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The Effect of Village Saving and Lending Association Operations on  
Low Income Family Economic Well-being: The case of Kolfe  
Keranyo Subcity, Addis Ababa

By

Shewakirs Takele Yigzu

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Supervised by

Dr. Dejene Tulu

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## **Declaration**

This thesis, entitled 'The Effect of Village Saving and Lending Association Operations on Low Income Family Economic Well-being: The case of Kolfe Keranyo Subcity, in Addis Ababa,' is hereby declared to be my own original work, and has not been previously submitted for a degree or examination at any institution of higher learning. Due acknowledgement has been made in the text to all other material used.

Shewakirs Takele



Signature:

Feb,25

Board of Examiners Approval

ADDIA ABABA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
DEPARTMENT OF BUSINESS ADMINISTRATION  
IN MANAGEMENT

Name: Shewakirs Takele

Degree: Master of Business Administration (MBA)

Thesis title: The effect of Village Saving and Lending Association Operations on low income family economic well-being: The case of Kolfe Keranyo Subcity, Addis Ababa.

APPROVED BY BOARD OF EXAMINERS

 ADVISOR	 SIGNATURE	 DATE
 EXTERNAL EXAMINER	 SIGNATURE	 DATE
 INTERNAL EXAMINER	 SIGNATURE	 DATE



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# Abstract

*This research investigated the effect of Village Savings and Loan Associations (VSLA) operation in enhancing the economic well-being of low-income families in the Kolfe sub-city of Addis Ababa. The study aimed to explore several key relationships: the impact of savings on family economic well-being, the effect of credit access on family economic well-being, the influence of capacity building on family economic well-being, and the relationship between VSLA members' business experience and family economic well-being within Kolfe Sub-city.*

*A cross-sectional survey was employed, utilizing a mixed-methods approach that combined quantitative and qualitative data collection. Quantitative data were gathered through systematic random sampling, resulting in a sample of 270 respondents derived from a population of 1,027 members across 52 VSLAs, calculated using Yamane's formula. Qualitative insights were obtained through focus group discussions and personal observations. The questionnaire was structured using a five-point Likert scale and analyzed with IBM SPSS Statistics 26; its reliability and validity were confirmed through pilot testing and a Cronbach's Alpha coefficient analysis.*

*Quantitative data were evaluated using both descriptive and inferential statistics, while qualitative data underwent content analysis. The main findings revealed strong positive and significant effects of savings, credit access, capacity building, and members' business experience on family economic well-being. The study recommends implementing regular training sessions on the benefits of saving, encouraging policymakers and program designers to invest in financial literacy campaigns for current and potential VSLA participants, expanding credit access, offering tailored business training programs for VSLA members, and promoting sustained engagement with VSLAs over the long term.*

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## **List of Abbreviations and Acronyms**

AIDS	Acquired immunodeficiency Syndrome
CSSG	Community Saving-Self-Help Group
FGD	Focus Group Discussion
HIV	Human Immunodeficiency Virus
IGA	Income Generating Activities
ILO	International Labor Organization
LCF	Love for children
ME-SPM	Micron Enterprise Selection and Planning Management
MFI	Micro Finance Institution
NGO	Non-Governmental Organization
OECD	The Organization for Economic co-operation and Development
OVC	Orphan and Vulnerable Children
ROSCA	Rotating Saving and Credit Association
SAC	Saving and Credit Association
SME	Small and Medium Enterprise
USAID	United States Agency for International Development
VSLA	Village Saving and Lending Association
WB	World Bank

## **Keywords**

Associations

Decision

Family

Economy

Loans

Microfinance

Low income

Savings

Village

Well-Being





# Chapter One

## Introduction

This research focuses on the impact of Village Savings and Loan Associations (VSLA) operations on the economic well-being of low-income families in Addis Ababa's Kolfe Keranyo sub-city. The study begins with an introduction, outlining the background and rationale for the research. It presents the problem statement, the objectives of the study, and key definitions related to the topic. The limitations of the research and its potential contributions are also discussed. The section concludes with a summary of the chapters in the study, providing an overview of the research structure.

### 1.1 Background of the study

Despite the growth of financial institutions and digital financial service providers, over half of the global adult population still lacks access to formal or semiformal financial services, primarily in regions like Africa, Asia, and Latin America. The situation is particularly dire in Sub-Saharan Africa, where the share of users is notably low (Lidgerwood 2013: 2). This is due to different reasons, like gender, income and education gap as the world bank Global Findex 2023.

Covering across the world, family insecurity exists in different levels and various forms. Because of the reflective impact that poverty has on the low income family's economic situation, efforts have been made by various governments, international governmental and nongovernmental organizations to fight extreme poverty. Poverty has decreased globally due to various factors, with microfinance being a significant contributor. Pioneered by Mohammed Yunus, microfinance provides small loans to groups of poor individuals without collateral, enabling them to start or grow small businesses. This approach aims to help break the cycle of poverty. (Yunus, 1999)

There are about 2.5 billion unbanked adults globally. By the early 1990s, it became clear that a new, cost-effective model was needed to serve this population with reliable, affordable products. Informal traditional financial models were found to be the most effective, though they could be

improved with better governance, standardized procedures, and a more transparent financial system.<http://www.vsla.net/>. (<http://www.vsla.net/>, 2020)

The VSLA model, originally pioneered by Moira Eknes in 1991 within CARE's "Women on the Move" project in Niger, is a community-based savings and lending approach. This methodology has proven incredibly successful and has since been adopted by various international and local development organizations, reaching over 20 million participants across 77 countries. Key to its success is its sustainability, with 89% of groups continuing to function more than five years after their initial training. The model demonstrably empowers women, with 78% of participants being female. Typically, groups see strong lending activity, with 63% of members having outstanding loans at any given time. A significant portion of the group's funds (74%) is actively circulating as loans. Furthermore, the VSLA model generates a strong return on investments, yielding an average return of 18% on assets and 22% on members' savings. <http://www.vsla.net/> .

The VSL model was introduced in Ethiopia in 2004 by CARE International, initially piloted in the Amhara and Oromia regions, specifically in Lay Gaint and the West and East Harrargie zones (CARE, 2006). Since its inception, the model has been embraced by the government as well as various international and local NGOs, and it has been implemented extensively across different areas of Ethiopia. In Addis Ababa, the capital city of Ethiopia formed many VSLA by several developmental organizations in general. Particularly in Kolfe Keranyo subcity there are more than 51 VSLA which is formed by Love for Children development agency since 2017. With regard to this reality, this study focuses on the impact of VSLA on Family economic wellbeing through member's self-efficacy and government support in Kolfe Keranyo Subcity.

Although family economic well-being is crucial to the smooth functioning of communities and societies, it is slowed down when there is high incidence of poverty. To mitigate its impact, the first Sustainable Development Goal seeks to increase the number of people living on \$1.90 or less per day and to provide social protection for the impoverished and vulnerable populations by the year 2030 (Nations., 2012)

According to the world bank Ethiopian poverty assessment analysis report, Poverty rates dropped from 30% of the population in 2011 to 24% in 2016, according to the latest household living standards survey. This decline can be attributed to advancements in agriculture and increased opportunities in non-farm wage employment and self-employment. The report highlights that the

lowest 10% of the population has not seen any increase in income since 2005. Consequently, individuals living in poverty in 2016 were, on average, worse off than those in 2005 (Bank, 2020). Due to internal conflict and drought increased humanitarian support requirements from 15.8 million people in 2021 to 20 million in 2022 (Group, 2023).

Although Ethiopia has experienced significant economic growth since 2005, areas of poverty and hardship continue to exist. The country's urban population has expanded rapidly from a previously low level. While there has been progress in reducing poverty in urban regions, and this trend is expected to continue, poverty levels remain quite high in smaller towns and in the capital city, Addis Ababa, which is home to one-fifth of Ethiopia's urban residents. (World Bank, 2021).

Family economic well-being is a multidimensional concept that refers to the fulfillment of (1) basic needs, (2) financial control, (3) financial security and shock absorption, and (4) employment security and satisfaction and the connection between these four aspects and families' financial stress. The definition reflects the importance of self-determination: a family's economic well-being is shaped by how well its self-defined needs and goals align with its economic resources. Putting families' self-defined needs and goals at the forefront of the definition reflects principles of equity by recognizing that families are in the best position to understand their circumstances and decide how they want to move forward, Eddins, et.al. (2023).

These four aspects, taken as a whole, deliver the necessary foundation for economic well-being of families. Mainly, for low-income families the absence of some or all of these dimensions can be severely damaging to their economic well-being since this could lead to poverty. Such a direct link between lack of economic well-being and poverty can eventually lead to family insecurity. The information presented above indicates that family insecurity is an ongoing issue in our society.

## **1.2 Statement of the Problem**

Informal saving and credit groups in different parts of the global south as indicated in studies have provided access to credit for the rural and urban poor and enhanced family well-being (Sibomana, J.P. & Shuwla (2016); Uruakpa, P.C (2018)) According to (Village Saving Associates, 2017) The VSLA model aims to offer saving services, insurance, and credit to both the urban very poor and the rural poor in a cost-effective manner. It provides a safe place for savings, the chance to borrow small amounts, and operates in a way that is straightforward and transparent. In addition to providing access to credit, VSLA is assistant the growth of small enterprise and promoting

entrepreneurship to help poor urban families own and grow business through capacity building and market linkage.

My focus to study about the impact of VSLA operations on low income families economic wellbeing. even if many studies have showed the impact of the VSLA in terms of family wellbeing, improved nutrition, poverty reduction, entrepreneurs development, provision of basic need (Karlan, et.al., 2017: Tamim,2015). There are studies which result show discrepancies on the impact of VSLA, since they do not observe effects on standard welfare measures, including household income, consumption levels, food security, asset ownership, or community engagement (Dean Karlana, b,1., et.al, 2016).

Since VSLA approach is new, Very little is for example known about the impact of VSLA on household welfare (Bie Lilleør, H., Helth Lønborg J., Dahl Rasmussen, O., Ksoll C., 2016). Even if Since 2004, the Ethiopian government and various international NGOs have adopted and promoted the Village Savings and Loan Association (VSLA) model to help members take advantage of economic opportunities and mitigate unexpected shocks that could otherwise lead them into a cycle of unmanageable debt. (Bamlaku, 2006)., Studies hardly conducted on the impact of VSLA on low family economic well-being in large cities like Addis Ababa, prior studies on VSLA mainly conducted in rural areas and urban areas of Ethiopia.

Several studies exist on VSLA impact that uses descriptive methodology, but too little to show mixed methodology that can improve VSLA's impact. Hence, this study can contribute to fulfill the above gaps research and to narrow the discrepancies of result. that exists of the relationship between VSLA and family economic wellbeing.

## **1.3 Objective of the Study**

The overall objective of the study is to identify the effect of being VSLA operations on low income family economic wellbeing in the case of Kolfe Keranyo, Addis Ababa.

1.3.1 Specific objectives are the following

- To examine the relationship of saving mobilization on VSLA members' family economic wellbeing in K/Keranyo Subciy
- To examine the relationship of Credit access on VSLA members'family economic wellbeing in K/Keranyo Subciy

- To examine the relationship of Capacity Building on VSLA members' family economic wellbeing in K/Keranyo Subciy
- To examine the relationship of Business experience on VSLA members' family economic wellbeing in K/Keranyo Subciy

### 1.3.2 Research Questions

- Does saving mobilization has a relationship on VSLA members' family economic wellbeing in K/Keranyo Subcity?
- Does creating credit access has a relationship on VSLA members' family economic wellbeing in K/Keranyo Subcity?
- Does capacity building trainings have a relationship on VSLA members' family economic wellbeing in K/Keranyo Subcity?
- Does business experiences have a relationship on VSLA members' family economic wellbeing in K/Keranyo Subcity?

## 1.4 Significance of the study

Since 2004, VSLA model has been implemented in different parts of Ethiopia including Addis Ababa city. But limited researches were conducting on VSLA especially in large cities. Thus, conducting the effect of being VSLA member on low income family economic wellbeing is necessary both to provide documented evidence on the milestones made by the VSLAs: Promoting family economic wellbeing for improved household income, in Addis Ababa with specific focus on Kolfe Keranyo subcity. In addition, The researcher aims for this study to offer valuable insights for development practitioners and current microfinance institutions focused on urban low-income families, enabling them to make well-informed choices for effectively enhancing their economic empowerment. The results from this study gives to understand the effects of being VSLA membership on low income family economic wellbeing in Addis Ababa. Research results might also be shared with concerned bodies like non-governmental organizations and other interested parties for a discussion on whether VSLA can improve economic wellbeing of low income families in Ethiopia or not.

## **1.5 Scope of the Study**

Village Saving and Loan Association is an informal saving and credit model. CARE Ethiopia is an international NGO which takes the first stake to introduce the model in Ethiopia and currently VSLA model is adopted by numerous international and local NGOs. So that members are serviced through VSLA in different parts of the country. But, this study is limited to Addis Ababa Kolfe Keranyo subcity which is functioned in 10 woredas. Therefore, this study was conducted on nine woredas.

Since the impact of VSLA on low income families economic wellbeing can be influenced by many factors. Accordingly, this section of work may not be exhaustive in terms of considering the entire explanatory variables influencing family economic well-being through VSLA. Still, the results of this study can be used as valuable reference to conduct similar studies and for implementer organization regarding the promotion of VSLA's and even for policy maker concerning of family economic wellbeing.

## **1.6 Limitations of the study**

This study may have limited by gender, location and unexplained factors. The fact that the VSLA members are dominated by females (more than 65% of VSLA members are female), it may not address fully male's situation. Additionally, The study faced limitations regarding the generalizability of its findings beyond the specific study area. However, this limitation was mitigated by the uniformity of the VSLA methodology and the widespread nature of economic challenges faced by low-income families. As a result, the findings were deemed applicable based on the consistent principles of operation inherent in VSLA. Another limitation was the inability to directly connect all the indicators related to family economic well-being, such as increased household income and improved family health, to Village Savings and Loans Associations. This was due to the presence of other microfinance initiatives in the study area that also contribute to enhancing family economic well-being. This solved by restraining the question to VSLA and ensuring that the indicators were not a contribution of other microfinance initiatives.

