

# Introduction

*SAMIAH and NAGA MACARANGCAT, along with their seven children, decided to leave Mindanao in 2004 to escape from the vicious cycle of hostility and in-fighting between Muslims and Christians. Armed with nothing but the hope of being able to live peacefully and the resolve to raise their children according to the teachings of Allah, they arrived in Capiz in February of that year.*

*The Macarangcat couple first heard of PACAP/CRIFI (Philippines-Australia Community Assistance Program/ Capiz-Roxas Islamic Foundation Inc.) from other Muslim settlers and the possible financial assistance they could get from these agencies to help them get started. However, failing to meet the minimum residency, they were denied on their initial loan application. To make matters worse, Naga could hardly find employment in a predominantly Christian community.*

*They turned to usurers, as a last recourse, to take out a small loan with a huge interest rate to enable them to start their trading business. Not surprisingly, the decision would later cost them everything they had. There were days they could not even have one decent meal. Their children had to stop schooling. They were pushed to dire poverty. According to Samiah, her husband Naga had practically lost all hope.*

*But Allah soon came to their rescue. It was the time when PACAP granted financial assistance to the Datu*

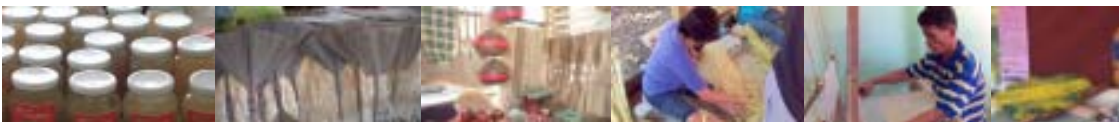


*Bangkaya Traders Multi-Purpose Cooperative for their rubber sandal and slipper-making project. Naga applied for work at the cooperative and was hired as a member of the production team. While he became gainfully employed, his wife Samiah was selected as one of the beneficiaries of the Capiz-Roxas Islamic Foundation, Inc.*

*A P\_\_\_\_\_ initial loan from CRIFI made it possible for their trading business to take off once again, but this time, on the right footing. Samiah sells the finished products of the Datu Bangkaya Traders MPC as well as other dry goods to Christian communities in Roxas City and in the province of Capiz. Her succeeding loans have enabled her to widen her array of products to offer, including pants and T-shirts.*

*With all these things going for them, the Macarangcats have started to count their blessings. They now enjoy three square meals a day. The couple can even afford to send their children back to school. With the help of PACAP, CRIFI and Datu, Samiah and Naga now lead their lives with a brighter and more optimistic outlook.*

*"Millions of poor people have used microcredit to fund a new tool, a machine, or a shop in the marketplace, with surprising success. Studies in India, Kenya and the Philippines found that the average annual return on investments by microbusinesses ranged from 117 to 847 per cent. If they are so lucrative, why didn't these businesses start sooner? Lack of capital. Poor people either have no money to get started, or have to borrow from loan sharks who*



*charge usurious rates that wipe out profits.” This is what microfinance, or “banking for the poor,” seeks to address. Ultimately, its vision is to empower poor people to pull themselves out of poverty.*

“The Year of Microcredit,” Human News, 29 September 2005)



### Purpose, Target, User and How to Use

The purpose of this module is to equip PACAP personnel with a working knowledge on the key terms and concepts as well as the various stakeholders in the microfinance industry. It also aims to help them get started for a more informed evaluation of project proposals seeking the agency's financial assistance.

This will be a useful tool for the PACAP staff, particularly project officers and evaluators, as well as complementary or administrative staff. They will find easy-to-understand definition of key concepts and terms used in microfinance. It also contains practical information on the various stakeholders in the industry.

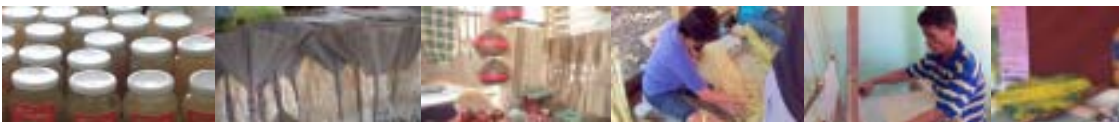
### Key Terms and Concepts

#### *Social Performance*

This section contains terms that apply generally to understanding, assessing, managing and investing in social performance.

#### Accountability

The principle that individuals and organizations are responsible for their actions and may be required to explain them to others.



### Blended Value

The idea that the total value created by an organization consists of three components: economic value, social value, and environmental value.

### Code of Conduct

A set of principles indicating how an organization expects its members to act. It is frequently general, and enforcement is left to the discretion of the organization.

### Code of Ethics

A general code that articulates an organization's values or moral standards, focusing on the duties and responsibilities of organization members.

### Code of Practice

A set of written rules that dictate measurable and verifiable operating requirements for specified activities.

### Community Economic Development

A process by which communities can initiate and generate their own solutions to their common economic problems and thereby build long-term community capacity and foster the integration



of economic, social, and environmental objectives.

### Compliance

The act or process of fulfilling internal or external requirements as set forward in policies, regulations, or guidelines.

### Consumer Protection

Government or self-regulation to protect the rights and interests of consumers.

### Core Values

Values that are formally identified as important by an organization and which it attempts to realize. These are often reflected in the organization's vision or mission statement and cover its relationship with those stakeholders critical to success. Core values endure over the long term and provide a constant source of strength and motivation for an organization and its employees.

### Corporate Social Responsibility (CSR)

The principle that corporations have a responsibility to the local community, broader society, and the environment. It may involve the



integration of social value directly into business operations or it may refer to philanthropic activities indirectly related to business operations.

### Double Bottom-Line

A framework for measuring and reporting an organization's performance against financial and social standards.

### Embeddedness

Integration of the social and ethical accounting, auditing, and reporting processes into an organization's operations, systems, and policy making.

### Empowerment

The process of individuals equipping themselves with the knowledge, skills, and resources they need in order to change and improve the quality of their own lives.

### Fair Trade

A trading relationship based on commitment to social justice in which employees and producers are treated and paid in a fair manner, sustainable environmental practices are



followed, and long-term trade relationships are fostered.

### Fungibility

The quality of money that makes one individual specimen indistinguishable from another. Anything used as money (gold, shells, bank notes) must have this quality. The fungibility of money makes it difficult for lenders to ensure that borrowers use the loan funds in the way lenders wish; one way they try to get round “misuse of funds” is to lend in kind. Often a person will borrow money for one stated purpose, but the effect of the loan is to finance another activity.

### Governance

Anything related to the activities of governing the organization, e.g., board of directors, bylaws, and so on.

### Institutionalization

The integration of processes, procedures, beliefs, values, norms, etc., into an organization's systems, routines, and culture.



### Mission

The core purpose of an organization that defines why it exists, and what it does for whom.

### Mission Alignment

The alignment of an organization's internal processes, policies, culture, incentives, and products and services with its mission.

### Mission Drift

The divergence of an organization's activities and outcomes from its mission.

### Mission Statement

A formal, written expression of an organization's mission.

### Norms

A shared expectation of behaviour that notes what is considered culturally desirable and appropriate. They are prescriptive, but lack the formal status of rules.

### Organizational Culture

An organization's beliefs, knowledge, attitudes, norms, values and customs. It can be supportive or unsupportive of an organization's mission and



can affect employees' ability or willingness to adapt or perform well.

### Responsiveness

The responsibility of an organization for its acts and omissions, including the processes of decision making and the results of these decisions.

### Social Accountability

The responsibility of an organization to provide evidence to stakeholders that its operations and performance are in conformance with its social mission and obligations.

### Social Accounting

The process by which an organization monitors, evaluates, and accounts for its social performance in relation to its aims and those of its stakeholders.

### Social and Ethical Accounting,

The variety of approaches related to the assessment and communication Social and Ethical Accounting, Auditing, and Reporting (SEAAR).



### Social and Ethical Performance

The impact of an organization on its stakeholders, particularly in those dimensions in which they hold the organization accountable. It refers to the systems and individual behaviour within an organization, as well as to the direct and indirect impact of an organization's activities on stakeholders.

### Social Audit

An examination of the records, statements, internal processes, and procedures of an organization related to its social performance. It is undertaken with a view to providing assurance as to the quality and meaningfulness of the organization's claimed social performance.

### Social Bottom Line

The social outcome measurement that parallels the financial bottom line. It is equal to the net social benefit from operations.

### Social Capital

Social resources—in particular, trust, reciprocity, networks, and the sharing of values or norms of behaviour—which allow a community or society to function more effectively.



### Social Entrepreneur

A person who uses entrepreneurial skills to address social and environmental problems. It may involve revenue generation, although this is not required.

### Social Impact

The change in net social welfare due to an organization's activities. It includes the wider local, national, and global communities.

### Social-Impact Causal Chain

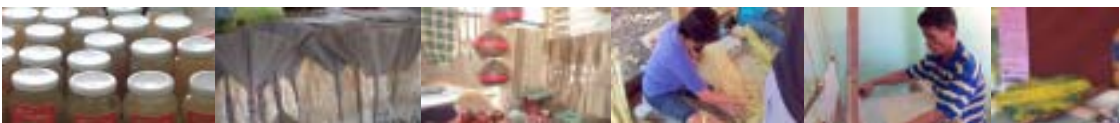
A model that explains how impact is created. It begins with organizational inputs, which are transformed via internal processes into outputs. Outputs in turn produce outcomes, and outcomes produce impacts.

### Social Mission

The core social purpose of an organization.

### Social Objectives

Objectives related to the social mission and the corresponding social performance of an organization.



### Social Performance

The effective translation of an organization's social mission into practice. Social performance is not just about measuring the outcomes, but also about the actions and corrective measures that are being taken to bring about those outcomes.

### Social Performance Assessment (SPA)

The process by which an organization measures its social performance relative to its social mission and objectives and to those of key stakeholders. Measurement may focus at any of the steps in the social impact causal chain.

### Social Performance Management (SPM)

The process of translating mission into practice, including setting social objectives, tracking social performance and using this information to improve practice.

### Social Rating

An independent assessment of an organization's social performance using a standardized rating scale. The social rating process and rating scale may parallel those used for financial rating.



### Social Reporting

Public disclosure by an organization of its social performance.

### Social Value Added

The increased social value at each stage of a production or service delivery process. It can also refer to the change in net social impact resulting from an organization's activities.

### Social Welfare

The overall well-being of society in general. Social welfare is improved when the social benefits of a program, policy, or action exceed its social costs and vice versa.

### Stakeholder

An individual or group of individuals who affect and/or are affected by an organization and its activities.

### Sustainability

The capability of an organization to sustain its activities over the long term, having taken due account of its environmental, social, and human impacts.



### Sustainability Report

A formal, written report disclosing an organization's performance toward the goal of sustainable development. It provides a balanced and reasonable representation of the sustainability performance of the reporting organization, including both positive and negative contributions.

### Sustainability Reporting

The practice of measuring, disclosing, and being accountable for organizational performance towards the goal of sustainable development.

### Sustainable

Refers to having a neutral or positive impact on the environment's ability to sustain itself indefinitely into the future, and on the health and well-being of individuals, society, and communities. It also refers to the state of being economically viable.

