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Micro-Finance Community Learning Experience

Today’s Urban Poor

 Today, the Philippines is a high-power-distance country as a result of years of enforced

hierarchal leadership. These power struggles however end up having direct results on the poor, a

population which constitutes about 80% of the entire country. Within this 80% the poor are grouped into different categories: entrepreneurial poor, self-employed poor, laboring poor, and poorest of the poor. The poorest of the poor survive only on the day-to-day basis, only by begging or scavenging for food. The laboring poor are the farm laborers that have taken out loans are now living in a struggle to pay their debt and keep their families afloat. The self-employed poor run their own microfinance business only expanded and supported by their limited family network. The entrepreneurial poor although they live under the poverty level they capitalize their microfinance business enough to pay for employees and continue to maintain maximum inventory. The categorization of the poor is important as discussed in Yunus’ *Banker to the Poor: Micro-Lending and the Battle Against Poverty, “*At the time I was studying Jobra, government bureaucrats and social scientists had not clarified "who the poor" in fact were. Back then, "poor person" could mean many things. For some, the term referred to a jobless person, an illiterate person, a landless person, or a homeless person. For others, a poor person was one who could not produce enough food to feed his or her family year-round*.”* In the Philippines 22.8 million are slum dwellers, 2.8 million are unemployed, and 6.7 million are functionally illiterate. The reality is that only a total of only 40 families own the entire country. The politics that determine the well-being of the poor are entirely controlled by this group of elite families. According to Plueddemann, "In high-power-distance cultures both leaders and followers assume that the leader has authority, respect, and status symbols. The leader has the right to make unilateral decisions that will be obeyed without question. In these societies, employees do not question managers, students do not challenge teachers, and children obey parents or other elders without questions." This leadership framework not only allows for the politics of the Philippines to be monopolized, but it manipulates its citizens into believing this is the right way.

Microfinance Loans

Microfinance services grew out of the need to include the poor in a formal economic system when the formal system refused to serve them. Microfinance loans are only one service offered by microfinance systems. Ledgerwood explains Micro Finance Institutions as a formal financial institution that provides various financial services that target low-income individuals because who are often excluded from mainstream loan options. Although getting the poor to borrow takes more work, they have a higher repayment rate. The author points out that in order to develop loan relationships with the poor they must first seek social intermediation among the groups of the poor, provide enterprise development services for those rising entrepreneurs, as well as social services (health care, education, and literacy training). Although these prerequisites take money and time it serves as an entry point to the loan process relationship these institutions can make with a community that can last years. Although these services can be well welcomed in a community, MFI's need to be cautious not to wound the community in the long run. As MFI partner with different NGO's and financial institutions communities may be taken advantage of, as different agendas are being sought. A new breed of NGO's has emerged out of micro finance institutes-business NGO's. They provide four broad services-financial intermediation, social intermediation, enterprise development services, and social services. MFI either use the minimalistic approach or the integrated approach when engaging in the community according to their objectives and circumstances. Ledgerwood notes that all MFIs provide credit services, financial products, savings, insurance, and payment services.

Mission Ministries Philippines: MFI

Mission Ministries Philippines (MMP) was established in as a means to push forward holistic and sustainable church planting among the urban poor of Metro-Manila. Today they serve the poor even outside Metro-Manila as the city’s poor are being constantly pushed out of the center of the city. They partner with urban poor churches to plant sustainable communities that are cared for spiritually and physically. Out of the need to alleviate the poor’s shackles of exploitative loans MMP began a small MFI program that would efficiently build groups that would enter into a three-phase loan program, repay their loans to full, and learn biblical economic principles.

Mission Ministries Philippines: Techniques

First and foremost MMP’s MFI officer identifies the poor entrepreneurs in the already developed MMP sites. The poor entrepreneurs are unique individuals, who in the face of systematic financial oppression have succeeded in earning their income by providing innovative and necessary resources to their communities. Through personal relationships with these entrepreneurial leaders they identify an individual that can then bring together a group of other women that would be interested in participating in the loan program. MMP ensures that all relationships are put first, as they seek new partners, new groups, and new projects to invest in. After identifying a solid group of women who will be accountable to one another to repay their loans the MFI officer leads the group through an initial loan application procedure. The loans are given in phases with the first incentive being a smaller amount than the following increment. The group agrees to meet on a weekly basis and bring along small installments of their loans. The arrangement is that the entire group would repay back their loan at the same rate and would be available for bigger installments. The loans they offer the group come with a 4% management fee that serves as an interest. The program aims to help the *client* develop their understanding of financial systems, financial literacy, and social movements. At times the MFI officer seeks counsel from entire communities as to which partners are the most honest, hard-working and trustworthy small business owners.

The screening of potential partners is one of the most important processes the MFI officer conducts because it ensures the efficiency of the group as a whole and gives an idea of the group’s success. The MFI officer measures the ability of potential partners through the Income Generating Activity (IGA), which measures the trajectory of the partner’s business and future ability of loan repayment. The communities that host potential partners must, according to MMP have: sufficient transport facilities, adequate resources for a small business to thrive, and aid organizations working alongside them. A Poverty Analysis conducted in the area, either by MMP or by other partnering NGO’s, usually determines this. Once the potential partners are agreed on the MFI officer offers a pre-partnership conference that occurs over the course of four weeks, in which the forming group is able to fellowship and become more familiar with the loan and repayment process. This four week process also serves as a time to do background and credit investigations. The MFI officer will share everyone’s background information and they all must agree whether an individual is fit to be in the group or not. Following this, the final partners are identified and the initial loan is given to them. They choose a day to meet every week where they will bring small installments of their loans.

