

“Is Banking for the Poor an Oxymoron? An Examination
of Microfinance Organizations across the Globe”

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ABSTRACT

The field of microfinance has developed rapidly within the past two decades, with many nongovernmental organizations (NGOs) and microfinance institutions (MFIs) established in various countries throughout the world. These organizations operate under the mission of "banking for the poor," bringing opportunity and credit for the poor to lift themselves out of poverty. However, there are many varying strategies for these organizations to take, and many different structures to adopt. Microfinance institutions often begin as NGOs and grow to become regulated banks, or MFIs; they evolve from non-profit organizations to profit-seeking institutions. But how can an organization successfully manage the transition from non-profit organization to profit-seeking bank?

This study will address the aforementioned question, analyzing the differing strategies microfinance organizations can adopt and how they have transitioned. Specifically, this study will examine two microfinance organizations, ACCIÓN and Grameen Bank, identify their accomplishments and challenges ahead, and develop a theory for their success in relation to other microfinance organizations across the globe.

INTRODUCTION AND BACKGROUND

Conventional banking is based on the principle that the more money you have, the more you can borrow. But when 2.5 billion people are living on less than \$2 a day, they often do not have enough collateral to gain access to credit. Thus it is not surprising that 53 percent of the world's poor does not have access to formal or informal banks.¹

¹ Bruton, Garry D., Susanna Khavul, & Helmuth Chavez. "Microlending in emerging economics: Building a new line of inquiry from the ground up," *Journal of International Business Studies* I-22 (2011): 1, accessed March 3, 2011. doi:10.1057/jibs.2010.58

There are many different microfinance organizations throughout the world, but Grameen Bank has been one of the most famous and influential. Since the official founding by Professor Muhammad Yunus in 1983, Grameen Bank has been an industry leader in microfinance. Grameen Bank's mission is to help poor families empower themselves to overcome poverty. Grameen Bank loans are targeted specifically to poor women and aim to break the cycle of poverty. Grameen Bank views poverty not as created by the poor themselves, but by the institutions that they live in.² Grameen Bank is different than other conventional banks, viewing credit as a human right³ and not just the privilege of the rich.

Grameen Bank began as an action research project of Professor Muhammad Yunus as head of the Rural Economics Program at the University of Chittagong in Bangladesh in 1976. It began in one village and eventually spread to cover 97 percent of all of the villages in Bangladesh after the official founding in 1983.⁴ Yunus, who won the Nobel Peace Prize for his work in 2006, is now the managing director of Grameen Bank. He states that if financial resources can be made available to the poor on practical terms, "these millions of small people with their millions of small pursuits can add up to create the biggest development wonder."⁵ Yunus has seen that vision unfold not only in Bangladesh, but around the world.

While this vision may have spread throughout the world, there are indications that the industry still has further high growth potential. For example, in 2008, \$17 billion in loans were disbursed, but this only represented 10 percent of the potential microfinance market of nearly 1.5 billion people (assuming that half of the world's 3 billion poor might have been eligible for

² Grameen Bank. "What Is Microcredit?" Accessed March 5, 2011. http://www.grameen-info.org/index.php?option=com_content&task=view&id=28&Itemid=177

³ Grameen Bank. "Is Grameen Bank Different From Conventional Banks?" Accessed March 3, 2011. http://www.grameen-info.org/index.php?option=com_content&task=view&id=27&Itemid=176

⁴ Grameen Bank, "Introduction." Accessed March 3, 2011. http://www.grameen-info.org/index.php?option=com_content&task=view&id=16&Itemid=112

⁵ Ibid.

microloans).⁶ This indicates that there is a large untapped market of poor throughout the world to be cultivated into successful borrowers and entrepreneurs.

Of these untapped borrowers, most are women. In fact, 70 percent of the world's poor are women,⁷ and an overwhelming majority of Grameen Bank microloan borrowers are women. These investments in women have been shown to not only empower women to lift themselves out of poverty, but can also "improve maternal and child health outcomes, end violence against women, [and] break barriers to women's political participation,"⁸ which benefits society as a whole.

WHAT IS MICROFINANCE?

In general, microfinance institutions emphasize empowerment of individuals, giving them the resources and tools to lift themselves out of poverty. They believe in the potential of the person as opposed to what they own or have done already. In addition, there are three ways in which microlending is different than traditional banking: MFIs rely heavily on social relationships with local banking groups; often loan to borrowers in low-growth, informal economies with weak property rights and tight social control; and have customers that are usually inexperienced with capital. Their income is small, irregular, and unpredictable.⁹

When MFIs utilize group-based processes, they are taking advantage of the social capital in the societies in which they work. Therefore, the *groups* are responsible for monitoring individual's use and repayment, not the institution. Each group is led by a leader who is responsible for the general oversight functions. In addition, groups are part of a larger

⁶ Bruton et al.

⁷ Brill, Betsy. "The Power of Investing in Women." *Forbes.com*, March 28, 2011.

<http://www.forbes.com/2011/03/28/women-led-philanthropy-intelligent-investing.html>

⁸ Ibid.

⁹ Bruton et al.

community of 5-8 groups, which is overseen by a loan officer who represents the microlending institution. Loans are often repaid twice a month at community meetings with the loan officer. If a borrower cannot pay, the group decides as a whole what to do about it.

Self-selection of groups by the community can be seen in these settings. Often, the community knows more about the individuals than the outside institution and can therefore make better-informed decisions about joining borrowing groups. In effect, "creditworthy individuals are likely to band together"¹⁰ because individuals want to be part of a successful and responsible group.

It has been shown that groups are the most effective ways to ensure repayment, as there is a higher level of joint responsibility and group consequences because of the social pressures and mechanisms used to monitor members of the group.¹¹ Thus, lending is based on trust, not collateral or the threat of legal procedures. The past, present, and futures of communities are inextricably linked and serve as more effective vehicles of lending. Not surprisingly, repayment rates of microlending institutions are often reported to be typically above 90 percent.¹²

Another characteristic of microlending pertains to interest rates. In many developing countries, interest rates for borrowing money are quite high, often over 100 percent. Issues arising from these high interest rates will be discussed in the following section.

¹⁰ Bruton et al.

¹¹ Ibid.

¹² Ibid.

In addition to the characteristics discussed, the table below provides more detailed information on traditional microfinance banking models in comparison to the new business model of microfinance institutions.

The New Business Model for Microfinance¹³		
Dimension	Traditional Model	New Business Model
Target Market	Microenterprise	Low-income households
Core Product	Working capital loans and other business credit	Full financial services (savings, remittances, insurance, education, etc.)
Delivery Channel	Branches	Retail outlets, payment systems, (ATMs, POS, cards, cell phones)
Relationship Manager	Loan officer	Promoters
Organizational Structure	Decentralized	Centralized
Credit Underwriting	Integrated, personalized, high-touch services	Specialized functions, increased automation
Risk Management	6th sense, experience, delinquency - zero tolerance	Statistical modeling, risk-based pricing
Technological Platform	Personalized MIS & applications (if automated)	Common, networked systems, standardized software

CHALLENGES FOR THE MICROFINANCE INDUSTRY

While microfinance may have achieved wonders in Bangladesh and around the world, there are still many consequences of the industry on the family structures as well as challenges that lay ahead for the organization.

