



# Impact Brief: CARE's Village Savings and Loans Association (VSLA) model in the Mekong

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Since the 1990s, CARE has been a key player in piloting, implementing and scaling up community-based and member-owned decentralised financial services models, with a strong focus on the Village Savings and Loans Association (VSLA) model in Africa. On a much smaller scale, CARE has supported the VSLA approach in the Mekong region (Vietnam, Laos, Cambodia, and Myanmar) with 17 economic development projects implementing stand-alone models or integrating the VSLA model as a component over the last 10 years. VSLAs have become part of a cross-cutting strategy to foster economic development within rural communities, especially among women. However, the use of savings-led approaches such as VSLAs is yet to be fully integrated as an overall strategic approach in programs.

In 2016, CARE Australia commissioned the Coady Institute to undertake an evaluative study to gain a better understanding of the savings-led approaches being implemented in the Mekong region and to evaluate the VSLA model in terms of effectiveness, sustainability, and impacts. This involved a desk review of work across the four countries and field evaluation in Cambodia and Myanmar. This summary presents key findings.

## Impacts of VSLA programs in the Mekong have included the following:

- ❖ **Better access to financial services, and creation of a culture of savings among women which spreads to other family members.** The study found that VSLAs seem to be the only practical or available option for savings in many of the communities served by CARE. Very few banks or financial institutions had suitable savings options for low-income people and none would offer the return on savings offered by VSLAs. Savings levels were low before the introduction of VSLAs, but have risen significantly. For example in Cambodia, only 40% of female survey respondents reported having monetary savings before they became a VSLA member (100% afterwards), and with similar patterns in Myanmar (20% of Buddhist Rakhine women and 7% of Muslim Rakhine women reported having savings before they joined VSLAs, with 91% and 70% respectively having savings after becoming VSLA members).
- ❖ **Greater investment in household assets.** For example, in Myanmar, 61% of women VSLA members reported investing in livestock; in Cambodia 69% reported investing in household goods. Overall, only 8% of women in Myanmar and 3.8% in Cambodia stated that they had not obtained any additional assets since joining the VSLA, which demonstrates a strong impact of VSLA on new asset acquisitions.
- ❖ **Decreased dependence by women on seasonal labour for income.** In Cambodia, women steadily decreased their dependence on seasonal labour as their VSLA membership progressed. 67% of women members in their second cycle of VSLA reported being involved in seasonal labour. This percentage decreases to 45% for the third and fourth cycle, 25% for the fifth cycle and finally only 7% in the sixth cycle.
- ❖ **Increased self-confidence among women.** This was by far the most reported non-financial benefit by women surveyed (Myanmar: 78%; Cambodia: 93%), ahead of sharing business ideas (Cambodia: 61%; Myanmar: 15%), and obtaining business management advice (Myanmar: 42%; Cambodia: 33%). Beyond finance, VSLAs are perceived as a place to meet, discuss, and solve problems. Most women felt isolated, to different extents, before they joined the VSLA. Going out of their homes has increased their opportunities to socialize and discuss issues related to their economic activities as well as issues at home with their husbands and families.

## Opportunities to improve the effectiveness of VSLAs include:

- ❖ Rather than implementing VSLAs as a stand-alone initiative, consider how to integrate them more closely with other program initiatives which link to local markets and agricultural value chains. This may involve linking groups together around higher value market opportunities which could increase their income or diversify their economic activities, rather than simply using VSLAs to expand traditional income generating approaches.
- ❖ Consider developing a strategy for financial education, market analyses and approaches for economic empowerment.
- ❖ Where VSLAs become more mature and the opportunities for linkage with formal banks or credit unions emerge, facilitate links with the formal financial sector so that people can access more tailored financial products and greater capital as their capacities grow.
- ❖ Supporting local ownership and leadership. By supporting and mentoring local group leaders and recognizing VSLAs as a community based member-managed local institution rather than just a savings and loan service provider, CARE can help these become building blocks for community mobilisation and social dialogue, and in the longer run, a platform for social change on issues besides financial services.

## Opportunities for improving sustainability include:

- ❖ Identify opportunities for savings groups to be networked and brought together so they can support each other, lend their savings surpluses among each other and increase the visibility of VSLA members so their voices could be heard by local leaders. Experience from Cambodia suggests that savings groups can be networked and develop as federations for improving livelihoods through collective processing and marketing of agriculture produce.
- ❖ Develop relationships with external stakeholders, such as formal financial service providers – for example, building on CARE’s experience working with Visa in Vietnam to develop financial and business skills among VSLA groups and cultivate links to the formal financial sector.
- ❖ Develop strategies for replication, which would support and encourage existing groups to help create new VSLA groups where there is interest and demand – for example, supporting and empowering Village Agents to work with the demand from non-VSLA members wanting to join an existing group.

*“I received 1,120,000 riels [USD276] at the end of the last cycle., I never had so much money in my hands before that. After 4 cycles of savings, I now own 10 ounces of gold, kept in a secret place”.*

*(Female VSLA member, Sala Maneang, Koh Kong Province)*

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