

Harvard Poverty Action – Grameen Trust Chiapas

Diego Ponce de Leon Barido

1. Introduction

The microfinance movement has now taken a truly international stance on its battle against poverty. Since 1976, when Muhammad Yunus first donated \$27 out of his own pocket to help low income families break the cycle of poverty, the movement has worked itself into many developing countries world wide including: Argentina, Bolivia, Dominican Republic, Kenya, South Africa and India.

This winter I had the opportunity to intern in a research project with Harvard Poverty Action and Grameen Trust Chiapas. More generally, this research project is investigating how different borrowing schemes affect different results when measuring the impact of microfinance. My role as an intern was truly interdisciplinary and my tasks ranged from copying information from surveys into a computer to interpreting commands for statistical software to interviewing the general managers of different Grameen Bank Branches in Chiapas. Through the duration of my internship in Chiapas I came to learn many new things about the microfinance movement and how it adjusts itself to be successful in a state that thrives with cultural diversity. This reports first discusses my role played as an intern in Chiapas and then investigates how the learning objectives of the internship allowed me to have a truly richening learning experience.

2. Tasks as an intern

As I arrived to Chiapas and more specifically to San Cristobal I thought that the relaxing environment of the place would reflect in the amount of work that I would be doing over the winter. However, as I soon found out, the relaxing environment and the beauty of the place came with intensity of work and with a diversity and richness of experiences that I could not have found anywhere else. For the first few days as I arrived to Chiapas I was introduced to three researchers of names Gloria, Julia and Rosalba who had been born and educated as economists in the University of San Cristobal de las Casas, Chiapas. Their role in the research project was to construct a database where the complete information of 2000 women would be stored so as to create a master file of women participating in the study for future studies. Their job throughout this project was also to travel into the five different communities in Chiapas that were participating in the study and survey all of them. The communities participating in the study only belong to the state of Chiapas and they are Comitán, San Cristobal de las Casas, Ocosingo, Margaritas and Tuxtla Gutierrez.

As I have previously mentioned, one of my roles was to help copy the information from these surveys into the master file that they were creating for the study. This worked proved to be very tedious since it demanded absolute precision from all parties involved since the information had to be represented as accurately as possible in the data base. This was of up most importance since the reliability of the study depends a lot on the quality of the data available for the researchers.

Consequently, when the professor from CIDE (Centro de Investigacion y Docencia Economica) arrived to San Cristobal my role as an intern changed completely. I was constantly invited to meetings with the general management of Grameen Bank and had the opportunity to participate in many conversations that involved not only the way in which the bank was run but also the people behind the bank (Banamex is a very important supporter of Grameen Trust). My role in these meetings was to take notes and to add what my advisor called “fresh ideas” into these conversations. For example, during one of these conversations the group was discussing ways in which they could reach communities that are very marginalized in the outskirts of the state of Chiapas. One of the suggestions that I had after learning that the people in the region are incredibly addicted to Coke (as in the soda) was to offer a deal to the company in which the distributors of the soda also work as workers that give loans and receive the payments from creditors in marginalized communities.

As the process of the collection of data moved on, my role became more analytical. One of the most important steps in the project was to create 5 groups of women who are assigned five different types of incentives or borrowing schemes so as to measure differences in impact. Hence, my role was to interpret and use commands that were sent directly from the Poverty Action Lab in Harvard and change them in a way that would serve the purpose of this research. That is, I had to write commands in a statistical package called STATA that would allow the researchers to randomly assign 2000 women into 5 different groups with 5 different borrowing schemes. This process proved to be extremely challenging since I was working with techniques that I had not previously learnt in any of my economics or statistics classes. During this process I was working side by side with the professor from CIDE and we carefully worked step by step through the many commands that would allow Poverty Action Lab to have a random sample of their women so as to perform the study.

Once these procedures were finished, my role changed once again and I became the architect of the master file that would be used to create the random sample that I have previously discussed. This process turned out to be the most time consuming and meticulous of all the previously mentioned. The importance of this part resided in the fact that no mistakes could be allowed in the construction of the master file since we wanted almost perfect information for the study. Hence, every piece of information had to be meticulously checked over and over again in order to avoid any mistakes. The construction of this master file involved retrieving information of all the groups of women that were participating in the study from Grameen’s Data Base. The information retrieved from the data base included the number of women per group, the amount that each women borrowed, when they had last borrowed, the amount they had paid, when they had paid, where they lived and who was the person in charge of collecting their payments. As I have previously mentioned the construction of this master file was *the* most important thing for my supervisors during my stay. It was of the up most importance that this file was finished on time and that there were no mistakes in its creation.

Finally, during the last 5 days of my internship I had the opportunity of traveling to several communities that are involved with Grameen’s borrowing scheme *and* of creating a final statistical report of the master file I had created. This experience turned out to be the more enriching of all. In spite of gaining a tremendous amount of knowledge

from the conversations I held with people working at the bank I learnt beautiful things from the people I met in these communities. I had the opportunity to meet and talk with farmers (mainly men) and artists (mainly women) who had completely stepped over the threshold of poverty and into a realm of opportunity and financial success for their families and their communities. This change in opportunities was reflected in the things they said, how they said them and in the people around them. These people were truly grateful to Grameen since it had allowed them to move out of poverty without compromise, without threats, violence or loan sharks. My role here was to interview different creditors in order to learn from them and from their experience and was indeed the place where I learnt more, not about the theoretical underpinnings of microfinance but of how it was successfully changed the lives of people for who it works.

