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Journal of Business Ethics

ISSN 0167-4544
Volume 112
Number 4

J Bus Ethics (2013) 112:697-706
DOI 10.1007/s10551-012-1566-1

Journal of Business Ethics

Volume 112, No. 4
February (II) 2013
This Issue Completes Volume 112

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ISSN 0167-4544

Special Issue: The 17th Annual International Vincentian Business Ethics Conference (2010)

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Published online: 27 November 2012

Abstract The purpose of this article is to present and discuss the values and limits of microfinance within the context of poverty reduction, international development, and community empowerment. The main thesis is that microfinance requires a more complex strategy than simply the provision of credits. The development of financial capital depends on the increase in human capacity and social capital. Microfinance is revisited under the ethical lenses of global responsibility for alleviating poverty and developing community sustainability. Through a critical review of the literature and case studies from the Philippines, the author suggests a value-based Vincentian approach to integrate microfinance into community empowerment. In connection with the main thesis the author argues that the achievement of economic self-reliance through microfinance is contingent upon the development of capacity building, social capital, and empowerment at the individual, collective, and systemic levels.

Keywords Microcredit · Microfinance · Microsavings · MFIs · Philippines · Self-reliance · Sustainable community development · Vincentian

Introduction

Microfinance is not new. The concept and practice of credit groups and small savings have been operating across poor communities for centuries. The contemporary understanding of microfinance emerged in 1970s when Microfinance Institutions (MFIs) or Organizations (MFOs) like Mohammad Yunus's Grameen Bank began offering small credit solutions to "unbankable" poor people. Today microfinance can be defined as a range of services providing financial inclusion to poor and low-income households engaged in livelihood and microenterprise activities. Over more than 30 years, MFIs have expanded in number, regions, services, and typology. Beyond a general positive view, most people are not familiar with the limits and diversity of methods and institutions involved in microfinance. Most MFIs share the importance of creating social value in alleviating poverty while promoting livelihood opportunities, women empowerment and community development. However, microfinance is a growing movement of diverse organizations sometimes divided by opposing views and fragmented methods. It includes various nontraditional and innovative financial services like microcredits, microsavings, micro-insurance, and micro-remittances among others. The types of organizations and institutions involved in microfinance go from formal financial institutions (FFIs like private commercial banks, state-owned banks, microfinance banks, and non-bank financial organizations) to cooperatives financial institutions (CFIs like credit unions and multi-purpose cooperatives) and non-governmental financial organizations (NGO-MFIs like multipurpose NGOs and microfinance specific NGOs) and community-based microfinance organizations (CBFOs like village banks, self-help groups, and other village-based rotating or accumulated savings) (Munoz 2010).

Microfinance is a good tool in poverty alleviation but it has also become a good business. Today, MFIs are divided between two contrasting views of microfinance. The more mission-oriented and socially-driven view is represented by the Grameen Bank and the well-known online lending platform Kiva. The more commercially-driven view is represented by the recently gone public and profitable organizations *Compartamos* in Mexico and *SKS Microfinance* in

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India. Patricia Werhane, Laura Hartman and Charles Wankel among others would argue that alleviating poverty through profitable institutional partnerships is an ethical and innovative business possibility bringing prosperity and economic inclusion for all (Werhane et al. 2010; Wankel 2008). Others fear that business profits, a priority in microfinance, may penalize or even contradict the pro-poor mission and social value (Chomsky 1999). Muhammad Yunus, the Nobel Peace Laureate known by many as "the "father of microfinance" sees these profit-driven trends in MFIs as contradictory to the movement's original purpose of alleviating and eliminating poverty. Supporters of the initial public offering (IPO) of *Compartamos* and *SKS Microfinance* see this capitalization of the microfinance industry as a positive trend toward financial inclusion of impoverished communities (Microfinance Gateway 2010). Yunus has been quite critical of public MFIs fearing they would endanger "the whole mission of microfinance," pushing microfinance in a "loan-sharking direction" and "money-making out of poor people" (Associated Press 2010). In addition, the media recently reported on the crisis of microfinance in India and the cases of poor farmers committing suicide after facing their inability to repay the few hundred dollars MFI loans at high interest rates (Economist 2010).

