

UNDERSTANDING THE EFFECTS OF MICROSAVINGS ON VULNERABLE CHILDREN IN SUB-SAHARAN AFRICA

HES Research Dialogues: Evidence Brief 2

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Recognizing that income poverty can and does have multiplier effects on the health and well-being of children, several governments, multi- and bi-lateral aid agencies, and non-governmental organizations (NGOs) have begun to include economic strengthening interventions as part of their core protection programming for children and families. Because they reduce the economic stressors faced by individuals, families and households, economic strengthening interventions are seen as social protection mechanisms. They remediate risk factors such as exclusion and marginalization that are often experienced by children affected by HIV and AIDS, a group of great concern in sub-Saharan Africa due to their relative vulnerabilities.

Microsavings

Small deposit accounts designed for low-income individuals and families, microsavings programs have been touted

for their ability to initiate savings behavior and increase asset accumulation. In low- and middle-income countries, microsavings is commonly included within a package of economic strengthening services provided to vulnerable families as part of multi-sectoral assistance efforts.

Microsavings interventions range in size and structure from community-led village savings banking – including accumulated savings and credit groups (ASCAs), otherwise known as savings groups (SGs) – to larger savings and credit cooperatives (SACCOs), to more formalized institutional savings accounts accessed through physical deposit or mobile money platforms. Options within formalized savings programs can include standard deposit accounts or savings products with commitment mechanisms. These latter products commonly offer incentives, such as matched savings, in return for the use of withdrawals only for direct client expenditures on agreed upon purposes such as education, healthcare, or small business. Individual and Child Development Accounts (IDAs and CDAs) are two common programs utilizing this structure.

Microsavings initiatives put individuals and families on the path to financial inclusion, where they have sustainable access to useful and affordable financial products and services, and can begin the process of long-term asset accumulation. It is this accumulation of assets that is theorized to promote future-oriented thinking and increased self-efficacy, leading to changes in behavior.ⁱ

Recent research tests this theory by examining the effects of microsavings on risk-taking behavior, educational investments, and health promotion among adolescents and their caregivers. This brief reviews the evidence from five recent publications to identify common themes emerging from the study of microsavings among vulnerable populations in low-resource environments in sub-Saharan Africa. These themes include improved outcomes in education, psychosocial functioning and health. Guided by the interventions reviewed, the brief then offers considerations for program and policy design, ranging from accessibility to integrative programming to cost-effectiveness. Giving due attention to these elements of program and policy design will help ensure microsavings initiatives promote meaningful financial inclusion while maximizing the potential for protective social outcomes.

Social Effects of Microsavings

EDUCATION (CAMERON & ANANGA, 2015)

Financial security is one of several factors a parent or caregiver considers when deciding whether or not to send a child to school. School fees and associated costs such as those required to purchase books or uniforms can be prohibitive for many vulnerable families. To better understand potential solutions, researchers in the Upper West and Central Regions of Ghana carried out a case study profile of SG participants.ⁱⁱ Results showed that families who participated in a SG commonly borrowed

funds from the communal pool of savings to pay for school fees, with education cited as a priority area for loan making. Loans from SGs were also frequently used to transform the livelihoods opportunities of caregivers in ways that reduced the need to seasonally migrate for work, thereby diminishing interruptions to children's education that often accompany such labor migration. While teachers reported less absenteeism during the rainy season, a period traditionally characterized by high rates of student absence for labor, researchers were unable to confidently speculate whether participation in a SG affected children's work. When observing equitable uptake and distribution of benefits, the authors noted that families who were able to routinely save were more likely to borrow funds from the communal pool and, in many cases, used funds to transfer their children from what they perceived to be a poorly performing government school to a higher quality private school. Additionally, SG members reported the ability to pay for education expenses more easily, more frequently, and more often on time, resulting in children being sent home less frequently. While proactive education decisions resulting from SG participation is a positive outcome, the observation suggests that those households less able to save, presumably those that are more economically vulnerable, may be less likely to fully avail themselves of the benefits.

