ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

Assessment on the Implementation of Saving Mobilization in Microfinance Institutions: the case of Specialized Financial & Promotional Institution and Meklit Micro Finance Institutions

By

Melesse Girma

Advisor

Dr. ASNAKE MINWYELET ABEBE, M.Sc., Ph.D.
(Ass. Professor in Accounting and Finance)

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Approved By Board of Examiners

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Dean, Graduate studies	Signature
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Advisor	Signature
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External examiner	Signature
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Internal examiner	Signature

Contents

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Asnake Minwyelet (Phd). All source of materials used for the thesis have been dully acknowledged.

I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any Degree.

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Name Signature

St. Mary's University, Addis Ababa June, 2017

ENDORSEMENT

This thesis has been submitted to St, Mary's School of Graduate studies for examination with my approval as a university advisor.

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Advisor Signature

St. Mary's University, Addis Ababa June, 2017

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Abbreviations

CGAP =	Consultative Group to assist the poor
GDP =	Gross Domestic product
MFIs =	Micro Finance Institution
NGOs =	Non-Governmental organizations
ROSCAS =	Rotating Saving and Credit Association
SFPI =	Specialized Financial and promotional Institution

List of Tables

List of Figures

ABSTRACT

The main objective of the research was to assess the implementation of saving mobilization strategy in Specialized Financial and promotional Institution (SFPI) and Meklit Micro Finance Institutions .The study specifically addresses the following issues; first, saving mobilization practices employed by SFPI and Meklit Microfinance institutions. Second the study tried to identify challenges facing MFIs when mobilizing savings. Third identify opportunities that enhance saving mobilizations. This study involved the use of qualitative and quantitative research approach and also instruments of questionnaires and interview were used during collection of data. Respondents were taken from two MFIs of SFPI and Meklit microfinance institutions. Questionnaires were employed to collect data from (88) respondents and interview was conducted only to five representative of MFIs. Findings reveal that the common type of saving mobilization strategies employed by Selected MFIs is product development strategy, promotion strategy, incentive strategy. This study also finds that distance/proximity/ to financial institution, transaction cost, security, Anonymity, flexible product features are key factors from the perspectives of MFIs clients to mobilize savings. From the service provider perspectives this study noted that competition from experienced banks, competition among MFIs, cost of mobilizing small savings, meeting the liquidity requirements as per National Bank of Ethiopia (NBE) directives in a cost effective way as a key challenges. Findings also affirm that there is huge untouched demand for voluntary saving mobilization among the poor in the operational area of MFIs could be an opportunity that enhance saving mobilization.

Key words*: Micro finance institution, savings*

Chapter One

1. Introduction

1.1. Background of the Study

Microfinance is the provision of a broad range of financial services such as deposits, loans, payments, services, money transfers and insurance to poor and low- income households and, their micro enterprises. Microfinance allows a sustainable form of financing for the most needed and it helps to reduce inequalities (Abebaw, 2014). Microfinance Institution may be defined as any financial institution which offers not only small loans to microenterprises, SMEs, groups and individuals but also provides other financial services like savings, insurance, and investment advice including even training programmes to its clients (Korankye, 2014). The development of small and micro finance institution in Ethiopia is a recent phenomenon. The decision of the government of Ethiopia to restructure the financial sector in 1990s has had a significant impact on the growth and commercialization of both commercial banks and MFIs in Ethiopia. As the result currently, there are 33 microfinance institutions operating in Ethiopia including government own, share companies as well as private MFIs, all are regulated by the National Bank of Ethiopia and all (MFIs) established under the Proclamation No. 40/96.

Saving mobilization is a means to shift fund in the economy from the excess to deficit and savings encourages investment and job creation through channelling fund from the general public to investors /entrepreneurs (Uremadu, 2002).The current government development strategy, GTP II (2015/16 – 2019/20) emphasize local saving mobilization to finance development. During GDP I, the share of gross domestic saving in GDP increased from 9.5 percent in 2009/10 to 21.8 percent in 2014/15 due to measures including:-awareness creation and community mobilization activities, expanding financial institutions and services, raising the minimum deposit rate, strengthening existing and introducing new saving mobilization instruments such as saving for housing program, Renaissance Dam Bond, introducing private social security schemes, strengthening government employees social security scheme, which were accompanied by rapid economic growth and structural economic transformation (FDRE, 2016). Adams (1978) argued in support of mobilizing voluntary saving from rural pro poor households on various grounds. He recognized the potential of voluntary saving mobilization for overall strengthening of the rural financial markets. Also he noted that voluntary saving mobilization plays a significant role in strengthening local service organizations. Moreover, it has a favourable impact on discouraging household consumption. Mauri (1985) observed in his study of the role of financial intermediation in the mobilization and allocation of household savings in Ethiopia that the performance of the formal financial system in mobilizing and promoting household saving in Ethiopia is very low. However, he noted that the semi-formal and the informal market has proved to be much more successful in this regard and concluded that the semi-formal institutions and arrangements are very widespread and appreciated by the majority of the population and called for the formal financial institutions in the country to learn from the success of the informal sector.

Global experience suggests that there is a huge demand for convenient, safe and reliable saving services among the poor. Just as the existence of moneylenders indicates a demand for credit among the poor, the widespread use of informal savings mechanisms may signal demand for formal deposit services (CGAP, 2006).This represents an unused financial potential which could be put to productive use -- from the unproductive hoarding of illiquid assets to activities where the marginal productivity of capital (MPk) is higher. Microfinance institutions have become the key tools of effective intervention. Saving mobilization is the main operational element of financial institution that gives them high leverage and sustainability. Poor performance in economic growth for countries like Ethiopia is frequently attributed partly to low savings. On the other hand, the formal financial institutions in developing economies leave the poorest population tightly constrained in their access to financial services. It is also widely recognized that economic progress relies largely on access to financial services such as savings, insurance, and credit. Where formal financial institutions fail to serve the large majority of the poor population, there is evidence to support the proposition that credit unions can fill some of the gap (Hussainet al., 2002).

Unfortunately, relatively new to (voluntary) saving mobilization, many microfinance programmes do not have established systems that support local saving mobilization (strategies, staff capacity, management information system, etc.). In many cases, there are some strategy/policy documents, and list of products and services, perhaps copied/adopted from other country or MFI experience, which are never supported by serious market research to reflect local reality. Worse, such strategies, policies, products and services are poorly communicated to staff, particularly those at branches, who are supposed to market them to real client. Often, the staff incentive scheme, if there is one at all, is biased toward credit, or at least do not fully reflect the challenges on saving mobilization from the poor. As a result, most microfinance programmes fail to establish trust among the public as a trustworthy custodian of financial resources, and this challenge continue to be felt even in countries like Ethiopia where the regulation (relatively unique in the industry) allows MFIs to mobilize ‘public saving’ from day one of securing the license. Though workable and potential economic policies were issued by FDRE, the status and share of domestic savings showed low progress.

1.1. Statement of problems

MFIs in Ethiopia have been allowed by proclamation (1996) to mobilize ‘‘public saving’’ (quite unique in the industry), so far (in-spite of the evidently huge potential) the ‘voluntary’Saving mobilized by such institutions (including some of those who had the license some 15-20 years back) constitute only 8-12% of their loan outstanding (Getaneh, 2016). The focus of Microfinance institutions are towards the ‘‘credit sales’’ and minimal efforts go towards providing savings products, saving mobilization remains the forgotten half (Microlinks/USAID (2008). Their loan operations have therefore been financed from Bank loan, grants, etc., in the absence of which, they limit their outreach on loans.

Some earlier proposals even include advocating ‘micro-credit as a human right’ issue. Thus other financial services, particularly saving mobilization from poor communities, has received little attention as a potential source of fund to finance their loan portfolio (if not as a valuable financial service in itself) by service providers partly because, at least in the earlier periods of the microfinance movement, microcredit services to the poor could attract a huge attention, and service providers have had easy access to resources from many donors, UN agencies, funders, philanthropy organizations, governments, etc. to finance their microcredit programmes, and partly out of conviction that there is little resources that can be mobilized from the poor, that the poor is too poor to save; instead, they need to be taught to start saving – hence the idea of compulsory saving linked to loan. Most of the saving service needs of the poor therefore continue to be meet through traditional means (bank notes hidden under the mattress, buried in the earth, rolled inside hollowed-out bamboo, in kind savings, putting on a feast to raise claims for future assistance, etc.) which are often risky, of low return, and often non-anonymous. Most micro credit service delivered through NGOs and government initiated projects in Ethiopia did not consider savings as one of most important product both to the client and institution. This was basically arises from perception that ‘‘the poor have nothing to save’’. However, this perception has been disproved in Indonesia (the case of Bank Rakyat Indonesia unit Desa system), BancoCaja Social (BCS) in Colombia (the case of Banco sol) and in Ethiopia (Daba, 2003)

Box 1: The Unit Desas of the Bank Rakyat Indonesia

The Bank Rakyat Indonesia (BRI), with its unit desa system, is a successful rural financial institution with a large microfinance portfolio. Before 1984, BRI unit desas were channelling subsidized credit, and mobilized very little savings. The Bank Indonesia provided funds to BRI at 3 percent per year for on lending at 12 percent per year to rice farmers under the Government's rice intensification program, known as Bimas. In addition, the Government subsidized the administrative costs of BRI unit desas. The unit desas incurred large operating losses and experienced increasing default rates. In 1983, the default rate was about 50 percent. With large losses and default rates, the Government was compelled to terminate the Bimas program in 1983. Discontinuation of Bimas meant that BRI faced the problem of what to do with about 3,600 unit desas and 14,000 employees. The financial reforms of 1983, which liberalized interest rates, provided the opportunity for the Government to reform the unit desa system.

Under the reform program, the unit desas adopted market-oriented interest rates on loans (about 33 percent per year), and were transformed into full-service rural banking outlets. BRI also started to treat each unit desa as a profit or loss center. New savings products were introduced under the reform measures. The reforms produced dramatic results, transforming unit desas into profitable rural financial intermediation outlets. The unit desas, which incurred a $28.0 million loss in 1983, made a profit of $34.0 million in 1991. As of the end of 1999, unit desas had 24.2 million deposit accounts with a total outstanding deposit of about $2.27 billion equivalent and 2.5 million borrowers with a total outstanding loan amount of $781 million equivalent. The average outstanding deposit size was about $94, while loan size was about $318. Despite the crisis in the financial sector, during 1999, unit desas generated a profit of about $153 million. The unit desas continue to operate as an integral part of the state-owned BRI.

Sources: ADB. 2000. Rural Asia Study: Beyond the Green Revolution. Manila: ADB and Bank Rakyat Indonesia.

Recent research outcomes demonstrated that voluntary saving can cover a very small portion of the loan portfolio of many MFIs, including those who secured the license two decades back. Inability to effectively mobilize savings, and the resultant shortage of liquidity, constitute one of the serious issues constraining microfinance institutions to meet the growing microcredit demands. Building their capacity on saving mobilization through appropriately designed technical support and exposing them to some good practices is of high priority agenda.

1.3. Objectives of the study

1.3.1. General objective

Assessment of saving mobilization practices in microfinance institution from various dimensions

1.3.2. Specific objectives

- To assess saving mobilization strategies in microfinance institutions
- To assess challenges faced by MFIs when mobilizing savings
- To identify opportunities that enhance saving mobilization in MFIs

1.3.3. The research questions

The research questions would be attempted to answer the following:

1. What are the saving mobilization practices of MFI's?
2. What are challenges faced by MFIs to mobilize savings?
3. What are the opportunities that enhance saving mobilization of the MFIs?

