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FINANCIAL INCLUSION

Wealth, Poverty & Opportunity in the 21st Century

Introduction

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INTRODUCTION: SHARING STORIES OF INCLUSIVE FINANCE

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Over two billion people—nearly a third of the entire human race—live outside the formal financial sector. In many developing and emerging economies, the percentage of those who are financially excluded is considerably higher. Expanding financial access is essential to eradicating poverty and promoting social justice and economic growth. This Financial Inclusion Report emerged as collaboration between the BU CFLP Financial Inclusion workstream and the Hubert H. Humphrey Fellowship Program. The publication features essays by the 2015-2016 Humphrey Fellows at Boston University on the topics relevant to financial inclusion from their respective countries. The essays are based on the Fellows' personal and professional experience with financial inclusion issues and explore informal savings and credit mechanisms, facilitating connections between the formal and informal financial sectors, economic and social empowerment through inclusive finance and entrepreneurship, and financial education and literacy.

In recent years, initiatives that aim to make efficient and affordable financial services accessible to everyone have emerged at the forefront of the global policy agenda. The new Sustainable Development Goals of the United Nations, which set global development priorities, highlight the interconnectedness of financial inclusion with food security and improved livelihood resilience, better health and education, and gender empowerment and economic equality. New institutional and technological advancements have created novel opportunities for expanding financial access. For an improved coordination and regulation of these efforts, many developing countries adopted the Maya Declaration in 2011 – a set of common policy principles to guide the expanding inclusive finance for development. As the essays in this volume show, financial inclusion efforts can be most successful when they build on local initiatives, institutional patterns, and cultural and religious norms.

Several essays explore the central role of informal associations and groups in facilitating financial access in local communities. ***Mouhamadou Kane's*** article on *tontines* – informal savings groups in Senegal – explores the economic as well as social benefits of these groups. It argues that the groups are flexible financial instruments that strengthen social cohesion and reciprocity in Senegalese communities, building on important socio-cultural norms and values. Similar informal initiatives are also widespread in other countries. ***Nermin Helmy's*** case study of village savings and loan associations in Egypt discusses the central role of these institutions in women's financial inclusion and social empowerment. The essay highlights the importance of learning from traditional institutions of financial management and adapting these to the present-day demands of sustainable livelihoods and democratic governance. ***Mounia Diyane's*** discussion of innovative financial inclusion initiatives in Morocco analyzes recent diverse efforts such as microfinance projects, mobile banking, and participatory (Islamic) banking services in addressing the inclusive finance needs. The paper highlights the important role of informal financial groups - rotating savings associations – in facilitating financial access alongside formal sector initiatives.

Frezer Ayalew's article explores Ethiopia as a financial inclusion success story, attributing the achievements to a wide array of recent inclusive finance initiatives undertaken by the Ethiopian government and its international partners, but also to flexible and adaptive learning from informal sector institutions and arrangements. This important complementarity between the formal and informal is a central subject matter also in ***Serdar Bazarov's*** essay about social support systems in Turkmenistan. The paper juxtaposes the extensive state-based social support initiatives with traditional mutual aid arrangements, arguing that the co-existence of these systems in Turkmenistan could be attributed to the continued relevance of norms and institutions promoting equality and mutual assistance. The central importance of cultural and religious norms and institutions in facilitating inclusive finance is also highlighted in ***Aly Jafferany's*** essay about an innovative informal loan scheme in underbanked Pakistan. The article by BU Fulbright Fellow ***Vrinda Varma*** explores the success of a women's financial self-help program in Kerala, South India.

Financial inclusion efforts in many developing countries cannot be separated from broader issues of financial education and literacy. As ***Khaing Nyunt*** and ***Habibullah Pathan*** argue in their paper, the success of recent initiatives undertaken by Myanmar and Pakistan to expand financial access of their citizens depends on improved literacy and financial education. ***Fozilet Simoni's*** essay on youth entrepreneurship education in Albania discusses a successful nationwide financial education effort. In that country, where most of the employment is provided by small and family-owned businesses, entrepreneurship education as a core component of school curricula has played a central role in improving the livelihoods and community engagement of the young generation. As ***Wissal Nouchrif's*** essay demonstrates, financial literacy is not just an issue pertinent to developing countries. The paper explores various programs aimed at building financial capabilities of the students at Bunker Hill Community College in Boston Massachusetts, an Associate Campus Partner of the BU Humphrey Fellowship Program.

The ideas and conversations featured in this volume have been discussed in a number of different venues. The Humphrey Fellows' initiative of sharing their inclusive finance stories started at my seminar on Facilitating Financial Inclusion in Fall 2015, and culminated in a public symposium in March 2016. The authors of this collection hope that the knowledge and experience shared here would inspire further initiatives that expand financial inclusion and improve people's wellbeing and livelihoods throughout the world.

THE HUMPHREY FELLOWSHIP PROGRAM AT BOSTON UNIVERSITY

Jack McCarthy

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The Humphrey Fellowship Program was founded by Congress in 1978 by President Jimmy Carter in honor of the late Senator (D, Minnesota) Hubert H. Humphrey. The Program is a Fulbright exchange initiative through the US Department of State, where 150-200 Fellows from designated countries undergoing development or political transition are selected each year through a rigorous and competitive application process for a year of professional enrichment, leadership development and cultural immersion at host universities chosen for their excellence in the Fellows' field of study. Over 5,000 individuals from more than 150 countries have been honored as Humphrey Fellows in Program's history.

Boston University is proud to be the only university to have continually hosted Humphrey Fellows since the Program's inception in 1978. Over these past 38 years, we have had the honor and distinction at BU of building a Humphrey alumni network of 500 distinguished

–*Photos taken at the BU Financial Inclusion Symposium, March 25, 2016.*

professionals from over 120 countries all over the world. Fellows come to us for a year of academic study at the university accompanied by professional placement in prestigious institutions in their field in Boston and elsewhere in the US, including the International Monetary Fund, The World Bank, The Securities & Exchange Commission, State Street Global Advisors, National Geographic Learning, the Boston Language Institute, Oxfam, and the Federal Reserve Bank of Boston.

We are delighted to be hosting our Humphrey Fellows at the Questrom School of Business at BU, one of the top business schools in the world. Founded in 1913 as the College of Business Administration, the Questrom School [http://www.bu.edu/questrom/] has become an elite global institution whose mission is to "Create Value for the World," with a clear aim toward improving societal and human value as well as economic value and commerce. The Humphrey Program at BU uses the Questrom School as a base of operation but we fully extend our reach across all of the university's 17 schools and colleges for our Fellows' personal and professional development.

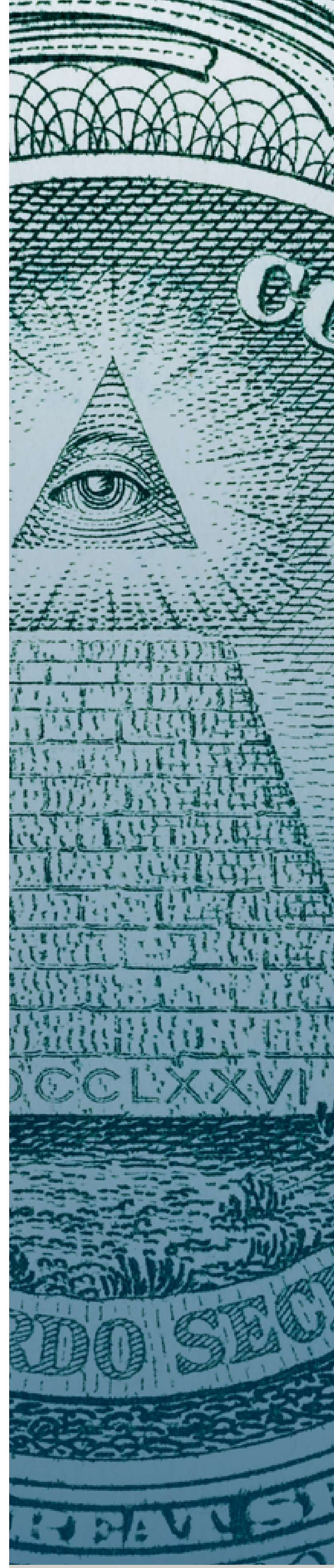
As part of this mission, our Humphrey Fellows were honored to participate in this Financial Inclusion initiative, collaborating with the Center for Finance, Law & Policy (CFLP) at BU as well as with Bunker Hill Community College (BHCC), where all of our Fellows participated in class visits to share their cultures and their personal and professional experiences with financial access and opportunity in their home countries. Our Joint Symposium on Financial Inclusion with CFLP and BHCC, hosted by the Questrom School, held during the Spring 2016 term, further helped to shape and crystallize the ideas and concepts presented in this publication.

It is clear that the rich, diverse experiences that are explored by our Humphrey Fellows and colleagues in this publication present compelling and valuable lessons and frameworks that can help us understand the many challenges and opportunities with financial inclusion in the 21st century. We live in an ever volatile, uncertain, complex and ambiguous "VUCA" world. Only when we collectively foster a global society where wealth, power and opportunity are more evenly and equitably distributed will we achieve our lasting mission of making our world safe and secure for all future generations. It is our hope that our work in this domain, as chronicled by the papers in this publication, will move us closer toward that goal.

FINANCIAL EDUCATION INITIATIVES AT THE BU HUMPHEY FELLOWSHIP PROGRAM

Cyrus Segawa Konstantinakos
Assistant Director, Hubert H. Humphrey Fellowship Program

Just as money makes the world go around, the lack of access to financial services blocks billions of people around the globe from getting anything moving. Over the past few years, financial inclusion has become a central theme of the Humphrey Fellowship Program at BU. Our annual cohort of ten to fifteen Fellows typically comprises a mix of banking and finance specialists, educators who specialize in Teaching English as a Foreign Language (TEFL), and sometimes an individual Fellow who specializes in any of a number of fields ranging from music to aerospace telecommunications. It is an honor and a thrill to host such diverse groups of Humphrey Fellows, but devising professional development activities that serve an entire cohort can be a challenge. In financial inclusion we have found a theme that is compelling and relevant to all of our Humphrey Fellows and, we hope, to a wide range of readers as well.



The roots of this initiative trace back to our Associate Campus Partnership with Bunker Hill Community College (BHCC). The Associate Campus Partnership was incorporated into the Humphrey Program by the State Department's Bureau of Educational and Cultural Affairs in 2007 with the aim of promoting alliances between Humphrey host campuses and universities, colleges, and community colleges—especially those with significant minority populations and those in rural areas that serve students who may not have opportunities to interact with international visitors such as Humphrey Fellows. We have enjoyed a robust relationship with BHCC for several years, and since 2012 our collaborations have focused on financial literacy and intercultural education. Humphrey Fellows have spoken in BHCC classes, we have run joint symposia, and Fellows have served as judges in essay contests for BHCC students on the theme of "My Life Story, My Money Story." In parallel to these activities, we have also run a photo-essay project with students of the Community College Initiative (CCI)—another State Department-sponsored international exchange program that BHCC hosts. CCI students have produced photo essays introducing selected aspects of their respective cultures, and Humphrey Fellows have served as their mentors and editors.

