

## Informal savings and lending groups and financial inclusion in Zambia: Evidence from a desk review

Nzovwa Banda<sup>1</sup>  
Beatrice Matafwali<sup>2</sup>  
Austin Mwangi<sup>3</sup>

<sup>1</sup>[nzovwab@gmail.com](mailto:nzovwab@gmail.com)

<sup>2</sup>[beatrice.matafwali@unza.ac.zm](mailto:beatrice.matafwali@unza.ac.zm)

<sup>3</sup>[austin.mwangi@unza.ac.zm](mailto:austin.mwangi@unza.ac.zm)

<sup>1,2,3</sup>The University of Zambia

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### ABSTRACT

This paper analyzes informal savings and lending mechanisms in Zambia, highlighting their roles in promoting financial inclusion, consolidating member risks, and emphasizing the need for a pragmatic policy response. A literature review conducted from a desk for the years 2015–2025, using peer-reviewed studies and relevant institutional and grey literature sourced from Google Scholar, JSTOR, the University of Zambia repository, and selected institutional websites. The review integrates data from Village Savings and Loan Associations (VSLAs), village banking groups, Savings and Internal Lending Communities (SILCs), Accumulating Savings and Credit Associations (ASCAs), Rotating Savings and Credit Associations (ROSCAs), Savings and Credit Cooperatives (SACCOs), and specific informal credit systems such as kaloba and OSAWE. It looks at their structures, the types of people who are members, how they run their businesses, how they are governed, the benefits and drawbacks, and the results that have been reported. The review shows that these mechanisms are still the main ways that low-income and informal households save money, get small loans, smooth out their spending, help microenterprise activities, and deal with unexpected shocks. They work well because they have simple, locally enforceable rules, peer accountability, and governance structures based on trust. Women consistently participate in all mechanisms, and the results include better household welfare, stronger social networks, better financial discipline, and a greater ability to handle liquidity constraints. At the same time, all models show that there are structural problems that keep coming up. These include a lack of capital pools, poor record-keeping, a concentration of leadership, a lack of transparency in loan approval processes, and inconsistent consumer protection practices. In arrangements that are linked to the outside world or based on guarantees, members' risk exposure goes up when joint liability mechanisms, outside credit injections, or a lack of documentation make them more vulnerable. The quality of evidence differs among provinces and mechanisms, and significant concepts like "village banking" and "sustainability" lack consistent definitions across sources. These inconsistencies make it harder to compare things and make it harder to understand policies. The synthesis shows that informal ways of saving and lending money can't be put into one group. The structure of an institution affects how strong its governance is, how long it can last, and how much risk it puts on its members. Member-funded, savings-led arrangements usually have lower systemic risk, but they are still at risk when governance and documentation systems are weak. When there aren't enough oversight mechanisms, externally linked or semi-formal arrangements can make things more complicated and less stable. The paper posits that a policy approach that is balanced, fair, and based on risk is needed. Informal savings groups should not be subject to the same regulations as formal banks. Instead, policymakers may want to focus on making internal governance practices stronger, improving basic record systems, making typologies clearer, and giving people safe, voluntary ways to interact with formal financial institutions when it's appropriate. Regulatory overreach may limit access for underserved populations, whereas regulatory neglect may subject members to avoidable harm. The paper turns institutional differences into useful policy priorities that support long-term and inclusive financial growth by putting together scattered Zambian evidence into a structured comparative synthesis.

**Keywords:** Financial Inclusion, ROSCAs, Savings Groups, Village Banking, VSLAs

### I. INTRODUCTION

Financial inclusion is a major policy goal in all of Sub-Saharan Africa. People think of it as a way to help people get out of poverty and a way for people to be part of the economy. The National Financial Inclusion Strategy of Zambia (2017–2022) defines financial inclusion as "access to and informed usage of a broad range of quality and affordable savings, credit, payment, insurance, and investment products and services that meet the needs of individuals and businesses" (Ministry of Finance, 2017). The review of the first strategy says that about 30.6% of Zambians still can't get financial help (Ministry of Finance and National Planning, 2023). People who work in the informal sector, people who live in rural areas, and women are the most likely to be turned away from formal financial institutions. This is often because of problems with geography, income, paperwork, and collateral.

When formal systems are not available or appropriate, households do not remain financially inactive. Instead, they use informal ways to save and borrow money to meet their liquidity needs, make consumption easier, pay for micro-

enterprise activities, and deal with shocks (Simatele et al., 2021). In Zambia, these are Village Savings and Loan Associations (VSLAs), Village Banks, Savings and Internal Lending Communities (SILCs), Accumulating Savings and Credit Associations (ASCAs), Rotating Savings and Credit Associations (ROSCAs), Savings and Credit Cooperatives (SACCOs), and kaloba, which is an informal way to lend money (Sichone et al., (2023)). These systems are very much a part of how communities work, and they are often kept going by trust, peer oversight, and rules that can be enforced in the community instead of formal contracts.

The academic and grey literature on informal savings and lending mechanisms in Zambia is still not very clear in at least three important ways, even though they are important in both policy and practice. First, the ideas aren't very clear. The terms "village banking," "sustainability," and even "informal" are not used the same way in all studies. Some people use the term "externally linked, joint-liability credit models" to describe village banks, while others use it to mean "savings-led, member-funded arrangements." Different people define "sustainability" in different ways. For example, it could mean being able to keep a group going, being financially independent, being able to grow, or not needing help from an NGO. These inconsistencies make it harder to compare things and make it harder to make policies.

Second, much of the writing is more about describing things than analyzing them. Individual studies often focus on a single mechanism, highlighting welfare outcomes or empowerment narratives without systematically comparing governance structures, risk exposures, record-keeping practices, or the conditions under which member harm occurs. Broader research on informal finance in Africa and Zambia-specific doctoral research on informal-formal financial linkages demonstrate that institutional arrangements significantly influence both inclusion outcomes and vulnerability risks. Nonetheless, a thorough synthesis of these structural disparities within the Zambian context is lacking.

Third, policy talks often talk about informal savings groups as if they were one big group. In practice, though, mechanisms are very different in important ways: capital that comes from members versus capital that comes from outside sources; savings models that rotate versus those that build up; informal governance based on trust versus semi-formal cooperative structures; and purely local operations versus digital or platform-mediated arrangements. These differences have a direct impact on protecting consumers, risk in governance, loan performance, and regulatory fairness. Without a structured typology, regulatory responses may either overreach, limiting access, or under-regulate, putting members at unnecessary risk.

This paper addresses these deficiencies by conducting a structured desk review of literature from 2015 to 2025. The research adopts an institutional framework that underscores how informal arrangements mitigate shortcomings in fragile or incomplete formal financial systems. It synthesizes evidence across various mechanisms to identify: (1) structural typologies, (2) governance and record-keeping patterns, (3) risk concentration points, (4) gendered participation dynamics, and (5) implications for proportionate policy design. The review does not just look at impact; it also looks at how different institutional setups affect both the benefits of financial inclusion and the risks that members face.

