Stirring a common interest in microfinance

By Karen Cho

Three years after Muhammad Yunus won the Nobel Peace Prize for Grameen Bank's work in Bangladesh, providing loans to the poor without any financial security, microfinance is still gaining momentum in other parts of the world. Not only is it alive and well today, but microfinancing has also seen other offshoots emerge.

Take the example of Common Interest International (CII), a Chiang Mai-based not-for-profit organisation that also provides microcredit to the poor. It exclusively targets women living in the hill tribes of rural Northern Thailand, many of whom are displaced refugees or migrants originally from China, Myanmar and Laos.

Ryan Young, CII's managing director, says that while his organisation follows the same village banking methodology of other locally-based savings and loans programmes, his foundation lends only to women's groups in the villages, who in turn pre-screen applicants.

According to Young, about half of the women are farmers who use the loans either to expand their farms or buy fertiliser and seed in bulk. Others use it to expand their market stalls where they sell homemade products.

As to why microfinance is still so popular today, Young says it’s because it focuses on groups, which banks don’t seem to target, because they consider them too poor to qualify for traditional bank loans. Also, unlike government programmes which remove the decision-making process from the village level, organisations such as CII develop local leaders who then manage and control local funds as they see fit. So it is very much about empowering people who have been marginalised in society for so long.

“I think anywhere in the world you can always get a loan, I think the question is: ‘Is it reasonable?’ The average interest rate in villages is about 20 per cent per month; we’ve seen as high as 20 per cent per day in some of the market vendors. So with interest rates that high, how can any business recuperate their money through operations – it’s impossible.”

“So we are trying to provide a long-term solution (as to) how they can get reasonable rates and also save. We’re very much focused on savings aspect as well; we see that as a key to improving people’s lives as well.”

Young says his foundation lends to women’s groups at 15 per cent per year on a declining basis. These groups then lend to their members at two per cent per month. At the end of the year, the women’s groups issue a dividend to their members so that any profit is distributed back to them.

Yet this is just the tip of the iceberg for CII. Says Young: “Microfinance is not the be all and end all to everything. There’s a lot more need and a lot more opportunities that exist. So we’re currently researching a lot of the things that go on with microfinance, like business development training, microinsurance, and some kind of health training programmes.”

He adds CII is also thinking of doing cross-border projects with Myanmar (Burma), since many of these ethnic minority tribes migrate back and forth.

“We see ourselves becoming quite large in Northern Thailand. We’re looking quite possibly starting to move into Laos and Burma – that’s partly why we chose Chiang Mai as the base, because it is so central to the other regions in the area. So who knows, possibly in five years, we’ll be in several other countries.”

*Ryan Young took part in the **INSEAD Social Entrepreneurship Programme** held at the school’s Asia campus in Singapore earlier this year.*

*Since the programme, Young says CII is currently transitioning from a charity mentality (ie. reliant on donations) to including a social investment avenue. For more details, contact **ryan@commoninterest.org***

http://executive.education.insead.edu/social-entrepreneurship
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