



# How SILC members use their money:

## A study of SILC fund use in Zambia

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REPORT



## **PRODUCT USE STUDY OF SILC IN ZAMBIA**

### **LIST OF ACRONYMS**

FA	Field Agent
FAME	Farmers Advancement through Market Engagement
MFI	Microfinance Institution
OVC	Orphans and Vulnerable Children
PSP	Private Service Provider
ROSCA	Rotating Savings and Credit Association
SILC	Savings and Internal Lending Communities
ZESCO	Zambia Electricity Supply Company

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### 1. INTRODUCTION

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#### 1.1. About SILC

Conceived as an alternative to the formal financial sector, Savings and Internal Lending Communities (SILC) are community-based, user-owned, self-managed savings and lending vehicles, built on concepts of transparency and flexibility. SILC helps members save to build usefully large lump sums that become available at the end of a pre-determined cycle, typically 8-12 months. Participation in SILC fosters the discipline among members to save regularly, which a growing body of research shows to relate strongly with impact,<sup>1</sup> and offers participants healthy returns on their savings (derived mostly from the interest on loans paid back to the group). During the cycle, the mobilized savings is available to members as small, flexible-use loans for investment and consumption needs. The loans are requested by individual members and subject to approval by the group. The loans are drawn from the group's savings fund and paid back with interest, the rate of which is set by the group. In addition, the group maintains a separate social (emergency) fund, which may be lent out or given out to members in need.

All facets of group activity surrounding savings and lending—from writing the constitution, to maintaining group ledgers, to calculating final payouts—are carried out in full view of the group and assisted by the group's agent, who visits regularly during the first cycle. SILC blends important attributes of the formal system (reliability, systematization, transparency) and the informal (convenience, localness, frequent small transactions, and flexibility). It is a highly sustainable intervention: once direct involvement is phased out, trained groups continue to carry out SILC activity autonomously, and/or agents can continue to train and support groups on a fee-for-service basis, under the Private Service Provider (PSP) delivery channel developed by CRS.

#### 1.2. Purpose of this study

There is a wide range of anecdotal evidence about how participation in SILC is meeting key needs, as well as household survey data that has helped add to the case for a positive impact. However, the gap in knowledge about the SILC programming activities lies in understanding how SILC can create positive impacts. How are the SILC funds used by its members and how are these uses helping improve livelihoods? What do SILC members think is the impact of participation in the program on their lives? Hence, the purpose of this product use study is to understand how the three primary funds in SILC are used, how they are affecting livelihoods, and how they are perceived by SILC group members.

### 2. PROJECT DESIGN AND METHODOLOGY

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Semi-structured individual interviews were the primary data-collection method employed in the field. These qualitative interviews allowed the researcher to adapt to what was heard and to probe

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<sup>1</sup> Ashraf, N, Karlan D, Yin W. 2006. "Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines," *Quarterly Journal of Economics*, 121:635-672, Number 2

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thoroughly to understand the full dimensions of product decision-making and use—thereby arriving at the fleshed-out picture of product use that the SILC program currently lacks. Individual interviews were not complemented by focus groups because the researcher did not think that focus groups would provide an opportunity to probe for individual stories and experiences.

### 2.1. Sampling Plan and Site Selection

Based on the Scope of Work (Appendix A), the sampling strategy used was a purposive (non-random) sample that collected 40 interviews across 4 sites and among 2 types of SILC programs - the OVC (Orphans and Vulnerable Children) and the FAME (Farmers Advance through Market Engagement) projects.

The sampling strategy followed a quota approach to ensure that a diversity of experiences is collected. The number of interviews collected per site depended on the size of each site, with bigger sites being allocated more interviews proportionally. At each site, interviews were collected with a proportional quota for male/female interviews, i.e. according to the gender ratio served by the SILC programming at that site. Table 1 details the study sites locations and the division of individual interviews.

**Table 1: Study Site Location and Division of Interviews**

SITE	PROVINCE	TYPE	NUMBER OF FIELD AGENTS	NUMBER OF GROUPS SERVED	NUMBER OF PEOPLE SERVED	NUMBER OF INTERVIEWS
Caritas Kasama	Northern	OVC	10	47	1,023	6 (5 women)
Mpika Diocese	Northern	OVC	10	70	1,535	9 (6 women)
Ndola Diocese	Copper Belt	OVC	15	161	3,644	22 (20 women)
Caritas Mongu	Western	FAME & OVC	25	24 (FAME only)	539 (FAME only)	3 (2 women)
<b>TOTAL</b>			<b>60</b>	<b>302</b>	<b>6,741</b>	<b>40</b>

### 2.2. Participant Recruitment

Participants were selected through field agents (FA), who have direct access to the SILC groups they supervise. The FAs were able to recruit SILC participants according to the required quotas (as explained above in section 2.1 and shown in Table 1), both of gender and location. A more in-depth discussion of issues around SILC participant recruitment is presented in Section 5: Research Challenges, of this report.

### 2.3. Interview Tool Development and Data Collection

The interview tool was developed according to the themes outline in the Scope of Work. It was edited and approved by Michael Ferguson and Anthony Mang'eni from Catholic Relief Services offices in Baltimore and Lusaka respectively. The interview tool had 6 sections (Appendix B):

1. Socio-economic Profile Survey



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2. Initial Interest in SILC
3. Shareout Fund Use
4. Loan Fund Use
5. Social Fund Use
6. Impact of SILC

Each section included several questions that probed how SILC funds were used, the decision making process behind the usage, and the perceived benefits and impacts of SILC programming.

Data was collected by the researcher through in-depth interviews with respondents that lasted (on average) for one hour. The FA Supervisors acted as translators, except where respondents spoke English and no translation was required. A full list of FA Supervisors and FAs that were involved in the translation and selection process can be found in Appendix E. A more in-depth discussion about issues around the use of the FA Supervisors as translators can be found in Section 5: Research Challenges, of this report.

### 3. DATA ANALYSIS TECHNIQUES

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The interviews were broken down by section and question and data was analyzed using Constant Comparison Analysis. In Constant Comparison Analysis, the responses to questions were broken down into small response chunks. Each response chunk was allotted a particular code, and all future responses that expressed a similar idea were allotted the same code. Hence, the codes allow the researcher to judge the frequency of an expressed idea. The prevalent codes were then grouped together to produce a Code Frequency Report, which was then used to identify trends and themes. Appendix C shows how the data was organized.

### 4. RESEARCH FINDINGS

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#### 4.1. Loan Fund Use

##### 4.1.1. Actual vs. planned use of loan fund

This section outlines the frequency of difference between actual and planned use of loans from the SILC loan fund and why these differences exist. The percentages in this section were calculated using a sample size of 39 rather than 40, since one respondent had never used the loan fund. The data shows the following trends:

1. 74.35% of the respondents (29) used loans exactly as they planned at all times. These respondents have never used money differently from what they had planned before getting the loan.
2. 20.05% (8) of the respondents took out more than one loan. These respondents used the majority of their loans as planned, but used loans differently from what they had planned at least once.

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3. 5.12% (2) of respondents used their loan differently from what they had planned.

4. 9 out of 10 respondents (90%) who had used their loans differently than what they had planned indicated that this was due to a one-time shock such as death, illness, payment of school-fees, or an unexpected delay in receiving expected income.

*"Once, I had planned the money for business but diverted it because there was a funeral." - woman in Kasama*

*"I did not use the money according to plan once. My child got sick and was bedridden and hospitalized. I spent the money on my child's health." – woman in Kasama*

Hence, a 94.87% (37) of the respondents have used loan funds as they had planned. Table 2 illustrates these results.

**Table 2: Frequency of the Difference between Actual and Planned Use of SILC Loans**

Code	Explanation	Frequency	Percentage
USP	Respondents used funds as planned. They have never used money differently than what they had planned.	29	74.35%
USP; diverted	Respondents took more than one loan, generally used the money according to the plan, but diverted their funds at least once.	8	20.50%
Diverted	Respondents used funds in a different way than what they had planned, i.e. they "diverted" the money.	2	5.12%
1time_shock	Respondents indicated that they used the funds in a different way than what they had planned due to some kind of one time shock, either death, illness, or payment of school fees.	9	90.00%

### 4.1.2. How loan funds are used

This section outlines the three major trends in how respondents use their loan funds, organized by category (e.g. business and household consumption). The data shows the following trends, which are illustrated in Table 3 and in Figure 1:

1. An overwhelming majority of the respondents, 84.62% (33) use their loan funds for a business investment, whether to expand an existing business through the purchase of stock, tools, or to invest in

*"I used the money for transport to go to Congo and buy lotions to sell."- woman in Ndola*

*"On a 100kwacha loan, I used half for paraffin and half to buy coal to sell." – woman in Kitwe.*

*"I started a kerosene selling business and sent my wife to buy clothes and sell them." – man in Kitwe.*

*"I used it for the charcoal business. I started with 17 bags of charcoal and now have 40-50."- woman in Kitwe.*

*"I bought two bags of fertilizers and seeds, flour to continue selling fritters, and paid off my fridge installments so I could make and sell ice blocks." – woman in Mpika.*

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starting a new business.

2. The next most frequent way in which respondents invest their loan funds, is to buy farm inputs, including fertilizer, seeds, and labor for the farm. 15.38% (6) of the respondents use their loans in this way.

*“We can’t always use the whole amount on building. Sometimes we have a lack of food and emergencies. Then we spend the minimal remaining amount on food.”- man in Mpika.*

*“With the money left over after paying school fees, I did charcoal burning. I cut and burnt wood to make charcoal for selling.”- woman in Ndola.*

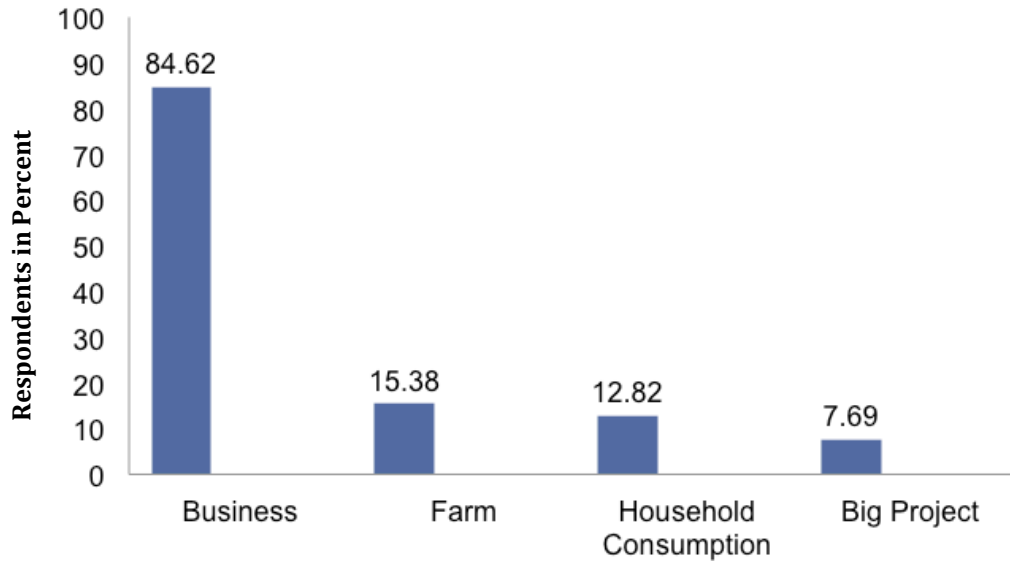
3. Only 12.82% (5) of respondents use their loans for household consumption; e.g., buying materials and food for the house.
4. Sometimes, respondents divided their loan money into parts, which were used for different categories of investment. For example, a respondent may use the loan primarily for business, as planned, but have some money left after the investment to use at home. In all 10.21% (4) of the respondents used this kind of “leftover” money for activities that were different from what they had initially planned.
5. A less common use of loans was when participants used it towards a big project, such as buying a plot of land, building a house, or making repairs to a house. Only 10.26% (4) of the respondents used their loans in this way. In the majority of the cases where the loans was used for construction, it was used to supplement an existing larger investment project that was made using funds from the shareout.

**Table 3: Trends in Loan Usage**

Code	Explanation	Frequency	Percentage
<b>bus_expan</b>	Respondents used funds from SILC to sustain and expand their businesses by buying more stock, tools etc.	26	66.67%
<b>bus_invest</b>	Respondents used funds as startup capital for a new business	7	17.95%
<b>farm_in</b>	Respondents used funds to buy farming inputs such as seeds, fertilizers, labor etc.	6	15.38%
<b>HH_cons</b>	Respondent used funds for HH consumption, i.e. buying goods such as TV, mattress, pots, plates etc.	5	12.82%
<b>big_proj</b>	Respondent used funds for a big project, such as construction or renovation of a house	3	7.69%
<b>Leftover</b>	Respondents used SILC funds that were "leftover" after they spent according to plan towards other needs (household consumption or business)	4	10.26%

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Figure 1: Loan Use in SILC



### 4.1.3. Decision Making Process in Loan Fund Usage

This section outlines the decision making process in loan fund usage, including reasons why respondents use their money as they do and whom they discuss the loan fund usage with. The data shows the following trends, which are illustrated in Tables 4 and 5.

1. 76.92% (30) of the respondents thought that they should invest their SILC loans in businesses, either because they want to increase or maintain their income by investing in their primary income generating activity, or because they believe that investing in business will yield profits that could be used to repay their loans with interest, and as income to spend on the house or to save more.

