



VILLAGE SAVING & LOANS GROUPS

- A CORNER STONE FOR WOMEN'S RIGHTS & COMMUNITY DEVELOPMENT



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Special thanks go to Dorothy Kipsang, who provided invaluable supervision throughout the development of this report, actively engaged in the process, and inspired me with her profound dedication and passion for the VSLA approach to financial inclusion.

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List of acronyms:

CFVSLA Culasi Fisherfolks Village Savings and Loans Association

ESCD Economic and Social Development Center of Palestine

FI Financial Inclusion

GBV Gender-Based Violence

NGO Non-governmental organisation

SACCO Savings and Credit Cooperative Societies

VSLA Village Savings and Loan Association

WEE Women's Economic Empowerment

ZADF Zimbabwe Association of Dairy Farmers

ZDIT Zimbabwe Dairy Industry Trust

The report is primarily based on qualitative interviews with representatives from the regions where We Effect implements the VSLA method: Southern, Eastern Africa, Asia, and Latin America. It inclines mainly to women's perspectives, however intersectional due to the diverse socio-political and economic dynamics within and between communities, countries, and regions.

In addition, case studies, various VSLA manuals used by We Effect partner organisations, and external sources on VSLAs were referenced to complement the interviews. The following interviewees participated:

- Nancy Wanjiku, Programme Officer Financial Services in Kenya
- Pedro Carlos Baclagon, Programme Coordinator in the Philippines
- Nora Hamdan, Programme Coordinator in Palestine
- Rishanthi Renganathan, Programme Coordinator in Sri Lanka
- James Chitamba, Study Circle and Matching Grants Officer in Zimbabwe
- Bertha Zapeta, the Guatemala Country Director

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FOREWORD

Village Savings and Loan Association (VSLA) method is a life changing approach, especially for the community members living in poverty with limited economic capacity, to engage in productive businesses and to secure an income. The transformation applying VSLAs among members has been significant especially for rural and indigenous women. During a five-year programme We Effect, and partner organisations have reached 811,000 members in VSLAs of which 90 percent were women.

We Effect recognises VSLAs being a vehicle of inclusion, providing women and young women and men with opportunities to access capital to invest in their economic endeavors whether it be profiting businesses or self-employment. The method provides a much-needed solution to addressing barriers to access financial services such as lack of collateral, stringent terms and conditions from banks, physical access to financial institutions, prohibitive interest rates and minimum transaction amounts. Barriers that keep people living in poverty in the margin.

Moreover, VSLAs provide accessible source of capital for women and other marginalised groups to more than to start up and run their own businesses, but also to provide for family needs as well as offering women an opportunity to exercise leadership and decision making within households, cooperatives, and communities. The VSLAs are self-managed and have encouraged women to step up and take leadership roles that often have led to other aspects than ensuring economic autonomy for the women, such as strengthened communities.

This report shares the examples of success, and knowledge made by partner organisations, and We Effect of the need to ensure a contextual adaptation of the method to suit the local conditions and culture.

I am happy to share this report with you for inspiration and appreciation of what belonging to a VSLA means for women, men and young women living in poverty.



A handwritten signature in black ink, appearing to read 'Anna Tibblin'.

Anna Tibblin
Secretary General We Effect



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1. INTRODUCTION

The report cross-country examines the Village Savings and Loans Associations (VSLAs) method and presents how it has been implemented within We Effect programmes. The report aims to present the broader picture of the VSLA method and its global success within We Effect, which has not been documented within the organisation before. It acknowledges that the lives of VSLA members are positively impacted by gendered economic, social, and political dynamics through this practice.

The report serves as a guide to understanding how VSLAs have been successful despite extreme and different circumstances by highlighting adjustments to the method and strengthened resilience by VSLA members, which enable new individual life prospects as well as communal ones. Furthermore, the cases presented in this report serve as vital documentation and recognition of the VSLA groups supported by We Effect's partner organisations. These cases are designed to highlight and celebrate their significant achievements and their positive impact on their communities. Subsequently, by outlining the success factors, the report answers questions on how the VSLA method has been adjusted and its impacts on communities, in addition to reflecting on existing challenges and what can be done to further the support of VSLA. The report concludes with a set of recommendations.

We Effect's supports financial inclusion (FI) as a cross-cutting theme in conjunction with other operational areas concerning rights and capacity development, for example, through farmer-based organisations, housing cooperatives, and women's rights organisations. We Effect partner organisations, therefore, support the establishment of VSLAs through cooperatives, farmer-based organisations, community-based organisations, and some NGOs. During 2018 - 2022, approximately 13,000 VSLAs were formed, consisting of 300,000 members across East Africa, Palestine, Malawi, Sri Lanka, Zimbabwe, and the Philippines, with We Effect support¹.

The report illustrates, based on testimonies from qualitative case stories, that financial inclusion through VSLAs is a successful means to enhance women's economic empowerment. The VSLA method is a group-based program enabling women's autonomy, and the capacity to make independent and self-determined choices, economic empowerment and is not only rooted in access to financial services but also builds on the strengthened autonomy from women's collective capacity. This is essential when framing and achieving women's economic empowerment, a concept that can also be described as 'enabling'² empowerment, in this context, aims to facilitate a stronger voice, control, and accountability in matters that influence an individual's life, encompassing social, economic, legal, and political factors³. This empowerment extends to women's ability to actively participate in economic decision-making processes at all levels. Empowerment, that also can ascribe as 'enabling', strives to enhance a more significant say, control, and accountability in aspects that influence one's own life regarding social, economic, legal, and political factors and includes the women's ability to participate equally in economic decision making at all levels⁴.

