

**CONTRIBUTION OF MICROSAVINGS TO
POVERTY ALLEVIATION:
THE CASE OF EASTERN SLOVAKIA**

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Microfinance

- Known since 19th century.
- Began to emerge in the 1970's.
- Broad definition: the provision – on a sustainable basis – of financial services to those that have difficulties in accessing the financial market . (IOE: *Microfinance: An Employers' Guide*. Geneva: International Organisation of Employers, 2006.)

Microsavings

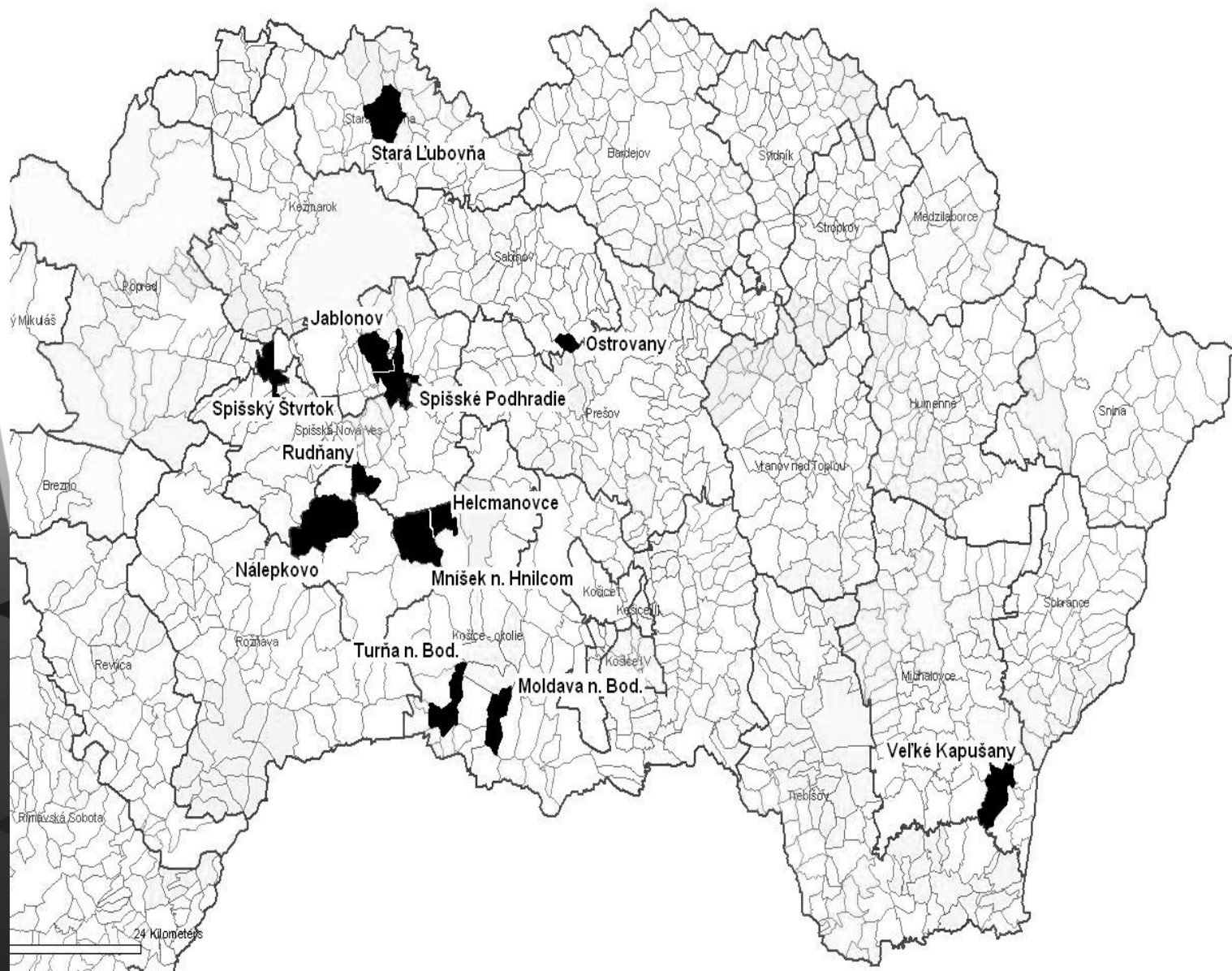
- There exists a gap in the microfinance literature on microsavings and their impact on clients, microenterprises, households, communities, and financial institutions. (DEVANEY, P. L.: *Microsavings Programs: Assessing Demand and Impact. A Critical Review of the Literature*. College Park, Maryland: IRIS Center, 2006)
- No matter how poor, families almost always can and want to save. (PARKER, J: *Microfinance, Grants, and Non-Financial Responses to Poverty Reduction: Where does Microcredit fit?* Washington, D. C.: CGAP, 2001)



