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Centre-Based Village Savings and Loans as a Community-Driven Microfinancing Mechanism of Early Childhood Development and Education in Rural Malawi

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Abstract

Early childhood development and education (ECDE) in Malawi remains acutely underfunded, receiving only 4% of the 2023/24 education budget, compared with 52%, 18%, and 24% for primary, secondary, and tertiary education, respectively. Consequently, 87.2% of Community-Based Childcare Centres (CBCCs) depend on contributions from already economically strained households, while donor support accounts for just 5.1%. Government and stakeholder support remains sporadic, fragmented, and inadequate, raising concerns about the current model's efficacy and progress towards Sustainable Development Goal 4 (Quality Education). Drawing on Empowerment Theory, this study examined centre-based Village Savings and Loans (VSL) as a potential community-driven microfinancing mechanism for sustaining CBCCs in rural Malawi. Six focus group discussions were conducted with 55 centre-based VSL members to explore their experiences of collective saving and lending during a two-year Child-to-Child play-based learning project in Zomba and Chiradzulu districts. Thematic analysis showed that the centre-based VSL supported children's well-being, eased CBCC operational challenges, and financed infrastructure improvements, bolstering resilience and reducing dependence on external funding through collective resource mobilisation. Despite challenges such as limited financial capital, loan defaults, intra-group conflicts, caregivers' time poverty, and absenteeism and tardiness, members sustained group performance through peer mentoring, penalty enforcement, and mediation. The findings suggest that the centre-based VSLs offer a viable, scalable, and sustainable microfinancing model for ECDE in resource-limited settings. The study recommends caregiver capacity-building, supportive national ECDE policies promoting community-driven CBCC microfinancing, and scaling the model across Malawi to optimise ECDE outcomes.

1. Introduction

The early childhood years, spanning from birth to eight years, constitute a critical developmental period that profoundly shapes physical, cognitive, and socioemotional outcomes across the life course. Globally, early childhood development and education (ECDE) programmes are recognised as a strategic investment in human capital and poverty alleviation (UNICEF Malawi, 2023). These early interventions promote school readiness, civic engagement, and lifelong learning (UNICEF Malawi, 2023). Evidence shows that high-quality ECDE enhances brain development, academic achievement, socioemotional well-being, and long-term productivity (Melhuish et al., 2015). As Saavedra (2022) asserts, "quality early childhood education is one of the most efficacious investments societies can undertake to cultivate a robust foundation for lifelong learning" (p. xiii).

Recognising its transformative potential, ECDE has been prioritised in global and regional development agendas. Notably, Sustainable Development Goal (SDG) 4 (Quality Education) mandates inclusive, equitable quality education and lifelong learning for all by 2030. It includes two ECDE targets: 1) achieving age-appropriate developmental milestones (Indicator 4.2.1); and 2) ensuring universal participation in organised learning prior to primary school entry (Indicator 4.2.2) (Black & Hurley, 2016).

Despite these benefits and SDG 4 targets, ECDE financing in Malawi remains critically inadequate, receiving the smallest share of the education budget. Although the education sector has received an average of 16% of the national budget since 2019/20 (Civil Society Education Coalition [CSEC], 2020), ECDE received only 4% in 2023/24, compared with 52% for primary, 18% for secondary, and 24% for tertiary education (Early Childhood Development Coalition of Malawi, 2023). This chronic underfunding is exacerbated by limited political commitment, competing priorities, and the absence of sustainable financing models (Neuman et al., 2014).

Although research on ECDE service delivery has expanded, particularly in health, nutrition, and early learning (Government of Malawi, 2017), empirical evidence on financing models and their efficacy in expanding access to quality ECDE services remains limited (UNICEF Malawi, 2023). ECDE financing is also poorly conceptualised and inconsistently operationalised. In response, UNICEF Malawi (2023) has called for a greater exploration of scalable, community-led financing approaches. This study responds by examining centre-based Village Savings and Loans (VSLs) as a community-driven ECDE financing mechanism for Community-Based Childcare Centres (CBCCs) in rural Malawi. Implemented through the Child-to-Child play-based learning project in Zomba and Chiradzulu districts (2022-2023), this approach integrated VSL groups into CBCCs to augment financial resilience and sustainability, while promoting play-based pedagogy within early learning ecosystems. The study specifically aimed to:

1. Assess the impact of the centre-based VSL model on CBCC daily operations.
2. Identify CBCC needs addressed by the centre-based VSL initiative.
3. Examine the benefits, challenges, and mitigating strategies of the centre-based VSL model.
4. Explore the potential for scaling the centre-based VSL model to other rural communities.