*"I could invest in business and sell and make profit, get the money and use it for other expenditures or other business for wife. I could pay school fees, spend on the household and use for emergencies as well." – man in Kitwe.*

*"Business is the only way to recover loans."- woman in Kitwe*

*"When I'm knitting, I make a profit. Profit can be used to pay back loans and for household expenses, so it is better."- woman in Kitwe.*

2. Although respondents do not generally go to the FA for advice on how to use their money, 56.41% (22) of the respondents indicated that the FA offers general advice during the course of the SILC meetings as a part of his/her job. This advice includes encouraging the members to use funds in business and explaining to them that loans can only be repaid with interest through creating a profit. It includes talking to them about how to choose a business—choosing an activity they are skilled at, discussing with someone who has done the business before, not overlapping with similar businesses in the neighborhood, etc. The respondents indicated that the FA offers training in entrepreneurship skills such as planning and budgeting.

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3. 10.26% (4) of the respondents indicated that they thought it was less risky to diversify their loan investment and use it towards 2 or 3 different businesses.

*“One business cannot guarantee the money to service the loan. With 3 businesses, one of them is bound to succeed.” – woman in Mpika.*

*“When you just concentrate on vegetables you can make losses, but if you buy cotton you can knit while you wait for veggies to sell.”- woman in Mpika.*

4. 10.26% (4) of the SILC respondents indicated that they were able to invest their loans in businesses because there were fewer constraints at home due to another source of household income or a lack of urgent household needs.

*“I have money from rentals to use for household and farm expenses and to pay back loans.” – man in Mpika.*

5. 76.92% (30 out of 39) of respondents indicated that it was compulsory or customary to discuss loan usage in SILC meetings with all members.

*“I discussed loans with the General Assembly as a part of the loan process.” – woman in Kitwe.*

6. 66.67% (26) of the respondents indicated that everyone in the household discusses plans for using SILC funds together as a family, or that they discussed loan fund usage with specific family members (such as husbands, and children in widowed households). According to the respondents, this includes listening to family members’ ideas, tabling their own ideas, and having a discussion about loan usage. Generally, husbands, wives, and other key family members play an encouraging and supporting role in listening to the SILC member’s plans for their loan.

*“My wife and I discussed and made a plan together to start this business.” – man in Kitwe.*

*“My husband saw my profits [from the coal business] and encouraged me more. My husband is encouraging me to start a rice business in the next shareout.” – woman in Kitwe.*

*“I discussed SILC loans with my son. I have to involve everyone in case of sickness or death.”- Self-disclosed HIV positive woman in Kitwe.*

*I discuss with my husband. If you don’t use your husband’s help you are costing yourself. My husband helped me service my loans when I*

7. 10.26% (4) of the respondents indicated that they discussed their loan with a specific person in SILC (such as a secretary, friend, or someone who had done the business before) and asked them for advice.

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**Table 4: Loan Use Decision Making Process- Influences and Reasons**

Domain	Code	Explanation	Frequency	Percentage
<b>Decision Making Process: Influences and Reasons</b>	Profit	Respondents thought that using SILC funding for businesses will allow them to use the profits as a source of income to meet other expenses, to pay back loans, or to save more	26	76.92%
	Income	Respondents thought that they need to invest SILC funds to earn income (towards their primary income generating activity), without specifically mentioning that profits from business will yield an amount greater than the loan	4	
	FA_gadv	Respondents indicate that FAs offered them general advice such as- to use funds in business, know about the kind of business they were getting into, loans can only be serviced through investing in business, and other entrepreneurship skills (planning, budgeting)	22	56.41%
	Diversify	Respondents indicated that it was less risky to diversify their fund use in business, i.e. use loan funds in 2 or 3 different businesses	4	10.26%
	less_const	Respondents thought that they are able to invest their SILC funds in business because there are less constraints at home due to other sources of household income or a lack of urgent household needs	4	10.26%
	constraint	Respondents thought that some constraint at home influences how they use their SILC funds	3	7.69%
	rent_income	Respondents indicated that rent would be a source of income when asked what influenced them to invest in building or maintaining a house	2	5.13%

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**Table 5: Decision Making Process in Loan Fund Use- Whom Respondents Talk To**

Code	Explanation	Frequency	Percentage
disc_SILC	Respondents indicated that it was compulsory or customary to discuss loan/shareout usage in SILC meetings	30	76.92%
disc_family	Respondents indicate that everyone discusses plans for using funds together as a family with certain family members (husbands, children, etc.)	26	66.67%
disc_spec	Respondents discussed usage of SILC funds with a specific person in SILC group (e.g., secretary, friend, someone who has done the business before) and asked them for advice.	4	10.26%

### 4.1.4. Loan Frequency in a SILC Cycle

Although the interview questionnaire did not specifically ask about loan frequency (i.e., the number of times SILC members took out loans from the group), the open-ended nature of the questionnaire provided some insight into this topic. Essentially, the respondents indicated that the loan frequency in a SILC cycle depended on each member's savings activity. For example:

1. The more a SILC member saved during the weekly SILC meetings, the more she could borrow.
2. Respondents indicated that SILC members could borrow again as soon as the previous loan was repaid.

*"You can get another loan as soon as you service the first one."- woman in Mpika.*

*"The more active you are and the more savings you have, the more loans you can get." – woman in Ndola.*

The respondents implied that these two criteria for loan frequency functioned as a sort of informal credit-check mechanism for loan users. Higher weekly savings and on-time loan repayments meant that SILC members were capable of repaying their loans with interest, and could be allowed to borrow more frequently.

## 4.2. Loan delinquency and Defaults

### 4.2.1. Loan Delinquencies

This section illustrates the frequency of and reasons for loan delinquency in SILC. The percentages in this section were calculated out of 15 since only 15 respondents indicated that they were delinquent. The data shows the following trends, including Table 6:

1. The total number of delinquencies observed was 15 (38.46%).

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2. 40% (6) of the respondents indicated that they were delinquent due to a low income due to their business being slow or because excessive household expenses. It is difficult to say if this is a constant pattern or due to a one-time shock since respondents have only been through one full SILC cycle. All respondents in this category have only delayed repayment of loans once in the SILC cycle.

*"There was enough supply of what I was selling in the market. I did not get enough money as expected." – man in Mongu.*

*"I have a big family and I am the only one earning. Profits are smaller than needs. We need food and it takes a lot. Sometimes my family starves." - woman in Kitwe.*

*"Business was not going so well. In the hot season business just comes to a standstill. Everyone is selling eggs in hot season, there is low demand and eggs are hard to sell." – woman in Kitwe.*

The one exception to this is a respondent who admitted that she had difficulties repaying her loan because she used it on household needs instead of in a business.

3. 26.67% (4) of the respondents were delinquent because they had an unexpected delay in their normal income, such as a delay in payment of salary or a delay in rent payment from tenants. This was a one-time shock since it was an unexpected interruption or delay in receiving their regular income.

*"I normally depend on rent for income. If renter has problems paying then the repayment is delayed." - man in Kitwe.*



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- b. Charging interest as a fixed percentage of the loan taken out. In this case respondents were less clear about how long it took them to repay the loan, and only mentioned that they repaid it as soon as business picked up.

**Table 6: Loan Delinquencies in SILC**

Code	Explanation	Frequency	Percentage
<b>less_income</b>	Respondents indicated that they were delinquent because business was slow or there were too many household expenses	6	40.00%
<b>Unex</b>	Respondents were delinquent because of an unexpected delay in receiving their normal income (e.g. delay in money transfer, or rental income from tenant)	4	26.67%
<b>Death</b>	Respondents indicated that they were delinquent due to a death in the family	2	13.33%
<b>meet_att</b>	Respondents indicated that they were delinquent due to their inability to attend the SILC meeting and not because they did not have the money.	2	13.33%
<b>Sickness</b>	Respondents indicated that they were delinquent due to a sickness in the family	1	

### 4.2.2. Loan Default

This section discusses SILC loan defaults in SILC. The data shows the following results.

All percentages were calculated out of 22 since a total of 22 respondents provided information about loan defaults. Of this, only one respondent had defaulted on a loan herself. The remaining respondents knew someone in their group who had defaulted on their loan. As such, it is difficult to explore the reasons for loan default since the respondents did not know enough details about the actual default. A quote from the only defaulter in the sample is showed in the adjacent text box.

*“Income is low. It's difficult to pay because I have many expenses. I have 4 grandchildren in school and I have to buy food. The house rental income is also low.” – woman in Kitwe.*

However, respondents were conversant with how the SILC group had dealt with defaulters. The frequency of various methods of dealing with defaulters is illustrated in Table 7.

1. 77.27% of respondents (17) indicated that SILC loan was recovered by deducting the amount owed from the defaulter's savings or shareout. In one case, when this amount of savings was not enough to recover the full amount of the loan, the defaulter was encouraged to save in the 2<sup>nd</sup> cycle until the remaining loan amount could be recovered.

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2. 22.27% (6) respondents indicated that they recovered the loan by confiscating and selling items from the defaulter's house.
3. There was one exceptional case in which none of the above mentioned methods were employed, and in which the SILC group was considering extreme measures.
 

*"We are planning to visit at their homes to remind of the constitution. Maybe we use local parish priest and we are contemplating taking them to the police." – woman in Kasama.*
4. Whether the defaulters stayed to save in a 2<sup>nd</sup> cycle of SILC varied from group to group and depended on its constitution. 32.82% (7) respondents indicated that defaulters were expelled from the SILC group and 22.73% (5) indicated that defaulters stayed on for the 2<sup>nd</sup> cycle.

**Table 7: Methods of Recovering Loans after Defaults**

Code	Explanation	Frequency	Percentage
ded_sav	Respondents indicated that defaulters had their loan amount deducted from their savings or from their shareout	17	77.27%
sold_goods	Respondents indicated that defaulters had goods from their house confiscated and sold to recover the loan amount	6	27.27%
no2nd	Respondents indicated that defaulters were expelled from the SILC group at the end of the cycle and will not take part in the 2nd cycle	7	31.82%
still2nd	Respondents indicated that defaulters were still members of the SILC group and would be in the 2nd cycle	5	22.73%
no_loans	Respondents indicated that defaulters, who were still members of the SILC group, would no longer have access to the SILC loan fund.	3	13.64%

### 4.3. Social Fund Use

#### 4.3.1. Reasons for Use of Social Fund

This section outlines the reasons that respondents have indicated for use the Social Fund. All percentages were calculated out of 33 since 7 respondents indicated that they had never used the social fund. The data shows the following results:

1. The total number of respondents who used the social fund are 33 since 7 respondents indicated that they had never used the social fund.
2. The social fund was used for four main reasons; e.g., a sickness in the family, payment of school fees, a lack of food at home, or a funeral for a family member. Except for use in funeral, all the rest of the above mention uses are provided for by a zero interest loan. In the case of a funeral, the social fund gives out a donation.

## PRODUCT USE STUDY OF SILC IN ZAMBIA

3. The most frequent use of the social fund was sickness in the family, which accounted for 45.45% of sampled participants (15). The frequency of reasons the social fund is used is illustrated in Table 8.
4. The exception was one respondent, who was able to use a loan from the social fund to purchase electricity units for his house at zero interest. In Zambia, units of electrical consumption can be purchased from the Zambia Electricity Supply Company (ZESCO), similar to the way airtime units (pay-as-you-go) are purchased.

**Table 8: Frequency of Reason for Social Fund Use**

Code	Explanation	Frequency	Percentage
Sickness	Respondents used social fund for a sickness in the family	15	45.45%
school_fees	Respondent used funds to pay for school fees	10	30.30%
Food	Respondents used funds to buy food	9	27.27%
Funeral	Respondents used funds for funeral/memorial needs	6	18.18%
end_group	Respondents used the social fund for group snacks at the end of the year shareout ceremony.	2	6.06%

### 4.3.2. Benefits of Social Fund

This section outlines the benefits of the social fund as reported by the respondents. The data shows the following:

1. Respondents reported only two benefits of the social fund—first that the fund is loaned without an interest, and second that it provides easily and immediately accessible money in times of emergency. These two are the most prevalent benefits because this is the area where the social fund probably helps the most. Before having access to the social fund, respondents had very little recourse to obtain money in emergencies. They would either borrow from the local community lenders, who charge very high interest rate of 50% (flat) or from their friends.

*“You can borrow money immediately. You just explain and you have it. There too many complications with neighbors.” - man in Mpika.*

The frequency of these two benefits is illustrated in Table 9.

2. When asked about what they thought were the disadvantages of the social fund, 100% of respondents said that they did not think there was any disadvantage.

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**Table 9: Benefits of Social Fund**

Code	Explanation	Frequency	Percentage
int_rate	Respondents indicated low interest rate or no interest rate in SILC is an advantage	31	93.94%
Access	Respondent identifies accessibility (i.e. being able to get money easily and immediately at whatever time they want) as a key benefit of SILC	26	78.79%

### 4.4. Shareout Fund Use

#### 4.4.1. Actual vs. Planned use

This section outlines the frequency of difference between actual and planned use of shareout funds and why these differences exist. All percentages in this section were calculated out of 29 since 11 participants had not shared out at the time of this study. The data shows the following trends, which are illustrated in Table 10:

1. 75.86% (22) of the respondents used their shareout funds as they planned. These respondents never used their money differently from what they had planned before getting the shareout.
2. 13.79% (4) of the respondents used their shareout funds differently from what they had planned.
3. 10.34% (3) respondents indicated that they had not made any plans regarding the use of their shareout fund.
4. 2 of the 4 respondents (bullet point 2 above), who had used their shareout funds differently than what they had planned indicated that this was due to a one-time shock, namely payment of school-fees, and unwise planning as illustrated in the adjacent text box.

