

Microenterprise Development as part of extending the Kingdom of God

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WHAT IS CHRISTIAN MICRO-ECONOMIC DEVELOPMENT (MED)?

RUSSELL MASK AND DAVID BUSSAU

- A development strategy (remember Christian Development envisions transformation towards the Kingdom of God, whereas secular development has to do with socio-economic uplift (usually as defined by the U.N. circles))
- A broad package of **financial services** (savings, credit and insurance)
- + development **services** (business training, marketing assistance, etc)
- For **the** entrepreneurial poor
- From \$5 to \$50,000 in capital
- CMED is an integrated holistic approach

Transformation

Develop this phrase:

Transformation is the changes in values and perceptions which lead to a more loving pattern of action.

- Values, perception are the cultural core
- Relationships are the social milieu
- Organization and structures are the economic context

- Love is the central dynamic of Kingdom activity

So Transformation is:

CMED and proclaiming the Kingdom

What is missing in his definition of its role?

- Part of the strategy in discipling the nations
- Addresses some physical/social needs
- Community access
- Facilitates evangelism and discipleship

His definition is not integrated, not holistic.

Rather, CMED is:

- part of economic discipleship of the peoples, not a separate activity alongside it.
- part of bringing them under Kingdom economic principles.
- part of evangelism, the declaring the good new of jubilee, not alongside it.

Limits to Christian Micro-Enterprise Development

MED (micro enterprise development) became popularized in the 1990s.

Reasons for Christian Development Organizations (CDO) and CMED's not reaching the same scope as secular counterparts

"expansion would require access to large volumes of capital that are usually available only from secular donors and equity investors...secular constraints that focus primarily on financial aspects of financial microfinance" (Bussau & Mask, 2003)

1. capital as a limiting factor
2. constraints of reach
3. constraints in operating practices

DANGERS:

1. Bad implementation can be harmful to borrowers/savers, families, local churches, communities and orgs implementing MED programs
2. Rapid scaling up can be a strain destroying an organization if there is not capacity and structure to manage properly
3. CMED's with broad vision struggle with balancing program sustainability with transformative services to the poor (ch 2)
4. Donors and those on front line often have differing objectives (list five, p 12)).

Christian MED (Chap 2)

Implementing Vision and Mission for Christian MFI's

CMED Objectives

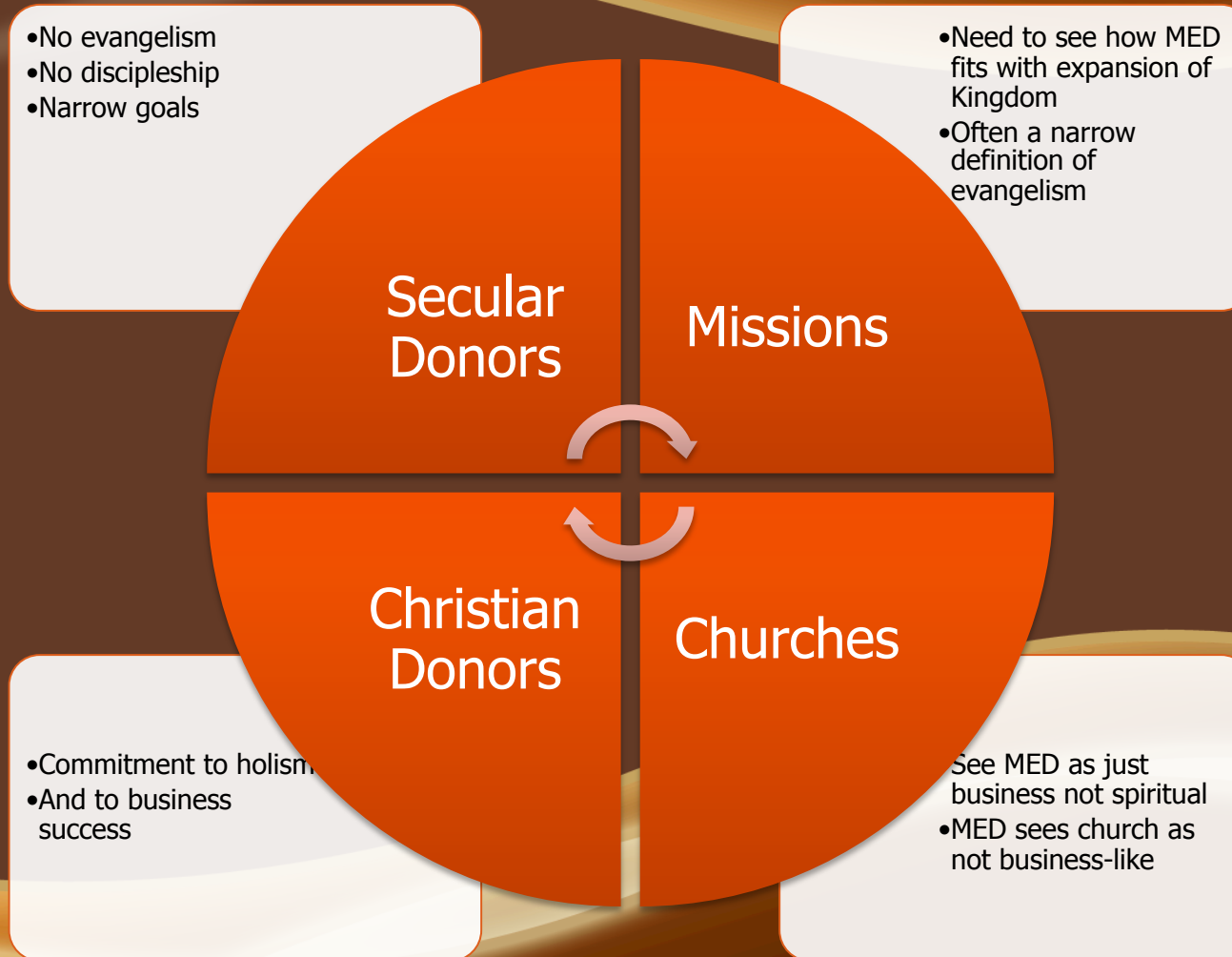
1. Open the community to experience the kingdom of God economically and spiritually
2. Strengthen Church via identity restoration and enablement in roles of stewards and servants

