

Exercise for Chapter 9 Microfinance System Assessment

While Chapter 9 has tried to simplify economic concepts and principles, it is always good to connect these concepts and principles to the reality of people doing microfinance. If you are in your ministry context or can gather data or case studies of the context, try to assess a microfinance system based on how consistent it is with these principles. We encourage you to select a ROSCA, an ASCA, a MFI, or another microfinance provider.

As much as possible, it is important in this exercise to try to apply the **Integral Mission Principal**: The global body must function in such a way that the local church is able to use its gifts to engage in integral mission: proclaiming and demonstrating among people who are poor the good news of the kingdom of God in a contextually appropriate way. This means that—as much as possible—the local church (or organization) in the Global South should be the ones doing the interviews in the community. They understand the local culture better than outsiders, and it is important from the very outset that they are seen as the embodiment of Jesus Christ in their community. The role of the outsiders in this process is a supportive rather than a frontline role: providing encouragement, prayer, technical assistance, and appropriate input when asked.

If you are a missionary working in a frontier region where there is no local church, you may have to play a more hands-on role. But even in this case, we still encourage you to use local people to conduct the interviews as much as possible.

Even if you are not in a Global South context, you can gather information on ROSCAs and possibly ASCAs from immigrants from other countries. We have found immigrants are usually quite happy to answer all sorts of questions about the informal financial systems in their home countries.

ROSCA:

1. Try to find the name that the people in your country of interest use for a ROSCA. You can try a web search by typing “ROSCA Bolivia” or “informal finance Bolivia” into an internet search engine (insert the name of your country of interest in place of “Bolivia”). You may also be able to find the name at ROSCAs: What’s in a Name webpage: <http://www.gdrc.org/icm/rosca/rosca-names.html>. If none of those

strategies work, you can often find the name by simply describing how a ROSCA works to a person from the country and asking them the local name in their country. Then try to understand how ROSCAs are working by finding the answers to questions 2-9.

2. How does the ROSCA determine the order in which people receive the payouts? Does this order reflect concerns with any of the 3 Cs of credit (**character, capacity, and collateral**)? How?
3. How does the ROSCA gather information on the 3 Cs from its members and potential members?
4. How trustworthy do the ROSCA members find the ROSCA, and would they continue in it if it restarted following the conclusion of its term? (This explores Design Principle #1: Trust, the Foundation of Microfinance.)
5. How well do the members keep their agreements, including paying on time, meetings, and any other responsibilities? (This explores Design Principle #2: Discipline.)
6. How well does the ROSCA cover all of its costs? (This explores Design Principle #3: Financial Sustainability.)
7. If there is a ROSCA organizer, how well does this person function? (This explores Design Principle #4: Leadership, Management, and Governance.)
8. Are the rules of the ROSCA well understood by all the members? Are transactions conducted out in the open for everyone to see? (This explores Design Principle #5: Transparency.)

9. Are the ROSCA members at the upper-end, in the middle, or on the lower-end of the community in terms of their financial well-being? For what purposes are they using the lump sums that they get from the ROSCA? How well is the ROSCA meeting their financial service needs? What other types of financial services do they desire? (This explores Design Principle #6: Fit the Target Population.)

For an ASCA (which can include a credit union, sometimes called a “SACCO.”):

1. Try to find the name that the people in your country of interest use for an ASCA. You can try a web search by typing “ASCA Bolivia,” “informal finance Bolivia,” “credit union Bolivia,” or “SACCO Bolivia” into an internet search engine (insert the name of your country of interest in place of “Bolivia”). If none of those strategies work, you can often find the name by simply describing how an ASCA works to a person from the country and asking them the local name in their country. Be careful to distinguish between a time-bound and a non-time bound ASCA, the latter being equivalent to a credit union or a SACCO. Then try to understand how the ASCAs are working by finding the answers to questions 2-9.
2. How does the ASCA decide who gets loans, how big they are, and what the terms are? What does this reveal about the ASCA’s concerns with any of the 3 Cs of credit?
3. How does the ASCA gather information on the 3 Cs from its members and potential members?
4. How trustworthy do the ASCA members find the ASCA, and would they continue in it if it restarted following the conclusion of its term? (This explores Design Principle #1: Trust, the Foundation of Microfinance.)
5. How well do the members keep their agreements, including paying on time, meetings, and any other responsibilities? (This explores Design Principle #2:

Discipline.)

6. How well does the ASCA cover all of its costs? Are the ASCA's funds growing over time? (This explores Design Principle #3: Financial Sustainability.)
7. How well are the ASCA officers functioning? How has the group held its officers accountable in the past? (This explores Design Principle #4: Leadership, Management, and Governance.)
8. Are the rules of the ASCA well understood by all the members? Are transactions conducted out in the open for everyone to see? (This explores Design Principle #5: Transparency.)
9. Are the ASCA members at the upper-end, in the middle, or on the lower-end of the community in terms of their financial well-being? For what purposes are they using the lump sums that they get from the ASCA? How well is the ASCA meeting their financial service needs? What other types of financial services do they desire? (This explores Design Principle #6: Fit the Target Population.)

For a MFI (or other microfinance provider):

1. Try to find one or more MFIs working in your country of interest. You can try a web search by typing "MFIs Bolivia" or "microfinance institutions Bolivia" into an internet search engine (insert the name of your country of interest in place of "Bolivia"). You might also be able to find information at www.mixmarket.org or at www.microfinancegateway.org. You can also try asking people in your country of interest if they are aware of any MFIs or other microfinance providers. Then try to understand how ROSCAs are working by finding the answers to questions 2-10.
2. How does the MFI decide who gets loans, how big they are, and what the terms are? What does this reveal about the MFI's concerns with any of the 3 Cs of credit?

3. How does the MFI gather information on the 3 Cs about its clients and potential clients?
4. If the MFI uses borrowing groups, what functions do the groups perform? What functions does the MFI perform?
5. How trustworthy do clients find the MFI? Do they believe the MFI will be able to make loans to them next year? In five years? Do the clients believe their savings are safe with the MFI? Do they have confidence in the other members of their borrowing group? (This explores Design Principle #1: Trust, the Foundation of Microfinance.)
6. How well do the clients keep their agreements, including paying on-time, meetings, and any other responsibilities? (This explores Design Principle #2: Discipline.)
7. How well does the MFI cover all of its costs? (This explores Design Principle #3: Financial Sustainability.)
8. How well do the client group officers function? Who owns the MFI, and how do they determine if the MFI is “successful?” (This explores Design Principle #4: Leadership, Management, and Governance.)
9. Are the rules of the MFI well understood by all the members? Are transactions conducted out in the open for everyone to see? (This explores Design Principle #5: Transparency.)
10. Are the MFI clients at the upper-end, in the middle, or on the lower-end of the community in terms of their financial well-being? For what purposes are they using the lump sums that they get from the MFI? How well is the MFI meeting their financial service needs? What other types of financial services do they desire? (This explores Design Principle #6: Fit the Target Population.)