

Savings & Credit Associations

Excerpt abridged from *When Helping Hurts* by Steve Corbett & Brian Fikkert (2012) pp. 193-195, 237-238

Maria walked to the front of God's Compassion Church in a Manila slum and testified to the congregation, "My child would have died had it not been for the help of the members of [this church's] Savings and Credit Association. I was able to get a loan for the medicine, and they also prayed for me, and visited my sick child." Camilla then stood up and explained how the SCA members had encouraged her to borrow some money so that she could start a small cookie-selling business. As a result of this business, she has been better able to meet the daily needs of her children.

The Savings and Credit Association (SCA) associated with God's Compassion Church dispensed a total of 41 relatively low-interest loans, enjoying a 100% repayment rate. Moreover, the interest paid on the loans enabled the SCA members to earn dividends on their savings that averaged 50% in annual terms.

But the blessings were more than economic in nature. The SCA members prayed for each other and their families, and God steadily answered their prayers: husbands found jobs, children were healed, and broken relationships were mended. Neighbors of SCA members commented about the love and concern that the members showed to one another, so the SCA members invited these neighbors to attend their weekly meetings and Bible study. These nonmembers were allowed to borrow money from the SCA at an interest



rate much lower than that available from local loan sharks. And when the SCA started its second savings-and-loan cycle, these nonmembers were allowed to become members...

Quite remarkably, this SCA, which reflects an alternative approach to microfinance, did not require a dime of donor money or management by outsiders. A SCA is a very simple credit union in which poor people save and lend their own money to one another. Each member contributes an agreed-upon savings amount to the group's fund at a weekly meeting. The SCA members decide how much of the group's fund to lend, to whom it will be lent, and the terms of the loans. At the end of a predetermined length of time, usually 6 to 12 months, each member's savings are returned along with dividends they have earned from the interest charged on loans. It is microfinance without outside managers or money...

Promoting SCAs has proven to be a highly effective and strategic intervention for indigenous churches and missionaries in the Majority World for the following reasons:

- SCAs are simple to facilitate, can work on a small scale, and do not require churches or missionaries to lend and collect money.
- In addition to providing loans, SCAs offer a way for poor people to save and even to earn interest on their savings.
- Loan sizes in the 5- to 12-dollar range are entirely feasible, as are loan sizes amounted to hundreds of dollars; hence SCAs can minister to multiple levels of poverty, including the extreme poor.
- Funds from SCAs can be used for the full range of households' needs, not just financing business operations.
- The fact that SCAs can originate from the ministries of churches and missionaries make it relatively easy to maintain evangelism and discipleship activities, thereby addressing brokenness at the individual level...

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What are the downsides of promoting SCAs? Two problems stand out. First, poor people sometimes struggle to manage their groups well, to keep accurate records, and to enforce discipline. Many microfinance institutions (MFI) perform better in all these functions. Second, SCAs do not mobilize large amounts of loan capital as quickly as MFIs do. Group members can grow impatient with the process of saving money for loan capital, particularly if their business [requires and] can handle larger loan sizes...

An Outsider's View

Looking for some answers in its international ministries, Dan, the foreign missions pastor at [a large American church] decided to spend some time on the ground overseas, looking for alternative programs... While in Kenya looking for models, somebody suggested that Dan visit a small church of the Masai Tribe that was doing some interesting things. As Dan traveled over the dusty and bumpy roads to this church, he spent some time reading about the Masai. Although there was much to admire about their long and distinguished history, Dan was disturbed by the way that Masai women are often treated in this culture. Viewed as the property of their husbands, Masai women are subjected to backbreaking work, female genital mutilation, polygamy, and low levels of education.

Thus, as Dan arrived at the church, he was pleasantly surprised to see a group of Masai women who were singing and dancing together. The women leading the group explained to Dan that this was the weekly

meeting of their SCA, a meeting in which these women came together to save and lend their own money to one another, to encourage and support each other, and to pray and study the Bible together.

The Masai women in this church held their heads high as they discussed how...the SCA was enabling them to save and lend



their own money and was providing them with the dignity they needed to start and expand their own small businesses. One woman testified, "I bought a cow with my loan of 20,000 Kenya shillings (approximately \$300) and then sold it. I got a good profit! When I finished this loan, I took another loan of 20,000 shillings. I am so happy. This has really uplifted me. I have now started another business of selling practice tests to students to help them prepare for the national exams. With the profits, I am able to pay the school fees for my children."

Dan asked the women how their husbands viewed this group. One lady, who has become a cattle trader as a result of the SCA, beamed as she explained, "Because we are born-again Christians, the Lord has helped this group of ladies. My husband is very proud of me. The Masai men don't think we women can do anything. But because I have been working so hard, my husband sees that I am a very important person."

And Masai women outside the church are taking note. Seeing the hard work and rising incomes of these ladies, unbelieving Masai women are asking if they can join this SCA as well.

Dan took furious notes throughout the meeting. As he got up to leave, one of the Masai women said, "But you haven't heard our vision for the future yet. Please sit down." Dan obediently took his seat again as the woman continued, "I am a pure Masai. Some Masai women look at all my business activities and wonder if

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I am a pure Masai. They do not believe that a Masai woman can do all these things. But I am a pure Masai. My prayer is that in the future I will be able to help the Masai girls far away from this road in the interior regions. The Masai fathers do not want to invest in their daughters' education because their daughters will be lost to other families when they get married. I want to teach the girls living in the interior regions, so that I can empower them to be just like us."