

Roberto Moro Visconti

**From Microfinance to  
Business Planning:  
Escaping Poverty Traps**



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## INTRODUCTION – Poverty is a complex matter

In some circumstances escape may not be possible. Especially in the urban slum, race or poverty may confine individuals to an area of intrinsically limited opportunity. And once again the environment perpetuates its handicaps through poor schools, evil neighborhood influences, and bad preparation for life.

John Kenneth Galbraith, *The affluent society*

### Poverty is a complex matter, requiring a holistic approach

Poverty goes beyond social inequalities and it is concerned with the failure of the underserved, due to their social condition and to asset deprivation, to acquire and maintain a minimum set of basic capabilities—such as nutrition, instruction, clothing, housing needs, basic healthcare—which prevent the poor from fully participating in labor and credit markets—hence the importance of microfinance.

Dehumanizing poverty goes also beyond low levels of current income and consumption, being concerned with the inability to freely access the market economy. Social exclusion from the benefits that others can enjoy is typically an enduring phenomenon, which is hard to eradicate, together with vulnerability to adverse shocks, due to the absence of social safety nets<sup>1</sup>.

According to the DAC Guidelines for Poverty Reduction<sup>2</sup>: The concept of poverty includes different dimensions of deprivation. In general, it is the inability of people to meet economic, social, and other standards of well-being. The multidimensionality of misery—with a not competing plurality of overlapping poverty traps—is now widely accepted, requiring nuanced visions, beyond oversimplified single-minded approaches. [...] It covers measures of *absolute*

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<sup>1</sup> Mookherjee in Banerjee, Benabou, Mookherjee (2006), p. 234.

<sup>2</sup> OECD (2001).

*poverty* such as child and infant mortality rates, and *relative poverty*, as defined by the differing standards of each society.

The ›poverty soup‹ is a cocktail of different—typically not tasty—ingredients, which compose the multicolored and instable condition of the poor, like a kaleidoscope where different interacting colors mix and split, simply fine tuning its detecting lenses.

Abandoned, withdrawn, and forgotten poor are daily frustrated and humiliated by their hard and starless hell-on-earth life and they have constantly to fight through eccentric and not conformist choices against colorless resignation and desperation, which derives from perception that the world is hardly likely to change, and there is no prospective, in spite of one's—useless?—efforts. Living in an empty and paralyzing darkness, the resigned, voiceless, and apparently (e)motionless poor show a fantastic talent for endless waiting.

Maladaptive and unhealthy behaviors, so common for many emarginated poor, cause personal distress and social impairment, destroying self motivation and reinforcing misery. Such a misery—with its social and anthropological interpretation—has a deep impact on the psychology of the poor, who are often deluded, depressed, unempathic, and vulnerable. The poor also show a disorganized behavior (evident in their dressing, body posture, personal hygiene ... ) that segregates them from any wealthier status and prevents any clear life goal, bringing to boredom, monotony, and hopelessness. Extreme poverty is a dreamless mental status, silently breathing and whispering its feelings, while mirroring a self-image of destitution. Self-reliance and motivation, albeit being a key ingredient of development, are hardly present in the ›diet‹ of the poor.

Quintessential poverty is the living state for the majority of world's and nations' people and it may so tend to be confused with the study of humanity. Chronic, stubbornly persisting and path dependent poverty brings to vulnerability, which can trap in its intricate maze entire nations and social groups, with durable social inequalities, due to a destabilizing wealth gap. Diffidence against an unforgiving external world can bring to fear and aggressiveness while pain quickly becomes an integral part of life.

Persistent pockets of severe poverty are untouched by worldwide development and created by an ill conceived social system and they shamefully resist in a pitiless and selfish world – either we forget that others are suffering or we decide to open our heart to love and longing for the poor, unlocking it from its prison of selfishness. Much is possible for those who love, going beyond the idolatry of reason, and they do not need to measure the result of their efforts, remembering that the opposite of love is indifference, not hate.