Vision and mission are critical motivators towards spiritual transformation microfinance objectives.

Attributes of CMED

1. Supports belief in the necessity for a personal relationship with Jesus Christ
2. Foundations in Biblical worldview
3. Includes global and local church
4. Includes work for holistic development of people
5. Mission reflects understanding of multi-dimensional nature of deprivation

Tensions for CMED Organizaitons



Christian Microfinance ch 3



Income Generating Activities

- Lowest 15%
- Group based
- Sidewalks
- Vulnerable
- Unlikely to grow



Micro-enterprise (1-10 employees)

- Increased income
- Employment



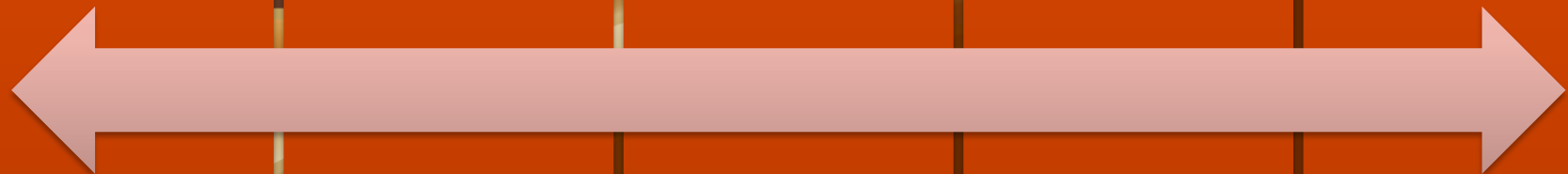
Small Enterprise (11-50)



Medium Scale Enterprise (51 or more)



Large Scale Enterprise



Savings Cooperatives

Important note: poor people save and have been doing so in the 2/3 world for centuries, relying on informal mechanisms to save.

Difficult because life events interfere, fiestas, illnesses, natural disasters
Save in gold, crops, land, hidden cash

Informal Finance-*all financial transactions, loans and deposits, occurring outside the regulation of a central monetary or financial market authority.*

- Take place among people who know each other
- Relatively small amounts of money
- Multiple functions (credit + trade + commerce = insurance against risk)

ROSCA (Rotating Savings and Credit Associations)

- contribute weekly
- 15-30
- Use of prize for whatever is needed, consumer goods, housing, education
- Fixed time length
- Simple and transparent

ASCA (Accumulating Savings and Credit Associations)

- Not limited in time
- Examples: Cooperatives, Credit Unions, Burial Societies
- As fund grows needs a manager or committee
- May charge interest. 3-8% per month

Find out...

