Native American Policy
Network Journal of the Native American Studies Association (NASA)

Vol. XV, No. 2 *Summer, 2004*

Native American Policy publishes articles, commentary, reviews, news, and announcements concerning Native American and international indigenous affairs, issues, events, nations, groups, and media. We invite commentary and dialogue in and between issues.

Warrior Economics:
Financing the Poorest of the Native American Poor

Warner Woodworth

Marriott School
Brigham Young University
warner_woodworth@byu.edu

*The author is cofounder of 14 NGOs that operate microenterprise and other development strategies around the globe. Last year we raised and allocated $8 million, gave out over 20,000 loans and trained over 100,000 poor microentrepreneurs.

Introduction

The year 2004 concludes the activities of the United Nations during its "International Decade of the World's Indigenous People" (1995-2004). It has culminated with a global forum of 1,500 participants from some 500 tribes and groups meeting at UN headquarters in New York City. "Partnership in Action" was the motto of the ten-year effort to address the hopes and aspirations of those in poverty, exchange best practices, and broaden the participation of indigenous communities in decisions that affect them.

An equally significant event is coming up with 2005 declared to be "The UN Year of Microcredit." It will consist of building awareness of the global poor, many who are indigenous villagers, through conferences, seminars and other events to emphasize the potential that microlending strategies bring to alleviating poverty.

Both of these important occasions are relevant to Native American economic well-being. This article attempts to describe what microcredit is and why/how it has potential to benefit tribal groups. After defining the basic ideas and tools of microcredit, the paper reports on several intriguing applications in contemporary Native American communities.

Global Poverty

In much of the Third World, contrary to popular belief, economic conditions have been getting worse over recent decades. Today some 1.2 billion people suffer from chronic poverty, trying to subsist on less than $365 per year, which works out to only $7 a week (Daley-Harris, 2002). Glancing back at the past four decades, one sees that during 40 years the wealthiest 20 percent of the world consumed some 70 percent of all income. By the beginning of the 21st Century, that share had mushroomed further to over 80 percent. Simultaneously, the poorest 20 percent of the world's population saw decreases in their meager share, from 2.3 percent of all wealth dissipating to a mere 1.4 percent (Brown, 2000). Among females in the Third World, absolute poverty has grown by 50 percent in the past two decades (UNIFEM, 2001).

Unemployment is a major aspect of poverty creation, but underemployment is perhaps equally significant. It refers to the condition in which people do not hold jobs equivalent to their abilities and training. In the Philippines, for instance, it is widely known that although many people are literate and well-educated, good jobs are hard to find, resulting in underemployment well above 50 percent during recent years. Projections for the future of the world's poor suggest that poverty may only worsen in the coming decades. For example, an International Labor Organization (ILO) study predicts that during the next quarter of a century, 1.5 billion new jobs will be needed to provide incomes for the growing global population. It assumes that if present rates continue, there will be some 3.6 billion working-age people on the face of the earth, and that possibly a third of them will be unemployed. Is it really feasible to create 40-50 million new jobs annually throughout the coming decades? Not if history is an indicator. Over the last three decades, the world's workforce increased by nearly a billion people needing work. But tens of millions did not obtain jobs. To make matters worse, only ten percent of future jobs will arise from the industrialized nations, meaning that 90 percent will be needed for the Least Developed Nations (LDCs)—in other words, for the Third World where population is growing, but poverty is booming.

Traditionally, social scientists have conceptually divided a society's economic activities into the formal sector, such as labor at a factory or work as a government employee in an office, or the informal—survival on the street as a vendor or provider of services. Informal or underground economy workers are essentially considered to be problems themselves by some experts. These are small, clandestine, unregistered individuals or family-based economic activity that do not produce taxes to the state. Typically, such people can observed in Third World cities living in shanty towns, or functioning as street vendors. Often marginalized, they subsist by "hustling" or sweat equity, making up for the shortcomings of formal jobs such as factory employment or government positions. While the informal economy has often been viewed by traditional economists as a minor phenomenon, or a temporary reaction to natural or financial disasters, reality suggests the opposite. The Third World informal economy is growing. It is here to stay and makes up a significant percent of many LDC cultures (Sanyal, 1991; de Soto, 1989).

Microfinance

Models for Third World economic development in the past have tended to consist of large-scale, top-down approaches like the Green Revolution through which huge multinational agribusinesses attempted to overcome world hunger with John Deere tractors and Monsanto seeds. Today, there are new, small, grassroots methods like microfinance as alternatives for fighting poverty from below.

