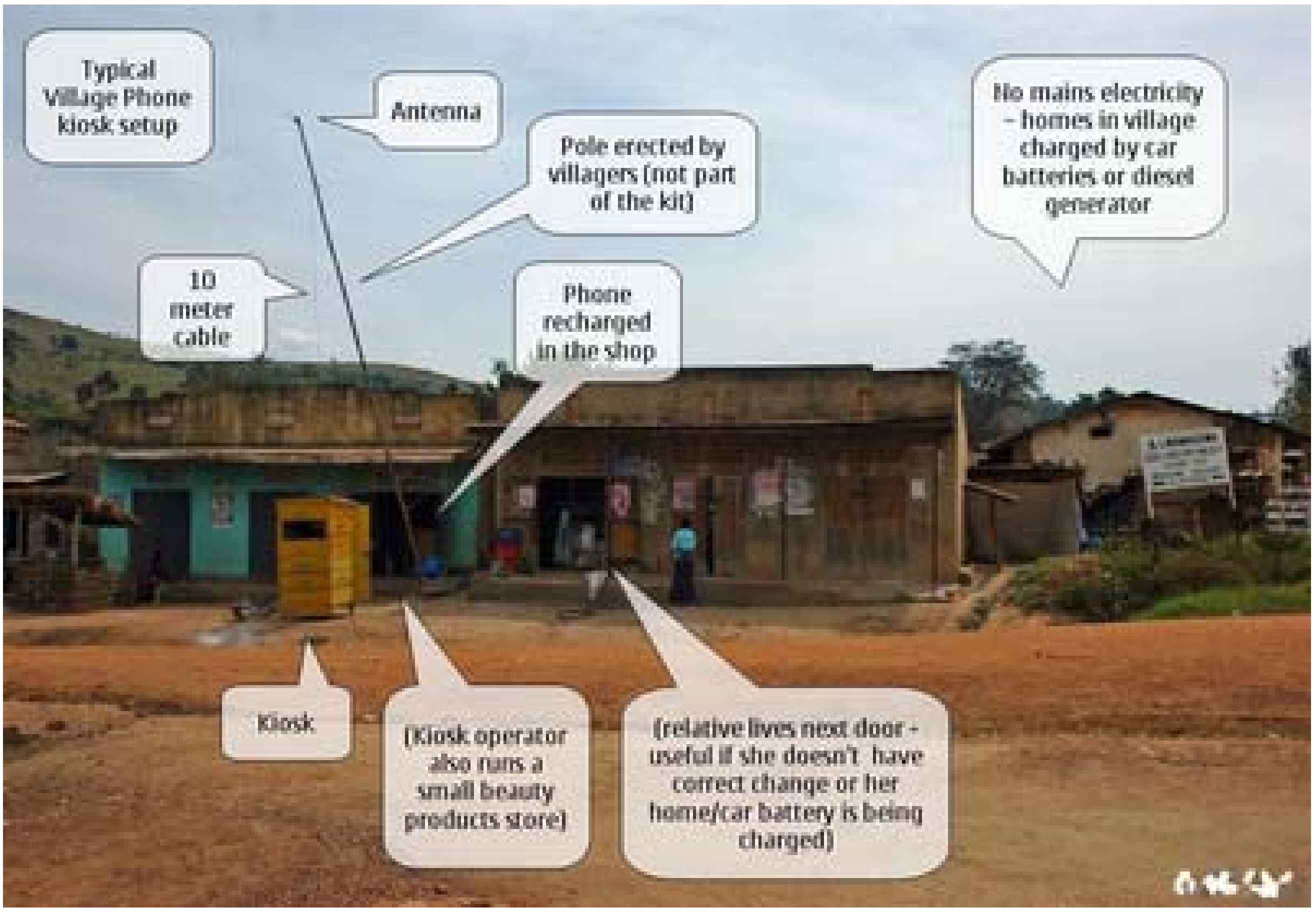
PASCAS FINANCE Micro Credits

Introduction



"Peace And Spirit Creating Alternate Solutions"

PASCAS FOUNDATION (Aust) Ltd **Em: info@pascasworldcare.com**
ABN 23 133 271 593 **Em: info@pascashealth.com**
Pascas Foundation is a not for profit organisation
Queensland, Australia **www.pascasworldcare.com www.pascashealth.com**

PASCAS FINANCE – MICRO CREDITS:

PASCAS Micro Finance and Micro Enterprise Initiatives

Mission and Aim:

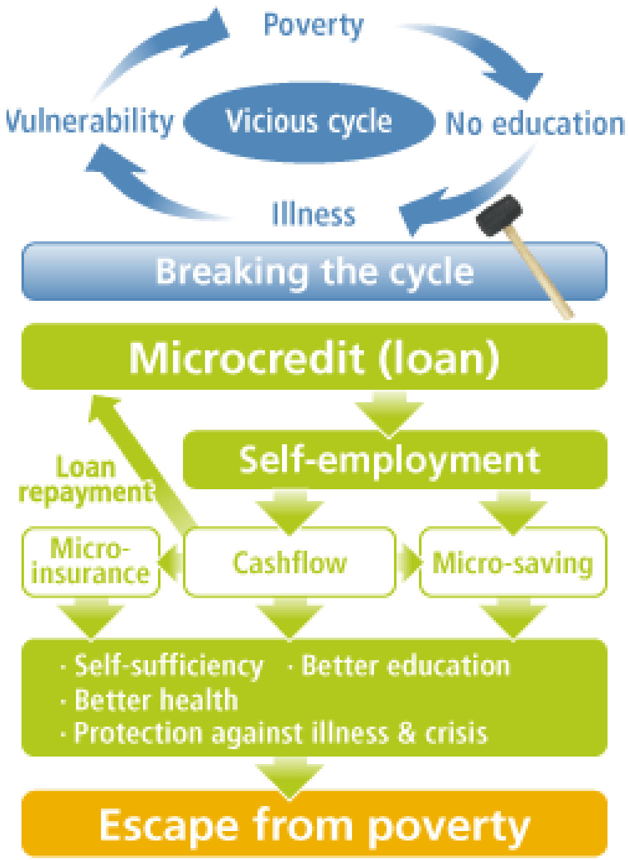
PASCAS aims to serve the microfinance industry through investment intermediation services. The company provides innovative business services to investors and practitioners of micro- and small enterprise development. It would ensure a balance between for profit and social motives since it believes in its poor and removal of poverty from the face of the earth.

Target market:

Micro- and small enterprise development aims at bringing opportunities to people lacking access to the tools, skills and capital necessary for them to enhance their dreams and talents, as well as help them integrate their community and contribute to its development

Corporate values:

Our corporate values are focused on the principles of independence / decentralisation, integrity and innovation; independence towards our clients, partners and branches within PASCAS, integrity of our work and staff, innovation all around including our products and services.

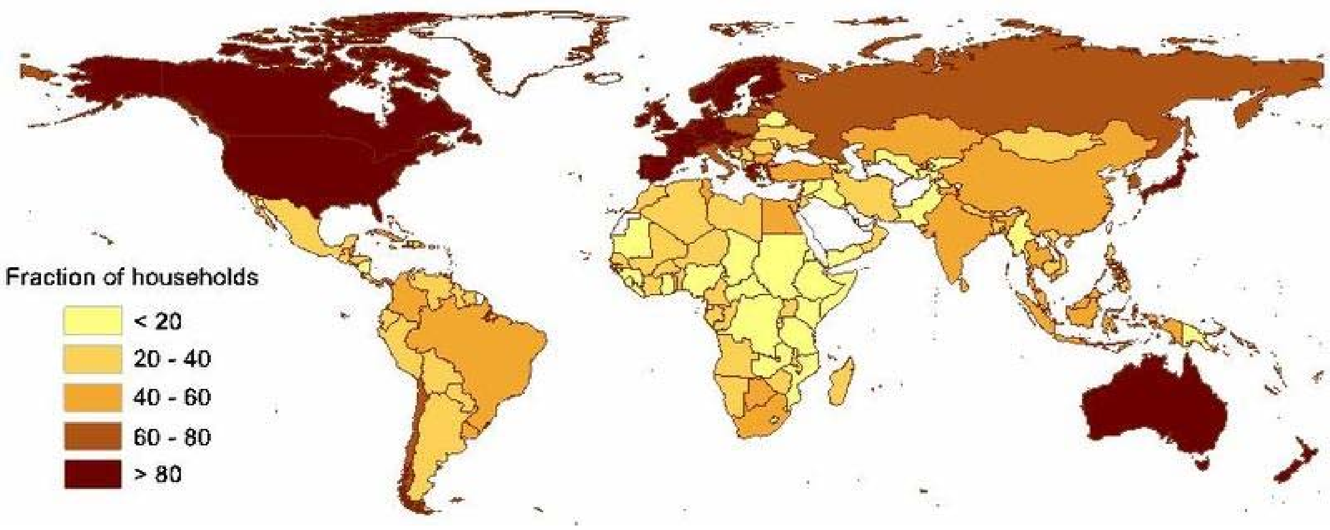


Soweto - telephone business, private phone is extended to booth.

