

## The influence of village saving & loan association service on household welfare in Awei sub-county, Alebtong district. A cross-sectional study.

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### Abstract

#### Background.

The Ugandan Government supported the establishment of Village Group Savings Cooperatives as a means of providing financial accessibility to rural Ugandans who cannot afford large loans from banking institutions to support their micro businesses. This study examined the impact of VSLA services on household welfare in Alebtong District.

#### Methodology.

This study adopted a cross-sectional survey with mixed research methodology, which involved both quantitative and qualitative approaches, to conduct an intensive investigation on the effects of village saving and loan associations on poverty reduction in the Awei sub-county, the study population was 181 household heads who were VSLA (clients) members and 200 other VSLA members from Awei sub-county. Simple Random Sampling using the lottery method will be employed to select respondents from the VSLA members.

#### Results.

56.72% of the participants were female, (32.09%) of the respondents were aged between 31-40 years. There was a strong positive relationship between Accumulated Savings and household welfare (Coefficient = 0.290,  $p = 0.001$ ), the study found that access to credit is not significantly related to household welfare (Coefficient = 0.014,  $p = 0.820$ ) and the study found out that VSLA membership benefits are significantly linked to higher household welfare (Coefficient = 0.284,  $p = 0.012$ ).

#### Conclusion

The study concluded that there was a strong positive relationship between Accumulated Savings, VSLA membership benefits, and household welfare, meaning that higher savings correspond to greater welfare. Additionally, access to credit was not significantly related to household welfare, suggesting that it is not a predictor of household welfare in this context.

#### Recommendation

It is advisable to explore alternative pathways to improving household well-being, such as education and employment opportunities.

Organizations and communities should promote and expand VSLA programs to empower households and improve their overall economic well-being.

**Keywords.** *Village Saving and Loan Association (VSLA), Household Welfare, Financial Inclusion, Community Development, Rural Livelihoods, Awei Sub-county, Alebtong District*

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### Background.

Household welfare according to Asfaw & Ali (2022), VSLAs is the provision of a minimal level of well-being and social support for all the persons who live in one house, family, or family and servants, the home, and its affairs. This welfare is sometimes referred to as public aid and in most developed countries welfare is largely provided by the government, and to a lesser extent, charities, informal social groups, religious groups, and inter-governmental organizations. Household education is one of the SES or welfare indicators defined or measured using school

dropout children in a family (Tanmoyee, 2009), or household expenditure on education. School drop - out children is the number of children who have abandoned schooling (dropped out of school), especially for reasons related to financial constraints. In this study, education was measured by school drop — which was a dummy variable that was assigned the value of 1 if a family has at least one school dropout child and 0, otherwise. Another indicator of education that will be used is education expenditure which is measured by the amount of money spent on children's education (school fees) in the past 12 months.

Government efforts in forms of liberalization have paved the way for the financial sector to have an increment of 21% increase in financial stability in the year 2008/2009 and by the end of March of that year it had grown by 59.3% and this resulted to the intervention of financial institutions into the economy in recent years (Kapingura & Nolungelo, 2018).

The concept of creating linkages between formal models of financial service provision for instance Banks, MFIs, MDIs, and SACCOs, and the informal models like VSLAs, ROSCAs, and ASCAs can lead to significant savings mobilization and improvement of livelihood through easy and effective community mobilization of SACCOs. This study is set to examine how the informal savings schemes/village savings and loans association (VSLA) contribute to the welfare of rural households in the Awei sub-county Alebtong district.

The perception of saving in Uganda is not a new idea to people because several groups which are operated by both men and women exist in various forms and places and have names different but in the following parts of the country case in point is;” Boli icecap”(Lango), “Boli-cup” (Acholi), “biikaoguze” (Rukiga) “kalimba” (Alur), “Asoso” (Lugbara) all of which are traditional savings which characterized ROSCA or ASCA in most cases.