The promise and perils of microfinance invites us to more critically review this phenomenon. Indeed, new MFIs go beyond the first love of *banking for the poor* or the general social enterprise refrain of *doing well by doing good*. But this is an opportunity for a deeper reflection on the importance of microfinance within the field of poverty alleviation and development. Profit exacerbated MFIs practices, pushing for unsustainable high interest rates along with badly managed and sketchy planned microfinance initiatives should invite a more attentive, and critical review of the ethics and social responsibility of microfinance (Ashta and Hudon 2009; Prior and Argandoña 2009). The current debate invites investors, practitioners and scholars to reevaluate microfinance in relation to the field of poverty reduction, international development, and capacity building. The following poverty and development-related lessons for microfinance suggest the need for a community-driven and integrated model for microfinance. As exemplified in the analysis of a value-based (Vincentian) model in the Philippines, there is a need to recognize and reintegrate the provision of financial capital with the development of human and social capital.

Microfinance and Poverty Reduction: Refocusing on microsavings

Microfinance has proven to be a very good tool in fighting poverty, but it is not a silver bullet. In spite of the numerous achievements for the millennium development goals (MDGs), worldwide poverty continues to be a major ethical issue (Singer 2009). Every four seconds a child in the world is dying because of poverty and other related preventable diseases and illnesses. Over 3 billion people, almost half the world, live on less than $2.50 a day. In addition, the recent food, fuel, and economic crises have dealt a triple blow to the gains made toward Millennium Development Goal 1 to eradicate extreme poverty and hunger by the year 2015. The October 2010 report by the Food and Agriculture Organization (FAO) says that 925 million people (about 13.6 percent of the world population) are undernourished. Though the number is down from last year, the number of hungry people in the world is much higher than 1995–1997 (FAO 2010).

Poverty is a multidimensional phenomenon encompassing a person's economic, social, health, education, security, and capacity. Alleviating poverty is a complicated business. For both the World Bank and the United Nations Development Program (UNDP), poverty reduction requires a coordinated effort "providing economic opportunities" while "increasing the capacity of the poor" to empower individuals to increase their human capital for productive, social and political gains within a context of economic growth (Perry and World Bank 2006).

> Poverty is pronounced deprivation in well-being, and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one's life (World Bank 2010a).

Therefore, poverty is not only a lack of economic resources but also lack of access to services and basic capacity to participate effectively in society. In other words, poverty is a violation of human dignity with a denial of choices and opportunities. The inability to access credit is also a cause of poverty. Spearheaded by Muhammad Yunis and the Grameen Bank, the microfinance movement has demonstrated that one of the factors preventing us to "create a world without poverty" is that poor people do not have access to financial capital (Yunus 2007).

Microfinance has been able to provide crucial financial services to poor people including small credits, savings, insurance, and payment services. Low-income people, especially those living in rural areas that have been unable to obtain these services from the formal financial sector have benefitted greatly from microfinance. According to the Consultative Group to Assist the Poor of The World Bank, an estimated 2.7 billion people in the world have no access to formal financial services (CGAP 2009, p. 13). With more than 7000 MFIs serving some 16 million poor people worldwide with an estimated total cash turnover of US$2.5 billion, the microfinance movement has the ability to make a significant dent in economic poverty (World Bank 2010b). Alternative financial services provided by MFIs or cooperatives may be more costly but still necessary for poor people dealing with unreliable income flows. In addition, MFIs have been proven to be effective in the promotion of low-income entrepreneurship and gender empowerment (Hulme and Arun 2009).

Microfinance programs can help poor people improve their lives but generally do not reach the extremely poor and the chronic poor (Lawson 2010). The poorest of the poor include casual laborers in remote rural areas, ethnic and indigenous minorities, older people, widows, migrants, and bonded laborers among others. According to the World Bank people living in a situation of absolute poverty are classified as earning $1.25 per day at 2005 purchasing-power parity (PPP). However, the reality of the poorest is that they do not earn this same amount every day. As their income come from seasonal income or sporadic sources, they are more in need of microsavings than loans. They would also benefit more from other forms of assistance such as access to food, clean water, basic infrastructure, housing, and income-generating activities. In partnership with public and private sectors, MFIs could provide those safety net programs in the form of cash transfers, food aid, or guaranteed employment schemes. These programs could help meet the immediate consumption needs of the poorest people.

The poorest of the poor need basic services and confidence building before entering a microfinance programs. Organizations like Fonkoze in its 15 year experience fighting rural poverty in Haiti has been focusing on social performance in accompanying their clients from abject poverty to business creation. Before entering into their credit programs, the first step in the Fonkoze's Staircase out of Poverty requires an 18-month non-credit program designed to help the poorest of the poor. During this educational program, Fonkoze's staff assist their clients in building their assets, skills, and confidence to get out of extreme poverty and enter into the other steps of small and medium level of credits (Fonkoze 2009). Here is an example of the Fonkoze Staircase out of Poverty: Fig. 1.

