Practices and Challenges of Saving Mobilization: The Case of Specilized Financial & Promotional Institution

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Abstract

The objective of this study was to assess the practice & challenges of saving mobilization of Micro Finance Institutions in the case of Specialized Financial & promotional institution (SFPI). The lending activity of the micro finance institution is made possible by\mobilizing enough funds from their customers. The target population for the study include branch managers, operation supervisors and saving& credit officers those having two years and above experience & potential saving clients involved in deposit mobilization. Data collected through primary data such as questionnaire and secondary data from the annual reports of SFPI. The sampling method in the branches staff for the study used census method & the sampling size was 125 from all operational staffs while a multi staged stratified random sampling technique used to select a total of 160 active saving clients. Descriptive method was adopted for the study to analyze the data. The researcher used structured questionnaire for employees and customers of SFPI and reviewed five year annual report. The findings have shown that, SFPI has not conducted regular promotion, poor branch expansion trend, poor incentive system to staff and customers, provided of poor training to staff. Challenges that face microfinance institutions are Poor saving habits or cultures in the society, inflation & political instability & unstable economic conditions, unavailability of appropriate organizational structure, competition, Lack of management information system and loan default. The study, therefore, the researcher recommend that the management of the SFPI has to consider expanding of branches, conducting of regular promotion, to apply management information system, capacity building for frontline staff, and develop incentive system to staff & potential client to make more saving mobilization.

Keywords: MFI, saving mobilization, challenges of saving mobilization, Ethiopia

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1. INTRODUCTION

Mobilization of saving to meet the demands, the formal sector like banks, MFIs, cooperatives and postal savings has a limited capacity. Thus absence of formal savings services results largely dominated by widely accepted and practiced semi-formal and informal mechanisms such as *Iqub*, *Iddir*, buying livestock and jewelry and hiding cash at home practiced in Ethiopia in that regard, informal savings prove the savings potential of the low-income people who use them and the unbalance demand for savings services (Moulick *et al.*, 2008). Savings mobilization can help MFIs to expand and deepen their outreach. A larger number of poor households may use savings services than credit services. In particular, poorest households may rely on savings before they have an effective demand for credit. Moreover, deposits from the public area less volatile source of funds than alternative sources, such as rediscount lines from the Central Bank or funds from donor agencies. This stable funding source can expand lending operations and, hence, also benefit poor borrowers.

Mobilizing small and micro-savings can contribute to self-sustainability by providing the MFI with cheaper funds than those from the interbank market. However, there may be a trade-off between the lower financial costs and relatively high costs of mobilizing and administering small deposits. Attracting depositors may in still a stronger demand orientation and economy to MFIs' operations and increase public confidence. As savers become important stakeholders in deposit-taking institutions, the latter are forced to improve their product variety and efficiency of services. Moreover, effective prudential regulation and supervision can increase the public's confidence in an MFI's financial operations. Local saving mobilization in MFIs industry has not supported by systems applying of different strategies, staff capacity, management information system, etc. In many cases, there are some strategy or policy documents, and list of products and services, perhaps copied or adopted from other country or MFI experience, which are never supported by serious market research to reflect local reality. It is not as good as, such strategies, policies, products and services are poorly communicated to staff, particularly those at branches, who are supposed to market them to real client.

Staff training on MFI is rare in general, too less on saving mobilization. Often, the staff incentive scheme, if there is one at all, is based toward credit, or at least do not fully reflect the challenges on saving mobilization from the poor. As a result, most microfinance programs fail to establish trust among the public as a trustworthy custodian of financial resources, and this challenge continue to be felt even in countries like Ethiopia where the regulation (relatively unique in the industry) allows MFIs to mobilize ‘public saving’ from day one of securing the license.

The proclamation, which offers for the establishment of MFIs, was issued in July 1996. Since then, various microfinance institutions have legally been registered and started delivering microfinance services (Wolday, 2000). In particular, the Licensing and Supervision of MFI Proclamation of the government encouraged the spread of Microfinance Institutions (MFIs) in both rural and urban areas as it authorized them among other things, to legally accept deposits from the general public (hence diversify sources of funds), to draw and accept drafts, and to manage funds for the micro financing business (Getaneh, 2005). The current government development strategy, GTP II (2015/16–2019/20) emphasize local saving mobilization to finance development. During GDP I, the share of gross domestic saving in GDP increased from 9.5 percent in 2009/10 to 21.8 percent in 2014/15 due to measures including:-awareness creation and community mobilization activities, expanding financial institutions and services, raising the minimum deposit rate, strengthening existing and introducing new saving mobilization instruments such as saving for housing program, Renaissance Dam Bond, introducing private social security schemes, strengthening government employees social security scheme, which were accompanied by rapid economic growth and structural economic transformation (FDRE, 2016).

1.2. Research Problem

Due to poor financial system practiced in the MFI to attract potential customers and providing quality services there is a gap has been seen in the Ethiopian MFI, even if the local population has substantial demand for saving products. According to CGAP (1998), Savings plays, not only crucial role in financing productive activities but also promotes microenterprises. Furthermore, evidence shows that the accumulation of savings help to create a domestic capital base that makes economies less dependent on foreign capital and more resistant to capital market fluctuations (CGAP, 2006). Micro Finance Institutions loan services have been financing from Bank loan, grants, etc., when in the absence of that fund, they cannot expand the loan operations. Thus, deposit mobilization from the communities give less attention as a potential source of fund to finance their loan portfolio. Most micro credit service delivered through NGOs affiliated and government initiated projects in Ethiopia did not consider savings as one of most important product both to the client and institution. Therefore deposit mobilization from the public, the industry still offers a narrow saving product range, its performance is unsatisfactory and it is far behind in mobilizing deposit as a tool in deepening its client base. However, the MFI provide voluntary saving on a commercially sustainable basis there are clear remaining gaps in terms, institutional culture, product design, marketing segment & strategy, and delivery system, outreach as well as capacity building in savings promotion. MFIs must address these gaps in order to increase saving mobilization and generate the liquidity need to satisfy demand for credit with minimum cost.