### Sustainable Development

Meeting needs of the present without compromising the ability of future generations to meet their needs.



### Transparency

The openness and willingness to accept public scrutiny. Transparency exists when there is open public access to information produced by the organization, when the information is sufficient and reliable, and when there exists sufficient means of communication between the organization and its stakeholders.

### Triple Bottom Line

A framework for measuring and reporting an organization's performance against financial, social, and environmental standards.

### Value

The benefit-per-unit cost.

### Value Added

The increased value at each stage of a production or service delivery process.

### Value-Added Chain

Those activities or steps that add to or change a product or service as it goes through a production process; these are the activities or steps that customers view as important and necessary.



### Value Proposition

A statement to stakeholders or potential stakeholders describing how an organization differentiates itself in the market and what particular values it delivers to its target market.

### Values

Deeply held beliefs within organizations that may be stated or unstated and which are demonstrated through the day-to-day behaviours of its employees.

### Vision

Long-term goal of strategy. It answers the question, "How would society be different if our mission were realized."

## *Social Investing*

### Ethical Investment

Investment that attempts to ensure that invested funds are not used to violate the investor's most basic moral values or ethical codes. There is a wide variety of means to ensure that invested funds are used ethically, and a wide range of interpretations of what "ethics" mean relative to investing.



### Return on Investment (ROI)

A return ratio that compares the net benefits (financial and/or social) of an organization's activities versus its total costs. As such, ROI represents the relative value of the organization's cumulative net benefits (benefits less costs) over the analysis period, divided by its cumulative total costs, expressed as a percentage.

### Screening

The inclusion or exclusion of clients into an organization using selection criteria.

### Social Investment

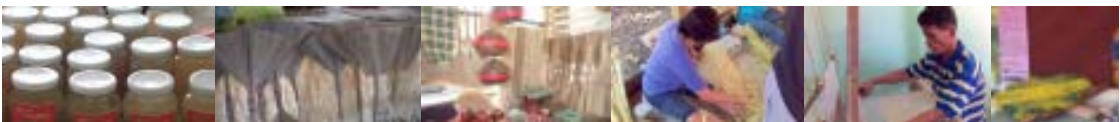
Investment that aligns an individual's or an organization's investment policies with its social values, that is made principally for the purpose of earning a social return.

### Social Investor

A person or organization that engages in social investing.

### Socially Responsible Investment (SRI)

Investment that aligns an individual's or an organization's investment policies with its social



values, that is made principally for the purpose of earning a financial return.

### Social Return

The net impact on society resulting from an organization's operations.

### Social Return on Investment (SROI)

Monetary summary of an organization's social return from a capital investment. A term originating from return on investment (ROI) used by traditional investors.

### Social Screen

The inclusion or exclusion of securities in an investment portfolio using social selection criteria.

### Social Venture Capital

Equity investment with the goal of social as well as financial return on investments. It is typically longer term than a loan, with risk being shared more equally between the investor and the organization invested in. Social-venture-capital financial rates of return are often not as high as for conventional venture capital.



### Strategic Giving

Engaging in philanthropy in a strategic manner to make a major social impact through making better choices surrounding how much one spends, invests, and gives back to society.

### Total Return on Investment (TROI)

A measure of the social impact of double bottom line ventures. It is a blend of the social and financial return on investment.

### User

A non- or for-profit entity that receives a program-related investment directly from a funder for use in its programs or ventures.

*Source: Renz and Massarsky*

### Venture Philanthropy

Philanthropy that borrows some of the best practices of the venture capital world to invest in non-profit organizations to build their capacity. Venture philanthropists typically value their donor dollars in terms of the social return on investment.



## *Social Institutions*

### Civil Society

Refers to the totality of voluntary civic and social organizations that form the basis of a functioning society, as opposed to the force-backed structures of a state (regardless of that state's political system). Civil society organizations include non-profit and non-governmental organizations, organized groups, clubs, universities, trade unions, environmental movements, and indigenous peoples' associations. Civil society can be organized at the local, national and international level.

### Double Bottom-Line Business

Entrepreneurial ventures or investments that strive to achieve measurable social and financial outcomes. See Social Enterprise.

### Mission-Based For-profit Business

See Social Enterprise.

### Non-profit Business Venture

See Social Enterprise.



### Social Business

A socially oriented business that seeks to balance the emphasis between its social and business interests. Unlike a social enterprise, it does not necessarily allow the social mission to primarily drive operations; however, managers will conduct business in such a way as to not conflict with its social objectives.

### Social Enterprise

An organization that uses business solutions to accomplish social goals. Social objectives are its primary driver, rather than being driven by the need to maximize profit for shareholders and owners. See Double Bottom-Line Business, Social-Purpose Enterprise, Non-profit Business Venture, Mission-Based For-profit Business.

### Social Organization

An organization with the primary purpose of pursuing and achieving social objectives.

### Social Venture

An earned income strategy that has both financial and social goals integral to its purpose. This term is generally used as a synonym for



social business, although it is sometimes used to refer specifically to the revenue-generating arm of a non-profit organization.

Social Purpose Enterprise

See Social Enterprise.

Socially Responsible Business

A for-profit business that operates in an ethical manner and demonstrates concern and action for the public good.

### *Social Assessment Methods*

Accountability 1000

An evaluation framework developed by United Kingdom-based AccountAbility to address the need for organizations to integrate stakeholder engagement processes into daily activities. The framework provides a systematic, inclusive, and credible approach to improving social and ethical accountability and overall performance. It provides guidance to users on how to establish a systematic stakeholder engagement process that generates the indicators, targets, and reporting systems needed to ensure its



effectiveness in impacting on decisions, activities, and overall organizational performance.

### Assessment

Evaluation activities undertaken to determine how well an organization performs financially, operationally, and managerially. See Evaluation.

### Assurance

An evaluation method that uses a specific set of principles and standards to assess the quality of a reporting organization's subject matter, such as reports, and the organization's underlying system, processes, and competencies that underpin its performance. Assurance includes the communication of the results of this evaluation to provide credibility to the subject matter of its users.

### Balanced Scorecard

A strategic management system that aligns business activities with organizational strategy and monitors the performance of strategic goals over time. It proposes that organizations measure operational performance in terms of financial, customer, business-process, and



learning-and-growth outcomes, rather than exclusively by financial measures, to arrive at a more powerful view of near-term and future performance. It advocates integration of these outcomes into the organization's strategic planning processes.

#### CGAP Poverty Assessment Tool

An assessment tool designed by the International Food Policy Research Institute (IFPRI) and the Consultative Group to Assist the Poor (CGAP) to measure the relative poverty status of microfinance clients.

#### Evaluation

See Assessment.

#### Global Reporting Initiative (GRI)

An independent institution whose mission is to develop and disseminate globally applicable, sustainability reporting guidelines, comprising 158 indicators. These are for voluntary use by companies and governmental and non-governmental organizations to report on the economic, environmental, and social dimensions of their activities, products, and services. Started in 1997 by the Coalition for Environmentally



Responsible Economies (CERES) and the United Nations Environment Program (UNEP), the GRI uses a multi-stakeholder process incorporating the active participation of representatives from business, accountancy, investment, environmental, human rights, research, and labour organizations from around the world.

### Impact Assessment

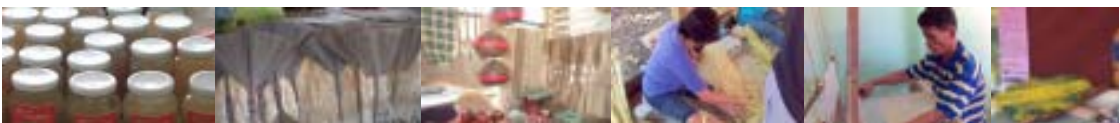
A research activity undertaken with the objective of attributing observed outcomes to organizational activity. Impact is determined by the counterfactual. Determining the counterfactual in turn requires comparing a treatment group to a valid control group.

### Impact Monitoring

The periodic or routine tracking of selected client outcomes. In contrast to impact assessment, impact monitoring does not attempt to attribute observed impacts to organizational activity.

### Impact Monitoring System

The integration of impact monitoring into an organization's internal processes, routines, and management information systems.



### Participatory Rapid Appraisal (PRA)

A label given to a family of participatory assessment approaches and methods that emphasize local knowledge and enable local people to make their own appraisals, analyses, and plans. PRA uses group animation and exercises to facilitate information sharing, analysis, and action among stakeholders. Although originally developed for use in rural areas, PRA has been employed successfully in a variety of settings.

### Qualitative In-Depth Individual Impact Assessment Protocol (QUIP)

An assessment method that uses in-depth interviews of microfinance clients to help MFI managers better understand them. Designed to be conducted simply and inexpensively over a short period of time to produce detailed information about how particular clients feel about financial services and the impact they have on their lives.

### SEEP-AIMS Tools

A set of practitioner-oriented client-assessment tools developed jointly by the U.S. Agency for International Development and the



SEEP Network. It includes two quantitative tools— an impact survey and a client exit survey—and three qualitative tools—client satisfaction focus group discussions, client-empowerment interviews, and loan and savings use strategies over time interviews.

### *Poverty and Outreach*

#### Absolute Poverty

The state of subsisting without a set of minimum necessities for living.

#### Bankable

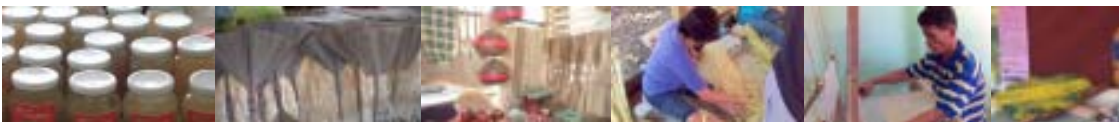
People deemed eligible to obtain financial services that can lead to income generation, repayment of loans, savings, and the building of assets.

#### Breadth of Outreach

The number of persons reached with financial services.

#### Clients below poverty line (%)

Percentage clients below poverty line (where the poverty line is defined as population living on less than US\$2/day). *Source: The MIX Market*



### Cost of Outreach

The sum of costs to the consumer for financial services, including financial costs, transaction costs, and opportunity costs.

### Depth of Outreach

The degree to which an organization reaches poor people with financial services.

### Extreme Poverty

The state of living below an absolute extreme poverty line. Common extreme poverty lines include (1) persons in the bottom 50 percent of those living below the poverty line established by the national government, or (2) persons living on less than US \$1.00 per day in daily per-capita expenditures—equal to \$1.08 per day per capita in purchasing power parities at 1993 prices.

### Extreme Poverty Line

The level of annual income below which a person is defined to be living in extreme poverty.

### Extremely Poor

Persons falling under an extreme poverty line.



### Gini Index

An index that measures the extent to which the distribution of income (or in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line. Thus, a Gini index of zero represents perfect equality, while an index of 100 implies perfect inequality.

### Length of Outreach

The sustainability of the supply of microfinance services.

### Low Income

Persons below or just above the poverty line.

### Moderately Poor

Persons in the top 50 percent of those living below the relevant absolute poverty line.



