

The Role of Saving and Internal Lending Communities in Building Resilience to Shocks for Households: The Case of Meta Woreda in East Hararge Zone of Oromia Regional State

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Abstract: This research was conducted in Meta Woreda, East Hararge Zone of Oromia region to examine the role of Savings and Internal Lending Communities' (SILC) program in building the resilience of communities to shocks. Data were collected through quantitative and qualitative research approaches. Probability Proportional to size and simple random sampling used. The data were analyzed using central tendency, Chi-square, cross tabulation, Independent sample T- test, and partial correlation. The results showed that majority of households had been negatively affected by one or more shocks. Although, different shocks were identified, majority (98%) of respondents agreed that they are highly affected by drought and the impacts identified were loss of asset, malnutrition and displacement. Respondents confirmed that saving, loan and social fund are the three basic services of SILC that helped them to protect impacts of shocks. Independent sample T- test revealed that the difference on the amount of money saved and borrowed between members and non-members was significant at 5% significant level due to lack of awareness (training) and accessibility to saving facilities. The SILC membership increased social capital, improved technical knowledge, created discussion forums, and asset. The survey result depicted that even though SILC is important in building resilience, prevalence of shocks, illiteracy, smaller loan size, and shorter loan periods are bottlenecks which hinder better resilience building. To better improve the resilience of the communities' government as well as non-government organizations need to give attention to SILC by improving the performance of SILC which ultimately improve the livelihood of the community.

Keywords: Building resilience, Savings and Internal Lending Communities, saving & credit



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1. Introduction

Poor rural households are highly exposed to shocks since their livelihoods depend on an increasingly deteriorated natural resource base and on often volatile climatic and market conditions. They are also particularly vulnerable to shocks because they have few assets to fall back on and limited risk management strategies. When shocks occur, people employ a

range of coping strategies, which often involve incurring debt or selling assets, leaving individuals and households more vulnerable to future shocks (IFAD, 2015).

Microfinance institutions provide valuable services to the poor in the developing world, however, microfinance is mostly successful in economically dynamic urban or pre-urban areas, where borrowing requirements are high, borrower income streams are regular and diverse, and the cost of reaching clients is low (Hugh and Mark, 2007). In response to these realities, many development agencies have sought to develop community-based financial organizations that could cost-effectively provide financial services to a clientele at the “low demand” end of the spectrum. In recent years, several models of savings-led community finance have emerged that seem to offer better prospects for long term sustainability than the credit-led revolving fund model (World Bank, 2007).

Saving and internal lending communities (SILC) is one which is developed by Catholic Relief Service (CRS). It is a holistic programming approach that offers households a strategy to protect assets, smooth cash flow, and increase income. In comparison to traditional microfinance institutions that face limitations in serving the financial needs of vulnerable groups such as women, poor farmers, orphans and youth, SILC is able to provide flexible financial solutions to these marginalized groups in a sustainable manner (Vanmeenen, 2010). Understanding the contribution of these types of microfinance is essential to build their resilience to adverse shocks. The information is also useful to design policy and intervention strategies regarding local level resilience development. Studies on the contribution of microfinance to the reduction of vulnerability and enhancement of resilience are common in other developing countries. Despite recent implementation of SILC model in Ethiopia, adequate studies related to its role or contribution to building resilience of households' are limited. With this background, this research was designed with an overall objective of investigating the role of SILC Microfinance in building resilience of households to shocks.

2. Materials and Methods

2.1. Description of the study area

Meta *Woreda* where the research was conducted is located in East Hararge zone, Oromia Regional State. Meta *Woreda* lies between 9° 07' and 9° 32' N latitude and 41° 29' and 41° 44' E longitude to the west of Harar town. The *Woreda* is bordered by Goro Gutu & Deder

Woredas to the West, *Kersa Woreda* to the East, *Bedeno & Melkabelo Woredas* to the South and Somali Regional State to the North, and Dire Dewa Administrative council to the North East.

