



# \_Microfinance & Microcredit

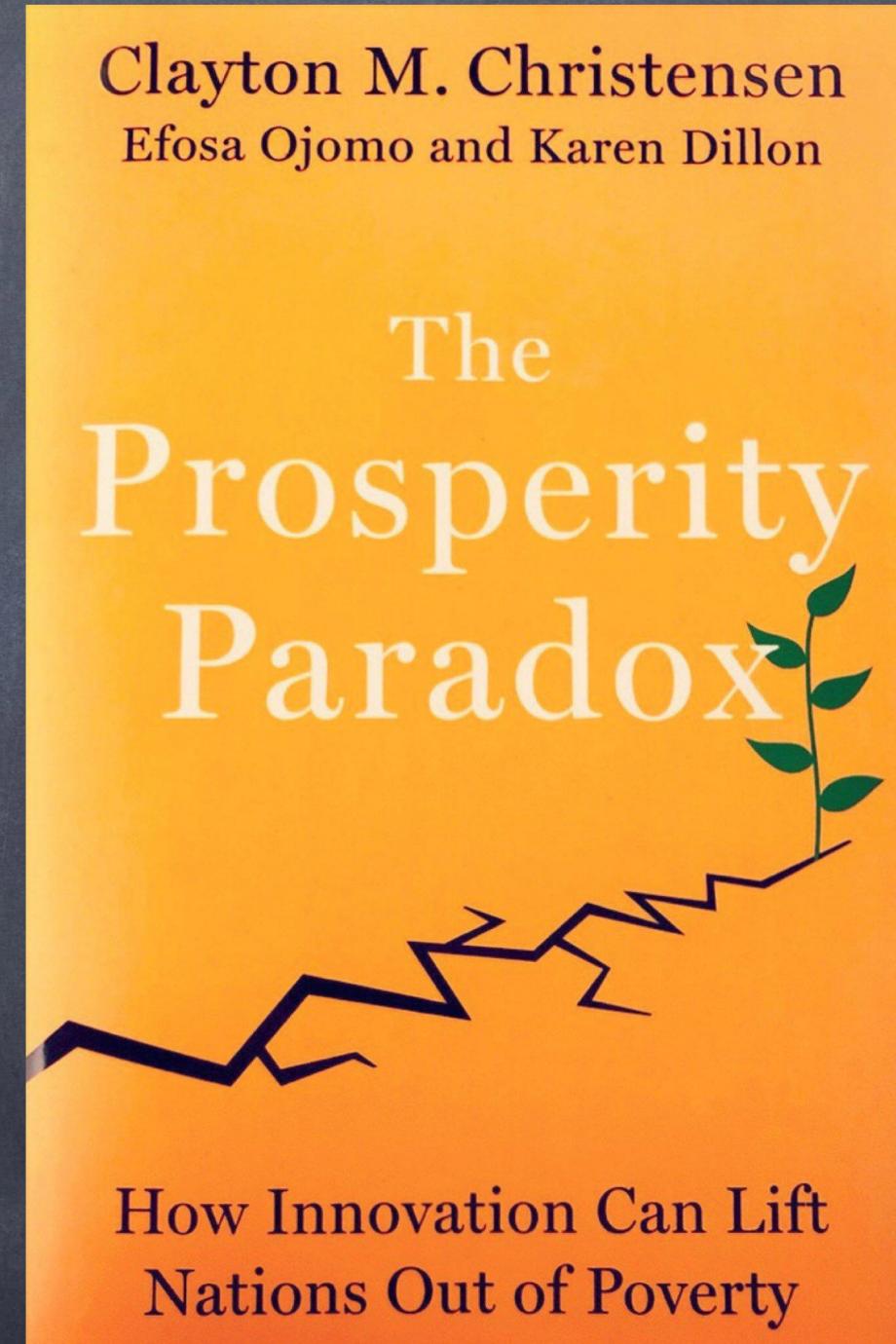
Isabella Russo / Filipa Abrantes / Leonor Neto  
Week 5 | Managing Impactful Projects | 2025

# \_The Culture Exposure Series\*

Week 5

- Book: The Prosperity Paradox

<https://www.firsthuman.com/podcast/54-the-prosperity-paradox-with-efosa-ojomo-and-karen-dillon/>



\*Not mandatory

# Sectors of the Economy

Private  
Sector



Public  
Sector



Third  
Sector



These different categories of ownership make up what we call the *sectors of the economy*.

# Sectors of the Economy

Private  
Sector

**Main Goal:**

To maximize profit for their shareholders.

Public  
Sector

**Main Goal:**

provides essential goods and services to society, as a foundation for safety, peace and general wellbeing.

Third  
Sector

**Main Goal:**

To generate a positive impact and tackle a problem

# Sectors of the Economy

Private  
Sector

Financed by private  
money  
(debt / equity)

Public  
Sector

Operate with money  
raised (mostly) from  
taxes.

Third  
Sector

Operate largely with  
money from  
donations and gifts.

# Not-for-profits

The 'third sector' is an umbrella term that covers a range of different organisations with different structures and purposes

(also called... the voluntary sector, non-governmental organisations or not-for-profit organisations)

# Not-for-profits

Typically, they devote themselves either to:

A particular issue

which needs solving  
(for example, climate  
change, poverty  
alleviation,  
unaffordable  
housing);



# Not-for-profits

Typically, they devote themselves either to:

A particular  
group

who requires support  
and representation (for  
example, dementia  
sufferers, or women  
facing cultural barriers to  
education)



# Not-for-profits

They all share the same fundamental elements:

## Non-governmental:

Although they often work with or alongside government agencies, and may receive government funding or commissions, not-for-profit organisations are independent from the government.

## Non-profit:

They raise funds and generate financial surpluses in order to invest in social, environmental, or cultural objectives. They do not seek to make profits as an end in its own right

## Value-driven:

They pursue specific goals which are often aligned with particular social or environmental goals and perspectives.

# Not-for-profits

Not-for-profits try to achieve their aims through a wide range of activities.

## Direct Assistance

providing immediate action and direct support and advice to the groups they help.

