

# IDENTIFYING OPPORTUNITIES AND CONSTRAINTS FOR RURAL WOMEN'S ENGAGEMENT IN SMALL-SCALE AGRICULTURAL ENTERPRISES IN PAPUA NEW GUINEA

## VILLAGE SAVINGS AND LOANS ASSOCIATION: EASTERN HIGHLANDS PROVINCE, PAPUA NEW GUINEA. PRELIMINARY REPORT



Koczberski, G.,  
Sharp, T., Wesley, J.  
and Ryan, S.

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## INTRODUCTION

Smallholder saving levels and access to financial services in rural PNG are low, especially among women (Curry et al. 2007; Banthia et al. 2013; World Bank 2014; Harris 2017). Hence the capacity for women to accumulate savings or invest in small agricultural enterprises is limited. This is due to multiple reasons, including small and irregular income, the demand of their household and community expenditure requirements, low asset ownership, and low levels of formal education and financial literacy skills.

It is recognised that women's limited access to credit and savings mechanisms are major barriers to women taking advantage of local economic opportunities and to female entrepreneurship (World Bank 2012). One approach to improving women's savings and access to credit has been through the development of informal village-based savings clubs. Despite some mixed results, the informal savings and loans groups have proved successful in fostering a culture of savings, providing women with access to credit and improving household consumption and asset ownership (see for example, Gash & Odell 2013; Brislane 2014; Aga Kahn Development Network 2014a & b; Massau et al. 2017).

In 2018, as part of the ACIAR-funded project "Identifying opportunities and constraints for rural women's engagement in small-scale agricultural enterprise in Papua New Guinea" a pilot Village Savings and Loans Association (VSLA) scheme was implemented in collaboration with CARE International in PNG in two villages in Eastern Highlands. The VSLA model adopted in the study by CARE International in PNG draws on the VSLA methodology CARE International has used in other developing countries (CARE 2018; Huxtable 2019). The model has been tailored to fit the socio-economic context of the group/village. Project researchers from Curtin University and the Coffee Industry Corporation have been monitoring and evaluating the effectiveness and success of the pilot VSLA model.

This report briefly summarises preliminary results from a women's VSLA group in Nagamufa village<sup>1</sup> Bena District, Eastern Highlands Province. It is a village where households have relied heavily on coffee since its introduction in the 1960s. However, more recently women are increasingly shifting their labour from coffee production, where access to the income is constrained, to intensively cultivating fruits and vegetables for the growing trade in fresh food for the urban population of PNG (Inu 2015).

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<sup>1</sup> To maintain the anonymity of the village the report uses the pseudonym, Nagamufa village.

## VSLA MODEL

*Village Savings and Loans Association:  
A self-managed group of 20-30 individuals that  
meets on a regular basis to provide its members  
a safe place to save their money, to access  
loans, and to obtain emergency insurance (CARE 2018, p1).*

The VSLA model adopted in the study by CARE PNG draws on the VSLA methodology CARE International has used for over twenty-five years in several rural communities in Africa, Latin America and Asia (CARE 2018; Huxtable 2019). Its aim is to bring savings and loan services to poor rural villagers who do not have access to the formal banking sector and to increase savings and access to loans for members, especially women. The VSLA model does not receive external funding.

The CARE VSLA model is based on a small group of up to 25 to 30 members who meet regularly over a 'cycle' to save together and borrow money from the accumulated funds (Figure 1). An elected five-person management committee is formed to administer and manage the group over the cycle. Prior to the start of the saving meetings, members attend training over several weeks. Training modules cover among other topics, the VSLA methodology and financial management.

