

# TRANSFORMATIONS



In Ghana, West Africa, a graduate of a small and medium enterprise (SME) class receives her certificate. Around the world, Partners Worldwide works with affiliates that offer the powerful combination of business training and access to capital.

## Lessons Learned After Years of Saving

by Renita Reed

When it comes to finances, I'm a saver. As a child, my father taught me how. When he bought his first car, he made payments to the bank and to himself at the same time, and never again borrowed money for a vehicle. As an adult, I've found that saving is not often taught as a universal household principal in North America. In fact, the U.S. has been at a negative savings rate—with Americans spending more than they earn—for some time now. That is, until just recently within the economic crisis. Suddenly, people have begun to save. It's a very interesting dynamic.

What I've found even more surprising is that, for the majority of the world, any struggle to grasp the importance of saving financially has never been the case. (Though they do encounter systemic frustrations in the process of saving, which I'll tackle in a moment.) Most often, people simply save because it's necessary.

In a book entitled *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*, authors make some astonishing observations that challenge a common view on world poverty. Among the 40% of humanity who survive on this amount (2.7 billion people, of whom 1.1 billion live on less than \$1 a day), good money management is and has always been a fundamental policy of everyday life. Most households in this category rarely consume every penny of income as soon as it's earned. Instead, they manage their money by saving when they can—and borrowing when they must. *Please continue reading on next page*



Renita on the most common form of transportation when traveling through rural parts of West Africa.

Renita Reed has served with Partners Worldwide since 2005 and currently works in Accra, Ghana as the Regional Facilitator of West Africa. Of the business affiliates in the region, many offer business loans and savings opportunities in addition to mentoring and training, key tools Partners Worldwide has proven effective over the years.

While access to capital is only one part of Partners Worldwide's approach, capital is needed by micro and large businesses alike. Our focus is on small and medium enterprises (SMEs), but members of our affiliates have micro-loan needs as small as \$75.

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Ever since my family moved to West Africa in 2005, I've learned lessons hands-on from people within these very demographics. And among them, one major frustration I've heard time and again is the poor quality and low reliability of banking options—whether institutional or informal—that are available to manage their incomes. Throughout West Africa, it's difficult for the poor to acquire loans on a personal level, not to mention loans for effective micro-businesses or successful businesses within the “missing middle” business sector.

But how could it be so hard for even the business savvy and the financially responsible? First, local bank interest rates, including the one in my community, often range from 37-43%. The average in microfinance institutions is 50-60%. Even more alarming, the informal sector, called a *susu*, has interest rates skyrocketing at 120%. (And, it's not unusual for the *susu* man to run away with the money. Four women I know each put \$30 hard-earned savings in the system, just to find that within weeks, the *susu* man left them and the rest of the clients with nothing.) At first, I couldn't quite grasp the rationale behind it all.

So, what's an appropriate response as a network of business people? One theory gaining popularity among business owners in Ghana is “Village Savings and Loans” (VSL), a powerful theory used by Hopeline Institute, our local business affiliate based in the capital city, Accra. As always, I questioned the theory until I saw it in action. And, through Hopeline Institute, they've put it in action 96 times.

In this model, each village forms a VSL group of 25 people who organize themselves, appoint executives, and adopt a constitution—all for the purpose of saving and loaning to one another. Money then goes into a box—held in the box keeper's home and secured with three different padlocks. Each padlock key is then held by three other members of the group. Talk about accountability! The group buys shares and offers loans with interest rates usually around 10%. After nine months, the “share out” takes place. Everyone cashes in and divides any profit among the group.

So, just picture the success of Abokobi village. The shares were \$0.50 and each of the 25 members bought five per week for 36 weeks. The total was a robust \$2250, a significant amount of loans available for micro and small businesses at an affordable price. One woman from Abokobi village says that her VSL group was the first reliable place for her to save her income which she can then invest in her business—even though she was taught to save from her childhood, just like me!

Prior to this, I thought I had learned all the lessons needed to manage money properly. Yet, having grown up in a neighborhood filled with places to invest finances on every corner (some better than others), I'd never considered the challenges of savings in other parts of the world. As simple as it may seem, models like VSL have the potential to make access to capital affordable for millions around the world.

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One of the 96 Village Savings and Loan (VSL) groups meeting near Accra, Ghana. The women are members of one of the newest Partners Worldwide affiliates, Hopeline Institute.

### Nova Bossa Launches in India

Through a new pilot investment model launched in 2010, Partners Worldwide is empowering a triple-bottom-line business called Nova Bossa, an eco-friendly company that employs both disadvantaged youth and competent professionals in Hyderabad, India.

As the only company in India that provides waterless car washes, Nova Bossa launched this October by showcasing their service following a Jeep Thrills Competition on “India's most challenging manmade off-road track.” Before the race, close to thirty Indian employees listened as Partners Worldwide President Doug Seebeck encouraged them to embrace the calling that God has placed in their lives.

But this is just the beginning. By 2014, this pilot model seeks to create 2,000 new jobs, demonstrating that when business people in India live out God's calling, the possibilities are endless.



Partners Worldwide President Doug Seebeck and Asia Regional Facilitator Greg Matney with some of the Nova Bossa employees at the launch.

“My name is Bala Swamy.

I am married and am blessed with a daughter who is six months old. I was born in a Hindu family and have recently come to know the Lord Jesus Christ through a small fellowship church.

I was working in two places on odd jobs like housekeeping and valet parking, when one Sunday my pastor announced some opportunities for school dropouts with no job skills. I was directed to meet the manager at Nova Bossa and was recruited to clean cars and groom cars as a technical assistant. Yet, because of my commitment and hard work during the training period, the company moved me to a higher position and made me a shift manager.

I praise God because through this opportunity my life has changed. My wife and my child and I can live with dignity. I'm proud to tell others about my job and the opportunity given to me.

I believe it is only God's goodness and grace on my family and me that now I am a supervisor of a growing respect. Like me, there are so many others whose lives have been enriched by our experience working with Nova Bossa.”



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