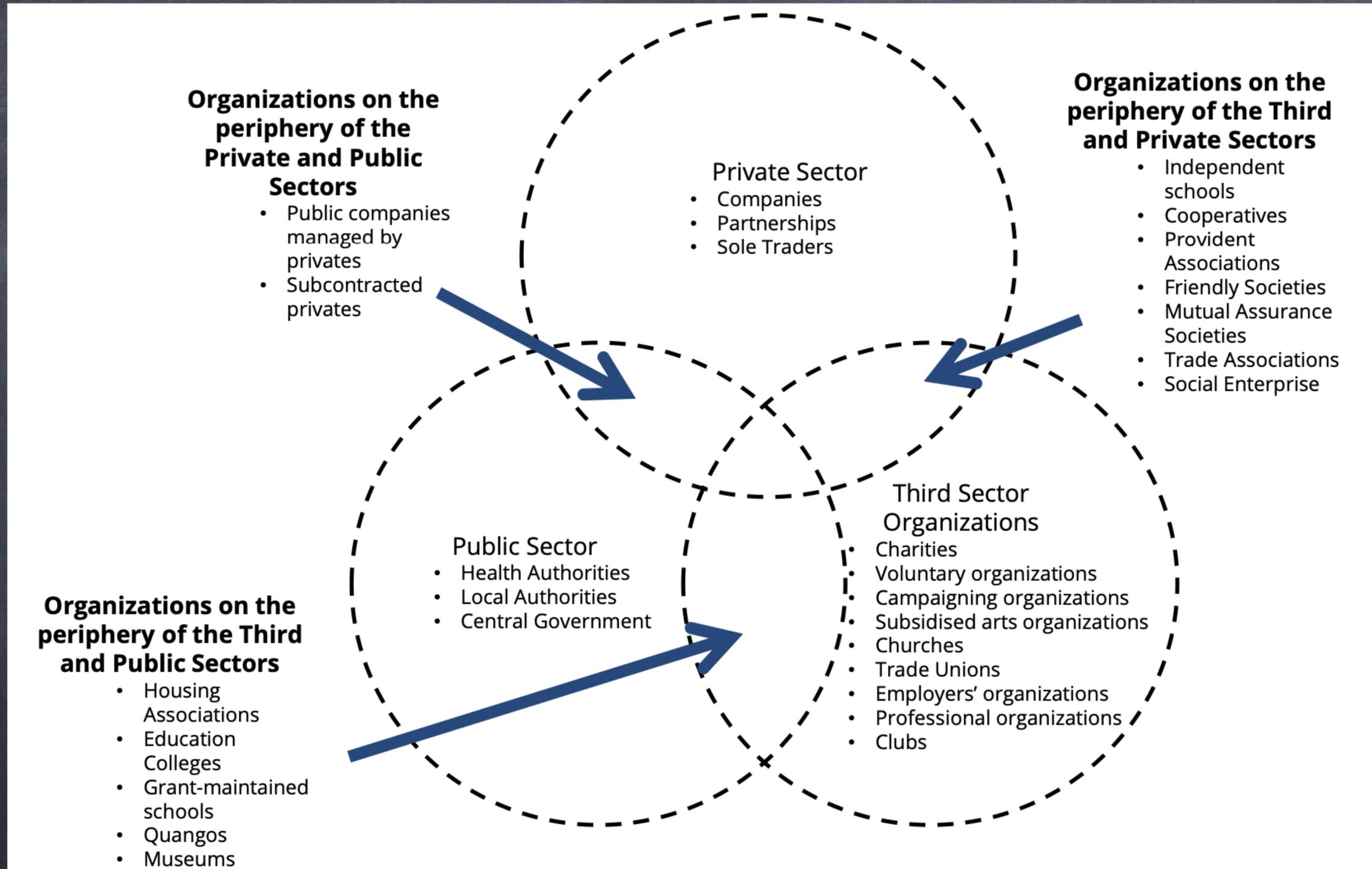
- *Fundraising activities*
- *Direct support (i.e. providing goods and services)*

## Systemic change

seek changes to relevant local, national, or international policies.

- *Carrying out or commissioning research*
- *Public campaigns to raise awareness and shape public perceptions*
- *Lobbying or advocacy*

# The blurring of Sectors



# The blurring of Sectors

Traditionally, the divide between a for-profit and not-for-profit organisation was clear...

for-profit businesses would engage in revenue generation and non-profits would engage in charitable work to solve social issues and would largely stay away from revenue generation.

Yet, the rise of hybrid organisations in recent years has made that ***distinction less and less clear.***



# Microcredit: the history

Microfinance is ***not*** a new concept.

Small operations have existed since the ***18th*** century.

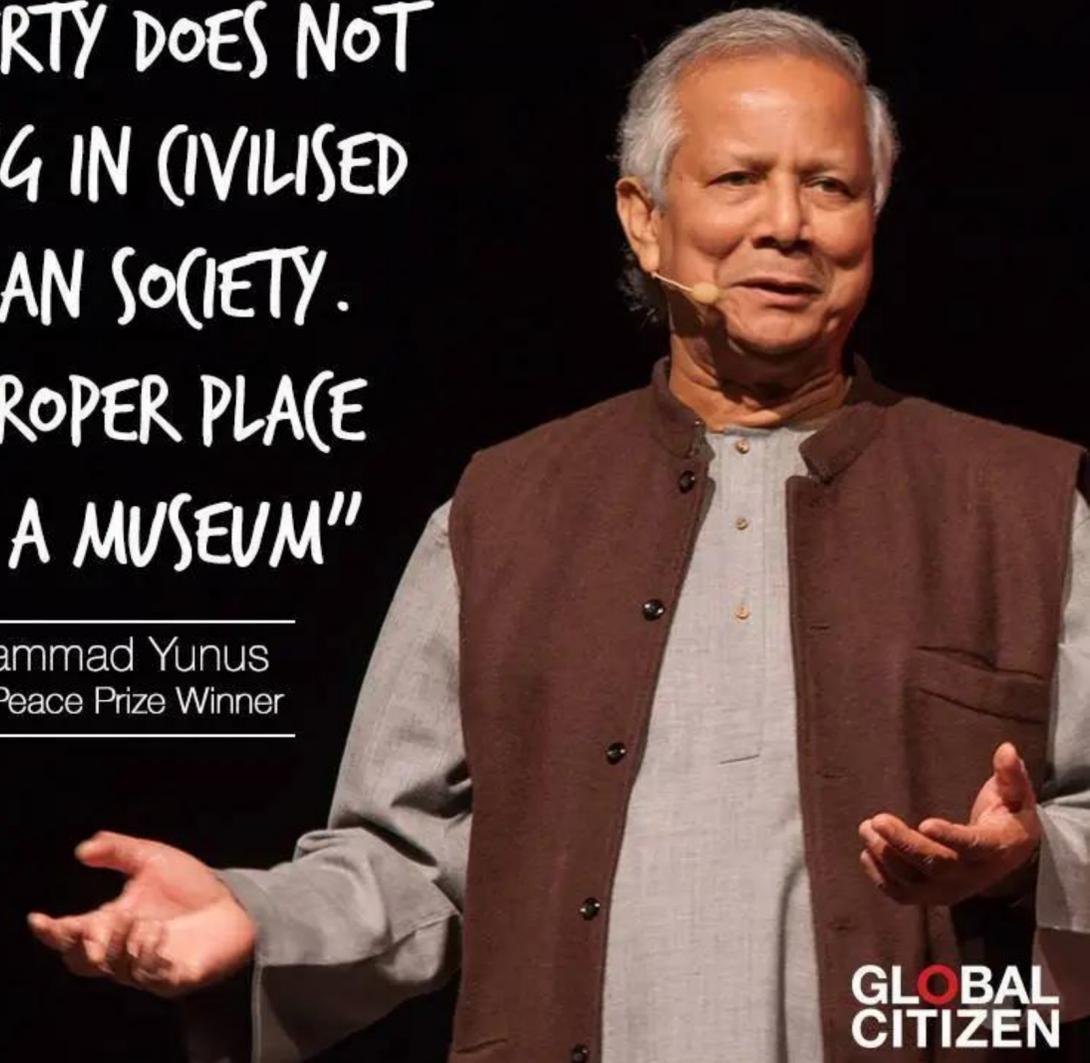
In its modern form, microfinancing became popular in ***Bangladesh in the 1970s.***

