FINCA’s Rupert Scofield is out to prove that small loans can go a long way.

By Amy Soberano
Rupert Scofield is passionate about empowering the underdog. Widely considered to be among the pioneers of microfinance, FINCA's (the Foundation for International Community Assistance) president and CEO leads a global poverty alleviation organization that provides financial services to the world’s most disempowered entrepreneurs in Africa, Latin America, Eurasia, and the Middle East through a system of microfinance products and services designed to break the cycle of poverty. With a thriving network of 21 subsidiaries, over 900,000 clients, and a global portfolio approaching half a billion dollars, Scofield and his team deliver small loans with a massive impact.

"A small amount of capital can make a huge difference in people's lives," says Scofield. "They can eat better; they have a marketable surplus; they can buy medicine and clothing, and they can afford to send their kids to school."

Far from a free handout, FINCA is founded upon the belief that impoverished people have a right to dignified and legitimate financial services. It offers an otherwise unavailable line of credit to those most in need of working capital with the intent of enabling responsible investment, financial self-sufficiency, and a higher quality of life. "I perceive the challenge of building FINCA and supporting microfinance as creating sustainability at a number of levels—the first, of course, is the client," Scofield explains. "We don't want them to borrow from us forever, but rather build their own capital and savings. This commitment to fostering independence has been embedded in the methodology of FINCA's lending, which encourages its clients, most of whom are women, to save a portion of their profits. FINCA's focus on female borrowers is due not only to the feminization of poverty, but to the idea that, oftentimes, as heads of households, women are more likely to manage funds in their families' best interests.

In the years following its inception in 1983, the nonprofit generated funding through grants, donations, interest income, and borrowing from commercial sources. Gradually, the loan portfolios of various subsidiaries, most notably Ecuador, Uganda, and Kyrgyzstan, began to produce enough interest to achieve self-sufficiency and even become regulated financial institutions. And finally, in its 25th year of operation, FINCA established itself as a wholly self-sustaining anti-poverty organization. "I am happy to say that today our network of 21 countries and subsidiaries collectively generates enough money to cover 100 percent of the cost of operations," Scofield enthuses. "This includes over 7,500 employees worldwide, and about 70 at headquarters in Washington, D.C." He further asserts that had FINCA not
remained loyal to clients in its most difficult regions, this milestone would have been celebrated far earlier. "I'm very stubborn about working with our challenge countries like Haiti and Afghanistan, that suffer calamity after calamity and often spend years in the red before breaking even. We rarely say, 'Let's cut our losses.'"

While Scofield's palpable enthusiasm would suggest otherwise, the New York City native considers himself very much an "accidental social entrepreneur." Upon graduating from Brown University in 1971, Scofield was immediately drafted into the Vietnam War. "I really wanted to find a different option, and stumbled on the Peace Corps, which was offering a two-year deferment," he explains. "To be completely honest, had it not been for the draft, I doubt very much that I would have found my way to the Peace Corps, not because I wasn't tuned to social issues, but because I probably wasn't courageous or adventurous enough. I had never even traveled outside of the U.S." Unbeknownst to Scofield at the time, his experience overseas was the beginning of a lifetime of international involvement.

Attached to an agricultural service cooperative in the highlands of Guatemala, Scofield's job was to make microloans to indigenous peasant farmers. Not only was this his first exposure to the microfinance industry, it was also among the first programs of its kind—and its impact was impossible to ignore. "These were people who were usually working for landlords on large coffee plantations, cruelly exploited, and paid very poor wages," says Scofield of his impoverished clients. Many of the farmers did not own their own land, but were allowed to cultivate subsistence crops on small, often depleted plots in exchange for labor. "We provided them with $500 loans in the form of fertilizer and seed, and the increases in yields were just enormous," he recalls. "Of the 800 farmers I lent to, all but one of them paid me back." The tangible improvements in the social welfare of his Guatemalan neighbors, from such a seemingly insignificant amount of capital, impacted Scofield profoundly. "I just thought, 'Wow! This is the kind of foreign aid that really makes sense.' It's very inexpensive and it goes directly to the people. It has an immediate impact on their well-being."