MICRO CREDITS: **Micro Finance Institution (MFI)**

In many developing countries, 50% to 80% of the population has limited access to finance (the graphic below shows the fraction of households with a banking account).

Finance is not only pro-growth, but also pre-poor. Greater access to credit, through indirect effects in product and labour markets, also benefits the poor who are able to obtain better quality savings and payments services.



In creating a better world for humanity PASCAS actively pursues sustainable development and poverty reduction work among people in need both at home and abroad. PASCAS is to establish a number of Micro Finance Institutions (MFI), Micro Enterprise initiatives and other development initiatives to help remove poverty from the face of the earth.

Advocating and practising Micro Finance through a profitable social model – We feel positive and fair by practising a MFI model that would give credit to entrepreneurs, help develop their small enterprise through monitoring , mentoring and nurturing, with such aspects as follow:

Disaster management and microfinance institutions - Developing, collating and disseminating training materials to ensure stronger responses and better risk management by microfinance institutions in the event of natural calamities.

Rural development – The need is urgent due to the global food shortage and green awareness. Undertaking an assessment of rural development policies in a few countries for the International Fund for Agricultural Development.

Worker remittances - Analysing the flows and stocks of worker remittances into various developing countries and devising improved policy responses to lower the costs faced by senders and recipients.

Partnerships for microfinance products - Promoting new approaches to partnerships which help microfinance institutions provide more products to their clients such as insurance, leases and pensions.

Microfinance networking - Establishing and maintaining two major networks of microfinance institutions to enable sharing of know-how (such as Banking with the Poor in Asia, and Microfinance Pasifika in the Pacific).

Technology for development - Creating and sharing partnership initiatives which help transfer new technological approaches in developing countries, for example, mobile phone banking, personal computers, etc.

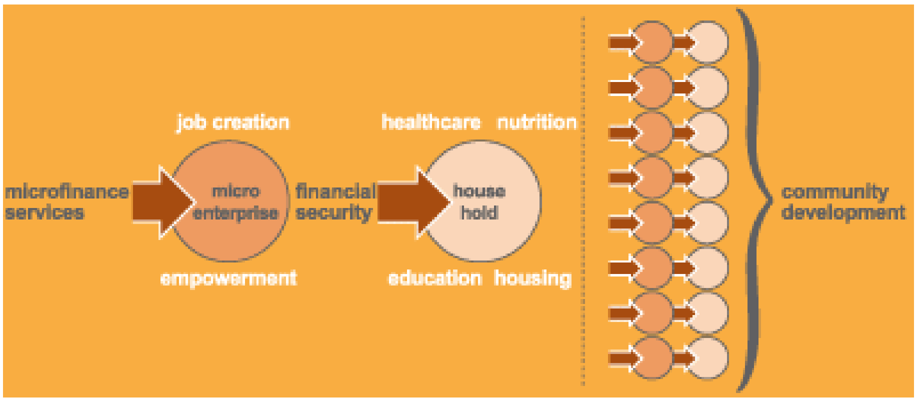
Local Economic Development - The PASCAS initiative on *Local Economic Development* (LED) focuses on community economies and livelihoods in developing countries. Through the introduction and application of innovative tools and techniques, and collaborative partnerships with specific actors, PASCAS aim to enhance the economy and livelihood prospects for those needy communities that fall under our umbrella.

micro and small enterprises

A "micro-entrepreneur" refers to an economically active poor running a micro or small business. Whether registered or informal, his self-sustained professional activities are the sole income generation for himself and his peers, family and dependants. Whether destitute, extremely poor or non-poor but highly vulnerable, his exclusion from mainstream financial services puts him into economics of emergency and survival, incapable of generating savings, accessing credit lines or investing in his future.

There are four (4) billion people who live with less than US$4 a day, about 2.7 billion with less than US$2 and 1.1 billion with less than US$1 a day. There are at least 500 million economically active poor or micro-entrepreneurs worldwide, the vast majority of which lack access to capital to sustain and grow their professional activities. The average financing need worldwide is of US$500 per micro-entrepreneur, suggesting a potential market demand of US$250 billion.

Microfinance services bring three essential features to a micro-enterprise and its owners: **security, growth and empowerment**. Economically active poor evolve in cash flows of survival and economics of emergency; they cannot afford to save, and the slightest shock on their revenues, whether due to exogenous factors (hurricanes, earthquakes, strikes, social strife, etc.) or endogenous factors (sickness, weddings, funerals, migration, etc.), might ruin their cash flow and sustainability. If existent, their often only alternative is to finance themselves with local loan sharks, charging up to 10% a day, as is the case in some places in Bolivia or the Philippines. On the contrary, access to adequate financial services works as a security buffer for them, offering liquidity in times of trouble. Similarly, access to capital allows them to invest in the future, buy fixed assets or hire new staff. In the end, contact with their micro-banker works to integrate them back into cycles of opportunities and increase their self-esteem, independence and social networking.



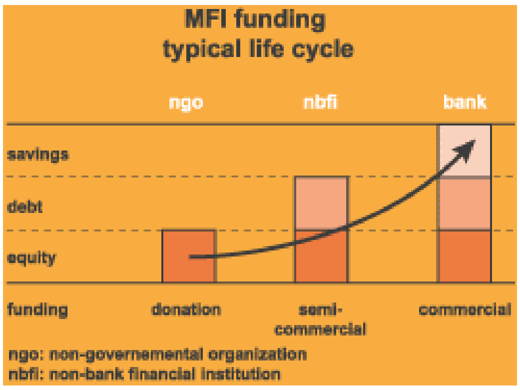
Stabilized and sustainable business cycles in turn increase the micro-entrepreneurs' household disposable income. This affects their family consumption and life patterns, allowing them an array of choice from more education for their children, to better nutrition or housing facilities, access to health services, etc. Multiplied at the scale of a neighbourhood or city, these hundreds of new opportunities stimulate social capital and community development.

A "microfinance institution" (MFI) means an organization that provides financial services targeting a clientele that is poorer and more vulnerable than traditional bank clients and is attempting to impact its clientele through improvements in their financial situation and more generally through improvements in their living standards, welfare and social capital.

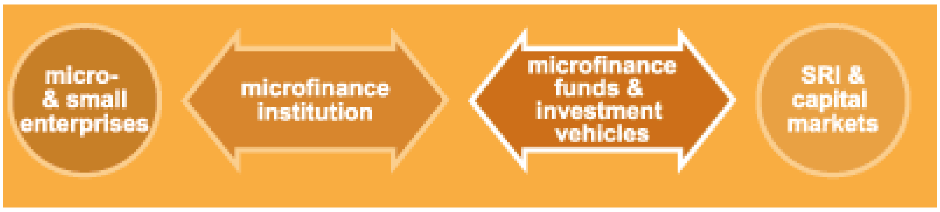
Microfinance institutions vary in size and scope. They often start as small NGOs with credit activities being only a part of their focus, and eventually mature into full-fledged regulated banks. This typical life cycle gradually pushes them into full commercialisation.