### Non-poor

Persons living above the relevant absolute poverty line. It may also refer to persons who are non-poor by relative standards.

### Outreach

Active attempt to target, attract, serve, retain or otherwise interact with a clientele in selected populations, geographic areas, or targeted initiatives.

### Poor

Persons who live below the relevant absolute poverty line. It may also refer to persons who are poor by relative standards.

### Poorest of the Poor

Persons who are among the very poorest of all members of a given society.

### Poverty

The state of one who lacks a usual or socially acceptable amount of money, material possessions, standard of living, or access to basic needs and/or services. It may also be defined or characterized by persons who suffer from social, economic, or political exclusion, marginalization, or powerlessness. Two common measures of



poverty include (1) persons living below the poverty line established by the national government, or (2) persons living on less than US \$2.00 per day in daily per-capita expenditures—equal to \$2.15 per day per capita in purchasing power parities at 1993 prices.

### Poverty Alleviation

The amelioration of the effects, symptoms, or causes of poverty on persons, households, or broader society. It is often used as synonym for poverty reduction although it may or may not imply an actual reduction in poverty.

### Poverty Assessment

A process whereby the poverty status of an individual or group is determined. It typically involves the use of quantitative methods, but may also use qualitative methods.

### Poverty Gap

The mean shortfall from the poverty line (counting the non-poor as having zero shortfall), expressed as a percentage of the poverty line. This measure reflects the depth of poverty as well as its incidence.



### Poverty Headcount

The total number of rural population living below the national poverty line.

### Poverty Line

The level of annual income below which a person is defined to be living in poverty. It is often calculated as the minimum level of income needed to secure the necessities of life.

### Poverty Reduction

The reduction in the number of persons or households living in relative or absolute poverty. It is alternatively defined as an improvement in the relative income distribution between the poor and non-poor.

### Poverty Lending

Lending in which the focus is on poverty alleviation and empowerment of vulnerable groups.

### Purchasing Power Parities (PPP)

Currency conversion rates that both convert to a common currency and equalize the purchasing power of different currencies. They operate by eliminating the differences in price levels between countries in the process of conversion.



### Relative Poverty

The state of being poor in comparison to other members of society.

### Scope of Outreach

The number of distinct types of financial products and services offered.

### Standard of Living

The level of individual, household, or group well-being. It is measured by the ability of the individual, household, or group to acquire goods and services.

### Very Poor

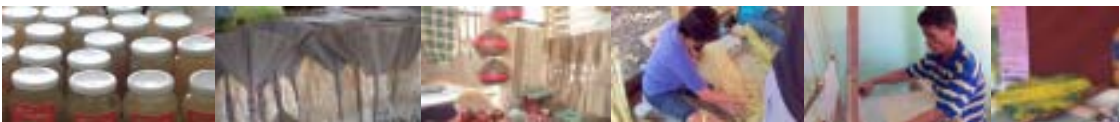
See Extremely Poor.

### Vulnerable Non-poor

Persons living near the absolute poverty line, but who are vulnerable to falling below the poverty line.

### Worth of Outreach

The value of financial products and services consumed and the client's willingness to pay. Value and willingness to pay are a function of the benefits derived from consumption.



## General Organizational Performance

This section contains terms that apply generally to understanding, assessing, managing organizational performance.

### *General Assessment*

#### Accounting

The systematic generation, tracking, and analysis of information about the financial and social performance of an organization for the benefit of its stakeholders.

#### Audit

An examination of the records, statements, systems, and procedures of an organization together with its stated claims for performance. This is typically undertaken with a view to verifying the quality, meaningfulness (e.g., accuracy, validity, compliance, inclusiveness, completeness), and other aspects of the claimed performance of the organization.

#### Audit Report

A testimony produced by an auditor regarding the quality and meaningfulness of an organization's records, statements, systems, and



procedures, as well as stated claims for performance. May also include an opinion on areas for improvement and predicted future progress.

### Auditor

Person who conducts an audit, often certified by a professional body or licensed under statute. The auditor may be internal (employed by the organization) or external (unconnected to the organization).

### Baseline

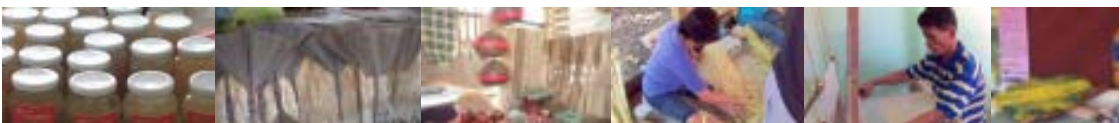
A starting point against which future changes are compared. Used for benchmarking.

### Benchmark

A measurable variable used as a relative baseline or reference in evaluating the performance of an organization. Benchmarks may be drawn from internal experience, the experience of other organizations, or from legal requirements.

### Benchmarking

The process of putting performance measurements in context by comparing an organization with similar organizations based on a common factor, such as region, size or



methodology. A benchmark can also refer to the relative standard against which all similar institutions are compared.

#### Best Practice

A technique or methodology that through experience and research has proven to lead reliably to the desired result.

#### Break-even point

The point at which the volume of sales or revenues exactly equals total expenses—the point at which there is neither a profit nor loss—under varying levels of activity. The breakeven point tells the manager what level of output or activity is required before the firm can make a profit; reflects the relationship between costs, volume, and profits.

#### CAMEL

A U.S. Federal Reserve-developed diagnostic tool that measures the Capital adequacy, Asset quality, Management, Earnings and Liquidity of financial institutions. ACCION adapted the CAMEL instrument to the microfinance industry as a quantitative and qualitative assessment of MFI financial performance.

*Source: ACCION*



### Causal Model

A model or portrayal of the theorized causal relationships between concepts or variables.

### Conceptual Framework

A systematic structure for classifying and organizing complex information.

### Control Group

(See Comparison Group)

### External Audit

A formal, independent review of an organization's financial statements, records, transactions, and operations. External audits are usually performed by professional accountants in order to lend credibility to financial statements, to ensure external accountability and to identify key internal weaknesses in an organization. The external audit process is vital to transparency.

### External Auditor

An auditor who is independent of the organization being audited and does not share any material interest with the organization.



### Feedback Loop

A continuous cycle by which information is processed within an organization. It starts with the collection of information, passes through to data consolidation and analysis, and next uses the data to make, communicate, and implement decisions.

### Fund Balance

Net worth in a nonprofit organization; total assets minus total liabilities. *Source: Renz and Massarsky*

### Indicator

A piece of qualitative or quantitative information that provides meaningful insight into the performance of organizations or their beneficiaries.

### Internal Audit

An independent appraisal of operations, conducted under the direction of organizational management, to assess the effectiveness of internal administrative and accounting controls and help ensure conformance with managerial policies.



### Internal Auditor

A person employed within an organization who conducts an internal audit. The internal auditor is generally independent of management and reports directly to the board of directors.

### Key Performance Indicators

A short list of indicators that an organization has identified as the most important measures of organizational performance.

### Logical Framework (logframe)

A matrix articulating what a project aims to achieve and how, what its main assumptions are, and what the means of verifying objectively verifiable indicators are.

### Metric

A measurement used for comparison purposes.

### Net Loan Portfolio

Gross Loan Portfolio less the Loan Loss Reserve.

*Source: The MIX Market*

### Net Working Capital

Current assets minus current liabilities. *Source:*

*Renz and Massarsky*



Net Worth (Fund Balance in non-profit organizations)

Total assets minus total liabilities. Aggregate net value of the organization. *Source: Renz and Massarsky*

Opportunity Cost

The potential benefit that is foregone from not following the best (financially optimal) alternative course of action.

Standard

A widely agreed set of procedures, practices, or performance outcomes. Standards vary across a number of dimensions, including process and substantive standards, mandatory and voluntary standards, and theoretical and best practice standards.

Taxes

Include all taxes paid on net income or other measure of profits as defined by local tax authorities. This item may also include any revenue tax. It excludes taxes related to employment of personnel, financial transactions, fixed-assets purchase or other value-added taxes. *Source: The MIX Market*



### Theoretical Framework

A basic conceptual structure organized around a theory. It often defines the kinds of variables used to make the theory operational.

### Total Assets

Total of all net asset accounts. *Source: The MIX Market*

### Total Equity

Total of all equity accounts, less any distributions. *Source: The MIX Market*

### Total Liabilities and Equity

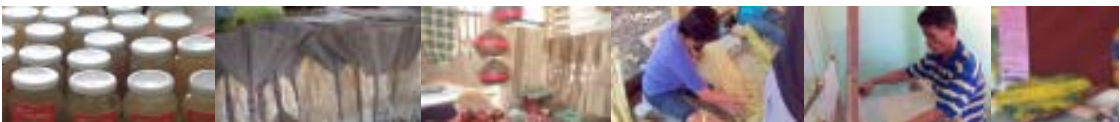
The sum of total liabilities and total equity. *Source: The MIX Market*

### Total Liabilities

Total of all liability accounts. *Source: The MIX Market*

### Treatment Group

A group of individuals receiving organizational services that is being evaluated or studied. It is used to assess the impact of organizational activities on participants and is necessary to establish attribution.



### *Methods of General Assessment*

#### Benefit-Cost Analysis

See Cost-Benefit Analysis.

#### Client Assessment

The process of gathering and assessing information about clients. Ideally, information includes clients' perspectives and experiences. It includes quantitative and qualitative methodologies.

#### Client Monitoring

The routine process of tracking changes in clients' status or of providing important descriptive information about clients. It may be quantitative or qualitative in nature.

#### Cost-Benefit Analysis

A type of economic analysis in which the costs and benefits, both tangible and intangible, of an investment, policy, program, or organization are expressed in monetary terms and assessed according to one or more of three measures: (1) net present value, (2) cost-benefit ratio, and (3) internal rate of return. See Benefit-Cost Analysis.



### Cost-Benefit Ratio

The discounted value of benefits divided by the discounted value of costs.

### Internal Rate of Return

The discount or interest rate at which the net present value of a cash-flow stream is equal to zero.

### Monetization

An approach to measurement that converts inputs, outputs, outcomes, or impacts into dollar values.

### Net Present Value

The future stream of benefits and costs converted into equivalent values today. This is done by assigning monetary values to benefits and costs, discounting future benefits and costs using an appropriate discount rate, and subtracting the sum total of discounted costs from the sum total of discounted benefits.

### Sensitivity Analysis

Analysis of how sensitive analytical outcomes are to changes in underlying assumptions. The assumptions that deserve the most attention



depend largely on the dominant benefit and cost elements and the areas of greatest uncertainty of the organization or process being analyzed.

### *General Organizational Performance*

#### Active Clients

The number of clients with loans outstanding on any given date. An institution's official statistics on active clients are usually recorded as the number of clients with loans outstanding on the date its financial statements are filed.

*Source: ACCION*

#### Active Loan Portfolio

The total amount loaned out less the total amount of repaid loans; i.e., all money that is "on the street" or owed to the institution in the form of loans on the date the report is filed.

*Source: ACCION*

#### Bad Debt

A debt that is not collectible and is therefore worthless to the creditor. *Source: Renz and Massarsky*



### Borrowers per Staff Member

Number of Active Borrowers / Number of Personnel. *Source: The MIX Market*

### Client Dropout

The share of an organization's clients that ceases to purchase its products or services.

