His goal: $100 for every child born in the world

Bhagwan Chowdhry, professor of finance at UCLA's Anderson School, has come up with a big idea. A very big idea. Elegant in its simplicity, but utterly complex in its implementation.

Chowdhry's grand idea is to convince the world's nations to contribute one-fifth of one percent of their gross domestic product — the sum of all goods and services produced within a nation's borders — to a fund that would give every child born in the world $100 in a savings account that will be opened when his or her birth is officially registered.

He believes the world fund has the potential for solving huge problems that have plagued poor countries in need of help, and it could also give wealthier countries and charitable organizations a more effective way of helping them.

A wacky idea? Not according to the hundreds of people who have heard about Chowdhry's Financial Access @ Birth campaign through articles in print and web publications, speeches he's given, blogs, tweets and Facebook pages.

In fact, Chowdhry is in the process of formalizing an organization, with support from the Center for Financial Inclusion, an international collaboration aimed at advancing the commercial model of microfinance. In addition, Anderson M.B.A. students will be working on research projects through the UCLA Center for International Business Education and Research to study the feasibility of a testing the idea in one country.

"Surprisingly enough, nobody has said to me, 'This is a dumb idea,'" Chowdhry said. "The words they use are, 'This is very ambitious.' People haven’t said it’s not a good idea, nor have they said, 'Don’t do it.'" And that includes many of his Anderson colleagues, who tend to be skeptical by nature, he said.

Among the co-founders of his campaign are Peter Singer, a philosophy professor at Princeton University and author of "The Life You Can Save: Acting Now to End World Poverty"; Michael Sherraden, professor of social development at Washington University in St. Louis; Raghuram Rajan, professor of finance at the University of Chicago Booth School of Business and a former chief economist of the International Monetary Fund; Vijay Mahajan, social entrepreneur and founder of BASIX, India; and Paul Husnut, an entrepreneur who teaches at Colorado State University.

Chowdhry has no illusion that $100 will cure world poverty. The $100 actually serves as an incentive for parents to get children registered — currently, 80-to-90 percent of all births in the poorest of countries go unregistered, which means that these children cannot be uniquely identified through biometric information such as fingerprints, and access to basic health care and education becomes less likely.

The bank account would give poor people a way to save money for their children. Even more importantly, in the wake of a natural disaster or emergency, governments and charitable and relief organizations could transfer money electronically to those in need in the most efficient way possible. Funds would go directly to children's bank accounts and thus to their families, enabling them to purchase supplies delivered to the area instead of relying on the chaotic distribution of supplies by helicopters or trucks — chaos most recently evidenced in Haiti after last winter's earthquake.

Other types of donations could be easily made as well.

"Imagine if my teen-age daughter wanted to send $5 each month to support a child in Rwanda," said Chowdhry. "Matched through a charitable nonprofit, she would text her contribution directly to the child's bank account.

While the $100 from the world fund would not be accessible until the child turns 16, other funds, including those put into the bank account by parents, donors or relief organizations, would be accessible immediately.
Considering that half of the world’s population currently has no access to basic financial services, Chowdhry’s idea could fix some formidable problems by bringing the infrastructure for electronic banking into remote villages and towns. For example, electronic banking has made a profound difference in Kenya, where money can be sent via cell phone to places like grocery stores where recipients can pick up the cash.

Chowdhry is quick to say that his idea is not new. In 2005, the United Kingdom established Child Trust Fund to set up a savings or investment account for every child. Eligible children receive a government voucher for at least 250 pounds, or $376, money that becomes accessible at age 18. Children from low-income families receive twice as much. However, on May 24 of this year, the government announced the program will end.

In the United States, efforts in Congress to pass similar legislation have been unsuccessful. Earlier this year, the ASPIRE Act was introduced by U.S. Reps. Patrick Kennedy (D-RI), Tom Petri (R-WI) and Jim Cooper (D-TN). It would set up a lifetime savings account for every baby born after Dec. 31, 2010, when his or her Social Security card is issued. Every child in America would be entitled to a one-time $500 contribution by the Department of Treasury, and children from low-income families would get up to $500 more.

The fact that Financial Access @ Birth is universal in scope with no conditions on who gets it or how the $100 is spent makes it less open to fraud and corruption, Chowdhry said. “If you put conditions on it, then somebody would have to administer that. If you give people that power, they may take advantage of it. This idea appeals to many different people because it’s universal, transparent and simple.”

For now, he is hoping to be able to run a pilot project in a country like Rwanda.

“My colleague, Paul Hudnut, told me, ‘Your name, Bhagwan, stands for ‘big, hairy, audacious goals.’” I told him that ‘wan’ stands for ‘worth attempting now,’” Chowdhry said with a grin.