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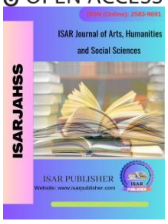

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Savings Mobilization for Sustainable Small-Medium Enterprises: Opportunities, Challenges and Future Perspectives

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Abstract: Saving is considered an important economic phenomenon in the lives of individuals and communities. The absence or weakness of formal savings services creates obstacles at different levels. The primary aim of this study is to investigate the obstacles facing small and medium enterprises in mobilizing their savings and how to curb those difficulties. Descriptive and analytical methods are employed. The study reached out that the process of mobilizing and attracting small savings is more complex and difficult compared to the provision of credit services, which requires special care and attention. The study recommended that for any strategy to stimulate and attract small savings, it is necessary to create an adequate macroeconomic environment.

Keywords: Savings, SMEs. Mobilization, Low-income Groups.

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1. Introduction

The introduction of saving services, particularly for small and medium savings services, as a source of commercial financing for enterprises engaged in small and medium-sized enterprises, has recently drawn an increasing attention. Saving is considered an important economic phenomenon in the lives of individuals and communities. The concept of saving reflects the amount of surplus money that is produced after the individual has covered the basic costs necessities such as food, drink, clothing, health and social requirements. Saving is also one of the most important indicators taken globally to measure the level of per capita income and higher savings ratios affect people's well-being. Therefore, the process of managing and channeling savings is a tool used by governments to manage monetary policy. It is savings, whether monetary or in kind, taken as a safety net for poor segments and thus reduce the negative effects resulting from exposure to sudden fluctuations or shocks.

In terms of the common definition among economists, personal savings are the part of the cash income that an individual decides to hold and not spend immediately on consumer goods and services for future spending. In another similar definition, Isabelle states that savings can be defined as the action of keeping part of current income to use it later. Savings defines the amount kept aside in the current period (income minus consumption in a given period).[1]"

Moreover, high rates of growth achieved by the programs and institutions of microfinance when serving a large segment of poor segments who do not receive financial services from the banking sector, has made these institutions expand their programs to address the needs of those segments and develop new mechanisms to deliver financial services at the lowest possible cost.

Small and Medium Enterprises finance institutions are increasingly becoming aware of the need to provide savings services to beneficiaries of microfinance services and are making continuous efforts to develop systems for regulation and supervision to that end. This has led to increased interest in small savings by small and medium enterprises, as Vogel described it in the "half forgotten" (Vogel 1984Vogel).

1.1 The Research Problem

The absence or weakness of formal savings services creates obstacles at three different levels. On a personal or individual level, the absence of formal saving services will force the community to use informal savings methods such as savings in kind (gold, animals, raw materials, etc.). These methods or methods of savings do not provide protection, safety, a certain degree of liquidity or lucrative returns to meet the daily needs and needs of the saved

[1]Isabel Dauner Gardiol, "Mobilizing Savings: Key Issues and Good Practices in Saving Promotion", Swiss Agency For Development and Cooperation, 2004, P. 8.

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individual. At the SME level, institutions that do not have effective strategies to mobilize and attract savings will find it difficult to reach a reasonable number of customers / customers, both locally and regionally. This will be an obstacle to the sustainability and sustainability of these institutions in the future. At the national level, achieving high savings rates will increase the volume of national resources and thus reduce dependence or recourse to foreign sources and sources of funding.

The main problem of saving is that many SMEs finance institutions only provide financing services in the form of their credit services without any other services, such as those related to the development and diversification of savings products and their inability to attract savings of the poor segments.

1.2 Hypothesis and Analytical Framework

From the saver's point of view, one of the most important motivations, incentive incentives for savings and custodial services are to provide safety and security for these savings and the ease and speed of access to these services at low cost. This is in addition to achieving positive and reasonable profit rates. There is a common agreement that owners of small and medium-sized enterprises have a capacity to save, as evidenced by evidence of an estimated number of savings mechanisms in various parts of the world, and that recent field studies support this. It is known that many poor segments of society, especially in rural areas, have a desire to save and are forced to save at certain times of the year, such as the harvest season, in order to compensate at times when such incomes are low, such as the dry season. The following source also confirmed:

"Even poorest households want to save and do save, be it in kind or in cash, to overcome difficult periods.[2]"

On the other hand, there is widespread agreement that although some poor segments of the population need credit services at any time during the year, it can be said that all poor segments are always in need of savings at any time during the year. Thus, it can be concluded that poor households can deposit their savings in MFIs when there is an appropriate institutional structure and provide attractive savings products that meet the needs and needs of poor group deposits.

