

Youth experiences with and access to savings and credit in Karamoja, Uganda

A FEINSTEIN INTERNATIONAL CENTER BRIEF

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Cover photo: Charles Hopkins

Citation: Barbara Athieno, Elizabeth Dykstra-McCarthy, Elizabeth Stites, Roxani Krystalli. *Youth experiences with and access to savings and credit in Karamoja, Uganda*. Boston, MA: Feinstein International Center, Tufts University, November 2020.

This report is made possible by the generous support of the American people through the United States Agency for International Development (USAID).

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Key Messages

- Of the total youth interviewed, more than 80% reporting saving money. The most common form of savings was storing the money in their homes, and the second most common was through village savings and loans associations (VSLAs).
- Approximately half of youth respondents were in VSLAs, and liked the ability to keep money safe and receive credit. Barriers to participation included lack of cash and mistrust of the integrity of VSLA leaders.
- More women than men are in VSLAs; financial inclusion programs should target both women and men.
- Participating in VSLAs gave people greater confidence in their abilities to handle emergencies. While appreciated, VSLAs are not adequately providing sufficient loans for the members' investment goals due to the low level of contributions.

Introduction and overview

This briefing paper explores the ways in which youth interact with savings and credit mechanisms in the Karamoja sub-region of Uganda. This is one of four briefing papers based on research on youth livelihoods conducted in 2019. The other three papers address youth innovations, youth responses to major life events, and market access and decision-making. These findings are part of the Apolou Activity. Apolou is made possible by the support of the American people through the United States Agency for International Development (USAID) and is implemented by Mercy Corps and partners. The Feinstein International Center, Friedman School of Nutrition Science and Policy at Tufts University is the research and learning partner for Apolou.

The mixed-methods research seeks to understand the ways in which market expansion, including increased commoditization and monetization, have (or have not) provided opportunities for the population. The qualitative component of the research, of which this briefing paper is part, focuses specifically on youth and seeks to shed light on their experiences, aspirations, and interactions with economic, financial, and aid systems in a sub-region that has seen rapid change in the past decade. We seek to understand the ways in which young people (from late adolescence to late 20s) not only cope with shock and chronic vulnerability, but also take advantage of emerging opportunities. The longitudinal approach entails interviewing the



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same cohort of individuals each year, which allows for an in-depth understanding of change over time. This design allows the research team to explore the engagement of young men and women in livelihood activities, decision-making, market interaction, governance, and financial strategies and systems, as well as their aspirations.

Given that research in Uganda and beyond suggests that access to savings and credit can have significant impacts on developing communities,¹ this briefing

paper explores youth engagement with savings, particularly village savings and loans associations (VSLAs). These insights are significant for researchers and practitioners seeking to understand community-based financial inclusion, as well as for program implementers who design interventions involving cash or savings. Finally, these findings are of particular relevance to those seeking to understand the experiences of youth and the ways in which cash, savings, and community groups structure youth relationships.

Methodology

This briefing paper discusses some of the findings from the qualitative portion of the study. In the first round of the cohort study in year two of the Apolou Activity, between October and December 2018, the research team worked across 24 villages receiving or scheduled to receive interventions under the Apolou Activity. In these villages, we purposively selected 48 female youth and 48 male youth (a total of 96 youth) with approximate ages from late teens to mid-20s. We started with focus group discussions to gather background and contextual information, and then proceeded with semi-structured, open-ended qualitative interviews with individual respondents. In year three of the Apolou Activity, the qualitative approach involved in-depth interactions with the

same respondents who had been interviewed the previous year. Of the 96 youth participants in 2018, the research team in 2019 was successful in locating and interviewing 86 youth (45 female and 41 male) between October and December 2019. We analyzed the data inductively, paying attention to patterns emerging from the research, and coded it in Dedoose.

This briefing paper focuses on how youth utilize and interact with finances, particularly savings and credit mechanisms. In addition, the analysis of who is *not* saving or engaging with financial products may help programs more effectively fill gaps.