Today, there are a few dozen banks and financial institutions with balance sheets over US$100 millions, profitable and regulated; a few hundred microfinance organization with balance sheets over US$5 million, commercially sustainable and with higher growth rates (>30% per annum on average); and a few thousand micro-credit programs with balance sheets of less than US$5 million, largely donor driven.

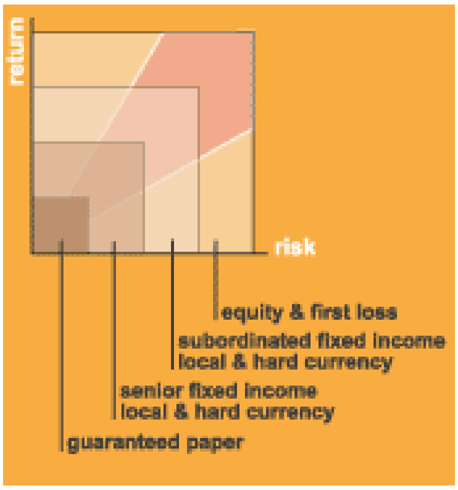
In recent surveys, the number one growth impediment to microfinance institutions remained access to capital. Today their supply is generally sought to cover 10% to 15% of the potential demand.



microfinance fund and investment vehicle



Over fifty global and regional microfinance investment (MFI) vehicles exist today, and at least as much local ones have been identified. All are expected to grown significantly in the coming few years.



Foreign investment in microfinance totals over a billion dollars, and is growing rapidly (supply is expected to double in 2006 and double again by 2008). These funds are today mostly set for average foreign investments of less than a million U.S. dollars in short term hard currency debt. They have also in the past five years targeted largely the same few dozen institutions, monopolizing much of the attention in the industry. Current policy makers are thus increasingly pressuring investment intermediaries to broaden the scope and geographical outreach of investment products and match adequately the large inflow of funds with the large market demand.

New investment vehicles are offering different asset classes to the investor, from high reward first loss investments to fully guaranteed notes.

Microfinance Investors

The socially responsible investment (SRI) market is estimated at about 3 trillion dollars worldwide. The share of SRI funds allocated to emerging markets is estimated at about 1%. Ethical funds, sustainable investments and socially responsible ventures are growing rapidly into the agenda of investors and fund managers alike.

Globalization and geopolitical events also are increasingly driving capital towards the periphery, opening up new opportunities from previously unattended populations. Emerging markets funds, often theme oriented (sustainable development, environment, water, renewable energy, housing, small enterprise, etc.) are becoming every day more apparent. Whether socially responsible or not, today investors are increasingly looking into low volatility opportunities and/or segments of the market uncorrelated with mainstream global benchmarks.

Absolute returns, capital guarantees and value for the money are becoming just as important as relative performance. Microfinance fits all three of these new global trends in the financial arena. As a sequence, the past few years have witnessed the emergence of new microfinance investment vehicles attracting SRI and capital market money. In return, they are bringing yet more professional skills into the industry, increasingly commercializing and rationalizing the value chain, pressuring investment intermediaries into further transparency, risk management tools and competitive market pricing.

The definition of microfinance

"Microcredit, or microfinance, is banking the unbankables, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks (the unbanked and underserved), in most cases because they are unable to offer sufficient collateral. In general, banks are for people with money, not for people without." (Gert van Maanen, Microcredit: Sound Business or Development Instrument, Oikocredit , 2004)

"(Microcredit) is based on the premise that the poor have skills which remain unutilized or underutilized. It is definitely not the lack of skills which make poor people poor….charity is not the answer to poverty. It only helps poverty to continue. It creates dependency and takes away the individual's initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty." (Muhammad Yunus, Expanding Microcredit Outreach to Reach the Millennium Development Goals, International Seminar on Attacking Poverty with Microcredit, Dhaka, Bangladesh, January, 2003)

Microcredit belongs to the group of financial service innovations under the term of microfinance, other services according to microfinance is microsavings, money transfer vehicles and microinsurance. Microcredit is a innovation for the developing countries. Microcredit is a service for poor people that are unemployed, entrepreneurs or farmers who are not bankable. The reason why they are not bankable is the lack of collateral, steady employment, income and a verifiable credit history, because of this reasons they can't even meet the minimal qualifications for an ordinary credit. By helping people with microcredits it gives them more available choices and opportunities with a reduced risk. It has successfully enabled poor people to start their own business generating or sustain an income and often begin to build up wealth and exit poverty. The amount of money that's lent out seldom exceeds USD100.

Microcredit fits best to those with entrepreneurial capability and possibility. This translates to those poor who work in growing economies, and who can undertake activities that generate weekly stable incomes. For those who don't qualify because they are extreme poor like destitute and homeless almost every microcredit institution have special safety programs that offer basic subsistence and later endeavours to graduate this members in their microfinance program making ordinary microcredits available.

Microcredit plays an important role in fighting the multi-dimensional aspects of poverty. Microfinance increases household income, which leads to attendant benefits such as increased food security, the building of assets, and an increased likelihood of educating one's children. Microfinance is also a means for self-empowerment. It enables the poor to make changes when they increase income, become businessowners and reduce their vulnerability to external shocks like illness, weather and more.

Microcredit has widely been directed by the non-profit sector while commercial lenders require more conventional forms of collateral before making loans to microfinance institutions. But now it's successfully growing bigger and getting more credibility in the traditional finance world. Due to that the traditional banking industry has begun to realize that these borrowers fit more correctly in a category called prebankable. The industry has realized that those who lack access to traditional formal financial institutions actually require and desire a variety of financial products. Nowadays the mainstream finance industry is counting the microcredit projects as a source of growth. Before almost everyone where neglecting the success of microcredit in the beginning of the 1970s when pilot projects such as ACCION where released until the United Nations declared 2005 the International Year of Microcredit.

The most of the microcredit institutions and agencies all over the world focuses on women in developing countries. Observations and experience shows that women are a small credit risk, repaying their loans and tend more often to benefit the whole family. In another aspect it's also seeing as a method giving the women more status in a social economic way and changing the current conservative relationship between gender and class when women are able to provide income to the household. Women are in most cases responsible for children, and in poor conditions it results in physical and social underdevelopment of their children. 1.2 billion people are living on less than a dollar a day. There are many reasons why women have become the primary target of microfinance services. A recent World Bank report confirms that societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard for all people. At a macro level, it is because 70 percent of the world's poor are women. Women have a higher unemployment rate than men in virtually every country and make up the majority of the informal sector of most economies. They constitute the bulk of those who need microfinance services.

Giving women access to microcredit loans therefore generates a multiplier effect that increases the impact of a microfinance institution's activities, benefiting multiple generations.

Microcredits is a type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance.

Investopedia Says:

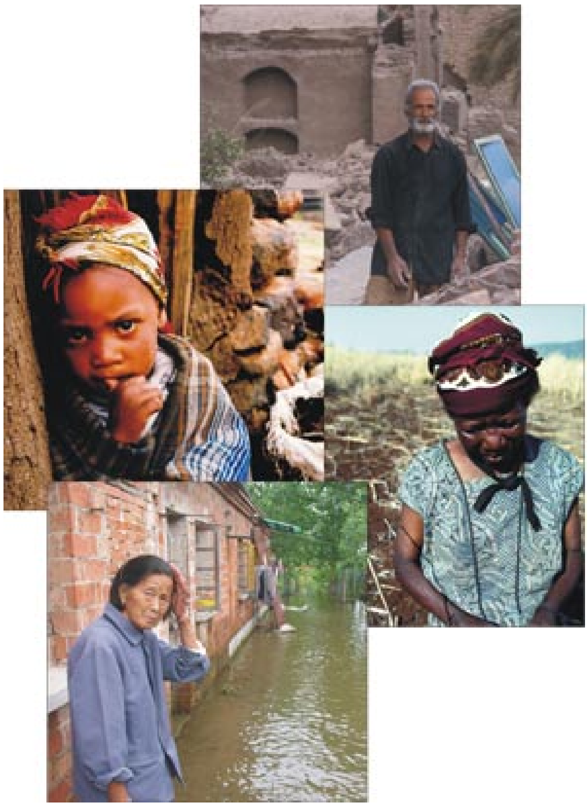
Microfinancing is not a new concept. Small microcredit operations have existed since the mid 1700s. Although most modern microfinance institutions operate in developing countries, the rate of payment default for loans is surprisingly low - more than 90% of loans are repaid.

