

FROM CASH TO ACCOUNTS: SWITCHING HOW WOMEN SAVE IN UGANDA

Niklas Buehren

KEY MESSAGES

- **In Sub Saharan Africa women are often not protecting their savings through formal devices but instead keeping their savings in more vulnerable savings options.**
- **After participating in a savings promotion program, women are more likely to save in semi-formal savings options.** Participants moved their cash to semi-formal saving options, such as ROSCAs, but did not go as far as moving to regular bank accounts or other formal savings options.
- **The pilot identified subgroups that may be especially receptive for informational savings campaigns.** Women who were illiterate or had been robbed or stolen from in the past one and a half years show significant increases in take-up of formal savings options after participating in the program.
- **The Savings Mobilization Program resulted in reallocation rather than accumulation of monetary wealth.**

In Sub Saharan Africa, many women are keeping their savings where they are most vulnerable: at home. Even the world's poorest women save to protect themselves in case of unexpected needs or for future investments, so why not use semi-formal or formal institutions to better protect hard-earned cash?

One potential reason is a lack of knowledge among women of how to save in a more formal institution, and about the relative risks and costs of keeping savings as cash versus using a semi-formal savings device. This is an important issue because access to financial services, including more formal saving devices, is an important building block to many strategies concerned with fighting poverty in developing countries.

GENDER INNOVATION LAB

The Gender Innovation Lab (GIL) conducts impact evaluations of development interventions in Sub-Saharan Africa, seeking to generate evidence on how to close the gender gap in earnings, productivity, assets and agency. The GIL team is currently working on over 50 impact evaluations in 21 countries with the aim of building an evidence base with lessons for the region.

The impact objective of GIL is increasing take-up of effective policies by governments, development organizations and the private sector in order to address the underlying causes of gender inequality in Africa, particularly in terms of women's economic and social empowerment. The lab aims to do this by producing and delivering a new body of evidence and developing a compelling narrative, geared towards policymakers, on what works and what does not work in promoting gender equality.

SO WHAT TO DO ABOUT IT?

BRAC is a large development organization based in Bangladesh dedicated to alleviating poverty through a range of development approaches that include education, healthcare, and financial services. BRAC Uganda, which houses BRAC's largest microfinance presence in Sub Saharan Africa set out to study if providing information on how to use formal financial devices could impact women's savings behavior. Researchers from BRAC and the World Bank's Africa Gender Innovation Lab designed and analyzed a randomized controlled trial to measure the effectiveness of the Savings Mobilization Program.

The pilot aimed to see if women would capitalize on the knowledge shared during the Savings Mobilization Program and move their savings to more formal and secure savings devices. Underlying this objective is the rationale that many Ugandans may not possess adequate knowledge of the existence, the functionality and the process of accessing saving devices offered by formal institutions. It was BRAC Uganda's conviction that in particular the rural poor are intimidated by the level of formality featured by many financial institutions. Thus, this pilot attempted to study the constraint of missing knowledge through an informational campaign.

HERE'S WHAT WE DID

The impact evaluation put in place by BRAC Uganda studied promoting secure and affordable saving services to relatively poor microfinance clients. This Savings Mobilization Program also provided information on how to access and operate these more formal and fairly secure savings devices.

The pilot study was set up in both the outskirts of Uganda's capital Kampala and around Iganga, one of the major cities in Uganda. All beneficiaries of the program were female. The randomized control trial methodology included 270 microfinance groups who received the program and 135 microfinance groups who did not. The microfinance groups typically consisted of between 20 and 35 members.

The Savings Mobilization training sessions were conducted during or after the regular weekly BRAC microfinance group meetings. The savings sessions were run by savings promoters who were selected from the pool of microfinance members in the intervention areas. The promoters had to have experience operating a bank account and had to attend a two-three day program on the objective of the savings promotion program. Outside of the group meetings, promoters were also asked to provide assistance to members during the process of applying for a savings account.