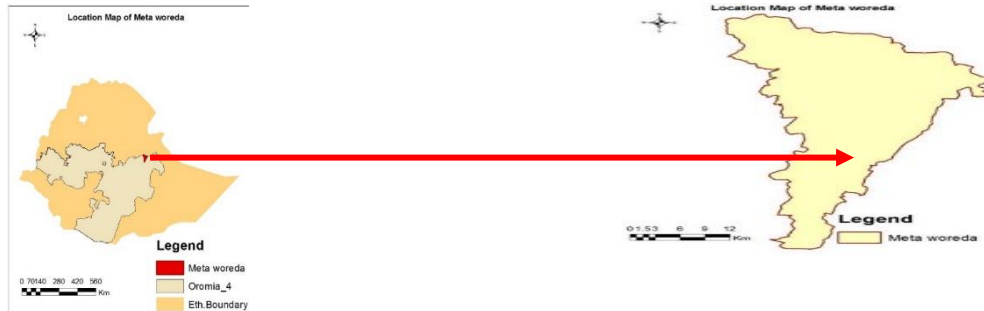


Figure 1: Location of Meta Woreda Research Site

Source: GIS Shape file, 2016

2.2. Data collection and analysis methods

Primary and secondary data sources were used to undertake this research. Secondary data were collected from reports and working papers. Both published and unpublished documents on microfinance specifically SILC were used. Besides, internet was used as sources of information for secondary data collection. Primary data were collected from randomly selected households of three *Kebeles* through face to face interview and FGD /focus group discussion.

Semi-structured and structured questionnaires were prepared to gather information from the household respondents on major shocks that have affected households, the triggering factors and, socioeconomic impact of shocks, and contribution of SILC to build the resilience of the poor. Five enumerators were used to undertake the survey data after a half day training was provided to the enumerators on questionnaires. The household survey used structured questionnaires to get perception of the respondents how the SILC have contributed towards resilience building in their households. Both men and women were interviewed. The majority 86 (64%) of the respondents from the total 135 were found to be female while 49 (36%) were male.

2.3. Data analysis

Both descriptive and inferential statistics were used to analyze the data. The data analysis used statistical procedures for social sciences (SPSS 20). Descriptive statistics like, percentages and central tendency measurements were employed to analyze the data. Inferential statistics: partial correlation techniques used to analyze the relationship between SILC membership and Income Generating Activities (IGA) involvement. Chi square test, and cross tabulation are used to analyze linkage between SILC membership with saving and sex. In addition to this independent t- test were employed to assess the significance of amount of saving and borrowing between members and non-members. Data, collected through FGD and other semi structure interview techniques were simply narrated.

3. Results and Discussion

Shocks are negatively affecting households and have different magnitude of impacts based on the capacity of the household to cope with its impact. Dercon (2002) divided shocks into two types: common (Covariate) and idiosyncratic. Idiosyncratic risks such as illness or theft affect only a particular individual or household. By contrast, common risks are “aggregate, economy-wide, covariate risks that affect all members of a community or region.” This study identified the different types of shocks that are common in the study area. As you see below in the Figure 2 from the total responses 130 (44%) reported that they are highly affected by the drought. In other words, drought shock accounted for 98% compared with each of the listed types of shocks, which the focus group discussants also revealed that triggered famine for continuous years. Likewise, Mulugeta (2009) has confirmed that from the different types of covariate shocks, drought has over many centuries’ triggered famines that caused human losses of catastrophic proportions in Ethiopia.