On the borrowing side, for example, children will often work as opposed to going to school because the business is so important to many families.¹⁴ On the lending side, sometimes institutions do not effectively track repayment rates, do not record partial repayments or are slow to write off bad loans.¹⁵ Repayment rates may also be inflated because of the amount of women

¹³ ACCION. “Innovation in Microfinance.” Accessed March 25, 2011. <http://www.accion.org/Page.aspx?pid=780>

¹⁴ Bruton et al.

¹⁵ Ibid.

who repeatedly borrow to cover household expenses.¹⁶ Other issues arise with women who receive loans in place of their husbands; the women incur the credit risk but the males are the ones with the marital control over the funds.

Other borrowing problems arise when borrowers find themselves in mountains of debt when their borrowing is poorly managed, either by themselves, by the community, or by the MFI. While Grameen Bank only loans to repeat borrowers after the original loan has been paid off, many other MFIs do not follow this policy, allowing borrowers to take out several loans they simply cannot afford to repay. These practices lead borrowers into a cycle of debt they cannot seem to escape.

Excessive debt has driven many borrowers to suicide, as documented in a recent *Al Jazeera 101 East* special about microfinance in India. As the special continues, problems with the group-based lending process have developed; harassment of members who do not repay their loans is common. This situation is so serious that the Indian government "is preparing charges in 51 cases of suicide, allegedly linked to coercive methods of debt collection by microfinance institutes."¹⁷

Borrowers also encounter challenges in the growth process of their small businesses. Because microfinance institutions generally only lend to the small businesses of the poor, they are not available to the larger businesses with collateral that can take out loans and access other services from the larger banks. But what happens when these small businesses grow and become more successful? Will they graduate to borrowing from the larger institutions?

¹⁶ Cons, Jason and Kasia Paprocki. "The Limits of Microcredit – A Bangladeshi Case." *Food First Backgrounder* (Institute for Food and Development Policy), Winter 2008, vol. 14, number 4.

¹⁷ "Microfinance: Banking on debt," *101 East, Al Jazeera*. 13 April 2011. Video on website. <http://english.aljazeera.net/programmes/101east/2011/04/2011413113219637895.html>

This radical change in their banking relationship may actually serve as a disincentive to grow, leading borrowers to thwart the growth of their businesses or community so as to maintain the same loans and relationships they are used to. Thus, loans have the potential to actually disenfranchise the community and sometimes keep them at the same level of development so they keep receiving funding.

Another major challenge lies in the growth of microfinance institutions. MFIs often begin as NGOs and transition to become banks; they evolve from non-profit organizations to profit-seeking institutions. But how can an organization successfully manage this transition from non-profit organizations to profit-seeking banks?

Some of the issues surrounding these transitions include the management of interest rates. When these MFIs are small, their mission is to bring credit to the poor and therefore keep interest rates as low as possible. However, when they grow, they look to become more sustainable, relying less (or not at all) on donations and more on deposits and investment. For these banks to grow and expand sustainably, they must increase their interest rates. While these increases may be modest at first, many organizations must raise them much higher than what they previously where. When interest rates are necessarily raised because of increased growth, at what point do these institutions lose sight of their original poverty-fighting mission? Grameen Bank is unique in this situation as they strive to become self-sustainable, relying less of donations and more on deposits and investment – yet have been able to keep interest rates low.

Clearly, the rise in interest rates can have devastating effects on small businesses and families. Not only can it lead to the destruction of these businesses, but of owners' lives as well. As R. Subrahmanyam, of India's Andhra Pradesh Rural Development Department, points out,

"The profiteering of the company has become more important than the progress of the people."¹⁸

Therefore, mitigating these effects and successfully managing these transitions is absolutely essential.

DIFFERING STRATEGIES OF MICROFINANCE ORGANIZATIONS

As previously mentioned, many microfinance organizations across the globe adopt varying strategies to implement their poverty-fighting missions. Three organizations will be discussed here: Grameen Bank, ACCION, and Compartamos. While Grameen Bank and ACCION have experienced widespread success both financially and by staying true to their mission, Compartamos has experienced difficulties.

Grameen Bank: History and Accomplishments To-Date

Grameen Bank established its banking system in 1983 on the basis of four principles: mutual trust, accountability, participation, and creativity.¹⁹ These principles have helped them to grow to cover 8.36 million borrowers, 97 percent of whom are women (as of February 2011). Grameen Bank runs 2,565 branches with 22,277 employees, for an average 8.68 employees per branch. They provide services in 81,378 villages, covering more than 97 percent of the total villages in Bangladesh. Also as of February 2011, the borrowers of Grameen Bank owned 95 percent of the total equity of the bank, with the remaining 5 percent owned by the government of Bangladesh.²⁰

Loans disbursed by Grameen Bank are for income-generating activities and housing as opposed to consumption. They are disbursed under four different types of interest rates, all

¹⁸ "Microfinance: Banking on debt," *101 East*.

¹⁹ Grameen Bank. "Introduction."

²⁰ *Ibid.*

simple interest calculated on a declining balance. Income-generating loans are charged a 20 percent interest, housing loans are 8 percent, student loans have a 5 percent interest rate, and loans for "Struggling Members" (beggars) are interest-free.²¹

There are many different loan programs run by Grameen Bank. These include micro-enterprise loans for businesses and equipment, of which an average loan is approximately USD\$398.41 and the highest loan amount has been USD\$23,209. The housing and home improvement loan average is USD\$184.95. Scholarships to children of high performing borrowers are also given, mostly for primary education costs. USD\$2.57 million in scholarships has been disbursed as of February 2011. Higher education loans are also given, and as of February 2011, 48,306 students have been helped. In addition, Grameen Bank has a Struggling Members Program, which includes loans of dollars and cents to buy small necessities. New loans are available once existing loans are paid off, and most are accompanied by savings programs.

Other Grameen Bank programs include life insurance, pension funds, savings accounts, mobile phone services through Grameen Phone (an independent sister company), sanitation services, programs regarding food and nutrition, sanitation, technology, telecommunications, and helping members understand local election process in both the Bank and the community.

As of February 2011, the total amount of loans disbursed has reached USD\$10.38 billion. Of that, USD\$9.2 billion has been repaid. Current loans outstanding are USD\$967.14 million, and projected 2011 end of year loans outstanding is USD\$1.1 billion. The total loan recovery

²¹ Grameen Bank. "Grameen Bank At A Glance." February 2011. Accessed March 3, 2011. http://www.grameen-info.org/index.php?option=com_content&task=view&id=26&Itemid=175

rate as cited by the financial information is approximately 97.32 percent. The monthly average loan disbursement is USD\$117.63 million.²² The following table also provides this breakdown.

Select Loan Information	
Category	Amount (in USD)
Total Loans Disbursed	\$10.38 billion
Total Loans Repaid	\$9.2 billion
Current Loans Outstanding	\$967.14 million
Projected end-of-year loans outstanding	\$1.1 billion
Monthly average loan disbursement	\$117.63 million

One hundred percent of loans are financed from deposits in Grameen Bank, and 55 percent of deposits come from borrowers. Deposits account for 150 percent of loans outstanding. Because Grameen Bank stopped receiving funding from external sources in 1995, their goal is to have deposits fully finance the institution.²³

Grameen Bank’s Financial Health

Despite the global economic recession in 2007-2009 and two cyclones in 2009, Grameen Bank has continued to make profits, including a USD\$5.38 million profit in 2009. In fact, they have made a profit every year except 1983, 1991, and 1992. From 1997-2005, all profits were transferred to the Rehabilitation Fund under the Grameen Bank charter, “to be utilized for the purpose of rehabilitation of members affected due to natural disasters.”²⁴ This condition allowed Grameen Bank to be tax exempt.

