Miziwe Biik: A Microfinancing Program for the Urban Aboriginal Community

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Introduction

For many years, microlending through microfinance institutions (MFI) have supported low income entrepreneurs in a variety of mainly less developed countries (LDC) (Richardson, 2009; Rubach, Bradley, & Brown, 2010). The most well-known microfinancing program is associated with the Grameen Bank and Dr. Muhammad Yunus. This American-educated economist won the Nobel Prize in 2006 for his concept of providing small loans to the impoverished to start or expand a business in order to create a higher standard of living for the entire family. Almost all of the borrowers of the Grameen Bank are female and virtually all repay their loans. This same program has been replicated in developing countries in South America, Asia and Africa (Haque & Harbin, 2009). This paper investigates the characteristics of an urban microfinance program implemented in Toronto within a defined ethnic community, the Canadian Aboriginal community, and compares and contrasts it with the experience of traditional microfinance programs in LDCs.

Review of Literature

Microfinancing in Less Developed Countries

Microfinance programs are mostly associated with third world countries with high levels of poverty in which citizens have difficulty meeting their basic needs for shelter, food, education and health care. As testimony to its success, Yunus (1994) estimates that borrowers are able to cross the poverty line in ten to fifteen cycles of microloans. The Grameen model developed by Yunus is very unconventional compared to traditional banking in that it does not require a credit history or collateral, the bank goes to the client, repayment is made easy with very small weekly instalments, interest is never allowed to exceed the borrowed principal and the bank works with the client to establish a realistic repayment program (Armendariz de Aghion & Morduch, 2005; Haque & Harbin, 2009). The most unique feature of the program, however, is that it is based on peer lending where there is group responsibility not only for determining who gets a loan but also for repaying it (Kibira, Lee, & Olvera, 2003). The whole system is based on mutual trust, accountability, participation and creativity in that the bank provides advice and guidance to help the borrower succeed, but peers provide the ongoing support to ensure the loan is repaid (Haque & Harbin, 2009).

The Grameen model has been very successful in Bangladesh with a very low default rate (2%) and heavy involvement of women (92% of borrowers). The social psychological dynamics of peer group lending is assumed to be responsible for such successful outcomes. More recently, critics have suggested that while the loans are made to women, their husbands actually control the money, that the borrowers do not use the money for its intended purpose, and that the borrowers have been subjected to ruthless collection practices (Nolen, 2011). There is also a concern about creating a cycle of indebtedness, where women borrow from one institution to pay off a loan made in another institution (Nolen, 2011). Despite the differing opinions about the actual success of such programs, it has been exported to many developed countries (DC) to address a gap in access to capital.

Microfinancing in Developed Countries

Although microfinancing programs in LDCs have had generally successful outcomes, these programs in DCs have not experienced the same positive results as evidenced by the much higher default rates (Richardson, 2009; Burrus, 2005). One of the difficulties in determining whether success has been achieved or not is the definition of what is successful – is it financial development or social improvement

(Rubach et al., 2010). Likewise, there are differences in the perceived goal of microfinancing. One perspective positions microfinancing as a banking service that achieves a profit, while another perspective positions it as humanitarian aid and a vehicle for social change (Morris, Woodsworth, & Hiatt, 2006).

Johnson (1998) provides a framework for assessing the types of microenterprise. She suggests that by evaluating four characteristics: mission, characteristics of the client population, lending methodology and the amount of resources devoted to training, one can determine whether the lending program is mostly economic development oriented, mostly empowerment of individuals oriented or multipurpose (economic and empowerment). Furthermore, she suggests that the Grameen model is empowering because of its minimalist approach. It assumes that poor people are just as industrious, creative and adaptable as others and the only thing keeping them from being successful is having access to capital. Because of these assumed competencies and skills, many of the programs in the LDCs do not provide much business training to their borrowers. This model is empowering because participants make their own decisions and are held accountable for the actions of their peer-lending group. In contrast, virtually all of the microlending programs in DCs provide training because that is deemed to be fundamental to business success in a developed economy and competitive market (Johnson, 1998). Success in microlending programs in DCs is mostly about economic development, which shows the influence of traditional lending institutions in shaping the features of microfinance.