Like conventional banking operations, microfinance institutions must charge their lenders interests on loans. While these interest rates are generally lower than those offered by normal banks, some opponents of this concept condemn microfinance operations for making profits off of the poor.

The World Bank estimates that there are more than 500 million people who have directly or indirectly benefited from microfinance-related operations.

Related Links:
Find out how to snag a career that could bring you more than money. Using Social Finance To Produce A Better World
Do you know how your borrowing activities affect your credit rating? Find out here. The Importance of Your Credit Rating

Questions & Concerns



Many questions have been raised about micro-finance and its importance as a means for poverty alleviation. As donors and practitioners become increasingly concerned about the quality of their interventions, interest has grown in developing clear and precise measurement methods. Who should be considered as a poor client? Why is it necessary to target poverty? How can a micro-finance institution (MFI) target the poor? What should be the best approach for targeting the poor? How can a MFI simultaneous focus on the very poor and face the challenge of sustainability and outreach? To what extent can financial and non-financial services help improve the living conditions of the poor?

Practitioners and donors have been developing impact measurement tools and promoting discussion groups to tackle this matter and come up with clear answers. Organisations like the CGAP (Consultative Group to Assist the Poorest) and the Micro-Credit Summit have a particular interest in this issue.

Why do we have to measure poverty targeting?

Micro-finance, by providing small loans and savings facilities to those who are excluded from commercial financial services has been developed as a key strategy for reducing poverty. Access to these facilities is seen as a way of providing the poor with opportunities to take an active role in their economy through entrepreneurship, providing them with income and bargaining power and building up social empowerment for poor women and men in their communities.

Over the years we have gained a better understanding of micro-finance. We are more aware of its limitations, its positive and negative effects on poverty. Therefore more attention is focussed on questions such as: "Under what conditions and with what mechanism can micro-finance programmes have a maximum effect on poverty "?

We now understand that micro-finance is not a magic potion leading automatically to better living conditions for poor people. As a matter of fact, in some cases micro finance has led to deteriorated situations and debt equity ratio of the very poor.

The extent to which micro-finance programmes are able to reach the poorest of the poor with their services is still an open debate.

Therefore careful targeting measurements are necessary.

Difficulties: constraints of targeting poverty

Due to the difficulties in defining poverty, different methods of poverty measurement have been used. The most common approach is based on income or consumption levels. A person is considered poor if his or her income or consumption is below a certain minimum level. This level is usually called: the poverty line, which can vary in time, according to the geographical context, social norms and values.

There is currently a world-wide debate on poverty yardsticks to identify the poor. A committee of CGAP consultants has been studying the issue for two years without producing any concrete result. Some have argued that it is impossible to design any reliable indicators to identify in a tangible way who are the really poor.

According to the Micro Credit Summit, the poorest are those people belonging to the bottom fifty per cent of the group of people living below a country's nationally defined poverty-line. According to the World Bank, the poor are those who have a level of consumption of at least US$2 per day and, the poorest are those who have a level of consumption of at least US$1.

Nevertheless, poverty has other dimensions besides income or consumption. It is necessary to include non-income poverty dimensions like education, health, and access to infrastructure, vulnerability, social exclusion, and access to social capital.

Measuring poverty is not easy. Aspects such as quality of life, health, leadership, women's roles, empowerment, etc., are elements difficult to quantify. Besides, arriving at precise poverty measurement methods is expensive and rather disappointing in terms of tangible results. In some cases precise and comprehensive identification tools have been replaced by tools that are less costly and less demanding on staff time and qualifications.

There is no general agreement on the fact that, in order to have a real impact on poverty, micro-finance should expressly target the poor.

Some argue that it is more important to have a wider geographical impact on a permanent basis through quality financial products delivered by competitive, effective micro-finance institutions (outreach approach).

This approach is based on a long term view and the belief that in many cases there is a limit to the "in depth targeting" of the poorest: the credit-worthiness of the client. According to this approach most MFIs do not reach the very poor and there is a trade-off between sustainability and reaching the poorest of the poor.

Some micro-credit advocates argue that micro-finance services should reach the poorest of the poor as access to credit is a human right in the fight against economic exclusion. Narrow targeting of the poorest is necessary (in depth targeting).

In a study of eleven MFIs world-wide, it was found that financially sustainable institutions can reach the poor and that there is no trade-off between reaching the poor with credit and financial sustainability.

However, one should note that no matter which approach is adopted, quality and permanent services to the poor can only be delivered through competitive and sustainable financial systems.

Approaches for targeting the poor

MFIs have developed a range of strategies to identify the poor. These poverty targeting strategies include several complementary components:

- ways of identifying the poor;
- ways of attracting the poor;
- ways of excluding the non poor;
- ways of discouraging the non poor.

For effective targeting all these components have to be included in a complementary way.

To accomplish this one needs:

- Agent-related factors (type of MFIs, client needs, constraints)
- Contextual factors (regulatory framework, infrastructure, etc.)

- Outreach of micro-finance, (how many people are reached, how poor are the clients, in which sectors are they engaged, where do they live, quality of services offered)
- Impact (measuring methods for impact will be discussed in the following article)

Some experiences on targeting measurement

Extensive research has been conducted by numerous organisations such as CGAP, Micro-credit Summit to establish reliable efficient cost-conscious methods to measure to what extent micro-finance programmes are reaching the poor. The results are rather disappointing compared to the high cost involved, as no tangible precise conclusions can be drawn from those measurements.

CASHPOOR Housing Index

Used by Grameen Bank replication networks in the Asia - Pacific region. It is an observational methodology that produces an indicator, which is highly related to the quality and the status of the house.

Three dimensions of the house are considered:

1. size of the house,
2. physical condition or building materials,
3. material of the roof.

The ranking of the poor and less poor is done within the geographical and social context. People living in houses constructed from mud bricks, with poor quality thatch roofing, small windows and in a general state of disrepair tend to be selected as the poorest. In order to improve this method members of the community participate in ranking themselves according to their own perception of poverty.

Participatory Rural Assessment (PRA) and Participatory Wealth Ranking (PWR)

PRA/PWR allows communities to rank themselves according to their own perceptions of poverty. Detailed discussions are held with a large number of people in each community to define poverty, and to rank the community according to their criteria. These methods have been based on participatory rural mapping and wealth ranking. One of the most attractive aspects of this approach is the opportunity that it gives for the people themselves to define their own concepts of poverty and wealth.

PWR/ PRA does generates information which can be used to relate the results to these standard measures. The main problem is where local definitions of poverty include non-economic variables.

Geographical Distribution of Poverty

A list of the geographical concentration of poor households can help micro-finance practitioners to target the poor. Using locations as a proxy for poverty-level criteria mean taking into account variables such as levels of marginality, quality of public services, geographic dispersion, rates of illiteracy, infant mortality, life expectancies. The main limitation of this method is that it may include non-poor households.

Vocation

The nature of activity serves as a proxy for the income levels. In the same way, levels of poverty can be determined by identifying the location of the enterprise. The Institute of Rural Management, SEWA in India, tries to target its members by working with women who are engaged in activities which are pursued mostly by low-income category households such as street vendors, house-based workers, rag pickers, etc.

Small Size Loans

Some programmes have selected as a targeting method the selection of the poorest area in a region as the operational area; this methodology was designed to offer small loans through group-based lending. Following the theory that small loans and high transaction cost in terms of time spent to enter the programme and participation in lengthy meetings would deter all but the very poorest from joining.

