

How to Eliminate Poverty

(in 1,000 words)

David Simms



TALANTON

THE POVERTY PROBLEM

Almost two billion people live on less than \$3 per day—**that's over a fourth of the world's population.**

People living below \$3 per day, in general, do not consistently have three meals per day, access to good housing, potable water, sanitation, health care, the ability to enroll their children in school, and most importantly, Hope that things can be better in the future.

Many attributes define poor families, but one common thread runs through them all—a lack of steady jobs. Where good jobs exist, people can gain employment to feed and educate their families, provide adequate housing, water, sanitation, and gain access to medical care.

Without a good job, all the elements that can lead to a flourishing life are likely to be missing.

Christians know God cares deeply about His children who are trapped in poverty. The Bible has more than 300 verses on the topic of poverty and social justice.



Jesus quoted these words from Isaiah 61:1-2 at the start of His earthly ministry:



“The Spirit of the LORD is upon Me, because He appointed Me to preach the gospel to the poor. He has sent Me to proclaim release to the captives, and recovery of sight to the blind, to set free those who are downtrodden, to proclaim the favorable year of the LORD . . . Today this Scripture has been fulfilled in your hearing.” Luke 4:16-21

As Christ's disciples, we are called to emulate Him. If His heart is with the poor, then our hearts should be with the poor.

But while the call is clear, how we are to respond has been less clear.

UNTIL NOW.

In the spring of 1984 David Simms, Founder of Talanton, was standing with his wife Kim, in a farm field in Guatemala, where he understood for the first time the power of business to accelerate the Great Commandment to love God and our neighbor. Since then, he has been privileged to spend his life using sustainable, finance-driven solutions to bring Hope, create jobs and transform lives for people living in poverty, principally in the developing world.

The problem, however, is that investments by capital providers into emerging economies are anemic at best. This subjects millions of people to lives of deep poverty by denying them the steady jobs necessary to work their way out of despair and poverty.

Here is how it has worked, why it is failing, **and what we can do about it.**





Why is investing in emerging economies anemic and why is that important?



There is a huge gap in funding for “small and medium sized enterprises” (SMEs) in the developing world.

SMEs are companies that employ between 10–250 people with sales under \$60MM. This is the cohort that makes up the bulk of businesses in high-income countries where access to funding is readily available. They are important because SMEs are the backbone of almost every economy; according to the World Bank they account for more than 50% of jobs and contribute more than 35% of Gross Domestic Product in most emerging markets. Studies show that SMEs create as many as 80% of all new jobs in a developing economy.[\[1\]](#)

Despite all these benefits, SMEs remain significantly underfunded and underserved by financial institutions in developing nations. SMEs are too big to be served by microfinance and too small or too risky to be served by the commercial banking sector or most private equity firms.

Research indicates that the credit gap confronting formal SMEs is about **one trillion dollars**. If we include informal enterprises, that gap more than doubles to over two trillion dollars.[\[2\]](#)

Global development experts call this the “missing middle”, and it is the single greatest oversight to eliminating poverty.





Why does this
“missing middle”
exist?



At an economic level, there are several reasons for this funding gap.

At the core is that capital markets allocate capital on a market-rate, risk-adjusted return basis. This is a sound approach to investing. Less risky companies in the U.S. have access to capital and at lower rates than do companies operating in low-income countries. The capital markets perceive that investments into SMEs in developing nations are risky, and hence are attractive only if the company can pay a high return commensurate with the perceived risk level.

While there are high growth technology/other companies that might shine through to overcome these perceived risks and access funding by providing high returns to investors (companies referred to as gazelles), the truth is that most SMEs in the developing world don't fall into this type of high-growth gazelle category. The bulk of SMEs frequently are referred to as oxen—slower, steady growth companies that don't readily attract commercial capital given the range of risks they must overcome.^[3]

Therefore, because this large segment of SMEs can't access funding to grow and create good jobs, we end up with anemic investing in these emerging economies and the missing middle funding gap persists.





What are the
consequences of
anemic investing and
the missing middle?



A key reason why we as Christians should be concerned about the missing middle is **the impact on “the least of these.”**

The “middle” is where jobs can be created which **prevent desperate actions** such as,

- prostitution
- theft
- civil strife
- refugee flight
- terrorism



Jim Clifton, president of The Gallup organization, commented on this as a result of some significant research his organization has done: “What the whole world wants is a good job.”[\[4\]](#)



With increased income from steady employment, households experience security—and are able to feed their families, educate their children, plus gain access to potable water, electricity, sanitation, and medical care.