This new tool, the offering of microcredit, is beginning to yield impressive results. Such a strategy consists of developing technical assistance centers that provide microloans as well as savings programs, often with training and consulting, to create self-employment and income-generating activities. Such workers bootstrap themselves, essentially creating their own jobs. Most of this type of work requires one's own sweat and equity, perhaps including that of one's family. It is a bottom-up method for building an income and becoming self-reliant, enjoying considerable success in certain countries as a new, innovative path to earning a living and caring for one's own. Often, training is provided, along with access to capital (microcredit) so that the small entrepreneur is able to acquire raw materials, equipment, or whatever else is needed in order to grow the business.

Global microfinancing may be classified as small-scale loans of \$30 to \$100 that are accessible to the very poor, primarily in the Third World. With even a small amount of such capital, microenterprises may be started, or perhaps expanded. In the mid 1990s, the World Bank conducted an analysis of microfinance schemes, finding that there were in excess of nine hundred institutions in 101 nations that offer microcredit to the poor (Paxton, 1995). The organizations studied had been in existence at least three years and each had over a thousand clients. They included banks, credit unions and numerous Nongovernmental Organizations (NGOs). Today there are perhaps thousands more of newer, smaller such programs not included in the bank's original analysis. But a sample of 206 of the 900 institutions studied in 1995 enjoyed an aggregate loan portfolio of almost \$7 billion, totaling over 14 million small loans to poor people for their tiny enterprises. Approximately 53 percent of loan recipients resided in rural regions around the globe. By extending microfinance capital to the poorest of the poor, millions of new jobs have been created among those languishing in extreme circumstances, thereby empowering individuals and families to gain a greater degree of control over their destinies in the move toward sustainability (ibid).

Early in 1997 the first world-wide Microcredit Summit was held in Washington, D.C. to launch an ambitious plan for empowering a hundred million of the world's poorest families through microloans and job creation. Twenty-seven heads of state and thousands of NGO representatives participated in this global organizing effort. The method advocated at the summit for obtaining credit is sometimes referred to as group, or “village banking” (Woodworth, 1997). The typical operations of such programs are quite simple: The NGO essentially offers small or “micro” loans to each of five to ten villagers at market interest rates. They need no collateral, nor are they required to have a strong credit history. Instead, the borrowers as a group are jointly liable for paying off both the interest and principal. Social pressure and trust thus become powerful incentives for assuming one's own financial responsibility and personal accountability. The payback rates range from 94 percent to 100 percent. In 2002, the Microcredit Summit + 5 conference was held to assess progress since 1997. It was reported that the movement has grown to 5,225 NGOs providing microloans to over 50 million poor borrowers and their families (Microcredit Summit, 2002).

With the preceding introduction, we now document a Third World case of microcredit, that of Grameen Bank in Bangladesh.

The Grameen Case

This case began with the innovative financing scheme developed by Dr. Muhammad Yunus, a U.S.-trained economist who started experimenting with tiny loans in the 1970s which together only totaled \$27 to help the poor in rural Bangladesh. It has grown to become an impressive illustration of a bottom-up approach, a capacity-building mechanism known as the Grameen Bank of Bangladesh (Wahid, 1993; Yunus, 1997).

Bangladesh, a country in Southeast Asia with 128 million people, is among the poorest of all nations with $208 per capita GDP, and over 80 percent of the inhabitants live below the poverty line. In spite of modernizing influences, most of the population lives in rural areas. Nearly 11 percent of all babies die before their first birthday, and life expectancy is a mere 53 years. Although the mortality rate had decreased substantially from 7.0 in 1970-1975, it still remains moderately high at 4.7 (United Nations, 1995).

The low status of poor rural women in Bangladesh, combined with their informal economic activities, made it difficult in the past for them to receive credit from traditional banding systems to support the development and growth of their income-generating efforts. Banks perceive poor women, as well as men, to be high-risk groups with limited ability to pay back their loans (Mayoux, 1995). Furthermore, the poor generally desire loans that are not even of sufficient size to cover the bank's transaction costs (Berger, 1989). In some systems, a husband's approval and signature are required in order for a loan to be approved for a woman (Tomasevski, 1996; Berger, 1989). When banks are located in urban centers, time and geographic mobility are necessary to make multiple trips to the bank to complete the lengthy application and approval process. These become major constraints for women, particularly because of traditional property and seclusion norms (Berger, 1989; Mayoux, 1995). Illiterate women are also often unable to read and fill out the required multiple written forms. The whole process of applying for a loan tends to be forbidding to a rural, uneducated, poor woman without previous experience in dealing with the formal lending sector. Collateral requirements are especially difficult for women since property is typically registered in the names of the male household members and passed from father to son (Berger, 1989; Todd, 1996; Woodworth, 2000).