House-to-House Interviews to Potential Clients

This method uses a client or household interviews and surveys to determine the poverty of the family. Evaluators meet the people at their homes, observe the household conditions and ask related questions about family members, sources of income, expenses, food consumption, etc. The limit of this method is the inaccuracy of the income and expenditure surveys.

Other Methods

At Ruhunu UNESCO in Sri Lanka, a card is completed for each beneficiary family with information gathered from a survey of the family's circumstances and their level of poverty. The survey includes aspects as monthly income, quality of housing, health, number of school-going children availability of electricity, among others aspects.

Findings from the different approaches

On Poverty Reduction

- Studies have shown that most poor people have benefited from micro-finance programmes but that narrow targeting is not necessarily a condition for reaching the poorest. Some large-scale non-targeted schemes have proven to reach the poorest.

- More poor people can be reached through building competitive, sustainable financial systems which provide a wide range of small-scale financial transactions than through narrow targeted programmes.
- Increasing numbers of practitioners are stressing the importance of offering a range of quality and flexible financial services in response to the wide variety of the needs of the poor.
- Micro-finance has its limitations. It should not be seen as the only solution to poverty alleviation. In certain circumstances other inter-ventions sometimes could be more effective than micro-finance. For example, in the case of natural disaster situations, micro-finance needs other complementary interventions, like subsidies for responding to the needs of those clients who have lost their capital and personal belongings and do not have any liquidity to pay their current debts.
- Micro-finance is not appropriate for all the poor people. In some cases micro-enterprises owned by the poor are not ready for or do not need financial products. In other cases, micro-entrepreneurs are not creditworthy.

References

- Toward Guidelines for Lower-Cost Impact Assessment Methodologies for Microenterprise Programs, Jennefer Sebstad, AIMS, June 1998
- The World Bank Group, Understanding and Responding to Poverty, Poverty Newsletter #3, March 1999
- Microfinance and Poverty Reduction, Johnson S. and Rogaly B. Development Guidelines, Oxfam Publications, 1997
- Micro-finance and Poverty: , Questioning the Conventional Wisdom, Gulli Hege, IADB, 1998
- Discussion Forum, Microcredit Summit, Poverty Measurement, discussion group, paper #2.
- Talking Points for "Participatory Methods of Poverty Measurement, Anne Case, Center for International Studies, Princeton University, 1999
- Ruralance and Poverty Alleviation, Manfred Zeller and Manohar Sharma, IFPRI, 1998
- Impact monitoring and learning for poverty-alleviation, The Small Enterprise Foundation, Development Department, Simanowitz Anton
- Supporting poverty alleviation through micro-finance, The Small Enterprise Foundation, Development Department, Simanowitz Anton
- Effective strategies for reaching the poor, The Small Enterprise Foundation, Development Department, Simanowitz Anton
- Examining the impact of micro-finance services, increasing income or reducing poverty?, Graham A. N. Wright, 1999
- Micro-finance and Anti-poverty Strategies, A donor perspective UNCDF Policy Series, José Garson, 1997
- Finance against Poverty, David Hulme and Paul Mosley, Volume 1 and 2, Routledge, London, 1996
- Overview of studies on the Impact of Microenterprise credit, Monique Cohen, Jennefer Sebstad and Gregory Chen, June 1996

Bhutan : The Namgay family of Shingkhey Village
Food expenditure for one week: 224.93 ngultrum or US$5.03

Chad : The Aboubakar family of Breidjing Camp
Food expenditure for one week: 685 CFA Francs or US$1.23

ECONOMIC and SOCIAL PERFORMANCES and IMPACT for MFIs:

		Core social issues	Economic/financial issues
Global performances of the institution	Performance monitoring (intentions and actions of the MFI)	- Outreach to the poor and excluded: Who are the clients ? - Adaptation of the services and products to the target clients - Social and political capital of the clients / Empowerment : participation in MFI decision making; "voice" for those being served to avoid "mission drift" - Social responsibility of the MFI; relation with client and community	- Portfolio quality - Efficacy and productivity - Financial management - Profitability - Qualilty and diversity of the financial services offered
	Impact assessment (outcome)	- Employment creation for the excluded population - Empowerment : position of individuals in their family and communities; social capital building - Health improvement - Child education, etc.	- Change in income and expenditure - Change in assets and living standard - Food security - Employment creation at community level

We distinguish four major dimensions of social performance as follows:

1. ***Outreach to the Poor and Excluded****: Mission and Targeting Strategies*. MFI have generally been developed to reach a population excluded from the classical financial system. MFIs can have the objective of reaching socially excluded populations or the poor, or simply to offer financial services in a region where classical banking systems are absent. The depth of outreach of the MFI can be measured to evaluate its focus on the economically and socially excluded population.

2. ***Adaptation of the services and products to the target clients***. It is not enough to decide to reach a target population. The MFI must learn about the target population and work on the design of its financial services so that they can fit with the needs and the constraints of the clients. "Pro-poor" services are too often standardized. Social performance indicators can analyse the process leading to service definition and the extent to which the MFI knows about its clients' needs.

3. ***Improving social and political capital of clients and communities.*** For the MFI, trust between the MFI and the clients can reduce the transaction costs and improve repayment rates. It thus can foster collective action and reduce free-riding, opportunistic behaviour, and reduce risks. For the clients, strengthening their social and political capital can enhance their social organization (collective action, information sharing, political lobbying, etc.). Social performance indicators should measure the degree of transparency, the

effort of the MFI towards giving voice to its clients within the organisation and beyond (community, local government, national government, etc.).

4. ***Social responsibility of MFI***. Social awareness is a necessary pre-requisite for socially responsible corporate behaviour. Social responsibility requires an adaptation of the MFI corporate culture to their cultural and socio-economic context, an adequate human resource policy, credit guarantees adapted to the local conditions, and balanced relationships between staff and clients (in particular in MFIs where there are elected clients who participate in decision making).

Social performances of an MFI rely on these four dimensions. Poverty outreach, shaded in Table, is one among the different dimensions of social performances. An MFI can choose to focus on one or several dimensions but for a global overview, social performance cannot be reduced to poverty outreach.

Above date was accessed through the following discussion group which will accept new members:

MicrofinancePractice@yahoogroups.com

http://finance.groups.yahoo.com/group/MicrofinancePractice/members


MICROCREDIT AFRICA WORKS
MILLER
WELDER

Small Change, Big Dreams

By Murray MacAdam **http://www.sustainabletimes.ca/articles/microcredit.htm**

For the world's poor, getting a business loan can be next to impossible - they simply don't have the collateral the banks demand. But a growing 'micro-credit' movement is giving them a hand-up, not a hand-out, and the chance to make it on their own.

In 1976, Bangladeshi economist Muhammad Yunnus lent a group of 42 artisans 62 cents each, so they could buy the supplies they needed to eke out a living.

At the time, he didn't know he was starting a movement.

"When we started giving out tiny loans, we never imagined that one day we would be reaching hundreds of thousands, let alone two million, borrowers," says Yunnus, two-and-a-half decades later.

At less than a dollar each, they were 'tiny loans' indeed. But they helped, allowing the artisans to expand, however modestly, their businesses and improve their lives. And the loans were paid back. From that humble start has grown something called the Grameen Bank, the world's best-known micro-credit enterprise.

In a nutshell, micro-credit is the provision of small loans to people too poor to qualify for traditional bank loans. Small groups get together and act as each other's 'collateral' - if one fails, the collective carries the loss. It's a deceptively simple but powerful idea: without access to capital, it's difficult to start or grow a business, even tiny 'mom and pop' operations.

But for millions of people worldwide, that is reality.

The inability to borrow prevents poor people from getting the money they need to improve their lives.

Less that 2% of poor people have access to credit from reliable sources - moneylenders who demand exorbitant interest don't count.

