

Microfinance dreams

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The microcredit dream involved using loans to solve poverty. But, the dream eventually proved to incorporate serious misconceptions: that most borrowers could become successful entrepreneurs; that new businesses were easy to start and sustain; that poor borrowers had many attractive investment opportunities; that most loans were used in income-producing investments; that borrowing did not add to the borrower's risks; and that microlending was inexpensive. Eventually, many microloans were used to deal with immediate risks facing the household, rather than to build income streams. Nonetheless, microlending revealed that many poor people had significant capacities to borrow and repay loans, and that borrowing made their lives less difficult. Recent successes in mobilizing savings indicate that poor people also may have surprisingly large capacities to save, thereby fostering a microsaving dream. The paper compares the strengths and weaknesses of two popular models used to promote savings: the savings-group model, first used in Africa, and the self-help-group model widely used in Asia. The savings-group model offers savers more attractive features than does the self-help-group model. Savings groups offer balanced menus of financial services, and, while neither loans nor savings are cures for poverty, both can significantly ease the plight of the poor.

Keywords: microcredit, microfinance, microsaving, self-help financial groups

IT WAS A SPLENDID DREAM, giving small loans to poor people so they could become entrepreneurs and lift themselves out of poverty. Microlending proved to be relatively easy to do, and thousands of enthusiasts soon formed a flourishing microcredit industry that provided loans to tens of millions of poor people. Along the way, various donors and politicians heaved sighs of relief, and delegated much of the responsibility for poverty alleviation to the thousands of microfinance institutions that supplied these loans. To publicize achievements, microlenders initially issued success stories describing borrowers who developed prosperous businesses. Later, many credit-impact assessments reinforced the favourable impressions formed by these stories. In these assessments, some researchers collected large amounts of household information and analysed these data with econometric techniques. Other investigators compared the economic results for people who received loans with the results for control groups that did not receive programme loans. Another evaluation technique compared the conditions of individuals before they received loans with their situations after borrowing. Most of these assessments reported positive economic results, and a Nobel Peace Prize recognized these accomplishments.

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Eventually, nonetheless, the microcredit industry encountered headwinds. A few sceptics re-examined data collected previously regarding the results of microborrowing and concluded that the earlier estimates of benefits were overstated (Duvendack and Palmer-Jones, 2012; Roodman and Morduck, 2014). Various observers also questioned the efficacy of concluding that a few carefully selected case studies could fairly represent the results realized by millions of borrowers. Still others pointed out that many of the credit-impact assessments involved attribution problems and selection bias that inflated the positive results reported in these studies (Adams and Vogel, 2013).

Along with this, several microcredit providers made lucrative initial public offerings that tarnished microlending's gloss of benevolence. Criticism in several countries of some of the practices used by the microfinance industry, especially in India, raised further doubts about the effectiveness of microcredit in addressing poverty (Hulme, 2000). Concerns that were even more troubling emerged after random control trials were done on borrowers and control groups in six countries (Banerjee et al., 2015). These studies found meagre evidence to support the dream that microborrowing significantly reduced poverty. In the following we argue that diverse misconceptions contributed to the gap between the original dream for microcredit and the less impressive results that later emerged.

Misconceptions

One flaw in the dream was hoping that numerous poor people might become judicious entrepreneurs who could create and then manage profitable businesses; however, various realities weighed on this feature of the dream. One was that many of the poor were children, elderly, or physically or mentally disabled, and thus were incapable of managing a business. Another shortcoming was the assumption that large numbers of poor people had the aspirations, abilities, and opportunities to develop profitable enterprises. By their actions, most poor people, and for that matter, individuals in general, prefer a dependable job with few risks, rather than operating their own businesses (Karnani, 2007).

Documenting the percentage of the poor who have entrepreneurial talents is problematic. The Global Entrepreneurship Monitor (GEM), nonetheless, publishes annual estimates of the percentage of adults (ages 18 to 64) in a number of countries who have started or operated new businesses in the past three and a half years, not all of whom have proven to be successful entrepreneurs (Singer, 2015). The proportions reported for low-income countries average about one-third, while the percentage for developed countries is even lower – in the low teens or less. It is especially important to note that many of those counted by GEM as entrepreneurs are running small business out of necessity rather than choice. As Shane pointed out,

The vast majority of people founding new businesses aren't entrepreneurs in the sense of people building companies that grow, generating both jobs and wealth. Rather, they are founding wage-substitution businesses that have more

in common with self-employment than with the creation of high growth companies (Shane, 2009: 142).

