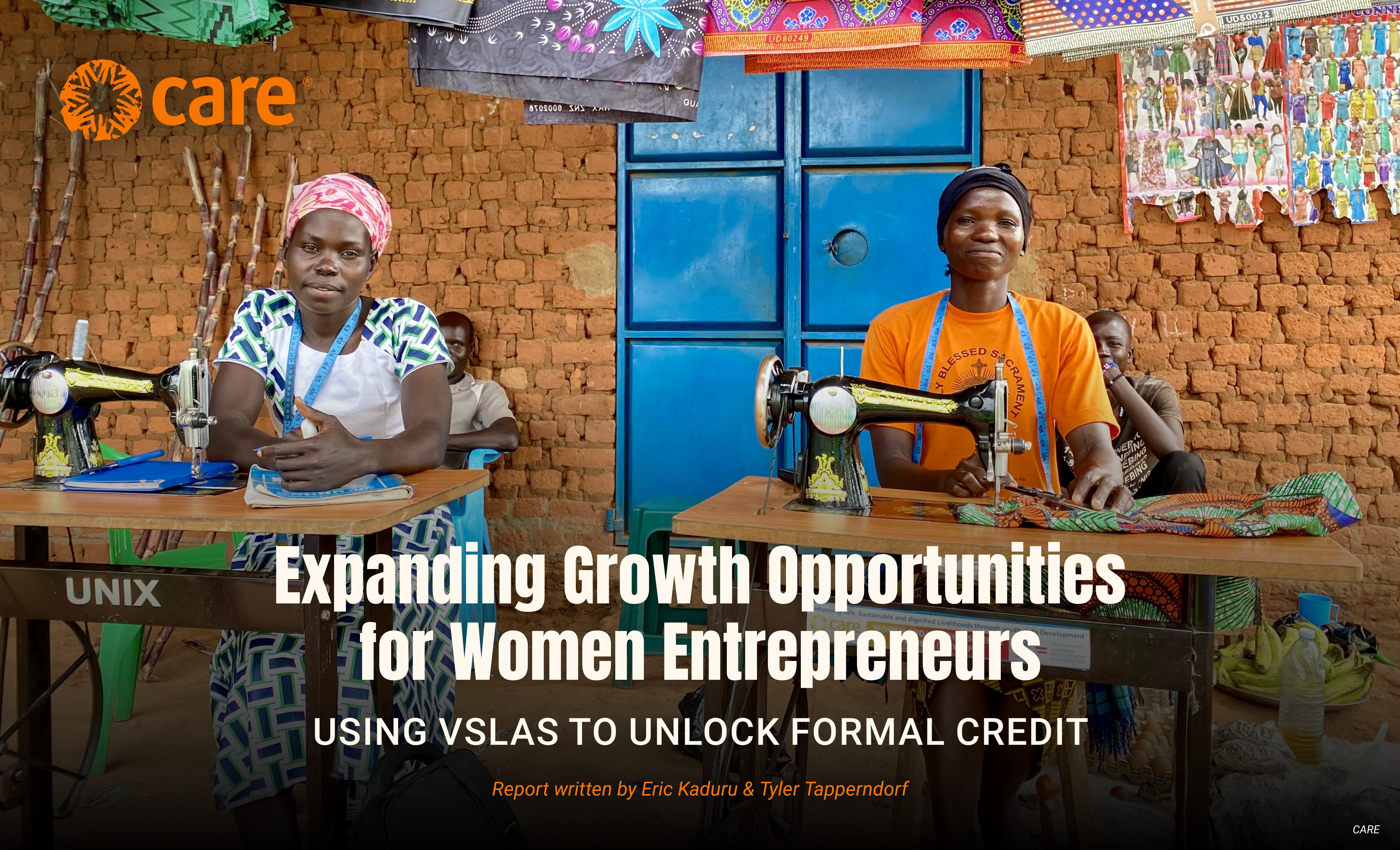


Expanding Growth Opportunities for Women Entrepreneurs

USING VSLAS TO UNLOCK FORMAL CREDIT

Report written by Eric Kaduru & Tyler Tapperndorf

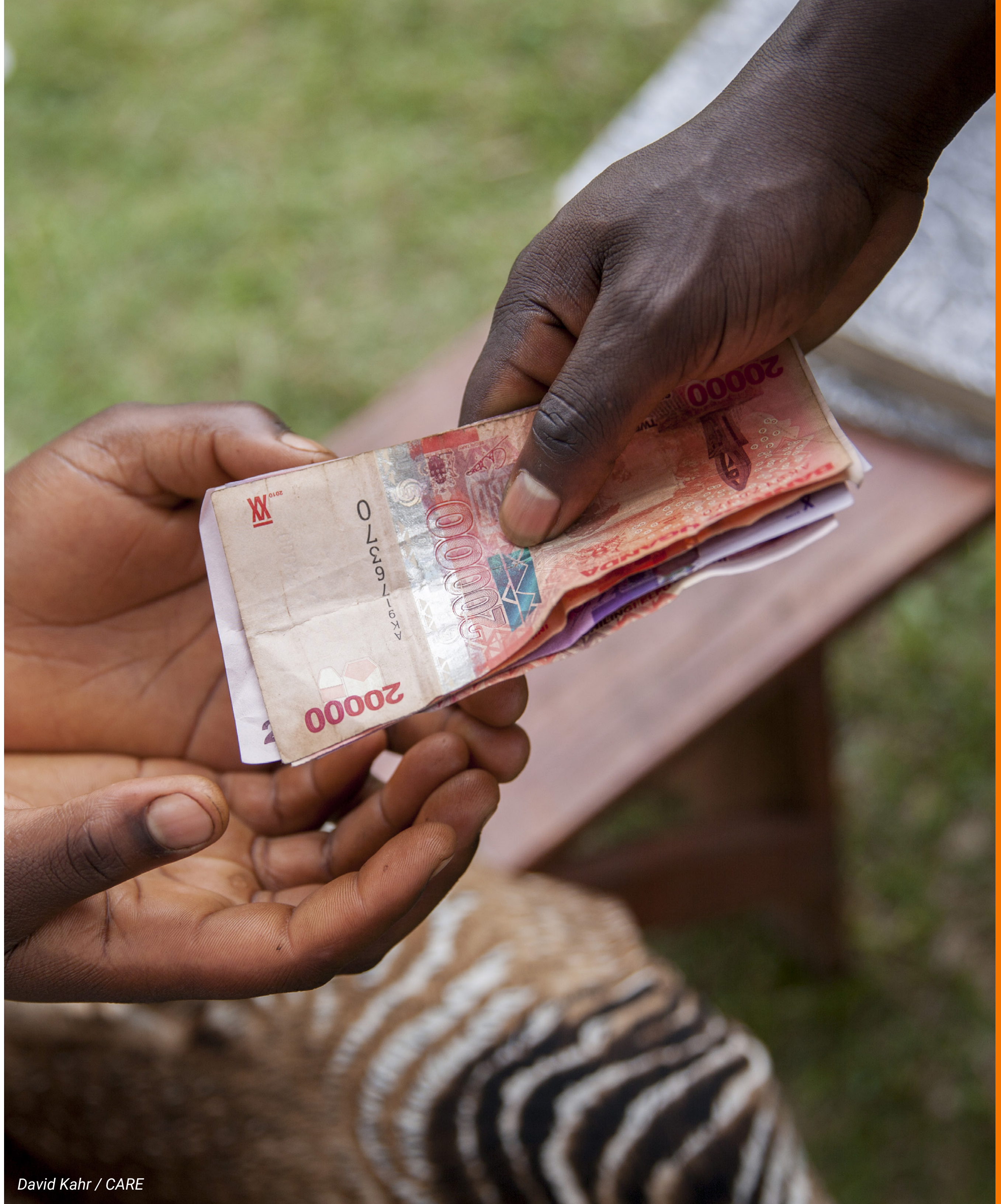
CARE

Formal Credit Access Challenges for VSLA Members

Village Savings and Loan Associations (VSLAs) serve as a vital financial tool for low-income individuals around the world, particularly women, by enabling them to save collectively, access small loans, and build financial resilience.