²² Grameen Bank, “Grameen Bank At A Glance.”

²³ Ibid.

²⁴ Grameen Bank. “Audit Report 2009: Notes to the Financial Statements.” December 31, 2009. <http://www.grameen-info.org/dmdocuments/audit2009/Notes2009.pdf>

In 2009, revenues reached USD\$209.8 million.²⁵ Cash flows were also positive in the latest financial data available (2008 and 2009). Net cash from operating activities increased and less cash was used in financing activities. While end-of-year cash and cash equivalents decreased between 2008 and 2009, more cash was used in investing activities and net cash flow was still positive.²⁶

Of their expenditures, 50 percent are spent on interest payments on deposits and 27 percent are made on salaries, allowances, and pension benefits. In addition, new branches are expected to fund themselves entirely on the deposits they bring in, and are expected to break even within their first year of operation.²⁷ This is evidenced by the fact that Grameen Bank's borrowings from other institutions dropped significantly between 2004 and 2005.²⁸ The number continues to drop each year, further evidence of the increasing self-sustainability of the institution.

Other financial indicators include operating self-sufficiency and financial self-sufficiency, which took a slight hit between 2006 and end-of-year 2007, but has returned to 102.63 percent and 99.21 percent, respectively. Productivity per loan officer has followed a similar pattern, dipping between 2006 and 2007 but returning to the same rate after 2009.²⁹

Other measures of success include the fact that Grameen Bank has consistently expanded its branches, programs, number of members, villages covered, and employees each year.³⁰ However, one of the most meaningful statistics is revealed by a recent survey, which indicated

²⁵ Grameen Bank, "Grameen Bank At A Glance."

²⁶ Grameen Bank. "Cash Flow Statement." Accessed March 26, 2011. http://www.grameen-info.org/index.php?option=com_content&task=view&id=735&Itemid=712

²⁷ Grameen Bank. "Grameen Bank At A Glance."

²⁸ Grameen Bank. "Key Information of Grameen Bank in USD." Accessed March 26, 2011. http://www.grameen-info.org/index.php?option=com_content&task=view&id=37&Itemid=428

²⁹ Grameen Bank. "Performance Indicators & Ratio Analysis." Accessed March 26, 2011. http://www.grameen-info.org/index.php?option=com_content&task=view&id=632&Itemid=664

³⁰ Ibid.

that 68 percent of borrowers' families have crossed the poverty line after borrowing from Grameen Bank.³¹

Grameen Bank's Problems Outstanding

A recent string of events surrounding Grameen Bank founder Professor Muhammad Yunus has been in the news within the past few months. A scandal erupted on November 30, 2010, when a Norwegian television program accused Yunus of siphoning \$100 million in Norwegian funding from Grameen Bank to a sister organization, Grameen Kaylan. Other media reports even insinuated that Yunus had "pocketed" the donor money.³² The accusations were immediately denied by Grameen Bank and investigated by Norwegian authorities. Soon after, Yunus was cleared of the charges and the Norwegian government found no irregularities or evidence of corruption.

However, controversy resurfaced on March 3, 2011, when the central bank of Bangladesh tried to remove Yunus from his position as managing director of Grameen Bank, reasoning that he did not seek approval to be reappointed in 2000, the year Yunus turned 60 (the mandatory retirement age) as stipulated by the Grameen Bank Ordinance. Most speculate that Yunus was removed from his position 11 years after the cited event in 2000 because of his popularity with poor Bangladeshi voters and attempt to establish a political party in 2007. Yunus refused to step down, Grameen Bank fought the order under the 1991 Banking Companies Act, and the

³¹ Grameen Bank, "At A Glance."

³² "Norway examining 'aid anomalies' by Grameen." *The Daily Star*, Bangladesh, December 3, 2010. <http://www.thedailystar.net/newDesign/news-details.php?nid=164574>

international community rallied behind them.³³ Legal counsel for Yunus pronounced the belated central bank order "part of a character assassination of Yunus."³⁴

On March 9, 2011, the high court upheld the order. On March 14, the Supreme Court heard Yunus' appeal and adjourned the hearings until April 4. On April 5, the Supreme Court rejected the appeal and upheld the high court's order. Despite the perceived inequity in this situation, many in the industry are not surprised, stating Yunus was a victim of his own hubris. Over the past few decades, he has continuously ignored the significant contributions of other microfinance organizations around the world, including ACCION and Bangladesh-based BRAC. He has repeatedly refused to work with and recognize others in the industry, within the government, and internationally.³⁵ To-date, it is unclear whether Yunus will be forced to step down, will resign, or will be removed by the Grameen Bank Board of Directors.

ACCION: History and Accomplishments To-Date

ACCION is another microfinance organization, founded in 1961 as a private, nonprofit organization. They disbursed their first microloan in Brazil in 1973. Since then, they have provided technical assistance and management resources to help microfinance institutions better serve their customers.

ACCION's goal is to bring the full range of financial services to ever increasing numbers of people to have an impact on world poverty. ACCION has pioneered trainings in the industry to foster the development of effective microfinance institutions and help MFIs achieve the skill

³³ "Yunus 'removed.'" *The Daily Star*, Bangladesh, March 3, 2011. Accessed March 20, 2011. <http://www.thedailystar.net/newDesign/news-details.php?nid=176223>

³⁴ Alam, Shafiq. "Yunus's lawyers accuse govt of character assassination," *Dawn.com*, March 8, 2011. Accessed March 20, 2011. <http://www.dawn.com/2011/03/08/yunuss-lawyers-accuse-govt-of-character-assassination.html>

³⁵ Personal Interview with Joe Eldridge, March 25, 2011.

set necessary to grow and thrive into true microfinance institutions, not just charities. They recognize the many challenges within the industry, as well as the many negative unintended consequences that follow microlending, and attempt to better prepare MFIs to handle those challenges.

They began by providing funds and resources for microfinance institutions and have evolved to help these MFIs worldwide generate the revenue to grow and become self-sustainable, like Grameen Bank strives to now. ACCION has pioneered the paradigm shift away from the NGO model to the business model of regulated financial institutions, aiding microfinance organizations to sustainably expand.

As of 2011, ACCION has helped build 62 microfinance institutions in 31 countries on four different continents. Those institutions are currently reaching 4.9 million clients. ACCION also partners with 28 microfinance institutions, NGOs, and commercial banks in Africa, Asia, Latin America, and the Caribbean reaching a total of 3.9 million clients. Since the inception of its pilot program in 1991, the U.S. ACCION Network has loaned nearly \$277 million to over 24,000 clients in the U.S. and currently serves more than 5,100 active borrowers in 46 states. The U.S. ACCION Network is the largest microfinance network in the country. Below is a table of ACCION’s cumulative partner statistics from 1999-2009.

Cumulative Statistics from 1999–2009 for ACCION's Partners	
Total Number of Clients Served	8.6 million
Total Microloans	36.1 million
Total Amount Disbursed	\$31.8 billion

The following table includes more detailed information about ACCION’s partners. In addition, appendices G through I provide specific information and financial indicators for ACCION’s partner organizations.