Experimenting VSLA program in Uganda started with the joint encouragement of gainful activities (JENGA). The JENGA project was started in the West Nile region (CARITAS, 2020). The project was originally focused on introducing appropriate technologies and other forms of increasing returns on investment and small farmers’ incentives. The spread of VSLA program was then spread out to the northern part of Uganda including the districts of, Alebtong, Lira, Apac, Otuke, Dokolo, Amolatar Kitgum, Amuru, Pader, and Gulu among another district in the region. This was through sensitizing and provision of training on the VSLA operations these include the following local and international NOOs; CARE Uganda, food for the Hungry International (FHI), Zionist American Organization (ZOA), and OXPAM.

Nonetheless, there is still very little evidence to justify the effect of VSLAs on the household’s welfare of its members. It is upon this background that this study assessed the influence of VSLA services on household welfare in the Alebtong district.

## **Methodology.**

### **Research Design**

This study adopted a cross-sectional survey with mixed research methodology, which involves both quantitative and qualitative approaches. The study adopted the

quantitative method supplemented with the qualitative method of data collection.

### **Study Population**

The study population was household heads who are VSLA (clients) members from the Awei sub-county, Alebtong district.

### **Sample size determination and techniques**

In order to generate a suitable sample size for the study, the formula by Neumann (2000) will be used. The model is given as follows;

$$n = \frac{N}{1 + N(e^2)}$$

Where,

$n$  =the sample size required;

$N$  = The population category;

$e$  = the level of precision.

Since it was estimated in the previous study that the number of people engaged in SACCOs in Alebtong district is 8000 (UNDP, 2021).

$$n = \frac{8000}{1 + 8000 * 0.08^2} = 153$$

### **Sampling Techniques**

Simple Random Sampling using the lottery method was employed to select respondents from the VSLA members.

### **Sources of Data**

The researcher used both primary and secondary data sources because they helped the researcher to gather more information about the topic under study.

### **Primary data**

Primary data sources were used in this study where data was obtained through interactive interviews and questionnaires from the various respondents. This enabled the researcher to collect first-hand information from the study population.

### **Secondary Data Source**

Current sources of data such as journals, articles, newspapers, magazines, and scholarly sources which include; textbooks, from the library and the internet as well as the official report from Sacco's, Bank of Uganda (BoU) annual supervision report as well as report from Uganda Bureau of Statistics was used.

### **Data Collection Methods and Tools Questionnaire.**

Structured, interviewer-administered questionnaire which was first prepared in English and translated into Lango (the local language) by a language researcher/language expert then, the Lango version was again translated back to English to check for consistency. It was divided into two sections A, B, and C. Section A constitutes the background information, section B covers financial services assessments (loan acquisition, and savings), and section C covers household welfare assessments.

### **Focus Group Discussion**

In this study, the researcher conducted one focus group discussion with 5 randomly selected old VSLA members from different VSLA groups.

The FGD was done with the aim of supplementing information obtained in individual questionnaire surveys. The FGD is intended to have open discussions with issues such as group formation and membership, general group dynamics, challenges and limitations, behavioral changes, social and economic impact, benefits and/or negative consequences of participation, impact on the community, and the sustainability of the VSLAs.

The focus group discussion was conducted with the help of the focus group discussion guide. The focus discussion guide captures all the financial services and household poverty assessments. It also captured the challenges and limitations, behavioral changes, social and economic impact, benefits and/or negative consequences of participation, impact on the community, and the sustainability of the VSLAs.

### **Data Quality Control**

Two dimensions of data quality control reliability and validity will be used to determine the degree to which the research instrument yields consistent data repeatedly and the result of data analysis explains the phenomenon under study respectively as detailed below.

#### **Reliability**

To ensure consistency in the data that was collected, a questionnaire was pretested by administering it to 10 respondents and after two weeks, the same was administered to the same people to establish the degree of the relationship in terms of correlation for the two sets of scores and correlation analysis and analyzed using Cronbach's Alpha reliability coefficient formula given as:

$$\alpha = \frac{n}{n-1} (1 - \sum v_i / v_{test})$$

Where  $\alpha$  =Cronbach's Alpha reliability coefficient,  
n =Number of items in the instrument,

$\sum$  = Summation,

$v_i$  = Variance of scores on each item,

and  $v_{test}$  =Total variance of overall scores on the entire test.

