

Evaluation of the Financial Performance in the Village Saving and Loans Groups in Colombia



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General Context

IED – VITAL Organization have participated in projects for forming and supporting Village Saving and Loan Associations in Colombia since 2.008.

As result, to October 2013, the Organization has created and supported 5.473 groups in rural, urban and peripheral areas, where are involved 72.000 people, both in direct field operation by IED-VITAL (3.973 groups, 52.078 people), and through programs of technical assistance for the knowledge transfer of the methodology to 14 organizations (1.500 groups, 19.800 people).



IED-VITAL has implemented a system of studies design, data collection and analysis in order to evaluate the results and impact of its projects of forming groups, and for the design and measurement of income generation programs and financial inclusion with the communities that are part of groups.

This system includes the use of tablets and smartphones, operated by field officers (facilitators), using own applications and data management platforms in partnership with organizations such as Grameen Foundation, which allow real-time scanning, georeferencing and calculation of indexes.



This makes a great adaptability when designing studies and reduces operational costs of data collection, recording and information analysis.

Study of the Evolution of Savings and Loans inside Village Savings and Loans Groups



The objective of this study is, on the one hand to analyze the evolution of the aggregated savings per person who makes part of the groups and of the accumulated savings going from one cycle to the other. On the other hand, seeks to measure the internal demand for credit and its evolution in each cycle.

For this, two hypotheses were raised:

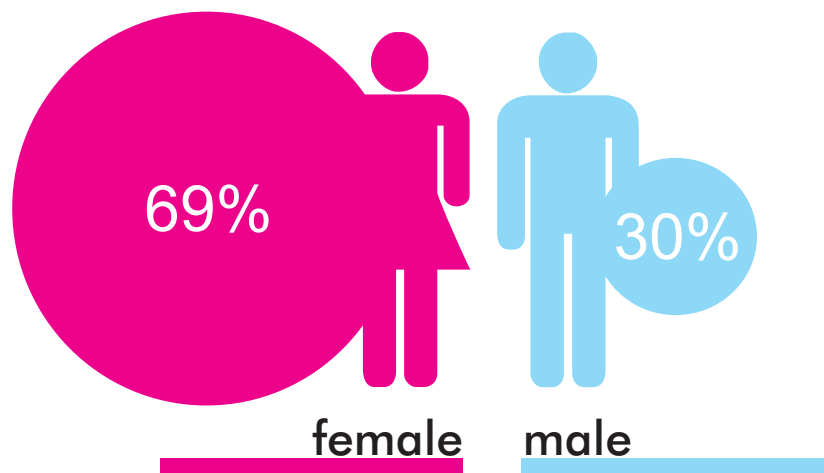
- The groups increase significantly the value of their shares in each new cycle and therefore, in similar proportion, increase the accumulated savings per person and per group.
- The easy access to domestic credit boosts high demand, so that at least 70% of the savings resources will be used to cover credit orders of group participants.

As a research tool, the data of all groups and individuals was taken from the VSL MIS (Village Saving and Loans Management Information System which is a software developed by VSL), from booklets of field facilitators and from the IED-VITAL in-house information systems.

As statistical sample, the information of 3,973 VSLA was taken from their first cycle of operations and the results were evaluated until the current cycle, considering that there are groups in operation between the first and fourth cycle.

Results:

Principally, women have been the main participants in the VSLA, with a percentage share of 69% over the total members' number of the groups.