The report shows how VSLAs have directly impacted women's economic social and political rights. Hence, strengthening individual women and groups has not only an effect on women's well-being but contributes to positive changes within the community at large.⁵ Therefore, financial inclusion through (VSLAs) is one such approach that should be reflected in the broader aspects of strengthening women's rights and reducing poverty within communities.

1.2 BACKGROUND

Around 2.5 billion individuals worldwide are estimated to be unbanked, recognising the urgency for approaches that create efficient and sustainable methods at a low cost to reach communities not covered by financial services. In 1991, Moira Eknes initiated the Women on the Move project in Niger, saving groups under CARE, laying the foundation for this method. Today, variations of this approach impact over 20 million people globally, with approximately two-thirds adopting the VSLA model. Besides CARE, the VSLA evolved through various organisations and practitioners working in micro-savings and community development, and FI, targeting individuals underserved or completely excluded by formal financial institutions⁶.

Financial Inclusion is a broad term comprising of various strategies and approaches of facilitating access to affordable and appropriate financial services and products. We Effect works with VSLA as one of the approaches, in addition to Savings and Credit Cooperatives (SACCOs), banking, microfinance, insurance, revolving funds, value chain financing, among others. The principle of VSLA is to offer financial services to those who are otherwise excluded from formal financial services sector, represented by marginalised communities excluded, based on factors such as gender, indigenous heritage, mobility, literacy, economic status, access to the labour market, or other social factors.

Considering that women are mainly left out of mainstream financial sector, coupled with multiple layered discrimination, creating several kinds of vulnerabilities, women of various backgrounds and contexts are the vast majority participating in VSLA groups. VSLA has sparked qualitative and quantitative changes within marginalised communities across the globe. By mobilising savings, these groups offer members vital means to deal with emergencies, manage household finances, and build capital to start off business, social networks, solidarity, and trust. Recognising its significance, the microfinance industry now acknowledges VSLA as essential to the financial landscape⁷.



2. VSLA METHOD

The VSLA method provides the most inclusive uptake by members, bringing broad and multidimensional impacts and benefits. In addition to fostering financial capability, VSLA contributes to social cohesion within communities. This means that while members gain access to savings and loans, they also build stronger social networks and a sense of solidarity, resulting in improved economic status and a more tightly knit community fabric. Furthermore, the VSLA method drives gender equality through women's participation and influence within these groups, often leading to increased decision-making power within households and communities. This section presents the differentiating elements of the VSLA method as a community-based approach to financial inclusion, unique from other forms of financial inclusion.

Unlike conventional microfinance models that rely on external capital and institutions, VSLA operate with internal funding. VSLA is based on self-selection of members and mobilise internal funding, set terms and conditions for operating as well as set up a governance structure to facilitate running of the groups. This type of savings, though small in value, is more inclusive, sustainable, secure, yet highly profitable without putting strain on members. While microfinance institutions (MFIs) emphasise credit as the source of revenue, promoting interest income, VSLAs encourage the opportunity to use savings to manage cash flow more effectively. While both VSLA and MFI offer financial services to otherwise excluded groups and share similar objectives, the latter emphasises and requires enterprise and income-generating activities for the scheme to function. VSLA focuses on savings mobilisation, proportional credit provision, and social fund.

Moreover, the low-cost and straightforward management structure makes VSLA accessible to communities with limited resources and infrastructure. On that note, VSLA does not create dependency and they function as self-operating groups after about a year. While the method does not necessarily require involvement in income-generating activities, We Effect considers member participation in income-generating activities as essential for sustainability and economic growth.

Sustainability of VSLA: Firstly, it is an effective method for the households living in poverty to manage their money more efficiently and stay out of debt or dependence on outside sources. It allows for self-motivated entrepreneurial activities due to the financial gains from the savings and internal loans. However, it is not a requisite for successful participation in the VSLA. Secondly, the opportunities for innovation in the VSLA method include creating linkages with formal financial institutions, enhancing income generation and asset building, ensuring sustainability and quality of services, and building institutional links with agricultural development, health, and education, among other efforts. These steps can further scale up financial services and improve outcomes for VSLA participants. Beyond the economic benefits from VSLA, these groups gain a sense of ownership and agency over their financial resources. It increases self-esteem and improves social capital, hence an important role in breaking the cycle of poverty and exclusion, particularly for women and marginalised communities.

2.1 KEY ELEMENTS OF VSLA

VSLA focuses on savings, asset building, and proportional credit provision based on borrowers' savings, needs, and repayment capacities to avoid excessive debt. VSLA is low-cost, easy to manage, and an initial step for communities to grow their assets. As mentioned, most VSLA members are comprised of women because of their social and institutional denial of financial services. The rights-holders favourable to the VSLA are communities facing limitations due to gender inequalities and geographical, economic, or social barriers. The key elements in the initial method guide, without any adjustments, include the elements outlined below.

Self-Selection Group

The groups consist of ten to 25 self-selected individuals within the vicinity of each other, who come together to save and borrow, develop governance structure, and hold annual elections to ensure the fair distribution of power within the group. A five-person management committee oversees the group's operations, with clearly defined roles and responsibilities. This structure aims to prevent power imbalances and promote collective decision-making.

