



DRC Myanmar | Poverty and Hunger Alleviation through Support, Empowerment, and Increased Networking (PHASE IN II) **via the European Union**

PROJECT SNAPSHOT | **Village Savings and Loans Association in Rakhine State**

In Rakhine State, access to formal as well as informal banking services are limited. Introducing local Village Savings and Loans Associations (VSLA) in Kyauktaw and Sittwe Townships has changed this and opened up for new ways to access small-scale and collectively managed financial opportunities.

The primary purpose of a VSLA is to provide simple savings mechanisms that help establish a habit of savings and build group solidarity and trust among women in targeted rural households. Members' savings are invested in a loan fund from which members can borrow, repaying with a service charge added. VSLAs usually aim to become autonomous and self-managed after one cycle of no more than 12 months, a critical requirement for their sustainability.

The Social Fund

A defined focus on female participation (70%) allow women to participate in community activities and gain income through group savings and access to a Social Fund. The Social Fund is a key aspect of the concept and offers group members mutual support during difficult times or family emergencies. It can also act as a form of community-initiated self-insurance.

The Fund works separate from the loan fund and is initiated by a process with group members contributing a small amount of cash added to their regular savings. The group collectively decides who to favor with an extraordinary loan to help address immediate household needs or emergencies as e.g. medicine or funeral expenses. This positions women to better influence decision making at household level.

In a context like that of Myanmar, the combination of the VSLA savings and the Social Fund can potentially enhance resilience and strengthen household-level social security, considering the many threats, shocks and protection risks that continue to affect families impacted by the protracted and complex crisis in Myanmar.

Loan groups in Rakhine

DRC supported the formation of 43 groups in Rakhine State between October 2019 and February 2020, with 33 in Kyauktaw and 10 in Sittwe. In this period, the groups in Sittwe started their share-out meeting to mark the end of the first year of their VSLA.

Apart from the social fund, participants' contribution is based on the number of shares they buy on a monthly basis. The loan is borrowed by members and returned with an agreed percentage to grow the fund. At the end of the year, all members come together for a share-out meeting. At that time, the VSLA group is mature enough to continue operating on its own without external support.

Women gaining status

Of the 33 VSLA groups formed in Kyauktaw, 25 have progressed into the second cycle, where they received Financial Literacy trainings and are now autonomously operating. The objectives of the trainings are for the members to be empowered to be able to start-up businesses. They also learn how to ensure business profitability, control expenditure, learn saving skills, understand basic concepts of debit and credit and finally how to link business with life cycle needs.

From the initial economic benefits derived from VSLA and pooling resources, women have gained in status, practical knowledge and developed entrepreneur skills that they can transfer to other members. Within the community, many women report that their advice is sought for and their voice is listened to. Women who earn income are more respected than before at home and within the community. This is particularly noticeable in the household decision-making process regarding management of resources. The wife's opinion is now taken into consideration, laying foundations for a cordial exchange based on mutual respect, expectations and a common understanding.

Women have expressed increased confidence in finding courage to voice their thoughts and concerns, bypassing their traditional inhibitors that revolved around fear, violence and the shame of ignorance. By empowering these women, the VSLA model has changed these women's expectations and capacity to drive change that improves their livelihoods. Initial findings indicate that the participants have started to be more conscious on spending.

PHASE IN II is funded by the European Union and implemented by DRC in Myanmar between 2017 and 2021 in Maungdaw, Mrauk-U, Kyauktaw, Sittwe, and Pauktaw townships of Rakhine State through seven main project components:

*Technical Vocational Education and Training (TVET) ● Water, Sanitation and Hygiene (WASH) ● Cash for Work (CfW) ● **Village Savings and Loans Associations (VSLA)** ● Community-driven Development (CDD) ● Business start-up Support ● Multi-Purpose Cash Assistance (MPCA)*

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