Microsavings Program in Eastern Slovakia

- Partnership of Open Society Institute with ETP Slovakia: *Individual Development Account*.
- Focused on communities in Eastern Slovakia which have a high concentration of low-income Roma.
- Launched in Slovakia in 2006.

Involved towns



Hypotheses

1. Clients involved in the program have ability to save.
2. Active and successful clients perceive higher level of overall quality of living than unsuccessful clients.
3. Active and successful clients perceive positive subjective change in quality of living.
4. Active and successful clients perceive their ability to manage household better than unsuccessful clients.
5. Active and successful clients perceive positive change in level of their household management.

Data Sources

1. Entrance questionnaire developed by ETP Slovakia.
2. **Own questionnaire aimed at assessing the effects of program on the participating households**
 - The data were collected between 25th and 29th June 2009 with assistance of social workers. 115 households were visited, of which 112 questionnaires were accepted .



Description of clients

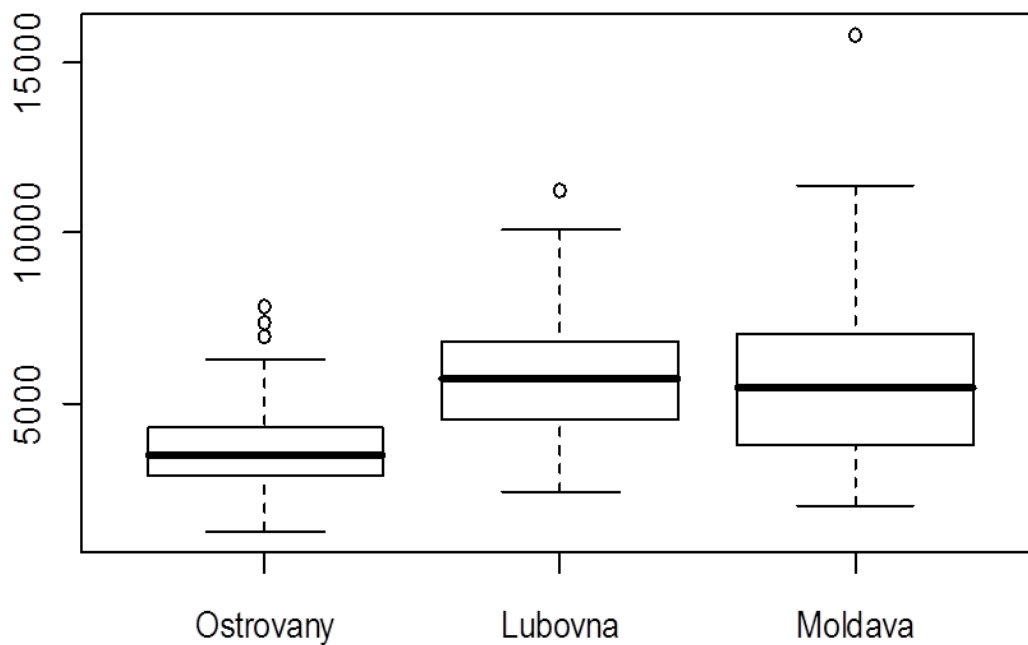
Gender	Ostrovany		Stará Ľubovňa		Moldava nad Bodvou		Total	
	act.	sam.	act.	sam.	act.	sam.	act.	sam.
Male	12	10	22	22	8	6	42	38
Female	32	21	36	34	22	19	90	74
Total	44	31	58	56	30	25	132	112

Educational level	Ostrovany		Stará Ľubovňa		Moldava n. Bod.		Spolu	
	act.	sam.	act.	sam.	act.	sam.	act.	sam.
Unfinished primary	14	9	2	2	6	5	22	16
Finished primary	24	19	33	31	22	18	79	68
Vocational secondary	6	3	21	21	2	2	29	26
General secondary	0	0	1	1	0	0	1	1
Total	44	31	57	55	30	25	131	111