Learning Objectives and Their Achievement

1. The theoretical underpinnings of the microfinance movement in Mexico.

This objective was achieved by reading a book entitled “*The Economics of Microfinance*” (Armendariz de Aghion 2004). This book covered many things that there are to know about the microfinance: the roots of microfinance in Bangladesh, the importance of group lending for its success, the incorporation of saving and insurance (so as to become microfinancing and not only microcrediting), gender issues, measuring impact and the importance of sustainability in microfinance. This book allowed me to hold educated arguments in conversations with people who are very well read on the subject. Even further, it allowed me to understand all the people I met from a very different light. Theory truly enriches one’s experience in a situation like this.

2. Understand how the different lending schemes of GT affect the lives of low income community members in Chiapas.

Although the theory I read thoroughly explained the ways and reasons why microfinance broke the downward cycle of poverty I understood how the different lending schemes affected the *lives of low income communities* by meeting the creditors. As I previously mentioned, traveling to communities gave me the opportunity to meet the people whose lives had changed, families who are no longer suffering from an alcoholic father, who are sending their kids to school and women who feel they are and *who are* making a radical change in their societies.

3. Use the knowledge attained so far from many classes to analyze and interpret meaningful results from the research.

As I have mentioned before, many of my tasks this winter involved the direct application of previous knowledge from Economics and Statistics courses. I helped in the interpretation of commands that would allow for the creation of a random sample in the study and in the creation of a master file that contained the information to be randomized.

Lessons Learnt

When I first learnt about the Microfinance movement I believed that everything revolving around it involved philanthropy, social work and community development. However, as I learnt in Chiapas, things as women empowerment, the reduction of children who work and the eradication of poverty are the externalities of a truly financially motivated movement. As I came to learn from the many conversations held with the managers from different credit banks and from reading about the theory behind microfinance, it turns out, that microfinance is indeed banking for the poor. The reasons why women are the main borrowers, why more children are going to school, why men are reducing their drinking amounts is because banks are receiving their highest rates of repayment in these situations. Women are more responsible borrowers, children do not need to go to school if the household has money and can therefore contribute more later and men no longer spend as much money on alcohol since women are not allowed to give them money (or they would lose their chance of obtaining credit). Hence the bank has assured itself that households behave in a way that insures that their loans are paid, and that they are paid on time. This involves having a healthy family (reducing the risk of defaulting due to illness), only borrowing to women (since they are more responsible borrowers), sending children to school (increase in human capital is reflected in the well being of the whole community, and finally ensuring that men are not drinking also reduces the risk of a family defaulting on a loan. I learnt that one of the beauties of microfinance is how its externalities can be so positive. It creates a positive cycle in which it supports the creation and continuation of sustainable agricultural, fishing and artisan techniques in every community where it visits in Chiapas. Although communities are prospering at incredible rates, contrary to many rising economies, they are doing so without disrupting the environment around them. This is the case because in order to receive more loans they have to repay them, and in order to repay them they have to make sure that their land, rivers, and children are healthy so that no money is wasted into curing them. The philosophy of sustainability that I saw in Chiapas was: “The best way to take care of something, is prevent it from going bad”. Every community I went, the streets were clean and the children smiling. A very different Chiapas than the one that saw the rise of the Zapatistas in 1994.

Additionally, it is important to mention that one of the most important things about the microfinance is its ability to adapt across regions, cultures, peoples and borders all over the world. I find extremely interesting how the traditional microfinance model can be so adaptable and how its success has been generalized due to its success across regions, cultures, peoples and borders all over the world. Chiapas, as many other countries in the world is a place rich in cultural diversity. How is it that a generalized model of microfinance can be successful everywhere it goes? That is the true beauty behind the model. Its success comes from the fact that it adequately adapts to the traditions and local customs of the people it is working for. As I have mentioned before, the positive externalities that microfinance has for the people it works for are reflected in many aspects of development so that it becomes a powerful mechanism of poverty alleviation. Furthermore, it is also worth mentioning the things that the microfinance movement has not changed, at least in Chiapas.

After talking to several women about the ways in which microfinance had changed their lives, they were all truly grateful to the amount of support it had brought them. Indeed, men drank less and showed more respect. However, they felt as if this gained respect did not come out of the realization that women were truly bright and equal members of a society. They felt as if this respect merely came from the fact that they were now bringing more money to the household and thus, deserved more respect. Although the mentality of men has not fully changed, the realization that women are important members of the household is one more step in the long run towards gender equity.

Conclusion

To conclude, I have to mention that although I learnt that the positive effects of microfinance are truly successful in the long battle against poverty they should not be regarded as a panacea or magic bullet for all the problems caused by and that cause poverty. Financing for the poor is not the only way in which poverty will be eradicated from this planet. Although financial matters are a very important part in poverty alleviation, an equal if not more important part is that governments have to recognize the existence of marginalized groups and communities inside their borders. They have to recognize that the poor and marginalized are also people who are desperate for making their country a better one and who are hard working and responsible enough to do so. It is essential that more poverty alleviation programs occur all across countries. Not only financial supports and incentives, but campaigns that support the use of contraceptives and family planning, that aid farmers with their crops and who support families who send their children to school and who have good grades. In the long fight against poverty alleviation there are many things that are needed to succeed, among the most important is the recognition of their existence and finally, as the microfinance movement has taught me, the realization that these people, the marginalized are the most responsible and hard working people when it comes for coming to terms with their future.