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Impact of Village Banking on Individual Members' Behaviour and Attitude Towards Savings: A Comparative Analysis of Wealth Creation, Bwafwano and Tiyeseko Women's Village Banking Groups in Zambia

Dr. Cryford Mumba, PhD

School of Graduate Studies and Research, Zambian Open University

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ABSTRACT

Village banking has emerged as an important community-based financial mechanism for promoting savings, financial inclusion, and economic empowerment among low- and middle-income households, particularly in developing countries. While considerable literature has documented the contribution of village banking to access to credit and poverty reduction, limited empirical evidence exists regarding its influence on individual members' behavioural and attitudinal changes toward savings across groups with different socioeconomic characteristics. This study examined the impact of village banking on members' savings behaviour and attitudes toward savings through a comparative analysis of three village banking groups in Zambia: Wealth Creation Village Banking Group, Bwafwano Village Banking Group, and Tiyeseko Women's Village Banking Group.

The study employed a quantitative comparative research design involving a population of 210 members drawn from the three village banking groups. A purposive sampling strategy was used to select the groups, while simple random sampling was used to select 60 respondents (20 from each group). Data were collected using structured questionnaires and analysed using Chi-square tests to determine the association between village banking participation and savings behaviour and attitudes.

Findings indicate statistically significant differences in savings behaviour and attitudes among members across the three groups. Members of Wealth Creation Village Banking Group demonstrated the highest propensity toward regular savings, financial planning, and long-term investment orientation. Bwafwano members exhibited moderate savings discipline influenced by stable employment income, while Tiyeseko Women's Village Banking Group members showed substantial improvement in savings attitudes despite lower and irregular incomes. The study concludes that village banking positively influences savings behaviour irrespective of income levels, although the magnitude of impact varies according to socioeconomic characteristics. The paper recommends strengthening financial literacy programmes, tailoring savings products to member profiles, and supporting village banking structures as instruments for financial inclusion and household resilience.

Keywords: village banking, savings behaviour, financial inclusion, attitude toward savings, microfinance, Zambia, financial literacy

INTRODUCTION

Savings constitute one of the most fundamental pillars of personal financial management and economic development. At the individual level, savings provide financial security, facilitate investment opportunities, and improve resilience against unexpected shocks. At the macroeconomic level, savings contribute to capital formation, economic growth, and financial sector development (Mishkin, 2022).

In many developing countries, however, formal financial systems have often failed to adequately serve low-income populations due to geographical barriers, high transaction costs, and stringent collateral requirements (Demirgüç-Kunt et al., 2022). Consequently, informal and semi-formal financial arrangements have emerged as alternative mechanisms for promoting financial inclusion. Among these arrangements, village banking has gained considerable prominence.

Village banking refers to self-managed community-based financial groups where members regularly save money, access small loans, and share profits generated through lending activities (Allen & Panetta, 2010). The model is particularly popular in rural and peri-urban communities where conventional banking services remain inaccessible or unattractive to low-income households.

In Zambia, village banking has become an increasingly important financial inclusion strategy among diverse socioeconomic groups. Initially targeted at low-income and vulnerable populations, village banking schemes have expanded to include civil servants, salaried workers, and small business owners. This expansion creates opportunities to investigate whether village banking influences savings behaviour differently among groups with varying income characteristics.

The present study focuses on three village banking groups with distinct socioeconomic compositions:

1. Wealth Creation Village Banking Group in Lusaka comprising members with relatively high and regular incomes from diverse professional backgrounds.

2. Bwafwano Village Banking Group in Kabwe composed predominantly of civil servants with medium and regular incomes.

3. Tiyeseko Women's Village Banking Group in Kafue consisting largely of women with low and irregular incomes.

The socioeconomic differences among these groups provide a unique opportunity to examine whether participation in village banking generates similar or different behavioural and attitudinal outcomes toward savings.

Background of The Study

Traditional economic theories assume that individuals make rational decisions concerning consumption and savings. However, behavioural economics suggests that savings decisions are influenced by social norms, peer influence, financial knowledge, and psychological factors (Thaler & Benartzi, 2004).