Few studies have been done on assessment of the practices & challenges of saving mobilization in Micro financial institutions and the few which are accessible have been conducted in other countries. Some of the studies used descriptive statistics to analyze the decision to save in the financial institutions (Wolday, 2000; Wolday & Teklay, 2014; Woldemichael, 2010; Amimo *et al.*, 2003; Chandararot & Dannet, 2007; Noula, 2002). Those researches had been under taken in this area, while those researchers have been unable to consider the deposit mobilization practice together with its challenges in the MFIs in Ethiopia. Saving mobilization practice and challenges has a great influence on outreach & performance of loan operation of the micro finance industry. Therefore, the motives of researcher is to conduct the study focused on the saving mobilization practice and challenges that hinder the performance of saving mobilization in specialized financial and promotional institution .Hence this study attempts to identify key variables of savings mobilization practice &challenges amongst the un-bankable customers. More specifically, the study

- ✓ Assess saving mobilization practices of Specialized Financial & promotional institution(SFPI)
- ✓ Evaluate the current deposit mobilization performance of SFPI
- ✓ Identify the major challenges of mobilizing of voluntary saving in SFPI.

2. LITERATURE REVIEW

2.1. Concepts of Saving Mobilization

Saving mobilization is defined by Elser *et al.* (1999) as the process of encouraging customers to save cash with the Bank or attracting new clients to financial institutions to open accounts. Savings fundamentally, is about choosing between current and future consumption (Ashraf *et al.* 2003). Savings theories traditionally predict that current consumption is related not to current income, but to a longer - term estimates of income. From an institutional perception, primary motive for saving mobilization lies in lower cost of capital compared to other sources of fund. Savings are fundamental to sustainable economic development. It is the most frequent sources of funding for microenterprise start up and expansion. Despite the importance of savings, the majority of micro-saver continues to lack access to safe and sound institutions where they can deposit their savings.

According to Adams (1978) the main column favored by the supporters of the opposing view on local saving mobilization and the low income people as savers is poor capacity to save, low interest rate on small deposits, charge of mobilizing small deposits, and lack of attractive saving product for the poor. According to CGAP (1998) institutional governance, ownership and good will of the MFIs are major causes for victorious saving mobilization. MFIs must make sure that they have the organizational structures that agree to them to mobilize deposit legally. Institutional capacity requires that adequate governance, management, staff and operational structures are in place to provide savings services (Ledgerwood, 1999). Deposit is a source of relatively low-priced funds for the cause that it normally attracts low interest rates compare to commercial loans. Deposit affects outreach as a financial operation as MFI not offering savings services may achieve lower outreach than MFIs offering savings operation.

2.2. What are the Attributes Poor Savers Value Most?

Understanding common attributes of deposit services valued by poor clients help MFI in designing an appropriate product. Scholars have identified basic saving attributes poor savers value most; these are access, security, liquidity and return. In some cases, minimum balance is preferred among poor clients. Adams (1978) argued the reward paid on savings as the key element of saving mobilization program. In addition, he noted that convenience, liquidity, and security of the savings as a strong complement for the return on savings. Also he suggested that wherever it is legal a lottery scheme should be attached to a saving scheme to boost the interest of pro poor savers. Access comprises of physical proximity of the service point, prompt service at sight and the time taken to complete the transaction. On the other hand, the security of poor people deposit is relative. Deposits are secured in formal financial institutions than in informal ones. "Savers most deposits are secured in formal financial institutions than in informal ones. "Savers most frequently report that the key feature they seek is safety for their savings. They want to feel confident that their deposits will be available when they need them" (CGAP, 2002) confidence in security of the savings and customer care of institution staffs are of crucial importance.

1. **Saving products**

Generally, an institution providing deposit services does not need a large number of products. "A savings account permitting unlimited transactions, a time deposit account (which includes options for relatively short maturities), potentially a contractual savings account to support education, retirement, housing, or upcoming ceremonies, and, if necessary, one or two other deposit products are sufficient (Ledgerwood *et al.,* 2013). They must be carefully designed through a balance of product features, security, convenience, and price to allow them to be used in different combinations for different purposes by all types of savers-poor and non-poor, individuals and institutions.

2. Compulsory Savings

Compulsory saving is among the requirement or preconditions for receiving credit in financial institutions. MFI clients are supposed to deposit certain amount of weekly or biweekly or monthly in order to attain certain Percent before being disbursed a loan. Clients are not allowed to withdrawal partial or full amount of their savings until are loaning free or decide to leave the organization (Robinson, 2001; CGAP, 2005). On the other hand compulsory saving is used as loan insurance or cash collateral for loans and a part of the loan is secured by the savings. This restriction has forced the MFI clients to save some amount of money that would not have been possible to save by them. There are critics about compulsory saving since clients have no easy access to their savings. Others argue that compulsory savings should not be called a 'service' because it is a down payment on loan and it does not respond to accumulation and precautionary savings motives, these two factors affect the decision to save (Zeller and Sharma, 2000).

