Although microfinance institutions have provided millions of people with access to financial services over the past decades, provision of services in rural areas remains a major challenge. It is costly for microfinance organizations to reach the rural poor; consequently, many rural residents still lack access to formal financial products, such as savings accounts. Traditional community methods of saving, such as Rotating Savings and Credit Associations (ROSCAs), can provide an opportunity to save, but they do not allow savers to earn interest on their deposits in the way that formal accounts would.

The Village Savings and Loans Association (VSLA) model created by CARE attempts to overcome the difficulties of offering credit to the rural poor by creating groups of people who can pool their savings through the Accumulated Savings and Credit Association (ASCA) model. Members make savings deposits into a common pool, and can also borrow from it on an as-needed basis at moderate interest rates.

VSLAs are comprised of 15-30 self-selected members, each of whom is provided with an individual passbook. Members attend weekly meetings, where they make savings deposits by purchasing shares at preset prices that are established by the group. Each share is marked in a passbook, thereby simplifying accounting procedures. Members purchase between one and five shares at each meeting, based on their ability to save that week. At the end of each 8- to 12-month cycle, the accumulated funds are proportionally shared amongst members based on their individual contributions.

To ensure the security of funds in the VSLA, savings are kept in a locked box with 3 keys. These keys are held by members of a 5-person committee that is elected at the start of the cycle to manage the transactions of the group. In addition to providing a safe and flexible savings channel, VSLAs allow members to take loans from the group. Loans are paid back to the group with interest, thus giving members a positive return on their savings. Most groups also establish a social or emergency fund as an insurance and solidarity mechanism to provide the needed liquidity to members facing emergencies or financial shocks. Disbursements of the social fund are approved by the group and generally made in the form of a grant, or an interest-free loan.

As a self-sustainable and self-replicating mechanism, VSLAs provide reliable access to financial services even in remote areas. CARE partnered with IPA to conduct a rigorous evaluation that would measure the impact of VSLA programs on access to financial services, female empowerment, income generation and other socio-economic outcomes.

THE STUDY

Innovations for Poverty Action (IPA) implemented a randomized control trial to measure the impacts of a Village Savings and Loans Association (VSLA) program on households and women. The program began in 2008 and was implemented by CARE Ghana under the ESCAPE program.
The evaluation was conducted in rural communities across five districts in northern Ghana. The program was implemented directly by CARE in Builsa, and by two implementing partners in the other four districts (Presbyterian Agricultural Services in Garu Tempane, Bawku and East Mamprusi, and the Rural Aid Action Program in Lawra).

IPA researchers conducted the study on a sample of villages with little to no previous exposure to a VSLA program. These villages were randomly assigned to either receive the VSLA program (the “treatment” group) or not to receive it (the “control” group). The random assignment at the onset of the study creates two statistically comparable sets of households. A randomized control trial, when appropriate, is the most rigorous way to carry out an unbiased assessment in order to determine the causal impact of a program, because the control group allows researchers to identify what would have happened had the program not existed.

IPA collected data on a sample of over 6,800 households across 175 villages. Baseline data collection took place between April and June 2008, prior to the implementation of the VSLA program, on about 5,000 households. The endline survey took place thirty months later and extended the baseline sample frame to include more individuals in each village, in order to improve statistical precision. This expansion of the sample was deemed necessary when monitoring data showed slower-than-expected uptake in the treatment villages, as well as some degree of spillover of the VSLA program into the control areas. The study spans 30 months of program activities in the treatment areas; upon completion of the study in June 2011, VSLA programming began in the control areas.

The two rounds of surveys covered a variety of welfare measures, including health, education and consumption, as well as social topics such as gender issues and levels of community involvement.

**Timeline of the Program**

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<th>2008</th>
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<td>June 2008</td>
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<td>VSLA Program: Control Areas</td>
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<td>April 2008</td>
<td>Baseline Data Collection</td>
<td>February 2011</td>
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**THE PROGRAM**

**Who joins a VSLA?** After about 30 months of activity, the program reached a take-up rate of 36% for female respondents in the program areas. Analysis shows that women who decide to join VSLAs are, on average, wealthier, more likely to have had a business before the program, and more experienced managing money than non-members. Below, we present some of the main differences between members and non-members.

When comparing households based on an asset index, we find that VSLA members are, on average, wealthier than respondents who have not joined a VSLA. VSLA members are more likely to have received a loan at the baseline, with 29% of members having received a loan, compared to 12% of non-members. The same holds true for loans given out to friends and family, with 23% of members having loaned money in the year leading up to the program, while only 11% of non-members reported giving out a loan over the same period. This suggests that VSLA members were more likely than non-members to have had some experience with financial management prior...
to the program. Virtually every household in the community is engaged in agriculture. It is far less common to own a business, but VSLA members remain more likely to have one than non-members (11% of VSLA members, compared to 8% of non-members).

