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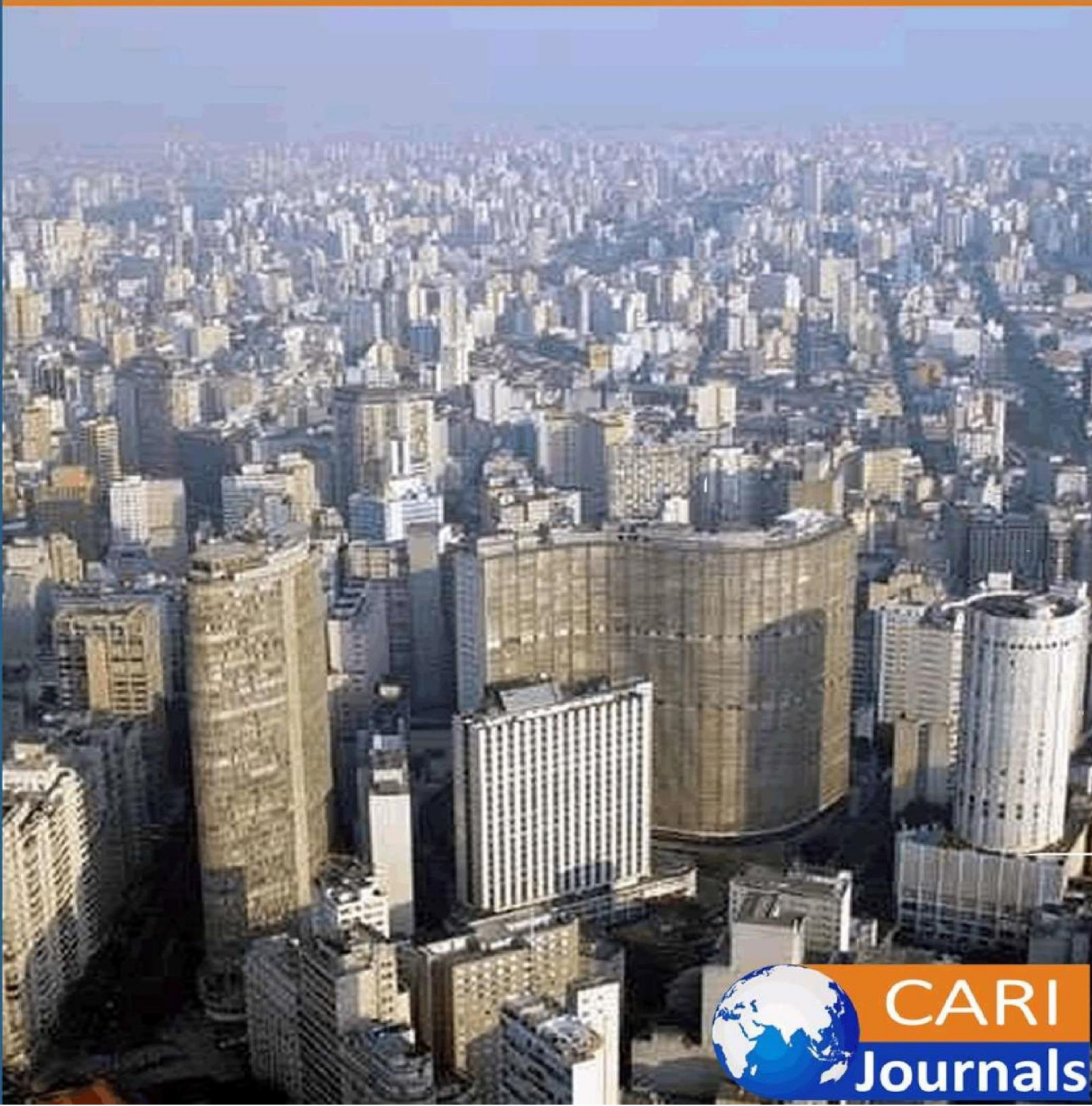

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The Role of Community Saving Initiatives in Poverty Reduction: An Appraisal of Saving Groups in Alebtong District, Mid-North Uganda

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Abstract

Purpose: This study examined the significance of saving groups on poverty reduction in Alebtong district. Three objectives guided the study, viz. (i) to determine the effect of shares provided by saving groups towards community development in Amugu sub-county; (ii) to assess the implication of saving groups towards poverty reduction in Amugu sub-county; and (iii) to discuss the challenges faced by saving groups in Amugu sub-county.

