

DCI Banking for the Poor

Project Leaders Training and Operations Manual And lessons to teach the applicants

How micro-loans, micro-industry and low-tech projects such as mushrooms, animal traction and goats create employment, income and hope in the developing world.

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1. Introduction to DCI Banking for the Poor or micro-enterprise.

(a) Where did the idea come from ?

During the last 15 years micro-loans for micro-business have been one of our means of helping a lot of poor people in Africa and India to move towards self-sufficiency and the ability to help others in their family and in their churches.

Our own inspiration for such a loan granting "Bank" came originally from reading Deuteronomy 15, 7-11 in the Bible.

"But if there are any poor people in your towns when you arrive in the land the Lord your God is giving to you, do not be hard-hearted or tight-fisted towards them. *Instead be generous and lend them whatever they need.* Do not be mean spirited and refuse someone a loan because the year of release is at hand. If you refuse to make the loan and the needy person cries out to the Lord, you will be considered guilty of sin. Give freely without begrudging it, and the Lord your God will bless you in everything you do . . . you will lend to many nations and you will borrow from none."

(b) **The strengths, weaknesses, opportunities and threats we have found.**

The Strengths of Micro-Enterprise

1. It works, it is uncomplicated, and inexpensive to start.
2. It does not require education only skills and willingness.
3. It produces a gratitude to God for the opportunity given.

The Weaknesses of Micro-Enterprise

1. It may only create a small income in the start-up phase.
2. It is vulnerable to weakness in the character and health of a client.
3. Money has the power to corrupt leaders and clients alike.

The Opportunities given by Micro-Enterprise

1. Unemployment and wasted time is turned into productivity.
2. The dignity of work produces income for the family.
3. Work turns a nobody into a somebody with their own business.
4. Work can turn a receiver of help into a giver of help to others.

The Threats to Micro-Enterprise

1. Wrong choice of clients can ruin the scheme in its first cycle.
2. Economic conditions may change the value of a chosen business.
3. Businesses may be struck by unforeseen catastrophes like bird flu.
4. Impatience when perseverance is required to push through beyond start-up phase.

2. Our responsibilities - what we do to get things going.

In brief, what happens at our end is this:

Jesus said to some of his servants to whom he had entrusted money, "Put this money to work until I come back." (Luke 19.13)

1. We pray and ask God for His help, wisdom and guidance and then we wait for Him to bring us people in our part of the world who will join with us to provide gifts and offerings as "investments" in DCI Banking for the Poor. We do not offer interest or a return of the investments unless specially agreed.

Generally we amalgamate many small offerings from different people, including our own, to form one central fund which we then administrate, and we report back to the "investors" on how the bank projects are doing.

2. After prayer we wait for developing world project leaders to *emerge*.

We look for a woman or a man with proven honesty and with a vision for serving the poor, and who also has the necessary spiritual and administrative skills. We believe in partnership without control or ownership.

Because we are dealing with money we have to be certain that the applicant is known for his or her high integrity and accountability and will not be corrupted or spoiled by handling funds. That is why we look for applications for new projects from leaders, students or graduates from our network of Schools of Mission because they are known by their leaders or by us. Sometimes we will consider a proven, trustworthy leader that we have met personally or who is well known to one of our partners or colleagues, but who is not a graduate from one of the Schools of Mission.

A project leader must be willing to invest some funds of his or her own, obviously on a very much lesser scale. We see this material contribution as very valuable clear sign of ownership, risk sharing and partnership.

After approval we equip our partner with an *interest-free loan* of start-up capital to loan to his or her Banking for the Poor applicants, and this loan must be combined with his or her own funds set aside for the project. The project leadership is responsible for this loan. At our discretion and in our time we may turn this loan into a gift but this should not be expected.

We maintain close contact with the project leader giving advice, prayer and encouragement, and sharing news and both good and bad experiences from the other project leaders around the world.

3. Your responsibilities - what you have to do to run a project.

(a) You have to form a leadership team and open a bank account.

A banking scheme must be governed by a local leadership team of, for example, at least 3 church elders or men and women appointed for this job, including our main contact person. This team must open a bank account with *two or more* signatures being required to withdraw any money.

(b) You need to sit together and take time to understand this project.