Finally, since the impact of VSLA on low income family economic wellbeing can be influenced by many factors. Accordingly, this section of work may not be exhaustive in terms of considering the entire explanatory variables influencing family economic empowerment through VSLA. Still,

the results of this study can be used as valuable reference to conduct similar studies and for implementer organization regarding the promotion of VSLA's and even for policy maker concerning of family economic wellbeing.

## **1.7 Operational definitions of Terms**

**Economic Well-Being:** Having present and future financial security.

**Family Economic Well Being:** in this study refers to a family economic position that has sustainably sufficient income and financially secured to live a comfortable life.

**Village Savings and Loans Association:** in this study, it means group of self-selected individual organized in 15-30 members to save and borrow. The purpose of the saving is to raise fund for the group to loan out among members for the purposes of business, mitigating shortage of basics needs strengthen their social cohesion through social fund and share out the money at the end of its cycle.

**Household income:** - In this study, household gross income refers to the total earnings collected by all individuals living in a household over the course of a year. This amount includes the income of everyone aged 15 and older residing together, regardless of their familial relationships.

## **1.8 Organization of the Study**

The study is organized into five chapters, each connected to the research objective.

**Chapter One:** The introduction encompasses the background of the study, the problem statement, research objectives, and the significance of the study. It also includes definitions of key terms, the scope of the research, and any limitations encountered. The chapter concludes with an overview of the structure of the remaining chapters in the study.

**Chapter Two:** The chapter provides a comprehensive overview of existing literature concerning family economic well-being and village savings and loan associations. It outlines the village savings and loan model and the vicious cycle of poverty theory, which serve as the theoretical foundation for the research. Additionally, the chapter reviews empirical studies that explore urban family economic well-being and strategies for poverty alleviation, as well as the theoretical and conceptual frameworks derived from the literature. It also details the study's hypotheses, the measurement and operationalization of its variables, and the model specification. Furthermore, the chapter explains the conceptual framework utilized in this research.

**Chapter Three:** This section addresses the discussions surrounding the research design and methodology implemented in the study. It includes details on the research design, a description of the case study area, the research approaches utilized, the sampling methodology, data collection methods, model specification, ethical considerations, and reliability testing.

**Chapter Four:** This section includes the results and discussion. It encompasses the analysis, presentation, and interpretation of the empirical findings derived from the research data. The findings will feature quantitative analysis conducted through multiple regression for hypothesis testing, while qualitative data gathered from focus group discussions will be transcribed and presented in a structured and articulate manner.

**Chapter Five:** The final chapter of the study provides a comprehensive overview of the research findings, draws conclusions based on the results discussed earlier, and offers recommendations. It summarizes the key insights gained from the analysis, highlights the implications of these findings, and suggests practical steps for future action or further research based on the conclusions reached.

# Chapter Two

## Literature Review

This section begins with well-being concept, measurement of family economic well-being, a critical review of the appropriate concepts and existing empirical studies from global to local levels. Then demonstration of congruencies as well as discrepancies of related studies and trial to argue and then designed conceptual framework to understand the link among village saving and loan association and poor family economic well-being. It ends with generated hypotheses to be tested and a chapter summary.

### 2.1 Well-being concept

Well-being is a multidimensional concept. Even if the concept of well-being is widely used, there is no generally agreed definition of it, quality of life, happiness and life satisfaction are often used interchangeably for well-being terms.

Examples of well-being definitions are: - As Ruff (2008) which is cited by OECD (2013) “This is an evolving condition where a person can realize their potential, engage in productive and creative work, foster meaningful and positive connections with others, and make contributions to their community. This state is further enriched when an individual meets their personal and social objectives and finds a sense of purpose within society.” “Well-being has been characterized by personal traits associated with a fundamentally positive state, such as happiness. It can also be viewed on a spectrum ranging from positive to negative, similar to how self-esteem is assessed. Additionally, well-being may be defined in relation to one’s environment (like standard of living), the lack of well-being (such as depression), or collectively (as a shared experience or understanding).” Pollard and Lee, 2003 cited by OECD (2013) In line with this multi-faceted perspective, the OECD’s Better Life Initiative, outlined in OECD (2011), highlights three key pillars for assessing and understanding individuals' well-being: Material living conditions (or economic well-being), which influence people's ability to consume and their access to resources. Quality of life, which encompasses the non-financial characteristics of individuals that shape their opportunities and life prospects, holding intrinsic value across various cultures and contexts. The sustainability of the socio-economic and natural systems in which people live and work, crucial for ensuring that well-being is maintained over time. Sustainability is determined by how present

human activities affect the different types of capital (natural, economic, human, and social) that support well-being.

### **2.1.1 Economic well-being**

It is a multidimensional concept and essential part of human well-being. Many scholars discussed it as human potential. According to the OECD (2013), indicators of economic well-being include income and wealth, employment and earnings, as well as housing. Income is defined as the stream of economic resources received by an individual or household over a period. This encompasses wages and salaries, earnings from self-employment, and other financial resources like property income, pensions, and social benefits. In contrast, wealth is a "stock" concept, representing the value of accumulated assets at a specific moment. This includes the worth of properties, pensions, and financial assets, as well as tangible items like vehicles and household goods. To calculate net wealth, debts and other liabilities are deducted from total asset value. While income enables individuals to meet their needs and pursue various personal goals, wealth provides the means to maintain these choices over time. Both income and wealth increase individuals' freedom to shape their desired lifestyles. Additionally, higher income levels have been linked to advancements in other aspects of well-being, such as life expectancy and educational achievements; however, there is ongoing debate regarding the strength of these connections and the direction of causality. On a macroeconomic scale, economic resources empower nations to invest in education, healthcare, and security.

According to the OECD (2013), nearly all organizations that assess well-being acknowledge the significance of economic well-being as a component of overall well-being. For instance, the Australian Bureau of Statistics recognizes household economic well-being as a key dimension in its Measures of Australia's Progress. Similarly, the UK Office for National Statistics has identified "personal finance," encompassing household income, wealth, their distribution, and stability, as part of its suggested domains for national well-being and has put forward proposals for reporting on economic well-being. Additionally, the New Economics Foundation includes income in its framework for National Accounts of well-being.

### **2.1.2 Family Economic Well-being:**

It includes four key elements: (1) fundamental needs, (2) control over finances, (3) financial stability and resilience to unexpected events, and (4) job security and contentment. This definition

emphasizes the significance of self-determination, indicating that a family's economic well-being is influenced by the alignment between their self-identified needs and aspirations and their available economic resources. By prioritizing families' own definitions of their needs and goals, this approach upholds principles of equity, acknowledging that families are most capable of understanding their situations and determining their paths forward. Eddins, et.al. (2023).

As Eddins, et.al. (2023) defines each components of family economic wellbeing by reviewing different literatures are: -

Basic necessities for well-being include access to nutritious food and clean water, safe and affordable housing with working utilities, suitable clothing, medical care, reliable transportation, and education. A crucial element of well-being is financial control, meaning the ability to make financial choices and utilize helpful services like banking and mortgages. Research highlights that economic well-being also involves access to fair, non-exploitative credit and loans. While some debt can help families manage financial difficulties, excessive debt can be detrimental and hinder recovery. Financial security is achieved when families have sufficient savings or other resources to handle emergencies while still reaching their financial goals. This security is built on various income sources, including traditional wages, informal income, and assets. Furthermore, stable and satisfying employment is essential for economic well-being. Job satisfaction leads to increased job retention, reduced insecurity, and contributes to overall well-being. (Biaon 2020)

## **2.2 Measurement of Family Economic Well-being**

Having allocating with Economic well-being study, dealing with its measurement is needed to monitor its improvement concerning family basic needs, financial security and employment. Family Economic wellbeing measuring helps to analyses and capture changes over or in time Eddins, et.al. (2023). Xiao (2012) states that which is cited by Eddins, et.al. (2023) overall, most sub-constructs of basic needs are measurable and tangible, making them simpler and more concrete than other sub-constructs of economic well-being.

### **2.2.1 Effect of being VSLA membership on Family Economic Wellbeing**

Regarding Family Income: - the representative used to measure Financial security and shock absorption; Household income, Wealth, poverty and Debt Eddins, et.al. (2023)

Household income is used to assess a family's earnings. This study specifically asked participants whether their monthly income had improved over the previous year. Access to medical care was

measured by asking respondents about their ability to access healthcare and whether they have health insurance coverage.

## **2.3 Concept and Definitions: Village Saving and Loan Association (VSLA)**

### **2.3.1 Definitions: Village Savings and Loans Association (VSLA)**

Globally, several village-based approaches to microfinance have emerged to encourage simplicity constraints on access to financial services in the last 3 decade of years. One of these approaches is Village Savings and Loan Associations (VSLA (Care, 2020). VSLA (Village Savings and Loan Associations) is an evolving movement of saving and lending that encourages entrepreneurship development for families.

Introduced by CARE in Niger in 1991, the VSLA model was originally conceived to empower illiterate rural women experiencing extreme poverty. This methodology has since matured to benefit diverse populations, from rural areas to urban centers, serving both literate and illiterate individuals. The core mission of VSLAs continues to be providing simple savings and lending solutions in communities that lack access to formal banking. Based on collective savings, VSLAs are a low-cost financial option for the very poor, particularly those with unpredictable incomes who are typically excluded by traditional MFIs. These associations provide crucial access to finance for both men and women to manage household budgets, respond to personal needs, and invest in small businesses. VSLAs are known for their flexibility, offering small loans with easy terms and frequent transactions at minimal risk and negligible cost, even in remote and poor areas. (IRC, 2012)

Many researchers defined VSLAs according to their understanding. For example, As (Karlan et al, 2017; Sibomana, J.P. . & Shuwla, C., 2016) Village Saving Loan Association (VSLA) is defined as it is a savings and credit intervention program that has gained increased popularity in developing countries around the world due to its impact on the rural poor especially women. Unlike other saving and credit groups, the VSLA has been found to be a highly standardized emerging savings group which is flexible, provides training on business skills, promotes entrepreneurship and more sustainable for rural communities (Ksoll, C., Lilleør, H. B., Lønborg, J. H. & Rasmussen, O. D., 2016) and also (Allen, H., Staehle, M., 2007) VSLAs are self-run groups of 20-30 people who meet regularly to provide members with a place to save, borrow, and access emergency insurance.

### 2.3.2 VSLAs core principles

VSLA is formed after the members are trained according to VSLA training guide, (ILO, 2011) and the followings are its core principles :- Periodic action audit: VSLAs operate in a cycle of 8 – 12 months and then share out them money. This allows members to; Share profits on their savings, review group internal rules, revisit issues that cannot be changed during the cycle/the share value., interest rate and membership, assess leadership performance. The ring fenced box: VSLAs operate with a metallic box with 3 padlocks. The box is opened only during group meetings before all group members to ensure; financial transparency and enable accountability. Zero/no tolerance to arrears: (of savings and loans) to; Promote saving culture among members, allow fast accumulation of funds, minimize risk of losing members' money through loan defaulter's. Independent groups: VSLAs operate using their internally generated funds. There is no external influence to the group i.e. members make their own rules and they manage their own affairs. Independent group look like as group leaders and general assembly are active, internal rules and regulations in place and applied, group members can make decisions on matters that affect their group, group members understand and apply principles and best practices of VSLA methodology in their day to day operations.

### 2.3.3 VSLAs implementation phases

The implementation of a VSLA follows a three-phase process:

Preparatory Phase (4-6 weeks): This initial phase involves community workers assessing community needs, selecting target areas, sharing information with leaders and potential members, and identifying suitable VSLA groups for training. Intensive Training Phase (14 weeks): During this phase, VSLA groups receive comprehensive training across six modules. This includes electing leaders, establishing their operational rules, and learning to manage their social fund and savings/loan meetings. The community worker actively guides the process by attending all meetings. At the end of the training, the community worker assesses the group's preparedness for the next phase. Supervision Phase (up to 36 weeks): This phase is divided into two stages: Development Phase (approx. 18 weeks): Community workers visit groups about twice a month, providing support while allowing members greater autonomy in managing their activities. At the end of this stage, a brief evaluation determines if the group is ready for the final maturity phase.

Maturity Phase (approx. 18 weeks): Community workers reduce their visits to at least two monitoring visits to check the group's progress and schedule the end of the cycle for funds to be shared out. The community worker attends a final meeting to assist with the distribution of funds and celebrate the group's achievements. If a group wishes to continue for another cycle, an evaluation will determine the level of ongoing organizational support needed.. (IRC, 2012)

According to the International Rescue Committee's training materials, VSLAs primarily aim to provide straightforward savings and loan services in communities underserved by traditional financial institutions. Moreover, loans within a VSLA offer members a means of self-insurance, supported by a social fund that provides small but vital assistance during challenging times.

## **2.4 Theoretical Review**

### **2.4.1 The Theory of Vicious Cycle of Poverty**

The vicious cycle of poverty is based on the idea that poverty is self-perpetuating, where existing poverty causes more poverty, and underdevelopment leads to further underdevelopment. Ragnar Nurkse, an economist, introduced this model in 1953 to demonstrate the self-reinforcing nature of low economic activity. He explained that the supply side is caught in a cycle: low income restricts savings, which results in low capital formation, reducing productivity and output, which in turn reinforces the low income. According to Prof. him, Supply Side of vicious circle is solved through increasing in saving and investment

The vicious cycle of poverty, on the demand side, sees low income reducing purchasing power, making investment less attractive, and leading to low output, thereby reinforcing low income. Professor Nurkse countered this with the doctrine of balanced growth, emphasizing the need for investment across all economic sectors. This approach ensures that demand from one sector is met by another, creating a larger market and stimulating investment (Li, 2015). This model offers insights into the current state of dental education within private dental schools in India. As sited by (Li P, 2015)

According to Jhingan (2003), as cited by (Nardos Legesse, 2018) In less developed countries, the fundamental vicious cycle of poverty is caused by low overall productivity, which is fueled by insufficient capital, flawed markets, and broad economic underdevelopment. This low productivity

manifests as low real income on the supply side. Consequently, low income hinders savings, leading to low investment and a shortage of capital. This capital deficiency further depresses productivity and reinforces the cycle of low income, making poverty a self-perpetuating trap.