How do people save?

How do they loan from others?

What are the existing savings networks?

Providing MED

Promoting: Set up your own program

Providng: Sell services

Partnering: Partner with an MED provider

Church – Based MED

Study Table 8 and discuss different models of church relationships with MED

Difficult Issues with Microfinance

1. Debt as a Blessing

Banking systems are based on maximizing debt.

The scriptures are against going into debt as the borrower becomes servant to the lender.

Clearly reducing the interest rates from the money lenders is part of liberation.

But is authenticating ongoing debt positive? David Bussau believes it gives a sense of identity and dignity to the person

How do you manage the changes to family structure and roles?

Is engaging people in the debtor system (= banks) a Kingdom objective?

In 1999, after fifteen years of progress, Bolivia suffered its first serious economic setback just as overlending was heating up. The timing of the economic slide propelled the over-indebtedness problem to crisis proportions. Bolivia began to experience heightened social unrest, with mass protests about things like water and electricity prices.

Microfinance, too, felt the anger of the powerless. Interactions with clients started to sour, as loan officers spent more time wheedling collections from customers faced with too much debt and shrunken demand. These conditions set off a backlash against microcredit.

2. Potential Damage

Poorly conceived, designed, and implemented
(ultimately unsustainable)

- Can cause loss of assets for clients
- The loan program can end up insolvent
- Effective informal credit systems can be weakened
- Credit cultures can be damaged
- Churches can be fragmented

3. Microfinance and the Uplift of Women - Mayoux

There are four basic views on the link between micro-finance and women's empowerment:

- there are those who stress the positive evidence and are essentially optimistic about the possibility of sustainable micro-finance programmes world-wide empowering women;
- another school of thought recognizes the limitations to empowerment, but explains those with poor programme design;
- others recognize the limitations of micro-finance for promoting empowerment, but see it as a key ingredient as important in themselves within a strategy to alleviate poverty; empowerment in this view needs to be addressed by other means;
- then there are those who see micro-finance programmes as a waste of resources.

Discussion

Discuss the effects of micro-finances on the role of women? (the article assumes that all women are oppressed in poor societies). Is economic uplift significant or only a stepping stone to a wider women's liberation movement? Given the Biblical values of respect, roles, love, mutuality in male-female relationships in marriage can you locate any articles of micro-finances on the impact on marriage relationships? Discuss the spiraling down of other women's empowerment initiatives in favor of donor-loved micro-finance programs.

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Fig. 1 VIRTUOUS SPIRALS: PARADIGMS COMPARED