Improved educational investment is a welcome result of microsavings initiatives, as such investments are considered a catalyst for other development outcomes, including health and gender equality. For cash-constrained households that need small amounts to cover education costs and

that are able to repay community loans, microsavings offers a viable financial intervention that can yield positive, yet limited, educational outcomes. However, the findings from the study in Ghana stress the need to observe the uptake of the intervention across sub-populations to determine if the effects are equitable.

PSYCHOSOCIAL FUNCTIONING (SSEWAMALA ET AL., 2012; KARIMLI & SSEWAMALA, 2015; NABUNYA ET AL., 2014)

Aligned with Asset Theory, which speculates that cognitive change may occur as a result of accumulated cash or other tangible assets, longitudinal data from a series of affiliated randomized control trials in Uganda has demonstrated positive psychosocial outcomes for children and their caregivers. In a study specifically tailored to children orphaned by AIDS, Ssewamala and colleagues found a significant decrease in depressive symptomology for children assigned to the treatment group, who received a microsavings intervention package of matched savings, financial education, and mentorship.ⁱⁱⁱ Similarly, analysis from a related study on the same population group found that children assigned to the treatment group and receiving the same package of interventions described above, demonstrated other aspects of psychosocial resilience including reduced hopelessness, improved self-concept, and increased confidence in future education plans.^{iv} The positive treatment effect identified was unrelated to the amount participants saved, rather it was found equally among those in the treatment group regardless of their savings habits. While the research design

made it difficult to disentangle the individual effects of the asset-focused services, it is possible that the mere opportunity to save may have very tangible psychosocial effects.

Lastly, using data from the prior study on children orphaned by AIDS, researchers noted a reduction in parenting stress for caregivers of children assigned to the treatment group.^v These findings point to the potential of savings programs to help support and buffer stressors faced by caregivers as they tend to the needs of children who have lost one or both parents to AIDS.

These collective findings offer insight into the positive cognitive changes that may result from participating in an asset-focused microsavings intervention. They also suggest that the integration of microsavings into programs seeking to improve psychosocial outcomes may be beneficial in achieving desired results.

HEALTH (BRUNIE ET AL., 2014)

When one has hope and a plan for the future, it is theorized that day-to-day decision making processes begin to reflect that orientation.¹ As such, it can be speculated that hope for the future and increased self-efficacy may exist along the causal pathway between microsavings and health behavior.

In an examination of the effect of savings groups on malnutrition in Mozambique, researchers carried out a three-year longitudinal study on 1,276 households in Nampula province.^{vi} Households in the control group participated solely in a SG

(called a Village Savings and Loan Association or VSLA in the publication) while those in the treatment group were part of a SG as well as being involved in a rotating labor scheme. Findings from this study indicated increased scores on household diet diversity evaluations for both groups; however, the SG control group demonstrated more improvement than households in the SG plus rotating labor scheme treatment group. Likewise, when assessed for individual-level diet diversity, children in the SG only control group reported higher scores than those in the combination intervention. The benefits of SG participation alone prompted the authors to posit the potential for savings groups to have positive effects on nutrition, particularly among vulnerable households that suffer from seasonal or transitory food insecurity. The authors suggested that such benefits may be further maximized when coupled with supporting nutrition-specific interventions.

What is evident from these findings is that microsavings programs should not be viewed as solely an initiative to promote financial inclusion – rather the practice of routine saving has the ability to influence health behaviors, including nutritional outcomes for both caregiver and child.

Program Design Considerations

The findings detailed above provide useful insights for practitioners seeking to initiate microsavings programs, namely, whether or not the program design affords accessibility to the most vulnerable and is situated within an integrated, multi-sectoral platform.

