



Bridging the Gender Gap
in Financial Inclusion;

The Impact of Village Savings and Loans Associations (VSLA) in the Lives of Women

Introduction

Formal financial inclusion remains a significant challenge in Nigeria, particularly for women in the informal economy. Barriers such as patriarchy, long distances to financial institutions, low literacy levels, legal restrictions on property ownership, and limited decision-making power have left 98% of women excluded from formal credit markets . However, ActionAid Nigeria (AAN) has successfully implemented a activities to financially empower vulnerable women within their communities. Through the Women’s Voice and Leadership (WVL) Nigeria Project, funded by Global Affairs Canada, AAN and its partners have deployed the Village Savings and Loans Association (VSLA) model, transforming the financial landscape for women in rural areas.

This publication outlines the engagement and financial activities of women in various community-based savings and loan groups across five states that benefitted from the WVL Project. It highlights the contextual differences in the scale and impact of these initiatives.

Village Savings and Loans Association (VSLA)

The Village Savings and Loans Association (VSLA) is a community-based microfinance model that provides financial services to people who have limited or no access to formal banking systems. The scheme primarily targets rural areas, empowering individuals, particularly women, to save money, access small loans, and manage financial risks. It is a simple, transparent and sustainable financial model designed to help community members pool their savings into a communal fund. This self-managed and self-capitalized microfinance approach has been instrumental in fostering economic growth and improving the livelihoods of its members.

Objectives of the VSLA

The primary objectives of the VSLA initiative under the WVL Project were:



Increase Financial Inclusion for Women:
Provide women with access to essential financial services, including savings, loans, and insurance.



Enhance Economic Empowerment:
Enable women to start or expand small businesses, thereby improving their economic status.



Foster Social Cohesion:
Build a sense of community and mutual support among women.



Strengthen Leadership Development:
Build women’s capacity in financial management and leadership.

Methodology

VSLA is widely used as a poverty reduction strategy for remote communities. This initiative can increase individual household income and raise funds for businesses of economically active people. Individuals form themselves into groups of 15 to 25 members (80% women) with specific aims and objectives. They develop their own regulations for group governance (constitution) and choose a group name and address. It starts with one week of training on the concept of VSLAs, group formation, and the development of a constitution on how to run VSLAs at the group level. The groups operate in cycles, with the first cycle lasting 36 or 52 weeks, during which members contribute weekly amounts agreed upon by each group member, known as shares. One person can buy no more than five shares each week. After 36 or 52 weeks, all loans must be repaid, and the total amount is shared out among the members. They can then start a second cycle.

This fund is then used to provide loans to members at an affordable interest rate. The key features of a VSLA include:



Savings:

Members make regular savings contributions to a collective fund.



Loans:

Members can borrow from the fund, with the amount typically dependent on their savings.



Social Fund:

A portion of the savings is set aside to support members in times of emergency or social needs.



Share-out:

At the end of a cycle (usually one year), the accumulated savings and interest earned are distributed among the members based on their contributions.

VSLA Implemented by Partners on the WVL-Nigeria Project

Following a structured methodology, AAN's partners used the VSLA model, to ensure the effectiveness and sustainability of this community-based approach. The steps deployed includes:

1. **Group Formation:** Community members, usually between 15 to 25, formed a VSLA. Members elected leaders with titles such as chairperson, secretary (record keeper), money counters, and box keeper.
2. **Training:** Members were trained to understand the principles of savings, loans, and record-keeping. This training was facilitated by project officers from partner organizations and community-based facilitators.
3. **Savings and Loans Cycle:** Members agreed on the amount to save regularly and the terms for giving out loans, including interest rates and repayment periods. Savings were

typically made on a weekly or monthly basis.

4. **Record Keeping:** Detailed records of savings, loans, and repayments were maintained to ensure transparency and accountability. This is often done using a passbook, which each group member has to help them keep track of the money saved, or in some groups, ledgers are used for record keeping.

5. **Regular Meetings:** Groups held weekly or bi-weekly meetings to save money, disburse loans, and discuss financial matters.

6. **Monitoring and Evaluation:** Regular monitoring and evaluation were conducted to track progress and address challenges.

7. **Share-out:** At the end of the agreed cycle, the group conducted a share-out where the total funds, including interest, were distributed among members.