This year, we built upon those past efforts in launching the current financial inclusion project. BU's Center for Finance, Law & Policy also joined us in running a symposium for BU and BHCC students and faculty and in producing this publication.

The articles in this volume introduce more than just financial inclusion initiatives around the world; they also provide unique lenses into Humphrey Fellows' home cultures. Readers will find themselves intrigued by descriptions of life and culture in parts of the world that they rarely, if ever, have opportunities to contemplate.

I wish to express my thanks to Daivi Rodima-Taylor, Senior Academic Researcher at the Center for Finance, Law & Policy at BU—a consummate colleague whose passion and expertise are what made this project so successful. I also thank the 2015–2016 Fellows for their enthusiasm and dedication, and our friends at BHCC for joining us again in our continuing effort to expand financial inclusion and intercultural understanding throughout the U.S. and the world.

PART I. FINANCIAL INCLUSION AND COMMUNITY INITIATIVES

TONTINE CLUBS IN SENEGAL: A SOCIO-CULTURAL MODEL OF INFORMAL ACCESS TO FINANCE

Mouhamadou Madana Kane

Dr. Mouhamadou Kane *is a Senior Legal Counsel at the Islamic Development Bank. His role primarily entails designing legal and policy solutions for implementation of development projects in the member states. He has previously worked at the International Trade Centre (ITC), where he contributed to the delivery of legal advisory projects, helping developing countries to better integrate into the multilateral trade system. He is also the founder and Executive Director of the African Center of International Law Practice (ACILP), an African think tank that aims to bridge the gap between international law and public policy in Africa.*

Dr. Kane is currently completing an Executive Masters in Public Administration at the London School of Economics and Political Science. He holds a doctorate degree in international law and a master's degree in international economic relations law from Université de Cergy-Pontoise in Paris, France. He also received a Maîtrise (one year post-graduate degree) in international and European law from Université Paul Cézanne Aix-Marseille III in Aix-en-Provence, France and a Licence en Droit from Montpellier 1 University in Montpellier, France.

INTRODUCTION

A 2013 survey of the Consultative Group to Assist the Poor (CGAP) revealed that 66% of low-income people in Senegal are able to save money. At the same time, 56% of the population does not use the formal financial system. Rather, they rely on informal modes of savings and credit, such as keeping money at home, entrusting it with friends, or using *tontine* clubs, which are described in this article. According to that survey, 25% of savers in Senegal participate in *tontine* clubs as a savings mechanism.

Tontine clubs are informal savings groups in which participants contribute a certain amount of money on a pre-agreed frequency and for a certain period of time[1]. There are two main types of tontine clubs. The first type is a rotating savings association where each participant is entitled to collect, at the end of a certain time period, aggregate contributions of all the participants. In other words, the pool of money rotates among the participating members. There is also a profit-based model where aggregate contributions are collectively invested in a business or lent out with interest. The purpose of the tontine club is not only saving, but also earning surplus money. In the profit-based model, the aggregate contributions are generally deposited in a bank—for both practical reasons and also safety. In all cases, the amount and frequency of individual contributions are established by a common agreement between the group members.

I can hardly think of a friend, relative, or colleague in Senegal who is not a member of a tontine club. The practice has become an integral part of Senegalese culture and a habit not only for the poor, but also for the financially secure. Before I decided to write this article, I never took a minute to wonder why tontine clubs are so popular in my country. My investigation of tontines of different structures and organizational principles has led me to the conclusion that their success is mainly the result of three main characteristics underlying the operating model. First, it appears to me that tontine clubs foster socio-cultural cohesion. Second, as self-sufficient and self-controlled financial instruments, tontine clubs do not place any unnecessary burden on club members. And third, these clubs are powerfully effective tools to promote broader financial inclusion.

TONTINE CLUBS AS INSTRUMENTS FOR SOCIAL COHESION AND RECIPROCITY

Senegal, like many African countries, is a society where collectivist values are held in high regard. Cooperative relationships, reciprocity, and solidarity are extremely important for social cohesion. In this kind of setting, participating in a tontine club is not only a way to save or borrow money, but also an opportunity to build culturally meaningful social bonds by making part of one's earnings available to the whole group. Originally, tontine clubs started as women's groups. In African societies, women are often seen as key enablers of social harmony. They work hard for the wellbeing of the family regardless of how much their husbands earn. For African women, tontine clubs are important instruments of financial independence. Participating in these groups allows women to run small businesses and income-generating projects, and it supports them to respond effectively to various social needs such as life cycle celebrations and rituals (e.g., weddings and burial ceremonies).

As instruments of social cohesion, tontines clubs have become widespread among all segments of Senegalese society and serve different purposes depending on commonalities that their members share such as religious or professional affiliation, common neighborhood, family and kin ties, and the like. For

[1] Tontine groups typically do not dissolve at the end of one cycle. Cycles are revolving, unless a previous one has produced some undesired effects such as deterioration of social relationships or financial irregularities.

example, one popular scheme in Senegal entails establishing tontine clubs to enable one or more members to undertake the annual pilgrimage to Mecca (Hadj) – a very expensive undertaking. Establishing a tontine club can serve as a means to make the religious pilgrimage affordable to the less wealthy portion of the Muslim population. Another form of tontine could be called a "collective interest tontine club". The members of this group pool their money to finance certain communal infrastructure projects such as schools and health centers. This kind of club is very popular in the rural areas of Senegal and is often sponsored by migrants who are looking to give back to their communities of origin. A third category of tontine clubs could be referred to as "neighborhood tontines". These often involve women living in the same district or neighborhood who have decided to join hands in funding the many social gatherings and ceremonies that are integral to Senegalese society and culture. These tontines are essentially instruments of solidarity whose purpose is to attenuate one's expenses incurred during joyful events such as marriage ceremonies as well as sad ones such as funerals. The fourth type of tontine club is based in the workplace. Indeed, it has become popular among colleagues working in the same organization to establish tontine clubs for joint resource mobilization. There is a cultural perception that when someone has a job, his or her social prestige does not fully materialize until he or she acquires a house, gets married, and establishes a family. Participating in a workplace tontine club is perceived as an opportunity to meet these important social objectives by mobilizing sufficient financial resources.

Another important category of tontine clubs popular in Senegal is the family tontine club, the membership in which is restricted to members of a single family or kin group. Family clubs serve the dual purpose of mobilizing financial resources and reinforcing family ties by strengthening bonds and sensitizing future generations to the importance of kin group harmony and cooperation.

TONTINE CLUBS AS FLEXIBLE SAVINGS-CREDIT INSTRUMENTS

Another important element that, in my opinion, makes tontine clubs popular is the fact that its operating model does not impose undue burden on participating members. Indeed, tontine clubs operate in a very flexible and adaptive way. The first element of that flexibility relates to the selection of members. The selection is usually based on either self-nomination or co-option. Self-nomination occurs typically after a public announcement of a new club being established within the circle of one's family, friends or colleagues and is completed through a simple declaration of willingness followed by an appointment of the tontine group manager, who is usually the initiator of the group. On the other hand, a tontine group may be established also without a public announcement, in which case the members are just recruited on an individual basis. In this case, a club manager is usually appointed based on his or her social status and personal character. For example, a wealthy person would generally be considered more trustworthy and reliable than someone who is jobless. A person of a good social reputation—someone whose authority is accepted and admired by everybody—is also preferred. A tontine manager may or may not receive compensation for his or her role; this depends on a mutual agreement among the group members.

The size of the group can be also flexible. When individual contributions are of sufficiently high value, the groups tend to be small. There are four main reasons for preferring small clubs. The first is the perception that risks are better managed. The second has to do with confidentiality: there is a belief that the more people know that one participates in a tontine club, the higher the expectation for the person to provide monetary assistance when various 'social cases' *(cas sociaux)* occur. The third reason is the widespread perception that larger groups provide a higher potential for misunderstandings and disputes. Having a smaller group also shortens the contribution cycle, therefore mitigating financial risk to participating members.

The tontine model also provides flexibility in terms of the monthly collection of funds. Club members normally meet at the beginning of each month to remit their contributions to the club manager. However, in certain cases, the degree of informality is such that no formal meeting takes place and the tontine group manager visits the house of every member a few days before the due date to collect the money. On the other hand, if a monthly meeting takes place, there can be two alternative modalities for deciding the turn of each member of the tontine club. The first is based on a monthly collection list established by consensus during the first meeting of the club. The second is based on a monthly lottery drawing of members' turns to collect money. This option has one distinct advantage; it provides an incentive for all members to participate in the monthly meetings in the hope of being picked as a winner of the contribution pool. There is also room for negotiations and amicable arrangements among the members. For example, emergencies and other unforeseen circumstances may prompt a member whose turn occurs at a later point to trade his place with group member due to collect soon. Such requests are generally accepteded by tontine members as gestures of friendship and solidarity.

TONTINE CLUBS AS PROMOTING BROADER FINANCIAL INCLUSION

There has been much scholarly and policy-oriented debate about the potential benefits as well as challenges of regulating the operation of tontine clubs in Senegal. The question is whether attempting to formalize these savings clubs would promote financial inclusion. My view is that any attempt to formalize these informal institutions would jeopardize their well-established socio-cultural underpinnings. In my opinion, the existing system of savings clubs works efficiently because it is kept informal. Such informality enables flexibility, making the institution attractive to, and easily adaptable for, a wide variety of people.

I would even argue that tontines are a powerful tool for broader financial access and inclusion in the formal financial system for its members in the medium and long-term. Participating in a tontine club can facilitate rapid and predictable access to finance, which results in the development of profitable business activities for club members and ultimately facilitates their access to formal financial products and services, including more substantial bank loans. In my own family tontine, I have witnessed my relatives establishing successful business enterprises with the money accumulated thanks to these savings clubs. Today, they have opened many bank accounts in different banks in Senegal, and they are able to access many loans. It all started with a tontine club!

CONCLUSION

The business model of tontine savings clubs is viable and sustainable. It is viable because it provides many incentives for the club members to participate (including accessing liquidity without having to pay interest), it serves as a flexible financial instrument that also promotes reciprocity and social cohesion, and it is effective in facilitating broader financial inclusion. The model is sustainable because it leans on age-old socio-cultural norms and values that are at the core of Senegalese society. The whole system relies on social trust and reciprocity, which underline social relations in collectivist societies such as Senegal and often render formal legal protections unnecessary.

As a financial professional and scholar, I firmly believe in progress! That said, I also believe that the search for financial inclusion should never lead to the abandonment of culturally-based informal systems which, in the African context, are vital spaces for social gathering and friendship building.

