

Microfinance in the Pacific – *mipela katim bus!* The experience of Putim na Kisim

Karen Lewin, Lutheran Development Service

Introduction

In the 25 years since Professor Muhammad Yunus' private experiment with what is now the Grameen Bank, hundreds of Grameen replicators have evolved throughout Asia, Africa and other parts of the world. Although Papua New Guinea has a history of savings and loans societies, 'microfinance is a relatively new concept in Pacific Island Countries' (McGuire 1996:29). There are therefore mixed opinions as to the potential of the Grameen Bank system for success in the Pacific region. Bablis (1999:19) suggests that the Liklik Dinau Abitore Trust was using the Grameen Bank approach and that this can be a standard for other microfinance institutions (MFIs) in the region. McGuire (1996:28) suggests that where the Grameen system is chosen, its structure be followed closely. By contrast, economic anthropologist Gregory (1998, 1999) and microfinance specialist Hickson (1997) argue that the culture, geography, economy and target group of microfinance are fundamentally different in Papua New Guinea, making the Grameen approach unworkable.¹ The recent demise of Liklik Dinau adds credibility to their view.

Gregory's argument is based on the analysis of how the indigenous economy of Papua New Guinea (and other Pacific nations) is different from rice-producing countries where the Grameen Bank and its replicators have been most successful. He provides a useful comparison of rice economies and root-crop economies such as Papua New Guinea. In particular, he highlights the fact that, in Papua New Guinea, food is produced for subsistence, rather than trade, since root crops *bagarap hariap* – they cannot be stored as can rice. Villagers in Papua New Guinea therefore experience 'subsistence affluence', where poverty is due to lack of health and education services, rather than to hunger.² This combined with the fact that, unlike rice, root crops cannot be stored and sold has meant the indigenous economy of 'PNG had none of the periodic marketing systems indigenous to rice cultures' (Gregory 1998:8).

Colonialism therefore brought what Gregory calls 'stalactite dollar capitalism', rather than the 'penny capitalist' or 'penny finance-led development' found in indigenous Asian economies (1998:8). The term 'penny capitalism' was first used in 1953 to describe indigenous economies in which there is land tenure over tiny plots of land, where farmers produce crop surplus and engage in small-scale trading. Microfinance evolved in penny capitalist economies. Gregory (1998:7) argues that Papua New Guinea has 'dollar capitalism', since clans have customary land ownership over large areas of land; food production is for subsistence, with larger

amounts of money then generated from cash crops, with the result that there is not the proliferation of small markets and petty trading.

This article begins with the acceptance and support of his argument that any microfinance system developed in Papua New Guinea should start with the basis of the economic culture and be developed by the rural people who are the experts on root-crop farming (Gregory 1998:12, 15).

In response, this article outlines the microfinance system evolved by Putim na Kisim, a network of rural savings and loans cells operating under the auspices of the Lutheran Development Service of the Evangelical Lutheran Church of Papua New Guinea. The structure and systems have come from the village level through a process of experimentation and dialogue and are therefore unique to the culture, economy and diversity of Papua New Guinea. In this way, the people themselves discuss what it means to save money and to give loans in their economic culture and, together with Putim na Kisim trainers, develop systems which utilise the wisdom of indigenous forms of savings and loans. This article therefore demonstrates how Putim na Kisim has utilised the thinking behind the Grameen Bank, but with a strategy which is relevant to the root-crop economy of Papua New Guinea.³

The experience of Putim na Kisim members

Putim na Kisim operates in five PNG provinces, with membership based around traditional forms of social organisation (clan) or at the church parish level. There are currently 1,200 members (some 'members' are groups, such as the Women's Association, so in fact this number represents 3,600 individuals). A further 1,000 members will join next year and another 2,000 in 2003. The demand for Putim na Kisim groups is much higher than this, but growth is kept steady due to available funds and staff capacity.

During village-based workshops, Putim na Kisim has documented the insights of participants into their need for savings, loans and how to organise a system for meeting these needs in their own community.

Savings needs

The findings of Putim na Kisim support the observations by Hickson (1997:3) that 'capital is not that scarce' and Gregory (1998) that the PNG economy is a form of dollar capitalism, rather than the penny capitalism found in rice-growing countries. Rather than scratching for every *toea* to invest on a weekly basis,

income is 'lumpy' and irregular. Thus, income will be received upon sale of the coffee harvest, potato crop, copra, cocoa or *buai* (betelnut). In addition, people only put their time into money-making activities when there is a need for money – when school fees are due, a child is sick, or bride-price needs to be paid.

Hence, most Putim na Kisim members say that they can get some money, but it is not regular and they have many family and community obligations attendant upon this money.⁴ To survive in an economy based around staples which cannot be stored, villagers say they have learnt not to store anything, but to use it as it comes. As villagers reflected at one workshop, *pasin bilong sevim moni, ino stap long blud* – 'the habit of saving money isn't in our blood'.