Village banking creates a social environment where members interact regularly, share financial experiences, and hold one another accountable. Such interactions can shape financial attitudes and encourage positive savings behaviour. According to Karlan et al. (2017), participation in group-based financial mechanisms enhances financial discipline through social monitoring and peer accountability.

Several studies have documented positive effects of village savings and loan associations on household welfare, income generation, and women's empowerment (Ksoll et al., 2016; Brody et al., 2017). However, relatively few studies have specifically examined changes in savings attitudes and behaviours among participants with different income levels and occupational backgrounds.

This study therefore seeks to bridge this knowledge gap by comparing savings-related behavioural outcomes among members from three distinct village banking groups in Zambia.

Statement of the Problem

Despite the widespread growth of village banking initiatives in Zambia, many households continue to exhibit low savings rates and limited financial resilience. Existing studies have largely concentrated on access to credit, poverty reduction, and enterprise development while paying less attention to behavioural and attitudinal changes toward savings.

Furthermore, little empirical evidence exists regarding whether village banking affects individuals similarly across different socioeconomic groups. Understanding these differences is important for designing effective financial inclusion interventions that address the unique needs of various populations.

The absence of comparative evidence limits policymakers' ability to optimize village banking programmes for maximum savings mobilization. This study therefore investigates how participation in village banking influences members' savings behaviour and attitudes across groups characterized by different income levels and socioeconomic backgrounds.

Research Objectives

General Objective

To assess the impact of village banking on individual members' behaviour and attitudes toward savings through a comparative analysis of three village banking groups in Zambia.

Specific Objectives

1. To examine the relationship between village banking participation and savings behaviour among members.
2. To assess members' attitudes toward savings across the three village banking groups.
3. To compare savings discipline among members of Wealth Creation, Bwafwano, and Tiyeseko Women's Village Banking Groups.
4. To determine whether socioeconomic characteristics influence the impact of village banking on savings attitudes.

Research Questions

1. How does village banking participation influence members' savings behaviour?
2. What attitudes toward savings are exhibited by members of the three village banking groups?
3. Are there significant differences in savings behaviour among members of the three groups?
4. Does socioeconomic status influence savings attitudes within village banking groups?

Research Hypotheses

H_{01}: There is no significant relationship between village banking participation and members' savings behaviour.

H_{11}: There is a significant relationship between village banking participation and members' savings behaviour.

H_{02}: There is no significant difference in savings attitudes among members of the three village banking groups.

H_{12}: There is a significant difference in savings attitudes among members of the three village banking groups.

LITERATURE REVIEW

Concept of Savings Behaviour

Savings behaviour refers to the process through which individuals allocate a portion of their income for future use rather than immediate consumption (Deaton, 2016). Savings behaviour encompasses regularity of deposits, financial planning practices, expenditure control, and future-oriented financial decision-making.

Behavioural economists argue that savings behaviour is influenced by psychological biases, social interactions, and institutional arrangements rather than purely rational calculations (Kahneman, 2011). Mechanisms that encourage commitment and accountability often improve saving outcomes.

Village Banking and Financial Inclusion

Village banking is a community-based microfinance model designed to provide financial services to underserved populations. According to Allen and Panetta (2010), village banks operate through member-owned groups that mobilize savings and provide credit using internally generated funds.

The model promotes financial inclusion by overcoming barriers associated with formal banking systems. Members contribute regular savings, access loans, and share accumulated profits at the end of designated cycles.

Studies across Africa, Asia, and Latin America indicate that village banking improves financial access, asset accumulation, and household welfare (Ksoll et al., 2016; Gash & Odell, 2013).

Savings Attitudes and Behavioural Change

Attitudes toward savings refer to individuals' beliefs, perceptions, and predispositions regarding the importance and benefits of saving money (Ajzen, 1991).

Positive savings attitudes often translate into disciplined financial behaviours such as budgeting, expenditure control, and long-term planning. Village banking groups reinforce these attitudes through:

- Peer influence
- Financial education
- Social accountability
- Collective goal setting
- Mutual encouragement

According to the Theory of Planned Behaviour, positive attitudes significantly influence behavioural intentions and actual behaviour (Ajzen, 1991).