In partnership with the Grameen Foundation, Fonkoze recently evaluated the social impact of their mission of targeting the poor and ultra-poor through the Progress out of Poverty Index (PPI) assessment tool (Fonkoze and Grameen Foundation 2009). Partnerships are also important in providing a lender-to-peer or lender-to-project platform for international cooperation. Fonkoze entered in partnership with the International Vincentian Family and DePaul University in Chicago, a Vincentian institution, to promote Zafen, a lenders/donors project initiative for poverty reduction through microfinance in Haiti. This initiative choice to operate in the poorest country in the Western Hemisphere (later exacerbated by the 2010 earthquake and the subsequent cholera outbreaks) is indicative of the worldwide Vincentian family's commitment to poverty reduction and systemic change (FamVin 2010).

The microsaving approach has also been quite successful in poverty alleviation of the Philippine's poorest people. Fr. Norberto Carcellar, a Vincentian priest and founder of

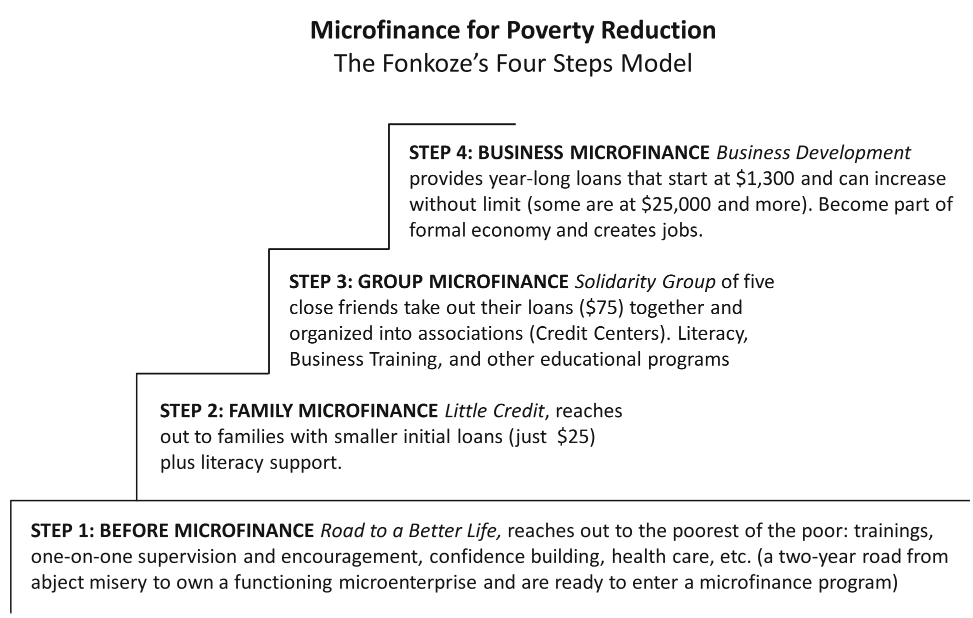

Fig. 1 Fonkoze's four step model to fight against poverty adapted from the at http://fonkoze.org

the Homeless People Federation of the Philippines (HPFP) has learned from the scavengers of Payatas (Metro Manila) that microsaving programs could be quite transformative in the life of the poorest of the poor. According to UN-Habitat, the microsaving programs of the Philippines have been successfully applied and adapted as strategies for slum upgrading in India, Kenya, and South Africa (UN-Habitat 2006). Fr. Afiliano (Nonong) Fajardo, the founder of the Vincentian Center for Social Responsibility (VCSR) has been accompanying informal settlers living along the North–South Railroad of Manila for several years. These railroad settlers have been relocated by the government and are considered to be living in poorer conditions than the Payatas scavengers. Fr. Nonong, supported by the work of VCSR volunteers, continues to accompany the relocated communities of Northville and Southville Railroad. In partnership with public, private, academic, and nonprofit organizations VCSR supports and promotes microsaving programs integrated with community social entrepreneurship initiatives and social capital value trainings. From their experience in working with the poorest of the poor, these Vincentian leaders learned firsthand that microsavings and micro-insurance come before micro-credit.