### Client Retention

The share of an organization's clients that continue to purchase its products or services. See Customer Retention.

### Client Satisfaction

An organizational measure of the extent to which the needs, wants, and expectations of clients are met. See Customer Satisfaction.

### Effectiveness

The degree to which an organization is successful in achieving a specified goal.

### Efficiency

The extent to which maximum output is achieved from a given input. Alternatively, a minimum input for a given output.



### Goal

The end result of ultimate accomplishment toward which an effort is directed. Goals provide purpose and direction to an organization and thus must be capable of being effectively pursued and measured.

### Goal Alignment

The process of evaluating whether operational outputs, outcomes, or impacts meet organizational goals and determining what can be done to better achieve those goals.

### Impact

Those organizational outcomes that can be attributed to the activity of the organization above and beyond what would have happened anyway.

### Input

Resource used to implement an activity, including money, people, time, facilities, and equipment.

### Intermediate Outcome

An outcome from an activity that can be identified and measured in the medium-term, which is practical when long-term



outcomes are diffuse or otherwise difficult to measure. It is intermediate between outputs and outcomes.

### Internal Processes

Operational processes that transform inputs into outputs, outcomes, and impacts. Internal processes include, for example, mission identification, communication, and reinforcement; management information systems; incentive systems; staff hiring and training; customer service; and strategic planning.

### Management Information System (MIS)

System used to capture organizational information for the purpose of managing information and making decisions. It typically refers to a computer-based system and can include details on clients, services provided, and data on inputs, outputs, and outcomes.

### Monitoring and Reporting

The observation, documentation, and accounting of an organization's activities and performance.



### Objective

A measurable statement about the end result that an organization is expected to accomplish in a given period of time. Objectives flow from goals, the purpose of an organization, or the organization's overall mission.

### Outcome

The change to the client population and its environment the organization is trying to make, which could include attitudes, behaviours, knowledge, skills, status, or socio-economic well-being. (If outcomes can be statistically attributed to the organization's activities, they become impacts.)

### Output

The measurable product of an organization's activities delivered to external beneficiaries. Outputs are the tangible results of applying inputs and undertaking activities.

### Performance Management

The process of translating an organization's mission into practice, which includes setting social objectives, tracking social performance and using this information to improve practice.



### Portfolio at Risk > 30 days

The value of all loans outstanding that have one or more installments of principal past due more than 30 days. This includes the entire unpaid principal balance, including both the past due and future installments, but not accrued interest. It does not include loans that have been restructured or rescheduled. *Source: The MIX Market*

### Portfolio at Risk

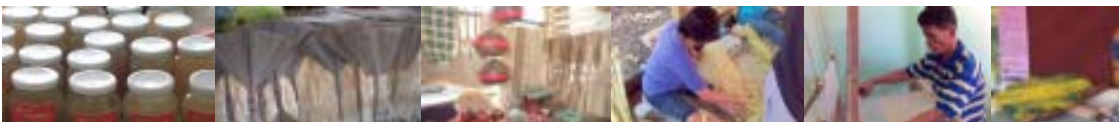
Measurement of the total outstanding balance of loans past due - not late payments or payments not yet due - divided by the active portfolio. A more rigorous manner of assessing portfolio quality than portfolio past due/delinquent portfolio. *Source: ACCION*

### Portfolio

A combination of assets held for its investment benefits, including financial and non-financial returns. The asset mix is usually varied in kind and size to maintain an acceptable level of risk and return. *Source: Renz and Massarsky*

### Strategic Goal

See Strategic Objective.



### Strategic Initiative

A specific activity or action undertaken to achieve a strategic goal, including the plans and milestones.

### Strategic Objective

An elaboration of the mission statement that develops with greater specificity how the organization will carry out its mission. The objective may be of a programmatic, policy, or management nature, and is expressed in a manner that allows a future assessment to be made of whether the objective was or is being achieved. See Strategic Goal.

### Strategic Plan

A document used by an organization to align its organization and budget structure with organizational priorities, mission, and strategic objectives.

### Strategic Targets

The numbers to achieve on each strategic objective by a specified time.



### Target

A quantitative measurement of a performance objective that is to be achieved by a given time.

### Targeting Tool

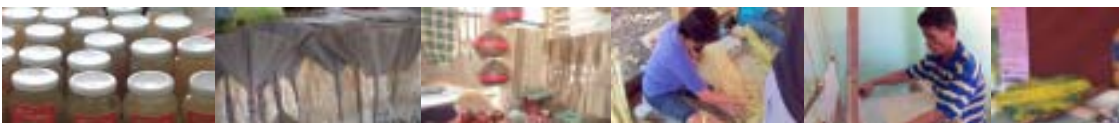
A marketing tool used to identify and extend products or services to an organization's target market or markets

### Transaction Costs

Imputed costs from organizational operations and activities in relation to client services and other organizational interactions (e.g., Processing fees). *Source: Calmeadow*

### Willingness to Pay

The amount a consumer will pay for a particular quantity of a good or service. In consumer demand theory, willingness to pay automatically implies ability to pay. In contemporary social science writing, "ability to pay" is sometimes contrasted with willingness to pay. The implicit assumption here is that even though people are willing and actually do pay a certain amount, they lack the ability to pay because they should have spent this money on something else. Buying the good (e.g., water) results in a loss of



consumption of some other good or service and places the purchasers further below some socially defined minimum-consumption standard. *Source: Virtual Library on Microcredit*

## Microfinance

This section contains terms relevant to understanding microfinance and placing social and general performance terms in a microfinance context

### *Types of Microfinance Institutions*

#### Accumulating Credit and Savings Association (ASCA)

Informal savings groups that resemble rotating credit and savings associations, but are slightly more complex. In an ASCA, all members regularly save the same fixed amount while some participants borrow from the group. Interest is usually charged on loans. ASCAs require bookkeeping because the members do not all transact in the same way. Some members borrow while others are savers only, and borrowers may borrow different amounts on different dates for different periods. If members pay interest on their loans, the return to savings has to be individually calculated and fairly shared among the group.



### Alternative Financial Institution (AFI)

All types of financial institutions that offer financial services to low-income or persons otherwise excluded from formal financial services. It includes microfinance institutions, rural banks, state/agricultural development banks, and postal banks. The common thread binding alternative financial institutions and microfinance institutions is the pursuit of a double bottom line.

### Apex Institution

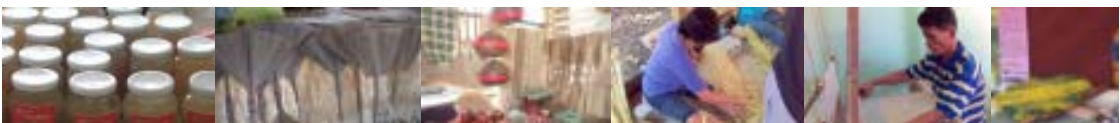
A wholesale lending institution operating within a single country or integrated market that channels funds, with or without technical assistance or other supporting services, to retail microfinance institutions.

### Development Bank

Generally country-owned and state-based, these banks offered agricultural credit originally and have moved to offer microfinance services.

### Microfinance Institution (MFI)

A financial institution specializing in providing financial services to low-income persons or to persons otherwise systematically excluded from



formal financial services. It may also offer business development or other non-financial services. It includes non-governmental organizations, cooperatives, credit unions, non-bank financial institutions, and commercial banks.

#### Microfinance Non-governmental Organization (microfinance NGO)

A non-governmental organization that offers financial services to its clients.

#### Non-bank Financial Institution (NBFI)

An institution that provides similar services to those of a commercial bank, but is licensed under a separate legal authority or regulation that may require lower capital requirements, limitations on financial service offerings, or supervision under a different regulatory body.

#### (ROSCA)

An informal savings and credit group. It operates through a commitment of group members to contribute periodic fixed sums to a common savings fund that is lent in succession to all group members based on pre-existing distribution rules. Once one group member



repays the loan, the fund is re-lent to another group member. This process continues until each group member has had the opportunity to borrow the fund amount. The process differs from an accumulating savings and credit association in that all group members receive loans.

### Transformation

The conversion of a non-regulated microfinance institution into a regulated microfinance institution.

### Transformed Microfinance Institution

A microfinance institution that has transformed itself from a non-regulated financial institution into a financial institution that is authorized and supervised by the nation's supervisory authorities.

### Village Bank

A loan group made up of approximately 20–30 people (typically women) drawn from the same community and operating under a joint liability arrangement. Village banks are semi-autonomous organizations with an elected leadership drawn from group members who



manage the operation of the village bank with monitoring by a representative of the sponsoring microfinance institution.

### *MicroFinance Products and Services*

#### Business Development Services

Non-financial services offered to microenterprises that have the objective to increase productivity, competitiveness, and job creation. They include, for example, training, capacity development, marketing, accounting, or strategic planning.

#### Compulsory Savings

Savings payments that are required as part of loan terms or as a requirement for membership, usually in a credit union, cooperative, microfinance institution, village bank, or savings group. Compulsory savings are often required in place of collateral. The amount, timing, and level of access to these deposits are determined by the policies of the institution rather than by the client. Compulsory savings policies vary: deposits may be required weekly or monthly before the loan is disbursed, when the loan is disbursed, and/or each time a loan installment



is paid. Clients may be allowed to withdraw at the end of the loan term; after a set number of weeks, months or years; or when they terminate their memberships. See Forced Savings.

### Forced Savings

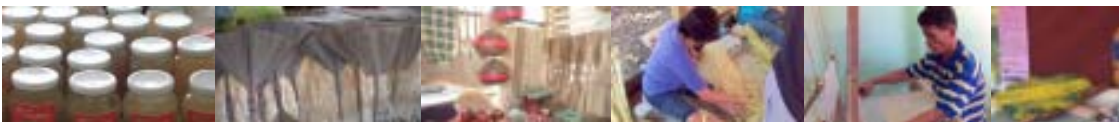
See Compulsory Savings.

### Group Guarantee

A loan guarantee based on joint liability in which each group member who receives a loan pledges to guarantee the loans of all other group members. If one member of the group defaults, the remaining group members are responsible either for enforcing loan repayment by the defaulting member or for paying off the outstanding loan balance.

### Group Lending

Lending mechanism that allows a group of individuals—often called a solidarity group—to provide collateral or loan guarantee through a group repayment pledge. The incentive to repay the loan is based on peer pressure—if one group member defaults, the other group members make up the payment amount.



### Group Loan

A loan extended to a group of persons under a joint liability arrangement. It is generally short-term, relatively small in size, and not tied to any specific investment activity.

### Guarantee Fund

A fund that can provide an organization's initial access to the formal financial sector, strengthen the organization's capabilities as financial intermediaries, and provide important leverage in terms of lending capability. See Bridge Fund.

### Guaranteed Loan

A pledge to cover the payment of debt or to perform some obligation if the person liable fails to perform. When a third party guarantees a loan, it promises to pay in the event of a default by the borrower.