Cronbach alpha values were tested for the objectives and all the constructs achieved the minimum threshold of 0.7.

#### **Validity**

To ensure the quality of the research, validity was determined to establish the extent to which the instruments are able to measure the phenomenon under investigation (Roberta & Alison, 2016). Precisely, content validity was established by calculating the content validity index (CVI) using the formula stated as:

$$CVI = \frac{\text{Number of items declared valid by judges}}{\text{total number of item}}$$

The CVI was accepted at a minimum threshold of 0.70.

**Table 1: Content Validity Index (CVI)**

Variable(s)	Number of items	CVI (%)
Membership in A VSLA	5	100
Accumulated Savings	5	100
Access to Credit	5	100
Household welfare	5	100

Overall questionnaire	20	100
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**Source:** Primary Data (2023)

## Data Analysis

The data were analyzed using the Statistical Package for Social Sciences (SPSS) version 23. Descriptive statistics including percentages, mean, and standard deviation describe the detail and the essence of the data collected. Pearson correlation coefficient will be used to determine the relationship between the dependent and the dependent variables. In addition, a multivariate regression model was used to determine the relative importance/magnitude of the relationship of each of the three variables with respect to performance. Ordinary least square regression analysis is a technique for modeling the linear relationship between a dependent and one or more independent variables. It is one of the most widely used of all statistical methods. The

Ordinary Least Square regression was used to assess the effects of VSLA financial services on the household welfare of its members. This is because the dependent variable is continuous and the Ordinary Least Square procedure is the simplest type of estimation procedure used in statistical analyses Gujarati (2004). In testing the significance of the model, the coefficient of determination (R<sup>2</sup>) was used to measure the extent to which the variation in Welfare is explained by the variations in financial services. F-statistic was also computed at a 95% confidence level to test whether there was any significant relationship between financial services and welfare.

## Results

### Background characteristics of respondents

Table 2 presents the background characteristics of the respondents in the study. The data provides valuable insights into the demographic composition of the sample population.

**Table 2: Background characteristics of respondents**

Variable	Frequency	Percent
<b>Sex</b>		
Male	58	43.28
Female	76	56.72
<b>Age in Years</b>		
<=30	37	27.61
31-40	43	32.09
41-50	32	23.88
Above 50	22	16.42
<b>Level of Education</b>		
No Formal Education	14	10.45
Primary	71	52.99
Secondary	28	20.9
Tertiary/Diploma	16	11.94
University	5	3.73
<b>Occupation</b>		
Employed	15	11.19
Self Employed	95	70.9
Unemployed	24	17.91
<b>Marital Status</b>		

Married	82	61.19
Single	20	14.93
Widowed	16	11.94
Divorced	16	11.94
<b>Number Of Children</b>		
Nil	11	8.21
1-2	47	35.07
3-4	39	29.1
5 And Above	37	27.61
<b>Number of Years in VSLA</b>		
Less than 1 year	10	7.46
2-5 Years	68	50.75
6-9 Years	20	14.93
10 And Above Years	36	26.87

Table 2 revealed that; in terms of gender distribution, 56.72% were female, while 43.28% were male. The age distribution reveals a relatively balanced representation, with the majority of respondents falling within the 31-40 age group (32.09%), followed by the ≤30 age group (27.61%). When considering the level of education, the majority had primary education (52.99%), followed by secondary (20.9%). Self-employment was the dominant occupation (70.9%), while marital status indicated that 61.19% were married. Concerning the number of children, the highest proportion had 1-2 children (35.07%), and the

duration of involvement in VSLA groups showed a substantial number (50.75%) engaged for 2-5 years.

### **Descriptive Statistics of study constructs. Accumulated savings**

Table 3 of the study provides descriptive statistics related to constructs concerning accumulated savings. Participants were asked about their attitudes and behaviors toward savings using a 5-point Likert scale: Strongly Agree (SA), Agree (A), Neutral (NS), Disagree (D), and Strongly Disagree (SD).

