Microfinance in South East Asia

Microsavings

By Pauline Tan
What is microsavings?

“Microsavings are deposit services that allow people to store small amounts of money for future use, often without minimum balance requirements.” – Grameen Bank’s website
# Microfinance in SouthEast Asia

<table>
<thead>
<tr>
<th>Data Item (as of 2010)</th>
<th>Cambodia</th>
<th>Indonesia</th>
<th>Laos</th>
<th>Malaysia</th>
<th>Philippines</th>
<th>Thailand</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in Mil</td>
<td>14.1</td>
<td>239.9</td>
<td>6.2</td>
<td>28.4</td>
<td>93.3</td>
<td>69.1</td>
<td>86.9</td>
</tr>
<tr>
<td>GDP per capita (current US$)</td>
<td>795</td>
<td>2,946</td>
<td>1,177</td>
<td>8,373</td>
<td>2,140</td>
<td>4,608</td>
<td>1,224</td>
</tr>
<tr>
<td>Microfinance Institutions</td>
<td>17</td>
<td>60</td>
<td>4</td>
<td>1</td>
<td>93</td>
<td>3</td>
<td>19</td>
</tr>
<tr>
<td>Borrowers in thousands</td>
<td>1,200</td>
<td>410</td>
<td>3</td>
<td>242</td>
<td>3,000</td>
<td>8</td>
<td>8,500</td>
</tr>
<tr>
<td>Depositors in thousands</td>
<td>865</td>
<td>535</td>
<td>5</td>
<td>242</td>
<td>3,700</td>
<td>NA</td>
<td>336</td>
</tr>
<tr>
<td>Credit Penetration (%)</td>
<td>8.5</td>
<td>0.2</td>
<td>0.0</td>
<td>0.9</td>
<td>3.2</td>
<td>0.0</td>
<td>9.8</td>
</tr>
<tr>
<td>Savings Penetration (%)</td>
<td>6.1</td>
<td>0.2</td>
<td>0.1</td>
<td>0.9</td>
<td>4.0</td>
<td>NA</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Source: World Bank and Mix Database
Financial Access

Numbers are aggregation of accounts from:
Commercials Banks + MFIs+ Cooperatives+ Specialized state owned financial institutions (SSFIs)

Source: CGAP Financial Assess Report 2010
The Need for Savings

- **Consumption smoothing**
  - Poor face irregular & unreliable cash flows eg farmers

- **Precautionary**
  - Illness or unexpected cash needs can be devastating to the poor

- **Life Cycle (for anticipated needs)**
  - Eg in preparation of daughters’ wedding

- **Asset building**
  - Accumulate their savings to buy bigger ticket items eg farm machinery
Main Concerns of the Poor

• Safety
  – Security of deposits

• Liquidity
  – Meet short term emergency cash needs

• Convenience
  – Ease of performing transactions
Savings Options

- Unsecured deposit collectors
- Rotating Savings & Credit Associations (ROSCAs)
- Buy productive assets eg animals
- Keep at home
- Accounts with Banks/MFIs
Benefits of Microsavings

- MFIs
- Savers
- Country
Benefits of Microsavings

- Profitability
- Cheaper funding
- Relationship Building
- Credit History
- Self Insurance
- Economic Growth
- Consumption Smoothing
- Social Development
- Asset Accumulation
- Savers
- Country
- MFIs
Road Ahead

Regulatory Reforms

MFIs to take on savings challenge

Investment in initial framework to build up capacity to reap economies of scale
Conclusion

• Underserved population, huge potential to enlarge outreach

• Microsavings should be encouraged for its positive impact to the Poor, MFIs and Countries