Organizations in Bangladesh, such as the Grameen Bank and other NGOs, have sought to overcome these barriers women encounter when accessing credit. Collateral requirements are replaced by loans to a cluster of women who act as peer groups to give support and exert social pressure for repayment. Bank workers go to the villages to meet with the women and disburse loans, thus eliminating the need for women to travel to unfamiliar urban areas. Furthermore, women are specifically targeted and sought after by Grameen. This motivation to loan to females stems not only from the desire to help poor, rural women, but also to help their families. When women have their own income or control over the household income, they are more likely to spend money for food, health, and education for their children (Sebstad & Chen, 1996; Tomasevski, 1996). Thus, by targeting poor women, development programs feel they have tapped into a way to help the family as a whole.

The results since Muhammad Yunus was inspired to create the first village bank in the mid 1970s among landless peasants in Bangladesh are impressive. At the time, the country was condescendingly referred to by then U.S. Secretary of State, Henry Kissinger, as "the basket case of the world."

Based on the author's visits and interviews with managers in Bangladesh at Grameen headquarters (Woodworth, 2000), and other published data (GF-USA, 2004) as well, the following picture emerges:

- Over $4 billion has been loaned to the poor.
- More than 3.1 million people have become Grameen borrowers.
- Some 5 million family members benefit from these credit and savings programs.
- 37,000 village economies have benefited from the added flow of new capital.

- Total savings, including individual and group funds, exceeds U.S. $100 million.
- The percent of overdue loans not repaid after two years is a mere 1.32%.
- 1,094 village bank branches exist throughout Bangladesh.
- The bank has staff of over 12,600. Only 583 work at bank headquarters while about half of the rest conduct banking in villages. The remaining 6,000 staff are engaged in technical projects such as wells and shrimp farms.

These numbers illustrate a dramatic change from the paltry $27 in capital Yunus first loaned to 42 poor women over two decades ago (Fuglesang, 1995; Yunus, 1990).

While microcredit seems to hold much promise for the word's poor, it seems particularly relevant for Native Americans and other indigenous groups. We turn to such relevance now.

Indigenous Well-Being Around the Globe

The state of indigenous people, according to the UN "International Decade of the World's Indigenous People," is one of social exclusion, suffering, illiteracy, and poverty (United Nations, 2004). Some 5,000 groups of over 300 million indigenous people live on five continents within approximately 70 countries. They include Native, First Nations, and/or Aboriginal classifications, and may be rural, or in some cases, urban dwellers (WSIE, 2003).

To address these problems, experts, politicians, and huge multilateral institutions such as the World Bank and the International Monetary Fund have argued that globalization will improve conditions for the poor. Their rhetoric is that programs like NAFTA will bring jobs and better incomes to indigenous people, and that free market, top-down capitalism, operating as a rising tide, will "lift all boats."

But poverty-stricken indigenous groups around the globe often feel otherwise. Under NAFTA, for example, Mexican official poverty has grown, instead of declining as predicted. Even worse now, many *maquiladoras,* the foreign firms which invested in new factories along the U.S.-Mexico border in the 1990s, are shutting down as capital shifts to lower-cost nations such as India and China. Mexican buying power has dropped by 40 percent (Salgado, 2000). Such worsening conditions fueled the 1990s Zapatista rebellion in the state of Chiapas where armed conflict has exposed economic suffering.

Likewise, in Ecuador a group of Indians took control of the presidential palace during January 2000, precisely at the time of the World Economic Forum held by the rich countries in Davos, Switzerland. This indigenous revolt occurred to protest the globalization process, a strategy that has consisted of harsh economic reforms that lead to native stress and strain. Indigenous Ecuadorians struggled to survive on only some $40/month income, and 39 percent of those in rural areas were chronically undernourished (Coffey, 2001). The uprising grew to over 15,000 people in Quito alone.

More recently, in 2003 Bolivian Indians organized a national strike that effectually shut down transportation, retail and factory production, eventually forcing the country's president out of office. Militants complained of closed mines and unemployment, high gas prices, government corruption, and other extremely painful economic conditions. Huge demonstrations called for more jobs and less inequality between haves and have-nots. Similar indigenous upheavals have also occurred in African and Asia since 2000.