What this means is that with up to 80% of formal jobs being created by SMEs in emerging economies, the best way to address poverty is to help those SMEs grow and act as the job creation engines they are designed to be.^[5]

The World Bank tells us that the global economy needs to generate 600 million jobs between now and 2030, just to absorb the growing workforce and begin to tackle some of the high unemployment fallout.^[6]

While the job growth “solution” is clear, in over 70 percent of countries, SMEs cite access to financing as the single biggest obstacle to them doing business. Being disconnected from capital is a greater concern than tax rates, political instability, or access to electricity.^[7]





How should
Christians respond?



Investing in redemptive businesses plays a key role in combating poverty, yielding a holistic impact with economic, spiritual and social returns.

Good investment disciplines can achieve this result, including identifying growth-stage businesses with strong faith-based leaders capable of scaling, supporting those enterprises with management and technical support, plus providing mentoring and performance monitoring.

Talanton provides all of these disciplines.

But in addition to these field-focused disciplines, we need a movement of financial investors—true Kingdom-minded stewards—willing to look at maximizing impact beyond the uni-dimensional financial return of a traditional ROI.

If we judge all investment decisions on a single bottom line of market rate, risk-adjusted return, then emerging economies will continue to suffer from anemic investing, thereby entrapping hundreds of millions more people in desperate poverty.



Final Words



Dallas Willard's book, *Called to Business*, describes God's way to love people through business and the professions.

Dallas Willard Ministries summarizes his teaching to say,



Surely, we as stewards for the Master can focus some of His resources on caring for “the least of these” whom He has called us to love and serve. Maximizing our “returns” should include the impact we can have on people’s economic, social, and spiritual lives.

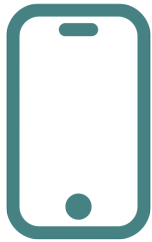


If you believe God blessed you with financial resources for a reason, and that His desire for you is to use those resources to make a real, lasting difference in this world, please join us by becoming part of the faith-driven investing movement. Every Christian desires to one day hear God say, "Well done, good and faithful servant" (Matthew 25:21).

Like you, we care about helping to lift people out of desperate poverty in developing countries. That's why we developed multiple fund options to better serve you, including unique options for qualified investors. Our program is designed to help you make wise investments that will create jobs to help these people and bring them Hope.



HERE'S HOW IT WORKS



1. Contact Talanton. Call or email us. We will listen to your goals, then provide options as to how we can work together to combat poverty through job creation. You can set up a new Donor Advised Fund (DAF) or transfer funds from an existing account.



2. Talanton Invests in Faith-Driven, Growth-Stage Businesses. On your behalf, Talanton invests in values-aligned, growth-stage businesses in developing countries with revenues of \$500k to \$5MM.



3. Help Lift People From Poverty. By funding Talanton's active pipeline of opportunities, you can be part of creating thousands of jobs, helping lift people out of poverty, bringing them Hope and transforming many lives.



Schedule a call with Talanton today to learn how investing can alleviate poverty in a low-income country.

SCHEDULE A CALL



talantonllc.com

WORKS CITED

[1] “What's Happening in the Missing Middle? : Lessons from Financing SMEs,” World Bank Group Working Paper, Published 3 - 29 - 2017 (<https://openknowledge.worldbank.org/handle/10986/26324>).

[2] Ibid.

[3] “The SME finance gap in Kenya: how are investors missing the ‘missing middle’?” (<https://www.ids.ac.uk/opinions/the-sme-finance-gap-in-kenya-how-are-investors-missing-the-missing-middle/>).

[4] Jim Clifton, “The Coming Jobs War”

[5] Op. cit., “What’s Happening in the Missing Middle?”

[6] Jieun Choi, “The Future of Jobs and the Fourth Industrial Revolution: Business as Usual for Unusual Business,” World Bank IBRD-IDA blog post (7-17-2017) <http://blogs.worldbank.org/psd/future-jobs-and-fourth-industrial-revolution-business-usual-unusual-business>

[7] Investment Climate Surveys of the World Bank (<https://www.worldbank.org/en/topic/investment-climate>)