### Joint Liability

A method of providing guarantees for loans in which members of a loan group agree to jointly guarantee the loans of all group members. If one member of the group defaults, the remaining group members are responsible either for enforcing loan repayment by the defaulting



member or for paying off the outstanding loan balance.

### Microfranchising

A business approach designed to assist individuals to be more successful as independent entrepreneurs. The impetus behind the idea is to provide sound business opportunities and services to the poor by introducing scaled-down business concepts drawn from successful commercial franchise businesses.

### Microinsurance

A sub-sector of microfinance that provides insurance products to micro- and small business owners, their employees, and low-income persons.

### Microleasing

A sub-sector of microfinance that provides small-scale leasing. In one microleasing arrangement, the lessee (client) goes to an equipment supplier, chooses the needed equipment, and negotiates the price and terms of delivery. Then, rather than approaching a bank for a loan, the lessee approaches a lessor (MFI) or the equipment provider itself. The lessor evaluates the lease



application and, if it is approved, the two parties sign a lease contract. The lessor purchases the equipment from the supplier and leases it to the lessee for a period that is usually close to the estimated economic life of the asset. During this period (the lease term), the lessee uses the equipment and makes regular payments to the lessor. In many cases, the lessee has the option to buy the equipment from the lessor at the end of the lease term.

#### Microsavings

Small-scale savings deposits mobilized by microfinance institutions, often without minimum balance requirements.

#### Peer Lending

Lending methodology that relies on the peer pressure of group members to act as a guarantee in place of more traditional forms of collateral and credit scoring.

#### Remittances

Transfers of funds from people in one place to people in another. Compared with other sources of money that can fluctuate depending on the



political or economic climate, remittances are a relatively steady source of funds.

### Self-Help Group (SHG)

A community-based group of low-income persons who come together to address issues of mutual concern, share knowledge, and provide Financial, not-financial, services to each other. Financial services provided typically include savings and loans in which loans are funded by group savings. Government and non-governmental organizations often play a role in forming and serving self-help groups to facilitate and strengthen group formation and operation.

### Social Collateral

A method for guaranteeing loans that uses joint liability within a loan group rather than individual real collateral or personal guarantees.

### Solidarity Group

A loan group made up of approximately 3–10 people drawn from the same community and operating under a joint liability arrangement.



### Solidarity Loan

A group loan made to members of a solidarity group.

### Stepped Lending

The process by which borrowers who repay loans on time are eligible for increasingly larger loans. Stepped lending keeps initial risk at minimum while allowing microentrepreneurs to grow their businesses and increase their incomes.

### Technical Assistance (TA)

The exchange of knowledge, products, services, and management technology between technical service providers and microfinance institutions.

### Voluntary Savings

Savings that are voluntarily deposited in a microfinance institution by its clients. Voluntary savings pay an interest rate and typically permit reasonably unrestricted deposits and withdrawals.



### *Microfinance Context Terms*

#### Commercialization

Refers to steps taken by microfinance institutions to adopt principles and practices of commercial banks, including bank or bank-like legal status, formal regulatory oversight and other integration into the formal financial sector.

#### Downscaling

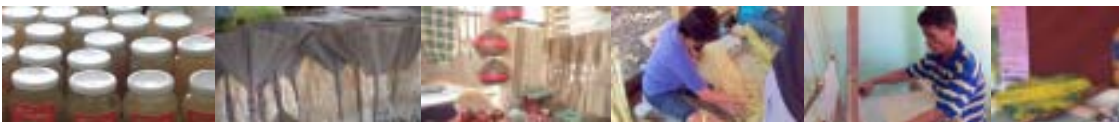
Description of formal financial institutions' move down market by offering products and services to micro- and small enterprises and low-income persons.

#### Development Finance

General term that encompasses all types of financial services and financial service delivery models to promote social and economic development among low-income, vulnerable, or otherwise marginal persons.

#### Financial Self-Sufficiency

A situation in which an organization generates sufficient revenues from clients to cover all of its operating and financing costs, both actual and imputed.



### Formal Financial Sector

The financial sector consisting of legally licensed and registered financial institutions.

### Formal Financial Institution

Financial institution operating in the formal financial sector. It may or may not be supervised by national supervisory authorities.

### Gender Relations

Focuses on women's bargaining power within the household, power imbalances between the genders, effects of microfinance on gender-related issues, empowerment and/or ill effects on women, girl/child issues. *Source: Calmeadow*

### Informal Financial Sector

The financial sector consisting of unlicensed and unregistered (and often community-based) organizations, groups, or individuals offering financial services.

### Informal Credit

Credit services provided by independent persons or community-based groups that do not belong to the formal financial system.



### Informal Savings

Savings held outside of a formal financial institution. Informal savings mechanisms include saving at home—in cash or in kind—savings groups, rotating savings and credit associations, accumulating credit and savings associations, through reciprocal savings and lending with neighbors or relatives, and with money guards (friends or relatives willing to hold a saver's money for a period) or informal sector deposit collectors (people who charge a fee to hold a saver's money for a determined period). Informal savings devices are often highly convenient, but may be unreliable, insecure, and/or illiquid.

### Microcredit

A sub-segment of microfinance that focuses on giving small loans to low-income people for the purpose of allowing them to earn additional income by investing in the establishment or expansion of microenterprises. Microcredit may also refer to the actual microloan.

### Microfinance

The provision of financial services adapted to the needs of microentrepreneurs, low-income



persons, or persons otherwise systematically excluded from formal financial services, especially small loans, small savings deposits, insurance, and payments services.

### Microenterprise

A market-oriented economic activity with 10 or fewer employees (including the owner and unpaid family members) that is owned and operated by someone of modest means.

### Microenterprise Development

Any activity undertaken to encourage the formation of microenterprises and/or the improved performance of existing microenterprises.

### Microentrepreneur

The owner and operator of a microenterprise, sometimes an individual who is economically, socially, or educationally disadvantaged, and usually one who lacks access to the formal financial system and traditional business development services.



### Microloan

A loan provided by a microfinance institution to a microentrepreneur or low-income person for business or personal use.

### Non-prudential Regulation

Financial regulation in which the regulator does not vouch for or assume responsibility for the soundness of the regulated institutions. Non-prudential regulatory techniques may include registration and legal chartering of licensed entities; disclosure of ownership or control; reporting or publication of financial statements; norms for the content and presentation of such statements; accounting and audit standards; transparent disclosure of interest rates to consumers; external audits; submission of names of borrowers and status of their loans to a central credit information bureau; and interest rate limits. Enforcement of non-prudential regulations seldom involves regular supervision or on-site inspection.

### Operational Self-Sufficiency (OSS)

A situation in which an organization generates sufficient revenues from operations to cover all of its operational costs.



### Performance Standards

Normative levels set for specific performance measurements, like portfolio quality or leverage. In the field of microfinance, there are several entities and projects attempting to set universal performance standards for MFIs. *Source: ACCION*

### Prudential Regulation

Regulation set out and enforced by the financial sector regulator; it defines detailed standards for financial structure, accounting policies, and other important dimensions of a financial institution's business. Prudential regulations will include requirements for liquidity, capital adequacy, loan-loss provisioning, and loan diversification, as well as limits on delinquency and non-earning assets. Compared to non-prudential regulations, enforcing prudential regulations requires more intensive reporting as well as on-site inspection that goes beyond the scope of normal financial statement audits.

### Regulation and Supervision

The creation and enforcement of a set of rules for financial institutions, including MFIs. These rules are usually set by a country's central bank



or superintendency of banks, or by other banking agencies.

### Rural Area

An area in which the primary economic activities are small-scale agriculture and livestock rearing, although it also includes small-scale trade, service, and manufacturing activities. It is also characterized, in relative terms, by geographic isolation, low population densities, poorly developed infrastructure, underdeveloped market for goods and services, and high poverty concentration.

### Rural Finance

The provision of financial services to rural areas and rural inhabitants. Although the term applies to all forms of rural-based financial services, the term is often used to connote the provision of financial services to support traditional rural and agricultural income generating activities.

### Rural Microenterprise

A microenterprise owned and operated by a resident of a rural area. It often serves to supplement income generated through agriculture and livestock activities.



### Small and Medium Enterprise (SME)

Enterprises employing 5 to 10 workers (small) or between 10 and 50 workers (medium).

### Smallholder

A person engaged in small-scale agriculture and livestock activities in rural areas.

### Subsidized Credit

Loans offered at interest rates and fees that fail to cover the full long-run costs of providing those loans.

### Subsidy

A monetary or non-monetary grant given by governments, individuals, foundations, investors, or non-governmental organizations. Also refers to the offer of a product or service to the market at a price below the cost of production, generally targeted to certain disadvantaged groups believed unable to pay the full-cost price or for whom paying a fullcost price is believed to constitute a burden.

### Traditional Finance Schemes

Pawnbrokers, rotating savings and credit associations, individual savings groups, tontines. *Source: Calmeadow*



### Training

Staff, may be senior, field or loan officer, training regarding microcredit methodologies, case management, etc. This does not include client training which would be found under business development services. *Source: Calmeadow*

### Transformation

In a microfinance context, transformation refers to the process by which a nonprofit community organization or an NGO becomes a regulated financial institution.

### Unbanked

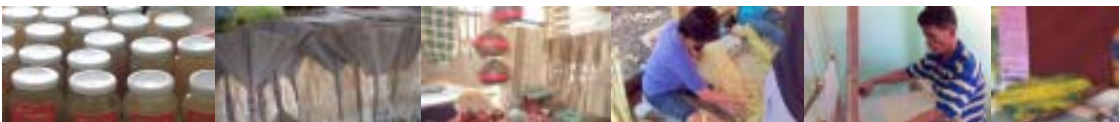
A person or persons without access to formal financial services.

### Urban Area

An area including and surrounding large cities characterized, in relative terms, by high population densities, concentration of economic activity, and high infrastructure development.

## General Institutional Types and Sectors

This section contains terms relevant to understanding different institutional types and the



economic sectors in which they operate as a context for understanding social and general performance terms

## General Financing Institutions

### Arrears

Interest or principal which was not paid when due, but is still owed.

### Bank

A licensed financial intermediary regulated by a state banking supervisory agency. It may provide any of a number of financial services, including deposit taking, lending, payment services, and money transfers.

### Commercial Bank

A type of financial intermediary and a type of bank. It raises funds by collecting deposits from businesses and consumers via checkable deposits, savings deposits, and time deposits. It makes loans to businesses and consumers and buys corporate bonds and government bonds. Its primary liabilities are deposits and its primary assets are loans and bonds. It is regulated by national banking supervisory authorities.



### Community-Based Finance Institution (CBFI)

Financial organization structured to enable low-income community groups to participate in and govern the development process and to access services of the institutions. Frequently, these organizations are referred to as cooperatives, but some community-based organizations are in fact not cooperatives but groups with a similar structure and objectives.

### Cooperative

A non-bank financial institution organized as a mutual society and jointly owned by its members for the purpose of mobilizing and intermediating savings and providing other financial and non-financial services to its owners/members. See Credit Union.

### Credit Union

A cooperative financial institution owned and controlled by the members who use its services. It serves groups that share a common bond, such as where they work or live, or go to church and offers a place for members to save money and to get loans and other financial services at reasonable rates. See Cooperative.