Many factors are crucial to understanding the reason why people are poor and a multivariate and interdependent analysis of multifaceted poverty seems necessary, with an anthropological holistic and poor-centric approach to intertwined

poverty issues – always remembering that one-size-fits-all development strategies do not work. Trying to link and to distill largely disconnected disciplines is a hard but fruitful effort and it requires a mastering of complexity, digging inside the intricate array of connected poverty issues and favoring an inspiring vision of the question. Everybody–rich or poor–represents many different things, inside and altogether, with his predictable irrationality and different tastes. As Voltaire said in 1750 »minds differ more than faces«.

According to Sen (1999), p. 126 »The case for taking a broad and many-sided approach to development has become clearer in recent years, partly as a result of the difficulties faced as well as successes achieved by different countries over the recent decades«. The Nobel Prize winner also suggests a »comprehensive development framework«, rejecting a compartmentalized view of the process of development, avoiding the search for a single all-purpose remedy, which has proved largely ineffective in the past.

## **Walking with Socrates inside the poverty issues**

Following a well established and functional Socratic method, open questions will tend to outweigh, by frequency and importance, fragile assumptions and questionable answers.

Walking with Socrates, who modestly lived as a poor man, while being incredibly rich inside, and being constantly accompanied by his maieutical questioning, is probably the best way to approach consciousness. And while trying to extract innate ideas from our minds, it is important to remember that apparently simple questions are even more important than uneasy answers.

Philosophers and thinkers have a huge impact on culture, and an example is given again by the Greek master of life, among the greatest contributors of the Western thought, who used to say to his disciples »Know yourself!«.

Socrates was the fascinating master of Plato, who in turn has inspired Aristotle, whose syllogism–every man is mortal; Socrates is a man and so Socrates is mortal–synthesizes the cause-and-effect relationship, a key mental category, able also to explain, from a logical perspective, the origins and the consequences of the poverty traps.

In Socrates, knowledge is a life reason, well beyond more human temptations like power, money or success, and the great philosopher has spent all his life by learning and teaching how to learn, starting from ourselves, and trying to extract the hidden truth inside us. Socrates digs inside our soul, by saying »I know that I don't know!« and making deep questions, rather than giving superficial answers. In this way he empties our mind with his irony and then progressively fills it up with apparently trivial questions, in order to wake up our sleeping reason and to learn how to self master our emotional storms. Socrates helps his

counterpart to get free of his ignorance and superficiality by learning by his own contradictions.

Our veil of ignorance and superficiality about deep poverty, its causes, traps, and unfortunate consequences, needs a constant presence of an inspiring Socrates inside us – poor outside but rich inside, beyond the contradictions of a plain and conventional life, where a selfish superficiality suffocates any questioning about misery.

Beyond the cause-and-effect relationship, poverty is also a non-comparative transcendent and metaphysical issue, being not only a living condition but also a mystic state of mind, mysteriously going well beyond our material comprehension.

The poor may follow Socrates more than the rich, if what Bertoldt Brecht says— »Poverty makes you sad as well as wise« –is at least partially true.

## **Breadth over depth**

This book has an incredibly wide perimeter, attempting to tackle intricate poverty issues with a multidimensional and interdisciplinary approach, trying to link in an uneasy marriage topics that are apparently unrelated and culturally segmented.

Cross disciplinary approaches range from history to philosophy and geography, from medicine and technology to other sciences, from politics to anthropology and, in the second part, considering the economic and financial problems and opportunities for the poor, eventually arriving—a bit exhausted but still alive—to microfinance. With its porous and wide perimeter, the conglomerate theory of poverty traps finds its gravitational point in the anthropological concept of misery, putting the poor, with their human dimension, at the centre of any investigation. Poverty has to be investigated with its kaleidoscopic nuances, far beyond a Manichean black-and-white vision, bringing to an aggregated knowledge framework.

There are many sided approaches to development, bringing to a comprehensive development framework consistent with the encyclical letter *Caritas in Veritate* (§ 22), where Benedict XVI affirms that: »today the picture of development has *many overlapping layers*. The actors and the causes in both underdevelopment and development are manifold, the faults and the merits are differentiated«.

The advance of knowledge discourages broad surveys and scientific advances are increasingly based on narrower subjects, to be investigated as deeply as possible, blending the Western analytical tradition with other complementary cultures.