The following section reviews the prevailing ECDE financing model, its limitations, and the rationale for exploring centre-based VSLs as a sustainable, community-driven alternative.

2. Financing of CBCCs in Malawi: Limitations of the Prevailing Model

The prevailing financing model for CBCCs in Malawi faces significant limitations. CBCCs experience chronic financial constraints and limited access to sustainable funding (Munthali et al., 2014). Although some centres receive occasional support from government agencies, NGOs, donors, and individual well-wishers (e.g., teaching and play materials, food, and construction inputs), this assistance is often fragmented, unpredictable, and insufficient to meet ongoing operational costs (CSEC, 2020). Government support remains minimal and inconsistent, while NGO and donor contributions are geographically targeted, project-based, and tied to short-term funding cycles, hence undermining long-term planning and sustainability (CSEC, 2020).

Consequently, the financial burden of operating most CBCCs falls on local communities, with 87.2% being community-funded and only 5.1% donor-supported (Munthali et al., 2014). Daily operations depend on financial and in-kind contributions from parents and guardians, supplemented by occasional support from caregivers, committee members, and local leaders. Communities also engage in informal income-generating activities (IGAs), including *ganyu* (piecework), vegetable gardening, small-scale farming, livestock rearing, brick-making, and beekeeping.

Although these initiatives demonstrate community resilience, they generate limited and unstable income. Contributions tend to rise post-harvest but decline or cease during lean seasons as households struggle to meet basic needs. This is exacerbated by widespread poverty and chronic food insecurity in rural areas (Neuman et al., 2014). Additionally, high illiteracy rates limit parents' understanding of ECDE's long-term benefits, resulting in irregular or missed contributions.

The current financing model, which relies primarily on contributions from parents and guardians, raises concerns about the long-term financial viability of CBCCs in the absence of more structured and reliable financing mechanisms. In response, we propose a CBCC-based VSL model (hereafter referred to as centre-based VSL). This model embeds microfinancing directly within the CBCC structure, offering benefits at both household and institutional levels. Members gain reliable access to savings and credit, enhancing financial security, while CBCCs benefit from predictable, locally managed funds that support operational needs and reduce reliance on external aid, thereby strengthening ECDE service delivery. Arguably, while retaining the core socioeconomic empowerment benefits of conventional VSLs, such as improved access to credit, savings, and social capital, the centre-based VSL model also provides a structured pathway to financial autonomy and resilience for CBCCs. This study argues that the centre-based VSL model represents a scalable, community-led innovation for achieving sustainable, equitable, and quality ECDE in underserved settings such as rural Malawi.

2.1 Village Savings and Loans

Village Savings and Loans (VSLs) are informal, community-based financial institutions that pool member savings and redistribute them as interest-bearing loans. Piloted by CARE International in Maradi, Niger, in 1991 (Bannor et al., 2020), the VSL model has since been adopted and adapted across Africa and Asia (Maliti, 2017) by NGOs including Save the Children, Plan International, World Vision, Oxfam, and Catholic Relief Services. By the late 1990s, CARE International had expanded the model across Southern, Eastern, and Western Africa (Dawuni, 2021), including Malawi.

VSLs have become a key mechanism in rural development, providing a cost-effective and scalable means of reducing financial exclusion in marginalised communities (Bannor et al., 2020). By mobilising local savings to meet short-term credit needs, VSLs reduce reliance on formal microfinance institutions, which often exclude people with irregular incomes or high credit risks (Okello & Mwesigwa, 2022). Evidence shows that VSLs strengthen household economic resilience and social capital in impoverished rural areas (Bwalya & Zulu, 2021), thereby improving access to health services. For instance, evaluations in Malawi's Balaka, Kasungu, and Lilongwe districts found that integrating economic strengthening with health referral systems for people living with HIV/AIDS increased service utilisation (Sears et al., 2019). Similar findings from Sierra Leone showed that VSLs enabled households to better finance health-related expenses (Cornish et al., 2021).

