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**| RESEARCH ARTICLE**

**Brief Review of Informal Financial Services Typologies in Zambia: Investing in Sustainable Savings Groups**

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**| ABSTRACT**

Informal financial services (IFSSs) provide various types of investment avenues for both rural and urban populations in Zambia. This paper is a critical review of the sustainability of various informal investment typologies Zambians has been using and adopting to increase their financial resources and solve their livelihoods and social issues in the process. An evaluation of why people and organizations opt for specific financial services that come in the form of savings and lending groups will be discussed in detail to understand if they have been meeting people's expectations. The paper derives its data from various studies in the past 10 years that emanates from Zambia and Sub-Saharan Africa. While the sustainability of various typologies of informal financial services is broad, they are measured through risks associated, savings policies adopted, group loan guarantees and flexibility, interest and transactional expenses enforcement, income-generating, wealth creation and any social capital investment. The research reveals that limited studies have looked at various typologies of savings and lending groups, including evaluating their sustainability. This study helps in decision making for anyone or organization who would want to join or start a savings group in Zambia and key parameters to follow.

**| KEYWORDS**

Sustainability, Savings Typologies, Informal Financial Services, Informal Savings Mechanisms, Zambia

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**1. Introduction**

Informal financial services are emerging as the best options for rural and urban Zambians to improve their income sources and access quick loans. In Zambia, SGs have grown rapidly. By 2018 there were a total of 331,704 people in 74 districts of Zambia belonging to SGs (SaveNet, 2018). This had been due to challenges faced by Zambians when it comes to access financial services, which the Zambian Government has not been aware of. The first-ever National financial Inclusion Strategy that was adopted in 2017, seeking to increase by 80% the number of people accessing various financial services, explained this (MoF, 2017). This came in to promote both formal and informal easy access to various products and services for universal access to financial services and increased financial inclusion. In Zambia, informal financial services come in various types, including village savings groups, village banks, Chilimba and Kalomba. These organizations have different structures that determine how they are coordinated and run to ensure their sustainability. It has also been observed in Zambia that these organization has been using the names interchangeable even though they are different forms of savings and loans entities in nature of their operations, leading to confusion among users. All various forms of savings and lending groups are formed to improve the member's livelihoods, poverty alleviation and promote social inclusion. Village banking is one of the informal financial services that have greatly reduced poverty in the past while promoting social development and economic empowerment of poor women (Mashigo & Kabir, 2016). In improving the livelihoods potential of poor households, the availability of informal financial services has proved to be key for community development and individual poverty alleviation and improving social status (Greene and Berroth, 2002).

It is also important to understand why Zambia has been experiencing mushrooming of various types of informal financial services. They attract low transaction costs, no need for collateral in getting loans, high untaxed interest return, lack of institutional procedures in joining and social inclusion are all contributing factors to joining. The need to sustain their existence by members has also emerged as a key priority. Sustainability in this context means the capacity for any saving group to be able to start and run a complete cycle while ensuring continuation in providing the much sort services by members such as access to loans, interest gained, support to social issues, and meeting income and livelihoods needs. Sustainability in this paper is defined as the ability SGs to self-manage, meet savings groups' needs while safeguarding groups interests without diverting group potential for the future.

According to the goal of World Vision Zambia's Saving for Transformation (S4T) program, informal financial services contribute to improving the resilient livelihood for 45,378 households (232,060 people) in Zambia alone by the end of 2021 (Bwalya & Zulu, 2021). Financial inclusion beyond livelihood's improvement is a key output of various savings groups in addition to providing other financial services to entrepreneurs such as micro-insurance. The S4T is also addressing practical and systematic barriers to financial inclusion for poor households and rural enterprises and provide a buffer against shocks through savings (World Vision Zambia Limited, 2017). Lack of access to financial resources economically negatively affects urban, rural, and poor women, especially in low-income countries such as Zambia, in accessing any financial services such as loans needed for running small enterprises and meeting other sociocultural issues' needs.

This critical review study will help in the understanding of various types of informal financial services used by poor households both in urban and rural communities in Zambia. In addition, the study will review the sustainability of each informal financial service typology, looking at reasons why organizations and people opt to join them. Zambia has limited academic research on typologies of informal financial services with local and African contexts. This study with relevant literature will help fill up the gap.

