

Summary

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From Knowledge
to Action



Session 5 – New issues in microinsurance policy

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Should poor people in developing countries make savings for the long term? A concept paper and research proposal

Voluntary savings in financial form are generally regarded as useful for the poor and people of modest means, and microfinance institutions in non-OECD countries have many savers as clients. Long-term savings vehicles such as microinsurance and micropensions are attracting increasing interest. However, in unstable economies macroeconomic shocks may erode the value of long-term savings held in financial form.

This research explores whether saving over a relatively long period such as a working lifetime would have produced satisfactory results for savers in a sample of non-OECD countries. If losses have undercut the efforts of families to save in financial form, remedies should be explored. These could include a global maintenance-of-value structure that would protect the value of the long-term savings of the poor and others of modest means in these countries. The institutional design of such a structure or structures remains to be determined.

Work in progress:

Empirical time series regressions of interest rates and inflation rates are given for more than 30 countries in Africa, Asia and LAC, showing how diligent savers would have fared with their investments over several decades of investing at inflation adjusted deposit rates.

Key messages:

Poor people cannot or do not save because interest rates fail to cover declines in local currency values over the long run, making saving problematic at best in many countries. Designing ways to protect the savings of the poor should be placed on the public policy and development research agendas.

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