

A Spiritual Approach to Microcredit Projects

Michel P. Zahrai

Introduction

This monograph looks at the spiritual dimension of microcredit. It may at first sight seem inappropriate to discuss spiritual concerns in the context of the application of finance to resource-hungry economic agents. However, this short paper argues that there is room for such an approach and that spiritual considerations should be used not only to guide the elaboration and implementation of microcredit schemes but also to measure their success. Microcredit is an instrument at the service of development. Broadly defined, development may be considered as any process that will positively impact or satisfy the long term well-being of individuals, their families and the society/collectivity to which they belong. Human needs can be classified as physical, intellectual, social and spiritual. For development to endure, it must simultaneously address these different dimensions of human existence. When one of these facets is left uncared for, both the balance of the individual and the collective evolution of the community are disrupted. This emphasis on a holistic vision of development implies a renewed focus on the spiritual aspiration of individuals and communities.

The spiritual dimension of development was acknowledged by the international community at the 1995 United Nations Social Summit in Copenhagen in the Declaration and Programme of Action:

We, the Heads of States and Governments are committed to a political, economic, ethical and spiritual vision for social development . . . We acknowledge that our societies must respond more effectively to the material and spiritual needs of individuals, their families and communities in which they live throughout our diverse countries and regions.^[1]

We will first review the case for microcredit, briefly describe its contribution to economic and social development and finally discuss the spiritual dimension of microcredit.

The Case for Microcredit

In order to grasp fully the magnitude of the potential benefits of any project or strategy, we first need to understand the context in which it is applied; indeed, the benefits of a given project can be very significantly reduced if by design or nature it focuses on a small fraction of the population or on a group whose contribution to development is marginal. However, if applied to the appropriate economic and social agent, a project can stimulate a strong and healthy development process. In this sense, microcredit schemes will generate maximum benefits if they are applied to the informal sector at the individual and family level.

The Informal Sector

The informal sector in most of the third world economies accounts for the vast majority of the rural and urban population and employs some 30 to 70 per cent of the labour force in the developing world and much more if we include the small holding peasant sector which, for lack of access to formal sources of assistance, is locked into subsistence agriculture. This is the fastest growing sector of third world economies and this trend is being reinforced every day by the dramatic changes occurring in the countryside. Indeed, the progressive transition towards more capital-intensive forms of agriculture and the replacement of traditional social relationships with capitalist individualistic values is leading, on one side, to a growing concentration of wealth and resources in the hands of a few and, on the other, to the displacement of growing numbers of rural families from their traditional means of subsistence. Thus vast numbers of peasant families have been compelled to migrate to urban areas to scratch a living or to look for off-farm employment to complement their dwindling agricultural income. In the cities, the formal urban economy is unable to absorb this expanding labour force which has thus developed its own mechanisms for housing, employment, social services and finance based on patron-client relationships. Instead of recognizing the entrepreneurial drive and dynamism of this informal sector, governments have most often ignored it and concentrated their efforts on the more 'modern' and capital-intensive segments of the economy. In this sense, the informal sector population is, characteristically, caught in the web of poverty as well as largely marginalized from the main flow of development resources dispensed by the public sector. The informal sector would thus benefit most from any measures buttressing its efforts to break this spiral.

The Family Level

The feature of microcredit is to focus on the individual or on a group of individuals sufficiently small to secure the responsible participation and involvement of all its members. Since the livelihood of individuals is intimately linked to their immediate families, microcredit indirectly enhances the resource base at the family level. Most people recognize that the family, in its diverse forms, is the basic unit of society and acknowledge that it plays a key role in development. It has and always will be the foundation of civilization.

Microenterprise

In the informal sector of the economy the basic unit of action is the individual and the family. Indeed, the main characteristic of this sector is that it is made up of a mosaic of microbusinesses which are often family owned and operated. However, these small enterprises are usually denied access to formal private or public sources of finance and microcredit schemes should thus be designed to fill this gap. Informal sector microenterprises can be found in crafts, commerce and service provision. Subsistence agriculture can also be assimilated into a small business having the same characteristics as petty off-farm activities. There are many such characteristics:

- Small scale: usually at the individual and family level.
- Labour intensive: little division of labour; reliance on human work where great ingenuity is demonstrated.
- Minimal capital inputs: scarce capital and limited access to financial sources which could help improve the productivity of labour.
- Local market linkage: the scope of the activity and the nature of the output implies an integration within local/regional demand and supply mechanisms.
- Resilience/adaptability: this type of microbusiness is very resilient to change, for both good and bad. In addition, microbusiness is well adapted to the specific context in which it operates and efficiently organizes the existing factors of production.

