

BOOK REVIEW

Savings Services for the Poor: An Operational Guide

Madeline Hirschland (ed.)

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Although 2005 brought us both the United Nations “Year of Microcredit” and the extension of the “Microcredit Summit”, it also brought us a significant new resource for the oft-forgotten other half of microfinance – savings services for the poor. As we all know, credit services still receive the vast majority of attention and resources, despite our increasing awareness of the importance of savings to reduce the economic vulnerability of the poor. In fact, many experts argue that savings is even *more* important than credit for the very poorest. So why do we, in practice, continue to focus more on credit than savings? Often it is for lack of knowing *how* to mobilize savings. As indicated in its subtitle – “An Operational Guide” – this book hopes to change that by reporting on the experiences of savings-led institutions around the world and by providing very practical information on the skills and attitudes necessary to do savings well.

The densely-packed 375 pages of this book are divided into three parts, each with five chapters. Part One is an **Overview** that covers the rationale for providing savings **services**, the standards that institutions need to meet before engaging in savings services, and the challenges that those institutions face as they attempt to reach down market. These well-edited and tightly focused chapters already begin to weave in the experiences of some of the forty case studies that add much to the substance and depth of the book.

The second part on Services provides concrete information on market research, product design, delivery channels, pricing, and marketing. The philosophy of the book starts to become clear during these chapters. These authors are passionate about client-focused savings services, based on clear market research; they advocate intelligent product design, with an appropriate mix of products; they would like to see us reach as deeply into underserved markets as we can; they want us to look for innovations in service delivery; and they want us to recognize that mobilizing savings is not an inexpensive undertaking. In fact, one of the case

study institutions found that each savings transaction had USD1.35 of administrative costs!

The final section describes the **Systems** necessary to manage financial risk, increase productivity and efficiency, and make savings a viable service. These chapters address issues such as fraud and mismanagement, liquidity management, interest rate risk, product costing, and staff productivity. This is the most technical part of the book, though in many ways the most valuable. Any reader who makes it this far in the book will be convinced that developing and expanding savings services for the poor is the next challenge for our industry – and a necessary challenge for us to confront. But she will also be deeply aware that this is not an easy or simple task. In many ways, savings services are much more challenging to deliver and manage responsibly than are credit services.

The book features chapters authored by 20 of the most recognized leaders in the field of savings and microfinance in general, including Stuart Rutherford, David Richardson, Robert Peck Christen, Graham Wright, and Martin Holtmann. In addition, the preface was written by Muhammad Yunus and the chapters were reviewed by 35 other leading experts in the field. Madeline Hirschland, who has a long history of writing and teaching about saving services, served both as the author of several chapters as well as the overall editor.

I will confess I am not fond of books which are compilations of articles by diverse authors, but this book is a clear exception. It is extremely well-edited, and meticulous effort has gone into making the chapters flow together. I am also not impressed with books filled up with superlative-laden prose that read more like marketing pieces. This book avoids that trap. It is honest. It talks about the difficult side of things, and some of the failures that have occurred. And this book backs up its arguments with over forty real-life case studies and is replete with data, examples, illustrations, and comparative tables.

This is not a book on theory of why-do-savings; it really is a book on the state-of-the-practice, a compilation of most everything we have learned about savings. It presents the implications of that learning and provides concrete advice and information necessary to lay the groundwork for expanding those services in the future and for reaching deeper to reach the very poorest.

In spite of the many strengths of this book, I did find some relatively minor faults. First, the book would really benefit from an index. There is an index listing

the case studies, but there is no thematic index to help the reader track down a particular topic or person. This is unfortunate, because there is a wealth of valuable information between these two covers, but the density of the book will sometimes make that information hard to find.

Second, despite the clear desire of the authors and editor to look for ways to extend savings services to the very poor, there is very little discussion of the self-help group (SHG) movement that is showing so much promise in assisting the very poor to set up their own savings mobilization structures. Rather, the vast majority of the book centers on formal institutions that strive to deliver savings services efficiently and sustainably while confessing the major challenges of doing so when working with the very poor.

Despite my few criticisms, I find this book to be a major contribution to microfinance, providing thoughtful and well-balanced information directed toward a sophisticated audience. It does not provide simple solutions nor is it a simple how-to guide.

Unlike most of the early literature in credit services, it does not advocate a specific methodology over the alternatives. Rather, it portrays a wide spectrum of options and approaches. This makes things somewhat harder for the reader as he must then make decisions for himself rather than simply being led to believe that there is one "best way" to mobilize savings. But my hope is that such an informed struggle will result in both better institutions and better services, bypassing much of the rough learning curve we went through with value-laden credit service design over the past 20 years. When managing the savings of others, particularly of the poor, we cannot afford even one failure!

Review prepared by Charles Waterfield. Chuck Waterfield has 20 years experience in microfinance, having served as microenterprise director for MEDA and for CARE. He is perhaps best known for Microfin, a business planning software for MFIs. He can be reached at: waterfield@microfin.com.