Key findings

Understanding the ways in which youth interact with and engage in savings mechanisms will assist the international and national donor and development community in developing effective and useful programs that build upon existing financial strategies. Findings discussed here focus on the perspectives of respondents and their views on i) saving modes; ii) VSLA composition, mechanisms, and access to credit; and iii) the benefits and challenges associated with savings and loans groups. Each of these sub-sections begins with the main messages.

Saving modes

Main messages:

- The majority of youth (81%) reported saving cash. The most common means was to store cash in their homes (85%), followed by participation in VSLAs (52%) and mobile money services (30%).
- More women than men used VSLAs, and more men than women used mobile money services.

¹ L. Hendricks and S. Chidiac, 2011, Village savings and loans: a pathway to financial inclusion for Africa's poorest households, *Enterprise Development and Microfinance* 22(2): 134-146.

- Barriers to access to VSLAs included lack of surplus cash to save, the belief that the VSLAs were for better-off people, and mistrust in the VSLA leadership.

Of the youth interviewed ($n = 86$), we had data on savings from 83 respondents, the majority (81%, $n = 67$) of whom reported saving, with a smaller number (19%, $n = 16$) reporting not saving at all. It should be noted that the saving modes are not mutually exclusive but are used concurrently by some respondents. Findings from the 67 respondents who reported saving show that **the majority (85%) of these youth store their cash in their houses**. When keeping their money at home, youth respondents use wooden or metal boxes and/or hide cash in the thatched roofs of their huts. Apart from saving money in their houses, 52% of youth respondents also save in VSLAs. A handful of respondents mentioned saving in rotating credit and savings associations (ROCSAs), commonly called "merry-go-rounds," especially in Amudat District. ROCSAs usually provide pay-outs of pooled savings to members in turn and do not provide access to credit. There were observable differences by gender in how people saved: 57% of those saving in VSLAs were female, and 43% were male. This study does not aim to be representative, and further research would be required to explore these gendered dynamics, since

evidence points to lower participation by men than women in VSLAs.

In addition, some of the youth within the sample (30%) reported using **mobile money services** to save and to exchange money with family members. Of the 20 youth who used mobile money, the majority were male ($n = 16$). Male youth were more likely to own mobile phones compared to female youth, which may explain their use of mobile money services. Mobile money use also appeared to be more common among those currently in school compared to those out of school. This finding is corroborated by studies that show that, particularly in Uganda, education has a positive impact on the use of financial services.² Youth who go to school may be more technologically adept, aware, and comfortable with mobile money use than those with less education. The reasons our research participants provided for not utilizing mobile banking included lack of mobile phones, lack of familiarity with the technology, poor mobile coverage, and distance from mobile money vendors. Women were more likely than men to say they did not have a phone or know how to use one, but otherwise there were no gender differences in reasons reported for not utilizing mobile money services.

The majority of the youth stated that **VSLAs** are the most common type of community-based savings

Table 1. Mode of savings by gender of the respondents ($n = 83$ (male: 39; female: 44))

Mode of saving*	Number of respondents	Percentage of total respondents	Female	Male
Youth reporting saving	67	81%	(n = 37) 55%	(n = 30) 45%
In home	57	85%	(n = 34) 60%	(n = 23) 40%
VSLA	35	52%	(n = 20) 57%	(n = 15) 43%
Mobile banking	20	30%	(n = 4) 20%	(n = 16) 80%
Buying assets, e.g., livestock	4	6%	(n = 2) 50%	(n = 2) 50%
Youth reporting not saving	16	19%	(n = 7) 44%	(n = 9) 56%

*Sum of percentages equal > %100 and number of respondents is > 83 because some respondents reported multiple means of savings.

2 IFC, World Bank Group, 2017, Banking on the future: youth and digital financial services in Sub-Saharan Africa, field note 9. <http://documents.worldbank.org/curated/en/42564154884338355/pdf/Banking-on-the-Future-Youth-and-Digital-Financial-Services-in-Sub-Saharan-Africa.pdf>.

group. Members deposit sums of money on a regular basis and loans to members are allowed, with various stipulations. Very popular in development programs, these savings mechanisms are believed to enhance economic empowerment by improving resilience to shocks and crises and by providing members with access to credit for investments in asset-building and livelihood activities.³ Although all respondents queried were aware of what these saving systems are, some reported that there were no active groups within their communities. The Apolou Activity includes a modified savings and lending model, known as a savings and internal lending committee, or SILC, in which a member's credit limit is more closely tied to his or her investments than in a typical VSLA. In addition, the SILC model contains an emergency fund and is a private service provider model whereby a fee is paid to the manager who is thus motivated to promote the continuation of the group. Within the study population, all respondents referred to their savings groups as VSLAs, but it is very possible that some are actually involved in SILCs but have not adopted this terminology.

