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Relevance and Impact of Micro-savings in Building Financial Assets for Poor in India

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ABSTRACT

The growth of micro-finance in terms of breadth and width in world as well as in India has been phenomenal. Existing research mainly focuses on its impact on empowerment of poor women through access to micro-credit by promotion of entrepreneurship, reduction in economic vulnerability, etc. One of the major contributions of microfinance is also in terms of provision of access to 'micro-savings' to poor women. This other side of microfinance until recently was not given due importance due to predominance given to micro-credit. Slowly it is realised that micro-savings play an equally important role in overall empowerment process of poor women. This paper aims to assess the relevance and importance of 'micro-savings' as one of the major tools of empowerment with special reference to India. It uses primary data analysis of 698 microfinance clients from Maharashtra state. The paper concludes that access to 'micro-saving' is one of the most prominent reasons for microfinance clients to join the programme and the SHG model of microfinance has resulted in building financial assets for poor women.

Keywords: Micro-saving, asset building, women empowerment

JEL Classification: G21

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INTRODUCTION

The growth of microfinance in terms of breadth and width has been phenomenal across the world. India is no exception to this. The number of households covered either directly or indirectly under microfinance in India has risen to 104 million[1] by the year 2013. Voluminous work has been produced by researchers about the contribution of this sector in creation of jobs, promotion of entrepreneurial spirit and overall empowerment of poor women through provision of micro-credit. Along with credit, one additional resource which microfinance provides to its clients is an access to micro-savings. In the initial phase of development, the microfinance sector has given more emphasis on micro-credit with the objectives of encouraging micro-enterprises, economic empowerment, and reducing the economic vulnerability of the poor. Micro-saving relatively received less importance. Yet, it needs to be realised that the entire tower of microfinance is based on micro-

[1]Microfinance in India: State of the sector Report 2012

savings, as savings create the capital base on which credit can be given.

Micro-saving is a branch of microfinance, consisting of a small deposit account offered to lower income families or individuals as an incentive to store funds for future use[2]. It consists of informal or semi-formal mobilisation of savings through variety of services such as compulsory monthly or weekly collections of small amounts, deposits, stand alone saving accounts, compulsory savings tied-up with micro-credits, etc. It functions both as a protector (it helps in absorbing economic shocks) and as a promoter (to build assets). This paper aims to find out the relevance of micro-savings as a major tool of economic empowerment with special reference to India.

REVIEW OF LITERATURE

Microfinance as a sector is inclusive of various financial services such as micro-credit, micro-insurance, micro-savings as well as micro-leasing and money transfers. Yet, due to the overemphasis given on micro-credit, the existing literature available on micro-saving is mainly clubbed with micro-credit. Micro-saving has yet not received its due recognition either by micro-finance implementing organisations or from researchers or policy makers. Nevertheless, the literature review tries to cover several aspects such as relevance of micro-savings, impact assessment of micro-savings and limitations of micro-savings.

The importance of micro-savings comes out very forcefully in the literature published by most of the international donor and consulting organisations. Consultive Group to Assist the Poorest (*CGAP, 2002*) believes that micro-savings can be more important than micro-credit in building economic security for poor. In another note, CGAP notes that saving is central to poor people in managing financial strategies (*CGAP, 1998*). CGAP report (2006) related to Country Level Saving Assessments (CLSA) states that very small proportion of rural and urban households (ranging from 6 to 26 percent) have bank accounts in developing countries; thus large proportion of households do not have access to formal sector deposit services. The brief prepared by Banking with the Poor Network (BWTP) for providing guidelines to MFIs stated that micro-savings act as a very effective tool for risk mitigation and crisis recovery (*Natrajan, 2006*). Firstly, MFIs promoting mandatory and voluntary savings reduce vulnerability. Secondly, micro-savings help poor to convert physical assets which may get lost or stolen to safer and liquid financial assets.

Savings made by the poor can often be categorised in three segments such as informal, semi-formal and formal each having its own advantages and disadvantages. These are given in Table 1.