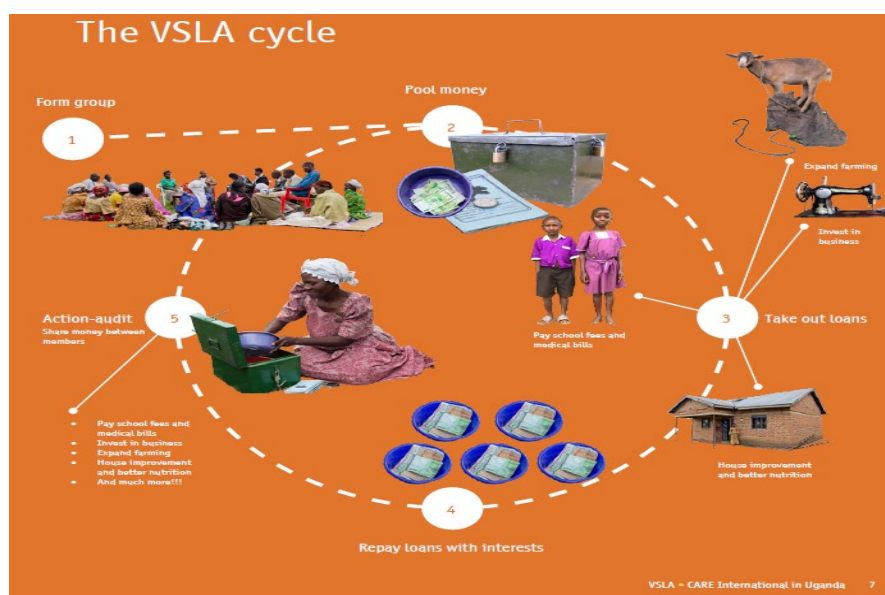


Figure 1: the VSLA Cycle (Source: CARE 2012).

A cycle may run from nine to twelve months and is comprised of three main phases (CARE 2012).

1. Phase 1: Inception Phase (1-4 months). Community-based trainers (e.g. CARE) or village agents provide training and attend weekly meetings to guide and provide technical support.
2. Phase 2: Development Phase (5-7 months). Trainer attends fortnightly meetings and provides support until responsibility is handed over to the group.
3. Phase 3: Phase-out (8-12 months). Trainer attends one meeting a month as the group steadily becomes largely an independent and self-managed group.

Savings are through the purchase of 'shares', the price of which is determined by group members at the beginning of the cycle. At each meeting members can buy up to a maximum of five shares. After one or two months when the accumulated savings have reached a reasonable size, there is an opportunity for members to borrow money. Loans are repaid with interest, the rate being determined by the group. Loans must be repaid within a certain time-frame. Each member has an individual passbook to record all transactions during the cycle. The VSLA model has a 'social fund' which members contribute a small amount to at each meeting. The fund can be used by members in times of stress or emergencies. Small fines are also imposed on members for not attending meetings or for other misdemeanours. At the end of the cycle the accrued loan interest and savings are divided among individual members, according to the number of shares purchased per individual. Following the share-out of the funds, the group may reform and start a new cycle. A new management committee must be elected.

### **Nagamufa Women's VSLA Group**

Twenty-five women formed the VSLA group in January 2018. Another group comprised mostly of men (two women members) was also formed at Nagamufa at the same time. Both groups shared the same constitution. Members of both groups come from four adjoining villages and several belong to a local Coffee Growers Cooperative. None of the women had bank accounts when they joined the group. The women are largely subsistence farmers earning small amounts of money selling fruit, vegetables and cooked food in local and urban markets. Some women also earn income from reselling store goods, betel nut and tobacco in the village and from the sale of coffee.



Prior to the beginning of the VSLA cycle, CARE conducted training in the community. The training modules included: The training modules offered to members included:

- *Organisational Strengthening Training*. Training on group operation and governance was conducted with the Coffee Growers Cooperative<sup>2</sup>
- *Family Business Management Trainings (FBMT)*. A training module on communication, decision-making, sharing of workloads and budgeting within a family. Both husband and wife attend the training.
- *Financial Literacy Training (FLT)*. Training given on basic money management and entrepreneur skills. (More complex financial topics introduced in training offered in Year 2).
- *The VSLA Methodology*. Training on how the savings & loans meeting procedures work, financial services provided by the group and group set-up.

