Microfinance: From Madison to Ecuador

The Latin American, Caribbean and Iberian Studies (LACIS) department of the University of Wisconsin- Madison allowed me the opportunity to explore an entirely area of development this summer; microfinance. I spent the summer working with Envest, a microfinance cooperative based in Madison, WI.

Envest is a microfinance cooperative that focuses on sustainable development, women’s rights and environmentally friendly practices. Jon Bishop is the CEO, and founder. I worked directly with him beginning the first of June and I am planning to continue to work with Envest through this upcoming school year. Microfinance, especially microfinance in Latin America, is a system of small loans directed at people that do not have access to traditional lines of credit. Loan amounts vary from one hundred to one thousand dollars, but most loans are around three hundred dollars. The loans are used are building blocks to help small businesses grow from the ground up. For example, a woman could use her hundred dollar loan to buy a second oven to expand her bakery, repay that loan and then get a second loan to buy a delivery vehicle. Envest works with microfinance institutions in Nicaragua, Ecuador and Peru.

My responsibilities in Envest were varied. At the beginning I focused on helping the business get organized. In June, Envest moved into a new office and they needed help setting up the office and computers as well as organizing the operations manual. After the office was functioning I began to learn the actual loan process. While Jon was in Nicaragua on business during the month of July, I was the person in the office able to process the paper work, send out prospecti, promissory notes and check on the investments. One of my responsibilities was to find new MFI's (Microfinance Institutions)
in Latin America that match with our mission. I contacted (in Spanish) MFIs in Ecuador that we were interested in visiting. The MFI matching process is fairly intricate and involves looking over financial statements and loan portfolios. I also represented Envest at several information fairs, including the MREA (Midwest Renewable Energy Association) fair in Stevens Point, and the Atwood Street Festival. There I spoke with people about microfinance and what investing entailed.

I spent the month of August in Ecuador on behalf of Envest travelling around, meeting with potential MFI partners and visiting actual recipients of microloans. Thanks to the LACIS grant, I was able to travel and experience the impact that microfinance has on rural communities.

The first part of my trip I spent in Quito. I met with four different MFIs, CEPESIU, INSOTEC, Fundacion Alternatica and FACES. I met with the executive directors and learned about their organization and mission, and discussed the impact of microfinance in Ecuador in Spanish. I gained a lot from these meetings. I learned about the differences between the US loan system and the Ecuadorian loan system. I also asked about why loans were so expensive to execute in Ecuador and was told about the difficulties of delivering a loan to a remote Andean village and the low interest rate caps implemented by the government.

I was able to meet with over twenty-five recipients of loans while I was in Ecuador. Their stories were incredibly moving. I meet with a woman raising three children alone and who is able to have her own clothing stores because of a loan. I visited a bakery called “Misterpan” and got to meet with a fourteen year old boy who looks after his four younger siblings and the store while his mom was attending school at the local
university. I hopped into a rickety jeep and visited remote villages nestled in a valley an hour away from the nearest gas station and heard stories from an old Quechua couple that used their loan to buy their own plot of land. The concept of communal lending ala Muhammad Yunus was know to me, but to actually see communal lending in practice was a completely different story.

This summer I was introduced to an entire area of development in which I had no previous knowledge. The experience has helped to guide me into microfinance and I discovered that I am interested and passionate about the impact that it has on the community. While I was in Ecuador I was able to begin thinking about my thesis and in which direction I want to focus as I begin to study for my Masters Degree in Human and Community Resources (Public Administration). I was also able to regain confidence in my Spanish speaking ability and put my rediscovered ability to practice. I am thankful for the LACIS department for allowing me this opportunity. Without the grant, I would not have been able to travel to Ecuador or stay in Madison this summer and both were exceptional experiences.