



## Banking the Last Mile through Savings Groups:

*Promoting Inclusive Financial Services and Livelihood Opportunities for Improved Nutritional Outcomes*

# Introduction

USAID Nawiri's resilient livelihoods strategy includes a financial services component with the goal of enhancing access to financial literacy, savings, credit, business planning, and other financial inclusion services. This component serves as a financial incentive for Private Service Providers (PSPs), to provide essential financial services to the last mile communities in mobilizing and training them to form Village Savings and Loaning Association (VSLA) groups that enable community members to save money that can be accessed during emergencies or, accumulated savings that can be taken as loans to start on/off /non-farm businesses that will help them diversify household income and improve household food and nutrition security

USAID Nawiri is utilizing the Village Savings and Loan Association (VSLA) approach as a financial service delivery platform for communities targeted by the program's interventions. This platform for saving and loaning is layered across the anchor group models, including the Adapted Mother to Mother Support Groups (AMTMSGs), Reap for Nutrition (R4N), Girl Improving Resilience through Livelihood and Health (GIRL-H), and Transforming Masculinity (TM) groups, identified through the program's Community-Integrated Assessment and Action Planning (CIAAP). A VSLA group is a composition of 15-25 participants who voluntarily agree to regularly meet at a local community-safe space to carry out both financial and non financial meetings (savings, loan, social behavior, health etc) with a facilitation from a mentor or private service provider (PSPs). The VSLA platform allows Savings Groups (SG) members to access low-cost financial services with flexible terms while providing a safe space to save money and discuss health and Maternal Infant and Young Child Nutrition (MIYCN) education among other matters that affect them as households as well as at community level. The VSLA financial cycle spans 12 months, after which members distribute accumulated savings and accrued interest proportionate to the individual's amounts deposited after which a new cycle of savings is restarted. Record-keeping and governance are critical to the success of a VSLA.



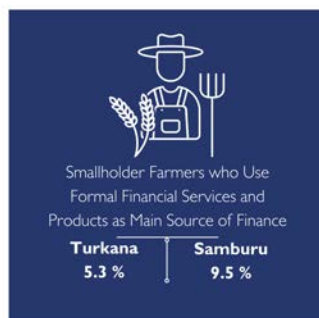
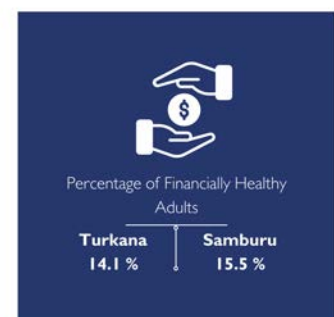
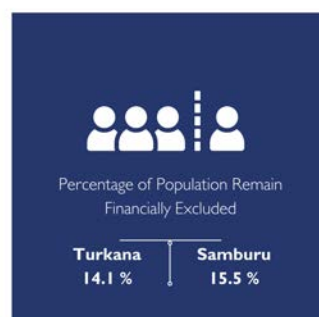
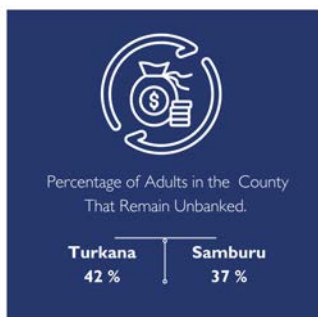
Therefore, SG members democratically develop their constitutions with guidelines and rules on how the group operates. Each member is also provided with an individual passbook where savings and loan amounts are manually recorded. VSLA offers a simple and accountable system for savings and loans to communities lacking access to formal financial services, such as banks or microfinance institutions.

The labor and food market assessment informed Nawiri's, Access to Finance Strategy, for savings groups. Findings from the assessment revealed that inadequate access to finance and financial services is a key constraint impeding the growth of micro and small enterprises in both Turkana and Samburu counties. These enterprises have the potential to increase the local availability and affordability of nutritious and safe foods. However, they face significant challenges, such as insufficient access to finance and business development services, which hinder their growth and aspiration to improve products and expand distribution networks.

Moreover, mainstream financial institutions are hesitant to provide support to micro and small enterprises due to their lack of collateral, reliable financial records, and credit history. Consequently, these enterprises are perceived as high risk due to their low trade capacity, limited profitability, and uncertain growth prospects.

The strategy envisions that with improved access to finance, micro and small enterprises will enhance the nutritional value of their products, expand operations and market reach, and operate more sustainably. Similarly, individuals will have access to diverse options of financial services, enabling them to save money and borrow within the VSLA groups. This provision of access to loans and savings during lean periods will facilitate the expansion of their income-generating activities and improve their social capital.

In Numbers, according to the Financial Access Household Survey, 2022.