The first three modules were run in association with CARE's Coffee Industry Support Program, rather than specifically for the VSLA trial. As a result, not all VSLA members attended these training modules, and some members did not attend any, including the VSLA methodology training.

The group meets fortnightly in a village church building. The first savings meeting was in April 2018. Meetings are formal and follow the VSLA guidelines and the group's constitution with emphasis on transparency, respect and governance. Meetings are led by the Chairperson and the management committee. The women's group is at times assisted by a local Pastor who is a leading figure within the coffee cooperative and the community, and is the Chairman of the men's VSLA group (Plate 1). The seating arrangement shown in Plate 2 follows the recommended seating format in the VSLA guidebook (Allen, 2017). Members must attend each meeting otherwise they are fined (K2). Regular non-attendance can be grounds for expulsion from the group. It is, however, common for members unable to attend to send a family member in their place, or to give money to another VSLA member to purchase shares and/or make repayments on their behalf. Loan meetings can run for up to five hours.

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<sup>2</sup> The VSLA group constitution sets out that VSLA members must be members of this cooperative, although this is not enforced.



Plate 1: Money counters counting the money and Pastor in background.



Plate 2: VSLA fortnightly meeting showing Chairperson, money counters and a women purchasing shares.

At the meetings women save through purchasing shares at K2 a share (Plate 3). The maximum number of shares a member can purchase at each fortnightly meeting is five shares. The share purchases are recorded in the individual passbooks each member holds (Plate 4) and for every share purchased, a stamp is placed in the passbook (Plate 5). If a member purchases less than the available five shares, those unpurchased shares are struck-through (Plate 5). The money is kept in a heavy steel cash box with three locks (Plate 6). The box and each of the three keys to the locks are held by different group members.



Plate 3: Member buying shares at a meeting.

At every fortnightly meeting each woman contributes K1 to a social fund. The social fund is used to help a member during a crisis, (e.g. a death in their family or a serious illness requiring medical expenses). If a member borrows money from the social fund no interest is charged. Although a departure from the VSLA methodology, it has become common practice for group members granted money from the social fund to repay any amount that exceeds their individual contributions to the social fund.



Plate 4: Member Share Passbook.

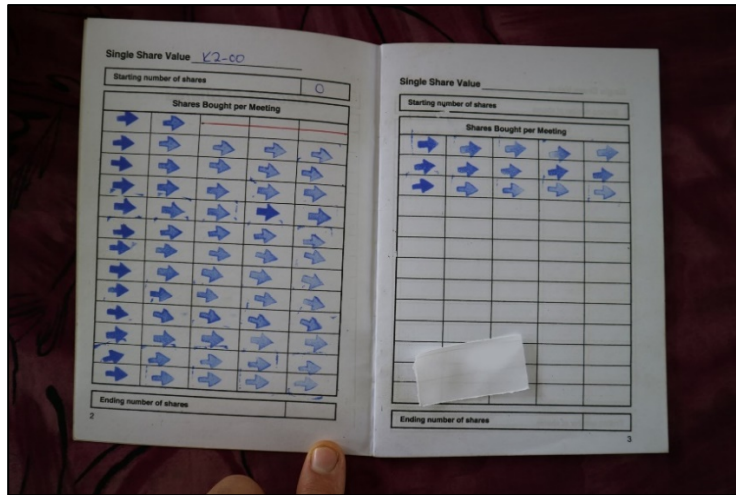


Plate 5: Shares purchases.



Plate 6: Cash box with three locks.

Every fourth week is a loans meeting where group members are able to take out loans and make repayments on existing loans. The group's constitution establishes that loans may be accessed for the purpose of small-scale business, children's education, livestock raising and agri-business. The maximum a women can borrow is three times the value of her savings (e.g. K30 savings = K90 loan maximum). The loan must be repaid within three months and a service

charge of 30% is charged on the value of the loan<sup>3</sup>. The service charge is paid every four weeks. The service charge was determined by members with the guidance of CARE and is noted in the group's constitution. The fee cannot change during the cycle. The loan amount and repayments are hand-written in individual passbooks. The interest charged is returned to members at the end of cycle share out.