This article contributes to the literature in three ways: it consolidates disparate evidence and clarifies conceptual ambiguities. First, it provides a comparative typology of informal savings and lending mechanisms in Zambia. Second, it finds risk triggers based on governance that are often missed in descriptive accounts. Third, it turns the synthesis into policy ideas that are based on risk and proportion and fit with Zambia's goal of getting more people to use banks. This paper links institutional theory, studies on informal finance, and the creation of policies in the real world for low-income areas.

## 1.1 Statement of the Problem

Many people in Zambia use informal ways to save and borrow money, especially low-income people and people who work in the informal sector who can't get formal financial services, and about 67.6% of that population are women (FinMark Trust. (2020)). Even though these mechanisms come up a lot in talks about policy and development, the research on them is not very clear or consistent. People often use the same words to mean different things, like "village banking," "sustainability," and "informal finance," even though the models are very different.

Most studies give descriptive accounts of operations or report on welfare outcomes. However, there is not much comparative analysis of governance structures, record-keeping practices, risk exposure, and the situations that make members more vulnerable. Consequently, policymakers do not possess a unified synthesis that differentiates between low-risk, member-funded arrangements and higher-risk, externally linked or semi-formal models. This gap in understanding and analysis makes it harder to come up with a fair regulatory design. Without clearer types and a structured way to compare them, informal systems could be either too heavily regulated or not protected enough. This study fills this gap by systematically bringing together informal savings and lending systems in Zambia, focusing on structural differences, governance features, risk concentration points, and policy implications.

## 1.2 Research Objective

The objective of this study is to carry out a structured comparative synthesis of informal savings and lending mechanisms in Zambia to see how the way institutions are set up affects governance strength, risk exposure, sustainability claims, and the need for proportionate policy design.

## II. LITERATURE REVIEW

### 2.1 Theoretical Review

Financial dualism and institutional theory have influenced the examination of informal savings and lending practices in developing economies. Financial dualism, based on the research of McKinnon (1973) and Shaw (1973), posits that formal and informal financial systems function as parallel structures within a singular economy. Informal finance arises in contexts where formal institutions are unavailable, inflexible, or discriminatory. While early dualist perspectives anticipated gradual convergence through financial liberalization, contemporary evidence from Sub-Saharan Africa indicates enduring coexistence rather than complete integration (Simatele et al., 2021; FinMark Trust, 2020).

Institutional theory offers an additional perspective. Informal savings mechanisms frequently serve as adaptive responses to institutional deficiencies, particularly in contexts where formal regulatory, enforcement, and consumer protection frameworks are inadequate or misaligned with local economic conditions (Helmke & Levitsky, 2004). Savings groups don't just fill in gaps or serve as temporary solutions. They work through governance systems that are built into society and include peer monitoring, trust-based enforcement, and rule-based self-regulation. In situations where there are no formal credit histories, documentation systems, or collateral frameworks, these structures can take the place of formal institutional guarantees.

Recent research on institutional interaction underscores that the relationship between informal and formal systems is not inherently linear. Forward linkages, in which informal groups adopt formal products, may enhance access; however, backward institutional adaptation by formal providers continues to be constrained (Alawattage et al., 2019; Beckmann & Mare, 2017). This imbalance makes financial dualism more likely to last and shows how important it is for institutions to work together instead of just making access easier. Even with these improvements, most theoretical talks are still about informal–formal integration in general, and not about how to systematically compare different types of informal savings in the same country. The differences in governance structure, capital sourcing, risk-sharing arrangements, and enforcement mechanisms among informal models are still not well understood in terms of regulatory design and long-term viability.

### 2.2 Empirical Review

Empirical research across Sub-Saharan Africa consistently demonstrates that informal savings and lending mechanisms are pivotal to financial inclusion for low-income households (Simatele et al., 2021; Mukulu & Qutieshat, 2022). Research on Village Savings and Loan Associations (VSLAs), Village Banks, Savings and Internal Lending Communities (SILCs), Accumulating Savings and Credit Associations (ASCAs), and Rotating Savings and Credit Associations (ROSCAs) in Zambia predominantly indicates favorable welfare outcomes, such as increased household consumption, support for microenterprises, income stabilization, and enhanced resilience to economic shocks (Sichilongo & Kakanda, 2021; Sibeso, 2022; Mulenga & Muuka, 2024). Nonetheless, the majority of studies analyze these mechanisms in isolation and infrequently place them within a systematic comparative framework.

The literature underscores significant structural disparities among models concerning institutional configuration. Some mechanisms are only funded by members and savings, and they depend on capital that has been built up over time (for example, VSLAs, ASCAs, and ROSCAs). Some use outside money, joint-liability guarantees, or semi-formal cooperative registration to run their businesses (for example, some village banking and SACCO arrangements). These differences affect how decisions are made, how records are kept, how loans are approved, and how people are held accountable. Even though there are differences, empirical studies don't often compare the strength of governance across models in a systematic way. As a result, informal savings mechanisms are often seen as the same across the board, even though the rules for getting capital and running the business are very different.

The literature recognizes governance practices and risk exposure; however, they are not uniformly examined across mechanisms. Frequently cited risks encompass inadequate record-keeping, centralized leadership authority, restricted transparency in loan approvals, and susceptibility stemming from joint-liability agreements (Alawattage et al., 2019; Bateman et al., 2019). In externally linked or guarantee-based models, members may experience increased vulnerability during defaults or in instances of inadequate documentation systems. However, empirical research often prioritizes narratives of access expansion and empowerment over vulnerabilities in governance or points of institutional risk concentration. There is still not enough comparative evidence on how different institutional setups affect member protection.

The definition of sustainability is also not always clear. Some studies define sustainability as the ongoing operation of a group beyond its initial formation, whereas others view it as financial self-sufficiency from NGOs, scalability, replication potential, or a broader impact on welfare. This difference in definitions makes it harder to compare studies and makes the evidence for making policy weaker. Claims of sustainability are hard to understand in regulatory terms without a common framework, especially when institutional structures are very different between mechanisms.

Gender participation is consistently elevated across mechanisms, with women constituting the majority of members in most savings groups (Sichone et al., 2023; Mukulu & Qutieshat, 2022). This aligns with financial inclusion goals; however, the literature lacks a comprehensive analysis of how internal governance structures influence intra-group equity, decision-making authority, or risk allocation. Participation levels alone do not fully reflect the strength of institutions or the dynamics of consumer protection.

The empirical literature substantiates that informal savings and lending systems significantly contribute to the enhancement of financial access in Zambia. However, it shows three main gaps that are in line with the goals of this study. First, there is a lack of systematic comparison of institutional configurations and their governance consequences. Second, risk exposure is recognized but not systematically charted across mechanisms. Third, sustainability claims are not consistent with each other in terms of ideas, which makes them less useful for policy. The lack of a unified comparative synthesis undermines the empirical basis for proportionate, risk-sensitive regulatory design and consumer protection in Zambia.

This study fills this gap by conducting a systematic desk review of informal savings and lending mechanisms in Zambia. It combines theoretical and empirical literature to explain the differences between informal savings models, look at their governance structures, operational processes, and capital formation patterns, and find places where risks are high and institutional weaknesses show up. The review also looks at how different studies define and measure sustainability and finds policy-relevant implications for creating regulations that are fair. The study synthesizes fragmented evidence through an institutional lens, offering an analytical foundation for enhancing consumer protection and clarifying regulations, while maintaining the inclusive function of informal finance.

