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Original Article

### The Effect of Village Savings and Loan Association Services on Socioeconomic Wellbeing of Members in Mitooma Town Council, Mitooma District

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#### Date Published: ABSTRACT

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#### Keywords:

*Social Economic  
Wellbeing,  
Financial Training,  
Credit Extension and  
Saving Services.*

The study focused on examining the effect of village savings and loan association services on the socioeconomic wellbeing of members in Mitooma town council, Mitooma district. Specifically, to explore the effect of financial training on socioeconomic wellbeing of members, to examine the impact of credit extension on socioeconomic wellbeing of members and to examine the effect of saving services on socioeconomic wellbeing of members in Mitooma town council, Mitooma district. A cross-sectional design was employed using both quantitative and qualitative approaches to allow triangulation. Both simple random sampling and purposive sampling techniques were applied to select the 241 respondents. Data collection methods such as questionnaire surveys and interview methods. Quantitative data was analysed with descriptive statistics, Pearson correlation coefficient and linear regression, while qualitative data was analysed using thematic analysis. The study found that financial training had a positive and significant contribution towards socioeconomic wellbeing since p-value was 0.004, which was less than 0.05 and  $r=.952$ . The study also shows that results show that credit extension had a positive significant contribution to socioeconomic wellbeing since the p-value of 0.647 is greater than 0.05; Pearson correlation coefficient ( $r=.647$ ). Lastly, the study concluded that saving services had a positive significant contribution to socioeconomic wellbeing since the p-value of 0.0000 is less than 0.05 and the Pearson correlation coefficient ( $r=.546$ ). The study concluded that financial training had a positive significant contribution to socioeconomic wellbeing. The Pearson correlation coefficient indicated that there is a strong positive significant contribution of financial training to social wellbeing. The study also concluded that credit extension had a positive significant contribution to socioeconomic wellbeing. Furthermore, the study concluded that saving services had a positive significant contribution to socioeconomic wellbeing. The study recommended that VSLAs should offer training on starting and managing small businesses, including business planning, marketing, and financial management. The study also recommends that VSLAs should establish clear and transparent credit terms, including interest rates, repayment schedules, and consequences of

default. Ensure that terms are fair and manageable within members' financial capacities. Lastly, the study recommends that VSLA should educate members on the importance of saving regularly and setting financial goals.

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## INTRODUCTION

Village Savings and Loans Associations are recognised as a strong model for delivering financial services, livelihood improvement inputs and innovative skills for self-employment and socio-economic independence by households in emerging economies (Mburu, 2023). This approach has also been employed and adopted for wellbeing improvement in Ghana and Niger among other Non-Governmental Organisations (NGOs) like CARE International with the goal to help women participants cope with the numerous responsibilities that they faced in a challenging economic and social environment (Mburu, 2023). The key reasons for the common use of VSLAs as a livelihood programme are that most poor people live in rural areas of developing countries with limited access to financial services (Lambongang, Nasow & Sienso, 2021). Therefore, Village Savings and Loans Associations are measured as financial training, credit extension and saving services. Social Economic Wellbeing is conceptualised as health, education, food and clothes. This chapter presents the background to the study, statement of the

problem, objectives of the study, research questions, hypothesis, scope of the study, significance and justification of the study.

Globally, VSLA services have now been introduced in 72 countries and have 11 million active participants worldwide (Pasimeni, 2021; VSL Associates, 2020). However, despite this wide distribution and the increasing popularity of VSLAs among donors as a means of improving the financial infrastructure in remote rural areas, very little is known about their impact on the household wellbeing of vulnerable societies, particularly the refugees in emerging countries. According to Ocen and Akello (2022), the vast majority of the World's poor live in rural areas of developing countries with little access to financial services. Access to savings and loans is the core component to fostering prosperous and resilient communities. Farmers are often faced with financial capital constraints before harvesting their crops; they often need to take loans to support themselves until the next harvest. Lack of information, high interest rates, lack of collateral to take loans, and loan sharks are barriers to farmers' ability to access financial resources. Setting up

Village Savings and Loan Associations services has become an increasingly widespread intervention aimed at improving local financial intermediation. A Village Savings and Loan Association (VSLA) is a group of people who save together and take small loans from those savings. Groups meet weekly and members save through the purchase of shares. The VSLA model is a village banking methodology which offers the productive poor, mostly in rural communities, the opportunity to purchase shares and lend to themselves with an agreed interest rate on a group basis (Habumuremyi, Habamenshi & Mvunabo, 2019).