A second flaw in the dream was overlooking the travails associated with new businesses. Unfortunately, the literature is sparse on the fates of enterprises formed through microborrowing. How many of these firms, for example, fail in the first year, or disappear within five years? How many of the firms eventually realize economies of specialization, scope, or scale that augment the owner's labour productivity? Most importantly, what are the rates of return on investments in these firms, and how stable are these returns?

Answers to a few of these questions rely on evidence provided by research mainly done outside the microcredit community. Liedholm and his colleagues at Michigan State University, for example, found substantial turnover among micro- and small enterprises in the studies they did in low-income countries during the 1970–1990s. It was common to find 'mortality rates' of 20 per cent among micro- and small firms in their first year of operation and a rate of 50 per cent within five years (Liedholm, 2002: 231).

Information on rates of return to capital invested in micro-firms is likewise mixed. Some studies have reported high rates of return from capital invested in micro- and small firms in Mexico, for example (McKenzie and Woodruff, 2008). Other research has found moderate to high returns on investments made in both traditional and new technologies by Ghanaian farmers (Udry and Anagol, 2006). Other research, carried out with Sri Lankan data, showed moderate rates of return on investments in male-run micro-firms, but close to zero rates of return to investments in firms managed by women (del Mel et al., 2008). After a review of various studies on returns to capital invested in agricultural enterprises, Harper pessimistically reported that many of these returns were barely above, or were even below, the interest rates charged on most microloans – without even considering risk (Harper, 2012).

The microcredit dream grew out of the belief that many poor people were surrounded by high-return investment opportunities, but on closer examination, these assumptions appear to be unsound. For example, if there are many high-return and low-risk economic opportunities in poor communities, why are the few people with money who live in these communities (e.g. moneylenders, shopkeepers, and traders) not capitalizing on these opportunities? Furthermore, why do the operators of existing micro-businesses not invest most of their profits into expanding their enterprises, if the expected returns from such investments are so attractive? The lack of such activities suggests that high return investment opportunities in poverty- and risk-prone areas are largely imaginary.

A third flaw in the dream – perhaps the most serious one – is assuming that borrowers invest most of their microloans in profit-making enterprises. Instead, substantial portions of these loans are used to buy household necessities, deal with emergencies, repay debts, and lend money to others. Money, after all, is fungible; borrowed cash can be, and likely will be, spent in ways similar to the traditional spending patterns of the borrowing households. Based on year-long financial diaries collected from poor households in Bangladesh, Rutherford concluded that

more than two-thirds of their income was spent on living expenses, about a quarter on opportunities, and about 11 per cent on emergencies (Rutherford, 2004: 269). Unless the act of borrowing somehow glues the money borrowed to an investment – thus negating the fungibility of the money – microloans are likely spent in similar patterns.

Collins and her colleagues provide further, insightful information based on financial diaries collected from households in Bangladesh, India, and South Africa that recorded financial transactions in these households over a year, including sizable loans from microfinance institutions, and including the alleged uses made of these relatively large loans. The diaries showed that 57 per cent of these large transactions were spent on what the authors called ‘opportunities’ (Collins et al., 2009: 103). Of these large expenditures on ‘opportunities’, about two-thirds (67 per cent) were invested in what might be called ‘productive activities’: purchases of land, buildings, and livestock, or business and farming expenses. This implies that less than 40 per cent of the money these poor households borrowed from microlenders ended up in investments that might yield income ($0.57 \times 0.67 = 0.38$). If most microloans are spent in similar patterns, it helps to explain why random control trials found such modest economic returns associated with borrowing – more than half of the money borrowed may have been spent on activities that were not income producing. This conclusion is supported by the findings of a random control trial in Mongolia covering more than a thousand micro-borrowers, which reported that about half of their loans were not invested in income-producing activities (Attanasio et al., 2011: 2).

Most importantly, have the promoters of microcredit misconstrued the basic natures of many of their borrowers? Are micro-borrowers mostly potential entrepreneurs who borrow primarily to further business interests, or are they households that are mostly concerned with managing the risks and uncertainties they face on a daily basis (Zollmann, 2014)? We conclude that the latter is the more common case – most borrowers are primarily concerned with managing their household risks, rather than developing new enterprises.