In the setting of this study, encouragement of group saving formation among the poor is reflected as a tool to move away from poverty. Formation of village savings and loans associations and participation of low income level household in these associations are critical to encourage saving, lending, launching business and improve self-reliance participants in particular families in general. However, the vicious cycle of poverty has its main drawbacks, among them the doctrine neglects the so many important reasons poverty like lack of entrepreneurs, decision making ability political, and social atmosphere, which is important for this study.

According to this study, promotion and strengthening of VSLA formation among low income family is considered as one of a solution to improve income and ensure family economic wellbeing. Forming Village Savings and Loan Associations and promoting participation from low-income households is a proactive strategy that holds promise for increasing income and ensuring lasting economic stability within those families. Consequently, this study employs the vicious cycle of poverty as the guiding theoretical framework.

## **2.5 Empirical Studies on VSLA and Family Economic Well-Being:**

A number of literature is delivered on role and effects of VSLA services and community managed saving and loan associations in improving the lives of the members and their family. Beside these, literatures greatly vary in their selection of parameters and methodology. Among others (Mayoux, 2000) Prof. Dr. Pierre(2016), (Ranjula Bali Swain and Fan Yang Wallentin, 2007); (G.A, 2012) (Hossaena, 2013); (Wosene A., 2014) (Simfors, 2017); (Mr. Abuni Joseph Mark, Dr. Lydia Mwaura, Rev. Martin Otiende, 2019); (Alcazar, 2020); (Mikaela Riksson and Ellen Kyhle, 2021); (Mengstie, 2022).

Generally, the effects of VSLA services (Saving Mobilization, Credit Access, Capacity Building and Members business experience) on family economic wellbeing literatures considered broadly.

### Saving Mobilization and Family Economic Wellbeing.

The research on Village Savings and Loan Associations (VSLAs) is marked by a clear debate. One side of the argument suggests that VSLAs generate major positive effects, including improved household income, enhanced social well-being, and a boost to local economies. In contrast, the other side of the debate points to negative effects, especially for the most vulnerable populations (Sherin, 2012), and also identifies impacts on average consumption and other livelihoods (Dean Karlana et al., 2016) For instance, Prof. Dr. Pierre (2016) in Rwanda identify the role of Village Savings and Loan Associations (VSLA) in improving social economic development of poor households. The researcher analyzed indicators of improved socio-economic development through VSLA, outlined the challenges faced by VSLA and Propose the strategies for empowering VSLA. The research found that VSLA promotes financial inclusion through the provision of loan to poor people, increased monthly income among members due to promoting economic activities, however researcher found out the challenges of failure loan repayment and high risky safety of saving. Researcher delivers the strategy to solve the challenges which are pursuing in Justice the members who fail to repay the loan; providing local administration staff in charge of VLSA; supporting VLSA with appropriate equipment; monitoring activities of VLSA (NGOs); advocacy of NGOs on the side of Government; and Supporting the creation of further Associations. The researcher found out for the conclusion as 77.3% of respondents strongly agreed on the positive role played by VSLA in improving the social economic development of members; and 22.7% agreed.

The other literature, by Chinwe U. et.al. (2019) “An Impact study of the Village Saving and Loan Association(VSLA) in Nigeria presented how VSLA supported the growth of small and medium enterprises, promoting entrepreneurship development in rural and slum urban communities. They used qualitative study mainly on Focus group discussion. In general, the research proposes that VSLA is a program intervention that is successful and sustainable. Results found out that 70% of the families in the programmed reached self-reliance within the project life span

According to Ethiopian researcher (Nardos, 2018) in her study enabled “Assessment on the Effect of village Saving and Loan Associations(VSLA) on Poverty Reduction in Hawassa, Ethiopia. The researchers used mixed study which is qualitative and quantitative study and This research employed propensity score matching (PSM) to analyze the effect of women's involvement in Village Savings and Loan Associations (VSLAs) on average monthly household income. The

results showed a positive and significant effect at the 5% level, with the increase in average monthly household income ranging from 169.63 Birr (nearest neighbor matching) to 141.55 Birr (kernel matching). The study further concludes that VSLA participation is significantly and positively associated with improvements in household diet, health, children's education, and women's involvement in domestic decision making. Sibomana and Shukla (2016) in their study of "The effect of Village Savings and Loan Associations on Small and Medium Enterprise (SME) growth in Rwanda in the case of Survey Kayonza District". The research revealed that VSLA services created credit access to 30% of the all households who were not access. According to the study, VSLA services helped to improve members' business profitability, expanded business branches, build business assets, to have business cash flow and most of all VSLA savings has changed members their intention of planning from subsistence to the future. The authors verified that VSLAs are very effective in quickening progress and building local capability.

Sibomana and Shukla (2016) stated that VSLA members have access to highly responsive and safe financial services, and this enables them to upscale economic activities, improve household health and welfare, acquire business skills, educate their children, and improve the quality of their social lives both within the family and the surrounding community. VSLA addressed the challenges face by poor and less educated people who were are easily intimidated by the formal, lengthy and complicated procedures at banks, just as many people distrust the banks because of the non-transparent pricing structures. VSLAs allowed them accessing financial services with low or no overhead costs, completely transparent and collective decision making, charge free savings and dividends from the loans.

Karlan, D. et. al (2017) in their research "Impact of savings groups on the lives of the poor". They found that the promotion of these community-based microfinance groups leads to an improvement in household business outcomes and women's empowerment, but there is no evidence of impacts on average consumption or other livelihoods.

Yusuf, N. et. al (2009) in their studies "Informal Financial Institutions and Poverty Reduction in the Informal Sector of Offa Town, Kwara State: A Case Study of Rotating Savings and Credit Associations (ROSCAs)". The authors were Using a set of household data, P-alpha-class poverty measure and a multiple regression analysis. And the study found that the informal financial institution plays an important role in reducing poverty among the people.

Anthony Kofi. et. al. (2019) in their literature “This research investigated Village Savings and Loan Associations (VSLAs) as a tool for microfinance, focusing on their effect on rural women’s livelihood development and poverty reduction in the Awutu Senya District of Ghana. The findings revealed that VSLAs had a notably positive impact on participants, resulting in significant improvements in their standard of living, self-esteem, businesses, and family and social dynamics compared to non-participants. While the study also identified challenges such as member mistrust and dropouts, it strongly recommended that VSLAs be formalized through banking partnerships and promoted nationally to aid in the country's poverty reduction agenda.

At another end of the argument (Sherin, 2012) in his study A study analyzing microcredit programs in Cairo, Egypt, and their impacts on alleviating poverty and empowering women found that the results differed greatly depending on the methodologies used. On one hand, positive impacts were observed on the overall economy due to spillover effects on investment and job creation. On the other hand, these programs demonstrated negative effects on the most vulnerable populations (Allen, 2005:3). As a result, savings groups have been suggested as a more suitable approach for individuals living in extreme poverty

## **2.6 Conceptual Framework**

The theoretical framework is the structure that can hold or support a theory of a research study. Besides, it encompasses not just the theory but the narrative explanation about how the researcher engages in using the theory and its underlying assumptions to investigate the research problem Philipsen, Kristian (2018); Shepherd, Dean A (2017). Accordingly, this study is guided by the theory of vicious cycle of poverty.

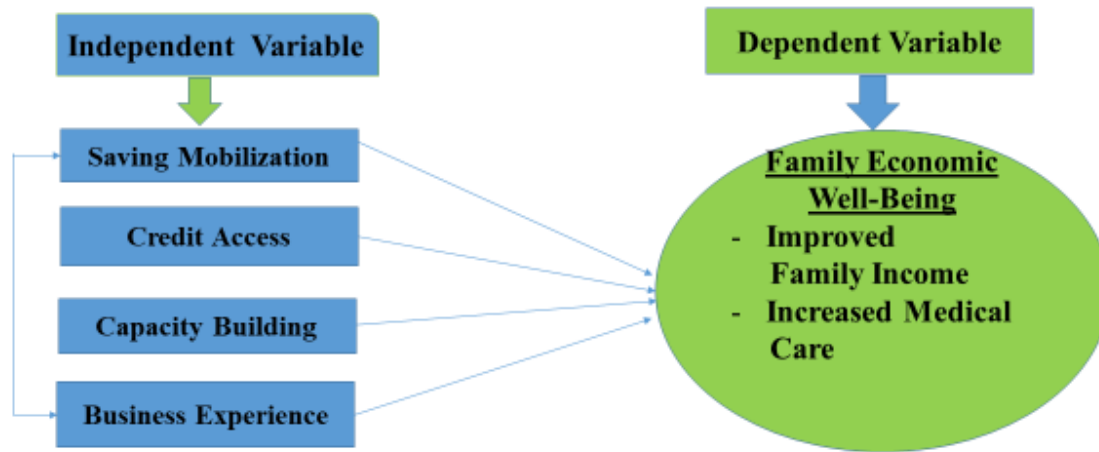


Figure1. Conceptual Framework of the study

Source: Author: 2024

The conceptual framework shows that formation of the VSLA which is village based approach to microfinance of borrowing and Saving for the low income family who have no enough money to save and collateral for loans in formal financial institution like banks. The members are formed their saving and credit group in the support of non-governmental Organization in the aim of empowering the poor family financially through creating their saving and creating access. The members are trained in, business skill, financial management and marketing skill for promoting entrepreneurship, launching their business and managing their saving groups by themselves. And also trained in health education on medical care.

The members are lending money from the group in small amount of interest rate for income generating activities, fulfill their basic needs and solve their immediate problems. The availability of interest on savings and conveniently timed loans motivates members to prioritize saving. This structure also encourages them to use loans for activities that lead to income generation, rather than for immediate consumption. But the amount of loans is small and its repayment time is short to meet immediate and small amount of financial needs. As VSLA approach members conduct share out their saving money with in 9month to 12 months' according to their performance, on this

event the members participated experience sharing among the groups which helps them for knowledge and skill sharing, strengthen social engagement and improving their business

In addition, it's expected that through involvement in income-generating activities, members and their families will see their incomes rise. This growth will come from increases in sales and revenues, ultimately resulting in profits, which members then use to reinvest and also pay back loans. Their business experience financial knowledge skill helps to increase their profit which helps to increase household income and can increase medical care that shows increase household health expense.

Thus the framework shows factors affecting VSLA Participation leads to improved family income and increase family health expense and finally low income family economic wellbeing resulted accordingly.

### 2.6.1 Research Hypothesis

It is an educated statement of an expected outcome. This statement is based on background research and current knowledge (Edward.B&G,2022). The research hypothesis are

1. H1: Saving has significant relationship on VSLA members' family 'economic wellbeing
2. H1: Credit access has significant relationship on VSLA members' family economic wellbeing
3. H1: Capacity building training significant relationship on VSLA members' family 'economic wellbeing
4. H1: Business experience has significant relationship on VSLA members' family economic wellbeing

# **Chapter Three**

## **Research Methodology**

The present chapter delineates the research methodology, covering the design, approach, and the utilized sampling techniques, including the sample size and sampling procedure. Subsequently, it discusses the methods of data collection employed. The chapter culminates by explaining the data analysis techniques, and the ethical statements which underpinned the study.

### **3.1 Research Design**

The research design is the overarching plan or structure employed to execute a research study. Given the researcher's interest in evaluating the effect of VSLA membership, an explanatory research design was selected for this study. Collection of data dealing with cross-sectional survey at a specified period from the sample population. This design permits for the collection of information from a pre-determined population sample, making it cost-effective.

#### **3.2.1 Research Approach**

This research adopted a mixed-methods approach involving both quantitative and qualitative strategies to thoroughly investigate the effects of Village Savings and Loan Association (VSLA) membership on family economic well-being in Addis Ababa. The quantitative aspect of the study analyzed survey data to assess the impact of VSLAs on household income and healthcare. To gain a deeper understanding of members' perceptions, the quantitative findings were complemented by qualitative data gathered through focus group discussions, which explored the characteristics of VSLA beneficiaries and their perceptions regarding the effect of VSLA on various indicators of economic well-being.

#### **3.2.2 Primary Data Collection**

This research gathered primary data through a multi-faceted approach, using questionnaires, focus group discussions, key informant interviews, and observation. Questionnaires presented respondents with pre-arranged five Likert scale (1 strongly disagree, 2 disagree, 3 not sure, 4 agree

and 5 strongly disagree), and these were administered to a systematically random sample of 270 respondents selected from a pool of 288 key informants, along with 18 participants through focus groups. Structured interviews based on a prepared questionnaire (Which is adopted from tested research (Wolukawu,2024)) were conducted with VSLA members. Separate interviews using structured questions were carried out with various staff of the LCF organization: An Executive Manager, a Program Manager, an OVC specialist, and three social service workers. Three main questions were asked for Q1. What role do you think is played by VSLA operations in improving the economic wellbeing of members' family? Q2. How members' participation in VSLA effect their regular savings, loans, capacity building and business experience? Q3. What mechanisms can be adopted for effectiveness of VSLA operations in Kolfe sub city? The research used 2 focus group discussions composed of from (8-12) participants each three questions were discussed: Q1. Can you describe the advantages that individuals and families typically experience by participating in a Village Savings and Loan Association (VSLA)? Specifically, based on what is known about VSLA programs, how might you improve a family's financial stability, access to opportunities, and overall well-being?" Q2. How did you experience your participation in VSLA with regards to relationship with members, regular savings, loans, capacity building and business experience? Q3. What mechanisms can be adopted for effectiveness of VSLA operations in the group? Personnel observation, the researcher selected 4 VSLA and visited during their monthly meeting that permitted the researcher to realize the real role played by VSLA through different members' demonstrations.

### 3.2.3 Secondary data collection techniques

The researcher has got annual reports of VSLA Implementation and other document from LCF organization, reviewed this documents and used for this study. Other Secondary data also collected from different sources (library desk review of different relevant literatures, internet sites and district offices) documents, studies and other useful written materials needed for the study us as a reference.