Rubach and his colleagues (2010) do a systematic comparison of microlending in LDCs and DCs using Iraq and the United States as examples. Many of the elements that they identify as significant characteristics have been discussed by other scholars who write about microfinance and microlending. The first feature is the formality of the lending system. In DCs the system is very formal and highly regulated with stringent rules about lending practices, access to capital, and accountability (Dyal-Chand, 2005). In LDCs, the lending system is much more informal and unregulated with individual money lenders able to charge exorbitant interest rates to those who have no access to the traditional banking system (Ivanov & Tursaliev, 2006). At the same time, having a less restrictive system, means that microfinance programs in LDCs can be more innovative in providing borrowing options.

There are also differences in transaction costs. In DCs it is difficult and expensive to gather information on potential borrowers and to monitor and enforce loan repayment (Dyal-Chand, 2005). Small loans are just as expensive to administer as large loans and the profits are much less (Ivanov & Tursaliev, 2006). In LDCs loans are granted without credit history, collateral or business plans, which makes the transaction costs related to information gathering less. In DCs without this type of information, such loans would be deemed risky (Schmidt, 2009, Ivanov & Tursaliev, 2006).

The markets are also very different. In LDCs there are fewer barriers to entry in that there are many gaps in product and service offerings that need to be filled. The markets in DCs are much more competitive and in many categories already saturated (Richardson, 2009). Thus, to be successful, entrepreneurs need comprehensive market information and the skills and knowledge to do systematic analysis to evaluate the suitability of their business idea. They operate in the formal economy where economic literacy is essential. Likewise, the small scale of loan that is appropriate for LDCs is not substantial enough to start a business in a DC (Kibria et al., 2003; Dyal-Chand, 2005).

Another major difference is that in DCs loans are made to individuals, whereas in LDCs, they are made to peer lending groups. The US with its emphasis on individualism makes transferring the peer model difficult (Kibria et al., 2003). For example in Bangladesh, the population is much more homogeneous with respect to language and ethnicity than in DCs, like Canada and the US. Likewise borrowers in the peer lending group tend to be the same sex and social class and bound together by dense social ties. This type of social network is a perfect platform for what Portes and Sensenbrenner (1993) call “enforceable trust”. Collectively, the group has the power to sanction any member who does not meet trust expectations. This social context of rural Bangladesh is rarely found in DCs.

Finally, many researchers have focused on the different goals of microfinancing in LDCs and DCs. In LDCs, such programs are seen as vehicles for empowering those living in poverty to make their own decisions, be accountable and share responsibility. This empowerment enhances commitment, and makes important connections for the exchange of skills and knowledge to assist borrowers with their businesses. Likewise, these loans can help individuals move out of the poverty cycle, which in turn have broader macroeconomic impacts (Morris et al., 2006). In contrast, many borrowers in DCs are not as focused on the loan as they are on the opportunity to establish a credit history, receive business training and establish business networks. It is not as much about building social capital to access skills and knowledge from their network, as it is about getting training and technical assistance that will lead to greater business success (Kibria et al., 2003).

To summarize, the key features on which microlending in DCs and LDCs can be compared, and that are used in this study of an Aboriginal lending service situated in Toronto include the following:

Feature	DC	LDC
Lending system	• Formal and regulated	• Informal and unregulated
Loans	• Goal – economic development • High transactions costs • High information needs	• Goal – empowerment • Low transaction costs • Low information needs
Markets	• Competitive and saturated • High barriers to entry • High levels of skills required • High start-up costs	• Product and service gaps • Low barriers to entry • Low level of skills required • Low start-up costs
Borrowers	• Individualistic • Diverse in ethnicity and social class • Weak social ties	• Collective is more important – peer-to-peer effective • Homogeneous in ethnic, social class • Strong social ties

Method

Research Design

This paper focuses on one of fourteen case studies that are part of a larger CURA project on social enterprise among marginalized groups. This microfinance case study is being conducted as a partnership between Miziwe Biik (MB), an Aboriginal Employment and Training organization in Toronto, and the Ted Rogers School of Management at Ryerson University. The research design is qualitative and includes content analysis of existing reports and records, in-depth interviews with clients and staff of Miziwe Biik, in-depth interviews with management at Aboriginal Business Canada (ABC), in-depth interviews with the loan committee of the micro-credit program, and focus groups with the leading members of the GTA Aboriginal community. This paper reports on the data collected to date. We identify verbatim quotations in the results section by Respondent Number.