Methodology: The study employed a cross-sectional research design and data was collected using a structured questionnaire. Data was analysed in terms of descriptive statistics and correlational analysis using SPSS version 20 in order to ascertain the relationship between saving groups and poverty reduction.

Results: The study revealed that there is a significant positive relationship between saving groups and poverty reduction ($r=0.389$, $p<0.01$). This is realised through employment creation, access to financial services, quality education, quality health services, improvement in household resources, improved nutrition and acquisition of household assets. Shares provided by group members contribute towards community development through promoting access to loan, improving households living condition, promote access to quality education when borrowed, quality health care services, group members earn a lot of money at the end of every year and they get a lot of interest. It was further uncovered that several challenges affect saving groups, for example, inadequate capital, maltreatment from leaders, inadequate funding, corruption, less government support, high competition from the formal sector, inadequate training among group leaders and illiteracy. It was inferred that increased support, from the government of Uganda towards saving groups can promote normal functionality besides financial security. And espousing community capacity development can enhance the effectiveness of financial management among saving groups in Alebtong district.

Unique Contribution to Theory, Policy and Practice: It was recommended that the government should increase support for saving groups, specifically targeting financial support, capacity building, and security for finance among the saving groups. Also, there is need for local governments to improve the degree of supervision among saving groups besides community sensitization.

Keywords: *Saving Group, Poverty Reduction, Shares, Financial Support, Capacity Building*

1. INTRODUCTION

The concept of microfinance has its roots in England but got reinvented around 1850 with the work of Raiffesein and Schulze-Delitzsch (Seibel, 2003). Since then, the concept has spread to other parts of the globe. The literature notes that saving groups with more than thousand members (a multi-layered saving association) expanding into Togo and Nigeria. By 1963 the issue of savings groups emerged in the African countries such as Nigeria, Ethiopia, Kenya and Uganda. Between 1967 and 1968, Liberia conducted survey on all the indigenous cooperatives promoting saving of money in all the seven ethnics groups. The Cooperation for Assistance and Relief Everywhere was formed in 1991 under the auspices of the Association of Saints Church Radio Amateurs (ASCRA) experience in Niger, Uganda and Kenya. It was subsequently joined by numerous other organizations promoting Saving Groups, with more than 15 million members in 73 countries as of 2019 with unique ways of driving a way poverty through community voluntary saving. In 1973, the USAID sponsored several small farmer credit and credit driven agricultural development Banks across the world. In both Uganda and Tanzania, due to the diverse post-colonial experiences that influenced political liberalization in the 1990s so as to stabilize the economies, it was advocated that women urban associations of saving money be initiated and this led to money saving groups (Tripp, 1994).

Globally, a number of poor communities remained absent from the financial support systems such as Commercial Banks and the larger micro-financing system adversely affecting their access to and benefit from the formal financial system (Luxchaigul, 2014). Consequently, the majority of the poor in both rural and urban areas embrace Saving Groups, Credit Associations and Cash Rounds as survival strategies whereby members jointly invest in their income in productive activities to manage catastrophic risks and agri-seasonal variations (Lusardi, Michaud & Mitchell, 2017). The absence of formal financial institutions in majority of rural areas is as a result of higher operational costs on utilities such as energy. Therefore, the introduction of saving groups is said to have contributed a lot in ensuring financial inclusion for both the poor and the rich around the globe. In addition, people who join saving groups are sheltered from every kind of catastrophic risk basing on the fact that they can both access and acquire loans conveniently in their geographical locations to cater for their needs such as paying school fees, construction, business and agricultural enhancement.

In Africa, several governmental and non-governmental organizations support saving 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 Africa regions reflect 37% for Uganda, and 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 difference ranging between 5.1 and 8.0 percentage points.