Status	Ostrovany		Stará Ľubovňa		Moldava n. Bod.		Total	
	act.	sam.	act.	sam.	act.	sam.	act.	sam.
Successful	16	10	34	34	1	1	51	45
Active	21	17	15	14	11	10	47	41
Unsuccessful	7	4	9	8	18	14	34	26
Total	44	31	58	56	30	25	132	112

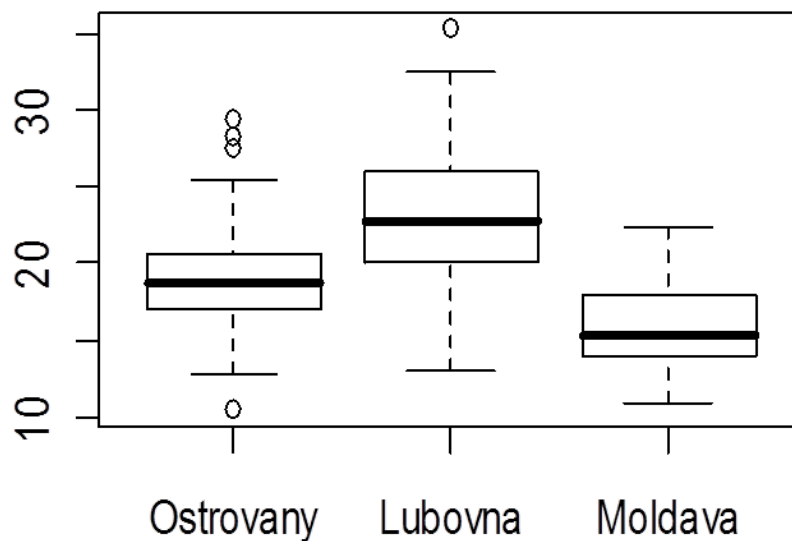
Individual welfare:

Equivalised disposable income



Individual welfare: *Structure of expenses*

$$V_m = \sum_{i=1}^{49} p_i v_{mi} \quad p_i = 1 + \frac{\sum_{m=1}^{n_i} d_{mi}}{n_i}$$