## **2. Methodology**

This article utilizes a desk study approach to argue the vast and wide range of available literature that documents various typologies of informal financial services that come in the form of informal savings and lending practices used by disadvantaged households in Zambia. The structure framework and model is adopted from informal savings mechanisms (ISMs) in Zambia (Laufer & Pietosi, 2019; Lee et al., 2021). The article also adopts a qualitative and quantitative study method with the secondary analysis done by content analysis. Journal articles, annual reports, official papers, internet blogs, books, and newspaper articles, including multiple data sources, are used to critically analyse various types of informal savings and lending groups used by low-income earners in Zambia, including countries in Sub-Saharan Africa and their sustainability. For the researcher to scope and analyze high-quality data attained in various thematic areas, this is supported by secondary data. In addition, various financial strategies, including traditional or locally customized and internationally adopted concepts, will be reviewed as long they are used in Zambia, supporting savings and loans for poor households.

The next part of the study discusses and review the relevant literature. This section discusses and reviews different typologies on informal financial services available in Zambia and those used internationally, the concept behind each type, modalities, sustainability, and key international regulations are if any. This part of the article paper outlined literature resources that are significant in this study. Through critical evaluation of each work, the article surveyed various sources that include books, scholarly articles, and journals relevant to the various ISMs in Zambia and globally.

## **3. Literature Review**

### **3.1 Informal Financial Service Types in Zambia**

Informal financial services (IFSs) can also be termed as informal savings mechanism (ISMs) as an inclusive term defining a broad range of various savings and lending mechanisms, with most writers using these terms interchangeably. The savings and lending mechanism also define various services that include Village Savings and Lending Associations (VSLAs), savings groups, Own Saving for Assets and Wealth Creation (OSAWA), Rotating Savings and Credit Association (ROSCA) (Prina, 2015), also known as Chilimba in Zambia, village banks, Savings and Internal Lending Communities (SILCs) groups, and Kaloba also called as shylocks. I use informal financial services and informal savings mechanisms interchangeable in this paper, and, in fact, these groups are all a form of accumulating savings and or credit associations (ASCAs).

The study also assists Zambians in having a clearer understanding when making a decision on what saving and lending mechanism to utilize based on their social and economic class. The viewpoint on what type to apply, be it for a rural smallholder farmer, a small business owner in busy Lusaka, youth or woman residing in the shanty compound of Lusaka or a white-collar profession, all vary in their understanding, variation in needs, how they appreciate ISMs, income sources, attitude towards security, financials associated risks, social inclination and, final intention be it an investment or for consumption. The study provides a good entry point for making a decision on the safest mechanism to adopt with appropriate returns.

### **3.1.1. Savings Groups (SGs) in Zambia**

Savings groups (SGs) are one form of ISM made up of 30 people, not less than 10 forming a group and agreeing to put together an agreed amount of money per person according to their ability and capacity (Karlan et al., 2017). The group members are self-selected individuals and, in some cases, they know each other if from the same community, and meet regularly for the savings and leading including contribution to a social fund that is a form of insurance to the members. The members are governed by a group constitution that they enact themselves, guiding how they save, how much they should save, and borrow. Savings groups are an advanced form of traditional Accumulating Savings and Credit Associations (ASCA)

Savings groups are driven by a pool of savings by their members making a loan fund. The Loans are normally shared with agreed available amounts to determine how much each can get. The purpose is also known before borrowing; the interest levied depending on the period for borrowing usually does not exceed 12 weeks. The interest charged also contribute to the group loan fund, while the social fund utilization is determined by the constitution put in place by members. All members contribute an equal amount towards social funds on every saving day.

The savings mechanism ensures that all group savings, training funds, social funds and penalties are well documented in a passbook with a detailed ledger or any easily developed spreadsheets. Record keeping is key in an SG as it ensures efficiency and transparency among members in recording interest and preparation for the time of pay-out after completion, normally after 12 months or 52 weeks. SG is common in Zambia among local and international nonprofit organisations and is currently being adopted by individuals' groups at church levels, corporates, and even government employees. SGs motive, when formed by various communities, is to serve its members through social status, sharing ideas, stories and creating a sense of belonging and cohesion.