**Table 3: Descriptive statistics for Accumulated savings**

Items	SA	A	NS	D	SD	Mean	St.dev
I have successfully accumulated savings over the past year.	23 (17.1)	108 (80.6)	1 (0.8)	0 (0.0)	2 (1.5)	4.12	0.55
I feel confident in my ability to grow my accumulated savings in the future.	14 (10.5)	114 (85.0)	5 (3.7)	1 (0.8)	0 (0.0)	4.04	0.46
My accumulated savings provide me with a sense of financial security.	8 (6.0)	102 (76.1)	22 (16.4)	1 (0.7)	1 (0.7)	3.86	0.55
I regularly contribute to my accumulated savings without difficulty.	29 (21.6)	81 (60.5)	21 (15.7)	3 (2.2)	0 (0.0)	4.01	0.68
I prioritize saving money for the long-term over immediate spending.	16 (11.9)	92 (68.7)	24 (17.9)	2 (1.5)	0 (0.0)	3.91	0.59
Average						3.99	0.57

Descriptive analysis of accumulated saving in table 3 revealed that the majority of respondents, 80.6%, agreed that they had successfully accumulated savings over the past year, yielding a mean score of 4.12 and a standard deviation of 0.55. Similarly, 85% felt confident about growing their accumulated savings in the future with a

mean of 4.04. Around 76.1% believed that their savings gave them financial security, although the mean dropped slightly to 3.86. A significant 60.5% claimed they regularly contributed to their savings without difficulty, resulting in a mean of 4.01. Finally, 68.7% of participants prioritized long-term savings over immediate expenditures, with a

mean of 3.91. Overall, the average mean score for the constructs was 3.99 with a standard deviation of 0.57, indicating a general positive inclination towards accumulated savings among the participants.

Table 4 presents descriptive statistics regarding respondents' access to credit. The data is based on participants' responses

to statements using a 5-point Likert scale: Strongly Agree (SA), Agree (A), Neutral (NS), Disagree (D), and Strongly Disagree (SD).

**Table 4: Descriptive Statistics for access to credit**

Items	SA	A	NS	D	SD	Mean	St.dev
I have easy access to a variety of credit options when I need them.	10 (7.5)	94 (70.2)	24 (17.9)	3 (2.2)	3 (2.2)	3.78	0.71
Obtaining credit, such as loans or credit cards, is a straightforward process for me.	4 (3.0)	88 (65.7)	37 (27.6)	5 (3.7)	0 (0.0)	3.68	0.60
I feel confident that I can secure credit with favorable terms and interest rates.	18 (13.4)	54 (40.3)	59 (44.0)	3 (2.2)	0 (0.0)	3.65	0.74
I have access to credit options that meet my specific financial needs.	7 (5.2)	47 (35.1)	70 (53.2)	10 (7.5)	0 (0.0)	3.38	0.70
My access to credit has positively impacted my financial well-being.	12 (8.9)	59 (44.0)	51 (38.1)	10 (7.5)	2 (1.5)	3.51	0.82
Average						3.60	0.71

Table 4 revealed that the majority of respondents, 70.2%, agreed that they have easy access to a variety of credit options when needed, resulting in a mean score of 3.78 and a standard deviation of 0.71. However, only 65.7% found obtaining credit to be a straightforward process, with a mean of 3.68. Additionally, 44% felt confident about securing credit with favorable terms and interest rates, yielding a mean of 3.65. When it came to access that meets specific financial needs, 53.2% agreed, with a mean of 3.38.

Finally, while 44% believed that their access to credit had positively impacted their financial well-being, the mean was lower at 3.51. On average, respondents had a mean score of 3.60 and a standard deviation of 0.71 for these access to credit constructs, suggesting that while many had access to credit, there was some variation in their perceptions of its ease and impact on their financial well-being.

