Microfinance and savings among the poor: evidence from Bangladesh microfinance sector

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Abstract Despite rapid financial development, the coverage of the formal banking sector and population holding deposit accounts in Bangladesh (35.7 %) is still below the global average (62 %). As a consequence, Micro Finance Institutions (MFIs) have started providing financial services to those large section of people who have little access to finance otherwise. This paper examines empirically the impact of MFIs on the savings of poor in Bangladesh using the data from Microcredit Regulatory Authority database. The sample comprises 719 MFIs with data over the period, 2007–2012. The results show that MFIs numbers and number of branches are positively associated with saving in the sector, which supports the institutional savings theory that posits that availability of financial institutions shapes saving behavior of people. Also, number of employees and number of borrowers.