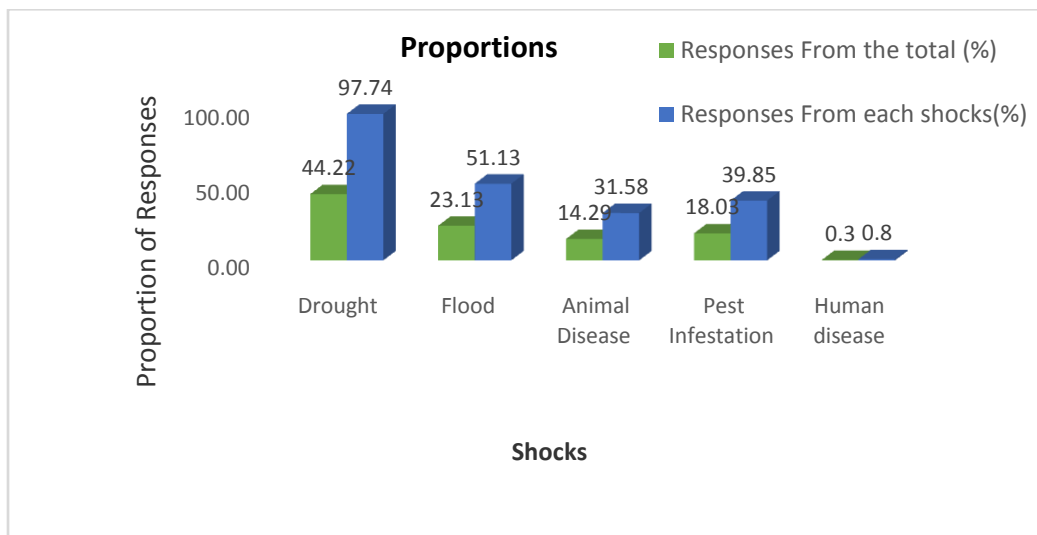


Figure 2: Responses on types of Shocks

The researcher tried to differentiate how severe each of the above identified shocks. Accordingly, 90% of the respondents depicts that drought is the most serious shock as compared to the others and followed by flood (4%). The three most important impacts that respondents identified were loss of asset, malnutrition and displacement. As seen below in the Figure 3 about 134 (40%) of the respondents reported that from the listed impacts of shocks loss of assets is primary. In other words, 99% of the interviewed households replied that loss of assets is the common impact of shocks. The main income sources of majority of households as we see from Table 6 are from sale of agricultural products (livestock and crop products) that are primarily affected by the most prevalent hazard, drought. The impacts of shocks mainly drought is, therefore, loss of assets.

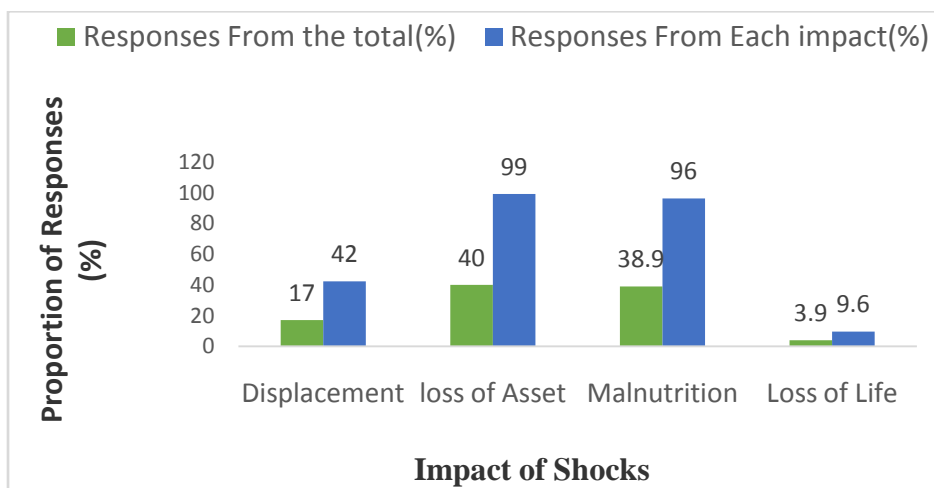


Figure 3: Responses on impact of Shocks

Even though Shocks are causing different impacts on the communities they are exerting different coping mechanism. The investigation of rural livelihood strategies through the sustainable livelihoods lens can provide an important means of learning more about how to strengthen household resilience to cope with shocks (FAO, 2004). The result of analysis showed that the most common coping strategies were sale of productive assets (shoats, livestock, etc.) followed by emergency food aid and daily labor. About 19 % of households responded that sale of productive assets around their house are the prior coping mechanism and 17 % of them reported that emergency food aid and sale of daily labor are coping mechanisms practiced by both members and non-members. Likewise, 12 % respondents witnessed that SILC created easy access to get their saved money in time of crisis. Focus group discussants who are SILC group members assured that they are highly benefited being SILC member in time of crisis as they are accessed their saving and social fund money easily as coping strategy. They said that, “before joining SILC they are using sale of productive asset as a coping but now we use our saved money”. As we see from Table 1 SILC group members are better coping capacities than non-members. About 22% respondents in the SILC group witnessed that they use their loan fund as coping mechanism, which helps them to reduce sale of production assets. In other words, 21 % of the non-member respondents are forced to sale their productive assets during the time of crisis as a coping as they have no saved money or easy access of loan.