*"I wanted to use the shareout to increase my farming production area, but by the time I got my shareout the production period had already passed. Instead, I had to use loans to buy seeds for increasing production area." - woman in Mongu.*

*"Two of my nieces qualified for grade 10. My husband paid for one niece and I paid for the other." - woman in Kitwe.*

## PRODUCT USE STUDY OF SILC IN ZAMBIA

**Table 10: Frequency of Difference between Actual and Planned Use of Shareout Funds**

Code	Explanation	Frequency	Percentage
USP	Respondents used funds as planned. They have never used money differently than what they had planned.	22	75.86%
Diverted	Respondents used funds in a different way than what they had planned, i.e. they "diverted" the money	4	13.79%
no_plan	Respondents indicated that they had not made any plans regarding the use of their shareout fund	3	10.34%
1time_shock	Respondents indicated that they used the funds in a different way than what they had planned due to some kind of one time shock, either death, illness, or payment of school fees	2	6.90%

### 4.4.2. How shareout funds are used

This section outlines the three major trends in how respondents use their shareout funds, organized by category (e.g., business and household consumption). All percentages in this section were calculated out of 29 since 11 participants had not shared out at the time of this study. The data shows the following trends, which are illustrated in Table 11 and in Figure 2:

1. An overwhelming majority of the respondents, 41.38% (12) used their shareout funds towards a big project, such as buying a plot of land, building a house, or making repairs to a house.
2. 41.38% (12) of the respondents used their shareout funds for a business investment, whether to expand an existing business through the purchase of stock, tools, or to invest in starting a new business.
3. The next most frequent way in which respondents used their shareout funds was to pay school fees. 17.24% (5) of respondents used their shareout funds in this way. A common reason offered for using shareout money to pay for school fees instead of getting a zero interest loan from the social fund was that the SILC group had ended the cycle by the time school fees were due and respondents did not have access to the social fund.
 

*“When the children qualified for a grade [in school] and school fees needed to be paid, we had already shared out and had no access to the social fund.” – man in Kitwe.*
4. 17.24% (5) of respondents use their shareout funds for household consumption; e.g., buying materials and food for the house.

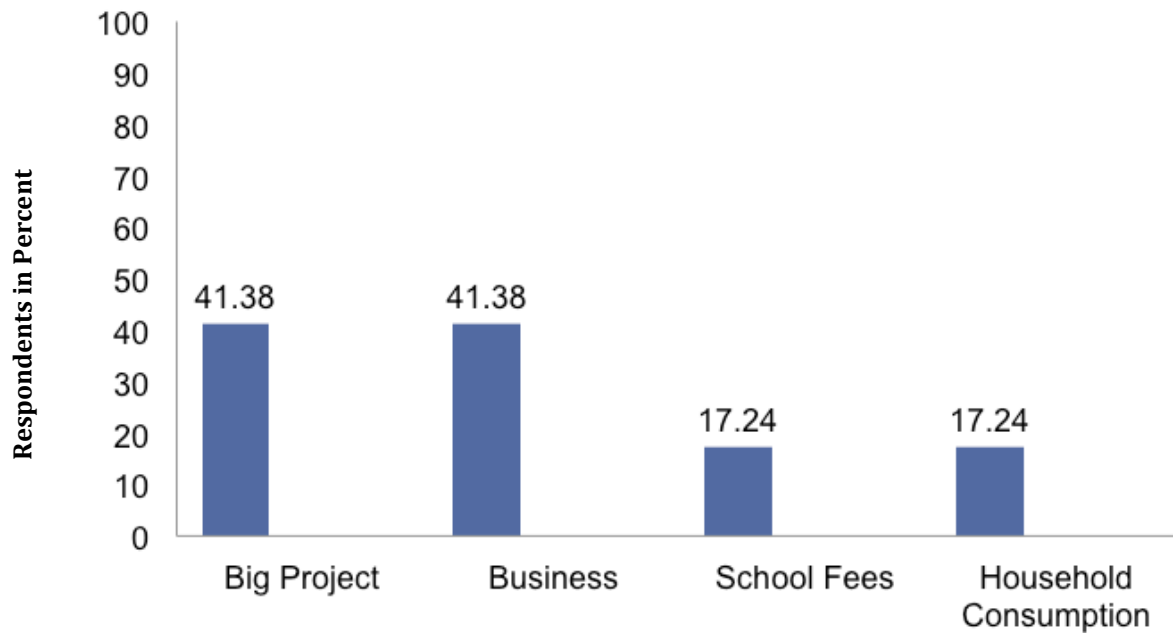
## PRODUCT USE STUDY OF SILC IN ZAMBIA

**Table 11: Trends in Shareout Fund Usage**

<b>Code</b>	<b>Explanation</b>	<b>Frequency</b>	<b>Percentage</b>
<b>big_proj</b>	Respondent used funds for a big project, such as construction or renovation of a house	12	41.38%
<b>bus_expan</b>	Respondents used funds from SILC to sustain and expand their businesses by buying more stock, tools etc.	11	37.93%
<b>bus_invest</b>	Respondents used funds as startup capital for a new business	1	3.45%
<b>school_fees</b>	Respondent used funds to pay for school fees	5	17.24%
<b>HH_cons</b>	Respondent used funds for HH consumption, i.e. buying goods such as TV, mattress, pots, plates etc.	5	17.24%

## PRODUCT USE STUDY OF SILC IN ZAMBIA

Figure 2: Shareout Fund Use in SILC



### 4.4.3. Decision Making Process in Shareout Fund Usage

This section outlines the decision making process in shareout fund usage, including reasons why respondents used their money as they did and with whom they discussed the shareout fund usage. All percentages in this section were calculated out of a sample size of 40 since the decision making process does not depend on the actual use of shareout funds. The data shows the following trends, which are illustrated in Tables 12 and 13:

1. 55% (22) of the respondents thought that they should invest their SILC loans in businesses, because they believed that investing in business would yield profits that could be used to repay their loans with interest, and as income to spend on the house, or to be able to save more.
2. 42.50% (17) of the respondents indicated that the FA offered general advice during the course of the SILC meetings with regards to shareout fund use. This advice included encouraging the members to use funds in businesses. It included talking to them about how to choose a business (choosing an activity they are skilled at), discussing with someone who has done the business before, not overlapping with similar businesses in the neighborhood, etc. The respondents indicated that the FA offered training in entrepreneurship skills, such as planning and budgeting.
3. 15% (10) respondents indicated that some constraint at home influenced how they used their shareout fund.
4. 10% (5) of respondents indicated that expecting rent as a source of income influenced them to invest their shareout funds in a big project such as building or maintaining a house. It is interesting

## PRODUCT USE STUDY OF SILC IN ZAMBIA

to note that out of 12 respondents who used their funds towards a big project, only 5 did so with the expectation of rent income. The remaining presumably invested their shareout funds in this way because of some constraint at home.

*“I want to build a house on the plot. Renting to tenants will be a source of income.” – woman in Kitwe.*

*“I wanted to build a house because I wanted good, solid shelter.”- woman in Mongu.*

*“I bought a plot with my shareout because I wanted a secure title.”- woman in Ndola.*

5. Only 37.50% (15) respondents indicated that they discussed shareout fund usage in SILC meetings even though it was not compulsory. In fact, 13 respondents (32.50%) specifically said that they did not discuss shareout fund use with the SILC group at all.
6. 87.50% (35) respondents indicated that everyone in the household discussed plans for using SILC funds together as a family, or that they discussed shareout fund usage with specific family members (such as husbands, and children in widowed households). According to the respondents, this includes listening to family members’ ideas, tabling their own ideas, and having a discussion about shareout usage. Generally, husbands, wives, and other key family members play an encouraging and supporting role in listening to the SILC member’s plans for their loan.
7. 25% (10) of the respondents indicated that they discussed their loan with a specific person in SILC (such as a secretary, friend, or someone who had done the business before) and asked them for advice.

**Table 12: Shareout Fund Use Decision Making Process- Influences and Reasons**

Code	Explanation	Frequency	Percentage
<b>Profit</b>	Respondents think that using SILC funding on business will allow them to use profits as a source of income- for other expenses, to pay back loans, or to save more	22	55.00%
<b>FA_gadv</b>	Respondents indicate that Field Agents offered them general advice such as- to use funds in business, know about the kind of business they were getting into, loans can only be serviced through investing in business, and other entrepreneurship skills (planning, budgeting)	17	42.50%
<b>constraint</b>	Respondents think that some constraint at home influences how they use their SILC funds	10	25.00%
<b>rent_income</b>	Respondents indicated that rent would be a source of income when asked what influenced them to invest in building or maintaining a house	5	12.50%
<b>less_const</b>	Respondents think that they are able to invest their SILC funds in business because there are less constraints at home due to other sources of income or a lack of urgent household needs	4	10.00%



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**Table 13: Shareout Fund Use Decision Making Process- Whom Respondents Spoke To**

Code	Explanation	Frequency	Percentage
disc_family	Respondents indicate that everyone discusses plans for using funds together as a family or with certain family members (husbands, children etc.)	35	87.50%
disc_SILC_SH	Respondents indicated that they discussed shareout use with the SILC group even though it was not compulsory	15	37.50%
no_disc	Respondents did not discuss the use of shareout or loan fund within the SILC group	13	32.50%
disc_spec	Respondents discussed usage of SILC funds w/ a specific person in SILC rather (ex: secretary, friend, someone who has done the business before) and asked them for advice	10	25.00%

**4.4.4. Differences between Shareout and Loan Fund Use**

This section compares and analyzes the different uses of the shareout and loan funds. The results show the following, which are illustrated in Figure 3:

1. 84.62% of respondents use loan funds for business, while this number is significantly less for shareout fund usage at 41.38%. The researcher believes that this difference is due

*“I discuss [shareout use] generally, not in details and often outside the SILC meetings. I only seriously discuss this with my family. There is no need to ask for advice from anyone else.” - man in Moika.*

to the increased emphasis placed on using loans for business through compulsory discussion in SILC meetings and the general advice offered by the FA. Loan funds are discussed more in SILC (76.92%) meetings as opposed to shareout funds (37.5%). When shareout funds are discussed in SILC, it appears to be more for the purpose of general discussion with community members than a customary approval process. This increased emphasis on discussing loan usage could be because the loan funds are thought of as “group money,” which has to be paid back to the group, while shareout funds are thought to be personal money.

2. 41.38% of respondents used their shareout funds to invest in a big project, such as construction or maintenance of a house or buying of land. Only 15.38% of respondents used their loan funds in this way. The researcher believes that this is once again due to the increased emphasis on using loans for businesses, and because the shareout provides a lump sum to invest in such projects. As mentioned previously, the loans used in this way are often supplements to an already existing shareout investment.
3. Finally, a high percentage of respondents in both shareout and loan fund usage reported discussing the use of funds with their family. This number is 87.50% percentage for shareout use and 66.67%

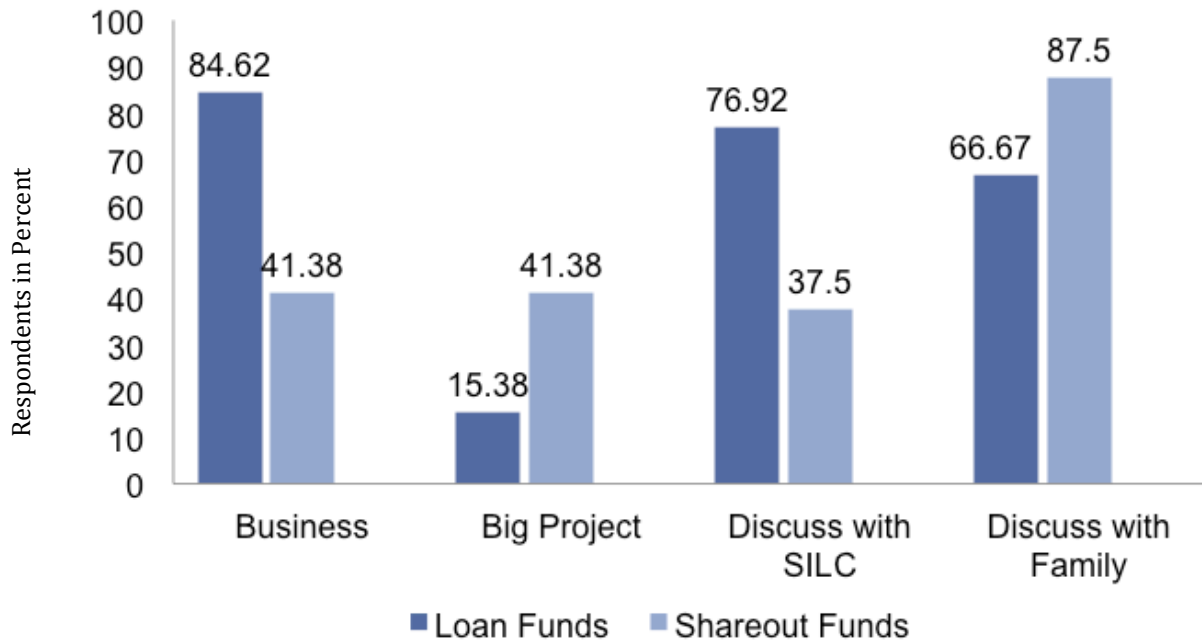
## PRODUCT USE STUDY OF SILC IN ZAMBIA

for loan use. The researcher believes that the percentage is higher for shareout fund use because it is a larger amount of money that merits discussion. The respondents reported that there were several reasons for this family discussion. First, it is customary to financially plan for household expenses together. Second, female respondents indicated that it was in their culture to discuss how to spend their money with their husbands. Third, some respondents indicated that it was important for other household members to know how much income to expect and how to use it in case of a sudden illness or death. This was especially true for HIV positive respondents, who self-disclosed their status to the researcher even though respondents were not asked any questions about their HIV status and no attempt made to gather this information as a part of this study. It appears that these respondents voluntarily self-disclosed their HIV status in order to better explain their decision making process and to highlight how important SILC was to them.