3. Voluntary Savings

Otero and Rhyne, (1994) pointed out that "there is considerable evidence that the poor people greatly value voluntary savings services, where they can save unrestricted and often very small amounts at convenient interval, and which they can access rapidly". More over a study validates that voluntary savings services attract a large number of depositors and a higher savings amount than compulsory savings since the voluntary savings facilities is not limited to those who save only as a prerequisite for access a loan.

2.3 Challenges of Saving Mobilization for MFI

2.3.1 External Environment for Successful Saving Mobilization

There are certain external factors that are beyond the control of the MFIs. For example, unstable macroeconomic and financial sector surroundings can shift pro poor savers away from formal financial institutions. According to Adams (1978) it is necessary to institute appropriate legal changes so that the pro poor institution can mobilize local deposit from the public. According to CGAP (1998) study, the performance of saving mobilization among MFIs affected by existence of political turmoil, high inflation rate, extensive government interventions through interest rate controls and subsidized credit ."To mobilize deposit effectively, an MFI needs to be operating in a country in which the financial sector has been liberalized". CGAP (1998) emphasis to accessibility of tailored prudential regulatory and supervisory framework for MFI avoids complexity related to minimum capital, liquidity, loan collateral, and other risk exposure requirements of the conventional banking regulations.

Lidgerwood (1998) categorize a set of external environmental precondition that should be me before operating in deposit mobilization. Some of them are licensing, reserve requirements, and availability of deposit insurance. To accept deposits mobilization license, microfinance institution must have the financial strength and institutional capacity. However, determining the capacity of MFIs is the responsibility of the licensing body. However, it is not a surefire against MFIs failure. Setting aside a certain percentage of deposit either in liquid form or at the central bank is also recommended to boost the public confidence as well as last resort in case of bankruptcy. On the other hand, deposit insurance scheme is an after the incident benefit to the depositors in case of default of the institutions. Such schemes do not guarantee the full safety of the depositors. Usually deposit insurance is backed up by government with a nominal value for depositors in case of failure of the deposit taking institution.

2.3.2 Internal Environment for Successful Saving Mobilization

According to CGAP (1998) institutional governance, ownership and reputation of the microfinance institutions is key factors for successful deposit mobilization. Prior to offering voluntary deposit services, MFIs must ensure that they have the institutional structures that allow them to mobilize savings legally. Organizational structure of the deposit taking microfinance institution is also critical. That means the closer the MFI gets to its clients, the larger the number of depositors with access to the facilities. Proximity to pro poor clients and depositors drastically reduces the transaction cost of the institution. It also ensures building the trust and confidence. “Institutional capacity requires that adequate governance, management, staff and operational structures are in place to provide savings services” (CGAP, 1998).

2.3.3. Challenges of Saving Mobilization from the Client Side

Security of savings, confidence and trust in the repository of the savings, liquidity of the savings option, transaction costs and interest rate are the challenges that influence the household's decision to hold a savings. Quick access to deposits is especially crucial for poor households for emergencies and investment opportunities that emerge suddenly. The transaction costs, the cost of making a deposit and of liquidating it. Time spent traveling to the financial institution, waiting in line, and on paperwork can represent such high costs that a seemingly positive real rate of return becomes negative and small savers have rather turn to informal means of savings. The physical proximity of the savings institution facility determines the cost and time required for the saver to go to the deposit facility. For many vendors, time away from their business has a high opportunity cost. In Kenya, Kibet *et al.* (2009) found that higher transport cost to saving institution had a negative impact on the saving habits of teachers in rural areas.

The real interest rate, Although there is evidence that rural savings takes place even under negative real returns offered by the informal sector, evidence from different countries has shown that the demand for savings products by all savers, including the poor, increases as interest rates increase. Information obtaining, particularly general information about financial institutions and their products and services, was found to be associated with owning a bank account among household in Sub Saharan Africa .Some individuals, those who are more educated and more comfortable with financial matters might seek out this type of information, but many have not obtain information unless it is delivered to them in an accessible format. In Uganda, researcher found that the likelihood of owning a saving account increased by roughly thirty three times when a household becomes well informed about a particular Bank andits services (Kiiza and Pederson, 2001)

2.5 Empirical Literature

Saving is the cheapest funding source and one that is easier to obtain than other forms of funds. Deposit services are important for clients, financial institutions, and local economies. For clients, it provides relatively secure deposit services that meet the demand of large numbers of poor people on an ongoing basis. For financial institutions, deposit-taking can be the key to financial sustainability. This can be possible through providing a stable means to finance a growing loan portfolio to release MFIs from external dependence and subsequently improve the sustainability of the institution. Deposits may also fuel local development by increasing the resources available for productive investment. Rural Savings and Credit Cooperatives are basically savings-led MFIs. Savings mobilization can help MFIs expand and deepen their outreach. It is a stable source of fund. This stable funding source can expand lending operations and therefore benefit borrowers. It can contribute to self-sustainability by providing the MFI with cheaper funds than those from the interbank market. Deposit collection allows MFIs to provide much needed service to more poor clients and lowers the costs of capital.