- Exploitative: because they operate in a context of poverty where individual and family survival is at stake, production means are often highly exploitative. Finance is available only at usurer rates (10 to 15 per cent monthly in some areas^[2]) to small entrepreneurs who in turn squeeze their external or family labour to generate the profits required to pay back contracted debt. Even formal sector manufacturers or service activities maintain this pressure by relying on these informal sector businesses for low cost goods and services.
- Low saving propensity: Owing to the poverty level of most families in the informal sector, income from microbusiness activities is primarily aimed at satisfying the basic consumption needs of the family.

In such a context, the benefits of microcredit will be wide ranging and will contribute to the triggering of a virtuous circle out of poverty for the families whose income has been increased by the application of outside funds to their activities; it will also reduce the exploitative nature of existing social means of production within this sector. This process will have an immediate positive impact on the community by enhancing stability and reinforcing its social fabric. On a regional or national basis, the increased well-being and stability of society's basic component elements the family and the community are the firm foundations on which sustainable development can take off.

The Benefits of Microcredit

The benefits of microcredit can be divided into three categories: economic, social and spiritual. Since the aim of this paper is to focus more closely on the spiritual contribution, we will only briefly list the main economic and social contributions of microcredit.

Economic Benefits:

1. Microcredit stimulates the informal sector of third world economies, both urban and rural. This sector, which encompasses most of the population and its poorest people, is usually the most dynamic sector of the economy. Application of resources to this sector will have the greatest multiplier effect on the local economy.
2. The establishment of a petty trade sector creates linkages between rural and urban areas which thus stimulate each other. It enables a closer integration and a more effective matching of supply and demand between them.
3. Microcredit stimulates the small holder agricultural sector by incrementing its productive potential and enabling it to grow progressively out of subsistence farming and to market its surplus production. A thriving trade sector will further stimulate this process.
4. The economic rewards from the type of activities supported by microcredit have an immediate impact at the family level in the fight against poverty by increasing income and consumption capacity. The latter will in turn stimulate the surrounding economy by providing additional opportunities for microbusinesses.
5. Success in the informal sector is often a prerequisite for a small business to enter the formal economic sector and tap its benefits, that is, access to many services such as banks, government schemes, exports, selected social coverage and so on. On a macroeconomic basis, transition to the formal sector will also link the activity to fiscal mechanisms thus increasing the government's capacity to play a growing social role. Indeed, the public sector, which has traditionally been one of the main sources of urban employment and assistance to the poor, in the form of subsidies, education or health, is under growing pressure since its resources are limited both by deficient fiscal levies and by structural adjustment programmes which require governments to disengage from many areas of economic and social life.

Social Benefits of Microcredit

1. By supporting and sustaining productive activities, microcredit is a good antidote against unemployment and poverty. Indeed, poverty and idleness are the main cause of many social problems that plague cities in emerging economies. Family breakdown, crime and violence, and child delinquency exacerbate the process of social marginalization which creates a context whereby opportunities of social and economic improvement are difficult to seize and benefit from.
2. Microcredit can ease tensions inherent in the chaotic urbanization process experienced in the third world by:
 - reducing the flow of rural-urban migration by improving economic opportunities in rural areas. Indeed,
 - restoring dynamism and pride in rural life will provide urban areas with some breathing space to better absorb its poor and alienated population,
 - increasing the number of viable economic opportunities in urban areas.
3. Microcredit allows marginalized social groups who do not have access to formal or traditional sources of finance to take on a productive role in society. In many countries, traditional social relations have left population groups on the fringes of society, denying them the possibility to improve their well-being and/or assume a more participative role in society.
4. Microcredit strengthens the fabric of the family by enabling this fundamental unit of society to sustain itself on an economic basis and by reinforcing the quality and strength of family relationships. The family circle is the main dispenser and upholder of constructive social values. The quality of community relationships is a direct reflection of the nature of family relationships.
5. Economic activities sustained by microcredit in the rural areas, be they agricultural or service-oriented, enable the 'village' to re-establish its image as a viable and even desirable living alternative with a future. Indeed, the village is still a very important factor in determining identity patterns in expanding urban areas and village dynamics have a strong and subtle influence on the behaviour as well as pride, confidence and ambition of villagers presently living in urban areas.
6. The increased returns of economic activity at the individual/family level will generate the need and capacity to sustain constantly improving social services such as infrastructure, education and health, as well as the propensity to invest in housing. Progressive access to and use of these improvements is a basic benchmark of development.