Table 1: Coping Mechanisms employed between members and non-members

Membership	Sale of productive assets		Loan from MFI		Loan from Neighbor's		Loan from SILC		Food aid from relatives		Emergency food aid		Daily laborer		Migration	
	Yes	No	yes	No	yes	No	yes	No	Yes	No	yes	No	yes	No	Yes	No
Member	53	60	20	27	38	45	70	0	20	48	44	56	56	45	8	20
Non Member	17	5	49	38	32	20	0	65	50	17	26	9	13	20	62	45
Pearson Chi-Square	6.803		3.253		3.179		135.000		9.525		9.525		3.502		7.669	
Df	1		2		1		1		1		1		2		1	
p value	0.262		0.197		0.075		0.0		0.002		0.002		0.174		0.006	

As we see from the Table 2 the degree of freedom is used to analyses the relationship between column and row variables. Significance difference is observed between members and non-members that members use their loan from SILC as a coping as compared to non-members who employ migration, emergency food aid and loan from neighbor. In contrast there is no significance difference between members and non-members in putting aside the sale of productive assets as a coping.

SILC had three mostly used basic services like saving, loan and social fund which abetted communities to recover from the adverse impacts of shocks quickly. Respondents and focus group discussants agreed that access to flexible savings and loans adapted to community needs filled an important service gap in these communities and SILC were different from other local financial institutions in terms of lower interest rates, the sense of ownership of the SILC funds, and the fact that SILC groups encouraged community solidarity and collective action. Likewise, some researches also confirm that access to finance, including both savings and credit, was an important coping strategy for households during the 2007/08 global food price crisis (Compton *et al.*, 2010). The result of analysis showed that respondents used various places and systems to save their money to improve their livelihood; purchase food and clothes; pay for school; get prepared for harder times; use as a means to increase their crops and animal production; and pay for special events. Several respondents said that saving money was a way in which they could protect their everyday life. SILC group members overwhelmingly thought that savings was the most attractive component of the SILC groups. They reported that SILC offered them a secure location to save and valuable training on how

to manage their finances. Many reported that this was their first experience saving money for their household (Parker *et al.*, 2015). Majority of households (91%) disclosed that they had saved money in the previous year. Although both save money, members were better in understanding about saving as they have got full package of training on the advantage of saving and they are accessible to facilities as compared to non-members. To give stress on the advantage of SILC one member of the focus group discussant said that “*Little by little saving fills house and little by little wastage empties house*”. Rutherford (1999) *discussed that “poor people can save and want to save, and when they do not save it is because of lack of opportunity rather than lack of capacity”*.

As non-members are not get into the benefit of saving and did not take appropriate training from the total respondents, majority (57%) of non-members didn't save money, while all (100%) SILC members save money. The majority of the respondents (100 % of SILC members as compared to 43% of non-members save money, which is still statistically significant as assured by the Chi square test ($\chi^2=27.56$, $df=1$, $p<.000$).

Cross tabulation was used to see if membership played a role in saving or not. Table 2 clearly showed that members saved more than non-members. This was also tested if the difference between members and non-members in saving was significant or not. The significance value in Table 2 is less than 0.05. So we can conclude that there is significant difference between SILC members and non-members in saving that number of members who saved are more than the non-members.

Table 2: SILC Membership and saving using cross tabulation

	Membership			Pearson Chi-Square			
	Member	Non member	Total	Value	df	Asymp. Sig. (2-sided)	
Access to Saving	100.0%	81.5%	91.1%	14.184	1	.000	
No Access to Saving	0.0%	18.5%	8.9%				
Total	100.0%	100.0%	100.0%				

The difference between members and non-members is not only limited to the number of households who have saved money but there is also difference on the amount of money saved. The independent sample T- test revealed that the difference on the amount of money saved between members and non-members was significant at 5% confidence level (Table 3). The main reason for such significant difference may be that SILC members are trained on

saving, financial education and IGA and have create easy access of loan from their own bank which non-members do not accessed.

Table 3: Independent Samples T-Test of amount of birr saved

	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Amount of birr saved	23.839	.000	3.157	121	.002	505.678

The poor have no access to financial services specially loan as they have no or any collateral to take loan. Though, there are different options for loan, SILC creates doorstep, easy loan services and the interest incurred from the loan is profit for members who helped the group capital to grow. Out of the total 135 respondents 77% took loan from different places and the rest 23% did not taken any loan. Cross tabulation was used to see if membership played a role in access to loan or not. SILC members create their “*own bank*” to ease their access of loan. Due to this easy accessibility of loan fund SILC member’s average amount of loan was two folds of the non-members that is 1734 birr for members and 1043 for non-member. This was also tested if the difference between members and non-members in loan access was significant or not. The significance value in Table 4 is less than 0.05. So we can conclude that there is significant difference between SILC members and non-members in access to loan that number of members who received loan is more than the non-members.