The Grameen Bank, Opportunity International, ACCION, and other MFIs have begun offering microsavings and micro-insurance programs too. They recognize these programs play a vital role in protecting their poorest clients who face the risk of slipping back into poverty because of unforeseen circumstances. The Grameen Foundation's *Solutions for the Poorest* program, for example, in partnership with the Bill & Melinda Gates Foundation, will work with established MFIs Ethiopia, India and the Philippines to test and refine models of microsavings for people living at the very bottom of the economic ladder (Grameen Foundation 2010a, b).

Despite their low income, poor people actually do save, sometimes with just pennies each day, but when their savings come together in the community they can finance land acquisitions, home construction, road projects, or new community businesses. Among the poorest of the poor, the most important element of microfinance is not lending credits but providing savings opportunities (Collins 2009). Microsaving programs are important for both educating clients about the importance of savings or for investing in collective future projects. People who invest in these savings plans are better prepared to cope with any unforeseen expenses, which would usually devastate poorer people. Microsaving programs have been the common strategy of the Vincentian Missionaries Social Development Foundation, Inc. (VMSDF) in the Philippines. Centered on their mission to promote and accompany the community-lead processes of people organizations (POs), the VMSDF microsavings are funds redistributed for members of the Self Help Groups (SHeG). Building on the successful microsavings model promoted by the Homeless People Federation of the Philippines, the Vincentian SHeG model aims at mobilizing the micro-deposits supporting small entrepreneurs and business creation. This idea emerged from the need of creating community-based development initiatives, the SHeGs are small groups of 15–20 members, mostly all women, members from poor family (scavengers of Payatas), living in the same village. The members save on a weekly basis what they can afford and the cumulative saving is reinvested immediately for one member's entrepreneurship needs. The SHeG members share member responsibilities and rely on their own collective and shared resources. What is unique in this Vincentian self-help group model is that the group itself can sometimes collectively decide to help a member in case of need or for an emergency. In other words, SHeGs also provide micro-insurance. The other unique characteristic of this model is that the dozen or so women of each SHeG are connected to Assemblies, usually formed of 12–15 SHeGs and 12–15 Assemblies can form a Federation (almost 2,000 people) which can influence policy.

The values and principles underlying the SHeG practice is based on the realization that poverty is not just a lack of material resources but a continuous process of "dis-empowerment" and "de-humanization". Therefore, the poverty alleviation strategy of the Vincentian SHeG model looks at both material and spiritual needs, accompanying a process of community cohesiveness, social capital development and organizational capacity building. The empowerment process focuses on the community (not just on leaders) and aims to raise awareness of the people's social, economic, and political powers. In this process, "poor people" become the subjects of their own community empowerment process and not simply the beneficiaries of external loans. The bottom-up SHeG approach is generally shared across other worldwide experiences of other self-help groups (SHG Approach 2010). The values, methods, and results of these self-help groups (SHGs) are promising in the field of microfinance and have become a focus of intense examination in the study of effective methods for poverty reduction (Singh 2006). It could benefit greatly from implementing worldwide forums of SHGs best practices, promoting SHG Federations, and SHG Bank linkages in collaboration with MFIs (National Council of Applied Economic Research 2008). The self-help model of microsavings, micro-insurance, and micro-credits promising but needs to be understood within the needs for capacity building inputs to be provided to the individual members as well as the groups and communities. It is a slow process of community development that requires attentive and competent accompaniment for achieving sustainable community development.

Microfinance and International Development: Social Capital and Capacity Building

Microfinance is the means to the end that is sustainable development. Poverty reduction is the desired outcome. When Mohammad Yunus and the Grameen Bank were awarded the Nobel Peace Prize in 2006, it was in recognition of the significant advances to overcome financial exclusion and "for their efforts to create economic and social development from below" (The Nobel Peace Prize 2006). Microfinance intersects with the field of development and it is instrumental in attaining sustainable development and community empowerment. Unfortunately, many practitioners, donors, and others supporters of the microfinance approach are not fully aware or dismiss this important component. Maria Otero, formerly the president and CEO of ACCION International, a pioneer and leader in microfinance, has argued that microfinance and development intersect in three fundamental areas: (1) reaching the poor (giving access of financial capital along with development of human and social capital); (2) building institutions (as microfinance build their own institutions, which become government preferred channels providing access to services to the poorer sectors); and (3) deepening the financial system's reach (accomplished when an MFI becomes a regulated institution that is part of the financial system) (Otero 1999).