Traditional strategies for global economic development during the past century were often limited to just two options: state-run Marxist economics in which huge industries were controlled by government bureaucrats; or, the other option, trickle-down capitalism in which private, market-based logic promised economic well-being to all.

With the collapse of the now-discredited dictatorship of the proletariat in countries of the USSR and Easton Bloc, many observers assured that unfettered free-trade strategies would quickly dominate world politics. However, leftist elections continue to occur around the globe; most recently illustrated by India in May, 2004 and by the socialists in Spain a month earlier.

An alternative model, the "Third Way," has emerged as another vision that combines some of the values of the other two paradigms that prevailed throughout most of the 20th Century. This Third Way attempts to integrate economic markets with the values of socio-economic justice. According to former U.S. Secretary of Labor, Robert Reich (1999), the new paradigm requires "that the economically displaced must be brought along," not dropped along the side of the road to so-called progress. Reich's argument is that "Third Way leaders will have to broker a new social contract between those who have been winning and those who have been losing" (ibid).

For Reich, as well as Clinton and others, microfinance is one vehicle moving toward an expanding Third Way. In fact, Bill and Hillary Clinton even advocated the creation of U.S. microenterprise back during their governorship era in Arkansas. The two of them collaborated in the creation of the Good Faith Fund for the poor in 1988, one of the first microcredit programs in the U.S. Likewise, during the presidential years of the 1990s, they each labored to accelerate microcredit both domestically and internationally, through speeches, legislative advocacy, and otherwise.

The viability of the Third Way approach to development around the globe, as well as within the U.S., may or may not endure long term, but it is being experimented with. Let us turn to the Native American experience with microcredit as a partial solution to tribal economic pain.

Tribal Realities of Poverty and Development

The picture of Native American poverty is not unlike that of Third World indigenous peoples. There are huge gaps between the white majority and the native minority in education, healthcare, employment, decent housing, and income. On the positive side, some justify this by pointing out that at least indigenous Americans enjoy government payments for reservation abuses, as well as welfare and unemployment benefits, oil reserves from multinational corporations, growing tourism, and in recent years, increasing revenues from the new casino economy.

On the negative side there are factors such as centuries of exploitation, forced relocations to lands with few natural resources or arable land, a brutal history of genocide, and today's often contentious relationships between the tribes and local Anglo government entities. Add to these, inept BIA officials, mismanagement, and corruption, along with ongoing questions about tribal sovereignty and inter-clan conflicts, and the results include alcoholism, poor health and high mortality rates, feelings of dependency and helplessness in the lives of many. Of course, a 43 percent unemployment level only exacerbates many of these problems.

While a more extensive picture of the plight of poor American and Canadian Indians, as well as Alaskan Natives, is far beyond the scope of this paper, suffice it to say, much needs to change. Various roads to economic improvement are advocated by native leaders, government advisors, business consultants, and academic researchers. They include expanding tourism and developing the hot, new phenomenon of eco-tourism; increasing educational access for more Indian children; turning parts of reservation land over to toxic waste management firms for generating new sources of income; the creation of "healing funds" such as the $350 million account established in Canada to compensate for systemic abuses committed in the past; mobilizing native activists to achieve greater political clout in the electoral process of selecting delegates and participating in candidate races, conventions, and so forth.

But a number of studies suggest that past government-led initiatives have tended to preserve the status quo rather than fuel change. For example, William Lawrence, Red Lake Band Indian and publisher of *The Native American Press / Ojibwe News* wrote a provocative piece entitled "Do Indian Reservations Equal Apartheid?" (2003). He argues that the U.S. established the reservation system much like whiles created black townships in South Africa to racially divide groups of people, resulting in a two-tiered system. In spite of billions of dollars spent over the years, supposedly to benefit Lawrence's neighboring tribes in Minnesota alone, massive socio-economic difficulties still exist today. The author argues that the current system perpetuates the problem, and, therefore, needs to be demolished.

While such a proposal may seem extreme, a 15 year series of studies by Harvard University's Project on American Indian Economic Development suggests that federal bureaucratic controls and the unwillingness to relinquish their power, coupled with tribal mismanagement and politics, tend to suffocate indigenous autonomy. A basic premise is that "…sovereignty matters. When tribes make their own decisions about what approaches to take and what resources to develop, they consistently outperform non-tribal decision-makers" (Harvard Project 2003). Researchers Cornell and Kalt (1998) make a cogent argument promoting self-determination as perhaps the single most important factor in effective tribal economic development. They and their associates point out that Indians who obtain government grants to start companies usually do not enjoy long-lasting firms. Hiring is often compromised by patronage, profits go to a few favored people rather than being reinvested for enterprise growth, and eventually the money disappears.

