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Financial Inclusion and Empowerment Approaches in Burundi: A Qualitative Analysis Based on VSLAs and SHGs

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Abstract

Financial inclusion is increasingly proving to be a topic of interest to theorists, as well as practitioners. This article analyzes therefore the topic in relation to two empowerment approaches for the case of Burundi, where the level of financial inclusion is very low. It is a qualitative study focusing on VSLA (Village Savings and Loan Association) and SHG (Self-Help Groups) approaches, each of them being implemented almost in a same way by practitioners within organizations. Statistical processing of primary data from 35 practitioners who have been consulted, working with 17 organizations is done, using Google Forms, Ms Excel and IBM SPSS (Statistical Package for Social Science) 25. Based on holding an account at a formal financial institution, the study shows that the possession of an account in a formal financial institution by VSLAs and SHGs is gradually a reality over time. In addition, VSLAs and SHGs members never hold accounts before joining these groups. However, they begin to open individual accounts as their groups are financially included, as the operating cycle unfolds. After 1-2 years of operation, the observation is that the opening of accounts by the group members is gradually and considerably intensified. The main finding of the study is that VSLAs and SHGs that are accessible to poor people benefiting from savings and credit services are steppingstones to financial inclusion in the formal sector.

Keywords: Financial inclusion, empowerment approach, VSLA, SHG, Burundi

1. Introduction

The financial inclusion which is defined as the access of adult population to a range of financial products and services offered by formal financial institutions has been the subject of theoretical and empirical debates [11]. The holding of an account is then considered a basic dimension of financial inclusion, allowing access to savings-credit, insurance, payments, etc [4]. A database has even been set up by the World Bank since 2014, and data on financial inclusion are presented for many countries. Global Financial inclusion thus appears to be a valuable tool for those engaged in promoting financial inclusion [6]. Having an account is therefore used by the World Bank and others as a marker of financial inclusion and the global financial inclusion rate is 69%. In developing economies, the share is 63% [7] and in Burundi, the 2012 National Financial Inclusion Survey found a rate of 12.5% [5]. Which is low!

Samuel Guérineau and Luc Jacolin studied the determinants of financial inclusion in sub-Saharan Africa. In concluding their study, they point out that among other causes of the low level of financial inclusion is poverty. At the same time, however, they propose to increase financial inclusion to solve the problem of poverty for these populations [9]. Since the best way to solve a problem is to address the root causes, it becomes difficult to implement this solution, not knowing where to start between poverty or financial exclusion.

In his study on financial inclusion, Bigawa focused more specifically on Burundi. He concluded that microfinance institutions play a positive role in addressing barriers to financial inclusion, promoting the accessibility and use of formal financial services by low-income populations [2]. However, the fundamental problem remains, as long as the coverage of microfinance institutions (MFIs) remains insufficient. In view of the results of the survey cited above, only 8.8% of the adult population was financially included in microfinance! [5]. In another study, Bigawa found a notorious constraint on financial inclusion. He realized that microfinance has the same policy as traditional banks regarding the guarantees required to access certain individual loans. This unfortunately excludes certain categories of people such as the unemployed or low-income households [1]. Here too, the problem of low levels of financial inclusion remains unresolved if, in addition to the low coverage of MFIs, low-income households do not have access to them. And yet, it constitutes most of the Burundian population. As proof of this, the average GDP per capita (current US$) calculated using the World Bank's database for the period 1960-2020 is US$ 167 [15], more than 28 times lower than the global GDP of US$ 4,731 [5].

Prisca Niyuhire focused on financial inclusion from a gender perspective. She identified the factors explaining the low inclusion rate of women in Burundi. She realized that financial products remain unsuited to women's needs, despite the existence of financial institutions that specifically target women [13]. With a majority female population in Burundi, it is therefore clear that the problem of financial exclusion remains unsolved.

Charles Kabwigiri *and all* did a study on financial intermediation practices and financial inclusion. They are among the few, if not the only ones, to have considered the non-formal sector when studying financial inclusion in Burundi. They used an exploratory approach and noted that the volume of savings and credit is considerable within the Solidarity Groups of Financial Intermediation - SGFI. They thus realized that, taken as a whole, these SGFI offer significant potential to increase the potential market of actors in the formal financial system, and thus to increase financial inclusion. The present study then proposes to make an analysis to verify whether there would be a link between financial inclusion and these SGFI as they are called by Kabwigiri [10] *and all*. More precisely, the analysis is made by taking the criterion of holding an account in a microfinance or a bank. From the study by Charles Kabwigiri *and all*, it emerges that the VSLA approach is the most widespread among six others identified, in terms of the number of groups already created and the volume of savings and credit. However, their study omitted the SHG approach. For this reason, the present study has chosen to base itself specifically on VSLAs and SHGs among the empowerment approaches implemented in Burundi.

