The USAID Liberia Advancing Youth Project provides increased access to quality alternative basic education (ABE) classes, social and leadership development opportunities, and livelihoods skills training for out-of-school youth, ages 13 to 35, with marginal literacy and numeracy skills. Project activities support the continued growth of economic opportunity through work-based learning and an emphasis on clubs and local alliances to support education and livelihood development of youth. The Advancing Youth Learning Agenda focuses on research questions that have arisen during project implementation, enabling the exploration of the effectiveness and sustainability of the integrated learning, leadership, and livelihoods model.

**INTRODUCTION**

Empowering youth enrolled in ABE with additional skills that complement ABE’s focus on literacy, numeracy, and work and life skills is a critical step to ensuring that learners have expanded economic options for the future. In addition to short- and long-term skills training, a need for increased financial literacy and access to saving mechanisms has been a recurring theme in Advancing Youth activities (Youth Learning Assessment, 2013), leading to the addition of a Village Savings and Loan Association (VSLA) intervention to the livelihoods activities being implemented with ABE learners. Advancing Youth expected that youth would demonstrate improved financial behaviors, knowledge, and attitudes towards saving and borrowing by participating in the VSLA intervention. With this in mind, the Advancing Youth team was interested in the following research question:

**How, if at all, do youth who participate in VSLAs alter their financial habits?**

This study surveys select VSLA participants to assess how these savings and loan services have affected their daily financial behaviors. Further, this study investigates how VSLA participants perceive changes in their interactions with their families and communities as a result of their participation in the VSLA. Beyond improved financial knowledge and
capacity, an equally anticipated outcome of youth participation in VSLA is that youth would be empowered economically and socially to improve their opportunities for employment and income generation.

BACKGROUND

Microfinance and informal savings mechanisms (saving clubs, susus, and VSLAs) are important for Liberian youth who have minimal access to formal financial institutions. VSLAs are a microcredit scheme to promote financial asset building among a small organized group of persons, in this case learners in the Advancing Youth ABE program, which enable them to mobilize savings that they convert into small loans among members. Each group also manages a small fund (a communal/social fund) that they may decide collectively to use for social projects. These groups are called solidarity groups to represent the shared experience in practices, decision making, and problem-solving activities they will engage in as participants in the scheme.

As part of Advancing Youth’s integrated approach, which incorporates livelihoods and leadership activities into the ABE program, Advancing Youth worked with local NGO Liberian Initiative for Developmental Services (LIDS) to implement VSLA activities in three of the counties (Bong, Lofa and Nimba) in which Advancing Youth was operating.

STUDY DESIGN

In order to answer the research question, a mixed method, non-experimental study was conducted using surveys and focus group discussions (FGDs). A quantitative survey was designed by the research team and then administered in the field to a total of 45 sites (out of a total of 147) in Bong, Lofa, and Nimba counties. The survey instrument included questions to determine the influence of the loan on engagement in investment and livelihood opportunities and financial management behaviors.

An equal number of participants were surveyed in each county for a total of 450 survey participants. Gender and level\(^2\) distribution were not equal across the three counties. The gender distribution of the sample (26% male, 74% female) is roughly equivalent to the proportions in the general Advancing Youth population, which is approximately 70% female.

Qualitative data were collected from FGDs in two sites (one urban, one peri-urban). Two FGDs were conducted at each site—one FGD comprised 10 randomly selected VSLA group leaders from surrounding sites and the other comprised regular VSLA members from those sites. FGDs aimed to assess the effect of VSLA participation on learners’ fiscal habits and social standing.

FINDINGS

Participation in a VSLA had a substantial effect on the lives of Advancing Youth’s learners. The majority of study participants did not have a clear savings plan before joining a VSLA (97.1%). They kept their money at home, in clubs, and in susus, but they were unable to access loans or other lines of credit.

After joining a VSLA, 100% of the study participants had a plan as to how to spend their money, utilizing a component of the financial literacy training received during the VSLA training modules.

Entrepreneurial activity was a major use of VSLA loans for the study participants. Over 40% of learners used VSLA loans to expand their current businesses. Almost a quarter of the survey participants (21.8%) were able to start a business for the first time (95%) or start a second business (5%) because of having access to loans through their VSLA. FGD participants acknowledged that they felt more confident in starting a business because of the financial security their VSLA provided. These individuals (93%) reported that they could only have started these new business ventures because of their VSLA loans.

Nearly all of the participants (98%) who started a new business acknowledged that the VSLA loan increased the income they earned from their businesses and the amount they were able to save for the future.

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these new businesses focused on selling goods that youth could move around with (i.e., being mobile with the goods they were selling rather than having a specific shop location). Gender did affect what individuals chose to sell: men largely sold palm oil while women sold farm produce. Nearly all of the participants (98%) who started a new business acknowledged that the VSLA loan increased the income they earned from their businesses and the amount they were able to save for the future.

Additionally, it appears that study participants differed in how they used their loans and savings. The majority of learners (63.8%) used their loans to fund business expansion. Similarly, participants used the extra income generated as a result of VSLA loan investment to invest in either a new or second business. Only a third of the respondents planned to use this income for daily life expenses. Different from loan investment, 57.1% of the study participants planned to use their VSLA savings to buy or repair a house. This spending pattern is a good sign in terms of money management. Participants are using loans for productive entrepreneurial purposes and using increased savings on durable goods for their daily lives.

