

Introduction to Microfinance

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You may be shocked to learn that there are somewhere between three and four billion people in the world today who live on \$2.00 a day or less. In an attempt to address this human tragedy, so-called experts have advocated an enforced redistribution of the world's wealth, which does not address the real problem, and has clearly proven to be a failed experiment. Other well-intentioned organizations, even churches, have poured vast sums of money into aid programs, only to discover that perpetual donor-funding is not the answer, and often creates more problems than it solves. However, there is something that is making a huge impact and has helped multitudes all over the world. For nearly twenty years microfinance organizations have been making small (micro) loans to the poor to help them start or expand their own small businesses. This unique form of banking has helped hundreds of thousands of families break out of the cycle of poverty.

"The poor stay poor not because they are lazy, but because they have no access to capital." Milton Friedman, 1976 Nobel Prize

Microfinance initiatives around the world have proven that there are millions of impoverished people who given the opportunity are capable of working their way out of poverty with the help of a small business loan. This has been proven on every continent, but is particularly relevant in sub-Saharan Africa, where poverty is at the highest levels and the cost to lift a life out of poverty is remarkably low.

The tremendous success story of how microfinance has transformed Bangladesh, at one time one of the poorest countries in the world, has served to underscore the fact that it is possible to invest our giving in ways that will have a profound and lasting impact on the poor.

The powerful thing about microfinance is that it embraces an empowerment mentality, as opposed to the "old school" mentality of perpetual donor-funded programs that create dependency among the poor rather than empower them for long-term change and success. Our methodology must embrace a total commitment to the empowerment of the poor, and likewise a commitment to never again engage in misguided activities that create a welfare mentality in the minds of the people we are trying to help, enslaving them to handouts.

"An invasion of armies can be resisted, but not an idea whose time has come." Victor Hugo

Microfinance alone cannot defeat global poverty. It certainly will require the concerted efforts of churches, governments, aid agencies, NGOs, along with business-based initiatives like microfinance. Some of these entities work on a "macro"-level, launching huge projects that deal with infrastructure and national programs. Microfinance however, operates at the "micro", or grassroots level to effect change within families and communities. It works hand-in-hand with the poor, daring them to dream and providing them with loans and the basic business skills needed to start up or expand their own businesses. We believe every human being, including those who for generations have been trapped in poverty, have gifts and creative ability given them by God, and with our encouragement they can begin to tap into their potential.

Economic development through microfinance can take place in every town and village in Africa. Literally millions of lives around the world have been impacted through microfinance services, with hundreds of millions more waiting for their

chance. Our vision in BANCS Microfinance is to help as many as possible get that chance here in Uganda, as we strive to alleviate poverty and bring spiritual transformation in our generation.