The fourth flaw in the microcredit dream was thinking that a loan was an unfettered good for borrowers. There was little recognition that loans have two features: the first being the money provided by the loan – the good aspect – and the second being the risks attached to being in debt – the bad feature. Earlier, most cultures expressed negative views about debt, but microcredit supporters have turned the unsavoury word ‘debt’ into the alluring word ‘credit’. If the primary problems that poor households face involve managing risk and uncertainty, is more debt the best way of dealing with this challenge when it involves imposing more risks on borrowers?

A fifth flaw in the microcredit dream was overlooking the high costs of providing microloans. High interest rates reduce the net returns that borrowers realize from the portions of their loans that are invested in successful, income-producing activities. Rates of around 3 per cent per month are common in the industry (Rosenberg et al., 2009: 5). Granted, it is costly to provide small loans to poor people, but, importantly, these costs are born by borrowers. High rates of interest were initially

justified by the existence of numerous high-return, low-risk investment opportunities available to borrowers. As suggested earlier, these expectations may have been fanciful.

From another perspective, these interest rates siphon off a substantial amount of money from borrowing households. The magnitude of this transfer depends on the average-outstanding-balance of loans made by microlenders, and the average-effective-interest-rate charged on these loans. A conservative estimate of the total amount of lending by all microlenders during 2015 might be US\$50 bn, possibly more. If the average effective interest rate charged on these loans is around 36 per cent, the microcredit interest charges amount to more than one-third of the value of all loans made during a year. This means that the equivalent of about one-third of the amount of money lent to the poor in the form of microloans was extracted as a 'service fee' each year: something possibly in the range of \$15–20 bn per year. Poor people are paying a huge amount of money for the privilege of using microloans.

Given all this, should we conclude that trying to fulfil the dream of microcredit was a waste of money? Certainly not. Instead, the dream of eliminating poverty through lending was overly audacious – poverty is too complex to be eliminated with a single cure. Access to loans is only one of the financial services that poor people use, and these services are only a few of the many other goods and services that lessen poverty.

The original dream for microcredit overlooked several aspects of finance that are useful for most people: insurance, bill paying, money transfers, and, most importantly, savings. Mobile phones, bank agents, other means of effecting electronic transfers, and various micro-insurance programmes increasingly provide beneficial financial services to hundreds of millions of poor people. The recent progress made in supplying savings services via self-help financial groups is especially noteworthy, since it comes closer to meeting the overall financial needs of poor households than do loans alone. It is thus instructive to explore some of these recent savings-based programmes.

Adding a microsaving dream

A useful lesson that came from the microcredit dream was the realization that many poor people have surprising capacities to borrow. Many millions of poor people exhibited the discipline required to repay loans. In this dream, however, it was overlooked that poor people might have similar, but unexpressed, savings capacities. After all, the discipline required to repay a loan is virtually identical to the discipline needed to save; both require borrowers/savers to postpone immediate gratification. Assumptions can be self-fulfilling: if one assumes that most poor people are too destitute to save, and thus provide them few opportunities to save, along with weak incentives to save, one should not be surprised when these assumptions are fulfilled.

What might occur if a new dream, a microsavings dream, took hold, one that posited that poor people have latent savings capacities similar to their capacities to

borrow? At first glance, this seems ridiculous since it has long been assumed that poor people are too poverty stricken to save. Nonetheless, opinions about savings have gradually changed over the years, especially after several banks captured impressive amounts of small deposits (Seibel, 2003; Patten and Rosengard, 1991; Collins et al., 2009: 154–73). Success by credit unions in several Latin American countries in mobilizing savings added to the positive views about savings capacities (Arbuckle and Adams, 2000; Poyo, 1995; Vogel, 1984). Attempts to capture deposits have also expanded where some innovative non-governmental organizations (NGOs) have promoted savings groups successfully, initially in Africa. These groups are interesting because they provide a menu of financial services that match the needs of poor households – perhaps because these groups emulate traditional self-help groups that have spontaneously formed in many places to satisfy the needs of their members.

Self-help financial groups

Early on, numerous authors described rotating credit associations, but F.J.A. Bouman was the first to emphasize two distinct forms of self-help groups that deal primarily with finance, especially savings (Bouman, 1995). He noted that groups in numerous countries collect savings and immediately pass the money mobilized to a member of the group, and continue in rotation doing so. These he called rotating savings and credit associations (rosocas). Another form accumulates savings from members for a period of time, possibly lending this money during the interim, and then returns to group members their savings plus any interest earned on the loans made. These groups he named accumulating savings and credit associations (ascras). Later, this acronym was shorted to ascas. Ascas come in two forms: those that are time-bound and wind up each cycle of their affairs, often at the end of 12 months; and those that collect savings indefinitely.