*"I always discuss using SILC money with my husband. There is always a collective agreement between me and my husband." – woman in Mpika.*

First, it is customary to financially plan for household expenses together. Second, female respondents indicated that it was in their culture to discuss how to spend their money with their husbands. Third, some respondents indicated that it was important for other household members to know how much income to expect and how to use it in case of a sudden illness or death. This was especially true for HIV positive respondents, who self-disclosed their status to the researcher even though respondents were not asked any questions about their HIV status and no attempt made to gather this information as a part of this study. It appears that these respondents voluntarily self-disclosed their HIV status in order to better explain their decision making process and to highlight how important SILC was to them.

**Figure 3: Differences between Shareout and Loan Fund Use**



### 4.5. Benefits and Perceived Impacts of SILC

This section explains the unique benefits and the perceived impacts of SILC as self-reported by the respondents.

#### 4.5.1. Financial Impact of SILC on the Household

This section outlines the financial impacts of being a SILC member on the household as self-reported by respondents. Financial impact includes changes in savings, income, borrowing habits and financial knowledge. Please note that for all the reported trends, percentages in this section were calculated

## PRODUCT USE STUDY OF SILC IN ZAMBIA

from the entire sample size of 40. The average amounts by which respondents reported an increase in savings (including average shareout amounts) and income were based on the responses of 15-17 participants as the other respondents were unable to recall exactly what they had been able to save before participating in SILC. The data shows the following results:

1. 87.50% (35) respondents reported an increase in cash savings by virtue of being a member of a SILC. The average amount by which members reported increasing their savings was 152<sup>2</sup> Kwacha per month. The average shareout amount members reported reaching after having almost no cash savings before SILC was 483 Kwacha<sup>3</sup>.
2. 25% (10) of the respondents reported that they developed a regular savings habit by being a SILC member.
3. 57.50% (23) respondents reported gaining some financial knowledge and skills through being a SILC member. This includes skills, such as budgeting, financial planning, and information about other financial resources, such as microfinance institutions (MFI).
4. 55% (22) respondents reported that they now borrowed exclusively from SILC, as opposed to borrowing from friends, neighbors, community lenders, or not borrowing at all in the past.
5. 45% (18) respondents reported that they now borrowed money according to a plan and that this was a change from their previous borrowing habits.
6. 50% (20) respondents reported an increase in income as a result of being a SILC member. Although determining an accurate average amount for increase in income is not possible at this time,<sup>4</sup> respondents reported an increase in income in the range of 20%- 100% (e.g., doubling of income).

*"I never borrowed before SILC. At first, I was scared to borrow money. I didn't know how to pay it back with interest. I have learnt from SILC that interest is small and manageable. I've taken a step forward business wise." – man in Mpika.*

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<sup>2</sup> Please note that this calculation is a very rough average, based on what members could recall about savings. The average was calculated from the responses of 15 respondents.

<sup>3</sup> Please note that this calculation is a very rough average based off what members could recall about savings. The average was calculated from the responses of 17 respondents.

<sup>4</sup> Although asked to specify the increase in income, very few respondents were able to provide an exact amount. Some were able to identify a rough percentage, while others identified their new income (in various measures; such as income every 3 days, every week, every 2 weeks, etc.) but were unable to identify a baseline, making an accurate comparison impossible.

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**Table 14: Financial Impacts of SILC as self-reported by Respondents**

Code	Explanation	Frequency	Percentage
s_more	Respondents indicated that they are saving more by being a member of SILC	35	87.50%
fin_know	Respondents reported gaining financial knowledge and business skills (including budgeting, financial planning, and information about other financial resources) by being a member of SILC	23	57.50%
brSILC	Respondents reported borrowing exclusively from SILC as a change in borrowing habits that resulted from being a member of SILC	22	55.00%
inc_inc	Respondents reported an increase in income as a financial impact of SILC	20	50.00%
Brplan	Respondents reported borrowing according to a plan as a change in borrowing habits that resulted from being a member of SILC	18	45.00%
s_know	Respondents reported gaining a knowledge of how to save regularly and learning the habit of saving as a financial impact of SILC	10	25.00%

### 4.5.2. Effects of SILC on Women's Status in the Household

This section outlines the effects of SILC on women's status in the household, as self-reported by female respondents. The percentages in this section were calculated out of a sample size of 32 as the 8 men that were interviewed for the study were not asked this question. The data shows the following (Table 15):

1. 43.75% (14) women reported being viewed differently in the household because they were contributing income.
2. 37.50% (12) women indicated that they were respected more as a result of having an income and being a member of SILC.
3. 25% (8) women reported having an increased voice in household decision-making.
4. Only 15.63% (5) women reported being more confident or more independent as a result of being a SILC member.

The researcher suggests approaching these results cautiously and not considering them as a direct indication of women's empowerment in households. This is discussed in greater detail in section 5.2: Research Challenges, of this report.

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**Table 15: Effects of SILC on Women's Status in Household as self-reported by Female Respondents**

Code	Explanation	Frequency	Percentage
<b>Contribute</b>	Women indicated that they are viewed differently in the household because they can now contribute income	14	43.75%
<b>inc_resp</b>	Women reported that they were respected more in the household as a result of being a member of SILC	12	37.50%
<b>inc_voice</b>	Women reported having an increased voice in household decision making as a result of being a member of SILC	8	25.00%
<b>Confidence</b>	Respondent indicated that she felt more confident in voicing her opinion to her husband as a result of being a member of SILC	5	15.63%
<b>independence</b>	Women reported being independent, i.e. not being financially reliant on other family members and/or husband as a result of being a SILC member	5	16.13%

### 4.5.3. Most Useful SILC Funding Mechanism

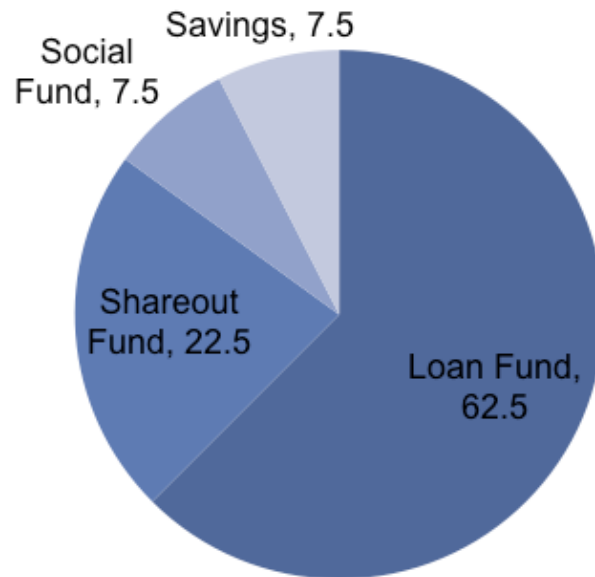
This section explains what the respondents found to be the most useful SILC funding mechanism. All percentages in this section were calculated out of the entire sample size of 40. The results are illustrated in Figure 4.

1. 62.50% (25) of the respondents thought that the loan fund was the most useful SILC fund.
2. 22.50% (9) respondents thought that the shareout fund was the most useful.
3. 7.50% (3) respondents thought that the social fund was the most useful.
4. Although this question in the interview tool was closed ended and specifically asked about SILC funding mechanisms, 7.50% (3) respondents insisted that savings was the most useful feature of SILC because it ensured the money was out of the house and safely “banked.”

*“Savings is most useful because when you save you bank your money.” – woman in Kitwe.*

## PRODUCT USE STUDY OF SILC IN ZAMBIA

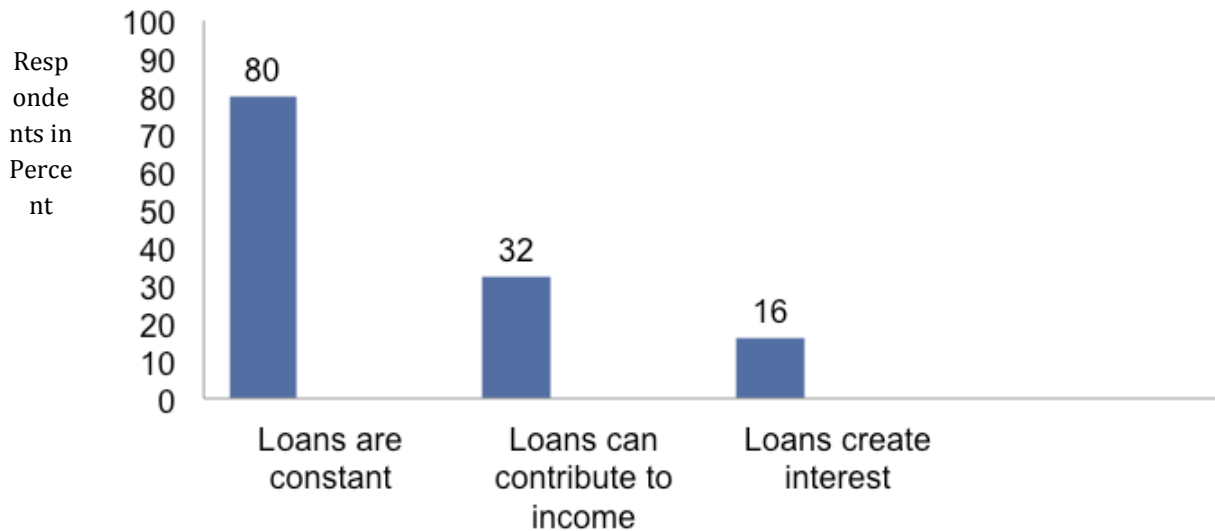
Figure 4: Most Useful SILC Funding Mechanism (results in percent)



5. Respondents reported three primary reasons for choosing the loan fund as the most useful SILC funding mechanism (Figure 5):
  - a. 80% (20) respondents reported that the loan fund was most useful because it ensured a constant supply of money throughout the year.
  - b. 32% (8) respondents reported that the loan fund was most useful because it contributed to their income. This is likely because of the association of loans with business (as discussed in section 4.4.4) development.
  - c. 16% (4) respondents reported that the loan fund was the most useful because it contributed interest to the final shareout.

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Figure 5: Why the Loan Fund is Most Useful



6. Respondents who thought that the shareout fund was the most useful said this was because it was received as a lump sum of money.
7. Respondents who thought that the social fund was the most useful said that because it allowed them to interest free loans (for very specific non-productive purposes) and donations, when in need.

### 4.5.4. Unique Benefits of SILC

This section outlines the unique benefits of SILC, as self-reported by the respondents. All percentages in this section were calculated out of the entire sample size of 40. The data shows the following results, which are illustrated in Table 16.

1. The two most widely reported benefits of SILC were its low interest rates and its ease of access.
  - 70% (28) respondents reported that having low interest rates was a great advantage of SILC.
  - 67.50% (27) respondents reported that ease accessibility, i.e. being able to access money easily, immediately, and without any formal requirements was a big advantage.
2. 45% (18) respondents indicated that being able to save and borrow simultaneously was a unique benefit of SILC.
3. 30% (12) respondents reported that they felt a greater sense of community and shared understanding with their SILC group as a benefit unique to SILC. This was especially true for SILC members who were part of HIV project, and voluntarily self-disclosed to the researcher their HIV status. They stated that in SILC they were not marginalized even though they were sometimes marginalized by their own families. Once again, it is important to highlight that no

*“Being HIV positive, I feel a sense of belonging in SILC. SILC doesn’t mind my status. My family members are drifting away, but I can discuss with my SILC family.” – Self-disclosed HIV positive woman in Kitwe.*

## PRODUCT USE STUDY OF SILC IN ZAMBIA

attempt was made to gather information about respondents' HIV status as a part of this study. However, some respondents voluntarily disclosed this information in order to highlight the importance of SILC in their lives.

4. 25% (10) of the respondents reported that they felt a sense of ownership over the process by which SILC functioned, the group and the money. 
*"In SILC we own the loans, not like the microfinance loans. In SILC we own the shareout and we own the interest." – woman in Mbika.*
  
 Respondents often referred to the fact that they preferred paying interest on loans in SILC as opposed to MFIs because interest paid in SILC would eventually come back to them through the shareout.
5. 22.50% (9) of the respondents reported that SILC was advantageous because it did not require extensive paperwork, collateral, or time to become a member.
6. Finally, 10% (4) of the respondents reported that receiving a high(er) interest on their savings, regularly, was an advantage since they received a very small interest once a year savings deposited in banks.

**Table 16: Unique Benefits of SILC as self-reported by Respondents**

Code	Explanation	Frequency	Percentage
<b>int_rate</b>	Respondents reported that a low interest rate or no interest rate offered in SILC is an advantage	28	70.00%
<b>Access</b>	Respondents identified accessibility, i.e. being able to get money easily and immediately at whatever time they want as a key benefit of SILC	27	67.50%
<b>s&amp;b</b>	Respondents reported being able to save and borrow simultaneously as a unique benefit of SILC	18	45.00%
<b>community</b>	Respondents reported feeling a sense of community and shared understanding with their SILC group as a unique benefit of SILC	12	30.00%
<b>ownership</b>	Respondents reported that feeling a sense of ownership in the savings and loans cycle was a unique benefit of SILC	10	25.00%
<b>Reqs</b>	Respondents indicated that a key benefit of SILC was that it was easy to join and did not require extensive time, paperwork or collateral like banks did	9	22.50%
<b>rec_int</b>	Respondents reported receiving interest regularly on their savings as a unique benefit of SILC	4	10.00%



### 5. RESEARCH CHALLENGES

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There were three primary challenges that the researcher faced in conducting this research. This section expands on the nature of these challenges that were previously mentioned in sections 2 and 4, and discusses their potential effect on the data and the analysis.