However, despite fostering savings and access to critical capital, VSLAs are limited in their ability to lend beyond what members collectively contribute. For members seeking loans above $50-200 USD, this often means needing to turn to other sources of capital, like formal financial service providers (FSPs), as their businesses mature.

FSPs, however, often hesitate to serve this segment due to the absence of structured financial records and conventional credit scores. They frequently view lending to women working in the informal economy, and in rural and remote communities, as risky and cost prohibitive. The gap between supply and demand continues to grow wider as formal financial products are rarely tailored to the specific needs of women entrepreneurs—all of this despite global evidence that **women and women-owned businesses are better borrowers, savers, and long-term clients**.



David Kahr / CARE

Women Centered Design for Better Products

With this challenge in mind, CARE through support from the Gates Foundation set out to bridge the formal credit gap by demonstrating the creditworthiness of VSLA members through alternative scoring models and by designing digital loan products tailored to the needs of women entrepreneurs and those not served by traditional FSP branch infrastructure. To develop a feasible, viable and desirable digital loan product for women entrepreneurs that's sustainable for FSPs, **CARE leverages women-centered design (WCD) methodologies** to incorporate the preferences and perspectives of VSLA members. Much like Human-Centered Design, WCD uses rapid yet deep engagements with target audiences, creative research methods and tools, and an iterative process seeking to co-build more ideal solutions with women that align with the goals of both parties.

Between May and November 2024, **our teams conducted a series of design sprints in Uganda** to develop and refine product concepts for VSLA members. Through in-depth interviews, focus group discussions, ideation workshops, and prototype testing, the teams uncovered takeaways that would influence program design, including:

POOR CONNECTIVITY AND LIMITED SMARTPHONE USE: Despite growing smartphone penetration, most of our target users are still using basic or feature phones. Relying on a smartphone app for engagement is likely to prevent VSLA members from taking out a loan.

SIMPLIFICATION OF DOCUMENTATION REQUIREMENTS FOR LOANS: A lack of national IDs is a prohibitive factor for many when accessing credit. Instead, VSLA group IDs and alternative identifiers like mobile numbers might facilitate greater access.

ENHANCED GUIDANCE THROUGHOUT THE USER JOURNEY: Financial and digital literacy gaps exist. By adding tooltips and interactive guides during critical steps in the journey, we can reduce user confusion and drop-offs. Likewise, digital literacy training through community-based trainers can help participants engage more confidently with digital loan products.

BUSINESS COACHING INCENTIVES: Loans without guidance could put new borrowers at risk of over-indebtedness. Instead, women suggested business coaching as a value-add to both encourage sign-ups and ensure greater ability to repay loans.

TRANSPARENCY ON FINANCIAL CALCULATIONS: Participants in prototype testing activities repeatedly highlighted the desire for clearer loan calculations showing detailed breakdowns of interest rates, monthly repayment amounts, and remaining balances.

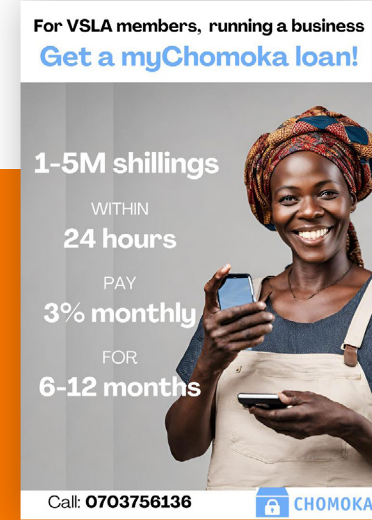
The Power of Partnerships

Leveraging the learnings from the WCD activities and recognizing the varied strengths of different organizations, CARE convened a coalition of stakeholders committed to integrating VSLA members into the formal financial system and ultimately unlocking new economic opportunities for women entrepreneurs.