Empirical Studies on Village Banking and Savings

A study by Karlan et al. (2017) found that participation in savings groups significantly increased household savings and financial planning among low-income populations.

Ksoll et al. (2016) reported that village savings groups in East Africa improved financial resilience and enhanced members' capacity to manage economic shocks.

Brody et al. (2017) found that women's participation in savings groups contributed to increased financial confidence and stronger household financial decision-making.

Similarly, Gash and Odell (2013) observed that village banking programmes encouraged savings habits even among participants with highly irregular incomes.

Although these studies confirm positive effects, few have conducted comparative analyses involving participants from diverse income categories. This study contributes to the literature by examining differences among high-income, middle-income, and low-income village banking members.

Theoretical Framework

Theory of Planned Behaviour

The study is anchored on the Theory of Planned Behaviour (TPB) developed by Ajzen (1991).

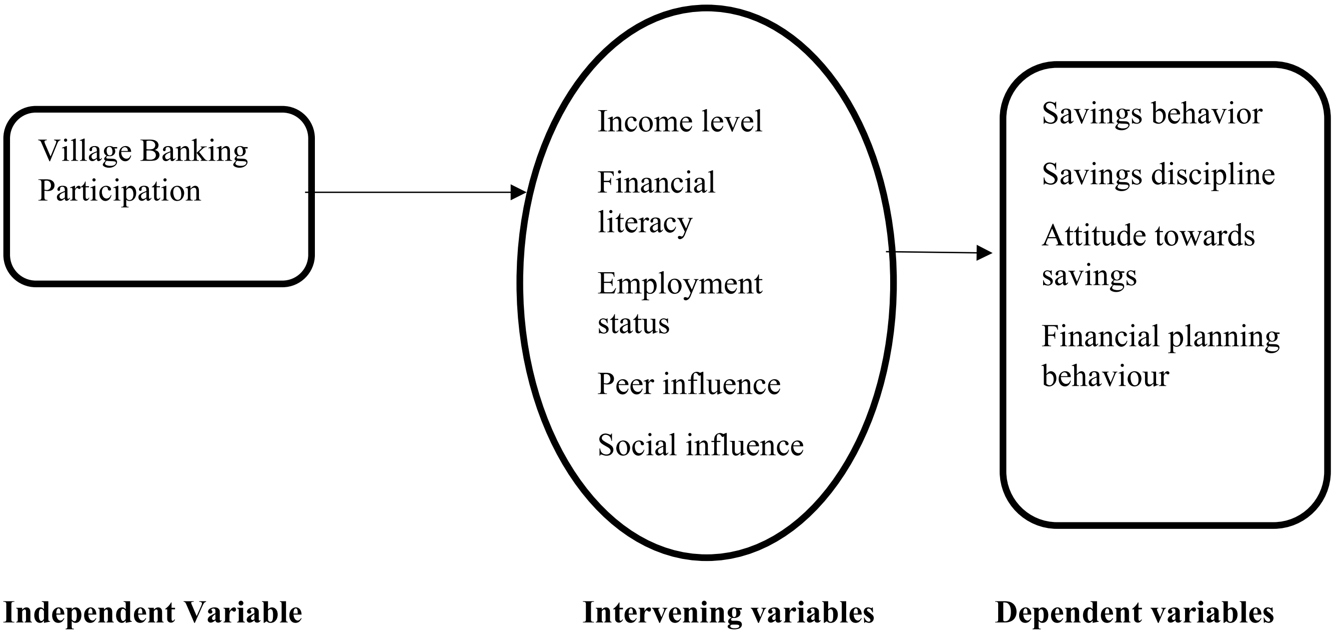
The theory posits that behaviour is influenced by three factors:

1. Attitudes toward the behaviour
2. Subjective norms
3. Perceived behavioural control

Applied to village banking, members develop positive attitudes toward savings through financial education and observed benefits. Group norms encourage regular saving, while access to savings mechanisms enhances perceived control over financial outcomes.

The theory therefore provides a useful framework for understanding how village banking participation influences savings attitudes and behaviours.

