GrOW G2E

Growth and Economic Opportunities for Women
Pathways for Shared Prosperity

POLICY BRIEF

DOES SAVINGS HELP WOMEN IN SUB-SAHARAN AFRICA TO SAVE, INVEST, AND INCREASE CONSUMPTION?

Trends suggest that savings promotion interventions are not effective for (vulnerable) women

Overview

In recent years, scholars and practitioners alike have promoted saving programs as a promising poverty alleviation strategy for international development. Savings are a prerequisite for larger investments when access to credit is limited and may help to smooth income in the face of economic shocks when formal insurance is not available. Savings may therefore be particularly important in rural areas of low- and middle-income countries, where financial markets are often not fully developed. In recent years, a number of randomized evaluations have been carried out to investigate the effectiveness of savings promotion interventions. Yet, to date, there is no systematic evidence of how effective these programs truly are in boosting consumption and investment—and particularly whether they may be a promising tool to empower women. Steinert, Zenker, et al. (2017) synthesize the evidence and provide some insights as well as point to open questions.

Key Results

- **Small but positive effects overall.** Savings promotion interventions help to increase savings, investment, and consumption.
- **Effects are driven by studies that include only male participants.** It remains unclear whether programs are effective for (vulnerable) women, trends suggest that, if anything, the effects are miniscule.
- **More research is needed.** More studies are needed that directly compare program effectiveness across gender and identify determinants of seeming differences in effectiveness.

By

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The Growth to Empowerment (G2E) program within GrOW examines the impact of economic growth on women's economic empowerment.

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Background

The regional focus of many savings promotion interventions is Sub-Saharan Africa, where we observe the second lowest penetration of formal bank accounts worldwide only surpassed by the Middle East. Although many individuals in Sub-Saharan Africa still live below the poverty line, there is empirical evidence that even the poor are able to save. About 60 percent of the population reports to have set aside some money during the last 12 months. Yet, about 60 percent of men and even about 70 percent of women in Sub-Saharan Africa do not hold a formal bank account.

A community savings/credit group meets under at a church in Kongwa District, Dodoma Region, Tanzania

Without access to a bank account, individuals use second best options to save. This includes keeping savings in unsafe storage places (such as under a mattress), or saving in the form of durable goods (such as grain reserves, jewelry, construction material, or livestock), which are subject to loss, theft, or damage. Further, informal savings are more difficult to hide and therefore less likely to be protected from requests for financial assistance from relatives and friends. In response to this, interventions promote access to formal bank accounts at zero or subsidized costs, introduce mobile banking schemes to overcome physical distance to bank branches, distribute simple savings devices such as lock boxes, or mobilize savings groups in order to make saving more secure for poorer households. Some interventions also combine the supply of these tools or products with financial literacy training or motivational and commitment components, while other interventions solely rely on financial literacy training alone.

Steinert, Zenker, et al. (2017) investigate whether these interventions can effectively increase savings, consumption, and investment in Sub-Saharan Africa and how the effects of saving promotion on these outcomes vary by gender.

Methods and Data

Steinert, Zenker, et al. (2017) carry out an extensive literature search to identify studies that report findings from randomized controlled trials on saving promotion interventions. A total of 9,330 database records were screened according to four criteria: the intervention under evaluation was carried out in Sub-Saharan Africa; solely featured a saving promotion component (e.g. access to formal bank accounts, savings groups, financial education on savings); was evaluated within a randomized controlled set-up; and reported impacts on saving-, investment- or consumption-related outcomes. The authors identified 27 studies (with 87,025 study participants in total) that met these criteria. From each of these studies, the authors extracted multiple reported effect sizes as well as study specific characteristics like age and gender of study participants, or the type and duration of the intervention.