Valuable insights on saving and borrowing capacities can be gleaned from the experience of these self-help financial groups, as they enable members to flex their capacities to save as well as to borrow. Acting as tiny democracies, members can also adjust the conditions set on the borrowing and saving features within their groups to meet their collective needs.

Two distinct asca models have been promoted. The model used by CARE, Oxfam, and several other NGOs is currently called savings groups (SGs), although both saving and lending services are involved. Another model which is employed by the Indian Government, a German Development Agency, some NGOs, and other governments, also involves self-help groups (SHGs), but is designed to link with banks and act as a channel for injecting outside money and other services into groups.

Overall, most SGs and SHGs stem from external initiatives, but these initiatives differ in scope and nature. On the one hand, most SGs are started with some initial training and perhaps modest implicit or explicit subsidies. Later, participation in the group is sustained entirely by the benefits that group members generate for themselves. On the other hand, the formation of SHGs is usually done by banks or development agencies that are responding to legal requirements to help the poor, and this may

be accompanied by concessionary lines of credit and other subsidized government services. Members of SHGs, as a result, may participate in SHGs because they can capture subsidies as well as additional benefits resulting from group membership. Most SHGs are viewed as channels for subsidies, by both governments and group participants, while SGs lack this feature. As will become clear, these two models merit separate discussions; the SG model is covered first and the SHG model discussed later.

Savings groups

Moira Eknes, a Norwegian anthropologist working in Niger in the early 1990s, designed a promoted-*asca*. Her model drew from various features of traditional *ascas* and *roscas* that she encountered while in Africa. Subsequently, her work convinced CARE and other NGOs to adopt the savings-group model. Such promoted-*ascas* have displaced earlier microlending efforts by various NGOs. Eventually, these efforts drew financial support from several foundations including those of Bill & Melinda Gates, MasterCard, and Citi. These promoted-*ascas* have shifted some of the micro-finance spotlight from lending to saving, showing that people who are quite poor may have unexpectedly large savings capacities, while demonstrating that savings and loan-repayment capacities may be similar.

Since the early 1990s, promoted-*ascas* using the SG model have blossomed into a flourishing wing of the microfinance industry. By 2015, SGs had spread to 74 countries, involving dozens of NGOs, and including more than 11 million group members. In fact, individuals were joining these savings groups at the rate of 2–3 million each year in 2015 (Allen and Panetta, 2010; Ashe and Neilan, 2014; Wilson et al., 2010). Most of these SGs are located in Africa, but the SG model is also spreading to other regions, including Latin America and the Caribbean (Martin, 2014).

SGs are typically composed of a few dozen individuals – mostly women – who meet periodically, often weekly, establish a savings amount for each participant, and allow members to borrow from group funds that comprise member savings. At the end of a predetermined period – typically 12 months – all savings, plus accumulated interest earned on loans, are returned to members. Most groups immediately start another cycle that may include the entry or exit of individuals to the group. It is especially noteworthy that each group sets the interest rate charged on loans within their group. The fact that many groups apply similar conditions on their loans, however, indicates that the initial policies suggested by promoting organizations tend to be perpetuated by many groups. SGs typically charge 5–20 per cent *per month* on loans – 10 percent being quite common – and even more when loans are made to individuals who are not group members. These relatively high rates suggest that members in SGs favour savers when decisions are made about interest rates on loans.

Follow-up studies reveal two important dynamics after NGOs have ceased their SG promotion efforts in an area. First, in Zanzibar, the average number of members in the promoted-*ascas* grew by more than a third within four years, after CARE ceased forming savings groups in the area (Anyango et al., 2007). Second, a study done in

Uganda several years after CARE stopped promoting SGs in an area showed that, on average, nearly two spontaneous SG replications emerged for every promoted-*asca* in the area studied (Mine et al., 2013).

This rapid expansion of promoted-*ascas* raises several questions: Why did NGOs opt to use the *asca* form rather than a *rosca* model, the much older and more common form of self-help financial group? Why is outside promotion required when promoted-*ascas* are so similar to traditional self-help financial groups? Answers to these questions take us to the heart of why SGs satisfy the financial requirements of poor households. Analysis of a typical *rosca* and a typical promoted-*asca* may help to answer these questions.

