



# Alternative SRI Investment

A practitioner's perspective on  
microfinance assets

Denis Perry





# Micro finance a new asset

Microfinance - a new asset class that purports:

Low risk

High returns

Social responsibility

demands marketplace knowledge.





# Microfinance -a young industry

- 50s - subsidized credit to rural communities
- 70s-80s - group lending – Brazil, Bangladesh, Indonesia
- 80s-90s – outreach + sustainability.

Broad agreement on poverty goals but differences on philosophy, types of institutions, types of client & delivery





# Institutional Continuum

Institutionalists

Welfarists

Social Enterprises

Structural diversity

Standards & systems

Services

Sustainability / subsidy





# Structural / Client Diversity

- Formal banks (commercial, rural, thrift)
- Credit Unions, building Societies, S&Ls
- NGOs

Client impact

Range from underserved by banks to poorest who cannot access banks.

Profit or social impact





# Standards / Systems diversity

Best practice / Prudential supervision

Self regulation

Few measures

Systems

Full banking systems to excel spreadsheet

Common commitment to sound operational & management practices but concern that financial goals may drown social missions.





# Service Diversity

“Credit only,”

no subsidy

profit measure

welfare programs with credit and savings as an add on.

- Family is the centre of attention
- Self employment of the least of the economically active.





# Sustainability / Subsidy

Financial sustainability – profit.

Donors at best should reward conformity

Numbers of clients paying good margins.

Depth of outreach

- Measures are qualitative

- Donor subsidy





# Social entrepreneurs

- Multiple measures:
  - financial sustainability and best practices.
  - Management incentives
  - Range of clients from bankable to poorest
  - Subject to external review
  - Role for donors and investors





# Future scope

Relatively few but large MF orgs

Profit, large client base but  
limited depth of outreach.

Many smaller institutions measuring  
profit and impact

disclosure as to impact and client types  
ongoing role for sophisticated donors