Approximately half of the youth for whom we have savings data reported currently saving with a VSLA. (Some models may be better described as merry-go-rounds with regular pay-outs of all pooled funds; it is not always clear based on the data which type of savings system was present.) As mentioned above, more women than men were using VSLAs, which is in line with other studies regarding gender differences in participation.⁴ Although not cited directly by respondents, our experience and the literature point to a number of reasons for women being more involved in local savings associations

than men. First, women often feel the need to keep their cash away from the reaches of their husbands, while men are less likely to feel this risk. Second and as discussed below, external actors often target women for micro-savings programs; this trend may have filtered into local practice, even when these groups are formed spontaneously. Third, women may actively bar men from their informal social support networks as men are seen as less trustworthy, a liability to collective action, and overly demanding in attempts to exert influence.⁵

Even so, the literature also indicates that women face more obstacles than men in accessing savings groups, including marital opposition, an expectation to prioritize household responsibilities before individual pursuits, and lack of access to household finances. There is a wider backdrop of lack of access for women to financial services; women make up 55% of the world's unbanked adults.⁶ Women's elevated participation levels in VSLAs in Karamoja may be due to targeting by non-governmental organizations (NGOs) who believe that women's participation may lead to an increase in spending on family well-being, more household savings, and a higher likelihood of returning the loans.⁷ However, it is just as likely that women have been targeted in order to address gender equity and improve women's independence "as a catalyst for broader social and political emancipation of women;" the reasoning being that by "gaining access to productive sectors, women emerge from the private household environment and take up more visible roles in their community."⁸ VSLAs can play a meaningful role in female empowerment as, alongside material benefits, they can increase and develop leadership skills, decision-making, and confidence in financial

3 CARE France, 2017, Microsavings and economic development: women on the path to equality. https://www.carefrance.org/ressources/themas/1/4154f26-6402-Rapport_final_web_EN.pdf; CARE Afghanistan, 2017, Research on the role of village saving and loan association/community based savings groups in households' resilience report. <https://mangotree.org/files/galleries/VSLACommunityBasedSavingResearch.pdf>.

4 VSL Associates, 2018, Reaching the very poor: the need for a new microfinance model. <http://www.vsla.net/>; L. Musinguzi, 2016, The role of social networks in savings groups: insights from village savings and loan associations in Luwero, Uganda, *Community Development Journal* 51(4): 499-516; K. Wilson et al., 2010, *Financial promise for the poor: how groups build microsavings*, Kumarian Press.

5 H.Watson, 1994, Separation and Reconciliation: Marital Conflict among the Muslim Poor in Cairo, in Muslim Women's Choices: Religious Belief and Social Reality, eds. C.F. Solh and J. Mabro, London: Routledge, 33-54; Coppock et al., 2006, Collective Action by Women's Groups to Combat Drought and Poverty in Northern Kenya, Nairobi: Global Livestock CRSP.

6 World Bank, 2014, Global Findex Database 2014, Measuring financial inclusion around the world. <http://documents.worldbank.org/curated/en/187761468179367706/pdf/WPS7255.pdf#page=3>.

7 K. Wilson et al., *Financial promise for the poor*.

8 CARE France, Microsavings and economic development, 8; Pitt and Khandker, 1998, 2003; Khandker, 2005; Strauss and Beegle, 1996; Hoddinott and Haddad, 1994 in C. Brannen, 2010, An impact study of the VSLA program in Zanzibar. <http://hdl.handle.net/20.500.12018/1412>; Christian Aid, 2016, Gender analysis of village savings and loans: Enhancing Community Resilience Programme (ECRP).

management. They can help to promote educational attainment. In addition, some respondents voiced the opinion that VSLAs are for women, while men save in assets like livestock.