"POVERTY DOES NOT  
BELONG IN CIVILISED  
HUMAN SOCIETY.  
ITS PROPER PLACE  
IS IN A MUSEUM"

---

Muhammad Yunus  
Nobel Peace Prize Winner

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# Microcredit: the history

In the midst of a famine, **Dr. Muhammad Yunus**, professor of Economics at the University of Chittagong, was becoming disillusioned with the abstract theories of **economics** that failed to explain why so many poor people were starving in Bangladesh.

## Context:

- People trapped in a cycle of poverty;
- Heavily in-debted – to predatory lenders;
- No access to traditional and regulated financial institutions.



# Microcredit: the history

**Pilot Project:** Yunus launched a pilot project in Jobra village, providing small, collateral-free loans to impoverished women to start their own businesses, which led to the establishment of Grameen Bank.

- Yunus discovered that a group of **42 women** made bamboo stools but did not have the money to purchase the raw materials.



Yunus lent the women **\$27** of his own money, covering the borrowing needs of all **42 women**.

By selling their stools at a fair price, they were able to climb out of their debt cycle.

# Microcredit: the history

To his pleasant surprise, all the borrowers repaid the loans, in the process convincing him that this success could be replicated across Bangladesh.



BANK FOR THE POOR  
**GRAMEEN BANK**

In 1983, the Grameen Bank was incorporated (*gram*, the Bengali word for "village" )

- Promotes credit as a human right.
- Reverses the vicious circle of "low income, low saving & low investment"
- Targets poor women to alleviate poverty (95-97% of customer base).
- Loans range US\$ 35-200.
- For self-employment activities as opposed to consumption.
- No collateral and legally enforceable contracts.
- A group borrowing model.
- Owned primary by the borrowers.

# Grameen lending model

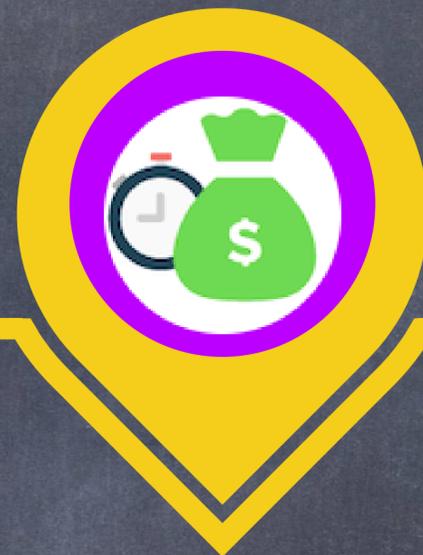
*A group borrowing model based on trust and accountability*  
***No legal instruments and no collateral.***



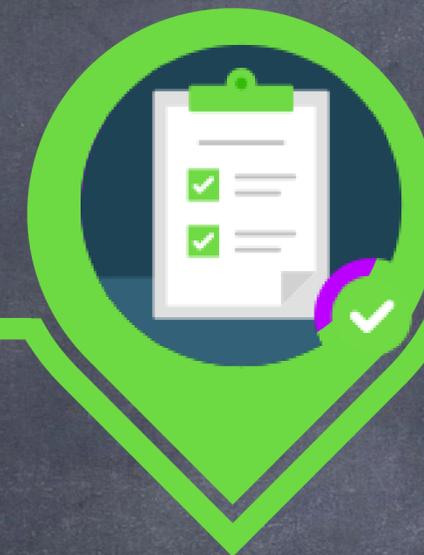
A woman finds 4 people she trusts to form a group



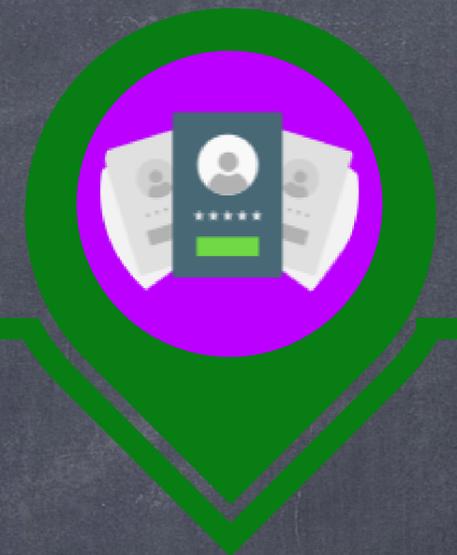
Training: a group learns about loans, savings, and credit building



Women receive microloans to start or build a small business



A group meets weekly to make repayments, continue education, and build support networks



Continued support: Women continue in the program and receive larger loans to invest in their small businesses