VILLAGE SAVINGS AND LOAN ASSOCIATIONS IN EGYPT AND THEIR IMPACT ON WOMEN'S EMPOWERMENT

Nermin Helmy Ali Ahmed

__Ms. Nermin Helmy Ali Ahmed__ has worked on economic and financial sector development in Egypt, with particular expertise in the areas of entrepreneurship and financial empowerment of the underprivileged. She is currently coordinating nationwide projects focused on economic empowerment & entrepreneurship at Plan International, an international development organization promoting children's rights in fifty-one countries across Africa, the Americas, and Asia. Previously, she was a project manager and co-founder of Accelerate Consulting and Development, where she worked with local entrepreneurs and the United States Agency for International Development (USAID) to develop small and medium-sized enterprises throughout Egypt.

Nermin also has extensive experience as a consultant in constructing corporate governance and social responsibility indexes for organizations such as the Egyptian Exchange, the Hawkamah Institute for Corporate Governance, and the World Bank Institute of the World Bank Group.

Nermin holds a Bachelor's degree in Economics from Cairo University and a Master's degree in Investment and Finance from the Arab Academy for Science, Technology and Maritime Transport. Upon her return to Egypt, Nermin intends to launch a nationwide women's financial empowerment initiative.

THE STATE OF FINANCIAL INCLUSION IN EGYPT

There has been increasing attention recently on searching for financial models that can be used to deliver sustainable financial services to the poorest population groups in developing countries. Many developing countries are characterized by the existence of informal savings groups that are autonomous and self-managed. Informal economic groups are also central to the livelihoods of rural people in Egypt. This article discusses the role of village savings and loan associations (VSLA) in Egypt and explores the potential of these groups to contribute to women's empowerment and improve their economic standing.

Although Egypt does not currently have a documented strategy on financial inclusion, the Central Bank of Egypt has started the process of developing one. There are currently 1.6 million active borrowers and 400 microfinance institutions (MFIs) in the country. However, financial infrastructure is very poor; for example, according to the World Bank's Global Financial Inclusion (Global Findex) Database, in 2011 only 10% of the population over the age of fifteen held an account at a formal financial institution. The European Investment Bank (EIB) estimates that the supply gap of microcredit stands at 90%, creating significant opportunities for further development. At present, Egypt Post is the largest provider of savings products to the low-income population, offering an estimated eighteen million savings accounts through 3,700 outlets nationwide.

A new government was appointed in Egypt in February 2014, and promoting financial inclusion has become one of its new policy priorities. The newly established cabinet also passed a law on microcredit that is pending a presidential decree, which is expected imminently. The new law is expected to make the Egyptian Financial Supervisory Authority (EFSA) responsible for supervising non-governmental organizations and allow commercial companies to engage in microfinance. While the change in administration creates an opportunity to expand financial inclusion, it also brings some uncertainty. The new legal and regulatory frameworks shaping the financial inclusion landscape are not in place yet. Egypt Post, also under new leadership, is expected to re-establish its commitment to be the "bank of the poor". The Central Bank is actively engaged with different stakeholders to promote financial literacy throughout the country by creating a national committee for financial literacy under the auspices of its governor. These goals include researching and developing a national financial literacy strategy that identifies key stakeholders with their roles and responsibilities, defines the main areas of intervention, and develops a strategy with an action plan.

For the poorest Egyptian households, as is the case in most developing countries, financial inclusion is still a long way off. Few financial institutions exist in the rural areas, and those that do exist typically have inappropriate products and services. Moreover, most very poor households have neither the assets nor the skills to interact with formal sector institutions, even with those dedicated to assisting the poor. Access to proper savings mechanisms is particularly crucial for such households. There is plenty of evidence supporting the claim that savings mechanisms enable the poor to protect, diversify, and increase their sources of income and thereby smoothen income fluctuations even during times of crisis. It is therefore important that the extremely poor, and particularly the women among them, are able to begin building their financial assets and skills through accumulating savings rather than debt[2]. Cultivating the habit of saving money would also help women to re-pay small debts that they may eventually incur[3]. When women borrow from institutions such as the VSLA, loan sizes are generally small and manageable. Local experience has shown that when households stabilize their cash flow and are able to meet basic needs, women can take out small loans to finance and expand their income-generating activities. Thus, participation in a VSLA provides an important option for a woman to build her financial skills to manage household cash flow and income-generating activities while creating a solid foundation to increase her ability to contribute to her household economy.

A village savings and credit association as promoted in the rural communities of Egypt is a more structured and democratic version of the informal savings groups found in villages and slums in many parts of the developing world. Attempts have been made to make the group organization more transparent and accountable, so that even the least literate and least influential members of the group can understand and trust this institution. VSLAs are based on freely formed independent groups in a local village or geographical area. They are managed through weekly meetings of about 10-25 members who pool their savings into a common loan fund. After four weeks, group members can take loans out of the saving pool. Loans should not exceed three times the original savings amount for each borrowing member and are repaid within a three-month period. Through weekly meetings, members gain an understanding of managing their group fund and develop greater confidence in the process. The group members discuss money management and share advice on income-generating activities, which strengthens both their financial and social capital. For these reasons, Egypt is one of the first developing countries that started to adopt the VSLA concept as a tool to provide appropriate financial means to citizens in poor rural areas to enhance their standard of living.

WHY THE NEED FOR VSLAS IN EGYPT?

Egypt is considered a middle-income country. It relies on remittances from Egyptians working abroad and revenues from the Suez Canal and oil extraction industries as its main sources of income. The country's economic growth experienced a period of stagnation after the revolution of January 2011. Despite the political and economic consequences of that revolution, Egypt has made significant improvements in its overall socioeconomic development. According to the UNDP statistical update of the human development index (HDI), Egypt ranked 112 out of 186 in 2012, up from a 116 ranking in 2008. The steady improvement has pulled Egypt from the low to medium category of human development.

Large disparities in development exist, however, between rural and urban areas, as well as Upper and Lower Egypt. Public expenditure on social services remains low. The 2013 Human Development report indicated that poverty constitutes a major challenge to development in Egypt, with about 22 percent of the population living below the national poverty line.

Women in Egypt also remain among marginalized population groups, despite some recent improvements in female literacy rates, school enrollment rates, and labor force participation[4]. Additionally, the Egyptian Central Agency for Public Mobilization stated that in 2015, women were the sole economic providers in about 34% of households in Egypt, while about 88% households in the slums were supported entirely by women. Such indicators emphasize the significance of having alternative financial models that are accessible to poor people, especially women, to establish income-generating activities that support decent and respectable livelihoods for their families[5].

One of the initiatives that took place in Egypt to implement the VSLA concept was the Banking on Change Project (BOC), which started in 2009 as a partnership between Barclay's Bank, Plan Egypt, and CARE Egypt. The aim of the project is to provide the poorest members of the society with access to financial services through strengthening the traditional practices of rotating savings and credit. The project has two phases of implementation. In the first phase, the main goal was to improve the economic security of 30,000 poor and vulnerable households in urban and rural areas throughout Egypt.

[2] Egypt's rank on gender empowerment measure, according to the 2005 Human Development Report, was 77 out of 80 countries with a value as low as 0.274, that decreased to 0.263 in 2008, and the Gender Inequality Index (GII) was 0.590 in 2012, decreasing from the value 0.603 in 2005.

[3] Total savings per member is 330 Egyptian Pounds which equals to USD 37 (the exchange rate used is 8.88 EGP per 1 USD as of May 13, 2016).

[4] Egypt's ranking on the gender empowerment measure, according to the 2005 UNDP Human Development Report, was 77th out of 80 countries with a value as low as 0.274, and the Gender Inequality Index (GII) was 0.590 in 2012, decreasing from 0.603 in 2005.

[5] Hendricks, L. 2011. Village Savings and Loans: A Pathway to Financial Inclusion for Africa's Poorest Households. Global Microcredit Summit

The project was implemented in the governorates of Greater Cairo (Cairo East, Cairo South, Giza & Kalioubia), Delta (Alexandria, Beheira) and Upper Egypt (Assiut, Menia and Souhag).

In the second phase of the project, the focus was on systematically engaging women and youth, as well as strengthening the productive utilization of the loans for income generating activities. Based on a baseline report conducted by Plan International in December 2014, the main achievements of the project included reaching 37,200 direct beneficiaries, forming 2,756 savings groups, reaching an average savings of 37 dollars per member per year, providing financial education training to 14,010 members, establishing 1,977 income-generating activity projects, and accumulating more than EGP 6 million in savings. About 77% of program participants are women.

"A village savings and credit association as promoted in the rural communities of Egypt is a more structured version of the informal savings groups found in many parts of the developing world."

The program subsequently contracted the Arab Development Center for Research & Training in Egypt to conduct a survey in December 2014 to monitor and evaluate the situation of VSLA members' households. The survey was conducted among new youth groups that were formed earlier that year. The data collected focused on three main criteria of assessment: household livelihood conditions (poverty level, household assets, quality of housing, food security, children's rights, and access to health care), the economic situation of VSLA members (savings patterns and access to credit, income generating activities, and investment), and women's empowerment (self-image, self-esteem, and gender relations within the household and community). According to the survey results, the respondents agreed that participation in the project had resulted in an increased respect for women and their livelihood activities within their families and communities. It was also found that women who participated in the savings groups were more likely to invest in productive income-generating activities.

CONCLUSION

The village savings and loan associations have helped improve the financial situation of women in Egypt and enhanced their social empowerment. The project has enabled women in seven target regions of Egypt to take up leading roles in their communities and become active partners with their husbands in household activities.

The village savings and loan associations are informal institutions. There was observed a need for policy frameworks that would enable such informal economic institutions to access formal financial services. Many VSLAs are still facing regulatory difficulties in Egypt in their attempts to link to banks and other formal financial institutions. Some voices have also tried to encourage VSLAs to transform into cooperatives; however, this is a level of organization for which most VSLA members are not prepared. Furthermore, many of the benefits of VSLAs—namely transparency, trust within a small group of members, and no attendance costs or membership fees—can be lost in the process of formalization. Most members of VSLAs want to maintain their groups as they are—as safe places to deposit excess liquidity and periodically access loans, as well as venues for socialization and access to new knowledge. The success of VSLAs in Egypt testifies to the importance of learning from traditional institutions of financial management and inventively adapting those organizational patterns to the demands of present-day households and communities.

[6] Total savings per member : 330 Egyptian Pounds, equalling USD 37 (exchange rate as of May 13, 2016).

INNOVATIVE FINANCIAL INCLUSION INITIATIVES IN MOROCCO

Mounia Diyane

Ms. Mounia Diyane *oversees the auditing of public expenditure and financial statements of public sector entities in Morocco. Previously, she worked as the Vice Regional Director of the Sub-Regional Directorate of the Ministry of Justice and Liberties in Agadir and Meknes.*

Ms. Diyane earned a Bachelor's degree in Economics from Moulay Ismaïl University in Meknes, Morocco and a Master's of Advanced Studies (MAS) in managerial audits from Mohamed Ben Abdellah University. She also has a diploma from the High Institute of Administration in Rabat.

As a Humphrey Fellow, Ms. Diyane has been deepening her understanding of economic development and U.S. financial markets that would help her build a more sustainable financial system in Morocco.