So what is to be done? This paper suggests a different method: Rather than big grants to tribal corporations that only last short-term and suffer from accompanying governmental bureaucracies and inefficiencies, independent Native American microcredit could become a viable alternative. Indeed, small, grassroots-operated microenterprise development may become a catalyst for achieving greater tribal self-sufficiency. The Lakota Fund, albeit small, is a case in point.

The Oglala Lakota Nation Case

The Lakota Fund became the first microcredit financing for Native Americans in 1986. This effort on the Pine Ridge Indian Reservation was established because the region in South Dakota was among the poorest within the United States. Unemployment tended to range between 70-85 percent.

In the past, the 22,000 Native Americans at Pine Ridge have largely survived on federal funds to schools, healthcare and tribal government. Otherwise, agriculture has been the only source of income except for a few small private firms. Thus, the Lakota Fund was established in Kyle, a central village in the reservation. Over the past decade and a half, hundreds of tiny loans have been accessed by tribal members starting new microenterprises.

It began as a 1986 project of the First Nations Development Institute based in Fredericksburg, Virginia. The Institute was the idea of Rebecca Adamson, daughter of a Cherokee mother in the Southern states. Taught Indian ways by her maternal grandparents, she had become involved with the Lakota people during the 1970s. Shocked at learning of the massacre of hundreds of tribe members a century earlier in the Battle at Wounded Knee, she became an activist for native children's education at Little Wound School. She taught kids, organized protests, was arrested, and fought for the inclusion of indigenous languages and traditions in reservation schools. She ultimately helped push through Congress the Indian Education Self-Determination Act which began to give tribes local control of their children's education.

But Adamson saw that genuine power would require economic clout as well. She began to search for alternatives to large-scale BIA corporate projects which she viewed as "boondoggles." Often encouraged by outside business experts, such ventures often failed, exemplified on many reservations today by desolate industrial parks and tourist motels that are deteriorating and empty. The only way to overcome dependency, she felt, would be strategies that meshed with native culture. Thus, small-scale enterprise development seemed a better indigenous path to the future (Ridley, 1997).

So Adamson incorporated First Nations in 1980 and shopped her ideas to the biggest U.S. foundations. Eventually the Ford Foundation liked her proposal enough to give a $25,000 grant for planning the start-up as she overcame doubt from the outside world, as well as from the native community. Since 1980, First Nation has offered technical assistance to nearly 2,000 Native American entrepreneurs and tribal organizations. Its $7 million grants fund has assisted 225 tribes in 22 states. It helped the Oregon-based Umatilla Tribe get back its former land, and it secured $10 million in trust funds for Michigan's Saginaw Chippewa Tribe that the federal government had wrapped up in a bureaucratic morass.

But channeling loan capital to the Lakota Fund has been one of First Nation's and Adamson's greatest successes. Over 300 loans totaling about a million dollars have been given to would-be microentrepreneurs at Pine Ridge. As a result, *Ms. Magazine* awarded her with its "Woman of the Year" designation. *Ms.* founder, Gloria Steinem, said of Adamson, "When Rebecca speaks about indigenous economics she calls it economics with values added. . . . It's just a broader and deeper measure of things" (Cabral, 1997).

Lakota Circle Banking

Two different programs within the Lakota Fund operate with their respective financial services. One is that of "Circle Banking," based on the group lending model of the Grameen Bank. Small peer groups of 4-10 individuals form their group and participate in five microentrepreneurial training sessions. Most participants would not be considered "credit worthy" according to traditional U.S. banking criteria.

Upon completion of the Circle business education, the group is "certified" and its members then determine who will receive what amount of loans, usually ranging from $400-$1,000, with which to start. Like other microcredit programs, Lakota uses the social collateral of others in the Circle to guarantee that each loan is repaid. As co-debtors, this practice assures a high loan repayment rate of about 90 percent. As loans are repaid, another larger amount may be borrowed to expand one's microenterprise.

Several examples illustrate the type of borrowers and businesses financed through microlending. Roselyn Spotted Eagle is an older woman who lives on the Pine Ridge Reservation in a two room house without running water or decent heating. She supports not only herself, but a grandson who is afflicted with fetal alcohol syndrome. Ms. Spotted Eagle makes beautiful beaded crafts for the tourist market, and through microcredit she has been able to purchase new tools and a greater inventory of beads and other materials to expand her microenterprise. Other microentrepreneurs obtain loans for agricultural projects. Bamm Brewer owns a piece of tribal land for starting a buffalo herd. With a Lakota Fund loan, he was able to construct a strong fence to contain the animals (PBS, 2000). Robert Hornbeck, and his sister, Connie Two Crow, established a floral shop and video store (Cabral, 1997). While indigenous artisans make up the bulk of borrowers, others include a caterer, pig-farmer, musician, and tire-repairman who needed new tools.