Banking for the Poor is for neglected yet capable people, usually women, then orphans, then people without land or skilled people who are unemployed. If necessary your bank must be glad to welcome men and women who cannot read or write and are only able to sign with an X or by the muddy imprint of their thumbs. We have no papers or contracts, we trust the poor. We do not ask for security. We consider it a blessing to believe in and to serve men and women who commercial entities would never receive as worthwhile or trustworthy.

This work creation opportunity has to be made accessible to people who cannot afford to travel long distances to explain their case so you may have to go to them.

The people are informed that credit is available to lend in small amounts for the *one purpose only*, that of creating genuine self-employment through micro-businesses or working from home with the *one and only goal* of raising the owner and the workers to a place of self-sufficiency in life and enabling them eventually to be generous towards others and towards the work of Christian mission in their locality.

What kind of loans are to be offered ?

Your bank would offer loans of say, \$50, \$100 maybe up to \$150 in your local currency, *but no more*, to be repaid over 6, 12 or 24 months in *weekly* instalments out of earnings beginning *immediately*. The project leader *must* ask us for permission to change this rule and have a good reason.

Do we charge interest or not ?

Your bank may offer loans that are interest-free *or* charge a small interest rate of say 2% to cover administration costs and to increase the capital fund for the sake of others. Whatever the leaders decide must be made clear from the beginning.

Compared to the commercial bank rates of 18% and above, and the loan shark rates of anything up to 100%, or more a 2% rate is welcomed by all and is no burden.

Some bank projects *do not charge interest* at all but expect the beneficiary to bring a *thank you gift* at the end to increase the general fund for the use of others. If a gift of products is brought, then these should be sold in the markets or by auction in the churches and the money added to the general fund to be loaned to someone else and to cover any losses to the capital fund caused by the unexpected death or default of borrowers.

As such the fund is revolving, slowly increasing, always going out and always coming back in for others. This is most important.

(c) You will have to select the right applicants, here is how to that.

The project leader goes and announces the availability of micro-loans. He or she will do well to keep all the applicants within one village, church or group at a time otherwise too much travel will be involved later on.

You receive verbal applications from widows, orphans and poor people in general of all ages, the only condition being that these people would be *refused* by a normal commercial bank.

Of course the applicant, however poor, *must* be a person of *known* background and *proven* integrity as well as being a faithful member of a congregation, well known to his or her pastor, priest, imam or other spiritual leader of high repute. *Do not* give preference to friends and family, you may very easily lose all your money and your family and friends as well.

The leaders team must make diligent enquiries about the applicant.

The verbal application has to include the explanation of a *simple business plan*, enough to convince the leaders that the project is realistic and will work. The applicant must show that they have studied the product, the market for it, the competition, the figures and have the skill to do the job. There are 7 things that the applications committee *must* know:

- (a) WHAT is the proposal - exactly ?
- (b) WHY will this work? Is there a market for the product or service ?
- (c) WHO is to be involved - who are the customers, the workers, the supervisors, the advisors ?
- (d) WHERE - will the business be located - exactly ?
- (e) WHEN will the project start, and when will it be up and running ?
- (f) HOW MUCH will it cost to set up the business and
HOW MUCH will the applicant put towards his or her own business ?
- (g) HOW will it happen - first step, the second step and so on ?

The following practice is compulsory to avoid *multiple failure* of borrowers.

The applicant *must* form part of a small group with other applicants who meet together often for prayer, Bible study, exchange of money-making ideas, encouragement and for the finding of ways out of difficulty or disaster that an individual might face in the future.

(d) How to recognize danger signs before you agree to a loan.

Watch out for predatory males in the applicant's family, with drink, drug or gambling problems because they may demand the income for their habit.

Do not take any clients with existing debts to loan sharks because the loan shark will demand all the money that comes in.

Watch out for a weak business plan which is more based on hope and prayer than on skill, investigation and experience.

(e) You will have to train your applicants, this is how . .

The committee or their representative trains the applicants to understand and handle their simple responsibilities, most of which have to do with character not procedures. Only *after* the first applicants have been trained and can repeat clearly what is expected of them can the project leader apply for the capital funds to be sent to him or her.

You may have to repeat the lessons and responsibilities several times over until people really understand what is expected of them. Sometimes poor people will agree to anything to get a loan but that is not good enough.

What do you require of the applicants ?