Conceptual Framework



The conceptual framework was based on the model shown above and the identified dependent

METHODOLOGY

Research Design

The study employed a quantitative comparative cross-sectional research design. This design was appropriate because it enabled comparison of savings behaviour and attitudes among members belonging to three village banking groups with different socioeconomic characteristics.

Study Population

The target population comprised all members from:

Village Banking Group	Membership
Wealth Creation	70
Bwafwano	65

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Tiyeseko Women's	75
Total	210

Sample Size and Sampling Procedure

A total sample of 60 respondents was selected.

Group	Population	Sample
Wealth Creation	70	20
Bwafwano	65	20
Tiyeseko Women's	75	20
Total	210	60

Purposive sampling was used to identify the three groups because of their distinct socioeconomic characteristics. Thereafter, simple random sampling was employed to select respondents from each group.

Data Collection

Primary data were collected using structured questionnaires containing both demographic and savings-related questions.

Variables measured included:

- Frequency of saving
- Savings discipline
- Financial planning
- Emergency preparedness
- Investment orientation
- Attitudes toward savings

Data Analysis

Data were analysed using the Statistical Package for Social Sciences (SPSS).

Descriptive statistics included:

- Frequencies
- Percentages
- Cross-tabulations

Inferential analysis employed the Chi-square test of independence to determine relationships between village banking participation and savings-related outcomes.

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The Chi-square statistic is represented as:

$$\chi^2 = \sum\{(O-E)^2/E\}$$

Where:

- χ^2 = Chi-square statistic
- $\sum$ = The sum
- O = Observed frequency
- E = Expected frequency

A significance level of 0.05 was adopted.

Ethical Considerations

The study adhered to accepted ethical standards. Participants were informed about the purpose of the study and their voluntary participation. Confidentiality and anonymity were guaranteed, and respondents provided informed consent before participation.

RESULTS AND FINDINGS

Demographic Characteristics of Respondents

The study involved 60 respondents drawn equally from the three village banking groups. The demographic profile revealed considerable variation in socioeconomic status among participants, which was consistent with the characteristics of the selected groups.

Members of the Wealth Creation Village Banking Group generally possessed higher educational qualifications and higher monthly incomes derived from professional occupations and business activities. Bwafwano Village Banking Group consisted predominantly of civil servants with stable and regular salaries. Tiyeseko Women's Village Banking Group comprised mainly women involved in informal trading, subsistence farming, and casual employment characterized by irregular income streams.

These differences provided an appropriate basis for comparative analysis of savings behaviour and attitudes.

Savings Behaviour Before Joining Village Banking

Respondents were asked to indicate their savings behaviour prior to joining village banking.

Table 1: Regular Savings Before Joining Village Banking

Group	Regular Savers	Irregular Savers	Total
Wealth Creation	9	11	20
Bwafwano	7	13	20
Tiyeseko Women's	4	16	20
Total	20	40	60

The findings indicate that before joining village banking, only one-third (33.3%) of respondents saved regularly. Tiyeseko Women's Village Banking Group recorded the lowest level of regular saving, reflecting the challenges associated with irregular income sources.

Savings Behaviour After Joining Village Banking

Table 2: Regular Savings After Joining Village Banking

Group	Regular Savers	Irregular Savers	Total
Wealth Creation	19	1	20
Bwafwano	17	3	20
Tiyeseko Women's	15	5	20
Total	51	9	60

The results demonstrate a substantial improvement in savings behaviour across all groups following participation in village banking. Overall, the proportion of regular savers increased from 33.3% to 85%.

This finding suggests that village banking contributes significantly to the development of savings discipline irrespective of income level.

Attitudes Towards Savings

Respondents were asked whether they strongly agreed, agreed, were neutral, disagreed, or strongly disagreed with statements relating to savings attitudes.

Table 3: Positive Attitude Towards Savings

Response Category	Wealth Creation	Bwafwano	Tiyeseko Women's
Strongly Agree	14	10	8
Agree	5	8	9
Neutral	1	2	2
Disagree	0	0	1
Strongly Disagree	0	0	0

The majority of respondents across all groups expressed positive attitudes toward savings. Wealth Creation members exhibited the strongest positive attitudes, followed by Bwafwano and Tiyeseko Women's groups.

Financial Planning Behaviour

Respondents were asked whether village banking had improved their financial planning practices.