2. Materials and methods

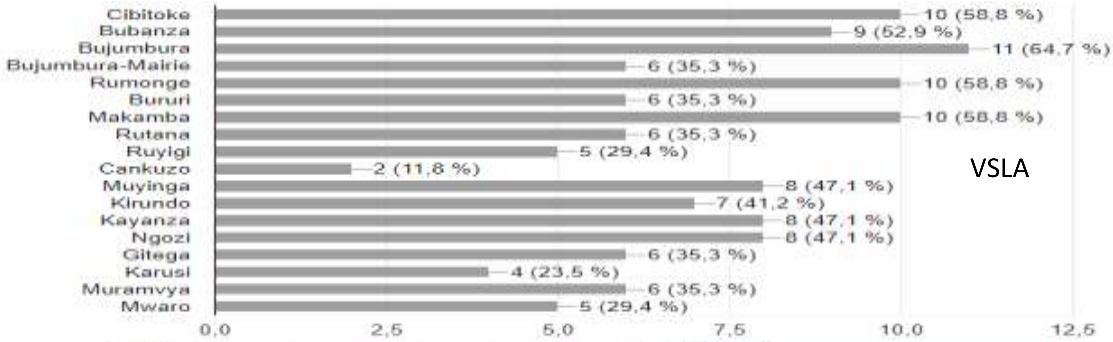
This study provides a statistical analysis of primary qualitative data which have been collected using ICTs. With two questionnaires posted on Google Forms from June to October 2021 in fact, data have been collected from 35 practitioners implementing VSLA and SHG approaches: 17 for VSLAs from 8 organizations and 18 for SHGs from 9 organizations. Data are first analyzed with Google Forms and then using SPSS after uploading via Ms Excel. Once in SPSS, frequencies with which responses have been given are analyzed to generate the results. One shall note that each of the two approaches is implemented by practitioners almost in a same way within organizations. We shall therefore expect a redundancy of responses. The number of 35 respondents is therefore enough to conclude on the findings. In addition, VSLA practitioners are also somewhat familiar with the SHGs, and vice versa, as shown in the following two graphs:

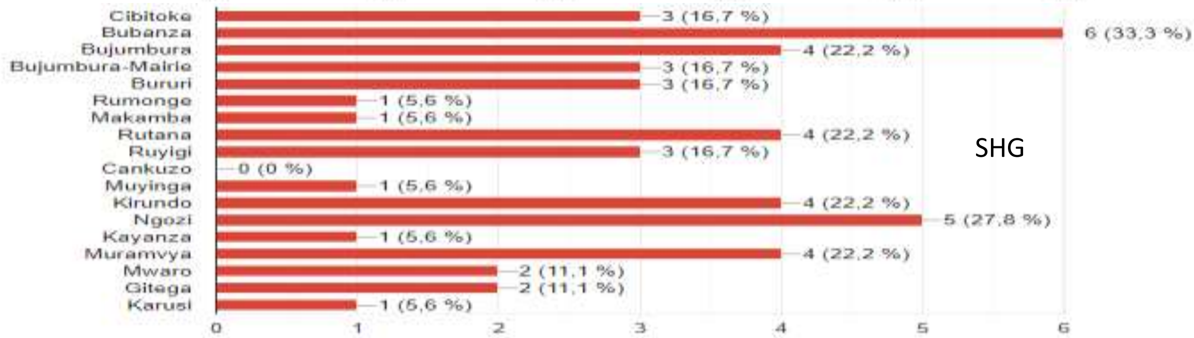
On the one hand, 29.4% of VSLA respondents said they have experience with the SHG approach as well. Another proportion, also 29.4%, said they are at least aware of the SHG approach. On the other hand, 61.1% and 33.3% of SHG respondents respectively revealed that they have experience in VSLAs as well and at least are aware of the existence of this VSLA approach. It is therefore clear that the respondents to the questionnaires are practitioners with good experience in their approach, but also, know the other approach.

3. Results

3.1. Geographical coverage of implementation of VSLA and SHG approaches

Analyses from Google Forms with the collection of primary data from practitioners of both approaches show that VSLAs and SHGs have national coverage as shown in the following two graphs:





The VSLA approach is present in 100% of the provinces, and SHG in 94.4% of the provinces. The latter is absent in Cankuzo province only.

The results of the study emerge from the tables that present the analyses on the link with the services of formal finance. Both VSLA and SHG approaches are first considered at the group level, and then at the member level.