In Uganda, 16% of the adult population keeps their savings at formal deposit-taking institutions, including Commercial Banks, micro-finance institutions, and saving and credit cooperative organizations (SACCOs). 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 and or in form of assets such as animals. However, a higher percentage of the population (more than 65%) are not able to access and utilize formal financial institutions for credit. Consequently, they resort to making the best use of saving 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 (Banerjee et al, 2015) indicates that a community benefits a lot from saving 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%). Membership in savings groups helps in improving household incomes, purchase of household food stuffs, construction of descent 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).

Recent events in the past two years like COVID-19 adversely impacted the progress and operations of saving groups. For instance, in their study Adegbite et al (2022) reveals that 65% of the group members stopped meeting and meeting their saving quotas because of reduction in the level of house-hold income. The high costs of accessing financial services presents a significant barrier for firms and households in Uganda. Typically interest rates characteristically range between 22% and 25% depending on the duration of the loan implying that consumers can end up paying more than twice the value of the original amount. Therefore, a more robust credit information management system intended to enable lenders assess borrowers effectively, would be a key element to lower the cost of credit. Another challenge is the low levels of public confidence in formal financial institutions largely due to historical experiences related to a series of crises and upheavals in the financial system (Adegbite et al., 2022). Consequently, several Ugandans prefer keeping their saving in the form of cash at hand stored at home or in the form of livestock or other similar assets to eliminate or hedge against financial loss arising from fraudulent handling of group savings.

Saving groups operate largely in the rural areas and especially among the underprivileged communities. Not-for-profit organizations take the role of training prospective members with a view of creating informed group leadership. In a clustered randomized evaluation spanning three African countries (Nigeria, Uganda and Kenya), it was revealed that the promotion of these community-based microfinance groups leads to improved household business outcomes and women empowerment (Msendema & Nyirenda, 2019). Nevertheless, Dean (2017) did not find evidence on the average impact of consumption or other livelihoods. These parallel views appear to suggest that in the community, the underprivileged always make difficult financial decisions and use the limited range of financial instruments available to them to address their varying needs (Josefy et al., 2017).

The available formal and informal tools such as saving groups and small microfinance associations appear to be risky and expensive, which has an impact on the lives of communities (Banerjee et al., 2015). From the aforesaid, this study investigated the significance of saving groups on poverty reduction (Ocen, Acanga & Mwesigwa, 2022). Specifically, we looked at shares provided by saving groups in the community, use of the financial services offered by the saving groups, role of saving groups and factors affecting saving groups.

1.1 Problem statement

The inadequacy of financial services is a serious handicap to the fight against poverty in many developing countries (Mitra, Posarac & Vick, 2013). In Uganda, access to financial services has improved in recent years despite the fact that only 16% of the adult population keeps their savings at formal deposit taking institutions, including Commercial Banks, micro-finance institutions as well as savings and credit institutions. Majority of people do not have enough household items and income to sustain decent life style such as clean and safe water, quality education, good meal, standard housing and quality medical treatment services (Ssennono et al., 2021). Available data indicates that Uganda has a very poor household income. Statistics further show that only 34% of households own television, 13% have access to the internet, seven millions practice open defecation and only 32% have access to safe and clean water and the poverty rates stand at 28% in 2021. Average number of persons per sleeping room stands at 2.3%, and the basic needs poverty head count is 42.25% (Mazzoli & Todd, 2019). Improving the range of financial services on offer would be important in reducing poverty. For this to be achieved, promoting the established informal financial institutions to provide easy financial services to members would be a big step in the fight against poverty at the community level (Augsburg & Fouillet, 2013). Although the level of poverty in Alebtong district reduced from 46.2% in 1999 to 35.3% in 2017, no research has been conducted on the saving groups and poverty reduction (World Bank, 2020). Therefore, this study investigated the significance of saving groups on poverty reduction at the household level in Alebtong district. Consequently, three questions guided the study, viz. (i) what is the effect of shares provided by saving groups in the community development in Amugu sub-county? (ii) What role do saving groups play in reducing poverty in Amugu sub-county? (iii) What challenges by faced by saving groups in Amugu sub-county?