## 3.3 Research Population and Determination of Sample size

Over-all, population of the research covers 52 VSLA Comprises 1027 members operating in Kolfe Keranyo formed by Love for children organization plus Executive Manager, Program manager, OVC specialist and 3 social service worker of LCF organization. Generally, the total population

of the research is 1033 people. Due to limitation of finance, time and resources/ materials, the research could not be conducted to all 1033 people, so a sample of population was necessary to be calculated. A ‘sample’ is a subset of the population, selected so as to be representative of the larger population. Since we cannot study the entire population we need to take a sample. (Anita S Acharya\*, Anupam Prakash\*\*, Pikee Saxena, 2013).

The sample was calculated only on 1027 VLSA members. The researcher used Yamane’s sample formula (Yamane, 1967) which is a simplified formula for proportion.

Yamane formula is given by  $n = N / (1 + Nd^2)$

where n= the sample size,

N is= the population size and

d is = the margin of error.

Yamane sample size determination formula will be applied; assuming p= 0.5 (maximum variability), the researchers desire a 95% confidence level and ± 5% precision level and a total of population, using the formula the sample 288 are identified.

Sample size =  $1027 / (1 + 1027(0.05)^2) = 288$  VSLA members.

**Table 1: Research Poulation and Sample**

Type of respondents	Population	Sample Size	Sampling technique
Members from 52 VSLA	1027	288	Systematic random sampling
Project staff	6	6	Purposive Sampling
Local Leaders	3	3	Purposive Sampling
Total	1036	297	

Source: Compiled from Author: 2024

## 3.4 Sampling techniques

### 3.4.1 Systematic random sampling

Individual respondents were selected systematically with determining interval sample in researcher list of 1,027 group members with the sample 288. By dividing population with sample  $1027/288$ . So the researcher sample every **4th** person in the list of 1027 members.

### 3.4.2 Purposive Sampling

Qualitative data will be collected with interview from project staff and local leaders, who selected because they are key personnel for supporting VSLA group members.

## 3.5 Data collection methods and tools

The researcher collected both primary and secondary data, used mixed qualitative and quantitative data collection methods. primary data structured questionnaire, focus group discussion and key informants interview are used as primary data collection tools. library desk review of different relevant literatures, internet sites and different organization documents (District Offices, Love for Children and other appropriate organizations) are using as Secondary.

## 3.6 Model Specification

Multiple linear regression analysis will be used to determine whether the four independent variables, which are Saving Mobilization, Loan access, Capacity building training and business experience have any significant effect towards Family economic wellbeing.

$$FEW = \beta_0 + \beta_1 (SM) + \beta_2 (CA) + \beta_3 (CBT) + \beta_4 (BEP) + \epsilon$$

The econometrics model used is:

where FEW = Family Economic Wellbeing Index;  $\beta_0$  = constant;  $\beta_1, \beta_2, \beta_3, \beta_4$ , are the coefficients, SM = Saving Mobilization; CA= Credit Access, CBT= Capacity Building Training, BEP = business experience;  $\epsilon$  = error term. The dependent variable is Family Economic Wellbeing.

Thus  $FEW = 4.225 + .136SM + .164CS + .267CBT + .301BE$

Accordingly, for measuring a Family Economic Wellbeing (FEW) was developed by summing up the individuals' scores obtained from all the four indicators: income, saving, medical care and

loan and training. Other researchers (Ambrose, 2024 and Abal,2022) also used similar methods to measure economic wellbeing.

## 3.7 Definitions of working Variables and Hypothesis

### 3.7.1 Variables and Research Hypothesis

In a research, variables are defined as a factor or a quantity that may take on any one of a set of values and may be subject to change. Achieving research objective, formulating the hypothesis and testing it needs variables identification

#### 3.7.1.1 Dependent Variables

The dependent variable is what is measured and expected to change based on an independent variable. It represents the presumed effect (Cramer.,et.al, 2004) :(Penslar.,et.al,2010). For this research the dependent variables are the expected result (the effect) which is family economic well-being. The following are the dependent variables which is explained in measurement of family well-being (Increased family income and medical care).

##### **Family Economic Wellbeing**

##### **Household Income**

It is the total amount of money (in Ethiopian Birr) earned from VSLA member's business income sources. Described as People with external sources of income , tend to take more credit, since they have high-income expectations in the future (Roberts, Otieno, and Nyikal 2017). House hold income was hypothesized affected by credit utilization positively. Measured by using household income and medical expense consumption measured in birr per year.

#### 3.7.1.2 Independent Variables

**Independent Variables:** - are the variable that is stable and unaffected by the other variables you are trying to measure. It refers to the condition of an experiment that is systematically manipulated by the investigator. It is the presumed cause.(Cramer.,et.al, 2004: Penslar.,et.al,2010). In this study the Independent variables are VSLA activities and member's personal status. VSLA activities are the causes for low income family economic well-being or not. If VSLA implemented accordingly, the result will be improved low income family economic well-being otherwise no change. So the following are the independent Variables

## **Saving Mobilization**

Savings is critical for individual and societal welfare. At the individual level, savings help households' smooth consumption and finance productive investments in human and business capital at the macroeconomic level, savings rates are strongly predictive of future economic growth (Dean Karlan et al, 2014). According to (Dean Karlan, et al) there are barriers to saving exist for many, particularly the world's poor. For example, Market frictions, including transaction costs, lack of trust, and regulatory barriers, hinder the supply of savings products.

(Demirguc-Kunt A, Klapper L, 2012) which is cited by (Dean Karlan, et. al, 2014) states, only 22 percent of adults' worldwide report having saved at a formal financial institution in the past 12 months, and 77 percent of adults living on less than \$2 a day report not having an account at a formal financial institution. Informal financing typically consists of small, unsecured, short term loans restricted to rural areas, agricultural contracts, households, individuals or small entrepreneurial ventures (Meghana, Ayyagari , et al, 2008). The ability of savings groups to attract savings from resource-constrained, low-income individuals has fueled scholarly interest in how their positive attributes could be modelled informal saving devices (Dupas, Keats & Robinson 2019; LePolain et al. 2018).

Although savings is becoming a priority in the development agenda, it is not clear a priori that under-saving is a widespread problem and that everyone should save more, at least in the form of additional financial assets or investment. The five categories of frictions are as follows: transaction costs, lack of trust and regulatory barriers, information and knowledge gaps, social constraints, and behavioral biases (Dean Karlan et al, 2014).

Informal saving like VSLA provides savings and credit facilities for small farmers in rural areas, and for lower- income households and small-scale enterprises in urban areas. The procedures of informal schemes are usually simple and straightforward; as they emanate from local cultures and customs, they are easily understood by the population. It mobilizes rural savings and small savings from low-income urban households which operate at times and on days which are convenient for their members. Obtaining credit is designed to be straightforward, without complex bureaucracy or reliance on extensive written documents. This approach ensures that literacy is not a barrier (Germidis et al, 1991)

**Create Loan access for the poor:** It is a dummy variable that takes up the value of 1, if the members access of loan for productive/food consumption purpose and, 0 otherwise. Access to credit is a real necessity in today's economy. Much more than a means to make purchases, credit enables individuals and businesses to meet every day needs. According to (Schwarcz, 2021) Providing access to credit entails making responsible loan opportunities available to everyone, including previously underserved borrowers, for purposes that create benefits, such as starting a business. This kind of entrepreneurial lending can be a tool for creating employment and empowering communities to rise out of poverty.

Informal saving led groups makes simple the accessibility of loan for their members. According to (Germidis et.al, 1991) The straightforward loan process allows group leaders to quickly approve and disburse funds with minimal delay. Though rejections are infrequent, the interest rate charged reflects the loan's risk. Loan collateral needs are also flexible, tailored to both local conditions and the borrower's repayment capacity. Boucher et al. (2007) showed that 27% loss of agricultural output is associated with credit constraints in rural Peru

**Capacity Building Training:** In VSLA different trainings are provided for members by the organization to empowering them. Among the training VSLA Methodology, entrepreneurship, financial management and health trainings are provided.

Currently, Financial literacy is a vital and has major impact in economic and financial conditions and let the people in clarifying various economic and financial behavior. There are many definitions to clarify financial literacy. (Lusardi, 2008) defined financial literacy as individual's capability to use economic information and make well-informed financial decision about financial planning, retirement, wealth accumulation and debt. Financial knowledge is very important to all nations in the world mainly to those groups who continues under unstable economy. Now days, financial literacy is one of a key agenda both for developed and developing countries. Many people are exposed to risk due to lack of financial literacy. So, countries in the globe established different mechanisms to eliminate or minimize the challenges with financial literacy. Financial literacy is one of the pillars of financial well-being of the society, both at micro and macro levels. (Abreu, M. and Mendes, V. , 2010) Financially confidence investors are more likely to minimize risk by dispersing funds across several ventures. Individuals with high level of financial literacy can run the business easily and manage the resources effectively. According to (Shawn Cole and Gauri

Kartini Shastry, 2009) they declared that financial education has a fundamental consequence on financial decision and financial market participation.

Knowledge and skills are fundamental to human ability to make informed choices and effectively exercise voice and agency in the empowerment process. A large body of evidence shows a correlation between girls' education and a range of health and development outcomes, including delays in marriage, reduced risk of HIV infection, and increased employment and economic growth. (Hunt, Abigail, and Emma Samman, 2016). Beyond formal education, vocational training, mentorship, and other forms of formal and informal education can be important avenues for women and girls to gain knowledge and skills that enable their empowerment. (Julie Newton, et al, 2016).

Empowering VSL members to spend wisely, the project has trained them on financial education, Micro Enterprise Selection Planning and Management (ME-SPM) of Income Generating Activities IGA's, in market survey & analysis, marketing skills and design and implementation of Small enterprises.

**Business Experience:** It is continuous variables and it is measured in years of business experience. As the household head business experience increase, there is a high probability of demanding credit. According to (Camilla J., and Lisa P., 2014) The clients also managed to increase the credit amount borrowed from Apoyo Integral during their time as clients. This indicates that the businesses of the clients have improved from the point of view of the MFI since the size of the credit is decided upon the evaluation of the business, including some of the business performance variable analyzed.

### **3.8 Ethical Consideration**

According to (Bryman, 2012), an essential ethical principle in research is the prevention of any harm to participants; informed consent of participant; keep participant privacy; and researcher ensured maximum level of honesty. So, the researcher conducts the research with in confirmation of theses ethical consideration. When meeting the respondents, the researcher will honesty, integrity, in addition to diligence and expertise. This helps to understand and safeguard the rights of the respondents. To concentrate the study ethical, the respondents will offer the rights to autonomy, namelessness, confidentiality and informed consent to involve in the research study.

The researcher will also confirm that all the necessary authorities are obtained like the authorization letter from the university and clearly introduce about the research.

### 3.9 Validity Test

According to (Middleton, 2019) validity tells how accurately a method measures something. If a method measures what it claims to measure, and the results closely correspond to real-world values, then it can be considered valid. For the confirmation of instrument’s validity, pilot testing was done. This ensured that the instructions were flawless both to the respondents and enumerators and all possible replies to a question were clear. As Middleton, Content validity measuring the fully representative of instruments what it aims to measure. In this study, to check instrument’s content validity, the researcher is consulting the judgment of research advisor. And expect his verification whether the instruments adequately addressed the objectives of the study and answer the research questions.

### 3.10 Reliability Test

Hunger (2016) refers to reliability as internal consistency, which is the consistency of people’s responses across the items on a multiple-item measure, like test-retest reliability, internal consistency which was assessed by collecting and analyzing data. So the researcher takes 16 pilot to test the internal consistency using coefficient of Cronbach’s Alpha IBM SPSS Statistics 26. As a result, the questionnaire was reliable as shown in the following table of SPSS analysis.

*Table 2: Cronbach's reliability research instrument test result per individual Variable*

Constructs Variable	Cronbach’s Alpha	No of Items	Interpretation
<b>Independent Variable (VSLA Activities)</b>			
Saving Mobilization	.802	3	Reliable
Credit Access	.744	4	Reliable
Capacity Building	.725	3	Reliable
Business Experience	.825	3	Reliable
<b>Dependent Variable (Family Economic Wellbeing)</b>			
Family Economic wellbeing	.762	4	Reliable

# Chapter Four

## Result and Discussion

This chapter presents data analysis results and key findings, organized into three sections. The first section details a descriptive analysis of respondents' socio-demographic characteristics, followed by diagnostic tests. The third section discusses quantitative data in relation to the study's objectives and hypotheses.

### 4.1 Descriptive Analysis

#### 4.1.1. Socio-Demographic Characteristics of the Respondents

The socio-demographic characteristics of the respondents, encompassing details such as their VSLA group, age, gender, marital status, educational level, and family size, serve to offer necessary background information about the participants in this study.

**Table 3: Socio-Demographic Characteristics**

Variable	Characcterstics	Frequency	Percentage
VSLA Place	Zenebework Area	40	14.8
	Kara Area	29	10.7
	Alembank Area	32	11.9
	Total & Mehandis Area	29	10.7
	Weyra Area	26	9.6
	Betel Area	27	10
	Keranyo Area	25	9.3
	Torhayiloch Area	26	9.6
	18 Area	36	13.3
Age of Respondent	18-24	9	3.3
	25-34	73	27
	35-44	135	50
	45-55 Years	47	17.4
	55 Years and above	6	2.2
Gender	Male	59	21.9
	Female	211	78.1
Marital Status	Married	187	69.3
	Single	83	30.7
Education Level	No formal education	100	37

	Primary Level	96	35.6
	Secondary Level	67	24.8
	Above secondary level	7	2.6
Family Size	(1-3)	51	18.9
	(4-6)	141	52.2
	Above 6	78	28.9
Occupation	Self employed	154	57
	Civil Servant	80	29.6
	House wife	36	13.3
VSLA Participate year	6 months- a year	106	39.3
	1-2 Years	79	29.3
	2-3 Years	76	28.1
	More than 3 Years	9	3.3
Monthly Income	Less than 3000 birr	21	7.8
	3001-5000 birr	82	30.4
	5001-8000 birr	98	36.6
	Above 8000	69	25.5

The researcher utilized 9 questions on demographic to test the descriptive analysis for 270 respondents. The 1<sup>st</sup> question is on respondent's place. The distribution of the respondents by their VSLA place shows that the majority, 14.8%, were from the Zenebework Area VSLA, followed by 13.3% from both the 18 Area and 11.9 from Alem Bank Area VSLAs. Both area which are Kara , Total and Mehandis area have the same population distribution 10.7%. Torhayiloch area has 9.6%. The remaining respondents were distributed among the other VSLA places, with the smallest proportion, 9.3 %, coming from the Keranyo Area VSLA. This indicates that the study was able to capture a diverse representation of VSLA members from different locations. The 2<sup>nd</sup> question is about age categories. From the analysis, it is appearing that 35-44 years old has higher rate which is 50.0% (135 respondents), 25-34-years old score 27.0% (73 respondents), 45-55-years old score almost 17.4% (47 respondents), and 18-24 age categories score 3.3%(9 respondents), 55 years and above age score the smallest one which is 2.2%(6 respondents)

The 3<sup>rd</sup> question is on gender. From the analysis, Female includes a higher rate of 78.1% (211 respondents). Male as it were score almost 21.9% (59 respondents).

