

Empowered by a small loan and transformed by the love of Jesus Christ, Milán Tapia is now transforming her community by providing 400 disadvantaged children with an education. (photo credit: Mike Allen)

A HAND UP, NOT A HANDOUT

Why Enterprise and Business Are Changing Our Approach to Poverty Alleviation

By **PETER GREER**

In the decade following the collapse of communism, churches operating in post-Soviet Ukraine could once again practice their faith openly and freely. Yet they faced great need: With the economy in shambles, laypeople struggled to find work and provide for their families. Some churches in the United States stepped forward to meet the needs of their Ukrainian brothers and sisters and rebuild their church communities, but they quickly came to realize that good intentions don't always translate to sustainable results.

A hand up, not a handout

An active member of a church based in Lancaster, PA, Jeff Rutt, founder of HOPE International, joined several delegations his church sent to Ukraine to deliver shipments of food, clothing, and other supplies to a sister church in Zaporozhye, Ukraine.

On one of these trips, a Ukrainian pastor pulled Jeff aside and described the effect of the aid on his



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congregation: Although he was grateful for the help, the shipments had depressed local initiative, as many vendors within the church and community could no longer compete with the free shipments of supplies. Instead of inspiring a spirit of generosity and giving, the shipments had created a sense of dependency on foreign aid.

He said, "We need a hand up, not a handout."

After realizing the need for solutions that came from within the community and emphasized the God-given skills and dignity of the local congregation, Jeff began offering small loans and business training to church members, and HOPE International—a Christ-centered microfinance network now serving over 300,000 clients in 15 countries around the world—was born.

Symptoms and solutions

Rutt and his fellow church members had good intentions from the start, but in overlooking some key symptoms of poverty, they limited the effectiveness of their ministry. In the West, poverty is almost exclusively viewed as a lack of material wealth, characterized by insufficient food, money, clean water, and medicine. When over 60,000 people living in material poverty were asked to define poverty, however, they did not use such straightforward terms. Researchers Brian Fikkert and Steve Corbett of The Chalmers Center for Economic Development said, "They tend to describe their condition in far more psychological and social terms. Poor people typically talk in terms of shame, inferiority, powerlessness, humiliation, fear, hopelessness, depression, social

isolation, and voicelessness.” While Jeff and his church were meeting material needs, their assistance actually intensified the psychological and social symptoms of poverty.

If the symptoms of poverty are not as clear-cut as they seem, then neither are the solutions. An accurate diagnosis precedes an effective course of treatment, not only in medicine but also in economic development. Before we attempt to solve the problem of poverty, we must first understand three factors that contribute to the problem:

1. Belief that solutions come externally: In Haiti, a HOPE staff member met a mother who said she had no desire to fix her dilapidated home. The worse her home looked, the better her chances of receiving foreign aid—both to fix her home and to send her children to school.

Abraham Lincoln once said, “You cannot build character and courage by taking away people’s initiative and independence. You cannot help people permanently by doing for them what they could and should do for themselves.”

In 2005, I traveled to Afghanistan with HOPE International and saw firsthand the damage done when we decide to help those in poverty by “doing for them, what they could and should do for themselves.” After decades of war, even remote regions within Afghanistan had grown accustomed to outside aid. When a group of donors, pastors, development practitioners, and I were helicoptered into a remote Afghan village, we were paraded around by elders who showed us their “needs.” They led us to a community center with minor water damage to the roof. Outside this building, an elder with a full beard waved his finger at me saying, “You must fix this!” He—like many in the village who were eager to show us their needs—had become dependent on outside aid, a dependency handicapping their long-term

initiative to break the cycle of poverty. We must recognize the inherent gifts and talents of the poor to begin to transform communities and the landscape of poverty from within.

2. Ignoring the benefits of business: According to Bill Easterly in *The White Man’s Burden*, since 1970, Africa has received over \$3 trillion in aid, but many of the countries’ growth have stagnated—even plummeted. Despite trillions in aid, countries in Sub-Saharan Africa still rank at the bottom of poverty indexes such as the World Bank’s *Doing Business* report and the United Nations Human Development Index (HDI). Good intentions too often ignore what has historically been shown to create wealth: job creation.

