

## **Microenterprise helps create jobs, earn a viable income**

By Kenneth D. MacHarg

For Paulo Ngomane, it began with \$22. That was all that this Mozambican cobbler needed to start a shoe business that provides his town of Chokwe with shoes and his family with food and shelter. Ngomane had trained as a youth in the capital of Maputo, and began his own shoe-making business in 1983. But a drought robbed his successful business of its capital and he had no resources to invest in materials. He turned to repairing shoes and earned far less money.

Enter World Relief's community banking program and a loan of \$22 which Ngomane used to purchase leather and rubber soles. Today, his business is thriving and he is the only cobbler in his part of Chokwe. He makes an average of 11 pairs of shoes a week and nets \$44. With these profits, he has been able to invest in a sewing machine and buy bricks to build a home for his family.

Around the world Christian and secular development agencies are using community banks, or Microenterprise Development (MED) programs to help the poor create jobs and earn a viable, sustainable income.

"Micro-Enterprise typically includes providing loans between \$50 and \$1,000, with averages being in the \$200 to \$600 range," says Dr. Jay Lykins, country manager in Georgia for Seattle-based World Concern. "It also usually provides these loans to people who do not have access to other financial means. These include those in poverty, refugees or those who are in some other way oppressed."

With MED programs, Christian agencies are "developing church-centered banks for the poor," explains Dave Larson, Assistant Director of World Relief's MED Technical Unit in Chicago. "We aim to make a big difference in the lives of many poor people."

MED programs began in Bangladesh in the 1970's through the efforts of Muhammad Yunus, a banker who saw that many of his country's poor were systematically excluded from regular banking loans because of their inability to provide collateral. Dr. Yunus also observed that the poor needed only a few dollars to start a simple business rather than the multi-thousand dollar loans normally provided by conventional banks. Today, his Grameen (village) Bank in Bangladesh has over 2 million borrowers and works in 35,000 villages throughout the country.

Traditional MED programs provide loans-often as low as Paulo Ngomane's \$22-to members of small groups formed to facilitate community bank projects. These groups act as guarantors for each other and group members contribute to individual savings accounts, part of which serves as an insurance fund against default. Most repayments are made on a weekly basis and subsequent loans to a group are dependent on repayment performance. Women are major participants in these schemes, often making up 90 percent of the bank's borrowers.

"Since we're in the business of strengthening, not damaging churches, we work by creating an institution that works alongside and with the church, but which is functionally separate," says Larson. "We have found that church-based microfinance programs--that is ones that try to work through churches--often hurt Christ's bride."

Larson cites problems when pastors or church leaders disburse loans or collect payments. "If a member is unable or unwilling to repay her loan, she will simply stop going to church out of shame or embarrassment," he explains. "Also, church-based Microfinance can hurt churches by corrupting its leaders. We've seen cases where extremely low-salaried pastors, earning as little as \$15 a month, fall into temptation when relatively large amounts of money flow through their hands."

"Sometimes church leaders can be poor money managers," says Robert Gailey, World Relief's Director of Microfinance Consulting Services. "Without purposefully seeking to deceive or embezzle money, church leaders have misappropriated funds because they lacked good business sense and made poor money management decisions. It is imperative to protect both the church and the Microfinance Institution (MFI) by working with the church but not through it."

Combining Microenterprise Development with mission work is a natural expression of Christian concern for God's people and God's desire that they be restored to Him according to Larson. "I used to live in Mozambique, where in some parts of the country, half of the children died before age five," he reflects. "I put myself in their shoes. I am a father of three children. If I were Mozambican, one or two of my three children would in the ground by now. Wouldn't I have wanted to help?"

"The Old Testament provides many scriptures that speak to the equitable use and distribution of resources," explains Ken Graber, World Relief's MED Director. "In fact, there are some strong reprimands to those who exploit the poor. The prophets encouraged the wealthy to provide for economic empowerment of the poor."

"MED demonstrates that God's concern for the poor is not just to meet their economic needs, but to empower them to address their own needs," writes Dr. Vinay Samuel of Opportunity International Canada. "MED enables the local church to address the economic dimension of life at a level where it can make a difference. It enables the church to integrate the values of the gospel of the Kingdom into economic life and demonstrate the power of the gospel to change situations which others consider hopeless."