#### 5.1. Participant Selection by Field Agents

The benefit of having respondents selected by the field agents was that all respondents readily agreed to be interviewed and were not reluctant to give the researcher an hour of their time. On the other hand, there might have been some bias in participant selection since those selected were usually SILC members of some distinction (e.g., SILC secretary, a SILC member who had saved the most in the last cycle, etc.), and included only one person who had defaulted on a loan. This may have been due to positive selection bias by the field agent. Additionally, in some cases, several participants selected were members of the same SILC group. However, the researcher is confident that this potential selection bias did not have an adverse effect on the data collected or the results. This is because:

1. The study was meant to find out how SILC members use the various SILC funding mechanisms; as such even the selection of participants from the same SILC group still provided different experiences.
2. The study was qualitative and not quantitative as it did not rely on random sampling. The sampling strategy was to purposefully select participants according to regional and gender quotas to ensure a diversity of experiences.

#### 5.2. The Use of Field Agent Supervisors as Translators

Once again, this was logistically beneficial to the research since the field agent supervisors were the most readily available translators. They were helpful in putting the respondents at ease and allowing them to speak freely. However, field agent supervisors sometimes translated with leading statements instead of open questions. Their personal relationship with the respondents meant that the FA supervisors answered some of the interview questions on behalf of the respondents, and added to their responses to match the interviewer's expectations or to present a good appearance of the SILC. The FA supervisors hesitated in asking respondents which they thought to be repetitive or of a personal nature.

In general, the researcher was able to talk the field agent supervisors through these translation irregularities as they were observed, and was able to identify when these were happening. However, the researcher believes that this may have affected only one kind of response collected and in one particular instance—while talking to women about their possible increased status in the household as a result of their participation in SILC. Overall, the researcher does not think that the one question asked in the “Impacts of SILC” section would allow one to judge gender empowerment in a household anyways. Hence, the researcher approached the positive responses as to an increase in women's status in the household cautiously.

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### 5.3. Perceived Impacts of SILC

In the researcher's experience, participants in qualitative field interviews tend to overstate positive impacts of the program being studied. This is particularly true when an external researcher is involved and when program implementers are present, both of which occurred in this SILC product use study. In certain cases, the researcher believes that the impact of SILC was overstated. For example, when respondents were asked how they would have managed their business expenses without SILC, most replied that they would not have managed at all. The researcher finds this a little hard to believe. While SILC may have made it easier for respondents to invest in businesses, it is highly unlikely that without SILC they would not have been able to find any other way to invest in their primary income generating activities. Similarly, answers to questions about women's status in the household and increased respect in the household may have been overstated, as the respondents were enthusiastic to demonstrate that SILC had affected their lives.

However, despite these overstatements, the researcher believes that respondents' views on the impacts of SILC have a lot of value. It is important to remember that the benefits and impacts of SILC identified in this report are not the genuine impacts of SILC; they are only the impacts perceived by SILC participants. The definitive impacts of SILC and its improvements of livelihoods are better measured through a formal impact evaluation. Since the purpose of this study was to understand how SILC participants think SILC is affecting their lives and not measure the degree of impact of SILC, the statements expressed in this report have a lot of value in themselves. Additionally, the researcher believes that not all impacts and benefits mentioned by respondents were overstatement. In many cases- such as when identifying increase in income- respondents were very specific about how SILC had affected their lives. The researcher believes that this specificity lends credence to these perceived impacts not being overstated.

## 6. CONCLUSION

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This product use study of SILC in Zambia identifies (from a limited sample) details of how the different funding mechanisms in SILC are used, how these funds affect the livelihoods of the SILC members, and how the SILC members perceive the value of access to these funds. This qualitative study used one-on-one interviews to collect in-depth information from 40 respondents about the topics mentioned above. The participants were selected through a non-random sampling process, designed to collect interviews from 4 SILC program sites in Zambia, with the number of interviews being proportional to the size of SILC groups (and members) at each site.

Even with a limited sample size of 40, coherent stories about SILC have emerged to fill the gap in our knowledge about how SILC funding mechanisms are used. This study has found that each of the three SILC funds (loans, social fund, and shareout) have specific benefits and uses. Participants indicated that they do not necessarily use the money from the three funds in the same way, and may not even have the same decision making processes for using the different funds. It is clear; however, that each of the three funds plays an important role in the SILC participants' lives. Often, the funds complement each other and are used synergistically by SILC participants towards a major goal. The way respondents reported using loan money to add to shareout funds from a previous cycle for a big project (such as the

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construction of a house) is an example of this synergistic use. Appendix F offers a more detailed look at the synergistic use of the loan and shareout fund to expand the business of one female SILC member.

Nonetheless, the most important part of SILC funding mechanisms seems to be its informal nature. Accessing funds immediately in times of trouble (whether from the loan or social funds) without paperwork or collateral, being able to explain its needs and uses to community members, and being able to exchange ideas and support each other through participation in SILC was of particular value to members. By borrowing as a part of a community (SILC group) and being accountable to each other, SILC members in Zambia have shown tremendous discipline not only in saving, but in diligent use of the loan funds and subsequent repayment. One critical aspect of SILC fund use is that it seems to have inspired and supported members to acquire and or improve their entrepreneurship skills and to invest in small business opportunities can increase incomes and therefore improve living standards.

This suggests that future research should investigate issues around possible increases in entrepreneurial attitudes and investment opportunities in greater detail. For examples, one could explore; (a) are members in SILC more willing and able to invest in a business as compared to non-members?; (b) by how much are SILC members able to increase their incomes as a result of their entrepreneurial activities?; (c) is this increase in income enough to lift them to a higher standard of living, and eventually out of poverty?; and (d) how can SILC leverage its programs to best support members on their paths to being small business owners?

Investigating these questions should lead us to a better and more complete understanding of the effects of SILC funding mechanisms, and ultimately, how SILC programs can be best used to benefit their members.

### APPENDICES

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#### APPENDIX A SCOPE OF WORK

##### SILC Overview

Conceived as an alternative to the formal financial sector, Savings and Internal Lending Communities (SILC) is community-based, user-owned, self-managed savings and lending vehicles built on concepts of transparency and flexibility. To date, CRS has amassed over 1 million SILC members worldwide.

A SILC group typically comprises 15-30 self-selecting members, who voluntarily come together in their home community. Assisted by a trained agent, the group first establishes its group rules in a written constitution and elects a leadership committee. Thereafter the group meets on a regular basis, typically once per week, to make contributions to a group savings fund. The level of savings contribution varies from member to member, but all must adhere to a minimum set forth by the group in its constitution.

The groups help members save to build usefully large lump sums that become available at the end of a pre-determined cycle, typically 8-12 months. During the cycle, another resource becomes available to members: small, flexible-use loans for investment and consumption needs. The loans are requested by individuals and subject to approval by the group. The loans are drawn from the group's savings fund and paid back with interest. In addition, the group maintains a separate emergency fund, which may be lent out or given out to members in need. All facets of group activity surrounding savings and lending—from writing the constitution, to maintaining group ledgers, to calculating final pay-outs—are carried out in full view of the group and assisted by the group's agent, who visits regularly.

Participation in SILC fosters the discipline among members to save regularly, which a growing body of research shows to relate strongly with impact,<sup>5</sup> and offers participants healthy returns on their savings (derived mostly from the interest on loans paid back to the group). In sum, SILC blends important attributes of the formal system (reliability, systematization, transparency) and the informal (convenience, localness, frequent small transactions, and flexibility). It is also a highly sustainable intervention: once CRS and its partners phase out direct involvement, trained groups can continue to carry out SILC activity autonomously, and/or agents can continue to train and support groups on a fee-for-service basis, under the Private Service Provider (PSP) model also developed by CRS.

##### Zambia Program & Research Overview

At present, CRS has over 33,000 SILC members in Zambia distributed across five distinct programs. Four of the five are SILC integrated with agricultural extension programs, and one is a stand-alone SILC program. All programs have PSPs incorporated into the service-delivery strategies.

In sum, Zambia is a country program of growing strategic importance to SILC programming, with substantive membership now and a number of high-profile projects in development, set to expand

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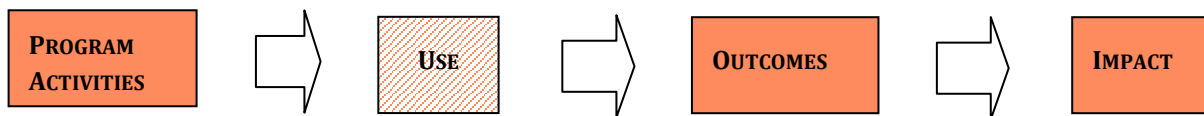
<sup>5</sup> Ashraf, N, Karlan D, Yin W. 2006. "Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines," *Quarterly Journal of Economics*, 121:635-672, Number 2

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those numbers greatly. In Zambia, as in CRS’s global network as a whole, the enthusiasm for the methodology builds on several factors, in particular the high rates of uptake in most regions where it has been introduced. In Zambia, as elsewhere, the model has benefitted from a wide range of anecdotal evidence that program is meeting key needs for lump sums among members—particularly for investment in productive activities like small enterprises that are likely to have positive impacts on household welfare. Adding to the case for impact are emergent findings from household survey work,<sup>6</sup> which suggests a mostly positive trend among members.

There is an admitted gap; however, in our understanding of how SILC works. That gap is in the area of product use. We can consider the situation in terms of a very general causal model (Figure 1). Of the four phases in the model, naturally CRS has a very clear understanding of the first—program activities. The outcomes are fairly understood as well, and tracked through figures like uptake in each program’s MIS. Our understanding of impact continues to grow, based on the afore-mentioned sources.

Figure 6 - Causal model



But what of the use of SILC-derived funds (loans, social fund, savings and dividend at share-out)? How are members actually applying or not applying those funds in their lives and livelihoods? How and why are those decisions on use made? What are the members’ views on how those uses impact their lives?

At this time CRS has almost no systematic evidence to enlighten the industry on these questions, aside from anecdotal “success stories.” Our only evidence to date comes from large-scale household surveys, but these findings tend to be superficial in nature due to the constraints of quantitative survey methods. What is needed, and which we propose to address in this research proposal, is a qualitative exercise—an opportunity to ask members about use and probe their answers for a profound understanding about how this use decisions are made and how they affect their lives.

As noted above, CRS expects to expand its SILC footprint in Zambia considerably in the coming years, with most of the programming following the template of savings-groups integrated with agricultural extension. We think that now is the perfect time to seek answer to the afore-mentioned questions on Product Use, to provide better indications of the effects we can anticipate as these programs are scaled up.

Moreover, the agricultural extension integration will provide a fertile ground for a very detailed examination of livelihood effects, which will be central to this Product Use inquiry. Experience tells us that most SILC members in Zambia are farmers and that most of them invest their SILC resources in agricultural production (both subsistence and cash-cropping). That profile allows for a very fine-tuned

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<sup>6</sup> See “SILC Innovations Research Brief 5: An Evaluation of Household Impact among Fee-for-Service Savings Groups,” available at [www.crsprogramquality.org](http://www.crsprogramquality.org)

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examination of livelihood effects because we can anticipate the primary domain of most of those effects—that is, the agricultural domain. This configuration contrasts with the more diffuse effects that would be seen in a population base with highly-diversified livelihood strategies.

### **Purpose & Key Research Questions**

The purpose of the Product Use Study is simple: to examine how participants have used and continue to use the funds derived from SILC groups, and to examine their views on the impact of that use. Inquiries will include detailed questioning on all three forms of funds available in those groups: 1) savings share outs, including the dividend; 2) loans from the group's loan fund; and 3) loans/grants from the group's social (emergency) fund.

Specific research topics/questions will include:

#### Initial Interest in SILC

- Why do members become interested in SILC?
- What's the comparative advantage of SILC over competing products, including other self-help groups or savings/loans through microfinance institutions (if any)?

#### Share-out/Loan Use

[Questions should be posed separately concerning savings and loans, where applicable to both]

- Four sub-questions about basic use of funds from share outs and loans:
  - Do group facilitators or group members provide any guidance on how funds should be used? What precise messages are conveyed?
  - How did members intend to use the funds that became available to them?
  - How did members actually end up using the funds?
  - What reasons are cited or observed for any disjunction between the above three answers?
- What is the split/distribution of enterprise vs. household use? Are intent and actual use consistent in this split?
- What are the perceived incentives and risks associated with using the shareout or loans to upgrade or expand small enterprises (especially agricultural)?
- What incentives or constraints at the household level (e.g., shocks or fear of shocks) factor into decision-making on business investment?
- Does the use of the shareout funds or loans help members link to a new (or broader) network of commercial relationships in the value chain (horizontal and vertical linkages, e.g. strategic relationship with agricultural wholesalers)? How has the funding compelled the development of these new relationships?
- With loans, did the participant have any difficulties making the payments? If so, please explain the difficulties and what mechanisms were ultimately used to make payments.

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- [In case of loan default] Why did the default occur? How was the situation resolved within the group? What were the implications for the borrower, both financially and in terms of status in the group? [NOTE: Loan defaults are an issue of particular interest in Zambia, because anecdotal evidence suggests that they occur with some regularity. If we find that our sample does not encompass individuals with first-hand experience in loan default, the researcher should expand the questioning to ask whether the participants know of others with such experiences.]
- What did members do when they needed a large lump sum of cash or a loan before SILC came to the community?

### Emergency Fund Use

- Among members who received money from an emergency fund loan/grant, how did they reach the decision to request those funds, and how were those funds ultimately used?
- What are the biggest advantages of requesting/using money from the emergency fund?
- What are seen as the disadvantages of requesting/using money from the emergency fund?
- What did members do when they needed an emergency before SILC came to the community?