Since the 1990s, Morocco has implemented bold initiatives and reforms to improve access to financial services for its citizens. With the aim of promoting savings mobilization and productive investment across the country, the government has liberalized interest rates, launched an interbank foreign exchange market, abolished credit controls and restrictions, modernized monetary policy tools, and strengthened prudential regulation in financial institutions nationwide.

Financial inclusion is one of Morocco's top policy priorities, and this was underscored in 2013, when Bank Al-Maghreb (BAM), the central bank of Morocco, joined the "Maya Declaration"[7] to facilitate financial access and inclusion among the unbanked. Promoting financial inclusion has been identified as the backbone of Morocco's financial sector development strategy until 2020. Recent policy initiatives aimed at improving financial access include innovative participatory finance programs, strengthening of the microfinance sector, extending bank financing to small and medium-sized enterprises, promoting transparency in banking services, and building financial capability among poor and otherwise marginalized groups.

In 2014, the Moroccan Central Bank invited the World Bank to assess the state of financial inclusion in Morocco.[8] The World Bank's nationwide study found that about 64% of the population had access to formal sector financial products and services. About two thirds of the unbanked were female, poor, and living in rural areas. The report also identified several factors underlying the shortcomings in financial inclusion. For instance, 37% of the unbanked respondents reported a lack of money as areason why they do not use formal banking services, and 24 % cited the high cost of opening of a bank account. 43% reported dissatisfaction with financial services provided by banks. The lack of collateral may further prevent many small and medium-sized enterprises from obtaining bank loans, contributing to the widespread perception that "banks give credit only to the rich." High interest rates on bank loans have further limited their accessibility to the general population and small entrepreneurs. Religious factors were cited as another reason why many people did not use formal credit institutions as credit interest *(riba)*, which is prohibited by Islam.

–Handicrafts in Rabat

MICROFINANCE AS A TOOL FOR FINANCIAL INCLUSION

Morocco in the 2000s may be viewed as a textbook case of the recent rise and fall of microfinance in the Middle East and North Africa (MENA). In the early and mid-2000s, microfinance in Morocco enjoyed a golden age[9]; by December of 2007, microfinance institutions had issued 1.35 million loans totaling more than $733 million. Then in early 2008, the first signs of stress appeared. Many credit delinquencies occurred, and by the end of 2009, the credit risk of MFIs—which had been 2.3% in 2007—had risen to nearly 14%. The major causes of the microfinance sector crisis included excessively lenient credit policy, obsolete management information systems, substandard governance, poor risk assessment, and lack of sufficient internal controls.[10]

[8] Enhancing Financial Capability and Inclusion in Morocco: A Demand-Side Assessment, The World Bank, 2014

[9] Institutional Analysis to Explain the Success of Moroccan Microfinance Institutions. V. Allaire et al., CEB Working Paper, Solvay Brussels School of Economics and Management, 2009

[10] The Rise, Fall and Recovery of Microfinance Sector in Morocco, CGAP Brief, Dec. 2009; Lessons Learned from the Moroccan Crisis, CGAP Brief, July 2013

By 2012, the total amount of credit offered had declined significantly, and only 800,000 loans were issued. However, the credit risk had also dropped to 10%. That appeared to indicate that Moroccan MFIs had been successful in their efforts to restructure their management to face the challenges of non-payment—but the recipient population had also decreased. In 2015, more than 1,300 microfinance agencies across the country were counted, the majority of which were in areas where banks had no presence[11]. Only 600,000 entrepreneurs were benefitting from banking services. Despite the low penetration rate, awareness of MFIs among the population is high; the 2014 World Bank survey found that 68% of respondents were familiar with MFI services. Nevertheless, microfinance services currently reach only about 5% of the adult population.

Overall, I find the outcomes of the microcredit initiative in Morocco rather ambiguous and inconclusive. The take-up rate is still modest; there were only 13.2% eligible borrowers in 2015[12], which shows that vast groups of the population are still not being reached. Moreover, the loan amount served per beneficiary remains rather low, ranging around USD 1,000. Instead of helping people to invest productively, these small loans may just perpetuate the vicious cycle of indebtedness among the poor. Without adequate access to formal financial services, disadvantaged households have no choice but to turn to the informal sector for their credit needs—a solution that can be more expensive and less reliable.

MOBILE BANKING

The first initiatives of mobile banking in Morocco were quite different from those of the present day. Instead of mobile phone-based financial services, mobile banking in Morocco initially involved financial institutions setting up physical locations in close proximity to their customers. The first actor in this field was the Crédit Agricole Group (CAM), a state-owned bank dedicated to the agricultural sector. The company deployed a number of mobile agencies in rural and isolated communities not covered by the traditional banking system. This process started in 1987 with the creation of CAM seasonal counters, active each year during the agricultural season (two to four months) and the period of credit recovery (two months). These operations were limited to traditional agricultural lending. Subsequently, CAM came out with a new kind of experience called '*Assouak*'[13]. This involved the creation of banking stands in *souks*—weekly markets in local villages and towns—and that created a constant banking presence for rural clients.[14] The use of vans and trucks offering basic banking services also emerged. CAM currently owns 55 agencies of that type[15]. Another, similar example of banking mobility was the Al Barid Bank (ABB), which has created a network of convenience branches and cash outlets to facilitate access to financial services for the peri-urban and semi-rural populations.[16]

–Rural microfinance client, Salé region

Presently, many Moroccan banks are moving to introduce modern digital banking options. Many banks have created online services for customers to manage their accounts, including digital depositing, money transfer, and various payment services. One of the first experiments in mobile banking in Morocco took place in 2011, when Banque Populaire launched its mobile application Pocket Bank, allowing customers to check their account balances, pay bills, and transfer money.[17]

It has been estimated that about 95% of Moroccans own at least one mobile phone.[18] Offering banking services via mobile applications is a new experience in Morocco, and one that has turned out to be somewhat challenging. The reasons for the limited success may include high illiteracy rates, poor access to the Internet among large swaths of the population, lack of knowledge and awareness when using mobile banking products, and fears of fraud and cyber theft. These are formidable challenges in Morocco, where people are accustomed to using brick-and-mortar banks for their financial needs.

[11] L'économiste Édition N° 4479 du 2015/03/10

[12] *Where Credit is Due*, Jameel, A., Policy Bulletin, Feb 2015, www.povertyactionlab.org

[13] *Assouak* is plural for *souk* in Arabic

[14] "Professional Project in CAM: Setting up a Mobile Branch, » Ismaili, D. and M. Raiss, June 2006

[15] La vie économique Édition N° 09 Novembre 2014

[16] http://www.positiveplanet.ngo/en/project/mobile-banking/

[17] http://www.agenceecofin.com/mobile/0604-10051-m-paiement-les-facteurs-de-succes-dans-cinq-pays-africains

[18] National Telecommunications Regulatory Agency, Morocco, ANRT 2015

PARTICIPATORY BANKING SERVICES

Participatory banking services in Morocco are designed to accommodate religious and cultural preferences of certain groups. For example, there has been a rise in Islamic banks, generally referred to as "*Sharia*-compliant finance." The business model of these institutions differs from those of conventional banks. All of the services offered are consistent with the principles of Sharia, or Islamic law. One example is *Murabaha*, a form of credit sale whereby, instead of a customer contracting a bank loan and paying interest, the bank is in charge of buying and selling a product (e.g., a house) to the customer. The bank acts as an intermediary in this transaction, retaining ownership of the product until the loan is paid in full.

According to the 2014 World Bank survey, 18% of Moroccans reported the use of participatory finance. Despite the broad attractiveness to Muslims and other members of Moroccan society, these financial products are still very expensive compared to those provided by conventional banks.

> *"Informal finance is an easy and cost-effective way for local people to build their savings and gain access to small credit amounts that can be used for various household expenses and investment in income-generating activities."*

INFORMAL FINANCE

Another popular financing institution in Morocco is the rotating savings and credit association (ROSCA). These associations include people from the same family and kin group, or neighbors or co-workers who have come together to save and borrow jointly for a defined period of time. Locally called *koraa* (the process of choosing the sequence of people who are going to benefit) or *dart* ("the turn"), these rotating savings groups convene regularly on a weekly, bi-weekly, or monthly basis. Savings contributions and withdrawals are negotiable and take into account the members' income opportunities and financial needs.

Such informal savings and credit groups were very common in Morocco's past, and they are still especially popular among people of low and moderate means. Informal finance is an easy and cost-effective way for local people to build their savings and gain access to small credit amounts that can be used for various household expenses and investment in income-generating activities.

Women are usually the main users of rotating savings groups. Apart from the economic side, the social functions of the group are also highly valued. Group meetings usually take place at the homes of the members whose turn it is to receive the loan fund; the gathering double-functions as a celebration. Dart is therefore both an effective means of money management and credit funding as well as a culturally accepted way to socialize and celebrate.

CONCLUSION

In recent decades, Morocco has continually undertaken ambitious efforts to enhance financial inclusion and access among its citizens. More efforts are needed to include those who are marginalized by the current financial system for various economic, religious, and/or technological reasons. New financial products and technologies, such as mobile and participatory banking, and more effectively targeted microfinance services have shown the potential to enhance financial access nationwide. Learning from successful savings and credit mechanisms in the informal sector, such as ROSCAs, and finding appropriate ways of linking them to the formal sector, are critical to the expansion of financial access for marginalized populations. Recent financial inclusion reforms and initiatives in Morocco demonstrate that the country is well on its way towards more inclusive and sustainable livelihoods for all of its citizens.

Mr. Frezer Ayalew has 14 years of experience in the financial sector, particularly in the areas of banking and microfinance. Since 2010, he has been the director of the Microfinance Supervision Directorate at the National Bank of Ethiopia. In that role, he develops regulatory frameworks, supervises financial institutions, and leads initiatives related to financial inclusion and financial sector development. Throughout his tenure, he has actively promoted nationwide dialogue and action in support of financial inclusion and financial sector development.

He holds a BA in Business Management and MBA from Addis Ababa University in Ethiopia. He has joined international workshops and training programs related to financial inclusion and financial sector development in many countries. He has also completed a post-graduate certification program at Boston University in International Business Management. As a Fulbright-Humphrey Scholar, he strives to continue his efforts in promoting economic growth in his country and beyond through actively engaging in financial inclusion and financial sector development initiatives.

FINANCIAL INCLUSION IN ETHIOPIA: LESSONS FROM AN AFRICAN SUCCESS STORY

Frezer Ayalew

INTRODUCTION AND BACKGROUND

Ethiopia, a country located in the horn of Africa, has had a long history of armed conflicts that have contributed to a high poverty rate. Despite these challenges, it has also emerged as one of the shining examples of innovative and successful financial inclusion initiatives throughout Africa and the developing world. This paper argues that such success is a combined result of a wide array of financial inclusion projects and policies that the Ethiopian government has recently undertaken in partnership with various international development agencies, as well as adaptive learning from the institutions and initiatives of the informal financial sector in local communities. Ethiopia is home to 96 million inhabitants, 86% of which reside in rural areas (World Bank 2014). The agricultural sector provides about 40% of the GDP, constituting a main source of livelihood for more than 85% of the population. Ethiopia has demonstrated significant success in achieving most of the Millenium Development Goals ahead of time by effectively incorporating them into national development plans, and it by 2014 it had achieved an economic growth rate of 10.3%. Still, poverty remains one of the country's main challenges, with the per-capita poverty ratio at about 29%.