VSLA Achievements on the WVL-Nigeria Project

Summary of Community Women's VSLA Savings from the WVL-Nigeria Project

State	Groups	Women Involved	Communities Covered	LGAs Covered	Amount Women Saved	Amount Cash Share-out
Bauchi State	365	10,115	116	18	₦297,408,254.00	₦295,176,501.00
Kebbi State	108	2,524	71	29	₦65,895,800.00	₦72,485,380.00
Kwara State	40	960	32	16	₦35,756,000.00	₦39,331,600.00
Cross River State	10	137	10	3	₦9,567,155.00	₦10,523,871.50
Enugu State	8	145	3	2	₦175,443.00	₦0.00
FCT	1	30	1	1	₦0.00	₦0.00
Total	532	13,911	233	69	₦408,802,652.00	₦ 417,517,352.50

The total figures from the VSLA data illustrate a considerable scale of impact across the participating regions. The scheme was adopted and implemented by 39 partners in five states and the FCT, with 532 groups involving 13,911 women. The initiative has successfully reached a broad base of beneficiaries. A total of 233 communities across 69 Local Government Areas (LGAs) have been covered, indicating widespread engagement and community-level influence. Financially, the women involved have collectively saved an impressive ₦408.8 million, reflecting their commitment to financial security and growth. The cash share-out amounts to ₦417.5

million, indicating that the savings are not only substantial but also being effectively distributed, likely enhancing the financial stability and economic empowerment of the women involved. These figures underscore the overall success and potential of the VSLA scheme in driving financial inclusion and empowerment among women across the covered states and the FCT.

Over the course of the five-year project, new businesses were created, and existing ones were enhanced through the VSLA. For instance, the project provided support to 7,563 women, with some of these women's businesses transitioning from small-scale, informal businesses to registered and more formal enterprises. Some examples to illustrate impact include women moving from street vending to establishing registered businesses in various sectors such as agriculture, retail, and services. Some of the types of businesses that women created or transitioned into include rice processing, honey processing, garri processing, manure selling, firewood selling, vegetable selling and farming, groundnut oil processing, roasted nuts, selling of plastic containers, selling of wrappers, and farming equipment.

A few VSLA groups in the North and South registered their groups with the state's cooperative, which helped them access larger loans for the expansion of the businesses mentioned above. The social fund aspect of VSLAs supported community members and women during emergencies, contributing to social cohesion and mutual support. For instance, in one of the communities in Bauchi, women from a VSLA group used their social fund to support orphans by buying school uniforms and basic school items for them. In another community, women saw a need and used their social funds to install a new aluminum zinc roof on a classroom in their community school.

VSLA members equally gained better control over their finances, enabling them to invest in income-generating activities, improve their households, and support their children's education. Many VSLA groups are composed predominantly of women, empowering them to make financial decisions and take on leadership roles within their communities.

To curb issues around the Naira redesign and cashless policy within the VSLA savings scheme groups both in the North and South, the LWROs supported them with account opening and encouraged women without phones to buy small phones to enhance easy bank transactions and access to funds.

Impact of the Village Savings and Loans Scheme from WVL Project Communities

The VSLA component of the WVL Project had significant impacts:

► Individual Level Impact

- **Increased Savings:** Women collectively saved substantial amounts of money, which they used for personal or business purposes. They developed discipline in financial savings, learned to manage their resources more effectively, and set financial goals that improved their lives.
- **Increased Access to Credit:** Women had access to small loans, which they used to start or expand businesses, leading to increased income and economic stability. These women engaged in small businesses such as petty trading, poultry farming, and frying Akara. As a result

of the project, they were able to pay their children's school fees, buy sewing machines, and purchase grinding machines that generated income for the family. Household economic value increased, and women's savings habits improved.

- **Improved Financial Literacy:**

Women gained knowledge and skills in financial management, enabling them to make informed financial decisions and maintain simple business records.

- **Enhanced Social Capital**

Regular meetings and group activities strengthened social bonds and mutual support among women.

- **Leadership Development:** Women developed leadership skills, with many taking on leadership roles within their communities.

► **Family Level Impact**

- **Household Economic Value:**

Women reported being able to pay for their children's education and purchase essential household items, contributing to the household's economic value. Many managed to send their children to private schools instead of public schools.

- **Transfer of Savings Skills:**

Some beneficiaries empowered their co-wives, husbands, or siblings to adopt and build a savings culture. In some cases, the husbands of these women beneficiaries gathered to establish their own men's savings and loans groups.

- **Decision-Making Power:**

Women gained a more significant voice in the family. Many beneficiaries' lives significantly improved, and they became involved in family decision-making because they could contribute financially to family projects. For example, a woman supported the repair of the family vehicle that generated income, which increased her influence in family matters. Men who were initially reluctant for their wives to participate in such activities began asking for more VSLA initiatives after seeing the benefits. In one case, a woman used her VSLA earnings to pay West African Examination Council fees for a relative when other family members couldn't assist, earning her respect within the family. Economic empowerment gave women a voice in their families.

