

Micro-Finance Institute: A Case Study of Mokalan Institute, Nakorn Sri Thammarat Province, Thailand

The poor and marginalized people are everywhere. Majority of them lack the opportunity to study, have a good job, access to fund sources and have a good quality of life. There have been initiatives to address the issue of poverty. There have been various approaches to reduce poverty such as increasing agricultural yield that will consequently result to higher income and food security. Another strategy is the wise-use of natural resources to maximize benefits without compromising ecological health. In the case of the community in Mokalan, Nakhon Si Thammarat, the number one pressing problem faced by the poor people is the lack of access to fund sources as well as a mechanism for savings that is link to the benefits obtained from ecosystem services. The establishment of the Mokalan Micro-Finance Institute is a sample case of community micro-finance, for truly being an accessible fund source for the poor.

CORIN-Asia Foundation has been emphasizing the importance of micro-finance as an important component of livelihood development towards poverty reduction, in its approach. It is also supported by activities implemented under the Wetland Alliances Programme (WAP) funded by Swedish International Agency (Sida). The Mokalan micro-finance model can be adapted and implemented in other areas within the Mekong region, particularly in WAP sites.

The Profile

Mokalan Micro-Finance (MFI) is located at Tah Sala District. It is one of the three MFIs in the district. It provides services for both Muslims and Buddhists making it different from the other micro-finance facilities available. It caters to the needs of the Muslims in the area because it is based on the Islamic law but at the same time, it is still able to cater to Buddhists in terms of poverty alleviation. The unique characteristic of Mokalan institute is its ability to provide opportunity for all people from any religious by being religion-sensitive. It also caters to both members and non-members. It is considered a success story because of its high profit and high working capital within ten years from its establishment despite the fact that committee members running it have only reached primary school in their education, except the chairman. Mokalan Institute is an effective capital-provider for the poor that led to an improvement to their well-being as well as contributed to poverty reduction. From the experiences shared by the community, the strategies of Mokalan Micro-finance Institute can be an effective tool towards poverty reduction. The simplicity of the approaches can be adopted elsewhere even where there is diversity of religion.

The Purpose of Mokalan Micro-Finance Institute

The Mokalan Micro-Finance Institute was started because local people in the village which are mostly Muslims faced the issue of inaccessible fund to support livelihood activities as well as lack of opportunities to learn by themselves. Many of them are in debt at high interest rates from the capitalists, around 10-20% per day. Thus, the main objective of the institute is

to provide access to funds for livelihood activities and small business endeavors for both Muslims and Buddhists.

The establishment of Mokalan Micro-Finance Institute

Initially, the institute was started by forming a village saving's group in March 2002. The group had only 24 initial members for the first phase. In June 2002, the savings group has been registered with the Department of Agricultural Extension and Cooperative Promotion. It was called the Sang Aroon Bank. In July 2002, they received one million baht from the government under the Village Funds Policy. The leaders and members agreed to combine this fund together with Sang Aroon Bank and renamed it as the Mokalan Village Funds in November 2002. They received an excellent evaluation from the National Village and Urban Community Fund Office because of their approaches and strategies. It was then registered to be a juristic person in 2005/2006 and having passed the evaluation with good grades, they were able to upgrade to the status of a Micro-Finance Institute of Mokalan sub-district in May 2008.

The institute has been receiving support from the Government Savings Bank. They provided the Micro-Finance Software and set up the training programs for the different committees especially in terms of accounting management. The main network of micro-finance in this district, the Bor Non Institute, always encourages and gives an opportunity to the committees of Mokalan Institute to learn. They provide seminars to build capacity of the management committees and encouraged them to continue learning by doing.

The Strategies of Mokalan Micro-Finance Institute

At present, Mokalan Micro-Finance Institute has fourteen committee members as decided upon by the members through election since 2002. All of committee members are residents of Mokalan village. They understand the villagers and are familiar with the issues they face. Mokalan micro-finance institute is open for anybody from the sub-district level. It provides money for borrowing provides dividend to its member and accepts money deposit for savings. The institute provides 1% annual interest rate for regular savings, 5% annual interest rate for fixed deposit of 12 months and 6% annual interest rate for fixed deposit of 24 months. The rate is higher than what commercial banks offer. These are the main strategies to increase the institute membership and generate sufficient money to circulate and use.

Figure1. The members pay their debt, deposit their money and borrow from the institute



(1) Paying dept

(2) Depositing money

(3) Borrowing money

As a special feature, it offers special services for the Muslims based on and conforming to Islamic rules. In addition, the institute has internalized a corporate social responsibility. It has a policy to help people who are disadvantaged in the community by providing beneficial services to them, in line with the institute regulations.

The institute offers a general loan as well as loans for livelihood activities at 1 % monthly interest rate. Members can borrow money to invest or expand their livelihood activities, e.g. agriculture, domestic livestock and operating capital for their business operations, among others. In addition to providing loan, the institute provides technical support to livelihood activities. Moreover, the members can borrow money in case of emergency needs with no interest rate. More importantly, they can receive medical aid in case of hospital confinement as well as receive cremation support as needed.

Figure 2. The activities of borrowers



(1) Coconut trading (2) Pottery Supplying (3) Oil palm planting

The Institute has regulations for membership and borrowing. It takes into consideration preventive and solution-oriented measures. These measures became effective tools to prevent bad debts and maintain profitability of the institute. Moreover, people in the community who lack basic needs can borrow money from the institute to meet those needs, e.g. house, toilet, buy rice and medical needs, among others. The success of the Mokalan Micro-Finance Institute can be measured based on its sustainable poverty reduction achievements within the community. People gained livelihood security and improved their standard of living because of an accessible fund available for them. Furthermore, they developed a process of learning by and among themselves that helped both the committee members and the regular members. As a result, many people in the community have better well-being now compared to previous periods when there was no Mokalan Micro-Finance Institute.

For more information please contact:

Dr. Somsak Boromthanasart

Director, CORIN-Asia Foundation,

E- mail: somsak.b@corin-asia.org, secretariat@corin-asia.org

Tel.: (66) 818 404 720; (66-2) 524-5471

Postal Address: A-12 Aquaculture Outreach Building, AARM, Asian Institute of Technology
P.O Box 4, Klong Luang, Pathum Thani 12120, Thailand