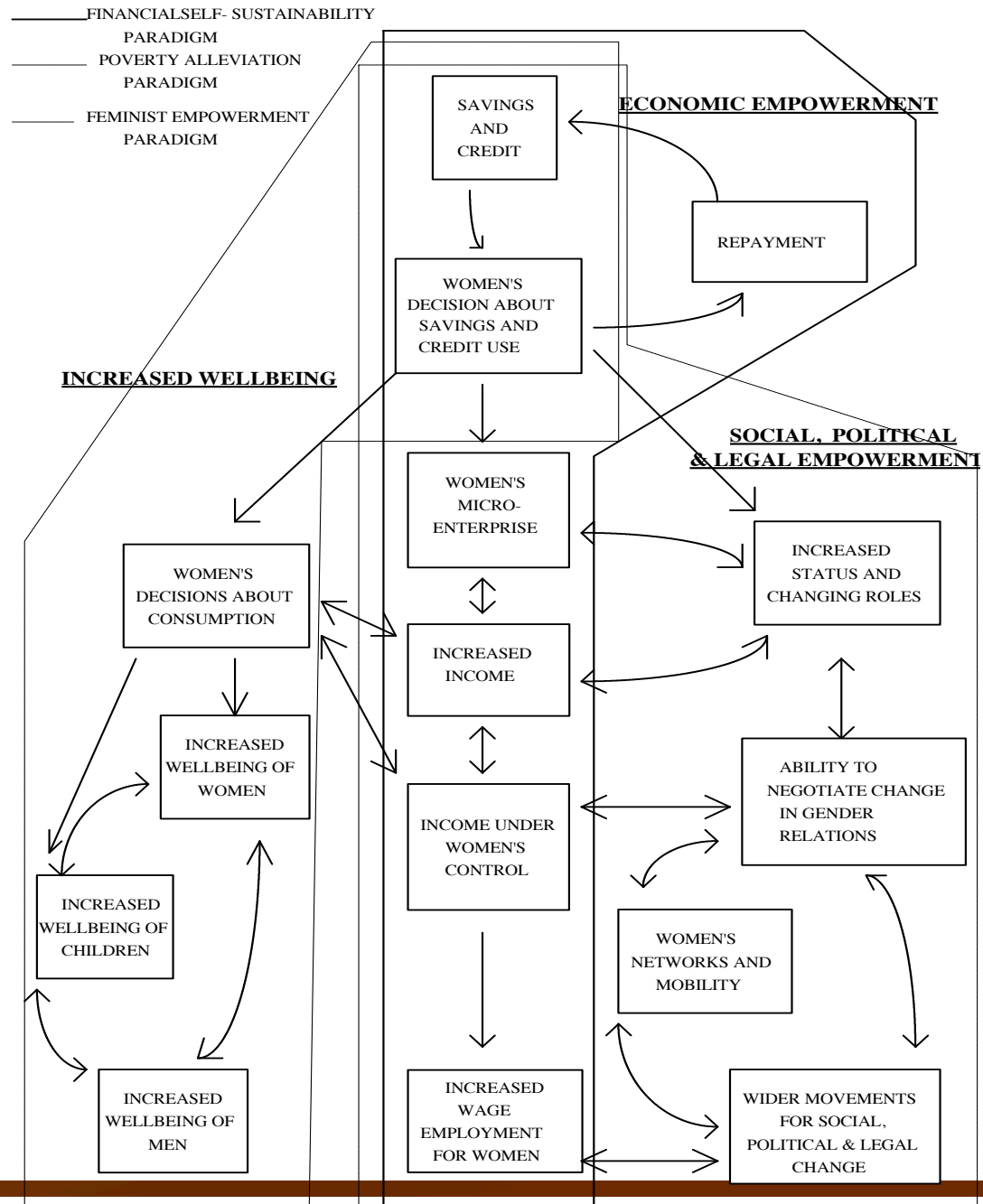
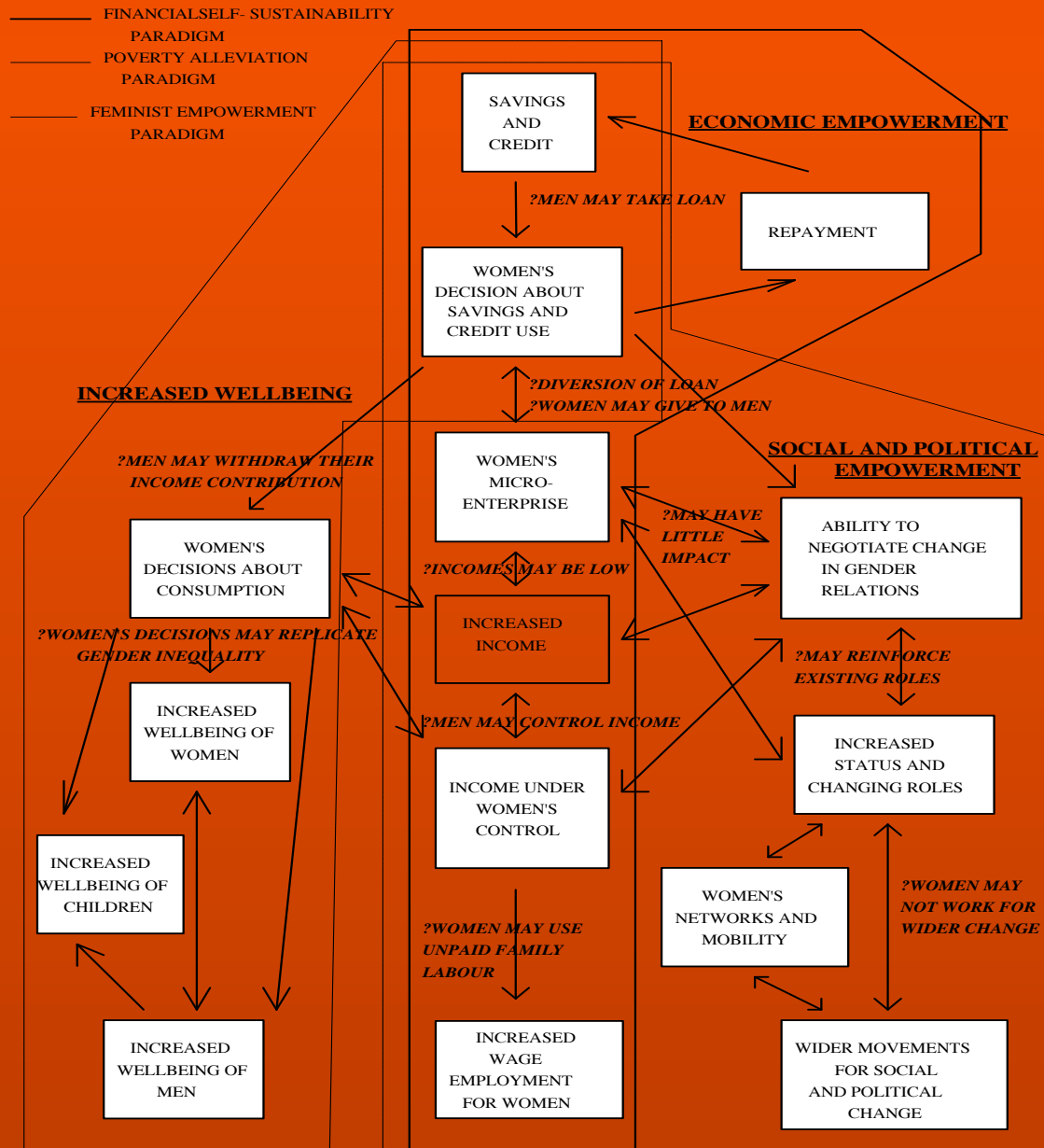