### Financial Institution

An organization whose primary line of business is to provide financial services to its clients. It may specialize in a narrow range of financial services or offer a wide array of financial services. Includes formal and informal organizations, for-profit and non-profit organizations, and regulated and non-regulated organizations.

### Lending Investor

Lending investors are basically moneylenders who are licensed by the *Bangko Sentral ng Pilipinas* and subject to minimal regulatory requirements and supervision. They are permitted to accept deposits from a maximum of 19 individuals, and are permitted to make loans to whomever they wish. There has been a rapid increase in the number of lending investors in recent years, and increased competition has led to reductions in the interest rates they charge. Some 1,400 lending investors typically charge interest of between 3.5 and 4 per cent flat per month. Together with more than 2,000 pawnshops, they deal with segments of the population usually beyond the reach of formal financial institutions and compete with informal



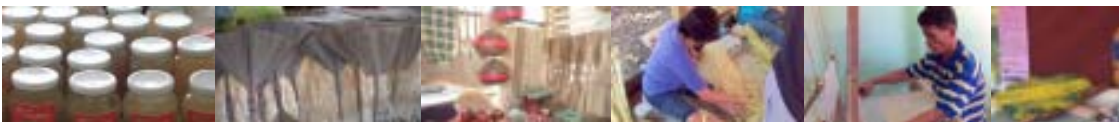
financial sector lenders. They are characterised by simple procedures, low transaction costs, rapid response and accessibility, but normally require collateral and probably do not reach the ultra poor. Source: "Getting the Framework Right: Policy and Regulation for Microfinance in Asia" Paul B. McGuire, John D. Conroy, and Ganesh B. Thapa, 1998

### Moneyshops

A phenomenon in the urban areas of the Philippines where a few formal financial intermediaries extended banking services through a "bridge-building" mechanism. These shops occupy stalls in public markets and offer working capital to market vendors. They charge an interest rate of about three percent per month, but still much lower than the usurer's several hundred per cent under the five-six scheme. Source: Virtual Library on Microcredit

### Mutual Savings and Loan Association

A non-bank financial institution organized as a civil association authorized to engage in financial intermediation and offer other financial services to the public.



### Rural Bank

A banking institution that targets clients who live and work in non-urban areas and who are generally involved in agricultural-related activities.

### Savings and Credit Cooperative (SACCO)

Another word for a credit union in Africa. The term “credit union” is generally not used in Africa—and specifically not in South Africa—to avoid confusion with the various labor movements.

### Savings Bank

A bank that focuses on savings mobilization as its core business. Found worldwide, some savings banks are public, some are private, and some function as cooperatives. Many are postal savings banks that offer their services through their countries’ post office branch network. Savings banks often have far greater rural outreach than other bank networks and tend to offer products with terms that are more manageable for the poor than typical commercial banks.



### Savings Mobilization

Programs intending to mobilize capital and to provide savings accounts, as well as credit services, to individuals and households.

## General Other Institutional Types

### For-profit Enterprise

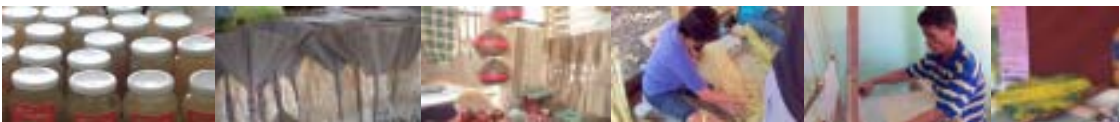
An enterprise that operates for the sole or principle objective of earning a financial return.

### Non-governmental Organization (NGO)

A non-profit group or association organized outside of institutionalized political structures to realize particular social objectives or serve particular constituencies. Its activities include program operation, service delivery, research, information distribution, training, local organization, and community service, as well as legal advocacy, lobbying for legislative or social change, and civil disobedience.

### Non-profit Enterprise

A revenue-generating non-profit organization operating with a focus on the financial bottom line.



### Non-profit Organization

An organization whose income is not used for the benefit or private gain of shareholders, directors, or any other persons with an interest in the organization. Such organizations are typically funded through a mix of private or public donations. They may also be funded by an endowment or separate for-profit enterprise, social franchise or other commercial means.

### Private Voluntary Organization (PVO)

A term used to describe international non-governmental organizations based in North America.

## General Sectors

### Community-Based Sector

See Voluntary Sector.

### Formal Sector

The economic sector consisting of legally licensed and registered institutions that operate within the formal regulatory environment (e.g., labour and taxation laws). See Formal Economy.



### For-profit Sector

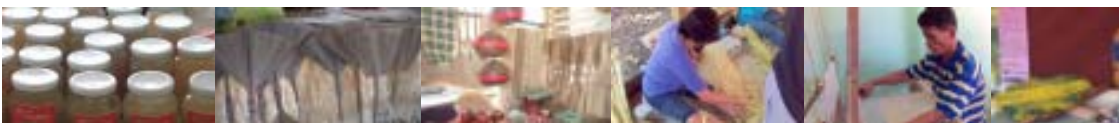
See Private Sector.

### Informal Economy

The term "informal economy" became current in the 1970s as a label for economic activities which take place outside the framework of corporate public and private sector establishments. Such economic activities are characterized by the ILO as having the following features: small size of operations, reliance on family labour and local resources, low capital endowments, labour-intensive technology, limited barriers to entry, high degree of competition, unskilled work forces and acquisition of skills outside the formal education system. Informal businesses usually do not comply with established regulations governing labour practices, taxes and licensing. *Source: Virtual Library on Microcredit*

### Informal Sector

The portion of a country's economy that lies outside of any formal regulatory environment (e.g., labor and taxation laws) and which consists of unregistered or unlicensed licit and illicit activities. Informal-sector activities are rarely



reflected in official statistics on economic activity, including gross domestic product. The main features of the informal sector are ease of entry, self-employment, small-scale production, labor-intensive work, lack of access to organized markets, and lack of access to traditional forms of credit. See Informal Economy.

#### Private Sector

The part of the economy concerned with organizations and businesses that provide products and services based on market demands for a fee, with the intention of producing a profit for owners and shareholders. See For-profit Sector.

#### Public-Benefit Sector

See Voluntary Sector.

#### Third Sector

See Voluntary Sector.

#### Voluntary Sector

The sector comprised of self-governing organizations, independent of the public or private sector, which exists to serve a public benefit and generate social impact. It relies



heavily on the efforts of volunteers in carrying out its mandate. Organizations may range from small community-based groups to large, national umbrella organizations, and their work may include delivering services; advocating on behalf of community causes; encouraging self help; facilitating international, community and economic development; advancing religious faith and practice; or raising funds and providing financial support to other voluntary organizations. See Third Sector, Community-Based Sector, Public-Benefit Sector.

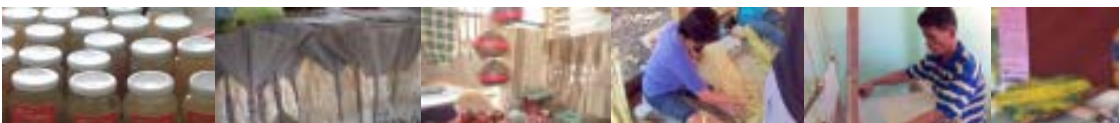
## Financial Service Institutions

This section contains terms relevant for a general understanding of financial service institutions, the products and services they offer, the environment in which they operate, and the means of assessing them as a context for understanding social and general performance terms.

### *Products and Services*

#### Agriculture and Livestock Loan

A type of loan made for the purpose of funding the agriculture and livestock activities of smallholders in rural areas.



### Consumer Loan

A loan that establishes consumer credit granted for personal use. It includes, for example, the purchase of motor vehicles, appliances, consumer electronics, or other household necessities and the payment of school fees. See Consumption Loan.

### Enterprise Loan

A loan made for the purpose of financing productive enterprise activities.

### Financial Services

Services offered by financial institutions. They include savings, loans, insurance, leasing, wire transfers, and brokerage services.

### Individual Loan

A loan made to an individual borrower who is solely responsible for its repayment.

### Loan Procedures

Procedures for providing loans, including client selection, underwriting, paperwork, and disbursement.



### Loan Products

Types of loans with particular sets of terms and conditions, and often for a particular use.

### Non-financial Services

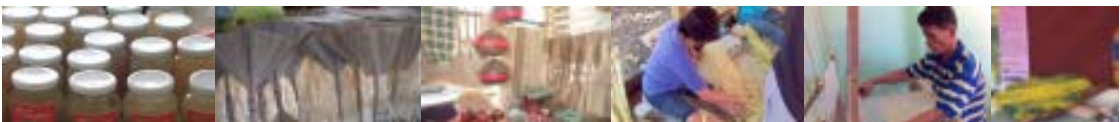
Services offered by an organization, either alone or in collaboration with other organizations, with the main objective of improving clients' business performance, socioeconomic well-being, access to services, or social standing. Examples include business development services, health care, literacy or other life skills training, community participation, or political voice or other type of empowerment. Such services may be linked to, bundled with or provided separately from financial services.

### Real Guarantee

A loan guarantee secured with real estate assets.

### Term

Refers to the maturity or length of time until final repayment on a loan, bond, sale, or other contractual obligation.



### Working Capital Loan

A loan made for the purpose of financing the current capital needs of the enterprise, such as operating expenses or the purchase of raw materials or inventory. It is a short-term loan of a relatively low amount that is tied to the resupply cycle of the enterprise.

### *Context Terms*

#### Capital

Assets available for use in the production of goods and services or other assets. It includes physical capital, financial capital, human capital, and social capital.

#### Capital Markets

Those financial markets, including institutions and individuals, which exchange securities, especially long-term debt instruments.

#### Collateral

Asset pledged by a borrower to secure a loan, which can be repossessed in case of default. In a microfinance context, collateral can vary from



fixed assets (a car, a sewing machine) to cross-guarantees from peers. *Source: ACCION*

### Credit Bureau

An agency that maintains information on the credit history of consumers so that creditors can make decisions about granting of loans.

### Credit Rating

An evaluation of an organization or individual's ability to repay financial obligations or the likelihood of not defaulting on financial obligations. It is used to determine an organization's or individual's credit risk.

### Credit Scoring

A predictive measure of the risk associated with a credit applicant. It is an automated system that assigns points for credit risk factors, providing lenders with the ability to grade prospective clients and to calculate the risk of extending credit. The credit score is a prediction of the creditworthiness of the credit applicant.

### Default

Failure to make timely payment of interest or principal on a loan, or to otherwise comply with the terms of a loan.



### Delinquent

In a monetary context, something that has been made payable and is overdue and unpaid.

*Source: Renz and Massarsky*

### Financial Performance

Organizational performance as measured by financial metrics, such as profit, net operating margin, return on investment, return on assets, or operational efficiency.

### Financial Return

A return that enhances the stock of financial capital

### Lending Rate

Lending Rate is the bank rate that usually meets the short and medium term financing needs of the private sector. This rate is normally differentiated according to creditworthiness of borrowers and objectives of financing. *Source: The MIX Market*

### Market Rate

The rate of interest a company must pay to borrow funds currently. Program-related investments generally are offered at below



market rates or at no interest rate. *Source: Renz and Massarsky*

### Market Research

The systematic collection, analysis, and reporting of data about the market (customers, competitors, and other market actors) and its preferences, opinions, and trends.