Training

The group gets step-by-step training on how to conduct their meetings, elections, allocation of roles, how to keep records of the savings and loans, and lastly, how to distribute the loan fund plus accrued interest at the end of the cycle. These operational guidelines are contained in the group's constitution. Furthermore, the VSLA members gain financial education and capacity building through workshops on financial management, budgeting, savings strategies, responsible borrowing, and entrepreneurship.

Governance

The method relies on the established self-shaped constitutional framework (developed in a participatory manner) to guide the group operations. This includes the decision-making processes and accountability within the group, directed by the rules, procedures, and roles for members to ensure transparent and fair governance.

Financial Services

Financial services are the core VSLA groups, aiming to meet its members' financial needs. The needs vary, but the principles are regular savings, loans from the savings pool, and flexible repayments. Interests on savings and loans contribute to capital growth and hence provide a return to the savers. Lastly, this includes a form of emergency or social fund, a separate saving used for community or individual-based unforeseen emergencies such as hospitalisation.

Audit and Share-Out

The group's financial records and transactions are audited through systematic review and examination of all transactions. This is done transparently and serves as a pre-requisite for the accumulation of savings towards the share-out. The share-out process is conducted according to predefined rules and calculations to ensure that every member receives their rightful share (proportional to their savings) of the collective funds.



Sukumar Kalaiyarasi from Sri Lanka. Photo: Rishanthy Renganathan

2.2 ADAPTIVE MEASURES

The VSLA method within We Effects programmes has been adapted to different contexts and communities living under different conditions. This section presents some of the innovative adjustments as shared during the interviews that go beyond the standardised VSLA method. The following examples are not exclusive to a region but showcase important contextual adaptations.

Digitalisation Provides Convenience to Members

Some regions, particularly East Africa, have transitioned successfully to digitalisation of VSLA operations. Demand for digital savings instead of the classic metal box has shaped innovative ways to conduct the VSLA business. Digitalisation assists groups, for example, in Kenya, by supporting communities operating in non-secure environments, commonly in informal settlements in urban areas. These areas have a lower level of security, and the saving box could pose a threat and insecurity; mobile transactions are already integrated into Kenyan society, thus a practical add-on to the VSLA method. The urban areas where digitalisation is applied have higher literacy levels and smartphone access than the villages, enabling its functionality. In addition, digitisation makes it possible to deposit and withdraw money without necessarily traveling to the bank. This has made it convenient for the VSLA leaders. It has also cut costs related to movement to the banks.

We Effect with partner organisations has supported the possibility of digitalisation of VSLA in urban and rural areas. VSLA members receive capacity building, which incorporates training on how to open bank accounts for group saving, borrow from the saved money pool, and use E-recording to document everything digitally for enhanced transparency and real-time records. There are some disadvantages of savings in the box such as theft, damage among others. This has become a big motivation for VSLAs to adopt digitalisation. However, digitalisation requires technological infrastructure and digital literacy, and though the need exists, it is not always feasible to access digital platforms.

There are varied considerations made during the introduction of the VSLA method for it to succeed. In Palestine, the VSLA method has been adjusted to fit the religious context. The adjustments have been documented in the VSLA Field Officer Training Guide, used in Palestine. The Sharia-compliant manual was informed by the successful experience gained during a pilot project implemented in 2017. The modifications include removing references to administrative fees/interest to comply with Sharia principles, adapting procedures for handling money in meetings, and introducing flexibility in loan disbursements and repayments. In Sharia-compliant VSLA, fines and donations are allocated to the Social Fund, and members receive their total savings during the share-out, even if it is less than the amount saved due to loan repayments or other expenses.

Training Adjustments to Ensure Women in Economic Decision Making

Different adjustments have been added to the training provided to VSLA facilitators who support the rights-holders in setting up the VSLA groups and even in the training given to the rights-holders. In Guatemala, gender training was incorporated into their training alongside the VSLA method because of the harmful patriarchal norms and how the lack of financial inclusion shaped women's assets and decision-making power. Some of the training engaged men in discussing these norms.

The Regional Office for Southern Africa (ROSA) has successfully used the study circle approach for self-learning among community members. As such, Zimbabwe automatically has integrated VSLA training in the study circles. This provides an in-depth discussion of money, money management, and investments. By fostering dialogue around the potential savings within VSLA, as well as strategies for overcoming savings-related obstacles and improving spending habits at both the individual and community levels, this initiative serves as a solid foundation for enhancing savings utilisation and promoting long-term financial sustainability.

VSLAs & Economic Activities

While VSLAs form based on financial aspects, in a small fishing village at the southern tip of Luzon Island in the province of Sorsogon of Philippines, many inhabitants live in extreme poverty and thus are not able to access financial institutions. Living from fishing with seasonal incomes does not make one eligible for traditional banking services since income only peaks during harvest season. Initiating a VSLA group in the area at first failed. However, the fisherfolks formed their own VSLA. In this case, self-selection was from amongst those who carried out fishing. This is an indication that, in some cases, the economic activity of the members could be a subtle consideration for membership. The group, which became the Culasi Fisherfolks Village Savings and Loans Association (CFVSLA), included a condition that one must be a fisherfolk to join. The takeaway is the need for flexibility to allow groups to set additional criteria necessary for the group's success.

VSLAs & Government Requirements

In some countries, government requirements guided the formation of VSLAs. For example, in Sri Lanka, partner organisations must inform the government about the intention to support VSLA groups before promoting the method. While this constrains some of the work for partner organisations and NGOs, government officials have also been engaged as a channel to spread the word about the important role VSLA groups can play. VSLAs have, therefore, been working to complement government resources. The positive outcome of these requirements led to rights-holders being able to leverage their demands through information diffusion. On the other hand, in Kenya, all VSLA groups must be registered by the government. This is important to bring some order in the operation of the groups and helps the members to hold their leaders accountable.