Next question is marital status. From the analysis, it is appearing that married has higher percentage of 69.3% (187 respondents) and single score 30.7% (83 respondents).

The 5th demographic that been analyze is the education level. In this question, it shows that respondent comes from different education level. The highest rate is No formal education which is 37% (100 respondents), second highest is Primary with 35.6% (96 respondents), secondary level is 24.8% (67 respondents), and above secondary level which is the smallest score is 2.6% (7 respondents).

The 6th demographic that has been analyze is family size of respondents. In this question, it appears that respondent have different level of family members. The highest rate is 4-6 members which is 52.2% (141 respondents), second highest is above 6 members with 28.9% (78 respondents), and 1-3 family members is 18.9% (51 respondents).

Then, another demographic that has been test in this research VSLA members Occupation. From the analysis, self-employed which is the highest rate with 57 %(154 respondents), the seconds rate civil servant with 29.6% (80 respondents), and house wife with 13.3% (36 respondents).

The 8th demographic that has been analyzed is the VSLA experience level. In this question, it appears that respondent have different level of experience. The highest percentage is 6month-a year which is 39.3% (106 respondents), second highest is 1-2 years with 29.3% (79 respondents), 2-3 years is 28.1% (76 respondents), and more than 3 years is 3.3% (9 respondents).

Finally, monthly household income has been analyzed. In this question, it appears that respondent have distinctive level of income. The highest rate is 5001birr-8000birr which is 36.6% (98 respondents), second highest is 3001br-5000br with 30.4% (82 respondents), above 8000br is 25.5% (69 respondents), and Less than 3000br is 7.8% (21 respondents).

#### 4.1.2. Descriptive Statistics on VSLA Services

This section, the descriptive statistics of the impact of savings, loans, capacity building and business experience on family economic wellbeing are presented in the table below.

**Table 4: Descriptiv Statstics of respondents' response on VSLA Services**

Questionaries	SD	D	NS	A	SA
I save willingly with VSLA Groups	0%	21.10%	9.30%	56.70%	13%
I easily access my savings in case of Emergencies	0%	26.70%	2.20%	47%	24.10%

I save money on a regular basis	3%	31.90%	5.90%	51.50%	7.80%
The interest rate is favorable	0%	27.80%	0%	51.90%	20.40%
I access loans whenever I Want	0%	16.70%	14.40%	51.90%	17%
I took a loan to start or expand my Businesses	0%	38.90%	18.10%	30%	13%
The loan repayment rate is high.	0%	33.30%	10%	53.70%	3%
I received entrepreneurship training	0%	30%	15.60%	53.70%	0.70%
I received health education since being VSLA membership	0%	16.70%	12.60%	64.80%	5.90%
Does Entrepreneurship provides skills and knowledge	2%	14.10%	3.00%	74.40%	7%
Did you start any income generation activity as a result of participating in the saving group?	0%	23%	3%	51.10%	23%
I operate a small Business	4.40%	24.40%	0%	50%	21.10%
I believe Entrepreneurship creates Jobs	0%	21.90%	1.50%	53.70%	23%

The results in Table 4 regarding VSLA members saving willing with VSLA groups shows that 0% strongly disagreed, 21.1% disagreed, 9.3% were not sure, 56.7% agreed and 13% strongly agreed. These results denote that the majority 56.7% of respondents agreed on member saving willingly. The qualitative findings shown that certain key informants held the view that members are interested to follow the requirements which is established by their own members. Additionally, some members encouraged their friends when they failed to save minimum saving amount regularly, because their low obliged the members regularly at least the minimum value otherwise they will pay fines. So to keep them from fines and to strengthen their relationship they support each other as the project staff emphasized

In the 2<sup>nd</sup> question, the results in Table 4 in concern to the statement I easily access my savings in case of emergencies shows that 0% strongly disagreed, 26.7% disagreed, 2.2% were not sure,

47% agreed and 24.1% strongly agreed. This implies that the majority (47%) of the members agreed that people easily access their saving during emergency.

One of the key informants note that “most of us are poor who face emergency frequently especially when the family suddenly loss health, children starting their school and also unexpected inflation of food prices. So we use our saving easily even if it is insufficient.

Furthermore, the results in Table 4 on the statement that that I save money on a regular basis shows that 8(3%) strongly disagree, 86 (31.9%) disagree, 16 (5.9%) were not sure, 139(51.5%) agreed and 21 (7.8%) strongly agreed that they save money on a regular basis saving. This implies that the majority (51.5%) of the members agreed that they save money on regular basis

One of the members explains that *"regular saving is a means and mandatory to get loans which also used as collateral. Members who want to borrow larger loans expected to save more. Therefore, the more we save on every weekly or biweekly, the higher our chances of getting access to the loan for our chosen purposes"* (KII Nov,2024).

The earlier response emphasizes that savings play a critical role in influencing the borrowing capacity of members. This emphasizes the importance of actively promoting VSLA group membership throughout the sub city and encouraging existing members to enhance their savings. The data existing in Table 4 on the statement the interest rate is favorable shown that opinions on the favorability the interest rate were varied among respondents. 0% strongly disagreed, 75(27.8%) disagreed, 0% were uncertain, 140(51.9%) agreed, and 55(20.4%) strongly agreed that the interest rate is favorable. Particularly, the majority (51.9%) stated agreement with the idea that the interest rate is favorable, while 27.8% of the surveyed individuals believed that the interest rate is unfavorable. Key Informant, during the interview, associated with the majority perspective by stating; *"I believe the interest rate is low which is set by the members. It can be encouraging and support members to take larger loans"* (KII Nov, 2024).

Additionally, the findings in table4 reveal a wide range of perspectives regarding the simplicity of members accessing loans. Specifically, 0% strongly disagreed, 45(16.7) % disagreed, 39(14.4) % were not sure, 140(51.9%) agreed, and 46(17%) strongly agreed with the view that members can access loans easily. It's noteworthy that the majority (51.9%) agreed with the idea that the interest

rate is favorable, while 16.7% of the surveyed individuals viewed that members cannot easily access loans when needed. For instance, Key Informant, during the interview, stated his view as; *"In my understanding, members can take loan easily from the group as far as they meet the requirement"*. (KII Nov, 2024)

Furthermore, Table 4 displays data explaining the opinions of survey respondents concerning whether they took a loan to start or expand a business revealed that 0% strongly disagreed 105 (38.9%) disagreed, 49 (18.1)2% were not sure, 81 (30) % expressed agreements, and 35 (13%)% strongly agreed with the idea that loans are taken to fund startups or expand businesses. It is expressed that the largest proportion of respondents (43%) stated agreed and strongly agreed on the view that obtaining loans enhances business expansions. A key informant had this to say; members do take loans to initiate or expand business that help in contributing to the economic sustainability of families. These loans are using to improve members' micro and small, business and encouraged to diversify their business as well. (KII Nov, 2024).

The findings in Table 4 provides additional understandings into the respondents' perspectives on repayment rate on taking loans. Specifically, it reveals that 0% strongly disagreed, 90 (33.3%) disagreed, 27 (10%) were uncertain, 145 (53.7%) agreed, and 8 (3%) strongly agreed to repay loan. It is pertinent to note that 56.7% of respondents indicated a positive response, either through agreement or strong agreement, that they adhere to specified loan repayment periods. A respondent had this to say; Since most of members took loan to launch and expand business with believing that repayment is need to other members, we keep our promise and repay on time. Besides if any one who couldn't repay its loan on time there are costs like fine. (KII Nov, 2024).

Table 4 provides insights into survey participants' view of the entrepreneurship training. Specifically, the data indicates that 0% strongly disagree, 81 individuals (30%) strongly disagreed, 42 individuals (15.6%) not sure, 145 individuals (53.7%) agreed, and 2 individuals (.7%) strongly agreed with the idea that the receiving entrepreneurship training. Notably, a substantial majority (54.4%) of respondents took entrepreneurship training.

More results in Table 4 more highlighted on the statement whether members received health education training. The data shows that 0% strongly disagree, 45 individuals (16.7%) disagreed, 34 individuals (12.6%) were uncertain, 175 individuals (64.8%) agreed, and 16 individuals (5.9%) strongly agreed that members have received health education. It's worth noting that a significant

majority (70.7%) of respondents held the opinion that the members received the training. Key Informant in his interview, expressed agreement with the statement stating that; *"in my understanding, most members have received health education continuously in our meeting time which is biweekly about HIV AIDS, Family planning, Mental health through the project staff and health center staff. So we got knowledge on HIV AIDS prevention, adherence in to treatment, incident rate of HIV in this country, which helps me believing to live in peaceful even if I am HIV positive".*(KII Nov, 2024)

Table 4 findings on a wide range of perspectives in regard to entrepreneurship provides skills and knowledge. Absolutely, 4 individuals 1.5% strongly disagreed, 38 individuals 14.1% disagreed, 8 individuals 3% were uncertain, 201 individuals 74.4% agreed, and 19 individuals 7% strongly agreed that entrepreneurship provides skills and knowledge. It's worthy to note that the majority (81.4%) agreed and strongly agree with the idea that entrepreneurship training provides knowledge and skill.

Table 4 findings on a wide range of view in regard to starting any income generation activity as a result of participating in saving group. 0% strongly disagreed, 62 individuals 23% disagreed, 8 individuals 3% were uncertain, 138 individuals 51.1% agreed, and 62 individuals 23% strongly agreed that start income generating activity due to participating saving group. It's commendable to note that the majority (74.1%) agreed and strongly agree with the idea.

In addition, the findings in Table 4 on the statement I operate a small business shown that 12(4.4%) strongly disagreed, 66 (24.4%) disagreed, 0(0%) were uncertain, 135(50. %) agreed and 57(21.1%) strongly agreed that saving increases working capital. This implies that the majority 71.1% of the members agreed and strongly agreed that savings and capacity building provide capital and skill for the members. According to a key informant, who is a staff and also a trainer, members mostly running their businesses with limited resources. They are responsible for taking all the risks and rewards associated with their enterprise activities.

Moreover, this view was supported by another key informant who is a member of VSLA, reinforcing the idea that members commonly engage in various income-generating activities such as petty trade, making and selling Injera, selling fast food, selling animal product (like milk, butter, cheese, egg) enhance their incomes. This indicates that a share of the members has proactively taken the creativity to launch small businesses, targeting to progress their household wellbeing and finally reduce poverty. In contrast to this, one of key informants from disagree

stated a different view. This individual disagreed with the statement that members have expressed into income-generating activities. Their explanation focus on the idea that even though they aspire to launch business, their capital is insufficient to run the business and couldn't borrow enough money from VSLA due to small saving. In addition to this they stated that for members who launch business and try to manage it, face many challenges. (KII Nov, 2024).

Table 4 more reveals findings on a wide range of views in regard to entrepreneurship creates jobs. Absolutely, 0% strongly disagreed, 59 individuals 21.9% disagreed, 4 individuals 1.5% were uncertain, 145 individuals 53.7% agreed, and 62 individuals 23% strongly agreed that entrepreneurship creates job. It's worthy to note that the majority (76.7%) Strongly agree and agreed with the idea that entrepreneurship creates job while 21.9% of the surveyed individuals not believed with the idea. The responses from qualitative data seem to indicate that majority of members run a business due to capacity building skill, saving loan on small scale and provide for other people living in the same community. A key informant noted that; 5(KII Nov, 2024).

### 4.1.3. Descriptive statistics on family economic wellbeing

The percentage distribution of the respondents' opinions in relation to household economic wellbeing are interpreted and the percentages of those who strongly disagree and disagreed as compared to those who strongly agreed and agreed as presented below.

**Table 5: Descriptive Statistics of respondents' answer on their economic wellbeing**

Questionaries'	SD	D	NS	A	SA
My household income has improved	0%	20.40%	7.00%	69.30%	3%
I have more than one source of Income since being member of VSLA	0%	58.50%	2.60%	39%	0%
I have access to health care	0%	4.10%	0.40%	94.10%	1.50%
I have health insurance coverage since participation of VSLA	0%	20.40%	0%	60.00%	19.60%

Table 5 on the statement my household income has improved shown that 0% strongly disagreed, 55 (20.4%) disagreed, 19(7%) were uncertain, 187(69.3) agreed and 9(3.3%) strongly agreed that household income has improved. This implies that the majority 71.6% of the members agreed and strongly agreed that household income has improved for the members. According to a key informant, who is a staff and also a trainer, members mostly are changing their source of income to micro enterprise. So their income is improving relative to the previous one.

More results in Table 5 further highlighted on the statement whether members have more than one source of income since being member of VSLA. The data shows that 0% strongly disagree, 158 individuals (58.5%) disagreed, 7 individuals (2.6%) were uncertain, 105 individuals (38.9%) agreed, and (0%) strongly agreed that members have more than one source of income. It's worth noting that a significant majority (58.5%) of respondents have one source of income.