These findings suggest that VSL benefits may extend to young children. However, little research has examined how conventional VSLs can be adapted to CBCCs in Malawi through groups established within the centres. Apart from the Investing in Early Years Programme championed by the Government of Malawi and its partners, evidence on the potential of centre-based VSLs to strengthen CBCC financial resilience and sustainability remains limited. To address this gap, the Child to Child project piloted a centre-based VSL model in selected rural communities in Zomba and Chiradzulu districts to assess its viability as a sustainable financing mechanism for ECDE in Malawi.

2.2 The Child-to-Child Approach to Centre-Based VSL in Malawi

The Child-to-Child Project aimed to improve early learning outcomes and facilitate smooth transitions from pre-primary to early primary school through a play-based, peer-led pedagogy. The intervention promoted peer-led play activities within CBCCs and home-based play centres located in communal spaces. In its final year, the project introduced centre-based VSLs to promote economic empowerment and improve CBCC financial resilience, autonomy, and sustainability.

In collaboration with the Creative Centre for Community Mobilization (CRECCOM) and the District Social Welfare Office (DSWO), the project trained Centre Management Committees (CMCs), Community Development Assistants, and Child Protection Workers as trainers-of-trainers. The training covered group dynamics, constitution development, and financial literacy. The trainers-of-trainers subsequently mobilised caregivers and CMC members to form VSL groups within their respective CBCCs.

Although centre-based VSLs mirrored conventional VSLs structures, key adaptations were introduced. Unlike conventional VSLs that are typically formed at the village level by individual members, centre-based VSLs were established within CBCCs, with the CBCC registered as a member. Members contributed towards CBCC shares and shared accrued benefits, including the centre itself. For CBCCs serving larger catchment areas, multiple satellite VSL groups operated under one CBCC. Weekly communal fund contributions were supplemented by IGAs such as baking and selling scones. The project team provided ongoing technical support and monitoring to ensure accountability and effective implementation.

This study presents findings on the viability of the piloted centre-based VSL model as an alternative financing mechanism for CBCCs. It contributes to the emerging literature on innovative ECDE financing by providing evidence from Malawi on operational effectiveness, challenges encountered, mitigating strategies, and scalability prospects.

3. Theoretical Framework

The Child-to-Child play-based learning Project, which informs this study, drew on Zimmerman's (2000) Empowerment Theory. Empowerment refers to the process through which individuals and communities gain control over their lives, develop critical awareness, and take transformative action (Zimmerman, 2000). It is rooted in social connectedness and access to resources, including information, training, and financial support (Coy et al., 2021), as well as open communication, mutual trust, and inclusive participation that enable communities to define and act upon their own needs (Joseph, 2019).

Zimmerman (2000) distinguishes between *empowering processes* and *empowered outcomes.* Empowering processes are activities and behavioural mechanisms that build individual and collective agency. In this study, these processes included strategic resource mobilisation, collaborative decision-making, and the cultivation of critical awareness. Empowered outcomes, by contrast, are the tangible and observable results of these processes. In this study, they are reflected in enhanced confidence, localised leadership, and participatory behaviours among community members (Carr, 2003; Perkins & Zimmerman, 1995). Together, these two dimensions provided a powerful analytical lens for understanding and evaluating the transformation of CBCCs through centre-based VSLs.

Furthermore, Zimmerman's (2000) theory that comprises three interrelated components – the intrapersonal, the interactional, and the behavioural – provided an additional framework for analysing how participation in centre-based VSLs fostered individual confidence, strengthened social networks, and translated into collective action to support CBCCs. The intrapersonal component relates to individuals' belief in their capacity to effect change; the interactional component concerns their ability to navigate and influence social systems; and the behavioural dimension involves applying these competencies through action (Cattaneo & Chapman, 2010; Joseph, 2019). The

Child-to-Child Project integrated these dimensions, strengthening self-awareness, facilitating peer learning, and promoting collective action to address CBCC financing challenges.

The centre-based VSL model operationalised Empowerment Theory at the community level by strengthening CBCC economic self-reliance and reducing dependency on external funding. Through collaboration with local stakeholders, including CRECCOM, Future Vision Ministries, and Partners in Action for Sustainable Development, VSL members received training in financial literacy, record-keeping, and micro-enterprise development (e.g., food sales). These processes enabled CBCCs to take greater control of their operations and IGAs.

