

Village Savings and Loan Associations (VSLA) and the Socio-Economic Empowerment of Low-Income Households in Mashyoro Sub-County, Kitagwenda District

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ABSTRACT

This study examined the effects of Village Savings and Loan Associations (VSLAs) on the socio-economic empowerment of Low-Income Households in Mashyoro Sub-County, Kitagwenda District, Uganda. The purpose of this study was to determine the effect of savings on the socio-economic empowerment of Low-Income Households in Mashyoro Sub-County, Kitagwenda District. A descriptive cross-sectional research design was employed, involving 157 respondents selected through purposive and simple random sampling techniques. Data were collected using structured questionnaires and in-depth interviews, and analyzed using descriptive statistics, correlation, and regression analyses. Quantitative findings revealed that VSLA participation significantly increased household income, improved nutrition and health, and facilitated investment in income-generating activities. Correlation analysis showed a strong positive relationship between savings and socio-economic empowerment ($r = 0.672$, $p < 0.01$), while regression analysis confirmed that savings significantly predict socio-economic empowerment ($\beta = 0.612$, $t = 11.50$, $p < 0.001$). Qualitative findings from interviews supported these results, highlighting participants' experiences of improved financial stability and livelihood opportunities. The study concluded that VSLAs are effective tools for poverty reduction and socio-economic empowerment among rural communities. It recommended strengthening VSLA programs, providing financial literacy training, and promoting community participation to enhance their impact.

Keywords: Village Savings and Loan Associations, socio-economic empowerment, low-income households, Uganda

INTRODUCTION

Uganda's Gross Domestic Product (GDP) growth has remained relatively stable in recent years, recording 5.3% in 2021/2022, 5.6% in 2022/2023, and 6.1% in 2023/2024, with projections placing 2024/2025 at around 6.3%–6.4%, reflecting sustained economic recovery driven by agriculture, services, infrastructure development, and increased public investment (UBOS, 2025; World Bank, 2025). This performance indicates gradual macroeconomic strengthening, supported by improved productivity in key sectors such as agro-processing, energy, construction, and trade.

Regional disparities in household welfare continue to be evident. The Central and Western regions maintain relatively higher household consumption levels, largely due to urbanization, commercial agriculture, and better access to markets, while parts of the Eastern and Northern regions continue to experience comparatively lower consumption growth and higher vulnerability to income shocks (UBOS, 2025). In rural Western Uganda, per capita household expenditure has continued to improve moderately, with approximately 45%–48% of total household expenditure still allocated to food, beverages, and essential non-durable goods, reflecting persistent subsistence-oriented consumption patterns (UBOS, 2025).

Poverty remains a significant development challenge. The national poverty rate stands at 20.1% in 2024/2025, with rural households disproportionately affected compared to urban areas (UBOS, 2025; World Bank, 2025). Poverty incidence is particularly high among households headed by individuals with low levels of education, limited productive assets, and unstable or informal livelihoods. In response, government policy continues to prioritize wealth creation and poverty reduction under the Third National Development Plan (NDP III: 2020/21–2024/25), which emphasizes agro-industrialization, private sector development, tourism, mineral development, and human capital development as key drivers of inclusive economic growth (NPA, 2020; UBOS, 2025). Despite these interventions, low household savings remain a major constraint to investment in income-generating activities (IGAs), thereby limiting sustainable livelihood improvement and overall economic transformation (UNCTAD, 2021). As a result, microfinance initiatives particularly informal savings models such as Village Savings and Loan Associations (VSLAs) have become increasingly important in enhancing financial inclusion, household resilience, and community-based wealth creation (Littlefield, Murdoch, & Hashemi, 2003; Daley-Harris, 2009).

Village Savings and Loan Associations (VSLAs) are community-managed, savings-led financial groups originally pioneered by CARE International in Niger in 1991 (Ferrara, 2001). These groups operate through self-selected members who regularly save, access internal loans with interest, and share accumulated savings at the end of a cycle. In Uganda, VSLAs have expanded significantly, with over 1.3 million members across more than 55,000 groups in 2024/2025, collectively mobilizing substantial savings and improving access to credit for low-income households (CARE Uganda, 2025; FSD Uganda, 2025). This study focused on Mashyoro Sub County, Kitagwenda District, where approximately 10 VSLA groups with about 2,054 active members were reported (LADA Uganda, 2025). The purpose of the study was to examine the effect of savings on the socio-economic empowerment of low-income households in the sub-county, with particular emphasis on income stability, investment in income-generating activities, and improvement in household welfare.