Key Informant, in the group discussion pointed out that *“I tried to work hard in micro enterprises in diversifying my business to change my family life. Within this journey being participated in VSLA I got business skill and loan access and save regularly. However, Challenges hinder me not to go such as limited gov’t support to have market place rather they would take our business material due to illegality of street market. I thought to diversify my business but I threat of inflation and government rule of street business. No effort had taken to facilitate permanent market place. So we hope that all stakeholders will work together to solve our challenges.”* (FGD, 2024)

Furthermore, the results in Table 5 on the statement that that I have access to health care shows that 0% strongly disagree, 11 (4.1%) disagree, 1 (.4%) uncertain, 254 (94.1%) agreed and 4 (1.5%) strongly agreed that have access to health care. This implies that the majority (95.6%) of the members agreed and strongly agree that they have access to health care.

Regarding to accessing to health care, one respondent share her idea as follows; *“ The health center, is located near to our area, makes it easy to reach when needed, some of us getting there through walk. There is also private clinic around the area in addition, so we have option to go to health center and clinic. Sometimes I use private clinic to my children for saving my time.”* (KII Nov, 2024).

Finally, the results in Table 5 on the statement that I have health insurance coverage since participation of VSLA shows that (0%) strongly disagree, 55 individuals 20.4% disagree, no uncertain, 162 individuals 60% agreed, and 53 individuals 19.6% strongly agreed that have health insurance coverage. It's worthy to note that the majority (79.6%) Strongly agree and agreed with

the idea that have health insurance coverage while 20.4% of the surveyed individuals have not health insurance coverage. The responses from qualitative data seem to indicate that majority of members' health insurance coverage through capacitated them income and can pay the required amount.

#### 4.1.4. VSLAs Operations and Family Economic Wellbeing:

##### Inferential Statistics

This section presents correlation results testing the significance on the contribution of savings, loans, capacity building and business experience on family economic wellbeing in Addis Ababa Kolfefe Keranyo sub city. Following with regression results testing the effect of VSLA services on family economic wellbeing. After inferential statistics is presented according to the study objectives starting with the contribution of savings on family economic wellbeing, followed by the contribution of loans, capacity building and finally the contribution of business experience, as well as multiple regression of the four factors on family economic wellbeing.

##### Correlation Analysis

To examine the correlation between Village Savings and Loan Associations (VSLAs) operations and family economic well-being in the Kolfe Keranyo Sub-city of Addis Ababa, a Pearson test was implemented. This test measured the relationships between specific VSLA factors—savings, loans, capacity building, and business experience—and family economic well-being. Correlation coefficients are on a scale of -1 to 1: values approaching 1 denote a strong positive association; values close to -1, a strong negative one; and values near 0, a negligible association. Further distinctions show that weak correlations ( $r = 0.1-0.29$ ) indicate a slight linear connection, moderate correlations ( $r = 0.3-0.49$ ) indicate some association, as well as other influencing variables (AlWahaibi et al., 2020), and strong correlations ( $r = 0.5$  or higher) show a strong linear association.

Table 6 Pearson correlation Test

		Saving	Credit	Capacity Building	Business Experience	Family Economic Welbeing
Saving	Pearson Correlation	1	.717**	.708**	.633**	.754**
	Sig. (2-tailed)		.000	.000	.000	.000

	N	270	270	270	270	270
Credit	Pearson Correlation	.717**	1	.572**	.559**	.711**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	270	270	270	270	270
Capacity Building	Pearson Correlation	.708**	.572**	1	.707**	.779**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	270	270	270	270	270
Business Experience	Pearson Correlation	.633**	.559**	.707**	1	.804**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	270	270	270	270	270
Family Economic Welbeing	Pearson Correlation	.754**	.711**	.779**	.804**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	270	270	270	270	270

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Based on table 6, Business Experience have the strong positive association with family economic wellbeing whereby business experience is ( $r=0.804$ ,  $p<0.000$ ). Then, it was followed by quality of capacity building ( $r=0.779$ ,  $p<0.000$ ), saving ( $r=0.754$ ,  $P<0.000$ ), loan access ( $r=0.711$ ,  $p<0.000$ ) In the table it shows that every variable is significant because P value are not more than 0.05.

Hypothesis testing:

### **H1: There is a significant relationship between Saving Money and family economic wellbeing**

The Pearson correlation coefficient of 0.754 indicates a strong positive correlation between savings and family economic wellbeing in Kolfe keranyo subcity. This means that as savings increase, family economic wellbeing also tends to improve. The positive sign of the correlation coefficient further confirms this relationship. The p-value for the Pearson coefficient being greater than 0.05 ( $p = 0.000$ ) suggests that the observed correlation between savings and family economic wellbeing is statistically significant at a 95% confidence level. In other words, The research strongly indicates a positive correlation between savings and family economic well-being in the Kolfe Keranyo sub-city. This significant positive relationship suggests that families with more savings are more likely to achieve improved well-being outcomes. This could manifest in various ways such as improved living standards, better access to essential services, increased financial security, and enhanced quality of life.

## **H2: There is a significant relationship between loan access and family economic well being**

The second hypothesis expressed that there is a noteworthy relationship between loan access and family economic wellbeing. Generally, there's a reasonably strong positive relationship between loan access and family economic wellbeing with the R value of 0.711. At that point, this result is encourage backed by the P value of 0.000 which is less than 0.05. Thus, the relationship between credit access and family economic wellbeing is strongly significant. In this manner, hypothesis 2 is upheld.

This finding is essential as it suggests that an increase in loan among family in vsla members at Kolfe keranyo sub city is associated with an improvement in their overall economic wellbeing. It implies that family that borrow more tend to have better economic wellbeing outcomes. By encouraging loan take behavior for business and providing support for financial literacy, they can potentially raise the standard of living and well-being of residents in the sub city.

## **H3: There is a significant relationship between capacity building and family economic wellbeing**

The third hypothesis stated that there is a noteworthy relationship between capacity building and family economic wellbeing. In general, there is a strong positive relationship between capacity building and family economic wellbeing with the R value of 0.779. At that point, this result is assist supported by the P value of 0.000 which is less than 0.05. Thus, the relationship between capacity building and family economic wellbeing is strongly significant. In this manner, hypothesis 3 is upheld.

This finding is crucial as it suggests that an increase in member's capacity regarding business skill among family in VSLA members at Kolfe keranyo sub city is associated with an improvement in their overall economic wellbeing. It implies that family that has large business skill tend to have better economic wellbeing outcomes. By capacitating member's business skill, they can potentially raise the standard of living and well-being of residents in the sub city.

## **H4: There is a significant relationship between business experience and family economic wellbeing**

The forth hypothesis stated that there is a noteworthy relationship between business experience and family economic wellbeing. Generally, there is a strong positive relationship between business experience and family economic wellbeing with the R esteem of 0.804. At that point, this result is

further supported by the P value of 0.000 which is less than 0.05. Consequently, the relationship between business experience and family economic wellbeing is significant. Hence, hypothesis 4 is upheld. The fact that the correlation is positive suggests that as business experience increases, family economic wellbeing also tends to increase.

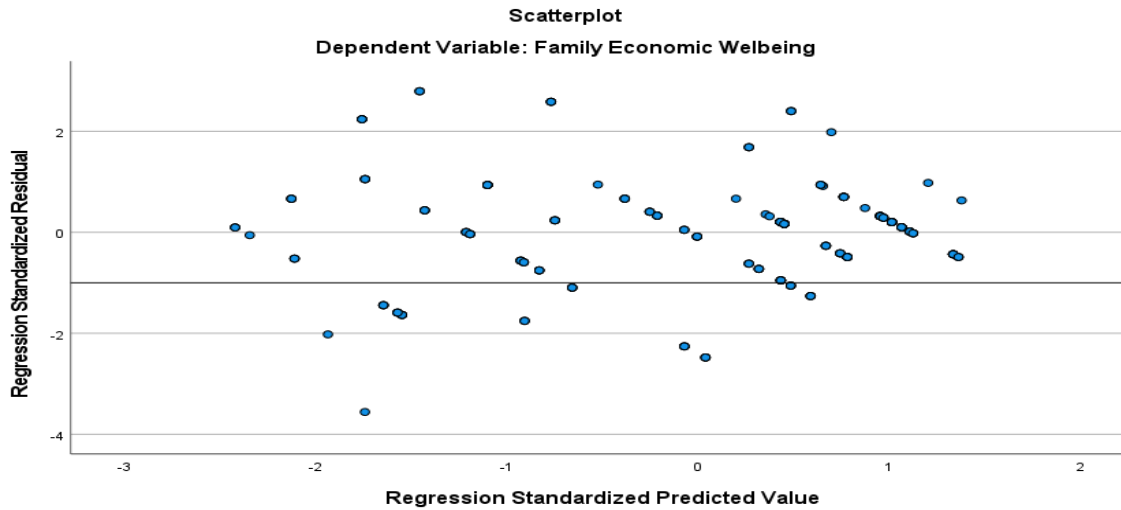
## **4.2. Assumption of CLRM and diagnostic test**

This section presents four distinct results of the Classical Linear Regression Model (CLRM) tests conducted for this study. Initially, it presents the findings regarding the homoscedasticity assumption, followed by the results concerning autocorrelation and multicollinearity separately. Finally, the results of the normality tests are give

### **4.2.1 Heteroscedasticity test**

The initial diagnostic test performed in this study is the heteroscedasticity test for ordinary least squares (OLS) estimation. According to theory, the errors should have a constant variance, which is referred to as the assumption of homoscedasticity. When the errors exhibit a varying variance, they are considered heteroskedastic. In this research, the plot of standardized residuals against standardized predicted values did not show any signs of funneling, indicating that the assumption of homoscedasticity has been satisfied. Furthermore, as noted by Tabachnick and Fidell (2007), homoscedasticity is connected to normality; when the normality assumption holds true, the relationship between the variables is regarded as homoscedastic.

**Figure 2:Heteroscedasticity test**



The graph indicates errors are distributed and the variance of the errors is constant thus, there is no problem of homoscedasticity for the equation

#### 4.2.2. Autocorrelation test

The second diagnostic test performed in this study is the autocorrelation test. This test is based on the assumption that the errors are not correlated with each other. If the errors are found to be correlated, they are referred to as 'auto correlated' or 'serially correlated' (Brooks, 2008).

Durbin–Watson test is the most common test of autocorrelation assumption (Boorks, 2008, p. 144). Thus, in this study the Durbin–Watson test is used to test of autocorrelation. The Durbin-Watson statistic showed that this assumption had been met, as obtained value was close to 2. to test the assumption that the residuals are independent (or uncorrelated). Durbin-Watson ranges from 0 to 4. Values <1 and >3 cause for concern and may render the analysis invalid. In this model the Durbin-Watson result is 1.840 which is close to 2. This indicates that there is no autocorrelation problem.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std Error of the Estimate	Durbin Watston
1	0.894 <sup>a</sup>	0.800	0.797	0.86704	1.840

a. Predictors (Constant), Business Experience, Credit, Capacity Building, Saving

b. Dependent Variable: Family Economic Wellbeing.

### 4.2.3. Multicollinearity test

The third significant diagnostic test carried out in this study is the multicollinearity test, which aims to identify correlations among explanatory variables and prevent the overlapping effects of independent variables in the model (Brooks, 2008). To assess multicollinearity, Variance Inflation Factors (VIF) are typically examined for each variable. The analysis of collinearity statistics indicates that this assumption holds true, as the VIF scores are below 10 and tolerance scores exceed 0.2. According to Tabachnick and Fidell (2001), a tolerance value of less than 0.1 and a VIF greater than 10 would suggest the presence of multicollinearity in the data. However, as shown in the data analysis below, the VIF results are close to 1, generally falling below 3, while the tolerance values are above 0.2. This suggests that there is no issue with multicollinearity.

Table 8 Coefficients

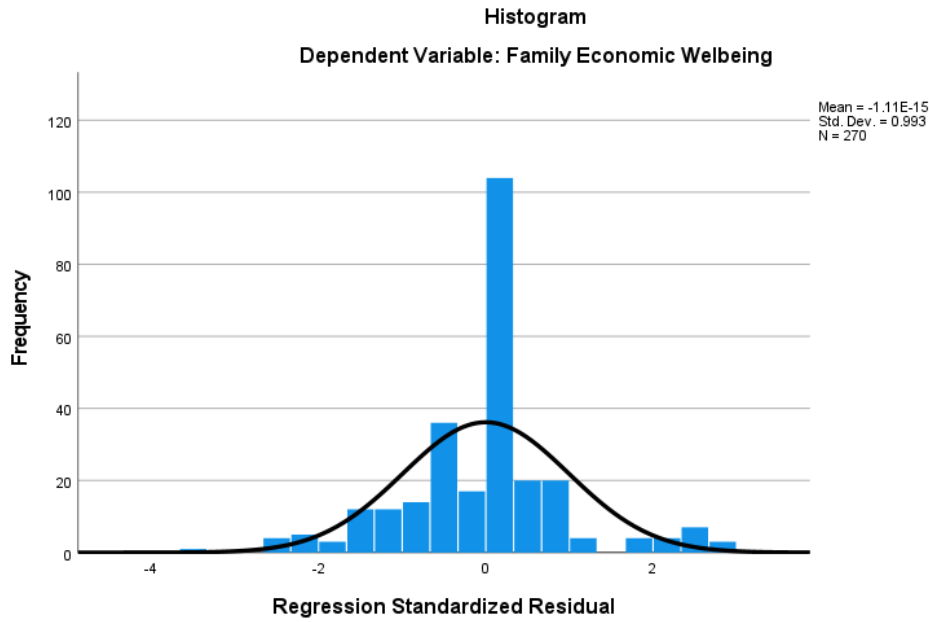
		Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	4.225	.327		12.915	<.001	3.581	4.870		
	Saving	.136	.041	.156	3.335	<.001	.056	.216	.347	2.885
	Credit	.164	.028	.231	5.746	<.001	.108	.220	.467	2.143
	Capacity Building	.267	.046	.258	5.834	<.001	.177	.357	.387	2.586
	Business Experience	.301	.031	.394	9.675	<.001	.239	.362	.454	2.201