**Table 5: Descriptive statistics for Membership benefits from VSLA**

Items	SA	A	NS	D	SD	Mean	St.dev
"I feel a sense of belonging and active participation in my Village Savings and Loan Association (VSLA).	29 (21.6)	104 (77.6)	1 (0.8)	0 (0.0)	0 (0.0)	4.21	0.43
"I believe that my membership in the VSLA has positively impacted my financial well-being."	8 (6.0)	120 (89.5)	6 (4.5)	0 (0.0)	0 (0.0)	4.01	0.32
"The VSLA meetings and activities are inclusive and promote a sense of community among its members."	28 (20.9)	101 (75.4)	5 (3.7)	0 (0.0)	0 (0.0)	4.17	0.47
"I trust the financial management and transparency of the VSLA in handling our collective savings and loans."	32 (23.9)	96 (71.6)	6 (4.5)	0 (0.0)	0 (0.0)	4.19	0.50
"I would recommend joining a VSLA to others in my community based on my own experiences as a member."	28 (20.9)	104 (77.6)	2 (1.5)	0 (0.0)	0 (0.0)	4.19	0.43
Average						4.16	0.43



### Membership benefits from VSLA

Table 5, revealed that the majority of respondents, 77.6%, strongly agreed that they feel a sense of belonging and active participation in their VSLA, resulting in a high mean score of 4.21 with a low standard deviation of 0.43. Similarly, 89.5% believed that their VSLA membership had positively impacted their financial well-being, with a mean of 4.01 and a low standard deviation of 0.32. The majority also perceived VSLA meetings and activities as

inclusive and community-building (mean = 4.17). Additionally, respondents had strong trust in the financial management and transparency of their VSLA (mean = 4.19) and were highly likely to recommend joining a VSLA to others in their community based on their own positive experiences (mean = 4.19). On average, respondents showed a very positive perception of the membership benefits from their VSLA, with a mean score of 4.16 and a low standard deviation of 0.43, indicating a high level of agreement among participants regarding the advantages of VSLA membership.

**Table 6: Descriptive statistics for household welfare**

Items	SA	A	NS	D	SD	Mean	St.dev
My household's overall financial situation is stable and secure.	33 (24.6)	98 (73.1)	3 (2.3)	0 (0.0)	0 (0.0)	4.22	0.47
We have enough income to cover our basic living expenses comfortably.	37 (27.6)	93 (69.4)	4 (3.0)	0 (0.0)	0 (0.0)	4.25	0.50
I am satisfied with the level of financial support my household provides for my family's needs.	56 (41.8)	77 (57.5)	1 (0.7)	0 (0.0)	0 (0.0)	4.41	0.51
We are able to save for future expenses and emergencies without difficulty.	71 (53.0)	62 (46.3)	1 (0.7)	0 (0.0)	0 (0.0)	4.52	0.52
Average	-	-	-	-	-	4.35	0.50

### Household welfare

Table 6, revealed that the majority of respondents expressed a strong sense of financial stability within their households, with 73.1% agreeing that their household's overall financial situation is secure and stable. Moreover, 69.4% believed that they had enough income to comfortably cover basic living expenses. A significant proportion, 57.5%, expressed satisfaction with the level of financial support provided by their household for family needs. Additionally, a substantial 53.0% claimed that their household could save for future expenses and emergencies without difficulty. The overall average mean score for household welfare was high at 4.35, with a relatively low standard deviation of 0.50, suggesting that respondents

generally perceived their household's financial situation as stable and satisfactory, with the ability to comfortably meet expenses and save for the future.

### The Relationship between Village Saving & Loan Association Services and Household Welfare

Table 7 presents the correlations between variables in the study, specifically examining the relationship between Village Saving & Loan Association (VSLA) services and household welfare. The correlation coefficients indicate the strength and direction of associations between variables.

**Table 7: Variable correlations**

Variables	(1)	(2)	(3)	(4)
(1) Household welfare	1.000			
(2) Accumulated Savings	0.400*	1.000		
(3) Access to credit	0.212*	0.386*	1.000	
(4) Membership Benefit from VSLA	0.357*	0.420*	0.343*	1.000

\* $p < 0.05$

Table 7 revealed that, household welfare is positively correlated with accumulated savings ( $r = 0.400$ ,  $p < 0.05$ ), suggesting that households with higher savings tend to have better overall welfare. Furthermore, household welfare is positively correlated with access to credit ( $r = 0.212$ ,  $p < 0.05$ ) and membership benefits from VSLA ( $r = 0.357$ ,  $p < 0.05$ ), indicating that households with better

access to credit and more positive VSLA membership experiences tend to report higher levels of welfare. These findings suggest that VSLA services, including accumulated savings, access to credit, and membership benefits, may be important factors associated with improved household welfare, though further analysis is needed to establish causal relationships.

