



What VSLA Is?

VSLAs are informal community-based savings and loan groups that save money together and take small, low-interest loans from those savings. CARE, as an organization has been working toward empowering women financially through forming Village Savings and Loans Association (VSLA) in their working areas in the developing world. This is a pro-poor financial model. Due to its multifold success and the positive impacts on the lives of VSLA members in different countries where CARE has the presence, SHOUHARDO III of CARE Bangladesh started implementing VSLA models in its operational areas since 2019 following the recommendations from the program's Mid Term Evaluation.

To further strengthen the savings practice of women and by women, the program also introduced the local service provider (LSP) named Sanchay Sathi (SS) to sustain the intervention beyond the program's timeframe. A locally developed savings agent (Sanchay Sathi), who provides savings and loan related services in exchange for a small fee, is a one-of-a-kind approach. The objective of these approaches is to empower women economically to have long-term impact on the food security status of the destitute. VSLAs are supporting the communities, especially women, in the northern Bangladesh by influencing and motivating them to adopt savings practice which in turn also provide them with loans for their immediate needs and emergencies.

CARE runs



Source: Global VSLA Annual Report 2023

Status of VSLA Groups in CARE Bangladesh

CARE Bangladesh SHOUHARDO III Plus Activity, the successor of SHOUHARDO III is currently working with 2130 VSLA groups with 41,080 members (as of September 2023)



2,125
VSLAs



41080
members



35808
VSLAs



238
Male

Adult female VSLA

1829

Adult male VSLA

13

Adolescent boys VSLA

30

Adolescent girls VSLA

253



How the VSLAs operate

The VSLA groups are made up of 15–25 women, but a small number of men's VSLAs have started to form in recent years. The VSLA members save money in the form of shares. The size of each share is based on how much money each member can afford, which ranges from 20 to 100 BDT (~USD \$0.20 to \$0.90). Each member can save between one and five shares every two weeks, and they can borrow against their savings. After a year, each person gets their share of the money. The VSLA members then decide as a group whether to start a new 12-month run or stop.

Unique features of the VSLA model

- Group savings deposit bi-weekly
- Keep the money in three padlock kit-box for security
- Affordable individual savings

- One-year duration for each cycle
- Maintains social fund in the same manner as the savings



- Self-selected and self-managed groups
- The group fixes the share value, loan amount, interest on the loan, and loan repayment period.
- Only 5% interest with easy repayment policy decided by group
- 5 BDT per month for the failed installment fee

SHOUHARDO III supervises the process during the first year for them to operate independently from the second year

- Members can apply for a loan 3-fold higher than their deposits.
- Three months loan period, extendable for up to two months (upon decision).
- Loan interest generates profits for the group (During the share out, every member gets an equal portion of the interest collected from those who borrowed money or paid late fees.

Impact of VSLA in the communities

Catalyst for women's empowerment

The VSLAs provided their members with an umbrella of protection, including access to emergency funds, the freedom to spend money as they saw fit, and the opportunity to borrow money when they or their families had a need. The savings money and contribution to family expenditure (after share-outs) have also improved the women's status within the family, as they are included in major family decisions such as buying cows or other livestock, selling produce, children's education and other matters. The women also used the savings and share-out money to invest in IGAs, such as tailoring and buying sewing machines.

After joining the VSLA group, most women in the VSLAs worldwide believe that saving is a lifesaver in situations (such as disasters and shocks), and that women gain greatly from saving to spend on emergencies, family, children, and even on themselves to buy things they want.



Preferred choice for securing immediate needs

The community has a clear preference when it comes to securing microloans on an immediate basis. In some critical situations (sudden death of family members, close relatives, critical diseases, or natural disasters), when they need an amount amounts below BDT 5,000 (~USD \$45), they most turn to the VSLAs. They believe that they can get loans quickly from VSLAs because they save their own money through group-based savings and can acquire loans up to three times their accumulated individual savings. To get loans from MFI or other sources, loan seekers should expect to wait between 7 and 15 days from the time they submit the required documentation to the time they receive the loan amount.