In Africa, several governmental and non-governmental organisations support savings groups to promote financial inclusion of vulnerable people, especially women's groups. Systematic reviews suggest that saving groups are more effective at reducing poverty, increasing incomes and improving food security than microcredit groups (Steinert et al., 2018). However, estimates on participation rates within the saving group, including gender differences, vary depending on the geographical location and the socio-economic status of the community (Amoding & Mwesigwa, 2021). Consequently, the overall rates of adult saving group participation across African regions reflect 37% for Uganda, 13% for Kenya, 12% for Nigeria, and 16% for Tanzania, respectively (Steinert et al., 2018). Further, women are more likely to participate in saving groups than men in Kenya, Tanzania, and Uganda, with gender differences ranging between 5.1 and 8.0 percentage points. In Malawi, these groups are named *Mudzi Bank* or "*Bank M'mudzi*," meaning village banks (MBC, 2021), whereas in Egypt, they are called Rotating Savings and Credit Associations (RSCA).

In Uganda, 16% of the adult population keeps their savings at formal deposit-taking institutions, including VSLA. Uganda reported a high proportion of women participating in saving groups, at 39% even if up to 60% of adult Ugandans continue keeping their savings in their homes or in

the form of assets such as animals. However, a higher percentage of the population (more than 65%) is not able to access and utilise formal financial institutions for credit. Consequently, they resort to making the best use of savings groups as a reliable way of keeping their money and gaining financial assistance in case of crises in their families (Saripah & Uyuandi, 2021). Additionally, over 60% of the village saving group members have two sources of finance compared to the non-saving group members. A study conducted in Uganda indicates that a community benefits a lot from savings groups. The same study reveals that 99% of the saving group members use their financial benefits from savings groups to acquire hoes (32%), ox-ploughs (52%), goats (75%), radio sets (63%) and motorcycles (9%) (Banerjee et al., 2015). Membership in savings groups helps in improving household incomes, purchasing household foodstuffs, construction of decent housing, increasing access to clean and safe water, as well as meeting the cost of quality education. Other saving group members use their savings as start-up capital for small-scale enterprises (Okello & Mwesigwa, 2022).

### General Objective of the Study

The general objective of this study is to examine the effect of village savings and loan association services on the socioeconomic wellbeing of members in Mitooma town council, Mitooma district.

### Specific Objectives of the Study

- To examine the effect of financial training on the socioeconomic wellbeing of members in the Mitooma town council, Mitooma district.
- To examine the effect of credit extension on the socioeconomic wellbeing of members in Mitooma town council, Mitooma district.
- To examine the effect of saving services on the socioeconomic wellbeing of members in the Mitooma town council, Mitooma district.

## METHODOLOGY

### Research Design

This study adopted a correlational research design to explore to establish the effect of effect of village savings and loan associations on socioeconomic wellbeing in Mitooma district. This was non-

experimental research, which measures two variables and assesses their statistical relationship with little or no effort to control the extraneous variables (Mugenda & Mugenda, 2003). The study adopted both qualitative and quantitative approaches.

**Table 1: Study Population, Sample Size and Techniques**

Category of Population	Population Size	Sample Size	Sampling Technique
VSLA Members	750	241	Stratified sampling

**Source:** *Community Development Officer Report (FY 2023/2024)*

### Stratified Sampling

The study adopted stratified sampling that involves classifying sampling units of the population into relatively homogeneous groups before (usually) selecting sample units (Creswell, 2014). Strata were based on information other than the characteristic being measured that is known to or thought to vary with the characteristic of interest in such a way that the characteristic is more homogeneous within strata than among strata. Therefore, the technique was used to select VSLA members in explaining variation in the characteristic of interest can be used as a basis for defining strata.

### Questionnaire Survey

A Questionnaire survey method is a research method for collecting information from the selected group using standardised Questionnaires (Amin, 2005). Syed (2016) defines questionnaire survey as a technique for gathering statistical information about the attributes, attitudes or actions of a population through a structured set of questions. It was advantageous because large amounts of information can be collected from a large number of people in a short period of time and in a relatively cost-effective way. Since the population was large, the use of a questionnaire was appropriate. Each question was adopted to address a specific objective of the study. The study questionnaires were dropped off and picked up from the respondents' offices within one week. The questionnaire sought

information to establish the effect of VSLA services on socioeconomic wellbeing.