1.2 Theoretical framework

This study was based on the theory of practice as postulated by Giddens in 1984 suggesting that attempts to occupy the middle-level between structure and agency is provided by communities of practice. In response to emerging problems of theory of practice, it was seen as a self-conscious attempt aimed to overcome polarization between instrumental and practical tendencies in social, political and economic practices (Whittington, 2010). The theory suggests that the community always attempts to do what can benefit them and solve their immediate challenges in case of an emergency. According to Sherry (2004), this practiced theory "seeks to explain the relationships between human action, on the one hand, and some global entity called the systems on the other. The approach seeks to resolve the conflict, in classical social theory, between collectivist structuralism and individualist approaches, which attempted to explain all social phenomena in terms of intentional individual actions. This suggests that people's pragmatism is based upon what makes sense for them that in turns informs their understanding, how to think, how to identify things, and how to prompt and respond to things (Muradian et al., 2010). The theory further explains that a community always formulates rules, principles, perceptions and instructions that give direction for members to perform specific actions. For instance, the difficulties faced in accessing financial services from the Commercial Bank and the risks associated with savings by the people in a community gives them an opportunity to think and start saving groups in areas where they can easily access, save and borrow money.

2. LITERATURE REVIEW

2.1 The significance of shares provided by saving groups

A number of countries around the world are rooted in the aspect of social networks and social relations, which offer better opportunities for community members to be engaged in voluntary savings aimed to promote financial security (Ogwal, Obici & Mwesigwa, 2022 [a], [b]). A study on saving groups across African countries revealed that rural people rely on the shares to transform their socio-economic status through advancing loans and corporate social responsibilities such as repairing boreholes (Flynn & Sumberg, 2017). A similar study, conducted in Mali, established that majority of the saving group members recouped money as dividends, benefitted from interest income from loans to members and to non-group members at lower interest rates in comparison to Commercial Banks (Beaman, Karlan & Thuysbaert, 2014). This suggests that the shares provided by the saving group members accumulate and lead to the development of groups through advancing loans to members as well as to non-members and later the accumulated interest was distributed among the group members.

From the study conducted regarding the effect of promoting saving groups on risk sharing, it was revealed that promoting savings directly improved the ability of women to cope with negative shocks and increased the level of tolerance within the community. That study further reported that sharing money accruing from the accumulated interest contributes a lot in the families' welfare in terms of meeting school dues, purchasing foodstuff, furniture and other household assets (Dizon, Gong & Jones, 2020). A corresponding study demonstrates that the money shared by the group members was given to pregnant mothers as loans during expectancy to meet the expense of delivery and training of community midwives. In other instances, young literate women in the community were identified and trained as Community Midwives and later deployed in their communities (Shaikh, Noorani & Abbas, 2017). A similar study conducted on cost-sharing among saving group members reveals that money shared by the groups is provided as loans and subsequently distributed to the group members to support them in other programs (Lee & Tollen, 2002).

Relatedly, a study by Le Polain, Sterck & Nyssens (2018) reveals that saving group members allow their savings to accumulate when the members or non-members borrow. A study conducted in Mozambique found that savings from members in village saving groups is used in many ways such as onward lending to members that creates interest income that is used to improve members' livelihoods (Beaman et al., 2014). Similarly, a study conducted on saving groups regarding their deviation from the lessons learned by group members indicates that shared money was given to the members and other people outside the group as loans (Maliti, 2017).

The literature reviewed on the effects on shares contributed by the community saving groups is supported by Mutebi et al. (2017) and further by Deubel and Boyer (2020) on the characteristics of rural saving groups in eastern Uganda, which found that money shared by the community in village saving groups contributes a lot in the development of their income through interest especially when groups are lending money as loans to the members.

2.2 The significance of saving groups in poverty reduction

Saving groups are considered to be one of the channels to combating poverty especially among rural communities even if this attention become more prominent from 2005 following announcement by United Nations during the international microcredit day. Since then, microfinance institutions continue to reach more underprivileged communities and they have adopted transformative strategies with the aim of realizing their vision. A study conducted by Chomen (2021) suggests that saving groups have led to better incomes among households, easier accessibility to loans, financial security and decent standards of living among the members. In the same study, the contribution of saving groups in enhancing educational standards of the members' children was reported by 67% of the respondents. They noted that upon undertaking the loan, they could afford scholastic materials for their school-going children unlike prior to their involvement in the saving groups. Additionally, Mbagga (2013) reveals that saving groups contribute to poverty reduction among the general population. This was majorly observed through low-interest loans, skill acquisition, improved access to clean and safe water, quality agricultural produce as well as ability to afford quality education for their children.