Patheeskumar Sukanthini holding Patheeskumar Danusikka from Sri Lanka.
Photo: Rishanthy Renganathan



Hanan Al Saadi from Palestine. Photo: Robert England

“I rented the land where the plastic houses are located through a loan from the VSLA”

Hanan Al-Saadi, a determined and resilient woman, comes from Al-Jalameh village. As a board member of the local women’s club, Hanan embarked on a journey that would not only transform her family’s livelihood but also inspire others in her community.

In her quest to augment her family’s income, Hanan devised an innovative idea. She decided to invest in two plastic houses for farming. Despite limited funds, she purchased one plastic house initially, leveraging a loan from the Village Savings and Loan Association (VSLA) to rent the land for it. Through diligent cultivation within the plastic house, Hanan managed to support her sons’ university education and even financed their weddings.

Driven by her determination, Hanan expanded her farming operation by securing a second loan from the VSLA, allowing her to rent another piece of land for the second plastic house. Within a year, she successfully acquired the second plot. This achievement was especially remarkable considering the challenges she faced as a cancer survivor with a stroke affecting her left hand, and her husband’s heart condition.

Undeterred by these hardships, Hanan undertook all farm work herself, with her husband assisting in softer tasks like packaging. Her children, occupied with their own jobs, also contributed whenever possible. The farm became the primary source of income for her family.

While content with her current achievements, Hanan nurtured a burning ambition to expand her farm further. Financial constraints prevented immediate expansion, but she steadfastly held onto her dreams, eagerly awaiting the day when her farm would flourish on a larger scale.

Hanan sells her high-quality crops to Palestinian merchants in both Israel and Palestine, setting her own prices and ensuring a fair return for her hard work. Though she is not affiliated with any agricultural cooperative, Hanan, along with 16 other women from the village women’s club, initiated the process of registering as a cooperative.

The journey towards registration proved to be complex and costly, posing a challenge for the women. One major hurdle was opening a bank account, a requirement for cooperative registration. Fortunately, the Economic and Social Development Center (ESDC) recognised the issue and actively engaged with the monetary authority to resolve it promptly, expediting the registration process.

To cover the registration fees and shares, Hanan and the other women obtained a third loan from the VSLA. Collectively, they managed to secure the necessary funds, amounting to around 700 US dollars. Their dedication and perseverance propelled the cooperative registration forward, with the hopeful expectation of completing the process by the end of 2023.

The elongated registration period was mainly due to the absence of bank guarantees, an essential prerequisite for opening the required bank account. Nevertheless, Hanan and her fellow women from Al-Jalameh village are determined to establish the first women-led cooperative in the area.

Hanan’s commitment to environmentally friendly practices in farming is noteworthy. She abstained from using chemical pesticides both inside and outside the plastic houses, ensuring the health and quality of her crops. Although this reduced her overall production, the resulting harvest was undeniably healthier.

Her choice of pumpkin crops is strategic, as pumpkin farming doesn’t necessitate hormonal fertilizers or bees for pollination. Hanan undertook the labour-intensive task of hand pollination, meticulously identifying male and female flowers and delicately transferring pollen from the male to the female blooms.

While considering future expansion, Hanan contemplated diversifying her crops. For now, however, she decided to continue planting pumpkins due to their unique market demand. Since few farmers cultivated this crop due to the challenging cultivation process.

3. WOMEN'S ACHIEVEMENTS

Gendered Economic, Social & Political Perspectives

This section explores the distinct trajectories observed across regions and countries, influenced by contextual factors that have driven tailored adjustments and variations in implementing the VSLA method.

Noteworthy is the prevalence of women within VSLA membership, as recognised by We Effect staff and further substantiated by quantitative analysis conducted by VSL Associates. Data from VSL Associates reveals that 78 percent of VSLA members are women⁸, a ratio similar to what is reported by the We Effect's programmes. The findings from the interview with We Effect colleagues and the case studies reviewed (see below), the central theme remains the gender-specific benefits and effects of VSLA initiatives, highlighting their crucial contribution to promoting women's economic empowerment, inclusion, and rights. However, it's important to point out the low representation of men in the VSLA, which can raise questions about how traditional gender roles and stereotypes foster these practices, where women take more responsibilities for family and community development. Also, it presents opportunities and possibilities for more male engagement in community initiatives.

Economic Benefits

Though the benefits of VSLA go beyond solely financial, it is still one of the core functions. The main take away from the interviews was that all regions commonly expressed accessibility and affordability through the inclusivity in the VSLA as crucial factors to its success. Moreover, as mentioned, the fact that the method is based on the assets the rights holders already have makes it accessible. The economic benefits are beyond the annual share-outs and are founded in income-generating activities to buy inputs for farming and how it strengthens the community's capacity.

VSLAs operate independently without additional technical support after 12-15 months, and 89 percent of groups continue to operate when the support period is over after the first year. On average, the return on assets stands at 18 percent, and savings at 22 percent, exemplifying their enduring economic impact⁹.

