



## More than credit – giving savings the benefit

By Michelle Lettie  
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Microfinance has faced heavy scrutiny over the years, generating important debate and learning for policy and practice, not least around the [potential for harm](#) [pdf]. However, this analysis has largely centred on micro-credit and loans, assuming increases in income and business development as the primary measures of success. For savings-led approaches to microfinance, this is only part of the picture.

We believe that the collective findings of a number of recent evaluations and impact studies on [CARE's Village Savings and Loan Associations \(VSLA\)](#) approach have the potential to contribute further nuance to the debate over the effectiveness and role of microfinance. Whilst no one study is definitive, CARE and others are building a picture of positive change in resilience, self-esteem, increased investments in health, education and community, and the ability to link savings groups members to the security and benefits of formal banking – with the right safeguards and regulations in place.

Whilst increases in income are one measure of success, we've long known that not all women aspire to be entrepreneurs and not all women engaging in savings groups are looking to build a business. Savings groups can build a social fund to strengthen women's resilience to shocks, such as illness or drought, and improve their day-to-day quality of life. An [impact evaluation of CARE's VSLA](#) programming in Rwanda, for example, found that over a three-year period participants' average number of meals per day rose from 2.1 to 3.2, and the average spend from members annually on healthcare increased from USD\$5.60 to \$10.30. For women in vulnerable situations, savings can mean the difference between coping through a major shock or not, such as being able to cover unexpected funeral costs.

Savings groups have also been found to increase participants' self-respect and social capital, particularly among women. A [randomised control trial of VSLAs](#) [pdf] in Ghana, Malawi and Uganda undertaken by [Innovations for Poverty Action](#) (ipa) found that the presence of savings groups leads to improvements in women's intra-household decision-

making power. In an [evaluation of VSLAs](#) in Uganda, CARE also found that after a three-year period 63 per cent of participants indicated that their husbands respected and valued their role, compared with only 48 per cent at baseline.

We know that access to savings alone doesn't equate to women's economic empowerment. The ipa study, for example, found little observed change in women's involvement at the community level, despite the increases in decision making power within the household. A (soon to be published) thematic evaluation of CARE's Women's Economic Empowerment programming in South-East Asia highlights the need to develop approaches that integrate methods to tackle violence against women and children, and violence more broadly. It also finds that where projects have managed to integrate economic approaches with other support, such as sexual rights and reproductive health and hygiene initiatives, there has been a more favourable change in women's lives and well-being, impacting on their ability to work and earn an income. The message from these studies and others, including the [Do No Harm research](#) underway by IWDA, ANU and partners, reiterates the need for holistic approaches that address the social and structural barriers limiting women's ability to fully take advantage of economic opportunities.

Income is, of course, still important. A CARE evaluation in Uganda found a rise in VSLA members' monthly household income from USD\$60 to \$95 over a three-year period. The South-East Asia thematic evaluation also finds that 90 per cent of groups surveyed in Vietnam reported a 10-20 per cent increase in income, suggesting that VSLAs 'were successful at enhancing women's access to finance and involving women in income earning activities, sometimes for the first time'. Others are also finding positive results; [an impact evaluation by IRC](#) in Burundi found that VSLA initiatives, 'combined with entrepreneurship and financial literacy education can improve the economic outcomes of poor households'.

Whilst the evidence from a [study of six micro-credit approaches](#) [pdf] referenced by Terence Wood in a [recent post for this blog](#) found no statistically significant increases in household income, the ipa VSLA study found positive impacts on members' ability to invest in income-generating activities and to cope with erratic cash-flow. Although this is tempered by the finding of no detectable changes in agricultural production, livestock holdings or the accumulation of household assets, the study did suggest that these flow-on effects take time and that further analysis will help to understand the longer term impacts.

There is clearly more to learn. However, the evidence points to the need to look beyond loans for business development and measure the full range of potential benefits of savings-led approaches to microfinance. And for women specifically, the evidence suggests that any approach to, or assessment of, microfinance needs to consider the barriers that women face

in being able to truly take advantage of economic opportunities.

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