

MICROFINANCE 101

...And how YOU can be a part of it

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About Us

Social Enterprise Associates

A network of professionals making communities better by applying business skills & sustainable practices.

INTERNSHIPS AVAILABLE

www.socialenterprise.net



Drew Tulchin:

- 13 years prof. experience & MBA; 7 years in microfinance
- Written 30+ business & strategic plans; efforts have raised \$12 million+
- For Prisma Microfinance, biz plan winner Global Social Venture Comp; raised \$1.2 million in private equity

About You

Intros. Let's hear from you:

- **Name**
- **Interest in microfinance**
- **Geographic interest**
- **One question you have about this topic**

Definitions & Assumptions

- **Terminology**
 - Define Microfinance, Micro-credit, Micro-debt, etc.
 - MFI = Microfinance Institution
- **Microfinance in Development**
 - Microfinance is NOT a universal development panacea
 - MFIs have proven the model & shown profitability
 - The promise of microfinance as a sustainable effective development tool is still unrealized
- **Microfinance Moving Forward**
 - The industry's next decade will be one of extensive change 'failures' & consolidations
 - Profit is NOT a dirty word

Why Need Microfinance?

- 3 billion people in poverty (live < \$2 / day)
- < 20% world regular access to financial markets
- In most countries, few options for employment; people on their own
- The Poor pay more for services – moneylenders
- Poor people deserve same opportunities as rich people

Access to capital is a 'foundational right', because having it allows other rights to build upon it.

- Prof. Yunus, Nobel Peace Prize Recipient 2006

Microfinance Today

+/- 150 million clients (depends on your definition)

- 80 million very poor

< 10% of total demand met

\$10 billion total current portfolio

Avg. growth 30% a year last decade

10,000 MFIs worldwide

- Most NGOs
- < 10% fin. self-sufficient (i.e. profitable)

Investment increasing. \$5 billion new money last 2 yrs

Microfinance Around the World

Styles and Formats

1. Individual Lending

What most of us know

2. Peer Lending

Groups of 5 - typically women, meet regularly

3. Village Banking

Groups up to 50.
Local leadership & control

4. Credit Unions

Owned by its members

A Few (of many) Examples

Most Banks, BancoSol, BRI
(Indonesia)

Grameen Bank, many NGOs

FINCA

Cooperatives, WOCCU

Products in Microfinance

Microfinance is more than loans. It is about providing access to affordable financial services:

- **Credit (loans) – for business, consumer, housing, education**
- **Savings – ‘forced’, CDs, ready access**
- **Insurance – life (death), health, job loss**
- **Remittances**
- **Others**

Hot Topics Today

- **Investment**
- **Interest Rates & Efficient Operations**
- **Legal Entity, conversion to banks**
- **Poverty Alleviation & Impact Measurement**
- **Customer Satisfaction**
- **New Product Development**
- **Technology**

Soc. Ent. Assoc.'s Work '07-08

Afghanistan

Environmental Defense Fund, Mexico

Habitat for Humanity Int'l

Haiti

Mozambique

White Mountain Apache Indian Tribe

Women's Opportunities Resource Center

Places To Learn More

Microfinance Gateway

CGAP

The Mix Market

USAID MicroLinks

Imp-Act

World Bank, UNDP

Microfinance in the U.S.

What makes it different?

Income levels

Lower poverty rate (15%)

80% have access to banks (about inclusion more)

More job options

15% of pop entrepreneurial, 8% small biz

More regulation for business

More regulation for banking

More ideas...