Correspondingly, Cameron and Ananga (2015) cited the participation of saving groups in enhancing the quality of education in Ghana as parents borrow money to pay school fees for their children. The households use loans directly to meet various school requirements and invest the balance in income-generating activities, which then facilitates them to meet the cost of education in the longer term with spill-over direct effects on health care, nutrition and household decision making. A similar study conducted in Eastern Uganda reported on the role of saving groups in increasing access to both maternal and child health services within the community as well as increasing household incomes and emergencies support (Mutebi et al., 2017).

According Lukwa et al., 2022) saving groups play critical roles in advancing socio-economic and health transformation especially among women in Sub-Saharan Africa. Also, saving groups play important roles in enhancing food security and improving the dietary intake besides access to healthy foodstuffs among households (Ogwal, Amot & Mwesigwa, 2020, Mwesigwa & Mubangizi, 2019, Mwesigwa, 2016). A related study regarding the role of saving groups in nutrition and economic well-being of the households revealed that saving groups help in raising the nutritional status of the family members, increasing access to household assets, education as well as a reducing the likelihood of households falling below the national poverty line and improving the quality of financial management (Lukwa et al., 2022).

A study covering sustainable market and poverty reduction suggests a close association between saving groups and stable incomes, stronger asset bases, quality homes with basic infrastructure and services. They have also been credited as providing protection from the lawlessness, increasing the capacity of the urban poor to draw on the market, the state and charitable finance to reduce the level of poverty (Mitlin, 2012).

2.3 Challenges faced by saving groups

Evidence about the success and the sustainability of many financial institutions in Africa is mixed. Most of the growth inhibitors if not properly addressed lead to the collapse of these fledging entities. However, saving groups have existed for many years despite facing a lot of challenges. The study conducted in Tanzania found out that, saving groups (Micro-finance institutions) were being affected by factors such as inadequate training among the group members on how to manage the groups, in accessibility of some saving groups because others are located in hard to reach areas which make it difficult for them to receive supports from the government and non-governmental organization (Mbagga, 2013). The study conducted by (Mutebi et al., 2017) in Uganda found out that factors associated in poor management of saving groups includes high illiteracy (35%) among leaders, irregular attendance of the meetings (22%) and inadequate training on the management and leaderships (19%). The above results show that saving groups face a lot of challenges both internally and externally. A recent study conducted by (Lukwa et al., 2022) in Uganda revealed that most of the leaders in saving groups are not knowledgeable and skilful in operating and managing the money contributed by the group members exposing the group to a lot of financial risks.

A study by Bwalya and Zulu (2021) examining the implication of saving money on nutrition and economic well-being of the households established that financial institutions face a myriad of risks and challenges associated with agricultural production and lending including seasonality, irregular cash flows (Akeny & Mwesigwa, 2021), high transaction costs as well as the systemic risks such as floods, droughts and plant diseases. Similarly, Ssewamala (2015) identified low level of education as one of the factors hindering the success of saving groups. Illiteracy has been reported in numerous literature and the facts remain that training uneducated leaders in the saving groups proves to be very problematic hence affecting group success. Additionally, a study conducted in Kenya (Mumanyi, 2014) acknowledged the challenges facing micro-financial institutions in Mombasa such as inadequate finance, discrimination, problems with the city council authorities, multiple duties, pitiable access to justice, inadequate education and few initiatives put in place to counter the challenges. The study recognized that, notwithstanding the challenges, opportunities were available for SACCOs and their impact to the economic development, including capital accumulation and agency business arising from access to public funds for on-ward transmission to both the youths and the women.

A study by Dahir, (2015) conducted in Mogadishu on microfinance institutions and poverty eradication identified factors such as misinterpretation of the microfinance institutions' guidelines attributable to their inception, inadequate loans, limited government support and donor funding hinder the microfinance institutions from flourishing. Hence, the study provided the contribution in the field of microfinance in poverty eradication but the significant association was reported between microfinance and poverty reduction. Correspondingly, a study conducted in Zimbabwe reported challenges such as inadequate capital and maltreatment from the authorities as well as inadequate mentoring and competition from established traders on the diverse mentoring and coaching programs from various sources owing to inadequate specialists in financial management (Kabonga, Zvokuomba & Nyagadza, 2021). The abundant literature reveals a number of threats confronting saving groups in the community.