Keys to Circle Success

What features help to explain Lakota Circle banking success? Several factors seem critical. First, it is not just about money, but training and education. The course modules include basic business skills such as budgeting, marketing and sales, quality, tax and licensing, and so forth. Borrowers also may participate in life-skills education that covers topics such as problem-solving, goal setting, drug abuse, and alcoholism issues. Elsie Meeks, executive director, reports: "If I were to identify the one most valuable aspect of Circle Banking, I would have to say that learning to deal with and solve problems is more important than even the loans" (SCN, 1997, p.91). She cites the example of a mother of five children and recovering alcoholic who underwent Lakota Fund training and received a $250 microloan. With that she launched her own craft microenterprise, became team leader of her Banking Circle, make on-time payments, and qualified for larger loans after each was repaid. With a new sense of dignity and self-worth, she successfully won her battle over alcoholism and moved off welfare. The business grew and other Native Americans became inspired by her success (ibid.).

A second factor in Lakota Fund's achievements is its native control. Rather than be operated by Anglos or other outside "experts," the fund has a staff of four members from the tribe. They are overseen by a nine-person board of directors who, with one exception also live on the reservation as tribal members. The other slot is reserved as a rotating seat for an outside professional. At times it has been filled by a white person, or an expert from another tribe who is skilled in banking. Thus, indigenous values and culturally appropriate policies are embedded and maintained over the years (Meeks, 2000).

Another facet that ensures the Lakota Fund's achievements is strict adherence to the Grameen model, not a break-off U.S. variation. In the early 1980s when the project began, it was simply a small business program giving individual loans to tribal members. It experienced a number of failed start-ups and very high delinquency rates. So its staff went around the world to Bangladesh to see first-hand how Grameen had succeeded so well. According to a Lakota loan officer, Dani Not Help Him, "We didn't go to [any] model… [but] went to the real one … in Bangladesh" (Garr, 1996). Deciding to revamp the fund's operations so that the staff rigorously adhered to Grameen's group lending program dramatically turned around a troubled system. The Lakota Fund also insists that borrowers deposit at least $5 every two weeks as a nest egg of personal savings, also a replication of the Grameen system. Thus, members invest in the process personally and learn important financial practices like savings and long-term planning.

Small Business Loans

The second mechanism for entrepreneurial start-up is the Lakota Fund's Small Business Loan (SBL) program. In contrast to microcredit for Circle Banking enterprises, SBL started by giving initial loans for up to $25,000, quite a bit more money than that of the microenterprise level. However, candidates have to first participate in a seven-week training program where they obtain the basics of small business success and develop a feasibility plan. Lakota Fund staffers conduct the training and provide hands-on technical assistance in writing business plans and helping with marketing studies.

These in-depth training and performance demands help to screen applicants so that only the most sincere, hard-working candidates survive. The grueling requirements of preparation thus become an additional factor in ensuring success and high loan repayments at Lakota.

Interest rates on SBL's loans is around 11 percent for large amounts, to be repaid over 5 years. Examples of successful enterprises needing more capital than Circle Banking include such businesses as construction, electronic repairs, gravel hauling, restaurants, and hair salons (Garr, 1996).

SBL also adds another ingredient that helps Native Americans in their business achievement. It is the synergy that develops from small firms working together, the Indian way, rather than individualistic competition, the Anglo way. To illustrate, in 1995, the Lakota Fund acquired commercial land and started to construct a new Lakota Trade Center. It has 13,000 square feet, large enough to not only house the Fund itself, but seven start-up service or retail firms. As those firms grow and succeed over 3-5 years, they can then afford to move out on their own, freeing up space for other new start-ups. This $1.2 million construction project has helped a number of small firms get started as a kind of incubator, and it pays for itself with revenue from leasing fees.

The Trade Center has grown to include a craft shop, an art gallery, a Tribal Business Information Center that partners with the U.S. Small Business Administration, the Oglala-Sioux Parks and Recreation Agency, a fund-raising business, and a hospice. The fund has also launched a pilot project to build a ten-unit housing development called "Eagle Nest Homes" in Wanblee, South Dakota. This strategy is all about community development and how to impact family life positively by strengthening and stabilizing residential services. But it is more, since it also generates employment, empowers Native Americans, and produces revenue for the creation of more small enterprises (Lakota Fund, 1998).