At the end of the savings cycle when all the loans have been repaid, a "share-out" occurs. VSLA cycles are generally 9-12 months, although the cycle for the group was just over seven months. At the share-out each member receives their cumulative savings and a proportion of the money the group has earned from loan service charges (calculated based on the number of shares they have). The group had their share-out at the end of November 2018 – a date chosen so that members received their share-out distribution ahead of school graduations and Christmas celebrations. The share-out was a large public event, owing to this being the first time VSLA had been trialled in PNG. The group were the second group in the Eastern Highlands to conduct their share-out.

At the end of the savings cycle a new savings cycle begins. Any member not wishing to continue to be part of the savings group can freely exit the group and new members can join. Prior to starting a new savings cycle, the group can choose to change the group's constitution, including the share price. Committee members must retire and a new committee elected.

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<sup>3</sup> This is actually a four weekly service charge of 10% of the initial loan amount, but because in practice the group has insisted on loans running for the full 12 weeks, the charge is effectively 30% for the 12 week loan.

## METHODS AND RESULTS

To assess the impact of the VSLA on women's savings and access to credit, data on savings and loans were accessed from individual passbooks for each of the female members at the end of the first cycle of the VSLA. Basic descriptive statistics were used to summarise the savings and loans data. Twenty-five women took part in the savings scheme. One woman was expelled from the group for not attending meetings: where relevant, her savings data has been included in the results outlined below.

### Preliminary Results

#### *Shares and Savings*

Over seven months, the women purchased 1,797 shares (at K2 a share) and invested a total of K3,594. On average, each person bought 75 shares worth 150 kina (Table 1).

Table 1. Summary of shares bought by individuals.

	No. of shares	Value of shares (Kina)
Minimum	51	102
Median	76	152
Maximum	80	160
Mean	75	150

Initially some women were reluctant to buy shares, especially during the first meeting (Figure 2). However, many women were soon buying the maximum five shares per meeting, although there was some variation in the number of shares purchased per meeting by members. It's unclear why the number of shares bought fluctuated over time. One possible reason may be that for some women there were competing demands on their income during certain times over the cycle period (Figure 2). This is not surprising given women's limited access to income and the demands placed on their earnings to meet everyday household needs and social obligations.