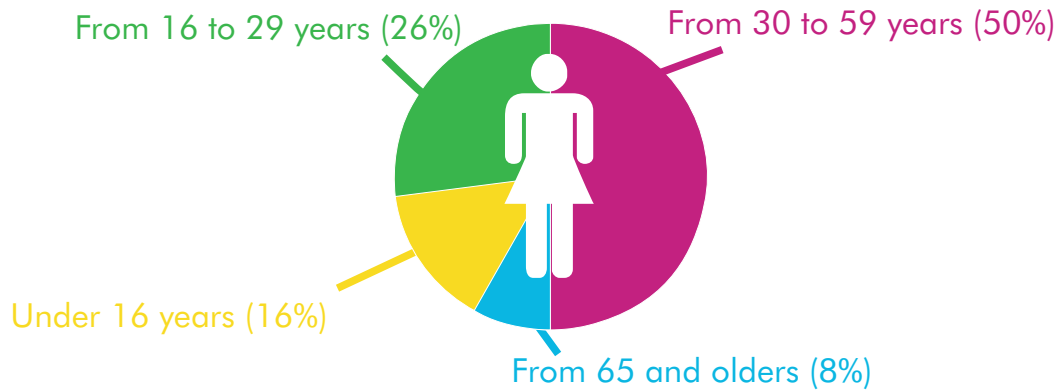


The gender distribution at the departmental level is presented below:

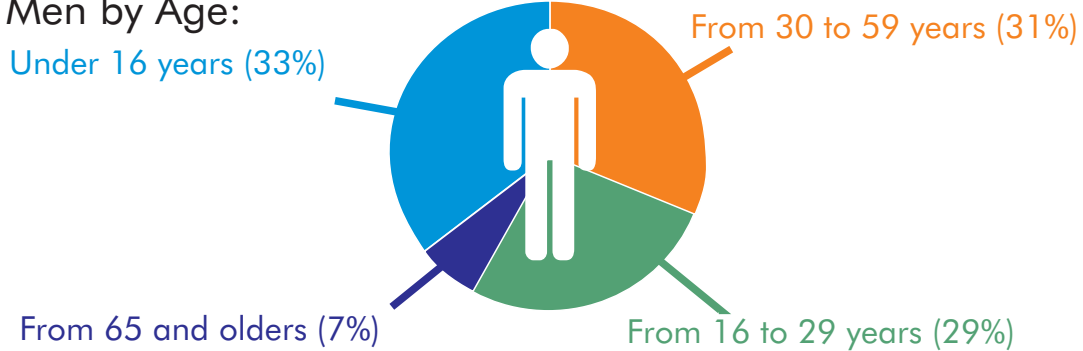
	Male	Female	%Male	%Female
Antioquia	559	2.259	20%	80%
Arauca	148	403	27%	73%
Atlántico	534	2.150	20%	80%
Bolívar	1.460	5.238	22%	78%
Boyacá	531	1.398	28%	72%
Caldas	60	110	35%	65%
Casanare	664	1.056	39%	61%
Cauca	794	1.978	29%	71%
Chocó	466	2.066	18%	82%
Cundinamarca	1.217	2.481	33%	67%
Distrito Capital	6.246	8.022	44%	56%
Guajira	583	1.819	24%	76%
Nariño	1.208	2.642	31%	69%
Norte de Santander	393	1.005	28%	72%
Quindío	109	254	30%	70%
Risaralda	111	284	28%	72%
Santander	214	721	23%	77%
Tolima	789	1.726	31%	69%
Valle del Cauca	118	325	27%	73%
Total	16.204	35.874	31%	69%

Of all the people within the VSLA, the 73,41% are adults (18 years or more). The overall age distribution of members is as follows:

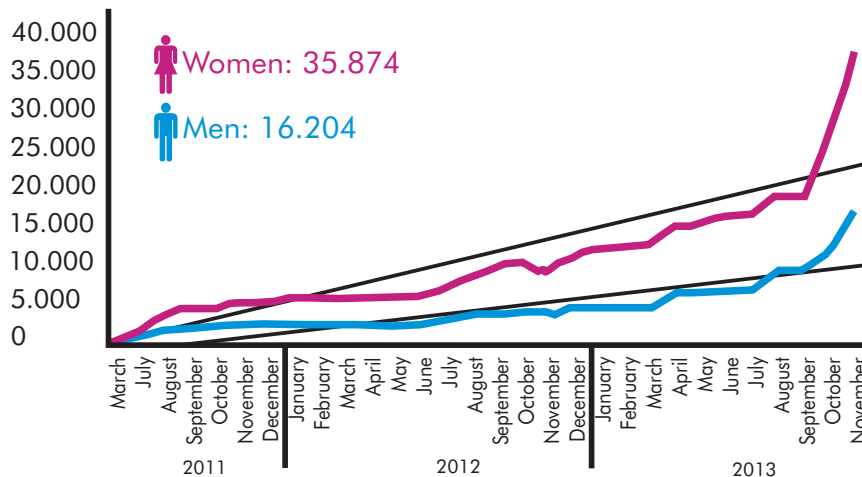
Women by Age:



Men by Age:



Historical trend of members by gender:



The acceptance of the methodology by the members of the groups and its effect on their living conditions and investment opportunities is reflected in the promotion of the groups into the subsequent cycles and in the increase in the share price, which is evident in all regions where operates IED-VITAL.

Thus, currently, the average share value is \$ 1.06.

The data showed that the average value of the groups' shares were increased from then first to the second cycle at 92.2%, from the second to the third at 67.4% and the third to the fourth in 51.94%.

Average Change in Shares Values Regarding the Previous Cycle

	Cycle 2	Cycle 3	Cycle 4
Antioquia	78,57%		
Bolivar	83,88%	82,98%	50,00%
Boyacá	58,00%	51,25%	
Cauca	108,03%	71,53%	50,67%
Chocó	134,25%	87,78%	100,00%
Cundinamarca	92,41%	38,10%	
Distrito Capital	121,13%	42,86%	
Guajira	68,25%	45,83%	
Nariño	70,55%	56,45%	33,18%
Total	92,28%	67,46%	51,94%

Despite these increases in the value of the shares, when measuring the accumulated savings of the members of the VSLA at the end of the cycles, an increase of 100% was found between cycle 1 and cycle 2, of 27% between the cycle 2 and cycle 3 and of 48% between cycle 3 and cycle 4.

Average saving values per person Values in U.S. Dollars

These increases in individual savings are explained by the combined effect of increasing the share value, the tendency to buy more shares per meeting and the adaptation of people to save what their capability allows and growing increase of the level of confidence in the group.

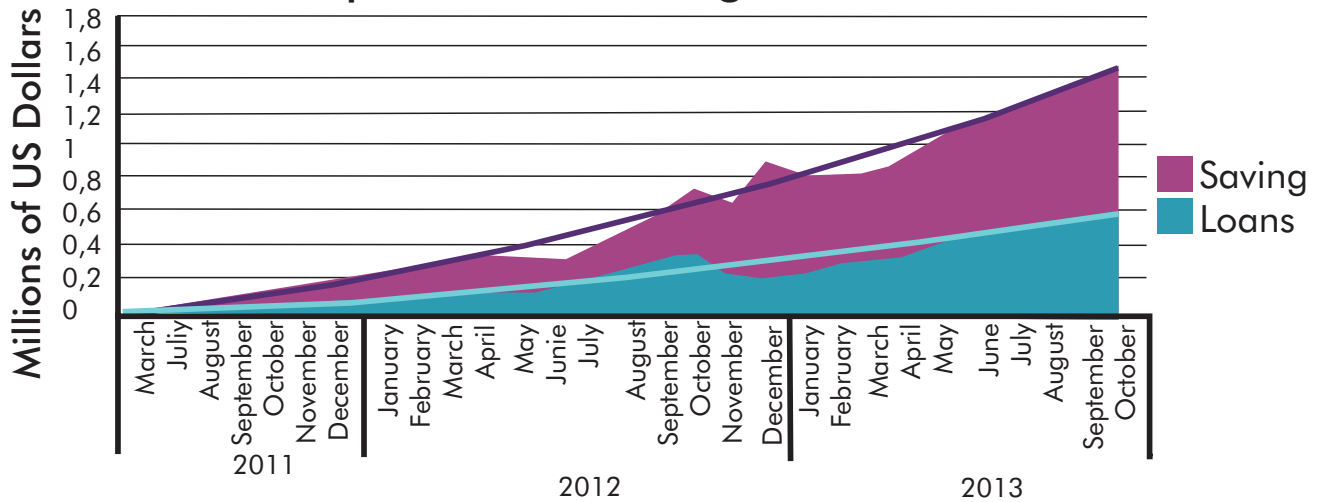
	Cycle 1	Cycle 2	Cycle 3	Cycle 4
Antioquia	16,62	87,04		
Bolivar	62,35	107,90	152,93	154,17
Boyacá	61,49	88,50	109,33	
Cauca	53,89	53,99	133,48	106,17
Chocó	82,43	129,67	139,12	421,34
Cundinamarca	63,03	122,38	194,13	
Distrito Capital	27,73	106,08	95,66	244,43
Guajira	54,97	71,61	105,06	
Nariño	55,85	92,87	106,64	181,90
Total	48,23	96,30	122,81	181,15