Cultural Context

Although much research has been conducted on Aboriginal communities in Canada, few have incorporated Aboriginal methodologies, analysis or interpretation (NAHO, 2005). In order to make this research more meaningful, the team used research techniques and instruments that respected the practices, histories and experiences of the Aboriginal community. We began by consulting Cat Kriger, an Aboriginal Elder to ask for insight into traditional teachings, practices and ways of looking at the world. His guidance, as well as recent scholarship, lead us to the concept of the Medicine Wheel as a dominant Aboriginal frame of reference. The Medicine Wheel is a vessel that holds many traditional teachings, both ancient and contemporary; a lens through which life experiences are understood; and the foundational teachings that guide daily life. While the presentation of the Medicine Wheel can differ among Aboriginal cultures and between Elders its general structure evokes the cyclical nature of the world, such as the cycles of day/night, the seasons, and life. It is also a reminder of the interconnectedness of all things, such as the land, the people, and the four parts of the self.

The challenge for the project team was to integrate the powerful teachings of the Medicine Wheel with the data gathering strategy for the project. The natural cycle of the Medicine Wheel and the Four Directions provide a relevant basis for the CURA cultural framework. By incorporating the teachings shared by the Elder, the CURA cultural framework can explore the micro loan process in a manner that is culturally familiar to the research participants. Like the Medicine Wheel, the CURA cultural framework begins in the East. As the East represents, among many things, 'new life', the research explores the loan application process and the motivation behind it. The Southern quadrant of the CURA cultural framework provides space to explore the resources, available through Miziwe Biik and other service providers, that are needed and used by micro loan clients who want to be successful business owners. In keeping with the holistic nature of the cultural framework, the resources explored move beyond the financial and business resources to include those that address the emotional, spiritual, physical, and spiritual aspects of the client. In the Western quadrant, the research explores how the micro loan clients carry out their work, the challenges faced, and the impacts the micro loan has had on the individual, the family, and the Aboriginal community in Toronto. The final quadrant of the framework, the North, focuses on the reflection, reassessment, and future direction of the micro loan experience.

Using this integrated cultural framework and an Aboriginal interviewer, the team strives to be respectful of the cultural knowledge, differences, and histories of the respondents and hopes that respondents will thus be more candid about sharing attitudes, beliefs and experiences on a deeper level. The end goal is to produce research that will be of benefit to the Aboriginal community of Toronto.

Results

Miziwe Biik

We begin the discussion of the results of our qualitative research by providing an overview of Miziwe Biik (MB). Miziwe Biik Aboriginal Employment and Training was established in 1991 by and for the Aboriginal community in Toronto to address the unique training and employment needs of Aboriginal people. It offers programs and services to the Aboriginal community including career and employment counselling, community project training, skills development training, employment and training placement and an employment resource centre, where clients can access computers, the Internet, fax machines, as well as other employment-related resources.

In 2004 the Miziwe Biik Development Corporation was created to facilitate the economic advancement of the Aboriginal community within the GTA. This led to the 2007 establishment of the Aboriginal Business Resource Centre (ABRC) to provide entrepreneurs access to business training and skills development as well as microloans. The loan program began with a modest pool of $60,000 to support Aboriginal entrepreneurs in Toronto. It fills a service gap by offering small loans of $1,000 to $5,000 at 2% above prime, with a repayment plan of 12 equal monthly instalments.

To date, the micro-loan program has lent out $43,500 to nine Aboriginal entrepreneurs. Of the nine borrowers, three have paid back all monies owing (two missed at least one payment, but all outstanding balances have been paid). There is one active borrower at present who is up to date with all payments, while another borrower is past due on a payment (although repayment is still possible at this point). Four borrowers have defaulted on their loans. Of the $43,500 lent out to borrowers, $23,500 (including interest) has been repaid. Of the $23,673.16 that remains outstanding, $1,734.80 is performing debt, while $22,152.69 is considered to be bad debt. At this point, the Miziwe Biik Micro-loan program has a success rate of about 50%.

Features of lending system

The first way the microlending experience differs between DCs and LDCs is the characteristics of the lending system itself. Canada as a developed country has a very formal and regulated banking system, as evidenced by the World Economic Forum's naming the Canadian banking system as the most sound in the world for the third consecutive year. However, the current banking system may not be accessible to some Aboriginal entrepreneurs because of their poor credit rating. R5, for instance, applied for a loan through MB because she "needed a chunk of money to secure funding through ABC [Aboriginal Business Canada] and I couldn't go through the bank because I had previously claimed bankruptcy." MB does not follow the traditional lending practices of the broader banking system. As R1 explains: "We don't secure it [the loan] with chattel; we don't do a credit check because we know in the Aboriginal community that credit issues are big factors." As R5 points out: "I had the worst credit in the world, really bad. So I had to go to Money Mart to get a credit card because sometimes I had to make a purchase online. And somehow I have built up my credit to A1." This behaviour is similar to those in LDCs who cannot access capital through mainstream lenders and are forced to go to money changers.