At the same time, there are structural factors that shape the barriers to participation in VSLAs. Most of the respondents who were not participating in VSLAs attribute their nonparticipation to inadequate livelihood activities or lack of income. Many said that they were unable to contribute the required weekly amount due to financial responsibilities that eliminated surplus cash for savings. The requirement of regular contributions also made some poorer youth feel excluded, as explained by a female respondent in Nadunget Sub-County, Moroto:

I do not save money and I do not have any interest in joining any saving groups in my village, because the one I know of has a lot of segregation. The members in the group are chosen from the well-off families, mostly families with cattle and who are able to save in a weekly basis. When they fail to raise money to save, they are able to sell their cattle and be able to get some money for saving, unlike me who sustains my household through my income that I get from *leja leja* business [casual day labor] which is not every day but seasonally.

In addition to unfairness in the selection of VSLA members, some youth said that they lacked trust in the VSLAs because of mismanagement of funds by leaders. Some youth felt that the VSLA leaders and members lacked integrity, which contributed to potential financial losses. Data from this study, as well as other similar studies, indicate that some of the people who were not participating in groups had previously had negative experiences in such groups, including having money lost or stolen.⁹ As an 18-year-old woman in Kalapata Sub-County in Kaabong reported, “I used to be in a savings group with my friend, but unfortunately we stopped saving in that group because the money was stolen by the person who kept the savings box. Due to

that we lost a lot of money and that discouraged me [from participating in other groups].” These experiences lead to distrust and risk aversion when contemplating participating in VSLAs. Some respondents, however, were willing to try again, as evident in the words of a young woman from Kaabong West in Kaabong District:

I am not in any savings group since I was disappointed last year by the saving group I was in. People ran away with the money including our group leader. So now I keep my money with me. I tie it in a rope around my waist or give it to my mother to keep. If any savings group starts now, I will join. Saving is good because you can borrow the money and use the capital to do any business. This year, the little savings bought me two goats...Also, sometimes we are not able to attend the regular meetings of the VSLAs because we are busy with business and survival activities.

As this female respondent indicated, some youth are not involved in VSLAs because they are away too often to participate in the regular activities. Female youth who cited this constraint said they were often at markets or away from their home village due to cultivation. Male youth from families with herds were also often away with animals.

9 S. Cameron and E. Ananga, 2013, Savings groups and educational investments, Plan UK. https://plan-uk.org/file/plan-international-uk-savings-groups-and-education-investmentspdf/download?token=8ele_Rfa; CARE Malawi, “Good Enough” Learning Pilot report. http://careglobalmel.careinternationalwikis.org/_media/malawi_vsla_post_project_eval.pdf; CARE, 2018, A guide for the formation and training of youth savings and loan associations (YSLAs). <https://care.ca/wp-content/uploads/2018/12/YSLA-Training-manual-April-2018-revised.pdf>.

VSLA composition, mechanisms, and access to credit

Main messages:

- Most respondents contributed less than 2,000 Ugandan shillings (UGX) (about US\$0.54) per week to the VSLAs. These small amounts meant that VSLAs struggle to meet members' needs.
- Both male and female youth hold leadership positions in VSLAs, though women are more likely to serve as treasurers while men are more likely to serve as chairpersons.

Our data from 2018 indicate that some respondents felt that youth were not being invited to participate in VSLAs.¹⁰ By contrast, the 2019 data show both male and female youth having started their own VSLAs. Managing the VSLA to their own expectations helps youth build ownership and control, as explained by a young woman in Rengen Sub-County in Kotido:

We started a small group last year with 5 members and would save 1,000 shillings a week. More youth and other people admired our setting and joined, which made the number rise to 20 members this year. We bought a book where we register weekly, and we have bought a lockable box for saving our money.