Micro-savings promoted by microfinance programmes will fall in semi-formal category. As the table shows, it provides lesser liquidity and lesser flexibility, and yet helps in accumulating wealth and assets. The study conducted to find out demand for saving products amongst poor in five countries viz Benin, Bosnia, Mexico, the Phillipines and Uganda showed that banking services have very low usage varying from 6% to 25% (*Deshpande, 2006*). At the same time, the demand for these services in informal market is very high. The study found that the informal sector has an edge over the formal sector in building savings for poor on two accounts of higher proximity or accessibility and lower transaction cost. Carpenter and Jensen (2002) also concluded that though ROSCA and bisi (popular informal sources of informal savings) did not provide good returns on investments, but they provided more flexibility and liquidity and affordability and thus were preferred by many.

[2] www.investopedia.com/terms/m/microsavings.asp

Table 1: Comparative scenario of saving services available to poor

S.No.	Type	Sources	Advantages	Disadvantages
1.	Informal savings	Savings at home, with relatives, friends; ROSCA, Bisi, wage retention by employer, etc.	Flexibility Liquidity	Loss of interest Risky
2.	Semi-formal	NGOs, MFIs, SHGs, Voluntary and compulsory savings with microfinance	Act as a loan collateral, promote thrift, help in accumulating wealth and assets, help in building economic security	Less flexibility, less liquidity
3.	Formal	Banks, post offices, co-operative banks, etc	Act as a loan collateral, promote thrift, help in accumulating wealth, help in creating assets and building economic security	Access is difficult, less liquidity, less flexibility

Source: Compiled by the author from various sources

The importance of micro-savings in reducing vulnerability, earning incomes, having better control over life, etc., have been enumerated by many authors. Micro-savings are also used to invest in risk-reducing measures or in replacing lost or damaged asset. Saving products used in combination with other financial products such as loans, insurance, leasing and remittances are found to be more useful in mitigating risks. Matin *et al.* (2002) pointed out that savings are not only important to meet lifecycle-related needs such as education, marriage, etc., but are also used as insurance to meet unanticipated needs such as emergencies and new opportunities. In an another study, Drolet (2011) states that women have variety of types of saving needs which arise due to their differing nature of responsibilities such as reproductive, productive or strategic and community based or social. Microfinance along with another informal sources such as ROSCA or Gam'iyyaat helps them to meet all needs. Hulme *et al.* (2009) make a point that though micro-savings helps poor in multiple ways such as in reducing economic vulnerability, smoothening consumption, etc, easy availability of subsidised micro-credit has partly reduced its significance today.

Most of the studies conducted on impact assessment of micro-savings on empowerment of people show positive results. APMAS, Hyderabad conducted a survey of 1942 SHGs covering eight states from India to find out the penetration of saving in microfinance clients. The study revealed that average annual saving of microfinance clients was about 51% higher than that of the control group. Micro-saving has led to smoothening consumption and has been used as self-insurance against health shocks (*Gertler et al, 2009*). It has helped in improving financial assets (marginally though not significantly) and building positive attitude towards financial discipline (*Hossaine, 2012*). It has also been used as a coping strategy by the poor to cope up with the shocks as against other strategies such as selling of an asset or reducing the consumption (*Hulme, 2009*). Halder and Mosley (2004) also found that income generation program run for vulnerable or ultra-poor group helped in inculcating saving habits and provide access to savings for ultra poor. Kropp and Suran (2002) mentioned that the SHG model which is the more popular model of microfinance in India has helped in building saving propensity of the members. Roodman (2012) also supports micro-saving programmes by stating that micro-saving can do whatever micro-credit does such as it can be used for investment, pay for consumption and can help in crisis management.