Outcomes of this approach included VSLs with stronger leadership, participatory governance structures, and shared visions for local development. Functioning as community-owned institutions rather than merely financial ventures, these groups reflected empowered outcomes consistent with Zimmerman's framework. Thus, Empowerment Theory provided an analytical framework for assessing the viability of centre-based VSLs in promoting community agency, collective capacity, and CBCC sustainability in underserved rural Malawian communities.

4. Methodology

The study employed a multi-stage cluster and systematic sampling to select CBCCs in Chiradzulu and Zomba districts. First, each district was divided into clusters based on Traditional Authorities (T/As), from which two T/As were randomly selected. In each district, one T/A was designated as an intervention site and the other as a comparison site, resulting in two intervention and two comparison T/As.

Second, an alphabetical list of CBCCs within each selected T/A was obtained from the DSWO. Using systematic random sampling, every seventh CBCC on the list was selected. In total, three CBCCs were selected per T/A, resulting in 12 CBCCs: six intervention and six comparison sites. To minimise spill-over effects, geographic proximity was assessed in consultation with local authorities, and closely located CBCCs were replaced using the same systematic procedure.

Although all 12 CBCCs participated in the broader Child-to-Child Project, only the six intervention CBCCs were involved in the centre-based VSLs component. These six CBCCs hosted 11 VSL groups, comprising a total of 206 VSL members (see Table 1). However, for this study, data were drawn from six focus group discussions conducted in the intervention CBCCs, involving a total of 55 participants. These participants included 39 CBCC Management Committee members, four Disease Control Surveillance Assistants, two agricultural extension officers, four leaders of community-based organisations, and six village chiefs.

Table 1: Centre-based VSL membership in the six intervention CBCCs

			Membership		
No.	**Name of CBCC**	**No. of VSL Groups**	**Male**	**Female**	**Total**
1.	CBCC 1*	3	7	47	54
2.	CBCC 2*	1	1	14	15
3.	CBCC 3*	1	4	9	13
4.	CBCC 4**	2	0	50	50
5.	CBCC 5**	2	2	32	34

6.	CBCC 6**	2	0	40	40
	Total	**11**	**14**	**192**	**206**

Note. * = Zomba; ** = Chiradzulu. *Source.* Child-to-Child Project Endline Evaluation data, 2023

Data were collected qualitatively using a semi-structured interview guide. Transcripts were produced verbatim and translated from *Chichewa* into English. An experienced research assistant conducted the preliminary analysis, which was refined by the project team. Data were analysed in Excel using thematic analysis guided by Clarke and Braun's (2017) recommendations.

Ethics approval

This study formed part of the broader Child-to-Child play-based learning project, which received ethical approval from the University of Malawi Research Ethics Committee under Protocol No. P.02/22/125. Ethical procedures included informed consent, voluntary participation, respect for human dignity, and the principle of non-maleficence.

5. Findings and Discussion

The study explored the viability of the centre-based VSL model as a mechanism for ECDE financing in underserved communities in rural Malawi. Four key themes emerged: 1) gendered membership patterns; 2) fund mobilisation and savings capacity; 3) institutional resilience and operational capacity; and 4) communal asset accumulation and poverty alleviation at the CBCCs. Collectively, these findings contribute to debates on grassroots ECDE financing and community-led development, providing empirical evidence that, despite challenges, the centre-based VSL model provided a viable and contextually responsive mechanism for mobilising resources to sustain CBCC operations in resource-constrained rural settings.

5.1 Gendered membership in centre-based VSLs

Understanding membership composition was essential for assessing how the centre-based VSL model influenced CBCC operations and financial resilience. The study found that membership was predominantly female (93.2%). This aligns with research on conventional VSL schemes in Malawi (Chijere & Mweso, 2021) and other sub-Saharan African contexts, including Ethiopia (Beyene & Dinbabo, 2019) and Nigeria (Nnama-Okechukwu et al., 2019). However, this finding contrasts with Munthali et al.'s (2022) study in Northern Malawi, which reported 64% male VSL membership. This difference may reflect contextual variations, as Munthali et al.'s study was conducted in an urban setting where income-generation patterns, gender roles, and access to capital may differ from rural communities.

