

I. What is Savings Deposits ?

Money kept at a bank, microfinance institution the public, institutions, organizations, co-operatives, etc is known as deposits. Among the variety of traditional deposits, saving deposit is one of the basic component for credit operation. One of the objectives of saving deposits particularly for the poor (urban, rural) is to promote thriftiness and develop the culture of saving.

2. Importance of Savings Deposit

2.1 For Microfinancial Institutions

- **Is potential for source of loanable fund or capital**
- **Provides cash collateral or guarantee for portfolio protection and facilitate screening of clients for loan**
- **Is a source income through an interest rate, builds good financial management, improves financial discipline**
- **Strengthen the relationship between the clients the community and the institution**
- **Increase repayment rate**

2.2 For Saving Clients

- **Saving is a source of funds to meet emergence cases to expand business and to balance future consumption**
- **Provides security for loans and increases the chance of obtaining loan, builds self-confidence, enables self empowerment and self financing for investment and avoid paying exorbitant interest rate in the formal sector**
- **Generates income and ensure safe custody of money**

- **Builds financial discipline, management skill and fosters long-term planning**
- **It is also used for investment and as a means of capitalizing their business**
- **Helps as alternative of responding to an immediate need of cash without diverting fund from the business**
- **Protects from consuming working capital itself in case of emergency**

- **Channels fund into productive activities rather than to use it for consumption**
- **Creates rapid and flexible access to cash for emergency and investment opportunities**
- **Provides security for long-term social factors like retirement, ill health or disability**
- **Secure future consumption when there is unforeseen expenses due to seasonal variation or natural disaster**
- **Helps to ascertain food security**

3. Direct Field Experiences

3.1 Motives of saving mobilization

- **to cover expenses of the poor during drought**
- **to ascertain food security**
- **to cover repayment of loan in times of unforeseen problem**
- **to have flexible money available for emergency purpose which is relatively better than Iqib (Rotating Credit Saving Association) (ROCSA)**

- **to avoid insecurities which are common to other saving activities such as saving in the form of livestock**
- **to create access to credit**
- **to have reserve for social activities**

3.2 Constraints in Saving Mobilization

- **Low interest rate**
- **Interest rate is not visible, causing much doubt**
- **Saving has a conflicting objective to rejection to receive any form of free handout (food aid)**
- **Iqub is pleasant mixture of saving and credit which affects the saving activities of MFIs**

- **Fear of clients that Dedbit will use saving to cover default**
- **The orientation of the people to satisfy only daily consumption**

3.2 Interventions to improve saving mobilization in Ethiopia

- **Improve staff training**
- **Improve client training**
- **Provide stamps and photographs for pass book**
- **Assign and train specialized saving officers**
- **Reduce fraud by clients and field workers by improving the registration of deposits and withdrawals**
- **Increase internal control on field workers daily check-up of cash and books**
- **Develop comprehensive savings manual**

- **Implement group discussion where those who understand and have experience to convince others**
- **Use access to (further) credit as an incentive to savings which smooth savings and smooth repayment**
- **The very concept of saving is new, the clients and staff**
- **No cultural meaning and value on saving build-up in the society**

- **Lack of knowledge of the usefulness of saving and skill by the staff. They lack convincing arguments to promote saving**
- **Since the programme started as a credit program, it was difficult initially to change the image**

**4. Outstanding Savings Mobilized by DECSI
(March 1994 - September 2000)**

A. Individual Saving

- (i) Loan clients saving 14.04million Br.**
- (ii) Non-loan client savings 18.00 million Br.**

B. Institutional savings 37.00million Br.

C. Group savings 22.00million Br.

D. Center savings 4.70 million Br.

**96.34 million Br.
(12 million Dollars)**

V. CHALLENGES OF MOBILIZING SAVING

- **Myth, belief, assumptions that the low income people can not save**
- **Proximity and accessibility**
- **Low interest rate (lack of positive return on deposit)**
- **Interest rate is not visible, to clients**
- **Security - In-terms of theft and withdrawals**
- **Convenient - In-terms of distance, working hours, procedures, transaction cost, etc**
- **Unlimited withdrawals : access to limitless withdrawals**
- **Dependency on aid/ both for the institution (subsidized credit) and for the clients**