Although learners from all three counties benefited from VSLA participation, learners from Lofa reported lower savings and loan activities than either Bong or Nimba county participants. Lofa’s participants had lower VSLA share values, purchased fewer shares, and took out fewer loans than their counterparts in Bong and Nimba. Learners from Lofa also reported lower savings amounts than the other two counties. The results are curious because all of the VSLAs were started around the same time, and the study participants received the same training on using and running their VSLAs. This clear discrepancy with Lofa indicates that outside factors heavily influenced their saving practices. It is possible that Lofa’s higher proportion of Muslim residents made them more reticent to participate in interest-bearing activities due to the Islamic prohibitions on interest (Riba). However, the depressed returns in Lofa require further study in order to determine the true cause of this discrepancy.

Beyond investing more in new businesses, VSLA participation also changed both individual behaviors and the role of the individual within the community. As a result of participating in a VSLA, nearly all of the participants reported being more careful with how they spent their money. They believed their increased financial standing and reputation also affected the way they interacted with the community as a whole. Multiple FGD participants noted that VSLA participation had improved their standing in the community. “The community, they see us, it’s like we’re improving … they can enjoy us because some of the good things we’re doing in the VSLA.” These learners were now asked to participate in community meetings and had more people seek out their advice. Interestingly, a significant proportion of men in the sample reported that their standing both in the community and at home had increased due to their VSLA participation.

From these results, we can see that individuals valued VSLAs beyond being a mere financial instrument. All participants believed that their participation in a VSLA had been beneficial. The ability to save more was unsurprisingly reported as the primary benefit of VSLA participation, but learners were also pleased that VSLA training had taught them leadership skills and how to work more effectively as a team. VSLA shareholders also believed that their participation had affected their relationships with their communities and how those communities perceived them.

Participants attributed VSLAs’ ability to strengthen community ties to how some respondents wanted to support ABE activities using VSLA social funds, which would benefit more than just themselves, but their broader community. Although a majority of the study participants hoped to support continued ABE activities, especially compensating facilitators in the future, only six VSLA sites in Lofa stated that they currently supported ABE activities. Since many sites were just starting to take over the implementation of ABE activities in the run-up to the survey, and since learners were still mastering the VSLA procedures, it is understandable that not more VSLAs actively supported ABE.

### Figure 1: Savings Patterns Before and After VSLA.

<table>
<thead>
<tr>
<th>Location</th>
<th>Before VSLA</th>
<th>After VSLA</th>
<th>Change in Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>VSLA only</td>
<td>-</td>
<td>45.6%</td>
<td>+45.6%</td>
</tr>
<tr>
<td>Savings Club</td>
<td>27.8%</td>
<td>21.1%</td>
<td>-6.7%</td>
</tr>
<tr>
<td>Bank</td>
<td>2.4%</td>
<td>1.6%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Susu</td>
<td>20.7%</td>
<td>17.3%</td>
<td>-3.4%</td>
</tr>
<tr>
<td>Home</td>
<td>43.3%</td>
<td>6%</td>
<td>-37.3%</td>
</tr>
<tr>
<td>Relative’s or friend’s home</td>
<td>3.8%</td>
<td>1.3%</td>
<td>-2.5%</td>
</tr>
</tbody>
</table>

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3 This study did not collect information on the average size of loans taken out by VSLA shareholders. As a result, we cannot assert any connection between the number of loans issued and loan amounts.
activities. However, it is a good sign that so many of them plan to do so as sites continue moving ABE forward on their own. This also highlights how the VSLA is understood to be a collective organization that is connected to its community.

**Recommendations**

Overall, it is apparent that VSLA participation had a substantive effect on the lives of Advancing Youth learners. VSLA participants increased their savings capacity, invested loans to start or expand their businesses, and used their savings to improve their day-to-day lives. Beyond improving their financial literacy skills and their personal fiscal futures, learners also reported improving their standing in their communities. The overwhelming majority of respondents asserted that their reputations and stake in their communities had improved as a result of VSLA. With these encouraging successes in mind, we make the following recommendations:

1. Liberian out-of-school youth need access to financial services in the ways that VSLAs can provide. VSLAs should be continued throughout Liberia to give youth the ability to save and invest in their own businesses in order to build a more stable financial future.

2. Financial literacy is critical for Liberian youth. Financial literacy training, like the training that is provided within the VSLA modules, should be continued. Improved financial knowledge allows Liberian youth to have a better grasp of their financial situation and possible financial future. Learners who participated in VSLAs invested their loans in their businesses and retained extra income and savings for personal use/daily consumption. This separation in spending habits speaks to developing more sustainable fiscal practices and higher financial literacy.

3. ABE service providers should consider integrating VSLAs into their programming. In addition to providing financial literacy learning that complements classroom learnings, VSLA provides the opportunity—through activities such as encouraging youth to record and track their spending—for youth to apply the literacy and numeracy skills they have learned in the classroom to real-life activities. In addition, it allows youth to contribute their financial support to their ABE programming, contributing to the sustainability of the programming even after the service provider leaves.

**References**


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4 The Advancing Youth Project’s ABE classes ended in 2016. Advancing Youth helped sites who wished to transition continue their ABE classes, but the costs were no longer covered by Advancing Youth.