1.4. Significance of the study

The study has great contribution to the existing knowledge in the area of implementing saving mobilization strategy in the case of specialized Financial and promotional institution and Meklit microfinance institutions in Ethiopia. The study would be used to know the practical challenges of saving mobilization in microfinance institution and helps to design and implement effective saving mobilization strategies. The other significance of this study also serves as a base line for further research about problems of implementing saving mobilization strategy in microfinance institutions

1.5. Scope of the study

The study has been conducted in two selected micro finance institutions operating in Ethiopia. The Microfinances are Specialized Financial & promotional Institution (SFPI), and Meklit Microfinance institutions. The study involved saving and credit officers, operation supervisors, branch managers, key informants of saving division head, marketing manager and CEO) from the two institutions at head office level. The reason behind the researcher would be selected these two microfinance institution is that the availability of a four years secondary source of data from 2013-2016 G.C. to analyse the growth of voluntary savings from the institutions Financial reports to conduct this research and the responsiveness of the 17 branches of Specialized Financial & Promotional Institution and 8 branches of Meklit Microfinance Institutions to respond the research questionnaires timely.

1.6. Limitation of the study

Recommendation of this research is limited to SFPI and Meklit MFIs, since the researcher have used descriptive type of research method. All conclusions & recommendations stands for the above selected institutions. And also due to time and budget constraints, the researcher didn't address other MFIs to be a part of this study.

1.7. Organization of the study

The research has four chapters. The first chapter states the background of the study, statement of problem, the general and specific objectives of the study, the significance of the study, scope of the study, organization of the study. The second chapter incorporates the literature review part and it includes the theoretical and empirical literature review on saving mobilization in microfinance institutions. The third chapter demonstrates the methodology of the study used. The fourth presents the time and cost budget for the study.

Chapter Two
Review of Literature

2.1. Theoretical literature

Saving is defined as cash held back from day-to day spending by an act of a will. It transforms small cash flows in to useful large lump sum. Savings are fundamental to sustainable economic development. It is the most frequent sources of funding for microenterprise start up and expansion. Despite the importance of savings, the large majority of micro-saver continues to lack access to safe and sound institutions where they can deposit their savings.

Saving mobilization is defined by Elser et al (1999) as the process of encouraging customers to deposit cash with the Bank or attracting new clients to come and open accounts with financial institutions. From an institutional perspective, primary motive for saving mobilization lies in lower cost of capital compared to other sources of fund.

2.1.1 Micro finance services and poor communities

According to Otero (1999), Micro finance is "the provision of financial services to low income poor and very poor self-employed people". These financial services include savings and credit but can also include other financial services such as insurance, transfer of payment services and remittances. Schreiner and colombet (2001) define microfinance as ‟ the attempt to improve access to small deposits and small loans for poor households neglecting banks." Therefore, Microfinance involves the provision of financial services such as loans and insurance to poor people living in both urban and rural areas and who are excluded to obtain such services from the formal financial institutions.

The formal sector like banks, MFIs cooperatives and postal savings banks has only a limited capacity to meet the savings needs of the poor , thus absence of formal savings services result in the‟ financial exclusion" of the large population . In that regard, informal savings prove the savings potential of the low –income people who use them and the unmet demand for savings services (Moulick et al 2008). On the other hand Gugerty (2003) argues that, ‘‘it is largely invisible to the formal sector because majority of poor people in developing countries save informally and offer insight in to some of the potential behavioural constraints on savings”. For instance, in Ghana, poor households pay for ‶susu" collector who travels to individual home or business area every day in order to collect saving deposits.

Nevertheless, Kiiza and Pederson (2002) on their study in Uganda context , pointed out that the decision for poor households to open bank saving account is positively related to the level of education , proximity to financial institution , work experience , transaction costs and the level of permanent income . Above all confidence in security of savings and customer care of institution staffs are of crucial importance

2.1.2 Motives for low income people to save

Browning and Lusardi(1996) on their studies evaluate nine models that used to explain motivations to save as follows; ‶precautionary , life –cycle (to provide for anticipated needs), inter- temporal substitution (to enjoy interest), improvement(to enjoy increasing expenditure), independence, enterprise, bequest , avarice, and down payment”. In spite of this Spio and Groenewald (1996) noted that the saving demand determinants in developing countries differ from those in developed countries and often contradict the theoretical assumptions of the life cycle theory. They further shows that, ‶strong family ties seem to make it less necessary to save for future retirement, and remittances appear to influence the timing of savings within the life cycle of household” Extensive evidence from around the world shows that the poor do save and that they need secure places where they can build usefully large sums of money. Indeed, there is greater demand for secure savings services than credit on the part of the very poor. Most very poor people can and do save. They must save to reach their financial goals such as life-cycle needs (predictable events), meet emergencies (unpredictable events) and lastly are the need to finance opportunities or investment in existing business or establishing new enterprise or home (Sadoulet, 2006).

Equally savings services are at least more valuable than access to credit. With ‶ savings there is no risk of debt traps” though it might take longer time to accumulate the money needed for investment. For example, Kaboski and Townsend (2005) found that ‶pledged saving accounts have a significant impact on long-term asset growth in Thailand". Likewise, Michal et al., (2008) argue that "some women take up micro-credit schemes as a way of forcing themselves to save through required instalment payments". This is an evidence that poor people save through in many cases seem to save not only for a specific time or specific purposes but also for general emergencies, thus leaves them vulnerable to unexpected risks and also it reveals that there exists demand for formal saving services, and that the provision of these services can have great impacts on the livelihood of the poor people. Many financial institutions have thus established deposit accounts to the extent that the number of deposit accounts outnumbers those of outstanding loans in sub-Saharan Africa today. As a result, there is a vast unmet demand for savings services as effective saving services can enhance the financial management of the poor and increase their assets. Some practitioners believe that formal services, such as those offered by banks and other formal financial institutions, are the best places for the poor to save with respect to safety and confidentiality. Marguerite Robinson's (2001) research showed poor people would like to have individual bank accounts, as well as other product features provided by banks for instance " security , convenience liquidity, choice of demand driven products, helpful and respectful services, confidentiality , and returns" though at times most of these services exceed the capacity of savings deposits institutions (Haynes and Levin ,2009).

Additionally savings are of greater importance to make income-generating activities, to exacerbate family against income variations, unanticipated future shocks that might drive the family back in to poverty cycle and "insurmountable debt". Equally Savings Are Acknowledged To Have Long-Term "Asset Effects" That May not only Motivate to Pursue Education or Employment, But also to help Poor Household to have a more Optimistic Outlook For The Future. Therefore matched saving schemes are employed to enhance saving of low income households and as a way to save for "productive investments, microenterprises, education, and health purposes" (Zimmerman and Banerjee, 2009)

2.1.3 Some of the current Savings products by MFIs

Compulsory savings

Compulsory saving is among the requirement or preconditions for receiving credit in financial institutions. MFI clients are supposed to deposit certain amount of weekly or biweekly or monthly in order to attain certain Percent before being disbursed a loan. Clients are not allowed to withdrawal partial or full amount of their savings until are loaning free or decide to leave the organization (Robinson, 2001;CGAP, 2005).On the other hand compulsory saving is used as loan insurance or cash collateral for loans and a part of the loan is secured by the savings. This restriction has forced the MFI clients to save some amount of money that would not have been possible to save by them. There are critics about compulsory saving since clients have no easy access to their savings. Others argue that compulsory savings should not be called a 'service' because it is a down payment on loan and it does not respond to accumulation and precautionary savings motives, these two factors affect the decision to save (Zeller and Sharma, 2000).

Voluntary savings

From client's side, there is a demand for such products. Low income people can save more money at their doorsteps instead of traveling far to deposit with banks. A survey by Rahman (1998) showed that "lack of proximity is one of the major reasons for not depositing savings with a bank". Sadoulet (2006) also noted that the poor need to save when they have the opportunity to do so, to withdraw in time of need and to do this without lessen their savings over time. Thus, savings services must have four properties; "safety, accessibility, flexibility and positive returns" (Marcus et al 1999). Otero and Rhyne, (1994) pointed out that "there is considerable evidence that the poor people greatly value voluntary savings services, where they can save unrestricted and often very small amounts at convenient interval, and which they can access rapidly". More over a study by Bass et al (2000) validates that voluntary savings services attract a large number of depositors and a higher savings amount than compulsory savings since the voluntary savings facilities is not limited to those who save only as a prerequisite for access a loan.

2.1.4 The Benefits of Savings Mobilization for MFIs

Savings mobilization can help MFIs to expand and deepen their outreach. A larger number of poor households may use savings services than credit services. In particular, poorest households may rely on savings before they have an effective demand for credit. Moreover, deposits from the public area less volatile source of funds than alternative sources, such as rediscount lines from the Central Bank or funds from donor agencies. This stable funding source can expand lending operations and, hence, also benefit poor borrowers. Mobilizing small and micro-savings can contribute to self-sustainability by providing the MFI with cheaper funds than those from the interbank market. In addition to improving sustainability of MFIs by filling their liquidity gap, additional benefits of local saving mobilization is that it can improves their loan repayment performance. Local borrowers are less likely to default on loan which is financed from local savings than those which are financed from donors, etc. some MFIs in Ethiopia used to promote this as part of their loan collection effort. However, there may be a trade-off between the lower financial costs and the relatively high costs of mobilizing and administering small deposits. Attracting depositors may in still a stronger demand orientation and thriftiness in MFIs' operations and increase public confidence. As savers become important stakeholders in deposit-taking institutions, the latter are forced to improve their product variety and efficiency of services. Moreover, effective prudential regulation and supervision can increase the public's confidence in an MFI's financial operations.

2.1.5 Factors that affect saving mobilization

The following factors influence the household's decision to hold a savings account:

- Security of savings and confidence and trust in the repository of the savings, in other words, "the trust factor."
- The liquidity of the savings option. Quick access to deposits is especially crucial for poor households for emergencies and investment opportunities that emerge suddenly.
- The transaction costs, e.g., the cost of making a deposit and of liquidating it. Time spent traveling to the financial institution, waiting in line, and on paperwork can

represent such high costs that a seemingly positive real rate of return becomes negative and small savers will rather turn to informal means of savings. The physical proximity of the savings institution facility determines the cost and time required for the saver to go to the deposit facility. For many vendors, time away from their business has a high opportunity cost. In Kenya, (Kibet and colleagues, 2009) found that higher transport cost to saving institution had a negative impact on the saving habits of teachers in rural areas

- The real interest rate, Although there is evidence that rural savings takes place even under negative real returns offered by the informal sector, evidence from different countries has shown that the demand for savings products by all savers, including the poor, increases as interest rates increase. Information - Obtaining information, particularly general information about financial institutions and their products and services, was found to be associated with owning a bank account among household in Sub Saharan Africa (SSA). Some individuals, those who are more educated and more comfortable with financial matters might seek out this type of information, but many will not obtain information unless it is delivered to them in an accessible format. In Uganda, researcher found that the likelihood of owning a saving account increased by roughly 33 times when a household becomes well informed about a particular Bank and its services (Kiiza and Pederson, 2001).

2.1.6 Challenges facing low income people to save with financial institutions

Supply side

Poor households do not want to use formal financial service due to cost implication such as transaction costs (fee and minimum requirement), liquidity or proximity to financial institutions; they prefer informal services due to the reasons like lower transaction costs and greater flexibility. Bertrand et al. (2010) in a survey in South Africa tested the relative importance of interest rate on poor household decision to open saving account and marketing features, they found that " interest rates mattered, as well as marketing features". Likewise interest rate influences the usage of formal financial institutions. Dowla and Alamgir(2003) also noted that low saving could reflect a supply constraints, as poor household have few alternatives to deposit cash savings which in turn they use in kind saving or convert their savings in to assets. They further argue many MFI clients have multiple loans and hence have to use their cash incomes to repay their loans and meet compulsory savings requirements. Research has found that, for MFI clients, savings products are as popular as "working capital and credit for investments". There has been on-going shift from poverty lending and mandatory savings products since 1990 to a financial system approach that acknowledge the importance of saving for the poor. The challenge for MFIs is to design "cost effective saving mobilization strategy that responds to different client needs" (Bass et al., 2000). Similarly low-cost saving products that are easily accessible (opening hours and proximity), secured with positive returns (interest) and more attractive value scheme than what they already access informally should be prioritized. Evidence from Asian and Latin America illustrates that the major constraints for micro savings was product design , as such products need to be tailored specifically to the need of the poor (Meyer, 2002; Hudon,2004). The poor require flexible and inexpensive products that match their capacity to save, and address their needs for them to cope with crisis thus there is a strong need for outside saving schemes. These schemes however, must correspond to the frequent, small, and uneven transactions patterns that match with the low income cash flows (Rutherford, 2000; Sadoulet, 2006).

