



# Leveraging Informal and Formal Financial Systems to Improve WASH Services in Rwanda

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## Introduction

This brief highlights findings from a field assessment of Village Savings and Loan Associations (VSLAs), Microfinance Institutions (MFIs), and Umurenge SACCOs (U-SACCOs) in delivering financial services that enable rural households to secure safe drinking water and improved sanitation and hygiene (WASH). It provides evidence-based recommendations to expand financial access for WASH investments. In addition to formal financial services, the learning brief highlights how informal systems, such as VSLAs, foster social capital, peer support, and motivation to invest in WASH. The brief concludes with actionable recommendations to strengthen financial access and leverage both formal and informal systems to improve WASH outcomes.

## Background

The *Isoko y'Ubuzima*<sup>1</sup> Project seeks to improve equitable and sustainable access to water and sanitation services, supporting Rwanda's national goal of achieving universal access to WASH services. Funded by the U.S. Government, the project leverages both community-based savings groups and formal financial institutions to empower households to invest in WASH solutions. Led by Water For People in collaboration with CARE International, IRC, Vitens Evides International (VEI), and African Evangelistic Enterprise (AEE), the *Isoko y'Ubuzima* project strengthens the financial ecosystem by linking grassroots savings groups with U-SACCOS and other formal institutions. In doing so, the project not only improves access to essential services but also enhances the resilience of households and the overall quality of life for Rwandan communities.

One of CARE International's flagship global initiatives is promoting savings-led social and economic development groups, known as Village Savings and Loan Associations (VSLAs), and linking them to formal financial providers. VSLAs are community-managed savings groups that pool resources and offer loans to members. They emphasize inclusivity, social mutual guarantee, and decision-making based on consensus (Concern Worldwide, 2023). Beyond providing financial services, VSLAs serve as catalysts for household investments in WASH products such as latrine upgrades and handwashing facilities. This assessment, conducted across eight districts, examined how both informal and formal financing systems facilitate households' access to WASH services. It highlighted how VSLAs can provide not only financial resources but also social capital that influences household decision-making and behaviors related to WASH (Ugabinema & Nkurunziza, 2025).

## Methodology and data collection tools

The field assessment was led by CARE International in Rwanda, in collaboration with AEE, and supported by Umurenge SACCO Managers and Village Agent Network (VAN) representatives. This joint monitoring visit took place in March 2024 and addressed the central question:

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<sup>1</sup> *Isoko y'Ubuzima* means "Source of Life" in Kinyarwanda

“What financing approaches - and what factors, such as availability, accessibility, preference, and performance - enable households across all income levels to invest in sanitation products and services?” The assessment covered 16 Umurenge SACCOs and 16 VSLAs across eight districts: four in the East (Kayonza, Kirehe, Rwamagana, and Nyagatare) and two in the southern part of Rwanda (Nyamagabe and Nyanza). A total of 64 VSLA members (averaging four per group) from the selected VSLAs participated, contributing both quantitative and qualitative insights.

A mixed-methods approach was used to gather data. Quantitative data were collected using Kobo Collect, covering group demographics, financial performance, and loan usage. Qualitative data were collected through focus group discussions with VSLA members, SACCO managers, and local leaders, exploring borrowing behaviors, loan purposes, financial access challenges, and the utilization of share-out funds. Each session involved 6–13 participants (both male and female) with informed consent obtained beforehand. This combination allowed for a robust analysis of how both formal and informal financing influence WASH-related investments.

The field assessment was conducted by CARE and AEE, in partnership with Umurenge SACCO Managers and Village Agent Network (VAN) representatives. This joint monitoring visit took place in March 2024.

## Key Findings

### 1. VSLA Financing: A Strong Community-Based Approach

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- 72% of members surveyed had more than five years of VSLA participation.
- 89% reported no financial challenges in affording WASH upgrades.
- 100% had received loans from either VSLAs or formal providers.

While most loans supported income-generating activities (26.6%) or livestock (25%), 3.1% were used for latrine improvements. Latrine upgrades were financed through personal savings rather than loans. Importantly, 84% of households installed handwashing facilities after joining a VSLA.

### 2. U-SACCOs: The Most Preferred Formal Financial Provider

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Umurenge SACCOs, government-backed microfinance institutions located in rural communities, were the most widely used and trusted formal providers.