Community banks "are a response to a larger issue of injustice, exploitation and oppression," states Stephen Armet, a missionary with the Latin America Mission (LAM) serving in a squatter community near Bogotá, Colombia. "Work is a biblical principal and provides many rewards, not just economic, When people are denied access to meaningful

work or do work and are unjustly treated or compensated, then it becomes a structural issue of injustice which the Bible speaks against."

"I believe one of the most overlooked issues in Christianity today is how much of the Bible is devoted to discussing finances and money," reflects Gailey. "Hundreds of scriptural passages make reference to the poor and the oppressed and God's inclination to help them in their time of distress."

"MED provides a sustainable means through which large-scale numbers of poor people can be reached with financial services that can enable them to break free from a cycle of bondage to poverty," Gailey explains. "MED done well by Christians allows them to utilize this powerful economic empowerment tool to make a difference in the lives of clients worldwide, through both word and deed."

Gailey says that MED can also be used as what he calls an "entry point" into countries closed to the gospel. "What better tentmaking initiative can there be than to enter into closed countries by offering to bring banking services to poor people in a sustainable manner?"

Armet puts it clearly, "When the small business development happens through the local church as a partner in the process, evangelism happens."

Gailey says that the Church of the Nazarene calls the relationship of micro enterprise projects and evangelism. 'Compassion Evangelism.' "Whenever a cup of cold water is given in Jesus' name, evangelism occurs. Whenever the church is engaging in compassionate responses to 'the least of these,' it is engaging in the activities Christ commanded his followers to participate in as part of spreading the good news to the uttermost parts of the world." He concludes, "We are constantly on the lookout for staff members who have a heart of a pastor and a head of a banker."

**THE FOLLOWING PARAGRAPH CAN BE DROPPED IF NECESSARY FOR SPACE REASONS**

World Concern's Lykins tells the story of a loan client, Maia, who wanted to start a bakery in her native Georgia. After 18 months, her business expanded and she and her husband were leaders in their local church. "Not long after Maia started her business, she contacted us about her friend who wanted to apply for a loan. The friend, Ineza, runs a small grocery. Maia explained that Ineza was not a believer but she was an honest person. Maia said that she had already begun witnessing to Ineza. It has now been almost one year since Ineza got her loan. She has done well, but most importantly, Maia reported not long ago that Ineza has accepted Christ and was baptized."

Success at the first level of MED leads to the availability of future loans as participants seek to expand their business. Since 1995, shoemaker Paulo Ngomane has received six

loans from his 32-member bank. These extensions have enabled him to increase his production and profits. Now he would like to have a loan of \$600. This would enable him to make 15 pairs of shoes a week and meet the demand of Chokwe and the surrounding community.

"Sound practice programs offer immediate new loans upon the successful repayment of a previous loan," says Graber. "People have an incentive to save because future loan sizes are based on accumulated savings-the more one saves, the larger the future loans."

However, multiple loans can create dependency or be used by the sponsoring organizations for institutional survival. Lykins warns that "when a program makes this an issue of primary importance, it can have a tendency to overlook those we say we are there to help and actually cause us to become oppressive and/or discriminatory."

While safeguards may be put into place and staffers work hard to assure the success of Microenterprise Development projects, difficulties do occur. "The first and most troublesome problem that we have is fraud," reports Graber. "We know it will happen, it is a matter of developing systems and procedures that can detect fraud in the early stages. To the extent possible, our programs hire committed Christians, but we have found that this is not sufficient in preventing fraud."

"I encourage anyone considering getting into MED to 'count the cost,'" says World Relief's Larson. "Running a bank for the poor requires a significant degree of sophistication and expertise in terms of management skills, finance, accounting, management information systems and simply understanding the increasingly complex field of MED."

Larson is also concerned about those who try to make a Microfinance program so business-like that it loses its soul. "Some Christian MED practitioners seem to have gone too far in the other direction, they forget that the people they are serving have spiritual needs and make little or no effort to see people come to Christ or to grow in their faith," he says.

**THE FOLLOWING PARAGRAPH CAN BE DROPPED IF NECESSARY FOR SPACE REASONS**

Natural disasters create unexpected problems says Graber. "Developing a just response to loan repayments affected by the disasters and developing ways to assist the clients in their recovery has been challenging. We find ourselves walking a tightrope between following sound practices and being compassionate in our response to these situations."

Yet, those who have participated in these programs remain enthusiastic about their effectiveness. Dr. Yunus, who initiated the concept, says. "Poverty covers people in a thick crust and makes the poor appear stupid and without initiative. Yet if you give them credit, they will slowly come back to life."