# Microfinance: the history

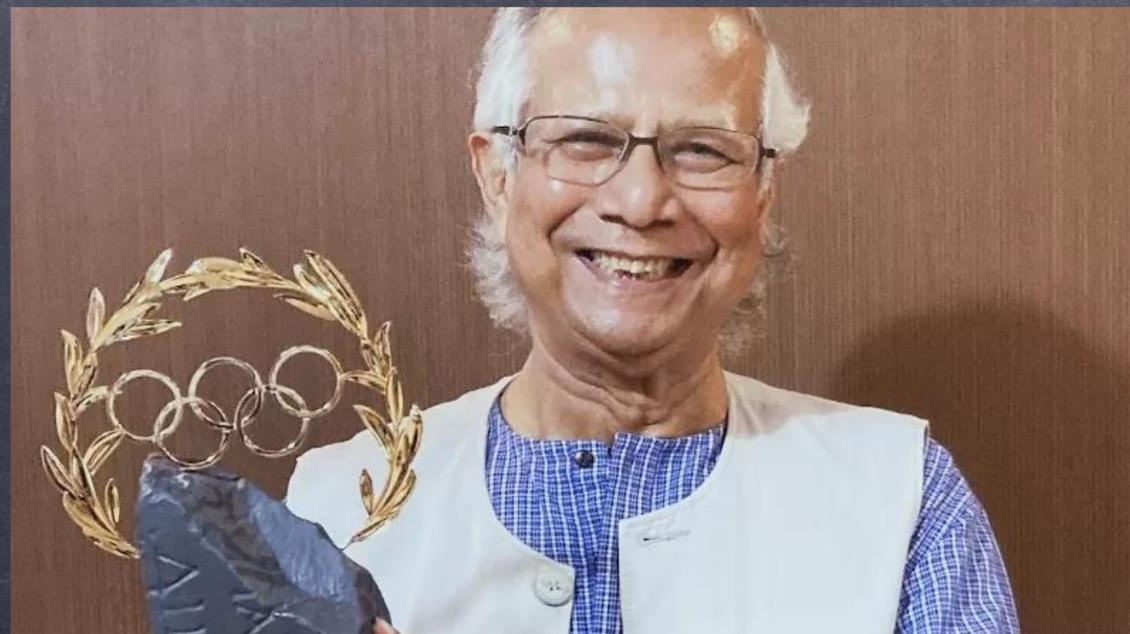
In 2006, the Nobel Peace Prize was awarded to both Yunus and the Grameen Bank for their efforts in developing the microfinance system.

In 2009, Grameen Bank had 7.94 million borrowers, 97% of whom are women.

Current Chief Advisor to the Government of Bangladesh.



BANK FOR THE POOR  
**GRAMEEN BANK**



What is microfinance?

# What is Microfinance?

Most microfinance institutions focus on offering credit in the form of small working capital loans, called

microloans  
or  
microcredit.



# What is Microfinance?

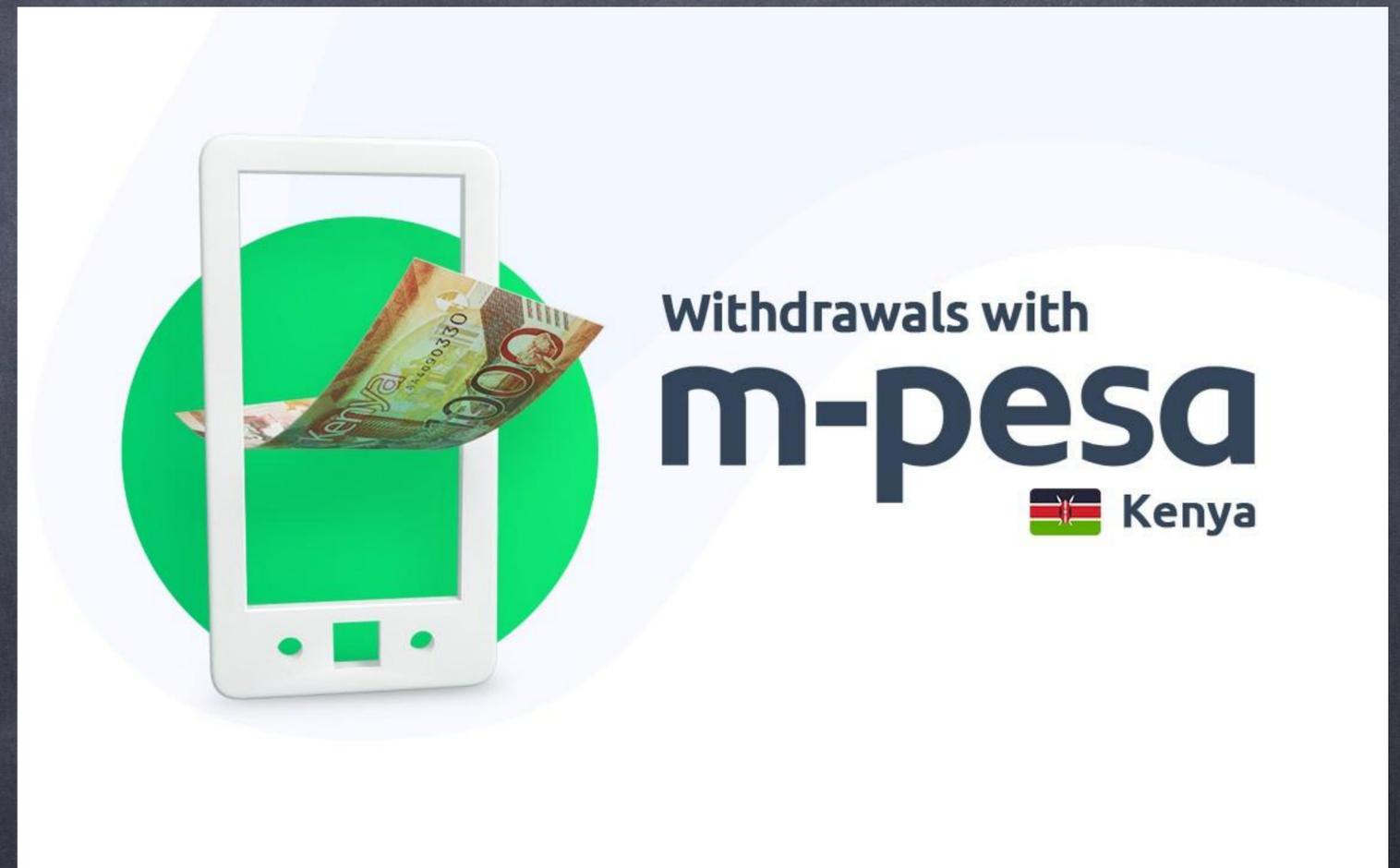


However, nowadays, many also provide insurance and money transfers, and regulated microfinance banks provide savings accounts.

# What is Microfinance? - Mobile Banking & Payments

M-Pesa is a mobile money service that allows users to send, receive, and store money using their phones, widely used in Kenya and other countries.

The initial idea was to create a system for **microfinance loan repayments** via mobile phones, but early users quickly adapted it for **peer-to-peer money transfers**.