Demand side

Transaction cost incurred by poor household to access savings services influences their decision. The time spent to gain access to savings in formal institution is among such cost that leads small savers to prefer informal saving services. On the other hand cost of saving at home is high due to physical risk of theft, floods and grabbing hands of the husband. For example, a survey on women in Kenya by Anderson and Baland's (2002) found that majority of women joining a ROSCA were aimed at saving and keep their money away from their husbands.

2.2. Empirical literature

Empirical evidence has shown that around the world poor household save in various forms and for various purposes. General they are willing to save part of their income if appropriate financial institutions are available. For instance Shipton (1992) provide evidence on the use of lockboxes in the Gambia. Rutherford(1999) also cites several commitment devices that villagers in East Africa use to stick to savings plan, including "buying a lockbox and throwing away the key" and the use of "money guards" in which individuals hand over their savings to someone else that trust to avoid using it. Moreover there is evidence that in Latin America and Africa, households use 'tree crops and tubers as a relatively illiquid store of savings (Godoy et al.1996).

Other empirical studies suggest that the desire for "flexibility and liquidity" is so paramount that the poor is willing to forgo the desire for obtaining a positive return (Zeller and Sharma, 2000). A survey conducted in rural Kenya by Dupas and Ribson (2009) found that 89 percent of the treatment group opened an account while only three individuals in control group did so. The researchers find remarkable impacts despite substantial transaction fees charged by the bank ($0.50 or more). In contrast to the Karlan and Zinman (2009) on their study of the impact of credit in the Philippines and de Mel et al.(2008) study of returns to capital, here the impacts were found only to exist among female entrepreneurs. On the other hand FinScope (2007) survey in Uganda shows that 71 percent of Ugandans are currently saving, whereby 15percent save in informal groups, 4percent and 15percent save in semi-formal and in formal institutions respectively.

A survey by the World Savings Banks institute (WSBI) (2006) showed that there were 1.3 Billion low-average balance deposit accounts against 190 million loan accounts in developing and transitioning economies meaning that microfinance clients wan saving services. "poor savers turn small amounts of money in to lump sums to help smooth consumption and mitigate the effects of economic shocks". A study in Nicaragua found that more than 70percent of credit clients press out demand for financial services other than credit that is "savings , remittances , transfer and insurance"(CGAP 2005).Again, a survey in Uganda by Finscope(2007) when asked about financial needs, majority (43percent)replied first " a place to save" before " a place to borrow" (31percent).

Gugerty (2007), on his study from 70 ROSCAS in rural Kenya , interestingly found that nearly 60 ROSCAS(rotating savings and credit Associations)were "consistent with a self – control commitment through most used the money for more than one purposes". Karlan et al. (2010) who tested the effects of making savings more significant by sending clients simple reminders to make deposits found that "even with no commitment, the reminders can be successful in increasing savings rates (by 6%) and helping clients to meet savings goals (a 3% increase in the likelihood of reaching one's goal)". Similar positive impacts on savings were found by a deposit collection services tested in Ashraf et al. (2006), as well as Dupas and Robinson (2009).

In previous empirical research the variables such as designing appropriate saving products that meet the client needs, performance base incentive for front line staffs to mobilize savings, and implementation of saving mobilization strategies were not adequately addressed. Furthermore, this research was not conducted in Specialized Financial & Promotional Institution and Meklit Micro Finance Institutions before.

Chapter Three
Research Materials and methods

3.1. Introduction

This chapter describes in detail, how the study is going to be carried out, what activities to be done , research design, subjects or data sources, sample size, sample method, the instruments for data collection, and the reason for choosing particular procedures

3.2. Research approach and design

To generate necessary information and come up with more rich and comprehensive data, both qualitative and quantitative approaches (mixed approaches) have been employed. The qualitative approach focused on examining the real experiences of the respondents including their own expression and articulation with more subjective views, whereas the quantitative approach addresses the research objective through empirical assessments that involve numerical measurement and analysis. The quantitative method of data analysis can be of great value to the researcher who is attempting to draw meaningful result from a large body of qualitative data (Mwituria, 2012). Currently, Specialized Financial and promotional Institution and Meklit Microfinance institution has 17 and 8 branches respectively, this is therefore, the researcher used to address the respondents from 25 branches of Specialized Financial & Promotional Institution and Meklit Microfinance Institutions to conduct this research. In addition, there are in total of 63 front line staffs and 25 Branch managers working in the two MFIs.

3.3. Sample size and sampling procedure

The main focus of the study is to assess the implementation of saving mobilization practice at specialized financial and promotional institution and Meklit micro finance institution. The main reason behind to conduct this research on these MFIs is that because Specialized Financial & Promotional Institution and Meklit Microfinance Institutions are one of the earliest private MFIs in the country. Hence the researcher assumes that these

MFIs have the potential and tangible historical back ground to represent others operating in microfinance industry in the country.

Therefore, the research has used purposive sampling technique and approach to collect and analyse the research data. The sample size in the study consists of all saving & credit officers, branch managers, and operation supervisors working in the two institutions. The reason behind the selection of these three categories is that they are believed to have good knowledge and experience in the area more than the others. In addition, there are in total of 63 front line staffs and 25 Branch managers working in the two MFIs therefore, the participants of the study were 25 Branch Managers, 4 operation supervisors and 59 saving & credit officers, hence the total number of population of the study is 88 in number.

3.4. Data sources and data collection method

Generally, the study has used two major sources of data, primary and secondary data sources. The primary data has been gathered from Branch Managers, operation supervisors, and saving and credit officers using structured questionnaires and interview. And secondary data has been extracted from annual financial reports of the respective microfinance institutions and their websites so as to analyse the performance of the ratio of voluntary savings to outstanding loan for the sample MFIs. The study has attempted to collect relevant data from these sources and used it as an input for this study.

3.5. Data analysis method

In order to meet the stated research objectives, descriptive type of analyses (tables and percentages) has been employed to analyse the collected data. The descriptive statistics was used to summarize the qualitative and quantitative aspect of the study. As widely accepted, the descriptive method of a research is a fact- finding study that involves adequate and accurate interpretation of findings. The study opted to use descriptive type of research considering the desire to acquire first hand data from the respondents so as to formulate rational conclusion and recommendations. The researcher had used SPSS version 16 software to analyse the questionnaires and describe the result.

CHAPTER FOUR
Presentation, Analysis and Interpretation of Data

4.1. Introduction

In this chapter the data collected through questionnaire and interview was presented, analyzed, and interpreted using different techniques. In this chapter a detailed description of the analysis and interpretation of data were outlined. All statistics were calculated using the Statistical Package for Social Sciences (SPSS). A total of 88 questionnaires were distributed for Branch managers, operation supervisors and saving and credit officers of Specialized Financial and Promotional Institution and Meklit Micro-finance institution. And the researcher has able to collect back all the 88 questionnaires. Therefore, the analysis and interpretation to follow is made based on these questionnaires.

4.2. Demography of the respondents

The responses to the questionnaire are quantified and presented in number and percentage forms. In addition, graphs and tables are used for presentation followed by narrative to interpret & elaborate figures and relationships.

4.2.1 Age of the respondents

Table 4.1:- The frequency distribution of the respondents by Age

Age of respondents

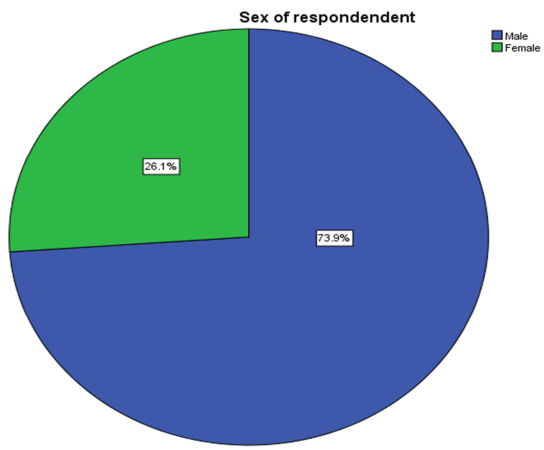
		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	15-29	45	51.1	51.1	51.1
	30-46	42	47.7	47.7	98.9
	46-60	1	1.1	1.1	100.0
	Total	88	100.0	100.0	

Source: - SPSS output

Table4.1 presents the frequency distribution of the respondents. Out of the total of respondents 45(51.1%) are the age between 15 -29 whereas 42 (47.7%) are the age between 30 -46, while only 1(1.1%) of respondents is the age between 46 -60.

4.2.2 Sex of the respondents

Figure 4.1:- sex of respondents



Source: SPSS out put

Figure 4.1 presents the percentage ratio of Females are less as compared to male. This represents the involvement of Female employees who joined Specialized Financial and promotional Institution & Meklit Micro Finance Institutions are insignificant in number. As per the data result, it is recommended that the contribution of Female employees in these two institutions should be increased.

4.2.3 Marital status of Respondents

Table 4.2: frequency distribution of the marital status of the respondents

Marital status of the respondent

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Married	55	62.5	62.5	62.5
	Widowed	3	3.4	3.4	65.9
	Un-Marred	30	34.1	34.1	100.0
	Total	88	100.0	100.0	

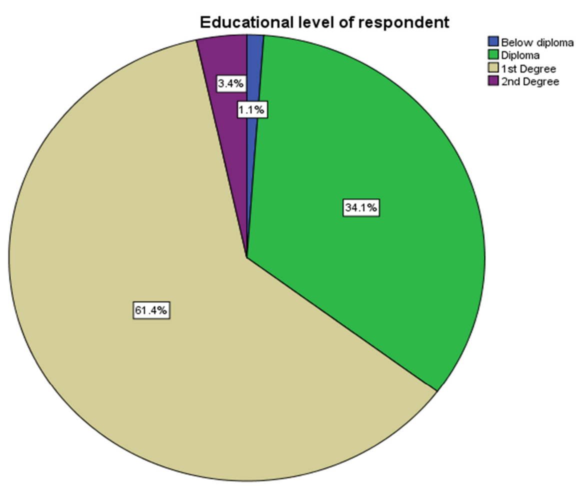
Source: SPSS out put

As indicated in the Table 4.2 above 55(62.5%) married, 30(34.1%) un-married and the remaining 3(3.4%) of the respondents were widowed. From the survey result majority of respondents were married in selected microfinance institutions. The survey result showed that the majority of employees working in the selected microfinance institutions were married.

4.2.4 Educational Level of Respondents

Concerning the question of educational level, respondents were provided with options to choose from. The option provided to them include below Diploma, Diploma, First Degree, Second Degree and above Second Degree. The responses of the respondents' is summarized and presented in the following figure

Figure 4.2: educational level of respondents



Source: SPSS out put

As presented in figure 4.2 above, all of the respondents are found having diploma or first degree. However, the first degree holders take the lion share compared to the diploma holders. Accordingly, 61.4% of the respondents have first degree, while the remaining 34.1% are diploma holders. This may grant the attainment of logical data from the respondents.