The VSLAs discussed among study respondents ranged in size from 8 to 30 members, with an average membership of 19 members. Most groups comprise both female and male members, though not necessarily in equal proportions. Some groups are single sex. Weekly contributions range from 200 UGX to 20,000 UGX (approximately US\$0.05 to US\$5.35), but the majority of respondents reported contributions of less than 2,000 UGX (about US\$0.50) per week. This variation in contribution amount was a source of tension for those in

groups in which it was allowed, as those who are contributing more feel they are carrying more weight. A male youth in Rengen, Kotido reported:

The weekly contributions are very low, ranging from 200 UGX to 500 UGX [approximately US\$.05 to US\$.13] per week for the majority, although myself as a livestock trader, I contribute 10,000 UGX per week. I get my contributions from the profits I make from selling goats in the market after fattening them.

Many VSLAs have clear rules and regulations, including about the minimum amounts of savings that are to be contributed each week. Additional rules include consistent attendance at meetings and prompt repayment of loans. Penalties and fines can be levied for defaults. Both male and female youth reported holding leadership positions in VSLAs, although (in our limited sample of mixed gender groups) women were more often in the role of treasurer and men were more often in the role of chairperson. As leaders, respondents said they were responsible for monitoring the group activities (i.e., how much has been saved, loaned out, and brought back) and mobilizing other youth to join the VSLA.

Benefits and challenges

Main messages:

- Respondents appreciate non-material benefits of VSLA participation, including a sense of assuredness, greater confidence to solve emergencies, and social connectedness with other group members.
- Access to credit was the most important material benefit. However, due to small contribution levels, the loans are often insufficient to meet investment or entrepreneurial goals.
- VSLA challenges center around poor leadership, including the credibility and trustworthiness of group leaders, and problems with sustainability.

¹⁰ T. Atim, B. Athieno, K. Howe, R. Krystalli, and E. Stites, 2019, "Young people are the fulcrum of the community": Apolou baseline qualitative report, Feinstein International Center, Friedman School of Nutrition Science and Policy at Tufts University, Boston. https://fic.tufts.edu/wp-content/uploads/FIC_Apolou_Final_Qual.pdf.

Many of the respondents involved in savings and loan groups reported that their membership brought both material and non-material benefits, through both the process of participation in the VSLA and its results.

Studies have shown that the corollary effects of non-material benefits are as vital as the material objectives of the groups. In some contexts, VSLAs have been shown to improve social cohesion, personal development (such as in confidence, business acumen, or literacy), and access to decision-making fora.¹¹ In Karamoja, youth reported both material (savings and credit) and non-material (shared ideas and experiences, trainings, and coming together) benefits from VSLA engagement. This knowledge, access to finances, and sense of belonging to a group helped to facilitate a sense of assurance and confidence to solve emergencies, as opposed to resorting to selling livestock or other assets to meet pressing needs. One female youth explained that having her money in a VSLA gave her peace of mind by helping to prevent her from using it for other purposes:

I do appreciate the fact that I am a member of a VSLA and saving in the group because it helps me keep money safe and avoid unnecessary expenses such as buying beer for visitors, going to drink with my friends, and also buying items because I have money on hand. When I have my money kept far from me at the end of the day, I don't even think about it, then after it is distributed I can have a proper plan for it.

Some respondents felt that the VSLAs have also built relationships and unity among youth. Since the groups operate on the principle of shared gain and loss, the members develop a sense of responsibility to each other. A woman in Kacheri, Kotido explained:

I am just a member of the group who saves money and gets a loan whenever I have a

problem. What I like about being in the group is that when I fall sick or have a food crisis at home, I am able to get support and a loan. The strengths of the group are that people listen to each other, support, and also people are peaceful and united.

In other contexts, these memberships have proven to be particularly useful in times of crisis. Not only are VSLA members able to borrow to mitigate the effects of crises in their lives, but also they enjoy enhanced social connectivity.¹² The social connections can also help members amicably resolve disagreements, which reportedly promotes peaceful co-existence within the community.

