associated risks, including delays in fund submissions, defaults, challenges in tracking embezzlement, and the potential misuse of group funds. The findings underscore the importance of addressing these challenges to enhance the sustainability and success of Village Banking programs.

5.3.3 Lack of mechanism to address defaulters

The findings of the research revealed a challenge within Village Banking groups where members lack a mechanism to address defaulters. Members who fail to pay back their loans are not subject to any punitive measures, and the responsibility for pursuing such defaulters remains unassigned. This situation leaves faithful members adversely affected, as defaulting members are left to repay at their own discretion, impacting the expected payout amounts for all participants.

The findings also revealed challenges revolving around the extended waiting period to break the Village Bank circle. Participants find the waiting duration too lengthy for their investments, prompting some to seek loans from other, often more expensive, sources. This workaround allows them to address immediate financial needs, with the intention of repaying these loans upon receiving payouts from the Village Banking scheme. The extended waiting period poses a financial challenge for members who may require quicker access to their invested funds.

Members further faced limitations in saving twice a month due to low personal income. While they find relief at the time of payout, allocating extra funds for bimonthly savings proves challenging given their financial constraints.

The research findings are consistent with those of Luyirika (2010), who conducted a study with 34 respondents to evaluate the function of village banking in Uganda. According to the research, women have difficulty using village banks to their full potential for a number of reasons. The research revealed that the funds distributed to members during share out were insufficient to support prudent investments, and occasionally the funds were misdirected to unanticipated

expenses that reduced capital injection. The findings further revealed that loans had interest rates that made it difficult for borrowers to repay the principle plus interest each time, which led to a 51 poor return on investment. According to the study, there are instances where loan conditions are unfavorable, particularly when it comes to repayment plans, which put borrowers at significant danger.

6. CONCLUSION

The study investigated the effects of Village Banking on members' livelihoods in Serenje District, employing a mixed-methods approach to gather both quantitative and qualitative data. The sampling frame of 16 active Village Banking Groups and a sample size of 136 participants. To select the sample, the study used Andrew Fish's formula.

In determining the gender participation between male and female, the study found that 35.7% of respondents were men and 64.3% were women. The dominance of women in these programs can be explained by historical norms and varying education levels, which have perceived village banking as more appropriate for women than men. This dominance is also driven by females' aspirations to improve their family's living standards.

In terms of age distributions of the members of village bank, the study revealed that 46% of participants were aged over 40 years, while 34% fell within the age range of 31 to 40 years. Additionally, the age group between 18 and 30 years constituted 20% of the members. These findings suggest that most village bank members are above 40 years of age. This age group has a strong interest in pursuing financial independence. Moreover, individuals above 40 may have gained entrepreneurial experience or developed specific skills that make them more confident in engaging with village banking and small-scale businesses. They see village banking as an opportunity to apply their skills and contribute to local economic development.

In assessing the educational level of participants, the study revealed that 40% of the members have attained tertiary education, 44% possess a secondary school education, and 17% have completed primary school. This indicates a relatively diverse educational background within the participant pool. This implies that participants with higher levels of education may potentially

have a greater capacity to leverage the benefits of the village banking program.

To understand the occupation of village bank members, the study revealed diverse professional backgrounds of Village Bank Group (VBG) members. The research study found that 47% of participants were engaged in full-time business activities. This suggests a high level of entrepreneurial spirit and a desire for self-employment among the research participants, which is often a characteristic of individuals seeking economic autonomy and financial independence. Additionally, 24.3% were employed on a full-time basis, while 29% were involved in either part-time business or part-time employment. This highlights the presence of individuals who rely on formal employment for their livelihoods and that a significant segment of the population depends on wage-based employment for income generation.

In establishing how village bank members benefited from VB, the findings of the study revealed diverse ways in which village bank members benefit from their participation in village banking initiatives. Twenty percent of participants utilized the funds to invest in tangible assets such as houses and land, reflecting a strategic approach towards wealth accumulation and asset diversification.

The examination of Village Banking's contribution to financial inclusion and members' standard of living yielded positive results, revealing an improvement in both aspects. Enhanced access to services and improved savings habits were evident, contributing to increased financial inclusion. Furthermore, members reported improvements in their standard of living, marked by higher income levels and enhanced living conditions. These findings collectively paint a picture suggesting that Village Banking members are no longer financially excluded, experiencing tangible benefits that positively influence their economic well-being and overall quality of life.

In establishing the contribution of village banking on the standard of living, the study found that 50% of respondents experienced an improvement in their standard of living, while 38% maintained the same standard, and 12.5% reported a reduction in their standard of living. These findings underscore the diverse outcomes experienced by participants and highlight the multidimensional nature of poverty alleviation efforts.

In determining the reasons that affect the program's sustainability and effectiveness, the study revealed that 2.6% expressed a desire to quit Village Banking for, among other reasons, delays in receiving funds, high-interest rates, and a lack of funds to sustain their membership.

The findings of the research revealed a challenge within Village Banking groups where members lack a mechanism to address defaulters. Members who fail to pay back their loans are not subject to any punitive measures, and the responsibility for pursuing such defaulters remains unassigned. This situation leaves faithful members adversely affected, as defaulting members are left to repay at their discretion, impacting the expected payout amounts for all participants.

The findings also revealed challenges revolving around the extended waiting period to break the Village Bank circle. Participants find the waiting duration too lengthy for their investments, prompting some to seek loans from other, often more expensive, sources. This workaround allows them to address immediate financial needs, with the intention to repay these loans upon receiving payouts from the Village Banking scheme. The extended waiting period poses a financial challenge for members who may require quicker access to their invested funds.

7. RECOMMENDATIONS

Based on the research findings presented in the research on the effect of village bank on members livelihood, here are the recommendations:

7.1 Regulation and Monitoring by Government

The study suggests that government regulation and monitoring of Village Bank activities are essential to safeguard individuals' investments. By ensuring oversight from relevant government institutions, the integrity and stability of Village Bank operations can be maintained, protecting the interests of participants and minimizing the risk of fraud or mismanagement.

7.2 Government Support for Training and Empowerment

Village Bank schemes have been shown to effectively enhance financial inclusion among members. To further strengthen these initiatives,

the government is encouraged to provide support for training and empowering members to manage and run local groups. This may involve providing basic knowledge and tools necessary for effective group management, thereby enhancing the sustainability and success of Village Banking programs.

7.3 Setting of Realistic Targets

To promote inclusivity, Village Bank groups should set realistic savings targets that accommodate individuals with low incomes. By adjusting savings requirements to align with the financial capabilities of all members, Village Banking can become more accessible and inclusive, ensuring that even those with limited resources can participate and benefit from the program.

DISCLAIMER (ARTIFICIAL INTELLIGENCE)

Author(s) hereby declare that generative AI technologies such as Large Language Models, etc have been used during writing or editing of this manuscript. This explanation will include the name, version, model, and source of the Generative AI technology and as well as all input prompts provided to the generative AI technology.

Details of the AI usage are given below:

1. ChatGPT
2. <https://chatgpt.com>
3. Version 3

ETHICAL APPROVAL

The research received ethical clearance from the University of Zambia, marked by reference no. HSSREC-2021-JUNE-023, affirming the study's alignment with ethical standards and responsibilities.

COMPETING INTERESTS

Authors have declared that they have no known competing financial interests OR non-financial interests OR personal relationships that could have appeared to influence the work reported in this paper.

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