4.2.5 Work experience in the MFIs

It is believed that a good experience in a certain area enables a person to have a well-developed knowledge about that particular field more than those having low exposure and familiarity. Thus, it is having this fact in mind that the following question is forwarded to the respondents. Accordingly, the work experience composition of the respondents in Micro- finance institutions is summarized as follows;

Table 4.3:- Respondents work experience in MFIs

Work experience of respondents in MFI

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	1-5	47	53.4	53.4	53.4
	6-10	29	33.0	33.0	86.4
	11-15	10	11.4	11.4	97.7
	Above 15	2	2.3	2.3	100.0
	Total	88	100.0	100.0	

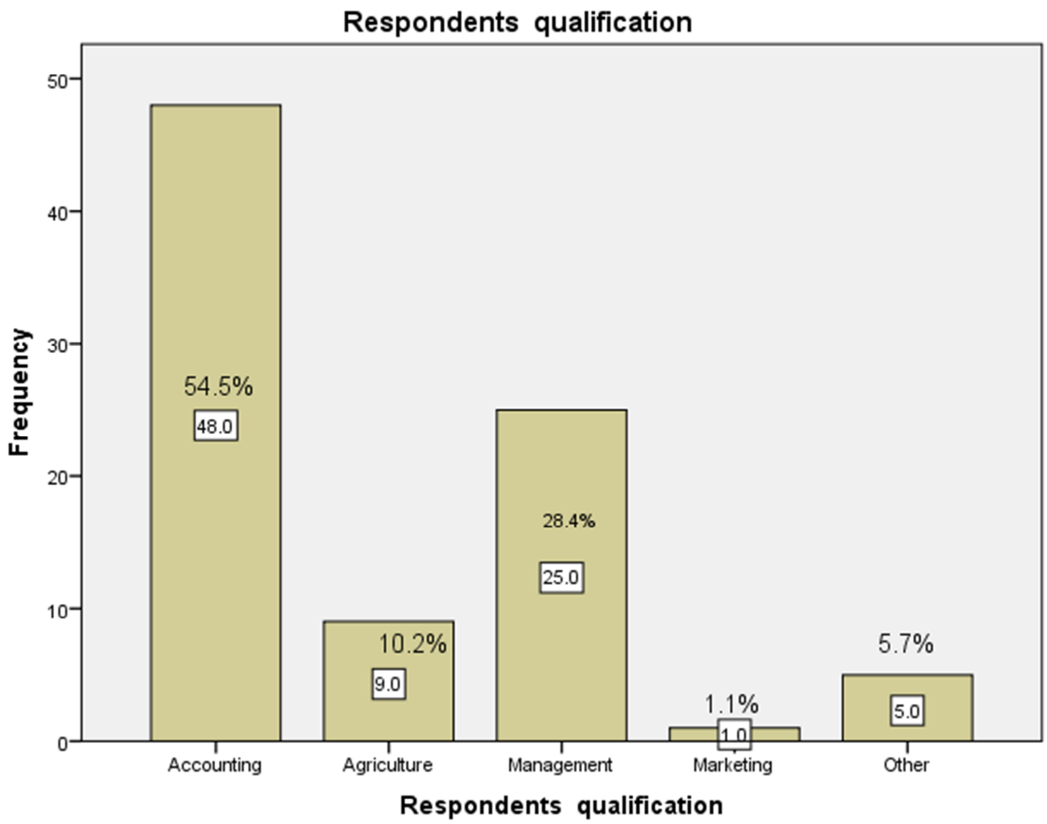
Source: SPSS out put

Table 4.3 presents the number of years respondents' have been working in micro-finance institutions. Based on the data indicated above, out of the total of 88 respondents, 47(53.4%) have been working in the micro finance industry 1-5 years, while 29(33%), 10(11.4%), and 2 (2.3%) have a work experience of 6-10, 11-15 and above 15 years, respectively.

This shows that almost 50 % of the respondents have a work experience of more than five years in the micro finance industry. This indicates that the respondents have relevant exposure related to the issues in the field of micro finance and are in a good position to provide reliable data which in turn would have paramount value to the research quality.

4.2.6 Respondents qualification

Figure 4.3: frequency distribution for qualification of the respondents



Source: SPSS out put

In the figure 4.3 above presents the qualification of the respondents are composed of different field of study. Out of total respondents 48(54.5%) from the area of accounting while 25(28.4%) and 9(10.2%) are from the area of management and Agricultural field respectively.

4.2.7 Current position of the respondents

Table 4.4:- the frequency distribution of respondents by current position

Current Position of respondents

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Branch Manager	25	28.4	28.4	28.4
	Operation Supervisor	4	4.5	4.5	33.0
	Saving and Credit officer	59	67.0	67.0	100.0
	Total	88	100.0	100.0	

Source: SPSS out put

In the Table 4.4 above out of the total number of respondents, 25(28.4%) are currently holding the position of branch manager, while the remaining 59(67%) and 4(4.5%) are saving & credit officers and operation supervisors respectively. All the population of the above category of the respondents was selected to conduct this study.

4.3. Saving mobilization strategies in MFIs

Micro-Finance Institutions employed different strategy to mobilize savings. Using questionnaires, the researcher try to assess what saving mobilization strategy is employed in selected micro-finance institutions. The respondents were asked whether the product development , differentiate interest rate, promotional campaign targeted to client demand, implementation of incentive scheme ,targeting potential clients and increasing number of branches and sub- branches, and etc. are saving mobilization strategy mostly used by MFIs. Using questionnaires, the respondents views were summarized in the following tables, charts and graphs.

4.3.1 Duration of MFI started to provide voluntary saving services

Table4.5: frequency distributions of how long MFIs started to provide voluntary saving service

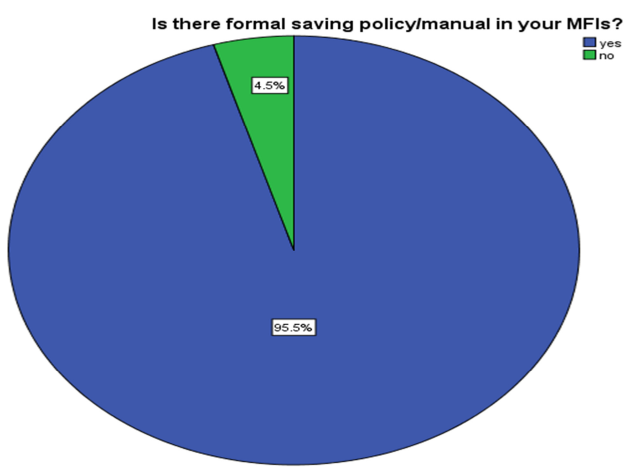
		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Before 1 year	6	6.8	6.8	6.8
	1 - 2 years	10	11.4	11.4	18.2
	3-5 years	20	22.7	22.7	40.9
	6-10 years	10	11.4	11.4	52.3
	Above 10 years	42	47.7	47.7	100.0
	Total	88	100.0	100.0	

Source: SPSS out put

Table 4.5 presents Significant number of respondents 42(47.7%) answered the selected microfinance institution started voluntary saving services since above 10 years ago while 10(11.4%), 20(22.7%),10(11.4%) ,and 6(6.8%) answered MFIs started voluntary savings services 6-10 years,3-5 years,1-2 years and before one year respectively.

4.2.2. Presence of formal saving policy/manual in MFIs

Figure 4.4: frequency distribution of formal saving policy/manual



Source: SPSS out put

As indicated in chart 4.4 above out of the total population, 84(95.5%) of respondents answered that there is formal saving/policy in Microfinance institutions whereas the remaining 4(4.5%) of respondents replied that there is no formal saving policy/manual in MFIs. Based on the result, almost all of the selected micro finance institutions have formal saving policy or manual.

4.3.2 Implementation of saving manual/policy/ at branch & sub-branch level

Table 4.6: the frequency distribution of implementing manuals/policies at branch and sub-branch level

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Fully implemented	62	70.5	70.5	70.5
	Partially Implemented	24	27.3	27.3	97.7
	not implemented at all	2	2.3	2.3	100.0
	Total	88	100.0	100.0	

Source: SPSS out put

Table 4.6 above presents out of the total population the lion share of the respondents 62(70.5%) answered that saving manual/policies are fully implemented in Microfinance institution while the remaining 24(27.3%) and 2(2.3%) of respondents replied the saving manual/policies are implemented partially and not implemented at all respectively.

4.3.3 MFI saving promotion

Table 4.7: the frequency distribution of saving promotion in MFI

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	yes	81	92.0	92.0	92.0
	no	7	8.0	8.0	100.0
	Total	88	100.0	100.0	

Source: SPSS out put

Promotion is the component of marketing mix strategy that emphasizes the use of various communication tools to promote the value of the organization, products or services.

Table 4.7 above presents, from the total population of the respondents, 81(92%) responds saving promotion is conducted in MFIs while only 7(8%) responds saving promotion is not conducted in microfinance institution. The survey result noted that almost all respondents argued that all the sample MFIs conduct saving promotion and are efficiently aware & promote their saving services for their customers. According to the result all the sample MFIs were promoted the existing and newly developed saving products to their customers to create awareness.

4.3.4 Frequency of saving promotion at MFIs

Table 4.8: the frequency distribution of how frequently did MFIs promote savings

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Very Often	33	37.5	37.5	37.5
	Often	24	27.3	27.3	64.8
	Some times	26	29.5	29.5	94.3
	I do not know	5	5.7	5.7	100.0
	Total	88	100.0	100.0	

Source: SPSS out put

The researcher asked respondents about the frequency of saving promotion in MFIs. As it shown in the Table 4.8 above, 33(37.5%) of the respondents replied very often, 24(27.3%) often, 26(29.5%) sometimes and 5(5.7%) of respondents answered I do not know. According to the survey result, the significant number of respondents argued saving promotion is conducted frequently in the selected microfinance institutions.

4.3.5 Types of saving mobilization strategies employed in MFIs

Table4.9: the frequency distribution of mostly used strategy

No	Item	Scale	NR	%
1	Your MFI employed different product development strategy to mobilize savings.	Strongly Dis-Agree	0	0
		Dis-Agree	17	19.3
		Neutral	1	1.1
		Agree	60	68.2
		Strongly Agree	10	11.4
2	Your MFI used differentiate interest rate to mobilize more savings.	Strongly Dis-Agree	0	0
		Dis-Agree	57	64.8
		Neutral	0	0
		Agree	25	28.4
		Strongly Agree	6	6.8
3	The saving products offered by your MFI meet the preference of clients	Strongly Dis-Agree	0	0
		Dis-Agree	57	64.8
		Neutral	0	0
		Agree	27	30.7
		Strongly Agree	4	4.5
4	Increasing the number of branches and sub-branches is one of the strategies used by your MFI to mobilize savings.	Strongly Dis-Agree	1	1.1
		Dis-Agree	64	72.7
		Neutral	1	1.1
		Agree	17	19.3
		Strongly Agree	5	5.7
5	Low amount to open account is one of the saving mobilization strategy employed in your MFI.	Strongly Dis-Agree	0	0
		Dis-Agree	47	53.4
		Neutral	1	1.1
		Agree	35	39.8
		Strongly Agree	5	5.7

Source: SPSS out put

As it shown in the table 4.9 above, 60(68.2%) and 10(11.4%) of the respondents replied agreed & strongly agreed respectively in that Microfinance institutions employed different product development strategy to mobilize savings while 57(64.8%), 57(64.8%) and

64(72.7%) of respondents in Item No 2, 3 and 4 were disagreed with differentiate interest rate, saving products offered by MFIs meet the preference of clients, and increasing the number of branches& sub-branches used by MFIs to saving mobilization. In addition to this 47(53.4%) of the respondents answered Dis-Agree, 35(39.8%) Agree, and 5(5.5%) Strongly Agree that low amount to open account is one of the saving mobilization strategy employed by selected micro finance institutions.

The survey result indicates more than 79% of respondents argued that the selected microfinance institutions mostly employed different product development strategy while the remaining strategy indicated in Item number 2, 3, and 4 is not sufficiently used by micro finance institutions. There is also immaterial difference between respondents of 47(53.4%) Dis-Agree and 40(45.5%) Agree & strongly Agree in that low amount to open account is one of the saving mobilization strategy employed in microfinance institution.

4.3.6 Incentive scheme

Whether based on perception or reality, organizational incentive system do have a significant influence on the performance of individuals and thus the organization overall.