### III. METHODOLOGY

#### 3.1. Research Design

This study employed a structured desk review methodology to synthesize and perform a comparative analysis of existing evidence concerning informal savings and lending mechanisms in Zambia. The review focused on Village Savings and Loan Associations (VSLAs), Village Banks (VBs), Savings and Internal Lending Communities (SILCs), Accumulating Savings and Credit Associations (ASCAs), and Rotating Savings and Credit Associations (ROSCAs), including locally recognized variations like Chilimba. The desk review protocol outlined the search strategy, eligibility criteria, screening procedures, data extraction process, and thematic synthesis methodology to enhance transparency and reproducibility. The design was suitable for the study objective, which necessitated a systematic comparison of institutional configurations, governance structures, sustainability assertions, and risk exposure across mechanisms.

#### 3.2. Study Area

The research concentrated solely on Zambia. Only literature with empirical evidence concerning informal savings and lending mechanisms in the Zambian context was incorporated. When studies focused on Sub-Saharan Africa in general, only findings specific to Zambia were included. This made sure that the study was relevant to the context and in line with its policy focus.

#### 3.3. Target Population

The target population consisted of recorded informal savings and lending systems functioning in Zambia. These encompassed savings-oriented and credit-driven frameworks, including VSLAs, Village Banks, SILCs, ASCAs, and ROSCAs. The population at the document level comprised peer-reviewed journal articles, institutional reports, theses, and dissertations that presented empirical evidence regarding these mechanisms in Zambia.

#### 3.4. Sampling Procedure and Sample Size

A deliberate document sampling strategy was utilized. The search spanned from 2015 to 2025 and utilized Google Scholar, JSTOR, and the University of Zambia online Repository. We also looked at the websites of institutions like the Bank of Zambia, FSD Zambia, and the Policy Monitoring and Research Centre to find any relevant grey literature.

The search string put Zambia together with different terms for informal savings and lending systems and financial inclusion. The structured search expression used was: (Zambia AND (“savings group\*” OR “village savings and loan” OR VSLA OR “village bank\*” OR SILC OR ASCA OR ROSCA OR Chilimba) AND (“financial inclusion” OR “access to finance” OR “informal finance” OR savings OR credit)).

There were two steps to the screening. First, abstracts were looked over to see if they were relevant. Second, the full-text documents were checked to see if they met the eligibility requirements. Documents were included if they had real-world proof about Zambia and looked at one or more informal ways to save and lend money. Peer-reviewed journal articles, institutional reports, and academic theses were all acceptable sources. Documents were omitted if they concentrated solely on formal banking systems, lacked empirical evidence, or failed to consider the Zambian context.

### 3.5. Data Collection Instruments and Procedure

Data extraction was done in a structured way to make sure that all sources were consistent. We looked at each eligible document to see if it had information about the type of mechanism, its definition and origin, the characteristics of its members, the reasons for its formation and participation, its operational processes, its governance arrangements, its capital formation patterns, its reported benefits, and any limitations or risks that were found. This structured extraction process made it easier to compare mechanisms in a systematic way.

### 3.6. Data Analysis

The extracted data was analyzed using a thematic synthesis approach. Patterns were identified and coded both within and between mechanisms. The analysis concentrated on institutional configuration, governance efficacy, risk concentration areas, sustainability interpretations, and ramifications for consumer protection and regulatory framework design. This comparative structure facilitated the identification of similarities and differences among models and advanced the study's aim of guiding proportionate policy formulation.

### 3.7. Ethical Consideration

The research depended solely on publicly accessible secondary sources. No primary data were gathered, and no human subjects were engaged. All sources were properly cited to maintain academic honesty and openness.

## IV. FINDINGS & DISCUSSION

### 4.1 Findings

The literature reviewed identified a number of informal savings and lending mechanisms which are operated in Zambia.

#### 4.1.1 Village Savings and Loan Association (VSLAs)

Village Savings and Loan Associations (VSLAs) are savings groups that are owned and run by their members. They mostly use money that they make themselves (Mwansakilwa et al., 2017; Sichone et al., 2023). The model, which is often credited to CARE International and was first used in Niger in 1991, was meant to be a savings-based alternative to credit-based models like ROSCAs (Mwansakilwa et al., 2017; Mukulu & Qutieshat, 2022). Zambia's VSLAs usually have 10 to 25 members. Some rural groups have up to 30 members (Mwansakilwa et al., 2017; Sichone et al., 2023; Mukulu & Qutieshat, 2022). There are mostly women in the group. About 67.6% of people who use informal savings methods are women (Sichone et al., 2023). People who already know each other through social networks like churches, neighborhoods, and family ties often make up groups.

From the way institutions are set up, VSLAs are savings-led and limited in how much capital they can use. Members buy shares at regular meetings, which creates a pool of money that can be used to give out short-term, interest-bearing loans without needing collateral. People usually get loans for up to three months, and they work in cycles that last about a year. At the end of each cycle, the total amount of money saved and interest earned is split up fairly among all the people who own shares. There are also a lot of VSLAs that have a social fund to help people in need. Groups run themselves, but NGOs often need to help them get going by giving them training, rules for how to run things, and ways to hold people accountable (Mwansakilwa et al., 2017).

This arrangement leads to different types of governance. The group constitution lets the group make choices, such as how much to charge for shares, who can get a loan, what the interest rate should be, and how long the cycle should last. Not formal punishments, but peer monitoring and social pressure are the main ways that rules are enforced. To keep members from having to pay more money, fines for late payments are often not enforced. This might help people get along better and feel like they belong, but it could also make formal ways to stop people from doing bad things less effective.

The evidence shows that the member-funded structure lowers systemic risk because it only allows lending with capital that has been built up within the organization. But this same structure makes it hard to get big loans and grow. Mwansakilwa et al. (2017) and Mukulu & Qutieshat (2022) both say that members may not be able to get loans if there aren't enough for everyone. Questions about sustainability arise at this point. Mwansakilwa et al. (2017) suggest that continuous expansion and replication may depend on ongoing support from NGOs, whereas Mukulu & Qutieshat (2022) portray the model as capable of operating independently. This difference shows that different studies don't agree on what sustainability means.

Being a part of VSLAs has been linked to better household welfare, with an estimated 38% increase in economic improvement through positive consumption effects (Mwansakilwa et al., 2017). Social funds have also been shown to help people become more resilient, reduce poverty, make food safer, and improve their financial discipline (Mukulu & Qutieshat, 2022). These findings suggest that the savings-led institutional framework promotes financial inclusion while maintaining a comparatively low level of risk exposure.

VSLAs are generally member-funded institutions with strong internal accountability, small amounts of capital, and a moderate amount of debate about how long they will last. Governance is strong because of peer monitoring and self-regulation based on rules. The group's savings capacity limits risk exposure. In the bigger picture of informal finance in Zambia, this setup makes VSLAs look like safer choices.

#### 4.1.2 Village Banks (VBs)

Village banks are a more diverse and structurally complicated type of informal savings and lending system in Zambia. Although often characterized as collective financial schemes for low-income individuals, their institutional structures exhibit considerable variation across different studies. The model is often connected to the Grameen and FINCA traditions, which were started by Mohammad Yunus in Bangladesh and John Hatch in Bolivia. These traditions used group-based lending and joint liability to give people credit without collateral (FINCA, 2025; Mukulu & Qutieshat, 2022; Sishumba & Mulonda, 2019).