Case 1: Guatemala - Community Strengthened Economic Resilience

Membership in VSLAs generates social and economic gains, positively impacting the community's livelihoods. The overlap between social and economic development can be seen in many of the VSLA case examples shared during the interviews. Guatemala has an excellent example of this, which became evident during the pandemic. The groups of women who got organised between 2018 and 2019 had built a strong financial foundation before the pandemic and developed it into entrepreneurship. When the pandemic hit, VSLA members continued with their meetings through online platforms, which became a critical avenue to spread information. While others could not overcome the challenges caused by the pandemic, these groups could maintain their economic activity. The importance and uniqueness of this must be stressed; when the economy slowed down and the state could not assist many communities, these VSLA groups cushioned the community to cope. When We Effect was in contact with them throughout the pandemic, they could confirm that they still had access to food and could supply food to schools, sell their produce, and keep generating income. When the state could not be present to assist, these women managed to maintain economic activity, develop their businesses and, without fear, mobilise in times of crisis. This example serves as compelling evidence of how women's collective efforts empower individual women and contribute to their communities' growth and well-being

Case 2: Zimbabwe - Income-Generating Activities

Most members of VSLA groups in Zimbabwe are smallholder women farmers and small-scale women entrepreneurs from rural areas. The VSLAs attract young women and men from marginalised communities but to a lesser extent. One example of women members is Zimbabwe's women dairy farmers, particularly based in Eastern Highveld. The dairy farmers producing milk in this mountainous area have, from their saving initiatives, been able to establish, advance and increase profits through income-generating activities. The economic benefits from the saving groups opened the opportunity to purchase cheaper dairy cows to start income-generating activities. To support the dairy farmers and establishment of inclusive businesses We Effect collaborates with the Zimbabwe Association of Dairy Farmers (ZADF), Zimbabwe Farmers Union (ZFU) and Zimbabwe Dairy Industry Trust (ZDIT). This support covered all the parts of the production cycle, further encouraging women to drive their produced milk to the collection centres, strengthening ownership and avoiding revenue cuts from a middleman. Before this, the farmers would carry the milk on their heads down the valley or on donkeys, which was much more labour-intensive and time-consuming.

The economic empowerment through VSLAs has been the starting point for this significant change; a few years ago, the sight of women transporting milk was rare. Consequently, they have claimed ownership of their assets; the transparent and inclusive method allows them to register their names to their enterprise and track the inflow from their milk production. This project includes the supply of electric tricycles with power generated from solar panels, further decreasing production costs and increasing profits. This sequence of events, beginning with savings programs that facilitated their involvement in the production cycle, ultimately culminated in women taking ownership of agricultural projects and enterprises.



Maria Justin from Tanzania Photo: Catherine Waking'a

Community Collective Actions

VSLAs go beyond individual financial empowerment and contribute to collective actions for community development. Members often collaborate on initiatives such as setting up small businesses, negotiating fair prices in the marketplace, advocating for gender equality, support social protection schemes, or engaging in local development efforts. Through collective action, VSLA contributes to social change, poverty reduction, and inclusive development. This capacity building further enables the flow of other resources to strengthen the community and individuals. Furthermore, it contributes to the sustainability and continuation of growth, even when We Effect support has ended. Multiple staff during the interviews expressed the importance of working with partner organisations to implement VSLA to enhance local ownership. It will keep the groups going even after We Effect has left. This is echoed by VSL Associates, who found that 98 percent of members continue from one annual cycle to the next¹⁰, emphasising the programme's sustainability and appeal.

Case 3: Philippines - Indigenous Communities come Together

Regarding the social impacts, the VSLA in the Philippines became a channel for indigenous communities to meet and strengthen communities' social networks and economic capacities. These groups living in extreme poverty did not initially understand how VSLAs would be useful because they were expected to keep saving, yet they did not think they had the money to save. However, due to the minimal amounts required for savings, they were surprised to discover that it was possible to save. These groups faced challenges to travel since they live on farms spread out in rural areas. However, the income generated from savings could be used for transport, and the meetings became increasingly important. It became an opportunity to get together and discuss other community or family-related issues. Some of the meetings could sometimes take up to six hours due to the interest by members. This has been essential in building their community's social capital.

Breaking Barriers

VSLAs have directly contributed to increased women's participation in economic, social, and political spaces. The VSLA method recognises gender disparities and social inequalities in access to financial services. By integrating gender perspectives, the method recognises that women often face social and institutional barriers that limit their access to formal financial services. The fact that VSLAs are member driven, they prioritise inclusion of women as members, providing them with a safe space to save, access small loans, and build financial resilience. Further, it provides opportunities for women to develop leadership skills, participate in group decision-making processes, and engage in income-generating activities. Also, VSLAs foster a supportive environment for women to share experiences, learn from each other, and collectively address social issues affecting their lives.

Case 4: Kenya - Marketplaces Utilised in Multiple Ways

Another example of how VSLAs have been socially beneficial beyond the savings is the fact that meetings often take place in markets. The meetings in Kenya are considered a double opportunity; the day the VSLA meetings take place, other meetings are also organised to maximise on the time that the VSLA members are in the marketplace. They also utilise this time for individual businesses and sell their merchandise. This can be a gathering of up to 300 women, who then get to display and sell their handcraft, agricultural produce, and other products and buy household items needed. This strengthens these communities and has encouraged more members to join the VSLA; individuals who come to the market gain interest in the savings they do and start their own or join an established group. In the rest of East and Southern Africa, the concept of gathering in these kinds of meetings, including women, is not new. For instance, government representatives use VSLA as a channel of communication whenever they have messages for community. It happens that these government-led meetings become an avenue to sensitise the community about VSLA.