Table 4.10: the frequency distribution of incentive

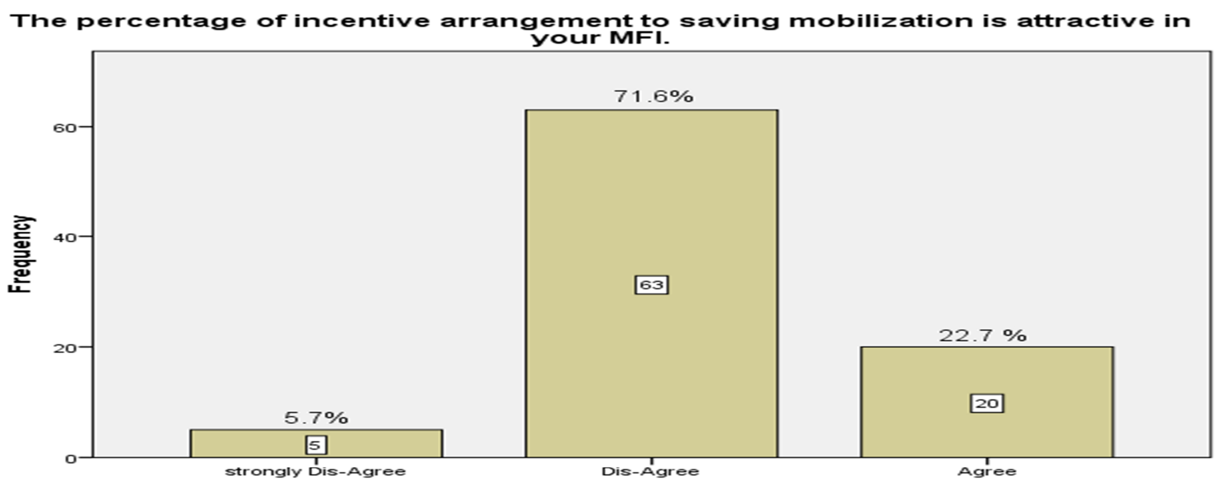
No	Item	Scale	NR	%
1	There is incentive scheme practice for saving mobilization in your MFI.	Strongly Dis-Agree	0	0
		Dis-Agree	37	42
		Neutral	4	4.5
		Agree	47	53.4
		Strongly Agree	0	0
2	Performance base incentive award is implemented in your MFI to mobilize saving.	Strongly Dis-Agree	1	1.1
		Dis-Agree	50	56.8
		Neutral	5	5.7
		Agree	32	36.4
		Strongly Agree	0	0

Source: SPSS out put

As shown in the Table 4.10 above, 47(53.4%) of the respondents Agree, 37(42%) Disagree and 4(4.5%) Neutral that there is incentive scheme practice for saving mobilization in selected microfinance institution while 50(56.8%) of the respondents, Dis-Agree, 32 (36.4%) Agree that performance base incentive award is implemented in selected microfinance institutions. The survey result indicates that the majority of the respondents argued that incentive award is less as compared to credit performance incentive award for front line staff to saving mobilization in sample MFIs. In order to increase the performance of savings, it is required to improve the incentive award for front line staffs in micro finance institutions.

4.3.7 The percentage of incentive arrangement to saving Mobilization

Figure 4.5: The frequency distribution of incentive arrangement

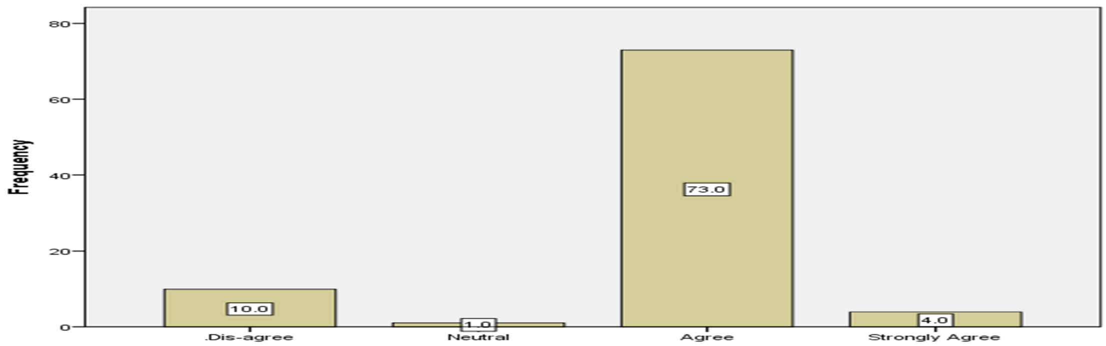


Source: SPSS out put

Figure 4.5 presents 63(71.6%), 5(5.7%) Dis-Agree & strongly Dis-Agree, while the remaining 20(22.7%) Agree on the issue of incentive arrangement to saving mobilization is attractive in microfinance institutions. Based on the data indicated above, 77.3% of the respondents argued that the incentive arrangement to saving mobilization is Minimum in selected microfinance institutions. To improve the liquidity requirements, the weight of incentive budgeted for saving mobilization should be increased in microfinance institutions.

4.3.8 Saving mobilization get enough attention at head office level

Figure 4.6: frequency distribution of saving mobilization attention at Head office level



Source: SPSS out put

As indicated in Figure 4.6 above 73(83%) of respondents Agree, 4(4%) strongly Agree and 10(11.4%) Dis- Agree that saving mobilization gets enough attention at head office level. The survey result indicates saving mobilization gets sufficient attention at head quarter level while insignificant number of respondents Dis-Agreed with this issue.

4.3.9 Staff allocation for saving mobilization.

For the achievement of expected performance, the right person should be assign at the right place and at the right time in all organization.

Table 4.11: the frequency distribution of staff allocation for saving mobilization

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Strongly Dis-agree	5	5.7	5.7	5.7
	.Dis-agree	62	70.5	70.5	76.1
	Neutral	4	4.5	4.5	80.7
	Agree	17	19.3	19.3	100.0
	Total	88	100.0	100.0	

Source: SPSS out put

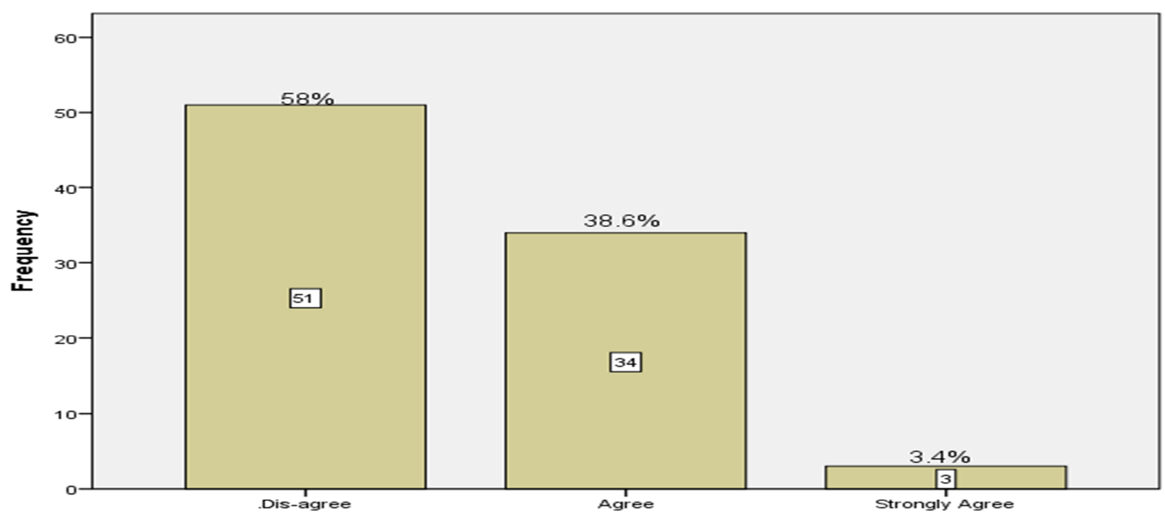
In the table 4.11 above, 62(70.5%) of the respondents replied Dis-Agree, 5(5.7%) Strongly Disagree, 4(4.5%) Neutral, and 17(19.3%) Agree that specific officers were allocated for saving mobilization only. As indicated in the survey results that majority of the respondents agree with specific officers are not allocated for saving mobilization only in selected microfinance institutions.

As can infer from the above result, the organization does not have saving officers for saving mobilization. One of the strategies to collect deposit from the public is to set up a dedicated staff and department working on market research and promoting of saving from the public. Another factor most MFIs face is lack strong management information system. A timely efficient and prompt management information system plays a crucial role in microfinance operations. It however, is very important when MFIs handle tiny deposits. Due to the volume of transactions, mostly deposit and withdrawal of small amounts, manual management information is not efficient, however computerized MIS is costly. Hence, a commitment of resource to build such a system based on cost benefit analysis is important.

4.3.10 Saving Policy and strategies are properly implemented in your MFIs

Strategy implementation is very challenging tasks in many organizations; this is therefore the researcher try to assess the saving policy and strategy implementation in selected microfinance institutions.

Figure 4.7: The frequency distribution of saving policy and strategy implementation



Source: SPSS out put

In the Figure 4.7 above, 51(58%) of the respondents Dis- Agree, 34(38.6%) Agree & 3(3.4%) Strongly Agree that Saving policy and strategies are properly implemented in microfinance institutions. The survey result showed that significant number of respondents argued that saving policy and strategies are not properly implemented in Microfinance institutions.

4.3.11 Saving mobilization Training

Table 4.12: The frequency distribution of saving mobilization training and its impact

No	Item	Scale	NR	%
1	Your MFI conduct saving mobilization training for its staff.	Strongly Dis-Agree	0	0
		Dis-Agree	10	11.4
		Neutral	1	1.1
		Agree	75	85.2
		Strongly Agree	2	2.3
2	Awareness of staff towards saving mobilization is improved through saving mobilization training.	Strongly Dis-Agree	0	0
		Dis-Agree	24	27.3
		Neutral	1	1.1
		Agree	46	52.3
		Strongly Agree	17	19.3
3	Saving service quality is increased after saving mobilization training has been conducted in your MFI.	Strongly Dis-Agree	0	0
		Dis-Agree	51	58
		Neutral	0	0
		Agree	31	35.2
		Strongly Agree	6	6.8

Source: SPSS out put

As indicated in table 4.12 above 75(85.2%) of the respondents Agree,2(2.3%) strongly Agree, 10(11.4%)Dis-Agree, and 1(1.1%) Neutral that saving mobilization training has been conducted in MFIs. To summarize the result, more than 87% of the respondents argued that saving mobilization trainings were conducted in selected Micro finance institutions. In addition to this 46(52.3%) of respondents Agree, 17(19.3%) strongly Agree, 24(27.3%) Dis-Agree, and 1(1.1%) Neutral that awareness of staff has been improved after the trainings were conducted and 51(58%) of the respondents Dis- Agree, 31(35.2%) Agree, 6(6.8%) strongly Agree that saving service quality were increased after the training were conducted. To sum up the results the saving mobilization training were conducted in MFIs in an effective way and developed the awareness of the staff otherwise the savings services quality.

4.3.12 Targets of MFIs to mobilize voluntary savings

Table 4.13: The frequency distribution of borrower client vs. Non-Borrower clients to mobilize voluntary savings in MFIs.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Dis-agree	1	1.1	1.1	1.1
	.Dis-agree	33	37.5	37.5	38.6
	Neutral	4	4.5	4.5	43.2
	Agree	50	56.8	56.8	100.0
	Total	88	100.0	100.0	

Source: SPSS out put

In the table 4.13 above, 50(56.8%) of the respondents Agree, 33(37.5%) Dis- Agree, 4(4.5%) neutral that borrower clients are targeted more to mobilize voluntary savings than Non-borrower clients by MFIs. The survey result indicates that the lion share of the respondents in selected MFIs focused on borrower clients than Non-borrower clients to mobilize voluntary savings. In other way, the involvement of Non- borrowers in voluntary saving mobilization is less in MFIs.

4.4 Challenges faced by Micro-Finance Institution to saving mobilization

Using questionnaires respondents were asked the challenges faced by microfinance institutions that support or constraint saving mobilization in microfinance institutions. Table sixteen summarizes the respondents view.