1.3 The Research Field

This research deals with the subject of savings, especially the type of savings associated with low-income groups in terms of definition, and the advantages of mobilizing savings for SMEs and their association with the sustainability and sustainability of these institutions. The research also focuses on the main factors influencing the decision of low-income segments to own saving / saving accounts. In addition, the research examines the challenges facing SME institutions in mobilizing the savings / savings of low-income groups. It also reviews the importance of SME product development and its role in attracting savings of low-income groups.

2. Advantages of mobilizing savings for MFIs

Savings of low-income groups are important for MFIs. These advantages can be summarized as follows:

1 / Mobilizing savings can help MFIs expand and deepen their outreach. More low-income groups prefer to use savings services rather than credit services, and poor households may, in particular, rely on savings before they actually need credit

2 / Attracting the depositors from the poor leads to a stronger level of demand orientation in the operations of the MFI, thus increasing public confidence in these institutions. Where savings are becoming a direct stakeholder in the case of deposit-taking MFIs, they have been required to develop and improve the range of tools, products and services they provide as well as to increase the efficiency of services

A/ Donor support for MFIs is limited in quantity and term

B) Subsidized financing the rich benefit more from the poor, especially the poorest

Subsidized financing sends wrong signal to customers.

W / Supported programs, often, have no motivation to become sustainable

C) Sustainable programs have a better impact on poverty alleviation than subsidized programs

Thus, mobilizing small savings can contribute to the self-sustainability of an MFI by providing funds with lower margins than those provided by the interbank market. However, there may be a tradeoff between the lower financial costs and the relatively high costs of mobilizing and managing small deposits. Although sustainability is important for the microfinance industry, few institutions are sustainable.

3. Access to microfinance services for poor people

Low-income groups are always willing to save. Savings are often the only way for the poor to deal with big events in their lives, such as marriage and death, and in the face of natural and other disasters. Low-income groups have limited access to formal or semi-formal financial services, where the poor have no access to alternative formal financial services from MFIs. Low-income groups are rarely able to obtain voluntary deposit services provided by formal and semi-formal institutions and this is the fundamental reason for the existence of the microfinance industry. If MFIs fail to provide services to the low-income groups, they will be forced to resort to the informal sector of savings, such as investing in livestock, keeping cash at home, collecting savings from neighbors and participating in savings and credit associations. All of these methods are often high-risk, low-liquidity and associated with unbeatable uniform terms. Also dealing with these forms of savings is often associated with high cost of time and money. The reason for poor savings may be due to informal reasons for the following reasons:

1. Geographical dimension of the headquarters of the financial institution;

2. The specifications and conditions governing the financial services provided by the official financial institutions;

3. The way employees treat low-income groups / clients;

4. Awe at the appearance of the official financial institution for the low-income groups;

[2]Isabel, Ibid, P.5

5. The complexity of procedures for completing financial transactions

In addition, research results showed that 99% of customers / clients in the informal sector lost some of their savings / savings and on average lost 22% of the value they saved. 15% of those saved in the formal sector lost some of their savings / savings and 26% reported losing their savings / savings in the semi-formal sector. Thus, the formal sector, for some poor segments, is safer in terms of loss of savings / savings or loss / loss ratio relative to the savings. Those who have no choice but to save in the informal sector will inevitably lose some money - often about a quarter of what they provide.

The following factors affect the decision of low-income groups to have a savings account:

1. When the factor of confidence and credibility, which means the safety of the savings and confidence in the institution deposited with these savings. This trust and credibility are built on the basis of the applicant's sense of security in the institution in which he has deposited his savings.

