

“Savings in Microfinance Institutions: From mobilisation to financial sustainability. Case of the Ecuadorian COAC 4 de Octubre”

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Abstract

Savings mobilisation is important for the MFIs because savings constitute a financing source that has the advantages to be stable and relatively inexpensive. Moreover, financing activities by savings and not by external funds (subsidised or not) would allow MFIs to become financially (self -) sustainable (operating incomes covering financial and operational costs) and work in the long term.

This work aims to illustrate by the analysis of a concrete case how savings could help a MFI to become financially (self -) sustainable, by analysing their impact on the various elements used to calculate our indicator which is the financial self-sufficiency ($FSS = \frac{\text{Operational incomes}}{\text{Operational} + \text{Financial costs}}$), non adjusted to subsidies. Our work concerns the case of the Ecuadorian cooperative 4 de Octubre.

As expected, we noted that savings can generate an increase of the operational costs and a drop in the financial expenses. However, in the absence of a cost accounting allowing charging operational costs to savings, it is not possible to affirm with conviction that the positive impact of the savings on FSS (via the reduction of the financial costs) is higher than the negative that they have on the ratio (via the increase in the operational costs).

However, by comparing the evolutions of the various operational costs with that of savings, it seems that the positive impact is more important. That then allows us to suppose that savings played a positive role in the way of CU towards its financial sustainability, reached in 2005.