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Abstract

A review of:

Savings Services for the Poor: An Operational Guide edited by Madeline Hirschland. Bloomfield, CT: Kumarian Press, 2005. 380pp.

Keywords

Financial services, Savings

Savings Services for the Poor: An Operational Guide edited by Madeline Hirschland. Bloomfield, CT: Kumarian Press, 2005. 380pp.

Savings Services for the Poor is, as its subtitle specifies, an operational guide for understanding, designing and implementing savings services. It aims to promote small deposit mobilization. While there is a wealth of literature on financial services for the poor, this is the first book dedicated solely to savings services. Written by eminent microfinance practitioners with hands-on experience, it covers the state-of-the-art in savings delivery, drawing upon a collection of case studies across the globe to discuss practical issues involved in providing savings services for the poor. Many financial institutions have neglected savings services for the poor, assuming that the poor cannot save or that providing these services would be too costly. This book seeks to reverse both assumptions: the poor do save and it is possible to provide cost-effective small deposit mobilization.

The book is divided in three parts. The first part, “Overview,” touches upon the rationale of saving products for the poor and shows the specific hurdles that need to be overcome to serve the poor effectively. The opening chapter starts with the key question: why the poor need to save; it is followed by chapters illuminating institutional requirements for offering savings products, such as prerequisites for savings (chapter 2), keys to cost recovery (chapter 3), savings operations (chapter 4) and going down market (chapter 5). Many financial institutions have not lacked the goodwill to initiate new products, but rather have failed due to insufficient product design. The second part, “Services,” aims to overcome this gap and discusses *how* to set-up savings services in chapters on market research (chapter 6), product design (chapter 7), delivery channels (chapter 8), cost-effective pricing (chapter 9), and promotion of savings services to clients (chapter 10). The third part, “Systems,” is a collection of articles on institutional issues: its emphasis is on risk management, such as internal controls (chapter 11), liquidity management (chapter 12), interest-rate risk (chapter 13), but also product costing (chapter 14) and financial incentives for staff (chapter 15).

Savings Services for the Poor is a publication that provides a rare and welcome emphasis on savings and offers a complement to previous publications on microfinance products and services. It provides an easy to read collection of articles on savings delivery and allows the reader to focus on the respective chapters of interest. The emphasis of the book is on recommendations and dissemination of best practices. A number of short case studies provide a good overview of microfinance institutions and the variety of practices followed in providing savings services for the poor.

A major shortcoming of the book is that it offers a narrow perspective of savings services for the poor. It draws heavily on practices of specialized microfinance institutions and neglects regular financial institutions that mobilize small-scale deposits from the poor. Small-scale deposit mobilization is a long-standing practice with a number of commercial banks and rural banks, some of which even send collectors to mobilize deposits from market vendors. Further, this book neglects the biggest burden for offering savings services: it is not the lack of motivation or a faulty product design that is the biggest hurdle for saving services, but regulatory restrictions of

central banks and supervisory bodies. Many specialized microfinance institutions are non-bank institutions and as such not allowed to offer savings products.

Savings Services for the Poor is primarily an operational guide written for microfinance practitioners; it is less geared towards an academic audience. Critical academic analysis is rare. Nonetheless, chapters of the book could be of interest in courses on microfinance and rural finance as supplementary reading. It is rather helpful that Kumarian Press currently provides the possibility to view Savings Services for the Poor on their website. Whilst at it, the reader might find it helpful to also examine the subject category microfinance of Kumarian Press, which includes publications such as Mainstreaming Microfinance, The Commercialization of Microfinance, Housing Microfinance, and The New World of Microenterprise Finance.

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