Table 4: Improvement in Financial Planning

Response	Wealth Creation	Bwafwano	Tiyeseko Women's
Yes	18	16	14
No	2	4	6
Total	20	20	20

Eighty percent of respondents reported improvements in budgeting, expenditure control, and goal setting after

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joining village banking groups.

Emergency Savings Preparedness

The study also investigated whether respondents maintained emergency savings funds.

Table 5: Emergency Savings Fund Ownership

Group	Yes	No	Total
Wealth Creation	17	3	20
Bwafwano	14	6	20
Tiyeseko Women's	11	9	20
Total	42	18	60

Members from Wealth Creation demonstrated the highest levels of emergency preparedness, although village banking participation appeared to enhance emergency savings across all groups.

CHI-SQUARE ANALYSIS

Hypothesis One

H_{01}: There is no significant relationship between village banking participation and savings behaviour.

H_{11}: There is a significant relationship between village banking participation and savings behaviour.

Table 6

Chi-Square Test: Village Banking Participation and Savings Behaviour

Variable	χ^2 Value	df	p-value
Savings Behaviour	14.682	2	0.001

Since $p = 0.001 < 0.05$, the null hypothesis is rejected.

Interpretation

The findings indicate a statistically significant relationship between village banking participation and improved savings behaviour. Participation in village banking contributes positively to regular saving practices.

Hypothesis Two

H_{02}: There is no significant difference in savings attitudes among members of the three village banking groups.

H_{12}: There is a significant difference in savings attitudes among members of the three village banking groups.

Table 7: Chi-Square Test: Savings Attitudes Across Groups

Variable	χ^2 Value	df	p-value
Savings Attitudes	10.957	4	0.027

Since $p = 0.027 < 0.05$, the null hypothesis is rejected.

Interpretation

The results indicate significant differences in savings attitudes among the three village banking groups.

Hypothesis Three

H_{03}: Income category has no influence on savings discipline among village banking members.

H_{13}: Income category significantly influences savings discipline among village banking members.

Table 8

Chi-Square Test: Income Level and Savings Discipline

Variable	χ^2 Value	df	p-value
Income Level × Savings Discipline	12.844	2	0.002

The null hypothesis is rejected because $p < 0.05$.

Interpretation

Income level significantly influences savings discipline. However, village banking participation promotes savings behaviour across all income categories.

DISCUSSION OF FINDINGS

Village Banking and Savings Behaviour

The study found that village banking participation significantly improved members' savings behaviour. The proportion of regular savers increased substantially after joining village banking groups.

These findings support earlier studies by Karlan et al. (2017), who found that group-based savings mechanisms encourage disciplined financial behaviour through peer monitoring and accountability. The findings also corroborate research by Gash and Odell (2013), which demonstrated that village savings associations enhance household savings even among economically vulnerable populations.

The results suggest that village banking creates behavioural incentives that encourage members to prioritize saving. The mandatory savings requirements, regular meetings, and collective accountability mechanisms appear to reinforce positive financial habits.

Differences in Savings Behaviour Across Groups

Although all groups experienced positive outcomes, Wealth Creation Village Banking Group demonstrated the highest levels of savings discipline and financial planning.

Several factors may explain this outcome.

First, members possess relatively high and stable incomes that enable them to allocate a larger portion of earnings toward savings. According to the Life-Cycle Hypothesis, higher income levels increase the capacity to save and accumulate wealth (Modigliani & Brumberg, 1954).

Second, higher educational attainment among Wealth Creation members may enhance financial literacy and understanding of long-term financial planning.

However, the most notable finding is that Tiyeseko Women's Village Banking Group exhibited remarkable behavioural improvement despite low and irregular incomes. This demonstrates that positive savings behaviour is not solely determined by income levels but can also be influenced by institutional arrangements such as village banking.

Village Banking and Attitudes Toward Savings

The study found that village banking positively influenced attitudes toward savings across all groups.

Most respondents agreed that saving money is important for:

- Future financial security.
- Meeting emergencies.
- Investment opportunities.
- Household stability.

These findings align with Ajzen's (1991) Theory of Planned Behaviour, which argues that positive attitudes significantly influence behavioural intentions and actual behaviour.