### Quantitative Data Analysis

Data analysis is the process of bringing order, structure, and meaning to the mass of information gathered (Mugenda & Mugenda, 2003). Data from the field was sorted and cleaned to ensure completeness of the questionnaire and coded, then it was entered into the statistical package SPSS version 25 for better analysis. Quantitative data analysis mainly consisted of descriptive statistics (frequencies and percentages) and inferential statistics (Pearson rank order correlation coefficient). The frequencies and percentages helped to determine respondents' views on establishing the effect of VSLA services on socioeconomic wellbeing in Mitooma district. Pearson's correlation coefficient helped to test the hypothesis. The correlation coefficient ( $r$ ) helped to determine the strength of the relationship between variables.

### Limitations of the Study

Although the study relied on self-reported data, interviews, and secondary records prone to bias, triangulation was used to enhance validity. Purposive sampling ensured representation of key stakeholders despite time and resource constraints, and the focus remained on critical variables. Contextual background was documented to support

future comparisons, with recommendations for follow-up studies to track evolving trends.

## RESEARCH FINDINGS

### Correlation between Financial Training and Socioeconomic Wellbeing

The study was conducted to find out whether there was any relationship between financial training and socioeconomic wellbeing. The analysis was done using the Pearson correlation coefficient. The elicited response was presented in Table 2.

**Table 2: Financial Training on Socioeconomic Wellbeing**

Correlations		Financial training	Social economic wellbeing
Financial training	Pearson Correlation	1	.952
	Sig. (2-tailed)		.004
	N	241	241
Social economic wellbeing	Pearson Correlation	.952	1
	Sig. (2-tailed)	.004	
	N	241	241

Table 2 shows that financial training had a positive significant contribution to socioeconomic wellbeing since the p-value of 0.004 is less than 0.05. The Pearson correlation coefficient ( $r=.952$ ) shows that there is a strong positive significant contribution of financial training on social wellbeing. This implies that any positive change in financial training results in a positive change in social wellbeing. This shows that financial training educates individuals on responsible borrowing practices, debt repayment strategies, and risk management. This reduces vulnerability to financial crises, helps manage

financial shocks, and promotes resilience against economic downturns, hence improving social wellbeing.

### Correlation between Credit Extension and Socioeconomic Wellbeing

The study was conducted to find out whether there was any relationship between credit extension and socioeconomic wellbeing. The analysis was done using the Pearson correlation coefficient. The elicited response was presented in Table 3.

**Table 3: Correlation between Credit Extension and Socioeconomic Wellbeing**

Correlations		Credit extension	Social economic wellbeing
Credit extension	Pearson Correlation	1	.647
	Sig. (2-tailed)		.030
	N	241	241
Social economic wellbeing	Pearson Correlation	.647	1
	Sig. (2-tailed)	.030	
	N	241	241

Table 3 shows that credit extension had a positive significant contribution to socioeconomic wellbeing since the p-value of 0.020 is greater than 0.05. The Pearson correlation coefficient ( $r=.647$ ) shows that

there is a moderately significant contribution of credit extension on social wellbeing. This implies that any positive change in credit extension results in a positive change in social wellbeing. This



implies that credit extension in VSLAs contributes significantly to enhancing the social and economic well-being of members and their communities. By promoting financial inclusion, empowering individuals, and fostering local economic development, VSLAs play a vital role in building resilient and sustainable communities.

### Correlation between Savings Services on Socioeconomic Wellbeing of Members

The study was conducted to find out whether there was any relationship between savings services on the socioeconomic wellbeing of members. The analysis was done using the Pearson correlation coefficient. The elicited response was presented in Table 4.

**Table 4: Correlation between Savings Services on Socioeconomic Wellbeing of Members**

Correlations		Saving services	Social economic wellbeing
Saving services	Pearson Correlation	1	.546**
	Sig. (2-tailed)		.000
	N	241	241
Social economic wellbeing	Pearson Correlation	.546**	1
	Sig. (2-tailed)	.000	
	N	241	241

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

The results in Table 4 show that saving services had a positive significant contribution to socioeconomic wellbeing since the p-value of 0.0000 is less than 0.05. The Pearson correlation coefficient ( $r=.546$ ) shows that there is a positive significant contribution of saving services on socioeconomic wellbeing. This implies that any positive change in saving services results in a positive change in socioeconomic wellbeing. Therefore, saving services such as access to savings accounts, micro-savings programs, and community-based savings

groups (like VSLAs) promote financial inclusion. They provide individuals, particularly those in underserved or rural areas, with access to formal financial services, allowing them to save money securely and build assets over time.

### Verification of the Hypothesis Testing

The study conducted an Analysis of Variance (ANOVA) to examine whether the multiple regression model was fit for the data.

