



No Money, No Clothes: Explaining the Microfinance Model

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In Matthew 25, as Jesus was listing those he considered “the least of these,” he specifically mentioned the “naked” (vv. 36, 38, 43, 44). I want to expand this idea to speak to the whole issue of *economic well-being*. In Jesus time, the “naked” were those so poor that they literally lacked clothes to wear. While that may

seem impossible today, I have personally met hundreds of people in my travels who own only the clothes on their backs. They have no closets. I spent some time with one of these people, a courageous grandmother in her seventies, named Finedia, in Zambia. All her children and grandchildren had died of AIDS - two whole generations - and she was left to care for her one great-grandchild, Maggie, who was seven. They lived in an abandoned shack with a dirt floor and a collapsing roof. Neither owned shoes, and the tattered dresses they wore were the only clothes they had.

People like Finedia, who are economically poor, essentially have no money with which to buy anything, whether clothes, food, school supplies, or medicines. That’s because they have no jobs - and there are no jobs to be had. Many underdeveloped countries have unemployment rates as high as 75 percent. The result is that people literally live off the land, eking out a livelihood by growing their own food and raising a few animals. If they end up with more food than they need, they may be able to sell off a few chickens or bags of corn in local markets, but even this is unreliable.

Many of these people are endowed with creativity and initiative and they may have great ideas for business and income generation... But because they require an investment of money, sometimes as little as fifty dollars, they cannot bring their ideas to fruition. Truly, the hopes of millions of the hardworking poor to earn a living are thwarted for lack of a few dollars - to buy a swatch of fabric, a couple of breeding checks, or a litter of pigs. Historically, banks and financial institutions have been unwilling to lend to the poor since they have no collateral. They consider them back credit risks.

Muhammad Yunus, who won the Nobel Peace Prize in 2007 for his revolutionary dedication to becoming a “banker to the poor,” has worked his entire life to create the emerging microfinance industry, based on the belief that providing loans and financial services to the poor will allow them to work their way out of poverty. Yunus and the thousands that followed him have proven this to be true, and it has become one of the most effective weapons we have in the war against poverty.

While microfinance can take many forms, typically loan groups of six or twelve people are formed in a community comprised of neighbors who know and are willing to vouch for one another. Each member develops a plan to create a livelihood relying on his or her own talents, networks, and access to resources, estimating the amount of money needed to launch or capitalize the businesses. In this model, the microfinance institution (often operate by a nonprofit, such as Opportunity International, World Vision, or CARE) then makes a loan to the loan group, who then lends to the individual. The idea is that if the individual fails to pay back the loan, the group is responsible for repaying it. This results in considerable peer pressure and accountability, but it also promotes mutual support and cooperation among group members. More important, this approach recognizes and leverages the talents and capabilities of the poor. Best of all, when loan recipients successfully start their businesses, repay their loans, and create income that can support their families, they feel the sense of self-worth and human dignity that we all seek as they life themselves out of poverty. And receiving a “hand up” instead of a handout makes a huge difference, not just in terms of self-

esteem, but in sustainability as well. The old adage is true: “If you give a man a fish, he’ll eat for a day; but if you teach a man to fish, he’ll eat for a lifetime.”

