

## 1 INTRODUCTION

Microfinance has expanded enormously in the 1990s. In fact, most policy makers, donors, scientists and practitioners around the world emphasize the role of microfinance as a powerful tool for poverty alleviation. However, microfinance practice and discussion almost entirely focus on credit delivery, although almost everywhere poor households save in various forms and for different purposes. Little progress has been made in building up microfinance institutions (MFIs) as full-fledged financial intermediaries.

The CGAP<sup>1</sup> (Consultative Group to Assist the Poorest) Working Group on Savings Mobilization has noted the neglect of savings in microfinance. To address this concern, the Working Group commissioned several case studies to gain empirical knowledge. Considerable efforts were made to disseminate and discuss the findings. In February 1998, the first Regional Conference on Savings in the Context of Microfinance was held in Kampala, Uganda (CGAP Working Group on Savings Mobilization, 1998). Further regional conferences on microsavings will be supported by the CGAP Working Group in Latin America and Asia.

In this document, we look first at some elements characterizing the current mainstream of microfinance policy and practice, underlining the limited role of savings in this debate. Second, the conceptual framework on microsavings addressing the clients' as well as the institutional perspective will be discussed. Third, the conceptual issues identified are analyzed in a comparative analysis of seven case studies from Latin America, Africa and Asia. Finally, some conclusions are presented and future areas for research are suggested.

## 2 THE PROBLEM

„There is no problem!“ many of the proponents of the microfinance industry would insist. Why do we feel that there is a problem at all, as we are told that the mobilization of savings is always on the agenda of the international microfinance movement? A closer look at the major trends in the current microfinance discussion, however, reveals that one of the main problems is the continuous lack of attention to microsavings.

The current microfinance mainstream can be characterized by three major trends (see figure 1).<sup>2</sup> These are (a) microfinance as a *political movement* aiming at poverty eradication and redistribution of income on a broad level, (b) microfinance as a *technical approach* to support the efficient provision of small and micro financial services, and (c) the growing *economic interest* in microfinance as a highly profitable investment opportunity.

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<sup>1</sup> The CGAP Working Group on Savings Mobilization was founded by France, Germany, ILO, UNDP, USAID and is chaired by Germany. Since 1996, Finland and the Inter-American Development Bank have joined the Working Group. The German Federal Ministry for Economic Cooperation and Development (BMZ) requested GTZ to represent Germany.

<sup>2</sup> For a different and critical view on the microfinance mainstream see Verhagen (1998).