### Financial Intermediation

The process carried out by a financial institution serving as a link, or intermediary, between borrowers and savers. Savers deposit funds in the institution, which then lends those funds to borrowers.

### Principal

In commercial law, the principal is the amount that is received, in the case of a loan, or the amount from which flows the interest. *Source: Renz and Massarsky*

### Rating

Refers to the external process of assessing an organization's performance. This is distinct from an internal or external audit, which refers to a process of verification.



### Rating Agency

A company that rates the ability of an organization to meet its social or financial obligations.

### Regulation

Government laws and rules that govern financial institutions. Governments tend to focus their efforts on regulating financial intermediaries that mobilize deposits rather than on financial institutions that provide credit services only.

### Supervision

The systematic oversight of deposit-taking financial service providers to make sure that they comply with the regulations governing them or to close them if they do not. Supervision plays a crucial role in protecting depositors from losses due to mismanagement or fraud. Typically, regulatory agencies have very limited resources, yet are responsible for assuring the stability of the country's financial system. As a result, policy makers must balance systemic risk and the costs of supervision to make the best use of scarce supervisory resources.



### Term / Time Deposit / Certificate / Fixed Deposit

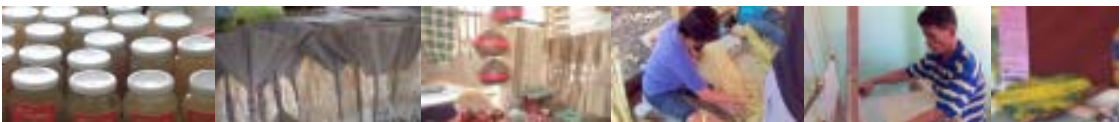
A savings product in which a client makes a single deposit that cannot be withdrawn for a specified period of time. At the appointed time, the client withdraws the entire amount with interest. The financial institution offers a range of possible terms and usually pays a higher interest rate than on its demand deposit or contractual products. Because they tend to be larger than other types of deposits, have contracted withdrawal times, and involve fewer transactions, time deposits can provide a significant source of relatively low-cost funds that facilitate ALM. This is particularly true if an MFI can attract large and institutional depositors. *Source: CGAP*

### Warranties

Statement attesting that certain statements are true. For instance, the borrower may warrant that it is a corporation, that it is entering into the agreement legally and that financial statements supplied to the bank are true. *Source: Renz and Massarsky*

### Write-off

Charging an asset amount to expense or loss. A microfinance institution writes off loans not



expecting to collect them, while continuing to attempt collection. *Source: ACCION*

Workers' remittances, receipt (BoP, current US\$)

Workers' remittances are current transfers by migrants who are employed or intend to remain employed for more than a year in another economy in which they are considered residents. Some developing countries classify workers' remittances as a factor income receipt (and thus as a component of GNI [gross national income—formerly gross national product, or GNP]). The World Bank adheres to international guidelines in defining GNI, and its classification of workers' remittances may therefore differ from national practices. *Source: The MIX Market*

## Types of Stakeholders

### 1. Donor Agencies

“Donor agencies provide the necessary catalyst to the establishment of a viable microfinance sector.

MFIs in all countries have received considerable support from their governments and/or donor agencies. In the past, most of this has been in

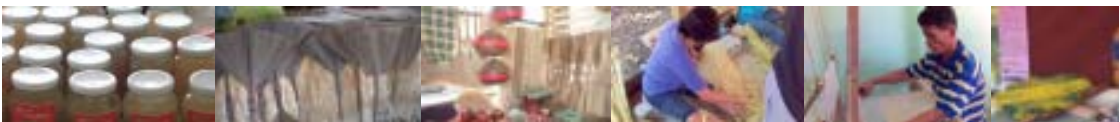


the form of financial assistance, largely ad hoc in nature, direct to an individual MFI.

In October 1995 major donor agencies agreed on The Guiding Principles for Selecting and Supporting Intermediaries. It outlines a number of suggestions on how support by donors and government can best be directed to maximize outreach and sustainability. All governments and donor agencies should ensure that their support to MFIs is consistent with these principles.

One of these is the channelling of funds through some form of second-tier microfinance institution to individual MFIs. The most successful of these is the Palli Karma Sahayak Foundation (PKSF) in Bangladesh. In the Philippines, a second-tier financial institution which came out of government initiatives is the People's Credit and Finance Corporation (PCFC). Where they operate well, second-tier microfinance institutions are a very effective means for supporting MFIs."

Source: Getting the Framework Right: Policy and Regulation for Microfinance in Asia Paul B. McGuire, John D. Conroy, and Ganesh B. Thapa, 1998



“Accordingly, there are three levels at which microfinance should operate:

- **Micro level:** Donor funds should support financial and non-financial institutions that provide services directly to poor clients and help them reach financial sustainability;
- **Meso level:** Donors should support the overall infrastructure of the financial system comprising quality auditors, rating agencies, networks and associations, credit bureaus, transfer and payment systems, information technology and technical service providers;
- **Macro level:** Donor support should aim to create a stable macro-economic and policy environment. Donors should not support the direct provision of financial services by governments.

Each donor should act upon its comparative advantage. Donor agencies should define their strengths and identify partners that complement their capacities.”

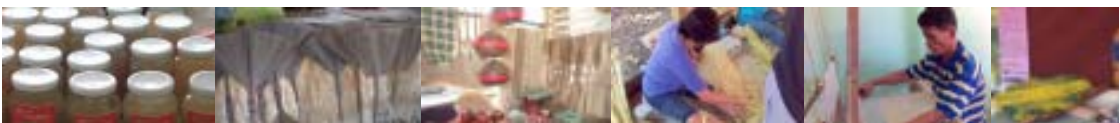
*“Building Inclusive Financial Systems: Donor Guidelines on Good Practice in Microfinance”  
The Microfinance Gateway*



### *Five Elements of Effectiveness*

“Five core elements of effectiveness emerged from the 17 Microfinance Donor Peer Reviews. These elements, while not exhaustive, are key to improving aid effectiveness at the individual agency level. These same elements also help determine an agency’s comparative advantage in microfinance vis-à-vis other donors when supporting financial services for the poor.

1. *Strategic Clarity and Coherence*: The extent to which an agency-wide vision of microfinance exists and whether this vision and agency policies are in line with accepted good practice.
2. *Strong Staff Capacity*: Whether the microfinance focal unit has sufficient capacity and resources to provide skilled technical support to operational colleagues. Also, whether the overall level of technical capacity is adequate to ensure quality operations.
3. *Accountability for Results*: The level of knowledge of the microfinance portfolio (e.g., whether it is “visible” to the agency) and transparency on portfolio performance.
4. *Relevant Knowledge Management*: How well the agency learns from its own and others’ experience through the creation, dissemination



and use of practical, user-friendly knowledge.

5. *Appropriate Instruments:* Whether an agency has instruments that allow it to work directly with the private sector — a critical pre-condition for effectiveness in microfinance. The quality, range and flexibility of instruments are also crucial."

### 17 Microfinance Donors

1. African Development Bank (AfDB)
2. Agence Française de Développement (AFD)
3. Asian Development Bank (AsDB)
4. Canadian International Development Agency (CIDA)
5. DANIDA
6. Department for International Development (DFID)
7. European Commission (EC)
8. Gesellschaft für Technische Zusammenarbeit (GTZ)
9. International Labour Organization (ILO)
10. International Fund for Agricultural Development (IFAD)
11. Kreditanstalt für Wiederaufbau (KfW)
12. Netherlands Development Cooperation System





13. Norwegian Development Corporation (NORAD)
14. Swedish International Development Corporation (Sida)
15. Swiss Agency for Development and Cooperation (SDC)
16. United States Agency for International Development (USAID)
17. United Nations Development Programme (UNDP) and United Nations Capital Development Fund (UNCDF)

Source: CGAP



## 2. Microfinance Institutions (MFIs)

A microfinance institution or MFI is an organization that offers financial services to poor and low-income populations. Almost all of these offer microcredit and only take back small amounts of savings from their own borrowers, not from the general public. Within the microfinance industry, the term microfinance institution has come to refer to a wide range of organizations dedicated to providing these services. Examples of these are:

- a. Non-government organizations or NGOs
- b. Credit unions
- c. Cooperatives
- d. Private commercial banks
- e. Non-bank financial institutions (mostly from NGOs into regulated institutions)
- f. Parts of state-owned banks
- g. Community-based financial intermediaries (cooperative housing, entrepreneurs or municipalities)

Some of the biggest MFIs are the following:

1. **Accion International**, a large network of microfinance institutions working in Asia, Latin America, and Africa
2. **Freedom from Hunger**, a large network of microfinance institutions focused on the very



poor in Asia, Latin America and Africa. Freedom from Hunger is a pioneer for sustainably integrating education with microfinance. The Organization is currently exploring new models for increased scale **under its Reach initiative** and new innovations to integrate health and microfinance

3. **Grameen Foundation**, replicating the Grameen Bank model around the world
4. **Grameen Bank**, generally regarded as the originator of the microcredit movement in finance
5. **Kiva**, the only peer-to-peer Microfinance gateway, using the power of the internet to facilitate micro-lending. Allows anyone to participate in Microfinance with as little as a \$25 loan.
6. **Microloans** Mapped on Platial.
7. **Opportunity International**, a large microfinance network focusing on giving the poor around the world a working chance. Also a pioneer in using microfinance to fight HIV/AIDS in Africa.
8. **ProCredit Holding**- ProCredit group consists of 19 different banks in developing countries.



The core business of the banks is lending to micro and small enterprises.

## 9. Pro Mujer

10. **SafeSave** pioneers basic banking services (not just microcredit) for very poor people

11. **TrickleUp.org** gives small grants to emerging entrepreneurs among the very poor. Currently operating in 14 countries including USA. Offers business training to the poor and encourages savings groups among the entrepreneurs. Started by Millie Leets and her husband 27 year ago, it has helped over 130,000 poor start their own businesses, gain self esteem and join savings groups.

12. **Unitus**, a global microfinance accelerator, acting as a social venture capital investor for the microfinance industry. Also, they have launched a **blog** which discusses microfinance and microcredit topics.



MICROFINANCE STATISTICS\*\*

\*\*Information from the State of the Microcredit Summit Campaign Report, 2005.