During these weekly meetings the MFI officer offers a time of fellowship for the partners. These meetings are broken up into four portions: welcome (5 min.), worship (5 min.), word (5 min.), work (30 min.). The time becomes a way for the group to fellowship and begin to truly open up to one another. Through sharing prayer requests the women in the group are able to share how they are really doing. The MFI officer usually uses the time in the word to address biblical economic principles they should be putting into practice. It is during these weekly meetings that the MFI officer collects the weekly payments.

Personal Involvement

 During our internship we accompanied Kuya McCloyd as he trekked to the fringes of Metro-Manila, to relocation sites where he meets with groups of MFI partners. These groups are composed of women that are a part of the microfinance loan program and are currently repaying back their loans. The relocation site we visit on Saturdays is only about 5-6 years old with a community that has been relocated from various Manila informal settlements. MMP first surveyed the community a year ago where they went door by door in the community hosting about 500 families asking three questions: do you want to know Jesus as your Lord and savior, do you want to host a bible study, and do you want to attend our new church? After meeting a few people that were interested in hosting bible studies the church planting group started meeting with them, in small clusters. Then as they gained the trust of the community they gathered and discussed different ways the church could grow, resources the community needed and ways they could develop more leaders. One of the programs they found the need for was the microfinance loan program for the small thriving businesses. Kuya McCloyd then started by forming a bible study group, where he would teach local entrepreneurs about biblical economics and basic savings. Now this group of women are in the process of paying back their second loan after successfully paying back their entire first installment. During these weekly fellowship meetings we aided in leading the welcome, worship, and the word in Tagalog. We sought to build personal relationships with the mothers in the group. Although our time was limited, as a student I was able to see firsthand all that is involved in MFI’s. Perhaps what most surprised me was the immense need for personal relationships in the midst of this work.

 During our site visits we have experienced just how relational this role truly is. Kuya McCloyd knows all the families he works with personally. He knows if they have been sick, if they have any family emergencies, they invite him to special occasions and he is treated like family. We even had the opportunity to join him to a birthday celebration as the family that invited him to their home was adamant about hosting him as a way to show appreciation. On a few occasions we were invited to the homes of the mothers in the group to pray with him for those that were sick in their household. Although at times, this relational aspect also requires him to be stern as there are times when he is faced with one excuse after another as the women do not have enough to pay back the week's payment. He explained that there have been occasions where he just stays in the person's home until they pay back the loan. He has to be delicate not to shame them, but also firm enough not to be taken advantage of. So far it has been really great to learn how the microfinance program really uplifts a community along with the work of church planting.

Community Matters

The community in which the loan program is started directly affects the repayment trajectory, the group’s ability to enter the next phase of the loan process, and the success of the program as a whole. During our time with Kuya McCloyd we were able to visit two communities and be part of their weekly gatherings. Both communities were different although both were urban poor. The Towerville 5 community is a new relocation site where the poor own their land but they have limited resources, have been isolated from the city, and are in a sense starting off in a community that is artificial. The Seashore 6 community is a community of urban settlers that has grown authentically, with neighbors that now each other exceptionally well, in the midst of a bustling city, and in the reach of resources. In a sense, both communities reflect the immense difference of direction a MFI loan group can take.

The Need for a Team

 I have learned that the work of microfinance is tough work. The work of MFI’s is often difficult and tiring. In the case of MMP, their MFI programs rely solely on one worker. Our internship supervisor is actually the only one supporting this program, and it is an overwhelming task as so many aspects are involved. The MFI officer has often shared with us that MMP’s work is always done in teams, except that of MFIs. The church planting teams are arranged to use each individual’s strength and to help them grow in a new setting. He has seldom experienced growth in his strength since at times he is simply re-doing the same work but in a different context. Although the work of MMP is effective in urban slum communities all over Metro-Manila, it falls short on resources when it comes to its MFI programs as it leaves the entire task to only one worker. Since the concern of MMP is to relieve both spiritual and physical oppression, it is necessary that they not understaff a program that brings the latter to reality.

Personal Reflection

 The internship helped me see how theories really come to life. As I read the work of Muhummad Yunus in *Banker to the Poor* I was moved as to how a lot of the economic systems he describes are so visible today, here in the Philippines. One afternoon as we sat with Kuya McCloyd at a McDonalds debriefing our time together I was moved to tears as he asked of us: *How are we going to fix this problem, how are we going to uplift the poor?* It was a difficult question, after being stood up by our entire group of moms, who had a falling out and were not ready to see each other again, or even speak to each other. Eventually this drama drifted the group apart and their repayment process became inefficient. Kuya McCloyd had tried to mend to problem, but it was out of his control. That afternoon he asked the questions that burdened him deeply, ones that he carried with him always. Longing to be part of the church planting team he had to remind himself why the work of MFI is so important-because it brings dignity to those that have been undignified by the injustice in our world. It is to bring life back to those that Christ has redeemed, to help set them free. His words of wisdom have impacted me immensely, especially as I also am burdened by questions of poverty and injustice.

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