Community managed saving and loan schemes

How financial collaboration is a powerful tool for empowerment of the urban poor

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I. Introduction

What if power to make change exist in every person? That all people need is a spark to light the fire of their inner willpower. We cannot assume that poverty is based on the lack of willpower to make change. We must acknowledge that the poor are oppressed in many ways, and often are born into poverty. Through solidarity and empathy, communities can thrive and make changes to their own situation for themselves, and for future generations. They have been left outside the formal system and need to voice their opinion and challenge a political system that has failed them. But how do we light their inner fire and what is the spark that will light the fire?

This essay will address the topic of the urban poor and specifically saving and loan schemes as a tool for empowerment of communities. The first part of the literature review will address saving and loan schemes through three different case studies in Thailand, Philippines and Cambodia. How do they function and how do they work as a problem-solving tool? How are they implemented practically?

To adequately discuss these economical tools and their efficiency as a tool for empowerment, a case study that analyses empowerment in a Thai community is used as comparison. This community has used the Baan Mankong (BMK) program, which is described in detail. The case study analyses the process of the BMK and finds four tools for empowerment: saving groups, land purchasing, housing and community planning and construction management. In the discussion section, the saving and loan schemes are compared with the BMK program in Thailand. It will discuss why saving and loan schemes and daily savings are an efficient tool for community building and in what way they empower communities. The last section will discuss why architects need knowledge about these questions and in what way they can participate in community building regarding community empowerment.

II. Literature Review

Firstly, I would like to define the word *empowerment*, since it is used in a very wide sense today and comprises a huge span of different meanings. In this paper it is used as a definition to empower an individual or a community and give them authority or power to do something. Furthermore, it means the process of becoming stronger and more confident, especially in controlling one's life and claiming one's rights. It refers to both the process of self-empowerment and to professional support of people (Empowerment, 2020). Since this essay is aimed to discuss the role of the architect, the main focus is on community building regarding housing. Though I would argue, as discussed in *Chapter 5 – The role of the architect*, that it is impossible to isolate aspects of community building, without considering their connections with other disciplinaries. There are many socio-economic factors that the architect, together with other stakeholder and professionals, need to consider when working with low-income, community driven planning.

Saving and loan schemes

Among the many problems that the urban poor face on a daily basis, inadequate access to housing and land with secure tenure is considerable (Boonyabancha, 2001). Financial issues are the main problem when addressing housing shortage for the urban poor. Not only are incomes low but even when the formal system is prepared to lend to the poor, monthly repayments are difficult for those on informal incomes (Boonyabancha, 2001). Another problem is that the formal systems are complicated, have too many steps and cost too much for the poor to take part of. A response to this is community-managed savings and loan schemes, which have been growing in popularity since the early nineties and are used to help people learn how to develop and manage their own resources. It has proven to be a powerful form of development intervention, empowering communities and giving them the authority, through finances, to negotiate and set demands on external agencies such as governments when purchasing land or in planning of infrastructure (VMSDFI, 2001). Furthermore, if communities are given the opportunity to collaborate both financially and socially, even greater capacity is given to the urban poor through numbers, which has sparked both a national and international movement in Thailand (Boonyabancha, 2001) Philippines (VMSDFI, 2001) and Cambodia (ACHR, 2001). This shows that saving and loan schemes are up-scalable and support increased network and community sizes as it

grows (Boonyabancha, 2001). Ideas that work and are adapted, can be refined and scaled-up and ideas that were unsuccessful can be dropped, which has been proven to be an effective process in making the saving and loan schemes more efficient (ACHR, 2001).

So, what are community managed savings and how do they function in practice? Community managed savings are controlled and operated by the community people themselves (Boonyabancha, 2001). It is a microfinance system where communities save money together, or loan money in large groups, to get better mortgage deals with the loaning institutions. Since the community does the decision-making on how the money is invested and by having the most knowledge of what they need, they can make better use of the money and more effectively target acute issues. It also enables poor communities to influence policy making and to secure resources or land (Boonyabancha, 2001).