Exchange Rate of November 19th, 2013: USD=COP \$1.915,37

To October 2013, the active groups reached a total value of USD 1,567,634.16 saved, while the credit balance to date was \$ 663,330.53, which implies a rate of saving resources utilization of 42.31% for credit purposes.

Historically, this rate has not presented large variations as seen in the following graph:

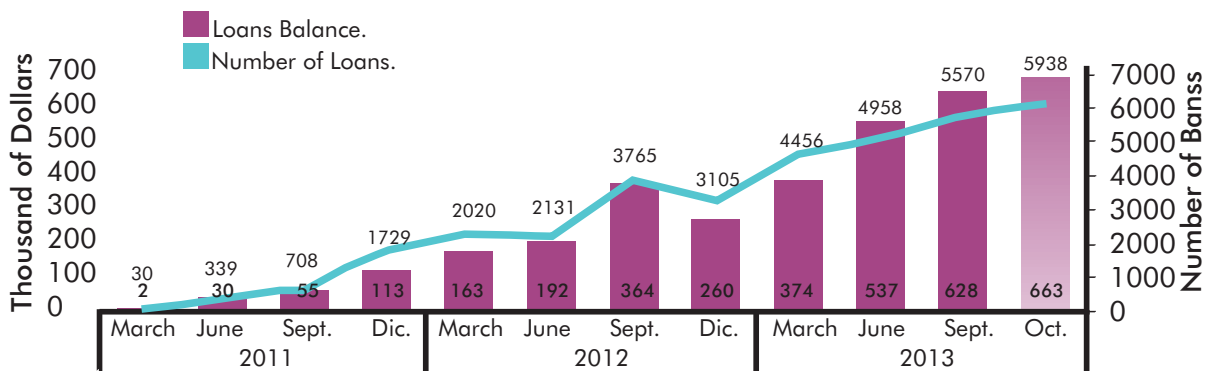
Comparative of Saving vs Loans



The historical average amount of the groups' loans reached USD 84.76. To October 2013, there were a total of 5,938 loans outstanding in the active groups, so that the average value of credits for this date was USD 111.71. The historical trend is presented below:

Loan Balance vs No. of Loans

Values in thousands of US Dollars



Conclusions:

- The savings and loans associations operating in the first cycle, aim to generate and strengthen trust within participants, so a conservative behavior is noticed when setting the share value and purchasing shares per meeting, whereby could be inferred that at this early stage, the groups save money under the true capability of their members.
- As well as the groups get promoted into new cycles, the confidence level strengthens the social fabric and generates motivation to increase the value of saving, combining the flexibility to increase the shares value and the number of shares that each person buys at each meeting.
- The above mentioned allows easily to maintain the principle of easiness, so that the individual savings will always be conform to the real financial capability of each person at the time of each meeting.
- The loans demand is below then expectations raised by the hypothesis, being under 43% of the value available, although access to credit does not require collateral.
- This means that people are primarily motivated by the possibility of saving and accumulating capital to meet their needs or desires, using the credit option to take advantage of business opportunities or for emergencies.
- The average value of loans within the groups is below USD 120, showing that the groups are covering this lack in the supply of this type of financial services, given that these amounts and the difficulties due to the complex geographical location of the communities may make the supply of financial services very expensive for the traditional financial institutions.
- This kind of analysis, supplemented with qualitative information developed by IED-VITAL, are useful as inputs for the new financial products' design and development by microfinance institutions to complement the offer of resources that people access through groups.





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