2010 Statistics for ACCION's Partners (not including U.S. ACCION Network)				
	Latin America & the Caribbean	Africa	Asia	Totals
Active Clients:	3.07 million	47,366	61,121	3.18 million
Total Amount Disbursed:	\$6.28 billion	\$102.7 million	\$21.7 million	\$6.4 billion
Active Portfolio:	\$3.73 billion	\$58.7 million	\$13.8 million	\$3.81 billion
Clients with savings accounts:	1,343,557	243,534	n/a	1,587,091
Total deposits:	2,139,329	58,087	n/a	2,197,415

Much of ACCION’s focus is now on India, where financial literacy and business training is essential for borrowers to become successful and not find themselves in excessive debt. Furthermore, ACCION has begun to offer training programs in Patna, Bangalore, Vadodara, Pune, and Mumbai for microfinance practitioners to learn how to be more successful, in turn creating more success and respect for the MFI. As Valérie Kindt, Principal Senior Director and manager of ACCION’s Global Training Center in Mumbai, states, “There is a direct correlation between the success of a microfinance institution and the training provided to its staff.”³⁶ These training programs are not only for loan officers, but executives and mid-level managers as well, targeting the organization as a whole. While there are some challenges with the transfer of this training expertise across continents, the program has experienced great success in better

³⁶ ACCION, “Two Birds with One Stone: How Microfinance Staff Training has Double-Sided Benefits.” Accessed 24 April 2011. <http://www.accion.org/Page.aspx?pid=1833>

preparing loan officers and other microfinance practitioners with the skills they need to truly empower the poor they are working with.

Another component of ACCION is the Center for Financial Inclusion, which serves as an industry forum and maintains ACCION’s publications. It focuses on maintaining relations with the industry and private sector, and emphasizes three main features of microfinance: the double bottom line, investing in inclusive finance, and client-product connection.³⁷

ACCION’s Services & Programs

ACCION’s institutional services include management services, technical assistance, risk management, good governance services, training and education programs, and financial education programs. Management services include helping to implement savings programs, which creates customer loyalty and retention, lowers the cost of capital for the MFI, and promotes diversification of customer base and financial services.³⁸ These management services help MFIs achieve efficient branch operations, develop sound marketing strategies, and build strong brands.

ACCION’s technical assistance includes market analysis, market research design and implementation, product pilot testing and evaluation, customer database segmentation, and business plans for product rollout (such as pre-paid card services).³⁹ They also provide credit technical assistance related to group-based and individual loans (small business, agricultural, home improvement, consumer loans), and remittance programs that improve the financial

³⁷ Center for Financial Inclusion at ACCION International. “How the Center Works.” Accessed 20 April 2011.
<http://www.centerforfinancialinclusion.org/Page.aspx?pid=1334>

³⁸ ACCION. “Microfinance Products: Savings Products.” Accessed March 24, 2011.
<http://www.accion.org/Page.aspx?pid=702>

³⁹ ACCION. “Microfinance Products: Insurance.” Accessed March 24, 2011.
<http://www.accion.org/Page.aspx?pid=703>

options available to those who receive the remittances, as well as encourage savings and investment rather than consumption.

Below is a table that outlines ACCION’s operations.⁴⁰

Services to Build and Expand MFIs	<ul style="list-style-type: none"> •launch and grow banks for the poor •strengthen MFI operations, staff, and efficiency •develop business plans and improve financial management •conduct market research •implement institution-specific products and services •provide strategic governance through board membership •provide business development training and financial literacy education for microentrepreneurs
Access to Capital Markets	<ul style="list-style-type: none"> •conduct financial analysis and due diligence •offer equity financing through ACCION Investments, ACCION Gateway Fund and Gateway Microfinance Infrastructure Fund •provide guarantee financing through the ACCION Bridge Funds •coordinate the Council of Microfinance Equity Funds
Leadership and Innovation	<ul style="list-style-type: none"> •develop products: housing loans, savings, microinsurance remittances, innovative distribution channels •advise and educate policy makers •advance social responsibility in microfinance •disseminate knowledge and expertise through publications •organize conferences and symposia

COMPARISON OF STRATEGIES WITHIN THE INDUSTRY

As outlined, there are several different strategies an MFI can adopt when beginning their operations. ACCION exists in multiple countries and helps partners deliver the resources to help their members and clients. Their main operations are not to provide loans directly to the client. Furthermore, ACCION’s funding structure is not self-sufficient, similar to a non-profit organization here in the U.S. Ordinary citizens across the globe can easily donate by writing a check or using the “donate” feature on the website.

Grameen Bank, on the other hand, operates in Bangladesh and lends directly to clients. Grameen Bank’s goal is to be entirely self-sustainable through member deposits, so outside loans

⁴⁰ ACCION, “How We Work.” Accessed 24 April 2011. <http://www.accion.org/Page.aspx?pid=732>

or donations are not the focus of the organization. The only funding they receive are large grants by foreign governments such as Norway, as well as funding through the government of Bangladesh.

The strategies of ACCION and Grameen Bank are complementary, however, and not adversarial. Grameen Bank has developed an exemplary model for a microfinance institution, and ACCION helps other MFIs develop that model and improve upon the design. ACCION provides many services that help combat the challenges mentioned earlier, such as borrowers incurring excessive debt and managing the transition from NGO to MFI. The importance of these services can be overlooked by the industry players; often, MFIs establish themselves in an area where they can make a profit and do not realize the damage they can cause. Other organizations believe they can successfully manage the transition to MFI, do succeed in the short-term, but eventually lose sight of their poverty-fighting mission and lapse into profit-seeking activities.

Many of these issues can be seen in the case of the microfinance institution Compartamos, which began as an NGO founded by entrepreneurs dedicated to helping the poor in Mexico. It was converted into a bank in 1990. Compartamos was originally funded by donors, but eventually grew into a bank that generated capital from international financial markets. Their successful transition to an internationally-renowned bank was evidenced by the staggering \$467 million IPO in 2007.⁴¹

However, they have been criticized by many within Mexico as well as internationally for losing sight of their dedication to the poor. After the IPO, Compartamos began charging higher interest rates, some above 100 percent. Borrowers often did not understand the impact of these

⁴¹ Epstein, Keith & Geri Smith. "Compartamos: From Nonprofit to Profit." *Bloomberg Businessweek*. December 13, 2007. http://www.businessweek.com/magazine/content/07_52/b4064045919628.htm

interest rates and paid no attention to them until it was time to repay. Many defaulted on their loans and landed in excessive debt.

The co-CEO at the time of the IPO, Carlos Danel, justified Compartamos' strategy and high interest rates, stating, "In the end the idea is to grow aggressively and to reach as many people as possible in a short amount of time. It's not popular for everyone, but we think that for our situation, [for] this institution, it works."⁴² While this strategy may be suitable for a traditional for-profit business, such a strategy is often not appropriate for one that lends to the financially illiterate poor.

This strategy also conflicts with the poverty-fighting mission the organization was founded upon. While Compartamos was founded as an organization to help empower the poor and alleviate poverty within Mexico, former co-CEO Danel stressed a very different approach in 2007. He stated, "A lot of people have suggested that financial inclusion can be a poverty alleviation tool. We're not out to prove that. We're out to provide financial services as opportunities to these clients, realizing that some people might make better use of them than others."⁴³ His stated strategy is very much at odds with the original intended strategy of Compartamos, which translates into "let's share" in Spanish. As opposed to the community-building approach the organization originally utilized, Danel's stated strategy is reminiscent of social Darwinism.