# Program Impact

The primary goal of inclusive financial services is to facilitate sustainable, scalable, and inclusive financial solutions that empower households to invest equitably in production systems. This includes purchasing certified, climate-adaptive inputs, engaging in off-farm and non-farm Income Generating Activities (IGAs) including skills development for self and wage employment opportunities. The income earned will be used by households in purchasing and accessing nutritious foods, healthcare, and WASH services, for improved nutrition outcomes.

## Objectives of Financial Services

1. To facilitate last-mile smallholder farmers in reducing their risks through financial products and services, and improving local food systems.
2. To expand and increase access to tailored financial tools and services, supporting last-mile households in building resilient household economies by investing in income-generating activities and managing risks.
3. To facilitate access to essential services, including healthcare, education, and WASH services, through innovative financial products and improved delivery mechanisms.
4. To address the economic empowerment of marginalized/underserved women and adolescent young and adult women by providing them with access to financial services, resources, and opportunities for economic and social advancement.

## Key Financial Services Components

### 1. VSLA Capacity Assessment and Mapping

Nawiri year 3 research, revealed gaps in accessibility and affordability, which informed the mapping and capacity assessment of 178 and 189 AMTMSGs in Samburu and Turkana counties, respectively, to understand their functionality as Village Savings and Loan Associations (VSLAs).

The assessment results indicated that 94% (345) of the VSLAs had low capacity, 2% (7) had medium capacity, 3% (11) had high capacity, and only 1% (4) were self-reliant. With this understanding, USAID Nawiri developed a capacity-strengthening plan for AMTMSGs, which began with the training of trainers (ToTs) on facilitation skills for the rollout of the VSLA curriculum. 81 Community Health Assistants (CHAs) and staff from the Departments of Trade, Social Services, and Co-operatives were trained as TOTs to enable them to deliver the VSLA curriculum to the AMTMSGs VSLA groups.

To diversify household nutrition and income streams, USAID Nawiri supported AMTMSGs with alternative livelihood options through the promotion of home vegetable gardens, poultry rearing, provision of fishing gear and equipment, and basketry and beadwork training. In Samburu County, the ToTs trained 60 AMTMSGs on VSLA methodology, reaching 858 (F:831; M:27) participants with most participants attesting to increased knowledge in financial management and literacy. The groups have since been connected to private-sector-led micro-credit facilities to increase access to credit.

## 2. Design and Delivery of Tailored Financial Services



Nawiri has utilized evidence gathered in the previous two and a half years to layer the savings and loan concept. The layering aims to address challenges in accessing capital/credit for investment in Income Generating Activities (IGAs) and facilitate market linkages for the sale of their products through group aggregation.

Nawiri is also incorporating health and nutrition education and awareness sessions into financial literacy training, alongside strengthening household joint decision-making to promote the allocation of household financial resources. This is aimed at meeting essential nutrition-resilient needs, including purchasing diverse nutritious foods, access to agricultural productivity, climate-adaptive inputs and tools, health and nutrition education, and Water, Sanitation, and Hygiene (WASH) needs, thus improving nutrition outcomes.

## 3. Capacity Building and Financial Education Training

In collaboration with the National and County Governments, and the private sector, Nawiri has developed a joint harmonized financial services curriculum. This curriculum aims to deliver integrated financial literacy and numeracy skills training across community members, streamlining delivery of integrated financial services across partners operating in Samburu and Turkana counties.

Working closely with the County Department of Trade and Social Services, Nawiri has utilized the financial services curriculum to conduct training and capacity-building sessions on integrated Village Savings and Loan Association (VSLA) modules to anchor groups participants. These modules cover leadership and governance, constitution-making, basic entrepreneurship skills, financial literacy and numeracy, resource mobilization, record-keeping, and loan risk. Furthermore, Nawiri has recruited and equipped 63 Private Service Providers (PSPs) with the necessary skills and resources to support community members in accessing and utilizing financial services effectively. These PSPs deliver financial education sessions, facilitate linkages between Savings Groups (SGs) and output markets, and provide access to broader market opportunities for the sale of products and services.

## 4. Linkages with Formal Private and public sector funding institutions



This involves supporting savings groups to register as self-help groups, after which they are linked to formal financial institutions and government affirmative action funds to open savings accounts, access larger and flexible credits for investment purposes and access to and use of digital-based platforms such as mobile banking to access and manage their finances remotely. These linkages provide the groups with a secure place to store their funds.

In Samburu County, the following groups were linked with county and national government affirmative action funds (Youth Enterprise Development Funds) and supported to obtain flexible, low-interest loans:

1. Kizito Youth Group – KES 100,000/US \$750.02
2. Neema Nakupurat – KES 100,000/US \$750.02
3. Omom Nawiri – KES 100,000/US \$750.02
4. Nakuniyai Self Help Group(SHG)– KES 100,000/US \$750.02
5. Lomora Self Help Group(SHG) – KES 100,000/US \$750.02

## 5. Community-wide Financial Outreach Activities



Nawiri hosted its first financial inclusion expo in Samburu North sub-county. This event brought together key departments of the county government, private sector actors, local financial institutions, Micro-Finance Institutions (MFIs), SACCOs, business owners, International Non-Governmental Organizations (INGOs), and community members.



