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Savings groups as a socioeconomic strategy to improve protection of moderately and critically vulnerable children in Uganda

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A R T I C L E I N F O

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A B S T R A C T

Background: Increasing interest is concentrating in the investigation of whether socioeconomic interventions yield results for children in the area of protection. AVSI Foundation, in Uganda, leads a consortium implementing the "Sustainable, Comprehensive Responses for Vulnerable Children and their Families" (SCORE) Project. The project targets 25,000 moderately and critically vulnerable households in Uganda and addresses them through a multisectoral intervention package encompassing socio-economic, food security, protection and family strengthening. Data from SCORE's monitoring and evaluation system and the mid-term assessment has become available and is used to investigate the topic.
Objective: This paper contributes original data and analysis to the discussion of socioeconomic strategies for vulnerability reduction and protection of children.
Methods: Statistical analysis of Village Savings and Loan Association Management Information System (VSLA MIS) data from 741 VSLAs was supported by the SCORE Project between 2012 and 2013. Statistical analysis of SCORE Vulnerability Assessment Tool (VAT) data covering 13,327 beneficiary households enrolled by SCORE in its first phase (last quarter 2011–first quarter 2012) and corresponding second assessment (second quarter 2013). Data analysis was carried out using Statistical Package for Social Sciences (SPSS).
Results: Between 2011 and 2012, SCORE supported the establishment of 743 Village Savings and Loan Associations (VSLAs), with a total membership of 20,818. Total saving stands at 1,113,185,960 Uganda Shillings. Saving and loans per capita are at 53,754 and 50,093 Uganda Shillings respectively, with regional variation (ranging 33,008–83,073 for savings, and 24,005–93,280 for lending). The overall loan to saving ratio is at 84.45%, with regional variation and range 60.83%–97.97%. Vulnerability data concerning the protection for 13,326 households supported by SCORE shows a reduction by 52%, with regional variation (range 42%–71%).
Conclusion: Results show that the VSLA approach can be used, besides community development, for direct vulnerability reduction strategies. VSLA approach can be made more inclusive of the most disenfranchised members of the community without losing in efficiency or effectiveness. SCORE Project data is highly suggestive of a positive linkage between socioeconomic interventions and protection outcomes, thereby reinforcing the current literature. More detailed analysis of SCORE databases may allow further understanding of the pathways linking the two result dimensions.

1. Introduction

There is growing evidence that access to formal savings accounts and other modern financial instruments enables poor households in developing countries to save, build assets to smooth consumption, invest in health and education, start or improve income generating activities (Dunford, 2006; Littlefield, Morduch, & Hashemi, 2003). Micro-saving has been shown to have positive impacts on the levels of poor people's savings, as well as to increase both expenditure and assets accumulation (Adjei, Arun, & Hossain, 2009; Dupas & Robinson, 2008; van Rooyen, Stewart, & de Wet, 2012). A study carried out in Western Uganda shows that improved household economic status has a positive effect on physical well-being of children, as well as of improved household provision for children's basic needs (Katz, Chaffin, Alon, & Ager, 2012). Similar studies demonstrate further that an intermediate outcome of increased income is usually followed by an increased expenditure on child welfare. In a study that assessed the effects of microfinance on children, it was found that spending on education and healthcare increased as household incomes also increased (CIDA, 2007). Participation in the Village Savings and Credit Association and credit program has been at

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times associated with a significant positive increase in meal quality, and at times not linked to differences in household diet and food security (van Rooyen et al., 2012).

With regard to education, a study in Uganda on savings provision to AIDS-orphaned young people has shown better Primary Leaving Examinations scores than the control group, as well as increased intention to attend secondary schooling (Ssewamala et al., 2010). The evidence for micro-credit's impact on school enrollment is on the other hand contradictory, with a number of studies contributing results pointing to positive and negative effects (van Rooyen et al., 2012).

The evidence base regarding links between to child protection is still, however, rather limited and is acknowledged as a priority issue (CPC Livelihoods and Economic Strengthening Task Force, 2011). One study investigating the impact of micro-credit or micro-savings on child labor found no significant effect (van Rooyen et al., 2012), with reduced child participation in household chores but also lower likelihood to attend school.

This paper seeks to contribute to available literature by showing a potential linkage between social-economic interventions and child well-being with a focus on protection. The arguments are based on the analysis of project SCORE's Village Savings and Loans Association (VSLA) data and data on household vulnerability.