ACCESSIBILITY

The study in Ghana illustrated the propensity for inequitable benefits among participants. While some variation in benefit may be unavoidable, practitioners can implement measures to increase accessibility and ensure vulnerable and marginalized groups are able to fully avail themselves of the benefits of a microsavings program. Gender, race, ethnicity, sexuality, geography, socioeconomic status, and disability should be given careful and intentional consideration during program design. This may include integrating reasonable accommodations for participants with disabilities, modifying the route to a SG meeting to ensure it is well lit and safe for women and girls to travel, or offering mobile deposits for savings programs that might otherwise be inaccessible to participants who are geographically constrained. Obtaining feedback from local communities during the design and implementation phases can also improve a program's ability to effectively meet the needs of its most vulnerable participants.

INTEGRATED DELIVERY MODELS

Researchers documenting findings from the study on health outcomes in Mozambique suggested that the positive effects of SGs on nutrition could be maximized if combined with nutrition-specific programming. This concept of integrated program platforms is gaining popularity among development actors with microsavings components complementing education, health, and food security initiatives to support vulnerable people. Such models acknowledge that complex development challenges cannot be

solved with singular solutions. An embrace of this theory must not simply result in a haphazard collection of interventions employed simultaneously, but rather an intentional pairing of components, enabling microsavings to leverage the successes of food security activities and vice versa.

Policy Considerations

COST-EFFECTIVENESS

In order to advocate for policy that promotes microsavings as a critical component of any economic strengthening or social protection scheme, an economic analysis should be undertaken to offer cost comparisons between microsavings and other economic interventions. Feasibility of broader intervention uptake should also be assessed considering the budgetary constraints of implementing governments. Standard within the public health sector, cost-effectiveness studies are less common among social interventions yet are equally critical to inform governments, which face difficult choices when setting policy priorities to address the needs of vulnerable children and their families.

INSTITUTIONAL FRAMEWORKS

When designing policies that promote financial inclusion through microsavings programs, it is necessary for policymakers to acknowledge that such efforts can be hindered by a lack of institutional structures to ensure feasibility and sustainability. For instance, policies that deter the economic participation of women, youth, and the ultra-poor will be a hindrance to the long-term success of microsavings endeavors. Similarly, legislation that restricts women's

access to inheritance rights or property ownership will not align with policy designed to promote the accumulation of assets by all members of society. Therefore, policymakers aiming to foster savings and asset accumulation must review existing institutional and legislative frameworks to determine where broader advocacy may be needed to harmonize policy efforts.

BRIDGING THE GAP – TRANSFERS TO SAVINGS

As cash transfers gain in popularity as a mechanism for social protection in low- and middle-income countries, there is an opportunity for governments to build upon these successes by integrating automatic savings products into existing cash transfer schemes. A variety of social protection programs in the region have begun providing transfers directly into bank accounts, often through innovative mobile banking mechanisms that foster access to financial services for those in remote locations.^{vii} As individuals graduate from social protection eligibility, would a follow-on, time-limited, matched savings benefit lay the groundwork for long-term financial inclusion?

Conclusion

This emerging research sheds light on the intersection between income poverty and child well-being, suggesting a variety of social yields when families are given the opportunity to save, and underscoring the benefits of including microsavings within an integrated development platform. There remains a need to design microsavings programs with an eye to accessibility and equity, requiring an investment in time and

resources yet offering returns in impact among the most vulnerable.

Further, with the possibility for broader scale-up and a window of opportunity to leverage the successes of cash transfers, microsavings interventions should be examined for their potential inclusion within the next wave of social protection strategies among low- and middle- income countries.

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About the HES Research Dialogues

In 2014, FHI 360's ASPIRES Project and the SEEP Network recognized that, while HES was a growing area of practice and research, gaps in HES research and evidence remained. To respond to this evidence gap, SEEP facilitated an HES Research Dialogues initiative, bringing together HES researchers and practitioners to define a collaborative learning agenda. Through a series of collaborative activities, the initiative aimed to identify key research questions within HES, as well as draw on existing experience related to appropriate research methods and tools.

This document is complemented by a series of research methods and evidence briefs developed out of the HES Research Dialogues initiative. Access them on FHI 360's ASPIRES Project web page on Microlinks at: <http://bit.ly/1rwRue3>

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