## The influence of VSLAs services on household's welfare

### The influence of accumulated savings on household welfare

Linear regression in table 7 revealed that Accumulated Saving exhibits a significant positive relationship with household welfare (Coefficient = 0.290,  $p = 0.001$ ). This means that for every unit increase in accumulated savings, household welfare is expected to increase by 0.290 units, holding other variables constant. The confidence interval [0.116, 0.463] indicates that this relationship is robust and statistically significant. It suggests that households with higher savings tend to have higher overall welfare levels.

### The effect of loans access on household's welfare

Linear regression in table 7 revealed that Access to credit does not show a statistically significant relationship with household welfare (Coefficient = 0.014,  $p = 0.820$ ). The t-value of 0.23 indicates that the relationship between access to credit and household welfare is weak, and the p-value suggests that this relationship is not statistically significant at conventional significance levels ( $p > 0.1$ ). Therefore,

based on this analysis, access to credit does not appear to be a significant predictor of household welfare in this context.

### The effect of membership benefits from VSLA on household's welfare

Linear regression analysis in table 7 further revealed that Membership benefit from the VSLA also exhibits a statistically significant positive relationship with household welfare (Coefficient = 0.284,  $p = 0.012$ ). This indicates that households that perceive greater benefits from their VSLA membership tend to have higher welfare levels. The confidence interval [0.064, 0.504] suggests that this relationship is statistically meaningful and that VSLA membership benefits have a positive impact on household welfare.

### Linear regression for predicting household welfare

Table 8 presents the results of a linear regression analysis aimed at predicting household welfare based on three independent variables: Accumulated Saving, Access to credit, and Membership benefit from the Village Saving & Loan Association (VSLA). The coefficients, standard errors, t-values, and p-values are shown for each predictor variable, along with their respective 95% confidence intervals.

**Table 8: Linear regression for predicting household welfare**

Household welfare	Coef.	St.Err.	t-value	p-value	[95% CI Interval]
Accumulated Saving	0.290	0.087	3.31	0.001***	0.116 0.463
Access to credit	0.014	0.064	0.23	0.820	-0.111 0.140
Membership benefit	0.284	0.111	2.55	0.012**	0.064 0.504
Constant	1.963	0.436	4.50	0.000***	1.100 2.826

\*\*\*  $p < .01$ , \*\*  $p < .05$ , \*  $p < .1$

Linear regression analysis in table 8 indices that Accumulated Saving exhibits a significant positive relationship with household welfare (Coefficient = 0.290,  $p = 0.001$ ). This means that for every unit increase in accumulated savings, household welfare is expected to increase by 0.290 units, holding other variables constant. The confidence interval [0.116, 0.463] indicates that this relationship is robust and statistically significant. It suggests that households with higher savings tend to have higher overall welfare levels.

Secondly, Access to credit does not show a statistically significant relationship with household welfare (Coefficient = 0.014,  $p = 0.820$ ). The t-value of 0.23 indicates that the relationship between access to credit and household welfare is weak, and the p-value suggests that this relationship is not statistically significant at

conventional significance levels ( $p > 0.1$ ). Therefore, based on this analysis, access to credit does not appear to be a significant predictor of household welfare in this context.

Thirdly, Membership benefit from the VSLA also exhibits a statistically significant positive relationship with household welfare (Coefficient = 0.284,  $p = 0.012$ ). This indicates that households that perceive greater benefits from their VSLA membership tend to have higher welfare levels. The confidence interval [0.064, 0.504] suggests that this relationship is statistically meaningful and that VSLA membership benefits have a positive impact on household welfare. In summary, this linear regression analysis reveals that Accumulated Saving and Membership benefit from VSLA are significant predictors of household welfare in this study. Higher accumulated savings and perceived VSLA membership benefits are associated with higher



levels of household welfare. However, access to credit does not appear to have a statistically significant influence on household welfare in this specific context.