Few studies have emphasised on the use of technologies in providing micro-saving services. The impact of savings-linked social protection policies such as cash-transfer programs implemented in Mexico, Brazil and in Bangladesh showed positive results not only in terms of linking micro-savings to formal financial system, but also leading to the better utilisation of credit for women run micro-enterprises through better accumulation of assets (*Sridharan, 2012*). Ravi and Tyler (2012) made an analysis of 104 saving products in Kenya. The report concluded that technologies like mobile transactions can effectively deepen financial inclusion which can increase the gross domestic savings to 30%. Mobile technologies have become more popular as they allow customer to make small and frequent transactions without hassle. The study states that MFI like M-PESA has successfully implemented this technology which has resulted in higher rate of savings.

Role of micro-savings in bringing sustainability for micro-finance institutions is discussed by few authors. Bergsma (2011) states that those MFIs like Grameen Bank have become more sustainable after offering saving products without compromising their core objective of serving to the poor. Micro-saving helps financial sustainability in multiple ways such as it may become major source of capital. It is reasonably less expensive than other sources of capital. It facilitates the credit screening process of the borrowers as more credit/deposit history is available. It helps in absorbing shocks. It helps in building long-term relationship with clients and helps in increasing client base.

Dowla and Alamgir (2003) provide the brief about how microfinance industry in Bangladesh has evolved over three decades and its focus is shifting from standardised loan products to providing variety of saving products. The microfinance industry has been gradually shifting from compulsory savings towards flexible or voluntary savings. Major MFIs like ASA and BURO-Tamil Gramin Bank have introduced flexible or voluntary saving products to tap additional savings and to use as resource mobilisation. New initiatives such as long-term deposits are also offered to non-members. These trends show that microfinance as an industry is maturing and is able to de-link credit and saving services. At the same time, the authors also took precaution that this growth is happening without any changes in the regulatory and legal framework.

The limitations of micro-finance in general and micro-savings in particular have also been brought out by few studies. Berg (2010) made a comparative analysis between three groups such as microfinance regular savers, new savers and control group or non-savers to assess the impact of micro-savings on income and consumption of SEWA bank beneficiaries in India. The study concluded that though normal OLS regression shows significant difference in annual income and per capita consumption between regular savers and non-savers, the impact was not found to be so significant after self-selection bias was removed. Stewart *et al.* (2009) take a review of major microfinance impact assessment studies conducted in developing countries and find that there isno conclusive evidence which shows that the impact is either positive or negative. Micro-savings do not conclusively lead to higher economic opportunities although in some cases it increases the income, savings and non-financial assets. The impact of commitment savings in accumulation of savings is much more significant than voluntary savings. The authors believe that micro-saving is more promising intervention than micro-credit because unlike micro-credit (micro-credit being a double-edged weapon), it cannot do any harm to poor. Ondora and Omena (2012) found that though microfinance helped youth in Kenya to improve savings, the difference across microfinance beneficiaries and non-beneficiaries is statistically not found out to be significant. The authors conclude that microfinance is not sufficient to empower youth financially and other interventions at macro-level such as access to resources, market access are also required to induce savings and investments.

RESEARCH GAP

The existing research on micro-savings is more or less submerged in the research on microfinance and micro-credit. It has not received enough attention in finding its relevance in poor people's lives. It also lacks in providing the perspective of microfinance clients regarding how much value they provide in getting access to micro-savings. It also does not bring out clearly the impact of microfinance in mobilising savings of the poor. This paper tries to bridge this gap.

OBJECTIVES

The objectives of this paper are

- To study the relevance and impact of micro-savings on a larger scale by looking at macro-data.
- To identify the importance of micro-savings from the perspectives of the microfinance clients themselves.
- To find out the impact of microfinance in enhancing the saving assets of its clients

In short, it tries to answer three research questions:

Research question 1: What is the role of micro-savings in overall microfinance picture? Which microfinance model is more suitable for mobilising savings?

Research question 2: How much importance microfinance clients give to 'access to save' as compared to other services provided through microfinance?

Research question 3: To what extent microfinance has resulted in building savings for its clients?