Table 4: SILC membership and Loan cross tabulation

	Membership			Pearson Chi-Square		
	Member	Non Members	Total	Value	df	Asymp. Sig. (2-sided)
Access to Loan	62	42	104	10.934 ^a	1	0.001
No Access to Loan	8	23	31			
Total	70	65	135			

Independent Sample T- Test was run to see whether there is a significance difference between members and non-members in accessing loan. Test assured that significant difference at 5 %

confidence level with value less than 0.05 was observed on the amount of money borrowed by members and non-members as seen below in Table 5.

Table 5: Independent Sample T-Test of amount of birr borrowed

	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Amount borrowed	32.61	.000	2.45	102	.02	690.86

Social funds are separate funds contributed only in the SILC group. Social funds are provided for members as interest free loans and grants who faced emergency problem based on the group bylaw. The majority 5 (83%) of the focus group discussants of the SILC members disclosed that social fund has two main benefits —first that the social funds 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 resources to obtain money in emergencies which non-members lack.

According to Béné *et al.* (2015) resilience interventions are about improving (or at least maintaining) the wellbeing of people in the context of shocks and/or stressors. Thus, analysis of programming designed to strengthen resilience cannot be done without assessing the shocks and stressors (both covariate and idiosyncratic) that affect people's lives. Accordingly, as explained in the above Figure 1 and 2 the researcher analyzed the common shocks experienced, its impacts and coping mechanisms utilized in the research site in detail in Table 1.

In general, SILC brought remarkable benefits for communities. As discussed above and many researches confirmed that the social benefit of SILC over other financial institutions is crucial part that builds social resilience of the communities while the savings and loans create economic resilience. Gash and Odell (2013) also confirm that in their assessment, access to funds in cases of emergencies, the ability to save substantial lump sums, and the availability of credit when it is needed (especially if it is an additional source of funding compared to previous sources) all contribute to resilience at the individual and household levels.

As explained in detail under the literature review part, communities' ability to deal with shocks and stresses is derived from interlinked absorptive, adaptive and transformative capacities. This research also revealed that SILC builds the absorptive and adaptive capacities and slightly the transformative capacity. See below the detail description of the findings.

Absorptive capacity: refers to the ability of social systems, using available skills and resources, to face and manage adverse conditions, emergencies or disasters. As explained in the above section 83 % of the focus group discussants in SILC group assured that they easily accessed the social fund interest free to solve their gap related to health care, school fees and expenses associated with emergencies. SILC groups, furthermore, are based on bonds of trust and reciprocity, deepening the bonding social capital of these communities, which is related to the absorptive capacity of resilience.

Adaptive capacity: Adaptive capacities of households and communities are strengthened by improving their ability to make pro-active and informed decisions about alternative livelihood strategies based on an understanding of changing conditions (Levine *et al.*, 2011). As explained Table 1 coping mechanisms used in the above section and explained below Table 6 on its advantages and saving and loan management; SILC has demonstrated benefits over non-members on better coping, income diversification, asset creation and protection while members are forced to sale their productive assets in time of crisis. This easily access of saving and loan and skill gained helped SILC group members to involve in different income generation which help to diversify their livelihoods and adaptive capacity to shocks. As discussed in the below sections SILC improves, IGA engagement, asset protection and asset creation of members than non-members which helped them to adapt the adverse impacts of shocks quickly.

Transformative capacity: Long-term and sustainable resilience building is not possible without building transformative capacity, which addresses the underlying drivers of risk and vulnerability, and promotes social cohesion through public assets and human capital (TANGO 2015). SILC, by relying exclusively on local assets and capacities, do little to build transformative capacity of the groups through building the social capital and cohesion created as group level as explained above. However, as compared to absorptive and adaptive capacities SILC program needs to focus more in the future on transformative capacity. Organizations, should work with government to develop the transformative capacity of

saving group members by improving infrastructures, availing markets and devising appropriate livelihood strategies. Whether households are savings or accessing loan from different sources, it has its own aim on how to spend it the money. As shown in Table 6, respondent's expenditures can be grouped into broad categories of consumption (food, education, clothing, medical and other celebrations) and production (agricultural inputs, animals and other income generation).