The stability and inclusiveness of the financial system of a country remains a crucial factor in its development. The financial system in Ethiopia has been historically characterized by a minimal availability of diversified financial institutions, innovative financial products, and modern financial infrastructure. In addition to the formal financial system, semi-formal Savings and Credit Cooperatives (SACCOs) form an important part of financial outreach, particularly in rural areas. The National Bank of Ethiopia (NBE) regulates and supervises the operation of formal sector financial institutions such as banks, insurance companies, capital goods finance companies, and microfinance institutions, while SACCOs are regulated by the Federal Cooperative Agency (FCA). According to the NBE quarterly report (Volume 32, Quarter IV), as of June 30, 2015, there were nineteen banks (eighteen commercial banks and one development bank), seventeen insurance companies, thirty-five microfinance institutions, and five capital goods finance companies operating in the country. Most financial institutions are concentrated in urban areas, with 35.5% of bank branches and 52.8% of insurance branches located in the capital city of Addis Ababa.

The Government of Ethiopia and the National Bank of Ethiopia have recently been designing and implementing a series of financial inclusion initiatives and projects in collaboration with local and international development partners and donor communities. These initiatives strive to achieve broad and sustained economic growth and eradicate poverty throughout the country. Access to finance in Ethiopia has significantly increased in recent years due to branch expansion of the state-owned Commercial Bank of Ethiopia (CBE) and other banking institutions. New financial technology has enabled alternative financial service delivery mechanisms such as automated teller machines (ATM) and points of sale (POS), Internet banking, and mobile banking. The strong performance of microfinance institutions has enabled more than four million poor citizens to gain access to basic financial services such as savings deposits, micro-loans, and micro-insurance.

Similar to other developing nations, informal financial services play a crucial role in addressing the financing needs of local people in many Ethiopian communities. These arrangements include loans from friends, family members, and informal lenders in the community, rotating saving and credit associations (ROSCAs; locally referred to as *Iquib*) and risk-pooling burial societies called *Iddir*, among others. A significant number of people living in urban and rural areas of Ethiopia belong to these traditional institutions either through social or work-based networks. These informal arrangements have a strong presence throughout the country, and there is a need to study further their functioning and the financial assistance they provide to local people, as well as the possibilities of developing their ties to formal sector financial institutions.

In order to improve the robustness and inclusiveness of the financial sector, the Ethiopian Government, in collaboration with a number of partners, has recently launched several new financial inclusion initiatives. Some of those include the following:

I. INTEREST-FREE (ISLAMIC) BANKING SERVICES

The financial system in Ethiopia has been historically dominated by conventional banking whereby the concept of interest plays a major role. In order to overcome financial exclusion due to religious issues and allow alternative financial arrangements to reach a broad base of customers, in 2011 the National Bank of Ethiopia issued directives on Interest Free Banking, allowing financial institutions to provide interest-free banking services to customers using dedicated, interest-free windows in bank branches.

II. CAPITAL GOODS FINANCE COMPANIES

Lack of collateral has been one of the critical constraints for small and medium enterprises to access loans from formal financial institutions. The government has enacted a law that would allow for the formation of capital goods finance companies that provide finance lease and hire purchase services to such businesses. This alternative model avoids the need to pledge physical collateral by the businesses and is believed to boost the country's manufacturing sector. Several such companies are already in operation.

III. MICRO-INSURANCE REGULATORY FRAMEWORK

Access to micro-insurance services by low-income members of the population is an important dimension of financial inclusion. The recent proclamation issued to regulate and supervise the microfinance sector (Proclamation 626/2009) allows microfinance institutions to provide micro-insurance services to their customers. To promote the development of the micro-insurance industry, in 2016 the National Bank of Ethiopia issued a comprehensive legal framework for its regulation and supervision. This legislation authorizes the delivery of micro-insurance services by mainstream insurance companies, microfinance institutions, and new institutions called micro-insurance companies.

IV. MOBILE AND AGENT BANKING SERVICES

Innovative financial technology is crucial for overcoming physical barriers and deepening financial accessibility at affordable prices. In 2013, the National Bank of Ethiopia issued directives on regulating mobile and agent banking services. It also promotes a bank-based model of branchless service delivery, allowing banks and microfinance institutions to open mobile accounts using a network of agents. At the present time, the provision of mobile and agent banking services in Ethiopia has just begun.

V. A MODERN CREDIT REFERENCE BUREAU

Credit information-sharing allows financial institutions to make prudent lending decisions, reduce the level of non-performing loans, and avoid over-indebtedness of individual borrowers. Such credit bureaus create customer credit profiles that authorized lenders can access, enabling better lending terms and reduced collateral requirements. A modern credit reference bureau for housing credit information of both commercial banks and microfinance institutions was established in Ethiopia in 2012. Due to poor management information systems, though, microfinance institutions in Ethiopia have yet to participate in the system.

VI. NATIONAL MICRO-AND SMALL ENTERPRISES DEVELOPMENT STRATEGY

There has also been a focus on strengthening micro- and small enterprises, particularly in the manufacturing sector, in order to generate employment opportunities and pave the way for a more industrialized economy. A new strategy that seeks to improve the providing of appropriate technology, skill, capital and market opportunities for micro- and small enterprises has been developed and implemented accordingly.

VII. NATIONAL COUNCIL FOR FINANCIAL INCLUSION AND DEVELOPMENT OF FINANCIAL INCLUSION STRATEGY

Recognizing the need to advance financial inclusion through effective coordination among stakeholders, in 2015 the Ethiopian government established the National Council for Financial Inclusion. This new council, chaired by the Ministry of Finance, is responsible for designing, implementing, and monitoring national financial inclusion policies and strategies. Supporting the Council is the Financial Inclusion Technical Secretariat, permanently instituted under the National Bank of Ethiopia with experts in the areas of digital finance, insurance services, financial inclusion and literacy, SME/Lease finance, and policy and data analysis. A comprehensive National Financial Inclusion Strategy has also been developed. It is expected that these measures and effective implementation of the financial inclusion strategy will further improve financial service accessibility in Ethiopia and contribute to economic development and poverty reduction.

Mr. Serdar Bazarov *has more than a decade of experience in designing and implementing legislative and institutional reforms of social protection systems, pension fund operations, public administration, institutional development, and gender mainstreaming in government programs. Mr. Bazarov is currently pursuing a PhD in economics and management at the Academy of Sciences of Turkmenistan, focusing his research on financial sustainability of the national pension system.*

During his Fellowship year, Mr. Bazarov studied the budgeting and financing of both U.S.-based and global social protection programs while expanding his professional network. Upon his return to Turkmenistan, he will focus on innovating investment policies related to pension funds.

SOCIAL SUPPORT SYSTEMS IN TURKMENISTAN: COMBINING STATE SOCIAL TRANSFERS WITH TRADITIONAL MUTUAL AID

Serdar Bazarov

INTRODUCTION

Today, when the world is faced with many global threats that have a negative impact on human wellbeing, the state often plays a strategic role in providing social protection for its population. At the same time, mutual aid provided within communities can be considered equally important, as it emerged long before statehood and is based on the principles of common humanity and mutual respect.

Such is the case in Turkmenistan. Social support provided at the state level and centuries-old traditions of mutual aid occurring at the community level are inextricably intertwined in this country. This article examines state as well as community-based social support systems in Turkmenistan and argues that these are both parts of a continuum of historically developed practices of mutual support and communal sharing in local communities.

STATE-BASED SOCIAL SUPPORT

Turkmenistan continues to experience high economic growth mainly due to its significant energy resources such as natural gas and oil. The country's gas reserves are the fourth largest in the world[19]. That makes it easier for the country to pursue broad policies aimed at the social protection of the population. Annually, the total share of social sector expenditure constitutes more than 70% of the state budget, and the country's social security system accounts for about 40% of that figure.

The country is characterized by a wide range of subsidies. Since 1993, the population has been provided with free gas, water, and electricity for household consumption (with certain limits and guidelines). It should be noted that the gasification of populated areas in Turkmenistan is 99%, so virtually the entire population uses natural gas. Citizens can also use up to 250 liters (66 US liquid gallons) of free water per day—but as there are no water meters installed in apartments and houses, most people can enjoy unlimited free water. The government also provides low-interest (soft) loans for house construction in rural villages and targeted support for agribusiness development and for newlyweds to start their households. Turkmenistan further provides free education, including higher education, and free primary medical care. There are additional benefits and privileges for some vulnerable population categories, such as persons with disabilities, orphans, and veterans, including reimbursements for some basic food items and school supplies.

The country also offers a wide range of subsidized credits. Since 2011, young families of less than 30 years of age may receive a subsidized loan to buy essential household goods. The maximum loan size is TMT 6,000 (1 USD equals to 3.5 Turkmenistan Manats) and is issued on the basis of a third party guarantee—usually the parents of the newlyweds. The maturity of this loan is three years with a 1% per annum, while the average, annual inflation rate in the country is 5.8-6%.

Turkmenistan is a predominantly agricultural country. Half the country's population lives in rural areas and the production is organized based on farming associations and private farms. To stimulate the development of the agricultural sector, the government provides subsidized loans. For example, farming associations and individual farmers may receive long-term soft loans. Preferential loans are granted for the purchase of agricultural machinery, tools, and equipment for up to ten years with annual interest rate of 1%. Subsidized lending is also provided for financing agricultural investment projects related to the production and processing of agricultural products for ten years at 5% per annum.

[19] http://world.bymap.org/NaturalGasReserves.html

TRADITIONAL MUTUAL AID

The people inhabiting present-day Turkmenistan share a thousand-year history. Local communities have seen the creation, rise, and fall of great empires. Locally stored wisdom and traditions of mutual aid and communal assistance have helped sustain these communities through difficult times. Below are a few examples of traditional mutual aid that are practiced throughout the country.

In the villages there is an old-time tradition of purchasing communal furniture and utensils and using them to carry out events hosted by individual families within the community: weddings, religious celebrations, funerals, and the like. If villages are large, they are divided into several parts, and communally elected sub-village leaders (called *'Ak sakgal'* or *'Kethuda'* depending on the region), organize the communal collection of money for purchasing furniture and equipment. The collected amount usually depends on family income, and very poor families are not required to contribute. The equipment may include tables, chairs, cauldrons (with a capacity of 100 liters or 26.4 US liquid gallons), large boilers (with a capacity of 10-20 liters or 2.6-5.3 US liquid gallons), and tableware. Elders buy furniture and utensils for 400-500 people at a time and store the items in their houses. They then distribute the items free of charge to members of the community on the basis of need, and the family that organizes the event where the items are used only has to pay shipping costs.

