MOBILIZING SAVINGS

KEY ISSUES AND GOOD PRACTICES IN SAVINGS PROMOTION

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Even poorest households want to save and do save, be it in kind or in cash, to overcome difficult periods. They save in financial institutions if they have access to those institutions and if they trust in them. For many years, the microfinance industry has emphasized credit services as the most important financial service to poor households. Today we know that credit together with savings and other well tailored financial services (insurance, money transfers, etc.) are important instruments for poverty reduction and empowering poor people, especially women.

The Swiss Agency for Development and Cooperation (SDC) in its Policy for Financial Sector Development[1] stresses the strategic importance of savings for development, in that savings promote the autonomy of individuals, households and enterprises as well as of financial institutions and the national economy.

The present publication provides an overview of the needs and demands of low income households for savings services (micro level), as well as of savings mobilization from the perspective of a financial institution (meso level) and the regulatory financial authorities in developing and transition countries (macro level). It is conceived as a tool for SDC collaborators and partners as well as for all other person involved in the promotion of savings services by financial institutions.

Much has been written on savings in the context of microfinance. We have utilized some of this documentation, as well as case studies from SDC partners around the world. References to key research and case studies are provided at the end of each chapter for those who wish to further examine specific information.

The first chapter, "**Why and how do poor households save?**", offers an overview of low income households' monetary and in kind saving habits, investment decisions and liquidity management. It emphasizes the diversity of households with respect to motives and forms of savings.

Chapter 2, "**Mobilizing monetary savings from low income households: The institutional perspective**", summarizes potentials and risks for the institution providing savings services to its clients and members. It is necessary for the institution to fulfill a certain number of prerequisites before entering into savings mobilization in order to ensure the success of that venture and to avoid losses to poor clients..

In chapter 3, "**Product development, diversification and innovation**", the reader will become acquainted with microfinance institutions that already offer savings services in different countries, and get an overview of the broad diversity of possible savings accounts. The chapter enhances the need to analyze the potential demand and the existing offer from competitors before designing and implementing the new service. Proceeding in a cautious, professional and informed way will increase the chances of success.

[1] SDC (1998), SDC Policy for Financial Sector Development, Berne.

The last chapter, "**Legal and economic framework for savings mobilization**", presents important aspects related to macroeconomic conditions and the regulatory framework in which savings mobilization takes place. Some key questions should be asked before designing a regulatory framework that allows microfinance institutions to mobilize voluntary savings from their clients. Are there macroeconomic situations where saving mobilization should not be promoted? Which legal and regulatory framework is adapted to the microfinance sector of the country ? What alternatives are available to protect clients' savings?

This publication has been developed by Intercooperation, Bern, on behalf of SDC. It benefited from highly appreciated contributions of SDC collaborators and partners of all over the world. We hope that this document will provide a useful basis for the promotion of savings services and contribute to the development of inclusive financial sectors.

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