Village banking appears to reshape perceptions regarding money management by exposing members to financial education, role models, and collective financial goals.

Financial Planning and Budgeting

The findings indicate that village banking participation improves budgeting and financial planning practices.

Members reported:

- Better expenditure management.
- Reduced impulsive spending.
- Increased financial goal setting.
- Improved household budgeting.

These findings support behavioural finance literature suggesting that commitment mechanisms improve self-control and financial decision-making (Thaler & Benartzi, 2004).

Village banking effectively serves as a commitment device by encouraging members to allocate funds toward savings before spending on discretionary consumption.

Emergency Preparedness

The study revealed that members increasingly established emergency savings funds after joining village banking groups.

This finding is consistent with research by Demirgüç-Kunt et al. (2022), which emphasizes the role of savings in enhancing household resilience against financial shocks.

The ability to access savings and loans within village banking groups may reduce vulnerability to unexpected events such as illness, unemployment, and business losses.

Income and Savings Behaviour

The study established a statistically significant relationship between income level and savings discipline.

Nevertheless, the findings demonstrate that village banking remains effective even among low-income earners.

This result supports the argument advanced by Collins et al. (2009) that poor households possess the ability and willingness to save when provided with appropriate financial mechanisms.

Village banking therefore acts as an equalizing platform that enables individuals from different income categories to cultivate positive financial behaviours.

CONCLUSION

This study examined the impact of village banking on individual members' behaviour and attitudes toward savings through a comparative analysis of Wealth Creation Village Banking Group, Bwafwano Village Banking Group, and Tiyeseko Women's Village Banking Group in Zambia.

The findings reveal that village banking significantly improves savings behaviour, promotes positive attitudes toward saving, enhances financial planning, and strengthens emergency preparedness among members.

Although differences exist across income categories, all groups experienced measurable improvements in savings discipline. Wealth Creation members demonstrated the strongest savings performance, reflecting the advantages associated with higher and stable incomes. Bwafwano members exhibited moderate but consistent improvements attributable to regular employment income. Tiyeseko Women's members showed substantial behavioural transformation despite economic constraints.

The study concludes that village banking is an effective instrument for promoting financial inclusion and cultivating sustainable savings behaviour across diverse socioeconomic groups.

POLICY RECOMMENDATIONS

Based on the findings, the following recommendations are proposed:

Strengthen Financial Literacy Programmes

Government agencies, NGOs, and microfinance institutions should integrate comprehensive financial literacy training into village banking programmes.

Topics should include:

- Budgeting
- Debt management
- Investment planning
- Retirement planning
- Emergency savings

Support Women's Village Banking Groups

Special support should be provided to women-led village banking groups because they demonstrate significant behavioural improvements despite resource constraints.

Support may include:

- Entrepreneurship training
- Market access initiatives
- Business development services

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Develop Tailored Savings Products

Financial institutions should design products that reflect the unique characteristics of different income groups.

Flexible savings arrangements are particularly important for individuals with irregular incomes.

Formalize Linkages with Financial Institutions

Village banking groups should be linked to formal financial institutions to facilitate:

- Secure deposits
- Digital transactions
- Expanded financial services
- Access to larger investment opportunities

Promote Village Banking as a National Financial Inclusion Strategy

The Government of Zambia should recognize village banking as a critical component of national financial inclusion policy.

Expansion of village banking initiatives could significantly improve household savings rates and economic resilience.

Study Limitations

The study was subject to several limitations.

First, the sample size was relatively small, comprising only 60 respondents.

Second, the study focused on three village banking groups, which may limit generalizability.

Third, the study relied on self-reported responses that may be affected by recall bias and social desirability bias.

Finally, the cross-sectional design restricted the ability to establish long-term causal relationships.

Areas For Further Research

Future studies should:

1. Conduct longitudinal investigations of savings behaviour over multiple village banking cycles.
2. Examine gender differences in savings attitudes within village banking groups.
3. Investigate the relationship between village banking participation and investment behaviour.
4. Explore digital financial services and their integration with village banking.
5. Compare village banking groups across multiple provinces in Zambia.

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