2.4. Arguments for Voluntary Savings Mobilization

The most important arguments forwarded by development economists like Fernando (1991), Meyer (1989), and Vogel (1984) for emphasizing savings mobilization include:-. Saving mobilization can lead to a more equitable distribution of income by giving the poor access to financial assets with higher returns than those from tangible assets. For these purpose positive real rates of interest and low transaction costs are needed. This will also improve resource allocation, since, a considerable amount of money saved under informal arrangements are either kept idle or spent on low return investments. Savings mobilization enables financial institutions to improve their financial viability and overall performance. Repayment performance may be superior on loans made through mobilized funds for borrowers are more likely to repay promptly when they know that resources come from neighbors rather than from some distant governmental agency or international donor. It also creates customer loyalty and resources for loans. Deposit mobilization therefore contributes to the stabilization of rural financial markets' liquidity and solvency, and reduces their dependency on governments and donors fund

(Schrieder & Heidhues, l991). According to Kazi (2012), in banking sector, deposit mobilization is a scheme intended to encourage customers to deposit more cash with the bank and this money in turn will be used by the bank to disburse more loans and generate additional revenue for them. The main business for banks is accepting deposits and granting loans. The more the loans the banks disburse the more profit they make. Also, banks do not have a lot of their own money to give as loans. They depend on customer deposits to generate funds for granting loans to other customers. Woldemichael (2010) study shed a light on the main challenges and opportunities of the Ethiopian Savings and Credit Cooperative Societies industry with respect to deposit mobilization performance. The study analyzed the effect of ownership structure, source of fund structure and regulatory environment on deposit mobilization performance of the industry. The study findings revealed that due to lack of saving mobilization the industry is highly dependent on cheap and subsidized source of funds from both international NGOs and national Government; which put the long term sustainability of the institutions in question. Moreover, lack of strong management information system and liquidity management opportunities worsens the situation.

3. RESEARCH METHODOLOGY

3.1. Research Approach and Design

To generate necessary information and come up with more progressive and comprehensive data, the researcher used both qualitative and quantitative approaches. The researcher adopted descriptive method to obtain data useful in evaluating present practices and providing a basis for decision making. The theoretical population of the study consists of all the operational employees of specialized financial & promotional institution and all the active saving clients registered in 18 branches of SFPI. The researcher drew proportionate samples for savers and performed census for staff to collect the required data from staff & saving clients. Thus for effective coverage, time management and lower cost, only selected samples among active saving clients were covered. The total number of active saving clients recorded in 18 branches of the institution was 15,152 as of June 2018. By considering factors like, cost, time, accuracy of data and its management, out of those branches the researcher selected six representative branches based on convenience in which a total of 4032 active saving clients registered. Those branches are Akaki, Holeta, Kirkos, Merkato, sendafa and Shola that registered 1317,507,789,377,460 and 582 active saving clients respectively. Those branches selected based on their performance, seniority, trends on saving mobilization & area allocation from rural & urban. Each of the selected branches can represent the remaining branches, since all branches perform similar activities regarding of saving operations.

3.2. Sample Size and Sampling Procedure

The sampling size of the branches staff is 125, by census method the sample size consists of all saving & credit officers, branch managers, operation supervisors working in the SFPI. There are in total of 102 saving & credit officers, 18 Branch managers & 5 Operation supervisors in the described branches of SFPI. The reason of selection of those staff is they had directly participated in the saving operations and they had matured experience in the management of credit & saving operations in the MFI. While a multi staged stratified random sampling technique used to select a total of 160 active saving clients. Therefore, from the selected branches, 160 sample saving clients selected by using stratified random sampling strategy. For this study in clients side the researcher used Cochran sample size determination, the sample size determination formula was specified in the equation below:

$$no = \frac{Z^2\text{pq}}{e^2}$$

Where no= sample size, Z^2 is the abscissa of the normal curve that cuts off an area α at the tails (1 - α equals the desired confidence level, e.g., 93%), e= level of precision, P is the estimated proportion of an attribute that is present in the population, and q is 1-p.Thus

$$no = \frac{1.81^2 * 0.5 * 0.5}{0.07^2}$$

=167

$$n = \text{no}/(1 + (\text{n0} - 1)/\text{N})$$

Where n is the sample size and N is the population size

$$n = 167/(1 + (166)/4032)$$

= 160

As seen above, by using Cochran's formula of calculating sample size with an error 7% and with a confidence coefficient of 93%, the calculation from a population of 4032 resulted into 160 persons from all savers. A total of 160 saving clients were required to constitute the sample size. The branches were further stratified in to six based on the number of branches in the institution. The described sample size, 160, was proportionately distributed into these six strata's to guarantee appropriate and equal representation. Within those branches the questionnaires were distributed at the researcher's convenience to all available and willingness saving clients.

3.3 Data Sources and Data Collection Method

The data for this study was collected from primary and secondary data sources. Here the primary data collected from the respondents using structured questionnaire gathered using questionnaire. Questionnaires are designed to collect information from the operation staff & savers of the institution by taking sample savers of the branches offices .The data was analyzed and interpreted using different techniques. And also a detailed description of the analysis and interpretation of data was outlined. All statistics were calculated using the Statistical Package for Social Sciences (SPSS).While the secondary source of data was collected from annual operational reports of the institution from June 2014 to June 2018 which is unpublished and published sources like journals, articles & proceedings.

4. RESULTS AND DISCUSSION

4.1. Characteristics of Respondents

Results presented that the majority of the respondents have experience of between 2 to18 years. According to the finding, the least work experience is two years while employees less than two years experience have not included in the study. 81.6% of the respondent's service year is four years and above, which shown that the majority of the respondents were well experienced. The composition of work experience of the representative samples may have a positive effect on the quality of the finding of the study as it incorporates the views of each group. This gave the researcher confidence that the respondents were experienced enough such that their views and opinions based on the questionnaire will not be out of experience.

