

## MICRO-FINANCING PART IN NATIONAL SAVINGS

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### ABSTRACT

Microfinance is a banking service that provides unemployed or low-income individuals or groups who cannot access financial services in other ways in the country. Microfinance is effective in reducing poverty and empowering women and ultimately contributes to raising awareness of the country's sustainable development. The main purpose of microfinance is to provide financial services to low-income customers, including self-employed people. This paper reveals that microfinance is an important research area. Much research has been done on the impact of microfinance and its impact on national savings and second-hand data collected from different sources and documents. The analysis shows that national savings are gradually improved through micro-savings. The study revealed that microfinance must be evolved into an economic development approach aimed at benefiting low-income women and men. It should provide financial services to low-income customers, including self-employed people. Microfinance is a banking business for the poor. The microfinance program should become more effective in providing credit, savings and other financial services to low-income and poor people for use by small businesses and overall savings should be made on the national levels.

**Keywords:** Micro-financing, national saving, and micro-financing in national saving.

### INTRODUCTION

Much of the world is facing challenges due to the debt, a high number of borrowing, probably not sufficient saving by persons, companies, countries, as well as group of countries. Microfinance is still considered as a microcredit, like David Hulme determined in the past almost about sixteen years ago, as micro debt. The institutions associated with microfinance have no doubt successfully, along with some of the current exceptions completely profitably, increased the similar facility regarding indebted to a wide range of poorer people (Sherraden, 2017). Savings are however not considered as an extra option which we may or not incorporate within the credit. It is where we should have initially begun, not due to it was more advantageous or convenient or on the other hand cheaper strategy to increase the funds, but it was still regarded as the key service associated with finance, more specifically for poorer individuals. The *Bangladesh* Rural Advancement Committee (BRAC) as well as Bandhan "targeting the Ultra-poor (TUP), within Bangladesh as well as India are accomplishing and reaching as well as assisting poor individuals to transform into less poor. They carry out this through a wide number of services such as saving, but on the other hand, credit is not regarded as the part of the package (Grewal, 2017).

The British highest mortgage provider, Northern Rock a few years back uncovered that it was more advantageous to emphasize on lending as well as on indebteding its clients despite bothering along with gathering their savings too. The cost associated with transaction

regarding borrowing greatest sums with regards to international markets of money was however far lower.

Paying attention to the key of savings as well as that of microfinance should have begun regardless of the credits, is a struggle that has been combated and lost (Marshall et al, 2018)). Furthermore, the summit associated with microcredit and further related friends within the academic domain and in the “red carpet stars” from South Asian micro-credit NGOs assured the UN to possess a year of micro credit with all the charities related to western interfered in it and put the title “micro-credit” following every activity that might make an advantage for poor individuals, from water-holes up to solar lamps etc. Moreover, from the government and further from the citizen perspective, savings have always been a primacy.

Within the United States as well as Canada, organizations associated with microfinance aim to target population that is marginalized and possess less potential to reach mainstream bank financing. Around 8 percent of the Americans are known to be unbanked, such as approximately 9 million individuals are without any type of bank account or on the other hand formal financial services. A wide range of institutions is formulated in the form of non-profit organizations. In the US, microloans are described as the enhancement of credit such as for about 50,000 dollars. Within Canada, the Canadian revenue agency limits loan to about dollar 25,000 (Marshall et al, 2018). As all the institutions associated with microfinance aims at enhancing income as well as employment, within the developing countries, the empowerment associated with women, education improvement, and improvement of nutrition is the main objective of the microfinance institutions. Within Canada as well as the United States, their objectives regarding microfinance involve the graduation related to the recipients derived through the welfare programs as well as an enhancement within their credit rating. Furthermore, within the United States, microfinance has played a great role in developing jobs directly as well as indirectly (Pedrini et al, (2016).