Table 6: The purpose of saving and loan between members and non-members

Membership		Food and Perishable expenses		Medical expenses	Education (fees/uniform, books)			Purchase of Livestock		Invested in petty trade/IGA		Farming inputs		Purpose-Social obligation ceremonies		Repay debts/loan and taxes		Clothing/blanks/shoes	
		Yes	No	yes	No	yes	No	yes	No	yes	No	yes	No	yes	No	Yes	No	yes	No
Are you member	Member	39	31	24	46	29	41	34	36	59	11	25	45	25	45	18	52	28	42
	Non member	34	30	35	30	24	41	20	45	24	41	28	37	32	33	31	34	33	32
Pearson Chi-Square	Value	0.090		5.241	0.287			4.451		31.925		.766		2.524		7.041		1.578	
	Df	1		1	1			1		1		1		1		1		1	
	Sig	0.764		0.022	0.592			0.035		0.000		0.381		0.112		0.008		0.209	

As we see from the above Table 6 significant difference was observed between members and non-members that non-members expend more money for medical expense and repaying debts/loan/taxes compared to members. On the other hand, there is significant difference between members and non-members that members expend more money for purchasing of livestock and investing in petty trading compared to non-members. There is no significant difference between members and non-members on the purpose of saving and loan for food and perishable expenses, education (fees/uniform, books), land renting/ property purchase, farming inputs, social obligation ceremonies, clothing/blankets/shoes, and transport and water. The main reason can be that frequent awareness is provided to members on how to use the saving and loan budget by different organizations.

The researcher confirmed that SILC model has a tremendous advantage and benefits as compared to non-members. The three Focus group discussants who are non-members of SILC group reported that the savings and loan system is good for the poor people who “have no formal or informal access to finance”. Further, one discussant said that one MFI organization are working in the Woreda but their savings and loan systems are complicated and come with high interests. On the other hand, the SILC system is simple and self-operated by the local community, which allows them to be more flexible and understanding in case of adverse situations.

Likewise, 58 % of the SILC members said that SILC supported them to create assets using the lump sum saving which they earned at the end of the year from the share out. In addition to the technical knowledge and asset creation SILC group members confirmed that the SILC supported them to discuss different community issues and also increase social bondage among themselves. SILC members also reported that their participation encouraged community solidarity and collective action. One of the focus group discussants said that, “*unlike the microfinance loans, in SILC we own the loans, the share-out, and the interest*”.

The majority (30%) of respondents selected “sale of agricultural products mainly sorghum and maize” as their income sources out of seven listed income sources. In other words, from the total 135 respondents 53% replied that their source of income is from the sale of agricultural products while the remaining 47% is from other sources of income (Table 7). Likewise, 28% of the respondents replied that their source of income is from petty trade and 18 % of them are from daily laborer. As mentioned above, there is a highly significant difference between members and non-members on the source of income, that is from the

seven listed source of income 46% the respondents who are members of saving groups gained their income from petty trade while non-members whose income sources is petty trade were only 10%. In other words, 77% of SILC member respondent's income source is from petty trade while the rest 33% respondent's income is from other sources. Likewise, 32% non-member respondents replied that their source of income depend on daily laborer, outside of their residence as compared to 4 % of member's response.

Table 7: Comparison of members and non-members on sources of income

Membership	Sale of Cereals/ Agriculture products		Labor		Sale of Charcoal		Sale of Fire wood		Petty trade		Remittance from relatives		Sale of Cash crops	
	Yes	No	yes	No	yes	No	yes	No	yes	No	yes	No	yes	No
Member	32	38	4	66	0	70	1	69	54	16	0	70	23	46
Non Member	36	29	37	28	1	64	16	49	12	53	5	60	9	56
Pearson Chi-Square Value	1.261		41.795		1.085		16.463		46.446		5.592		6.992	
df	1		1		1		1		1		1		1	
p value	0.262		.000		0.298		0.000		0.000		0.018		0.008	

As you see from Table 7 there is significance difference between members and non-members that labor, sales of firewood and remittance from relatives as sources of income are high for non-members. There is also significant difference between members and non-members that petty trade and sale of cash crop as sources of income for members are high compared to non-members. There is no significant difference between members and non-members on the sale of Cereals/ Agriculture products and sale of Charcoal as sources of income.

Lack of finance is one of the major bottlenecks that constrained the poor from engaging in meaningful and gainful activities. In response to this, the recent shift in development paradigm focused on the provision of microfinance services to the poor in order to protect them from adversities of shocks. The expectation is that access to microfinance provides better chance of involving in different livelihood and income diversification activities. As the result of this households could increase and diversify their income, ensure food security and recover fast and mitigate adverse impacts of shocks.