### **3.1.2. Village banks in Zambia**

Village banks, microcredit and microfinance, was started and promoted by Muhammad Yunus from Bangladesh; he is also Grameen Bank founder, Nobel Peace Prize winner for pioneering the concept in the early 1970s (Sishumba & Mulonda, 2019). Village banking is another form of ISMs usually utilized by women as a revolving fund, also known as community banks. These come in informal micro-lending groups with people who know each other, are engaged in similar activities, and come together to access loans usually obtained or supported by an external entity, even the government. In Zambia, such groupings are predominately common in rural areas and among rural smallholder farmers working to improve their livelihoods and income sources supported by the Ministry of community development and social services. Village banks normally run for 6 months, with up to 5 members coming together to provide a guarantee for loan repayment to any member in the group. The village bank loan fund is normally given to another group as it is a revolving fund when they complete the cycle with the current rate in Zambia at 20% interest.

Village banks have evolved in various sub-Saharan African countries, including countries like Zambia and South Africa, with the South African government putting in place a formal registrative framework as Financial Service Cooperatives (FSCs) (Satgar, 2003), giving them a legal mandate structure to operate in rural areas. Village banks in South Africa were started by International Fund for Agriculture Development in 1994 following cooperative agreement movement working in the focus area of agriculture and farming activities with the Department of Agriculture.

### **3.1.3. Village Savings and Loan Associations (VSLA)**

The VSLA informal financial model was developed and founded by CARE in 1991 in Niger. Since its founding, CARE has developed VSLA in more than 20 countries in Africa, Asia, and Latin America. VSLAs are part of ISMs and the microfinance model in the general term of community-managed microfinance (CMM) that supports savings and borrowing among poor rural households (Rasmussen, 2011; Ritchie, 2010; Rooyen et al., 2012). Village banks are an informal self-managed, self-sustaining savings group that provides basic financial services to rural communities' rural village members on a sustainable basis.

VSLAs have demonstrated that they can reach more rural people and wider geography with greater benefits as compared to formally centralized microfinance institutions. In Zambia, the structure of VSLAs is driven by group members who come together normally not more than 30 people, contributing resources (money) and in most cases are vulnerable rural smallholder or peasant farmers that have no access to formal financial services due to their low economic status and are regarded as high risk in the country. Members are allowed to borrow at an agreed interest with the group savings proving the guarantee as insurance fund to borrowed funds. Members can use the borrowed funds for emergencies or starting a small business.

In Zambia, many nonprofit organizations, including; CRS, World Vision, and CARE, utilize the VSLA model and have been adopted in various rural communities (Bwalya & Zulu, 2021). This has proved that this model indeed provides the much-needed support and benefits that improve families' income sources and living standards. In addition, several evaluations providing evidence on the growing impact of VSLAs in Zambia, Africa, and Asia, primarily on how these VSLA's influence poor households' access to savings and lending (Ashraf et al., 2006; Rasmussen, 2011; Ritchie, 2010; Rooyenet et al., 2012).

Therefore, using evidence from Zambia and other parts of the world, VSLAs has shown a great contribution to this growing body of literature on VSLAs, proving that this model is sustainable looking at the group member's significant improvement in the standard of living and reductions in the poverty levels and household food security. This has also been observed as a reason for coming up with this alternative model due to the challenges in accessing formal financial services by poor rural households. This model is unique as it is community-based driven, is owned by users, and normally is a self-managed savings and lending model developed on the grounds of concepts of flexibility and transparency.

#### **3.1.4. Savings and Internal Lending Communities (SILCs)**

Savings and Internal Lending Communities (SILCs) is a form saving group operated as an ISM typology. SILC as an SG model has been adopted in Zambia developed by Catholic Relief Services and has become a widely adopted model (Lee et al., 2021; Taneja, 2013), and in many other low and middle-income countries (LMICs) working to improve the financial inclusion and livelihoods of poor rural populations. By 2013, CRS had over 33,000 SILC participants in Zambia from five agricultural extension programs operated as independent SILC programs (Taneja, 2013)

SILCs in Zambia are driven by mainly nonprofit organizations such as Catholic Relief Services, Caritas Zambia, and primarily target women and youth in rural areas even though men are also included working towards improving the income for the households through user-owned and savings-led financial services.

