Microcredit Resource

Give Credit to the Poor

‘By directly empowering poor people, particularly women, Microcredit has become one of the key driving mechanisms towards meeting the Millennium Development Goals’

Mark Malloch Brown, Administrator of the UNDP, 2005 Nairobi.

By Development Education Department, Concern Worldwide

ILOU FOUNDATION

CONCERN

Cover pic: Mary Wanjiku, small business owner, Kenya.
Photo: Abdi Mohammed/Concern.

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Foreword

"All human beings have an innate skill – survival skill," claims Mohammad Yunus, winner of the 2006 Nobel Peace Prize and founder of the Grameen microfinance bank. "The fact that poor people are still alive is a proof of their ability to survive. We do not need to teach them how to survive. They know this already."

Without access to credit and savings services however people have little opportunity to improve their incomes, thus limiting their ability to enrol children in school or look after the day to day needs of their family. Despite the progress of microfinance organisations and credit unions, hundreds of millions of people in our world today still do not have access to credit and savings services.

In the year 2000 the member states of the United Nations committed themselves to eight development targets which include halving extreme poverty and hunger, providing universal basic education, promoting gender equality and environmental sustainability and halting the spread of HIV & AIDS, all by the year 2015. The role that microcredit has had in lifting millions of the world's poor out of poverty has been acknowledged by Mark Malloch Brown the administrator of the United Nations Development Programme;

> "Microcredit is much more than simply an income generation tool. By directly empowering poor people, particularly women, it has become one of the key driving mechanisms towards meeting the Millennium Development Goals, specifically the overarching target of halving extreme poverty and hunger by 2015." Mark Malloch Brown, UNDP 2005

Microcredit and Credit Unions are playing a significant role in helping people to break out of the cycle of poverty, this pack has been developed by Concern and the Irish League of Credit Unions Foundation with the support of Irish Aid to show how this is being done.

Introduction

This resource pack has been written for Teachers and students in Transition Year, it contains a DVD entitled "Give Credit to the Poor", background information on microcredit, case studies, student worksheets and lesson plans.

While ideally suited for Transition Year students, the pack can also be used in other mainstream subject areas such as business studies, geography, religious education and with other TY modules (micro-enterprise).

The aim of the pack is to assist students in learning about;

- How microcredit organisations and credit unions work
- The benefits from 'giving credit to the poor'
- How microcredit is contributing to the Millennium Development Goals
- Key concepts like empowerment, equality and motivation
- The 'language' of credit – collateral, rates, interest, etc.
- The work of Concern and the ILCU Foundation
- The Credit Union movement here in Ireland

Through engaging in project work and other suggested actions in this pack it is hoped that students will further develop their skills of research, presentation and debate.

Contents

What is Microcredit?

Over the last 30 years, microcredit practitioners around the world have created a revolution in banking. Their innovations have opened doors that had previously denied financial services to the poor. One key development since these early days is that microfinance programs are no longer small scale NGO projects. The microcredit practitioners' willingness to break the rules of traditional banking, and their unparalleled commitment and persistence, have allowed micro-lending to become a growing success that has the potential to be a major factor in significantly reducing global poverty levels.

So what is microcredit, how does it work and how does it differ from microfinance?

What is Microcredit?
It is a small loan often given without physical collateral, to an individual for their own requirements, whether to meet basic needs or to develop a small business activity.

What about other financial services like savings and insurance?
Microcredit is part of a broader service to the poor called microfinance. Microcredit deals with providing loans to those unable to avail of traditional credit services from banks, Mircrofinance on the other hand deals with a broader array of financial services like savings, insurances, payment transfers, credit and remittances.

On the continent of Africa only 10% of adults hold bank accounts. Worldwide over 80% of people do not have access to the services of commercial banks. In order to get a loan people have no option but to depend on local money lenders, who often charge exorbitant rates of interest, often times leaving the borrower in a more precarious financial position than when they started.

Financial services for the poor cannot solve all the problems caused by poverty. But they can help put resources and power into the hands of low income people, letting them make decisions about their own lives, and charting their own paths out of poverty.

What is a Microfinance Organisation?
It can be broadly defined as any organisation including a microfinance institution, NGO, credit union, self help group and other types of co-operative, that provides financial services for the poor.

Most microfinance organisations are based on a business model, which states that by charging interest on loans to their clients they can use this income to cover their operating costs e.g. staff salaries and rent; as well as interest to be paid out on savings that have been deposited; and if there is money left over this can be re-invested so as to expand and reach greater numbers of clients. These organisations are not charities but are viable financial institutions that become part of the domestic financial landscape independent of grants and handouts. It can take between five and ten years to become financially self-sufficient.