Informal and small-scale lending arrangements have long existed in many parts of the world, especially in rural areas. However, in the past two decades, considerable more attention - and resources - have been shifted toward micro-credit lending. It is seen as a way to encourage self-reliance, create employment and, particularly, help women better their lives by generating some income.

Micro-credit (also called peer lending) is increasingly seen as an effective tool in the struggle against poverty, enabling those without access to lending institutions to borrow at normal bank rates and start small businesses.

Micro-credit schemes vary, but they usually share several key features:

- they're geared to people with no land or assets; that is, people who don't have what the banks call collateral;
- borrowers become part of a small group of people who meet regularly to support each other;
- the majority of those taking part are women, because they are usually the poorest of the poor, with little hope of getting loans;
- borrowers can receive further loans, as long as earlier ones are paid, on the understanding that the poor need to have access to credit for a number of years to accumulate enough assets and savings to escape poverty.
- borrowers are free to choose the activity to be funded with their loan, with most loans going toward small businesses such as farming, handicrafts and shopkeeping.

It is estimated that 13 million poor people around the world are being helped by loans from more than 7,000 micro-finance institutions, with over $7 billion (all figures U.S.) in total loans. And the loan repayment rate is impressive, at 97 percent. Due to this success, micro-credit has been gathering momentum worldwide, growing 30 percent annually.

Many different players are behind this attractively simple development tool: non-government organizations (NGOs), donor agencies, international financial institutions and development advocates. Governments are also embracing micro-credit as a key economic development strategy among low-income people. The United Nations even has a special unit for micro-finance.

The Canadian International Development Agency, (CIDA, the foreign aid branch of the federal government), has long supported micro-credit. Each year it devotes more than $100 million toward micro-finance and micro-enterprise development in developing nations. CIDA is also part of an international consortium of 29 bilateral and multilateral donor agencies that support micro-finance, called the Consultative Group to Assist the Poorest. It works to improve the services and strength of the micro-finance "industry."

Bangladesh's Grameen Bank is by far the biggest micro-finance institution, widely admired as micro-credit's shining success story.

As with many small schemes, women benefit most, making up 95 percent of Grameen's 2.4 million borrowers. It is built on person-to-person solidarity, through the voluntary formation of groups of five people to provide mutual group guarantees, instead of the individual collateral required by conventional banks.

The small-group structure creates an atmosphere in which debtors know and care about each other, and ensure that they all meet their obligations. If one person fails, the group has to pick up the slack. It's a system that works.

The Grameen Bank remains the best-known case study of micro-credit, but there are many other projects out there. Some, like Grameen, are fairly large: Profund, for example, is a for-profit investment fund that helps over 300,000 small entrepreneurs in Latin America. A similar fund is getting underway in Africa, the AfriCap Micro-finance Fund, with $15-million in start-up funding. The money is coming from a number of international financial institutions including Canada's Calmeadow, which will manage the fund.

(While many Canadian NGOs have promoted micro-credit in the Third World, Calmeadow is unique in that it has helped fund and operate micro-credit initiatives in Canada as well as in Latin America and Asia. In the 'developed nation' of Canada, the focus is on Aboriginal and low-income people. Canada's largest credit union, Vancouver City Savings Credit Union (VanCity), also has a Peer Lending Program for people who normally could not get business loans. It operates much like the loan circle model made famous by Grameen. Four or more business owners who need loans join forces to support each other. In addition, VanCity offers International Community Investment Deposits that enable its members to invest in community loans funds that benefit low-income communities abroad.)

A typical micro-credit loan of US$100 or US$200 may not seem like much. But in a developing nation, a sum that small can transform a low-income person's life.

Blanca Rosa Cruz, a Nicaraguan mother of two, got a $200 loan from Opportunity International Canada, to start a pizza business. She became part of a neighbourhood loan circle of 19 women and one man. Cruz started making pizzas in her one-room, dirt floor home. Now, two years later, she employs six people, has fixed up her home and even has a savings account.

"I couldn't believe anyone would give me a loan without any collateral," says Cruz. "I am thankful to God that they trusted in me and gave me a loan."

She's one of over 260,000 people helped worldwide by Opportunity International, a Christian-based non-profit organization working to combat global poverty through micro-enterprise development. With average loans of $298 and a repayment record of 98 percent, women are helped the most (85 percent of borrowers), because they tend to be the poorest.

This is all well and good. But what is the real impact of the Grameen Bank and similar micro-credit programs? Do they make a difference in lessening the poverty that keeps over a billion people around the world struggling to survive on less than a dollar a day?

Grameen's Muhammad Yunus has no doubts. He believes that if financial resources are provided to poor people on reasonable terms, "...these millions of small people with their millions of small pursuits can add up to create the biggest development wonder."

Indeed, the facts bear him out - to a degree. The average household income of Grameen Bank members is about 25 percent higher than for non-members in villages with Grameen branches. Only 20 percent of

Grameen members live below the poverty line, compared with 56 percent for comparable non-Grameen members.

"If we can come up with a system that allows everybody access to credit while ensuring excellent repayment, I can guarantee that poverty will not last long," claims Yunus.

Yet uplifting the world's poor to where their basic needs are met is not that simple. Lack of credit is by no means the only cause of Third World poverty.

Poverty arises from a range of causes, including poor prices for the crops grown by farmers, illiteracy, crippling debt burdens, poor wages, lack of land, poor training and much more.

As a UN report on micro-credit's role in eradicating poverty says, "In some of the lowest-income countries, lack of access to land is the most critical single cause of rural poverty...Yet few countries have substantial land reform programs."

Specific anti-poverty strategies have to be considered and developed in the social, political and economic contexts of the communities and countries involved. Oxfam notes that "Poverty alleviation is rarely an issue of simply improving access to financial resources. Poverty is more than a lack of material resources - it also concerns the denial of basic rights, control, access and power."

Even the World Bank has admitted that micro-credit alone is no cure-all for poverty reduction. Only people with the ability to run a business can borrow, leaving out those people without the necessary skills and training. So other development efforts such as literacy promotion, training and job creation are needed to complement micro-credit projects.

And although the ability of micro-credit to uplift women has been widely praised, a debate is now simmering over the impact of peer lending on the lives of women. The United Nations holds the view that micro-credit has been positive. "We have learned that when women gain economic autonomy, the health, nutrition and education of other members of the household, especially children, improve at the same time," says Noeleen Heyzer, executive director of the UN Development Fund for Women.

Alemnesh Geressu, a member of the Women's Poverty Lending Program of Catholic Relief Services (CRS) Ethiopia, serves as an example of that improvement. She lives with her husband, a poor farmer with no land, and their six children. For years she survived by doing a bit of trading. But local moneylenders skimmed off much of her earnings, charging her 10 percent interest or more per month on loans.

That bare-bones existence changed after receiving her first loan from CRS in 1995. She expanded her business of selling grain in the local market, and is also growing vegetables and ploughing a plot of land in co-operation with other members of her solidarity group.

Geressu sees a real improvement in her living conditions - and in her attitude. She now has enough money to buy things for her family and is sending two of her children to school. "I have more confidence in myself and I wish the program could accommodate more women to improve their lives."

Geressu's story illustrates the three main ways in which micro-credit can help poor women:

- by providing independent sources of income outside the home, it can reduce women's economic dependence on their husbands and thus increase their autonomy;
- those independent sources of income, together with the exposure to new ideas and social support can, in theory, make women more assertive of their rights;
- and by providing control over material resources, micro-credit programs can raise women's prestige and status in the eyes of their husbands, opening up new possibilities within families.

Many people are confident that micro-credit does indeed bring about these positive changes. Abdul Bayes, co-author of a micro-credit study in Bangladesh, concluded that "NGO credit programs in rural Bangladesh are not only likely to bring about rapid economic improvement in the situation of women but also hasten their empowerment. The NGO credit members are reported to be more confident, assertive, intelligent, self-reliant and conscious of their rights."