- 67% of VSLA members held U-SACCO accounts.
- 92% of institutional loans to VSLAs came from U-SACCOs.
- Their proximity and affordability drive member preference compared to MFIs and commercial banks.

### 3. MFIs: Underutilized but Promising

Microfinance institutions (MFIs), such as Vision Fund, Umutanguha, and Clecam, were utilized by some participants, although uptake remains low.

*78% of VSLAs accessed loans from formal providers, including MFIs. Only 3% of these loans supported WASH improvements.*

Barriers include distance to branches, limited loan amounts, delayed disbursement, high interest rates, and an urban focus. Still, evidence from Sub-Saharan Africa suggests MFIs can balance sustainability with social outreach, representing an opportunity for greater WASH impact.

Table 1. Key Factors Influencing Effective Use of Financial Products for Sanitation

Factor	Impact on Household Financing Behavior
Availability	The proximity of U-SACCO branches expands access to underserved areas.
Accessibility	All surveyed households received a loan, which indicates a positive correlation between VSLA membership and financial access.
Preference	67% preferred U-SACCOs for their proximity and affordability.
Performance	26.6% of loans supported income generation; only 3.1% supported sanitation.
Savings Potential	38% saved between RWF 50K–100K per cycle, sufficient for latrine upgrades.
Behavioral Mindset	Some households deprioritize sanitation investments despite financial capacity.

### Lessons Learned

- **Behavioral Change:** Sustained VSLA participation fosters better financial habits and stronger WASH practices. This behavioral shift is reinforced by training, savings accumulation, and (to a lesser extent) access to loans. However, stronger longitudinal evidence is needed to confirm the long-term impact. In Rwamagana District, members report routinely saving for latrine improvements following repeated savings and WASH training.
- **Savings vs. Loans:** Households prefer to finance sanitation investments with their own savings rather than loans. In Kayonza, VSA members used savings payouts for latrine upgrades, citing unstable income and repayment risk as the main barriers to borrowing.
- **Accessibility Matters:** U-SACCOs outperform MFIs and commercial banks primarily due to their rural presence and proximity. In Nyagatare District, households preferred U-SACCO for small WASH-related transactions because of its closer location, lower costs, and easier procedures.

## Challenges

The participants in this survey shared challenges they faced when working with Umurenge SACCO and other MFIs. The limited availability of WASH-specific financial products in MFIs discourages targeted household investment.

Bureaucratic loan processes by MFIs, and SACCOs—including high fees, strict eligibility criteria, and lengthy processing—hinder uptake.

Savings limitations: With 38% of VSLA members saving RWF 50,000–100,000 per cycle, contributions are often insufficient for rising WASH costs. Stronger savings mobilization is needed to meet household demand.

## Recommendations

- Encourage purposeful saving for WASH, where VSLA members can earmark savings for sanitation improvements.
- Strengthening financial literacy and prioritization of WASH by integrating budgeting and sanitation awareness into weekly VSLA training and reflection sessions.
- Improve U-SACCO service delivery by simplifying loan application processes and reducing disbursement delays. Contracts and loan disbursement schedules should meet household needs.
- Expand MFI and Bank outreach to rural populations by using mobile banking and agent networks to bridge service delivery gaps, as well as the introduction of tailored loan products for sanitation and smallholder enterprise needs.
- Government support: The Isoko y'Ubuzima project and sister organizations working in WASH should collaborate with local leaders to sensitize communities about integrating WASH goals into financial planning. They should also advocate for WASH-inclusive credit schemes within rural financing frameworks.

The VSLA concept is highly correlated with improvements in household sanitation. Since there is evidence that VSLA promotes social capital through peer learning, leadership, and behavior change communication, which can increase tangible practices in WASH investments, the government of Rwanda and its development partners who invested in WASH should promote the VSLA concept among other interventions.

## Conclusion

The combination of VSLA savings and loans from formal financial institutions—especially U-SACCOs—offers a scalable and effective pathway to improve household access to WASH services in rural Rwanda. However, maximizing impact requires reducing bureaucratic hurdles, increasing the availability of WASH-focused financial products, and strengthening the role of savings in financing sanitation. Beyond finance, reinforcing the social capital of VSLAs through peer learning, leadership, and behavior change communication will be key to sustaining progress. Strengthened savings habits and income-generating opportunities provide the foundation for long-term, self-reliant household investment in WASH.

## References

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