Conclusion

Can Native American self-help strategies for building economic sustainability survive? Are they replicable elsewhere? I think the answer to both questions is a resounding, "Yes!"

The Lakota Fund continues to grow and it increasingly is rewarded and recognized as a viable model. For instance, in 1999, Women of Vision International selected the Fund as one of its collaborative partnerships, i.e., providing seed money for expansion. The Hewlett-Packard Development Company established a Microenterprise Development Fund, and in 2003 gave over $100,000 as a grant to the Pine Ridge program. The U.S. Senate Committee on Banking, Housing and Urban Affairs (2002) received written testimony about the Lakota Fund's success at its hearing on "Capital Investment in Indian Country," specifically regarding the role of Native Community Development Financial Institutions (NCDFIs). The report suggested that lack of business experience and access to capital are major barriers to tribal economic development. When the Lakota Fund began, 85 percent of its borrowers had never had a savings or checking account, 95 percent had no business experience, and 75 percent hadn't received a loan in their lives.

Yet, the LF now is transforming individuals like these into business entrepreneurs. The fund operates the center, gives out loans of up to $200,000 currently, and has expanded its available loan capital to $3.5 million with backing from government, private donors and foundations. As the center has grown, a Pine Ridge Area Chamber of Commerce was started, and the number of housing units has risen from ten to thirty. Most of all, Native Americans have developed new capacities perhaps never before envisioned by the participants.

The Lakota Fund has also begun to have ripple effects that spread far beyond Pine Ridge. For instance, a Four Bands Community Fund has been established on the Cheyenne Reservation. The Lakota housing unit project has been studied by the Navajo Partnership for Housing, Inc. to provide homebuyer education and to develop small loans to fund the gap in its housing market. New NCDFI startups recently include Hochunk Community Development Corporation of the Winnebago tribe in Nebraska, the Affiliated Tribes of the Northwest Indians Revolving Loan Fund in the state of Washington, the Four Direction Development Corporation of several tribes in Maine, and the Hopi Credit Association in Arizona. Thanks to the Lakota Fund, these other organizations have created their own promising new ventures to build Native American self-reliance from the ground up.

Hence, quite a microenterprise track record of expanding impacts and applications seem to be occurring from a small simple idea. The Lakota Fund is clearly becoming a model for other tribal entities. And like much of the global Third World, several tribal elements in Native American culture seem to facilitate microcredit as a viable, innovative movement. Strong indigenous communities within U.S. reservations tend to have a high degree of trust, collective norms, and interpersonal networks. All of these factors may be more fully integrated thorough the pursuit of shared tools for economic betterment. Collectively they make up what I call "social capital"—the availability one has in times of hardship to draw upon support and concern from other people, to "count" on them when needed.

It just may be that Native American social capital is the most critical factor in expanding the access to financial capital among U.S. tribes. In the future, microcredit may become a constructive new strategy in achieving that objective. It holds much promise for empowering "the poorest of the poor" among Native American families. Once proud tribal members who today suffer from a lack of self-worth may again become confident warriors as they move from dependency to dignity.

References

Berger, M. (1989). Giving Women Credit: The Strengths and Limitations of Credit as a Tool for Alleviating Poverty. *World Development, 17*, 1017-1032.

Brown, L. (2000). *State of the World*. New York: Worldwatch Institute.

Cabral, Elena. (1997). Building Entrepreneurship and Hope Among Native Americans. Ford Foundation Report, profile.

Coffey, G. *The Established Order*. Retrieved February 6, 2003, from http://www.focusweb.org/popups/articleswindow.php.

Cornell, S. and Kalt, J.P. (1998). Sovereignty and Nation-Building: The Development Challenge in Indian Country. John F. Kennedy School of Government, Harvard University, Paper #PRS 98-25.

Daley-Harris, S. (2002). *Pathways Out of Poverty: Innovations in Microfinance for the Poorest Families.* Bloomfield, CT: Kumarian Press.

De Soto, H. (1989). *The Other Path: The Invisible Revolution in the Third World.* New York: Harper & Row.

Fuglesang, A. (1995). *Participation as Process—Process as Growth*. Dhaka, Bangladesh: The Grameen Trust.