### Regression Model Summary

Table 9 provides a summary of the regression model used to predict household welfare based on the independent variables included in the analysis.

Page | 9 **Table 9: Model Summary**

Mean dependent var	4.351	SD dependent var	0.348
Adjusted R-squared	0.204	Number of obs	134
F-test	11.105	Prob > F	0.000
Akaike crit. (AIC)	74.087	Bayesian crit. (BIC)	85.678

### Discussion of results.

#### The influence of accumulated savings on household welfare

The study finds a significant positive relationship between Accumulated Savings and household welfare (Coefficient = 0.290,  $p = 0.001$ ). This implies that as accumulated savings increase, household welfare is expected to increase as well while holding other variables constant. The confidence interval further supports the robustness and statistical significance of this relationship, indicating that households with higher savings tend to have higher overall welfare levels.

Data from Village Agent performance assessments reveal that many VSLA members in Malawi engage in farming activities, which are facilitated by their participation in VSLAs, enabling them to plant additional crops and explore new income-generating activities (Makoka, 2016). The review anticipates forthcoming impact assessments in 2012, in Malawi and Uganda, that will provide detailed insights into changes in the lives of VSLA members, including aspects like food security, asset levels, ability to cope with shocks, and changes in household savings (Musinguzi, 2016).

The authors emphasize the importance of recognizing VSLAs as a crucial component of financial inclusion, valuing the skills and assets that members build over time (Frisancho & Valdivia, 2021). They argue that VSLAs serve as a significant step on the ladder of financial inclusion.

Chitimira & Ncube (2020) argue that the very poor may not be able to save due to subsistence and consumption needs, advocating for the provision of loans to improve their household welfare. On the other hand, Chikwira & Vengesai (2022) emphasize the importance of micro-saving over micro-credit for the very poor, citing doubts about their ability to productively use loans.

Sumah (2023) suggests that VSLA members benefit both from accumulating savings and taking loans from the VSLA, using share-outs and loans to increase their income. Kapoor & Tamilmani (2018) conducted a comparative

study that indicates a positive change in the lives of poor communities that participated in VSLAs.

In summary, the literature review demonstrates the positive impact of accumulated savings and VSLAs on household welfare in rural communities, as well as the ongoing debate surrounding microfinance options for the poor. It emphasizes the value of VSLAs as a tool for financial inclusion and economic empowerment among marginalized populations. Top of Form

#### The Effect of Loan Access on Households' Welfare

The analysis reveals that access to credit does not exhibit a statistically significant relationship with household welfare in this context (Coefficient = 0.014,  $p = 0.820$ ). The weak t-value and non-significant p-value suggest that access to credit is not a significant predictor of household welfare.

There is evidence to suggest that financial access is linked to improvements in the severity of poverty. A study in Kenya found that subsidizing savings and providing interest bonuses increased bank account ownership and household income (Gizaw, 2021).

Research conducted in Pakistan and India demonstrates that the expansion of rural financial services, including the development of bank branches, can lead to improvements in household welfare and a reduction in rural poverty (Amendola & Boccia, 2017).

Microfinance has been recognized as a vital tool for the economic empowerment of poor households. Access to microfinance has been associated with rising household income and consumption levels, reduced income inequality, and enhanced overall welfare (Miled & Younsi, 2022).

Studies have found a positive relationship between household characteristics, borrowing patterns, and expenditure levels (Simigiannis & Tzamourani, 2022). Access to credit significantly influences economic incentives at the household level, impacting consumption and investment decisions, as well as rates of wage growth and capital formation (Qamruzzaman & Wei, 2018).

A study by CARE (2017) suggests that women often use loans to start small businesses, invest in longer-term

projects, and meet immediate needs such as healthcare expenses and car repairs. Loans have also been used for housing investments and disaster relief, increasing the independence of borrowers.

Research by Ksoll & Lønborg (2016) indicates that VSLAs have a positive impact on household welfare. Savings and credit obtained through VSLAs have led to increased agricultural investments and income from small businesses, contributing to improved economic well-being.