In their edited volume *Beyond Microfinance*, Thomas Fisher and M.S. Sriram have argued that while the understanding of the impact of microfinance on poverty alleviation needs to be made stronger, the relationship between microfinance and development needs to be at the practical, more than ideological level as we search more practical and workable solutions to deep-seated challenges of poverty (Fisher and Sriram 2002).

The Microfinance movement could learn valuable lessons from the field of international development which evolved along three stages. The first stage was primarily about economic development and it occurred into the 1960s. At that time, the understanding of development was primarily in terms of economic growth with an emphasis on making the pie grow. In the second stage, the international community realized the importance of social development with an emphasis on development as equity and "distributing the pie." This stage was particularly evident in the 1970s and 1980s, but it is still visible today. The third stage is the current one and primarily identified by the concept of sustainable development. The emphasis here is not just on natural and environmental capital but also on social, cultural, political, and institutional capitals. The focus is on developing and maintaining capacity, "sustaining and developing the pie." Microfinance which had a beginning stage in providing credit is now evolving and integrating strategies for social capital development along with the influence of good governance and appropriate policies.

There is a lot of good and potential in microfinance, but it needs to be clearly framed within the diversity of financial capitals (credits, savings, insurances, and investments) and in coordination with human capital (education, skills development, and leadership capacity), and social capital (organizational capacity building, promoting democratic systems, and strengthening human rights). Only a more comprehensive and coordinated approach will make microfinance an effective tool in helping people to move out of poverty and achieving sustainable development.

Reframing microfinance with development as its base could be instrumental in overcoming the crisis and controversy between MFIs targeting poor people while seeking financial sustainability in mainstream financial systems. Elisabeth Rhyne called the dual goals of reaching the poor and aiming at sustainability as the Yin and Yang of microfinance (1998, pp 6–8). The general diffidence toward large scale development programs, international aid, and cooperation is also at the root of the current crisis and debate within the microfinance industry in its shift from donor-funded to commercially sustainable operations.

Within the history of development, the concept of microfinance is not new. Traditional and informal systems of credit have been present in developing economies for centuries. Many current western-based microfinance practices originate from community-based mutual credit transactions based on trust. Second-tier institutions like universities, international NGOs, and donor agencies have been instrumental in integrating microfinance systems into the larger macro systems in developing countries. They have been supporting the process both through financial means (e.g.. DePaul University and Zafen in Haiti) and non-financial roles through capacity building and good governance practices (e.g., Adamson University and the Vincentian Center for Social Responsibility in the Philippines).

As development is more than economic growth, so microfinance is more than mere access and the distribution of money. Either through the mission of the MFI itself or in partnership with other organiziations, microfinance must foster and develop social capital and community assets development. Microfinance is not and cannot be seen as stand alone method. It must be planned, delivered and evaluated in conjunction with other existing developmental activities of women, communities, sectors, and countries. Best practice in microfinance management invests and impacts the double-bottom line of economic and social gains including women empowerment, organizational capacity building, leadership and networking, community and kinship development, skill and vocational development, small enterprise management, education, and health (Mayoux 2006).

As development is not just about aid and projects but also about job opportunities, microfinance cannot focus solely on entrepreneurs. In a *New Yorker* article entitled, *What Microloans Miss*, James Surowiecki argues that there is a need to create salaried workers, not entrepreneurs. This is only possible by investing in "the missing middle"—the creation of more small/medium businesses which hire people. He says "for some people, the best route out of poverty will be a bank loan. But for most it's going to be something much simpler: a regular paycheck" (Surowiecki 2008).

Reframing the role of microfinance within the development debate helps us understand that poverty alleviation is not simply the provision of small loans to poor people but also to understand that the "micro" approach is not always the best solution. Adequate political and economic systems with appropriate policies are "macro" elements that need to intersect with the various "micro" approaches of development.

Hernando Desoto's groundbreaking book, *The Mystery of Capital* sheds light on the issues of property rights in developing countries particularly among marginalized sectors (e.g., women and indigenous people) (Desoto 2002). Similarly, the basic arguments on development as freedom, rights and self-determination could be applicable to microfinance and the poor people's right to credit (Sen 1999; Hudon 2009).