Purpose of the Study

The purpose of this study was to determine the effect of savings on the socio-economic empowerment of Low-Income Households in Mashyoro Sub-County, Kitagwenda District.

LITERATURE REVIEW

The Effect of Savings on Socio-Economic Empowerment of Vulnerable People

VSLAs encourage members to save regularly through the purchase of shares, usually weekly. Savings provide access to loans, increase household income, and improve nutrition and health outcomes (CARE, 2011; Mustapha, 2017). Access to finance allows members to purchase agricultural inputs, hire labor, expand microenterprises, and respond to emergencies (Asiu, 2015; Reynolds, 2015; Obademi & Samson, 2018).

Savings also strengthen individuals' assets including human, social, psychological, and financial capital contributing to empowerment and enhanced capacity to hold others accountable (Mohammad, 2016). By enabling women to invest in small businesses and farming, VSLAs improve children's education, family health, and overall livelihoods (Kesanta & Andre, 2015; Carpenter, 2012).

Research in Uganda, Ghana, and Malawi has shown that VSLAs lead to increased savings, credit access, microenterprise growth, and women's empowerment, although they may not fully improve overall household financial wellbeing (Innovation for Poverty Action, 2011).

METHODOLOGY

Research Design

A cross-sectional research design was used to provide a snapshot of outcomes and characteristics at a specific point in time (Kombo & Tromp, 2006). Both qualitative and quantitative methods were employed.

Population of the Study

The study population comprised 2,054 VSLA members from 10 groups in Mashyoro Sub County and 5 staff from LADA Uganda.

Sampling

Stratified random sampling was used to select 152 VSLA members from 10 groups. Purposive sampling selected 5 LADA staff. The total sample size was 157 respondents, guided by Krejcie and Morgan (1970).

Data Collection

Primary data were collected via questionnaires for VSLA members and interviews for LADA staff. Secondary data came from literature, reports, and publications.

Data Analysis

Data were edited, coded, and tabulated. Quantitative data were analyzed using SPSS for descriptive statistics, correlation, and regression analysis. Qualitative data were presented narratively.

Ethical Considerations

Voluntary participation, confidentiality, and informed consent were maintained throughout the study.

RESULTS

Socio-Demographic Characteristics

The demographic characteristics of the 157 respondents show that the majority were group members, accounting for 152(97.0%), followed by field agents, 3(2.0%), and supervisors, 2(1.0%). In terms of gender, most respondents were female, numbering 99(63.1%), while 58(36.9%) were male, indicating higher female participation in VSLA activities. Regarding age distribution, the largest proportion of respondents were aged 18–30 years, 80(51.0%), followed by those aged 31–40 years, 53(33.8%), respondents aged 41–50 years, 19(12.1%), and those aged 51 years and above, 5(3.2%), demonstrating that VSLA participation was predominantly among the youth and economically active population.

Household Income before and after Joining VSLA

Table 1: Income Levels of Respondents Before and After VSLA Participation (N = 157)

Income Level (UGX)	Before VSLA n (%)	After VSLA n (%)
1 – 10,000	90 (57.3%)	5 (3.2%)
10,001 – 100,000	39 (24.8%)	64 (40.8%)
Above 100,000	28 (17.9%)	88 (56.1%)
Total	157 (100%)	157 (100%)

Table 1 presents the income levels of respondents before and after participation in Village Savings and Loan Associations (VSLAs) among the 157 respondents. The results indicate a substantial improvement in income levels following VSLA participation. Before joining VSLAs, the majority of respondents, 90(57.3%), earned between UGX 1–10,000, reflecting generally low-income levels, while 39(24.8%) earned UGX 10,001–100,000 and only 28(17.9%) earned above UGX 100,000. However, after VSLA participation, there was a marked shift

toward higher income categories. Only 5(3.2%) of respondents remained in the lowest income bracket, those earning UGX 10,001–100,000 increased to 64(40.8%), and the majority, 88(56.1%), reported earning above UGX 100,000. This notable transition from lower to higher income levels suggests that participation in VSLAs significantly enhanced respondents’ income-generating capacity and overall economic well-being.