a. Dependent Variable: Family Economic Welbeing

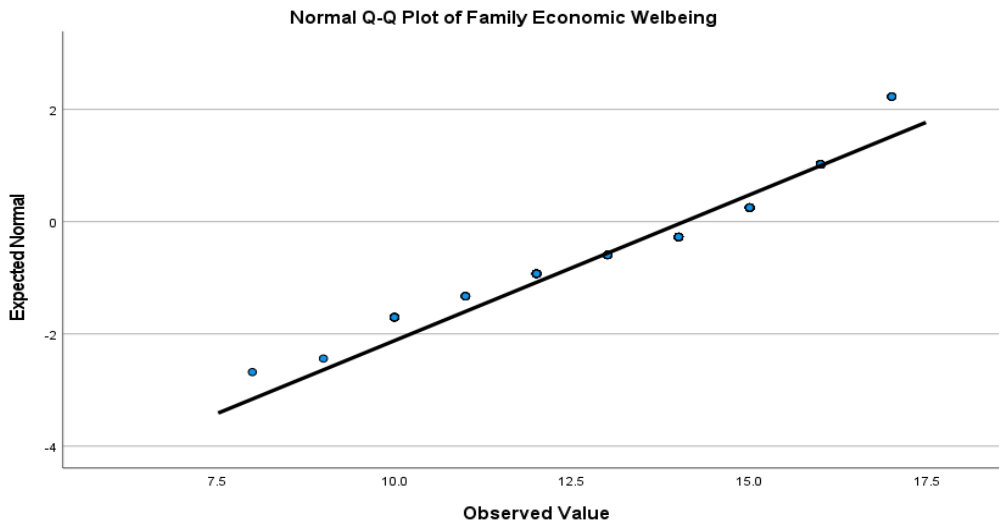
### 4.2.4 Normality test

The normality assumption evaluates whether the errors are distributed normally. For this assumption to hold, the skewness values should be within  $\pm 1$  and the kurtosis values within  $\pm 3$ . The Bera-Jarque (BJ) test is one of the most widely used methods for assessing normality (Brooks, 2008). In this study, the BJ test is employed to check for normality. The histogram below exhibits a bell-shaped curve, and in the normal Q-Q plot, the closer the points are to the diagonal line, the more normally distributed the residuals are. The skewness is approximately 0 (.148), and the kurtosis coefficient is .295. Therefore, it can be concluded that the residuals in this study are normally distributed, indicating no issues with normality in the model.

Figure 3: Normality Test



**Figure 4: Normality Test Q-Q plot**



### 4.3 Multiple Regression Analysis

Multiple regressions test a number of independent variables at once with the dependent variable to decide the conceivable linear relationship. A regression analysis was conducted to assess the predictive capability of the variables. The researcher categorized the VSLA services into four main groups, namely savings, loans, capacity building, business experience and their effect on family economic wellbeing.

**Table 8: Analysis of Variance**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	796.15	4	199.037	264.761	<.001
	Residual	199.217	266	0.752		
	Total	995.367	270			

The significant relationship between VSLA activities and family economic wellbeing in kolfe sub city, as indicated by the ANOVA results ( $F = 264.761$ ,  $P < 0.001$ ), implies that effective VSLA services (savings, loans, capacity building and business experience) will lead to a significant increase in family economic wellbeing in Kolfe sub city. The analysis of variance (ANOVA) findings suggest that there is a significant difference in family economic wellbeing in Kolfe sub city based on their affiliation with different VSLAs. Specifically, the results indicate that the variation in family economic wellbeing can be explained by the differences in VSLA services in Kolfe sub city.

**Table 9:Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
1	(Constant)	4.225	.327		12.915	<.001
	Saving Money	.136	.041	.156	3.335	<.001
	Loan Provision	.164	.028	.231	5.746	<.001
	Capacity building	.267	.046	.258	5.834	<.001
	Business Experience	.301	.031	.394	9.675	<.001

The findings from Table 9 indicate that savings play a essential role in improving family economic wellbeing in kolfe sub city. The coefficient of 0.136 suggests a positive and significant relationship between savings and family economic wellbeing in kolfe sub city. Specifically, this means that for every unit increase in savings, there is an associated improvement of 0.136 family economic

wellbeing in kolfe sub city. This finding implies that encouraging and promoting savings within VSLAs can effectively increase family economic wellbeing. As members save more, they are likely to have increased access to financial services, such as credit facilities, insurance products, and other banking services offered by the micro finance institution. This, in turn, can lead to greater economic empowerment, improved financial stability, and enhanced overall well-being for the members. Additionally, the positive and significant impact of savings on family economic wellbeing emphasizes the importance of adopting a culture of saving.

The findings presented in Table 9 indicate that loans have a positive and significant relationship with family economic wellbeing in kolfe sub city. The standardized coefficient of 0.164 suggests that for every unit increase in loans, there is an associated improvement of 0.164 in family economic wellbeing in Kolfe sub city, assuming all other independent variables are held constant at zero. This implies that loans play an essential role in improving family economic wellbeing in kolfe sub city. The positive and significant relationship observed indicates that access to loans positively influences the level of family economic wellbeing. By providing members with access to loans, VSLAs can contribute to improving their family economic wellbeing, empowering them to participate more actively in economic activities and investments. Besides, the significant effect of loans on family economic underscores the importance of loans and offered by VSLAs to meet the diverse needs of their members.

The findings from Table 9 suggest that capacity building has a positive and significant impact on family economic wellbeing in kolfe sub city. The standardized coefficient of 0.267 indicates that for every unit increase in capacity building, there is an associated improvement of 0.267 in the level of family economic wellbeing. This implies that enhancing capacity building can lead to a substantial increase in family economic wellbeing in Kolfe sub city. The positive and significant effect identified in the study highlights the importance of capacity building in motivating family economic wellbeing in kolfe sub city.

The findings from Table 9 suggest that member's business experience has a positive and significant impact on family economic wellbeing in kolfe sub city. The standardized coefficient of 0.301 indicates that for every unit increase in business experience, there is an associated improvement of 0.301 in the level of family economic wellbeing. This implies that enhancing business experience can lead to a substantial increase in family economic wellbeing in Kolfe sub

city. The positive and significant effect identified in the study highlights the importance of business experience in enhancing family economic wellbeing in Kolfe sub city.

### **4.3.1 Discussion of the Results and Hypothesis Test**

#### **Saving money and Family Economic Wellbeing in Kolfe sub city**

The study found out that a strong positive relationship between savings and family economic wellbeing in Kolfe sub city. A number of studies have documented the positive impact of VSLA savings on economic wellbeing. For instance, a study by Wolukawu.A,(2024) in Kamuli District found that effect of savings on household welfare in Kamuli District provides valuable insights into how saving behaviors impact the wellbeing of households in the District. Similarly, a study by Christopher et al. (2016) in Malawi found that the change in overall savings, positive and significant intention-to treat effects on several outcomes, including the number of meals consumed per day, household expenditure as measured by the USAID Poverty Assessment Tool, and the number of rooms in the dwelling may be a result of extra income, just as credit may also play a role.

Furthermore, As VSLA positively impacted the lives of its members through various indicators, such as covering school fees and purchasing educational materials for children, paying health insurance costs (mutuelle de santé), enhancing clothing quality, boosting agricultural and livestock yields, increasing savings, and improving the ability to contribute to community celebrations or funerals. Additionally, Tamim (2015) found that providing financial services, such as loans for business ventures or emergencies, can empower impoverished individuals to pursue more business opportunities and foster a belief in their potential for greater achievements. This emphasizes the importance of participation in VSLA to save more as a means to enhance overall family economic wellbeing.

#### **Loan provision and Family Economic Wellbeing in Kolfe sub city**

The study found a strong positive and significant relationship between loans and family economic wellbeing in Kolfe subcity. In a similar way, As Research conducted by Christopher et al.(2016) in Malawi found that effects to an increase in savings and credit obtained through the VSLAs, which has increased agricultural investments and family income from small businesses.

According to Prof. Dr. Pierre et al. (2019), the loans obtained from VSLA are primarily utilized for income-generating activities, which include agriculture combined with livestock (38.1%), small trade (20.6%), and modern agriculture without livestock (17.5%). Other economic pursuits include modern livestock farming without agriculture (7.2%), operating a bar (6.2%), selling mobile money (4.1%), running a kiosk (3.1%), and motorcycle transport services (3.1%). Additionally, Kensenta and Andre (2015) noted that members mainly use these loans to start small businesses, meet basic needs, and enhance livestock farming. This emphasizes the importance of participation in VSLA to access and use loan as a means to enhance overall family economic wellbeing.

### **Capacity Building and Family Economic Wellbeing in Kolfe sub city.**

The study findings showed that there is a strong relationship between capacity building and family economic wellbeing in Kolfe Keranyo subcity. This study aligns with the findings of Prof. Dr. Pierre et al. (2019), who discovered that 96.6% of participants in their research had attended training on business selection, planning, and management, while 3.4% had not. Among the members surveyed, 57.2% reported that the BSPM training had a significantly positive effect on their businesses, 30.0% indicated a high positive impact, 9.1% noted a low impact, and 3.7% felt the impact was very low. Additionally, Sibomana and Shkla (2016) highlighted that VSLAs have been highly effective in fostering growth and enhancing local capacity. They have also provided members with access to responsive and secure financial services, allowed for the expansion of economic activities, improved household welfare, facilitated business skill acquisition, supported children's education, and enhanced the overall quality of social life within families and communities (Sibomana and Shkal, 2016). This emphasizes the importance of participation in VSLA to be capacitated as a means to enhance overall family economic wellbeing.

### **Business experience and Family Economic Wellbeing in Kolfe sub city.**

The study findings showed that there is a strong relationship between business experience and family economic wellbeing in Kolfe subcity. This is backed by various studies, including one by Corner (2010), which found that low-income women involved in Village Savings and Loan Associations (VSLAs) invest in income-generating activities that enhance their economic stability and increase their families' assets. This, in turn, positively influences their husbands' happiness, leading to greater respect for women's opinions. As a result, 60% of these women successfully

acquire significant assets, such as land, shops, and businesses, in their own names without facing objections from their spouses. Additionally, Corner (2010) emphasizes that participation in VSLAs significantly boosts women's asset acquisition and ownership. This emphasizes the importance of participation in VSLA to have business experience as a means to enhance overall family economic wellbeing.

#### **4.4: Qualitative Analysis**

Building upon the quantitative analysis in the preceding section of chapter four, which explored multiple regression and validated hypotheses through tests for homoscedasticity, autocorrelation, multicollinearity, and normality, this section presents a qualitative examination of the effect of VSLA (Village Savings and Loan Association) operations on the economic wellbeing of low-income families. This analysis is based on insights gleaned from focus group discussions conducted with VSLA members. The discussions utilized reflective questioning techniques to understand participants' experiences and perceptions since their involvement with VSLA, ultimately assessing whether VSLA membership is associated with positive economic benefits at the family and individual levels.

##### **4.4.1 Effect of VSLA Operation on Members Family Income**

To examine the effect of vsla members in family income, focus group participants were asked to discuss and reflect their views regarding their household income by comparing before and after scenario. The various views reflected from participants during discussion shows that an improved income have been achieved by members' households after their participation in VSLA. . One participant shared his views towards household income improved as follows;

*"Since becoming part of the VSLA, I've been able to borrow money and begin selling chips and 'Ertib' in front of my home. This has increased my family income, and also I got the opportunity to participate in financial management training which helps me to manage the money that come from the business. So using it for household needs, loan repayments, and reinvestment."* (FGD,2024)

Another participant also shared his views towards family income since joining VSLA as follows; *I took entrepreneurship training since participating VSLA helped me a lot, like changing my attitude and my practice. For example, I were daily laborer before I engaged in VSLA, after I took this training I decided to launch my own business, so my income is gradually is increasing and some of my friends too".* (FGD,2024)

As can be seen from participants' views concerning family income, the effects of VSLA on family income both in terms of quality and quantity is positive. The participants emphasized that the loan from the VSL enabled them to earn own income and they are using their income to fulfill their basic needs and reinvest. This finding confirms with the results of a study by (Jaka, H., & Shava, E., 2018) found that women used savings groups to adapt to climatic variability, improving their access to credit and investment in income-generating activities. This participation enhanced their livelihoods. In addition to this, these findings closely relate to the result of research on VSLA services and household welfare in Kamuli district conducted by (Ambrose,2024) recommended that improving financial literacy among VSLA members is essential for boosting household income and independence.

#### **4.4.2 Effect of VSLA Operation on Members Family Health**

The focus group discussions explored the effects of VSLA membership on family health, with participants reflecting on their experiences since joining. Participants supported their reflections with specific examples. One participant shared a compelling narrative of how VSLA membership transformed her family's access to healthcare as follows:

*“The VSLA has really empowered me. I used a loan from the association to start an income-generating activity: selling used clothes at the '18 area' market. Before joining VSLA, I was financially dependent on my husband, and his income was not enough. When family members fell ill, we couldn't afford treatment or medication, forcing us to seek free healthcare through the 'Kebele.' Even then, affording the prescribed drugs was a challenge. Now, because of VSLA, the situation has improved drastically. We have health insurance and can afford a wider range of healthy foods. This, combined with improved household hygiene, has significantly reduced instances of illness.” (FGD,2024)*

Similarly, another participant shared in the FGD ;

*“Beyond improving our financial capacity to cover healthcare expenses, the VSLA has also increased our awareness of preventive health strategies, including understanding the consequences of HIV/AIDS. Prior to joining the VSLA, limited knowledge and the fear of stigmatization significantly affected my health management practices, and proper adherence to medication was lacking among many patients. However, through VSLA, I learned about HIV/AIDS, the benefits of treatment adherence, and the negative consequences of treatment interruption. This knowledge led to a complete transformation in my attitude towards treatment*

*and fostered greater confidence. As a result, VSLA operation has not only strengthened our economic position but has also cultivated awareness and positive attitudes towards HIV prevention and treatment.” (FGD,2024)*

Participants in the focus group discussion repeatedly emphasized the substantial contribution of VSLA membership to the health and wellbeing of their families.

