Microfinance institutions (MFIs) provide various financial services (credit, savings deposits, insurance contracts, remittances) to low-income and unbanked clients, chiefly in developing countries. The recent academic literature questions microfinance institutions for several reasons including the mixed results on poverty alleviation and on women’s empowerment. The microfinance sector is developing at a rapid pace, but it still relies on subsidies and donations to finance their operations. Therefore, donors have a significant influence on the balance between financial and social objectives. Donors frequently help microfinance institutions to achieve their social performance. Nevertheless, microfinance subsidies can also crowd out private actors efforts by pouring money into institutions that can afford commercial rates.

The recent article published in Economics Letters (March 2016) by Anastasia Cazarenco, Marek Hudon, and Ariane Szafarz focusses on micro-savings specifically. In fact, contrary to common belief, recent evidence in the microfinance literature shows that poor households do actively save. Moreover, most empirical evidence suggests that access to savings accounts has notable positive impacts. In particular, it promotes female empowerment and helps people to cope with health emergencies. Some authors claim that access to savings products could even be more important than access to credit.

Meanwhile, the supply side of these products is still under-studied. The article aims to fill that gap.

**Methodology**

Micro-savings deposits come in two different forms: compulsory and voluntary. Compulsory savings constitute the typical “hidden collateral” of microcredit while voluntary savings products are demand-driven. To identify the characteristics of MFIs taking voluntary savings, the authors use a dataset made up of 722 MFIs worldwide.
Results
The results reveal that the MFIs collecting voluntary savings are more mature than the others. This is unsurprising since the supply of micro-savings is associated with compliance with regulatory constraints, which is barely accessible to young MFIs. Likewise, savings collection is more likely in MFIs with a for-profit status, in credit unions, and in cooperatives. Interestingly, taking voluntary savings is not related to financial performance. MFIs serving larger numbers of borrowers are more likely to collect voluntary savings. Savings deposits are also more likely to be taken by MFIs granting relatively larger loans. The article highlights the negative impact of donated equity on taking voluntary savings.

Managerial Implications
These findings suggest that subsidies crowd out micro-savings. If so, subsidies would hamper not only product diversification in microfinance, but also the positive impact of micro-savings that is advocated by several studies. A possible mechanism behind the detected effect may stem from the softening of the budget constraint. MFIs receiving subsidies have only weak incentives to finance their loans from savings deposits. The potential policy implications are far from negligible since subsidization is meant to improve social performance, not hamper it. Donors sensitive to this argument could tilt their donations in favor of MFIs collecting savings.

The three authors are members of the Centre for European Research in Microfinance (CERMi), a leading research center in Europe. CERMi was created in 2007 at the initiative of the Centre Emile Bernheim (SBS-EM – ULB) and the Warocqué Research Centre (Warocqué School of Business and Economics – UMONS) in order to federate research projects in microfinance.

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