In Zambia, village banks usually have between 15 and 40 members, and most of them are women (Sichone et al., 2023; Mukulu & Qutieshat, 2022). Groups are often based in the community and chosen by the members themselves, and they depend a lot on trust and social familiarity. Village banks, on the other hand, get their money from different places than just savings-led models like VSLAs. Some use savings that are pooled together, while others get credit from government programs or banks (Mukulu & Qutieshat, 2022; Sichone et al., 2023). This difference is very important for understanding their governance and risk profile.

From the point of view of how institutions are set up, village banks may combine savings accounts with lending structures that require everyone to pay back what they borrow. In externally linked models, small groups of members promise to pay back loans for individual borrowers. This structure makes it easier for members to get bigger loans, but it also makes them more likely to default. If one borrower doesn't pay back the loan, the guarantors are all responsible, which could make it harder for the group to stay together. This is different from models that are only funded by members, where lending is only possible with pooled savings.

In terms of operations, village banks usually work in cycles that last from six to twelve months. Some work like revolving funds, moving money that has been saved up between groups after each cycle (Mukulu & Qutieshat, 2022). Governance arrangements usually have elected executive committees and agreed-upon constitutions that set rules for savings, loan approval, and repayment. There is, however, evidence that documentation practices are not always the same. Kalunga et al. (2023) point out that poor record-keeping, the concentration of financial information among executive members, a lack of transparency in loan approvals, and in some cases, leaders borrowing extra money without proper controls. When documentation systems are weak, the strength of governance relies almost entirely on trust between people.

The existence of external capital exacerbates sustainability assertions. Mukulu & Qutieshat (2022) characterize village banks as self-sustaining savings groups, while also indicating their dependence on government or institutional loan infusions. This tension illustrates a wider lack of clarity in defining sustainability. When capital comes from outside sources, continuity may depend on programmatic support instead of just building up internally. Shorter cycle lengths, especially six-month revolving structures, may also make it harder to build long-term capital and get money for big investments.

In village banks, risk exposure is more varied than in savings-led models. Joint-liability arrangements, reliance on external credit, concentration of leadership, and deficiencies in documentation heighten the risk of conflict, instability due to defaults, and strain on internal governance. Kalunga et al. (2023) also talk about operational risks that come from bad infrastructure, especially in online or digitally mediated versions of village banking. These results indicate that institutional complexity correlates positively with elevated governance requirements and increased susceptibility to mismanagement.

Even with these risks, village banks do a great job of including everyone in the economy. They lower transaction costs compared to formal banks, make it easier for people in rural and peri-urban areas to get credit, and help microenterprise growth and household consumption smoothing (Sishumba & Mulonda, 2019; Mukulu & Qutieshat, 2022). Women and marginalized groups always have high levels of participation, and members say that their ability to invest has improved and their social networks have grown stronger.

Village banks are a good example of a structurally diverse group of institutions. They include community models that are based on savings and arrangements that are linked to outside sources and based on guarantees. Village banks show more variation in governance strength and a higher risk of losing money than mechanisms that are only funded by members. This is especially true when joint liability and outside capital are involved. They do a lot to help people get access to financial services, but the long-term effects on sustainability and consumer protection depend on how strong the internal controls are and how much they depend on outside sources.

#### 4.1.3 Savings and Internal Lending Communities (SILC)

Savings and Internal Lending Communities (SILCs) are user-owned, savings-led systems that mostly work in rural and peri-urban areas and mostly help women and young people (Mukulu & Qutieshat, 2022; Sichone et al., 2023). They are widely used, especially by Catholic Relief Services (CRS) and Caritas Zambia, which help NGOs use them. Lee et al. (2022) say they are some of the most popular informal microfinance tools in Zambia. People usually choose to join a group, and there are usually 15 to 30 members.

From the point of view of how institutions are set up, SILCs are like VSLAs in that they are based on savings and have their own capital. Members regularly put money into a shared fund, which is then used to make loans at agreed-upon interest rates. Cycles usually last 8 to 12 months, and at the end of that time, members get their savings and interest earnings. A lot of SILCs also run social funds to help people in need, which strengthens their role as both a financial and social service.

But SILCs are not like purely organic savings groups because they are closely tied to NGO facilitation structures. NGOs help people form groups, give them training, and promote financial discipline by setting up structured meeting times and record-keeping systems (Mukulu & Qutieshat, 2022; Lee et al., 2022). This institutional support makes governance stronger during the early stages of formation and operation. It also raises questions about long-term independence and sustainability when external support is no longer available.

The rules and the constitution govern SILCs. There are rules about how often to save, how long loans should last, and how long cycles should last. Like other informal systems, enforcement depends a lot on peer monitoring and holding each other accountable. Evidence indicates that risks predominantly stem from inadequate record-keeping practices and shared liability exposure when members underwrite loans for others (Mukulu & Qutieshat, 2022). Laufer et al. (2019) also talk about sector-wide worries about attrition, saying that high dropout rates could hurt capital stability and continuity over time. These results indicate that the strength of governance depends not only on internal discipline but also on enduring group cohesion.

In terms of risk exposure, SILCs are mostly safe from systemic financial risk because they only lend money to people who have saved it up themselves. There are still operational risks at the group level, though, especially when documentation is poor or leadership skills are lacking. SILCs have less exposure to external credit risk than village banks that are linked to other banks, but they are still at risk of problems with their own management.

The literature presents sustainability claims favorably, indicating improved livelihoods, enhanced income generation, fortified resilience via social funds, and greater access to services, including healthcare (Lee et al., 2022; Mukulu & Qutieshat, 2022). Participation has been linked to more money being put into microenterprises and better outcomes for families. In addition to financial benefits, SILCs offer social capital, peer support, and improved social standing for members, especially women (Laufer et al., 2019). But if sustainability depends on NGOs staying involved or keeping their members, long-term institutional durability is still up in the air.

In general, SILCs are a type of institutional structure that is based on savings and supported by structured NGO facilitation. Training and standardized procedures make their governance stronger, but their risk exposure is mostly internal and group-based. Compared to village bank models with more outside funding, SILCs have less financial risk, but they are more sensitive to group cohesion and withdrawal of facilitation. They make a big difference in making sure everyone has access to money, especially women and young people. However, the strength of institutions varies depending on how well they are run and how many people continue to participate.

#### 4.1.4 Accumulating Savings and Credit Associations

Accumulating Savings and Credit Associations (ASCAs) are savings-based systems in which members regularly put money into a shared fund that is then used to give loans to other members. Contributions can happen every week, every other week, or every month, depending on the rules that everyone agrees on. Operational cycles usually last between 9 and 12 months. At the end of each cycle, the total savings and interest earned are split up fairly based on how much each member put in (Laufer et al., 2019; Mukulu & Qutieshat, 2022).

In theory, ASCAs are sometimes thought of as the main group that many types of savings groups belong to (Laufer et al., 2019; Mukulu & Qutieshat, 2022). Laufer et al. (2019) differentiate between NGO-facilitated and non-facilitated ASCAs, signifying differences in external institutional support. This distinction is important for evaluating the strength and sustainability of governance.