# \_What is Microfinance? - Micro-Insurance

**Grameen Bima**, a micro-insurance product offered by SBI Life Insurance, is designed to **provide affordable insurance coverage** to low-income individuals, particularly in rural areas. It aims to ensure financial protection for families against unexpected events like death, accidents, and disability.

## The key features of Grameen Bima include:

- Low Premiums: Affordable premiums to cater to low-income groups.
- Life and Health Coverage: Offers coverage for life insurance, accidental death, and disability.
- Simplified Documentation: Easy-to-understand and minimal paperwork to ensure accessibility.



# What is Microfinance?

**Microfinance** refers to the **financial services** provided

such as deposits, loans, payment services, money transfers and insurance products

to poor and **low-income individuals** or **groups** who are **typically excluded** from traditional banking,

for their microenterprises and small businesses

to enable them to improve their living standards and wellbeing.



# The problem

More than **1.8 billion** adults around the world do not have a bank account and cannot get a loan, making it hard to start or grow a business, with negative impact for individual, community and the economy.

(World Bank Unbanked 2015)

# The problem

More than **2.5 billion** adults around the world do not have a bank account and cannot get a loan, making it hard to start or grow a business, with negative impact for individual, community and the economy.

(World Bank Unbanked 2023)

The problem

in  
financial ~~ex~~clusion

The impact

# The benefits

The Consultative Group to Assist the Poor, a Washington-based global nonprofit organization, estimates that, as of 2021, more than **140 million people** have directly benefited from microfinance-related operations

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

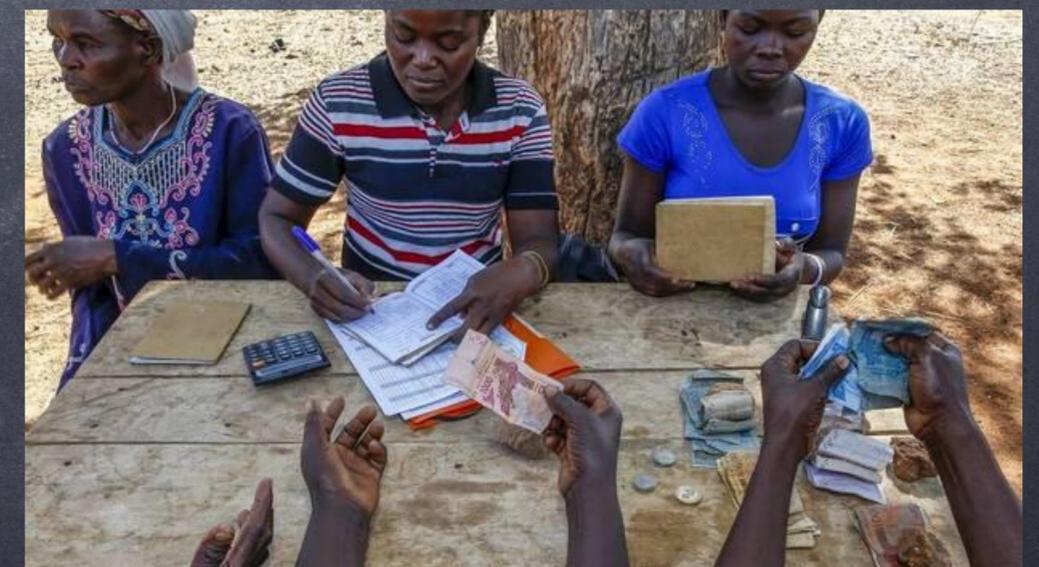
# The benefits

## Financial Inclusion for the Poor

- Grameen Bank has provided millions of poor people with access to credit.
- This has enabled small business creation, helping people become self-sufficient.

## Women's Empowerment

- Over 90% of Grameen Bank's borrowers are women.
- Access to credit has increased economic independence and decision-making power for women in families and communities.



# The benefits

## Poverty Reduction

- Many borrowers have improved their incomes through small businesses.
- Studies show that children of Grameen borrowers have better education and health outcomes.

## Social and Economic Development

- Grameen's influence extends beyond loans—it has inspired other **social enterprises**.
- The bank promotes community development.



# The limitations

## Debt Burden & Over-Indebtedness

- Some borrowers struggle to repay loans, leading to multiple borrowings from different lenders.
- High repayment pressure can lead to stress and financial instability.

## High Interest Rates

- Compared to traditional banks, microloans often have high-interest rates (though lower than loan sharks).
- Critics argue that interest rates can still be burdensome for the very poor.

## Social Pressure from Group Lending

- Borrowers often form groups that are collectively responsible for repaying loans.
- If one member defaults, others must cover the debt, leading to social tension and pressure.



Al Jazeera

<https://www.aljazeera.com/gr...> · Traduzir esta página

### Grameen Bank: a debt trap for the poor?

20/10/2017 — Grameen Bank founder Muhammad Yunus defends allegations made against the microfinance organisation.



### Tiny Loans Were Going to Solve Global Poverty. Then Big Money Got Involved

Microfinance was hailed as a solution to global poverty. Today, billions from development banks, NGOs and Wall Street are pouring into...

03/05/2022



### Microfinance's Imagined Utopia

Microfinance's Imagined Utopia: Two new books critique poverty capital, but they don't ask what borrowers need.

30/01/2023



## Bangladesh: Harsh effects of the Grameen Bank and other microcredit institutions on the rural population

11 April 2017 by Eric Toussaint , Sushovan Dhar , Nathan Legrand , Abul Kalam Azad

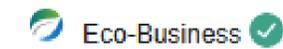
# The limitations

## Limited Long-Term Impact for Some Borrowers

- Some businesses started with microloans remain too small to lift people permanently out of poverty.
- Borrowers may rely on continuous loans instead of achieving true financial independence.

## Commercialization of Microfinance

- The success of Grameen inspired many for-profit microfinance institutions that sometimes exploit borrowers with high fees and aggressive collection tactics.
- Some critics argue that microfinance alone is not enough to solve deep-rooted poverty without education, healthcare, and infrastructure support.



### Green bonds, red flags: Cambodia's microfinance crisis deepens amid sustainability push

Microfinance institutions in Cambodia, accused of predatory lending, are pivoting to green bonds while borrowers, burdened by debt and climate impacts,...

11/10/2024



Doreen Chowdhury

August 3, 2022

## Unveiling the Dark Side of Microfinance



### Does Microfinance Reduce Poverty? An Analysis of India's Crisis

Despite proponents asserting that microfinance loans can eradicate poverty, Arvind Panagariya states that there is no compelling evidence that these loans...

27/06/2023



# Case Study:





# Case Study: Compartamos Banco

**The largest microfinance bank in Latin America.**

1990

Compartamos was co-founded by Carlos Danel and Carlos Labarthe as an NGO lending micro loans to the rural Mexican poor.