The study findings revealed that out of the total respondents of staff, 18(14.4%) are currently holding the position of branch manager, while the remaining 102(81.6%) and 5(4%) are saving & credit officers and operation supervisors respectively. All participants have direct experience on deposit mobilization; the researcher enabled to get all required data from the participant. Concerning the question of educational level, respondents provided with options to choose from Diploma, First Degree & Second Degree and above. As presented in the findings, all of the respondents have diploma and first degree. The results shown that the total number of respondents, 30(24%) are currently holding diploma, while the remaining 95(76%) are 1st degree holders. However, the first degree holder's respondents have a big share compared to diploma holders. Faith (2014) noted that academic qualification has a positive relationship with employee performance. This gave the researcher confidence that the respondents were qualified enough to offered constructive opinions based on the questionnaire.

4.2 Trends of Voluntary Saving in SFPI

As indicated table 1 below, the trends of growth of voluntary saving of Specialized Financial & Promotional Institution from 2014 to 2018 that increased at increasing rate. The growth of voluntary saving balance of SFPI reflected the effect of concerted efforts of saving mobilization that shown on the five years analysis. As of end of June 2018, the ratio of voluntary saving to loan outstanding ratio of SFPI was 22% which is too small and thus the loan was covered by very small voluntary savings balance (the institution financial report from June 2014- 2018).

Table 1: Voluntary Saving Performance of SFPI

Year	Growth of Voluntary saving (mill.)	Percentage Change	Saving to loan ratio
2014	10.84	-	8.6%
2015	17.11	58%	8.81%
2016	.48	96%	19.61%
2017	44.33	32.4%	21.2%
2018	56.11	27%	22%

Source: Author's analysis based on SFPI Financial Report (2014-2018)

The percentage share of voluntary savers of SFPI on the products of ordinary, box& child saving types covered 80%, 13% & 5.7% respectively while fixed time deposit saver are insignificant in numbers. Whereas, the largest portion of voluntary saving balance is ordinary saving that covered 77% , box saving 16%, time deposit 6% and child saving 1% mobilized (the institution financial report, June 2018).

4.3 Practice of SFPI in Saving Mobilization

1) Saving Mobilization based on Staff Perspective

As shown in the table 3, the study sought to determine whether the saving policy of SFPI is favoring or not to customers to increase deposits. The findings shown that, 80.8% agreed & 6.4% strongly agree that the saving policy of the SFPI is favoring to savers to increase deposits with institution while 10.4% disagree & 2.4% neutral. From the results, majority of the respondents agreed that the saving policy of SFPI is favoring customers to make deposits. According to the finding shown that, 69 (55.2%) disagreed, 4 (3.2%) strongly disagreed while 45 (36%) agreed & 7(5.6%) respondent were neutral on the regular promotion to mobilizing deposits. This indicates that the majority of the respondents disagreed on the regular promotion to mobilize saving.

The study sought to determine the attractiveness of the current SFPI's interest rate applied to mobilize more deposits. Asked to judge how attractive the current interest rate to the MFI deposits, 80% believed that this attraction is Agreed & 6.4% & strongly agreed while 11.2% did not recognize this attraction & 2.4% respondents are neutral. This argued that the current interest rate on saving mobilization is competitive and impact on the MFI deposits. The findings shown that, from all respondents majority of the respondents which are 74 (59.2%) agreed that SFPI offered different saving products to its customers. 36 (28.8%) of the respondents disagreed that the MFI offers different saving products to its customers, the remaining 15 (12%) remained neutral about the availability of different product. The survey result indicates that saving products that meet customers ‘choice approached to neutral.

Regarding of branch expansion, the findings shown that 87 (69.6%), 37 (29.6%) and 1(0.8%) of the respondents disagree, strongly disagree & neutral respectively, that the MFI is not aggressively increasing its branches. During the period ended June 30, 2018, SFPI opened one new branch in that budget year and the total number of branches & sub branches are 18 & 10 respectively. Of these branches, four are found in Addis Ababa while the remaining 14 branches & all sub branches are outlying ones. This indicates that SFPI wasn’t increased its branches aggressively to attract new savers and to satisfy the existing customer compared to its establishment year (SFPI, 2018).

Respondents were asked to determine the usage of minimum saving amount to open an account. The findings that shown in the table 3, 77(61.6%) and 47(37.6%) of the respondents agreed & strongly agreed respectively in that of minimum saving amount to open an account is one of the saving mobilization strategy used in the SFPI. According to the item of borrower clients are more targeted to mobilize voluntary savings than non-borrower clients, the findings shown that 65(52%) of Agree, 26(20.8%) strongly Agree while 32(25.6%) disagree & 2(1.6%) neutral that of borrower clients are more targeted to mobilize voluntary savings than Non-borrower clients. The survey result indicates that most of the MFI focused on borrower clients than non-borrower clients to mobilize voluntary savings. In other way, the involvement of Non-borrower clients in voluntary saving mobilization is less. Most staff at operation has, for long, been dealing only with micro-credit clients, who normally face shortage of liquidity to run their business and actually most of the promotion for 'voluntary' saving have been conducted to these same people who, fortunately to the staff, regularly weekly or monthly come to MFI office to do transactions on loan (Zegeye *et al.*, 2012).

Concerning of saving mobilization is a cheap source of fund for micro finance institutions, the respondents replied that 64(51.2%) strongly Agree and 61(48.8%) Agree about saving mobilization is a cheap source of fund for micro finance institutions. From the data result the significant number of respondents from the total population strongly agreed that saving mobilization is a cheap source of fund for microfinance institutions. Concerning of marketing materials used to promotion of saving, the findings indicates, 70(56%) disagree, 54(43.2) agree while 1(0.8%) neutral from the total population of the respondents. The result indicates that marketing materials had not used by SFPI to promotion of saving.