Nonetheless, the strong participation of women in the centre-based VSLs highlights their dual role as primary caregivers and key actors in sustaining CBCCs. It underscores women's contribution to grassroots financial mobilisation and ECDE provision, particularly in rural contexts where caregiving responsibilities are often feminised. From an empowerment perspective, this suggests that the centre-based VSL model serves not only as a financial mechanism but also as a platform for strengthening women's agency in decision-making, resource mobilisation, and community governance (Zimmerman, 2000).

5.2 Fund mobilisation and savings capacity

The study explored how members mobilised and managed funds within the VSL model to assess its capacity to support CBCC operations and financial autonomy. The findings demonstrated strong financial mobilisation and savings capacity among CBCCs.

Despite starting from a zero-capital base, the groups generated substantial collective savings within a relatively short period. During the initial six-month operational cycle, the six CBCCs accumulated a combined total of MWK 15,811,935 (approximately USD 9,030), averaging MWK 2,635,322.50 (USD 1,505.04) per centre (Table 2).

Table 2: Funds generated by centre-based VSLs at the end of the first cycle (6 months)

No.	ECD centre	No. of VSL Groups	Total Saved (MWK)*
1.	CBCC 1*	3	8,340,000
2.	CBCC 2*	1	841,000
3.	CBCC 3*	1	750,000
4.	CBCC 4**	2	1,724,335
5.	CBCC 5**	2	3,422,400
6.	CBCC 6**	2	734,200
	Total	**11**	**15,811,935**

Note. * = Zomba; ** = Chiradzulu MWK1 = US$: 0.000571 (US$1 = MKW1,751)

Source. Child-to-Child Project Endline Evaluation data, 2023

CBCC 1, which operated three sub-groups, accounted for over half (52.7%) of total savings, underscoring the potential of multiple VSL groups within a single CBCC to achieve economies of scale. These findings demonstrate the viability of the centre-based VSL model as a grassroots financing mechanism, even where external financial support is absent or limited.

This fund mobilisation mirrors findings from conventional VSL studies. For instance, Ksoll et al. (2016) documented substantial savings generated by VSLs in northern Malawi over two years despite the absence of external capital. However, unlike conventional VSLs, which primarily benefit individuals or households, the centre-based VSL mobilised resources to support CBCC operations as a shared community asset. This shift from individual to institutional financing reflects collective efficacy (Bandura, 2000) and psychological empowerment (Zimmerman, 2000), with members directing financial decisions and resources towards shared social goals. As one participant noted:

Most of the time, we would collect money from parents to meet the CBCC's needs, but now we can generate funds on our own without bothering parents.

This collective action reduced dependence on inconsistent parental contributions, government support, or donor funding. Consistent with Empowerment Theory (Zimmerman, 2000), members demonstrated self-determination, financial competence, and commitment to sustaining the CBCCs– key indicators of grassroots empowerment.

5.3 Institutional financial resilience and operational capacity

The study explored how the mobilised financial resources strengthened institutional functioning to assess whether CBCCs became more resilient and operationally efficient as a key indicator of the model's viability. The findings indicate that the centre-based VSL model significantly enhanced CBCC financial resilience and operational autonomy. Participants described how the model enabled CBCCs to respond promptly to urgent needs, particularly medical emergencies, which had previously been constrained by limited resources.

It [centre-based VSL] has helped us to solve our problems at the CBCC faster and at the right time… like when a child falls sick, we get money from the VSL and rush with the child to the hospital.

Beyond emergencies, the model supported routine operations, including purchasing porridge ingredients, school uniforms, and basic medicines. This marked a shift from reliance on irregular parental and donor support to a community-managed financing system. As one participant explained:

The CBCC is able to provide porridge on its own using only the money from VSL, without depending on anyone.

These findings resonate with Maganga (2020), who found that VSLs enhance women's economic participation and decision-making power, and with Chijere and Mweso (2021), who highlighted their role in strengthening solidarity and leadership. From the lens of Zimmerman's (2000) Empowerment Theory, VSL members experienced both psychological and interactional empowerment. Psychological empowerment was reflected in increased self-efficacy as centre-based VSL members engaged in saving, borrowing, and collective decision-making, and exercised greater control over both financial and social resources, capacities crucial for both personal advancement and CBCC autonomy, resilience, and sustainability. Interactional empowerment was evident in members' ability to navigate social systems, apply financial knowledge, and influence CBCC governance.