SILC founding's are based on helping group members to create savings schemes that target to increase the amount of money that is to be shared at the end of the agreed time cycle, normally 8-12 months. Members through SILC are encouraged to save and frequently borrow as it is a sign of discipline and in building a large funds base in preparation for share-out. After completing its cycle, the group can agree to engage in another cycle without dismantling the loan fun but just giving out the share-out funds accumulated through interest. The SILC loan funds contributed by members are open to its members to borrow for personal consumption and even investments with the approval of the group, who also determine the interest to be paid and the period. SILC, like the VSLAs, also has a provision of separate social funds for supporting its members who face challenges.

#### **3.1.5. Own Saving for Assets and Wealth Creation (OSAWE)**

The beginning of small-scale savings and credit, referred to as Own Saving for Assets and Welfare Creation (OSAWE), was initiated after 2007 in Zambia, and this was due to the failure of the initial savings and credit project by Plan International (Shimada, 2011). This model operates similarly to the VSLAs model, with monthly savings meetings. The loans are normally used for enterprises development with interests split among members. The group normally consist of 10 to 20 members.

#### **3.1.6 Rotating Savings and Credit Association (ROSCA) – Chilimba**

Chilimba is a Zambian indigenous word used to describe the Rotating Savings and Credit Association (ROSCA) in simple words. This has been the growing ISM in Zambia, especially among urban people with constant weekly or monthly income. This ISM has also become common among middle-class, white-collar employees both in the private and public sectors. The members of Chilimba agree to contribute a uniform or fixed amount of money collected on either a weekly or monthly basis and given to one member. What binds the groups is trust among them, and in most cases, they know each other or work together. Every contribution at every sitting is given to one member, and this is done until all members have gotten a turn. The members agree on the amounts to be paid in advance; they also agree on the date or period before the next deposit. This is attractive to those who need an increased amount of money one point or those who have challenges in savings. There is also very procedures paperwork involved, and one can drop out when they all have gotten a turn.

The Rotating Savings and Credit Association (ROSCA) is also dubbed Chilimba in Zambia as an indigenous and most widely used informal saving group. Chilimba has greatly evolved in Zambia, started by mainly small groups of women contributing fixed amounts; this model has now also been adopted by white-collar employees in different corporate who want to build their savings over time. With a savings pool given to one member every seating, members are in a position to embark on any activity of their interest. Members cannot opt-out unless they commit to the agreed contribution of the group. Anyone wanting to join can only do so after a rotational cycle has been completed as it is preplanned. Regarding recordkeeping, this model is the one if not the simplest in putting in place. ROSCAs has also been adopted and utilized in many sub-Saharan countries, including South Africa, where this model is called Stokvels with additional modification such as members participation, registration fees which accrue to the host (Verhoef, 2001)

#### **3.1.7. Kalomba**

Kaloba is not a saving scheme but an informal credit mechanism provided by main moneylenders, and this model is also called shylocks, normally utilized by people within their communities. This type of informal lending is the fastest way to get credit without any contribution or savings, even though it has varying terms and conditions. In most cases, the agreement is between the money

leader or the shylock and the borrower, usually with a written or no written agreement. This might also come with collateral security at times if agreed with interest; the payment period also agreed normally very high as compared to other forms of SGs.

This type of leading has strict conditions if the borrower fails to pay, resulting in more interest added. The shylock prescribes also has the power to repossess loan through acquiring the property of the borrower to the applied value equivalent to the borrowed amount with interest or even more to repay owed amounts within a given timeframe Kaloba only should be taken by borrowers capable of repaying the borrowed money on time without risking extra interest of repossession of property as it can be of extra inconvenience.

**3.1.8 Savings and Credit Cooperatives in Zambia (SACCOs)**

SACCO’s savings have been growing in Zambia and follow a local cooperative arrangement bringing participants from communities together, with the gained profit ploughed back to members in the form of loans and lending. The group, by coming together, seek to build self-sustaining income sources but also confidence and pride in the rural area while creating a culture of saving and investing. SACCOs also called informal credit unions (CU) in Zambia, gives access to its member's savings and lending products at very low-interest rates as its primary business is not profit but improving the savings impact on improving economic and livelihoods of its members (Sishumba & Mulonda, 2019). The Ministry of Commerce, Trade, and Industry (MCTI) in Zambia has been promoting the registration of financial cooperatives as SACCOs to boost their businesses.

