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CONTACT:

Diane Jones, FINCA International
202.352.6475,
djones@villagebanking.org

\$5.38 Million Grant to FINCA International Supports Development of Savings Products for Poor Micro-Entrepreneurs

January 13, 2010, Washington, DC –FINCA programs in Uganda, Ecuador and Democratic Republic of Congo will develop deposit mobilization strategies for scaling up savings services to very low-income families and individuals in an effort to help them build assets, reduce risks and improve their standard of living. Through the support of the Bill & Melinda Gates Foundation, FINCA will replicate successful models throughout its 21-affiliate network, with the goal of mobilizing \$400 million in low-balance accounts within 10 years.

FINCA International President and Chief Executive Officer Rupert Scofield said savings products and services can play an important role in social and economic development for low-income communities. “Savings enable families to invest in education and housing, as well as provide the financial safety net needed to weather difficult times, such as the illness or death of a family member,” Scofield said. “These very small savings accounts are being made available to some of the world’s poorest people living in the most remote and hard-to-reach areas of the developing world, and will represent an important source of investment and working capital.”

FINCA International selected these three countries because the availability of savings services, especially among the poor, is very low. Only eight percent of people below the poverty line in Ecuador have a savings account.¹ In Uganda, only 25 percent of the total population has a bank account, while the domestic savings rate, at six percent, is one of the lowest in the world.² In neighboring Congo (DR Congo), where social and political instability is pervasive, less than .01 percent of the 87 million inhabitants, of whom 80 percent are poor, have a bank account.³

Savings mobilization has always been a key aspect of FINCA’s pioneering Village Banking methodology, which, in its original form, was similar to a community-based credit union. Weekly savings deposits were made to an “internal account,” which became available for on-lending within the group. When exploring how to develop savings mobilization services in highly remote and poor areas, it became clear that an advantage of the Village Banking system was its already-established network of groups in rural areas, which will allow lowest-income customers easier access to savings services.

Recognizing that savings are best protected within the structure of a properly-constituted (and supervised) institution, FINCA has undertaken the process of transforming all of its affiliates into licensed depository entities. Through this Gates Foundation-funded initiative, FINCA is now able to take three of its licensed

¹ Tejerina, op cit.

² USAID Uganda, *Savings Habits, Needs, and Priorities in Rural Uganda*, September 2005.

³ Isern, J., Crenn, T., Lheriau, L, and Masamba, R, Policy Diagnostic on Access to Finance in the Democratic Republic of Congo. CGAP, April 2007, p. 3

depository entities from credit-led to savings-led institutions that will benefit hundreds of thousands of poor micro-entrepreneurs.

This grant to FINCA is part of the foundation's Financial Services for the Poor initiative, which is working with a wide range of public and private partners to harness technology and innovation to bring quality, affordable savings accounts and other financial services to the doorsteps of the poor in the developing world. The foundation believes that setting aside small sums in a safe place allows people to guard against risks, build assets, and provide opportunities for the next generation.

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About FINCA International

FINCA is a leading international micro-finance organization that provides financial services to the world's lowest-income entrepreneurs so they can create jobs, build assets and improve their standard of living. For nearly 25 years, FINCA has been committed to breaking the cycle of poverty by providing community-based credit and savings opportunities. Currently, FINCA operates with a distinctive, integrated business model that accepts donations and investment dollars, an approach that leverages available capital and promotes greater transparency, sustainability and higher standards of business practices. This has allowed FINCA to achieve balanced financial and social performance unmatched in its industry while opening the path to socio-economic development for the lowest-income citizens of the world. Based in Washington DC with local operations across 21 countries, serving more than 700,000 clients, FINCA's outreach is among the broadest and most comprehensive of today's microfinance networks. For more information, please visit www.villagebanking.org.