► **Community Level Impact**

- **Improved Women's Numeracy and Literacy Skills** In some states like Bauchi, many women were initially unable to read and write, making it difficult for them to fill out VSLA cards or record savings. Some VSLAs enlisted empowerment workers to hold basic literacy and numeracy classes once a week, while others hired a tutor with their social grant. As a result, 92 women in VSLA groups were able to read, write, and sign their names. Additionally, some women used VSLA loans and business income to send their children to school.

- **Strengthened Peaceful Co-existence:** The VSLA brought about religious tolerance. Christian and Muslim women belonging to the same VSLA groups saw themselves as one. They attended each other's events, supported one another, and engaged in mutual trade. Additionally,

attended each other's children's wedding ceremonies.

- **Engaging Men and Youth in Gender Equality:** Engaging men and youth in discussions about gender equality was essential for reducing resistance and fostering supportive environments for VSLA in communities. There were activities that specifically targeted men and youth in gender equality programs using participatory methods; this helped foster support for women participation in VSLA among men.

- **Sustained Community Engagement:** Sustained community engagement and participation were key to the long-term impact of project interventions. Developing long-term engagement strategies that maintain community involvement beyond the project lifecycle and establishing community structures such as advocacy groups and savings associations to continue the work worked very well in building social cohesion around VSLA operations in communities..

- **Advocacy for Policy Changes:** Effective advocacy led to policy changes that supported women's leadership and economic empowerment. Incorporating advocacy components into project designs, engaging with policymakers, and using evidence-based advocacy to influence policies that support women's rights and empowerment is crucial. This project gave opportunities that enabled women to speak up for their rights and advocate for their community's needs.

- **Increased Women's Participation in Decision-Making and Development Initiatives:** These women gained a voice in decision making processes on both family and community matters. For example, the ward head of Sabon Layi of Tirwun recognized VSLA women's groups and included a member in the ward leadership. A VSLA group supported the elderly in their community with their social funds, while another in Bauchi used their social fund to purchase cement for the renovation of a community school, demonstrating that women could contribute to community development. Additionally, a VSLA repaired their community borehole, and another supported a sick member using their social fund. Women who previously had no voice in public or private spaces gained self-esteem, confidence, and a voice in their communities through the funds from VSLA.



Success Stories



Rakiya Aliyu: A Mother's Journey to Financial Freedom

In the heart of Gamawa Local Government Area, Bauchi State, Nigeria, lives a 41-year-old mother of six, Rakiya Aliyu. For years, she struggled to make ends meet, juggling daily needs and her children's education. Many of her children, were forced to turn to menial jobs to help support the family. With no knowledge or access to financial training and resources, Rakiya found it difficult to save even a significant amount.

Her life took a turn for the better when she joined the Village Savings and Loan Scheme (VSLA) initiative of the Women's Voice and Leadership Nigeria Project. Implemented by Attah Sisters Helping Hands Foundation (ASHHF), a partner in Bauchi State, the project aimed to empower women like Rakiya through financial training, peer education, and mentoring.

Rakiya was one of the lucky ones who received training on income-generating activities and startup kits worth N10,000. She joined the Alheri VSLA group and initially saved as little as N300 per month. With the guidance of her group leader, Rakiya gradually increased her savings to N1,000, with the ultimate goal of buying a refrigerator to expand her business.

After one year of diligent saving, Rakiya's savings reached N55,000. With the help of a VSLA loan, she was able to purchase the refrigerator she had always dreamed of. This investment transformed her business, as she began to sell soft drinks, sachet water, and bottled water, increasing her weekly earnings from N5,000 to N8,000 to N9,000.

Rakiya's story is just one of many successes from the WVL project in Bauchi State. Through VSLA, women like her have gained financial independence, breaking the cycle of poverty and dependence on their husbands. The initiative has also fostered a sense of community, as women come together to support one another and share knowledge.

Rakiya's husband, who was initially skeptical of the initiative, has now become a strong advocate for the VSLA program. He praises ASHHF for empowering his wife and other women in the community, promising to support the scheme in neighboring communities.

Rakiya's remarkable journey illustrates the power of the VSLA initiative. When asked about her experience, she beamed with gratitude, saying, "I don't know how to start thanking this organization... my share-out money is what I used to buy the refrigerator, which has invariably helped me in the sale of zobo, kunu, soft drinks, and water. I also used my savings to start rearing goats... God will bless you all at ASHH foundation."