The event provided a platform for stakeholders to showcase their financial products and services, share best practices, and forge partnerships to drive financial inclusion and improve nutrition resilience.

## 6. Digital Financial Inclusion

Nawiri is planning to collaborate with Equity Bank to leverage digital technologies, providing access to mobile money loans, digital banking, and digital payment platforms to increase financial services accessibility for last-mile communities. Nawiri will facilitate Equity Bank in training PSPs on digital financial literacy, empowering community members to utilize digital financial services safely and efficiently.

Equity Bank will also provide training to the 63 PSPs on mobile banking and digital financial management, empowering community members to conduct transactions safely and efficiently.

## 7. Strategic Partnerships and Collaborations



Nawiri is forging partnerships with County Departments of Trade and Cooperatives, the State Department of Social Development, and public sector funding agencies such as Women Enterprise Development (WED), Youth Enterprise Development Fund (YEDF), Women Rep Fund (WRF), Biashara Fund (BF), and Constituency Development Fund (CDF) as well as local financial institutions, community-led financial organizations, and private sector actors to leverage resources and expertise for inclusive, locally driven financial services delivery. The component will also collaborate with local health and nutrition authorities and nutrition experts to ensure alignment with existing Nawiri programs and initiatives.

# Progress Made so Far

Through Nawiri's established VSLA groups, cumulative income growth for saving and lending groups reached \$3,290,131, and 21,045 participants (F:19,626; M:1,419) accessed loans amounting to \$139,583.

Access to financial services is enabling participants across the anchor groups to actively engage in profitable income-generating activities such as retail and grocery businesses, as well as livestock trading activities. Additionally, 51 AMTMSGs engaged in home gardening are utilizing the VSLA platform to access credit for purchasing farm inputs and utilizing critical extension services for producing nutrient-dense vegetable crops for their families.

Moreover, R4N participants have formed 514 savings and loaning groups that have supported a total income growth of \$267,138. This represents revenue from businesses engaged by VSLA participants, less total expenses such as food, health, water, transport, and education, thereby reaching a livelihood protection threshold.

The finalization of the harmonized financial services curriculum in partnership with the National and County governments and private sector financial service providers has streamlined the delivery of financial services across various actors. Additionally, 63 last-mile private service providers (PSPs) were identified and trained to deliver financial literacy and numeracy skills to community savings groups using a fee-for-service-based model for sustainability.

Efforts will continue to link VSLAs to formal Financial Service Providers (FSPs) to deliver tailored financial products and services to last-mile communities. This will address challenges of access to credit for VSLA group members due to low fund mobilization restricted by membership and geographical spread, thereby enabling them to build businesses and livelihoods. Additionally, this will motivate Local Service Providers (LSPs) to extend additional formal credit to last-mile communities. It's worth noting that the Mid-term Evaluation (MTE) findings highlighted, "The MTE team feels that the capacities developed in VLSA group members are sustainable irrespective of whether they continue to form part of a group or not"

## Sustainability Strategy

Nawiri in collaboration with the County Departments of Trade, Cooperatives and Youth and Gender will ensure that fee-for-service PSPs are trained and equipped to provide inclusive financial services and products to last-mile communities. By leveraging fee-for-service business models, the program will ensure a sustainable income stream for PSPs while expanding access to and use of tailored financial services in the last-mile communities.

Further, Nawiri will collaborate with the State Department of Social Development to develop guidelines and policies for operationalizing the Community Business Registration ACT 2022. By formalizing community businesses through registration and linking them to private and public sector funding, the department will incentivize the contribution of PSPs by providing



them with a legal framework and recognition for their services. This will promote economic empowerment and resilience within the last-mile communities.

## Participant Voices



I'm happy to have learned the art of crafting leather products. It's truly amazing to see the incredible creations I can make now, something I never thought was possible before. Now, we have the opportunity to generate income from the comfort of our homes. Understanding the importance of saving and borrowing is extremely valuable for many of us. This initiative will have a significant impact on reducing poverty and malnutrition within our communities.

### ***Lbukoki Lekurtut***

Member, Lkalkaloi Boy Group, Samburu East Sub- County





Thanks to the village savings and Loan Association concept introduced to us by USAID Nawiri, we have successfully collected our earnings from selling honey. This allows us to support each other by offering loans to different individual businesses. I have been fortunate enough to secure loans multiple times from the VSLA, which I have utilized for my livestock business and successfully repaired. There was a time when I fell seriously ill and found myself without anyone to turn to for financial assistance. After actively participating in our group's welfare efforts, I reached out to the other members for support. Thankfully, they generously provided me with some funds that allowed me to access health services in Lokichar town, which is more than 30 kilometers.

***Kerry Lomuria.***

Member of Twiga Boy Group, Kagitankori Village, Turkana South Sub- County



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