METHODOLOGY

The paper makes the use of secondary and primary data to study the scale and impact of micro-savings on poor people from India. The secondary data relate to the aggregate data available about the credit and savings from two prominent models of microfinance in India i.e., SBLP Bank Linkage program (SHG) and MFIs in India. The primary data are collected from 698 microfinance clients collected through survey from four microfinance institutions working in Urban Maharashtra, India. It uses the descriptive analysis and rank order method to derive conclusions.

DATA ANALYSIS

Research question 1: What is the role of micro-savings in overall microfinance picture? Which microfinance model is more suitable for mobilising savings?

Secondary data analysis is used to answer this question. Relevance of microfinance in mobilising small savings can be seen by comparing its performance with other formal channels such as post offices and commercial banks. Microfinance is also used as one of the important instrument for financial inclusion. Table 2 provides the details of saving account usage in different institutions like Banks, Post office and SHG.

Findings

- The number of members depositing regularly is much larger in SHG accounts as compared with other agencies.The amount of average saving per member is also significantly larger in SHG as compared to other agencies.
- The table also reveals that most of the accounts opened with banks and post offices are used to receive government assistance rather than doing any other financial transactions.The proportion of irregular withdrawals is also higher in the case of bank accounts and post office accounts.

Table 2: Saving account usage in different institutions

	Bank accounts	Post office accounts		SHG accounts	
	Accounts one year and less	All accounts	Accounts one year and less	All accounts	Accounts one year and less
Average balance (Rs)	189	234	92	2438	1682
% of respondents making regular deposits	5%	6%	2%	99%	92%
Frequency of deposits	36% no fixed schedule	67% Monthly	-	57% monthly, 47 % weekly	54% weekly, 44 % monthly
Amount of last deposit (Rs)	474	118	94	50	50
% households who never made a deposit	57%	71%	56%	0%	0%
Top reason for not making regular deposit	56% use account only to receive Govt. assistance	78% use account only to receive Govt. assistance	64% use account accounts only to receive Govt. assistance	83% make regular deposits in other accounts	100% make regular deposits in other
% households who make regular withdrawals	51%	19%	31%	53%	50%
Frequency of withdrawals (as a % of those making regular withdrawals)	55% as and when Govt. assistance is deposited	61% as and when Govt. assistance is deposited	73% as and when Govt. assistance is deposited	86% as required	85% as required
Typical withdrawal	78% irregular amounts	83% irregular amounts	100% irregular amounts	50% irregular amounts	42% irregular amounts

- These findings suggest that SHGs is comparatively better instrument of financial inclusion than bank and post office accounts on account of its heavy insistence on savings due to its in-built component of regular compulsory savings by its members.

Following data consist of the comparison between two models of microfinance which prominently exist in India, i.e. the SHG model and MFI model.

Mobilisation of Savings through SHG Model

The nature of the saving product offered in SHG linked bank programme is unique in itself. It is a compulsory and inflexible payment which any SHG member has to make every month in order to retain her membership. The interval, whether weekly, fortnightly or monthly at which the savings has to be made, is determined by respective SHGs. The amount cannot be increased or reduced voluntarily until the maturity of the product is over. At the most loan can be raised against it to overcome emergency problem. This contractual savings aim to develop basic financial discipline and also help in building its own capital stock over the period of time. The SHG model emphasises that group becomes eligible to get loan from banks only after accumulating savings for certain period usually six months. The loan to saving ratio rises from 1:1 to 2:1 to 4:1 over a period of time as accumulated savings also grow.

Macro-level data maintained by NABARD related to the number of SHGs linked with the banking system are presented in Table 3.

Over the years, the number of SHGs linked to the SBLP has been rising consistently. Along with that average savings per SHG and average loans disbursed per SHG is also increasing consistently. The loans to savings ratio per SHG has consistently increased from 5.1 to 17.6 from 2007 to 2012. It indicates that higher proportion of poor people specifically women are able to leverage loans by using their micro-savings from formal financial structures over a period of time.