Table 4.14: the frequency distribution of challenges faced by MFIs

No	Item	Scale	NR	%
1	Meeting the liquidity requirements as per the National Bank of Ethiopia (NBE) directives in a cost effective way is a great challenges of most MFIs.	Strongly Dis-Agree	8	9.1
		Dis-Agree	11	12.5
		Neutral	10	11.4
		Agree	36	40.9
		Strongly Agree	23	26.1
2	Unavailability of appropriate organizational structure for saving mobilization is one of the challenges of MFIs.	Strongly Dis-Agree	9	10.2
		Dis-Agree	10	11.4
		Neutral	11	12.5
		Agree	31	35.2
		Strongly Agree	27	30.7
3	Poor saving habits/culture in the society is one of the challenges for your MFI to mobilize saving	Strongly Dis-Agree	0	0
		Dis-Agree	24	27.3
		Neutral	3	3.4
		Agree	41	46.6
		Strongly Agree	20	22.7
4	Inflation is the most challenging factor faced by MFIs to mobilize savings.	Strongly Dis-Agree	6	6.8
		Dis-Agree	12	13.6
		Neutral	7	8

		Agree	42	47.7
		Strongly Agree	21	23.9
5	Competition among MFIs is one of the challenges of saving mobilization	Strongly Dis-Agree	4	4.5
		Dis-Agree	12	13.6
		Neutral	7	8
		Agree	43	48.9
		Strongly Agree	22	25
6	Competition from banks is one of the challenges faced by MFIs to mobilize savings	Strongly Dis-Agree	7	8
		Dis-Agree	10	11.4
		Neutral	4	4.5
		Agree	33	37.5
		Strongly Agree	34	38.6
7	Distance of branch office to customer affect saving mobilization.	Strongly Dis-Agree	9	10.2
		Dis-Agree	12	13.6
		Neutral	4	4.5
		Agree	34	38.6
		Strongly Agree	29	33
8	Lack of appropriate saving products that meet customer needs affect saving mobilization.	Strongly Dis-Agree	11	12.5
		Dis-Agree	14	15.9
		Neutral	7	8
		Agree	39	44.3
		Strongly Agree	17	19.3

Source: SPSS out put

The implication of the above Table 4.14 Item No1, 59(67%) of respondents Agree, 23(26.1%), 19(21.6%) Disagree, and the remaining 10(11.4%) respondents were uncommunicative. The survey result indicates, out of the total population, 67% of respondents argued that meeting the liquidity requirements as per the National Bank of Ethiopia (NBE) directives in a cost effective way is a great challenges of MFIs. Item No2 were also asked and 58(65.9%) Agree, 19(21.6%) Dis-Agree, and 9(10.2%), and 11(12.5%) neutral about the topic. The survey result in Item No2 that the majority of respondents were replied unavailability of appropriate organizational structure for saving mobilization is one of the challenges of MFIs. For Item No3, 61(69.3%) agree, 24(27.3%) Dis-Agree and the remaining 3(3.4%) has no know how about the issue. The survey result in Item No3, the lion share of respondents from the total population argued that Poor saving habits/cultures in the society are one of the challenges for MFIs to mobilize savings. The researcher also asked item No4 and responses showed that 63(71.6%) Agree, 18(20.4%) Dis-Agree and the remaining 7(8%) neutral for the topic.

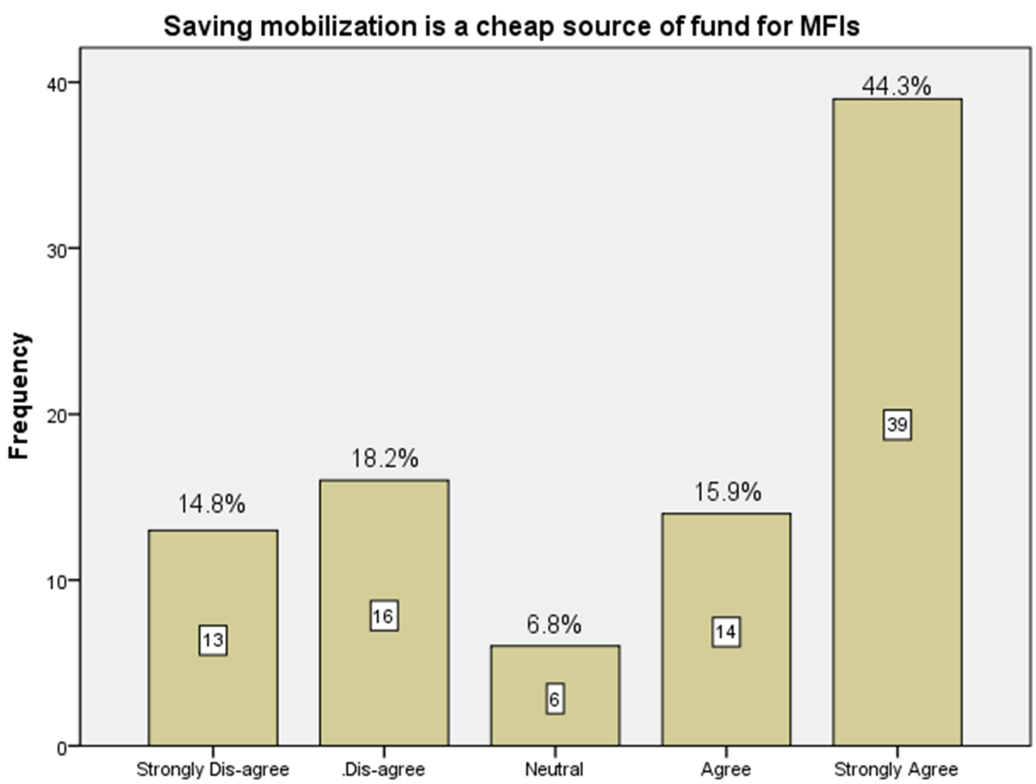
As shown in the survey result, more than 71% of the total population agreed that Inflation is the most challenging factor faced by MFIs to mobilize savings. From item No 5, 65(73.9%) of the respondents Agree, 16(18.1%) Dis-Agree, the remaining 7(8%) of the respondents replied Neutral about the issue. As the result indicated in Item No 5, majority of respondents answered that Competition among MFIs is one of the challenges of saving mobilization. In Item No 6, 67(76.1%) of participants were replied Agree, 17(19.4%) Dis-Agree while insignificant number 4(4.5%) of respondents were replied Neutral. To conclude the results in Item No 5, significant number of respondents argued that competition from banks is one of the challenges faced by MFIs to mobilize savings. Finally in Item No 7 and 8, 63(71.6%) and 56(63.6%) of respondents replied Agree while 21(23.8%) and 25(28.4%) of the respondents were answered Dis- Agree, the remaining immaterial number of 4(4.5%) and 7(8%) replied neutral that distance of branch office from customer affect saving mobilization.

To sum up the above results, meeting the liquidity requirements as per the National Bank of Ethiopia (NBE) directives in a cost effective way, unavailability of appropriate organizational structure, Poor saving habits/cultures in the society, Inflation, Competition among MFIs, competition from banks are challenges faced by micro finance institutions.

4.5 Opportunities that enhance saving mobilization

4.5.1 Saving mobilization is a cheap source of Funds for MFIs

Figure 4.8: Source of Fund for MFIs



Source: SPSS out put

The above Figure 4.8 presents 60.2% of respondents Agree and 33% Dis-Agree while 6.8% uncommunicative about the topic saving mobilization is a cheap source of Fund for micro finance institutions. From the data result the significant number of respondents from the total population Agreed that saving mobilization is a cheap source of fund for microfinance institutions.

4.5.2 Huge untouched demand to saving mobilization

Table 4.15: frequency distribution of huge demand to saving mobilization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Dis-agree	1	1.1	1.1	1.1
	.Dis-agree	27	30.7	30.7	31.8
	Agree	40	45.5	45.5	77.3
	Strongly Agree	20	22.7	22.7	100.0
	Total	88	100.0	100.0	

Source: SPSS out put

Table 4.15 above presents 60(68.2%) of respondents Agree, while the remaining 28(31.8%) Dis- Agree that there is a huge untouched demand in selected microfinance institutions. The survey result showed that majority of the respondents was agreed with there is a huge untouched demand to saving mobilization in microfinance institutions.

4.5.3 Accessing of loan by Mobilized Savings in MFIs

Figure 4.9: The frequency distribution of accessing loan by saving in MFIs

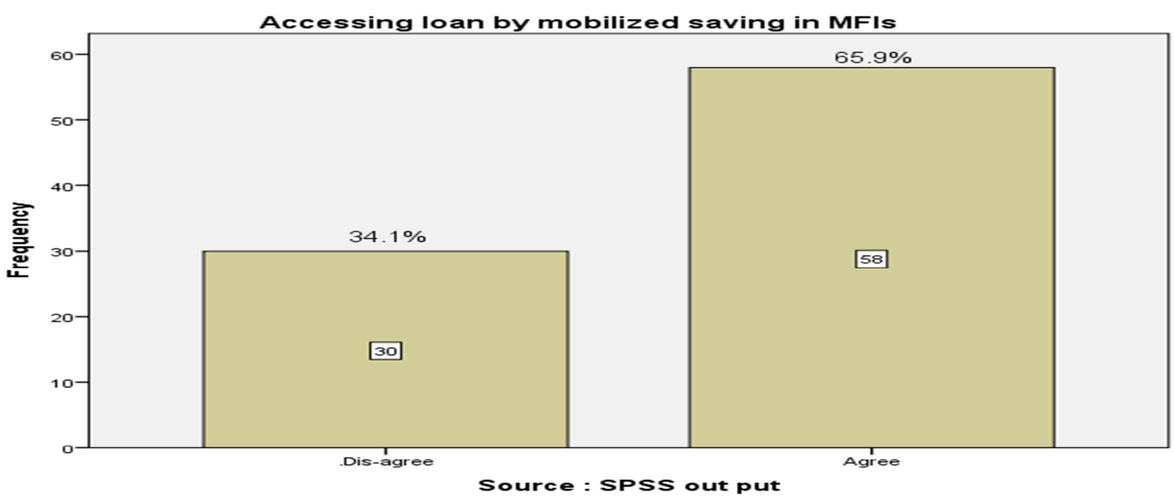


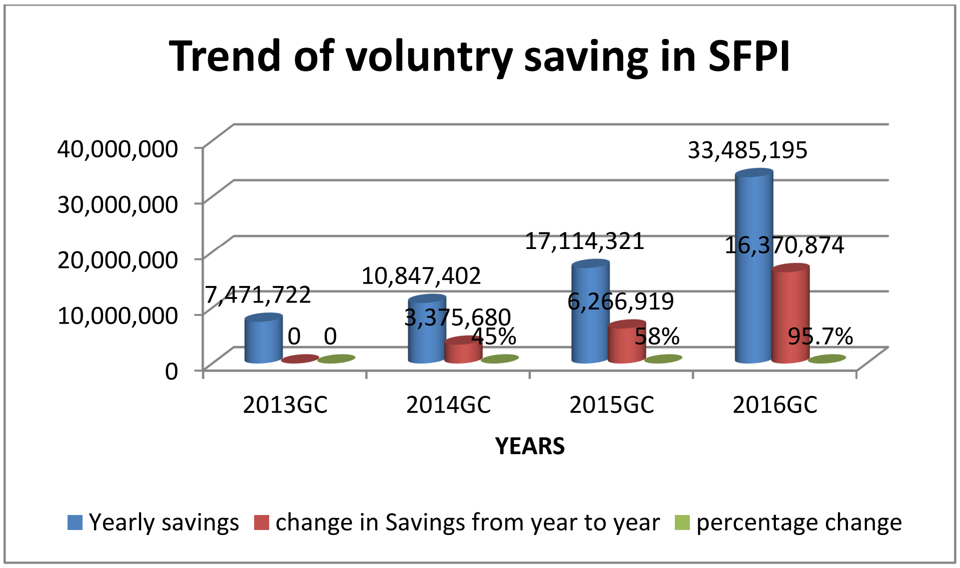
Figure 4.9 above presents 65.9% of the participants Agree while 34.1% Dis-Agree that accessing of loan by mobilized saving in microfinance institutions. This result indicated that microfinance institutions are used to mobilize savings to access loan for their clients.