SACCO has also proved to be a viable ISM in Zambia, as discovered in research instituted by Zambia Institute for Policy Analysis and Research (ZIPAR) in April 2019. Out of 10 provinces in Zambia showed that a total of 728 financial cooperatives savings groups came out of from provinces that include Southern, Luapula, Lusaka, Muchinga, Northern, Central, Copperbelt and Eastern. The cooperative's membership varies, with the largest reaching up to 18000. This tells how important such savings groups have become among rural communities. Cooperatives that have grown operating some form of a formal financial institution managed by a manager, finance person or accountant provide evidence that various savings groups with proper management can surely grow into a successful and sustainable group.

**3.2 Sustainable Savings Groups**

Saving groups in Zambia will continue for the foreseeable future, as observed by an increase in the past five years. In addition to benefits, members realize that easy access to loans, interest, and social safety net, with no cumbersome registration system or collateral needed, are key drivers in joining. Research by Moret et al. 2021, looks at what happens when savings groups grow up? And also, evaluating SGs sustainability and anticipated benefits managed to bring out key factors that contribute to love trust, and good leadership have sustained savings groups. Emotional through social support, material support, and tolerance looking at relationship dynamics helping in sustaining savings groups too.

**Table 1. Top-ranked characteristics contributing to savings group sustainability**

Quality	Number of times mentioned	Medium Ranking
Love	10	2.5
Good Leadership	9	1.0
Trust	9	3.0

**Source - Examining savings group sustainability and perceived long-term benefits (Moret et al., 2021)**

ISMs that includes VSLAs, Village banks and SILCs have been transforming poor households in Zambia and globally, offering safety nets for emergencies, providing much-needed cash flow, providing needed capital for starting small enterprises, strengthening the social network in the communities, and trust. The formal financial system has come to accept its place in the financial inclusion landscape. Some institutions come up with products that attract savings groups to be banking their earnings. ISMs recognition as the best sustainable entry-level to financial inclusion for the poor rural and urban communities who organize, manage themselves and being in a position to bring interest is key for economic development in Zambia because they're here to stay.

**4. Results and Discussion**

Zambia has been experiencing mushrooming of savings groups in all different corners of the country operated by various individual groupings from corporates to nonprofit making organizations to government. For instance, in 2013, World Vision, a nonprofit making organization, had over 25000 VSLAs savings groups in Zambia, Catholic Relief Services by 2020, had 33000 SILCs in only five districts (Dunham, S. (n.d)). According to the Savix dashboard, Zambia has 29,431 registered various types of saving groups on their site. To date, the world has more than 15 million members in various savings groups cutting across more than 73 countries, according to a report by Agrilinks published in March 2021. A report by Zambian Financial Sector Deepening published in April 2021 indicates that there are over 800,000 savings group members (utilizing different saving types) in Zambia, with cumulative savings of over ZMW82,904,562 (about 4.6 million U.S. dollars).

Key finding on the adoption rate of VSLA and SILC savings mechanism has greatly been influenced by the flexibility the saving mechanism provides to the target group social status. A review study by Verhoef (2001) details that people with low-income streams and without collateral survive through credit and savings in the informal financial sector possible, especially most rural and even urban African populations unfamiliar with banking practice, procedures, and due to a high degree of illiteracy makes it's hard to utilize banking facilities with confidence.

The sustainability of each saving typology is also determined by the adoption rate of the mechanism. World Vision Zambia's Savings for Transformation (S4T) program study reviews that it is supporting 45,378 households (232,060 people) in 2021 through VSLAs. The research findings review a lot of viability reasons why savings groups, including VSLAs, SILC, and village banks, have become the best choice of option for women and smallholder farmers in rural areas. Interest-free and no service charges or fees apart from penalties for VSLAs and SILC for constitution breaking have attracted more members.

