

# Savings groups lead to increased financial inclusion and women's empowerment, new three-country study finds

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Ugandan women in a savings group are pictured. Credit: Cameron Breslin

Savings groups popular in rural areas of developing countries - in which people pool money for saving and borrowing - empower women,

increase business investment, and provide greater access to financial services, according to a new three-country study released in *Proceedings of the National Academy of Sciences*.

The study, conducted in Ghana, Uganda, and Malawi, tracked [households](#) for two to three years, with 61 percent of participants completing a full 8-12 month savings cycle. The study found that access to village savings and loans associations (VSLAs) increased the number of businesses households operated by six percent. It also boosted the length of time those businesses lasted by nine percent, and increased monthly business profits by 24 percent, but did not increase total household income or food security. Longer term tracking of participants may help learn whether impacts sustains and grows, or dissipates.

VSLAs are a popular tool to encourage financial inclusion and empowerment, often in the poorest and more rural communities. Their growth has been spurred on by NGOs, particularly CARE, which pioneered the concept in Niger in 1991. They are estimated to have reached over 12 million people in 70 countries. VSLA members, typically women, pool their money together and make small weekly deposits into a common fund. Members can also request loans from the common fund when necessary, which they pay back with interest, thus allowing the group's deposits to earn a return. After an 8-12 cycle, the group savings are shared proportional to each member's contribution, and often a new cycle begins.

Researchers Dean Karlan and Christopher Udry from Yale University, Bram Thuysbaert of Belgium's Ghent University, and Beniamino Savonitto, formerly of the research and policy non-profit Innovations for Poverty Action (IPA) worked with the IPA's research staff to evaluate the impact of VSLAs on thousands of households in the three countries.

"What we're seeing is that that the poor can and do save for themselves

when given the right opportunity, and this has positive effects elsewhere in their lives," said study co-author Dean Karlan, Professor of Economics at Yale University. "We see savings and business income increase, but importantly there is also a boost in women's empowerment. As women get more access to these groups, their say in household decisions also increases," Karlan added.

Using a randomized evaluation, the researchers worked with CARE and 13 other non-governmental organizations to start VSLAs and facilitate their spread. They tracked over 12,000 households in 561 communities for two to three years. At the end of that time, households in villages where the VSLAs had been offered had higher savings, took out more loans, and had more profitable businesses, but this did not translate into changes in how much food families had to eat or their overall earnings during the period studied.

The researchers caution that in this relatively short timeframe, they do not yet see the impacts on households' financial well-being that would make VSLAs a top anti-poverty investment. But Christian Pennotti of CARE is optimistic. "These studies clearly illustrate the impact VSLAs can have on women's economic empowerment. We are confident that the promising short-term outcomes reflected here are indicative of significant potential for long-term impacts on resilience, household income, food and nutrition security and women's overall position within their households and communities."

While the idea of group savings dates back centuries and is local to many regions, having a trained agent start the group facilitates its success, and offering the ability to borrow in the short term gives households an additional financial option when the need arises. "These are remote areas, where financial institutions typically have not reached," said Udry, the Henry J Heinz II Professor of Economics at Yale. "We now know that with just a little bit of training to start these groups, people in poor

communities can become their own bankers, and women can gain more power in their households. We hope that with longer term data we can learn if these effects grow bigger or shrink over time, as this would be helpful for donors and organizations to know."

**More information:** Dean Karlan et al, Impact of savings groups on the lives of the poor, *Proceedings of the National Academy of Sciences* (2017). [DOI: 10.1073/pnas.1611520114](https://doi.org/10.1073/pnas.1611520114)

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