

17 November 2011 | voaspecialenglish.com

Microsavings Could Mean Big Gains for the World's Poor

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This is the VOA Special English Economics Report.

When it comes to savings, no amount is too small. Microsaving is a growing part of the international movement of microfinance. The aim is to bring financial services to poor people.

Modern microfinance started with Nobel Prize-winning economist Muhammad Yunus in Bangladesh. In the nineteen seventies, he started small loan programs that would become the Grameen Bank. Currently, microcredit providers are in over one hundred countries.

Now, microfinance institutions are starting to offer other services, including savings plans.

Recently, the non-profit group Small Enterprise Education and Promotion held a conference in Washington. SEEP works with over one hundred twenty groups around the world in efforts to cut poverty. It does this by supporting small businesses.

The goal is help microfinance industry experts share ideas. One idea is called Financial Access at Birth, or FAB. It is designed to start each person with a financial citizenship at birth through a savings account connected to a bank deposit.

Rosita Najmi is FAB's program director.

ROSITA NAJMI: "FAB starts with financial inclusion, but it creates other opportunities of inclusion across other sectors of health or education and I think that's what the international development community needs and seeks at this time."

Mobile or wireless technology will be important to many microfinance services. One meeting at the SEEP conference examined a mobile phone application for saving money. Debbie Dean of the Grameen Foundation says these efforts can also be extended to other financial services.

DEBBIE DEAN: "It's probably going to be a combination of savings programs and money transfer programs, payment systems that all kind of converge together to be able to provide the customer with the most flexibility and the most convenience to meet their needs."

But offering savings, payments and other services requires more training and controls. Rashid Bajwa leads Pakistan's largest microfinance organization. He says more training is needed.

RASHID BAJWA: "When microfinance institutions start offering savings, then they have to be trained to do that. This is a specialization which needs specialized people to adopt. You have to have a risk management system in place, you have to have an internal audit system in place, you have to have a huge set of new things which you generally don't need when you are just doing microcredit."

Small savings deposits add up. And interest over time makes them grow. This can have a surprising effect for savers and societies.

Rashid Bajwa puts it this way. He says the amount of money that poor people have is unimaginable.

And that's the Economics Report in VOA Special English, and I'm Mario Ritter.

Based on a "Money in Motion" report by VOA's Phil Alexiou