Mobilisation of Savings through MFI Model

As against the SHG model, the MFI model does not emphasise on savings before delivery of credit. The magnitude of thrift and saving services is limited in the MFI model in India also due to the fact that NBFCs (Non-Banking Financial Corporations) by law are not allowed to mobilise deposits; though they are allowed to collect security deposit at the time of loan disbursement. As NBFCs account for more than 70% of the total MFI sector, the proportion of total savings through this model is comparatively limited. The summary data of saving mobilisation through MFI model are given in Table 4.

The latest data related to saving portfolio of MFIs are not available. The existing data show that the number of savers is consistently less as compared to the number of borrowers. The average saving per client does not show any rising trend. The comparison between SHG and MFI models regarding the average loan size and saving size is given in Table 5.

Table 3: Aggregate data related to SHGs in India

Year	No. of SHGs in mn	No. of SHGs provided with bank loan (mn)	Amount of savings (Rs. Mn)	Average savings per SHG (Rs)	Average loans per SHG (Rs)	Loans to savings ratio
2007	4.16	2.92	35.12	8442	44343	5.2
2008	5.01	3.62	37.85	7555	46800	6.2
2009	6.12	4.22	55.45	9055	74000	8.2
2010	6.95	4.58	61.97	8912	115820	13.0
2011	7.46	4.81	70.16	9403	122744	13.1
2012	8.0	4.35	65.5	8187	144086	17.6

Source: Tankha, A. (2012). Banking on self-help Groups- Twenty Years On, Sage Publication India Pvt. Ltd & ACCESS Development services, N. Delhi.

Table 4: Aggregate data related to MFIs in India

Year	No. of MFIs	Members (in M)	Borrowers (in M)	Savers	Saving balance (Rs. M)	Average savings per MFI client
1999-00	44	0.52	0.20	0.36	310	596
2002-03	94	0.92	0.78	0.59	1457	1583
2004-05	122	2.58	2.19	1.21	950	368
2006-07	169	8.20	6.97	2.62	2121	258
2007-08	223	14.10	11.87	2.79	2434	172

Source: Sa-Dhan – 2008 the Mix 2008, M-CRIL

Table 5: Average size of loans and savings in SHG and MFI models for year 2008

	SHG model	MFI model
Average loan size per borrower (Rs)	3535	11480
Average saving per member (Rs)	8441	191

Source: Sinha (2009) State of Microfinance in India, Institute of Microfinance (InM)

The comparative picture of both the models reveals that the SHG model has an edge over the MFI model in mobilising the savings of the poor. Two reasons for the same are the regulative constraint on the MFI model in mobilising savings and compulsory saving component in the SHG model.

It can be concluded that microfinance is an effective tool to mobilise micro-savings and over the years it has helped in accumulating savings for poor class. It is also found that within the two prominent models, the SHG model is more effective in building micro-savings for the clients.

Research question 2: How much importance microfinance clients give to 'access to save' as compared to other services provided through microfinance programme?

The study uses the primary data analysis of 698 microfinance clients from urban Maharashtra to find out the perception of microfinance clients related to micro-savings from the survey conducted during 2010-2011. Most of the clients surveyed are women and are middle aged. Around 30% are illiterate. Average family income is Rs. 7,160/ per month for the average family size of 5 members. Nearly 56% of the participants belong to socially weaker section. A high proportion of participants are home makers (46%) followed by those who are micro-entrepreneurs or self-employed (41%) and domestic maids (7%). Nearly 60% of the clients did not have any access to formal financial institutions before joining the programme.

In order to identify the importance of micro-savings from the perspectives of the microfinance clients, they were asked about the reasons for which they joined microfinance programme. The clients join microfinance programmes for a variety of reasons. Access to savings, access to credit, gaining economic independence, etc., can be some of the important reasons. The rank order method which gives maximum weightage to highest priority (mentioned most important) reasons and respectively less to other reasons is used to find the importance of various reasons for joining microfinance programme. Table 6 provides the data related to the reasons of microfinance clients for joining the programme.