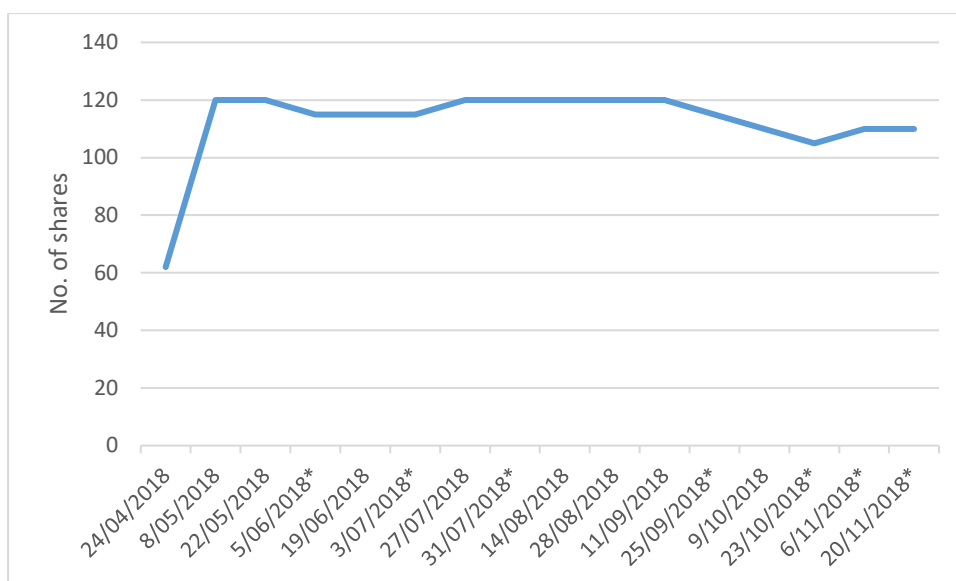


Figure 2. Total number of shares bought according to time

\*Repayments date

### Loans

In total 37 loans were accessed by members during the seven months with an interest charge of 30%. All but one woman took out a loan. The median loan amount was K60 (Table 2) (median used over mean due to variation in results) although as shown in Figure 3, there was a large variation in the value of the loans taken by women.

Table 2. Loans summary.

Number of loans	37
Minimum	K30.00
Median	K60.00
Maximum	K300.00
Mean	K93.50

In line with piloting the VSLA as part of the ACIAR project on women's entrepreneurship, it was a requirement of the trial that loans taken out by the women must prioritise investing the money in a small income-generating activity/ small enterprise. The second priority identified by the group was for children's education. Most women used the loans to seed-fund small economic earning activities. The extent to which these loan priority areas influenced the size of the loan accessed by women and the types of investments made by women will be discussed in a more comprehensive report on the VSLA trial to be completed later this year.



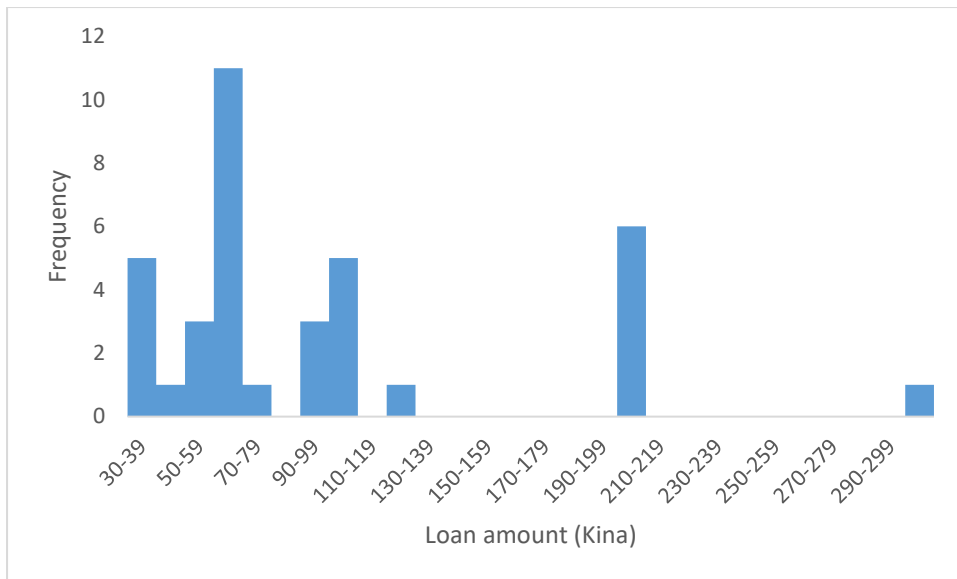


Figure 3. Distribution of value of loans.

Of the 37 loans taken out by the women the large majority were less than K120 and only seven were K200 and above, with only one woman taking out a loan of K300. Whilst most of the loans accessed were modest in size, over half of the women took out two loans (Figure 4).