According to the item of incentive to staff for saving mobilization, the respondents presented in table 3 shown that, 92 (73.6%) & 32 (25.6%) strongly disagree &disagree respectively, this implies that SFPI had not offered incentive to staff for saving mobilization purpose. Staff incentives need to give adequate wait to saving. Indeed, saving products are harder to "sell" given the local context. It is not an easy task, it takes effort and commitment, and results are only achieved in the medium to long term. In the providing of training on saving mobilization to employees, from the result presented, only 4(3.2%) of the respondents agreed on that of SFPI provide training on saving mobilization to its employees; 7 (5.6%) of the respondents were neutral while 92(73.6%) of the respondents disagreed and 22 (17.6%) of the respondents strongly disagreed.

Table 2: Staff Perspective on the Practices of SFPI's Saving Mobilization

Items	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
The saving policy of SFPI is favoring customers to increase more deposit	0 0	13 10.4%	3 2.4%	101 80.3%	8 6.4%
Saving promotion has conducted regularly by the SFPI to attract potential clients	4 3.2%	69 55.2%	7 5.6%	45 36%	0 0
SFPI used different interest rate to attract depositors	0 0	33 55%	2 3.3%	25 41.7%	0 0
Saving products delivered by the SFPI meet the choice of clients	0 0	36 28.8%	15 12%	74 59.2%	0 0
SFPI is aggressively expanding its branch to increasing saving mobilization	37 29.6 %	87 69.6%	1 0.8%	0 0	0 0
Minimum saving amount to open an account is one of the saving mobilization strategy used in the SFPI.	0 0	0 0	1 0.8%	77 61.6%	47 37.6%
There is an incentive system to staff for saving mobilization strategies that applied by the MFI	32 25.6%	92 73.6%	1 0.8	0 0	0 0
There is an incentive system to high savers to attract potential clients applied by SFPI.	78 62.4%	45 36%	2 1.6%	0 0	0 0
Regular training is conducted by SFPI to increase awareness of saving mobilization to staff	22 17.6%	92 73.6%	7 5.6%	4 3.2%	0 0
Targets of MFIs to mobilize voluntary savings on borrowers than non-Borrower clients	0 0	32 25.6%	2 1.6%	65 52%	26 20.8%
Saving mobilization is a cheap source of loan able fund to MFI rather than other sources	0 0	0 0	0 0	61 48.8%	64 51.2%
Complete marketing materials with clear, simple and forceful message, is used by SFPI to increase to saving mobilization strategies	0 0	70 56%	1 0.8%	54 43.2%	0 0

Source: Author's survey result

According to the result, SFPI has not provided saving mobilization training regularly to its employees. Training increases the knowledge and confidence of employees about the MFI service, marketing, and customer service management. Building staff capacity on public saving mobilization strategy, policy, product development, especially front-line staff capacity is crucial. According to the item of incentive for depositors to attract potential savers, the findings shown that, from all respondents majority of the respondents which are 45 (36%) and 78 (62.4%) disagree and strongly disagree respectively, that SFPI has not provided incentive for depositors. The remaining 2 (1.6%) remained neutral about the availability of incentive for depositor. According to the respondents the MFI has not offered incentive to savers.

2) Client's Perspective on the Practices of SFPI's Saving Mobilization

The study sought to determine the different saving products mostly offered by SFPI favoring customers in mobilizing more deposits. The findings shown that, 128(80%) and 12(7.5%) of the respondents agreed & strongly agreed respectively whereas 20(12.5%) respondents disagree in that of SFPI offered different saving products which satisfy customers. According to the described information almost more than 87% of respondents agreed in the term of providing of different saving products to satisfy its customers. Respondents were asked concerning of service quality, branch convenient to deposit and saving collected from saver by saving & credit officers in working place of customers, the findings shown that 124(77.5%), 73(45.6%) &131(81.9%) agreed while 28(17.5%), 77(48.1) & 8(5%) of respondents in those described items were disagreed respectively. In addition to this 21 (13.1%) respondents replied strongly agreed that of SFPI staff collected saving from depositors on working place of customers. Regarding of saving interest rate on the customers perspective, the findings as shown in table 4, 84(52.5%) of the respondents Disagree, 70(43.8%) Agree and 6(3.8%) neutral.

Table 3: Client's Perspective on the Practices of SFPI's Saving Mobilization

Items	Scale	Freq.	Percentage
Different saving products offered by SFPI satisfy its customers	Disagree	20	12.5
	Agree	128	80
	Strongly agree	12	12.5
Customer service offered by SFPI is fast & qualified that satisfy its clients	Disagree	28	17.5
	Neutral	8	5
	Agree	124	77.5
The SFPI branch is convenient to customer to make deposit	Disagree	77	48.1
	Neutral	10	6.3
	Agree	73	45.6
SFPI staff collected saving from depositors working place	Disagree	8	5.0
	Agree	131	81.9
	Strongly agree	21	13.1
SFPI paid better interest to savers that satisfy its customer	Disagree	84	52.5
	Neutral	6	3.8
	Agree	70	43.8
SFPI has offered incentive for high depositors	Strongly Disagree	62	38.8
	Disagree	98	61.3
Choice of SFPI to depose	Proximity	114	45.6
	Good trust	21	8.4
	better interest rate	10	4.0
	to get loan access	9	3.6
	quality service	96	30.4
Types of saving products familiar to customer	Box	118	34.2
	Ordinary	156	40.2
	Child	96	24.7
	Fixed Time deposit	18	6.8
Preferred saving products	Box	62	38.8
	Ordinary	87	54.4
	Child saving	11	6.9

Source: Author's survey result

The majority of the respondents disagree on the current interest rate to attract customers to make deposits as means of gaining competitive rates.