“I usually say that I was a diamond in the rough before”

In just seven years, Judith Ganuza has gone from not even having sugar to put in her coffee to having her own business and being virtually self-sufficient in food. On top of that, her self-confidence has skyrocketed. All thanks to the local women’s group.

“Before I became an entrepreneur and started my own business, there were days when I didn’t even have sugar to put in my coffee. And I’m not ashamed to say that. But that’s no longer the case. Even if I don’t have much to spare, at least I have what I need,” says Judith Ganuza.

It’s the middle of the day in the Ahuachapán region of western El Salvador. Judith looks out over the farm that she owns and runs together with her family. Here she has everything her family needs. Corn, beans, chili, banana, papaya, citrus fruits and a lot of herbs are some of the many crops that she and her family grow. In addition to this, they also have a pig and raise chickens.

“I usually say that I was a diamond in the rough before. Seven years ago, I didn’t know what it meant to belong to an organisation or how I could work for myself and others at the same time. In addition to running the farm and chicken farming, Judith has now also opened a new business — selling ‘pupusas’.

Every Saturday and Sunday, she sets up a small tent outside her house where she sells the stuffed cornbread. This has meant that Judith now has her own income and is no longer dependent on her husband to support her. She learned the importance of this in the local women’s group that Judith joined when she started participating in Confra’s activities. This women’s group has changed her life.

“When I first started, I didn’t even dare to say my own name. But not anymore. Now I feel like I have the confidence to talk to anyone. Now I want to help other women who are quietly suffering from low self-esteem and show them that they are good enough and that they have the opportunity to develop themselves,” she says proudly.

Now, not only does Judith lead the local women’s group, but she has also taken on greater responsibility in the local community at large.



Judith Ganuza from El Salvador. Photo: Philip Krook

Case 5: Palestine - Women's Entrepreneurship

Comparing the VSLA method and traditional microfinance, the VSLAs offer liberation from the requirements of what to do with the generated money. Women's entrepreneurial drive is one of the outcomes of applying VSLA method in Palestine, and where their full potential could be utilised. The women's income-generating activities have been demand-driven and they initiated then by choice. This enhanced their agency and enabled them to take decisions and implement them. Palestine partner organisations embraced a transformed view of gender roles and the income-generating part of VSLAs is what eventually made it possible for women to be allowed to take part. The importance of economic autonomy and decision-making power made women grow as leaders and contribute to household decision-making. An essential factor that challenged the traditional gendered norms.

Further, the VSLAs groups provided safe spaces to negotiate, gain confidence and ensure decision-making power for women at a household level. Building on the entrepreneurial ideas in line with the savings growth, it started small; opening a small store in someone's house or putting a chair in someone's house could be the start of a salon. The women benefited not only individually but as a community when they supported others by contributing to each other's projects and start-up ideas. This collective support and meaningful representation have led to the confidence to influence community-related local politics.



Case 6: Sri Lanka - Balancing Leadership, Care Work and Economic Roles

VSLA method provides an opportunity to challenge harmful stereotypes and gender norms. From upbringing women are predominantly responsible for care work in Sri Lanka, a product of patriarchal norms. The VSLA method disrupts this, allowing women to engage in productive activities beyond care work. Similarly, it presents an opportunity for the younger generation in rural areas to experience women in leadership positions. Moreover, women are getting recognition for taking on leadership roles and their rightfully earned recognition within these communities. For example, when a member of We Effect staff recently visited one of the VSLAs, she spoke to one of the men who is a member of the VSLA group, he pointed out the success of their VSLA and credited the success to one of the women leaders for exceptional leadership. According to him, her contribution as one of the VSLA leaders was vital to the success of the VSLA. It is important to note that the woman in question, like many others, balanced her VSLA leadership role with childcaring, and so the recognition of her work was meaningful to her. It is anticipated that over time, women leaders will be the new norm, hence societal change.

Moreover, following the end of the civil war in 2009, many women assumed the role of heads of households. In this context, the VSLA takes on even greater importance to support women's income generation and economic empowerment. Lastly, the increased household income from the VSLA has also enabled more children in low-income areas to access education. This is also breaking the generational dimensions of exclusion to education.

I have increased the savings in the cooperative society. I have cultivated two acres of garden and I also prepare and sell organic nutrition food.

Now I have been receiving enough order for food. I have the confidence that we can increase the marketing opportunity to carry out our business.

36-year-old Kangeswaran Sivasangari, Sinnakulam village Sri Lanka

4. RECOMMENDATIONS

This section pinpoints the factors that have contributed to the VSLA method's success while presenting the challenges to navigate. The self-management of rights-holders lies at the core of the VSLA's accomplishments. The successes are accompanied by challenges, including gendered vulnerabilities, economic downturns, and technological limitations. Examining both the strengths and challenges, the recommendations can further enhance the VSLA's effectiveness, ensuring its continued contribution to women's rights and community development.

4.1 FACTORS FOR SUCCESS

In the pursuit to enhancing women's economic empowerment and community development, the VSLA method has harnessed a range of key success factors. These points underpin the features that have been observed across diverse regions and serve as the foundation for its impact.