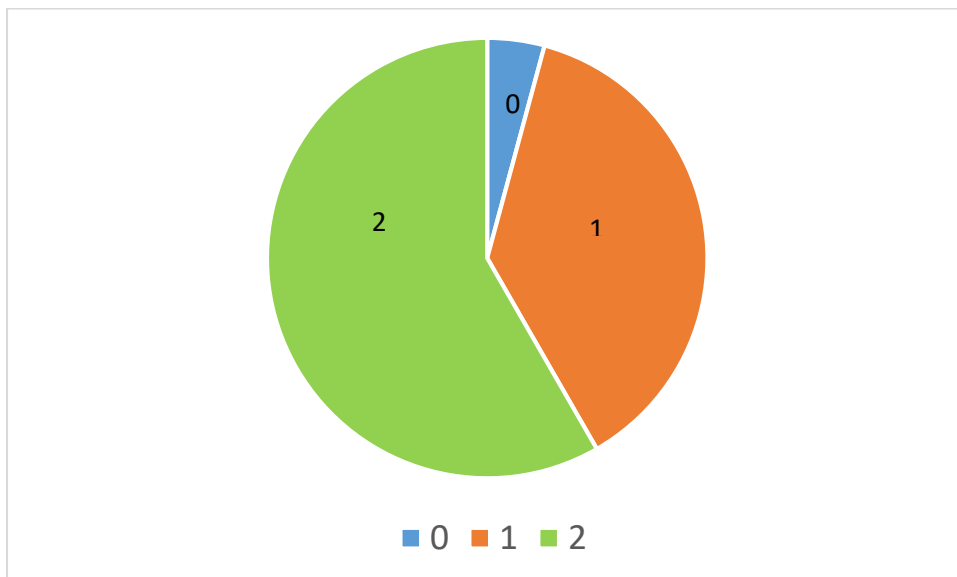


Figure 4. Number of loans taken as a proportion of total.

On average, women took out loans smaller than the maximum possible: that is the size of the loan was less than three times their savings (Table 3). First loans were on average twice the amount of savings and second loans were on average one and a half times savings (Table 3). Although, on average, borrowing as a proportion of potential loan size was lower for second



time loans, increased levels of savings meant that the absolute value of women's second loans was higher.

Table 3. Loan value as a multiple of savings.

	First loan as a multiple of savings (n=23)	Second loan as a multiple of savings (n=14)
Minimum	0.8	0.3
Median	1.9	1.5
Maximum	3.0	2.9
Mean	2.0	1.5

As shown in Figure 5, the number of loans taken at meetings varied. The number of women taking out their first loan was staggered over the first three meetings with the highest number of women taking loans out at the second available meeting. The small number of loans taken out at the third and fourth loan meetings can be attributed to most women having already taken out loans in the preceding weeks, and because members are only permitted one loan at a time. Women were clearly feeling more confident to take out loans as the cycle progressed. This may have been influenced by seeing women successfully repaying loans taken out at the beginning of the cycle, and because many of the women had, by later in the cycle, their own experience of taking out and repaying a loan within the group (see below). The highest value of loans was taken on the last available loan date.