**Uses of VSLAs.** Female VSLA members report a median weekly contribution of 1 GHC (equivalent to $0.66 during the study period). Members have been part of the group for 20 months on average, and 70% of VSLA members in Ghana had completed one or more full cycles at the time of the endline survey. The median share-out size is about 50 GHC ($32). Respondents most commonly use these funds for business expenses (19%), non-fertilizer agricultural inputs (18%) and education expenses (14%).

Half the members stated that they took a loan from the group at least once, with a median loan amount of 30 GHC ($20) per person. On average, each member had taken 1.3 loans from the VSLA at the time of the endline survey. Loans are primarily used to finance business investments (42%) and food consumption (18%). Over three-quarters of the VSLA members in Ghana report that their VSLA has a social fund. The social fund is most commonly disbursed in the form of an emergency loan that members have to pay back to the group. Only 23% of the members had taken one of these loans at the time of the endline survey, but for those members who had taken out a loan, the funds were most commonly directed towards expenditures on healthcare (41%) and funerals (33%).

**IMPACTS**

Within the study period, we find that just over half of VSLA members had completed their first cycle. The impact evaluation finds impacts on financial outcomes deriving from VSLA members’ improved ability to save, along with their access to the group’s loans and social fund. We do not find significant impacts on ultimate welfare outcomes such as asset ownership and overall expenditures. However, we cannot rule out such impacts in the longer run, if members are better able to finance investments and expenditures through end-of-cycle share outs, and are able to avail of the larger loan and savings sizes associated with mature groups. However, in order to test such hypotheses, research spanning a longer timeframe would be needed.

We summarize some of the most important findings from the endline survey below:

**The program increases access to and usage of financial services.** We find that VSLAs largely complement other financial tools instead of crowding them out, with respondents being 15 percentage points more likely to hold savings overall. Average total deposits in ASCAs increase, while deposits through other channels remain constant, increasing total savings accumulated by respondents from 15.15 to 21.21 GHC ($10 to $14). Access to credit also expands significantly, with respondents in treatment groups being 12 percentage points more likely to receive a loan. The total amount borrowed by respondents does not increase, as it appears that members are substituting away from other credit sources.
towards VSLA loans. We find a significant increase in net savings from 12.6 GHC in control areas to 17.7 GHC in the treatment group ($8.3 and $11.7 respectively); net savings are defined as the difference between deposit balances and outstanding credits.

The number of women that took a loan to fund a business increases substantially in treatment communities, rising from 8% to 16%, suggesting a growth in business investment. However, we find no impact on the number of women owning a business, or on overall business profits. We find no measureable impact of the program on expenditures and use of agricultural inputs.

The program did not have a significant effect on the woman’s influence in intra-household decision making, calculated as the perceived ability to influence decisions over business management, or on social topics such as children’s education. Similarly, neither the women’s perceived position and role in the community, nor their actual participation in the community, are significantly affected by the program.

The program did not have an impact on the household’s ability to respond to economic shocks for which the use of VSLAs appears to be very limited among respondents. Despite a significant increase in the percentage of women that accessed credit to support food consumption (8% of women took a loan for food consumption, versus 4% in control areas) we find that the program did not improve any of the household’s food security indicators.

While the program does not have significant effects on food consumption and overall expenditure levels, we find a small (<1 percentage point), but significant, increase in the use of loans from savings groups to finance education and health expenditures. We do not find increases in education expenditures. However, using one econometric specification, we find higher enrollment rates for both boys and girls (about 4 percentage points), although this result is not robust to an alternate econometric specification, and should thus be considered suggestive.

Finally, we do not find impacts of the VSLA on asset accumulation and welfare improvements. The treatment group is not statistically different from the control group on metrics such as asset and livestock ownership, or on housing indicators. However, we cannot rule out the possibility that the program would have an effect on these, and other welfare measures, in the long-run.

This study is part of a set of research projects looking at the impacts of savings groups in sub-Saharan Africa. The comparison of findings across these different contexts will allow IPA researchers to draw confident policy conclusions on the impacts of savings group programs. Randomized evaluations of savings groups were conducted by IPA in collaboration with CARE in Ghana, Malawi and Uganda, and with Oxfam USA and Freedom from Hunger in Mali. The evaluations in Uganda and Malawi were completed at the same time as the Ghana study. Results for a three-year study in Mali will be available at the end of 2012. For more information visit: www.poverty-action.org/microsavings/savingsgroups_replications.