In response to the special needs of the Aboriginal community for access to capital, Aboriginal Business Canada (ABC) and others set up capital corporations to serve the community. However as R1 notes, these "were set up in the eighties", before the significant migration of the Aboriginal population to Toronto. While "there is acknowledgement that the population has migrated to cities and that Toronto is the source of a great deal of entrepreneurial development, …. ironically, they are not moving the money there (R1)." So the capital available to Toronto entrepreneurs from these organizations is not proportionate to the population.

An additional issue exists with respect to the attitude of the Aboriginal lending corporations toward their potential clients. Whereas MB is more like the microlending organizations in the LDCs about providing unsecured loans, ABC and others believe that: "Business has simple rules, whether you are Chinese, Japanese, red or white you have to follow certain standards (R2)." Similarly, contrary to the philosophy of the Grameen Bank, Aboriginal lending institutions may not believe that everyone is capable of running a business. In commenting on the program at MB, they assert that "In terms of Miziwe Biik, they are just casting too wide of a net. Not everyone should be in business. It's not an option for everybody (R2)."

The cost of transactions for smaller loans is also an issue for the other Aboriginal lending organizations. "There's a lady who makes jewellery, she might make ten thousand in sales, she's more work than the guy looking for a hundred thousand commercial machine (R2)."

In terms of accessing capital from mainstream organizations, there is scepticism in the Aboriginal community. As one very successful Aboriginal entrepreneur reports: "I am now paying Industry Canada back the $10,000 they granted to me [without using it], because I just refuse to follow their parameters [require $4000 in insurance]. Their program is very inflexible and they have been very condescending to me. Many Elders tell me not to take money from the government and now I have learned my lesson. I would never encourage other people to take grants from the government because of this experience (R3)." Perhaps this cynicism toward mainstream lenders is a reason why the latest CCAB report (2011) on the Aboriginal business community found that the majority of entrepreneurs (55%) rely mostly on personal savings rather than business loans or bank credit (17%) or government programs (17%) or loans from Aboriginal lending institutions (15%) for both start-up and ongoing financing of their businesses.

Features of loans

Microloans provided in LDCs have low transaction costs because they are not secured and require minimum information. In contrast in DCs, lending institutions consider it part of their due diligence to ensure that a satisfactory business plan is in place and that the loan can be secured with other assets because their primary goal is economic development.

Miziwe Biik modeled their microloan program on the one used by the Canadian Youth Business Foundation (CYBF). As RI indicates: "we've recreated their process in miniature...we conduct the initial interview ...based very much on the CYBF questions and score out of about 39.....We are looking at...does this person's idea make sense? Do they seem like the sort of person who can pull it off or are they doing anything already to realize their dream."

Similar to loans in DCs, MB makes loans to individuals not to groups. "Peer lending programs just don't work in the community, not in for our community anyway (R1)." This may be a function of many Aboriginal people not identifying with their culture. In LDCs, the strong social ties of the community provide a powerful mechanism to ensure repayment. Repayment rates are much lower in MB compared to MFIs in LDCs. A recent Environics Institute survey (2010) found that 40% of Aboriginal people living in Toronto felt they belonged to a mostly non-Aboriginal community, 27% felt they belonged to a mostly Aboriginal community and 29% felt they belonged equally to Aboriginal and non-Aboriginal communities.

Although MB does not secure its loans and only has a 50% repayment record, "we have made a positive difference. I know that half the people have launched businesses that they likely would not have done so if it had not been for us (R1)." "The $5000 couldn't be yet another source of funds. It had to be nothing else will happen unless the $5000 happens for the individual (R1)."

Other features that make the MB loans similar to those made in LDCs are the repayment options and the emphasis on outcomes other than profit. "It's a fixed rate,...we don't want to complicate it...people know what the payments are going to be every month and for how long and we make a few hundred dollars per loan, but we aren't in it really for the money (R1)". "We do look at...how does this business fit in the Aboriginal community...is it going to enhance the life primarily of the entrepreneur, but will it contribute to the overall life of the Aboriginal community in terms of economic development (R1)."