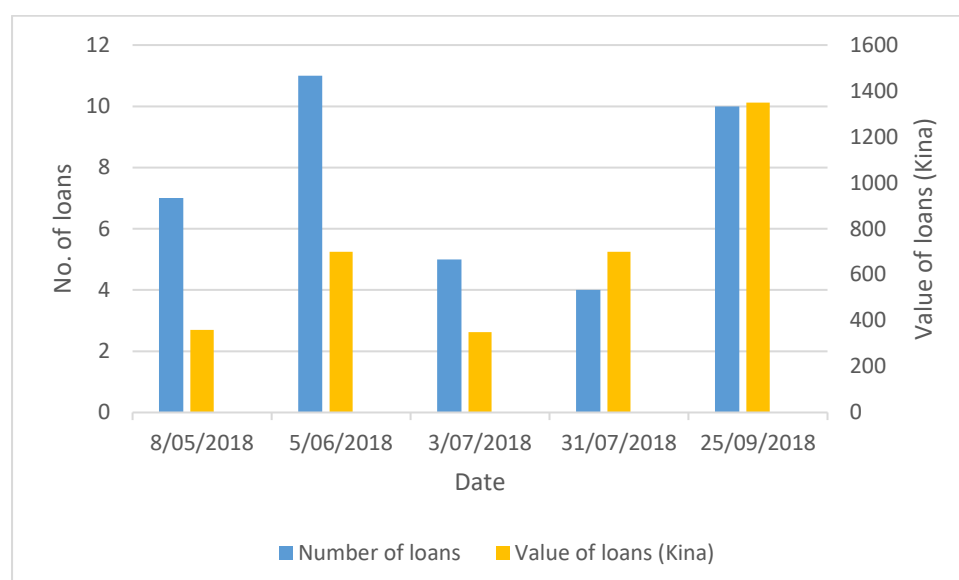


Figure 5. Total number and value of loans according to date

The proportion of loans paid off each meeting varies considerably between women. There is no discernible trend (Table 4). With the exception of G and U (Table 4), all loans were repaid within three repayment dates and one loan (T) was paid within two meetings. It should be noted that the short seven month savings cycle and the timing of the share-out in late November meant that those members who took out loans at the last loan meeting (25/9/2018) only had eight weeks to repay their loans (although they paid a service charge for a 12 week loan). U repaid her loan after the final loan repayment meeting, but before the share-out the following week. The underpayment by G appears to be due to an error by the record keeper.

Table 4. Per cent of loan repaid by each member at each meeting (4, 8, and 12 weeks after loan taken out).

ID	Member's 1 <sup>st</sup> Loan			Member's 2 <sup>nd</sup> Loan		
	% of repayment made at '4 weeks'	% of repayment made at '8 weeks'	% of repayment made at '12 weeks'	% of repayment made at '4 weeks'	% of repayment made at '8 weeks'	% of repayment made at '12 weeks' #
A	33.3	51.3	15.4	N/A	N/A	N/A
B	35.9	51.3	12.8	38.5	19.2	42.3
C	28.2	35.9	35.9	N/A	N/A	N/A
D	33.3	33.3	33.3	38.5	25.6	35.9
E	13.2	33.0	53.8	N/A	N/A	N/A
F	25.6	33.3	41.0	N/A	N/A	N/A
G*	28.2	30.8	33.3	46.2	43.1	10.8
H	0.0	44.9	55.1	N/A	N/A	N/A
I	33.3	59.0	7.7	N/A	N/A	N/A
J	64.1	28.2	7.7	15.4	38.5	46.2
K	25.6	12.8	61.5	46.2	15.4	38.5
L	N/A	N/A	N/A	N/A	N/A	N/A
M	0.0	56.4	43.6	15.4	0.0	84.6
N	30.8	30.8	38.5	25.6	15.4	59.0
O	0.0	64.1	35.9	19.2	30.8	50.0
P	32.1	32.1	35.9	N/A	N/A	N/A
Q	0.0	64.1	35.9	23.1	34.6	42.3
R	84.6	7.7	7.7	34.6	50.0	15.4
S	34.6	38.5	26.9	N/A	N/A	N/A
T	46.2	53.8	0.0	76.9	11.5	11.5
U*	46.2	46.2	7.7	38.5	11.5	38.5
V	42.3	50.0	7.7	48.1	38.5	13.5
W	32.1	15.4	52.6	N/A	N/A	N/A
X	28.2	42.7	29.1	23.1	34.6	42.3

\*Outstanding money therefore figures do not add up to 100. of the 12 weeks.

# The '12 week' loan meeting was held ahead

## Loan Funds Available

The money available for loans comes from the cumulative savings of group members, in addition to any money earned by the group from service charges paid on loans (see Figure 6). Thus at the beginning of the cycle the available funds are limited. The women's group exhausted their available loan funds at both the first and second loans meetings. However, at the third, fourth and fifth loan meetings around half of the available funds were left unborrowed. As outlined above, the group's constitution stipulates that loans be used principally for the purpose of small-scale businesses. Women reported that the loans assisted them with establishing and expanding their small-enterprises. However, the substantial amounts of money left un-borrowed (Figure 6) indicates that poor access to credit is only one many factors that limits women's rural business in PNG. Women generally borrowed less than they were entitled to (Table 3).