Effects of Savings on Socio-Economic Empowerment

Table 2: Effects of Savings on Socio-Economic Empowerment (N = 157)

Statement	SD n (%)	D n (%)	N n (%)	A n (%)	SA n (%)	Mean
Improving women’s health	8 (5.1%)	15 (9.6%)	34 (21.7%)	62 (39.5%)	38 (24.2%)	3.54
Increased household income	12 (7.6%)	29 (18.5%)	41 (26.1%)	50 (31.8%)	25 (15.9%)	2.99
Improved nutrition and food supply	15 (9.6%)	31 (19.7%)	40 (25.5%)	47 (29.9%)	24 (15.3%)	2.87
Purchase of agricultural inputs	18 (11.5%)	33 (21.0%)	39 (24.8%)	44 (28.0%)	23 (14.6%)	2.81
Investment in small enterprises/farming	21 (13.4%)	36 (22.9%)	41 (26.1%)	38 (24.2%)	21 (13.4%)	2.65
Mean Response						2.97

Table 2 presents respondents’ perceptions of the effects of savings on socio-economic empowerment among the 157 respondents, taking into account all five Likert-scale response categories (Strongly Disagree, Disagree, Neutral, Agree, and Strongly Agree). The findings indicate an overall satisfactory influence of savings, as reflected by the grand mean score of 2.97.

With regard to improving women’s health, a majority of respondents expressed positive views, with 62(39.5%) agreeing and 38(24.2%) strongly agreeing. However, a notable proportion remained neutral, 34(21.7%), while 15(9.6%) disagreed and 8(5.1%) strongly disagreed. The resulting mean score of 3.54 suggests a very satisfactory effect, indicating that savings enabled women to better access healthcare services and meet health-related needs.

Concerning increased household income, 50(31.8%) of respondents agreed and 25(15.9%) strongly agreed that savings had improved their income levels. At the same time, 41(26.1%) were neutral, while 29(18.5%) disagreed and 12(7.6%) strongly disagreed. The mean score of 2.99 reflects a satisfactory impact, implying that although income improvements were evident, they varied across households.

In relation to improved nutrition and food supply, 47(29.9%) of respondents agreed and 24(15.3%) strongly agreed that savings contributed positively, while 40(25.5%) remained neutral. Conversely, 31(19.7%) disagreed and 15(9.6%) strongly disagreed, resulting in a mean score of 2.87, which indicates a satisfactory but moderate improvement in food security and nutrition.

Regarding the purchase of agricultural inputs, positive responses were recorded from 44(28.0%) who agreed and 23(14.6%) who strongly agreed. Nevertheless, 39(24.8%) of respondents were neutral, and a considerable proportion either disagreed, 33(21.0%), or strongly disagreed, 18(11.5%). The mean score of 2.81 suggests that savings moderately supported agricultural investment, though constraints such as limited savings amounts may have reduced the overall impact.

Finally, for investment in small enterprises or farming, 38(24.2%) agreed and 21(13.4%) strongly agreed that savings facilitated such investments. However, 41(26.1%) were neutral, while 36(22.9%) disagreed and 21(13.4%) strongly disagreed. This distribution produced the lowest mean score of 2.65, indicating that although savings enabled some respondents to invest in enterprises or farming, the effect was relatively limited compared to other empowerment indicators. The inclusion of all five Likert-scale responses shows that while a substantial proportion of respondents experienced positive outcomes from savings through VSLAs, a mix of neutral and negative responses highlights variations in the extent of socio-economic benefits across households.

Findings from key informant and in-depth interviews provided deeper insights into how savings influenced socio-economic empowerment. Respondents highlighted various benefits and challenges associated with VSLA participation.