1.1. Village Savings and Loan Associations: good way to improve socioeconomic status

The VSLA methodology is a cornerstone of many interventions aimed at increasing vulnerable households' access to financial resources and raise their capacity to meet their basic needs and at same time engage in economic activities. The Village Savings and Loan Association is a savings-led microfinance model based on the belief that for the extremely poor, and particularly women, the best approach is to begin by building their financial assets and skills through savings rather than debt (Hendricks & Chidiac, 2011). Through participation in a VSLA, members are able to save and borrow and can diversify and expand their activities. The centrality of access to financial services among the poor is further justified by findings from other studies. An analysis of financial diaries of low-income respondents around the world (Collins, Morduch, Rutherford, & Ruthven, 2009) documents that the poor manage surprisingly complex financial portfolios and use a large set of financial instruments that can be quite complicated.

Operationally, a VSLA is a self-selecting and member-financing mechanism comprising of between 15 and 30 people who come together and save every week. The minimum saving amount is set by the group, and in Uganda it usually ranges between 100 and 1000 Ugandan shillings. After a few months of building up the level of savings, the group is able to make loans. Loan sizes typically range from 20,000 to 60,000 Shillings and are for one to three month duration. Those applying to borrow are questioned by other group members to judge whether they are investing wisely. All the funds are kept in a lock-box with three padlocks. The keys are held by three different members of the group, and one of the ground rules is that the box is only opened during the general meeting. In addition, each group has designated money counters, who guarantee a high level of transparency around transactions. The interest rates that the members pay on loans are set by the group. Rates as high as 10% per month are sometimes set but members benefit from the high returns on their savings. Groups also have a social welfare fund that the members contribute to; this is used to cope with shocks such as deaths and illness. The fund is effectively a self-insurance scheme. The groups rely solely on their own savings and have no access to external funds either from banks, NGOs or other groups.

A recent, rigorous multi-country assessment of the VSLA model implemented by CARE in three countries in Africa revealed that the VSLA model has the ability to lead to significant and relevant changes in short-term behavioral indicators, such as utilization of financial services to improve investments, absorb financial shocks and regulate expenditures (Innovation for Poverty Action, 2012).

1.2. VSLAs and inclusion

The same study, however, finds that members and non-members in VSLAs differed significantly when compared on the basis of characteristics such as wealth, literacy and access to financial tools (Hendricks & Chidiac, 2011). Women who joined a VSLA had a larger household at the baseline, with slightly older children than non-members. Members' households were also significantly wealthier, as shown by a 0.36 standard deviation difference in the study's asset index. Members' households were 4.4 percentage points more likely to own a cell phone and a bicycle at the baseline, and 4 percentage points more likely to have a roof made from an iron sheet. Members were also more likely to have had access to electricity in their house at the baseline. In Uganda, in particular, the study found that VSLA members were significantly more likely to have had a business at the baseline, by 10.4 percentage points. In Uganda and Malawi, members were more literate than non-members, by 12 and 10 percentage points respectively. In Uganda 51% of members had attended school for at least 5 years while only 40% of non-members had done so. Members in Uganda were also on average 2 years older than non-members. Members were also 6 percentage points more likely than nonmembers to have held any savings at the baseline survey; this difference is particularly significant in Uganda where 73% had some savings compared to 58% of non-members.

The above evidence therefore shows that despite the advantages associated with VSLAs, they may exclude the most vulnerable people in communities, and in particular people with comparatively limited access to financial tools, limited education and generally lower socioeconomic status. The possibility that core poor be not accepted in group lending programs by other group members because they are seen as a bad credit risk has also been argued elsewhere (Marr, 2004).

1.3. SCORE: responses for the most vulnerable

AVSI Foundation leads a consortium with TPO, CARE International and FHI360, implementing the Sustainable, Comprehensive Responses for Vulnerable Children and their Families — SCORE Project. The project strategically tackles the vulnerabilities of more than 125,000 critically and moderately vulnerable children (VC) and household members in 35 districts across Uganda. The goal of the program is to decrease the vulnerability of critically vulnerable children (VC) and their households, and the project's multisectoral approach encompasses activities focused on socio-economic strengthening, improvement of food security and nutrition, increased availability of protection and legal services, and increased capacity of vulnerable women and children and their households to access, acquire or provide critical services (Table 1).

SCORE works in five regions and 35 districts of Uganda, and as of June 2013 has enrolled 22,864 households, corresponding to more than 130,000 vulnerable adults and children. The level of vulnerability is assessed on the basis of each household's score against a standardized tool called Vulnerability Assessment Tool (VAT). The SCORE VAT,

Table 1
SCORE regions, districts.

South western	Central	East central	Eastern	Northern
Bushenyi	Luweero	Kamuli	Butaleja	Amuru
Sheema	Kampala	Iganga	Bududa	Nwoya
Mitooma	Mukono	Luuka	Budaka	Gulu
Rubirizi	Buvuma	Namayingo	Bulambuli	Lira
Buhweju	Buikwe	Bugiri	Sironko	Alebtong
Ntungamo	Wakiso	Mayuge	Busia	Otuke
Rukungiri		Buyende		Lamwo
Isingiro				Kitgum