

### What are savings groups? Why can they support (digital) financial inclusion?

- Savings groups, also known as Village Savings and Loan Associations, merry-go-rounds or self-help groups are **self-managed groups, meeting regularly to pool their resources in a communal fund**. The collective savings effort enables members to access credit (usually at lower interest rates), invest in income-generating activities or obtain emergency insurance, increasing financial inclusion and bolstering resilience. They can also be a vehicle for (digital) financial literacy and other types of trainings.
- Many savings groups are managed with physical paper-based ledgers i.e. savings are kept in **physical cash boxes** (hand-written records), others are **digitized and managed through online platforms**.
- The savings group model, level of formalization and digitization needs to be **member driven** i.e. depending on the group's goals and preferences. Below is an overview of some of the most common models.

### What are different types of savings groups?

Accumulating Savings & Credit Associations (ASCAs)	Rotating Savings and Credit Association (ROSCAs)	Self-Help Groups (SHGs)
<p><b>ASCAs are the most popular type of savings groups.</b> All members regularly save the same fixed amount and participants may borrow from the group (interest is usually charged).</p> <p>Requires bookkeeping because the members do not all transact in the same way. Some members borrow and save while others are savers only, and borrowers may borrow different amounts on different dates for different periods.</p> <p>Examples include village savings &amp; loan associations (VSLAs), savings &amp; internal lending communities (SILCs), youth savings &amp; lending associations (YSLAs), savings &amp; credit cooperatives (SACCOs), Women Organizing Resources Together (WORTH), Tipa Tipa</p>	<p><b>ROSCAs</b> are made up of a group of individuals acting as an informal financial institution in the form of an alternative financial vehicle.</p> <p>After <b>identical contributions</b> are pooled from multiple members <b>the total is given to a single member on a rotating basis</b> until all members have had a turn. ROSCAs are most common in developing economies or among immigrant groups in the developed world.</p> <p>Examples include merry-go-round, sou-sou, susu groups</p>	<p>Self-help groups are informal groups of people who come together to <b>address their common problems</b>. While self-help might imply a focus on the individual, self-help groups focus on providing <b>mutual support</b>.</p> <p>Fund collection is usually targeted at aid in major life events, such as the death of a member or family relation, birth of a child, major illness etc. Self-help groups can serve many different purposes depending on the need.</p> <p>Examples include funeral societies</p>

### How VSLA groups work



### Why digitize savings groups?

- ✓ Recording of transactions digitally creates digital **transaction history** and help in credit scoring.
- ✓ Compared to paper ledgers, technology has proved to **reduce meeting times**.
- ✓ **Increased security** through linking funds to formal financial services (accounts).
- ✓ Increased accuracy, transparency and monitoring of transactions thanks to **digital dashboards**. Last Mile Money/IDEO provide interesting design principles
- ✓ New digital channel for **group training on digital/financial literacy and ongoing support**.
- ✓ Reduced **geographical barriers**.
- ✓ Easier access to **complimentary services** such as micro-insurance, agricultural extension services & healthcare services.
- ✓ **Reduced need for written records**, addressing issues of low numeracy/literacy.
- ✓ Strengthening **women's trust and their confidence** in their digital capabilities.
- ✓ In some contexts, **savings groups can join up to form larger groups** with more funds/opportunities.

**>> Click here for a comparison of technical solutions.**

Note: Digitizing savings groups also brings on **new challenges**. Assess these carefully with members before moving ahead with digitization.

If you want to learn more about VSLAs, check the **following resources**: Care, [Village savings and loan associations training manual: A step-by-step guide for community-based trainers](#); Care ['VSLA 101'](#); World Vision: [Savings for Transformation \(S4T\)](#); VSL Associates, [VSL resources](#)