1. Total honesty and regular, open communication with nothing hidden.
2. Full and honest cooperation with the application and business plan.
3. Agreement from the applicant's husband or wife with promises not to touch the income.
4. Agreement to meet weekly with other applicants for prayer, advice and group encouragement.
5. Agreement to report problems and failures when they happen and not to hide difficulties.
6. To work hard and with diligence, within the law and the Scriptures.
7. Repayments on time with no excuses at all, other than sickness or death.

(f) You will have to take special care when the funding arrives.

Security is everything.

When the project is prepared and the applicants are trained and *not before*, you may ask for the funds to be transferred by electronic bank transfer, by cheque or by Western Union whichever is the best in the circumstances.

For security reasons when the funds arrive the money must be put into a bank account *the same hour* with multiple signatories to validate each withdrawal. Do *not* keep the funds in cash on your person or in your house, people in banks talk, people in the street may know you have received the funds and you may become a target for street robbers and burglars.

In the same way successful applicants *must not* walk home with their loans unaccompanied.

Leaders *must take great care* that they do not come under pressure from family members or their church to spend the funds on other things and not on the Banking for the Poor project. This is a very common problem and you must be firm if and when the visits come and begging for money starts.

(g) You will have to work hard to manage your project.

If an applicant receives the favour of your leader's team then the applicant receives the money and begins to work on his or her project.

He or she must come to regular meetings of a small group for prayer, encouragement and group self-help together with you or your joint leaders. You can hear his or her report privately at this time if you wish.

The client will also make his or her weekly repayments at this time.

It is important that at least one leader goes to visit the project once a month to see, hear and feel what is happening.

As *soon as* the instalments begin to be paid or the loan is repaid in full, the incoming funds immediately go out again *as soon as possible* into the hands of the next approved applicant. By week two of a project there should be funds in for the *next person* on the waiting list. The original beneficiary may apply for a further loan to develop their business provided they have been faithful in every way.

(h) You may have the difficult task of handling client failures.

Over many years of operation the bank projects have enjoyed the full cooperation of the borrowers and the few failures that we have suffered have come through unexpected deaths, injury or serious sickness, war or natural disasters with only one or two examples of dishonesty, incompetence or clients not knowing the trade because the leaders did not check this first.

Women have been the most faithful borrowers, sadly some pastors have been the least faithful. We do not recommend lending to pastors because they have a call to ministry not to business and some pastors even feel that their position is beyond rebuke and it is not. We have learned from this. It may be better to help a pastor's wife to support her family.

In times of failure the rule is *not to punish* but to provide firm but compassionate care and advice *always* with the goal of recovery and restoration. Patience may be required and it may be necessary to ask a client to repay just a few coins a day to return a failing business or lost money. Cancelling the loan sends a wrong message to all other borrowers. A clients *yes* must be *yes* however long it takes to fulfil his or her promise. We feel that a loan should not be cancelled except for compassionate reasons in cases of death, war losses or severe natural catastrophe. You should always talk to us first in case we can help in some way.

(i) You have to build communication and friendship with us.

“ Any enterprise is built by *wise planning*, becomes strong through *common sense*, and profits wonderfully by *keeping aware* of the facts.”
Proverbs 24.3-4 [The Living Bible]

Because we have a serious responsibility to provide accountability and information to the people who give us the gifts and offerings to lend out, and to the UK Government who inspect us annually, we need to see your figures and accounts that show how much money is invested in your project. We need to see our funds and your funds working together and see how much has been allocated to each micro-business.

We need to know how things are going with the repayments, and have a list of any clients who are failing and what the reason is, and what is being done to help them. This helps us to learn from you and to share your lessons with other project leaders.

We need to know if you are keeping the repayments in a bank or if you are immediately investing them into the next person on the waiting list.

We need to know this information *every month end* for the first six months, then when the project is more established the reporting time becomes *every three months*, and later on *every six months*.

We also want to know how you and how your family are doing. We want to build a long-term friendship with you and your team.

If at any time at all you do not wish to continue with the Banking for the Poor project do not be afraid to tell us. We will allow you to close the project and once all the payments have been collected in from the people, then you may return the capital funds to us. We do not want you to feel trapped by the project responsibilities if it becomes too much for you. There will be no problem provided that you are honest and open with us.

