Village saving and Loan Scheme

Village Savings and loans Scheme is the mobilization of self resources (money) by individuals in variable amounts to contribute to a standing fund to be used by the contributors to address personal financial commitments and also social protection issues at individual group members. It is widely used as a Poverty Reduction Strategy for remote communities. This initiative could be used to increase individual, household's income and also raise funds for businesses of economically active people.

Individuals form themselves into groups of 25 per group (80% women) with aims and objectives. They develop their own regulations as how the group is to be governed (constitution) with a group name and address. It starts with one week training on the concept of VSL, group formation, development of constitution on how to run (VSL) at group level. The groups are ran in cycles, the first cycle goes for 36 weeks with weekly amount for contributions as agreed upon by each group member they call shares. One person can buy not more than 5 shares. After 36 weeks every member must have paid all loans and total amount is shared out after the 36 weeks. They can then start a second cycle.

The VSLAs serves three purposes:

- First, it provides an alternative source of income to Marginalized women, who can tap into the contributed savings of the associations by taking loans and investing in other income generating activities like businesses or agriculture among others
- Secondly, the member who also become field officers can command fees from the training that they conduct for new VSLAs;
- Thirdly, VSLAs will provide a readily available source of credit for the poor and marginalized groups in rural areas (mostly women) who would not be eligible for loans from financial lending institutions -like banks.

How it works

- We encourage groups of people to form together to save regularly each week. The group gradually builds money; even if just Le 2,000 a week is saved, that becomes Le 50,000 a week in a group of 25 and in 36 weeks becomes Le 18,000,000 without the interest raised. Now in a simple society that sort of money can achieve much.
- The group then lends the money to one or more of its members for a specific project and sets an amount of interest to be paid on it and a time scale for the repayment. Only members of the group are eligible for consideration.
- In this manner the group are lending their own money NOT donated money and there is a much greater vested interest in ensuring that any project the money is lent for is successful and the loan is repaid

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- The schemes have a **95%+ success rate** and are making a difference to many societies. They are not only leading to better living standards, but they are bringing a great sense of pride to those who participate in bringing themselves out of poverty.
- There is another equally important aspect of the scheme as well and that is that 5% of all money saved goes to a ring fenced social fund. Some do contribute a special additional amount to the social fund. This can be accessed by any of the group members if they fall sick or have a crop failure through no fault of their own - this is the first welfare system they have ever had.