2000

It moved from being a nonprofit to a commercial venture

2006

It was rated as Mexico's most profitable bank.

ROE was about 55% in 2006 (more than triple average Mexican commercial banks), while interest rates exceeded 100%

2007

It went public, with private investors earning about USD 425 million.



# Compartamos Banco: mission drift?

**Mission drift → Problems occur when an organization's enthusiasm to meet its financial goals begins to overwhelm its social mandate.**

"Sacrificing microcredit for megaprofits" Prof. Yunus

"Not only are they making obscene profits off poor people, they are in danger of tarnishing the rest of the industry," Charles Waterfield, a microfinance consultant

"Now it is in great danger of being how well the investors and the microfinance institutions are doing and not about ending poverty." He said the situation posed the danger of "mission drift."

Sam Daley-Harris, director of the Microcredit Summit Campaign

# Funding Alternatives



# Funding Alternatives

## Crowdfunding:

- Crowdfunding is a way of raising capital for a project or venture by collecting small amounts of money from a large number of people, typically via online platforms or social media. It enables entrepreneurs, artists, and other individuals or groups to fund their projects through contributions from a crowd of supporters, often in exchange for rewards, equity, or pre-purchase of products or services.





### AMOUNT NEEDED

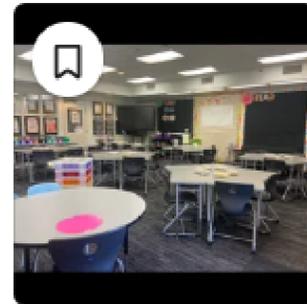
- \$50 and under
- \$100 and under
- \$250 and under
- \$500 and under
- \$1,000 and under
- Over \$1,000

### TOPIC

- Health, Sports, & Wellness
- Life Skills
- Literacy & Language
- Music & The Arts
- Racial Justice & Representation
- Social Studies
- STEM
- Students with Disabilities
- Warmth, Care & Hunger
- Professional development

### GRADE LEVEL

- Grades PreK-2
- Grades 3-5



## The Library Bag of Books

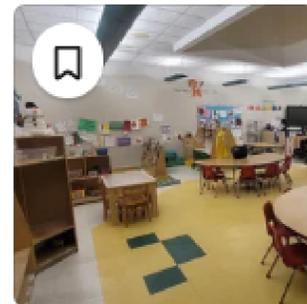
"Help me give my students picture books for our schoolwide March Madness Tournament of Picture Books."

**Mrs. Castellanos**  
*Eucalyptus Elementary School • Hawthorne, CA*



6 DONORS SO FAR

\$54 STILL NEEDED



## Lending Library for My Bilingual Students

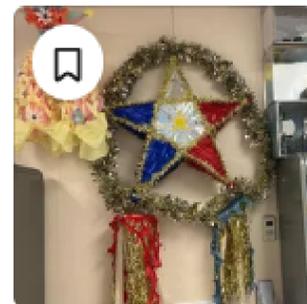
"Help me give my students the gift of having their bilingual parents read to them at home with bilingual books!"

**Mrs. Leon**  
*Frances C Smith Early Childhood Center 50 • Elizabeth, NJ*



10 DONORS SO FAR

\$129 STILL NEEDED



## Lantern Project

"Help me give my students enough materials to make Parol (Filipino lanterns) while learning more about their cultural heritage."

**Ms. Marte**  
*Jesse Bethel High School • Vallejo, CA*



13 DONORS SO FAR

\$170 STILL NEEDED

6  
DAYS LEFT!

Add-on basics for a teacher nearby

[View all requests](#)

# Funding Alternatives

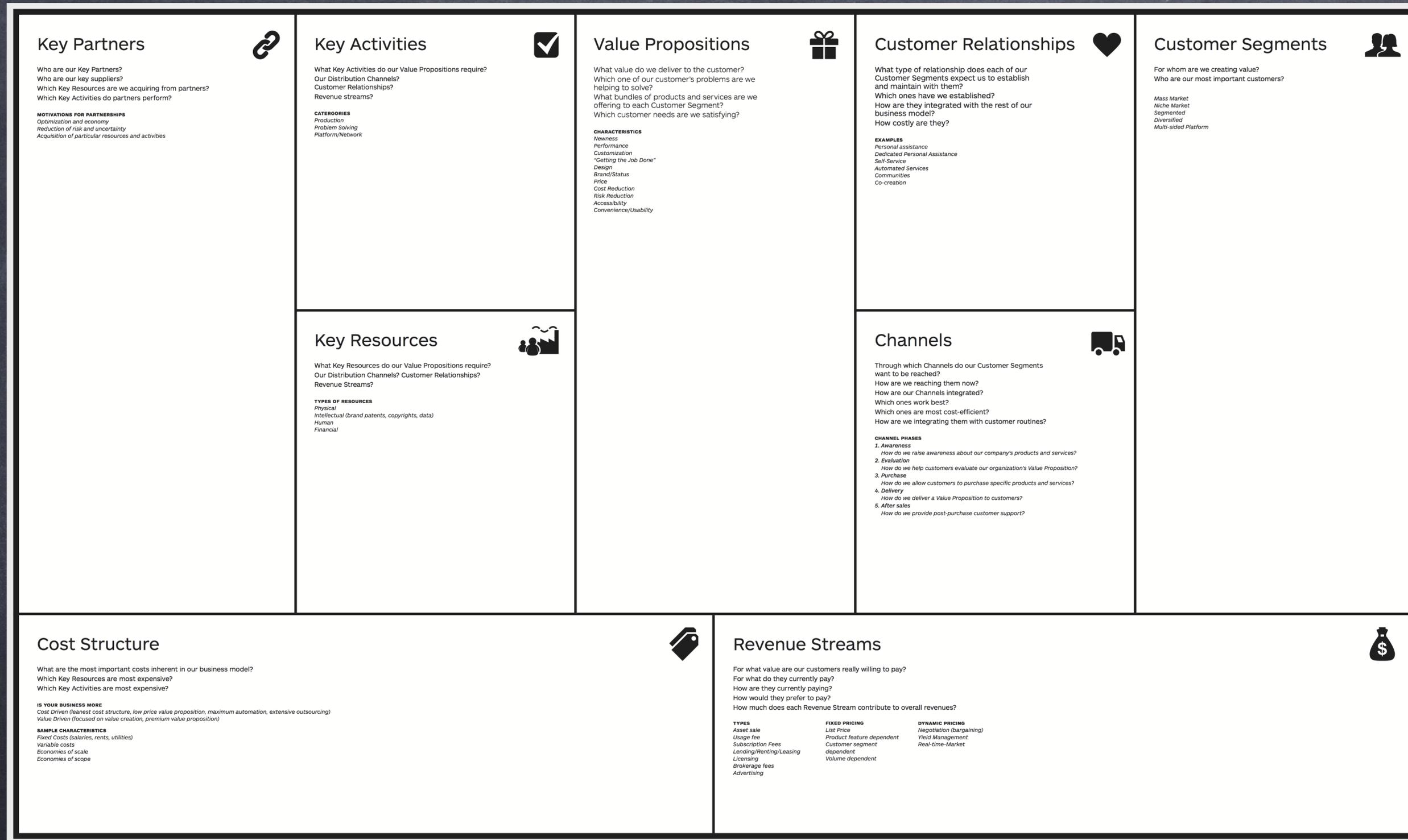
## Crowdlending:

- Crowdlending, also known as peer-to-peer lending, is a method of lending money where individuals or businesses lend money to others through online platforms. It allows borrowers to access funding directly from a pool of individual investors, bypassing traditional financial institutions like banks.



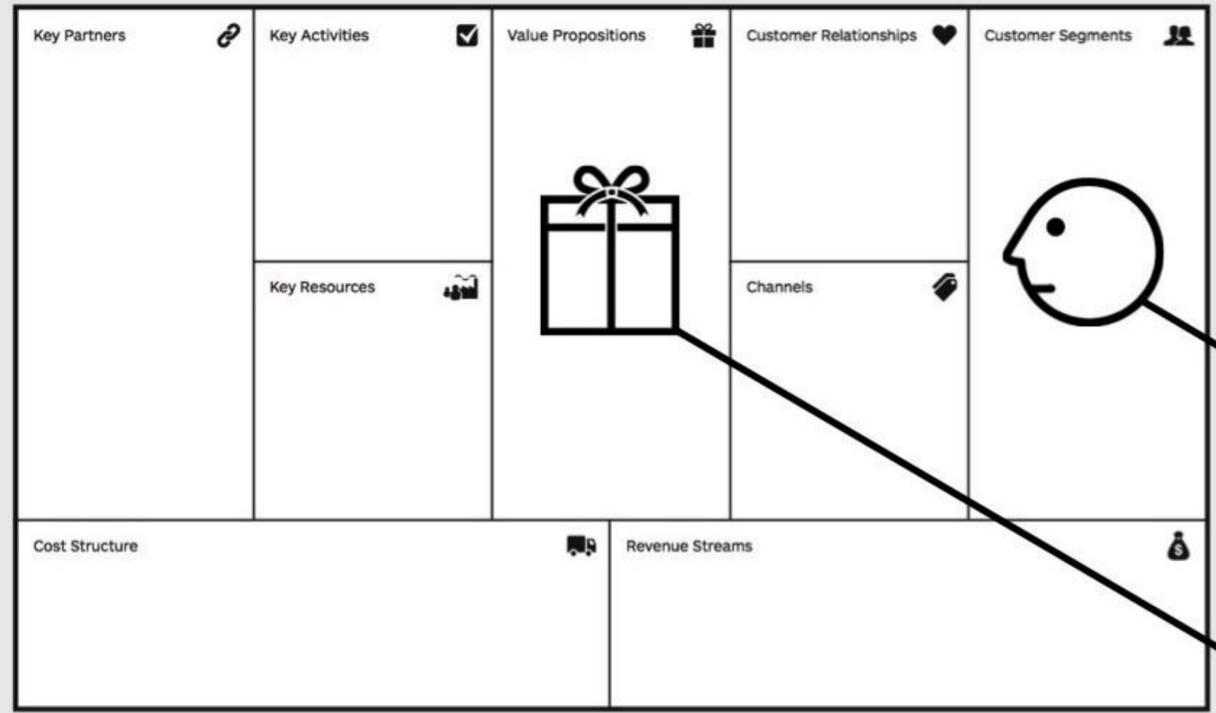
**RAIZE**

# Business Model Canvas



# The Business Model Canvas

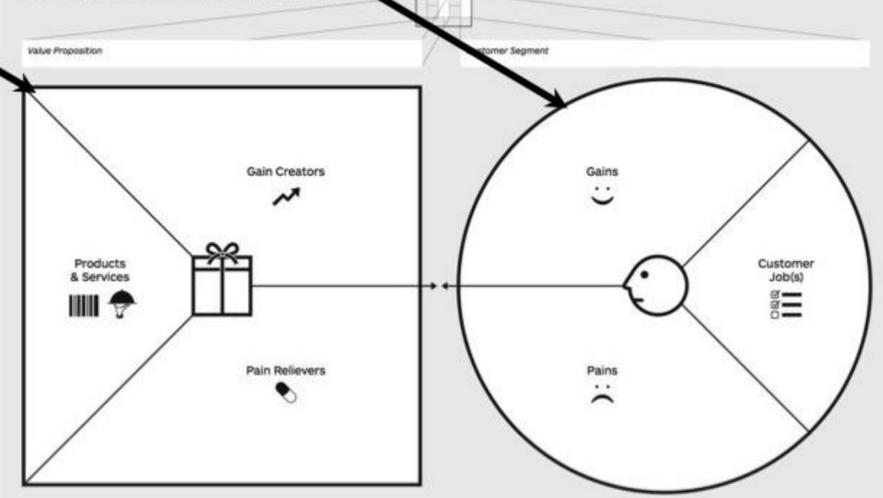
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DESIGNED BY: Business Model Foundry GmbH, Switzerland  
www.businessmodelgeneration.com