Respondents were asked to determine the incentive offered to depositors by SFPI. According to the findings, 62(38.8%) strongly Disagree and 98(61.3%) disagree that of incentive offered to high depositors from SFPI. According to the result, saving products offered by SFPI adapted by customers and they encouraged door to door saving collection service type while, branch office convenient, better interest rate & incentive to attract potential savers respondents not much comforted.

Concerning of clients choice to save in SFPI, 45.6% on proximity, 38.4% on good service especially door to door saving collection service, 8.4% on good trust, better interest rate 4% & accessibility of loan to savers less attractive by respondents that is 3.6% .This implies that based on service nearer to customer, they prefer to save in MFI. According to saving products familiar to customer that shown in the result, 30.4% (118) box saving, 40.2%(156) ordinary saving, 24.7% (96) child saving product and 4.6%(18) fixed time deposit saving products familiar to customers that confirmed by respondents. The results shown that ordinary saving& box saving products are well known by clients while child & fixed time saving products need more promotion to familiar those products. According to preference of saving products by savers, the results shown that, 54.4% ordinary saving and 38.8% respondents confirmed box savings product preferred, while 6.9% of selected child saving. Asked the reasons why concerning in the preference of those saving products by customers, what are the reasons that attributed to preference of saving products to increase deposits in SFPI, the findings shown that,54.4% of respondents stated ordinary saving product which is easy to deposit& withdrawal ,38.8 % of the respondents stated the reasons of the saving box placed on their business area, 6.9 % stated that child saving preferred, to develop the saving trend to their children& they liked this product. The study sought to determine the types of saving service mostly offered by SFPI for saving mobilizing. The findings shown that, there is any saving service type offered by SFPI except deposit & withdrawal that all respondents confirmed.

4.4 Challenges of Saving Mobilization

Respondents were asked to determine poor saving habits, culture and poor awareness of the society are challenges for MFI to mobilize saving. According to the findings as shown in the table 5, 77(61.6%) of the respondents agree & 48(38.4%) strongly agree. The results shown that, the total population argued that poor saving habits&/cultures in the society are one of the challenges for saving mobilization. Respondents were asked concerning Inflation& political instability, the findings shown that 55.2% Agree and 44% strongly agree and the remaining (0.8%) neutral. As shown in the result, almost all of the total population agreed that Inflation, political instability& unstable economic conditions are challenges to mobilization of saving.

Regarding of competition the findings shown that, 78(62.4%) of the respondents Agree, 36(28.8%) strongly-Agree, while the remaining 6(4.8%) of the respondents replied neutral & 5(4%) respondents disagree about Competition among financial institutions are challenges of saving mobilization. The result shown, total population argued that competition is one of the challenges for savings mobilization. Concerning about poor infrastructure that challenges to saving mobilization, respondents were also asked and 85(68%) Agree and 28(22.4%) strongly agree, while 5(4%) neutral and 7(5.6%) disagree. The survey result in this item that the majority of respondents were replied unavailability of appropriate organizational structure for saving mobilization is one of the challenges for saving mobilization.

According to Seasonality of cash flow, the findings shown that, 88 (70.4%) agree & 32(25.6%) strongly agreed while 3(2.4%) neutral and 2(1.6%) disagree in the item of Seasonality of cash flow affect saving mobilization. The survey result shown that the total population agreed byseasonality of cash flow is one of the challenges of saving mobilization.The liquidity patterns of income and expenditure of clients and potential clients should be known at each mobilization area so that product designing or redesigning as well as marketing plans can be more appropriately set up as a major solutions. The study sought to determine the internal challenges faced by MFI in mobilizing of saving .The findings as shown regarding of branch office distances that far from customer, 67.2% of the respondents agree & 20% strongly agree. The survey result shown that of total population argued that branch office distances is one of the challenges for MFIs to saving mobilization. The physical distance between service provider and potential clients have less interest to get MFI saving services because they have incurred more cost to save small amounts of money at regular basis. Therefore proximity is one of the determinant factors that affect saving mobilization.

About 74% of the respondents agreed & 18% strongly agreed that lack of appropriate saving products that meet customer needs affected saving mobilization. While 3.2% respondent neutral and 4.8% respondents were disagreed. Product differentiation is one of saving mobilization methods by attracting new and retaining existing customers (Ariful, 2014). Product Development need to be supported by active market research, given the fact that branch staff, particularly frontline staff have the opportunity for frequently contacting clients and potential clients, they often have a rich information about potential feasible products in their operational areas.