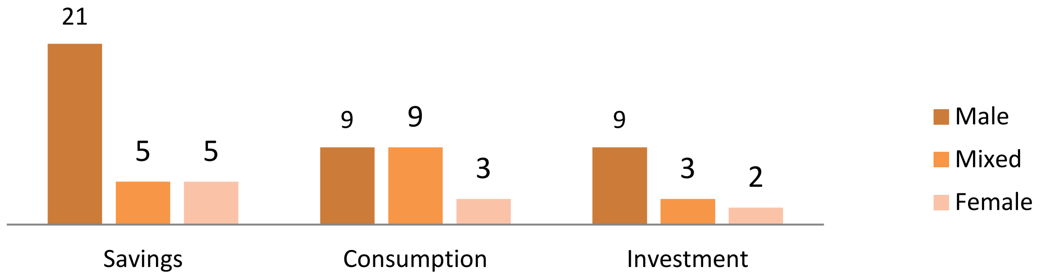
To assess the effectiveness of interventions, reported effects from each study are standardized. Standardized effect sizes are scale-free, which enables the authors to compare the magnitude and direction of effects across studies and participants. Most of the identified studies have reported several effect size estimates for the same subjects, e.g. multiple outcome measures for one overarching construct (such as poverty). Statistical tools like robust variance meta-analysis and robust variance meta-regression are used to correct for this within-study correlation of effect sizes while determining the underlying "true" effect of saving promotion interventions. Robust variance meta-regression further allows the authors to examine how the "true" effect varies with certain study characteristics, e.g. the gender of participants.

A concern for drawing reliable conclusions is the limited number of studies the regression analysis is based upon. To adjust for potential bias from small sample sizes, the authors used various statistical tools (e.g. Hedges' g correction and Tipton-correction for small sample sizes) to minimize the bias.

Main Results

- **Small but positive effects overall.** Overall, saving promotion interventions do help households in Sub-Saharan Africa to accumulate savings and, more importantly, have trickle-down effects on poverty relevant outcomes. Specifically, saving promotion has small but significant impacts on household expenditures and incomes, higher returns from small-scale businesses, and improved food security. Their results do not show significant effects on household assets, housing quality, education, and health. There is some indication that interventions that improve access to formal and informal savings tools are relatively more effective compared to interventions that provide financial education.
- **Effects are driven by studies that include only male participants.** The analyses reveal relatively larger program effects for studies conducted on male participants, see Figure 1. Studies carried out with only female and mixed participants show much smaller and statistically insignificant effect sizes. It remains unclear if programs are effective for (vulnerable) women at all, trends suggest that if anything, effects are miniscule.

Figure 1. Effect size of saving promotion interventions by gender



- **More research is needed.** The difference in effectiveness across gender may result from the fact that women still hold low hierarchical status in many Sub-Saharan African societies and may therefore face resistance when seeking involvement in household financial decision making and the distribution of resources. They may also be an artifact of the composition of samples of the identified studies: Only three of the studies focus solely on men, whereas the majority of included interventions focus on women and target specifically vulnerable and economically deprived samples. In the latter studies, interventions may have turned out less effective because of the socioeconomic background of participants rather than their sex. More studies are needed that directly compare program effectiveness across gender and identify determinants of seeming differences in effectiveness.

Policy Lessons

- Overall, savings interventions may have small but significantly positive effects on savings, income and investment outcomes for the poor in Sub-Saharan Africa. Yet, effectiveness may depend on initial status of vulnerability and individual bargaining power over financial resources.
- As women often have too little control in household financial decision making to fully enforce saving intentions, programs may be more effective targeting both partners instead of just women.
- Also, the evidence shows that saving promotion is not a magic bullet for lifting vulnerable women out of poverty. To increase incomes particularly of vulnerable women, policy makers may want to turn to other means such as technical and vocational training interventions, which have shown a relatively larger and positive effect.

Further Reading

Steinert JI, Zenker J, Filipiak U, Movsisyan A, Cluver L, Shenderovich Y (2017). Do saving promotion interventions help alleviate poverty in Sub-Saharan Africa? A systematic review and meta-analysis. Courant Research Centre Discussion Papers, No. 226.
http://www2.vwl.wiso.uni-goettingen.de/courant-papers/CRC-PEG_DP_226.pdf

Ongoing Research

The underlying mechanisms of the difference in effectiveness of saving promotion by gender are unclear. Future research may aim to investigate:

- whether interventions can be effective in generating savings and increase consumption and investment for less vulnerable women.
- whether effectiveness of interventions is deteriorated by low female control over resources in the household.

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The **GrOW initiative** funds 14 research projects aimed to empower women to participate in economic activities, providing evidence that can inform social and economic policies to improve poor women's lives, while promoting economic growth.

Research Project – G2E (Growth to Empowerment) is a project of the GrOW initiative: Pathways for shared prosperity: Understanding the links between women's economic empowerment and growth.

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