The process of facilitating a community managed finance has impact on many levels. The most profound impact is the empowerment it brings by breaking their isolation from the formal systems. This is due to that the large networks between and within communities make it possible for them to address very substantial structural discrimination and issues related to isolation. But not only financial support and the size of the networks legitimise their negotiating position, but also the opportunity to prove that they have a self-managing community (Boonyabancha, 2001). Consequently, they can enjoy the pride and feeling of empowerment that comes of being the owners of a process, not merely recipients. These activities strengthen communities in a way that they can work together and fulfil multiple and diverse needs, that could not be achieved financially by individuals or practically by government involvement. The loan schemes are not only meant to address community needs such as pluming, roads, schools etc but also to act as a financial backup for individuals that have lost their income, have a shortage of money or for other reasons cannot pay monthly payments. As a large group or network, they can spread their repayment capacity, creating a buffer between individuals and formal financial systems (Boonyabancha, 2001). In Thailand, the Urban Community Development Office (UCDO) manages community funds for urban and rural communities in Thailand. Figure 1.1 shows that in just four years, between 1996-2000, the number of saving groups have more than doubled.

Table 1:	Urban Community Development Office (UCDO) – figures demonstrating recent growth		
	Sept 1996	Sept 1998	June 2000
Number of savings groups	355	484	852
Number of individual members	47,959	65,940	99,015
Total UCDO member savings (million Baht)	317.27	444.28	515.74
Housing development loans	343.33	424.01	470.32
Housing improvement loans	44.84	102.99	110.93
Income generation loans	109.32	163.25	200.86
Revolving fund loans*	45.49	73.80	79.95
Total credit repaid	103.22	225.85	333.67
Total credit outstanding	382.82	498.12	502.34

*Small loans to communities for them to on-lend for a variety of collective activities.

Figure 1.1 Statistics from the UCDO in Thailand (Boonyabancha, 2001).

The Empowerment of the Slum Inhabitant

Most of the arguments on the effects of empowerment presented in this paper, stem from a slum-upgrading project in Thailand driven by the government, non-governmental organizations (NGO), and international agencies (Dhabhalabutr, 2016) together with slum inhabitants, and by using the Baan Mankong (BMK) program. The case study was based on the process in Sengki and Tawanmai Community.

This research investigates empowering practices in the act of slum-upgrading and seeks to find correlations between slum-upgrading and the role of slum inhabitants. The BMK Program has been implemented for more than ten years by the Community Organizations Development Institute (CODI), a public organization that enables communities to work in close collaboration with national and local governments, professionals, universities, private sector and NGOs to improve security of tenure, infrastructure, housing, financing and living conditions (WBG, 2016). The major shift in Thai housing agency came when the government promoted slum community organizations as primary housing agents, thus officially crediting slum inhabitants as legitimate formal housing provisions. The BMK process integrates social and economic empowerment to promote collective community capacity. Four crucial steps have been established and are followed in order; saving groups, land purchasing, housing and community planning and construction managements (Dhabhalabutr, 2016). To tackle the complexity of community building and to fulfil these four steps, it is not enough to only engage communities in economic empowerment. The reason for this is that economical oriented empowerment, done by engaging communities in

collective savings and financing, cannot help in solving issues regarding e.g. insecure land tenure. The reason for this is that economic empowerment only increases financial competition and does not seek to resolve issues between competing social groups, where the status of low-income groups always will fall short when competing for land tenure. Therefore, socio-economic empowerment is the first goal of BMK, and always the first step when developing and upgrading slum areas. So, what was the outcome of the BMK program in Sengki and Tawanmai Community regarding socio-economic empowerment?