Table 4.16 the performance of voluntary saving for Meklit MFI

Year in GC	Yearly saving	Change in yearly saving	Change in growth
2013	7,471,722	0	0
2014	10,847,402	3,375,680	45%
2015	17,114,321	6,266,919	58%
2016	33,485,195	16,370,874	98.7%

Source: The institution financial report

Figure 4.10 Trend of voluntary savings in SFPI



Source: The institution financial report

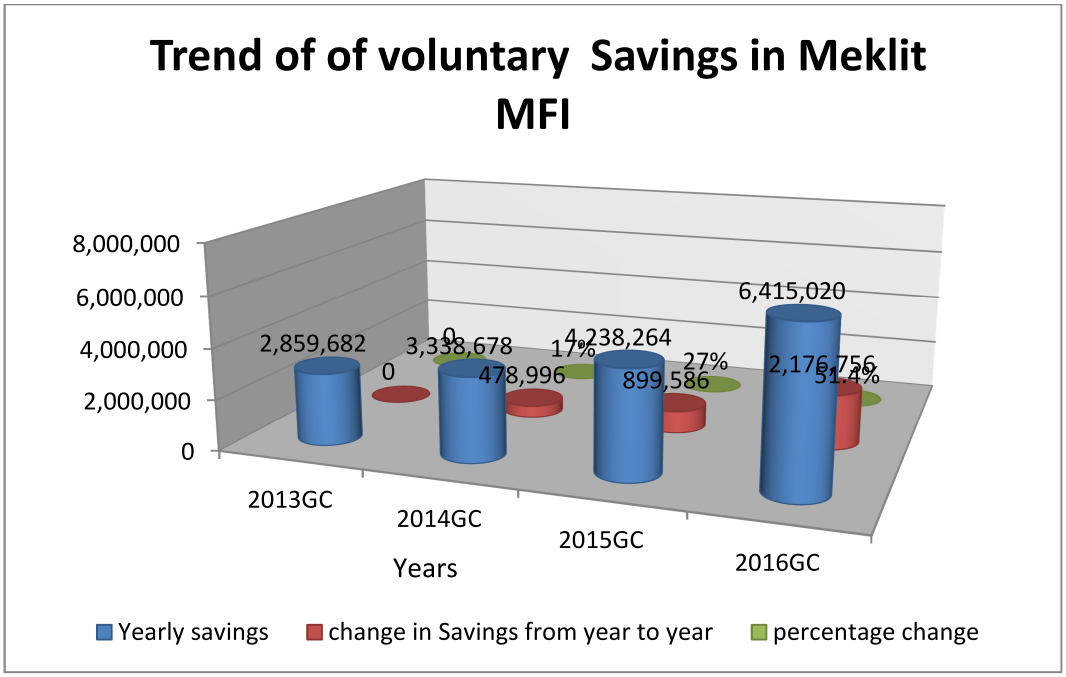
As indicated above figure 4.10 the trend of growth of voluntary saving of Specialized Financial & Promotional Institution from 2013 to 2016 GC is increased at increasing rate but its progress at end of 2016 is very high as compared to the previous years.

Table 4.17 The performance of voluntary saving in Meklit MFI

Year in GC	Yearly saving	Change in yearly saving	Change in growth
2013	2,859,682	0	0
2014	3,338,678	478,996	17%
2015	4,238,264	899,586	27%
2016	6,415,020	2,176,756	51.4%

Source: The institution financial report

Figure 4:11 Trends of voluntary savings in Meklit MFI



Source: The institution financial report

As shown in figure 4.10 and 4.11 above, the growth of voluntary saving in Specialized Financial & Promotional Institution is more as compared to Meklit Micro finance Institution based on a four years trend analysis of Voluntary savings. More effort is needed for both MFIs to maximize their voluntary savings so as to overcome the liquidity problem of the Institutions because the trend of voluntary saving seems increased at increasing rate but still the ratio of volume of voluntary saving to loan outstanding is lag behind.

Table 4.18: Outreach and performance indicators of SFPI and Meklit MFIs

Data as end June 2016	SFPI	Meklit
Information in institution set up		
Founded in	Nov, 1997	Feb, 2000
Number of Branches	17	8
Lending and saving activities		
Volume of loan outstanding	184,135,785	70,431,149
Number of loan	19570	7017
Average loan size	9,409	10,037
Amount of Total savings	71,053,224	17,571,677
Amount of Voluntary saving Outstanding	33,453,893	6,410,314
Amount of compulsory saving Outstanding	36,051,524	11,161,363
Number of voluntary saving account	50848	5979
Average size of voluntary saving	658	1072
Net saving /loan outstanding ratio	38.6%	24.9%
Net voluntary saving /loan outstanding ratio	18.2%	9.1%

Source: The institutions financial report

As shown in the table 4.18 above, the selected MFIs were founded since two decades ago and these institutions offered voluntary savings to their clients more than ten years but the institutions financial report as end 2016 implied that the ratio of voluntary saving to loan outstanding ratio of SFPI and Meklit MFIs are 18.2% and 9.1% respectively and thus very small proportion of the institutions loan is covered by very small volume of mobilized voluntary savings. The survey result also inferred that, the reason behind for poor performance of voluntary saving is due to the targeting of borrower clients and no or minimal attention is given to non- borrower clients to mobilize voluntary savings. In addition to this the volume of compulsory saving is greater than voluntary savings in both institutions, compulsory saving is a mandatory saving in which loan clients qualify to get the loan, further effort may not be needed to mobilize compulsory savings from loan clients.

4.6 Analysis of interview questions

The following section summarizes and presents the result of interview sessions with 5 key respondents at head office level of SFPI, and Meklit MFIs. Since the responses of the participants of the interview session was more or less alike, the researcher has preferred to summarize and present the result of the session in one set.

a. Can the poor really save? How?

When answering to this question the respondents' said yes! The poor can save. There are always debates as to whether the poor actually can save. Many argue that the poor are too poor to save. The microfinance field in many parts of the developing world increasingly demonstrated otherwise – that the poor can and actually do save in multiple ways to meet various needs.

Thus, for the poor, particularly those with low, irregular and unreliable income, saving is critical.Poverty shaped some of their behaviour, rendering them often calculating, conservative survivalists, who were forced by circumstances to find many ways to deal with crisis, periodic shortages (Dichter, 2007). Research in many countries increasingly demonstrated that the poor really demand saving services, even more than the other category of the population, not in-spite of, but because of their poverty and vulnerability. Thus, the current consensus among experts is that the poor save fixed amounts of money regardless of income, varying their consumption according to income. In other words, poor people do not save according to the equation *Savings = Income – Fixed Consumption* but according to the equation, ***Consumption = Income – Fixed Savings***. Their decision to save is, therefore, not an income-surplus function, but rather a reserve.

b. Is credit or saving service to be the first priority for the poor?

Since saving is safety net for the poor, they trust savings than credit. At any given time, someone either poor or rich always needs to save but might not need to borrow. It is also the case that all active poor people are not entrepreneurs who need credit service. Of course, the 'economically active poor' may need credit (they are also called entrepreneurs). But unfortunately, they constitute only a small portion of the population (may be less than 10%). The problem with MFIs/Banks is they don't proactively select these 'active poor' for their credit programme. Rather MFIs simply distribute credit to every poor, including those who are not 'active poor'. Those who are not 'active poor' are the majority (80-90%) and instead of credit, they often need appropriate saving, insurance, etc. products. So the challenge to MFIs now appears to be mentality change to focus (tailor products, services) on the majority poor who are looking for saving services.

c. Which part of the society would be benefit more by aggressive saving mobilization in your MFIs?

Responding to this question, the respondents said a society with less know how or gaps in financial literacy and underprivileged people within the society especially women would be benefited by aggressive saving mobilization in MFIs. Respondents emphasize that; increasing women's access to microfinance service can lead to their economic empowerment. Women's roles in household financial management may improve, in some cases enabling them to access significant amounts of money in their own right. This might enable women to start their own economic activities, invest more in existing activities, acquire assets or raise their status in household economic activities through their visible capital contribution. This, in turn, may enable them to increase longer-term investment and productivity of their economic activities, as well as their engagement in the market.

d. What factors mostly affect saving mobilization?

There are factors that affect saving mobilization in MFIs. According to the interviewees responses those factors are summarized as follows:

Lack of trust on the MFIs services, poor product delivery and customer services, providing supply driven products, cost of mobilizing small savings, distance of the branch office from the clients are some of the factors raised by respondents that affect saving mobilization.

MFIs provide credit services after gathering information from different directions about the credit history, repayment capacity, collateral availability of the clients but clients save their money at MFIs if they have developed trust on the security, accessibility, and safety of their money.

e. Why do the poor people to save?

When answering to this question the respondents' said, people save for different reasons. Safety, security, investment, retirement, anonymity, accessibility, earning interest, education expense, emergency, health expense, and marriage are some of the reasons people to save in various Forms. Most recent literature and case studies have revealed the poor households are using various mechanisms to manage liquidity and save for investment and future needs. Though such Practices are Limited to the Semi-formal and informal financial services due to lack of affordability and access of formal financial system.

''without access to formal savings services , clients often save by keeping cash at household or investing in grain, livestock ,gold land or other non-divisible assets which often considered costly to convert to cash in time of need''(ledgerwood ,1999).

However, access to deposit service in microfinance institutions mostly enables the poor to efficiently manage their financial resources. It helps in consumption smoothing during economic shocks and provide an opportunity to accumulate investment and household outlays. On the other hand, taking deposit from public largely benefit the microfinance institutions in achieving long term sustainability and wider outreach.

In Ethiopia , for centuries , partly due to inaccessibility of commercial bank branches , absence of postal saving services and lack of strong cooperative movement , deposit service to poor has been largely dominated by widely accepted and practiced semi-formal and informal mechanisms such as Iqub, Iddir, buying livestock and jewellery and hiding cash at home.

f. What are potential markets for saving mobilization?

From the respondents point of view they replied that individuals, churches& mosques, NGOs, self-help groups, associations, Iqub, mahiber or Iddir, etc. are some of the potential market for saving mobilization.

The summary of interview questions infer that the poor can and actually do save in multiple ways to meet various needs. Due to lack formal and accessible financial system clients prefer to save in kind such as investing in grain, livestock etc., which is costly to convert to cash upon the need arise to use or keeping cash at home which might be exposed to theft or unexpected losses. There are also untouched potential markets for saving mobilization which is a cheap source of fund in microfinance institution such as Iqub, Iddir, Mahiber, and churches etc., as an example to be addressed by microfinance institutions to mobilize huge savings to ensure the sustainability of loan provision for urban and rural productive poor.

CHAPTER FIVE
SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATION

5.1. Summary of findings and Discussion

The Findings of this study were incorporated with Strategies of saving mobilization, Challenges faced by MFIs to saving mobilization and opportunities that enhance saving mobilization in micro finance institutions.

5.1.1. Saving mobilization strategy

79.6% of the respondents argued that different product development strategy is employed in Specialized Financial & promotional institutions and Meklit MFIs while the saving products offered by MFIs didn’t meet the preference of clients in selected MFIs and The majority of the respondents replied that differentiate interest rate has not significant effect to mobilize more savings and Increasing the number of branches & sub-branches were not considered as one of the saving mobilization strategy in the sample MFIs as well. As indicated in the survey result, the majority of the respondents argued that there is an incentive scheme practice in MFIs which is the motivational system for clients to save in MFIs and the front line staff to mobilize more savings while implementing performance base incentive award for saving mobilization for front line staff received little attention in microfinance institutions especially in MFIs selected for this study. Furthermore the percentage of incentive arrangement to saving mobilization is less as compared to the credit performance and specific saving officer were not allocated for only saving mobilization in a sample MFIs. As indicated in the data result, saving policy and strategies are not properly implemented in selected Microfinance institutions and also these MFIs were focused on borrower clients than Non-borrower clients to mobilize voluntary savings.