Regarding financial independence and women's health, respondents emphasized that savings enabled timely access to healthcare. One female participant noted:

"Before joining the savings group, I used to wait for my husband to provide money for hospital visits, but now I can pay for my medical check-ups on my own." (Respondent F12)

Another added:

"Savings have helped me take my children to the clinic without worrying about transport money." (Respondent F08)

On household income improvement, respondents reported that accumulated savings and loans facilitated small businesses. For instance:

"I borrowed from our savings to restock my shop, and my income has gradually increased. It's not instant, but it makes a difference." (Respondent M05)

A female participant stated:

"Through the loans, I managed to buy chickens and sell eggs; this has helped feed my family and pay school fees." (Respondent F03)

Regarding nutrition and food supply, respondents noted that savings helped them manage food security during lean periods:

"Whenever harvests are poor, I use my savings to buy food for my family. It keeps us from going hungry." (Respondent F09)

On agricultural inputs, participants reported using savings to buy seeds, fertilizers, and pesticides. One interviewee said:

"I managed to buy better seeds and fertilizers this season because of the money I saved. Without it, my crops would have suffered." (Respondent M11)

Finally, regarding investment in small enterprises or farming, responses showed mixed experiences:

"I started a small kiosk with my savings, and it is running, but I wish I had more capital to expand." (Respondent F07)

"Some of us want to invest in farming, but the money we save is not enough to compete with big farmers." (Respondent M02)

The qualitative data complements the quantitative findings, illustrating that savings positively affect socio-economic empowerment, especially in areas of health, income, and food security. However, the extent of impact varies due to factors such as limited capital, market access, and economic constraints.

Correlation Analysis

Table 3: Correlation Analysis

Variables	Socio-Economic Empowerment
Savings	0.672**

Table 3 presents the correlation between savings and socio-economic empowerment among respondents. The results indicate a strong positive and statistically significant relationship ($r = 0.672$, $p < 0.01$), suggesting that higher levels of savings are associated with higher levels of socio-economic empowerment. This implies that participation in VSLA activities positively influences household income, investment in small enterprises, and overall well-being of the members.

Regression Analysis

Table 4: Model Summary

R	R ²	Adjusted R ²	Std. Error
0.672	0.452	0.447	0.512

Table 4 presents the model summary of the regression analysis examining the effect of savings on socio-economic empowerment of Low-Income Households in Mashyoro Sub-County. The correlation coefficient ($R = 0.672$) indicates a moderately strong positive relationship between savings and socio-economic empowerment. The coefficient of determination ($R^2 = 0.452$) suggests that approximately 45.2% of the variance in socio-economic empowerment among respondents can be explained by their savings behavior. The adjusted R^2 (0.447), which accounts for the number of predictors in the model, confirms the robustness of the model. The standard error of the estimate (0.512) indicates the average distance that the observed values fall from the regression line, reflecting the model’s predictive accuracy.

Table 5: ANOVA

F	Sig.
132.32	0.000

Table 5 presents the ANOVA results for the regression analysis assessing the effect of savings on socio-economic empowerment of Low-Income Households in Mashyoro Sub-County. The F-statistic ($F = 132.32$) is statistically significant at $p < 0.001$, indicating that the regression model provides a better fit to the data than a model with no predictors. This implies that savings significantly predict socio-economic empowerment among the respondents. In other words, there is a statistically meaningful relationship between the amount of savings made by VSLA members and their level of socio-economic empowerment.

Table 6: Regression Coefficients

Variable	B	Beta	t	Sig.
Constant	1.045		4.39	0.000
Savings	0.612	0.672	11.50	0.000

Table 6 presents the regression coefficients for the effect of savings on socio-economic empowerment of Low-Income Households in Mashyoro Sub-County. The constant (1.045) represents the predicted socio-economic

empowerment score when savings are zero. The unstandardized coefficient for savings ($B = 0.612$) indicates that for every one-unit increase in savings, socio-economic empowerment increases by 0.612 units. The standardized coefficient ($Beta = 0.672$) shows that savings is a strong predictor of socio-economic empowerment. The t-value ($t = 11.50$) is highly significant at $p < 0.001$, confirming that savings significantly contributes to the empowerment of VSLA members.