Saving Groups Focal Point and Self-Management

The self-management structure inherent in the VSLA method places considerable agency in the hands of the participants themselves, fostering a sense of ownership and responsibility. The method taps into their intrinsic knowledge of needs and priorities by allowing the community members to take the reins of their savings and credit activities. This empowers members to actively engage in financial activities without complex external support or interventions, creating a sense of autonomy, control, and long-term sustainability. Prioritising the needs and preferences of rights-holders, of which majority have been women, has been a vital strength of the method and have amongst others ensured women can prioritising needs and wanting they perceive as important. This approach has allowed partner organisations, and We Effect to provide additional support alongside the standard VSLA tool and flexibility in cultivating self-sufficient groups, and enhancing their capacity. The method equips groups with the necessary tools to advocate for their requirements rather than fostering dependence on organisations. Placing the rights-holder's perspective at the forefront, the method can be adapted to various contexts, including digitalisation, gender sensitisation, religious accommodations, and lifestyle adjustments. Alignment with the needs of the community is a core driver of effectiveness and widespread success.

Trust at its Core for Partner Organisations

The reasons the VSLAs can take off in so many different places are partly because it builds on trust. While the method emphasises trust within the VSLA group, the same can be said for the work around it. Many interviewees mentioned several examples of how the uptake has worked due to trust building within the groups. One of the ways to build trust amongst community members has been the use of local language while training and sensitising potential members. VSLAs in many countries were initially met with scepticism, subsequently, trust and safety has been one of the critical components that enabled We Effect, and partner organisations to reach rightsholders and achieve success.

Another desirable reason for many VSLAs in engaging in savings is that it benefits other aspects of life and interlink with their ambitions to ensuring rights. Since We Effect works with local member-based organisations regarding adequate housing, the right to land and food, and sustainable rural development, the VSLA becomes a tool to further enable the context-specific demands for the member's influence of their lives and communities.

Inclusivity of the Marginalised

Inclusivity is a vital and outstanding factor in the resounding success of the VSLA method. The unique strength of VSLA lies in its ability to include even those with very limited or no income. By keeping the savings requirement exceptionally low and introducing group guaranteeing (eliminating the need for collateral), VSLA ensures participation of people from all financial backgrounds. The method fosters a sense of community engagement and trust, making it a fit for a diverse range of individuals and contexts. Additionally, the physical presence VSLA groups further ensures accessibility and subsequently inclusivity as people don't have to travel long distances. This blend makes VSLA a potent tool for economic empowerment, an environment where everyone's contribution matters and collaboration are needed.

Safe Spaces a Pre-requisite for Women's Economic Empowerment

Working with the collective agency has shown to be essential for women's economic empowerment, the VSLA has been critical in capacity strengthening women's collective voice and capacity. This is evident in the interviews of this report where We Effect colleagues have witnessed how the safe spaces meetings have led to an increased understanding of their rights, a social domain for information distribution and, in some cases, the confidence to address broader community issues jointly.

Women's Entrepreneurship Part of Community Development

Entrepreneurship is a critical cross-cutting feature contributing to the VSLA method's remarkable success across the regions. Entrepreneurship has been proven pivotal in fostering economic empowerment and self-sufficiency among the marginalised communities targeted by the VSLA approach. By encouraging especially women to explore and develop their entrepreneurial ideas, the VSLA creates a conducive environment for sustainable income-generating activities. These endeavours strengthen the participants' financial foundation and enhance their confidence and decision-making power within their households and communities. The spirit of entrepreneurship instilled by the VSLA resonates with the diverse cultural contexts in which it operates, unlocking opportunities and driving positive social change and even political participation. Emphasising entrepreneurship as a core component of the VSLA method has enabled We Effect to witness life changing impacts in countless individuals and communities, making it a powerful tool for financial inclusion and community development.



VSLA members from Palestine and We Effect staff Mariam Ikerawi. Photo: Robert Englund

4.2 CHALLENGES TO ADDRESS

In the implementation of VSLA method, addressing vulnerabilities is crucial. For example, women's improved economic and capacity to take up opportunities may trigger a backlash. Moreover, contextual economic volatility in terms of inflation negatively impacts saving groups, and the disasters resulting from climate change can trigger unsafe situations. These are elements to consider for adjustments to improve the VSLA operations.

Violent Backlashes on Women's Rights

Noting the existing harmful patriarchal norms, power shifts within families or communities, participation in VSLAs may trigger and increase aspects and forms of gender-based violence. Women gaining power through economic independence, formulating a political voice, or expanding social engagement may result in a setback for the women at the household level by intimate partner violence or by belittlement and slander by community members. The causality of the increase of women's economic empowerment, in terms of saving groups and gender-based violence is supported by research¹¹. We Effect to ensure that constructive norms of masculinity are prevalent within the communities to support the transition of women gaining power is crucial. This could be done by addressing harmful and constraining patriarchal norms and by including a gender lens in training. Another possibility is to raise awareness of how financial gains and empowerment can risk generating negative impacts for women through backlashes. This support has been provided by gender experts and through training.

