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An analysis of strategies to improve financial sustainability of revolving loan fund programs: a case of world vision Burundi hiv/aids project in gashoho adp

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Abstract

Financial sustainability for revolving loan fund programs has been a topic of utmost interest especially to most non-profit organization (NGO) leaders, potential funders, including those communities that these programs function for. Financial sustainability makes the basis for community development which combines interventions by development-workers both from governmental and non-governmental agencies. This study sought to investigate the strategies adopted to improve financial sustainability of funding programsthat related to revolving loans with one singular case study of a World Vision Burundi HIV/AIDS project in Gashoho ADP. The study is used descriptive research design to seek opinion of respondents. Descriptive statistics and inferential statistics were used to evaluate and assess quantitative information whereas the thematic analysis was utilised to evaluatequalitative information. The study found that training on fund use, reduction of corruption, increasing awareness on vision of revolving loan funds, development of entrepreneurial mindset among beneficiaries, implementation of good financial management system, proper monitoring & evaluation of the performance of revolving loan fund programs as effective strategies for enhancing financial sustainability of revolving loan fund programs in Gashoho for enhancing financial sustainability of revolving loan funds in Burundi, Gashoho ADP. The study concluded that fund- use training was related to financial sustainability of revolving loan fund programs (r=.2017; R- square = 0.0408). The study showed that financial management is effective in ensuring the financialsustainability of revolving funds programs by increasing knowledge on the utilization of financial resources (r=0.08). Similarly, the study concluded that monitoring and evaluation is a key to achieving the financial sustainability of revolving loan funds programs(r=0.116; Chi- Square=0.008; and F-Statistic = 2.72 at significance level =.100). The study concluded that trainingon fund use, financial management practices and Monitoring and evaluation of projects as the keystrategies for the financial sustainability of revolving funds. The study recommended that revolvingfunds adopts these tripartite strategies to ensure the revolving remain sustainable after the donor leaves the project.

Background of the study

A revolving loan fund (RLF) represents a pool of funds out of where repayments are made to a variety of minor enterprises and construction initiatives. Revolving mortgage facilities typically offer financing to individuals or bands of individuals who do not eligible for conventional financial operations since they are seen to be significant risk due to their similarities with micro-credit, micro-enterprise, including community banking services (Flynn, 2012). Results of numerous studies carried out across the world show that it is generally believed that a number of revolving loan funding programmers have really been successful in improving the livelihoods of the sample population. However, there are growing concerns voiced about the economic viability of programmes that provide revolving loans. A concept for revolving loan funds (RLFs) was created and thoroughly verified by Care International 14 decades previously. RLF began as just a Village Savings and Loan (VS&L) technique and was initially used in Maradi, Niger, in 1991. Since then, it was replicated by numerous organizations, such as non-profits like Oxfam USA, CRS in Africa, Plan International, and World Vision, that have since embracing and constructing one's own editions of the technique and collaborating with one another on instruments and outcomes, in 18 countries in Africa, 2 in Asia, and 2 in Latin America (McCollim, 2019). Over time, the experience has produced favorable outcomes. It is presently thought that the RLF approach has a significant chance of assisting a considerably greater proportion of the poor since it can be used in a range of organizational contexts, from stand-alone commercial banking programmes to multi-sector regional redevelopment (Bannor et al., 2020).

Gashoho ADP

Gashoho Area Development program is in Gashoho commune located in the north-eastern province of Muyinga, about 130km from the capital city of Bujumbura. It is one of the seven communes of Muyinga Province. While other communes like Butihinda and Muyinga have other resources like mining, agriculture is regarded to be the main basis of Gashoho economy (developmentaid.org, 2020). The population of Gashoho has not been saved from the crisis that enraged the country. People were divided. Some are living in IDPs; others remain in the villages. This situation has spoiled the pace of development as economic equipment belonging to the people was destroyed. In addition, the relationship that was broken turned the economic situation and self-reliance back.

The inactive population rate is generally slightly higher than the active population in the commune of Gashoho with a dependency ratio of 1.23, with the average percentage of 45 percent of the active population in the province of Muyinga. It appears that each active person aged between 15 to 64 years must support 1.23 inactive people who are either less than 15 years or older than 64 years. This shows that the income of an active person of Gashoho commune, which is probably small, should be shared by 2.23 people to meet basic survival needs as well as development. This is a critical situation that requires support actions from donors (UNDP report 2010).