From the point of view of institutional structure, ASCAs are internally capitalized and focused on savings. Groups usually have 15 to 25 members who join because they have similar financial goals, trust each other, and can save money together. Members can be from both rural and urban areas, which shows that the group is made up of people from different economic backgrounds. Entry decisions are influenced by the alignment of financial objectives, savings frequency, and the perceived reliability of fellow members (Laufer et al., 2019). This voluntary, self-selecting structure strengthens social ties, but it also relies heavily on trust between people to work as a governance mechanism.

In order to work, ASCAs need agreed-upon constitutions that spell out how much each member has to contribute, what the loan terms are, what the interest rates are, and how long the cycle lasts. Groups go through stages

of forming and coming together before they can set stable operational norms (Laufer et al., 2019). Members are all responsible for following the group's rules, and peer monitoring, not formal enforcement systems, makes sure that everyone does.

So, the strength of governance in ASCAs comes from social accountability and rules-based internal regulation. Nonetheless, evidence reveals deficiencies in documentation and financial management. Laufer et al. (2019) say that keeping records that aren't accurate or consistent can change the end-of-cycle distributions, make things less clear, and lower member confidence. When loans go bad or payments are late, it puts even more strain on internal capital pools. Since there is no formal regulatory oversight, governance stability relies significantly on trust, leadership integrity, and group cohesion.

ASCAs have a relatively low level of systemic risk because they can only lend money that they have already saved up. In their most basic form, they don't need outside capital injections. But operational risks come from mistakes in paperwork, misallocation of funds, and possible disagreements over the accuracy of distribution. These risks could hurt sustainability and continuity if governance isn't strong enough.

Sustainability seems to be closely linked to discipline within the group and members working together. Groups can decide to start new cycles after the old ones are over, which suggests that things will stay the same as long as cohesion is maintained. Emergency social funds and the ability to get cash quickly and cheaply make members more resilient and less reliant on more expensive formal or informal credit options. Long-term durability, on the other hand, depends on regular participation and good internal controls.

In general, ASCAs are institutions that are funded by their own savings and have strong peer-based governance and little exposure to the outside world. ASCAs have less risk of losing money from outside sources than village banks that are linked to other banks, but they are still at risk of having problems with their own management. Their role in financial inclusion is to encourage disciplined saving, make liquidity easier to get, and strengthen social capital. But the outcomes for sustainability and consumer protection depend on how strong the record-keeping systems and internal governance arrangements are.

#### **4.1.5 Rotating Savings and Credit Associations (ROSCAs)**

In Zambia, one of the most common informal ways to save and borrow money is through rotating savings and credit associations (ROSCAs), which are also known as Chilimba (Mukulu & Qutieshat, 2022; Laufer et al., 2019). They are made up of self-selected groups, mostly women, who give a set amount of money on a regular basis. Each meeting, the total amount of money that everyone has contributed is given to one member in a set order (Sichone et al., 2023).

ROSCAs are only rotational and not cumulative from the point of view of institutional configuration. The pooled fund doesn't earn interest or grow over time like savings-led groups like VSLAs or ASCAs do. There is no internal lending with interest, no retained earnings, and no capital accumulation beyond the contribution cycle. The mechanism serves as a structured savings commitment device instead of a credit-generating institution.

People from all walks of life are members of ROSCAs. Historically linked to those marginalized from formal financial systems, research shows participation spans various income levels, including salaried employees and middle-income individuals (Laufer et al., 2019; Mukulu & Qutieshat, 2022). The main reason is to save money in a disciplined way and get lump sums that would be hard to save up on your own.

ROSCAs have simple but strict rules for how they work. Before starting work, members agree on how much they will contribute, how often they will meet, and the order in which payouts will be made. During an active cycle, it is usually not allowed to enter or leave because changes in membership would make payouts unequal. Trust and peer accountability are the only things that enforcement depends on. Members need to be sure that people who get early payouts will keep giving until the cycle is over.

This institutional simplicity means that there is not much systemic financial risk because there is no outside borrowing and no risk of credit default beyond not paying contributions. But the fact that there is no interest generation makes it hard for capital to grow and for wealth to build up over time. ROSCAs don't make extra money for members because the pool doesn't grow. Consequently, financial planning is limited to the cycle duration, which is typically brief and dictated by the number of participants (Mukulu & Qutieshat, 2022).

Risk exposure in ROSCAs is mostly about relationships, not money. If a member who has already gotten the payout stops making contributions, there is a risk of default. Not being able to join or leave in the middle of a cycle also makes things less flexible, which could be bad for members who have to deal with unexpected events. This rigidity keeps structures stable, but it makes them less flexible and adaptable.

ROSCAs are sustainable as long as people trust each other and keep participating. Their simple operations make governance easier and cut down on the amount of paperwork needed. However, their non-accumulative structure makes it hard to grow and limits their ability to handle bigger or longer-term investments.

ROSCAs have some structural problems, but they still offer a lot of benefits for inclusion. They let members get lump sums of money to pay for things like business investments, household bills, or other debts. Being involved

strengthens social networks and makes people more accountable to each other. ROSCAs are a simple and cheap way for people who don't have access to formal savings tools to save money.

In general, ROSCAs are a type of institutional structure that is rotational, non-accumulative, and has low structural complexity, low systemic risk, and a high reliance on interpersonal trust. They provide good short-term liquidity but not much potential for capital growth compared to savings-led and credit-based systems. Their role in making sure everyone has access to money is mostly through disciplined savings mobilization, not through credit expansion or wealth accumulation.

#### **4.1.6 Savings and Credit Cooperatives (SACCOs)**

Savings and Credit Cooperatives (SACCOs) are not quite formal in Zambia's financial system. SACCOs are financial institutions that are owned by their members and work according to cooperative principles. In many cases, they are also registered with national regulatory bodies (Sishumba & Mulonda, 2019). The Ministry of Commerce, Trade, and Industry has been actively promoting them as part of its larger plans for financial inclusion. There were 728 financial cooperatives registered in ten provinces by 2019. Some of these cooperatives had as many as 18,000 members (Mukulu & Qutieshat, 2022). This size sets SACCOs apart from smaller, less formal systems.

SACCOs are savings-led, but they are more structured in terms of how they are set up. Members regularly put money into a shared savings account and can get loans if they follow the rules. SACCOs reinvest interest income and may give out annual surpluses as dividends, which is different from ROSCAs and ASCAs. Larger SACCOs have written constitutions that spell out how they will be run, how credit will be given, and how disputes will be settled (Sichone et al., 2023). They also hire professional managers and accountants. This adds a level of institutional complexity that isn't seen in savings groups that are only informal.

The group is made up of people from many different backgrounds, including farmers, traders, salaried workers, and small business owners. Community-based SACCOs often have a lot of women members, but more and more men who work for a company are joining cooperatives. The main reason people want to join is to get cheap and reliable financial services, especially when commercial banks are hard to reach or too expensive. So, SACCOs combine getting people to save money together with giving them loans at lower interest rates than banks and other formal financial institutions.