A number of people reported that their groups engaged in other income generative activities besides simple saving or lending. As depicted below in Table 8 out of 70 SILC group members, 96% said that their group members engaged in different IGAs as compared to 82% of non-members.

Table 8: IGA Engagement

IGA engagement	SILC Members and non SILC members IGA		SILC members IGA		Non SILC members IGA	
	Frequency	%	Frequency	%	Frequency	%
Engaged	120	88.9	67	95.7	53	81.5
Non-engaged	15	11.1	3	4.3	12	18.5
Total	135	100.0	70	100.0	65	100.0

Partial correlation analysis was also run to check that membership has correlation with the amount of Birr saved and IGA engagement. Hence, the amount of Birr saved has moderately correlated with IGA engagement. Membership has moderately positive correlation with the amount of money saved as shown below in Table 9. Likewise, IGA engagement is also positively correlated with membership but it is not strongly correlated as saving. Partial correlation controlling for membership to IGA engagement is positive but not significant.

Table 9: Partial Correlation on the amount of Birr saved, IGA engagement

Control Variables			Access to Saving	Engagement in IGA	Are you member
-none- ^a	Access to Saving	Correlation	1.000	.221	.324
		Significance (2-tailed)		.010	.000
		df	0	133	133
	Engagement in IGA	Correlation	.221	1.000	.225
		Significance (2-tailed)	.010		.009
		df	133	0	133
Member		Correlation	.324	.225	1.000
		Significance (2-tailed)	.000	.009	
		df	133	133	0
Members	Access to Saving	Correlation	1.000	.160	
		Significance (2-tailed)		.064	
		df	0	132	
	Engaged in IGA	Correlation	.160	1.000	
		Significance (2-tailed)	.064		
		df	132	0	

a = Cells contain zero-order (Pearson) correlations

In order to understand how and if family members communicate on the management of the money, respondents were asked to explain their relationship with the household operations. The result of analysis as depicted in Figure 4 showed that majority of SILC members shared the responsibility of deciding how to use the household money. About 77 % of members answered that it was a mutual decision in comparison to 63.5 % of non-members. Majority of the respondents 86 (64%) answered that decision making power increased due to SILC member involvement, which is statistically significant and confirmed by the chi square test ($\chi^2=10.14$, $df=1$, $p<.001$) Women focus group discussants also assured that, their ability to make decisions is better than non-members. The discussants mentioned that having their own money means more autonomy to do what they want with it than non-members who only expect from their husband.

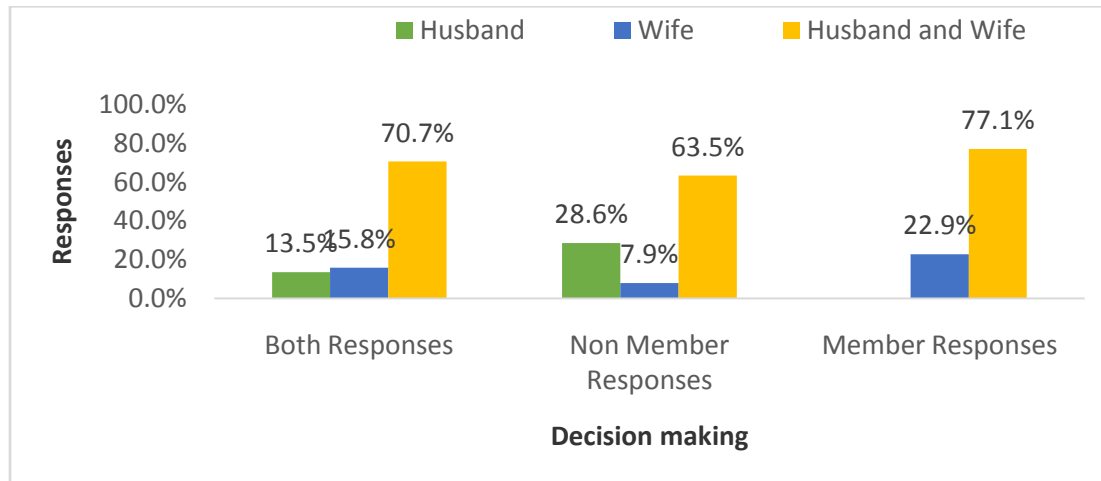


Figure 4: Decision Making

Though SILC has tremendous benefits and contributes in resilience building of members as compared to non-members there are some challenges that hinders SILC not to better build resilience capacities of communities. More than half 37 (53%) of the respondents perceived that there is no challenge in SILC activities while 33 (47 %) of them believed that there are some challenges that hinders the success of SILC activities to better build resilience.