–Symbolic ceremony of dowry contributions

–Prosperity ritual at a traditional wedding

This practice was particularly widespread in the past, when families were large, and when relatives and neighbors contributed to events free of charge. In the present day, this practice has somewhat shrunken in scale, as the financial well-being of rural households has continuously improved. In addition, so-called "all inclusive" services have emerged; specialized firms now organize and conduct events "from soup to nuts", using their own inventory, cooks, and waiting staff.

Another important tradition is the communal collection of money for wedding celebrations. Weddings can be very time consuming and expensive, requiring months of preparation and involving complex rites and rituals. In the cities, relatives, friends, and neighbors may contribute money to support the event. In villages, this assistance still comes in a mix of monetary and nonmonetary forms.

CONCLUSION

As we can see, the role of state-based social support is quite significant in Turkmenistan. Obviously, providing many social transfers such as free gas, water, and electricity should be only temporary in nature, as those transfers would ultimately become a heavy burden to the state. Many subsidies were introduced back in the 1990s, when the country was transitioning from a centrally planned economy to a market economy. Additionally, the country's rapid economic growth has rendered many subsidies somewhat inefficient since most of these benefits are used by financially secure families living in urban areas.

As for the traditional system of social assistance in Turkmenistan, mutual aid arrangements provide mostly material support, but they also offer social support and opportunities for networking and communication within the community. Mutual aid has a positive effect not only in financial terms, but it also provides strong moral and ethical impact, strengthening the communal bonds within local communities and kin groups. It also provides an effective means to educate and socialize younger generations in the spirit of cooperation and communal sharing. At the present time, both state and community-based social support systems continue to offer important resources to the population of Turkmenistan. The coexistence of both of these systems may be attributed to the continuing relevance of age-old norms alongside institutions geared toward promoting social and economic equality and mutual assistance.

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Mr. Jafferani has earned a Bachelor's degree in Economics from The Lahore University of Management Sciences and an MBA from The Institute of Business Administration in Karachi.

During his fellowship year, Mr. Jafferani undertook advanced studies in entrepreneurship, economic policy, and financial institution management. Upon returning to Pakistan, he hopes to work toward establishing a fully automated microfinance institution to benefit rural populations.*

INFORMAL INITIATIVES TO BROADEN FINANCIAL ACCESS: A CASE FROM PAKISTAN

Aly Jafferani

As noted in Pathan and Nyunt's article found in this publication, in 2014 only 8.7% of the Pakistani population had access to an account with a formal financial institution.[20] With a population of almost 200 million, Pakistan is severely lacking when it comes to banking penetration and financial inclusion. One of the biggest reasons for this is the lack of trust among the general population regarding banking institutions as guardians of their hard-earned money. That issue is compounded by high rates of illiteracy throughout the country.

Banking services in Pakistan lack proper outreach; most private and commercial banks are not interested in opening brick-and-mortar branches in rural areas—where 60% of the nation's population resides—due to infrastructural difficulties and potentially poor returns. As such, formal banking institutions in Pakistan tend to be found only in major cities and towns. Some mobile banking platforms have recently proven efficient in managing savings and remittance services in the rural areas. Despite this development, there is a profound dearth of credit services in most Pakistani communities, and most of the loan arrangements are still managed by informal means. This article explores a case in which a local individual successfully created an informal lending business. By following local cultural and religious frameworks, this young man managed to give birth to a sustainable enterprise that offered financial access to many of the unbanked in his community.

Faizal grew up in a middle class family in Karachi. From a very young age, he had spent weekends at his father's shop and understood well the value of money. Faizal's experience had taught him that at the core of any successful business endeavor is mutual trust and long-term relationship-building with customers. During his undergraduate years, Faizal had learned about the concept of impact investment—of investing funds into a company or business in order to generate not only financial but also social returns—and that concept had resonated with him.

When Faizal graduated from university, he found a job at a local private bank, which paid the equivalent of USD 250 per month. One day, one his uncles came to him and inquired as to whether Faizal could arrange a small loan for him for the purchase of a motor bike; his uncle wanted start delivering goods for a local company in order to provide income for his family of five. Despite being a banker, Faizal was unable to help his uncle to obtain a loan and therby achieve a better standard of living. This was because his uncle did not have collateral to register with the commercial bank. The frustration over that experience stayed with Faizal, as he grew to realized how many people were unable obtain loans from the formal financial sector—either from a commercial bank or a microfinance institution—for the same reason. The only alternative left to such people was to obtain loans from loan sharks at interest rates in excess of 300%.

Faizal ultimately quit his job and reach out to a few close friends for seed funding to provide microloans to people who did not have any form of formal collateral. This project would also help people who were not willing go through the formal banking channels due to excessive bureaucracy before loan approval.

The greatest challenge to Faizal's new business was the ability to mobilize enough deposits to ensure the smooth running of his lending operations. Faizal developed a unique strategy to achieve this goal: he visited various relatives, friends, and colleagues, requesting that they provide him with their discretionary cash. In return, Faizal would ensure them a deposit rate of 2.00% per month for a deposit of at least 3 months or more, and a 1.5% rate per month for any period below that. Faizal thereby ensured his customers a deposit rate of almost twice the going rate for commercial banks—while also saving them from the hassle of opening accounts.

[20] http://tribune.com.pk/story/873128/lagging-behind-only-8-7-pakistani-adults-have-bank-accounts-wb/

In order to attract a broad borrower base, Faizal visited local mosques and asked the *imam* (speaker) to market his lending products. That is where Faizal reached most of his customers. Since he was providing loans without collateral, he extended certain requirements before disbursing the loans:

1) He would always visit the customer's home;
2) He would assess whether the requested loan was to be used for the stated purpose;
3) The customer had to have a mutual acquaintance as a reference;
4) The loans had to be disbursed in the mosque. Faizal was a religious person, and he believed that if the loans were tied with faith and religion, there would be a lower risk of default.

Faizal provided loans at a markup of between 1.75% and 2.25% based on the amount and length of the loan and its purpose (the loans were under a hire-purchase agreement, making the transactions compliant with *Sharia* – the Islamic religious law). The purpose of the loan was very important to Faizal, and at times he would lower the rate if the loan was for education or a family celebration, such as a wedding. Faizal's business soon became sustainable. Within a two-year period, he accumulated a portfolio of 80 million Pakistani Rupees (PKR)—roughly USD 800,000. He managed all of his accounts using a simple computer spreadsheet.

Faizal believes that one of the reasons of his success was that his business was based on Islamic financial rules. In Islamic law, lending is a highly respected act, and verbal contracts are also permissible. During my discussion with him, Faizal informed me that, due to the attractive return rates and hassle-free process, many people still continue requesting that he accept their deposits. He refuses to increase his loan portfolio, however, as he believes that success depends on the current size of the business. He also emphasized that the business was primarily based on trust; Faizal's depositors trust that he will repay them on time and with the promised interest rate, and he also trusts that his borrowers will pay him back according to the agreed schedule.

Since Faizal's entire business is based on trust and socially accepted religious values, Faizal believes that he can always re-establish his business in the event that progress is disrupted by changes in the overall economic climate of Pakistan. Conversely, if he were to lose his customers' trust, he would lose not only his business credibility but also his dignity among friends and family.

Faizal's case demonstrates how a single individual can bring together people left outside the formal financial system. By following the norms and institutional patterns of his society and culture, he was able to not only provide an effective source of finance for the people around him but establish a sustainable business for himself as well.

__Dr. Habibullah Pathan__ is Director and Associate Professor at the Directorate of English Language & Development Centre of Mehran University in Pakistan. He completed his PhD in Language Education at the University of Glasgow in 2012. Under the Humphrey Fellowship Program he completed postdoctoral research at MIT under the supervision of Professor Noam Chomsky on "Indoctrination through State-controlled Textbooks in Pakistan."

During his Fellowship year, Dr. Pathan also joined a 5-member team in winning the "Hackathon" at the Harvard University Social Enterprise Conference, with a proposal for improving community colleges in USA.

Dr Pathan has published nearly twenty research papers in international journals and presented at international conferences as a keynote speaker.

PART II. FINANCIAL INCLUSION, LITERACY AND EDUCATION

FINANCIAL INCLUSION AND EDUCATION: THE EXPERIENCE OF PAKISTAN AND MYANMAR

Habibullah Pathan and Khaing Thandar Nyunt

Financial inclusion efforts in many developing countries cannot be separated from broader initiatives to improve financial education and literacy. The governments of Myanmar and Pakistan have recently launched significant policy initiatives aimed at improving access to financial services for their citizens. It has become evident in both countries, however, that improved literacy and financial education are critical to the achievement of financial inclusion. This article discusses the relationships between financial inclusion and education in both countries.

1. THE RELATIONSHIP BETWEEN FINANCIAL INCLUSION AND LITERACY IN PAKISTAN

Pakistan is densely populated; over 190 million people reside there, making it the 6th most populous country of the world. Its inhabitants are diverse in terms of culture, religion, caste, and ethnicity. Pakistan is a semi-industrialized country and the 40th largest economy globally, according to the 2015 IMF World Economic Outlook. Some recent initiatives to expand financial inclusion in the country include the creation of a regulatory framework for microfinance banks and the establishment of a microfinance Credit Information Bureau. The State Bank of Pakistan has also initiated a Nationwide Financial Literacy Program to educate low-income citizens in basic financial concepts, products, and services. Despite these efforts,[1] the country still faces significant problems with financial access. According to the World Bank Global Findex database, in 2014 only workers resorted to the informal remittance transfer system *hundi* instead of formal channels because 8.7% of the population had access to an account with a formal financial institution.

This article argues that a country's financial inclusion is directly related to its literacy rate. In 2014, The World Bank estimated Pakistan's literacy rate to be 58%. In rural areas of provinces such as Sindh, the rate is below 50%. Even more people may lack literacy skills as defined by UNESCO: "the ability to identify, understand, interpret, create, communicate, compute and use printed and written materials associated with varying contexts." There are very few people in the interior of Sindh who are able to read, write, understand, and create written texts. Many children are still deprived of education due to poverty, low quality of educational programs and facilities, and family and community pressures to engage in childhood labor. Low literacy rates also impede people's access to financial services, including bank accounts, mobile banking, and the use of ATM services. Due to poor reading and writing skills, people have difficulties accessing financial products even as innovative financial platforms and services such as mobile banking are becoming increasingly accessible in the rural areas of Pakistan. In order to effectively participate in the financial sector, people need functional literacy skills, as well as basic skills of the English language used in banking services. Although the Government of Pakistan has recently undertaken significant measures to enhance financial inclusion throughout the country among all ethnic, religious, gender, and age categories, the success of these initiatives directly depends on increased literacy rates and improved educational opportunities among the population. The country has taken the first important steps toward increasing spending on education, expected to comprise about 4% of the country's Gross Domestic Product by 2020, as

[1] http://www.financial-education.org/Pakistan_Nationwide_Financial_Literacy_Program.html

[2] http://unesdoc.unesco.org/images/0013/001362/136246e.pdf

compared to the current spending of just 2.1%

2. FINANCIAL INCLUSION AND FINANCIAL LITERACY IN MYANMAR

Myanmar has experienced significant advances in the development of its financial sector since the democratic government took power in 2011, following decades of military dictatorship. Local livelihoods in Myanmar have always depended on migrant remittances. There are thousands of migrant workers from Myanmar in the neighboring countries of Thailand, Malaysia, and Singapore, as well as in more distant destinations such as Japan, Korea, and Dubai. In the past, when sending home remittances, migrant workers resorted to the informal remittance transfer system *hundi* instead of formal channels because of significant regulatory and institutional constraints. Only two banks in the country were able to participate in foreign banking transactions, and there only a small number of private banks operated in the area of domestic banking. The economic and political liberalization reforms that emerged in 2011 opened the door to broader financial inclusion in Myanmar. They also revealed considerable constraints to financial access in local communities, the most significant of which was the lack of financial literacy and capability.