Jobs in Microfinance

Likely First Jobs

- Peace Corps/VISTA
- Admin. Support
- 'Backstopping'
- Banking: retail, investment, corporate
- Consulting
- Marketing & PR
- Fund-raising
- Technology

Skills

- Language, culture, int'l dev
- Write, speak, present
- Inter-personal skills
- Figure stuff out
- Project Management
- Specialize: get good at what others can't

Things You Can Do NOW

Educate

- Learn about the field. 1 million employees needed

Advocate

- Help to make microfinance better in U.S. and worldwide.
MicroCredit Summit, AEO, CFED, NCRC

Invest / Donate

- Small amounts count! Community Investing, Calvert Foundation, Kiva, MicroPlace, Sostenica (local), others

Intern

- Microfinance Gateway, click on internships.
- Soc. Ent. Assoc. year-round options available

Thanks Q & A Discussion

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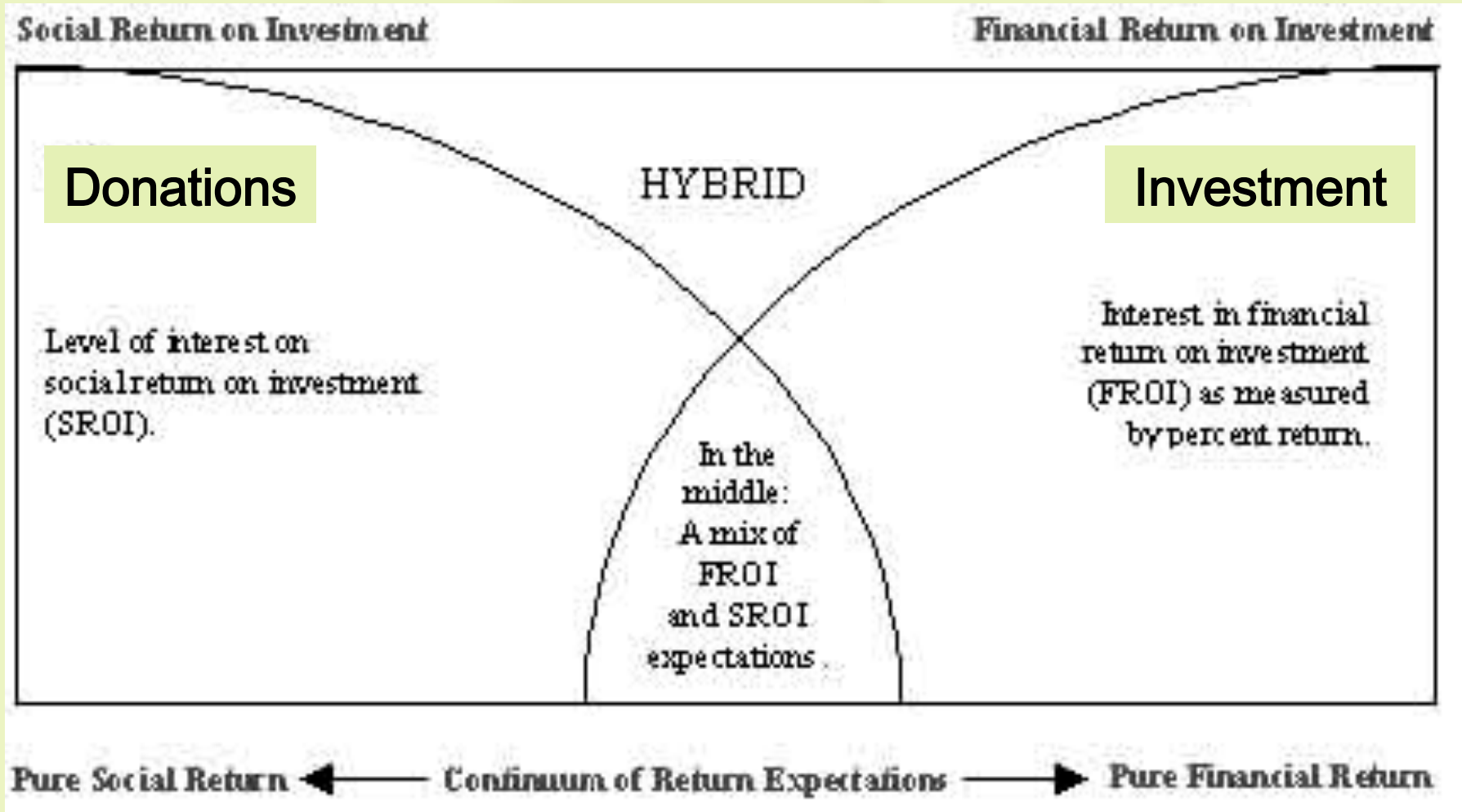
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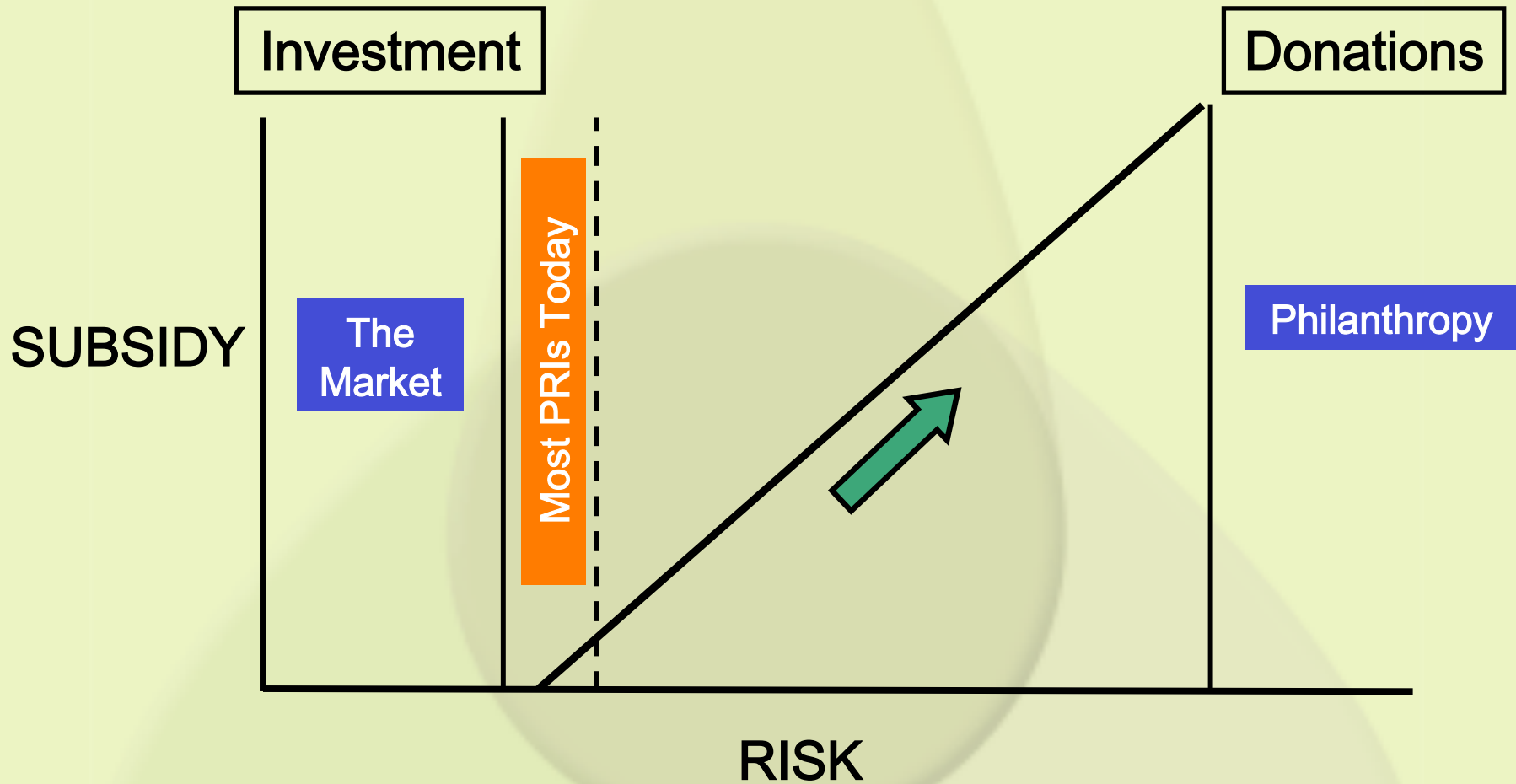
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Continuum of Return Expectations



Continuum of Investment Risk



What is the optimal matching of risk & subsidy?