In accordance with the report, every microfinance loan with the domain of domestic establishes 2.4 jobs. These business persons furnish payment that is, on average, approximately 25 percent higher as compared to the minimum payment. In addition, a loan with respect to small business usually permits owners of the small business to furnish their businesses their initial source regarding the income, along with 67 percent of the borrowers displaying an important progress within their income as a consequence of their participation in particular programs of the microloan. In addition, the following business owners are however responsible for advancing the situation of their housing, demonstrating 70 percent of the housing has progressed (Grewal, 2017). Eventually, a wide range of small business owners that make use of the social funding pose the potential to graduate with the help of government funding.

## **LITERATURE REVIEW**

### **Development of microfinance**

Mansuri (2010) explains the origin and development of microfinance. The poor who do not have access to official financial services have developed various informal, community-based financial regulations to meet their financial needs. In addition, more and more formal sectoral organizations have been established to meet the same needs over the past two decades. Microfinance refers to certified and official regulations that generally provide financial services to the poor. However, in the past four decades, only serious global efforts have allowed formalization of financial services to the poor.

### **Scope of Microfinance**

Durrani et. al. (2011) defined Microfinance, such as deposits, loans, payment services, remittances, provides a variety of financial services, such as low-income and low-income households and micro-enterprise insurance. Microfinance is a banking business for the poor. The microfinance program provides credit, savings, and other financial services to low-income and poor people for use by small businesses. Microfinance has evolved into an economic development approach aimed at benefiting low-income women and men. The term is used to provide financial services to low-income customers, including self-employed people. These statements indicate that microfinance is a financial service, but designed specifically for the poor to sustainably improve their lives.

Microfinance institutions in Latin America have taken some research on measures to eradicate poverty. A covariance analysis conducted by the microfinance institution Mibanc to check the loans of 305 microenterprises in Lima, Peru. The study investigated household debt changes that benefited from data at two points in 1997 and 1999 but did not receive microenterprise credit. On average, the borrower group appears to be about or slightly above the national poverty line, which is about 30% below the national poverty line. The poverty aspect of this work shows positive poverty reduction.

Yallapragada & Bhuiyan (2011), the CGAP Poverty Index is used daily to determine the activities of two microfinance institutions in Banco Solidario and Caja los Andes to establish social cohesion indices and regression models that link changes in income and poverty scores to project participation. Both institutions were found to be related to the recent increase in credit availability. However, changes in income are not measured by the size of the monetary value, but by a simple scoring system (1 income decline, 2 income constant, and 3 income increments).

### **Analysis of the Studies on Microfinance**

According to Riaz et. al. (2012) Grameen Bank or Bangladesh Rural Development Board (BRDB). The analysis emphasizes that Grameen Bank receives substantial subsidies from donors and governments and is therefore honored by funds and subsidized funds. Without subsidies, Grameen Bank may not survive. "There are many non-governmental organizations in the microfinance sector, mainly in such subsidies. In fact, many non-governmental organizations, especially the organizers of these non-governmental organizations, have come to the same industry to seek the economic benefits of such subsidies. Unconventionally, the NGO sector is still not economically sustainable and continues to be based on 55 various subsidies. Under these conditions, research is needed to clarify the different forms of poverty outcomes. If they continue to work from non-government benefiting from the organization's funding, they can go deep into poverty and effective costs, and it is necessary to show that they can do this when compared to other forms of poverty goals (Hulme, 2000).

Hassan, (2010) states that another recent international enthusiasm for microfinance has the potential to discourage some of the best practices, microfinance, and promotion of these initiatives that he believes can undermine a wider range of potentially more effective ways to reduce poverty. The impact of unsuccessful investment is small (Mosley & Hulme, 2006). However, Hulme and Mosley's seven-country study has a significant proportion of companies through MFI, for example, bancosol Bolivia supports and 10%-15% of 25% of companies funded by the Malawi Mud Fund's initial activities indicates unsuccessful. Income-generating projects, in which the return labor force is very low, are expected to over-utilize paid work at similar costs at the same time. Participants who are still observing 56 employers are more

willing to work for it, which is not always the case, it is not set to be the most micro-entrepreneur.

