Editorial

As the seminal book *Portfolios of the Poor* describes, the poor may live on two dollars a day or less but rarely do they receive two dollars each and every day (Collins et al., 2010). This means they are constantly managing the ebbs and flows of small and often insecure cashflows. Financial services, particularly savings services that help to smooth incomes, are highly valued. The ability to save and borrow locally in small amounts is key; and is why so much goes on in the informal sector and nearly half the world remains unbanked (Chaia et al., 2009).

Ten years ago this journal published a special issue on Savings (*Small Enterprise Development* Vol.12 No.3 September 2001). Overall the articles seemed to suggest that the pitfalls of saving in the informal sector were many and the answer lay in formalization of MFIs. Ten years later, savings is no longer the 'forgotten half' of microfinance – there is recognition that the poor can and do save and that the need for affordable, secure and accessible means to save is universal.

Two articles in this edition describe an MFI's experience with introducing savings services, two articles focus on informal sector savings provision, primarily community-based savings groups (but with the twist of one article suggesting linkages between the formal and informal sectors), and one very interesting article looks at the history of savings banks.

Inez Murray of Woman's World Banking argues that women are an important and distinct segment for micro-savings due to their gendered roles and responsibilities, outlining key life-cycle events that low-income women save for. Debra Dean of the Grameen Foundation describes how CARD Bank in the Philippines focused on market research and the use of technology to design appropriate savings products and delivery channels to reach the poor.

With regard to the informal sector, it was interesting to see in the issue published ten years ago an article describing the findings of a study completed by MicroSave in Uganda in 1999 on informal savings (Wright and Mutesasira, 2001). How far we have come since then! The informal sector is no longer a place where '99% of the poor lose their savings' and as described in Lauren Hendricks and Sybil Chidiac's article, CARE (and others) have dedicated significant resources to facilitating informal savings groups based on the belief that for the extremely poor, particularly women, the best approach to building their financial assets and skills is to begin with savings rather than debt. We see the same success in Ecuador through a Peace Corps programme (Proano, Gash and Kuklewicz) where, with only minimal

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training and a high rate of spontaneous replication, savings groups have proven to be popular and highly sustainable.

Certainly there is an argument to be made that to improve access to (and usage of) financial services for the poor, we must, while at the same time working to improve the outreach of the formal sector, consider the importance of supporting and improving provision of financial services in the informal sector. And it is this very issue that Beth Rhyne and Paul Rippey debate in this issue's Crossfire.

And finally, in this special issue, we are fortunate to have Bob Christen from the Bill and Melinda Gates Foundation, arguably one of the largest and most influential proponents of savings services for the poor, provide a state of the sector report under 'Taking Stock'. Bob's focus on the use of technology to exponentially increase access to savings services suggests the possibility of a real 'savings revolution'.

Ten years ago Mark Havers of the Springfield Centre ended his editorial with a cautionary note that while savings services have an important role to play allowing low-income households to better manage shocks, perhaps MFIs may not be well suited to offer savings services to the poor and that indeed there are many other organizations including informal savings associations, postal banks, and SACCOs already offering millions of poor the opportunity to save.

Mark's points are well taken and while I do believe there is much greater recognition today of the large variety of financial service providers (beyond MFIs), I think we are beginning to realize that it is *choice* that matters – everyone having a choice of where and how to save. Saving services and delivery channels need to be designed to meet the needs of clients and not just the needs of institutions. What has perhaps changed in the last ten years, and really in the last few years, is an appreciation and understanding of how it is the poor manage day to day and how financial services, especially savings, can contribute to a better quality of life. Thankfully, credit to invest in a business is no longer the sole focus of microfinance. And as technology is harnessed and informal provision continues to improve and expand, access to safe, reliable and accessible savings services for all is indeed a real possibility.

References

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