The centre-based VSL model also generated a virtuous cycle of empowerment: greater financial control strengthened CBCC operations, reinforcing members' confidence and commitment. VSLs functioned as financial buffers and local planning platforms, enabling timely decisions without relying on external aid and fostering community ownership. Participants also described how VSL funds enabled the acquisition of previously unaffordable resources:

This money from the VSL fund has reduced scarcity here at CBCC… it helps in buying different materials… such as kitchen utensils and maintenance of different items.

Although previous studies show that conventional VSLs improve household food security (Ksoll et al., 2016; Mwansakilwa et al., 2017) and support health and education expenditures (Adams, 2014; Nnama-Okechukwu et al., 2019), the centre-based VSL extended these benefits to institutional empowerment by directing resources towards CBCC operations. Thus, CBCCs became more financially self-reliant, demonstrating community-level transformation through collective agency and strategic financial governance. This institutional resilience, grounded in local agency (Zimmerman, 2000) and collective efficacy (Bandura, 2000), reduced dependence on donor funding, sporadic government support, and irregular community contributions. As one participant explained:

It [VSL] has helped to reduce the problems that we were facing as a CBCC, problems such as the lack of sugar and salt at the CBCC. This has been achieved because of the VSL and the skills gained.

Thus, by embedding financial resilience within CBCC operations, the centre-based VSL approach bridged financial inclusion and sustainable ECDE service delivery, demonstrating its viability in underserved rural communities.

5.4 Communal asset accumulation and poverty alleviation

Beyond meeting immediate operational needs, the centre-based VSL model also demonstrated a strong potential to support strategic asset accumulation and long-term institutional investment within CBCCs. This signifies how collective savings can be harnessed to build communal assets that strengthen CBCC sustainability. Participants, for example, expressed aspirations for infrastructural improvements, such as constructing hygienic toilet facilities:

…There is a vision to build a new toilet that is well built and clean, which is going to be possible in its implementation using the money from VSL.

Such plans reflect a strategic approach to capital formation that extends beyond routine expenditure to long-term institutional investment. Similar patterns have been reported in conventional VSLs. For instance, Karlan et al. (2017) observed that VSLs promote financial inclusion and asset accumulation in Ghana, Malawi, and Uganda. Similarly, Orame et al. (2020) reported that VSLs enhanced community-level capital formation and resilience in low-income settings in Nigeria.

Unlike the conventional VSL model, however, the centre-based model channelled these financial gains into institutional development, enabling CBCCs to invest in sanitation facilities, play materials, kitchen utensils, and food supplies, as captured by a participant:

It [VSL] has helped to reduce the problems that we were facing as a CBCC, such as lack of sugar and salt… This has been achieved because of the VSL and the skills gained.

This institutional reinvestment is significant as it marks a novel departure from the typical focus of conventional VSLs on individual household welfare to a collective enhancement of community ECDE services. Consequently, the centre-based VSL functioned not only as a financial mechanism but also as a community-based strategy for poverty alleviation, asset accumulation, and institutional operational capacity and sustainability.

5.5 Operational challenges and mitigating strategies

While the centre-based VSL model produced positive outcomes, participants also identified operational challenges affecting effectiveness and sustainability. These challenges are not unique to the model but are common across VSL programmes in sub-Saharan Africa. By examining how members addressed them, the study illuminates the empowerment processes underpinning the centre-based VSL approach. Drawing on Empowerment Theory (Zimmerman, 2000), the following subsections show how members exercised agency, leveraged local knowledge, and engaged in collective problem-solving despite systemic constraints, thus demonstrating the model's viability.

5.5.1 Loan payment defaulting

A primary operational challenge was the delayed loan repayment. Financial hardship affected members' ability to meet repayment obligations, a problem compounded by broader economic instability, as one of the members explained:

We have challenges in finding money for shares, and also a challenge when we borrow money to pay back, because things are tough.

Loan default is a widely documented issue in conventional VSL schemes in Malawi (Chijere & Mweso, 2021) and elsewhere in sub-Saharan Africa, including Nigeria (Nnama-Okechukwu et al., 2019) and Zimbabwe (Machokoto, 2014), where it undermines the scheme's effectiveness. Consistent with these findings, centre-based VSL groups addressed repayment challenges through internal enforcement mechanisms, including interest penalties and mediation by community authorities such as village chiefs.