<b>Numbers of MFIs and Total Client Numbers Reporting to Microcredit Summit</b>			
<b>Year</b>	<b>Number of MFIs</b>	<b>Number of Total Clients</b>	<b>Number of "Poorest" Clients*</b>
1997	618	13.5 million	7.6 million
1998	925	21 million	12.2 million
1999	1,065	23.6 million	13.8 million
2000	1,567	30.7 million	19.3 million
2001	2,186	55 million	26.9 million
2002	2,572	67.6 million	41.6 million
2003	2,931	80.9 million	54.8 million
2004	3,164	92.3 million	66.6 million

\*(< \$1 per day or bottom half of those living below national poverty line when first loan is received)

Size of MFIs by Clients

### 3. *Borrowers*

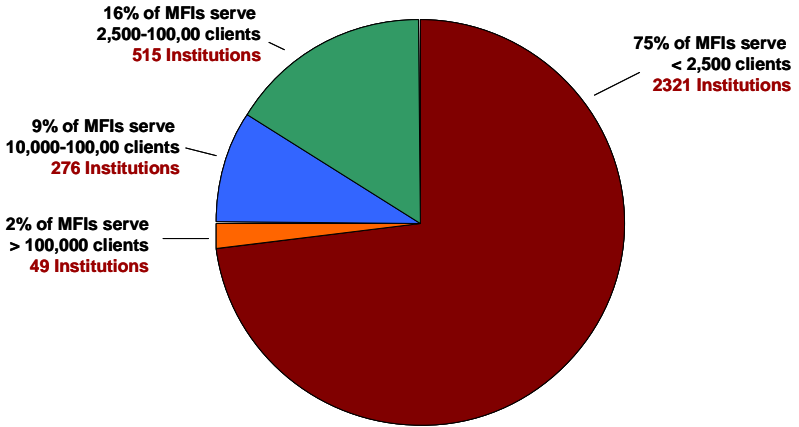
Microfinance services are solely directed to:

- a. Primarily women
- b. Unemployed or lack steady employment
- c. Micro-entrepreneurs or people in the informal economy or underground sector
- d. Residents of remote areas
- e. Individuals who are not bankable, lack collateral and a verifiable credit history

Source: Unitus



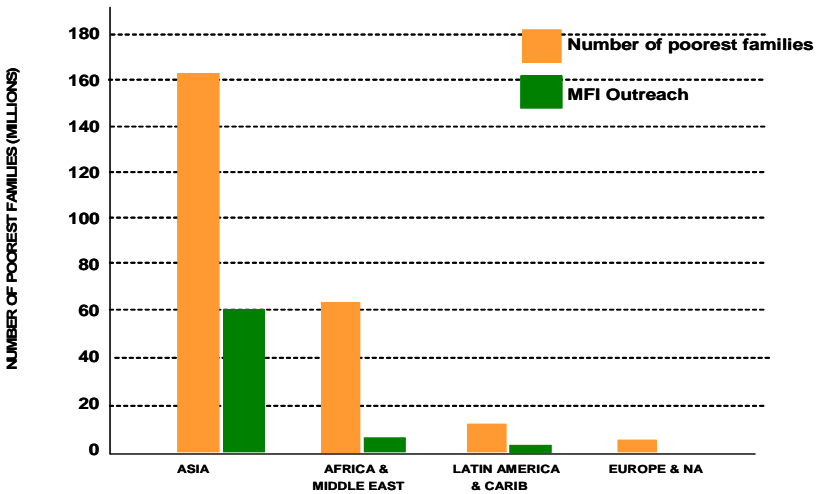
**MOST MFIs ARE VERY SMALL**



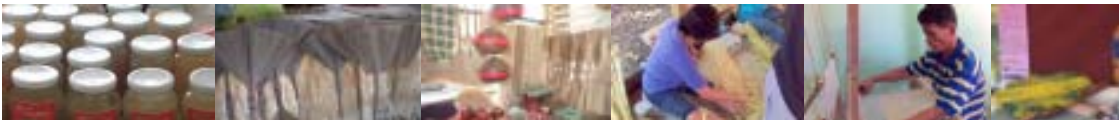
<\$1 a day or bottom half of those living below national poverty line when first loan of received

Numbers based on Microsoft Summit Campaign data, 2005.

**REGIONAL BREAKDOWN OF ACCESS TO MICROFINANCE SERVICES**



Area/Indicator	Definitions/Ratio	Standard	Weight
<b>I. PORTFOLIO QUALITY</b>			
Portfolio-at-Risk	Balance of Loans with at least one day missed payment Total Loans Outstanding	PAR – 1 5%	40 20
Loan Loss Reserve Ratio	Total Allowance Provided Total Required Allowance	Required Reserves: Current – 1% PAR 1 to 30 – 2% PAR 31 to 60 – 20% PAR 61 to 90 - 50% PAR 91 and above and/or loan restructure twice – 100%	20
<b>II. EFFICIENCY</b>			
Administrative Efficiency	Administrative Costs <sup>1</sup> (Direct and Indirect Costs <sup>2</sup> )		30
Operational Self-Sufficiency	Average Gross Loan Portfolio <sup>3</sup>	10% and below	10
Loan Officer Productivity	Interest Income from Loans + Service Fees + Filing Fees + Fines, Penalties, Surcharges	> 120%	10
<b>III. SUSTAINABILITY</b>			
Financial Self Sufficiency	Financing Costs at Administrative Costs (Direct and Indirect Costs)	Group - > to 300 - > to 150 > 100%	15 10



Loan Portfolio Profitability	Number of Active Borrowers Number of Account Officers	Greater than inflation rate during the period	5
IV. OUTREACH			
Growth in Number of Active MF Clients	Operating Revenue Financial Expense + Loan Loss Provision Expense + Adjusted Expenses <sup>4</sup>	Increasing	15
Growth in Microfinance Loan Portfolio	Net Operating Income Average Net MF Loan Portfolio	Increasing	5
Depth of Outreach	Ending No. of Active MF Clients <sup>5</sup> – Beginning No. of Active MF Clients	20% or below	5
TOTAL	Ending MF Loans Outstanding – Beginning MF Loans Outstanding Beginning MF Loans Outstanding		5
	Total Loans Outstanding/ Total Number of Borrowers GNP Per Capita		100



- 1/ *Administrative cost should include loan loss provision expense.*  
 2/ *(Beginning Gross Loan Portfolio + Ending Gross Loan Portfolio) ÷ 2*  
 3/ **Indirect Costs** is allocated in proportion to the number of personnel directly dedicated to each cost center. Indirect cost allocated to the microfinance operations is computed as:

**Indirect Costs** = (Number of Full-time MF Staff ÷ Total Number of Personnel) x Total Indirect Costs

Where:

- **Full-time MF Staff** – refers to employees working full-time in the microfinance operations regardless of employment status, i.e., whether contractual or regular.
- **Total Indirect Costs** – refers to costs shared by both the microfinance and non-microfinance operations. It includes, among others, salaries and benefits, rent, office materials and supplies, publications and publicity, transportation, travel and training for overhead staff, telephone and postage, insurance, utilities, repairs and maintenance, legal, audit and consultant fees, bank charges, taxes, and depreciation.

4/ **Adjusted Expenses** = Total Operating Expense + [(Average Equity – Average Fixed Assets) x Inflation Rate] + [(Market Interest Rate x Average Total Liabilities) – Actual Interest Expense] + Other Implicit Costs. Other Implicit Costs include those costs relevant to the conduct of its business such as grants, rent free building, donor paid technical advisor, or other subsidized expenses.

5/ *Active MF clients shall be those clients with savings and/or loans.*



## Key Principles of Microfinance

1. Poor people need a variety of financial services, not just loans.
2. Microfinance is a powerful tool to fight poverty.
3. Microfinance means building financial systems that serve the poor.
4. Microfinance can pay for itself, and must do so if it is to reach very large numbers of poor people.
5. Microfinance is about building permanent local financial institutions.
6. Microcredit is not always the answer. Microcredit is not the best tool for everyone or every situation.
7. Interest rate ceilings hurt poor people by making it harder for them to get credit.
8. The role of government is to enable financial services, not to provide them directly.
9. Donor funds should complement private capital, not compete with it.
10. The key bottleneck is the shortage of strong institutions and managers.
11. Microfinance works best when it measures—and discloses—its performance.



CGAP is a **consortium of 31 public and private development agencies** working together to expand access to financial services for the poor, referred to as microfinance. These principles were developed and endorsed by CGAP and its 31 member donors, and further endorsed by the Group of Eight leaders at the G8 Summit on 10 June 2004.

## MICROFACTS

### Data Snapshots on Microfinance

- In Africa, women account for more than 60 per cent of the rural labour force and contribute up to 80 per cent of food production, yet receive less than 10 per cent of credit provided to farmers.
- The World Bank estimates that there are now over 7000 microfinance institutions, serving some 16 million poor people in developing countries. The total cash turnover of MFIs world-wide is estimated at US\$2.5 billion and the potential for new growth is outstanding.
- There is concern that official assistance will be diverted from vital primary care aid programmes such as health, water projects and



education into MFIs, owing to their popularity among donors.

- Though women appear to benefit most, studies indicate that many loans awarded to and paid back by women are in fact used by men.
- The widely-imitated Grameen Bank in Bangladesh aims to provide credit to those in extreme poverty. Some 94 per cent of those who meet the bank's criteria and take up loans are women. Grameen borrowers keep up repayments at a rate of around 98 per cent. The Bank lends US\$30 million a month to 1.8 million needy borrowers.
- Savings are important both as a vital safety net for the poor and as a source of funding that does not rely on external sources. Many strong MFIs, notably in Africa, recycle the savings of needy clients as a principal source of loan funds for their customers
- The Microcredit Summit estimates that US\$21.6 billion is needed to provide microfinance to 100 million of the world's poorest families. The Summit planners say it should be possible to



raise US\$2 billion from borrowers' savings alone. The final figure may be even higher.

- Studies have shown that during an eight-year period, among the poorest in Bangladesh with no credit service of any type, only 4 percent pulled themselves above the poverty line. But with individuals and families with credit from Grameen Bank, more than 48% rose above the poverty line.
- It is estimated that worldwide, there are 13 million microcredit borrowers, with USD 7 billion in outstanding loans, and generating repayment rates of 97 percent. It has been growing at a rate of 30 percent annual growth.
- Fewer than 2 per cent of poor people have access to financial services (credit or savings) from sources other than money lenders.
- Under 10 million of the 500 million people who run micro and small enterprises have access to financial support for their businesses.
- There is a potential demand for *microcredit* services from seven million borrowers.



- There is a potential demand for *microsavings* services from 19 million savers.
- The world's seven richest men could wipe out global poverty. Their combined wealth is more than enough to provide the basic needs of the poorest quarter of the world's people.

Source: Virtual Library on Microcredit

- 2.5 billion people (30% of worldwide population), currently lives with less than USD2/day
- These 2.5 billion people earn 5% of the worldwide income
- 1.1 billion of them lives with less than USD1 / day.
- 2006: the income gap between the 5% richest and the 5% poorest reaches 74 for 1. In 1960, the ratio was at 30 for 1.
- The UN Millenium Development Goals aim at reducing by half the amount of people living bellow the poverty line by 2015.

Source : PlaNetFinance



- Top of Form
- Bottom of Form
- 16 percent of the Philippine population live on less than \$1 a day; 40 percent live on less than \$2 a day.
  
- Health issues include malnourishment (affecting 17 million Filipino people) and high levels of maternal mortality.

Source: CARD

- “At the rate we’re heading, we’ll halve total poverty by 2015.”  
— Muhammad Yunus, Nobel Peace Prize winner and microcredit pioneer in Bangladesh

Source: Time Magazine, April 16, 2007