3. METHODOLOGY

3.1 Research design, area of study and study population

The study employed a descriptive cross-sectional design with quantitative data collection methods. The study was conducted in Alebtong district located in the mid-north sub-region of Uganda. The major economic activity in the district is agriculture. Amugu sub-county, which was selected as the area of study has four parishes and fifty-five villages. The study covered ten saving groups out of thirty-five saving groups in the sub-country and all the group members were eligible in the study. The researchers considered an average of fifteen members per group, which made up to a total of 100 participants, and a sample of seven members was randomly selected from each group.

3.2 Data collection

A self-administered questionnaire (SAQ) was prepared in English. The participants were informed about the purpose of the study and consented before taking part in the study. The questionnaires were transcribed in the local dialect (Lango / Luo) and the participants were at liberty to choose an option.

3.3 Data processing and analysis

The study provided descriptive statistics on the effects of shares provided by saving groups, significance of saving groups in poverty reduction and challenges faced by saving groups. As a consequence, univariate analysis was used to describe the data and establish patterns that existed. The data was presented in terms of percentage, means, frequency, range and standard deviation. Pearson correlation were performed between saving groups (the independent variable) and Poverty reduction (the dependent variable).

3.4 Ethical Considerations

Three basic ethical issues were considered, viz. first, informed consent was sought from the respondents prior to data collection after a thorough explanation of the benefits and risks associated with the study. Second, the researchers used pseudo-names on the questionnaires and the information collected from the field were coded and entered into a computer with passwords. And third, privacy of the respondent was guaranteed so that they are protected from any public exposure.

4. INTERPRETATION AND DISCUSSION OF RESULTS

4.1 Response rate

Out of 100 questionnaires distributed, 95 questionnaires representing approximately 95% response rate were returned duly filled. No wonder, any response rate above 50% is considered satisfactory to the study (Mwita & Tefurukwa, 2018).

Table 1: Response Rate

Response	Freq.	Percentage
Duly filled and returned questionnaires	95	95%
Unreturned questionnaires or unfilled questionnaires	05	5 %

Total	100	100.0

Source*: Primary Data (2022)*

4.2 Socio-demographic characteristics of the respondents

As illustrated in table 2, the socio-demographic characteristics of the respondents reveals that majority of the respondents (39; 41.1%) were aged between 35-44 years, Females (64; 67%) dominated the study compared to males. Majority of the respondents (77; 81%) were married and the highest number of them attained primary level of education 53(58.2%). The utmost number of respondents were informal employment (72; 75.2%) and every respondent was belonged to the Christian sect. These statistics suggest that women are more committed in ensuring the progress of their households than are their male counterparts as revealed in their active involvement in saving groups.

Table 2: Socio-demographic characteristics of the respondents

Variable	**Frequent (N)**	**Percent (100%)**
Age of the respondents		
18-24	20	21.1
25-34	23	24.2
35-44	39	41.1
45 and Above	13	13.6
Gender		
Male	31	33
Female	64	67
Marital status		
Single	12	13
Married	77	81
Divorced	06	06
Educational level		

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No education	08	8.8
Primary	53	58.2
Secondary	24	26.4
Tertiary institution	06	6.6
Employment status		
Informal employment	72	75.4
Self-employed	18	19.0
Civil servant	05	5.6
Religion		
Christians	95	100
Muslim	0	0.0

Data source: Primary data from saving group members in Amugu sub-county-2022

4.3 Significance of shares provided by a group in the poverty reduction among saving groups

The responses in items 1–7 in table 3 represent the respondent's responses to the effects of shares which they normally contribute to the saving group. Respondents rated the different effects of shared capital from 1–5 depending on their level of agreement with the statements. The number of respondents (N), percentage (%), and the mean (μ) score for all respondents, the standard deviation (SD), and the percent agreement with the statements are presented. As shown, respondents strongly agreed that money contributed in the group is given out as a loan (μ = 4.5, SD = 0.651), and that interest accumulated after borrowing money helps to improve family living conditions (μ = 3.91, SD = 0.752). Respondents likewise agreed that the interest which accumulates in the group enables group members to earn a huge amount at the end of the year (μ = 3.5, SD = 0.891). The use of shared money in the running of activities within the group was disagreed upon by the respondents (μ = 2.5, SD = 1.021). The majority of study participants did not support the lending of money to other groups as a loan (μ = 2.4, SD = 1.038) and respondents also strongly agreed that shares contributed by group members help during unexpected circumstances (μ = 4.8, SD = 0.643). Generally, the overall mean of 3.89 and standard deviation of 0.83 indicate that money shared among members in saving groups contributes a lot to poverty reduction.