Similar to programs in DCs, the MB program emphasizes skills development and training. "People have to make an application, have to submit their business plan with the application. I'll review the business plan with the loan committee member.....I may go back to the person before the interview and say this needs work and this is how I can help you....We okay about 1 in 4 applicants (R1)." "We have a small business certificate course and you have to, in order to apply for the loan, either have taken our small business certificate course or have some sort of equivalent experience...It is really a boot camp on getting your business up and running and understanding what goes into it...and there is also one on one coaching (R1)."

The overall goal of the MB program seems to combine the economic development focus of the programs in the DCs with the empowerment focus of the LDCs. Thinking about the economic development outcomes, R1 outlines another feature of the microloan program. "There is the potential that once the amount is paid back to come back. It's a step loan process, you could come back for $10,000 if you pay it back...You can do it up to three times." "The idea is that if you really come to us three times and pay us back three times, you wouldn't come back to us for a fourth time to expand, you really ought to deal with a mainstream institution...because you have proved your business plan...and your needs are going to be far higher than we could ever offer." However, empowerment is also key in that: "The whole other measure of success that has to be in balance, I think that kind of impact that is not immediately apparent in dollars and cents, but it's much more about building up the community's confidence (R1)."

Features of markets

One of the major differences between DCs and LDCs is the nature of the market. In LDCs, there are few barriers to entry and there are many service and goods gaps that need to be filled. In contrast in DCs, competition is fierce, and there are high barriers to entry. To be successful, entrepreneurs have to have detailed knowledge about their market and the analytic skills to evaluate the strength of an opportunity. One MB client, who was not as successful as she wanted to be, identified market problems as a key reason. "Initially I identified my target clients too broadly (R5)". She also reflected on her business acumen. "I think I should have been forced to go to business training as I am now in business, but I am terrible at finances and marketing....The challenge came when all the money was gone and marketing was not bringing in the clients (R5)."

Because of the significant role of market conditions on business success, MB is "more concerned about do they understand their market (R1)", than other business skills when evaluating loan applicants. Similar to the views of lenders in DCs, other Aboriginal lending institutions are sceptical about the relevance and impact of small loans given the competitive nature of the market "so five thousand, what businesses are you going to help with that? Honestly, none (R2). The market conditions into which MB microloan holders venture are clearly more similar to those of DCs than LDCs.

Features of borrowers

The borrowers in DCs tend to be individualistic, ethnically and socially diverse. In contrast, in LDCs borrowers are more collective in outlook and more homogeneous with respect to language, ethnicity and social class. The situation with microlending in the Aboriginal community tends to highlight the diverse opinions within the community about what is relevant and important.

MB tends to take a holistic approach to its borrowers and assesses them in terms of their potential in a number of different areas. "I think what I have learned even from my employment training days is that it doesn't matter what skills or talents a person has, if they're healthy physically, mentally and emotionally, spiritually, if they are in a good place, they can do anything (R1)." This view that Aboriginal people are capable, intelligent and hard-working and their current economic status is the result of access to capital and discriminatory practices tends to mirror that of the Grameen Bank. "The whole messaging for hundreds of years now is basically that we are losers and we can't cope with the so called modern world, and a lot of our people believe that; it's not just non-native people....."I think Aboriginal people are looking for permission to be successful in business (R1)."

In contrast, there are others in Aboriginal lending institutions, who do not have the same optimistic expectations of their community members. "You get the unfortunate impression from some of those people that when they come, we are giving them money to live on. We are not giving them money to live on; we are giving them money to develop their business, and if their business doesn't go, we ask for the money back. They don't seem to understand that part of it (R2)." "The main challenges are obviously, just general business knowledge. I mean if you're from a reserve, you live in a communist society...you go to the central bureau to get your 'whatever' and then you go away with it....When you are out here, it turns strictly into capitalism...so when you start hearing 'entitled' to stuff like 'living wages'....those are like red flags to me that this guy doesn't understand capitalism let alone business (R2)."

Several respondents talked about the Indian Act and residential schools as factors that have affected how Aboriginal people feel about themselves, their culture and their abilities. "Having my own business helped me overcome the intergenerational effects of the residential school system, the 60s scoop, and the foster care system. It allowed me to create a bond with my young son, so he will grow strong and proud of his identity as a native person (R3)." "I was never born on the reserve. However, it has affected us terribly, we didn't know our culture. Many things are really hidden....it is very important to know your culture and understand who you are and where you come from (R4)." In contrast some feel that the Indian Act and the Residential Schools disaster "have nothing to do with business...that is a crutch now (R2)."