There should so be little wonder that such a broad analysis is incredibly superficial, as even a reader uncomfortable with these issues may immediately discov-

er, simply turning the pages or looking at the contents of this book. On the other extreme, we increasingly find overspecialized scholars who know everything ... about nothing. Should the reader feel a bit embarrassed about his ignorance, we may just congratulate with him for joining the above mentioned Socrates club, of which we are enthusiastic members.

Trying to soften the intrinsic superficiality of this book is difficult, but it is not completely impossible, and the best remedy seems a constant reference to specific bibliographic sources and –for technological and impatient readers– to web sources.

Being the Socratic purpose of this book to raise common sense questions–starting from the apparently simple ones, which in reality are the trickiest–we feel that even the less interested reader has enough to reason about for the rest of his life ... and so should urgently start thinking!

### **Poverty is neither a sin nor a fatality**

In ancient times, for instance in Palestine at the time of Jesus ( ... once upon a time in the Middle-East), illnesses and related poverty were ancestrally and improperly considered as punishment from God for misbehavior or guilt, up to the point of becoming a permanent and shameful social stigma.

Many poor are physically or mentally handicapped and they resignedly accept their miserable condition. They believe in fixed predestination and in sinful fatalistic determinism, reinforced by closeness to nature, and they consider the course of their life as mapped out from birth–paying a tribute to the problematic behavior of their past–and impossible to be changed, especially in places where social mobility is a chimera and poverty, with its litany of grievances, traps in even the dreams. Suffering and stormy feelings cathartically temper our souls, while spicing our life.

With their miserable condition and their tortured ideals, the weeping poor incarnate the mystery of life. The poor nevertheless share with other wealthier individuals a transcendent and spiritual destiny, with equal eschatological dignity. And we are increasingly less convinced that poverty is an ineluctable destiny.

Passive fatalism is concerned with the view that »whatever will be, will be« and hence that action–starting from self willingness up to collective strategies–makes no difference against a bizarre destiny. Idleness and disillusion are a typical corollary, suffocating free will and emancipation with the iron hand of an already written destiny. According to the Koran »what God writes on your forehead, you will become«. Reinhold Niebuhr used to say »God, grant me the serenity to accept the things I cannot change, the courage to change the things I can, and the wisdom to know the difference«.

The vituperated poor often think that the world belongs to somebody else and that they are hardly part of it. While they may tend to accept with ancestral resignation their exclusion, the sorrowful and dropped out underserved are likely to suffer from psychological consequences well beyond any superficial first impression. Subjective perception of poverty, remembering that everyone is different, makes the issue uneasy to generalize and treat.

Josh Billings used to say: »I am a poor man, but I have this consolation: I am poor by accident, not by design«. And also »Poverty is the step-mother of genius« or again »Remember the poor, it costs nothing«. Looking for consolation, it shouldn't be forgotten what Napoleon said: »The surest way to remain poor is to be an honest man«.

The disillusioned poor often miss the vital energy and motivation to change their alienated and emotionally flat life, which makes them feel strangers even in their motherland, wasting the incredible talents and potentialities that are inside every human being, exploiting his different keystone abilities and multiple intelligences.

Among the Socratic questions that we may raise, we might ask ourselves:

- What fault have the poor committed for deserving their miserable condition?
- Which is their responsibility for their unfortunate existence?

We may concentrate our attention not on finding out difficult answers—such as the well known statement that poor are lazy, sometimes partially true but hardly explaining the whole issue—but rather on some unconscious and subliminal consequences of these beliefs. Prejudices are still widespread and they are often the cause for which so many poor feel ashamed of their unlucky condition, with severe mental drawbacks that may induce resignation, fatalism, indolence, and lack of stimuli for sorting out the labyrinth of interconnected poverty traps.

Fight to poverty starts from inside the poor, within their heart and their mind—no hope and self esteem, no rescue, remembering that psychology matters. Poverty—extreme need—may tentatively and roughly be defined by adverbs such as (physical and psychological) grief, discouragement, and its synonyms<sup>3</sup> include abjection, aridity, bankruptcy, barrenness, beggary, dearth, debt, deficiency, deficit, depletion, destitution, difficulty, distress, emptiness, exiguity, famine, hardship, impecuniousness, impoverishment, inadequacy, indigence, insolvency, insufficiency, lack, meagerness, necessitousness, necessity, pass, paucity, pauperism, pennilessness, penury, pinch, poorness, privation, reduction, scarcity, shortage, starvation, straits, underdevelopment, vacancy ...

