# How the Poor Escape Poverty!!

D67-69, ED 71 ED 137, ED 167

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When one works among the poor, the question to ask is not, “What can we do for the poor?” but “How do the poor themselves escape poverty and how can we assist in this?”

There are seven main answers that may surprise you: conversion and discipleship in communities (church growth); migration; education, particularly vocational education; cooperative capital formation, land rights and health care.

These could be restated as formation of spiritual capital; relocation to contexts of capital; skills capital; economic capital formation; collective political capital, and capitalizing land. Health care, perhaps restated as health capital undergirds ability to do these.

Churches are central in the creation of new motivated lifestyles, social communities and networks and the formation of economic capital through forming cooperatives. They are significant in the formation of leadership that can enter into the social and political arenas. The teaching of the church on God as a cooperative being; its training in the character of working in unity; its teaching of the ten economic principles of this study; its teaching on seeking justice and opposing injustice lays a basis for these structural developments. The gospel results in capital formation, slowly at first. There is a phrase in missiology: redemption and lift.

##### How do the poor escape poverty?

**Spiritual Capital:** Conversion and discipleship.

Community of Faith

**Financial Capital:** By cooperative capital formation.

**Skills Capital:** Through vocational education.

**Location Capital**: Through migration to places with resources.

**Housing Capital:** Through obtaining land rights and hence developing collateral for capital loans.

**Health Capital**: All this is built on good health care.

#### Wealth Formation and Uplift of a Poor People

We teach the following in the *MA in Transformational Urban Leadership* ([www.matul.org)](http://www.matul.org)) and some of our grassroots urban poor trainers teach these in the slums around the world.

Among the poor there is money. But there is not access to capital for starting of small businesses that will generate money. The solution to this is the development of cooperative savings schemes. When a group of people put their small amounts week by week into a common fund it grows to a significant amount of capital which can then be given to one of the members of the group to start a small business. This person then can repay that loan week by week, while the continued process of group savings continues till the next person can be given a capital loan, and so on till the whole group have had access to the capital. At that point, they are all earning more, so the amount of loans moves up a step to the next level of capitalisation.

Along with education or migration, this is one of the significant ways that poor people escape poverty. The process can be accelerated by injection of funds from outside at appropriate levels. Over the last thirty years a significant set of procedures have been developed in many places round the world to facilitate such processes called *microfinance*.

We teach a certain progression:

**Conversion:** As discussed under the section on productivity earlier, conversion (not to religion but experiencing forgiveness of sins, and turning from them to seek goodness), revival (the experience of a living God) and discipleship (following disciplines of holiness) are all critical to the formation of the essential character of successful workers and entrepreneurs. Integrity, thrift, hard work, sense of vocation, sense of identity, motivation to excellence are all the fruit of conversion, and seeking to follow Christ and the research on entrepreneurs indicate these are essential characteristics of successful entrepreneurs.

**Community of Faith**: Loving others, serving others, having the heart of a servant, working cooperatively, in unity, being part of and learning to build teams are crucial leadership skills learned in the life of a healthy church. Building social capital occurs as does the relationships for building small economic groups.

**Cooperative Savings**: There are two types of savings groups or Self Help Groups (SHG’s, our simplest and hence best introduction to this is a little booklet by the International Labour Organization (2006) that have become recognised internationally as assisting the poor out of poverty through capital formation, ASCA’s and ROSCA’s, where clusters of twenty or more people pay into a common savings fund weekly or monthly.

**Cooperative Capital:** Once a group has demonstrated faithfulness in savings, managing the money, and have built some capital, then they are in a position to loan to one of their members. That member can invest that into making more money so are able to repay at a higher rate than just the monthly savings. Thus, producing the capital for the next person takes a shorter space of time. Within time, every person in the group has been given capital and capitalised the next phase of their business.

##### A Revolving Loan Fund

In our early days in the slums of Manila, I was given NZ$1000 (about P30,000). I gave it to the new church and asked what they would do with it. They joked together and then said, “let’s set up a loan fund”. Anyone could come to the fund with a project of up to P300. It must be written up with a budget. The first project was for a pizza stall on the sidewalk. I thought it would never work as Filipinos eat rice and fish for breakfast, lunch and dinner. They thought it was great!! (The first principle is that these small businesses must be the *peoples’ ideas developed by the people*). Where would they put it? (they had already booked a place on the main street). What equipment would they need? (A gas tank, a hot plate, some flour…). How would they repay, over what time? (P5 per day over 12 weeks).

The next person was an old lady who cooked and sold meat. She wanted to double her capital each day and hence her sales. All said she was a good woman who worked hard and supported her alcoholic son and her grandchildren. This would work! That year 20 people took loans, 18 repaid, 18 families escaped poverty.

**Developing Business Skills:** At this point in the progression, success is often dependent on mentoring and skills training. Vocational training is a major asset.

**Micro-Finance:** Based on a track record of savings, loans and repayment of capital, such groups are now able to demonstrate to banks or Micro-Finance groups that they are a good credit risk and obtain access to larger capital amounts. This is both good - and problematic, as it is based on a debt model not a savings model. Banks exist to put people into debt. They make money off debt and interest. But if the money is well used to make money, and the risks have been well evaluated, then this access to capital can set people free. I have seen both success and failure. This contrasts with the savings groups where almost all are positive stories.

**Migration**: At any point in this progression if a person can move from a resource-poor geography to an asset rich location, they are more likely to end up with productive work and income (Galbraith, J. K., c1980). The migration process is fraught with danger and potential for failure. Long-term it usually creates opportunity and success, though with much struggle and emotional dislocation.

‘Slumdogs’ and Street Boys become Bakers

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Abishek Gier is living proof that the gospel of the Kingdom is

good news to the poor) He is a creative businessman using his gifts

to put people in the slums of Delhi to work and to touch their

lives in every way. Abishek Gier had such a desire to study

business that he looked for ways to make the money to pay for

school. He was good with technology, so he started

manufacturing computers and selling them for Rs8,000 a piece.

Then he launched into another profit-making venture, printing

designs on t-shirts. He managed to get a great client - KLM

Airlines. The airline ordered sweatshirts with the KLM emblem

and bought in bulk.

Once he made it into his Sales and Marketing class, he met a

staunchly radical Hindu young man with a negative opinion of

Christians. Abishek noticed one day that the man looked

unhappy. He went to him, put his hand on his shoulder and

asked, “What has happened?”

“I just lost my father,” the young man said. “He was killed in a

road accident yesterday. And I don’t know how I will continue

studying this course.” Abishek told him, “We’ll work together.”

From then on, Abishek shared the income from his two

businesses, totally paying for his friend’s education as well as

his own.

After business school, Abishek started a bakery, employing

people from the slums as workers. He and his partners, a

Christian couple, were committed to running the business with

Christian values. It has been very profitable

Along with the bakery, Abishek also started a ministry with

street children, renting a house where boys could find shelter at

night. Now the boys have a place to get cleaned up, eat an

evening meal and participate in Christian activities, get breakfast

in the morning, and the opportunity to go to school.