Cell members are keen to use Putim na Kisim to enable them to develop a savings culture as a community. As one group described it: 'When we've sold our coffee, there is plenty of money for *buai*, we can buy whatever we need and everyone is really happy. After three months the money is all gone and we spend the next nine months with our head hanging down feeling depressed because there is no *buai*.'

In addition, members of a Putim na Kisim group in the Western Highlands said they need savings services so they can protect their money from the frequent obligation to donate to competitive feasting, compensation or other events (Hickson 1997:3, Rynkiewich 2000:2–4).

Loan needs

Papua New Guinea's rural population has land and access to the *wantok* system, which provides a traditional form of savings and loans. However, because of the irregularity of income, loans are needed for income smoothing and to start small businesses to pay for items now required by the capitalist economy, such as transport, school fees and medical expenses. The potato farmer has to pay his children's school fees in January, even though he cannot harvest until September. In one Putim na Kisim group, loans are given to coffee buyers who can then obtain a better bulk price for the growers and reduce transport costs. With others in the community reliant on the same crop cycle and with the same expenditure needs, the traditional system of pooling money in a time of need and repaying later is not as effective.⁵ Loans over three to nine months enable borrowers to make these purchases until they are able to redeem their crops.

It is difficult to ascertain the extent of the need for cash. A family with five children may have to pay K2,000 (A\$1,300) per year for school fees, consuming most of their income. Declining commodity prices have left most farmers reflecting that they can no longer afford the fertiliser, seedlings, transport and other costs associated with their business. On the other hand, some church leaders are critical of people's cash demands and reflect that cash-crop income is often spent on beer, store food and paying labourers and has not led to an increase in the standard of living.

Because income is irregular, it is not possible for Putim na Kisim members to save money or repay loans in even instalments.

Loans are often repaid at an agreed-upon time, usually when farmers' cash crops are ready to be sold, with occasional instalments made prior to this as money trickles in from market sales. Thus, weekly meetings to collect savings and loan repayments are simply not possible in Putim na Kisim. So, too, the Grameen system of group pressure at weekly meetings through public knowledge of loan defaults and timely reminders of overdue payments is not possible (Morshed 1997:1–8).

To find systems which will work in the economic context of Papua New Guinea, trainers discuss with members systems of savings and loans from their own traditions (*pasin bilong tumbuna*), explaining that the Putim na Kisim group they develop must evolve from this valuable experience.

Traditional forms of savings and loans in Putim na Kisim groups

By building on traditional methods of exchange, Putim na Kisim is able to develop an effective localised system. The first case study is taken from a Putim na Kisim group in the remote mountains of Morobe province, in a village which is only accessible by light aircraft. To explain how money used to be saved and loaned, people described the system used to pay bride-price.

A key principle is that everyone gives, even if they are not yet married. For them, it is an investment in the future, knowing that when they need to pay bride-price, others will help them. Hence, there is a history of putting money in first and receiving it much later – an unusual contrast to root crops which must be consumed soon after harvesting.⁶ This information is developed by trainers to demonstrate the Putim na Kisim system: putting in first and taking out (*kisim*) afterwards.

Further, contributions to bride-price are only made to one's own relatives, hence the money is circulated among a small group of individuals who are interdependent. Villagers later decided that the group responsible for contributing to bride-price was often the most effective level at which to start a Putim na Kisim savings cell, since the obligations are strongest.

Finally, the amount received in return is commensurate with that given. As one person put it, one wouldn't expect to give a *bilum* (string bag) and then receive a pig, although perhaps a slightly larger pig, in return. Putim na Kisim trainers use this to explain the relationship between savings and loans in Putim na Kisim, in contrast to money rain schemes in which it is claimed the investment will be disproportionately multiplied as in a typical pyramid scheme.

A second example is from Putim na Kisim groups in the Western Highlands. The specific name for traditional exchanges is the *moka*, where all the villagers must put in money, pigs and food to help the *bikman* (important leader) pay for competitive ceremonies, shows of wealth or other important events. The *bikman* is then pressured by the people to negotiate with the *betman* of the rival clan, who will in turn put pressure on his people to contribute for a reciprocal feast. Villagers report that problems have arisen when the *bikman* becomes consumed with the need

for increased status and so the pressure for contributions increases, but with little return for them.

Examining the workings of these ceremonies enabled participants to identify that the three clans involved in the *moka* would form the basis of the Putim na Kisim group. To incorporate the traditional system of leadership, the members decided that the village *betman* should be a member of the loans committee, with particular responsibility to follow up people who have not repaid their loan on time. To overcome the problems experienced with *moka*, they agreed that responsibility for money management would be shared between Putim na Kisim members, with democratic decision making and open accountability.

The microfinance system developed by Putim na Kisim members

Group formation

Putim na Kisim trainers asked members about the value of forming small savings cells within the village, such as pioneered by Grameen. Members in all Putim na Kisim groups have resolved that there are no natural forming communities of five members, rendering a small group system artificial and cutting across strong clan allegiance.⁷

Instead, they have decided that savings cells must form around the existing clan structure and build upon community relationships. Villagers identify this group as the people who they have singsings with, help to pay bride-price and compensation, support during clan conflicts and intermarry with, and where they have the local church. To this group they have the most loyalty, since their survival in so many other areas depends upon both the continuation of that group and their acceptance into it. Strong relationships are therefore foundational to a village-based savings cell.