Spiritual Benefits of Microcredit

The concept of spirituality is difficult to grasp in the context of our discussion because of its abstract nature. However, it plays a profound role in defining and guiding individual and collective behaviours and attitudes. Spirituality is thus linked to the set of values that individuals and communities will turn to when deciding and implementing any action. The rise of capitalism and scientific determinism on the one hand, and the progressive alienation of religion and ideology as sources of moral values on the other, has led to the domination of a materialistic and individualistic vision of life at the expense of traditional value systems that have maintained the cohesion and survival of communities for generations. The inability to respond to this dominant materialistic vision of existence with the human and spiritual values that generate attitudes of solidarity, cooperation and justice is the main reason for the crisis that our planet is witnessing and the inability of the world community to cope with it. This realization is slowly emerging among decision- and policy-makers. For example, on the specific theme of the environmental crisis, Al Gore Jr, the United States vice president writes, "The more deeply I search for the roots of the global environmental crisis, the more I am convinced that it is an outer manifestation of an inner crisis that is, for lack of a better word, spiritual."^[3] This realization about the ecology can easily be transposed to the other challenges facing humanity and thus we can read in religious literature that 'the universal crisis affecting

mankind is . . . essentially spiritual in its causes'.^[4] If it is the lack of spiritual qualities that is at the root of the crisis facing humanity then those qualities must be emphasized in devising and implementing practical solutions. Indeed, spiritual principles or human values are at the core of the motivation that will generate within the individual and the community the will and aspiration to uphold solidarity, service, cooperation and justice without which unity, development and peace for humanity cannot ever be achieved.

Among the vast array of practical solutions, microcredit schemes stand out as having a great potential to contribute to this objective because they provide the individual, the family and the community with the possibility to develop their full potential while at the same time enabling them to contribute this potential to the wider context to which each belongs.

Empowerment of the Individual

Since microcredit schemes are aimed at giving an individual and his family the possibility of transforming an idea or wish into a viable economic activity, they enable the individual to attend (partially or totally) to his own or his family's basic needs. Indeed, as James Gustave Speth, the administrator of UNDP, writes, 'After all, it is empowerment of people, not welfare, that is a key to eradicating poverty.' In addition, the empowerment process which enables the family to satisfy its basic needs autonomously is a prerequisite for the development of human dignity without which no long term progress can be achieved or sustained. The opportunities for action that microcredit can help materialize will generate within the individual an awareness of his potential and a means to express it. Microcredit thus gives the individual and the family the capacity and confidence to take its future into its own hands and to give a direction to its life. Empowerment is thus a vital aspect in bringing individuals and families to a position where they can take full part in the life of the social environment to which they belong.

Service to Humanity and a New Work Ethic

Through the activity that microcredit will help bring, an individual and his family will have the possibility of developing a sense of worth within society. This feeling of worth and the capacity to contribute to society are more important in forging dignity and generating the happiness and well-being of an individual, group or society than mere wealth accumulation. Contemporary thinking has reduced the value of work to its production function and emphasized a reward system based on a materialist and individualist vision of life. However, no sustainable development will be achieved without introducing at its core a higher purpose and aspiration that will unite people in the construction of their community. In this sense, a new work ethic based on the creative interaction of scientific and spiritual principles can generate within each individual the capacity to meet his own needs while at the same time raising his awareness of his role and responsibility in the wider context in which he finds himself. Work undertaken in a spirit of service, which instruments such as microcredit can help establish, will achieve the dual purpose of reinforcing the autonomy of the individual and his family as viable entities while enhancing their active participation in improving the environment that surrounds them.

Promotion of the Role of Women in Society

Very often in the developing world, women are, by tradition, in men's shadow. However, they are often the main factor in the stability and unity of the family unit. On an economic side, the proceeds of any economic activity led by women are usually invested in the well-being of the family members; this is not always the case for those produced by men. Because of this tendency, women are often more sensitive to the responsibilities involved in taking a loan and will more readily make good use of it. Since women are the main educators of children and spend much of their time with them, any improvement in their level of knowledge and confidence will immediately influence favourably the character of their children. Further,

harmonious and sustained development of society at large cannot be achieved while the blatant injustice prevails which prevents half the population from realizing its potential and from fully contributing to that society.