As shown in the image above, these partners each bring unique value to help design and deliver much needed loans for VSLA members who are ready to transition into formal financial services. With Uganda as a first-focus market, we are aiming to learn and replicate similar partnership models in other countries across over the coming months and years.

Partners Include:

ENSIBUUKO, a pan-African fintech company specializing in digitizing financial records and offering financial services through its Chomoka platform. Ensibuuko will be responsible for all technology development, managing the digitized VSLA platform and distributing loans together through its network of Digital Community Entrepreneurs.



A promotional flyer advertising myChomoka loans—part of a new digital credit product designed specifically for VSLA members running small businesses.

CARE, a pioneer of the VSLA model globally and provider of technical expertise on women's economic growth and financial inclusion. CARE will work with providers to ensure that products are designed with women in mind.

MOBILE NETWORK OPERATORS, like Airtel and MTN, provide digital wallets and agent networks that facilitate easy cash-in and cash-out services for loans.

VARIOUS FSPs including banks and microfinance institutions that are willing to design and offer lending products catering for VSLAs and their members.

GNUGRID, a Ugandan firm with expertise in alternative credit scoring models, including through the use of mobile and informal financial service data. GnuGrid will help build the scoring algorithm and ensure alignment with existing credit scoring practices in Uganda.

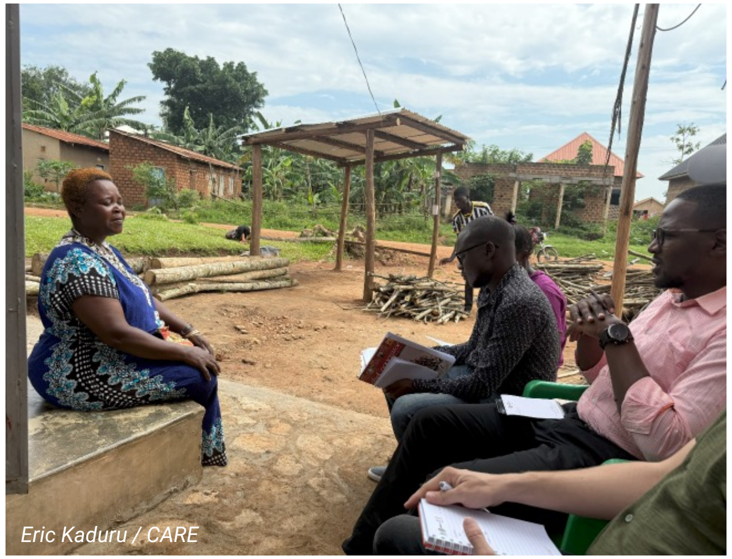
Refining a Digital Scoring + Lending Model

Based on the learnings from WCD activities, the partners ultimately landed on an approach which includes the following steps:

DIGITIZATION OF VSLA RECORDS: Over the past two years, many groups have already begun transitioning from recording their VSLA transactions from manual notebooks to the Chomoka app developed by CARE and now managed by Ensibuuko. Through support from CARE's community-based trainers (CBTs) to onboard groups to Chomoka, VSLAs are more easily able to track savings and loans and calculate profit distributions at the end of each yearly cycle.

CREDIT SCORING: Over the course of 6-12 months, transactions recorded in Chomoka begin to provide key data points that can be fed into an alternative credit scoring model.Leveraging GnuGrid's expertise, credit scores are developed for both for VSLA groups, as well as individual members within each group. These scores offer recognizable and trusted risk profiles for FSPs to lend to new customers.