### **Studies against Microfinance**

Mansuri (2010) indicated in the study based on some South African programs, microfinance in practice has not yet reached the poorest; because some borrowers still need credit allocation in microfinance schemes; limited services. Empirical studies have shown that the main purpose of the microfinance movement in Bangladesh (and elsewhere) is to reduce poverty. Despite this, there is still considerable debate in the development economics world about the impact of microfinance on poverty. However, the effectiveness of microfinance as a true tool for poverty reduction does not depend on its short-term impact. Paying people can save them from poverty in a short time, but when they spend money, they will return to poverty (Shastri, 2009). Permanently reducing poverty in microfinance should have long-term effects. The aim is to promote the sustainable growth of family wealth creation capabilities.

As per Rao (2010), microfinance institutions believe that poverty cannot be cured. Nonetheless, microfinance institutions can create and provide a wide range of microfinance services to support the poor in their efforts to raise their opportunities and expectations for the family. He believes that effective microfinance has designed these institutions to help increase the likelihood that the poor will reach the goals they are trying to achieve.

Durrani et, al. (2011) did an interesting job in Kerala's domestic financial transactions, especially in Malabar. Over the years, he has found different local financial trading patterns in the community. This kind of transaction is the lifeline of the villagers. Kurikkalyanam or panam is one of the important indigenous models rooted in the villagers. Now only what could be seen is the will of this system has been all over again. However, it is not entirely clear in the past wreckage. It is still a consolation for these interest-bearing financial institutions. All modern financial institutions are generously expanding their scope of assistance. However, when such assistance is received, it will be completely controlled by these institutions, and repayment of the loan will be a lifelong process (Johnson, & Rogaly, 1997). If one cannot refund, his property will be confiscated and find a place to take refuge. The suicide of those who are in debt is not the right news. Therefore, an alternative is needed to save society from conflicts of interest.

The literature reveals that microfinance is an important expanding area of research. Much research has been done on the impact of microfinance and its part in the national saving and explains the origin and development of microfinance.

### **METHODOLOGY**

This part is an important part since it covers the strategy and the techniques used in conducting the research. The study was carried out on the basis of literature such as the whole information was gathered using a secondary source.

#### **Approach**

The approach used in this research is qualitative. This research is mostly related to a social constructive paradigm which generally focuses on socially constructed nature regarding reality.

**Data collection**

Despite being a unilinear research technique, the planning associated with research, selection and further the collection of the data before and after working on the study research possess plans and moreover took a step ahead more sporadically. The plan regarding the study such as the discussion of the micro financing in national saving was highly assumed. The data was collected using a secondary source including searching through various research articles for gathering the information.

**Search strategy**

Prior to start working on the research on this particular topic, a search was carried out using the topic known as micro financing part in national saving. The foremost priority was to initially focus on this key topic and then search for a wide range of information as well as paper.

**Key words**

Using key words is an important technique that can help in making the search easier. The key words used in conducting the research are micro financing as well as national saving. By employing these key words, a lot of paper was obtained and did not consume a lot of time to carry out the research study.

**Inclusion Criteria**

Throughout working on the study, analysis of the achieved information was highly necessary. The obtained data that needed to be incorporated into the study was based on the focus regarding the research paper. As according to the title within the methodology inclusion criteria, it is comprehended that the research study only possesses the key and relevant information that is needed for the study. Therefore, this was kept in mind and the research paper selected were from the years such as the paper starting from the year 2014 and onwards were considered and were only the focus of the whole study.

**Exclusion Criteria**

There is no doubt that the study was conducted as it was literature based. By keeping in mind these essentials, it hence became highly essential to search for those paper, journals, articles and relevant website that were proper and reliable. Further, the articles that were relevant and appropriate were considered in the study in order to complete and cover the whole topic. Understanding these important aspects, it became highly essential to search for those papers that were appropriate to include such as incorporating as well as excluding the achieved information through properly investigating them. The only strategy worked to incorporate highly authentic as well as reliable information was exclusion criteria, through which it was possible to eliminate unnecessary as well as irrelevant information that was not necessary to include. Therefore, exclusion and on the other hand inclusion criteria meet the need of the study. The paper aims to explore micro-financing part within national saving.