Challenges of SILC activity as mentioned by the respondents is that the amount of money pooled is too small to engage in different income generating activities which highly hinders the adaptive capacity of communities not to diversify their livelihood and to create more assets. Although there is no significant difference more than half of the respondents perceived that there is no challenge to implement SILC.

Tarekegne (2014) also assured that in Ethiopia drought is the most persistent and sever damage as the communities' livelihood is dependent on agriculture. They also spend their saving for coping mechanisms instead of investing on IGAs. From the four challenges of SILC implementation, 24% of respondents replied that prevalence of shock is major challenge followed by "smaller loan sizes" as the amount of money pooled are small from the members and illiteracy of members challenges the group to properly manage their ledger.

Table 10: Challenges for SILC

SILC implementation challenge	Responses		
	No	From all challenges	From each challenges
prevalence of shocks	29	23.60	41.40
illiteracy	21	17.10	30.00
Loan size smaller	26	21.10	37.10
Loan periods are shorter	11	8.90	15.70
No challenge	36	29.30	51.40
Total	123	100.00	175.70

Even though, there are challenges in SILC, there are also good opportunities to better tackle the challenges and be resilient. The opportunities revealed by the respondent are the area is a good cash crop area and they can easily diversify their livelihood if they get credit linkage with financial service providers (FSP). In addition, the raised that the existence of trained and equipped FAS/ PSP who are working with us even after the project is phased out are a good opportunity for us to continue the SILC activities and to become resilient.

As discussed in detail above in Table 10 most predominant challenges that hinder implementation of SILC are prevalence of shocks, small amount of loan size and illiteracy to properly manage their finance. These challenges are also hindered the capacity of communities. Therefore, respondents suggest that creating credit linkage with FSP helps HHs to become more resilient and to sustain SILC activities. Linkage with FSPs will help communities to engage in different IGAs and to diversify their means of livelihood. The respondents also suggested that as agriculture is their main source of income which is widely affected by the impacts of the drought as discussed above. Thus, plan and prepare ahead by engaging in diversified income sources to overcome these challenges of shocks. Regarding illiteracy, they recommend to access informal education nearby their home, which will help them to easily manage their recordings.

4. Conclusion

The indices of household vulnerability to shocks and the contribution of the informal saving schemes in building resilience such as SILC among others are not well understood. Therefore, this research identified major shocks experienced by the respondent communities and understood the contribution of SILC to the community to prepare, mitigate and bounce back from the adverse impacts of shocks.

The most prevalent shocks respondents experienced were drought and flood; pest infestation, and animal disease. From the listed shocks drought was the most persistent and common in the research area. The researcher has assured that the SILC component has demonstrated proven contribution for SILC group member by helping them cope in drought-related stress situations through building their resilience as compared to non-members who were forced to sale their productive assets. The social capital inherent in the dynamism of a SILC group provides members with the opportunity to discuss challenges they faced in their day-to-day lives and agree on coping mechanisms to help them to smooth their household cash flows.

Furthermore, SILC groups demonstrated that saving and loan activities increased the capacity of households and communities to face, adapt to and absorb recurring shocks and stresses. SILC activities supported social and economic development and strengthened women's voice in their society by boosting their self-esteem and allowing them to play a bigger role within their community. Though, SILC has tremendous benefits in protecting communities from stress the researcher assured that there were some challenges identified like small loan size, prevalence of shocks and illiteracy.

Respondents are provided some suggestion to solve the identified challenges for the future. From the list of suggestions provided creating credit linkage is the first and followed by involvement in different IGAs. Plan and prepare ahead to mitigate the adverse impacts of shocks were also suggested as a solution. Therefore, to meet the stated objectives and to establish resilience of Households, the researcher recommends proper orientation/ training on drought disaster resilience; which helps them to prepare and plan ahead; linkage with formal FSP to access larger loan that will accelerate involvement of different IGAs and livelihood diversification; and facilitation of linkage of SILC group members with Government adult

literacy programs to improve their computing skills. To sum up, collaborative effort among Government, NGOs, and policy makers is crucial to better build resilience of communities.

Conflict of interest

The authors declare that there is no conflict of interest to publish the manuscript in the journal.

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