Thus, although Putim na Kisim groups do not have frequent official meetings, members of a Putim na Kisim cell form part of a social grouping which is integral to every aspect of their lives and considerable informal time goes into the maintenance of these good relations.

Each Putim na Kisim group elects their own management, loans and other committees. They write their own policies and guidelines to suit the local situation, make their own decisions about granting loans, and collect and account for savings and loan repayments. Since loans come out of their own accumulated savings, rather than from external grants, people have a vested interest in the success of their Putim na Kisim group. Lutheran Development Service provides extensive member training and on-going support for cell groups.

Loan disbursement

Members of this social grouping interact almost daily and have known each other's families for generations. Group members are therefore well able to make decisions about granting loans and

obtaining repayments. Integral to the requirement to know the borrower is to test their ability to repay loans. The people say that even a great and honest leader may not have had sufficient contact with the money economy to know how to save money and repay loans.

The borrower must first deposit a small amount and then a small loan can be issued. As more money is deposited, larger loans can be issued, but initially limited to the value of the savings. In this way, people are giving themselves the space to engage in a gradual learning process of interacting with the money economy. Only when the borrower has shown a good track record of repayment will loans be granted in excess of the value of savings.

Putim na Kisim members' response to the Grameen system of group liability has been resoundingly negative. It is seen as unnecessary, since the *wantok* system would ensure that defaulting borrowers who had done everything in their power to repay would be assisted. However, members are not willing to write this into the *stia tok* (policies) and make it compulsory, in case borrowers misuse the clause and abrogate their responsibilities.

Leadership

Putim na Kisim members reflect that their *tumbuna pasin* (traditional system) organised the village around a headman who gave responsibility for various specialty tasks to those so equipped. In the Western Highlands, for instance, villagers report that there can be a *bikman* for relating to outsiders (someone with good English), someone else who is in charge of giving public speeches, another respected for his religious knowledge, another for traditional medicine, and so on.

In Putim na Kisim, therefore, a village leader may oversee the process but will delegate responsibility for organising and undertaking the work to others with the skills and respect of the villagers. In all workshops, people confirmed that when responsibility for money is given to one person, *em save bagarap*. As such, Putim na Kisim members have agreed that decision making and responsibility for money have to be held by the members, with the treasurer's role shared by a finance committee. Through various working committees, every member has some role to play and this adds to their commitment to the success of the scheme.

The successes have occurred where the village leaders use their power and knowledge to encourage the education of members and to guide and support the savings cells. There will be failures, however, if Putim na Kisim becomes a tool for traditional or institutional politics and a means of adding to personal power and prestige. In this scenario, the operations of a Putim na Kisim group could be controlled by a small elite who make money and business part of secret knowledge and both the power structure and overriding need to maintain harmony could render others powerless to confront it.

Discussion

In identifying these systems, Putim na Kisim members say *mipela kutim bus* – 'we are pioneers cutting our own way in the bush'.

Putim na Kisim is enabling people at the grassroots to find their own way of saving money and giving loans.

The wisdom of Putim na Kisim members is in finding the unit of society where the strength of obligations is such that people risk being excluded from the community if they are seen to upset the lives and harmony of others. By building a Putim na Kisim group among the same people who together will pay compensation and bride-price, fight as a clan, celebrate and worship, their obligation is as strong as to a clan member.

Putim na Kisim is therefore evolving a system of microfinance which is appropriate to the unique culture and economy of Papua New Guinea. It is not a Grameen replicator, but its underlying thinking draws upon the strengths of the Grameen system.

Notes

1. In particular, Gregory (1998:15) argues that 'the Grameen Bank model of microcredit is not a solution to Papua New Guinea's problems, but, rather, yet another problem'.
2. Putim na Kisim members in fact argue that they should not be referred to as 'poor', since they have land and food, and that the term 'people without money' is more appropriate.
3. Based on Gregory's statement (1998:12) that 'what needs to be replicated is the thinking behind the development of the Grameen Bank in Bangladesh, not the institution itself'. See Newsom (1999) for a fuller explanation of the history of Putim na Kisim.
4. The emphasis is upon 'most' but not 'all'. For instance, in some villages, women do not have access to money because all the proceeds from cash crops go to men and often widows who have no land of their own only make money from the sale of garden produce.
5. For instance, in coffee-growing areas, everyone harvests in the same season and so they have money at the same time. But everyone's school fees are due in January, with the result that everyone also needs money at the same time.
6. The exceptions are some types of tapioca, taro and yam, which can be left in the ground for some years.
7. According to Rynkiewich (2000:2), Papua New Guinea was traditionally organised into small units of society, with 'people's primary affiliation . . . to lineage, clan, co-residents, affines, allies and trade partners'.

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