Statement of the problem

In recent years, revolving loan funds (RLFs) have become a popular method to offer basic financial services to communities which are poor and isolated. Developed in Niger in the early 1990s by the NGO Care International, RLFs have spread rapidly to other countries throughout Africa, Asia, and Latin America. A 2010 survey among eight international NGOs showed they had 6.5 million RLFs beneficiaries in 54 countries. Early studies on the impacts of Revolving loan fund programs largely confirmed these effects:

Despite the above-mentioned merits of the revolving loan fund programs, other studies have shown that these programs do not provide sustainable results for long-term development. The studies showed that in many countries including Burundi where the revolving loan programs are in operation, the performance seems too fruitful for the first 8 to 16 months after which the results start shrinking (cannon Liza, 1999). The main merit of revolving loan fund programs could be that it allows financial sustainability through prevailing self-employment activities (small businesses) for the expansion and investment in durable goods and overtime. It would also mean that a Revolving Loan Fund would not need to operate on complex but fairly simple platform or premise. Three major factors were identified as causes of this short-sighted performance of RLFs. Many organisations were to implement RLF programsbut have ignored importance of training on fund use, finance management, and monitoring and Evaluation as major strategies improve financial sustainability of revolving loan fund programs and this has resulted into lack of a long run visibility of the program results. This study therefore aims at analysing the strategies adopted to improve financial sustainability of revolving loan fund programs.

Purpose of the study

The study of this study was to analyse strategies used to improve financial sustainability ofrevolving loan funds programs of the World Vision Burundi HIV/Aids Project in Gashoho ADP

Specific objective of the study

1) To examine the influence of training on fund uses on financial sustainability of revolvingfunds programs.
2) To establish the extent to which financial management practices influence financialsustainability of revolving loan fund programs.
3) To determine the influence of monitoring & assessment of projects on improving thefinancial sustainability of revolving loan funds programs

Methodology

This study used a descriptive research design for the sole reason that it normally does not manipulate variables under investigation but seeks to establish the status of the phenomena (Borges& Gall, 1983)

The target population was 2110 consisting of Community leaders, World Vision staff, Community development workers and RLF programs beneficiaries. These existed as strata from the study within the entire Gashoho ADP.

This study uses the stratified random sampling technique for attaining the results. This is because the stratified random sampling is a technique which produces estimates of the overall population parameters with greater accuracy and ensures that a more representative sample is derived from a relatively homogenous population.

Primary data was collected using survey questionnaires and interviews. In view of this study questionnaires was the most important research instruments of data collection. This is because the researcher wants to get very clear understanding about the situation; open – ended and closed – end questions, structured and unstructured questions was used though out the process. During this study, interviews were conducted by using a list of structured questions. The targeted respondents were the knowledgeable people like the community leaders and some of the community members who did not get time to complete questionnaires while they had informationto provide about revolving loan fund programs.

Findings

Table 8 Influence of monitoring and assessment of projects on improving the financial sustainability

		SD		D		N		A		SA	
		F	%	F	%	F	%	F	%	F	%
1	Conducting a regular monitoring and evaluation serves as a resourceful asset	26	13	32	16	30	15	78	39	34	17
2	institutions that are associated to a strong and constant monitoring and evaluation system excel in the industry	45	22.5	36	18	20	10	67	33.5	32	16
3	Monitoring and evaluation serve as a primary tool for an organisation that ensures accountability	10	5	40	20	29	14.5	98	49	23	11.5
4	A sound monitoring and evaluation system is essential in terms of reducing an organization' operational costs	11	5.5	32	16	44	22	101	50.5	12	6
5	monitoring and evaluation is perceived by many of being of great benefit when it comes to managing small loans	19	9.5	43	21.5	5	2.5	112	56	21	10.5
6	Monitoring and evaluation create an information base required for SFIs	23	11.5	32	16	23	11.5	100	50	22	11
7	Well-designed monitoring and evaluation systems help loan-based Programs	21	10.5	32	16	17	8.5	98	49	32	16

8	Monitoring, and evaluation system allows management along with otherpersonnel in determination of whether the organization's programs are meeting client's satisfactions	23	11.5	26	13	32	16	98	49	21	10.5
	Mean	22.2	11.1	34.1	17.0	25.0	12.5	94.0	47.0	24.6	12.31
	Stdev	10.8	5.4	5.3	2.68	11.6	5.8	14.3	7.1	7.4	3.7

Table 8 shows that the overall mean for the rating of the influence of monitoring and assessment of projects on improving the financial sustainability of revolving loan funds programs was at agreewith 47%.