…we increase interest for those who delay paying the loan.

For those failing to repay the loan on time, we do ask the supervisor to intervene. If they still don't pay, we take the matter to the village chief for intervention.

The involvement of community authorities illustrates how local governance structures supported financial accountability. These responses reflect interactional empowerment (Zimmerman, 2000), as members drew on existing social structures to enforce financial discipline, thereby reinforcing behavioural empowerment through institutional norms.

5.5.2 Financial capital constraints

Closely linked to the loan-defaulting issue was the lack of initial capital. The project did not provide seed funding at inception, consequently restricting loan sizes and limiting members' ability to undertake transformative IGAs:

Getting money is difficult; it would be better if there were seed money… the money available for people to borrow is small… It is too small such that when a person borrows, they don't do big things like a business that would change their life or their family

This finding is consistent with Kika and Kumwenda (2021), who reported similar constraints in rural Malawi. In response, members promoted peer support and shared vocational skills to strengthen livelihoods and increase financial contributions:

We actively encourage mutual engagement in entrepreneurial ventures to bolster individual members' ability to meet their share contribution obligation.

This peer support reflects behavioural empowerment, as members proactively developed collective strategies to overcome capital constraints. Although the absence of seed funding limited initial effectiveness, the groups demonstrated considerable adaptability and resilience, evidenced by the persistence of the groups demonstrated adaptability through sustained participation and rapid fund growth (Section 5.2), supporting the viability of the centre-based VSL model without external start-up capital.

5.5.3 Intragroup conflicts over loan prioritisation

A further operational challenge involved tensions within VSL groups over loan prioritisation. Conflicts often arose from disparities between member contributions and loan demands, as one participant explained:

We quarrel over the money because there is little money, but a lot of people want to borrow it.

Such conflicts are consistent with VSL literature documenting social frictions that can undermine group cohesion (Cassidy & Fafchamps, 2015). In the centre-based VSL model, these conflicts had wider implications, potentially affecting not only members but also CBCC support. Nonetheless, members addressed these challenges by strengthening accountability, improving transparency in loan allocation, and promoting dialogue. These strategies helped preserve group cohesion and reinforced collective ownership of CBCC sustainability.

5.5.4 Limited capacity in financial literacy

Effective record-keeping is fundamental to VSL operations because it facilitates accurate tracking of member contributions, loan disbursements, and repayments (Lagu, 2023; Pamuk et al., 2021). However, despite receiving initial financial literacy training, many groups struggled to maintain accurate financial records. This challenge may be linked to participants' limited educational backgrounds, as many CBCC caregivers and CMC members had incomplete or basic formal education, potentially constraining their ability to manage financial documentation and administrative tasks. Nevertheless, participants reported gradual improvement through ongoing mentorship and project support, as one participant explained:

At first, we did not know how to write in the VSL book, but after we were advised on how to write, it was all perfect.

Similar challenges have been documented in conventional VSL programmes in Malawi and sub-Saharan Africa, such as in rural Lilongwe (Kika & Kumwenda, 2021), Chiradzulu and Blantyre (Maganga, 2020), and Ethiopia (Beyene & Dinbabo, 2019). These findings suggest that limited financial literacy is a widespread constraint across VSL contexts rather than a challenge unique to centre-based VSLs. However, while bookkeeping skills improved through mentorship, limited proactive engagement in financial learning persisted. This finding contradicts assumptions within Zimmerman's (2000) Empowerment Theory regarding human agency, highlighting the continued influence of structural and individual constraints on participants' capacity to exercise agency.

5.5.5 Time poverty among CBCC caregivers

The study found that the voluntary nature of caregiving contributed to time poverty among CBCC caregivers. Their responsibilities at the centres, combined with participation in project activities, consumed time that could otherwise be devoted to IGAs. Consequently, many caregivers struggled to generate sufficient income for regular VLS contributions. This finding illustrates how unpaid caregiving responsibilities can constrain the very economic empowerment initiatives intended to strengthen CBCC sustainability. As one participant remarked:

We are caregivers, and VSL requires someone to be active, but for us, we have no time to do business. From Monday to Friday, we are here, including in the afternoon... So, it is a challenge to find money for shares. We have no opportunity...