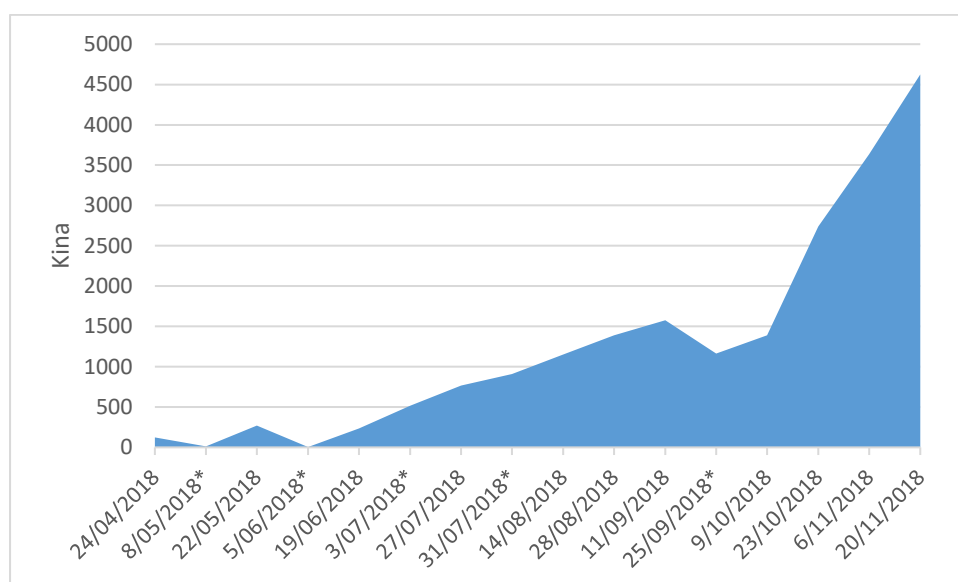


Figure 6. Funds available in the 'loan bag' at the end of each savings and loan meeting.

\*Loan dates.

## End of Cycle Share-out

At the end of the savings and loans cycle, the total money accrued by the group is shared among the members. There was a total of K4,640 in the 'pot'. The K4,640 is the amount of money saved through share purchases in addition to any money earned by the group from service charges on loans given. (Figure 6). These earnings by the group meant that the effective share price increased from K2 to K2.58 (Table 5). That is, the women earned 58t for every share they purchased. The total was shared among the women according to the number of shares purchased by each member during the cycle. The share-out occurred in late November. Although this report does not present data on how the share-out money was

spent, many women allocated their share-out money to school graduation expenses, food for Christmas celebrations and store goods for the household and family members.

Table 5. Share price.

Total value of money to be shared (kina)	4,640
Total shares bought	1,797
Final value of share*	2.58

\*Starting value of share was 2 kina

The Nagamufa Women's group and men's groups started a second savings and loan cycle in February 2019. In the women's group 20 (out of 25) members have remained in the group for the second cycle. They have been joined by two women who were part of the predominantly male group in the 2018 cycle. Five new women members have also joined the group. The share price for this group has been increased to K5. A new women's VSLA group has also been formed at Nagamufa.

## CONCLUSION

Preliminary results show that the VSLA model provides benefits for women who have low literacy and whose access to the formal banking sector is limited. The savings and loans group has proved successful in advancing the savings among women and providing them with access to loans. Moreover, it has had an overall positive impact on facilitating women's movement into new income-generating/small enterprise activities and providing women with new life experiences.

A key question to answer from the trial of the savings group is 'to what extent does the VSLA model assist the economic empowerment of women', in terms of:

- women coming together as a group to save and access loans to start small income earning activities.
- to gain new financial management and livelihood skills
- to have better control and access over economic resources, and importantly,
- to build confidence in women that they can make sound economic decisions and move into economic activities that previously were not accessible to women.

This report partly addresses some of these questions, although a more substantial report to be completed later this year that draws on interview and focus group data will address these issues in more detail.

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