Table 4: Challenges of Saving Mobilization in MFI

Items	Scale				
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Poor saving habits, and lack of awareness	0 0	0 0	0 0	77 61.6%	48 38.4%
Inflation, political instability& unstable economic conditions	0 0	0 0	1 0.8%	69 55.2%	55 44%
Competition among financial institutions	0 0	5 4%	6 4.8%	78 62.4%	36 28.8%
Poor infrastructure	0 0	7 5.6%	5 4%	85 68%	28 22.4%
Seasonality of cash flow	0 0	2 1.6%	3 2.4%	88 70.4	32 25.6%
Distance of SFPI branch office	0 0	13 10.4%	3 2.4%	84 67.2%	25 20%
Lack of appropriate saving products that meet customer needs	0 0	6 4.8%	4 3.2%	93 74.4%	22 17.6%
Lack of management information system (MIS)	0 0	0 0	0 0	61 48.8%	64 51.2%
Poor commitment & weak attention of front line staff& management of the MFI for saving mobilization	40 32%	70 56%	5 4%	10 8%	0 0
Internal fraud or Internal corruption and weak saving management practice	51 40.8%	59 47.2%	10 8%	5 4%	0 0
Loan defaults or non performing loan	0 0	0 0	1 0.8%	73 58.4%	51 40.8%

Source: Author’s survey result

Respondents were asked to determine lack of management information system (MIS) or technology that affect saving mobilization, the findings shown that 48.8% agree and 51.2% strongly agree. Then the total population argued that lack of management information system challenges for MFI to savings mobilization. Respondents were asked concerning of poor commitment & weak attention of front line staff & management of the MFI, the findingsshown that 56% disagree & 32 % strongly disagree, while the remaining 4% neutral & 8% agreed .As shown in the survey result, almost 88% of the total respondents disagreed, this implies that there is a good attention by front line staff& management of SFPI for saving mobilization.As shown in the result, concerning of internal fraud or corruption and weak saving management practice, 59(47.2%) of the respondents disagree, 51(40.8%) strongly disagree, whereas 10(8%) of the respondents replied neutral and 5(4%) agree about this issue. Internal corruption is, of course, a potential problem for the MFI and a risk for savers.

Effective management, a clear policy of delegating responsibility and holding managers and staff accountable for their decisions and actions, appropriate MIS, careful internal supervision and controls, and a promotion and incentive system designed to encourage employee loyalty to the MFI can all help to prevent internal fraud. In the last item, which is Loan defaults hinder saving mobilization, the findings shown that 58.4% of participants were replied agree and 40.8% of the respondents strongly agree. Then the survey result had shown that total population argued that loan defaults or non performing loan is one of the challenges of saving mobilization in MFI. Because most time defaulter clients leave the MFI & they took their whole saving balance. As noted, it is crucial for an MFI introducing voluntary savings products and services to maintain high loan portfolio quality. Before introducing public savings, transformed MFI must have effective procedures in place for loan collection; accurate, transparent accounting and reporting systems; and qualified, well-managed internal supervision and audit. The study sought to determine the challenges faced to customers to save more deposits in SFPI ,based on customer perspective ,the finding shown that the most challenge are Market fluctuation, Office distance, Withdrawal not allowed by other branches & low income ,this represents 41.9%, 15%, 21.3% & 21.9% respectively as the analyses of the respondents. Table 5 summarized the challenges of saving mobilization in MFI.

5. CONCLUSION AND RECOMMENDATION

This study sought to assess the practice & challenges of savings mobilization in the case of SFPI. Specifically, the study sought to find out the mobilization practices put in place in mobilizing savings, identifying challenges facing on the saving mobilization .Descriptive research method employed for the study and the sampling size of the branches staff is 125, by census method of all operational staffs while a multi staged stratified random sampling technique used to select a total of 160 active saving clients as sample size. The findings reflect the practical successes and challenges faced by the MFI.

From the findings of this study regarding of practice of saving mobilization, it can be concluded that SFPI has saving policy which is favoring customers to make deposits and the current interest rate is competitive. From this study, the minimum saving balance to open an account is one of the saving mobilization strategy used in the SFPI. To mobilize voluntary savings in sustainable basis, there are clear remaining gaps has been seen in this study in terms of governance, institutional culture, product design, incentives to potential savers & staff, outreach as well as poor training to frontline staff to build their capacity and confidence in voluntary savings promotion. In addition to this, branch location, distance from homestead to MFI, Lack of management information system, and loan defaults that faces microfinance institutions when mobilizing savings. Based on the findings depicted in the previous chapter, this study reserves that the MFI has offered different savings products mainly as ordinary savings, box saving accounts, child saving & time deposits and those products have different features.

In connection with the findings, the following recommendations are provided:

- To conduct regular promotion; The Institution has to design comprehensive promotion materials with clear, simple and compelling message, so front line staff can confidently adapt their marketing message to saving mobilization.
- To develop saving products; SFPI has meet its customers demand by evaluating the existing product and determine in which stage of its life cycle each product falls. It can use various sources of information to evaluate products, including client complaints, staff observations, market research, and competitive activities.
- To apply centralized management information system and online to be competitive including likes agent banking and mobile banking to address more potential clients.
- To provide training and capacity building for front line officer on marketing ability. This can also help to examine field officers over-all approach, attitudes and behaviour to the society. This raises the confidence and effectiveness of front-line staff.
- Incentivize staff: Indeed, saving products are harder to “sell” given the local context. It is not an easy task, it takes effort and commitment, and results are only achieved in the medium to long term and also

arrange & apply incentive program to potential savers need to give adequate wait to saving.

- The MFI has to maintain the healthiness of loan portfolio by strong follow up method. Voluntary saving is effectively promoted mostly to borrower clients, while loan defaults or non performing loan is one of the challenges of saving mobilization in MFI .Because most time defaulter clients leave the MFI & they took their total savings balance or offset to their unpaid loans.
- SFPI has to expand its branches in order to increase saving mobilization and it has give priority for branch opening .The study, therefore, stated that the management of SFPI should consider increasing the number of branches especially in rural area to address the un-bankable societies & to make more opportunity available to potential savers and also break distance barrier which tends to discourage savings.

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