Within a few short years, Myanmar has undertaken several important initiatives to expand financial inclusion throughout the country. These include introducing microfinance institutions and establishing regulatory frameworks, as well as expanding the telecommunications sector and introducing mobile banking initiatives to expand financial access particularly in rural areas. There are more than 20 local private banks and 13 foreign banks operating in Myanmar. Liberalization of foreign exchange rates and the establishment of branches of local Myanmar banks in neighboring countries have encouraged the movement of migrant remittances through formal financial channels. The banking sector is also collaborating with major international money transfer operators such as the Western Union and Moneygram. Still, more than 80% of the population in this predominantly agricultural country do not have access to formal financial services (CGAP, 2013).

Because of past negative experiences with the banking sector, there is still significant distrust among people toward banks and formal financial services, including post office money transfers. A considerable amount of the population has been resorting to various informal ways of money management, including transfers and informal savings and credit services, which tend to be overly expensive and involve significant risk. One of the major obstacles to an effective engagement of the people with the formal banking sector has been a dearth of awareness of the services offered and low levels of financial literacy. People are often too eager to trust various financial scams and fraudulent schemes that have reached them with the spread of the internet and email services in local communities. At the same time, most people's knowledge of formal banking services and skills in personal financial management remain relatively poor. In order to effectively broaden financial inclusion and access throughout its vast population, Myanmar needs to pay more systematic attention to comprehensive nationwide initiatives to raise financial literacy and capability.

Ms. Khaing Thandar Nyunt *is an assistant director of the Central Bank of Myanmar (CBM), where she oversees two separate divisions. As the head of foreign exchange markets, she leads the foreign currency auction, a managed, floating, foreign exchange rate system specific to Myanmar. She also runs the Interbank foreign exchange market, a decentralized, wholesale, foreign exchange market mainly used for trading among bankers. As head of the administrative division, she manages human resources and personnel management.*

Ms. Nuynt received a bachelors degree in Commerce from the University of Economics of Myanmar in 2003. She also holds a master's degree in Public Policy from the Graduate Institute for Policy studies (GRIPS), awarded in 2007.

[3] http://www.cgap.org/blog/financial-inclusion-myanmar-10-things-you-should-know

ENTREPRENEURSHIP EDUCATION AMONG THE YOUTH OF ALBANIA

Fozilet Simoni

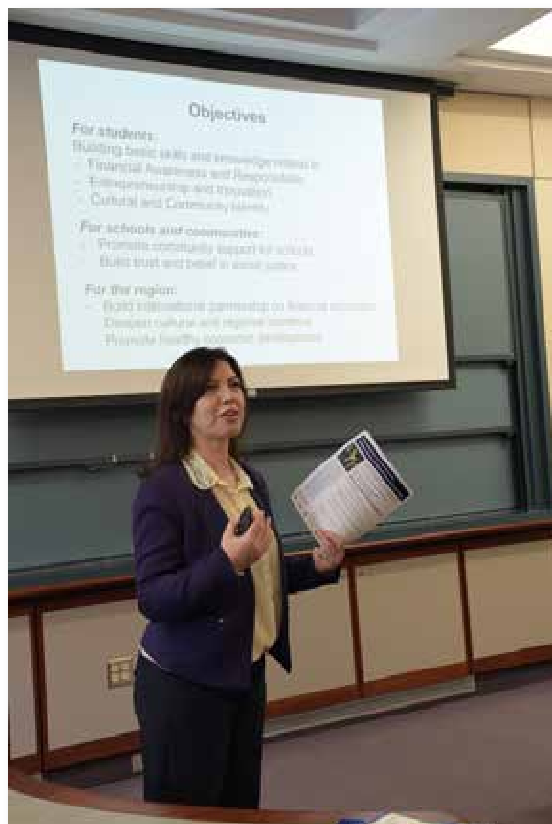
Ms. Fozilet Simoni *is a curriculum quality assurance specialist at the Regional Directorate of Education in Tirana, Albania. She oversees public and private school curriculum development and school management at over 100 schools throughout the Albanian capital. She has also served as the Director of National Initiatives in Tirana, managing such wide-ranging projects as a campaign against drug and alcohol abuse and an initiative to promote inclusive education for children with disabilities. She has over twenty years of experience in Teaching English as a Foreign Language (TEFL) at the secondary level. She serves on the board of directors of the English Language Teachers Association of Albania (ELTA) and has presented on curriculum planning, teaching methodology, project management, and other topics throughout the country.*

Ms. Simoni obtained the equivalent of an integrated bachelor's and master's degree in English-language instruction from University of Tirana.

In Albania, entrepreneurship education has become an important part of the national school system. There is a growing recognition throughout the country that nurturing the entrepreneurial spirit and innovative capacities of young people will support financial inclusion and employment and bring about economic growth. Entrepreneurship is an important driver of the Albanian economy, as most jobs in the country are created by small businesses started by individuals. Many people run family businesses or go on to create large enterprises that provide employment to other people. The people engaged in these entrepreneurial efforts need formal training in order to be successful. Albanians believe that fostering an entrepreneurial culture in schools helps prepare citizens to succeed in our entrepreneurial economy and thereby supports economic development on the local and national scale. As a result, entrepreneurship education has become a core component of school curricula.

Entrepreneurship education is seen as a lifelong learning process that starts in elementary school. The Center of Southeastern Europe for Education and Entrepreneurship, in cooperation with the Ministry of Education and Sports of Albania recently launched a pilot initiative in a few of the best schools in the country's capital of Tirana, which aimed at the integration of entrepreneurship competencies in various subject areas, including the social and natural sciences, the arts, physical education, and foreign languages. As part of that initiative, a variety of activities has been organized to promote the entrepreneurial school, teachers, and students. After an analysis of existing K-9 curricula focused on entrepreneurship, model lessons with clear objectives have been designed. Students have been assigned progressively more challenging educational activities that enable them to develop the insights and skills needed to discover and act on entrepreneurial opportunities, and to successfully start and manage their own businesses. All pilot schools communicate and exchange experiences through an online community of practice.

Through curricular activities as well as various fairs and other common events, students develop abilities related to collective planning, action, and fundraising. Students often participate in gathering funds and depositing them into school or class bank accounts, which are used for purchasing classroom supplies. The schools hosting these pilot programs have further participated alongside regular businesses in the European Week of Small and Medium Enterprises. Also, May 11th in Albania is National Entrepreneurship Day, and on that day diverse activities and celebrations can be seen taking place in schools and businesses all over the country.



This national initiative for entrepreneurship education has been highly successful and has undoubtedly played an important role in improving the livelihoods, financial inclusion, and community engagement of the young generation of Albania.

PART III. A COMMUNITY COLLEGE PERSPECTIVE ON FINANCIAL LITERACY

PROMOTING FINANCIAL CAPABILITIES AT BUNKER HILL COMMUNITY COLLEGE

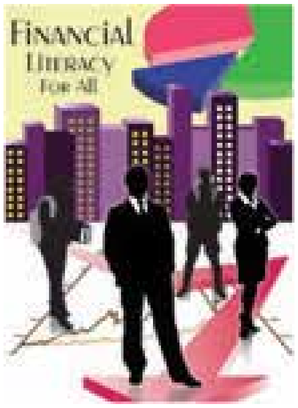
Wissal Nouchrif, Associate Professor, Bunker Hill Community College

Bunker Hill Community College is a partner of the BU Humphrey Program under the Associate Campus Partnership—an initiative launched by the U.S. Department of State in 2007 with the aim of extending the international perspectives the Humphrey Program to a broader range of U.S. higher educational institutions and local communities. This year, Humphrey Fellows visited BHCC classes to share their backgrounds and experiences related to financial inclusion throughout the developing world. BHCC students were also invited to participate in BU's Joint Symposium on Financial Inclusion, co-organized by the Humphrey Program and the BU Center for Finance, Law & Policy. At that event, I was joined by several of my current and former students in the Business Administration Department on a panel that introduced financial literacy and capability initiatives currently underway at BHCC. Professor Kathleen O'Neill also joined the symposium and introduced BHCC's Single Stop initiative, which connects our students to state and federal financial resources and local community services. The initiatives described at the symposium are summarized below.

-BHCC panel at the BU Financial Inclusion Symposium

I. FRESHMAN SEMINAR IN FINANCIAL LITERACY

The first step in assisting students in managing their limited financial resources is to develop their financial literacy. To that end, a freshman seminar called "Financial Literacy for All" was created in 2012 to build students' skills in money management such as budgeting, credit cards, credit scores, and the like. Gregory Hardy, a student in the Financial Literacy seminar in Spring 2016, expressed his impression of the course as follows: "I am both pleased and surprised by the amount of important knowledge (to my entire life) that this course has provided. Few courses offer information with so many real life applications and benefits." This course is offered in both the Fall and Spring semesters and is open to all freshmen at BHCC.



II. SINGLE STOP

Single Stop USA connects students to state and federal financial resources and local community services. The aim is to help students overcome economic barriers, continue their education, and move toward positive economic mobility with the ultimate goal of breaking the cycle of poverty[1]. Some of the services offered include:

[1] www.bhcc.mass.edu/singlestop

Benefits Screening
Quick screening that provides students with information about whether they qualify for federal or state benefits (Supplemental Nutrition Assistance Program (SNAP), child care assistance, housing, etc.).

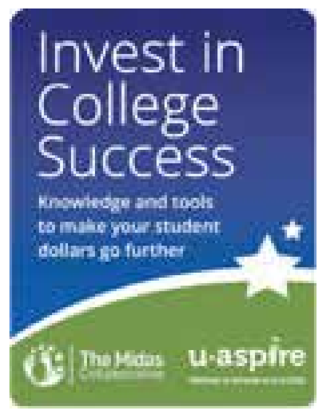
Free Tax Preparation
Through the Volunteer Income Tax Assistance (VITA) program of the IRS, state and federal taxes are prepared for students with special attention to any free tax credits for which students and their families may be eligible.

Mobile Food Pantry
This program directly serves clients in areas of high need; a truckload of food is distributed to clients in pre-packed boxes or through a farmers market-style distribution whereby clients are able to choose what they need.