Even those who seemingly have no conceptual thought, no ability to think of yesterday or tomorrow, are in fact quite intelligent and expert at the art of survival. Credit is the key that unlocks their humanity."

"Successful MED is a lot like church-planting which seeks to create and develop permanent, self-sustaining, self-propagating, self-governing local fellowships," reflects Larson. "Similarly, we're planting Microfinance Institutions, creating permanent, self-sustaining, self-governing MFIs that will continue to help people indefinitely."

Larson says that MED programs work because they focus on women and because poor people "treasure the opportunity to borrow money for a business and to save for their future." Robert Gailey summarizes by saying, "Moneylenders are in business for personal gain, commercial banks are in business for corporate gain, but MED is in business for the community's gain."

Speaking about a MED program in Kenya, Food for the Hungry's Ted Vail says, "Well over 180,000 people have benefited and approximately 16,000 jobs have been created. And, best of all, Christ has been at the center."

Practitioners of MED extol its virtues compared to the band-aid approach to meeting human needs around the world. "The phrase 'give me a fish and I'll eat for today...teach me to fish and I'll eat for a lifetime' has been said so much that it's become a cliché," reflects Larson. "Yet, we haven't learned. Most people pull out the checkbooks only to give fish, not to teach, not to give people an opportunity to catch fish for themselves."

Larson takes the give-teach paradigm a step further. "The problem with this saying is that most people already know how to fish-that is, they know how to make tortillas and sell them to factory workers, or they know how to repair bicycles or how to sell tomatoes in a market. What they lack is a fishing pole, or access to a fishing area. The credit part of microfinance gives them money to buy a pole so that they can use their skills and energies and truly eat for a lifetime."

"Best of all, when they repay the loan with what they've earned from 'fishing,' the money is available to lend to someone else so that they too can fish!"

Paulo Ngomane feels that he received his fishing pole through the MED loan. "I believe this business will grow once I get a bigger loan," he says. "I am experienced."

#### SIDEBAR:

Since numerous Christian ministries are becoming involved in Microenterprise Development (MED) projects, World Relief has set up a service to provide training and advice. "Microfinance Consulting Services (MCS) developed as a response to the dozens of requests received from denominations, mission agencies, churches, parachurches and other Christian NGOs wanting to get technical assistance and support," says Robert Gailey who is heading up the effort for World Relief.

Gailey, an ordained minister, says that most agencies requesting help from MCS are from within the Christian community. "Part of the role is to educate customers about the costs involved in doing Microfinance as a ministry or as an economic development initiative," he reports. "We help them to understand the dangers and difficulties of doing Microfinance in certain situations."

MCS helps agencies look at various options in innovative and non-traditional settings and sometimes advises organizations against getting involved due to obstacles, internal or external, that would prevent them from working with sound practices. "In other instances, we help an organization adapt micro finance principles to develop unique tools or products to meet their needs and ministry goals," Gailey says.

Agencies that MCS has served include groups in Afghanistan and Pakistan, the relief and development arm of the Church of the Nazarene, a British group working among the Farsi-speaking people in central Asia and others.

Information on MCS can be obtained by writing to:

Robert Gailey  
Director, Microfinance Consulting Services  
World Relief  
Carol Stream, IL 60189  
Phone: 630-665-0235 ext. 139  
rgailey@wr.org <mailto:rgailey@wr.org>

For More information on Microenterprise Development:

Working With The Poor, edited by Bryant L. Myers, published 1999 by World Vision.

The Christian Microenterprise Development Handbook by Dr. Russell Mask and David Bussau. Published by The Chalmers Center for Economic Development, 14049 Scenic Highway, Lookout Mountain, GA 30750 USA, 706-820-1572 ext. 1805, chalmers@covenant.edu <mailto:chalmers@covenant.edu>. www.chalmers.org <http://www.chalmers.org>

Christian Microenterprise Development, 52 Fordham St., St. Ignatius Village, Quezon City, Philippines 1110, oigovcen@info.com.ph <mailto:oigovcen@info.com.ph>.

World Vision: <http://www.worldvision.org/worldvision/appeals.nsf/stable/med>

USAID Microenterprise Innovation project: <http://www.mip.org/>

**Microenterprise helps create jobs, earn a viable income**, *World Christian*, June 19, 2000