3.2. Link with formal finance services

3.2.1. Account holding by VSLA and SHG groups

The subject of the study being financial inclusion with the VSLA and SHG empowerment approaches, the most relevant results are those related to the services of microfinance institutions and banks. To the question of whether VSLA as groups have accounts in microfinance or banks, the results are provided in the following table:

Holding an account by VSLA groups in a microfinance or bank

		During the operating Cycle	After 1-2 years of operation
Valid		5,6	5,6
	No	38,9	66,7
	Yes	55,6	27,8
	Total	100,0	100,0

On the holding of an account by VSLA groups, of all VSLA respondents, 55.6% said that VSLA have an account in a microfinance or bank *during the operating cycle*. In contrast, 38.9% acknowledged that VSLAs do not have one. For the phase *after 1-2 years of operation*, 27.8% of respondents gave a positive response and 66.7% said that VSLAs do not have an account.

On the same question, results are given in the following table for SHG respondents:

Holding an account by SHG groups in a microfinance or bank		
		Percentage
Valid	During the operating cycle	27,8
	After 1-2 years of operation	72,2
	Total	100,0

27.8% of respondents said that SHGs have an account *during the operating cycle*. The proportion of respondents who said that their SHGs have accounts *after 1-2 years of operation* is 72.2%.

3.2.2. Account holding by group members of VSLAs and SHGs

To the question of whether VSLA members have accounts in microfinance or banks, the results are presented in the following table:

Holding an account in a microfinance or bank by the members of VSLA groups				
		Before the creation of the group	During the operating cycle	After 1-2 years of operation
Valid		5,6	5,6	5,6
	No	94,4	61,1	38,9
	Yes		33,3	55,6
	Total	100,0	100,0	100,0

For the phase *before the creation of the VSLA*, 94.4% of respondents acknowledged that members do not have an account. For the phase *during the operating cycle*, 33.3% responded that members have an account. And for the phase *after 1-2 years of operation*, 55.6% of respondents said that VSLA members have an account.

The following table shows the results for the SHG approach on the same question of account ownership by SHG members.

Holding an account in a microfinance or bank by the members of SHG groups				
		Before the creation of the group	During the operational cycle	After 1-2 years of operation
Valid	Never	100,0	55,6	5,6
	Sometimes		27,8	38,9
	Often		5,6	38,9
	Always		11,1	16,7
	Total	100,0	100,0	100,0

Respondents revealed 100% that SHG members never have an account *before the group was created*. For the phase *during the operational cycle*, 27.8% of respondents said that members *sometimes* have accounts. As for the phase *after 1-2 years of operation*, 38.9% of respondents said that members *sometimes* have accounts. The proportion of 38.9% of respondents also said that members *often* have accounts, and 16.7% revealed that members *always* have accounts.

4. Discussion

On the one hand, the results of the analyses on the possession of an account in a formal financial institution by VSLAs and SHGs show that the opening of accounts *by these groups* is gradually becoming a reality over time. As proof of this;

- The proportion of VSLA respondents decreases by half, from 55.6% to 27.8% when asked if VSLAs have an account in a microfinance or a bank when moving from the phase "*during the operating cycle*" to that "*after 1-2 years of operation*". This is explained by the fact that in the VSLA approach, cycles of savings and credit are fixed, with the possibility of not resuming.
- On the other hand, for the SHG approach in which savings-credit activities are continuous over time, the proportion of respondents is more than 2.5 times, or from 27.8% to 72.2% to the same question and for the transition from the phase "*during the operating cycle*" to that "*after 1-2 years of operation"*. This means that the longer SHG groups remain constituted, the more they open accounts in formal financial institutions.

On the other hand, the results of analyses on the possession of an account in a microfinance or a bank *by the members of the* VSLA and SHG groups show that these approaches contribute to the financial inclusion of their members. Indeed;

- Whether for VSLAs or SHGs, the results reveal that members never have an account before joining such groups.
- VSLA and SHG members open accounts as time passes. Thus, on the question of holding an account by members, the proportion of VSLA respondents increases over time, exponentially. It goes from 0% to 33.3% for the transition from the phase "*before the creation of the VSLA*" to that "*during the operating cycle*". This proportion then changes from 33.3% to 55.6% for the transition from the phase "*during the cycle of activities*" to that "*after 1-2 years of operation*".

  The same is true for the SHG approach. For the transition from the phase "*before the creation of the groups*" to that "*during the cycle of activities*", and from the latter to that "*after 1-2 years of operation*", the situation is as follows:
  - The proportion of respondents ranges from 0% to 11.1% and then from 11.1% to 16.7% of respondents who say that SHG members *always* have an account at a formal financial institution.
  - This proportion ranges from 0% to 5.6% and then from 5.6% to 38.9% of respondents who reveal that members *often* have an account.
  - This proportion changes from 0% to 27.8% and then from 27.8% to 38.9% of respondents who say that members *sometimes* have an account in a microfinance or bank.