The VSLA initiative has not only changed Rakiya's life but also that of many others, including her children, who are now excelling in school. The program has also shifted the perception of gender equality and advancement in the community, as women gain confidence and recognition for their economic contributions.

The story of Rakiya Aliyu serves as a shining example of the impact of the WVL project, which has elevated the lives of hundreds of women and their families in Bauchi State. Through financial training and support, the project has broken the cycle of poverty, promoted gender equality, and improved human rights for women.

Rising Hope

A woman in the Bagel community of Dass LGA, Bauchi State, had no capital or business, leaving her and her family in abject poverty and constant hunger. Upon discovering a VSLA group forming in her community, she decided to join. The group provided her with a loan and encouraged her to start a business to support herself and her family. With this support, she acquired a grinding machine, built her own capital, and began running a business selling retail items to community members. As a result of the WVLA VSLA intervention, she was able to send her children to school. Now empowered, she even extended a loan to her husband to help him enhance his vulcanizing business.

Innovation Employed

The Muslim religion does not allow paying interest on a loan. It was interesting to see how CBOs addressed this barrier in different ways.

Karofi Hazaka involved a reputable Muslim scholar to educate the women that interest on VSLA loans is not forbidden by the Quran. The involvement of religious scholars increased VSLA program's acceptability.

In the case of Awalah Women, the VSLA makes profit by loaning money to a member to buy groundnut oil and sell it other members at cost price after which she then sells the empty gallons of groundnut oil and shares the profit between the VSLA and herself. Through this strategy, VSLA members were able to buy groundnut oil at a cheaper rate than from the market, VSLA members were thus able to save the transport cost they would have spent going to the market. Through the VSLA innovation applied by Awalah Women, some VLSA members were able to buy the groundnut oil on credit and payback in 4 weeks' while also profiting from the sale of empty gallons. Through this strategy, VSLA is making profit on loans without collecting interest.

Sustainability Plan for the Scheme

- **Capacity Building:**

Partners trained community-based facilitators and LGA facilitators, equipping them to provide continuous training and capacity-building programs for both existing group members and leaders. These facilitators also replicated and formed new groups, ensuring the smooth functioning and governance of the VSLAs.

- **Linkages with Formal Financial Institutions:**

Partners connected the groups with various formal banks and microfinance institutions to provide additional financial services, such as account opening and financial literacy training, and to offer ongoing support to the groups.

- **Monitoring and Evaluation:**

The well-equipped community-based facilitators and LGA facilitators conducted regular monitoring and evaluation of the VSLAs to identify challenges and implement corrective measures promptly. The groups planned to use part of their social fund to cover the transport costs of the community-based facilitators as they traveled between communities after the project ended.

- **Replication and Scaling:**

Trained community-based facilitators were responsible for forming new groups in neighboring communities that expressed interest. In Bauchi State, 8 to 10 VSLA groups consolidated to form a larger group known as a VSLA federation. These federations planned to establish a microfinance bank, pooling resources to meet the requirements for starting such a bank. The federations also served as cooperative groups, enabling them to access larger loans from formal banks and government agencies.

Quotes from Beneficiaries

Project
Beneficiary

VSLA

Woman from
Dawui

“

Since I was able to access funds when my child was sent back from school because his WAEC fees were not paid and I was now able to pay, I have sworn that I will introduce all of my children to VSLA so that they can also benefit from the program. I sincerely grateful to Rahama-Canada for the opportunity that has been provided for us. May God bless you...

Rakiya

Dambam,
LGA, Bauchi,
Nigeria

“

This project has positively impacted my life, my family and the community at large. I don't know how to start thanking this organization that use their time to come and train us on this savings and loan (VSLA) my share-out money is used it to buy refrigerator which has invariably helped me in the sale of Zobo. Kunu and kunu ayah. “



Sakina
Adamu

“

I have never thought I can hold such an amount in my hands talk less of owning it myself, today I am a sole owner of N73,690 and by God grace I will send my children to school and must eat meat today”.

Deborah
Joseph,
Bauchi

“

“I have taken it upon myself to be an agent of VSLA, anywhere I go, I will encourage women to join VLSA”.

Conclusion

The Village Savings and Loans Association proved to be a powerful tool for financial inclusion and community development. By fostering savings, providing access to loans, and promoting mutual support, VSLAs brought about positive economic and social changes in numerous communities worldwide. The model's simplicity, sustainability, and community-driven approach made it a valuable mechanism for improving livelihoods and fostering resilience in underserved populations.





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