Numerous respondents discussed the material benefits of being a VSLA member. These may be mid- or longer-term benefits, as a subsequent causal effect of VSLAs, such as starting businesses, increasing access to formal finance, or improving household access to education and healthcare.¹³ One male youth, who participated in two groups, narrated the multiple material benefits he enjoyed from being in the VSLAs:

I took a loan of 220,000 UGX [about US\$59] in July 2019 from [one VSLA] and also took 150,000 UGX [about US\$40] in May 2019 from [the other] VSLA group. I used part of the loan for paying school fees for my brother, and most of it for cultivation. I also helped my family to buy medicine and food. I have so far paid back 80,000 UGX to [the first group] and 50,000 UGX to [the second group] [about US\$21.42 and US\$13.40 respectively]. I am sure that I will clear the balances when I sell cotton soon.

The main material benefit is being able to access credit. Twenty percent of youth respondents reported having taken a loan from a VSLA. Amounts borrowed per loan ranged from 50,000 UGX to

11 CARE France, Microsavings and economic development; CARE Afghanistan, Research on the role of village saving and loan association.

12 CARE Afghanistan, Research on the role of village saving and loan association; USAID Advancing Liberia Youth Project, 2017, Youth participation in village savings and loan associations within an integrated ABE program. <http://idd.edc.org/sites/idd.edc.org/files/USAID%20Advancing%20Youth-LearningSeries8%20Village%20Savings%20and%20Loans%20Assoc.pdf>.

13 K. Hughes, October 19, 2016, Skilling for change: Securing long-term economic independence for women VSLA members in Rwanda. <https://insights.careinternational.org.uk/development-blog/skilling-for-change-securin>g-long-term-economic-independence-for-women-vsla-members-in-rwanda; M. Ngegba, T. Kassoh, and M. Sesay, 2016, Impact of village saving and loan association (VSLA) on farm productivity in Lower Banta Chiefdom, Southern Sierra Leone, *International Research Journal of Social Sciences & Humanities* 1(1): 29-32.

1,000,000 UGX (about US\$13.42 to US\$26.84), though most loans were in the under-200,000 UGX range (under US\$54). Respondents used loans to start or improve businesses, fulfill basic household needs, pay school fees, or access medical services, in that order. For some, VSLA loans helped to prevent distress sales of livestock in the dry season, thus improving the ability of households to recover when the rains return.¹⁴ Access to credit through VSLAs can help members in both bad and good times, such as a young man in Kaabong who was able to borrow money “to solve urgent needs at the household like taking a sick child for health care” and “to buy a bull and a plow.”

Many people reported using credit to invest in assets, to buttress income, or to increase their access to markets.¹⁵ Women, who traditionally own few livestock in comparison to men, have been increasingly investing in livestock through VSLAs loans. This pattern corroborates studies from other contexts on asset expenditures among VSLA-participating women.¹⁶ A young woman in Nadunget Sub-County, Moroto first used her loans to purchase and sell chickens, selling them at the high point in the season. More recently she was using her loans to buy young animals which she then raised, selling them after they had given birth and when the market price is high. She was in touch with livestock traders to monitor the prices. Another woman, in Rengen Sub-County in Kotido, used the 200,000 UGX (about US\$54) pay-out from her merry-go-round savings group to buy eight goats.

That women are using the opportunities provided by VSLAs to invest in assets is particularly interesting, as they are traditionally considered to be more likely than men to be investing in other household expenditures, such as education

and healthcare.¹⁷ While the study did not look specifically at this distinction, investing in assets—as opposed to covering basic needs or responding to emergencies—likely indicates greater economic security. A woman in Tapac, Moroto explained that she prioritized putting any profits back into her business and saved the remainder for food or other emergencies. She contributed 2,000–6,000 UGX (US\$0.54 to US\$1.61) to the savings group each week and stated:

I do save weekly depending on how the business is doing...the saving group is good in that it helps a lot in terms of loan acquisition. I have gotten a loan of 400,000 UGX [about US\$108], and I used this loan to buy produce like maize and resell it in the market during market days every Friday.