Strategyzer  
strategyzer.com

# The Value Proposition Canvas



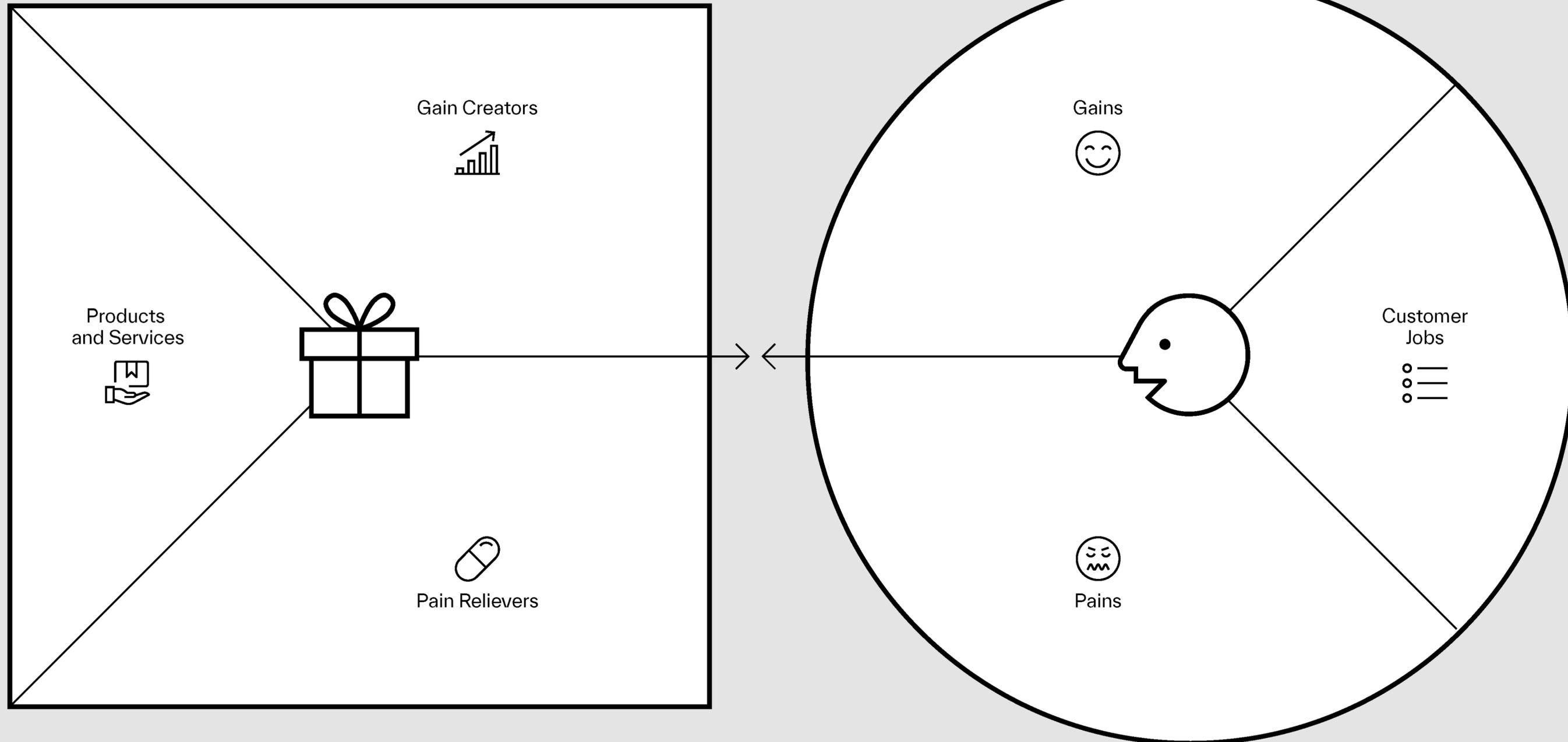
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The Value Proposition Canvas

Strategyzer  
strategyzer.com

# Value Proposition Canvas

Value Proposition:

Customer Segment:



# Let's do some work :)

## Impact Case Study

- The organisation:
  - For-profit
  - Outside the Nova SBE ecosystem

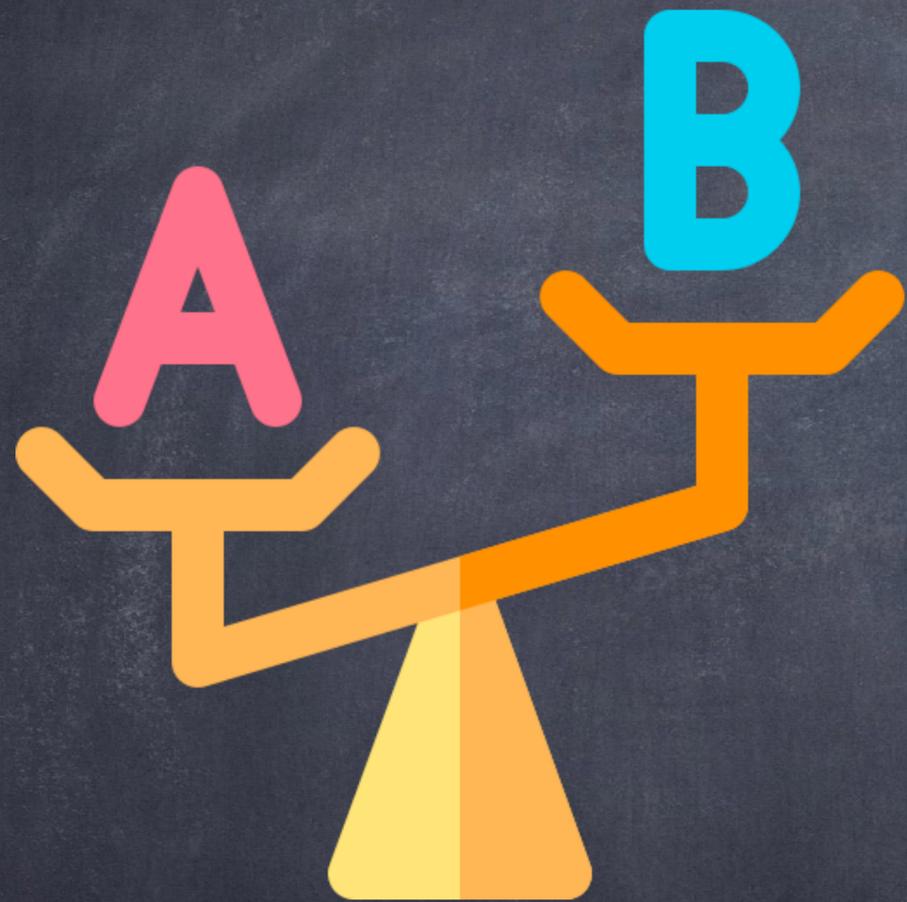
### Half-way report

- (1) A deeper problem analysis (INE);
- (2) An introduction to the model company;
- (3) A Business Model Canvas (BMC) and a Value Proposition Canvas (VPC) for the model company;
- (4) At least two working hypotheses on how to better address this problem with the (yet to be) managed project.

## SUSTAINABLE DEVELOPMENT GOALS



# \_How to compare your WH?



- Which one is the most feasible given the resources of the model company?
- Which one is more aligned in achieving the SDG?
- Which one is more aligned with the group's passions and skills?
- Which one creates the most impact in the long-term?

See you next week :)

Additional resources:

A history of microfinance | Muhammad Yunus | TEDxVienna



<https://www.youtube.com/watch?v=6UCuWxWiMaQ>