Who uses the services of Microfinance Organisations?
In most cases in the developing world microfinance organisations provide services to women, pensioners, small farmers and micro-entrepreneurs

Common Characteristics of Microfinance Organisations

- **Small loans:** Traditional banks are not interested in issuing small loans; microcredit loans can be as little as €20.
- **Collateral:** The traditional banking system requires that a borrower have physical collateral (such as a land title) in order to receive a loan. The world's poorest people have no such collateral, so microfinance organisations provide loans without physical collateral, banking instead on their social collateral. In the Grameen Bank Model, women organise themselves into groups of five and they either provide a guarantee for each other so that if one person defaults the rest will pay, or they simply form a solidarity group where they provide encouragement and assistance to group members. This small group system has been the kernel that has facilitated record repayment rates and massive replication around the world.
- **Short & flexible loans:** Loans are usually shorter and more flexible than formal bank loans.
- **Focus:** In general microfinance organisations focus their services on poor people.
- **Services:** As well as providing financial services (like loans and savings) many micro finance organisations provide non-financial services such as business development services, social services and leadership training.

FACTS ABOUT POVERTY AND ACCESS TO CREDIT:

1.2 billion people worldwide live on less than $1 a day.
Nearly 2.8 billion people (half of the world's inhabitants) live on less than $2 per day.

80% of the world's population has no access to savings & credit facilities.

Microcredit is specifically aimed at very low income families. Women tend to make up the vast majority of microcredit members - in many cases in excess of 75%.

In Bangladesh 48% of the poorest households with access to microcredit loans rose above the poverty line.

Savings is a key service provided by many microcredit organisations. The 25,000 members of the credit unions in The Gambia have currently combined savings of $3 million.

Studies from around the world have shown that parents with access to microcredit are much more likely to send their children to school.

Concern supports microcredit services involving over 200,000 people and the ILCU Foundation has long term partnerships with credit union movements with in excess of 100,000 members.

Repayments rates of microcredit loans are consistently around 98%.

In the developing world nearly 100 Million people are now assisted by over 10,000 microfinance institutions.

There are 3 million credit union members in Ireland.

Worldwide there are over 42,000 credit unions, with over 150 million members. In Africa alone there are 7,000 credit unions with 9.5 million members.

ⓘ **INFORMATION SHEET** CONCERN

Concern Worldwide, Microfinance

Concern has been supporting the delivery of microfinance services for the past 15 years, providing a stimulus to the underemployed and those whose lives have been devastated by natural disasters and conflict.

Concern's support is reaching 220,000 clients in 10 countries, 87% of whom are women and 13% of whom are men. Concern focuses mainly, but not exclusively, on mini loans and savings facilities which are typically for the small farmer, petty trader and micro-entrepreneur. The average loan size is €85 with the majority of clients – 65% – living in rural areas and 35% in urban areas. We work mainly through local partners which helps to build the countries own capacity to meet the challenge of development. The range of organisations that Concern works with include microfinance institutions regulated by the country's central bank, community based organisations and cooperatives. Concern's commitment to working with disadvantaged populations has influenced our partner organisations to maintain and develop pro-poor approaches including targeting those who are absolutely destitute helping them to build their skills and assets so as to become financially self sufficient.

Conflict causes the loss of valuable household assets such as livestock; it interrupts important farming cycles and damages trading linkages. Microfinance plays an important role in the process of rehabilitation because it helps people to build up their assets, it can repair or mobilize social capital (trust) and it gives a kick-start to income generating activities. Concern is an industry leader in the area of research and innovation of microfinance in conflict affected environments where savings and loans have a powerful capability to regenerate devastated household economies.

In terms of impact, evaluations of the Concern supported microfinance services show that in general clients' income flows had increased by more then those who had not received credit; they had acquired assets for their businesses and households; and 'crisis borrowing' and distress selling of assets had reduced substantially. Additionally, a strong positive social impact in relation to women was commonly reported including that they had greater input into decisions affecting the household, improved standing within their communities and higher self esteem.

To achieve long term development, Concern works with microfinance organisations that demonstrate how they can maintain and develop their organisation in ways such as: covering their running costs from the revenue generated by charging interest, reaching large and growing numbers of people with useful financial products, by working with those living in poverty and by making a measurable impact on poverty eradication.