Table 3: Descriptive statistics on the effects of shares provided by groups in poverty reduction

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Variable	μ	SD
Money contributed in the group is given as loan	4.5	0.651
Interest accumulated after borrowing money help to improve family living condition	3.97	0.752
Interest which accumulate in the group enable group members to earn huge amount in the end of year	3.5	0.891
Shared money contribute a lot in running activities within the group	2.5	1.021
We always lend the accumulated money to other groups	2.4	1.038
Accumulated shares is lent by group members as low interest loan	4.6	0.632
Shares contributed by group member help during unexpected circumstances	4.8	0.642
Average	3.89	0.803

Source: Primary data from respondents (2022)

4.4 Significance of saving groups in poverty reduction

As illustrated in table 3, respondents agreed that saving groups have led to the improvement of income at household level (μ = 3.87, SD = 0.970), improvement in the standard of living in the community (μ = 4.19, SD = 0.778), and improvement in the nutritional status of the family (μ = 3.69, SD = 1.027). The majority of the study participants agreed that the group members can easily access loans. The saving group has contributed to poverty reduction (μ = 3.7, SD = 1.011); parents who save money in saving groups always take their children to good schools (μ = 3.96, SD = 0.914); and people in saving groups were reported to be financially stable (μ = 4.07, SD = 0.753). Generally, the overall mean of 3.967 and standard deviation of 0.873 implies that saving groups contribute to poverty reduction. There is a reciprocal relationship between saving groups and the level of poverty in the community.

Table 4: Descriptive statistics on the roles of saving groups in poverty reduction

Variables	μ	SD
Saving group has led to the improvement of income at household level	3.87	0.970
Saving can improve standard of living in the community	4.19	0.778

Saving group has led to the improvement of Nutrition	3.69	1.027
Group members can easily access loans	4.12	0.911
In Alebtong district, the reduction in poverty has been linked to saving group	3.7	1.011
Parents in saves money in groups can take their children to good schools	3.96	0.914
Saving group has led to financial security in rural areas	4.14	0.623
People in saving groups are financial stable	4.07	0.753
Average	**3.967**	**0.873**

Source: Primary data from respondents (2022)

4.5 Challenges faced by saving groups in Amugu sub-county

Respondents rated challenges on a 1-5 scale based on their level of agreement with the statements. According to the study findings, most of the study participants agreed on the inadequate capital and maltreatment from leaders among the challenges faced by saving groups (μ = 3.78, SD = 0.987); inadequate monitoring and competition from traders (μ = 4.0, SD = 0.650); inadequate experts in financial management (μ = 4.5, SD = 0.991); and less support from the government (μ = 3.67, SD = 0.991). Study participants further reported inadequate loans (μ = 4.32, SD = 0.687), corruption among group members (μ = 4.32, SD = 0.687), high competition from formal financial institutions (μ = 3.51, SD = 1.021), illiteracy among groups (μ = 4.34, SD = 0.60), inadequate training among group leaders (μ = 4.13, SD = 0.623), and irregular attendance of meetings and saving by group members. Generally, the overall mean of 3.977 and standard deviation of 0.927 indicate that saving groups in Amugu sub-county are facing a lot of challenges.

Table 5: Descriptive statistics on challenges faced by saving groups in Amugu sub-county

Variables	**μ**	**SD**
Inadequate capital and maltreatment from leaders affects groups	3.78	0.987
Inadequate monitoring and competition from traders	4.0	0.776
Inadequate experts in financial management	4.5	0.650
Less supports from the government to saving groups	3.67	0.991

Inadequate loan is hindering success of saving group	4.12	0.991
Corruption in the group	4.32	0.687
High competition from formal financial institutions	3.51	1.021
Illiteracy among the group leaders	4.34	0.60
Inadequate training among the group members	4.13	0.623
Irregular attendance of meetings and saving by members	3.4	1.024
Average	3.977	0.927

Source: Primary data from respondents (2022)

4.6 Correlation between Independent variable and Dependent variable

The Pearson's product-moment correlation analysis was used to establish the relationship between saving groups and poverty reduction (table 6).