Health Insurance Assistance
Since the establishment of the Affordable Care Act, BHCC students are no longer required to purchase health insurance. Single Stop helps students to determine if they qualify and helps them to weigh their various health insurance options.

III. MATCHED SAVINGS PROGRAM

This is another important program administered by the Single Stop Office. The program was initiated in 1998 after Congress introduced the Assets for Independence Act (AFI), a community-based approach for giving low-income families a hand up out of poverty. Utilizing existing individual and community assets, AFI strengthens communities from within through the use of matched savings accounts called Individual Development Accounts (IDAs). Through financial education, AFI demonstrates the use and impact of IDAs to help low-income individuals move toward greater self-sufficiency. In the Matched Savings Program, students who deposit money into a savings account will have those deposits matched—and in fact doubled—by their academic institution. In order to qualify for this program, students must complete a mandatory number of hours of financial education. They also need to budget their monthly income and deposit a minimum amount every month; at BHCC, the minimum monthly deposit is $63. The deposit further needs to remain in the account for six months. For every dollar deposited, there is a matching deposit of two dollars; students who maintain monthly deposits of $63 find an additional $126 dollars deposited into their accounts.



This program provides tremendous incentives to build good savings habits and pursue financial education. Students participating in this program attend workshops or take classes focused on asset building, money management skills, investing, and the like. All of these topics are valuable to their everyday lives and their futures as well. At present, half of the country's twelve million students enrolled in community colleges drop out, often because of financial barriers. This program is designed to significantly reduce that droupout rate.

The BHCC Matched Savings Program is offered in collaboration with MIDAS, U-aspire, Citizens Bank, and the Federal Reserve Bank of Boston. In the 2015–2016 academic year, twenty-eight students were enrolled—and BHCC plans to increase the enrollment to sixty by 2017.

KUDAMBASHREE: THE KERALA WOMEN'S SUCCESS STORY

Vrinda Varma, BU Fulbright Fellow

Kerala is a small sliver of a state in South India. Flanked by the Arabian Sea and the Western Ghats—the mountain range that runs parallel to the western coast of the Indian peninsula—, it sits prettily, tucked into the southern tip of India. "God's own Country," as it is called, Kerala—with its lush paddy fields, swirling backwaters, the shadow of the Ghats, and an elaborate coastline—augurs well for scenic photographic moments.

Along with the scenery are a host of impressive statistics about life in Kerala. It is the only Indian state to achieve "very high" on the Human Development Index (HDI) with respect to education, health and income. According to the last census (2011), the literacy rate was 94%, and the female literacy rate was 97.07%. The state further boasts the country's highest ratio of women to men (1.084). Life expectancy in Kerala is seventy-two years, comparable to the U.S. average of seventy-six. Population growth is high but under control, with the fertility rate being just 1.7 per woman—lower than that of even Sweden and the U.S. Taken as a whole, these statistics suggest high economic markers as well. However, Kerala's per capita income just grazes the national India average of approximately $1200 and languishes at the bottom of the index for service sector growth.

These dismal GDP statistics are due to three main reasons. For one, Kerala does not have enough job opportunities to meet the growing population of educated people. There is also a continuous disregard of the service sector. Finally, participation in casual employment, especially by women, is waning.

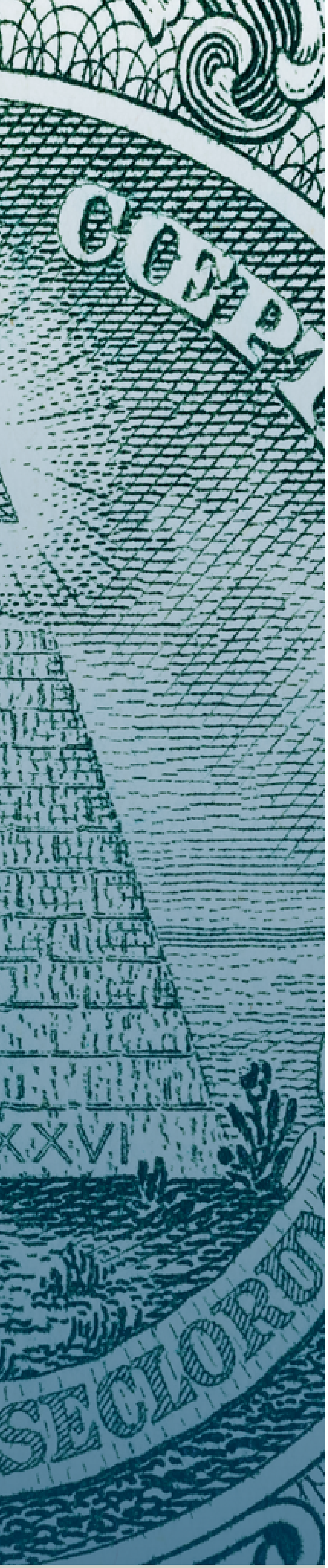
In 1988 the Kerala government devised a federated structure of neighbourhood groups of women from poor households. This project produced the women-based participatory programme called *Kudumbashree*, or "family prosperity." The Kudumbashree is a coming together of women from across Kerala to create a self-help group of sorts. Although funded by the government, its success has mainly been due to the resourcefulness of its members. The Kudumbashree program today has 4.1 million members from more than 50% of all households in Kerala. This program seeks to empower underprivileged women, giving them hope for a more dignified life and future.

– Women who work for the Kudumbashree catering service

To mistake Kudumbashree as simply an informal group of women would be a gross underestimation. It is operational on three tiers: first the Neighbourhood Group (NHG) comprises ten to twelve members. The second tier, the Area Development Society (ADS), is composed of representatives from the NHG. The topmost tier is the Community Development Society (CDS), with elected members from the ADS. The Kudumbashree supports 25,000 individual micro-enterprises and 1,000 group enterprises engaged in nearly 100 activities ranging from running canteens, soap-making centres, waste collection and management units, catering services, dairy hubs, IT schools, auto-taxi services, hotels, garment units, and even IT centres and banking services.

Kudumbashree's flagship programs are in microfinance and catering. On its website, the Kudumbashree defines its micro-credit scheme as follows:

"The savings of the women are pooled together and given out as loans to the most deserving. These loans have been used for purposes ranging from covering hospital expenses to meeting working capital needs



for micro enterprises. The Community Development Societies facilitate bank linkages for farming, micro housing and micro insurance. They also serve as the delivery point for skill upgradation and market development support to micro enterprises."

According to a the State Poverty Eradication Mission Report of 2011, the Kudumbashree has mobilised a sum of USD 254.06 million as thrift, and it has disbursed loans totalling USD 631.35 million. Such success notwithstanding, the Kudumbashree's micro-finance and thrift societies are not restricted to financial transactions; they are also engaged in promoting financial literacy. Under the Financial Literacy Plan, trainings are offered to all members of NGHs, banking parliaments are held, and handbooks, which describe the nature of accounts, transactions, loans, etc. in the local Malayalam language, are distributed.

The other highly successful Kudumbashree venture is their catering department. Kerala, for all of its high educational markers, is still a highly conservative, gender-split society where virtually all domestic work is relegated to women. Kudumbashree canteens and catering units set out to make visible the work that countless women perform in their households—and monetize it. Almost all government canteens in the state are now run by Kudumbashree, as are cafes and restaurants in many cities. The cooking, serving, procuring, and managing of accounts are all done by women. The menus are simple and traditional, with the emphasis placed on providing healthy meals at affordable prices. Not lost in this mission is a stringent focus on quality; Café Kudumbashree was launched in 2010 with the explicit goal of raising the standards of canteen and catering units quality. A management and marketing group called AIFRHM (Adebha Institute for Food Research and Hospitality Management) provides technical as well as marketing support to establish and develop Kudumbashree canteens and restaurants.

Other, up-and-coming initiatives of the Kudumbashree include organic and collective farming projects, skill-development training programmes, gender-based self-learning programmes, and legal literacy activities. Add to those the Kudumbashree's work in running special schools called Balasabhas—which aim to build the capacity and confidence of Kudumbashree member children and other poor children—and active participation in housing and slum development programs, it becomes evident that this women-centred venture touches nearly every sphere of Indian society. Finally, while financial inclusion and local economic development are typically evidenced on a spreadsheet, Kudumbashree goes beyond the quantifiable data; it empowers women with a sense of self-worth, confidence, and hope for better days.

Joint Symposium on Financial Inclusion: Wealth, Poverty & Opportunity in the 21st Century

Co-sponsored by the Hubert H. Humphrey Fellowship Program and the Center for Finance, Law & Policy at Boston University

With participation by Bunker Hill Community College

Hosted by the Questrom School of Business
Rafik B. Hariri Building, Room 240
Friday, March 25, 2016, 2:00–4:00 PM

Over two billion people—nearly a third of the entire human race—live outside the formal financial sector. Expanding financial access is essential to any global strategy for eradicating poverty and promoting economic growth. In this symposium, Humphrey Fellows—distinguished international professionals selected by the U.S. Department of State to spend a year at BU—will share stories of financial inclusion from their respective countries. Topics include informal savings and credit mechanisms, facilitating connections between the formal and informal financial sectors, economic and social empowerment through financial inclusion and entrepreneurship, and financial education and literacy.

Organized by Dr. Daivi Rodima-Taylor, Senior Academic Researcher, BU Center for Finance, Law & Policy

2:00 Opening Remarks
Jack McCarthy, *Symposium Moderator*
Director, Hubert H. Humphrey Fellowship Program
Associate Professor, Questrom School of Business
Daivi Rodima-Taylor, *Senior Researcher, Center for Finance, Law & Policy*

2:10 Informal Finance and Community Initiatives
Mouhamadou Kane, *Senior Legal Counsel, Islamic Development Bank*
Nermin Helmy Ali Ahmed, *Project Manager, Plan International, Egypt*
Aly Jafferani, *Relationship Manager, NIB Bank, Pakistan*

2:45 Formal vs. Informal: Financial Inclusion and Mutual Security
Frezer Mohammed, *Director, Microfinance Supervision Directorate, National Bank of Ethiopia*
Mounia Diyane, *Financial Judge, Court of Auditors, Morocco*
Serdar Bazarov, *Head of Domestic Market Price Research, Institute on Research Commodity Circulation of Turkmenistan's National Goods*

3:05 Literacy, Education, and Financial Inclusion
Khaing Thandar Nyunt, *Assistant Director, Central Bank of Myanmar*
Habibullah Pathan, *Director, English Language and Development Center, Mehran University of Engineering & Technology, Pakistan*
Fozilet Simoni, *Curriculum Quality and Assurance Specialist, Regional Directorate of Education, Tirana, Albania*

3:25 A Community College Perspective on Financial Literacy
Wissal Nouchrif, *Assistant Professor, Bunker Hill Community College*
Allison Abad, Kopelipa Vieira Dias, Gregory Hardy, Suvan Jummyyev and Jarrett Obasuyi, *BHCC Students*

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