As the analyses go further, it becomes clear that the VSLA and SHG groups are frameworks in which people excluded from the traditional financial system can access financial services. In addition to this, they manage to open accounts in microfinance or banks. This is a result that emerges from the combined analysis of the results on VSLA groups and their members, keeping as a criterion of analysis "*holding an account in a microfinance or in a bank*". The same applies to SHG groups and their members. The analysis and synthesis of the results of the four previous tables clearly show this. Indeed;

- For VSLAs, 55.6% of respondents revealed that VSLAs have accounts *during the operating cycle*. At the same time, 33.3% of respondents said their members have accounts during the same phase. However, despite the halving of the proportion of respondents (from 55.6% to 27.8%) due to the sometimes-discontinuous nature of cycles for VSLAs, another remarkable fact is to be noted: the proportion of respondents who say that VSLA members have an account *after 1-2 years of operation* ranges from 27.8% to 55.6%. The opening of accounts by VSLA groups thus becomes a stimulus for the opening of accounts by their members, at individual level.
- At the SHG level, 27.8% of respondents revealed that SHGs have an account *during the operating cycle*. Meanwhile, 5.6% and 11.1% of respondents said that SHG members *often* and *always* hold accounts, respectively. It is interesting to note that *after 1-2 years of operation*, the proportion of respondents increases from 27.8% to 72.2% who say that SHG groups have accounts. At the same time, this proportion increases from 5.6% to 38.9% and from 11.1% to 16.7% respectively, respondents who claim that *after 1-2 years of operation*, SHG members have accounts, *often* and *always*, respectively.

The results of the present study complement what has been known so far, particularly at the level of developing countries such as Burundi. Indeed, it has been more than 30 years since Michel Lelart pointed out that isolated research have revealed the importance of informal saving practices and made it clear that African savings are essentially informal, passing through tontines [12]. The present study shows that VSLA and SHG empowerment approaches stimulate their members and allow them to gradually move towards the formal sector to be financially included. And more recently, Dwight *and all* reported that in low-income countries, the unregulated informal financial sector coexists with the formal sector. These authors add that this sector can compete with the formal sector, which is large in these countries [8]. For this reason, the informal sector should not be neglected. The implementation of VSLAs and SHGs then makes it possible to make a link between the informal and the formal on the issue of financial inclusion.
In addition to this, the above-mentioned national survey on financial inclusion in Burundi found that 3.7% of the adult population had a bank account, 8.8% had one in a non-bank financial institution. Curiously, 14.2% of this population were in informal financial systems [5]. However, empowerment groups are more accessible than microfinance and microfinance is more accessible than banks.

With the VSLA and SHG empowerment approaches bridging the gap between informal and formal finance, this is a significant contribution to financial inclusion in Burundi. This is reinforced by the fact that both approaches focus on poor categories, and particularly for the SHG approach which targets much more the poorest among the poor [14]. This is even noticeable on the amounts of the weekly savings of the members which are ridiculously low. They can sometimes be 100 BIF (0.05 USD), or even 50 BIF (0.025 USD). This is so long as some of the constraints that limit access to, and use of financial services are related to the situation of poor and low-income people [3]. Again, this is a result of the study by Samuel Guérineau and Luc Jacolin [9]. In addition, the geographical coverage of financial institutions remains low in Burundi, particularly rural areas. Rural areas have 66% of the points of service of financial institutions while the proportion of the population living in rural areas is 90% [5]. However, both VSLAs and SHGs primarily target rural areas where most of the poor reside [14].

Conclusion and prospects for further research

The objective of this study was to analyze the issue of financial inclusion, which remains low in Burundi. It is in relation to two empowerment approaches, VSLA and SHG that the subject was analyzed. Financial inclusion was considered based on holding an account in a microfinance or bank.

The VSLA and SHG approaches, by being steppingstones towards financial inclusion in Burundi, come as a solution to the problem posed: to financially include a large part of the adult population excluded from the financial system. Initially, "inclusion" is done in a non-formal way by providing basic financial services to members with low incomes. In a second step, inclusion is done formally by the opening of accounts in microfinance and banks by the members of the VSLA and SHG groups.

At the end of this study, it is necessary to conduct additional studies on themes related to this subject of study. As an indication, since this study was done upstream of financial inclusion, it would be interesting to do downstream analyses. If with the VSLA and SHG members can move towards financial inclusion, what are the effects on their living conditions once financially included? This is an additional study that should be carried out. This time, data should be collected from participants in solidarity groups, not just from practitioners of empowerment approaches on the field.

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