The most rated at agree statements were three which had each more than half of the respondents with "A sound monitoring and evaluation system is essential in terms of reducing an organization' operational costs" rated at 50.5%, "monitoring and evaluation is perceived by many of being of great benefit when it comes to managing small loans" rated at 56% and "Monitoring and evaluationcreate an information base required for SFIs" rated at 50%.

Through relationship analysis, both correlation and regression analysis were conducted. The analysis shows that the correlation between monitoring and evaluation of projects and the importance of loan funds is 0.11 (r = .11). The results were presented using Table 9

Table 9 Correlation between monitoring and evaluation of projects and importance of loan funds

Correlation		
	Monitoring & evaluation of projects	*Importance of loan funds*
Monitoring & evaluation of projects	1	
Importance of loan funds	0.116589744	1

From Table 9, there is a weak positive relationship between these two variables, and these factorscan affect the financial sustainability of revolving loan funds in a positive direction (r=0.116).

On the other hand, the regression analysis between monitoring and evaluation of projects and the importance of loan funds showed that monitoring and evaluation of projects do not affect the importance of loan funds to achieve the goal of the world vision Burundi HIV/AIDS Project in Gashoho ADP. The results were presented using Table 10.

Table 10 Regression analysis between monitoring and evaluation of projects and Financial sustainability

SUMMARY OUTPUT					
Regression Statistics					
Multiple R	0.116589744				
R Square	0.013593169				
Adjusted R Square	0.008611316				
Standard Error	1.289155206				
Observations	200				
ANOVA					
	df	*SS*	*MS*	*F*	*gnificance F*

Regression	1	4.534613048	4.534613	2.728536825	0.100155			
Residual	198	329.060387	1.661921					
Total	199	333.595						
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*ower 95.0%*	*pper 95.0%*
Intercept	3.097167195	0.286028119	10.82819	9.27414E-22	2.533115	3.66122	2.533115	3.66122
Importance of loan funds	0.12235869	0.074074701	1.651828	0.100154546	-0.02372	0.268435	-0.02372	0.268435

Table 10 shows an adjusted R square of .008 which implies that about 0.8% of the variations in financial sustainability was attributed to monitoring and assessment of the projects. The ANOVA results shows an F-Statistic = 2.72 at significance level =.100 which implies no significant relationship between monitoring and evaluation of projects and financial sustainability. Thestatistics also show that the monitoring and evaluation of projects coefficient on financial sustainability was .1223. This implies that a unit change in monitoring and evaluation of projects coefficient would increase financial sustainability by .1223 units.

According to the findings of the study on strategies to improve the financial sustainability of revolving loan fund programs in Burundi, it can be discussed that key players of this program need to go through proper training in terms of monitoring and evaluation of projects, fund use, and communication and coordination. Monitoring and evaluation through KPIs will allow us to be informed about the progress of those projects as well as the possibility of repayment of the loan. Itis important to ensure the establishment of new projects to achieve long-term development goals through revolving loan fund programs.

It was found that monitoring and assessment of the project are also required to ensure the financial sustainability of revolving fund programs. The study revealed that monitoring and evaluation would be effective in motivating key players to perform better way. The setting of KPIs against monitoring and evaluation was helpful in tracking the progress of the project. The authority also has to create an environment of trust among stakeholders, and monitoring and evaluation will helpto do the same effectively.

Conclusion

The study found that stakeholders of the program agreed on the importance of fund-use training for the financial sustainability of revolving loan fund programs (r=.2017; R-square = 0.0408). On the other hand, existing literature shows that cash flow is regarded to be one of the most significantfactors for the success of a small or mid-sized business enterprise, and knowledge of fund use helps to maintain the required cash flow. Thus, the study concludes that training on fund use was effective in ensuring the financial sustainability of revolving loan funds programs.

The study also established the degree to which the practices of financial management influence the financial sustainability of revolving loan fund programs. Based on the primary data, the study concludes that financial management is effective in ensuring the financial sustainability of revolving funds programs by increasing knowledge on the utilization of financial resources (r=0.08' and R-square of 0.006). It has also been found that good financial management can be the way to reduce higher dependency on foreign aid as it will motivate people to establish an internal control system to manage the fund and utilize them to achieve the actual vision of the revolving loan funds programs.

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