

Village Savings, Loan Associations (Vsla) Services and Financial Inclusion: A Case of Agulu Division-Apac Municipality

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Abstract

Despite government efforts to extend financial services, rural communities face barriers such as high interest rates and limited access. VSLAS offer flexible, low-risk savings and loans, potentially enhancing financial inclusion and promoting financial literacy. This study therefore investigated the effect of Village Savings and Loan Association (VSLA) services on financial inclusion in Agulu Division. Apac Municipality.

This study employed a cross-sectional survey with mixed research methodologies to investigate the effect of Village Savings and Loan Association (VSLA) services on financial inclusion in Agulu Division, Apac Municipality. A sample size of 213 participants, comprising of 188 VSLA members, 15 VSLA chairpersons, and 10 key stakeholders, were selected using random and purposive sampling. Quantitative methods were supplemented by qualitative approaches, including interviews. Data were analyzed using descriptive statistics, Pearson correlation and linear regression model. The findings reveal that VSLAS significantly improve financial accessibility, with savings ($B = 0.249$, $p = 0.001$) and loans ($B = 0.490$, $p < 0.001$) having positive effects. Together, these services explain 57.5% of the variation in financial accessibility (Adjusted $R = 0.575$). In terms of affordability. VSLAs play a critical role, as savings ($B = 0.488$, $p < 0.001$) and loans ($B = 0.332$, $p < 0.001$) significantly reduce barriers to accessing financial services. These factors collectively explain 49.7% of the variation in financial affordability (Adjusted $R = 0.497$). Regarding financial literacy, savings services show the strongest impact ($B = 0.695$, $p < 0.001$), accounting for 47.1% of the variation (Adjusted $R^2 = 0.471$). Qualitative insights reinforce these findings, highlighting that VSLA services are affordable, accessible, and simple, making them particularly effective for meeting financial needs in rural communities. The findings conclude that, Village Savings and Loan Associations (VSLAs) significantly enhance Financial Inclusion, in Agulu division, Apac Municipality. promoting economic resilience and stability. Despite these benefits, challenges like trust issues and gender biases persist. Addressing these through financial education, improved security, and inclusive policies is essential to maximize the impact of VSLAs in rural communities.

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