

Village Savings and Loan Associations

The [village savings and loan model](#) is a self-managed and self-capitalized microfinance methodology that offers savings, insurance, and credit services to people who do not have access to formal financial services. A village savings and loan association (VSLA) is a group of people who save together and take small loans from those savings. The model was developed by [CARE International's microfinance network](#) in 1991, and has spread to at least 61 countries. A typical VSLA has 15–25 self-selected members. Members usually hold annual elections to select a five-person management committee, which encourages participation by all and protects the group against domination by one person.

Members save money by purchasing shares, the price of which is set by the group. At weekly meetings, the group decides how many shares each member should purchase. This number can vary from week to week, and members can also choose to buy more than the required minimum number of shares each week. At the end of every meeting, the closing balance of the loan fund is calculated, announced, and noted in a notebook. A simple passbook is used to track individual savings and loan liabilities. The notebook, passbooks, and funds are put in a lock-box kept by the group box-keeper between meetings. The lock-box has three padlocks, and the keys are held by three group members who are not on the management committee. This system ensures that no one can manipulate the passbooks or funds outside of group meetings.

Savings are maintained in a loan fund from which members can borrow in small amounts, up to three times their individual savings. Loans are for a maximum period of 3 months in the first year and may be repaid in flexible installments with a monthly service charge, determined by the group.

Each group may also have a social fund, which provides members with a basic form of insurance. The social fund is not intended to grow but rather to serve as a community safety net for emergency assistance and expenses for funerals and celebrations.

Groups operate in annual cycles. At the end of every cycle, the members share the accumulated savings plus service charge earnings according to the amount each member has saved. When a new cycle begins, members hold new elections. They may also change the terms and conditions for savings, loans, and the social fund contribution. However, once members set the share price, monthly loan service charge, and social fund contribution amount for a new cycle, these will remain fixed for the entire cycle. After these decisions are made, groups operate independently until the end of the next cycle.

[The SEEP Network](#) is a global network of 130 international development organizations and global, regional, and country-level practitioner networks dedicated to combating poverty through promoting inclusive markets and financial systems. Members are active in 170 countries and support nearly 90 million entrepreneurs and their families. SEEP's website contains many [tools and training materials on VSLA](#).