

Lesson 4

READ THIS STORY #2, Advanced

Community Assistance Banks

A famous economist once said that the poor remain poor because they have no access to capital. And it's true. In poverty stricken areas, where there are no traditional banks, it is almost impossible for a poor family to start any kind of business. Even if they have an idea for a project that could increase their income, they cannot get a loan to start a business. In these poor countries, where people often survive on one dollar a day, a small loan is all they need.

The objective of one anti-poverty organization is to promote the creation of a special type of credit union within these poor communities. The organization supplies only a small amount of start-up capital. Then it encourages everyone in the community to join in, put in some money, and run the bank. Everyone who joins is held accountable for the loans.

The loans are usually for small amounts. Most of the loans are given to mothers, and average just \$140.

When a member presents her request for a loan, she agrees to repay the money with interest within a determined amount of time. If she fails to repay her loan, the other bankers, who are her neighbors, must repay it. But borrowers seldom default on their loans as they wish to maintain the respect of their neighbors.

The same money is then used over and over again by other members of the community. To learn more about this anti-poverty approach, look up the Foundation for International Community Assistance (FINCA) on the Internet.