Findings

- Access to savings has been found to be the most important reason for joining microfinance programme by most of the participants. As seen earlier, around 60% of clients did not have any savings account before.
- It can be seen that access to credit available at the low rate of interest (micro-credit) has come to the second rank. It suggests that though microfinance so far has given more importance to access to credit, the clients in fact give more value to access to savings.
- The focused group discussion revealed that all the clients unanimously agree that the component of compulsory saving plays a very vital role in building savings over the years. Nearly 40% of the clients had saving accounts with formal financial institutions before joining the programme. Even so, most of the clients found that saving regularly was very difficult due to pressing consumption needs.

Table 6: Reasons for joining microfinance programme

Reasons	Priorities							Weightage
	1	2	3	4	5	6	7	
1. Sole earner in the family	48	21	13	10	2	5		484
2. Supplement to family income	43	95	49	35	8			1050
3. Household earnings are not regular	36	57	102	31	25	2		1054
4. Economic independence	77	98	78	31	7	2		1373
5. Access to savings	263	183	95	21	11	1		2959
6. Loan available at the low rate of interests	186	102	33	16				1806
7. Any other	40	41	60	16	1			735

It can thus be concluded that microfinance clients provide a high value to access to save.

Research question 3: To what extent microfinance has resulted in building savings for its clients?

Third research question is related to finding out the actual impact of microfinance in building savings for its clients. The following hypothesis is formulated to assess the impact of microfinance programmes on building financial savings.

H_1*: *Assessment of impact of microfinance on increasing financial (in terms of monthly savings) of the clients.

H_{01}*: *Microfinance has not resulted in increasing the monthly savings of the clients.

H_{11}*: *Microfinance has resulted in increasing the monthly savings of the clients.

To test these hypotheses, paired sample *T*-test was used to see the difference between monthly savings before and after joining SHG.

Table 7 shows the statistical results of the paired sample *T*-test.

Findings

- The average monthly savings of the clients before joining the microfinance programme was Rs. 47 which increased to Rs. 150 after joining the programme.

Table 7: Paired Samples Statistics to test 'before and after' effect on monthly savings (Rs)

	Before joining programme	After joining programme
Mean	47.70	149.78
N	698	698
S.D.	132.33	151.33

- Significance values of paired sample *t*-test show that $P < 0.05$. It means the difference between these groups is statistically significant. Hence, null hypothesis is rejected and alternative hypothesis is accepted.

It can be thus concluded that there has been significant difference between the increase in financial assets before and after joining the microfinance programme.

DISCUSSION

- Secondary data analysis reveals that microfinance has a significant role to play in bringing the poor under the safety net of formal financial structure. The SHG model which is more saving led has a higher impact than the MFI model in mobilising the resources for the poor. It is also found that as poor have fewer opportunities to build financial assets over a period of time, they lose the race in the long run. Thus, it is important for microfinance organisations to give priority to micro-savings.

- Primary data analysis supports the findings from secondary data. It reveals that access to savings has been one of the most important reasons to join microfinance programmes.
- The primary data also reveal that the SHG model of compulsory in-build savings has helped clients to build savings over a period of time.

PRACTICAL DIFFICULTIES IN MOBILSING SAVINGS THROUGH MICROFINANCE

- Though importance of micro-saving is well accepted, there are several constraints on its implementation. First of all there are regulatory constraints. Several forms of microfinance organisations such as NBFCs are not allowed to raise deposits. Thus they have blocked saving services to poor.
- To build the process by which savings of the poor can be accumulated over a long time is a very difficult task. First of all, one needs to tap the resources frequently such as weekly or bi-monthly in order to see that surplus funds do not get spent easily. Secondly, one needs to develop saving products aligned to irregular incomes of the poor. It is also important to develop goal-oriented saving products to encourage poor to save more. Designing new products suitable and attractive to poor people and at the same time making them scalable enough to reduce the transaction costs is a major practical difficulty for microfinance organisations.
- Though the SHG model is found out to be more effective for mobilisation of savings, it faces certain difficulties. It is very difficult to sustain SHG fund for a longer duration say more than one year. Once the funds are allocated over a period of time, the members want to withdraw and start a new group. Erosion of mutual trust amongst the members is also one of the major problems. Managing the large corpus funds is difficult for many SHGs. Few of the banks do not accept fixed deposits from SHGs which are likely to get better returns and accept their deposits only in saving account.