At first glance, *roscas* and *ascas* appear to be identical. They are both composed of small groups of people who carry out financial intermediation simply and on a small scale. Both offer savings services and loans to members. Both involve small amounts of savings that can be marshalled into larger loans or sums of savings. Likewise, both types of groups involve commitments that encourage thrift, thus reinforcing savings habits. There are, however, some modest differences between *roscas* and promoted-*ascas* (SGs) that make the latter more attractive for the average household. SGs, for example, are more flexible than *roscas* in the case of loans. *Rosca* members must wait their turn in the rotation before they can receive a distribution, while in SGs, members may request loans any time that the group has funds accumulated. SGs are also more attractive for savers since their deposits generate income from loans made by the group, so that non-borrowers usually realize significant returns on their savings over a 12-month cycle.

At the same time, SGs (*ascas*) have some disadvantages compared with *roscas*. SGs involve more record keeping than *roscas* and SGs are more exposed to theft because some of the members' deposits may be stored for a time by the group, while *roscas* distribute all funds to a member when savings are collected. Through their actions, nonetheless, members of SGs show that the benefits realized from participating in such groups outweigh these disadvantages, when compared with *roscas*.

If SGs are an improvement over *roscas*, and most *roscas* occur without donor interventions, why are NGOs needed to promote SGs? Why don't most SGs just erupt spontaneously – as some, in fact, do? A partial answer to these questions may lie in the motivations of people who organize *roscas*, compared with SG leaders. Numerous *roscas* are formed by individuals who gain materially from doing so. This includes individuals who need a sum of money, recruit a group of friends and associates to join their *rosca*, and then take the first distribution as the organizer/manager. Various merchants also form *roscas* to help sell goods such as cars and bicycle to customers, making a profit in doing this (Schreiner, 2000). Other *roscas* are organized by individuals who take a commission for their labours (Nayar, 1973). In contrast, most SGs are managed by individuals who receive no special compensation for their efforts. Exceptions to this are the *susus* (*ascas*) in Ghana and elsewhere that are organized by savings collectors who visit their clients regularly and collect small deposits from them, while earning a commission (Aryeetey and Steele, 1995). We conclude that individuals may have an incentive to organize and manage a *rosca*, while most leaders may expect no

special financial reward for organizing SGs. This creates a space that NGOs fill. NGOs may provide the spark to start SGs and then the internal services generated within groups provide the benefits that sustain the groups.

Given the especially risk-prone environment in which poor people live, what unique benefits do households realize from memberships in SGs? Most SGs generate a return on savings that, for people who are primarily savers in the group, may amount to 20 to 40 per cent per year, or even more, due to the high rates charged on loans made within the group. Additional attractive features of SGs are the small, short-term loans that they typically offer members. Even if this credit feature is not used by some members, it is still valued as a resource for them to call upon in times of emergency – a service that is not generally available in roscas. Some saving groups also have a ‘side’ fund that members contribute to that is used to make donations to members in times of need.

SGs supply services that are preferred over those provided by roscas in another way. From the perspective of members, SGs are more flexible about when the final lump sum of savings is returned to members. In a typical rosca, distribution occurs monthly and is determined by drawings or perhaps by some sort of auction – the exception being that the organizer often receives the first distribution. This may result in a mismatch between when members most need their lump of savings (or a loan) and when they receive their distribution. The SG model lessens this matching problem by allowing members to vote, as a group, on when their lump of savings would be most useful to them. This works out especially well if the interests of the group are relatively homogeneous in terms of when most members want to use their savings, to pay, for example, for a holiday such as Christmas, school fees, or to buy inputs needed at a planting season.

Self-help groups

Some authors note that self-help groups (SHGs) in India comprise the largest microfinance movement in the world (Tankha, 2012; Seibel, 1985). Starting in the early 1990s, they have grown to include more than 7.4 million SHGs, with nearly 100 million members, and almost 180,000 SHG federations (Nair and Tankha, 2014). In their initial phases, SHGs and SGs are similar. Both involve mostly women with a few dozen members in a group that is usually organized by an outside agent. Both models include regular group meetings with each member committing to save a small amount for each meeting. When a group has accumulated sufficient funds, some members may borrow from the group’s fund in both models. Similarly, both models encourage groups to establish their own rules and regulations democratically, but SHGs tend to adhere more closely to guidelines provided by a promoting organization, typically an NGO, a bank, or a governmental agency.