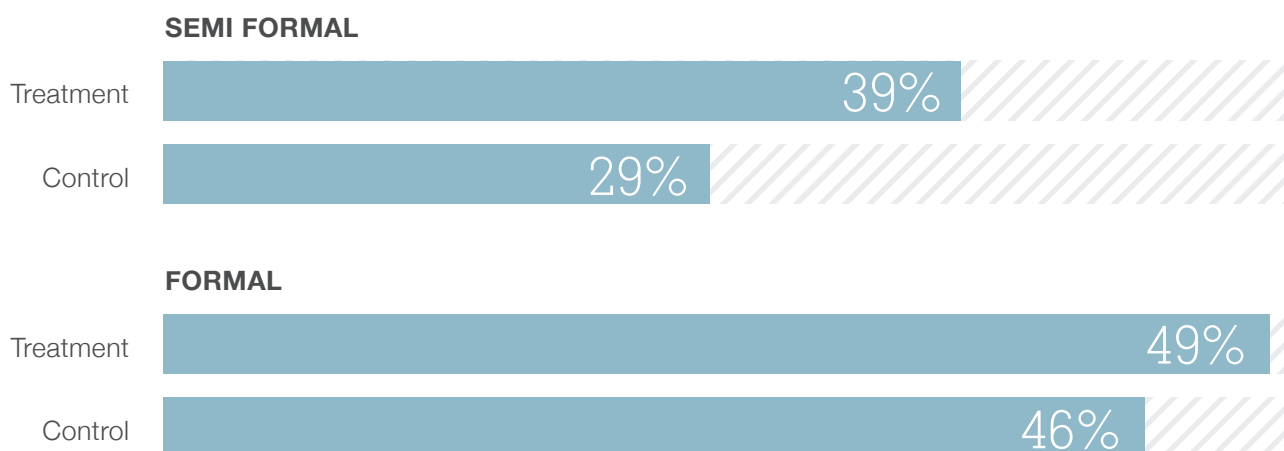
The pilot study included baseline data collection and a six month follow up survey. So, the impact assessment provides conclusions on the short-run effects of the Savings Mobilization Program.

HERE'S WHAT WE FOUND

Results indicate the success of the savings promotion program in switching women from informal to semi-formal savings options.

Interestingly enough, however, the pilot found that, overall, women did not move their cash all the way into a formal savings option (the increase below in the graph is not statistically significant). Instead, the largest shift was in women reallocating savings to semi-formal savings options, such as Rotating Savings and Credit Associations (ROSCAs). Taking the step from saving informally to working with a group of individuals who agree to save and borrow together, rather than at a bank, appeared to be the preferred short-term path for women in this pilot. As depicted below, the six month follow up results show a higher proportion of women who participated in the Savings Mobilization Program (approximately 9.9 percentage points) hold savings at these institutions compared to women who did not participate in the program. Additionally, ownership of savings at semi-formal institutions increased by about 29% among individuals after participation in the program.

SAVINGS OF WOMEN IN SEMI FORMAL & FORMAL DEVICES (SIX MONTHS AFTER THE PROGRAM)



Note: The figures in the chart above are slightly different from the working paper because this is based on a linear estimation.

The study identified subgroups that may be especially receptive for informational campaigns such as the Savings Mobilization Program.

Two subgroups were particularly impacted by the knowledge sharing of the savings program: illiterate women and women who have been robbed or stolen from in the past one and a half years.

For illiterate women, a lack of knowledge of savings options impacts their use of formal savings mechanisms. Illiterate women are about 19 percentage points more likely to save at formal institutions six months into the Savings Mobilization program. Similar to findings from the Cole et al. (2011) investigation on a financial education intervention in Indonesia, this study found that in comparison to their literate peers, illiterate women in the treatment group had a much higher take up of formal savings devices.

Additionally, women who had been robbed or stolen from in the past, were more responsive and moved to more formal savings devices. Many of the women in

the study had in fact been stolen from in the past year (1 out of 4 women at baseline). Formal savings devices are generally perceived as safe saving devices, which is an important factor in the switch between informal and formal savings services. A robbery or a theft in the past one and a half years increased the take-up of formal saving services by almost 19 percentage points for women participants in the Savings Mobilization Program. In comparison, savings held at semi-formal or formal institutions are unaffected by robbery.

The Savings Mobilization Program resulted in reallocation rather than accumulation of wealth.

Participants did not increase the amount of their savings when prompted with information on the value of more formal savings mechanisms but they did move their savings to more secure formal saving mechanisms. To increase total savings, more powerful tools may be necessary, such as programs that increase income and thus improve the financial situation of relatively poor women to potentially save more.



CONCLUSION

Implementing a relatively simple and cost-effective learning intervention focused on the value of moving along the spectrum to more formal savings options is enough to encourage women to transfer their savings from household hideaways to more secure community savings systems. This study provided evidence that an information constraint in reference to savings options particularly exists for women who have experienced theft or robbery in the past and for illiterate women.

Forthcoming study in the World Bank Working Paper Series:

Allocating Cash Savings and the Role of Information: Evidence from a Field Experiment in Uganda, Author Niklas Buehren



FOR MORE INFORMATION,
PLEASE CONTACT

Markus Goldstein
mgoldstein@worldbank.org

Rachel Coleman
rcoleman1@worldbank.org

1818 H. St NW
Washington, DC 20433 USA

Photo Credit: BRAC/Jaky Iyell