### Impact Questions

- What general effects on household finances do members report as a result of the SILC funding?
- How have overall household savings habits and levels been affected by membership in SILC?
- How have overall household borrowing habits and levels been affected by membership in SILC?
- Have SILC members' decisions to use or not use any other financial instruments changed as a result of participating in SILC?
- If an income surplus was reported as a result of using SILC funds (as in a business investment), how was the surplus used (education, health, debt reduction, etc.)?
- Did any economic shocks occur while the member was in SILC? If so, how did any of the SILC funding mechanisms figure into coping with that shock?
- Do members report any effect on the decision-making capacity of women within the household or enterprise as a result of having participated in SILC? Has this changed over time or is it the same as when they first joined SILC?
- Overall, do participants think they are better off since joining SILC? Why or why not?
- What do participants expect their life to be like five years from now (whether or not they will continue with SILC during that time)?

### **Proposed Data Collection Strategies**

Semi-structured individual interviews will be the primary data-collection method employed in the field. These qualitative interviews allow interviewers to adapt to what they hear and probe thoroughly to understand the full dimensions of product decision-making and use—thereby arriving at the fleshed-out picture of product use that the SILC program currently lacks.

## **PRODUCT USE STUDY OF SILC IN ZAMBIA**

Interview data may be supplemented by a limited number of focus groups, at the discretion of the researcher. However, FGDs are not favored in this particular study because they provide limited opportunity to probe on the details of individual experiences using SILC funds. We think those individual probes are critical to adding to CRS's base of knowledge about use.

### **Proposed Sampling**

The details of the sample frame and strategy will be worked out by the researcher. However, we propose a minimum of 40 interviews across four different sites that capture a range of CRS programming and related perspectives in Zambia. The sites selection should include at least some participants served by agents operating under the PSP model.

Sampling strategy is open to discussion. CRS's position is that both random and purposive sampling strategies have merit in a study like this. The researcher will be expected to make informed decisions on sampling based on available information and to defend those strategies.

### **Proposed Analysis & Reporting**

The results of the individual interviews may be documented in handwritten notes or recorded and later transcribed. It is at the researcher's discretion whether full written transcripts are prepared. At a minimum, the information from interviews should be processed into summary transcripts/analysis matrices. These transcripts/matrices will not be line-by-line recounting of the proceedings, but rather summaries of major points and themes, organized and presented in terms of pre-established concepts and categories.

After fieldwork, data from the interviews should be analyzed and triangulated to identify consistencies and divergences of findings. The final report should contain a combination of aggregated findings to identify trends and richly-detailed individual stories that help demonstrate conclusions.

### **Tasks - Researcher**

- Develop the data collection tools that will be used for the interviews and any focus group discussions.
- Select four appropriate sites, in collaboration with CRS Zambia.
- Draft sample frame & sampling strategy for selection of appropriate participants.
- Present tools and research plan (including sampling details) to CRS staff (PQSD and CRS Zambia) for comments and approval.
- Finalize the tools and research plan after receiving comments from CRS.
- Travel to field, liaise with CRS Zambia staff, conduct interviews & focus groups, and document responses.
- Develop and submit a report outline to CRS staff (PQSD and CRS Zambia) for approval.
- Submit a draft report to CRS staff (PQSD and CRS Zambia) for review and comments.
- Finalize the report based on the comments received.
- Make a formal presentation of the study findings at CRS headquarters



## PRODUCT USE STUDY OF SILC IN ZAMBIA

### Deliverables - Researcher

The consultant will be responsible for collecting and analyzing the data, and documenting the findings into a report that will be shared with the PQSD MF unit and the CRS global microfinance community.

The report should not exceed 25 pages, not including appendices.

The deliverables are:

1. Draft and finalize tools & research plan.
2. Draft and finalize report outline.
3. Develop and submit draft report.
4. Finalize the report based on feedback from CRS staff.
5. Submit the notes and data from the interviews, along with the final report.
6. Make a formal presentation of the study finding at CRS headquarters.

### Timeline – Researcher

The timeline of the study will be from June 10 to August 30, 2013, as follows:

Dates	Number of Work Days	Tasks/Deliverables
May 20- May 31	10	<ul style="list-style-type: none"> <li>• Review of background materials.</li> <li>• Preparation of interview questionnaire, focus group tool, and research plan (including sampling details).</li> <li>• Contact CRS Zambia to make final decisions on site selection.</li> </ul>
June 1- June 2	2	International travel from US to Zambia
June 3- June 26	21	<ul style="list-style-type: none"> <li>• Conduct interviews &amp; focus groups</li> <li>• Prepare summary transcripts &amp; matrices (bulk of work should be completed in field immediately after fieldwork)</li> <li>• Wednesday, June 26 –Debriefing with CRS Zambia</li> </ul>
June 26- June 27	1	Return travel to US
July 1- July 26	20	<ul style="list-style-type: none"> <li>• Analyze data &amp; draft report outline (due to CRS by COB July 9)</li> <li>• Draft report</li> <li>• Submit draft report to CRS by COB on Wednesday, July 26</li> </ul>
Aug. 2- Aug. 10	5	<ul style="list-style-type: none"> <li>• Make revisions to report after feedback on draft is received (feedback will be due back by August 2)</li> <li>• Submit final case study to CRS by COB on Wednesday, August 9th</li> <li>• Along with finalized case study, submit copies of data, notes, and any recordings</li> </ul>
August 7	1	<ul style="list-style-type: none"> <li>• Travel to CRS HQ in Baltimore</li> <li>• Presentation of study findings at CRS</li> <li>• Return travel</li> </ul>

## PRODUCT USE STUDY OF SILC IN ZAMBIA

### CRS Responsibilities

Tasks to be performed by CRS Zambia and PQSD in support of the research:

No.	Task	Responsibility
1	Prepare a checklist of items for CRS Zambia in preparation of the visit, including: hotel logistics, transportation, translation services, partner contact, key stakeholder contacts, etc.	CRS Zambia
2	Work with the researcher to select sites & develop an itinerary for the field visits, including the daily schedule for interviews & FGDs	CRS Zambia
3	Organize the participants for the interviews & FGDs, in coordination with partner staff, ensuring that they take place with the appropriate individuals	CRS Zambia
4	Provide interpreter for interviews & FGDs, as needed, at each research site	CRS Zambia
4	Provide feedback on tools & research plan	PQSD/CRS Zambia
6	Provide feedback to the researcher on the report draft	PQSD/CRS Zambia

### Key Working Relationships

Technical support and supervision of this initiative will be provided primarily by Dr. Michael Ferguson, technical advisor for microfinance at CRS headquarters, and secondarily by Tom Shaw, senior technical advisor for microfinance at CRS headquarters. In addition to the tasks outlined above, Dr. Ferguson will remain available throughout the research project for any and all consultations that are needed.

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**PRODUCT USE STUDY OF SILC IN ZAMBIA**

**APPENDIX B INTERVIEW QUESTIONNAIRE**

<b>1. Socio-economic Profile Survey : General information</b>	
Gender	
Age	
Education	
Marital Status	
<b>HH information</b>	
Total # persons in household	
For other members of household please list relation to you and their age:	
Total # persons in household earning money in the past year (including you)	
For those earning money, other than you, please list relation to you and their job:	
<b>Respondent Employment Information</b>	
Engaged in any type of farming activity in the past year? (Y/N)	
Engaged in any type of wage employment in past year? (Y/N)	
If yes, was it part-time or full-time, steady or temporary?	
Engaged in self-employment or business activity (other than farming) in past year? (Y/N)	
If yes, type of SE or business	
<b>Asset Questions</b>	
Do you have a secure title to the house in which you live? (Y/N)	
Do you own farmland?	
<b>Experience with Financial Institutions</b>	
Do you have any outstanding loans? (Y/N)	
<i>If yes, what is the source of the loan(s)</i>	
Does anyone owe you money?	
<i>If yes, who?</i>	
Do you have savings? (Y/N)	
<i>If yes, where?</i>	
Are you a member of a ROSCA (Y/N)	
Do you have a bank account (Y/N)	
Do you have any insurance? (Y/N)	
<i>If yes, what type of insurance do you have?</i>	

## PRODUCT USE STUDY OF SILC IN ZAMBIA

### 2. IN-DEPTH INTERVIEW: INITIAL INTEREST IN SILC

1) How did you become interested in the SILC program? <b>PROBES:</b> a) Did you hear about it from a friend or neighbor? b) Did you talk to a field agent?
2) Why did you choose to join SILC over other savings products and self-help groups? <b>PROBES:</b> a) What did you think were the unique benefits of SILC? b) Did you choose SILC over other financial services? c) Why do you think SILC is better than <b>other ways of borrowing</b> (for example, MF loans)? d) What other financial services do you use in addition to SILC? e) Why do you <b>think you need many different financial services</b> ?

### 3. IN-DEPTH INTERVIEW: SHAREOUT USE

3) How did you plan on using the shareout funds? <b>PROBES:</b> a) Did you plan to use the shareout funds for household expenditures? b) Did you plan to use the shareout funds to invest in or expand a business?
4) How did you actually use the shareout funds? <b>PROBES:</b> a) Did you use the shareout funds for household expenditures? b) Did you use the shareout funds to invest in or expand a business? c) If yes, what kind of business did you use it for? d) Did you use it for expansion? How? e) If you used the shareout funds for both business and household expenditures, how much did you spend on each? f) How did you pay for (the mentioned expenses or use) before SILC? g) Why do you think the actual use of shareout funds was different from the planned use? h) Was this difference in planned and actual spending because of a one-time shock or event?
5) How did you discuss the shareout fund within the SILC? <b>PROBES:</b> a) Did you discuss how to use the money within the SILC group? If yes, what did you talk about? b) Did <b>the group facilitator give you any guidance on how to use the shareout</b> ? c) If yes, what kind of guidance? What did s/he advise you to do? d) Is there any particular SILC member whose advice you sought? e) Did your spouse or any other household members take part in these discussions about the shareout fund or offer any advice about its use?
6) What influenced your decision of how to use the shareout funds? <b>PROBES:</b> a) Were there any benefits to using the money for business or agriculture? b) Were there any risks to using the money for business or agriculture? c) Did your household situation influence the use of shareout funds? d) Did you experience any constraints that prevented you from spending on business or Ag.? e) Do you think a member of your HH influenced your decision of how to use the shareout funds? f) If yes, how did s/he influence you? To what extent? ( <b>husbands influencing wives</b> )
7) Do you think using shareout funds created new business relationships and opportunities? If so, how? <b>PROBES:</b> a) With whom (people or organizations) did you build these relationships? What kind of opportunities did you experience? b) What kind of value do you think these relationships and opportunities added to your business? c) Do you think this would have been possible without the SILC shareout funds?

## PRODUCT USE STUDY OF SILC IN ZAMBIA

### 4. IN-DEPTH INTERVIEW: LOAN USE

<p>8) How did you plan on using the loan funds? <b>PROBES:</b></p> <ul style="list-style-type: none"> <li>a) Did you plan to use the loan funds for household expenditures?</li> <li>b) Did you plan to use the loan funds to invest in or expand a business?</li> </ul>
<p>9) How did you actually use the loan funds? <b>PROBES:</b></p> <ul style="list-style-type: none"> <li>a) Did you use the loan funds for household expenditures?</li> <li>b) Did you use the loan funds to invest in or expand a business?</li> <li>c) If yes, what kind of business did you use it for?</li> <li>d) Did you use it for expansion? How?</li> <li>e) If you used the loan funds for both business and household expenditures, how much did you spend on each?</li> <li>f) How did you pay for (the mentioned expenses or use) before SILC?</li> <li>g) Why do you think the actual use of loan funds was different from the planned use?</li> <li>h) Was this difference in planned and actual spending because of a one-time shock or event?</li> </ul>
<p>10) How did you discuss the loan fund within the SILC? <b>PROBES:</b></p> <ul style="list-style-type: none"> <li>a) Did you discuss how to use the money within the SILC group? If yes, what did you talk about?</li> <li>b) Did the group facilitator give you any guidance on how to use the loan?</li> <li>c) If yes, what kind of guidance? What did s/he advise you to do?</li> <li>d) Is there any particular SILC member whose advice you sought?</li> <li><b>e) Did your spouse or any other household members take part in these discussions about the loan fund or offer any advice about its use? (gender dynamics)</b></li> </ul>
<p>11) What influenced your decision of how to use the loan funds? <b>PROBES:</b></p> <ul style="list-style-type: none"> <li>a) Were there any benefits to using the money for business or agriculture?</li> <li>b) Were there any risks to using the money for business or agriculture?</li> <li>c) Did your household situation influence the use of loan funds?</li> <li>d) Did you experience any constraints that prevented you from spending on business or Ag.?</li> <li>e) Do you think a member of your HH influenced your decision of how to use the loan funds?</li> <li>f) If yes, how did s/he influence you? To what extent?</li> </ul>
<p>12) Do you think using loan funds created new business relationships and opportunities? If so, how? <b>PROBES:</b></p> <ul style="list-style-type: none"> <li>a) With whom (people or organizations) did you build these relationships? What kind of opportunities did you experience?</li> <li>b) What kind of value do you think these relationships and opportunities added to your business?</li> <li>c) Do you think this would have been possible without the SILC loan funds?</li> </ul>
<p><b>13) Did you have any difficulties making payments to the SILC on your loan? If yes, what were the reasons that caused these difficulties in payments? <b>PROBES:</b></b></p> <ul style="list-style-type: none"> <li>a) Do you know of other members in the group who defaulted on their loans? If yes, what happened in the SILC group in such a situation?</li> <li>b) For example, did you know why this person defaulted? What was the group reaction, etc.?</li> </ul>
<p>14) How did you overcome these difficulties to finally repay the loan? <b>PROBES:</b></p> <ul style="list-style-type: none"> <li>a) Did this result in a delayed payment to the SILC?</li> </ul>
<p>15) Have you defaulted on a loan? If yes, what were the reasons for defaulting?</p>
<p>16) If yes, how was the default resolved within the SILC? <b>PROBES:</b></p> <ul style="list-style-type: none"> <li>a) What were the financial implications for you and the rest of the group?</li> <li>b) What was the impact on your status in the SILC?</li> </ul>

**PRODUCT USE STUDY OF SILC IN ZAMBIA**

**5. IN-DEPTH INTERVIEW: EMERGENCY FUND USE**

17) Why did you request the use of emergency funds?
18) How did you reach this decision? <b>PROBES:</b> a) What were some of the other options you considered, if any? b) Who did you talk to about requesting the use of emergency funds, either within or outside your household? c) Who ultimately made the decision in the household?
19) How were the emergency loan funds used?
20) What are the benefits of requesting and using money from SILC for emergencies?
21) What are the disadvantages of requesting and using money from SILC for emergencies?
22) How did you access funds during an emergency before joining the SILC program?