After an initial phase, the two models often diverge. Most SGs are time-bound, winding up their affairs for a cycle by returning all member deposits and interest accumulated on loans to group members. In contrast, most SHGs are not time-bound, although they may distribute the interest earned on loans periodically to members. Another major difference is that SHGs characteristically charge around

2 per cent per month on the declining balance on loans made from group funds, while SGs typically charge much higher rates. This suggests that SHGs favour borrowers, in contrast to the apparent saver dominance in SGs.

At least three other major features distinguish SHGs from SGs: there is an extensive organizational superstructure (e.g. federations) over most SHGs, which is lacking in SGs; SHGs are seen as providing platforms for other developmental services, while SGs generally lack this feature; and SHGs are designed to link to banks for deposit and especially for lending services.

SHGs typically operate much like SGs for the first few months of operation, capturing members' savings, making loans to members, and especially showing they can operate as a group. Once they have 'proven' themselves, they are encouraged by SHG promoters to open a group savings account in a bank, and the SHG may eventually qualify to take loans, as a group, from an institutional lender. The amount of money they are allowed to borrow is usually some multiple of the sum they have on deposit with the bank. From a national perspective, using SHGs as channels for outside, concessionary funding and for other public services is viewed as the primary purpose of these groups. This results in SHGs starting with an emphasis on capturing savings and thereby encouraging thrift, but the focus on savings fades as inflows of outside loans come to dominate the interests of members in many SHGs.

Comparing the savings features of SGs and SHGs

Both SGs and SHGs compel members to save and provide ways to turn small amounts of savings into larger sums. However, these savings features in SHGs diminish in importance over time as SHGs mature and become more involved in borrowing money from external sources. Instead of saving for the purpose of accumulating savings, these features in SHGs may reduce thrift to just enough savings to qualify for further loans from banks and/or subsidies from government agencies.

The fact that most SHGs are not time-bound, while SGs typically are, can importantly affect the perceived quality of savings services. Members of SGs know when they will have full access to their savings, typically after 12 months. Members of SHGs, in contrast, often have uncertain access to their deposits in banks, which can become even more problematic for savers if the group's savings are effectively sequestered as collateral for loans to the group.

SHGs can also be weak in providing explicit rewards for savers. Those in SGs who are primarily interested in saving, most likely realize substantial returns on their deposits because of hefty interest rates on loans, and at a time that they know in advance. At best, those who are primarily savers in SHGs earn less on their deposits than do savers in SGs, and they are also less certain about when they will have full access to their deposits and their share of accumulated interest.

The issue of safeguards for savings is initially similar in SHGs and SGs. Members of both groups are mutually responsible for excluding individuals from their groups who are not trustworthy and ensuring that borrowers of the group's funds repay their obligations. This discipline may weaken, however, when SHGs become involved with outside funds. This weakness is especially problematic when loans

from outside the group have altruistic features, and local history includes a pattern of tolerating loan defaults. Because of these attributes, savings in SGs are likely to be managed more carefully than are the funds in SHGs, since someone else's money is mixed with SHG-group savings which weakens internal safeguards.

SGs and SHGs are likewise different in their governance. In SGs, the terms and conditions for loans and saving are determined internally. In the SHG model, banks, NGOs, federations, or various government agencies involved may strongly influence these decisions. SHG promoters may even share in some of the interest paid by SHG members on their loans from banks. Since SGs mostly set the terms and conditions on their internal financial transactions, this may result in SGs tailoring their services to the financial needs of their members more appropriately than do SHGs.

Conclusions

It is lamentable that the microcredit dream delivered less than it promised, possibly because of serious misconceptions in the dream and the complexity of poverty. Despite not curing poverty, those who pursued the dream provided financial services that are taking the edge off poverty for tens of millions of people. A further accomplishment was showing that poor people have substantial capacities to borrow and repay loans. The results of recent savings mobilization efforts complement this finding by showing that the savings capacities of the poor may be substantial. We suggest that the primary financial challenge facing the poor is dealing with household risks and uncertainties – rather than funding new enterprises – and that savings services may be as beneficial for poor people as having access to loans. It is time to add a microsavings dream.

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