(low-income groups are more likely to enter into a formal banking relationship when they have improved access to trustworthy financial institutions that offer convenient savings products)[3]

2. This is in addition to the competitive advantages that financial institutions can provide to their clients in the presence of financial institutions and banks with greater financial and human resources than the capabilities and capabilities possessed by the MFI. Banks have substantial financial and banking expertise that makes MFIs spend a lot of money in providing competitive advantages that can attract a segment of savers, especially small savers. One of the most competitive advantages that MFIs can offer is the low minimum required to open savings accounts. Large financial institutions often require large sums to open savings accounts at high cost, making many poor economically active people who rely on low daily incomes The interest of banks and traditional financial institutions. There has traditionally been no limit to opening savings accounts in MFIs and accepting them by opening them in token amounts and relying mainly on encouraging small savers to continue and organize the savings process in accordance with their periodicity and to significantly raise the average savings account balance by stimulating a client Savings to continue to regularize the deposit of surplus income.

Another important competitive advantage that MFIs can offer in saving is the long hours required to process and recover funds. Generally, MFIs need to adapt their hours of operation with their customers' presence and quick access to them at appropriate times after they finish their day-to-day business.

3. When the option of rapid liquidity of savings is available, where the speed of access to deposits is very important, especially for poor families to respond to emergencies and seize the opportunities that appear suddenly.

4. Provide the necessary flexibility, which means the irregularity and unpredictability of the cash flow of poor families. Flexible financial services are critical for poor people. While flexible and disciplined filing products are best for generating savings in preparation for unexpected events, flexible and rapid withdrawal and borrowing opportunities are essential to respond to unforeseen crises and needs facing the poor. For this reason, emergency loans or fast-moving general-purpose loans are hugely popular among microfinance clients around the world.

5. Lower transaction costs, for example, when opening a savings account and when liquidating it, where the time spent by depositors can move to the financial institution and wait in class and complete the required documents and documents at high costs so that the rate of return may seem positive to Which would inevitably lead small savers to resort to other irregular savings.

6. Achieving an expected profit margin. Although there is evidence that rural people are saving their savings in informal sector institutions even if they have real low rates of return, the demand for savings by savers, including the poor, in many countries has increased as margins increase.

7. In order for MFIs to be able to attract savings they have to change some of the concepts that are traditionally used to deal with poor people. The concept of simplicity and ease of dealing with this category is at the forefront of these misconceptions. Poor people deserve to receive and provide microfinance services In places that are clean and easy to access rather than apartments and isolated areas in slums, so the presence of a logo, mark and accessible sites encourages small depositors to deposit their money in MFIs.

8. To ensure that liquidity is effectively managed in MFI programs and institutions, these institutions must have sufficient asset and liability management skills to mobilize savings to cover the liquidity deficit where customer savings must be invested in assets commensurate with their maturity and pricing structure. For example, if a loan portfolio is to be financed using the savings of the poor, short-term savings accounts should not finance long-term loans and the institution should be able to anticipate and deal with possible consequences of external shocks.

4. Challenges facing MFIs in mobilizing savings and Success Factors

A: Challenges

MFIs face many challenges in mobilizing savings, especially from the poor. Some of these challenges can be summarized as follows:

1. Adverse conditions in the macroeconomic environment and the financial sector. MFIs, even the most efficient ones, find it difficult to attract savings from poor clients when political turmoil and high inflation occur. When the future seems unknown, the public prefers nonfinancial assets as hedges against instability.

2. MFIs are also looking at mobilizing savings as a losing risk in the face of widespread government intervention through subsidized credit and restrictions on profit margins.

3. Absence of a regulatory framework tailored to the distinctive characteristics of MFIs. In the absence of a hedge fund for the microfinance sector, most MFIs may have to switch to formal financial institutions. However, in order for MFIs to become institutionalized, they must meet a high minimum capital requirement, as well as many of the requirements for documentation and guarantees required for disbursement of loans that most MFIs are unable to meet. Moreover, these legal requirements are not adjusted to match the specific frameworks

[3] www.wsbi.org/7/11/2010

faced by MFIs alone, such as high loan turnover due to short maturities or the use of collateral alternatives.

4. More sophisticated management capabilities. While some microfinance institutions have experience in customer selection and loan repayment monitoring to reduce defaults, the requirements for managing deposit frameworks in deposit-accepting institutions are stricter and more complex in order to protect poor depositors. Deposit-taking MFIs need to train their employees and challenge them to meet the challenge of matching assets and liabilities and aligning the various benefits and sizes of small savings and credit accounts in order to manage liquidity properly. The profit margin should also be carefully managed between savings mobilization costs and loan profits in order to ensure the sustainability of institutions.