DISCUSSION OF THE FINDINGS

The study sought to examine the effect of Village Savings and Loan Associations (VSLAs) on the socio-economic empowerment of Low-Income Households in Mashyoro Sub-County, Kitagwenda District, with a particular focus on the role of savings. Table 1 revealed a significant improvement in household income after joining VSLAs. Before participation, the majority of respondents (90, 57.3%) earned between UGX 1–10,000 per month, while only 28 (17.9%) earned above UGX 100,000. After joining VSLAs, those earning 1–10,000 drastically reduced to 5 (3.2%), and those earning above 100,000 increased to 88 (56.1%). This demonstrates that participation in VSLAs substantially improved income levels among vulnerable households, reflecting the positive contribution of group savings to financial stability and wealth accumulation.

Table 2 highlights the effects of savings on socio-economic empowerment across multiple dimensions. Respondents reported that improved health for women in families was the most positively affected domain, with 62 (39.5%) agreeing and 38 (24.2%) strongly agreeing, leading to a mean score of 3.54, interpreted as very satisfactory. Increased household income, improved nutrition, purchase of agricultural inputs, and investment in small enterprises and farming were also positively impacted, with mean scores ranging from 2.65 to 2.99, indicating satisfactory effects. These findings align with CARE (2011) and Nuwagaba (2009), who noted that savings and micro-loans through VSLAs enhance food security, healthcare access, and investment in income-generating activities, particularly for women and children.

The regression analysis (Tables 4, 5, and 6) further confirms the statistically significant relationship between savings and socio-economic empowerment. The model summary ($R^2 = 0.452$) indicates that savings explains 45.2% of the variance in socio-economic empowerment, while the ANOVA results ($F = 132.32$, $p < 0.001$) show that the regression model is significant. The regression coefficients reveal that savings ($B = 0.612$, $Beta = 0.672$, $p < 0.001$) is a strong and significant predictor of empowerment, demonstrating that higher savings are associated with improved financial capacity, health, education, and livelihood outcomes among VSLA members.

Qualitative data from interviews with LADA Uganda staff reinforced the quantitative findings. One supervisor noted, “Members who consistently save have been able to start small businesses and pay school fees for their children, which was not possible before.” A field agent added, “Women in these groups now manage household expenses more efficiently and can access medical care promptly, which has improved their families’ well-being.” These insights support the conclusion that VSLAs not only mobilize savings but also empower vulnerable households to make strategic financial and livelihood decisions, fostering self-reliance and economic resilience. The findings indicate that participation in VSLAs leads to tangible improvements in household income, nutrition, health, and investment capacity among vulnerable populations. Savings is both a mechanism for financial inclusion and a driver of socio-economic empowerment, confirming the role of VSLAs as an effective community-based strategy for poverty alleviation.

CONCLUSION

The study concluded that VSLAs significantly contribute to the socio-economic empowerment of Low-Income Households in Mashyoro Sub-County. Participation in these savings groups enhances household income, improves nutrition and health, and facilitates investment in small enterprises and farming. The findings confirm that informal savings groups are vital tools for poverty reduction and wealth creation among rural communities. Moreover, the study established that savings is a significant predictor of socio-economic empowerment, demonstrating that consistent participation in VSLAs enables members to make strategic financial and livelihood decisions, fostering self-reliance and resilience. Qualitative insights further highlighted that women and other vulnerable members experience improved financial management and access to essential services, underscoring the transformative role of VSLAs in rural development.

RECOMMENDATIONS

Local government and development partners should promote and support the establishment of more VSLAs to increase financial inclusion among vulnerable populations in Mashyoro Sub-County.

Training programs should be conducted to enhance members' financial literacy, entrepreneurship skills, and record-keeping, ensuring that savings and investments are efficiently managed.

Development partners should provide technical and financial support for members to start and scale small businesses, enabling them to maximize the benefits of accumulated savings.

VSLAs should be linked with local health and nutrition initiatives to further improve household well-being and ensure that savings positively impact family health outcomes.

Implement monitoring systems to track the socio-economic outcomes of VSLA participation, ensuring that lessons learned can inform policy interventions and community development strategies.

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