In 1973, Scofield returned to New York City and spent two years bouncing between odd jobs before deciding to return to school for a master's degree in agricultural economics at the University of Wisconsin. "I guess the moment I woke up was when someone asked me to talk to a high school class about different opportunities after graduation," Scofield says. "I started telling them about the Peace Corps and just felt this amazing enthusiasm that I absolutely did not have for the jobs I was doing at the time. I realized that I had to get back to doing something I really cared about." After struggling to find work post-graduation, Scofield was hired by the future founder of FINCA, John Hatch, for a start-up consulting firm overseas. "I opened the envelope and there was a plane ticket to the Dominican Republic, a check for $1,500, and a yellow Post-it saying, 'You're hired!'"

Hatch's devotion to disempowered Latin American farmers made a profound impression on Scofield, and while limited resources eventually caused him to find other work with a labor organization in Washington, he and Hatch remained in close contact. "He had this huge passion, as I did, for helping the little guy and getting resources into their hands without a lot of red tape," says Scofield. "John's approach was not the typical top-down consulting model. He talked to the farmers first and asked them what they needed. He listened to their ideas." Scofield specialized in working with highly politicized agrarian unions for the next six years, of which one year was spent in civil-war-ridden El Salvador. "A big part of the conflict at the time centered on a land re-
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Rupert Scofield

form program we had designed and helped to implement," he explains. Death squads, composed in part of former landlords, terrorized the region during that period, and Scofield’s own boss was gunned down and murdered in a hotel restaurant. "He was hugely inspirational to me. He taught me a lot about politics and the courage, dedication, and sacrifice it takes to be a leader."

By 1985, Hatch had begun to establish the methodological framework for what was soon to become FINCA. "He told me he had this dynamite idea called Village Banking, which he had come up with on a flight to Bolivia after his second double bourbon," says Scofield. Now used by hundreds of organizations worldwide, Village Banking is a credit scheme that eliminates collateral as a loan prerequisite, relying instead on a system of cross guarantees made by an informal group of 15-30 predominantly female community members. Well-positioned to combat many of the contemporary challenges facing microlending, this innovative representation of grassroots democracy is integral to ensuring FINCA’s repayment rate of over 97 percent.

Despite tremendous promise, it took nearly six years to get FINCA off the ground, and while Hatch delved headfirst into raising funds, Scofield took over his consulting firm. "It really was the classic entrepreneur experience. John dedicated himself, single-mindedly, to the start-up of FINCA. At one point, he even had negative net worth," remembers Scofield, who worked as a volunteer board member until 1992 before becoming president and CEO in 1994.

Beginning with four demonstration village banks in Costa Rica, Guatemala, El Salvador, and Honduras, FINCA finally took off in 1990. "The programs ran beautifully, the repayment rates were always near perfect, and they continued to grow to the point that our weaknesses as entrepreneurs rather than financial bankers with formal training became a limiting factor," Scofield said. As FINCA reached increasingly new levels of expansion and complexity, Scofield and his team had to continuously upgrade their operational model. This included integrating more high-powered, experienced financial managers—many of whom had become disenchanted by investment or commercial banking—into the team of nonprofit workers. "They work for far less than they could command in compensation in the private sector, and they do it because they love it," Scofield says. "It’s satisfying; it’s meaningful; their kids admire them for what they do; and they go home feeling wonderful about their work. I think people in this materialistic society often greatly underestimate how important that is."

But for Scofield, it has always been enough. "I can honestly say that the last time I was bored for even five minutes was decades ago, when I worked cataloging books in grad school. Sometimes I’ve been terrified and other times massively stressed out, but never bored and never with any doubt that I’m doing the right thing with my life."

In March 2011, McGraw-Hill published Scofield’s first book, The Social Entrepreneur’s Handbook: How to Start, Build, and Run a Business That Improves the World, a practical guide for developing sound business models to effect positive social change. This realizes Scofield’s lifelong dream of publishing a manuscript, which he began working on while in Guatemala with the Peace Corps. "I’ve been writing novels for a long time, and after years of struggling, this one was amazingly easy," he confesses. "I’m very proud; it’s nice to have a real audience."

And to the many aspiring social entrepreneurs now turning to him for guidance, his advice is simple: find your passion. "Figure out what you care about, and then immerse yourself in it. Get to know the people whose plight you are trying to mitigate, and understand their needs from their point of view, not from the outside," he urges. "Once you light that fire in yourself, it will keep you going through the adversity—and there will be adversity. But even if you fail, even if it doesn’t pan out the way you planned, you’ll have had an amazing experience."