Since the 1980s, extreme global poverty has been reduced from 52 percent to 26 percent, primarily through commerce and industry created in countries like China and Brazil, which are now dominating world markets. Business is revolutionizing the world to end extreme global poverty as none of our collective outside efforts and aid have achieved.

As the global church seeks to alleviate spiritual and physical poverty, we often overlook one of our greatest resources—our businesspeople. Although there has been an uneasy alliance between business laypeople and church leadership, business is vital in poverty alleviation efforts.

3. Disconnecting proclamation

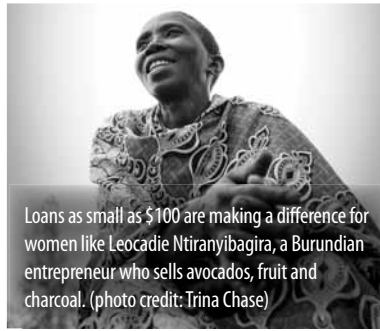
from demonstration: Poverty is not only physical but also innately spiritual. Historically, the Church has lost credibility and impact when it propagated the lie that we could disconnect our proclamation of the Gospel from our demonstration of the Gospel. It’s time to end this deadly dichotomy. We cannot address hopelessness and brokenness without rejoining our words and our deeds. Only the Good News of Jesus Christ’s redemptive work on the cross coupled with acts of compassion brings hope for restoration of relationships—with God, with one another, with ourselves.

Journalist and self-proclaimed atheist Matthew Parris wrote in *The Times of London* that—as much as he hated to admit it—he saw the importance of Christianity in development work. Growing up in Africa and returning years later, he saw that aid and relief work alone wasn’t enough. Christianity brought about true heart change: “The [African] Christians were always different. Far from having cowed or confined its converts, their faith appeared to have liberated and relaxed them. There was liveliness, a curiosity, an engagement with the world—a directness in their dealings with others—that seemed to be missing in traditional African life. They stood tall.” In his article, Parris shares how the truths that Christianity teaches—that mankind has inherent worth and dignity—are the key difference in escaping poverty.



Selling tomatoes enables Marie-Chantal Nininahazwe to provide for her three children without relying on handouts. (photo credit: Trina Chase)

Like Matthew Parris, I came to my own realization in Africa that if microfinance institutions (MFIs) and aid work are only meeting material needs, they may increase income, but they won't catalyze life transformation. While managing a microfinance institution in Rwanda, I met Florian, who later became my guard, gardener and friend; however, sometime later, I discovered that when I left my house, he would enter to steal money and other items from my guests, using both the money he earned and stole for alcohol. Through this experience, I recognized that Florian's increased income wasn't changing him: Unless his heart was changed, his increased income did not benefit him.



Loans as small as \$100 are making a difference for women like Leocadie Ntiranyibagira, a Burundian entrepreneur who sells avocados, fruit and charcoal. (photo credit: Trina Chase)

Contrasting Florian is the story of Milán Tapia, an entrepreneur, accomplished seamstress and activist in the Dominican Republic. Born in el campo, or in the country, she knew material poverty as a child. Through a small business loan from Esperanza International, HOPE's partner in the Dominican Republic,

she began a sewing business making school uniforms; successful, she employed several workers, but she testifies her life didn't change until she was introduced to Jesus Christ by her loan officer. Transformed by the love of Jesus, Milán was ready to make a difference in her community: With her business profits, she founded Tu Hogar Cristiano (Your Christian Home), a school for disadvantaged children in her community. Today 400 children attend Milán's school. One woman's changed heart and economic situation resulted in hundreds of changed lives in one Dominican community. f

POVERTY: THE CHURCH'S ROLE

By **ROBBY BUTLER**

The Church has a strategic role in overcoming internal and external factors in poverty. This outline is representative rather than exhaustive:

■ *Internal Influences* must be defeated through **relational biblical discipleship:**

- *Fatalism:* Poverty is our destiny.
- *Hopelessness:* Effort will prove unfruitful.
- *Laziness:* Change is too much work.
- *Lies:* God hates me and wants me to suffer.
- *Identity:* I am a victim, inferior to others.
- *Addiction:* I must numb my pain.
- *Limited Good:* If you or I benefit, the other must lose.