4. Where to find money to make a start.

1. The first source of funds is *yourself*, your family, friends and church. That's how we started with just a few dollars saved from our own income and in any event this is what you must do as well to make your own contribution or investment to get the project off the ground.

Don't be frightened of the numbers. What you do is to break big numbers down into small manageable units, for example to raise \$50 can mean 1 person providing \$50, or 10 people providing \$5 or 50 people providing \$1 each. That brings the numbers within everyone's faith and possibilities.

2. If you are a leader, a student or a graduate from one of our many Schools of Mission around the world you can make an application to The DCI Trust. This is where you apply: <http://www.dci.org.uk/applytodci.htm>

3. Other well known worldwide sources of capital for micro-finance are:

The Grameen Bank <http://www.grameen-info.org>

The Grameen Foundation <http://www.gfusa.org>

Opportunity International <http://www.opportunity.org/international.html>

Medic International <http://www.medicinternational.org>

Links International <http://www.linksinternational.co.uk>

Global Giving <http://www.globalgiving.com>

Kiva <http://www.kiva.org>

Farms International <http://www.farmsinternational.com>

5. Ideas for successful micro-enterprises.

Our Bank has approved projects such as the provision of seeds or young animals, animal traction with oxen, sewing machines, carts with a donkey, cows, goats, market stalls, street food stalls, mushroom farming, bee keeping and honey management, tree planting and horticulture, chickens, fish ponds to raise young fish to be planted in bigger fish ponds, brick making, bakery, quail raising, disinfectant manufacture, and training courses in home management, nutrition, HIV/AIDS education, brick-laying, tailoring and skills of many kinds. These are all micro-businesses that produce employment and uncomplicated fast cash returns.

We avoid sponsoring any hi-tech or high maintenance items.

In Africa a Goat Bank is one of our most successful and least vulnerable projects. This is how it works. A group of orphans, or women or maybe men are given a loan of ten goats to begin to lift them out of poverty and dependence. The reason is that simple very low-tech goats produce milk and children in the family get nourishing milk to drink. Their health improves significantly. It is worth the effort to get the free milk for the children.

Goats also produced manure, which women use to fertilize their small plots of land. The crops grow much better and they grow more of them.

Not only do the families have more food to eat, there is also enough left over to sell. This means more money to pay for clothes, medicines and for their children to go to school. The goats also produce more goats, and even in death goat skins are valuable.

To an orphan with no possessions at all the gift of a goat is of incalculable value especially in cultures where a man's worth is measured in animals that he owns. A goat brings pride of ownership and a major psychological and emotional boost to the orphan who can now hold his head up in the street.

After a while one goat becomes two, becomes four, becomes eight and generally eight goats can be exchanged for one pregnant cow. At this point the orphan has real wealth, a living insurance against future disasters and he has the confidence to get married. All from goat which in the meantime has given milk, fertilizer and kids to pay for school fees, books and clothing.

The first ten kids are given straight back in order to repay the original loan. The owners then keep the goats they had originally been given and continue to reap the long-term benefits. At this point they should not need any more help. The first ten kids are then loaned to another group of women and men to help yet more people. One gift of ten goats is 'recycled' by nature and good organisation and goes on and to help people in desperate need. We have published an important fact sheet on how to care for goats here: <http://www.worldchristians.org/main/goatcare.htm>

Mushroom farming costs around £100 to set up and is incredibly easy and profitable with a major demand for the product. See this page for more information: <http://www.dci.org.uk/main/mushroom.htm>

We have good experience with milk cows in India and we are working with pig breeding in Africa.

Extra information

1. In India, one banking project there calls the applicant's pastor to ask for his approval and the pastor is asked to guarantee the repayments for the applicant. If the applicants fails to repay the loan then the pastor has to repay back the loan for him. In this way the pastor is very much involved in the project and personally ensures that the project is successful. The pastor is benefited in time to come because when the business flourishes the member pays a regular tithe and makes offerings. *This is not obligatory* from our point of view but if you can do this, so much the better.

2. See the Aduku Village Project in Uganda at <http://www.dci.org.uk/main/aduku.htm>

The DCI Trust, England.

UK registered charity or NGO, number 1001236 since 1987

<http://www.dci.org.uk>

Contact us here: <http://www.dci.org.uk/main/writetodci.htm>