However, while access to credit is significant, it is often insufficient to provide adequately for members' needs and/or to meet their investment goals.¹⁸ This challenge is a major one for the sustainability of VSLAs in poorer communities. Some of the poorest in these communities are either not participating at all in VSLAs or not saving enough money to take loans. Some respondents were in groups with adequate numbers of members, but small overall values due to low contribution levels. These low contribution levels in turn limited the amount available for loans and was a source of frustration for respondents who would like to be able to make bigger investments. In addition, the low earning power in many areas meant that people who did take loans sometimes were unable to repay them in a timely fashion. In addition, the majority of the youth lack financial literacy and discipline. A young man in Rengen, Kotido complained:

The capacity of our group is small, and therefore we are not able to access bigger loans

14 J. Burns, S. Bogale, and G. Bekele, 2010, Linking poor rural households to microfinance and markets in Ethiopia: baseline and mid-term assessment of the PSNP Plus Project in Doba, 8. https://fic.tufts.edu/wp-content/uploads/Microfinance_and_markets.pdf; M. Buchanan-Smith and A. Fadul, with A. Tahir and Y. Aklilu, 2012, On the hoof: livestock trade in Darfur, UNEP, Nairobi. https://www.un.org/en/events/environmentconflictday/pdf/UNEP_Sudan_Tufts_Darfur_Livestock_2012.pdf.

15 CARE Uganda, 2014, VSLA village savings and loan association report 2014. <https://www.care.org.au/wp-content/uploads/2014/12/CARE-VSLA-Report-Uganda-Eco-Devel.pdf>; Brannen, An impact study of the VSLA program; USAID Advancing Liberia Youth Project, Youth participation in village savings and loan associations.

16 Brannen, An impact study of the VSLA program.

17 Clinton Global Initiative, Empowering girls & women. <https://www.un.org/en/ecosoc/phlntrpy/notes/clinton.pdf>; D. Bloom, M. Kuhn, and K. Prettner, 2017, Invest in women and prosper, IMF, Finance and Development 54(September, no. 3); J. Hoddinott and L. Haddad, 1995, Does female income share influence household expenditure? *Oxford Journal of Economics and Statistics* 57(1). <https://doi.org/10.1111/j.1468-0084.1995.tb00028.x>.

18 The SILC model attempts to improve outcomes by focusing on the potential investments, not just loans.

to facilitate us to do bigger business. Some borrowers delay in paying back their loans, and that inconveniences the rest of the group.

Others discussed more serious problems that can arise when loans are not repaid, including group members taking matters into their own hands. A young man in Lobangit Sub-County in Kaabong said:

There are difficulties and delays in payment of the loans by members, which results in impatience by group members who can raid your house and auction your assets to recover the VSLA group money.

The challenges of savings groups as reported by respondents largely centered on leadership dynamics, such as the credibility and trustworthiness of group leaders, as described above. Some VSLA groups have closed due to alleged mismanagement and corruption by group leaders, causing financial losses and frustration for members. The integrity and credibility of VSLA leadership play an important role in the success and sustainability of such groups. This is one of the challenges that the SILC model, mentioned earlier, hopes to overcome by promoting a private sector provider who receives a fee for his or her services and is therefore more accountable.

Another challenge to VSLAs is sustainability. Most VSLA groups discussed by respondents emerged from local women's groups, youth groups, or groups based on livelihood activities. NGOs started some of the groups, or they were started by communities and then received support from NGOs.¹⁹ As mentioned by respondents, NGO support could include saving boxes, padlocks, savings bowls, and voucher books. Some NGOs also provide training to groups on the best saving practices, credit and loan management, and leadership. Some respondents reported that NGO-initiated VSLAs have collapsed when the NGOs end their support. The reasons for such collapses vary from social to financial ones. A young woman in Lodiko Sub-County in Kaabong explained

that maintaining group cohesion was a problem without NGO support:

We were 30 members in the group, both male and female, and we used to save 2,000 UGX [US\$0.54] per week every Saturday. But unfortunately, the group is dying and collapsing because the members are not cooperative and the NGO has not been able to sustain the group in terms of assistance as a motivating tool.

However, a male youth in Rengen, Kotido was optimistic that his group, which formed following NGO training, would continue:

We have the concept that even if the NGO stops supporting us and evaluating our performance, we have already reached a point of continuation without the NGO, because of the strong support by committed members in meetings and savings.

These two examples illustrate that sustainability may be more a factor of group dynamics than NGO involvement. Analysis shows that most of the groups discussed by respondents lasted for two years or less, regardless of NGO involvement.