However, the importance of the integration of the cultural piece into the microlending experience is mentioned by loan holders. "I would like Aboriginal people to be training Aboriginal people about how to run a business. It makes things more real. When a white woman comes to tell us about her business and how she does it full-time, I just think she has a husband behind her who is working full-time and giving her health benefits. It's not my reality (R3)." "We never did anything traditional like use a sharing circle or doing a smudge or doing a visioning quest. Something like that would have been nice (R3)."

Likewise, entrepreneurs would like to see more support from the broader Aboriginal community and its institutions. "They could have hired me to do training for the business course since I am living proof that businesses can work, but I've never been asked to come and do this...Often we work in silos in the Aboriginal community and we don't come together often enough to learn from one another and to figure out how our work and aspirations link together (R3)." "There's no central meeting place for Aboriginal business in Toronto (R3)."

The empowerment and economic development that Miziwe Biik was seeking through its microloan program seems to be reflected in the success of some of its loan holders. "It's scary to think you need to make enough money to support your family on your own. You kind of need a lot of confidence to know you will succeed (R3)." "Actually after spending 30 years n food service, I just really wanted to do something for myself and I just needed to have something that gave me a little bit more self-pride (R4)." The impact on family has been "inspiration...they are really proud (R4)." The social ties within the Aboriginal community are not as strong as those within the more homogeneous communities of LDCs. However, it appears that for some a consequence of being successful in business is gaining self-confidence and a pride in Aboriginal culture.

Discussion

The purpose of this paper has been to compare and contrast an urban microfinance program implemented for members of the Toronto Aboriginal community with the traditional microfinance programs associated with less developed countries. The first feature on which we begin our comparison is the lending system. In Canada, there is no doubt that the lending system is formal, regulated and very robust as evidenced by the performance of the financial sector during the latest recession. That having been said some members of the Aboriginal community cannot gain access to this system because of poor credit rating and just like those in LDCs, are forced to turn to money changers and money lenders outside the regulated system.

The second feature on which we compared the Aboriginal microlending programs with those of LDCs was the loan itself. In DCs the goal of lending money is economic development. There are high transaction costs associated with loans because of the information that needs to be gathered as part of the due diligence process. In contrast, in LDCs the goal of the program goes beyond economic development to include empowerment through decentralized responsibility for loan repayment. Because no credit history or collateral are required for microloans in LDCs, the information needs are low, and because repayment is handled by peers, the overall transaction costs are minimal compared to DCs. The features of the Aboriginal lending program straddle both of these types. While no credit history or collateral are required, applicants must develop and submit a suitable business plan. For those who do not have the skills to develop such a plan, training is offered and indeed required, similar to the practices in DCs. Outsiders view the MB program with concern because of the number of bad debts, as they define success from the traditional economic development model perspective. MB itself has broader goals and is interested in empowering the community to be confident in their business skills, which is more in line with the focus in LDCs.

The third feature, markets, highlights significant differences between DCs and LDCs. In DCs, markets are competitive and saturated with high barriers to entry. As a consequence, start-ups need both business knowledge and analytic skills to be able to assess the viability of their idea. Because MB requires business training, they are trying to prepare their borrowers for the markets into which they are entering. In contrast, in LDCs, the market is growing and developing in most categories with many opportunities for new products and services. Skills and knowledge levels do not have to be as high as in DCs to be successful. On this feature, the MB program is more like DCs than LDCs.

The final feature is the nature of the borrowers. In DCs borrowers are diverse in terms of class, gender, age, and ethnicity with weak social and community ties among them. For this reason, peer lending has not been as successful in DCs as in LDCs. Those participating in the MB program are all part of the same broad Aboriginal community, but many Aboriginal people do not have strong social ties with their home community, particularly those who live in Toronto. This lack of identity has its roots in the Indian Act and other government policies and the ramifications continue to be felt. On this feature, the MB program again straddles the DCs and the LDCs in that there is the potential for strong social ties among the Aboriginal borrowers, but this has not yet been realized.

In summary the microlending program at Miziwe Biik for the Aboriginal community has some of the features of the traditional programs that have been so successful in LDCs and some of the features of the lending programs from the formal banking system as found in DCs.

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