

# Savings/credit

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# Why do the poor need large sums of cash?

- Life Cycle needs
  - ?
  - ?
- Shocks
  - ?
  - ?
- Investments
  - ?
  - ?

# How do they get them?

- Selling assets
- Mortgaging assets
- Savings
  - Saving up
  - Saving down
  - Saving through

# Saving up

- How does one save up if one is poor?
  - Formal sector
  - Informal sector
- Why do the poor not have access to formal savings?
- What are the disadvantages of informal savings?

# Saving down

- Borrow first and then pay down
- What is advantage of this relative to just saving?
- What are the disadvantages of this relative to saving?
- Why do the poor not have access to bank credit?
- Where do they get most of their credit?

# Saving through

- ROSCA
- Fixed order
- Random
- Bidding
- What is the advantage of a ROSCA over a money-lender?
- What are its disadvantages?
- What are the trade-offs between the three types of ROSCAs?

# Saving up and down

- Savings clubs, ASCAs
- How are they different from a ROSCA?
- What type of ROSCA are they closest to?
- What are the advantages of this model?
- What are the disadvantages?

# Microfinance

- Self-help groups, village banks, Grameen bank.
- A genuine intermediary for the poor: brings money from outside to them
- What are the advantages of this model?
- What are the disadvantages?

# How does microfinance work?

- Simplification
- Discipline
- Group lending
- Repeat lending

# Does it work?

- High repayment rates
- Fast growth
- Is that necessarily evidence of success?
- Risks...
- The promise...