Formal structures, professional management, and registration status are all things that should make governance stronger in SACCOs. Nevertheless, empirical evidence indicates inconsistent institutional capacity. Sichone et al. (2023) pinpoint frail governance frameworks, insufficient managerial proficiency, poor record maintenance, and occurrences of mismanagement or fund misappropriation, especially within rural cooperatives. These flaws make it harder for members to trust the organization and for it to be open, which shows that formalization alone does not guarantee strong governance.

SACCOs have a higher systemic risk than informal groups that are only funded by members because they are larger, have more loans, and may not have enough capital. When more people want credit than there are savings, there may be liquidity problems. Weak internal controls make it easier for money to be mismanaged. The failure of a SACCO may have a bigger and more diverse membership base than that of a ROSCA or a small ASCAs. This makes the financial and reputational effects worse.

The long-term health of SACCOs depends on having enough capital, good management, and government oversight. Because they are semi-formal, they could serve as a link between informal savings methods and regulated banks. Collaborations with formal financial service providers may improve liquidity management, governance standards, and product diversification (Mukulu & Qutieshat, 2022). Without stronger internal controls and professional oversight, though, scale may make institutions more fragile instead of more resilient.

SACCOs play a big role in making sure everyone has access to banking services by getting people to save money, giving them low-cost loans, helping small farmers invest in their businesses, and helping businesses grow. They have a lot of members, which shows that there is a lot of demand for cooperative financial models. But because of how complicated their institutions are, they need the same amount of regulatory attention to protect consumers, keep governance honest, and ensure long-term stability.

In general, SACCOs are a type of semi-formal, savings-led institution that has a larger scale, more structured governance frameworks, and higher managerial demands. They can handle more financial intermediation than smaller, less formal systems, but they also have more governance and liquidity risks. Their long-term success and protection of consumers depend heavily on the strength of their institutions, the alignment of their rules, and their ability to manage money.

#### **4.1.7 Other Informal Savings and Lending Mechanisms in Zambia**

Zambia's informal financial system also includes individual lending arrangements like Kaloba and targeted savings models like Own Savings for Assets and Wealth Creation (OSAWC) (Mukulu & Qutieshat, 2022). These are in

addition to group-based savings mechanisms. These mechanisms are structurally distinct from member-based associations and exemplify alternative institutional configurations within the informal sector.

Kaloba is a term for informal moneylending deals made by private lenders, who are often called "shylocks." Kaloba is not based on pooled member contributions or collective governance like savings groups are. It works through agreements between the lender and the borrower instead. The lender gives cash right away, usually backed by physical assets, and sets the interest rates, repayment terms, and collateral requirements on their own (Mukulu & Qutieshat, 2022). People who need money quickly, like marketers, small business owners, and families who have had financial shocks, are usually the ones who borrow money.

From the point of view of how institutions are set up, Kaloba is financed from the outside and controlled by lenders. There is no constitution based on rules, no peer monitoring, and no group decision-making. Because there are no group-based accountability systems, the governance structure is completely in the hands of the lender. This structural imbalance gives the lender and borrower a lot of power over each other.

In Kaloba, the borrower takes on more risk than they should. Interest rates are often high, the time to pay back the loan is short, and the lender can take the collateral right away. If a borrower doesn't pay back a loan, they could lose the assets they promised to pay back. Mukulu & Qutieshat (2022) say that lending practices that take advantage of people are possible because there is no regulatory oversight. Foya and Zaloumis (2023) say that Kaloba is a last-resort credit option that people use when they can't get formal or semi-formal credit. Kaloba offers quick access to cash, but it also puts borrowers at risk of getting stuck in debt cycles and becoming more vulnerable.

On the other hand, OSAWE (Own Savings for Assets and Wealth Creation) is a savings-based model that helps people build up their assets, especially women who live in rural and peri-urban areas (Mukulu & Qutieshat, 2022). OSAWE is similar to savings groups in terms of structure, but its goal is different: to use savings for productive investments like agricultural inputs and activities that make money. Members save money on a regular basis and can get loans at set interest rates to buy assets. This targeted savings structure is better for long-term economic planning than for short-term cash flow management.

Kaloba and OSAWE are two very different examples of informal finance. Kaloba is a high-risk, unregulated, lender-dominant institutional setup with weak consumer protection and power relations that aren't equal. OSAWE is a member-driven, savings-oriented organization that focuses on creating assets and improving the group as a whole. The difference shows how institutional design affects governance balance, risk distribution, sustainability potential, and vulnerability exposure.

In general, these mechanisms show that Zambia's informal finance goes beyond collective savings associations to include individual credit markets with different levels of protection and risk. The lack of regulatory oversight in lender-dominated models like Kaloba highlights the necessity for balanced consumer protection measures that distinguish between internally governed savings groups and externally regulated high-risk lending arrangements.

#### **4.1.8 Own Savings for Assets and Wealth Creation (OSAWE)**

Women in rural and peri-urban areas mostly use Own Savings for Assets and Wealth Creation (OSAWE) to save money so they can invest it in things that will make them money (Mukulu & Qutieshat, 2022; Manda, 2023). There are about 13 women for every man in the group (Manda, 2023). Participants usually come from families with low and unstable incomes, which shows that they don't have easy access to formal financial services.

From the point of view of how institutions are set up, OSAWE is savings-led and has its own capital, but it is different from other savings groups because it is focused on building up assets. Members put money in on a regular basis, and they can borrow up to three times what they have saved at an agreed-upon interest rate of about 10% (Manda, 2023). People often use borrowed money to buy agricultural supplies like seeds, chemicals, fertilizer, and mechanization equipment. However, they can also use it for activities that make money outside of farming.

Like other savings groups, OSAWE has a rule-based internal structure for governance, with agreed-upon lending terms and contribution schedules. Because lending is based on how much savings a member has, credit exposure stays linked to the group's member equity. This lessens the need for outside capital and lowers the risk of systemic financial problems. The structured savings-to-loan ratio limits borrowing based on how much each member contributes, which is a built-in way to control risk.

In OSAWE, risk is mostly internal and has to do with how well people pay back loans and keep records. OSAWE does not depend on outside credit injections like externally financed village bank models or lender-dominated mechanisms like Kaloba do. But its asset-focused lending could make it more vulnerable to shocks in specific sectors, like agriculture, where risks to production like changes in the weather can make it harder to pay back loans.

When it comes to sustainability, OSAWE is better for long-term investments than short-cycle rotational mechanisms. The model promotes income generation and wealth creation by directly connecting savings to the purchase of productive assets, rather than smoothing out short-term consumption. Being a member lets people start their own businesses and work for themselves, which helps them become more economically independent (Manda, 2023). But sustainability still depends on members staying involved, good farming, and good management within the organization.

In general, OSAWE is an institutional structure that is focused on saving and accumulating assets and making productive investments. It has a clearer development focus than most savings associations and structured lending ratios that lower risk. Its role in financial inclusion goes beyond just making it easier for people to get cash; it also helps people build wealth over the long term. However, being exposed to sector-specific economic risks requires good governance and financial management skills.

