

Assessing Village and Savings Associations (VSLA's) Contribution to Urban Resilience

Evidence from Northern Ghana

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Executive Summary

Introduction

Communities in Northern Ghana are increasingly exposed to the impacts of climate change, including floods, droughts, heatwaves, and erratic rainfall. These hazards are compounded by rapid urbanization, inadequate infrastructure, widespread poverty, and limited access to formal financial services. Together, these factors undermine the resilience of households and communities in cities like Tamale and Bolgatanga, where the majority of residents are low-income and depend on vulnerable livelihoods such as petty trading, farming, and informal work. In response to these challenges, Village Savings and Loan Associations (VSLAs) small, self-managed community groups where members pool savings and provide one another with loans are becoming increasingly important. Originally developed to serve rural communities, VSLAs are now expanding into urban areas, offering accessible financial services while also promoting social cohesion and collective action. This study set out to assess how VSLAs contribute to urban resilience in Northern Ghana. Specifically, it evaluated the social, economic, and environmental benefits of VSLA membership, examined their effectiveness as an urban climate adaptation strategy, and identified the factors driving their adoption and sustainability.

Methodology

The research used a mixed-methods approach to ensure robust and comprehensive results. A total of 600 survey respondents were engaged, equally divided between VSLA members and non-members. This was complemented by 30 in-depth interviews with stakeholders such as community leaders, planners, and VSLA leaders, alongside 30 focus group discussions across different urban settings. Statistical tools including chi-square tests, regression analysis, and Propensity Score Matching were used to measure differences between VSLA and non-VSLA groups. Qualitative data were analyzed thematically to capture lived experiences and community narratives.

Key Findings

Village Savings and Loan Associations (VSLAs) play a transformative role in strengthening the resilience of urban households in Northern Ghana. Economically, nearly half of VSLA members (48%) reported significant increases in household income, compared to only 5% of non-members. Access to finance was overwhelmingly higher, with 94% of members enjoying reliable loans, savings, and emergency funds versus just 19% of non-members. This translated into business growth, as 79% of members owned enterprises compared to 39% of non-members, with many expanding operations, employing others, and diversifying livelihoods. Financial resilience to climate shocks was also markedly stronger among members (85% vs. 54%).

On climate preparedness, all VSLA members received training in resilience strategies compared to fewer than half of non-members. As a result, 73% felt very prepared for climate events (vs. 0% of non-members), and 84% rated their recovery ability as good or very good (vs. 11%). Additionally, 95% of members had access to adaptation plans, against only 47% of non-members. Socially, VSLAs foster cohesion and empowerment. Ninety-five percent of members participated in community disaster response compared to 37% of non-members, while members also reported higher levels of trust, cooperation, and civic engagement. Women represented 73% of participants, making VSLAs vital platforms for gender empowerment and leadership. Adoption has

been driven by financial inclusion, simplicity, risk reduction, livelihood diversification, and institutional support from NGOs and local governments. Together, these factors position VSLAs as scalable, inclusive, and sustainable mechanisms for building urban resilience.

Implications

VSLAs are more than savings groups—they are grassroots institutions for resilience. They enhance economic security, climate preparedness, and social cohesion, enabling low-income urban households to withstand and recover from shocks. VSLAs fill gaps left by formal finance, empower women, foster knowledge exchange on adaptation and entrepreneurship, and directly advance the SDGs on poverty, gender equality, climate action, and sustainable cities.

Recommendations

To maximize their potential, VSLAs should be integrated into national adaptation frameworks as recognized grassroots mechanisms for climate resilience, linked with social protection, disaster risk reduction, and urban planning systems. Efforts must also scale up and strengthen urban VSLAs by expanding their reach in fast-growing cities through partnerships with governments, NGOs, and private actors, while providing tailored financial literacy, entrepreneurship, and climate-smart training. Given the high participation of women, programs should promote gender-responsive approaches that advance women's leadership and address gender-specific vulnerabilities. Technology and innovation should be leveraged by incorporating mobile money and digital tools into VSLA operations, while also using them to disseminate early warning systems and climate knowledge. Finally, institutional support and partnerships must be enhanced by fostering collaboration with municipal assemblies, development partners, and civil society, ensuring technical backstopping, monitoring, and integration into broader development programs.

Conclusion

This study provides clear evidence that VSLAs are an effective, low-cost, and scalable approach for building urban resilience to climate change in Northern Ghana. They enhance financial inclusion, strengthen adaptive capacity, and foster social cohesion among the most vulnerable urban populations. Importantly, they empower women and youth groups often marginalized in formal financial and governance systems. By integrating VSLAs into climate adaptation policies, scaling their reach in urban areas, and strengthening institutional support, Ghana can harness these grassroots systems to protect vulnerable households, reduce poverty, and build sustainable, climate-resilient cities. In a context where climate risks and urbanization pressures are intensifying, VSLAs represent a proven pathway to resilient, inclusive, and community-driven development.