Table 6: Correlation between saving groups and poverty reduction

Variables	**(1)**	**(2)**
(1) Poverty reduction	1.000	
(2) Saving groups	0.389*	1.000
* *Shows significance at 0.01level*		

Source: Primary data from respondents (2022)

It was found out that saving groups was positively and significantly correlated with poverty reduction in the community (r=0.389, p<0.01). This suggests that saving groups have a direct relationship with the level of poverty reduction in the study area.

5. DISCUSSION OF RESULTS

From the study, shares provided by the saving group members contribute towards promoting poverty reduction. Cases in points suggest that money shared by a group is given as a loan, interest accumulated after borrowing money helps to improve family living conditions, and money shared helps in some circumstances. The general statistics give a clear signal that shares provided by the saving groups significantly promote the poverty reduction. This suggests that the community can easily access and utilize some of the services such as loans, financial security, quality education, and comprehensive health services, and they can easily be liberated. This study is consistent with the views of Flynn and Sumberg (2017), which revealed that rural communities rely on the shares to transform their socio-economic status through lending as loans, cooperating social responsibilities such as borehole repairs and money lending to other groups, and benefits from the interest. The results are further in line with a study conducted by Beaman et al. (2014) in Mali suggesting that majority of the saving group members acquired accumulated money back to themselves and to non-group members as loans with low interest rates in comparison to commercial banks. This denotes that the shares provided by the saving group members accumulate and lead to the development of the groups through lending money to the members and non-members.

The study revealed a positive association between saving groups and poverty reduction given that saving groups have led to the improvement of household income, improved standard of living, improved nutritional status, and easy access to loans. This finding is coherent with a study done by Chomen (2021) which found that saving groups contribute up to 67% in improving the educational standards of children in the community since parents could buy materials for their children and educate them as compared to before their involvement in saving groups. Further, the results are consistent with the study conducted by Mbagga (2013), which suggested that saving groups contribute to poverty reduction in terms of loans, interest, and skills acquired, access to clean and safe water, quality agricultural produce and quality education for their children.

Furthermore, saving groups are associated with higher and more stable incomes, stronger asset bases, secure adequate-quality homes with basic infrastructure and services, and protection from the law, increasing the capacity of urban poor groups, individually and collectively, to draw on the market, the state, and charitable finance to reduce poverty as postulated by Mitlin (2012). But as evident in this study, saving groups faced a lot of challenges such as inadequate capital and maltreatment from leaders, inadequate monitoring and competition from traders, inadequate experts in financial management, and less support from the government. This results are consistent with the study conducted by Dahir (2015) in Mogadishu on microfinance institutions and poverty eradication. Another similar study conducted in Zimbabwe (Kabonga et al., 2021) reported challenges such as inadequate capital and maltreatment from the authorities as well as inadequate mentoring and competition from established traders and others was about relying on the multifarious mentoring and coaching programs from various sources due to inadequate experts in financial management.

6. CONCLUSION

This study was set out to investigate the significance of saving groups on poverty reduction at the household level in the Alebtong district. From the study, it can be inferred that shares provided by groups have a positive contribution in promoting access to loans, improving households' living conditions, promoting access to quality education, and quality health care services thus, saving groups have an effect on poverty reduction. Also, saving groups significantly contribute to reducing the level of poverty in the community. And, saving groups faced numerous internal and external challenges, which they should be prepared to mitigate or thwart if poverty reduction is to be realised.

7. RECOMMENDATIONS

From the study:

a) Government is encouraged to increase support to saving groups in form of financial supports, capacity building and providing security for finance contribute in saving groups.

b) Higher local governments are equally encouraged to step up supervision of saving groups on a regular basis with a view of addressing any emerging challenges.

c) Lower local governments are also encouraged to conduct community sensitization on the benefits of saving groups.

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