"People living in poverty, like everyone else, need a diverse range of financial instruments to invest in their businesses, build assets, stabilize consumption, and cope with emergencies." Tom Arnold, Chief Executive, Concern Worldwide

The following are just two examples of our work, and are portrayed in the 'Give Credit to the Poor' DVD;

Cambodia

Concern has been working in Cambodia and on the Cambodian borders since 1979. Over the years, Concern transformed its savings and credit project into a regulated Microfinance Institution (MFI) with 50,000 clients. The MFI Angkor Microfinance Kampuchea (AMK) is the latest stage in this progression. AMK is a newly licensed microfinance institution which lends cash to economically active poor people. AMK's priority as a provider of microfinance in remote areas is centred on achieving financial independence from donors while maintaining its strong social objectives. AMK has spread its services to reach isolated areas around the Thai boarder in North Eastern Cambodia.

Uganda

Concern supports a local MFI called the Microcredit Development Trust (MDT). Through MDT, we have financed information technology needs such as tracking credit disbursed and delivery of services to reach very poor in overcrowded urban areas. Concern carries out assessments which include monitoring whether the intended target group is reached as well as looking at the quality of services being provided. Concern also helps MDT clients who have completed their loans to access new loans for school fees. These loans allow more children who would otherwise be left at home, to be enrolled in school.

ⓘ INFORMATION SHEET ILCU Foundation

Definition of a Credit Union
A credit union is a cooperative financial institution. It is where a group of people save together and lend to each other at a fair and reasonable rate of interest. Regular savings form a common pool of money, which in turn provides a source of funding for members needing loans.

Key Characteristics of Credit Union

- **Open Membership:** Membership in a credit union is voluntary and open to all. Each credit union has a “common bond” which determines who can join it. The common bond may be for people living and working in the same area or people working for the same employer.
- **Not for Profit:** As credit unions are not-for-profit cooperatives, credit unions services are directed towards improving the economic and social well being of all members.
- **Equal Ownership:** Each member of a credit union is an equal owner of that credit union and is entitled to one vote at the annual meeting, regardless of how much money he or she has deposited in the credit union.
- **Voluntary Board:** Credit unions are led by a board of directors (who are themselves members of the credit union) elected from the membership at the annual meeting. Board members volunteer and are not compensated. This aspect of credit unions increases community participation in democratic practices, especially by women.
- **Record of Saving:** A key element of credit unions is members must save before they will be entitled to a loan.
- **Education Provision:** Credit unions provide education and training to their members in such areas as financial management, leadership skills, governance etc.

The work of the ILCU Foundation
The Irish League of Credit Unions (ILCU) was set up in 1960 by a small group of credit unions in Ireland and today it represents over 500 credit unions in all 32 counties. In 1980 the ILCU Foundation was established by these credit unions to promote the credit union idea and values of cooperation in developing countries.

The Foundation provides both financial and technical assistance to existing credit union movements, helping develop the capacity of members to manage their credit unions effectively and for the benefit of the individuals and communities they serve.

ILCU Foundation currently has long term partnerships with credit unions movements in Ethiopia, The Gambia, Albania, Russia and The Caribbean. Partnerships span over 5-10 years. From the ILCU Foundation experience this time is required for an organisation to develop a strong locally owned and managed credit union movement.

The Foundation’s partners in the developing world have stated that they really value the expertise and experience they have got from the Irish credit union movement through the Foundation. As a result the Foundation spends a lot of time and resources organising training courses for staff and volunteers of credit union partners.

The Foundation is funded mainly by donations from credit unions in Ireland – up to €1 million every year. Also it has received funding for specific projects from the EU, Irish AID (Irish government) and The International Fund for Agricultural Development.

Albanian study trip to an Irish credit union

Theme:	Introduction to Microcredit
Focus:	What it is, who it helps and what are its benefits
Time:	2 class periods
Resources:	Give Credit to the Poor DVD, Fact Sheet on Microcredit, Question Sheet, Word Search, Crossword and Credit Union worksheets
Aim:	To introduce students to the concept of microcredit and to help them understand it in the context of poverty elimination and empowerment of the poor.

↗ Lesson One

DVD – Introducing Microcredit

Introduction

The '*Give Credit to the poor*' DVD is an introduction to the world of Microcredit, as well as a demonstration of how Microcredit schemes are helping to lift millions of people out of poverty through the provision of loans to extremely poor and disadvantaged people. The DVD runs for approximately 20 minutes, we recommend that students complete the Lesson 1 Question Sheet (page 8) while they are viewing the DVD. Afterwards in pairs the students can compare their answers and discuss points of interest and learning, before moving on to the Word Search and Crossword activities.