It is thus no surprise that the philanthropist founder, José Ignacio Avalos Hernández, remains on the board but plays no role in daily operations, stating that running a for-profit organization "is just not me."⁴⁴

⁴² "Yunus Blasts Compartamos," *Bloomberg Businessweek*. Online Extra, December 13, 2007.
http://www.businessweek.com/magazine/content/07_52/b4064045920958.htm

⁴³ Epstein & Smith. "Compartamos: From Nonprofit to Profit."

⁴⁴ Ibid.

This comparison of three strategies of microfinance organizations provides an in-depth analysis of what is contributing to the challenges within the industry, as well as what is addressing these challenges. While Compartamos uses profits for their investing activities and to issue dividends to investors, Grameen Bank is able to re-invest any profit it makes into the operations of the organization, and has done since its inception. Maintaining this self-sustainable model is the main reason they are able to keep interest rates so low. ACCION encourages a similar model within their partner organizations, although they did play a large role in Compartamos' IPO and are still active in its present operations. This analysis will be used to develop recommendations to microfinance organizations and other industry players to more effectively meet the challenges discussed.

RECOMMENDATIONS FOR THE FUTURE

Looking towards the future, there are many challenges that microfinance industry players need to address, both on a national and international level. Microlending is a saturated market in many countries, but predatory lending is common. The poor still do not have access to reliable, responsible credit. It is very easy for families to incur excessive debt, and thus face harassment by community members and loan officers. This often leads to violence against women, either by the community or by their husbands. These problems may arise when microfinance institutions are not effectively managed and are not responsible with their lending operations, which is often the consequence of an unsuccessful transition from NGO to MFI.

There are many ways to address these challenges. Government regulation in countries that have more commercialized, profiteering microfinance institutions is one solution, in addition to encouraging more responsibility in the management of MFIs. Policy changes could include

regulating the amount or number of loans one borrower can receive before taking out subsequent loans. Certain stipulations on lending could be implemented, such as requiring MFIs to implement financial education programs or personal finance training for borrowers. Other requirements could include implementing a consumer protection office within the organization, or specifying a certain percentage of loans for income-generating activity only, as opposed to consumption. Other actions are already being taken by governments, such as pursuing criminal charges against microfinance institutions that use coercive debt collection methods, as has happened in India recently.

One of the most valuable strategies, however, would be to encourage microfinance organizations to better manage their operations, modeling themselves after Grameen Bank's example, an organization that has grown and become self-sustainable but has not had to raise interest rates. They have preserved their focus on the poor, maintained financial discipline and managerial responsibility, and adapted to changes in the market. Borrower deposits are used to fund the organization as opposed to private investors. For this, they have become a suitable model for other microfinance institutions. Organizations can also utilize the best of ACCION's services and knowledge of best-practices to enable more effective management and establish more efficient operations, creating a business model that "emphasizes innovation and minimizes cost."⁴⁵

However, a microfinance industry that truly puts responsibility before profits is only possible in a perfect world. Some organizations will always try to profit off the misfortunes of others. Thus, some regulation is necessary. Providing incentives for organizations to incorporate consumer protection into their strategies or offer financial literacy courses and business training to their clients is one of the most effective ways to address these challenges.

⁴⁵ ACCION. "Innovation in Microfinance."

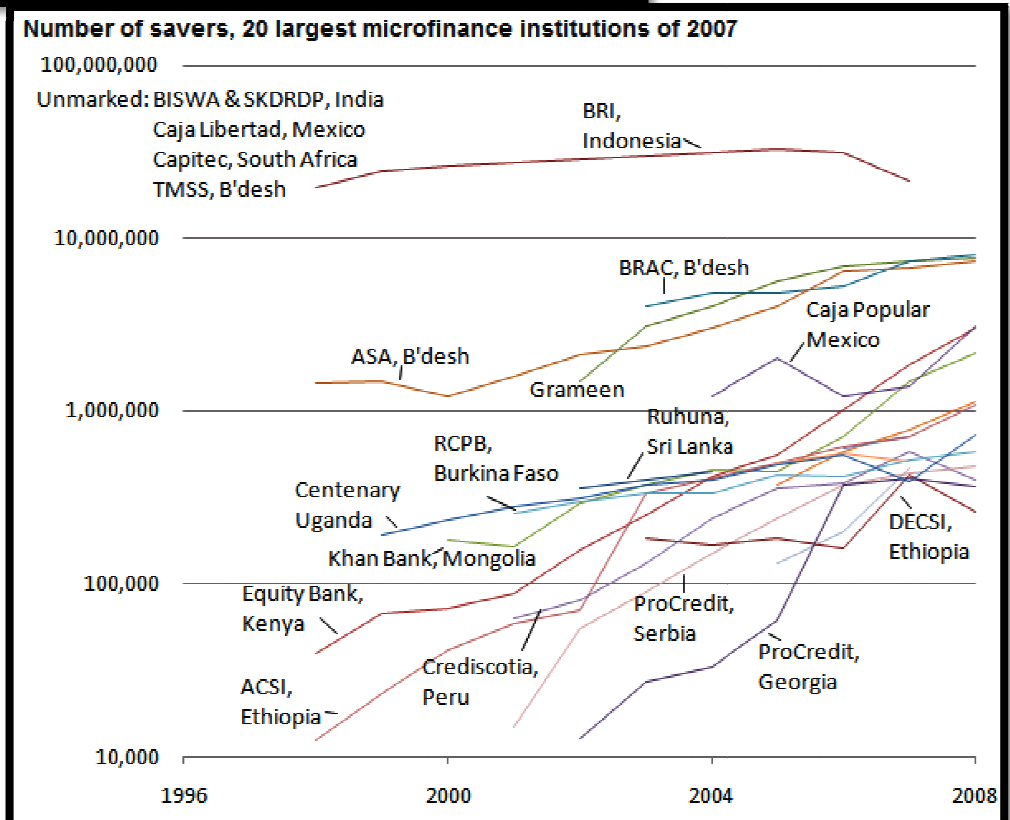
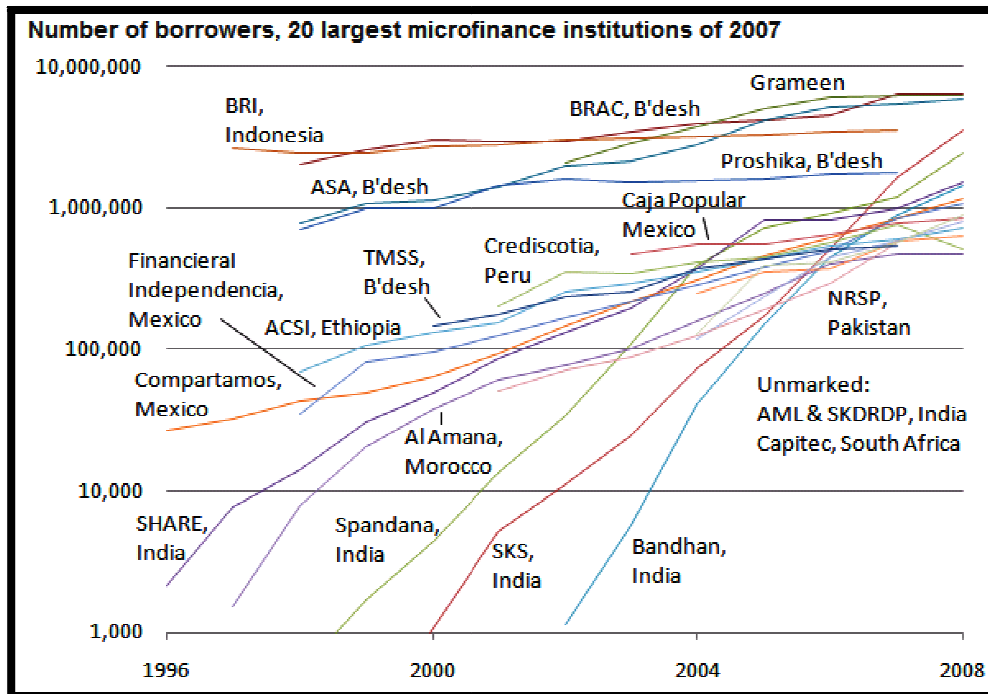
The government providing these services directly to MFIs would be one way to begin implementation of these beneficial programs.

