

By **Wattipase Mzungu**

Advancing economic lives of ultra-poor

DEEP in the area of Traditional Authority (TA) Kalolo in Lilongwe there is a group of 90 like-minded people working with FINCOOP Savings and Credit Cooperative Limited (FINCOOP Sacco) to combat abject poverty through a new model of village banking.

They have since received village savings and loan associations (VSLAs) to act as a springboard towards a transformative change in their economic situation.

Over the past five years, the associations were dormant and almost disbanded because the members could not accumulate enough capital for maintaining the operations of the group.

But with funding from the Financial Access for Rural Markets, Smallholders and Enterprises (FARMSE), FINCOOP Sacco has facilitated the revival of the associations through its Increased Access to Financial Services by the Low Income Rural Communities through Savings and Credit Methodology project.

FINCOOP Sacco is one of the five partners, which are implementing different projects under the ultra-poor up-scaling interventions with funding from FARMSE.

FARMSE is a seven-year project being funded by the International Fund for Agricultural Development (IFAD) and it aims at helping graduate poor Malawians along the poverty spectrum from ultra-poor to a productive pathway on a sustainable basis.

Catherine Chimera is one of the 90 people, who have received Chidwere VSLA in Malwa Village, and is optimistic about a financial breakthrough through support from FINCOOP Sacco.

"Most of us have been running small-scale businesses. But we have failed to make a breakthrough because we did not have business management skills and adequate capital," Chimera says.

Chidwere VSLA draws its membership from middle-aged women, men and the youth who come from ultra-poor households in TA Kalolo.

Its major goal of the association is to improve members' economic conditions of their destitute families through the poverty graduation programs that FARMSE is supporting.

A recent report by the National Statistics Office (NSO) indicates that Malawi has reduced extreme poverty levels by at least 4 percent between the years 2011 and 2017.

According to the report, the most significant decline in ultra-poor levels was registered in the country's rural areas compared to the urban.

"Rural areas indicate a decline from 28.1 percent in the year 2010/2011 to 23.8 percent in the year 2016/2017. Urban Malawi shows a slight decline from 4.3 percent to 4.1 percent, indicating an overall national decline from 24.5 percent to 20.1 percent," reads part of the report.

The ultra-poor households face



WE GOT MONEY—Chidwere VSL chairperson Chimera showing off bundles of money



NYIRENDA—We are building institutional capacity of village banks

extensive constraints, including low levels of consumption, limited financial capital to venture into various businesses and poor access to basic services and opportunities as none of the villages has a commercial bank in Malawi.

Experts say living in extreme poverty has both mental and physical implications: ultra-poor

households have some of the lowest life satisfaction levels in the world, while children experience nearly three times the global average for diarrhea.

The FINCOOP Sacco field officer Aaron Kaponda says through its project, his institution is linking such families with microfinance programs.

Kaponda adds that the project

is giving ultra-poor families an opportunity to earn a regular income by providing them with financial packages in form of business loans and insurance and a transfer of productive assets such as pass-on livestock programs as well as training.

"This project seeks to help VSLAs such as Chidwere to accumulate savings for future financial needs and their economic activities' growth and also helping beneficiaries access micro insurance, which is one of the key areas being addressed under the financial inclusion initiatives," he explains.

Kaponda further states that the project is helping untap a huge development potential thereby contributing to lift prevailing constraints for the ultra-poor families.

FARMSE Knowledge Management and Communications Officer, Clotie Nyirenda, says through its matching grant approach, her organization is working to bring financial services to the rural communities, especially where there are no conventional banking services and people travel long distances to access them.

Nyirenda states that one of the major interventions FINCOOP Sacco has undertaken is to build the capacity of VSLAs to empower them so that they are able to professionally run their groups.

"Most of these people have been in different village banks, but then they did not have the capacity to run these groups. But

with this support, they are now able to run their groups," she discloses.

Nyirenda emphasizes that lack of knowledge on how to run VSLAs has been one of the major contributing to loan default among members of various associations.

Hence, FARMSE aims to build institutional capacity of the village banks so that they are able to improve access to credit for their micro, small, and medium enterprises.

Chimera, who operates a small ten room in her village, sees a brighter future of her business with the loan she has got from FINCOOP Sacco.

She says the capital for her business has largely been proceeds from sale of my crops, mainly soya beans.

"But it has not been easy for me to maintain running my business on the same meagre proceeds while, at the same time, trying to meet basic needs of the family. I expect my business to grow now because I will not have to divide it into two," she explains.

Recently, the government reported that the village banking model reduced poverty levels for about 75 percent of women in Malawi.

The model also contributes towards reduction in malnutrition among children since most women are able to grow nutritious food and feed for their families through resources from the VSLA.