Impact of VSLA in the communities

Advantage of taking loans from VSLA

As found from latest research by SHOUHARDO III Plus, in terms of loan-taking, women are often neglected by the Micro Finance Institutes (MFI)s in the rural areas because they ask for a small amount and barely manage to have a guarantor. Women sometimes have limited or no access to emergency cash, making it difficult to cope with unexpected expenses. Even though some women take out loans from the local MFIs or NGOs, that entails a high-interest rate, which makes the repayment difficult. The VSLAs provide a safe space for these women to ask for a loan, no matter how small the amount is, and take care of their and their family's emergency needs.

"I always prefer VSLA for getting a small loan; to date, I took three microloans to meet up my urgent needs. It doesn't require any document or anything, and I can get a loan within the same day."

Shefali (38), VSLA member, Kurigram, Bangladesh



Russia-Ukraine conflict started in February 2022, it had a ripple effect on Bangladesh, which create negative impact on the livelihood of the PEPs. Since the war disrupted the essential commodity production and export processes many of the PEPs are reported to struggle to continue their regular life. However, the VSLAs have provided financial security during this crisis. Many of the VSLA members took loans and survived.

The members of VSLAs shared that they spent most of their share-out money on buying livestock or poultry and materials for homestead gardening. Many of the SS invested their service fee into buying livestock and poultry.

"Due to the price hike, my husband's business was getting dull, and we just sowed seeds in our leased land, so we were struggling to meet ends. Then, I took a loan of BDT 5000 from VSLA, which helped us to meet our immediate needs for food until the next harvesting season."

Rantna Rani (32), VSLA member, Habiganj, Bangladesh

VSLA become the trusted partner of the PEPs for Emergencies

The VSLA in Emergencies work is now embedded in \$51.6 million USD worth of current CARE programming and is becoming a staple of each country's humanitarian portfolio

Ensuring sustainability through Financial Inclusion

Rural PEPs rely on VSLAs to secure immediate small loan amounts. They find it convenient and easy to access. Through the VSLA, the members can save money together and take out small, low-interest loans from those savings. The VSLA groups have emerged as one of Bangladesh's most effective platforms for women's empowerment and financial control in meeting PEPs' urgent loan needs.

The rural poor accept VSLA as their trusted partner because VSLA can address their immediate needs. Most VSLA members expressed that after becoming a VSLA member, they rarely approached informal sources such as traditional moneylenders and family/ friends for micro-loans, as VSLA has opened the rooms for their immediate micro needs. micro-loans, as VSLA has opened the rooms for their micro needs.

To address the immediate needs of the PEPs, self-organized savings and loan groups such as VSLAs remain the sole option, as they provide minimal financial assistance to their members. Despite the immense impact of the self-organized savings and loan groups, this large group is not yet part of the financial ecosystem in Bangladesh. There is no legal framework for VSLAs or other savings and loan group activities that excludes them from the National Financial Inclusion-Strategy (NFI-S) of Bangladesh. Thus, regulations must be drafted for their financial inclusion.

As the other key financial service providers, such as Banks and MFIs, the Government of Bangladesh should recognize VSLAs in the NFI-S and acknowledge their contribution to the financial inclusion of PEPs in rural Bangladesh. This will ensure an inclusive financial ecosystem where poor people have low-cost and convenient access to quality financial services, such as making and receiving payments, saving money, accessing credit, and managing financial risk.



Key learnings

1

VSLAs provides the poorest segment of the society with loan services, which are either not available to them, or available at extremely high-interest rates.

2

VSLA provides a flexible platform for savings to the poor and extremely poor people as per their capacity.

3

VSLAs create cohesion among the members that ensure collective action and social network building.

4

Interpersonal skills, networking and, in turn, the social capital of rural women are positively changing through the VSLA platforms.

5

The yearly share-out system of VSLA enhances communities' trust in the system.

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