Guest Editorial

Special issue on financial services for the poor

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Who are the poor and where are they? The World Bank defines the poor as people who live under US\$1.00 per day while others peg the poverty line at \$2.00¹ per day. The current worldwide economic crisis² has not only displaced people, but it too has contributed to increasing the size of the poor around the world. Paradoxically, as the so-called middle-class shrinks and the percentage of people living in poverty around the world increases, the number of billionaires in the world today is at all-time high, according to the recent issue of the *Forbes Magazine*.³

The plight of the poor has attracted attention of scholars, social entrepreneurs and philanthropists. All these interested parties have 'declared a war on poverty', however fighting poverty is not an easy war. This is made harder because of lack of consensus on its cause and therefore the best tactical moves to fight it. In spite of these disagreements, consensus revolves around the lack of financial access to the poor as one of the major stumbling blocks in their path to working their way out of poverty. How then could we make access to financial services possible for the poor? There are, of course, no easy solutions, but the problem cannot be solved without attempts at solving it. To this end, this volume of the *Journal of Financial Services Marketing* presents a wide range of perspectives of scholars who work in this area.

The volume begins with an article by Oumlil and Williams on financial services to the elderly. The authors recognize the sad

fact that the elderly are becoming a growing segment of the poor, particularly in the United States. The current financial crisis may have contributed to making this situation more pernicious as some people who may have been lending financial support to the elderly may themselves be now unemployed and without income. Unfortunately, the elderly as a segment of the poor, has been, generally, overlooked in our discourse on the poor. Oumlil and Williams in an attempt to fill the gap in our discourse have suggested consumer financial education for the elderly, and address some of the major concerns in developing and implementing such a program. The paper provides guidelines on curriculum design, structure, content and delivery as well as policy and strategic implications of focusing on the elderly poor.

The success of microfinance institutions (MFIs) that operate in many developing countries as NGOs (non-governmental organizations) in the fight against poverty is not lost on many observers. Neither are the gains that are being made by Islamic Banks in creating a new cadre of entrepreneurs. The obvious but hitherto unexplored question is can there be gains made on the war on poverty by marrying the advantages of MFIs with the advantages of Islamic Banks? The answer to this question is in the affirmative and the result is the Islamic Microfinance Institution (IMFI). Even though some work has been done on IMFIs, a coherent theoretical framework that guides their operations has yet to be developed.

Smolo and Ismail have tried to provide such a framework using two established theories in finance – contract theory and the theory of production, particularly the role of capital in Solow–Ramsey model of production. The authors compared the operations of the conventional MFIs with the IMFIs and conclude that there are still several financial instruments and funds that IMFIs could take advantage of.

Most of the literature on poverty eradication seems to rightly focus on creating working capital for the poor, because without capital the poor cannot begin to take the first step on their journey out of poverty. However, access to capital is only one side of the equation. At the other side of the equation are such issues as what must the poor produce in order to sustain themselves, and where and how could they be counseled? Clearly, the journey out of poverty needs to be sustained in order to prevent regression into poverty. Hence, these questions are no less important as the question on how can the poor gain access to capital?

Sashi in a creative piece argues that much effort in helping the poor focuses on satisfying the needs of the poor. However, the entrepreneurial poor as sellers must focus on satisfying the needs of others (buyers) in order to successfully make the journey out of poverty. The strategy to help the poor must, therefore, not be limited to providing financial access or micro-credits or micro-capitals, but it must also include strategic advice and assistance in selecting target markets for their goods and services.

Even though poverty knows no boundaries, it is undeniable that poverty is more prevalent in developing countries than in the advanced countries. Hence, programs such as Millennium Fund and highly indebted poor country initiative have been launched to fight poverty at the macro level in developing countries. Several studies have examined the efficacy of such programs and several have developed strategies at the micro level. In the veins of the latter are Kwarteng

and Acquaye, who explored the role of Ghanaian churches in the financial rehabilitation of the poor. The authors examined the potential of the church within the Ghanaian context and called for partnership between the church and state in fighting poverty.

Moving from country-specific conditions to sub-regional conditions, Hinson, examines how the poor in the West African sub region could be afforded access to finance. The author observed that whereas some of the poor reside in urban areas, most of the poor in this sub-region are mostly illiterate who reside in difficult to access rural villages and towns. However, the poor are now availing themselves of the benefits of mobile phones. Thus, a model that uses an open federated brick and click concept, and integrates the use of mobile phones might be more effective than the regular brick and mortar banks in creating pathways that enable the poor access to finance.

There is no doubt the efficiency and the effectiveness of programs that fight poverty are some of the arch enemies in the fight against poverty. This is true particularly in developing countries where the state of technology is still less advanced. In adapting 'low tech' to enhance the delivery of MFI programs scattered in the field and coordinated at a head office that is located at some distance away from the field operations, Bhaskar and Subramanian discussed the design and implementation of a decision support system that they have developed and pilot tested. The analysis of the feedback that they received, even though preliminary and not on a large sample, suggests that there is a significant reduction in turn around time in processing applications, and more importantly the final decisions generated by the system are in line with the decisions made by the seasoned and experienced managers. The implication here is that even trainee managers can be relied on to make accurate approval decisions with the use of the system that are run on hand held devices.

In rounding up the articles in this special series, Koku and Acquaye in a conceptual paper examined the Biblical underpinnings of Church-based financial services for poor. The authors used the teachings of the Bible, the tenets of the Catholic Social Teachings and Theory on the psychological sense of community to propose a new form of a micro financial institution that is forged from an alliance between churches, the government, non-governmental organizations or social entrepreneurs. This alliance leverages the rich and long experience of churches in doing charitable work. The proposed Christian MFIs will not be a substitute to governments' efforts in helping the poor instead it will complement them and constitute an additional frontal attack on poverty.

On the whole, I am impressed with the breadth and depth covered by the articles in this Special Issue. I am grateful to the authors and all the reviewers who gave unselfishly of their time.

REFERENCES

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