The poor rural households are not sure of how their future lives will hold facing challenges in meeting daily food needs, meeting daily home expenses, and reducing negative effects of financial, social and economic unforeseen circumstances, according to findings by Mashingo and others (2016). These are reasons why economically and financially disadvantaged rural, urban women and youth in Zambia join savings to get support during bereavement or sickness through social funds while at the same time meeting their economic and financial needs through loans for the running of small enterprises and gaining extra money at the end of the agreed period to meet other financial needs. These informal mechanism has become a future guaranteed pillar for rural, urban women and youth who can't access formal financial institution. Eradicating poverty through an alternative method to capitalism is the reason why the occurrence of microfinance, says Professor Yunus in his speech to the Nobel Prize committee (Chowdhury & Somani, 2020).

Various informal savings mechanisms have their own disadvantages; however, savings typologies such as VSLAs, Village banking, SILCS, OSAWE have been discovered and credited to be effective savings mechanisms. Flexibility and affectivity are key aspects of sustainability of any savings group and have emerged as the most important aspect of informal savings groups, in conjunction with the available literature on requirements for informal commitment savings devices (CSDs) (Afzal et al. 2018; Ksoll et al. 2016; Giné et al. 2018). Savings participants' flexibility is viewed as having the freedom to choose what to save for, how to use the money saved, accommodating all saving members, should be affordable, and allowance to change informal savings groups after a completed saving cycle. Beyond flexibility, good leadership and caring for each other has ensured repeated savings cycles (Landman & Mthombeni, 2021). Financial inclusion will never gain any impact without bringing in ISMs, especially in Zambia and Africa that brings alternative and sustainable products that resonate well with poor households in an informal engagement, giving access to liquidity through loans for business set up or personal use, allowing them to save, lack of restriction in accessing their savings, low or no transaction fees, no collateral and financial gains through interest earnings during the saving cycle.

It is key to note that Kalomba (Shylocks) and Chilimba ROSCA) has their limitations, such as lack of interest and shorter timeframe as compared to other different typologies of ISMs. Failure to pay through shylocks might lead to higher interest repayment or even losing the money altogether. Models like OSAWE have also merged with VSLAs due to their weakness in offering benefits such as social funds. VSLAs has proved to be more flexible and extended benefits such as social funds that are key to poor households.

In Zambia, ISMs that includes Savings Groups, SILCs, Village Banks, OSAWE, VSLAs, SACCOs, and ROSCAs have become more attractive due to features that allow them to become independent and able to sustain themselves without outside support. Unconfirmed reports put the survival rate of savings groups at 90% through a few studies confirm the results, including the management information system (MIS) results. In getting a deeper understanding of the sustainability of different types of ISMs, an additional in-depth study needs to be done on assessing survival, drop-out rates from groups, and the possibility that they may scale up or downscale over time. This can also include looking at poor urban inclusion in ISMs and the future with an increased population.

Zambia has been experiencing mushrooming of savings groups in all different corners of the country operated by various individual groupings from corporates to nonprofit making organizations to government. For instance, in 2013, World Vision, a nonprofit making organization, had over 25000 VSLAs savings groups in Zambia, Catholic Relief Services, by 2020 had 33000 SILCs in only five districts (Dunham, S. (n.d)). According to the Savix dashboard, Zambia has 29,431 registered various types of saving groups on their site. To date, the world has more than 15 million members in various savings groups cutting across more than 73 countries, according to a report by Agrilinks published in March 2021. A report by Zambian Financial Sector Deepening published in April 2021 indicates that there are over 800,000 savings group members (utilizing different saving types) in Zambia, with cumulative savings of over ZMW82,904,562 (about 4.6 million U.S. dollars).

Key finding on the adoption rate of VSLA and SILC savings mechanism has greatly been influenced by the flexibility the saving mechanism provides to the target group social status. A study by Verhoef (2001) explains that low and irregular income streams, as well as a lack of collateral in the form of fixed property, made access to credit in the informal financial sector possible, with the majority of African people unfamiliar with banking practice, procedures, and due to a high degree of illiteracy makes it is hard to utilize banking facilities with confidence.