¹⁹ Respondents mentioned a number of NGOs that had started or supported VSLAs, including Farm Africa, ZOA, ADRA, IRC, CRC, CARITAS, DYNAMIC, Food for The Hungry, Samaritan's Purse, C & D, and Mercy Corps.

Conclusions and implications

Key messages:

- VSLA groups may have significant positive effects on resilience and livelihoods as they act as a platform for economic development and access to credit in local communities, but there are still a number of barriers to access.
- Interventions to improve VSLAs should include capacity building of leaders and members to increase member involvement in day-to-day operations and to encourage transparency and accountability.
- Enhancement of skills through VSLAs can be as critical as the material resources and benefits beyond the lifetime and scope of the savings groups themselves.
- Mobile money services are an underutilized opportunity for youth to access financial services, and programs should work to expand their reach and to encourage female participation.

Many respondents are either not saving or are storing their money in their homes, strategies which increase their vulnerability to risks and decrease their ability to build resilience to absorb shocks. Priorities for development actors seeking to increase resilience should target these groups, improving both awareness of and access to VSLAs or mobile banking and increasing training on accessing and building capital. Developing the resilience of the most vulnerable households may help to bolster the resilience of the community as a whole. This briefing paper has explored the ways in which young people use and benefit from VSLAs, as well as barriers to entry. These insights are meant to help in the design of programs aimed at expanding financial inclusion to youth.

The research findings illustrate that VSLA groups are a critical source of financial support through

savings and credit access for the youth in the study population. However, only about half of respondents who were saving cash are participating in VSLAs, despite widespread knowledge of VSLAs and interest in participation. Obstacles to participation identified in this study include: a lack of disposable income; mistrust or lack of interest in VSLAs because of previous negative experiences or the impression that they are unsustainable; and a lack of time to participate. Direct targeting of youth, especially male youth, may help to increase participation in VSLAs and similar savings schemes, particularly using peer-to-peer outreach, kick-start funds, and additional training.²⁰ Leadership and management might be improved through capacity building of both group leaders and members to increase member involvement in day-to-day operations and to encourage transparency and accountability.

For those in the savings groups, membership may have significant positive effects on resilience and livelihood planning. For actors choosing to use VSLAs as a platform for economic development in small communities, focusing on the enhancement of skills through VSLAs can be as critical as the material resources and benefits. Moreover, such investments in human capital potentially have impacts well beyond the lifetime and scope of the savings groups themselves.

Mobile money services are an important opportunity for youth (particularly rural youth) to access financial services. Currently, such services are not widespread among youth respondents due to structural and access problems, as well as issues of awareness and trust. The use of mobile banking and its benefits are closely tied to educational background and ability. There are potential synergies around accessibility of youth to both mechanisms, such as innovations around “mobile banking wallets” that have been designed with group savings in mind and can be

²⁰ Plan UK, 2015, Young people can save: the emerging youth savings group model and why we need your support. <https://youtheconomicopportunities.org/blog/2698/young-people-can-save-emerging-youth-savings-group-model-and-why-we-need-your-support>.

protected with multiple PINs.²¹ Such innovations, however, would not overcome the infrastructural problems that youth face around mobile banking.²²

Access to, and use of, finance and financial services is a potentially transformative mechanism that can respond to wide-ranging structural issues: access to education, healthcare, contraception, gender inequality, women's empowerment, and resilience to shocks. Moreover, it addresses a need in low-income households to manage a complex financial base of multiple income streams and livelihood strategies.²³ However, it also has the potential to disrupt the status quo in a manner that could negatively impact those it intends to help. Financial programs targeted towards women must concomitantly target the

cooperation of men.²⁴ In addition, programs should include technical guidance, offer linkages to services such as financial institutions, and provide financial literacy training.

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22 IFC, World Bank Group, Banking on the future.

23 D. Collins, J. Murdoch, S. Rutherford, and O. Ruthven, 2009, *Portfolios of the poor: how the world's poor live on \$2 a day*. Princeton: Princeton University Press.

24 Christian Aid, 2016, Gender analysis of village savings and loans.

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