CONCLUSION

Effective management of microfinance institutions is essential if the microfinance industry is not to succumb to the perils we have seen in the past. To ensure this, management training, client financial literacy training, and some government regulation is crucial. Properly equipped, microfinance has the capacity to empower the poor and transform their lives. And while there are certainly many challenges facing the industry presently and in the future, "banking for the poor" does not have to become an oxymoron. With the right safeguards in place, microfinance institutions can have the ability to grow and thrive while still maintaining financial discipline and managerial responsibility, as well as their poverty-fighting mission.

Appendices:

Appendix A: Number of Borrowers and Savers of the 20 Largest Microfinance Institutions of 2007⁴⁶



⁴⁶ Roodman, David. "Charting Growth." David Roodman's Microfinance Open Book Blog. Center for Global Development. February 3, 2010. http://blogs.cgdev.org/open_book/2010/02/charting-growth.php

Appendix B: Key Information of Grameen Bank in million USD (1995-2007)⁴⁷

Particulars	1995	2001	2002	2003	2004	2005	2006	2007
GB's Profit	0.37	1.05	1.03	6.12	7.00	15.21	20.00	1.56
GB's Deposit	94.77	127.32	162.77	227.66	343.52	482.92	634.28	758.93
GB's Outstanding	294.77	223.37	218.04	274.04	331.76	427.25	475.74	529.54
Deposit as % of Outstanding Loan	32%	57%	75%	83%	104%	113%	133%	143%
GB's Borrowings from Banks and other Institutions	211.51	175.67	120.51	72.08	48.02	29.14	26.54	26.13
% of Profit Earning Branches :								
More than one year old branches	55%	29%	37%	58%	70%	96%	80%	61%
Less than one year old branches		0%	0%	29%	31%	33%	34%	31%
Total Disbursement for the year	333.17	286.96	271.99	369.32	435.10	611.74	726.97	731.49
Cumulative Disbursement	1404.60	3393.45	3667.52	4180.21	4615.31	5227.05	5954.02	6685.51
Members (Million)	2.07	2.38	2.48	3.12	4.06	5.58	6.91	7.41
No. of Villages covered	35,533	40,477	41,636	43,681	48,472	59,912	74,462	80,678
Employees	12,420	11,841	11,709	11,855	13,049	16,142	20,885	25,283
No. of Branches	1055	1173	1178	1195	1358	1735	2319	2481

⁴⁷ Grameen Bank, “Key Information of Grameen Bank in USD.”

Appendix C: Grameen Bank Balance Sheet (2003-2009), in Taka

Property and Assets	2003	2004	2005	2006
(Average Taka/Dollar conversion rate)	58.45	60.31	65.79	69.91
Cash in hand	103,668	47,763	32,891	17,389
Balance with other Banks	9,915,216	13,177,672	14,864,783	12,857,159
Investment	91,280,150	119,810,743	151,804,483	282,420,483
Loans and Advances	287,830,780	345,653,585	439,227,225	488,412,203
Fixed assets-at cost less accumulated depreciation	15,584,661	15,030,468	14,520,524	14,951,750
Other assets	59,670,599	64,282,546	57,830,420	50,770,592
Total	464,385,074	558,002,777	678,280,326	849,429,576
Capital and Liabilities				
Authorized	8,554,320	8,290,499	7,599,939	7,152,053
Paid Up	4,979,109	5,272,757	4,833,561	4,548,705
General and Other reserves	135,893,551	72,893,100	66,821,445	82,886,298
Revolving Funds	-	-	-	-
Deposits and Other Funds	251,766,477	372,698,958	526,084,350	681,600,664
Borrowings from banks and foreign institutions	72,075,195	48,015,563	29,144,130	26,538,898
Other Liabilities	(329,258)	59,122,399	51,396,840	53,875,011
Total:	464,385,074	558,002,777	678,280,326	849,429,576
Contingent Liabilities	457,273	342,249	252,963	193,705

Property and Assets	2007	2008	2009
(Average Taka/Dollar conversion rate)	68.62	68.72	69.10
Cash in hand	99,093	55,278	16,201
Balance with other Banks	13,547,042	19,276,189	18,745,464
Investment	356,540,508	418,077,768	546,320,284
Loans and Advances	547,165,254	666,282,856	815,615,470
Fixed assets-at cost less accumulated depreciation	16,241,875	16,927,661	19,303,063
Other assets	71,269,223	84,279,874	90,668,957
Total	1,004,862,995	1,204,899,626	1,490,669,439
Capital and Liabilities			
Authorized	7,286,505	50,931,315	50,651,230
Paid Up	4,634,217	5,209,546	7,582,479
General and Other reserves	80,849,537	88,452,230	90,007,723
Revolving Funds	-	-	-
Deposits and Other Funds	810,853,326	994,096,656	1,263,067,360
Borrowings from banks and foreign institutions	26,133,437	25,192,353	24,155,725
Other Liabilities	82,392,658	91,948,840	105,856,152
Total:	1,004,862,995	1,204,899,626	1,490,669,439
Contingent Liabilities	83,344	-	-

Appendix D: Grameen Bank Cash Flow Statement for the year ended December 31, 2009 (in taka)

	<u>Notes</u>	<u>2009</u> <u>Taka</u>	<u>2008</u> <u>Taka</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Interest received		13,304,538,950	10,082,511,169
Interest paid		(7,066,648,581)	(5,458,778,463)
Cash payments to employees		(3,823,151,724)	(2,955,496,895)
Payments for other operating expenses		(1,732,309,921)	(1,351,302,671)
Receipts from other operating income		408,453,977	417,065,556
Recoveries from loans previously written off		336,701,083	505,643,663
Operating profit before changes in operating assets and liabilities		1,427,583,784	1,239,642,359
(Increase)/decrease in operating assets:			
Loans and advances		(10,572,071,111)	(8,240,478,178)
Other assets	27	(30,137,934)	92,301,712
Increase/(decrease) in operating liabilities:			
Deposits and other funds		18,952,244,232	12,659,293,592
Other liabilities	28	(434,485,878)	(197,472,976)
Net cash from operating activities		9,343,133,093	5,553,286,509
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(248,232,726)	(101,613,769)
Proceeds from sale of tangible fixed assets		8,696,681	(13,214,005)
Investments in FDR		(9,020,427,420)	(4,264,494,535)
Net cash used in investing activities		(9,259,963,465)	(4,379,322,309)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		165,949,300	40,000,000
Net decrease in borrowings from banks and other institution		(62,057,932)	(62,057,933)
Payment of dividends		(107,400,000)	(63,600,000)
Payment of tax on dividends		(10,560,000)	(6,240,000)
Payment to GB borrowers' investments trust		(101,128,400)	(690,005,600)
Net cash used in financing activities		(115,197,032)	(781,903,533)
Net Increase/(decrease) in cash and cash equivalents		(32,027,404)	392,060,667
Cash and cash equivalents at beginning of the period		1,328,458,447	936,397,780
Cash and cash equivalents at end of the period	29	1,296,431,043	1,328,458,447