The sustainability of each saving typology is also determined by the adoption rate of the mechanism. The study reviews that World Vision Zambia's Savings for Transformation (S4T) program is supporting 45,378 households (232,060 people) in 2021 through VSLAs. The research findings review a lot of viability reasons why savings groups, including VSLAs, SILC, and village banks, have become the best choice of option for women and smallholder farmers in rural areas. Interest-free and no service charges or fees apart from penalties for VSLAs and SILC for constitution breaking have attracted more members.

According to findings by Mashingo and others (2016), poor households are uncertain about future prospects and are unable to meet daily consumption needs, meet day-to-day expenses, and mitigate the effects of financial, social and economic unforeseen circumstances. These are reasons why economically and financially disadvantaged rural, urban women and youth in Zambia join savings to get support during bereavement or sickness through social funds while at the same time meeting their economic and financial needs through loans for the running of small enterprises and gaining interest at the end of a cycle to meeting other financial needs. These informal mechanism has become a future guaranteed pillar for rural, urban women and youth who can't access formal financial institution. In his speech to the Nobel Prize committee, Professor Yunus stated that "Eradicating poverty through an alternative approach to capitalism" is the reason behind the occurrence of microfinance (Chowdhury & Somani, 2020, p.55).

Informal savings mechanisms have their own shortcomings (Afzal et al., 2018; Greaney, Kaboski & Van Leemput 2016). However, savings typologies such as VSLAs, Village banking, SILCS, and OSAWE are effective savings mechanisms (Burlando & Canidio 2017; Kast et al. 2018; Ksoll et al. 2016). Their sustainability has been due to flexibility and affectivity emerging as the most valuable 'soft' features of informal savings groups, in line with the extant literature on requirements for informal commitment savings devices (CSDs) (Afzal et al. 2018; Giné et al. 2018). Members viewed flexibility as freedom of choice in terms of their saving purpose, the use of funds saved and the affordability of periodic saving contributions at exercised at an individual level by switching between informal savings groups after a completed saving cycle (Landman & Mthombeni, 2021). Financial inclusion will never gain any impact without bringing in ISMs, especially in Zambia and Africa that brings alternative and sustainable products that resonate well with poor households in an informal engagement, giving access to liquidity through loans for business set up or personal use, allowing them to save, lack of restriction in accessing their savings, low or no transaction fees, no collateral and financial gains through interest earnings during the saving cycle.

With all the different typologies of ISMs, it is important to note that Kalomba (Shylocks) and Chilimba (ROSCA) has their limitations, such as lack of interest and shorter timeframe. Failure to pay through shylocks might lead to higher interest repayment or even losing the money altogether. Models like OSAWE have also merged with VSLAs due to their weakness in offering benefits such as social funds. VSLAs has proved to be more flexible and extended benefits such as social funds that are key to poor households.

In Zambia, ISMs that includes Savings Groups, SILCs, Village Banks, OSAWE, VSLAs, SACCOs, and ROSCAs have become more attractive due to features that allow them to become independent and able to sustain themselves without outside support. Unsubstantiated claims have been made for a long-term survival rate better than 90 percent, but very few studies or long-term management information system (MIS) results have been able to verify such assertions (Allen & Panetta, 2010). In getting a deeper understanding of the sustainability of different types of ISMs, an additional in-depth study needs to be done on assessing survival, drop-out rates from groups, and the possibility that they may scale up or downscale over time.

## **5. Conclusion**

ISMs that includes VSLAs, Village banks and SILCs have been transforming poor households in Zambia and globally, offering safety nets for emergencies, providing much-needed cash flow, providing needed capital for starting small enterprises, strengthening the social network in the communities, and trust. I highly recommend these models in transforming the livelihoods of the poor household both in rural and urban areas. The formal financial system has come to accept its place in the financial inclusion landscape. Some institutions come up with products that attract savings groups to be banking their earnings. ISMs should be recognized as the best sustainable entry-level to financial inclusion for the poor rural and urban communities who organize, manage themselves and being in a position to bring interest is key for economic development in Zambia because they're here to stay. Sustainability of all types of savings is driven by trust, love and care, good leadership, faith, social and economic challenges similarities. Continued availability on these conditions ensures informal savings mechanisms will continue to grow and attract a lot of marginalized and poor people.

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