SUGGESTIONS

- CGAP (2002) has provided certain guidelines for promoting micro-savings. It states that poor need saving services which are secure, require less transaction cost, are designed appropriately, are quick to access the funds when required, contractual in nature and are linked to future life cycle needs and which provide the reasonable real interest rate.
- CGAP (1997) also provides a guideline for microfinance institutions about when and how microfinance institutions should start mobilising resources and what steps are required to follow. It states that appropriate macro-environmental factors such as legal and regulatory environment, political stability and suitable demographic conditions are required before MFI wants to start mobilising savings. MFIs having good control over its funds, following good management practices, showing high rate of loan recovery and having supervisory control for protecting the interests of its clients can take initiative in mobilising savings. It can do it systematically first by focusing on voluntary savings and by designing and pricing the products appropriately and by taking approval of its board, conducting market research, pilot testing and gradually expanding.
- CGPA also recommends that it is necessary to assess the market by collecting the data and making it available. It is necessary to enhance the financial literacy of the target clients by helping them assess the risk and benefits of various saving

products, improving accessibility by reducing transaction cost with the help of technology and providing liquidity related incentives to the clients.

- MicroSave, an organisation providing market-led solutions for financial services has presented a report related to various experiences of MFIs providing saving services. It states that demand for micro-savings can be fulfilled through various ways such as 1) saving-up which relates to putting aside small sums of money to convert it in large sum. 2) saving-down which refers to receiving advance against future savings through repayments and 3) savings-through which means clients saves continuously on a regular basis which is swapped for a lump-sum at point of time (*MicroSave, 2013*). To design better products, the MFIs should have right kind of pay-ins which would be able to tap small amounts, variable sums and frequent payments. It should have right kind of lump-sums to encourage saving-up and saving-down and short-term, mid-term and long-term swaps to encourage saving-up, saving-down and saving-through. It should be convenient which means the facility should be available locally, quickly and it should be easily possible to move away from group savings to individual savings. A combination of different types of savings such as offered by Grameen Bank (compulsory saving with emergency and child welfare fund, pension saving, personal saving and fixed deposits with monthly income) can be tried to target different clients with different needs and resources. The report further states that four attributes required to encourage micro-savings are security, accessibility, returns and other key preferences. The authors are of the view that voluntary savings have an edge over compulsory savings as compulsory savings may drive away clients from microfinance programmes.

- Saving services should be made more affordable by having less transaction cost, or less up-front costs like opening fees, minimum balance requirement and lower share price (in the case of co-operative banks). Saving services should improve the security by increasing the awareness level, providing information, improving transparency in transactions, etc. Organisations offering saving services should have a friendly and welcoming culture and the artificial barriers related to gender, class, and caste should be removed.

LIMITATIONS OF THE STUDY AND SCOPE FOR FUTURE RESEARCH

The present research focuses on relevance of micro-savings in moblising savings through microfinance. One of the limitations of the study is that it does not try to find out the impact of micro-savings on economic empowerment of poor. Secondly, it does not use the time series data to find out how savings of microfinance clients have grown up over a longer time span and whether they are significantly higher than non-clients.

Due to the magnitude and the relevance of micro-savings in development, it provides a good scope for future research. Comparative analysis of different saving products, scalability and viability of various saving products, impact assessment of micro-saving programmes, linking micro-savings with micro-insurance and asset building, financial literacy through micro-savings are few of the areas for future research.

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