Appendix E: List of Grameen Partner Organizations

List of Grameen Bank Partner Organizations ⁴⁸		
Organization Name	Sector	Year founded
Grameen Trust	Welfare	1989
Grameen Krishi Foundation	Agriculture	1991
Grameen Uddog	Enterprise	1994
Grameen Fund	Welfare & Finance	1994
Grameen Motsho O Pashusampad Foundation	Fisheries and Livestock	1994
Grameen Telecom	Telecommunications	1995
Grameen Shamogree	Products	1996
Grameen Cybernet	Technology	1996
Grameen Shakti	Energy	1996
Grameen Phone	Telecommunications	1996
Grameen Kalyan	Welfare	1996
Grameen Shikkha	Education	1997
Grameen Communications	Telecommunications	1997
Grameen Knitwear	Products	1997
Grameen Capital Management	Finance	1998
Grameen Solutions	Technology	1999
Grameen IT Park	Technology	2001
Grameen Byabosa Bikash	Business Promotion	2001
Grameen Information Highway Ltd.	Technology	2001
Grameen Star Education	Education	2002
Grameen Bitek	Manufacturing	2002
Grameen Healthcare Trust	Healthcare	2006
Grameen Healthcare Services	Healthcare	2006
Grameen Danone	Health Food Products (yogurt)	2006
Grameen Veolia	Water Products	2008

⁴⁸ Grameen Bank. “Grameen Companies FAQ.” Accessed March 25, 2011.
http://www.grameen.com/index.php?option=com_easyfaq&task=cat&catid=83&Itemid=200

Appendix F: List of Awards Received by Grameen Bank⁴⁹

Award	Year	Country
Nobel Peace Prize	2006	Norway
Mahadma Ghandi Award	2000	India
Petersberg Prize	2004	USA
World Housing Award	1997	UK
City Dental College Gold Metal	1996/97	Bangladesh
Tun Abdull Razzak Award	1994	Malaysia
King Baudouin International Development Award	1993	Belgium
Kazi Mahbub Ullah Award	1992	Bangladesh
Agakhan Architect Award	1989	Switzerland

⁴⁹ Grameen Bank. “General Questions on Grameen Bank FAQ.” Accessed March 28, 2011. http://www.grameen-info.org/index.php?option=com_easyfaq&task=cat&catid=80&Itemid=524

Appendix G: ACCION Partner Organizations (as of May 2010)⁵⁰

ACCION Partner Organizations (as of May 2010)				
Country	Partner	Active Borrowers	Active Portfolio	(\$000's) Savers ¹
Africa				
Cameroon	EB-ACCION Microfinance	n/a	n/a	n/a
Ghana	EB ACCION Savings and Loans	5,430	\$ 5,016	27,281
Nigeria	ACCION Microfinance Bank (AMfB)	8,368	\$ 5,722	38,516
Tanzania	Akiba Commercial Bank	16,747	\$ 26,620	120,100
Asia				
China	ACCION Microfinance China (AMC)	305	\$ 2,034	n/a
	Bayan County Village Township Bank	n/a	n/a	n/a
India	Grameen Koota	n/a	n/a	n/a
	Swadhaar FinServe Pvt. Ltd.	30,539	\$ 4,829	n/a
	Saija Finance Pvt. Ltd.	9,010	\$ 1,046	n/a
Latin America & the Caribbean				
Bolivia	BancoSol ²	135,314	\$ 377,669	270,323
Brazil	Crediamigo ² (Banco do Nordeste)	528,792	\$ 302,644	n/a
	Real Microcrédito ² (Banco ABN AMRO Real)	84,533	\$ 48,659	n/a
Colombia	Finamérica ²	42,575	\$ 80,324	82,095
	Fundación Mario Santo Domingo ²	11,363	\$ 15,587	n/a
Dominican Republic	Banco ADEMI ²	82,194	\$ 165,532	113,343
Ecuador	Banco Solidario ²	125,467	\$ 188,741	72,626
	CREDIFE	81,912	\$ 241,799	n/a
El Salvador	Apoyo Integral ²	29,477	\$ 59,432	n/a
Guatemala	Genesis Empresarial ²	92,322	\$ 42,300	n/a
Haiti	SOGESOL ² (SOGEBANK)	13,491	\$ 12,326	n/a

⁵⁰ ACCION. “Where We Work.” Accessed March 24, 2011. <http://www.accion.org/Page.aspx?pid=223>

Honduras	Finsol ²	8,129	\$ 23,988	31,412
	Bancovelo	18,627	\$ 52,272	30,482
México	Compartamos Banco ²	1,503,006	\$ 585,117	n/a
Nicaragua	Financiera FAMA ²	25,941	\$ 29,938	n/a
Panamá	BanDelta	4,761	\$ 16,660	13,567
Paraguay	Financiera el Comercio ²	34,880	\$ 56,208	19,029
	Fundación Paraguaya ²	37,354	\$ 13,199	n/a
Peru	Mibanco ²	350,432	\$ 1,040,561	203,516
Venezuela	BanGente ²	35,880	\$ 95,837	70,654
United States				
USA	ACCION USA ²	n/a	n/a	n/a

¹ Total Accounts + Total Net Deposits

² Member of the ACCION Network

Appendix H: Indicators for the ACCION Network and Partners in Latin America, 3/31/2010⁵¹

