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The Transformation from VSLAs to Financial Cooperatives and Financial Inclusion in Uganda

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Abstract

This study examines the application of Korea's representative financial cooperative model, Saemaul Geumgo, as a strategy to solve financial exclusion facing developing countries. It seeks ways to expand financial inclusion in rural areas through the transformation from VSLA model, spread in Uganda, East Africa, to Saemaul Geumgo (financial cooperative), and provides evidence for related empirical analysis.

In order to establish criteria for comparing the VSLA and Saemaul Geumgo model, 3 rounds of Delphi expert survey were conducted on the limitations and improvement directions of the informal financial model. In addition 2 years after the establishment of Saemaul Geumgo in Uganda, key stakeholder interviews were conducted to study how Saemaul Geumgo improved the limitations of the existing VSLA model, using the derived criteria.

Results of the study explain that based on the VSLA model, the transformation into Saemaul Geumgo complements the inclusivity, sustainability, flexibility, functionality, and accountability.

The study approaches from a new perspective of analyzing the limitations of the VSLA model itself and finding ways to overcome them. It also has the importance and distinction in that it seeks a financial model in rural areas of developing countries that raises funds internally rather than from the external credit supply.

Based on Korea's experience in economic development, it also proposes a new role for cooperatives in improving financial access for the poor through the evolution from an indigenous financial model to a financial cooperative.

Keywords: Financial Cooperative, Uganda, Financial Inclusion, VSLA, Saemaul Geumgo