**RESULTS**

Prior to the conduct of analysis, firstly through using secondary sources, certain data was obtained and then included as well as excluded on the basis of their relevancy then analyzed according to the topic. In accordance with the collected data, micro-financing institutions are the one that helps out in coverage including Africa, America, as well as Asia. They all possess an extensive range of innovations in order to deal with a wide number of constraints. On the other hand, undeveloped countries still do not possess the potential to access the world of micro-finance. In contrary, Latin America, east as well as West Africa and Southeast Asia

achieve the highest range of international support and further is responsible for the highest numbers of the clients as well as volumes included within the microfinance. Microfinance institutions as a whole approximately around 54 million individuals, who have obtained 18 billion dollars in the forms of loans and further accumulated around 13 billion dollars in the savings (Fall, Akim, & Wassongma, 2018). In according to these figures, the objectives of the micro-summit in order to access around 100 million poor individuals by the year 2005 seemed to be accessible if a person were to predict that most related to the recent micro-financing institutions people were poor. Although, it seemed that MFI is considerably concentrated with regard to the size. Furthermore, in the context of stakeholders related to the Micro-credit summit desire to obtain their objectives. In addition, the growth of the individual between the highest micro finance institutions should be utmost essential (Sherraden, 2017).

It has been suggested that it is essential due to the small number of MFIs will not be able to cooperate quiet enough compared to the total number regardless if they, on the other hand, would double or as well as triple the number of clients. The study has also indicated that it is utmost important to support the context of change regarding the scale associated with however low but on the other hand effective MFI. Apart from this, approximately 32 within the context of technologies related to lending are accountable for the increased proportion of the volume related to the credit of the volume as well as saving transactions. On the other hand, a solidarity group possesses a working and highly active policy with respect to numbers as well as borrowers. The bank within the village as well as models associated with linkage under the supervision to the local voluntary staff, are involved in recording increased productivity associated with the staff and obtain better depth regarding outreach as compared to the related MFIs. Amazingly, there were considerably few MFI that are known to be urban-oriented, and further that did emphasize the urban areas tended to access urban as well as rural (Grewal, 2017).

In the context of regulation as well as legal status, approximately around 95 percent of the volume associated with transaction of microfinance undergo regulated institutions and however, 60 percent regarding the MFIs remains to be unregulated, they are only responsible for less than 2 percent regarding the volume associated with savings mobilized as well as loans disbursed. In accordance with the continents, Asia is responsible for the highest volume regarding the activity and further hire the increased individual of the staff. This permits for attentive monitoring as well as supervision. Furthermore, Africa is considered to be very active in the domain of microfinance. Certain efforts have been taking place in order to progress the productivity of the staff but on the other hand, the continent appears to still encounter the constraints associated with poverty as well as illiteracy. Both of which restrict the volume of the transaction. Furthermore, it seems that the sizes of the loan are relatively high when expressed in the form of percentage related to per capita GNP, and further enhancing the loan transaction size would damage the depth related to outreach (Schmidt et al, 2016).

## **CONCLUSIONS**

Most countries in the world face difficulties because they lack sufficient savings and borrow money, which may include individuals, companies, countries, and groups of countries. Microfinance is still seen as microcredit, just as David Hulme's small debts were determined about 16 years ago. In Canada and in the United States of America, microfinance-related organizations should target marginalized populations and are less likely to receive major bank financing. Since all institutions involved in microfinance aim to increase income and

employment in developing countries, empowering women, improving education and improving nutrition are the main objectives of microfinance institutions. In addition, more and more formal sectoral organizations should be established to meet the needs of the poor population. Microfinance must be evolved into an economic development approach aimed at benefiting low-income women and men. It should provide financial services to low-income customers, including self-employed people. Microfinance is a banking business for the poor. The microfinance program should become more effective in providing credit, savings and other financial services to low-income and poor people for use by small businesses and overall savings should be made on the national levels.

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