Firstly, it was evident that the processes of community managed saving and loan schemes created a learning opportunity for participants in terms of improving their leadership skill, where community members were transformed into new leaders. Secondly, the knowledge growth was a key indication of the ongoing empowerment. Knowledge through experience had increased in various building techniques and was collectively developed through participation progress. Lastly, one more interesting fact emerged in the aftermath of the project, was that empowerment was not only proven to be an effective tool for developing new skills, but also as a tool for letting power loose for already skilful artisans such as carpenters, masons, plumbers and so on. One participant explained his former frustration when having a great idea for community improvements but lacking the opportunities to practice these ideas. Through the process of BMK he had been given the opportunity to practice his profession as a mason worker. The BMK program in Sengki and Tawanmai Community had proven that, through socio-economic integrated empowerment the individual and group skills had been developed through collective experience and that the knowledge had emerged in a number of neighbourhoods in the process, proving to be not only a local development, but also a regional development through collaborations between different communities, independent of the BMK program.

This leads us to the second implementation of the BMK program, with empowerment through a political approach. This was done by addressing housing issues not only at a construction and management level, but also focusing on housing on a policy level. The argument was that it was necessary to act not only local but also on a national level, to be able to address issues such as not seeing any changes of regulations when only working on a technical and management level. Through empowerment on a more systematic and political level, changes could be made more permanent for future community development.

III. Discussion

The conclusion from the review of studies done on saving and loan schemes as a community building tool is that it is effective when building for the urban poor. Most importantly it shifts the power relation between government and community, giving more power to the latter. The studies show that it is scalable upwards, used not only withing communities but between communities nationally and internationally. It also provides communities leverage when setting up loan schemes with more generous rates and loan contracts with banks. Since secure land tenure is a major issue when planning for housing, the economic power saving and loan schemes provide can increase successful land tenure. It is also made clear through the studies that not only is it a powerful tool for the whole community but also for individuals, providing them with opportunities to lend money to improve their housing situation or as a security if they lose their livelihood. In the studies of the BMK program done in Thailand on empowerment, the conclusion is that empowerment is not achieved merely through economical resources but through socio-economic and political interventions. The article argues that financing does not always secure land tenure, because it is often social issues such as class that hinder secure land tenure. Furthermore, the article argues that saving and loan schemes created by the urban poor only increase financial competition and do not resolve issues between different social groups. The goal is to make change on a policy and planning level together with governments, where BMK achieves this by actively engaging communities on all levels of housing and planning. However, it is also stated that financial resources evidently do bring empowerment by creating learning opportunities regarding skill, leadership, planning etc. I think saving and loan schemes are an important tool for empowering communities. It is disclosed in the studies that financial resources are a start to greater change. Through economic power the communities can make change on not only on urgent housing needs, but also long-term changes of policy and planning. I would argue, based on these studies, that the cultural context always needs to be considered. Maybe saving and loan schemes have in some cases been enough to bring change at a greater level, but in other cases different factors need to be included.

IV. The Role of Architects

In the formal system, people's needs are addressed and building process are regulated and created though a political system. But as soon as you step out into the informal realm, there are no systems created to specifically address the needs of informal residents. We need a greater understanding, and architects can be a bridge between governmental service workers and informal communities. Architects can actively participate in these questions and engage in empowering communities. If the architect can understand the bigger picture in the role of a project leader, they can have greater understanding of community building and the importance of involving the community. This is especially important when working with specifically participatory design. Artisans that can fulfil their economical needs are perhaps more likely to actively engage in housing construction and are more willing to learn and continue to use their knowledge even after the project is finished. Working with policies are part of an architect's daily design process, and it is valuable to listen to the community and be actively engaged in policy making and understand how they affect the urban poor both long term and on a daily basis. As discussed, the true experts of what communities need and are lacking, are the communities themselves. By listening to the knowledge voiced through economic empowerment, both architects and governments can more efficiently direct resources and plan infrastructure. We need not only address acute housing issues, but also make structural changes that can provide a permanent, long lasting change. I think that architects have a big role to play in coming generations, and that they together with the urban poor, will find solutions and make changes not only locally, but also on a global level.

V. Bibliography

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