Methods

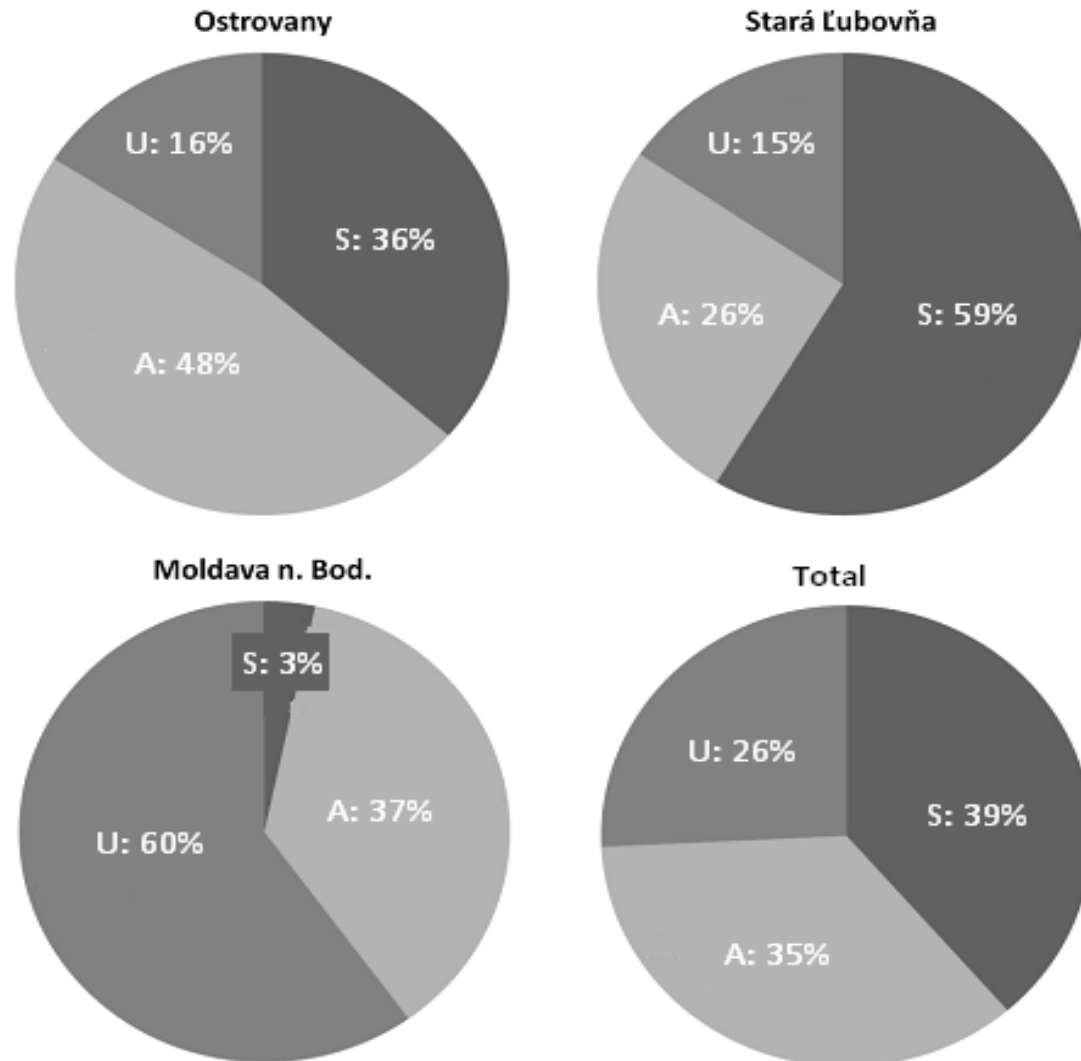
- Due to the nature of data only **permutation tests** were used and *exact* (or *approximate*) *p-values* were calculated.
- Statistical tests for hypotheses testing were performed in **R** v. 2.7.2.



Results

H1: Clients involved in the program have ability to save

ability to save = ability to remain in the program



Results

H2: Active and successful clients perceive higher level of overall quality of living than unsuccessful clients

How do you personally perceive the change in your standard of living? (comparing situation before your participation in program and now)

Negative change (-1) – No change (0) – Positive change (1)

Perception of change in quality of living between successful and unsuccessful clients

		Change		Total
		No	Positive	
Clients	Successful and active	29	57	86
	Unsuccessful	23	3	26
	Total	52	60	112

Town	p-value
Ostrovany	0,0756
Stará Ľubovňa	0,0192
Moldava n. Bod.	0,0002
Total	$6 \cdot 10^{-7}$

Results

H3: Active and successful clients perceive positive subjective change in quality of living

Perception of quality of life change according to towns

Town	p-value
Total	0,0017
Ostrovany	0,5
Stará Ľubovňa	0,0028
Moldava n. Bod.	0,0327

Results

H4: Active and successful clients perceive their ability to manage household better than unsuccessful clients

How do you personally perceive the change in your ability to manage your household? (comparing situation before your participation in program and now)

Negative change (-1) – No change (0) – Positive change (1)

Perception of change in ability to manage household between successful and unsuccessful clients

		Change		Total
		No	Positive	
Clients	Successful and active	19	67	86
	Unsuccessful	18	8	26
Total		52	60	112

p-value: $1,7 \cdot 10^{-5}$.

Results

H5: Active and successful clients perceive positive change in level of their household management

The hypothesis is supported by the one-sided one-sample permutation test of proportions (*p-value* $9,7 \cdot 10^{-8}$).

Success Factors

- **Econometric model**

$$P(y_i = 1 | \mathbf{x}_i, \boldsymbol{\beta}) = \frac{e^{\mathbf{x}_i \cdot \boldsymbol{\beta}}}{1 + e^{\mathbf{x}_i \cdot \boldsymbol{\beta}}}$$

- **Identified factors:**

- target amount (–),
- monthly amount (+),
- town (**L > O > M**),
- equivalent household size (–),
- difference between income and expenses (+),
- age (+),
- gender (**Ž > M**),
- number of months of saving (–),
- structure of expenses index (+).

Results: Microsavings in Practice



**Thank you for your attention.
Questions? Comments?**

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