



Village Savings and Loan Associations (VSLAs)

WHAT ARE VILLAGE SAVINGS AND LOAN ASSOCIATIONS (VSLAs)?

Informal, self-selected groups of people, mainly women, who pool their money into a fund from which members can borrow. The money is paid back with interest, enabling the funds to grow.

VSLA product attributes can include loans, savings, financial education and micro-insurance.

HOW DO VSLAs OPERATE?

15 to 30 people join to form a savings group

Members meet regularly to contribute savings and participate in financial skills trainings

Savings are secured in a lockable cash box, with three keys and key-holders

When the group has saved enough funds, loans are made available to members for household and micro-enterprise use

Loans are repaid with interest at a pre-agreed rate

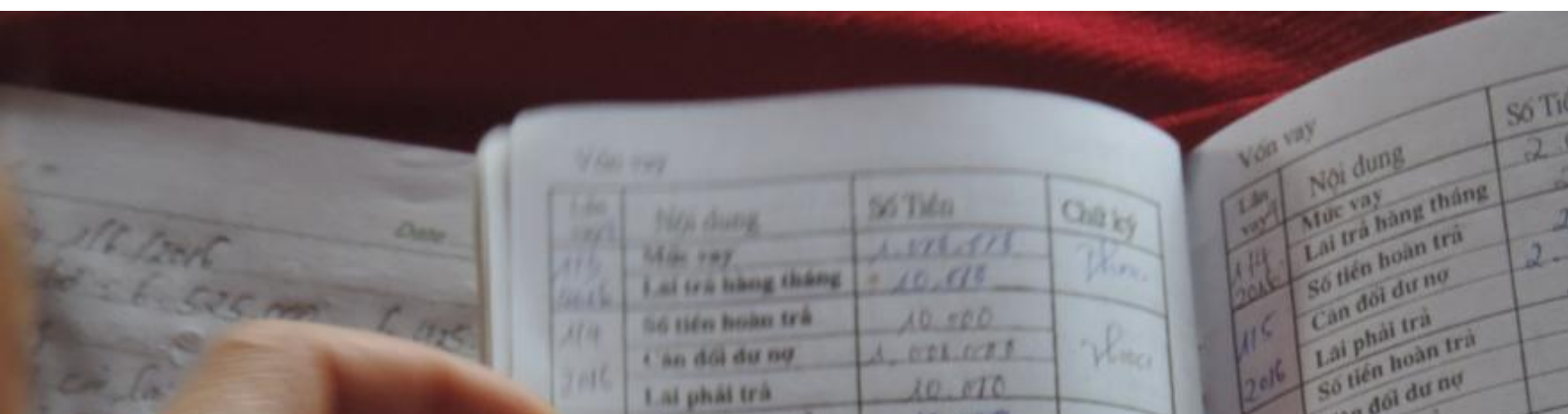
Members pool savings with deposits increasing up to 60% annually

Once groups are ready, they have the opportunity to link to formal financial services, gaining added security for their savings and access to additional financial products

200,000 CARE VSLA groups in **35** countries
have mobilized **5 million** members,
more than **70%** of them women.

They generate more than **350 million**
financial transactions a year, and create
millions of dollars in annual savings.

Their loan repayment rate is **99%**



WHY DOES CARE USE THE VSLA METHODOLOGY?

Globally, more than 70% of the low-income population is unbanked, 90% of whom do not have access to savings or credit. Their earning potential is limited with very little cash flow. Their need for financial services is very high but access and capacity to utilize those services is limited. Initial loan demand is very small and often, commercial banks do not cater to this customer segment.

Addressing these barriers, CARE VSLAs work well with unbanked people because they:

- A**re simple and can be easily adapted to many contexts
- R**equire no physical infrastructure and no outside investment
- O**ffer members transparency in all transactions
- E**nhance social ties among member and through strong group discipline, ensure efficient fund management
- P**rovide a low-risk opportunity for very poor households to improve their wellbeing

The VSLA model was first introduced in Vietnam in 2008. Currently in Vietnam, CARE has established over 500 groups with more than 10,000 members in total. The VSLA network is getting bigger, and is self-replicating. The Vietnam Women's Union has committed to promoting VSLA development in various provinces. Even 2 – 3 years after CARE's initial support has ended, up to 95% of VSLAs continue to operate independently. Loan repayment rate by VSLA members is very high at 99%.

Along with CARE, other organizations have also adopted the VSLA model, bringing the total number of VSLAs established in Vietnam to over 1,500 groups, reaching more than 28,000 people nationwide.

SUCCESSFUL INITIATIVES

- 2008** CARE's Access Africa project scales the VSLA model across Africa
- 2009** Banking on Change project links nearly 100,000 VSLA members to Barclays Bank with group bank accounts
- 2011** CARE launches a partnership that uses mobile phone technology to link VSLA groups with formal banks
- 2013** Link Up project creates bank linkages to 500,000 clients in Kenya and Tanzania
- 2015** CARE & Visa begin development of technology for VSLA members to establish online credit history in Kenya

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