Social capital has been documented to be central also to the achievement of development and sustainability (Roy 2010; Rankin 2002; Molyneux et al. 2004). Social capital is the glue that holds together microfinance programs. The social cohesion of small groups, communities, institutions, or societies is crucial for the successful implementation of microfinance programs (credits, savings, insurances, remittances, etc.). In the field of international development, the study of social capital revolves around sociologist Robert Putnam's characterization as the "features of social organization, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions" (1993, p. 167). When people engage in networks and forms of association as in the case of MFIs and SHG, they imply and require a common set of values and beliefs that can become the cement for community building and a "moral resource" for community relations (Putnam 1993, p. 169). This idealistic view of social capital and its role in development and microfinance needs to have a more critical review and consider intervening systemic factors like macroeconomics and political processes (Rankin 2002, p. 4). At a more critical level of analysis, Pierre Bourdieu challenges us to see the ideological function of social capital and poverty lending as a "symbolic violence" (1989). As the practice and systems of international development have criticized both through "dependency theories" and ethical lenses (Quarles and Giri 2003), microfinance can be critically and systemically reviewed as advantageous mechanism for lenders to cut administrative costs while motivating repayment and introducing financial discipline through peer pressure (Rankin 2002, p. 13). Social capital is indeed the missing link in international development and microfinance. But avoiding making it another mechanism of exploitation and unbalanced relations requires refocusing microfinance on community empowerment and capacity building. The Vincentian approach exemplified in the Philippines offers innovative insights for pro-poor strategies for achieving sustainable community development through value formation, microsavings, and community social entrepreneurship.

Microfinance and Social Impact: A Vincentian Approach in the Philippines

The Economist magazine's Economist Intelligence Unit (EIU), recently conducted a study on microfinance and concluded that the Philippines is the first country in Asia and the second in the world, after Peru, in terms of "Overall Microfinance Business Environment" (EIU 2010). The Philippines scores highest of all the other 54 reviewed countries in terms of regulatory framework for the microfinance industry. It is also the top Asian country in terms of institutional development, and second behind India in investment climate. The Philippines offers some best practices in microfinance also for its mechanisms of offering MFIs the appropriate policies and cross-sector partnerships for expanding and innovative provisions of financial services to the poorest of the country. In line with the Philippine National Strategy for Microfinance, the government has been establishing an efficient regulatory environment and market-oriented policies enabling and promoting microfinance services for the poorest sectors of its population (DRP-DOF 2010). Fifteen years ago, microfinance in the Philippines was limited to microcredit provided by leading non-governmental organizations (NGOs), cooperatives and a handful of banks. Today, the number of microfinance players has grown exponentially and microfinance services have noticeably diversified going from microenterprise loans, housing microfinance, micro-agri loans, micro-insurance, and cell-phone accessible savings. Similarly and even more successfully than M-PESA Safaricom in Kenya, the Bangko Sentral ng Pilipinas (BSP) in collaboration with private mobile providers like Globe and SMART provide a successful mobile money system for microsavings and micro-remittances (Mobile Money for the Unbanked 2010). In the Philippines, the texting capital of the world, mobile money for micro-savings and micro-remittances exemplifies a "next practice" of microfinance (Microfinance 2.0) for poverty alleviation through multi-sector partnerships and social entrepreneurship. This resulted from combining the needs for low cost accessible financial services for microsavings and international remittances with the free and popular technology of texting and the people's social networks and capacity in using such technology.

The Vincentian people and institutions in the Philippines, which are actively engaged in the challenge of poverty reduction, have been able to develop integrated strategies of community development where microsavings and community social entrepreneurship programs are at the core of their pro-poor mission. Besides the contemporary interpretation St. Vincent de Paul, a 16th century champion of poverty reduction, the Vincentians in the Philippines seek community-driven innovative, systemic, multi-sector approach to fight extreme poverty and achieve sustainable community development. All their community development programs recognize microfinance as an important but integral part of a comprehensive and community-driven strategy for poverty alleviation. The Vincentian Missionaries Social Development Foundation, Inc. (VMSDF) first, followed by the Homeless People Federation of the Philippines (HPFP) and the Vincentian Center for Social Responsibility (VCSR) have been accompanying the impoverished and marginalized communities of scavengers in Payatas, the displaced railroad people in Southville and Northville and other poverty-stricken communities around Metro Manila and the Philippines with community value formation. Before any microsavings or social enterprise programs are introduced, the community leaders and representatives perceived that starting with community value formation will strengthen their social cohesion and capacity to initiate and sustain financial and social programs.