# Chapter Five

## Summary, Conclusions and Recommendations

Chapter five provides an overview of the findings, conclusions, and suggestions derived from the analysis of the connection between VSLA services, members' business experiences, and the economic wellbeing of their families.

### 5.1. Summary of the Findings

Based on the objectives of the study, finding summary of are presented below, namely:

#### **Savings and Family Economic Wellbeing in Kolfe sub city**

A Pearson correlation coefficient of 0.754 reveals a strong positive association between savings and family economic wellbeing in Kolfe sub-city. This indicates that as savings rise, family economic wellbeing also improves in this area. The correlation coefficient of 0.754 highlights a direct link between the two variables. Additionally, the regression coefficient of 0.156 reinforces the positive impact of savings on family economic wellbeing in Kolfe sub-city. The standardized coefficient of 0.156 suggests that for every unit increase in savings, family economic wellbeing increases by 0.156 units.

#### **Loans and Family Economic Wellbeing in Kolfe sub city**

The findings from the Pearson correlation indicates positive and significant relationship indicated by a Pearson correlation coefficient ( $r$ ) of 0.711 suggests a strong positive relationship between loans and family economic wellbeing in Kolfe sub city. This implies that as loan provision increases, there is a corresponding improvement in family economic wellbeing. The regression coefficient further supports the notion that loans have a positive and significant effect on family economic wellbeing in Kolfe sub city. The standardized coefficient of 0.231 signifies that for every unit increase in loans, there is an expected improvement of 0.231 units in family economic wellbeing. This highlights the direct effect that loans can have on enhancing family economic wellbeing.

### **Capacity Building and Family Economic Wellbeing in Kolfe sub city**

The results from the Pearson correlation and regression coefficient analysis offer important insights into the connection between capacity building and family economic wellbeing in Kolfe sub-city. The Pearson correlation coefficient ( $r$ ) of 0.779 indicates a strong positive correlation between these two variables, suggesting that as capacity building efforts increase, family economic wellbeing also improves in the area. Furthermore, the findings demonstrate that capacity building positively and significantly influences family economic wellbeing. The standardized coefficient of 0.258 indicates that for each unit increase in capacity building, family economic wellbeing improves by 0.258 units in Kolfe sub-city.

### **Business Experience of VSLA members and Family Economic Wellbeing in Kolfe sub city**

The results from the Pearson correlation and regression coefficient analysis offer important insights into the connection between capacity building and family economic wellbeing in Kolfe sub-city. The Pearson correlation coefficient ( $r$ ) of 0.804 indicates a strong positive association between the two variables, meaning that as business experience increases, family economic wellbeing also improves in Kolfe sub-city. Additionally, the findings reveal that business experience positively and significantly impacts family economic wellbeing. The standardized coefficient of 0.394 indicates that for each unit increase in capacity building, family economic wellbeing improves by 0.394 units in Kolfe sub-city.

## **5.2 Conclusion**

### **Saving money and Family Economic Wellbeing in Kolfe sub city**

The study found a strong positive correlation between savings and family economic wellbeing, indicating that as savings increase, the overall economic well-being of families in Kolfe Sub City also enhances. This implies that members of Village Savings and Loan Associations (VSLAs) who can save money are more likely to have improved access to essential needs such as food, shelter, and healthcare. Furthermore, having savings provides immediate solutions during emergencies. Those who save more have greater opportunities to invest in personal development, income-generating activities, and better educational prospects for their children., better health services which in turn leads to better income and improved family wellbeing.

### **Loan provision and Family Economic Wellbeing in Kolfe sub city**

It is concluded that there is strong positive correlation between loans and family economic well-being in Kolfe sub city. The findings suggest that loans play a crucial role in enhancing family economic well-being in Kolfe subcity. Access to credit allows VSLA members to invest in income-generating activities, like launching, expanding and diversifying businesses, purchasing business making machines, or improving housing conditions. As a result, the funds rewards in increasing family income, asset accumulation, improving access to essential services and changing way of family life.

### **Capacity Building and Family Economic Wellbeing in Kolfe sub city.**

The study concluded that there exists a strong correlation between capacity building and family economic wellbeing in Kolfe subcity. Having capacity in running and managing business activities has direct relationship with business income which inturn have impact in terms of family economic wellbeing.

### **Business experience and Family Economic Wellbeing in Kolfe sub city.**

The study concludes that there exists a strong correlation between business experience and family economic wellbeing. The larger business experience has given an opportunity to know well about features of business, customers and local market demand so members can handle customers as better as possible which can sustain and improves income. This, in turn, can lead to increased household income, improved living standards, and a reduction in household welfare levels.

## **5.3 Recommendations**

The results of the analysis and the influence of involvement in Village Savings and Loan Associations (VSLA) on family economic wellbeing offer a solid basis for policy and program suggestions designed to improve financial inclusion, promote economic empowerment, and enhance the overall economic status of households. Here are recommendations derived from the key findings.

### **Promote Saving**

The analysis demonstrated that saving plays a significant role in family economic wellbeing. Increasing saving by 1 unit, increasing the likelihood of family economic wellbeing by 15.6%.

Regular training on savings benefits and fair loan repayment policies should be provided. VSLA leaders should be capacitated to promote savings for business ventures, encourage diversification of saving methods, including formal banking, to enhance financial resilience alongside VSLA savings.

## **Enhance Capacity Building Programs**

The analysis demonstrated that capacity building plays a significant role in VSLA participation, increasing the likelihood of family economic wellbeing by 25.8%. Households with a better understanding of financial management, savings, and credit are more likely to join VSLAs and benefit from them.

Policymakers and program designers should invest in financial literacy campaigns targeted at potential VSLA participants, especially in rural and underserved communities. Workshops, training initiatives, and digital literacy resources should be created to provide families with the necessary skills to efficiently handle their finances, savings, and loans. These efforts can increase participation and ensure that individuals fully capitalize on the benefits of VSLA membership.

## **Expand Access to Credit**

Access to credit was identified as a key determinant of VSLA participation, a 1-unit increase in credit access, with a 23.1% increase in the likelihood of family economic wellbeing. The findings also revealed that access to larger loans further boost economic wellbeing.

Recommendation: Efforts should be made to improve access to affordable credit for households, particularly those with limited financial resources. Governments, NGOs, and financial institutions should work to remove barriers to credit access, such as stringent lending requirements, high-interest rates, and lack of collateral. Developing partnerships between VSLAs and microfinance institutions or banks can provide members with more flexible loan options to meet their financial needs. This can enhance economic activities such as business expansion, which is particularly beneficial for households with entrepreneurial backgrounds.

## **Encourage Larger Loan Access**

Loan size was a significant factor in participation, and larger loans encouraged more engagement. Participants are motivated by the potential for higher loans to meet their financial goals.

Recommendation: VSLA programs should work to scale up loan size limits for participants with proven creditworthiness. This can be achieved by creating partnerships with financial institutions or securing additional funding for VSLAs. Providing larger loans can enable households to pursue more ambitious projects, such as expanding businesses, investing in education, or covering substantial health expenses, further enhancing economic empowerment.

## **Promote Business Development**

Business experience had a positive and significant impact on family economic wellbeing, with a one-unit increase in business experience the likelihood of family economic wellbeing by 39.4%. Recommendation: Business training programs tailored to VSLA members should be introduced to help households develop entrepreneurial skills. Providing access to mentorship, resources, and networks can empower more participants to start or expand small businesses using VSLA loans. Governments and NGOs can collaborate to create business development hubs in communities with VSLA programs, helping to foster a culture of entrepreneurship.

## **Promote Longer-Term VSLA Engagement**

Programs should emphasize the long-term benefits of continuous VSLA participation. Incentives for long-term engagement, such as increased access to credit for sustained members, larger loan opportunities, or rewards for consistent saving, can encourage households to remain active. Additionally, the positive experiences of long-term participants should be highlighted in promotional efforts to attract new members.

## **Areas for Further Study**

In conclusion, to achieve a compelling outcome on a larger scale, the study suggests that additional research should be carried out with larger sample sizes and a variety of methodologies. This could

include comparative studies across different regions to examine their effects, the advantages and disadvantages of having working family members in Village Savings and Loan Associations (VSLA), and an exploration of gender responsiveness in this context. These topics, along with others, were not covered in this study due to its limitations in scope, time, and budget. Therefore, exploring these areas could provide deeper insights and contribute to more effective program development aimed at improving family economic well-being.

# Appendix

## Questionnaire

Dear Participants,

My name is Shewakirs Takele Yigzu, and I am pursuing a Master of Business Administration at Addis Ababa University. I am conducting research on "The Effect of Village Saving and Loan Association (VSLA) operations on the Economic Well-Being of Low-Income Families in Kolfe Keranio Subcity, Addis Ababa, Ethiopia," which is essential for my studies. This questionnaire is designed to gather information from both new and existing VSLA members in the Kolfe Keranio Subcity of Addis Ababa. Your responses are vital for the success of this research and will help facilitate a thorough investigation of the topic.

I kindly ask you to provide accurate and truthful information based on your experiences. Please rest assured that your answers will be kept completely confidential. The findings from this survey will be used solely for academic purposes and will not be shared with any official organizations, nor will they impact your VSLA membership in any way. Additionally, your participation is entirely voluntary. Completing this questionnaire should take about 15 minutes. Thank you in advance for your valuable time and input.

**Questionnaire for new and old VSLA members in Addis Ababa city Kolfe Keranyo Sub city**

**Instruction:** Circle the number of your choice or fill the blank spaces for the following questions.

I. Number of Questionnaire \_\_\_\_\_

II. Name of Data Taker \_\_\_\_\_

III. Interview Date \_\_\_\_\_

IV. VSLA Name \_\_\_\_\_

## Section 1: Socio-demographic Information

**Direction:** Please select the appropriate response by encircling the number against each question.

Variable	Characterstics
1. VSLA Place	1. Zenebework area      6. Betel Area 2. Kara Area              7. Keranyo Area 3. Alembank Area        8. Tor Hayloch Area 4. Total and Mehandis    9. 18 Area 5. Weyira Area
2. Your age	1. 18-24                      4. 45-54 2. 25- 34                    5. 55 years and above 3. 35-44
3. Gender	1. Male                      2. Female
4. Marital Status	1. Married                  2. Single
5. Education Level	1. No formal education    3. Secondary Education 2. Primary Education      4. Above Secondary Edu.
6. Family size	1. 1-3                      2. 4-6                      3. Above 6
7. Occupation (n=270)	1. Self-employed      2. Civil servant      3. House wife
8. Year of VSLA establishment	1. Less than 6 months      4. 2 – 3 years 2. 6 months – a year        5. More than 3 years 3. 1 – 2 years
9. Monthly Household income	1. Less than 3000 et birr    3. 5001-8000 2. 3001-5000 et birr        4. Above 8001

## Section 2: VSLA activities

**Direction:** Please select the appropriate response by encircling the number against each question as follows: **1= Strongly Disagree 2= Disagree 3= Not sure 4= Agree 5= Strongly Agree**

S.N	Independent Variables	SD	D	NS	A	SA
<b>Section 3.1 Saving Mobilization: Variable Name= SM</b>						
1	I save willingly with VSLA Groups	1	2	3	4	5
2	I easily access my savings in case of Emergencies	1	2	3	4	5
3	I save money on a regular basis	1	2	3	4	5
<b>Section 3.2 Credit Access: Variable Name= CA</b>						
1	The interest rate is favorable	1	2	3	4	5
2	I access loans whenever I Want	1	2	3	4	5
3	I took a loan to start or expand my Businesses	1	2	3	4	5
4	The loan repayment rate is high.	1	2	3	4	5
<b>Section 3.3 Capacity Building: Variable Name= CB</b>						
1	I received entrepreneurship training	1	2	3	4	5
2	I received health education since being VSLA membership	1	2	3	4	5
3	Does Entrepreneurship provides skills and knowledge	1	2	3	4	5
<b>Section 3.4 Business experience: Variable Name= BE</b>						
1	Did you start any income generation activity as a result of participating in the saving group?	1	2	3	4	5
2	I operate a small Business	1	2	3	4	5
3	I believe Entrepreneurship creates Jobs	1	2	3	4	5

### Section 3 Household Economic Wellbeing

**Direction:** Please select the appropriate response by encircling the number against each question as follows: **1= Strongly Disagree 2= Disagree 3= Not sure 4= Agree 5= Strongly Agree**

S.N	Dependent Variables	SD	D	NS	A	SA
<b>Section 4.1 Impact on Family Economic Wellbeing Variable N= FEW</b>						
<b>1</b>	My household income has improved	1	2	3	4	5
<b>2</b>	I have more than one source of Income since being member of VSLA	1	2	3	4	5
<b>3</b>	I have access to health care	1	2	3	4	5
<b>4</b>	I have health insurance coverage since participation of VSLA	1	2	3	4	5

## **Focus Group Discussion Guideline**

Dear participants:

Good morning/afternoon everyone. My name is Shewakirs Takele, and I'm a Master of Business Administration student at Addis Ababa University. As part of my degree, I'm conducting research on how Village Savings and Loan Associations (VSLAs) impact the economic well-being of low-income families in Addis Ababa. This focus group discussion is a key part of my research. We've invited you here today because your experiences with VSLAs are incredibly valuable in understanding these effects.

I'll be leading the discussion, and ----- will be observing and taking notes to help me capture all of your insights. I'll be asking a few open-ended questions about your experiences with VSLAs and their impact on your family's economic situation. There are no right or wrong answers. We are interested in hearing your honest opinions and perspectives. Your participation is voluntary, and all of your responses will be kept confidential. No names or identifying information will be included in my report. The discussion will last approximately 30 minutes. We encourage everyone to share your thoughts and listen respectfully to each other. Please feel free to respond to each other's comments. ----- and I are here to facilitate the discussion and answer any questions you may have.

Before we begin, does anyone have any questions about the purpose of the focus group, how the information will be used, or your role in it? Thank you for your time and willingness to participate."

Q1. What role do you think is played by VSLA operations in improving the economic wellbeing of members' family?

Q2. How members' participation in VSLA effect their regular savings, loans, capacity building and business experience?

Q3. What mechanisms can be adopted for effectiveness of VSLA operations in Kolfe sub city?

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