**Table 5: Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.548 <sup>a</sup>	.521	.501	.77580

a. Predictors: (Constant), saving services, credit extension, Financial training

The coefficient of determination  $R^2$  value was 0.501. This shows how much of the total variation in the socioeconomic wellbeing was explained by the VSLA services. Therefore, the study results revealed that VSLA services contributes 50.1% to socioeconomic wellbeing in Mitooma county,

Mitooma district. This helped to find out if the socioeconomic wellbeing can be predicted without relying on the independent variables.

The results of the Analysis of Variance (ANOVA) are shown in Table 6.

**Table 6: ANOVA**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	61.124	3	20.375	33.852	.000 <sup>b</sup>
	Residual	142.642	237	.602		
	Total	203.765	240			
a. Dependent Variable: Socioeconomic Wellbeing						
b. Predictors: (Constant), Savings, Credit extension, Financial training						

The study findings in Table 6 show an overall test of significance of the fitted regression model. The F value indicates that all the variables in the equation were significant. Hence, the overall regression model is significant. From the findings in Table 5, the results show that the P-value was  $0.000 < 0.05$ ,

implying that the P-value was statistically significant; therefore, the overall regression model for training was statistically significant and can be used for prediction purposes at 5% significance level. This further indicates that the variables used in this study are statistically significant.

**Table 7: Regression Analysis Coefficients**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.702	.416		1.688	.000
	Financial training	.037	.065	.032	.578	.000
	Credit extension	-.024	.077	.017	.308	.758
	Saving services	.668	.066	.548	10.063	.000
a. Dependent Variable: Socioeconomic Wellbeing						

The results from Table 7 also show that  $\beta = 0.032$ , implying that a unit increase in financial training will lead to a 0.032 increase in socioeconomic wellbeing in Mitooma district. This is also statistically significant at 95% confidence levels since  $P\text{-value} = 0.00 < 0.05$ . The first hypothesis, “there is a significant influence between financial training and socioeconomic wellbeing is accepted.

The results from Table 7 also show that  $\beta = 0.017$ , implying that a unit decrease in credit extension will lead to a 0.017 increase in socioeconomic wellbeing in Mitooma district. This is statistically insignificant at 95% confidence levels and  $P\text{-value} = 0.758 > 0.05$ . Therefore, the second hypothesis, “credit extension has a significant positive influence on the socioeconomic wellbeing” is rejected; thus, credit

extension doesn’t influence the socioeconomic wellbeing.

The results from Table 7 also show that  $\beta = 0.548$ , implying that a unit increase in saving services will lead to a 0.548 increase in socioeconomic wellbeing. This is also statistically significant at 95% confidence levels since  $P\text{-value} = 0.000 < 0.05$ . The third hypothesis, “saving services significantly positively influence the socioeconomic wellbeing,” is accepted, implying that saving services influence on socioeconomic wellbeing.

## CONCLUSION

Based on the findings, the study concluded that;

### Effect of Financial Training on Socioeconomic Wellbeing of Members

The study concluded that financial training had a positive significant contribution to socioeconomic wellbeing. The Pearson correlation coefficient indicated that there is a strong positive significant contribution of financial training to social wellbeing. The results also show that from that a unit increase in financial training will lead to a 0.032 increase in socioeconomic wellbeing in Mitooma district.

### Effect of Credit Extension on Socioeconomic Well-being of Members

The study concluded that credit extension had a positive significant contribution to socioeconomic wellbeing. The Pearson correlation coefficient indicated that there is a moderately significant contribution of credit extension to social wellbeing. The results further concluded that a unit decrease in credit extension increases socioeconomic wellbeing in Mitooma district.

### Effect of Saving Services on the Socioeconomic Wellbeing of Members

The study concluded that saving services had a positive significant contribution to socioeconomic wellbeing. The Pearson correlation coefficient indicated that there is a significant positive contribution of saving services on socioeconomic wellbeing. The results further concluded that a unit increase in saving services increases socioeconomic wellbeing in Mitooma district.

## RECOMMENDATION

### Effect of Financial Training on Socioeconomic Wellbeing of Members

The study recommends that VSLAs should offer training on starting and managing small businesses, including business planning, marketing, and financial management. Encourage income-generating activities that align with local market opportunities.

### Effect of Credit Extension on Socioeconomic Wellbeing of Members

The study recommends that VSLAs should establish clear and transparent credit terms, including interest rates, repayment schedules, and consequences of default. Ensure that terms are fair and manageable within members' financial capacities.

### Effect of Saving Services on the Socioeconomic Wellbeing of Members

The study recommends that VSLA should educate members on the importance of saving regularly and setting financial goals. Introduce different savings strategies and tools, such as savings accounts, emergency funds, and long-term savings plans.

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