LOAN PRODUCT CUSTOMIZATION WITH FSPs: CARE has already begun working with FSPs to customize loan product offerings for women entrepreneurs. With FINCA as a first mover and the potential to onboard additional banks and MFIs in the future, a variety of loan products will eventually serve women with appropriate loan amounts, interest rates, loan terms, and repayment options.

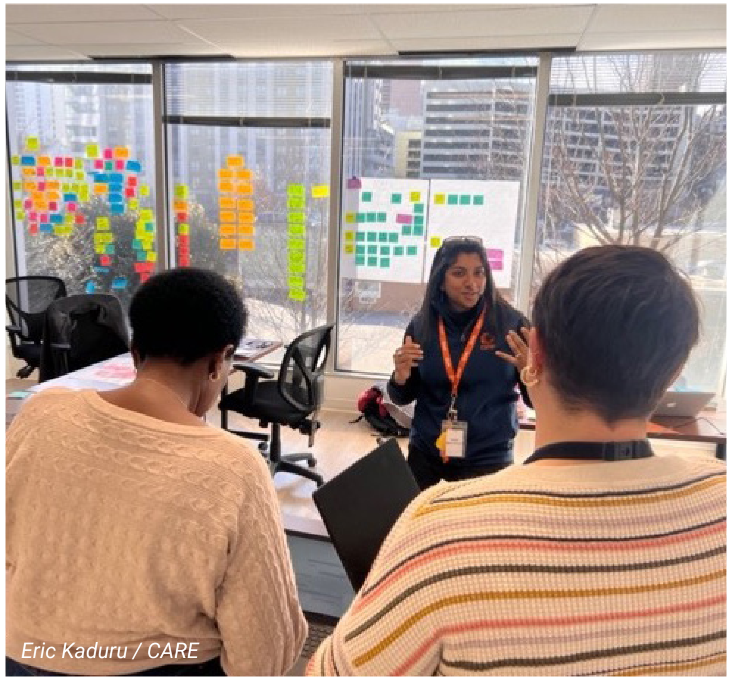

Eric Kaduru / CARE

VSLA members in Uganda test out USSD-based loan applications during CARE's product prototype sessions. Designed for accessibility and ease of use, these tools ensure that even women with basic phones can navigate digital credit products confidently

DIGITAL LENDING VIA USSD: With credit scores available, VSLA groups and individuals who qualify are offered the opportunity to apply for available loan products via their phones. Leveraging USSD, users dial a short code, navigate a series of simple menu options, and get approved instantly for a chosen amount. Loan funds are automatically distributed from the FSP into the mobile money wallet of the group or individual and can be withdrawn from the broad network of mobile money agents around the country. Plans include an option to likewise add a smartphone app interface, in addition to USSD, over time.

LOAN REPAYMENTS: Borrowers repay their loans each month through the same mobile money agent network. Following successful completion of a loan, borrowers' credit scores increase, and they can gain access to larger loan amounts.

ONGOING SUPPORT: In addition to their role in onboarding groups to Chomoka, CARE's CBTs and 'Digital Champions' from Ensibuuko in local communities also will provide ongoing engagement with VSLA members to build trust in the product and offer bi-weekly business coaching to borrowers.


Eric Kaduru / CARE

Pilot and Scaling for Broader Adoption

THE PILOT PHASE IN EARLY 2025 IN UGANDA WILL INVOLVE DIGITIZING RECORDS OF...

200

VSLAs
(5,000 MEMBERS)

10% OF PARTICIPANTS (~375 WOMEN) WILL BE ABLE TO ACCESS LOANS IN THE RANGE OF: **$300 - $5,000 USD**

Success in this phase will demonstrate the viability of alternative credit scoring and inform efforts to scale the model across additional financial institutions and markets like Tanzania and elsewhere in late 2025 and 2026.

Maria Ploug Petersen / CARE

By establishing a robust, data-driven approach to credit assessment, this initiative ultimately aims to build on the personal growth VSLA members have achieved to date and **create clearer pathways for financial inclusion and further business growth in the future.**