Garr, R. (1996). *Groups That Change Communities: The Lakota Fund. @ grass-roots.org*. Retrieved May 1, 2004 from http://www.grass-roots.org/USA/LAKOTAFUND.shtml.

GF-USA. (2004). *Grameen Connections*,Volume 7, Issue 1, Spring.

Harvard Project: American Indian Economic Development. (2004). John F. Kennedy School of Government. Project home page. Retrieved May 6, 2004, from http://www.ksg.harvard.edu/hpaied/overview.htm.

Hewlett-Packard Development Company. (2003). Microenterprise Development Program. Retrieved June 12, 2004 from http://grants.hp.com/us/programs/micro/index.html.

Lakota Fund. (1998). About the Fund. Retrieved May 14, 2004 from http://www.lakotafund.org/about/htm.

Lawrence, William. (2003). Do Indian Reservations Equal Apartheid? *The Native American Press / Ojibwe News*, June 6.

Mayoux, L. (1995). From Vicious to Virtuous Circles? Gender and Microenterprise Development. *Occasional Papers 3*, United Nations Research Institute for Social Development.

Meeks, Elsie. (2000). A Conversation. *Community Dividend*. Federal Reserve Bank of Minneapolis, Issue No. 2.

Microcredit Summit, 2002. (2002). Retrieved March 27, 2003, from http://www.microcreditsummit.org.

Paxton, J. (1995). *Sustainable Banking with the Poor: A Worldwide Inventory of Microfinance Institutions*. Washington, D.C.: World Bank.

PBS. (2000). To Our Credit: Bootstrap Banking in America. Video documentary on U.S. cases of microcredit. Retrieved April 26, 2004 from http://www.pbs.org/tourcredit/stories_tmo.htm.

Reich, R. (1999). We are All Third Wayers Now. Retrieved March 12, 2004, from http://www.prospect.org/print/V10/43/reich-r.html.

Ridley, Kimberly. (1997). Indian Giver. *Hope Magazine*, pp. 5-6.

Salgado, A.G. (December 26, 2000). *El Financiero*. Retrieved February 11, 2003, from http://www.elfinaciero.com.

Sanyal, B. (1991). Organizing the Self-Employed: The Politics of the Urban Informal Sector. *International Labor Review*. 39-56.

SCN. (1997). Sustainable Communities Network. The Lakota Fund, pp. 91-92. Retrieved May 1, 2004 from http://www.sustainable.org/casestudies/SIA_PDFs/SIA_South_Dakota.pdf.

Sebstad J. & Chen, G. (1996). Overview of Studies on the Impact of Microenterprise Credit. *Assessing the Impact of Microenterprise Services (AIMS)*. Washington, D.C.: Management Systems International.

Todd, H. (1996). *Women at the Center.* Boulder: Colorado: Westview Press.

Tomasevski, K. (1996). *Women and Human Rights*. London: Zed Books Ltd.

UNIFEM. (2001). United Nations Development Fund for Women. Retrieved March 4, 2003, from http://www.unifam.undp.org/ec_pov.html.

United Nations. (1995). *The World's Women 1995: Trends and Statistics*. New York: United Nations.

United Nations. (2004). The Rights of Indigenous Peoples, Fact Sheet No. 9 (Rev. 1). Retrieved April 30, 2004 from http://www.unhchr.ch/html/menu6/2/fs9.htm.

U.S. Senate Committee on Banking, Housing and Urban Affairs. (2002). Hearing on Capital Investment in Indian Country. Retrieved June 6, 2004 from http://banking.senate.gov/02_06hrg/060602/meeks.htm.

Wahid, A.N.M. (1993). *The Grameen Bank: Poverty Relief in Bangladesh*. Boulder, Colorado: Westview Press.

Women of Vision. (1999.) Retrieved June 1, 2004 from http://www.womenvision.org/history.htm.

Woodworth, W. (2000). Notes from personal interviews with Grameen Bank executives, middle level managers, field staff and village female microentrepreneurs.

Woodworth, W. (1997). *Small Really is Beautiful: Micro Approaches to Third World Development—Microentrepreneurship, Microenterprise, and Microfinance*. Ann Arbor, MI: Third World Think Tank.

WSIE. (2003). World Summit of Indigenous Entrepreneurs. Retrieved December 23, 2003, from http://wsie.wtuglobal.org/intro.php?page=introduction.

Yunus, M. (1990, April 2). Credit as a Human Right: A Bangladesh Bank Helps Poor Women. *The New York Times*, A17.

Yunus, M. (1997, July-August). The Grameen Bank Story. *Dollars and Sense*, 27-29.