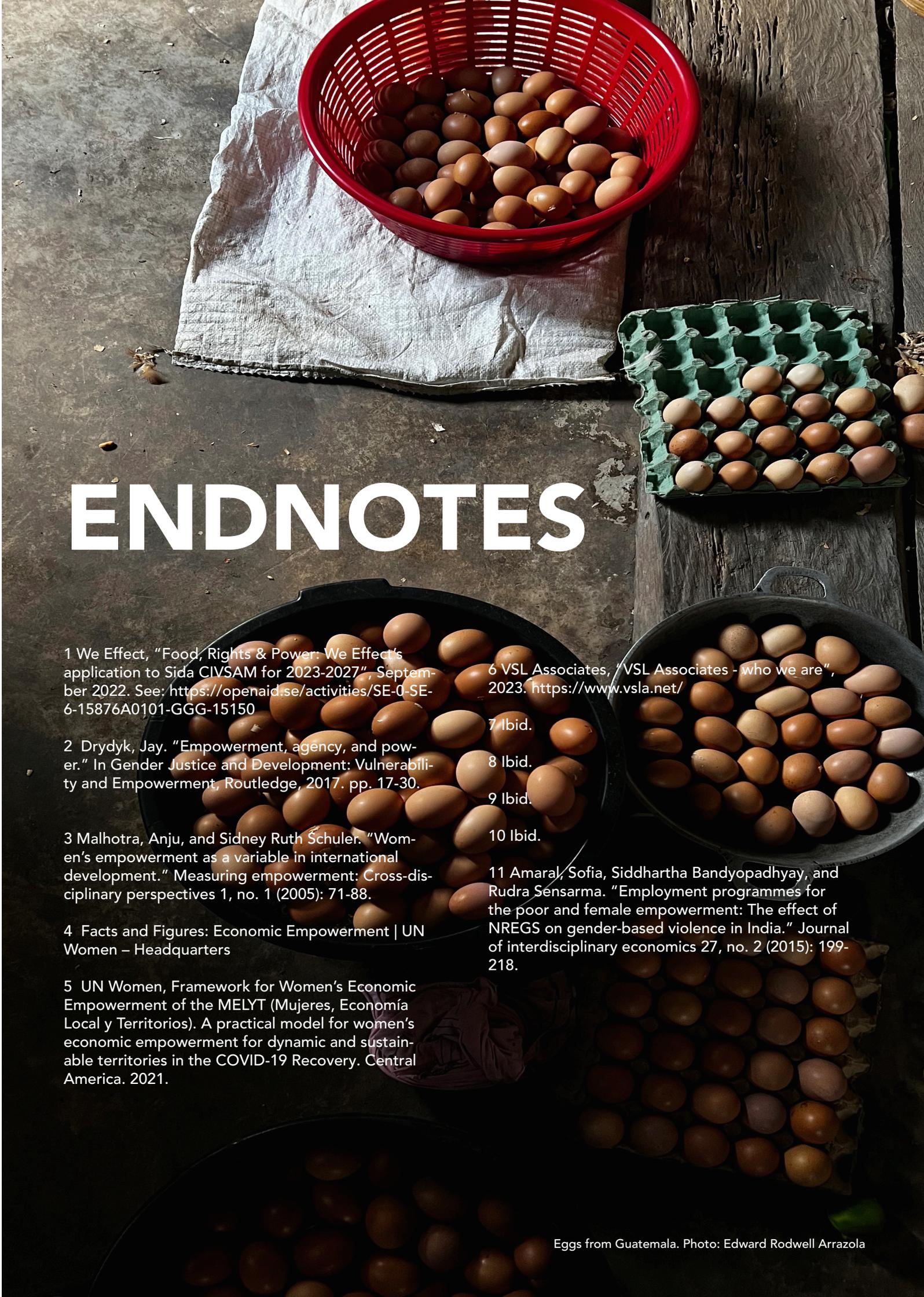
Disruptive Contexts Leading to Economic Volatility

Recognising that economic concerns have been reflected due to external economic volatility that affects VSLA groups. In Sri Lanka, for example, while the current economic situation is affecting everyone, Women are disproportionately impacted, placing an additional burden on their economic stability. Their vulnerability has affected their ability to be active in VSLA groups, especially when facing external economic downturns. Enhancing the resilience of VSLA groups through targeted support mechanisms could mitigate these hardships and enable women to navigate economic uncertainties more effectively, reinforcing their engagement within the VSLAs.

Hyperinflation in Zimbabwe has negatively impacted the saving groups. The gradual inflation has resulted in savings losing value. As a solution, farmers have turned to investing in livestock to preserve the value of their savings. Due to prevalent gender norms, men tend to lean towards investment decisions such as livestock to counter inflation's effects. In contrast, women often handle household expenses and daily finances and could face different challenges as their savings lose value. To address this, VSLA training and/or study circles should use a gender-sensitive approach, offering both men and women strategies to cope with inflation's impact on their financial empowerment, thereby promoting gender equality within the VSLA context.

Bringing the Growth of VSLA to the Next Level

Acknowledging that the VSLAs are useful institutions for financially excluded persons to access financial services and grow their incomes. Internally, the individual members of VSLAs tend to outgrow the services of their VSLAs but at different times. We Effect has been supporting the VSLAs to graduate to the next level. This is done by linking groups to other service providers who can meet members' needs or supporting the group to transform into a formal organisation providing financial services to the members. This is seen as the organic growth trajectory. There has been increasing number of persons interested in VSLAs. However, the limited resources within We Effect limits the extent to which new groups can be supported to form. In Palestine, for example, the next We Effect supported VSLA cycle will focus on additional support, together with the Economic and Social Development Center of Palestine, to assist the groups to formalise into cooperatives. The Philippines, where groups outgrow their initial goal, they come together to do something bigger with what they have created. In this case, multiple VSLA groups join forces and develop cooperatives.



ENDNOTES

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10 Ibid.

11 Amaral, Sofia, Siddhartha Bandyopadhyay, and Rudra Sensarma. "Employment programmes for the poor and female empowerment: The effect of NREGS on gender-based violence in India." *Journal of interdisciplinary economics* 27, no. 2 (2015): 199-218.