**6. IN-DEPTH INTERVIEW: IMPACT OF SILC**

23) Tell me about how being a SILC member has affected your household financially. <b>PROBES:</b> a) What effects do you see on household finances? Ex: surplus income through investments? Increased savings? Increased debt? b) [In case of surplus income] How did you use the surplus income you mentioned? Ex: reinvested in business? Household expenditures? c) How were your household savings habits affected? (For example, how much more are you saving? How much has your income increased?) d) How were your household borrowing habits affected? (For example, how much more or less are you borrowing?) e) Have there been changes in your life other than SILC that could have affected your savings, borrowing and income? (For example, the use of other financial services or instruments) f) How has your knowledge and level of comfort with other financial services/instruments been impacted? g) How has your use of other financial instruments been affected?
24) How has being a SILC member helped you cope with emergencies or sudden needs? <b>PROBES:</b> a) Which SILC funding mechanism did you find most useful? b) Why? c) How accessible were the SILC funding mechanisms in comparison with other options?
25) [Women] Tell me about how you think SILC membership has affected your status in the HH. <b>PROBES:</b> a) Do you think that you have an increased voice in financial household decisions? b) Do you think that you have say in deciding how shareout or loan funds are used? c) Do you think that you have an increased voice in other household decisions? d) Do you discuss these decisions with your spouse? If yes, do you think that you can freely offer your opinion? e) Do you think that being a SILC member for a longer time has an effect on your status in the household? <b>(husbands still calling the shots?)</b>
26) Overall, what is your opinion of SILC and the value of its services in your life?
27) What do you think your life will look like in the next five years? <b>PROBES:</b> a) Do you think that you will be in the same line of work? Why? b) How will your household change in the next five years? c) What goals do you have for the next five years? d) What role do you see savings playing in achieving your goal?

## PRODUCT USE STUDY OF SILC IN ZAMBIA

### APPENDIX C CODE KEY

Code	Explanation
<b>1time_shock</b>	Respondents indicated that they used the funds differently from what they had planned due to some kind of one time shock, either death, illness, or payment of school fees
<b>access</b>	Respondent identified accessibility, i.e. being able to get money easily and immediately at whatever time they want as a key benefit of SILC
<b>big_proj</b>	Respondent used funds for a big project, such as construction or renovation of a house
<b>brplan</b>	Respondents reported borrowing according to a plan as a change in borrowing habits that resulted from being a member of SILC
<b>brSILC</b>	Respondents reported borrowing exclusively from SILC as a change in borrowing habits that resulted from being a member of SILC
<b>braccess</b>	Respondents indicated that they had no (or limited) access to loans before SILC; it's easier to borrow now with SILC
<b>bus_expan</b>	Respondents used funds from SILC to expand businesses by buying more stock, tools etc.
<b>bus_invest</b>	Respondents used funds as start up capital for a new business
<b>community</b>	Respondents reported feeling a sense of community with their SILC group as a unique benefit of SILC
<b>confidence</b>	Respondent indicated that she felt more confident in voicing her opinion to her husband as a result of being a member of SILC
<b>constraint</b>	Respondents feel that some constraint at home influences how they use their SILC funds
<b>contribute</b>	Women indicated that they are viewed differently in the household because they can now contribute income
<b>ded_sav</b>	Respondents indicated that defaulters had their owed loan amount deducted from their savings or from their shareout
<b>death</b>	Respondents indicated that they <u>were</u> delinquent due to a death in the family
<b>disc_family</b>	Respondents indicate that everyone discusses plans for using funds as a family or together with certain family members (husbands, children, etc.)
<b>disc_SILC</b>	Respondents indicate that it was compulsory or customary to discuss loan/shareout usage in SILC
<b>disc_SILC_SH</b>	Respondents indicated that they discussed shareout use with the SILC group even though it was not compulsory
<b>disc_spec</b>	Respondents discussed usage of SILC funds w/ a specific person in SILC rather than the whole group (ex: secretary, friend, someone who has done the business before)
<b>diversify</b>	Respondents indicated that it was less risky to diversify their fund use in business, i.e. use loan funds in 2 or 3 different businesses
<b>diverted</b>	Respondents used funds in a different way than what they had planned, i.e. they "diverted" the money
<b>FA_gadv</b>	Respondents indicate that Field Agents offered them general advice such as to use funds in business, know about the kind of business they were getting into, how to service loans, and other entrepreneurship skills (planning, budgeting)
<b>farm_in</b>	Respondents used funds to buy farming inputs such as seeds, fertilizers, labor, etc.

## PRODUCT USE STUDY OF SILC IN ZAMBIA

<b>fin_know</b>	Respondents reported gaining financial knowledge and business skills as a result of being a member of SILC
<b>food</b>	Respondents used funds to buy food (millimeal, etc.)
<b>funeral</b>	Respondents used funds for funeral/memorial needs
<b>HH_cons</b>	respondent used funds for HH consumption, i.e. buying goods such as TV, mattress, pots, plates etc.
<b>income</b>	respondents feel that they need to invest SILC funds to earn income (towards their primary income generating activity), without specifically mentioning that profits from business will yield an amount greater than the loan
<b>inc_inc</b>	Respondents reported an increase in income as a financial impact of SILC
<b>inc_resp</b>	Women reported that they were respected more in the household as a result of being a SILC member
<b>inc_voice</b>	Women reported having an increased voice in household decision making as a result of being a member of SILC
<b>independence</b>	Women reported being independent; i.e., not being financially reliant on other family members and/or husband as a result of being a SILC member
<b>int_rate</b>	Respondents reported that a low interest rate or no interest rate offered in SILC is an advantage
<b>leftover</b>	Respondents used SILC funds that were "leftover" after they spent according to plan towards other needs (household consumption or business)
<b>less_const</b>	Respondents feel that they are able to invest their SILC funds in business because there are less constraints at home because there are other sources of income
<b>less_income</b>	Respondents indicated that they were delinquent because business was slow or there were too many household expenses
<b>liq</b>	Liquidity- respondents feel that having a constant supply of money when they need it, i.e. having liquidity is a benefit of SILC
<b>loan_fund</b>	Respondents indicated that they thought that the loan fund was the most useful SILC funding mechanism
<b>lump_sum</b>	Respondents indicated that receiving a lump sum as a part of the shareout was a benefit of SILC
<b>meet_att</b>	Respondents indicated that they were delinquent due to their inability to attend the SILC meeting and not because they did not have the money.
<b>no2nd</b>	Respondents indicated that defaulters were expelled from the SILC group at the end of the cycle and will not take part in the 2nd cycle
<b>no_disc</b>	Respondents did not discuss the use of shareout or loan fund within the SILC group
<b>no_loans</b>	Respondents indicated that defaulters who were still members of the SILC group would no longer have access to the SILC loan fund.
<b>not_managed</b>	Respondent would not have managed an expense funded through SILC before or without being in the SILC group
<b>no_plan</b>	Respondents had no plan for the shareout or loan fund money
<b>others</b>	Respondents indicated that they relied on others or borrowed money from others for money before SILC, sometimes with consequences of high interest (others includes friends, neighbors, or even family members)
<b>ownership</b>	Respondents reported that feeling a sense of ownership in the savings and loans cycle was a unique benefit of SILC



## PRODUCT USE STUDY OF SILC IN ZAMBIA

<b>prev_inc</b>	Respondents indicated that they used previous sources of income before SILC. However these previous sources were not sufficient to enable business or other activities at the scale and speed that SILC funding was
<b>profit</b>	Respondents thought that using SILC funding for businesses will allow them to use the profits as a source of income to meet other expenses, to pay back loans, or to save more
<b>rent_income</b>	Respondents indicated that rent would be a source of income when asked what influenced them to invest in building or maintaining a house
<b>reqs</b>	Respondents indicated that a key benefit of SILC was that it was easy to join and did not require extensive time, paperwork or collateral like banks
<b>s_know</b>	Respondents reported gaining a knowledge of how to save regularly and learning the habit of saving as a financial impact of SILC
<b>s_more</b>	Respondents indicated that they are saving more by being a member of SILC
<b>s_plan</b>	Respondents indicated that they save with a plan and a purpose
<b>s &amp; b</b>	Respondents reported being able to save and borrow simultaneously as a unique benefit of SILC
<b>savings</b>	Respondents indicated that savings (i.e. being able to save) was the most useful funding mechanism of SILC
<b>school_fees</b>	Respondent used funds to pay for school fees
<b>shareout</b>	Respondents indicated that the shareout fund was the most useful funding mechanism of SILC
<b>shylock</b>	Respondent would have resorted to a loan from shylock/community lender at 100% interest rate
<b>sickness</b>	Respondents used social fund for a sickness in the family Respondents indicated that they were delinquent due to a sickness in the family
<b>social_fund</b>	Respondents indicated that the Social Fund was the most useful funding mechanism of SILC
<b>S.O.L.</b>	Respondents feel that SILC has improved their standard of living
<b>sold_goods</b>	Respondents indicated that defaulters had goods from their house confiscated and sold to recover the owed loan amount
<b>still2nd</b>	Respondents indicated that defaulters were still members of the SILC group and would be in the 2nd cycle
<b>unex</b>	Respondents were delinquent because of an unexpected delay in receiving their normal income (e.g. delay in money transfer, or rental income from tenant)
<b>USP</b>	Respondents used funds as planned

**PRODUCT USE STUDY OF SILC IN ZAMBIA**

**APPENDIX D CODE FREQUENCY REPORT**

**Loan Fund Use**

<b>Domain</b>	<b>Code</b>	<b>Explanation</b>	<b>Frequency</b>	<b>Percentage<sup>7</sup></b>
<b>Actual vs. Planned Use</b>	USP	Respondents used funds as planned. They have never used money differently than what they had planned.	29	74.35%
	Diverted	Respondents used funds in a different way than what they had planned, i.e. they "diverted" the money	2	5.12%
	USP; diverted	Respondents took more than one loan, generally used the money according to the plan, but diverted their funds at least once	8	20.50%
	1time_shock	respondents indicated that they used the funds differently from what they had planned due to some kind of one time shock, either death, illness, or payment of school fees	9	90.00%
<b>How Loan Funds are Used</b>	bus_expan	Respondents used funds from SILC to sustain and expand their businesses by buying more stock, tools etc.	26	66.67%
	bus_invest	Respondents used funds as startup capital for a new business	7	17.95%
	farm_in	Respondents used funds to buy farming inputs such as seeds, fertilizers, labour, etc.	6	15.38%
	HH_cons	Respondent used funds for HH consumption, i.e. buying goods such as TV, mattress, pots, plates etc.	5	12.82%
	big_proj	Respondent used funds for a big project, such as construction or renovation of a house	3	7.69%
	Leftover	Respondents used SILC funds that were "leftover" after they spent according to plan towards other needs (household consumption or business)	4	10.26%
<b>Decision Making Process: Influences and Reasons</b>	Profit	Respondents thought that using SILC funding for businesses will allow them to use the profits as a source of income to meet other expenses, to pay back loans, or to save more	26	66.67%
	Income	Respondents feel that they need to invest SILC funds to earn income (towards their primary income generating activity), without specifically mentioning that profits from business will yield an amount greater than the loan	4	10.26%
	FA_gadv	Respondents indicate that Field Agents offered them general advice such as- to use funds in business, know about the kind of business they were getting into, loans can only be serviced through investing in business, and other entrepreneurship skills (planning, budgeting)	22	56.41%
	Diversify	Respondents indicated that it was less risky to diversify their fund use in business, i.e. use loan funds in 2 or 3 different businesses	4	10.26%
	less_const	Respondents feel that they are able to invest their SILC funds in business because there are less constraints at home due to other sources of income or a lack of urgent household needs	4	10.26%
	Constraint	Respondents feel that some constraint at home influences how they use their SILC funds	3	7.69%
	rent_income	Respondents indicated that rent would be a source of income when asked what influenced them to invest in building or maintaining a house	2	5.13%

<sup>7</sup> Percentages are calculated from a sample of 39 as 1 SILC member interviewed had never taken a loan.