■ *Individual Circumstances* may need such practical assistance such as **micro-enterprise** mediated through **accountable relationships:**

- *Subsistence:* Where water acquisition consumes a family's time and energy, **improved access to clean water** allows pursuit of better employment.
- *Bonded servitude:* High interest on even a small debt enslaves many, and **micro-finance** loans can create freedom to seek other employment.
- *Lack of skills:* **Training** can empower a more

profitable contribution to the community.

- *Lack of capital:* **Micro-finance loans** enable entrepreneurs to increase the supply of existing products or services (subject to local market saturation or global competition).

■ *Societal Environment*, best improved through **local and international advocacy:**

- *Corruption:* The best long-term remedy is widespread Biblical discipleship.

- *Lack of Infrastructure:* **Advocacy** can encourage governments, charities and businesses to collaborate in developing infrastructure to facilitate commercial enterprise.

- *Lack of Basic Goods, Services and Employment:* The Church can **encourage and assist** the development of healthy, enterprises which provide **employment** and **discipleship** while serving the community.

God didn't simply address our poverty by giving us instructions and resources. Christ emptied Himself and dwelt among us. The most effective approaches to breaking the poverty cycle include incarnational ministry which develops *collaborative relationships* to hear, serve, learn from and influence the poor, through *biblical discipleship, practical assistance, business development* and *advocacy*. f

In India's slums, women who live in poverty are learning that no one is beyond hope and no one is too poor to save.

MICROFINANCE:

A Look at the Technique as an Effective Strategy for Poverty Alleviation

By **PETER GREER**

Hope in the slums

In the slums of several cities in Western India, the financially poor are gathering to save. In groups of 10 to 12, they come together to receive business training, contribute \$2 a month to a joint savings account for productive investment or to meet family needs, and learn about the love of Christ.

As members of India's two lowest castes, many of HOPE India's* clients are initially skeptical of its approach: "Why are you wasting your time with us?" they ask staff members. "We're poor. We're stuck here, and there is no way out for us."

Believing that "there is no way out" is one of the most damaging aspects of financial poverty. If life will never get better, why try? If there's no hope, why dare to dream?

Staff members of this Christ-centered microfinance organization respond by telling clients, "You're created in God's image, and He has a plan and a future for all of you." As clients come to believe this message, they are in turn empowered to enact change in their communities. Progress is slow, but unmistakable - businesses are created, families have the financial resources to put their children in school, dignity is restored, and the voiceless speak. In one district of the slums, a savings group successfully petitioned the local

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government council to have electricity installed where there had previously been none. Instead of remaining resigned to their fate, these individuals now have hope and are working to build a brighter future.

Microfinance under fire

Contrast their example with that of Andhra Pradesh, India, where riots and scandal have exposed the ugly underside of microfinance. Until recently, microfinance—offering financial services such as small loans and savings services to the poor—was the darling of the international development sector. With its leveraged approach to reaching the poor and its philosophy of promoting client dignity, microfinance appealed to those across the political, social, and economic spectrum.

But when more than 30 loan clients committed suicide in Andhra Pradesh, and high-profile micro-lenders were accused of abusing clients' rights, its image changed overnight.

Instead of being seen as the silver bullet to end poverty, it became synonymous with exorbitant interest rates and questionable repayment practices. Although much of the scandal was limited to the region of Andhra Pradesh, the damage to microfinance's image was worldwide.

These two situations paint very different pictures of the effectiveness of microfinance and illustrate some of the tensions within the sector. Done well, microfinance can be a powerful tool for good. Done poorly—whether intentionally or accidentally—this powerful tool can further harm some of societies' most vulnerable. In order to ensure that microfinance remains an effective tool for alleviating poverty and helping—not hurting—the poor, it is important to address these tensions by keeping clients at the forefront and prioritizing impact on individual families.