This time burden reveals a paradox in sustaining the centre-based VSL model, where the reliance on voluntary CBCC caregivers may simultaneously limit their economic participation. Nevertheless, members adapted by sharing responsibilities and adopting flexible income strategies compatible with caregiving schedules. These adaptations demonstrate the model's capacity to accommodate competing demands while maintaining CBCC operations. In other words, the model enhanced, rather than undermined, CBCC operations despite this challenge.

5.5.6 Absenteeism and tardiness at VSL meetings

Absenteeism and tardiness emerged as notable, albeit less acute, challenges affecting VSL meeting functioning. Irregular attendance and lateness undermined procedural consistency, accountability, and timely decision-making. Similar findings have been reported in conventional VSL programmes across sub-Saharan Africa. For example, studies in Ethiopia (Mamede, 2017) and Ghana (Sienso et al., 2021) identified absenteeism as a key barrier to effective VSL operations. Likewise, Chivasa (2018) reported tardiness as a recurrent challenge in Zimbabwean VSLs. This suggests that these challenges are not unique to centre-based VSLs. To mitigate these challenges, groups adjusted meeting schedules to farming calendars, rotated leadership, and introduced fines. As participants explained:

We have instituted penalties… when one has come late to the VSL meeting, they are asked to pay for being late, hence sorting that challenge out.

For those who are late, they pay K50, and if they are absent, they pay K100.

The use of fines reflects common governance practices in VSL frameworks, where penalties for delays and non-attendance are embedded within group constitutions to promote accountability (Ksoll et al., 2016). Similar practices have been documented in Zimbabwean VSLs, where penalties, such as payment of a 50 United States cents penalty for arriving late to VSL meetings, were used to maintain punctuality, participation, and accountability (Chivasa, 2018). These strategies reflect interactional and behavioural empowerment (Zimmerman, 2000) by demonstrating members' ability to adapt governance structures and enforce collective norms.

Overall, these adaptive responses demonstrate how centre-based VSL members exercised agency despite structural constraints. Through enforcing group norms, engaging local leaders, and developing collective solutions, members strengthened their capacity to manage challenges and sustain CBCC-focused financial initiatives. This reflects Zimmerman's (2000) argument that empowerment involves not only enhanced individual confidence but also the ability to navigate social systems and translate agency into collective action.

6. Conclusion

This study contributes to emerging debates on sustainable financing of ECDE in resource-limited settings by demonstrating how community-based financial mechanisms can be adapted beyond their conventional household focus to support institutional service provision. While VSLs have traditionally been examined as instruments for improving household livelihoods, this study advances understanding of their potential as a mechanism for financing community-based childcare systems. The centre-based VSL model represents a shift from individual financial empowerment towards collective institutional empowerment, enabling communities to mobilise resources, strengthen local ownership, and enhance the resilience of CBCCs and ECDE service delivery.

The findings highlight the importance of reimagining community financing not merely as a response to resource scarcity, but as a pathway for strengthening agency and sustainability within underserved communities. By embedding savings and lending structures within CBCCs, the model created opportunities for communities to exercise greater control over decisions affecting ECDE services. This reinforces broader understandings of empowerment by demonstrating that financial mechanisms can generate both material outcomes and social transformations, including enhanced collective efficacy, participatory governance, and community ownership.

However, the study also highlights that community-led financing models operate within broader structural constraints. Limited capital availability, financial literacy challenges, caregiver time poverty, and competing livelihood demands shaped the extent to which communities could realise the full potential of the model. These challenges do not diminish the value of centre-based VSLs; rather, they underscore the need for complementary investments in financial capacity-building, entrepreneurship support, and enabling policy environments. Community financing should therefore be viewed as a complement to sustained government and donor commitments to ECDE, rather than a substitute for public responsibility.

Overall, this study demonstrates that locally embedded financial innovations can provide an important pathway for strengthening the sustainability of ECDE systems in resource-constrained contexts. The centre-based VSL model offers a promising approach for bridging financial inclusion, community empowerment, and ECDE service delivery, with potential relevance for other low-resource settings where community-based childcare initiatives face persistent financing challenges. Future research should examine the longer-term sustainability, scalability, and equity implications of such models across diverse social and institutional contexts.

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