**Table 1***Summary of Mechanisms*

<b>Mechanism</b>	<b>Key Features</b>	<b>Strengths</b>	<b>Limitations</b>
Village Savings and Loan Association (VSLAs)	Self-managed, self-owned groups (mostly women) that meet regularly to buy shares, build a savings pool, and give members collateral-free, interest-bearing loans; run 12-month cycles with a share-out; often include a social/emergency fund; usually formed/trained with NGO support.	Works where formal finance is hard to access; supports small, regular saving; provides flexible credit for business and household needs; improves welfare outcomes (income/consumption, food security, poverty reduction); offers a safety net through the social fund.	Loan access depends on how much money the group has; growth/multiplication can be weak without NGO facilitation; sustainability evidence is mixed in the text (NGO-dependent setup vs claims of self-sustaining operation).
Village Banks (VBs)	Group-based savings and lending for low-income people (mostly women), built on trust and peer guarantee; members pool savings and lend at agreed interest, often in fixed cycles (6 to 12 months) with a payout at the end; loans can come from inside the group or external sources (banks/government); some models rotate savings (ROSCAs) and some register as cooperatives; simple cash controls (e.g., locked cash box with multiple keys) show up in some groups	Improves access to finance where banks are absent or costly; low transaction costs; supports small businesses and household cashflow; strengthens social support networks; helps financial inclusion, especially for women and rural smallholder farmers; can raise capital internally through member savings in some models.	Dependence on external cash injections in some cases (weak self-reliance); peer-guarantee creates conflict risk if someone defaults; short cycles and transfer of funds can limit capital build-up for longer-term projects; weak or no records and limited numeracy undermine monitoring and controls; no clear legal/regulatory guidance; governance risks (loan approval bias, influential members favoured, executives borrowing excess funds); practical constraints like IT/internet issues for groups operating online and trust problems even within “trust-based” systems.
Savings and Internal Lending Communities (SILC)	User-owned, savings-led groups mainly in rural areas; typically facilitated by NGOs (notably CRS and Caritas); membership is self-selecting and usually 15–30 people; targets low to middle-income communities with a focus on women and youth (men can join); regular meetings, savings plus interest-bearing loans; cycles run about 8–12 months; includes a social fund for emergencies.	Builds saving and borrowing discipline; increases members’ pooled capital and end-of-cycle share-out; supports income generation and small business investment; provides emergency support through the social fund; helps members overcome financial barriers (including access to services like reproductive health); creates social networks, social support, and in some cases improved social status; flexible and attractive for women and smallholder farmers.	Informal-sector risks: weak record keeping; peer-guarantee/default risk where members guarantee loans; sustainability concerns due to high exit rates from groups (noted as a sector concern rather than a SILC-specific finding).
Accumulating Savings and Credit Associations	Member-managed savings-and-loan groups that meet regularly (weekly to monthly); typical size 15–25; fixed cycles of about 9–12 months; members save, borrow from the pooled savings at agreed interest, then share out savings plus interest at cycle end based on each member’s	Helps members commit to saving despite competing needs; provides access to small loans and a lump-sum payout at share-out; offers more flexible liquidity and lower costs than formal options; can include a social/emergency fund; builds	Weak/incorrect record keeping can distort share-out amounts and damage morale; not formally regulated (relies on trust); loan default/late repayment risks can disrupt group finances; benefits depend heavily on joining a group where members’ goals and discipline align.



	contributions; can be NGO-facilitated (trained) or independent; often used as an umbrella label for savings groups.	mutual support and cooperation through trust-based group rules.	
Rotating Savings and Credit Associations (ROSCAs)	Self-selecting rotating savings groups (often called Chilimba); mostly women but found across income levels; members contribute a fixed amount at each meeting and the full pot goes to one member in a pre-set order; rules are agreed upfront (contribution amount, meeting frequency, payout order, what happens if someone wants to drop out); relies heavily on trust; no joining mid-cycle.	Forces saving discipline through group obligation; helps members build predictable lump sums for investments or urgent needs; accessible for people who struggle to save alone or have limited access to formal finance; strengthens social ties and support networks.	No interest charged so the pot does not grow; cycles are short and tied to membership order, limiting longer-term planning; members cannot easily exit or join mid-cycle without disrupting fairness and payouts; high dependence on trust and continued participation after someone has already received their payout.
Savings and Credit Cooperatives (SACCOs)	Member-owned cooperatives where people pool savings to offer each other credit at affordable rates; semi-formal bridge between informal savings groups and fully regulated financial institutions; operate under Zambia's Cooperative Societies Act; some are very large (hundreds to thousands of members); usually guided by constitutions/by-laws, with loan guarantees and dispute resolution processes; larger SACCOs may hire professional staff and distribute annual surpluses to members as dividends.	Provides cheaper, more accessible savings and loans where banks are costly or far; encourages regular saving and collective resilience; can reduce reliance on exploitative lending; supports rural financial inclusion and livelihoods (farm inputs, business investment, household improvements); strong potential to scale and link to formal financial providers to improve liquidity and expand services.	Weak governance and limited management capacity in many SACCOs (especially rural); low financial literacy can affect oversight; poor record keeping and limited training reduce transparency and efficiency; mismanagement/misappropriation risks can erode trust; limited capital compared to loan demand restricts how much members can borrow.
Kaloba	Informal, unregulated moneylending in Zambia (often called "shylocks" locally); targets people needing fast cash; quick access with minimal checks or paperwork; loan terms are privately agreed but largely set by the lender; often requires collateral (typically assets) that can be taken if the borrower defaults; high interest and short repayment periods are common.	Very fast access to cash for emergencies or urgent needs; accessible to people excluded from formal finance and who cannot meet bank requirements.	Highly exploitative terms (excessive interest, short repayment windows); strong power imbalance where the lender controls rates and collateral value; high risk of asset loss through repossession; lack of consumer protection due to weak/absent oversight; can push borrowers into repeated borrowing and long-term debt traps, making vulnerability worse; often used as a last resort because safer, affordable options are not available.
Own Savings for Assets and Wealth Creation (OSAWA)	Membership-based savings groups (also called village banks) mainly for women (about a 13:1 female-to-male ratio); small groups of about 10–20 members, often in rural and peri-urban areas with low/irregular incomes; members save in repeated cycles and can borrow up to about three times their savings at around 10% interest; loans commonly used for farming inputs (chemicals, fertiliser, seeds) and mechanisation equipment.	Pools resources to fund income-generating activities (farming and beyond); improves access to productive inputs; supports self-reliance and entrepreneurship among members, especially women.	Lending capacity is tied to members' savings (so growth and loan size are constrained); focus on low/irregular income members may create repayment pressure during bad seasons or shocks; the description provided doesn't clarify governance, record keeping, or safeguards, so risks in those areas are unknown from this text alone.

## 4.2 Discussion

This review shows that informal ways of saving and borrowing are still very important for financial inclusion in Zambia, especially for families with low incomes and those who work in the informal sector. As Simatele et al. (2021) and FinMark Trust (2020) found, informal groups are still the main places where small-scale users can get to formal financial institutions when they are far away, hard to get to, or not a good fit for them. The evidence substantiates the overarching institutional assertion that informal mechanisms endure not solely due to exclusion, but because they offer governance frameworks tailored to local economic conditions.

