

MOBILIZATION OF PERSONAL SAVINGS AMONG MICROFINANCE-PARTICIPATING HOUSEHOLDS: A SURVEY IN WEST BENGAL, INDIA

by

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Abstract

This paper attempts to assess whether participation in a microfinance program helps households generate personal savings, as distinct from savings through compulsory contributions to the program. We consider a microfinance program initiated by the Government of India (the SGSY scheme), which is operated under a joint liability credit system that requires formation of Self-Help Groups (SHG). The empirical design relies on two samples of respondents: a “treatment group” of households participating in the microfinance program and a “control group” of non-participating households of similar characteristics. Using data collected at two points in time (April-July 2004 baseline and September-December 2009 endline), we show that although income increases more in treatment-group households, the increase in personal savings of the microfinance-participating households over the study period is less than for the non-participating households.

Keywords: microfinance, savings, policy evaluation, Self-Help Groups, SGSY