B. Success factors for mobilizing small savings

1. Liberalization, economic reform and liberalization of the financial sector will, in most cases, lead to increased competition among microfinance institutions, leading to expansion of financial instruments such as savings, and the inclusion of new groups of clients, especially the poor. The support of the government without interfering in daily operations makes financial intermediation profitable. At the bank level, Abdullah Yusef Yacoub (2010) limited many general factors affecting the mobilization of savings in banks, namely economic, social, political factors non-bank competition and foreign transactions of States to mobilize savings in banks.

2. The type of institution, public administration system, public administration system, ownership, and reputation of the institution are crucial factors in attracting savings because they enhance or diminish depositors' confidence in the safety of their savings. Savings customers are assured to deposit their savings with well-known MFIs and are considered trustworthy.

3. In terms of organizational structure, as MFIs become close to their clients' locations, the number of small depositors who have access to savings facilities increases. The spread of many MFIs' branches and field units is strategically located where poor or working people and access to these sub-structures have the opportunity for enterprises to benefit from economies of scale.

4. Techniques and saving tools. Individual, voluntary and open savings accounts have proven to be the most successful in attracting savers.

5. Rapid access to deposits is also a factor in attracting poor families. Microfinance institutions are expected to provide at least one liquid savings facility with unlimited withdrawal times.

6. The simple design of savings tools goes to savers to determine the tool best suited to their needs, as well as the staff of the MFI to manage these tools. Savings services provided by MFIs must be remarkably easy to understand, making them one of the key factors in attracting large numbers of small savings accounts. Similarly, eye-catching brands can help savers better understand the design of each of the savings' tools, as well as distinguish between these tools and the tools of competing institutions. Market studies and the experience of new savings instruments are also very important.

7. The regulatory framework and internal control provide prudential regulation and effective supervision guidance for the application of sound financial management practices, thereby protecting the interests of depositors. Microfinance institutions must reform the regulatory frameworks of the financial sector. New regulations should be established for capitalization levels based on the level of asset risk, minimum standards for management capabilities and financial performance.

8. Experience has shown that microfinance institutions and programs do not represent a good market that encourages banks to target and finance their financial needs, even though these banks are characterized by liquidity in the world, especially the third world. The gap between the needs of microfinance institutions and programs and the funding requirements required by banks is compounded by these banks if they do not provide the time required for the sustainability of MFIs and recognized MFIs.

Conclusion & Recommendations

Mobilization of small savings is of great importance to MFIs, and the mobilization of savings is also of particular importance at the individual and macro-national levels. Small savings are also an important indicator of the sustainability and sustainability of MFIs in the future. In order for these small savings to become profitable and profitable, the design of savings products must respond to preferences of customers and accurate market research becomes necessary to evaluate these preferences, as well as to effectively test those products before they are put to market. The paper also points to the need to provide and offer a wide range of deposit services and easy access to those deposits to become more attractive to small savings.

The paper stated that the process of mobilizing and attracting small savings is more complex and difficult compared to the provision of credit services, which requires special care and attention in order to provide high management capabilities and efficiencies, in addition to providing sufficient technical know-how and possessing the appropriate skills to manage risks and liquidity. This requires MFIs to be able to interact and interact with the client / client, to break down social barriers and to build a bridge of trust and credibility as a key requirement for mobilizing and attracting small savings. In view of the high administrative cost of attracting small savings, it is necessary to create administrative systems to identify and control such savings, as well as to ensure a clear regulatory structure that helps to reduce the administrative cost of such small savings.

The paper suggested the following recommendations:

1.For any strategy to stimulate and attract small savings, it is necessary to create an adequate macroeconomic environment. In a state of political chaos, high inflation, uncertainty and future reading, small savers will retain their savings in the form of real assets and other forms of informal savings instead of being deposited into savings accounts.

2. The need for a supervisory and effective framework capable of providing appropriate protection and safety for small savings and providing incentives to attract such savings.

3. Given the clear contribution of regional and international donor institutions to the development of microfinance services since the last decade of the previous millennium, these donor institutions must provide the necessary assistance and assistance to develop savings services in general and small savings in particular.

4. The need for qualified human resources to create a clear and distinct relationship with microfinance clients, particularly with regard to issues of attracting small savings.

5. Attention to product development as one of the essential activities of MFIs that respond to market requirements, MFIs driven through the market and the demand factor must review their existing products and develop new products.

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