Indicators for the ACCION Network and Partners in Latin America, 3/31/10													
	TOTAL		MARCH 2010		New Borrowers	Active Borrowers	Amount Disbursed	Active Portfolio	Average Balance	Portfolio at Risk > 30 days	Savers	Savings	
REGULATED INSTITUTIONS	ARGENTINA			162	1,956	346	1,521		178	29.2%	m/a	m/a	
	BOLIVIA			14,479	132,729	81,407	394,328		2,749	1.2%	264,079	345,784	
	BRAZIL			60,400	550,582	218,879	286,707		513	2.3%	m/a	m/a	
	BRAZIL			8,225	86,699	32,818	50,630		584	5.0%	m/a	m/a	
	COLOMBIA			3,146	43,479	21,862	86,997		2,001	9.4%	86,024	70,876	
	DOMINICAN REPUBLIC			9,270	87,037	42,047	170,239		1,956	5.1%	119,174	130,862	
	ECUADOR			6,816	128,884	57,169	193,310		1,500	3.0%	72,975	177,403	
	ECUADOR			5,729	82,511	66,056	239,299		2,500	2.2%	m/a	m/a	
	EL SALVADOR			1,758	29,654	15,140	61,605		2,077	8.1%	m/a	m/a	
	HAITI			353	11,341	7,341	14,485		1,277	11.4%	m/a	m/a	
	HONDURAS			149	7,592	5,365	26,156		3,445	7.1%	31,632	8,389	
	HONDURAS			884	18,452	5,966	50,034		2,713	18.1%	29,760	15,456	
	MEXICO			146,064	1,546,059	760,709	685,611		443	2.4%	m/a	m/a	
	NICARAGUA			1,533	24,060	5,088	27,387		1,138	16.6%	m/a	m/a	
	PANAMA			503	1,662	1,010	18,118		3,251	10.2%	13,181	63,539	
	PARAGUAY			3,047	33,768	18,494	54,335		1,609	4.9%	19,572	70,802	
	PERU			31,518	358,784	300,491	1,116,787		3,113	7.0%	213,615	911,731	
	VENEZUELA			2,583	34,861	21,842	45,247		1,298	2.9%	69,467	55,350	
				Subtotal	296,619	3,191,110	1,665,659	3,492,116	\$	1,045	4.70%	920,379	1,850,371
	NON REGULATED INSTITUTIONS (NOO's)	COLOMBIA			144	11,325	1,829	15,831		1,298	24.6%	m/a	m/a
GUATEMALA				9,859	96,356	15,928	44,858		466	2.4%	m/a	m/a	
PARAGUAY				1,653	30,381	7,438	13,757		358	5.6%	m/a	m/a	
				Subtotal	11,486	146,462	25,215	74,446	\$	510	7.46%	920,379	1,850,371
		ACCION NETWORK		308,305	3,337,172	1,690,874	3,567,561	\$	1,049	4.77%	920,379	1,850,371	

¹ Figures of Bancovelo/ Honduras include information of managed portfolio with 2,777 clients and USD 2,020 thousand in Active Portfolio.

² The PAR reported by Compartamos/Mexico is > 90 days.

⁵¹ ACCION, "2010 1st Quarter Program Statistics & Financial Indicators." March 31, 2010.
<http://www.accion.org/Document.Doc?id=881>

Appendix I: Key Indicators for the ACCION Network and Partners in Latin America, 3/31/2010⁵²

Key indicators for the ACCION Network and Partners in Latin America, 3/31/10												
		OPTIMAL RANGE		CAPITAL ADEQUACY ≤ 6.0X	ASSET QUALITY ¹ Portfolio at Risk →30 Days/Total Portfolio	EFFICIENCY ² Administrative Expense/ Average Portfolio	EARNINGS					
		Active Borrowers	Microfinance Portfolio (US\$000)				Leverage (Risk Assets/Equity)	Portfolio at Risk →30 Days/Total Portfolio	Net Operating Income/Average Assets	Net Income/ Average Assets	Net Operating Income/Average Equity	Net Income/Average Equity
Regulated Institutions												
ARGENTINA	COLUMBIA MICROCREDITO	1,956	\$1,521	n/a	29.2%	n/a	n/a	n/a	n/a	n/a	n/a	
BOLIVIA	BANCO SOL	132,729	\$364,328	10.7 X	1.2%	10.9%	2.9%	2.3%	37.9%	30.6%	30.6%	
BRAZIL	BANCO DO NORDESTE	558,582	\$286,707	2.8 X	2.3%	20.6%	12.3%	13.3%	34.6%	37.3%	37.3%	
BRAZIL	REAL MICROCREDITO ³	86,699	\$50,630	n/a	5.0%	n/a	n/a	n/a	n/a	n/a	n/a	
COLOMBIA	FINAMERICA	43,479	\$86,997	4.3 X	9.4%	15.6%	-2.2%	1.1%	-11.1%	5.3%	5.3%	
DOMINICAN REPUBLIC	BANCO ADEMI	87,037	\$170,239	5.9 X	5.1%	18.5%	3.1%	2.7%	21.8%	18.7%	18.7%	
ECUADOR	BANCO SOLIDARIO	128,884	\$193,310	7.2 X	3.0%	15.4%	1.3%	0.4%	10.4%	3.6%	3.6%	
ECUADOR	CREDIFE	82,511	\$239,299	0.3 X	2.2%	4.6%	31.5%	21.3%	43.8%	29.6%	29.6%	
EL SALVADOR	INTEGRAL	29,654	\$61,605	5.7 X	8.1%	14.4%	2.4%	1.6%	14.9%	10.1%	10.1%	
HAITI	SOGBOL	11,341	\$14,485	1.4 X	11.4%	40.5%	-3.6%	-2.2%	-34.0%	-20.8%	-20.8%	
HONDURAS	FIN SOL ²	7,592	\$26,156	3.6 X	7.1%	16.3%	2.5%	2.4%	9.9%	9.8%	9.8%	
HONDURAS	BANCOVELO	18,452	\$50,054	3.9 X	18.1%	12.9%	-0.7%	-0.5%	-2.8%	-2.3%	-2.3%	
MEXICO	BANCO COMPARTAMOS ³	1,546,039	\$485,611	1.9 X	2.4%	29.6%	25.2%	17.1%	55.1%	37.5%	37.5%	
NICARAGUA	FAMA	24,060	\$27,387	4.1 X	16.6%	22.5%	-6.2%	-6.7%	-32.4%	-35.0%	-35.0%	
PANAMA	BANDELTA	4,662	\$18,418	5.9 X	10.2%	2.9%	-0.2%	0.0%	-2.0%	0.1%	0.1%	
PARAGUAY	FINANCIERA EL COMERCIO	33,768	\$54,335	5.1 X	4.9%	19.4%	4.5%	4.2%	29.8%	28.1%	28.1%	
PERU	MIBANCO	358,784	\$1,116,787	10.2 X	7.0%	6.1%	7.5%	2.8%	88.9%	32.8%	32.8%	
VENEZUELA	BANGENTE	34,861	\$45,247	5.5 X	2.9%	28.5%	-1.5%	3.7%	-11.5%	28.4%	28.4%	
Average Regulated Institutions		177,284	\$194,062	4.9 X	4.7%	17.4%	4.9%	4.0%	15.8%	13.4%	13.4%	
Non Regulated Institutions (NGOs)												
COLOMBIA	PHSD	11,325	\$15,801	1.3 X	23.9%	15.4%	-0.5%	-6.9%	-0.6%	-8.7%	-8.7%	
GUATEMALA	GENESIS	96,356	\$44,858	4.4 X	2.4%	23.7%	4.8%	3.3%	21.3%	14.7%	14.7%	
PARAGUAY	FUNDACION PARAGUAYA	38,381	\$13,757	2.5 X	5.6%	24.2%	3.6%	2.4%	10.9%	7.4%	7.4%	
Average Non Regulated Institutions		48,487	\$24,815	2.7 X	7.2%	21.1%	2.7%	-0.4%	10.5%	4.5%	4.5%	
Average ACCION Network		158,913	\$169,884	4.6 X	4.5%	18.0%	4.6%	3.3%	15.0%	12.0%	12.0%	

¹ Information not available. The institution has not sent it yet.

² Financial Statements of Finsol-Honduras was taken from National Regulator Commission (CNBS)

³ The PAR reported by Compartamos Mexico is > 50 days.

⁵² ACCION, “2010 1st Quarter Program Statistics & Financial Indicators.”

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