In summary, while the relationship between access to credit and household welfare appears weak in the context discussed, access to financial services, including microfinance and VSLAs, has been associated with various positive outcomes such as increased income, reduced poverty, and improved economic empowerment, particularly for marginalized communities and women. These findings highlight the diverse impacts of financial access on household welfare across different contexts and the importance of considering various factors in financial inclusion strategies. Top of Form

### **The effect of membership benefits from VSLA on household's welfare**

The analysis indicates that there is a statistically significant positive relationship between membership benefits from VSLAs and household welfare (Coefficient = 0.284,  $p = 0.012$ ). This implies that households perceiving greater benefits from their VSLA membership tend to have higher levels of welfare. The confidence interval further supports the statistical significance of this relationship.

Access to micro-credit, such as loans from VSLAs, can contribute to changes in the attitudes of women borrowers about their role in economic and social development. It provides financial independence that leads to increased recognition of their productive role, which may further empower women to spearhead poverty alleviation initiatives in their households and communities.

VSLAs, as observed in Bangladesh, have increased mobility and strengthened networks among women who were previously confined to their homes. VSLA meetings provide opportunities for women to discuss problems and find collective solutions, enhancing their social and economic participation.

A study in Zanzibar, Tanzania, found a significant positive impact of member participation in VSLAs on community empowerment, socio-economic empowerment, and various indicators of household and individual welfare (Brannen, 2010). This includes increased asset expenditure, income-generating activities, education expenses, access to health services, nutrition, and housing quality.

Microfinance institutions worldwide serve a significant proportion of women clients, with arguments based on poverty reduction, efficiency, sustainability, and gender.

Empowerment involves increased well-being, resource access, self-esteem, participation in decision-making, and control over one's life.

Involvement in credit schemes can empower rural women by increasing their decision-making power within households and communities. Other studies have associated participation in credit programs with women's empowerment, considering factors like mobility, economic security, and freedom from domination and violence within the family.

In summary, the literature highlights the positive impact of VSLAs and micro-credit on household welfare and women's empowerment. These financial inclusion initiatives not only contribute to improved economic well-being but also play a significant role in changing perceptions and attitudes, especially among marginalized individuals and women, thus fostering greater self-confidence, decision-making power, and social participation.

### **Conclusions**

The study concluded that there was a strong positive relationship between Accumulated Savings and household welfare meaning that higher savings correspond to greater welfare.

This study concluded that access to credit is not significantly related to household welfare, suggesting it is not a predictor of household welfare in this context.

The study concluded that VSLA membership benefits are significantly linked to higher household welfare.

### **Recommendations**

Given the strong positive relationship between Accumulated Savings and household welfare, individuals and policymakers should encourage saving habits and financial planning to enhance overall welfare.

Based on the findings that access to credit is not a significant predictor of household welfare, it is advisable to explore alternative pathways to improving household well-being, such as education and employment opportunities.

Recognizing the significant link between VSLA membership benefits and higher household welfare, organizations, and communities should promote and expand VSLA programs to empower households and improve their overall economic well-being.

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### List of Abbreviations.

SPSS	Statistical Package for Social Sciences
VSLA	Village Saving and Loan Association
SACCO	Savings and Credit Cooperative Organization
FHI	Family Health International
CARE	Cooperative for Assistance and Relief
Everywhere	
SES	Socioeconomic Status

### Source of funding

There is no source of funding.

### Conflict of interest

No conflict of interest declared.

### Availability of data

Data used in this study is available upon request from the corresponding author

### Authors contribution

SM designed the study, conducted data collection, cleaned and analyzed data and draft the manuscript and MS supervised all stages of the study from conceptualization of the topic to manuscript writing and submission.

### Ethical Approval

Ethical approval was obtained from the school of Research and graduate studies, Team University Kampala. Participants were informed about the objective of the study and the fact that the confidentiality of their responses were insured by excluding personal identifiers and carefully securing the questionnaire in such a way that it is accessed only by the investigators.

### Informed consent

A consent form was filled by the respondents after explaining the purpose of the study to them. The respondents were assured of confidentiality as no name

will appear on the questionnaire. No participant was forced to participate in the study and all the study materials used during the interviews were safely kept under lock and key only accessible by the researcher.

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