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<sup>3</sup> See <http://thesaurus.com/browse/poverty>.

While we do not believe in predestination or fatalism, we are a bit sympathetic with some Murphy's rules—according to which luck is blind, ... whereas misfortune is perfectly sighted—sharing also the paradoxical opinion of Finley Peter Dunne, who says that »One of the strangest things about life is that the poor, who need the money the most, are the ones that never have it«.

The ›black box‹ of poverty can also lead to (mental) alienation and even if there isn't any predestination in misery, who does listen to the desperate cry of the poor, drying their tears?

Happiness and well being derive from positive thinking, but also from a material dowry below which even mere subsistence is endangered by backlash ness.

Poverty may also be a metaphysical state of mind and, as it happens in India or within Western ascetics, there are those who leave everything and renounce to material life, to get ready for the next spiritual one, gradually detaching their body from their soul. According to Martin Heidegger, death—our later companion—is the salary of our sins.

## **Poverty traps are self fulfilling, if left unsolved**

A poverty trap is concerned with many possible different self-reinforcing mechanisms which cause misery to persist in a vicious circle. This trap soon becomes cyclical and it begins to reinforce itself and unfortunately not to self-correct itself—due also to poor expectations—unless adequate steps are taken to break this perverse and enduring cycle.

Detecting, softening, and then breaking away the vicious circle of poverty is an exhausting and long lasting achievement and an uphill task, requiring both compassion and empathy towards the poor.

Extreme poverty is mostly concentrated where it shouldn't, in tough places which are landlocked (see Chapter 2), subject to extreme climatic adversities and far from the world's main trade routes<sup>4</sup>.

The reason of self-fulfillment is mainly concerned with inertial features of each trap and with its perverse synergic interactions with other traps. Some few examples may clarify the concept. The demographic trap (dealt with in Chapter 4) is concerned with the nutritional and health trap (Chapter 7), since the fertility rate is higher within the poor and is linked with higher mortality, due to poor nutrition and health, lower instruction (Chapter 9), interacting with a more violent (Chapter 5) and polluted (Chapter 8) environment. No or little financial access (Chapter 17) exacerbates most of these traps.

Breaking the trap chain is a complex and multidimensional task, which requires a holistic approach to be effective and long lasting.

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<sup>4</sup> Sachs (2008).

The invisible soul of the poor represents their elusive and intangible self and the ghost within them—up to ›metaphysics‹ of poverty—and thus it is permanently suspended between an ideal transcendent hope for a better future and immanent despair about their current living condition. Every man dies, but not every man lives.

Self esteem and motivation, to be decoded and made conscious, may greatly help the poor on their road towards emancipation, together with their emotions, belonging to a largely unexplored continent of affective blindness.

## **The poverty tree**

Due to their interactivity, poverty traps may be ideally represented by a tree—poverty itself—with many connected branches, each representing a trap.

Some branches are big, others are smaller than the previous ones and they may be close or distant among themselves, but they all belong to the same tree. Such a tree figuratively represents the poor, while neighboring trees symbolize the other poor living close to him. The tree gets its nourishment from the ground roots but it interacts even with the environment around and above it, accompanying the poor all along the parable of their miserable lives.

Poverty is a complex concept, that goes well beyond the economic level of personal income and it is a consequence of unfulfilled market potentials; it is not a mere by-product of power and domination or of biased political attitudes towards the production and reproduction of wealth and capital.

Each poor is diverse, because each one has his own history; individuality and undifferentiated homologation of the poor's problems need to be avoided. An individual approach—similar to a tailor made suit—albeit tiring, is strongly needed, since it simply fits better. Massification of problems is simpler and it allows economies of scale, but it is too superficial to be long lasting and analytically sound.

Digging inside the deep roots of poverty is the key to understand where its branches come from, analyzing the putative causes of misery in order to find out possible solutions. Fully eradicating the poverty tree is so the dreamy ultimate goal, that is hard to achieve but necessary to conceive, remembering that poverty is nowadays a global drama of the enlarged human family.

Contemporary incarnation of poverty places additional psychological burden to the underserved, less segregated from the wealthy than they used to be and so continuously subject to painful comparisons.