Focus on the Poorer and Marginalized Sections of Society

In most third world countries, access to credit is limited to those who are already well off, who can provide adequate guarantees to the lending entity, whether public or private. On the other hand, the vast majority of the population, which does not have access to formal sources, is left in the hands of moneylenders whose conditions are too prohibitive to act as a catalyst for the development of small initiatives. Microcredit schemes have the potential to offer to these poorer and other culturally alienated sections of the population loans whose size and conditions are tailored to the characteristics and absorption capacity of these groups. It is a spiritual duty to nurture and expose the potential of these socially or economically marginalized populations and recognize the active role they can play in development as a whole. Each human being with his specific combination of qualities has a unique contribution to make to society; if for whatever reason he is not able to make this contribution, there is a permanent loss to society as a whole. This concept can easily be applied to those social groups which, in many countries of the world, whether developed or developing, are denied both economic and social status for reasons of caste, race, religion or culture. Every group has its place within the corpus of society and must be able to contribute to its advancement through the wisdom and knowledge acquired in the course of its collective historical experience. The recognition by society or the community of the value of each person will enhance the dignity and confidence that is at the root of action and motivation. The responsibility of decision-makers to promote this participation and integrative process is a key concept of development: 'It is the duty of those who are in charge of the organization of society to give every individual the opportunity of acquiring the necessary talent in some kind of profession, and also the means of utilizing such a talent, both for its own sake and for the sake of earning the mean of his livelihood.

Reduces the Exploitative Nature of the Informal Sector

This is one aspect of economic life on which microcredit can have a very important impact. Indeed, the bonds of usurer credit are often the means through which unacceptable exploitative practices are maintained and applied to the weaker segments of the population, especially children. This is especially damaging to development since it bars future generations from the benefits of education. From the ethical point of view, exploitative practices at all levels should be proscribed and banned because they retard the development of their victims and at the same time pervert the perception of human value in their perpetrators. Such exploitation is one of the most significant obstacles to the emergence of the new work ethic that sustained development requires. No sustainable collective evolutionary process can be supported on foundations of injustice and no collective sense of purpose can emerge from social relationships that exacerbate blatant and unbearable exploitation of people or groups by others. Microcredit, which is intended to be non-exploitative, not only contributes to the economic well-being of individuals and families but can also stimulate the establishment of new constructive social relationships in the informal sector by eliminating the bondage and exploitation engendered by usurer credit.

Stimulates the Re-emergence of Rural Areas as Places with a Future

The whole world is witnessing the process of the depopulation of its countryside. This is unfortunate since the countryside has a great importance in the identity affiliation of any population and the values with which it identifies. In the industrialized world, this process was initiated long ago and its pace is more or less under control. On the other hand, the third world has witnessed a rapid disintegration of

village life and a corresponding exponential and chaotic growth of its cities. The disruption of village life is the result of both economic hardship and the breakdown of traditional relationships. However, strategies designed to reverse this process of depopulation of the rural areas should not be limited merely to the output or production based objectives in agriculture that can be achieved by focusing on large mechanized farms, but should consciously aim at providing families with economic opportunities to remain in or return to the countryside; microcredit will thus be a privileged instrument assisting in this process. Further, rebuilding the economic and social fabric of the village and its surrounding environment will have far-reaching consequences for the well being of urban areas as well. Recognition of the value and potentialities of life in the countryside will also weaken the hold of the materialist view of life and enhance an awareness of spiritual principles; for the village and the countryside, as organic entities, are better integrated into the natural order of things and more closely follow spiritual rules.

Family Stability and Autonomy

It is clear that in times of economic hardship, families become vulnerable to disintegration and breakdown. However, the family unit is the most fundamental component of society; all successful civilizations have been built on the firm foundation of strong and stable families. Not only are they the cradle of the quantitative growth of the human population but they are also the locus of its qualitative development, the place where people learn the values and behaviours that determine their future. Society is often the reflection of the state of its component families. If dignity, justice and love are present in a given family, it will provide an adequate soil in which the next generation can grow and mature while at the same time reflecting these qualities into the environment to which it belongs. However, a family experiencing economic hardship or unemployment will find it very difficult to have the confidence required to take life in its own hands and plan its own future. Thus any measure such as a loan from a microcredit scheme that will enable a family to secure employment, overcome its economic difficulties and enable it to take control of its future will reinforce the fabric of the family and help it release its unlimited potential for the benefit of society both in the present and in the future.

Conclusion

As we have seen, spiritual principles and considerations have an important place in the discussion of the practical solutions needed to face the challenge of sustainable development. Indeed, an understanding of such principles enables us to view development holistically, as a harmonious process focused on the individual and his environment where the fulfilment of economic, social and spiritual aspirations go hand in hand. Spiritual or moral principles determine the value system that is the basis for devising and validating any action or endeavour. Thus spiritual principles are a part of both the means and the end. When looked at from this perspective, microcredit is an important instrument in the arsenal of practical measures needed to make development sustainable since it is aimed at the poorest, which form the majority of the population in the third world, and focuses on the family unit. For microcredit projects to realize the vast potential described above, both decision-makers and loan beneficiaries will need to shift their thinking and attitudes away from the dominant individualist, self-centred vision of life towards a perception of the individual's responsibility to society.