**PRODUCT USE STUDY OF SILC IN ZAMBIA**

**Loan Fund Use (continued)**

<b>Domain</b>	<b>Code</b>	<b>Explanation</b>	<b>Frequency</b>	<b>Percentage<sup>8</sup></b>
<b>Decision Making Process: Whom Respondents Talk To</b>	disc_SILC	respondents indicate that it was mandatory or customary to discuss loan/shareout usage in SILC	30	76.92%
	disc_family	respondents indicate that everyone discusses plans for using funds together as a family or with certain family members (husbands, children etc.)	26	66.67%
	disc_spec	respondents discussed usage of SILC funds w/ a specific person in SILC rather (ex: secretary, friend, someone who has done the business before) and asked them for advice	4	10.26%
<b>Loan Delinquencies</b>	less_income	Respondents indicated that they were delinquent because business was slow or there were too many household expenses	6	40.00% <sup>9</sup>
	Unex	Respondents were delinquent because of an unexpected delay in receiving their normal income (e.g. delay in money transfer, or rental income from tenant)	4	26.67%
	Death	Respondents indicated that they were delinquent due to a death in the family	2	13.33%
	meet_att	Respondents indicated that the delinquency was due to inability to attend the SILC meeting and not because they did not have the money.	2	13.33%
	Sickness	Respondents indicated that they were delinquent due to a sickness in the family	1	
<b>Loan Defaults</b>	ded_sav	respondents indicated that defaulters had their owed loan amount deducted from their savings or from their shareout	17	77.27%
	sold_goods	respondents indicated that defaulters had goods from their house confiscated and sold to recover the owed loan amount	6	27.27%
	no2nd	Respondents indicated that defaulters were expelled from the SILC group at the end of the cycle and will not take part in the 2nd cycle	7	31.82%
	still2nd	respondents indicated that defaulters were still members of the SILC group and would be in the 2nd cycle	5	22.73%
	no_loans	respondents indicated that defaulters who were still members of the SILC group would no longer have access to the SILC loan fund.	3	13.64%

<sup>8</sup> Percentages are calculated from a sample of 39 as 1 SILC member interviewed had never taken a loan.

<sup>9</sup> Percentages for loan delinquency and default are calculated from a sample of 15.

## PRODUCT USE STUDY OF SILC IN ZAMBIA

### Social Fund Use

Domain	Code	Explanation	Frequency	Percentage <sup>10</sup>
<b>Social Fund Use: Reasons</b>	Sickness	respondents used social fund for a sickness in the family	15	45.45%
	school_fees	respondent used funds to pay for school fees	10	30.30%
	Food	respondents used funds to buy food (millimel, etc. )	9	27.27%
	Funeral	respondents used funds for funeral/memorial needs	6	18.18%
	end_group	respondents use the social fund for group snacks at the end of the year	2	6.06%
<b>Social Fund: Benefits</b>	int_rate	respondents feel low interest rate or no interest rate in SILC is an advantage	31	93.94%
	Access	respondent identifies accessibility (i.e. being able to get money easily and immediately at whatever time they want) as a key benefit of SILC	26	78.79%

### Shareout Fund Use

Domain	Code	Explanation	Frequency	Percentage <sup>11</sup>
<b>Actual vs. Planned Use</b>	USP	Respondents used funds as planned. They have never used money differently than what they had planned.	22	75.86%
	Diverted	Respondents used funds in a different way than what they had planned, i.e. they "diverted" the money	4	13.79%
	1time_shock	Respondents indicated that they used the funds differently from what they had planned due to some kind of one time shock, either death, illness, or payment of school fees	2	50.00%
<b>How shareout funds are used</b>	big_proj	Respondent used funds for a big project, such as construction or renovation of a house	12	41.38%
	bus_expan	Respondents used funds from SILC to sustain and expand their businesses by buying more stock, tools etc.	11	37.93%
	bus_invest	Respondents used funds as startup capital for a new business* <b>only bus investment was a diversion</b>	1	3.45%
	school_fees	respondent used funds to pay for school fees	5	17.24%
	HH_cons	Respondent used funds for HH consumption, i.e. buying goods such as TV, mattress, pots, plates etc.	5	17.24%
<b>Decision Making Process: Influences and Reasons</b>	Profit	Respondents thought that using SILC funds for businesses will allow them to use the profits as a source of income to meet other expenses, to pay back loans, or to save more	22	55.00% <sup>12</sup>
	FA_gadv	Respondents indicate that Field Agents offered them general advice such as- to use funds in business, know about the kind of business they were getting into, loans can only be serviced through investing in business, and other entrepreneurship skills (planning, budgeting)	17	42.50%
	constraint	Respondents feel that some constraint at home influences how they use their SILC funds	10	25.00%
	rent_income	Respondents indicated that rent would be a source of income when asked what influenced them to invest in building or maintaining a house	5	12.50%
	less_const	Respondents feel that they are able to invest their SILC funds in business because there are less constraints at home due to other sources of income or a lack of urgent household needs	4	10.00%

<sup>10</sup> Percentages are calculated from a sample of 33 as 7 SILC members interviewed had never used the social fund.

<sup>11</sup> Percentages are calculated from a sample of 29 as 11 SILC members interviewed had not yet shared out.

<sup>12</sup> Percentages are calculated from a sample of 40 as decision making process as it is not dependent on shareout.

## PRODUCT USE STUDY OF SILC IN ZAMBIA

### Shareout Fund Use (continued)

Domain	Code	Explanation	Frequency	Percentage
<b>Decision Making Process: Whom Respondents Talk To</b>	disc_family	respondents indicate that everyone discusses plans for using funds together as a family or with certain family members (husbands, children etc.)	35	87.50%
	disc_SILC_SH	respondents indicated that they discussed shareout use with the SILC group even though it was not compulsory	15	37.50%
	no_disc	did not discuss the use of shareout or loan fund within the SILC group	13	32.50%
	disc_spec	respondents discussed usage of SILC funds w/ a specific person in SILC rather (ex: secretary, friend, someone who has done the business before) and asked them for advice	10	25.00%

### Impact of SILC

Domain	Code	Explanation	Frequency	Percentage <sup>13</sup>
<b>Financial Impact of SILC in the HH</b>	s_more	Respondents indicated that they are saving more by being a member of SILC	35	87.50%
	fin_know	Respondents reported gaining financial knowledge and business skills (including budgeting, financial planning, and information about other financial resources) by being a member of SILC	23	57.50%
	brSILC	Respondents reported borrowing exclusively from SILC as a change in borrowing habits that resulted from being a member of SILC	22	55.00%
	inc_inc	Respondents reported an increase in income as a financial impact of SILC	20	50.00%
	brplan	Respondents reported borrowing according to a plan as a change in borrowing habits that resulted from being a member of SILC	18	45.00%
	s_know	Respondents reported gaining a knowledge of how to save regularly and learning the habit of saving as a financial impact of SILC	10	25.00%
<b>Effects of SILC on women's status in the household</b>	contribute	Women indicated that they are viewed differently in the household because they can now contribute income	14	43.75% <sup>14</sup>
	inc_resp	Women reported that they were respected more in the household as a result of being a member of SILC	12	37.50%
	inc_voice	Women reported having an increased voice in household decision making as a result of being a member of SILC	8	25.00%
	confidence	Respondent indicated that she felt more confident in voicing her opinion to her husband as a result of being a member of SILC	5	15.63%
	Independence	Women reported being independent, i.e. not being financially reliant on other family members and/or husband as a result of being a SILC member	5	15.63%

<sup>13</sup> Percentages are calculated from the entire sample of 40.

<sup>14</sup> Percentages are calculated from a sample of 32, which excludes the men in the sample.

## PRODUCT USE STUDY OF SILC IN ZAMBIA

### Impact of SILC (continued)

Domain	Code	Explanation	Frequency	Percentage <sup>15</sup>
<b>Most useful SILC funding mechanism</b>	loan_fund	Respondents indicated that they thought that the loan fund was the most useful SILC funding mechanism	25	62.50%
	shareout	Respondents indicated that they thought that the shareout fund was the most useful SILC funding mechanism	9	22.50%
	social_fund	Respondents indicated that they thought that the social fund was the most useful SILC funding mechanism	3	7.50%
	savings	Respondents insisted that savings (i.e. being able to save) was the most useful funding mechanism of SILC	3	7.50%
<b>Unique benefits of SILC</b>	int_rate	Respondents reported that a low interest rate or no interest rate offered in SILC is an advantage	28	70.00%
	access	Respondents identified accessibility, i.e. being able to get money easily and immediately at whatever time they want as a key benefit of SILC	27	67.50%
	s&b	Respondents reported being able to save and borrow simultaneously as a unique benefit of SILC	18	45.00%
	community	Respondents reported feeling a sense of community and shared understanding with their SILC group as a unique benefit of SILC	12	30.00%
	ownership	Respondents reported that feeling a sense of ownership in the savings and loans cycle was a unique benefit of SILC	10	25.00%
	reqs	Respondents indicated that a key benefit of SILC was that it was easy to join and did not require extensive time, paperwork or collateral like banks did	9	22.50%
	rec_int	Respondents reported receiving interest regularly on their savings as a unique benefit of SILC	4	10.00%

<sup>15</sup> Percentages are calculated from the entire sample of 40.

## PRODUCT USE STUDY OF SILC IN ZAMBIA

### APPENDIX E FIELD AGENT AND FIELD AGENT SUPERVISORS BY LOCATION

<b>Designation</b>	<b>Name</b>	<b>Location</b>
<b>Field Agent Supervisor</b>	Philip Kaunda	Mongu
	Muzungu Kawmukwa	Mongu
	Gertrude Wakunguma	Kitwe
	Candy Banda	Ndola
	Whitney Mutale	Kasama
	Emmanuel Musonda	Mpika
<b>Field Agent</b>	Gertrude Gondwe	Kitwe
	Remmy Sim Fukwe	Kasama

## PRODUCT USE STUDY OF SILC IN ZAMBIA

### APPENDIX F CASE STUDY: INDIVIDUAL INTERVIEW

This appendix contains a more comprehensive summary of the interview with a female SILC member aged 49, and who lives in Kitwe, Zambia.

She is married and lives in a household of 10 people; e.g., herself, six children, her mother, her sister-in-law, and her husband. She and her husband are the primary income generators in the household. Her husband is a watch repairman. She runs a small business selling cooked food, mostly rice, beans, and meat. Her husband's business is not doing very well. She explained to the researcher that most people now depend on their phones to check the time and don't worry about their broken watches. As such, she has now taken on the majority of the burden to provide for her family. She and her husband have a secure title to their house and own a small piece of farmland on which they do subsistence farming (primarily for consumption). They have no outstanding loans and no access to any other financial services, except for SILC. She saves regularly in her SILC.

This Kitwe based female microentrepreneur volunteers at the local Catholic Diocese, which is where she first heard about SILC. She liked the idea of saving and borrowing simultaneously, and of having ownership of the process. She explained how SILC was their money and not someone else's. It is owned by the members and remains in the community. She further explained how SILC loans were easy to access since they required no collateral. She has not been able to borrow from other sources because of a lack of collateral, which is a requirement. These were the reasons that convinced her to join a SILC.

After joining the SILC groups she soon started borrowing and described how participation in SILC taught her to always plan for her loans. The field agent in her SILC group always encouraged members to plan well and invest in a business, so as to be able to pay back the loans. Other SILC members encouraged her to use loans in her business so she could pay back the money on time. She explained that this persuaded her to carefully plan for her loans and invest them in her business. She used her loan money to buy more materials for her food business and never diverted the money towards any other use. She never discussed using the loans with her family because she knew that she had to put it towards her business. She explained how business was the only way to recover her loans and pay them back. She mentioned how before SILC she used to receive money (remittance) from a son to maintain her business. Now, with SILC, she has been able to buy more raw materials and expand her business. In fact, her business has expanded so much such that customers from the bar near her food stall have noticed it, too. The bar customers are now giving her food orders so that they can eat and drink at the same time.

Sometimes, she has had difficulties in paying back her loans. She explains how her business profits are still smaller (less net income) than the financial needs of her family, especially given the slowdown in her husband's business. They need a lot of food for a large family, and as such sometimes even go hungry. She indicated that she has been able to overcome these difficulties through working and saving diligently. Whenever she makes a profit, she takes half home for family expenses, and saves the other half for her loan repayment. She usually accumulates enough to pay back loans on time, but at times has



## PRODUCT USE STUDY OF SILC IN ZAMBIA

been delinquent on a loan payment (installment) because of lower than expected business income. When she has been delinquent she has had to pay an additional 1% in interest on the loan principal as a penalty for late repayment. She has not; however, defaulted on a loan.

She has never used the social fund. She explained that there are rules for social fund use in their SILC constitution. Based on the rules she has never had an urgent problem that would have made her eligible under the rules.

Before the shareout, she had planned to use her lump sum of money to invest in her business and increase her income. She explained how her business provides her (from her small profits) with money for daily home use. She discussed this use with her husband, who was very supportive as he recognized that the reinvestment in her business would increase income so they could sustain basic living at home. She bought beans, rice, plates, and spoons for her food business. She explained that she was a little hesitant because this was the first time she was investing a large sum and was not sure if it would work.

When she finally got the shareout money, she decided to use a little towards household expenses. As such, she removed a small part of the shareout, in this case 40 kwacha, for household expenses and invested the rest<sup>16</sup> in her business. She said that by investing in her business, she has been able to use some of the profits to further diversify her investments by buying potatoes, chickens, and eggs to resell. At the end of the second cycle, she is planning to use the shareout money to pay for school fees to keep her son in school.

In describing SILC's effect on her livelihood she said the greatest benefit was having regular and immediate access to funds. Whenever there was a problem, she could immediately borrow money to solve it. Everyone in her family knows this, and now looks up to her because she is in SILC. They go to her with their problems because they know she can solve them. She explained how her income has increased by 20% such that she no longer has to borrow money from other people.

Her participation in SILC has changed their family's lifestyle. Her husband's lack of a guaranteed job (income) makes their household dependent on her participation in SILC. In the next five years she wants to further expand her business to open both a bar and her own a restaurant. She wants a happy family that can experience the benefit of a mother earning regularly.

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<sup>16</sup> She was unable to recall the exact amount of her shareout but it was significantly more than the 40 Kwacha she used for household expenses.