



The Tr-Ac-Net Organization

Transparency and Accountability Network

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Community Accountancy

**PUTTING ACCOUNTANCY TO
WORK FOR ALL OF SOCIETY**

IMPACT OF MICROFINANCE

FOR DISCUSSION ONLY

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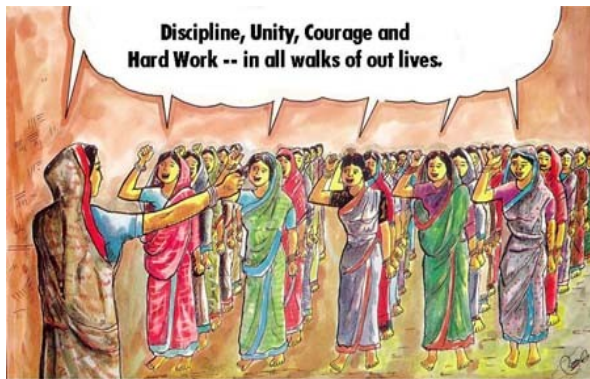
COMMUNITY ACCOUNTANCY AND MICROCREDIT

THE FOLLOWING IS DERIVED FROM THE GRAMEEN BANK'S
APPROACH TO VILLAGE LEVEL MICROCREDIT

The 16 Decisions of Grameen Bank Clients

1. We shall follow and advance the four principles of Grameen Bank --- Discipline, Unity, Courage and Hard work – in all walks of our lives.
2. Prosperity we shall bring to our families.
3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.
4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.
5. During the plantation seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
7. We shall educate our children and ensure that they can earn to pay for their education.
8. We shall always keep our children and the environment clean.
9. We shall build and use pit-latrines.
10. We shall drink water from tubewells. If it is not available, we shall boil water or use alum.
11. We shall not take any dowry at our sons' weddings, neither shall we give any dowry at our daughters wedding. We shall keep our centre free from the curse of dowry. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.
13. We shall collectively undertake bigger investments for higher incomes.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.
15. If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.
16. We shall take part in all social activities collectively.

Discipline



We shall follow and advance the four principles of Grameen Bank --- Discipline, Unity, Courage and Hard Work in all walks of our lives.

Prosperity



Prosperity we shall bring to our families.

Houses



We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.

Vegetable Gardens



We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.

Seedlings



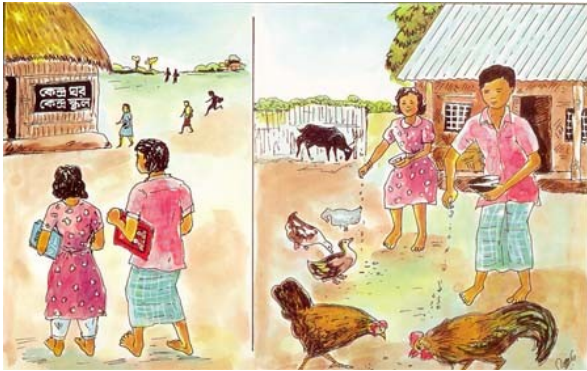
During the plantation seasons, we shall plant as many seedlings as possible.

Family Size



We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.

Education



We shall educate our children and ensure that they can earn to pay for their education.

Cleanliness



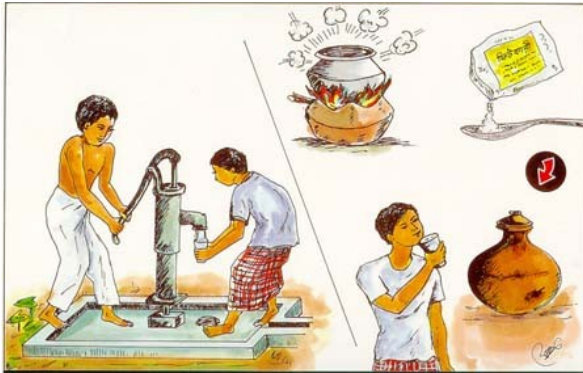
We shall always keep our children and the environment clean.

Sanitation



We shall build and use pit-latrines.

Water



We shall drink water from tubewells. If it is not available, we shall boil water or use alum.

Dowry



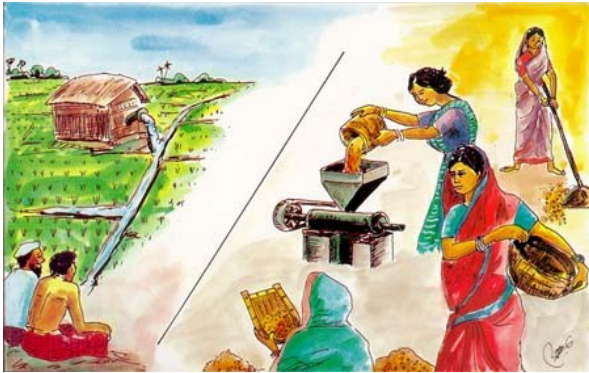
We shall not take any dowry at our sons' weddings, neither shall we give any dowry at our daughters wedding. We shall keep our centre free from the curse of dowry. We shall not practice child marriage.

Justice



We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.

Community cooperation



We shall collectively undertake bigger investments for higher incomes.

Helping each other



We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.

Community discipline



If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.