Fig. 2 VIRTUOUS SPIRALS:QUESTIONING ASSUMPTIONS



Readings

Christian Microfinance Principles

*Greer, P. and. Phil. Smith. (2009). *The Poor Will Be Glad*. Grand Rapids, Zondervan. (chap 7,8)

*Bussau, David & Russell Mask. (2003). *Christian Micro enterprise development – An Introduction*. Regnum Books international in Association with Paternoster Press. U.K. or WIpf & Stock or the Chalmers Centre. Start with Chapters 2 & 3. (Supplement that with the whole book if you can).

Supplemental Readings

Yunus, Muhummad (1999). **Banker to the Poor: Micro-Lending and the Battle Against World Poverty** 272 pages. ISBN: 1891620118 (Amazon \$10.20 Kindle \$9.69).

Practical Steps in Developing Micro-finance

(see also <http://www.chalmers.org/work/gtc/trainers-in-the-majority-world>). Evaluate the steps in the [training syllabus](#) and identify what you need to learn.

Development of Micro-finance Institutions

*Ledgerwood, J. (1999). Products & Services. *Microfinance Handbook: An Institutional and Financial Perspective*. Washington, The International Bank for Reconstruction and development/World Bank. (Amazon \$35.59 new, kindle \$13.27). Chapter 3.

Supplementary Readings

Maria Otero Elisabeth H. Rhyne, eds. (1994).

The New World of Microenterprise Finance: Building Healthy Financial Institutions for the Poor. Kumarian Press. ISBN: 1565490304 318 pages.

Marguerite Robinson (2001). **The Microfinance Revolution: Sustainable Finance for the Poor**. World Bank, ISBN: 0821345249.

Marguerite, S. Robinson. (2002). **Microfinance Revolution Volume 2: Lessons from Indonesia**. World Bank. ISBN: 0821349538.

Critiques of Micro Finance Progressions

Mayoux, Linda. *Micro-finance and the Empowerment of women*. (Access at http://www.ilo.org/employment/Whatwedo/Publications/WCMS_117993/lang--en/index.htm)

Elizabeth Rhyne. (2001). **Crisis in Bolivian Microfinance**, Accion Press release.

Supplementary Reading

Elizabeth Rhyne. (2001). **Mainstreaming Microfinance: How Lending to the Poor Began, Grew, and Came of Age in Bolivia**. Kumarian Press, ISBN. 1565491262. 272 pages.

To glean the phases of development of the micro-finance industry it is enjoyable to read the life story of David Bussau, the Christian equivalent of Mohammad Yunus in Philippa Tyndale. (2005). **Don't Look Back: The David Bussau Story**. Allen & Unwin.