Nonetheless, this review contributes to the literature by illustrating that informal mechanisms cannot be regarded as a uniform category. Earlier studies frequently analyze VSLAs, village banks, SILCs, or ROSCAs in isolation (Mwansakilwa et al., 2017; Mukulu & Qutieshat, 2022; Laufer et al., 2019); however, the comparative synthesis uncovers substantial structural differences that directly affect risk exposure and sustainability. Member-funded, savings-led models like VSLAs, ASCAs, SILCs, and ROSCAs show strong internal accountability because members keep an eye on each other and make regular contributions. These results are consistent with literature that underscores trust-based enforcement and social capital as viable alternatives to formal regulation (Helmke & Levitsky, 2004).

The review also points out a major conflict in claims about sustainability. Mwansakilwa et al. (2017) posit that VSLAs necessitate NGO facilitation for expansion and enduring sustainability, while Mukulu and Qutieshat (2022) characterize them as self-sustaining. The divergence seems to stem more from definitional inconsistency than from empirical contradiction. Some writers say that sustainability means that a group can keep going, while others say it means that a group can grow and replicate itself without help from outside sources. This lack of consistency makes it even more important to have standard definitions when judging long-term viability.

The results also make positive stories about village banking more complicated. Village banks are often touted as effective means of empowerment and inclusion (Sishumba & Mulonda, 2019; Mukulu & Qutieshat, 2022), but the evidence compiled here demonstrates that externally linked and guarantee-based models pose heightened governance risks. Joint liability arrangements, external credit injections, and limited documentation heighten vulnerability to conflict and default-related instability. Kalunga et al. (2023) demonstrate that insufficient record-keeping, the centralization of financial data among executives, and restricted transparency can compromise internal accountability. These results indicate that the principal inflection point for member risk transpires not within savings-led models, but rather when groups utilize external capital or implement more intricate operational frameworks.

Gender participation remains consistently elevated across mechanisms, corroborating findings that women predominantly constitute membership in savings groups (Sichone et al., 2023; Mukulu & Qutieshat, 2022). The review, however, warns against equating participation with empowerment. Evidence of information asymmetry, leadership concentration, and influence bias in loan approvals (Kalunga et al., 2023) indicates that intra-group power dynamics may affect inclusion outcomes. This corresponds with extensive gender and social capital literature suggesting that collective participation does not inherently result in equitable decision-making authority.

The review also shows that financial dualism is a long-lasting structural fact. Informal systems continue to exist alongside formal institutions instead of being fully integrated into them. While connections to formal providers may improve liquidity and scale, the evidence indicates that such integration must be meticulously designed to prevent the introduction of formal-sector inflexibility or the escalation of member liability exposure.

This study corroborates existing research regarding the inclusion benefits of informal finance while enhancing the literature by methodically delineating the impact of structural typology on governance strength, sustainability interpretation, and risk concentration. The comparative perspective elucidates the necessity for regulatory responses to be distinct rather than homogeneous. Member-funded, localized groups pose diminished systemic risk and necessitate minimal recognition and enhancement of governance. On the other hand, arrangements that are linked to the outside world, based on guarantees, or mediated by digital means make members more vulnerable and need stronger protections for consumers.

## V. CONCLUSIONS & RECOMMENDATIONS

### 5.1 Conclusion

Informal ways of saving and lending are still very important for financial inclusion in Zambia. For numerous low-income and informal households, they represent the principal method for saving, borrowing, and navigating financial shocks in situations where formal financial services are either unavailable or misaligned with daily realities. This review shows that these mechanisms are institutional responses that adapt to structural gaps in formal finance. Member-funded groups offer easy access to cash, social protection, and small-scale investment capital through rules that can be enforced locally, peer monitoring, and simple governance systems. The synthesis also shows that the way institutions are set up is important. Risk exposure rises when governance is deficient, documentation is insufficient, leadership is centralized, or groups utilize external capital and joint-liability guarantees.

The evidence indicates that conceptual ambiguity endures in the literature, especially concerning the term "village banking" and the definition of "sustainability." These inconsistencies make it harder to compare studies and make it harder to understand policy. To improve both research and regulation, we need a structured typology and clearer standards for definitions. The main point is that informal mechanisms shouldn't be seen as the same thing. A risk-based approach that treats member-funded groups differently from externally linked or guarantee-based arrangements is more likely to protect members while still allowing them to get to the content. Enhancing fundamental governance and record-keeping practices provides a practical basis for advancing consumer protection without imposing regulatory burdens akin to those faced by banks. Future research should utilize mixed methods and standardized indicators to investigate the impact of institutional variation on loan performance, dispute resolution, member retention, and gendered decision-making authority. This type of research would help us understand better when and how informal systems make people feel more included while making them less vulnerable.

## 5.2 Recommendations

The results of this review indicate that regulatory and policy responses to informal savings and lending mechanisms in Zambia ought to be proportionate, differentiated, and based on institutional variation rather than a uniform approach. Informal mechanisms are not structurally identical, and regulatory design must reflect differences in governance strength, capital sourcing, and risk exposure. First, regulatory frameworks should use a tiered, risk-based system. Member-funded, savings-led groups that only use their own money have low systemic risk and shouldn't have to follow the same rules as banks. Instead, it would be better to use voluntary recognition mechanisms, light-touch oversight, and basic measures to strengthen governance. On the other hand, arrangements that are linked to the outside world, based on guarantees, or mediated by technology put members at greater risk of losing their jobs and having conflicts. These models need stronger protections for consumers, more openness, and minimum standards for reporting.

Second, policy should put strengthening governance ahead of making things official. The review shows that weak governance, unclear documentation, and a lack of leadership are the main risk factors for all mechanisms. Support initiatives should therefore focus on improving basic record-keeping, clear loan approval processes, changing leadership roles, and easy ways to settle disputes. It is likely that making internal accountability systems stronger will protect members more than requiring formal licensing. Third, regulatory guidance should make it clear what the definitions and types of things are. The lack of clear definitions for terms like "village banking" and "sustainability" makes it harder to compare research and make policies. Setting up standard classification criteria for informal savings models would make it easier to keep an eye on them, allow for different types of support, and stop regulators from going too far.

Fourth, the integration with formal financial institutions should be planned and protected. External linkages can make liquidity and scale better, but they can also make compliance harder and repayment riskier. Because of this, engagement frameworks should require clear disclosure of liability structures, clear rules for joint responsibility, and protections against too much debt concentration. Formal-informal partnerships should keep the operational logic of savings-led models instead of replacing them with strict credit structures. Fifth, frameworks for monitoring and evaluating financial inclusion should not only use access-based metrics. Having an account or a link to one does not show how deep an institution is or how well it protects its members. Financial inclusion assessments should include signs of strong governance, clear documentation, risk concentration, and internal accountability. Lastly, policymakers should make sure that there is structured dialogue between regulators, development partners, and informal savings groups. Informal finance continues to exist because it meets the needs of the economy. Regulatory reform that doesn't take operational logic into account could hurt inclusion. Ongoing consultation mechanisms would help with gradual alignment without making things less accessible. These suggestions all support the main point of this review: informal savings and lending systems need different, governance-focused, and proportionate policy responses. Regulatory overreach could make it harder for people to get in, while regulatory neglect could put members at risk of harm that could be avoided. A calibrated approach based on differences between institutions is the best way to move forward in the long term.

## Declaration of Interest

The authors declare that they do not have any known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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