Credit versus training

As highlighted by the crisis in India, simply handing someone a loan is not enough: Without business training, clients are more likely to make poor investments. Without a place to save and accumulate capital, families may become hooked on a never-ending cycle of unproductive credit. The practice of just offering small loans, microcredit, has been replaced with an understanding that realizing positive change requires more than just a loan.

In HOPE's programs, not only are clients encouraged to save, but they also learn biblically based business principles that teach them how to open and sustain a business. In India, clients receive training that equips them to make items like handbags and baked goods, as well as opportunities to sell the items they create at churches and local retailers.

Saturation versus need

With the growing popularity of microfinance and the incredibly high repayment rates of borrowers, Andhra Pradesh attracted microlenders interested in more than helping the poor. It appealed to payday lenders, loan sharks and anyone who was looking to make a quick buck. Inundated by multiple groups with a variety of motives, Andhra Pradesh became a place where receiving credit was like buying bottled water, with vendors offering loans on practically every street. With no peer screening or accountability, clients were taking multiple loans, using loans from one lender to repay another, and becoming over-indebted in the process.

However, across the world, the majority of people still do not have any access to basic financial services. Fewer than 20 percent of the global need for microfinance services is currently being served (and less than 1% of the global need is served by faith-based organizations),

according to the World Bank's Consultative Group to Assist the Poor (CGAP). When HOPE first entered the Democratic Republic of Congo, for example, there were only 65,000 bank accounts for a population of 65 million – 1 in a thousand. For these individuals, microfinance fills a large gap, providing access to capital, savings accounts and training to those who wouldn't otherwise have any access.

Short-term versus long-term impact

Given this tremendous unmet demand, the question is whether or not the Church should become involved in meeting it. Is it a wise use of resources? Does it align with the global mission of alleviating human suffering and pointing people to Jesus? Does it make an impact?

There are a variety of impact assessment studies on microfinance.

BELIEVING THAT "THERE IS NO WAY OUT" IS ONE OF THE MOST DAMAGING ASPECTS OF FINANCIAL POVERTY. IF LIFE WILL NEVER GET BETTER, WHY TRY? IF THERE'S NO HOPE, WHY DARE TO DREAM?

In most, the stories of individual clients may not appear very dramatic to those in wealthy nations—and may not even show up as a blip on a country's GNP. But for someone earning a dollar a day, adding a second dollar can make a huge difference. This 100 percent increase in income would likely lead that client's family to eat better, enjoy better health, improve their housing, and experience greater confidence and hope for the future.

Instilling this hope for the future is an important aspect of microfinance. FINCA, a leading microfinance network, reports that 93 percent of its clients have all of their school-aged children in school. John Hatch, FINCA's founder, encourages us to look at the "intergenerational"

changes that are occurring: even if today's clients do not escape poverty in their lifetime, they are equipping their children with the education that will help them break free of the generational cycle of poverty.

In Rwanda, HOPE has seen similar results in its partnership with the Anglican Church to provide those in poverty with training and a safe place to save their money. Of HOPE's nearly 70,000 clients in Rwanda, school attendance increased from 28 percent of members' children to 71 percent, even as church attendance increased from 65 percent of clients to 96 percent.

Spiritual transformation

Microfinance has played a key role in impacting much more than just physical poverty. At a recent meeting of one of HOPE's savings groups in India, a client stepped forward and said, "Before, we were called

slum dwellers, but this is no longer how we view ourselves in our hearts. We have hopes, we have dreams, and we want to continue moving forward in God's vision."

Christ centered and client focused, HOPE India's message to the poor is that they are made in the image of God—that they have dignity, talents, and potential. By communicating this message in word and deed, they are seeing lives transformed. Microfinance is not a panacea, but if used correctly, it is a powerful tool that equips individuals to free themselves from the bonds of physical and spiritual poverty. f

*In India, HOPE partners with an organization whose name has been withheld for security.