5.1.2. Challenges faced by MFIs to saving mobilization

The finding revealed that meeting the liquidity requirements as per the National Bank of Ethiopia (NBE) directives in a cost effective way, unavailability of appropriate organizational structure for saving mobilization, Poor saving habits/cultures in the society, competition among MFIs and from banks, inflation rate, are among challenges that face microfinance institutions when mobilizing savings. According to the interviewees responses there are factors that affect saving mobilization in MFIs, those factors are Lack of trust, poor product delivery and customer services, providing supply driven products, cost of mobilizing small savings, and distance from Customers and service provider are some of the factors that affect saving mobilization.

5.1.3. Opportunities that enhance saving mobilization

From the data result, the lion share of the respondents from the total population Agreed that saving mobilization is a cheap source of fund for microfinance institutions and 68.2% of the respondents were agreed that, there is a huge untouched demand to saving mobilization in microfinance institutions. The respondents in the interview session, the interviewees emphasized that there are a potential market for saving mobilization in which MFIs didn't addressed in an effective way, includes Churches and mosques, NGOs, Self- help groups, associations, Iqub, Mahiber or Iddir, and etc. If MFIs design a strategy to link with the above mentioned semi-formal and informal groups it might be exploit the huge untouched savings which is a cheap source fund for MFIs.

5.2. Conclusion

From the findings of this study, it can be conclude that due to lack of saving mobilization, the microfinance industry is highly dependent on subsidized source of fund from both international NGOs and national Government; which put the long term sustainability of the institution in question. It is also the case that deposit products are not tailored to the needs of the poor because they are designed as one package of micro loans (as the case of compulsory saving products and the fact that the number of savers mostly same as the number of borrowers providing that clients save just to qualify for loans instead of for the sake of saving).

The findings also indicate that voluntary saving is effectively promoted to borrowers (at monthly or weekly ‘‘group’’ or centres meetings’’) and not to net savers. Branch staffs do know of potential marketing forums (eg Churches, schools, Farmer training centres, Government/NGO development forums, Iddirs, Iqub etc.) But they do not maintain a detailed list neither do they have a clear marketing plan (eg. which staff can go to which market, when etc.?), nor consistently use or reference effective marketing materials. Without these, staffs lack confidence promoting to potential clients or forums of potential net savers.

The sample MFIs have no real strategy for linking with informal financial mechanism like Iddir, selfe-help groups, etc. Iddir appear to have an important place as informal insurance for clients. Indeed many clients participate in multiple Iddir; such money is managed by the Iddir leader ship ---either saved at home or in commercial Bank (especially CBE). Currently there is no serious effort by MFIs to convince Iddir members to bank their savings with MFIs.

Products and services are often developed in a top-down fashion, rather than customized to the needs of different target groups. Product development is not supported by detailed market research including customers’ consultation meetings to gain insight about their performance in meeting client needs.

The physical distance between service provider and potential clients makes them demotivated to get MFIs saving services because they have incurred more cost to save small amounts of money at regular basis. Therefore proximity is one of the determinant factors that affect saving mobilization.

The saving culture/habit/ of the society in the study area was found to be poor. The cause of poor saving practice for this study is economic factors. The critical economic factors that affect saving culture include low interest rate of saving, lack of incentive to savers and frontline staffs and high inflation rates prevailing in the country. The single most determinant of poor saving habit is attitude of the societies towards consumption than saving. Saving mobilization need a dedicated staff at branch and sub-branch level to achieve good performance of domestic savings in Microfinance industry, however in sample MFIs as indicated in survey results, there is no specific saving officers assigned to saving mobilization and also the weight of incentive given to saving mobilization is minimal as compared to credit incentive for front line staff.

5.3. Recommendation

The following provides some broader recommendations for financial service providers, which can be customized to different contexts:
Since saving mobilization is the main source of fund for microfinance institutions, it is recommended that the saving product developed in microfinance institutions need to meet the customer preference in order to increase volume of savings and to ensure sustainable credit provision.Product Development provides a room to excel in the market.This need to be supported by active market research where appropriate. Given the fact that branch staff, particularly frontline staff has the opportunity for frequently contacting clients and potential clients, they often have rich information about potential feasible products in their operational areas. There should be a room, especially at head office level, to capture such inputs, which can eventually lead to suitable product design, or redesigning.

Linkages: - Most rural clients not only save at individual/household level, but also join local community groups like Iddirs as local insurance mechanism, especially for funeral. These groups can be potential source of huge liquidity. However, most microfinance institutions have no real strategy for **linking with informal groups** like Iddir, other Self Help Groups, etc. However, such groups are also working under the prevailing local power structure, where those in leadership make most of the decisions on the use of the liquidity (often to their own advantage) and the majority, especially the poorer, and women do not have much of a voice. Thus, in such cases, in addition to ‘persuasion of such groups about the **legality of the institution**, saving products’ features, etc., it also require to work on strategies on issues of ‘elite capture’ which such groups (especially those in rural areas) suffer from. The best way to achieve this is to ask for a promotional meeting with the entire Iddir membership, including the leaders. However, if microfinance institutions decide to promote to Iddirs, they must also be flexible on their opening hours and product features in order to create true access for Iddir money.

Staff Incentives need to give adequate weight to saving. Indeed, saving products are harder to “sell” given the local context. It is not an easy task, it takes effort and dedication. The microfinance institutions’ leadership should be careful not to underestimate the scale of this challenge and to look for ways to prioritise not only savings, but also the values that support it. If MFIs want to provide voluntary savings on a commercially sustainable basis, there is a clear remaining gap in terms of product design, performance base incentives, identifying targeting market, staff capacity building, and etc. MFIs must address these gaps in order to increase deposit mobilization and generate the liquidity needed to satisfy demand for credit in a cost effective way.

Different Micro finance institutions have their own strategy for saving mobilization while a great gap was observed in its implementation. It is recommended that MFIs shall be monitor whether the saving mobilization strategy implemented at Branch and sub-Branch level so as to achieve the target objectives as institution level and country level as well.

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APPENDIX "A"

ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATES STUDIES
MBA PROGRAM

Dear Respondents

The purpose of this study is to investigate the Assessment on the Implementation of Saving Mobilization Strategy in Microfinance Institutions

This questionnaire is aimed at collecting information from the selected MFIs. The ultimate objective of collecting the information is purely for the academic purpose. The output of the study entirely depends on the accuracy of the information. So, you are kindly requested to fill this questionnaire accurately and truly.

Moreover, all of your responses to any of the question will be treated with highest confidentiality and no report of the study will ever expose your identity. I am hereby asking for a little of your time. Put (√) for the multiple choices questions and state your opinions briefly for the short answer questions.

Thank you in advance for your cooperation.

Researcher's Address
MelesseGirma
Mobile +251-911-87-96-79
E-mail: tsinatmelesse@gmail.com
Addis Ababa, Ethiopia

Questionnaire for Branch Managers, Operation Supervisors, and Frontline Staffs

Part one: Demographic Information

1. Age 1. 15-29 ▢ 2. 30-46 ▢ 3. 46-60▢
2. Gender 1. male▢ 2. Female▢
3. Marital status
   1. Married▢2. Divorced ▢
   3. Widowed ▢4. Unmarried▢
4. Level of education
   1. Below Diploma▢ 2.Diploma▢. 3. First degree▢ 4. Second degree▢
   5. Above 2^{nd} degree▢6. Others▢(specify)————————————
5. Work experience in the MFIs.
   1. 1-5 years▢. 2. 6-10 years▢. 3. 11-15 years▢. 4. More than 15 years▢
6. What is your qualification?
   1. Accounting ▢. 2. Management▢. 3. Marketing▢. 4. Agriculture▢. 5. others▢
   . (specify) --------------------------------------
7. What is your current position?————————————————

Part two: Saving mobilization practice

1. How long did your MFI start to provide voluntary saving services?
   1. Before one year▢ 2. 1-2 years▢. 3. 3-5 years▢
   4. 6-10 years ▢ 5. Above 10 years▢
2. Is there formal saving policy/manual in your MFIs? 1. Yes▢2. No▢
3. If your answer for question No 27 is yes, to what extent does it implemented at branch & sub-branch level?
   1. Fully implemented▢2.Partially implemented ▢3. Not implemented at all ▢
4. Does your MFI conduct saving promotion?
   1. Yes ▢ 2. No▢
5. If your answer for question No22 is yes, how frequently did your MFIs promote savings?
   1. Very often ▢. 2. Often▢. 3. Sometimes▢. 4. I do not know▢

6. Your MFI employed different product strategy to mobilize savings.
   1. Strongly Dis-agree▢ 2.Dis-agree ▢3.Neutral▢ 4.Agree▢ 5.Strongly Agree▢
7. Your MFI used differentiate interest rate to mobilize more savings.
   1. Strongly Dis-agree▢ 2.Dis-agree ▢3.Neutral▢ 4.Agree▢ 5.Strongly Agree▢
8. The saving products offered by your MFI meet the preference of clients
   1. Strongly Dis-agree▢ 2.Dis-agree ▢3.Neutral▢ 4.Agree▢ 5.Strongly Agree▢

9. Increasing the number of branches and sub-branches is one of the strategies used by your MFI to mobilize savings.
   1. Strongly Dis-agree▢ 2.Dis-agree ▢3.Neutral▢ 4.Agree▢ 5.Strongly Agree▢
10. Low amount to open account is one of the saving mobilization strategy employed in your MFI.

1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫

11. There is incentive scheme practice for saving mobilization in your MFI.
    1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
12. Performance base incentive award is implemented in your MFI to mobilize saving.
    1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
13. The percentage of incentive arrangement to saving mobilization is attractive in your MFI.
    1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
14. Saving mobilization get enough attention at head office level in your MFI. (Example: during strategy development, periodic evaluation, field monitoring, etc.)
    1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
15. Your MFI assign officers specifically for saving mobilization only.
    1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
16. Saving policy and strategies are properly implemented in your MFI.
    1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
17. Your MFI conduct saving mobilization training for its staff.
    1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
18. Awareness of staff towards saving mobilization is improved through saving mobilization training.
    1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
19. Saving service quality is increased after saving mobilization training has been conducted in your MFI.
    1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
20. Borrower clients are targeted more to mobilize voluntary savings than Non-borrower clients in your MFI.
    1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
21. Meeting the liquidity requirements as per the National Bank of Ethiopia (NBE) directives in a cost effective way is a great challenges of most MFIs.
    1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
22. Unavailability of appropriate organizational structure for saving mobilization is one of the challenges of MFIs.
    1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
23. Poor saving habits/culture in the society is one of the challenges for your MFI to mobilize saving
    . 1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
24. Inflation is the most challenging factor faced by MFIs to mobilize savings.
    1. Strongly Dis-agree▫ 2.Dis-agree ▫3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
25. Competition between MFIs is one of the challenges of saving mobilization
    1. Strongly Dis-agree▫ 2.Dis-agree ▫ 3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
26. Competition from banks is one of the challenges faced by MFIs to mobilize savings
    1. Strongly Dis-agree▫ 2.Dis-agree ▫ 3.Neutral▫ 4.Agree▫ 5.Strongly Agree▫
27. Distance of branch office to customer affect saving mobilization.

1. Strongly Dis-agree▢ 2.Dis-agree ▢ 3.Neutral▢ 4.Agree▢ 5.Strongly Agree▢

28. Saving mobilization is a cheap source of fund for MFIs.

1. Strongly Dis-agree▢ 2.Dis-agree ▢ 3.Neutral▢ 4.Agree▢ 5.Strongly Agree▢

29. There is huge untouched demand to saving mobilization

1. Strongly Dis-agree▢ 2.Dis-agree ▢ 3.Neutral▢ 4.Agree▢ 5.Strongly Agree ▢

30. Accessing of loan by mobilized savings in MFIs

1. Strongly Dis-agree▢ 2.Dis-agree ▢ 3.Neutral▢ 4.Agree▢ 5.Strongly Agree▢

APPENDIX "B"

Interview questions for MFI staff at head office level.

1. Can the poor really save? How?
2. Is credit or saving service to be the first priority for the poor?
3. Who would be the target market of MFIs to saving mobilization?
4. Which part of the society would be benefit more by aggressive saving mobilization in your MFIs?
5. What factors mostly affect saving mobilization?
6. Why do the people to save?
7. What are the potential market for saving mobilization?