Yet others in the development field are not so sure. They worry that loans, by themselves, cannot uplift women from their difficult situations. Aminur Rahman, a Canadian doctoral student, uncovered some disturbing findings when he returned to his native Bangladesh to examine how the Grameen Bank has improved the lives of women.

Of the 120 female borrowers in his study, 70 percent admitted they endured increased verbal or physical violence from male relatives after taking out loans. And while the loans were supposed to help them earn income, more than 60 percent of the loans were actually used by men. "It was a shock," says Rahman. "The Bank has a really good objective, but there is a gulf between its philosophy and its field realities."

Part of the problem involves women's lack of access to formal education, says Peter Noteboom, a Canadian development consultant who has worked in community-based micro-credit programs in Bangladesh and Haiti.

It's not uncommon in Bangladeshi villages, adds Noteboom, for no women in a loan circle to have the skills needed to do the group's bookkeeping, since they have not been able to go to school. So a local man who has been able to acquire those bookkeeping skills is invited to take on that critical role. And he assumes the power that goes along with it.

Lack of credit is only one piece of the poverty puzzle. Loans need to be linked to capacity building and the skills individuals need to transform their lives.

Others agree that it's unrealistic to expect that micro-credit, by itself, can act as a panacea for poverty alleviation. "For example, we've got to be careful that we don't put everything we have in micro-credit programs and neglect the fact that children in developing countries need to be immunized as well," says CIDA president Huguette LaBelle.

"And you still need, for example, [improved] rural roads - otherwise the poor will increase their agricultural yield, but they won't be able to take it to market."

Grameen Bank boasts that it contributes more than 1 percent to the GDP of Bangladesh. Yet a quarter-century and several million loans later, Bangladesh remains one of the poorest, least-developed countries in the world. Three out of every five adults can't read or write, average life expectancy is only 59, and GNP per capita is just $350.

Clearly, its impoverished citizens need a lot more than micro-credit.

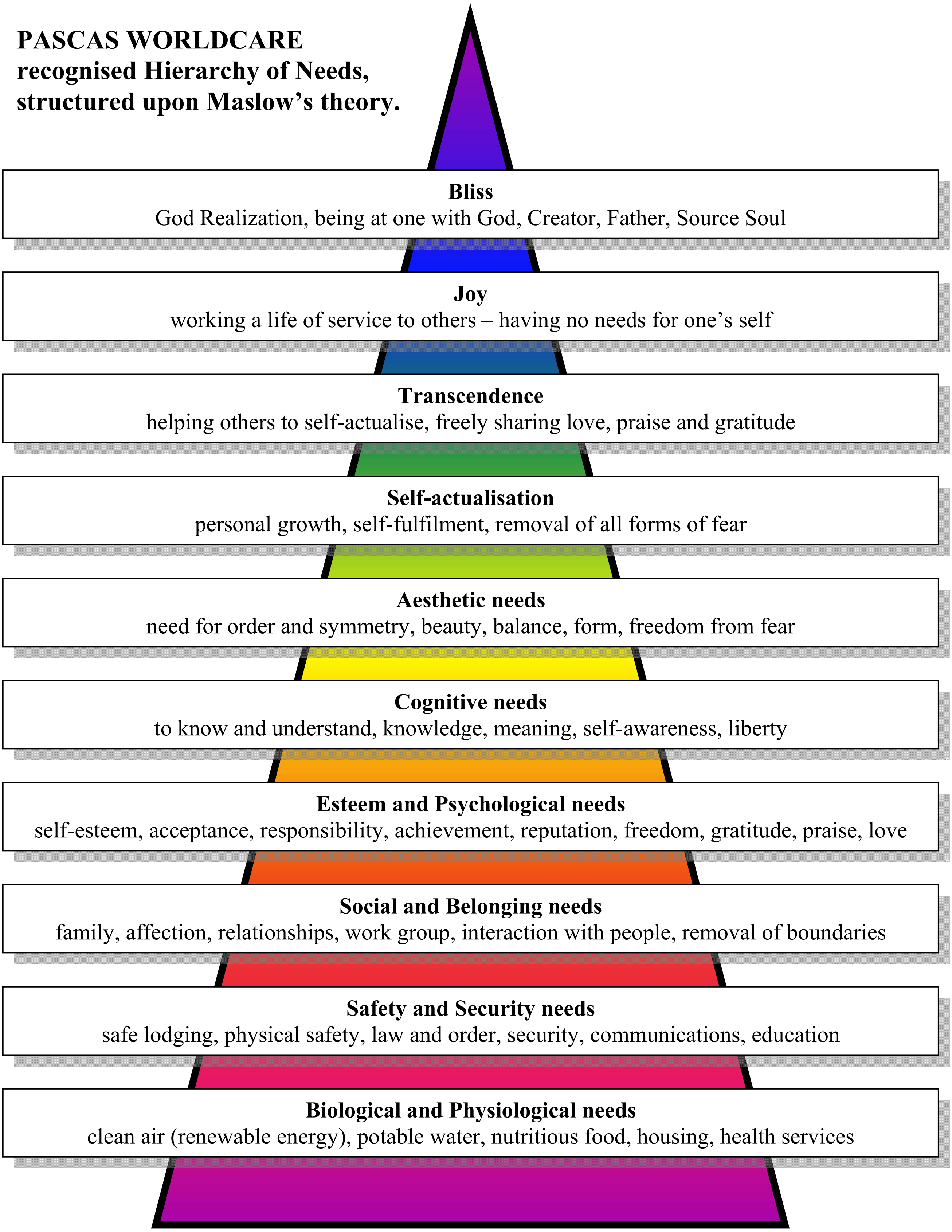
But the micro-credit movement is growing nonetheless, and will continue to grow in the foreseeable future. In November, 2002 the U.S.-based RESULTS Educational Fund, one of the world's leading micro-credit promoters, is sponsoring a huge "Micro-credit Summit +5" conference in New York.

It will review progress made since a 1997 gathering that launched a campaign to reach 100 million of the world's poorest families with credit for self-employment and other services by 2005. That event attracted over 2,900 delegates from 137 countries.

This year's event promises to be even bigger, with more than 3,000 delegates from over 140 countries expected, including heads of state. It will assess progress toward the ambitious goals set in 1997, and identify strategies for reaching them. This major event will bring the gospel of micro-credit to even more people. And it will undoubtedly result in further resources being devoted to micro-financing.

There are certainly enough good news stories to support the concept of micro-credit, and support for the poorest of the poor is desperately needed. But only time will tell if the micro-lending is a band-aid solution for some, or a broader movement giving the world's impoverished the boost they need - and the chance they deserve - to make it on their own.

PASCAS WORLDCARE
recognised Hierarchy of Needs,
structured upon Maslow's theory.



DEVELOPMENT of PASCAS FINANCE – MICRO CREDITS:

The experiences of incredible people such as:

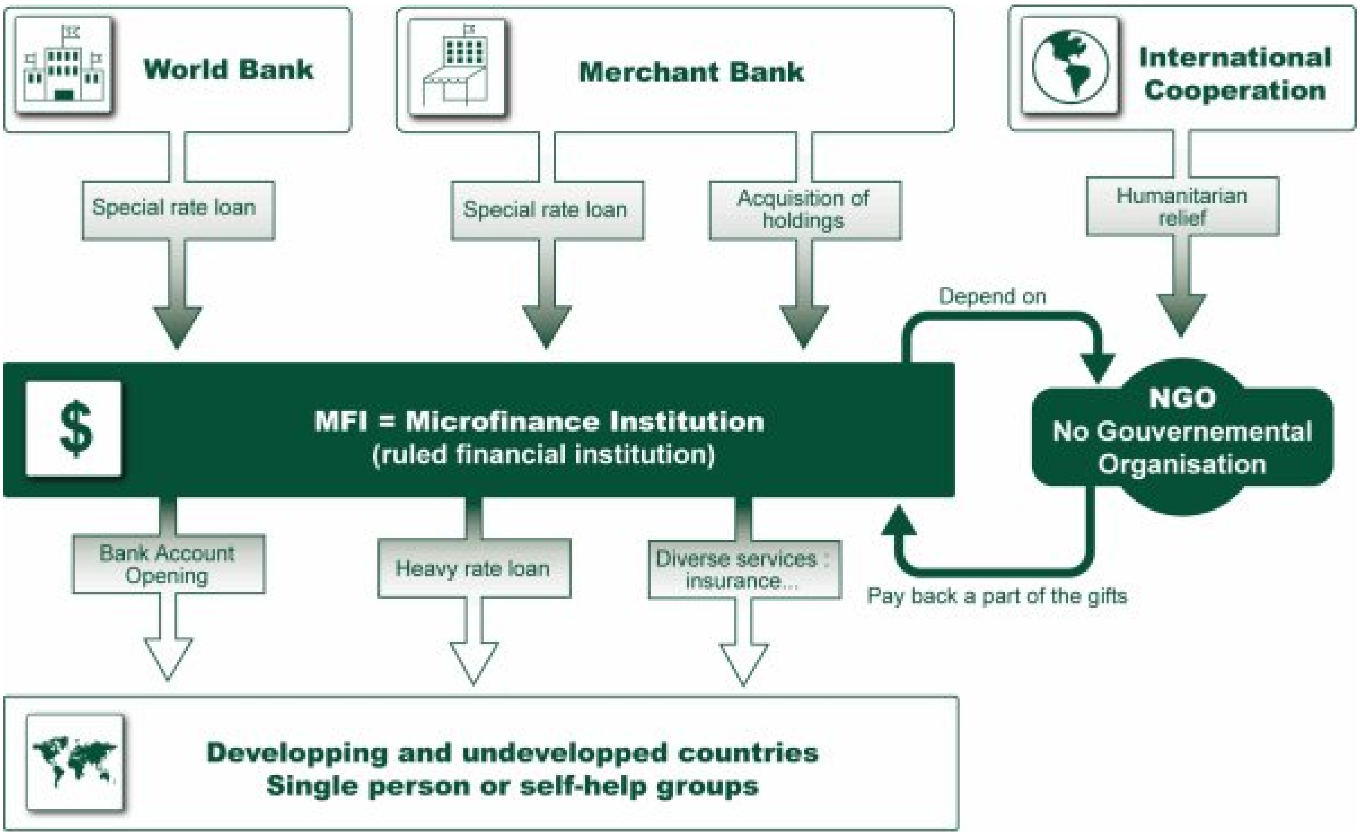
Chialee Wong, from Singapore, who has worked with various micro credit groups.

Kevin Newman, from Grafton, who works with Many Rivers Opportunities which provides micro credits to the Australian aboriginal communities.

Will be essential, with others, to establish the operations platforms to be employed by Pascas Finance – Micro Credits divisions.

Development of platforms will be focused upon community needs and will favour assisting groups of women who will cross guarantee performance.

Education of management and education of the applicants are fundamental to viability.



OUR UNIVERSAL DECLARATION of HUMAN RESPONSIBILITIES

“PASCAS”

Preamble

Whereas recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world and implies obligations or responsibilities.

whereas the exclusive insistence on rights can result in conflict, division, and endless dispute and the neglect of human responsibilities can lead to lawlessness and chaos,

whereas the rule of law and the promotion of human rights depend on the readiness of men and women to act justly,

whereas global problems demand global solutions which can only be achieved through ideas, values, and norms respected by all cultures and societies,

whereas all people, to the best of their knowledge and ability, have a responsibility to foster a better social order, both at home and globally, a goal which cannot be achieved by laws, prescriptions, and conventions alone,

whereas human aspirations for progress and improvement can only be realised by agreed values and standards applying to all people and institutions at all times,

Now, therefore,

The General Assembly

proclaims this Universal Declaration of Human Responsibilities as a common standard for all peoples and all nations, to the end that every individual and every organ of society, keeping this Declaration constantly in mind, shall contribute to the advancement of communities and reinforce commitments already proclaimed in the Universal Declaration of Human Rights: namely, the full acceptance of the dignity of all people; their inalienable freedom and equality, and their solidarity with one another. Awareness and acceptance of these responsibilities should be taught and promoted throughout the world.

Fundamental Principles for Humanity

Article 1 Every person, regardless of gender, ethnic origin, social status, political opinion, language, age, nationality, or religion, has a responsibility to treat all people in a humane way.

Article 2 No person should lend support to any form of inhumane behaviour, but all people have a responsibility to strive for the dignity and self-esteem of all others.

Article 3 No person, no group or organisation, no state, no army or police stands above good and evil; all are subject to ethical standards. Everyone has a responsibility to promote good and to avoid evil in all things.

Article 4 All people, endowed with reason and conscience, must accept a responsibility to each and all, to families and communities, to races, nations, and religions in a spirit of solidarity: what you do not wish to be done to yourself, do not do to others.

Non-Violence and Respect for Life

Article 5 Every person has a responsibility to respect life. Violence is never justified.

Article 6 Disputes between states, groups or individuals should be resolved without violence. No government should tolerate or participate in acts of genocide or terrorism, nor should it abuse women, children, or any other civilians as instruments of war. Every citizen and public official has a responsibility to act in a peaceful, non-violent way.

Article 7 Every person is infinitely precious and must be protected unconditionally. The animals and the natural environment also demand protection. All people have a responsibility to protect the air, water and soil of the earth for the sake of present inhabitants and future generations.

Justice and Solidarity

Article 8 Every person has a responsibility to behave with integrity, honesty and fairness. No person or group should rob or arbitrarily deprive any other person or group of their property.

Article 9 **All people, given the necessary tools, have a responsibility to make serious efforts to overcome poverty, malnutrition, ignorance, and inequality. They should promote sustainable development all over the world in order to assure dignity, freedom, security and justice for all people.**

Article 10 All people have a responsibility to develop their talents through diligent endeavour; they should have equal access to education and to meaningful work. Everyone should lend support to the needy, the disadvantaged, the disabled and to the victims of discrimination.

Article 11 All property and wealth must be used responsibly in accordance with justice and for the advancement of the human race. Economic and political power must not be handled as an instrument of domination, but in the service of economic justice and of the social order.

Truthfulness and Tolerance

Article 12 **Every person has a responsibility to speak and act truthfully.** No one, however high or mighty, should speak lies. The right to privacy and to personal and professional confidentiality is to be respected. No one is obliged to tell all the truth to everyone all the time.

Article 13 No politicians, public servants, business leaders, scientists, writers or artists are exempt from general ethical standards, nor are physicians, lawyers and other professionals who have special duties to clients. Professional and other codes of ethics should reflect the priority of general standards such as those of truthfulness and fairness.

Article 14 The freedom of the media to inform the public and to criticize institutions of society and governmental actions, which is essential for a just society, must be used with responsibility and discretion. Freedom of the media carries a special responsibility for accurate and truthful reporting. Sensational reporting that degrades the human person or dignity must at all times be avoided.

Article 15 While religious freedom must be guaranteed, the representatives of religions have a special responsibility to avoid expressions of prejudice and acts of discrimination toward those of different beliefs. They should not incite or legitimise hatred, fanaticism and religious wars, but should foster tolerance and mutual respect between all people.

Mutual Respect and Partnership

Article 16 All men and all women have a responsibility to show respect to one another and understanding in their partnership. No one should subject another person to sexual exploitation or dependence. Rather, sexual partners should accept the responsibility of caring for each other's well-being.

Article 17 In all its cultural and religious varieties, marriage requires love, loyalty and forgiveness and should aim at guaranteeing security and mutual support.

Article 18 Sensible family planning is the responsibility of every couple. The relationship between parents and children should reflect mutual love, respect, appreciation and concern. No parents or other adults should exploit, abuse or maltreat children.

Conclusion

Article 19 Nothing in the Declaration may be interpreted as implying for any state, group or person any right to engage in any activity or to perform any act aimed at the destruction of any of the responsibilities, rights and freedoms set forth in this Declaration and the Universal Declaration of Human Rights of 1948.