Before microfinance programs are implemented, the community needs to strengthen their social capital and community capacity. Financial capital alone is not enough. If not combined with the development of social capital, the financial programs have the possibility of creating a divided, dependent, and unsustainable community. A combined perspective of social and financial capital is based on the idea that a community has assets not just needs. Similar to the assets-based approach, the community members find a collective and collaborative response to their own problems (Kretzmann and McKnight 1993). With this Vincentian-integrated approach to poverty reduction, the community becomes the subject of their own journey toward financial self-sufficiency and social wellbeing. Fr. Norberto Carcellar, C.M. a pioneer in the Payatas community development and the founder of HPFP recognizes this method as a systemic, inclusive and personal approach to poverty reduction:

> [We need to] have a holistic vision which addresses basic human needs – individual and social, spiritual and physical, especially jobs, health care, housing, education, spiritual growth – with an integral approach toward prevention and sustainable development. […] Poverty is multi-contextual and spans varying levels. Yet at its core, poverty should not be separated from its having a human face, its humanness. Hence, any strategy for systemic change should therefore acknowledge such aspects of poverty and move accordingly. [We need to] involve the poor themselves, including the young and women, at all stages: identification of needs, planning, implementation, evaluation, and revision (Maloney et al. 2007).

The systemic Vincentian approach goes beyond an asset-based promotion of community savings and finance schemes. Their main goal is to develop active citizens capable of monitoring and promoting good governance for the development of a healthy, prosperous, and sustainable community, city, region, and nation. They do this by promoting social co-responsibility and multi-sector participation for changing the unjust conditions that affect the lives of the poor. The Vincentian Center for Social Responsibility (VCSR), which is formed by community leaders and university volunteers, follows a community-driven approach in three states: 1) the human-social capital development through value formation and community social activities followed by 2) the development of financial capital through community microsaving programs matched by savings of university students, faculty, and staff at Vincentian universities in the Philippines and abroad, and the 3) development of engaged citizens and public servants for stimulating pro-poor policies and people-monitored good governance practices (Tavanti et al. 2008).

The Vincentian poverty alleviation work in the Philippines integrates microsavings with a larger process for increasing multiple capitals (human, social, financial, moral, special, etc.) and achieving sustainable, decent living conditions in the community (Fig. 2).

In addition to the fundamental stage of community value formation, their principles comprise true participation including the poor at every stage of the process. They are also open to innovation in their approach to poverty alleviation and welcome new tools and methods for socio-economic self-reliance and community sustainability. They evaluate their impact on poverty reduction in the community with a comprehensive list of economic and social indicators around the concept of community empowerment (UN-Habitat 2006, p. 69). The evaluation of the impact of

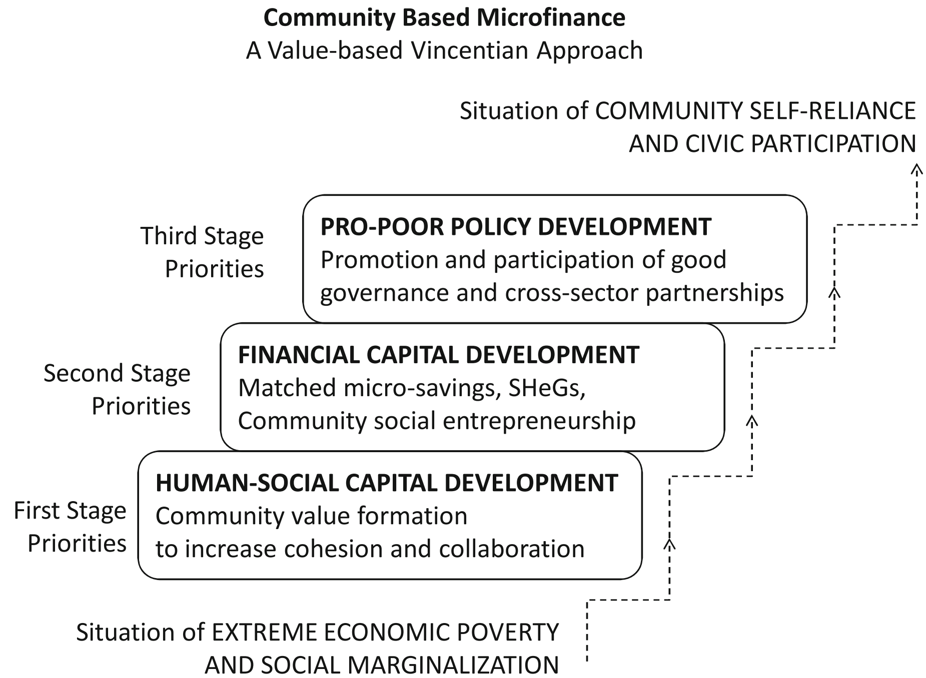

Fig. 2 Vincentian community-based and integrated microfinance approach, based on various on VCRS works

microsavings also looks beyond savings rates by assessing the quality of life for the poor through changes in income, poverty levels, household dynamics (e.g., decision-making power), schooling rates, key health indicators, debt levels, asset levels, and self-esteem.