Social cooperation



We shall take part in all social activities collectively.

Going beyond these data

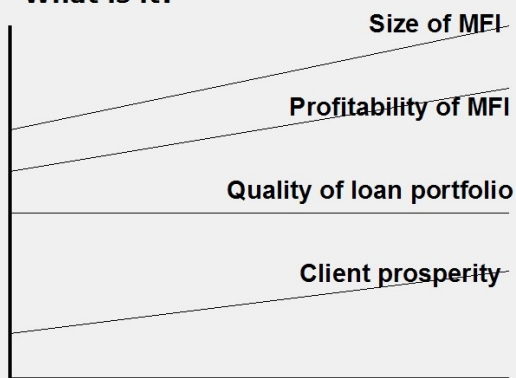
These items have importance in the communities in Bangladesh. Are they the ones that you would have chosen? They may be relevant at the personal level in many other places. They seem to be good choices for the positive things that need to be done at an individual and local group level.

The conventional analysis of microfinance has two dimensions: (1) that relates to the financial performance of the microfinance institution; and (2) one that relates to the impact on the clients of the organization. The conventional analysis does not address the broader impact of socio-economic performance of the community. Using the conventional analysis, the impact of microcredit seems very satisfactory, but it is not easy to draw conclusions about its broader impact.

Performance of the MFI

Using standard corporate style accountancy, there are a full range of performance metrics for the operating entity ... the microfinance institution. This is complete. There is a lot of information.

Performance of MFI What is it?



Performance of an MFI institution.

There are a full range of performance metrics for microfinance institutions (MFIs) ... and there has been progress in making these financial metrics of MFI performance easily accessible.

Essentially, typical banking metrics have been applied in conjunction with corporate style GAAP accounting. It works.

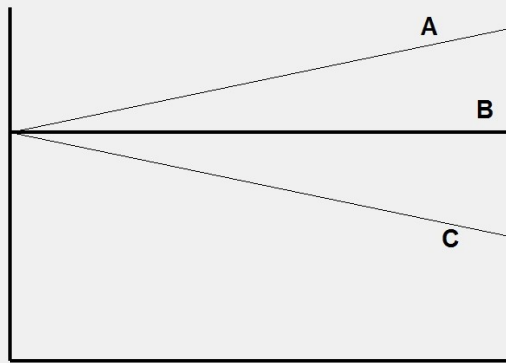
Using these metrics it is now possible for the business press to write about microfinance and have financial numbers to quote. In turn, this has helped in giving the microfinance industry much greater access to capital.

Performance of Community

Little data about performance of community is not unique to microfinance. It is an issue in society as a whole, and has been an enabling factor in the apparent strengthening of corporate profit performance at the same time that there is a chronic decline in US productive capacity and quality of life. Accounting for the performance of community is as important as the accounting for corporate economic entities.

A community focus analysis system aims to answer questions about the progress of the community.

**Progress of community.
What is it?**



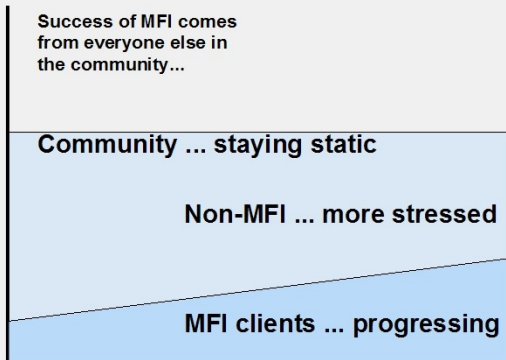
Progress of a community

The metrics for progress of a community, on the other hand are virtually non-existent. There is no system of metrics that reports the progress of a community ... and accordingly, nothing that facilitates an assessment of MFI impact at the community level.

Has the community made progress and reached A ... or is it just stable and reaching B, or in trouble and going downhill getting to C.

Community Impact Accountancy (CIA) sets out to answer this in a cost effective and reliable manner.

**Impact of MFI on Community.
Good MFI ... negative for community.**



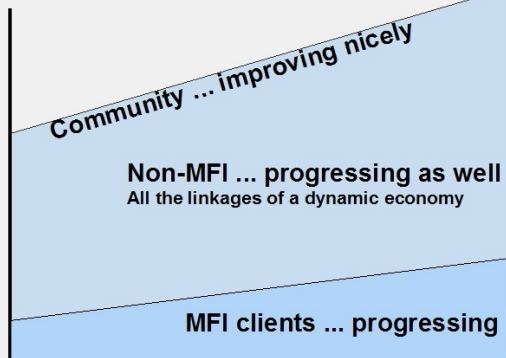
Impact of MFI growth?

If an MFI is successful and grows ... and MFI clients progress, it is entirely possible that the success is coming at the expense of others.

As the MFI clients improve their situation, the rest of the community is at a competitive disadvantage and becomes worse off.

This is an unsatisfactory outcome, even though the MFI may be financially successful.

**Impact of MFI on Community.
Good MFI ... good for community.**



Good Impact of MFI growth?

If an MFI progresses ... and a community progresses ... there is progress for all.

What is likely in practice is that in some communities, there will be a level of productivity and potential that will result in community progress. In other communities, this will not be so.

Community Accountancy is a system that handles data about the state of both the MFI and the host community.