The Vincentian approach recognizes the situational and contextual differences that the application of this model would mean in different countries and cultures. For example, the impact of a savings program on the decision-making power of a female client may be significant in one country, but may make no difference in a country that is lacking in basic women's rights. However, the basic principles of working toward an integrated model of microfinance that fosters human-social capital (community values), financial economic capital (microsavings and social entrepreneurship), and institutional policy capital (pro-poor public policy, democratic process) could be promoted and adaptable in other contexts. The VCSR community development model beginning with the values formation program is designed to stimulate community dialog and reflection on three core values—trust, love, and synergy. This process provides a forum for community members to obtain life skills and explore their spiritual and social development, in addition to developing a sense of community and camaraderie. The overall program emphasizes the importance of a community-led process along with voluntarism, social engagement, and entrepreneurship. Through a Community Based Monitoring System (CBMS), the community is able to assess their social and economic progress in line with the country's reports for the Millennium Development Goals. The CBMS comprises 33 income and non-income indicators measuring poverty reduction according to the nationally recognized Minimum Basic Needs categorized as survival (food and nutrition, health, water and sanitation, clothing), security (shelter, peace and order/public safety, income and livelihood), and enabling (basic education and functional literacy, people's participation in community development, family care/psychosocial) (Bautista 2007). The utilization of this tool is strategic as it can feed nationally standardized information for policy makers.

Conclusions

Microfinance is not just about financial credit, and it cannot work alone in the difficult task of poverty alleviation and community development. The Vincentian approach to microsavings and community development adds a meaningful strategy in the debate of microfinance. The current crisis and controversy between pro-poor traditional approaches of MFIs versus those who have gone public can learn from the lessons of international development where social capital, community empowerment, and capacity building are central elements in achieving sustainable livelihoods. It also reminds us of the assets that poor people have in finding solutions to their own communities. As the "micro" approaches to microfinance continue to evolve going from microsavings through mobile technologies and peer-to-peer lending (like Kiva) or peer-to-projects lending (like Zafen), we are reminded of St. Vincent de Paul's quote, "charity is inventive to infinity" (Coste 1920–1925).

Microfinance is a practical strategy for ending poverty, or at least reducing it. It is also a business, and in a certain way, it is destined to compromise the integrity of pro-poor rhetoric surrounding the field microfinance for achieving financial sustainability through the mainstream channel of a market economy. Yet, microfinance cannot be reduced to simply using the "micro" strategy without promoting financial self-sufficiency and social development of the poor. There are basic rules of the game of microfinance that need to be respected. Building upon the Philippines core principles of microfinance and the Vincentian approach, such rules include the following:

1. The poor have the right to access a variety of appropriate financial services that are convenient, flexible, and reasonably priced.
2. MFI cannot exploit the fact the poor have capability to repay loans, pay the real cost of loans, generate savings and avail complementary financial services.
3. MFIs must subscribe to performance standards and reports to insure greater accountability and transparency.
4. The government's role is to promote and enable MFIs but also to adequately regulate the microfinance environment in all its evolving aspects.
5. MFIs can choose to become an integral part of the financial sector to achieve its full potential of reaching a large number of poor.
6. Microfinance is an effective tool for poverty alleviation, and it should be seen as one tool within the field of development and that financial solutions must be coordinated with social and institutional (systemic) solutions for building a truly inclusive financial system.

Microfinance is an effective tool to fight poverty when it integrates strategies for improving access to economic-financial capital with programs building social-community capital and capacity. MFIs can reach the poorest and be instrumental for achieving sustainable communities when diversify their services and create partnerships tackling poverty and influencing systemic changes. In other worlds, microfinance can maximize its long term impact when the community empowerment process equally recognizes the importance and capital development at the economic-financial, social-cultural, political-institutional, environmental-physical, and moral-value level. There is a powerful quote attributed to St. Vincent de Paul and featured in the 1947 Monsieur Vincent movie that summarizes the Vincentian approach seeking a community-driven process in microfinance and community development. It says "It is only for your love alone that the poor will forgive you the bread you give to them."

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