Preparation

- Prior to the start of the lesson it is recommended that the teacher watch the DVD noting points of learning that they would like to emphasise with their students; such as what microcredit is and how it helps alleviate poverty, how microcredit works and the role it plays in empowering women etc.. All of which are discussed in Lessons 2, 3 and 4 of this pack.
- Teachers should be familiar with the content of 'What is Microcredit?' (page 3)
- Before showing the DVD to their students we recommend that teachers engage the class in a short discussion on 'what is credit?', 'why do we need credit?', 'who has access to credit?', and what do you need to get it?' as well as asking students to speak about their knowledge of poverty in the developing world.
- Teachers can photocopy the worksheets for lesson 1 (pages 8 to 12) and distribute to the students.

Development

Ask students to complete the Give Credit to the Poor Question Sheet while they are viewing the DVD and be ready to discuss their answers at its conclusion. Any obvious misunderstandings or incorrect answers should be addressed before moving on to the Word Search, Crossword and Credit Union worksheets. If there is insufficient time to complete the worksheets they should be given out as homework.

Conclusion

At the end of the lesson students will have an awareness and understanding of how Microcredit works, the role of Credit Unions here in Ireland as well as overseas and why Microcredit is so important in eliminating poverty in the developing world.

? QUESTION SHEET MICROCREDIT

Complete the questions below while viewing the 'Give Credit to the Poor' DVD

1. Microcredit loans in the developing world are small loans given without a person needing
   c____________________________

2. Name two organisations involved in Microcredit

   a) ____

   b) ____

3. How many credit unions are there in Ireland? _________

4. Nearly _________% of the world's population lives on less than $_________per day

5. In Cambodia Concern helped create a new microfinance organisation named ____________________?

6. Name three characteristics of a microcredit scheme

   a) ____

   b) ____

   c) ____

7. Name three characteristics of a Credit Union

   a) ____

   b) ____

   c) ____

8. Name a country in the developing world where the Irish League of Credit Unions Foundation is working? _________

9. In the DVD it mentions that women in particular have benefited from microcredit. Give two examples of how microcredit has helped them.

   a) ____

   b) ____

10. List three reasons why we access credit

    a) ____

    b) ____

    c) ____

Lesson 1: **Wordsearch**

After watching the DVD and completing the question sheet we now invite you to work on two word searches.

Microcredit

G	F	E	I	G	D	E	T	V	T	W	E	A	Q	U	S	I	E	S	A
C	Y	M	M	P	F	S	B	F	M	C	P	V	X	C	J	D	C	E	S
I	N	D	E	P	E	N	D	E	N	C	E	U	H	U	B	Q	N	T	S
E	K	Y	T	R	O	R	J	A	V	F	R	O	U	X	P	Z	A	A	E
F	R	J	E	S	H	W	N	Z	V	J	O	R	D	Y	L	E	R	I	T
M	N	T	H	F	A	I	E	H	G	L	S	E	T	A	R	Y	U	V	S
H	N	L	F	A	F	J	M	R	F	S	A	V	I	N	G	S	S	E	H
I	L	I	E	O	T	S	R	E	M	U	F	I	M	D	U	E	N	L	E
A	H	N	R	P	F	J	E	U	Q	E	X	D	I	C	D	M	I	L	K
R	Q	C	M	G	R	S	A	H	Z	D	N	G	C	T	M	K	O	A	Z
E	I	L	A	R	E	T	A	L	L	O	C	T	R	R	N	F	R	K	K
M	D	O	L	Y	I	N	F	P	L	P	H	J	O	E	I	A	C	P	Q
Z	Q	I	B	F	N	N	E	B	O	S	O	O	C	W	S	W	I	J	D
L	I	E	W	K	V	Y	L	M	L	K	L	V	R	O	J	U	M	F	L
G	N	B	A	D	L	I	B	L	O	H	O	P	E	P	M	K	T	T	G
U	Z	H	F	O	L	N	G	G	B	W	C	L	D	R	G	R	J	F	D
M	U	S	A	S	W	R	T	Z	V	Y	J	Y	I	V	T	Q	L	M	Z
X	Q	N	Z	K	H	Z	O	U	A	Q	K	D	T	C	E	Y	Y	L	P
Q	S	U	N	E	Z	R	F	W	E	A	U	L	Y	M	N	G	L	E	W
F	D	T	P	A	Y	D	H	K	P	X	B	I	I	E	U	J	P	N	T

Assets
Collateral
Alleviates
Empowerment
Independence
Interest
Loans
Microcredit
Worldwide
Microfinance
Microinsurance
Poverty
Power
Rates
Savings
Schoolfees
Women

Glossary of Terms

Alleviates: Make less severe or lessens.
Assets: Property owned by a person or company.
Collateral: Something pledged as security for repayment of a loan.
Empowerment: To enable or give power, strength and confidence to.
Independence: The fact or state of being independent.
Interest: Money paid for the use of money lent.
Microinsurance: System by which people, businesses and other organisations make payments to share risk.

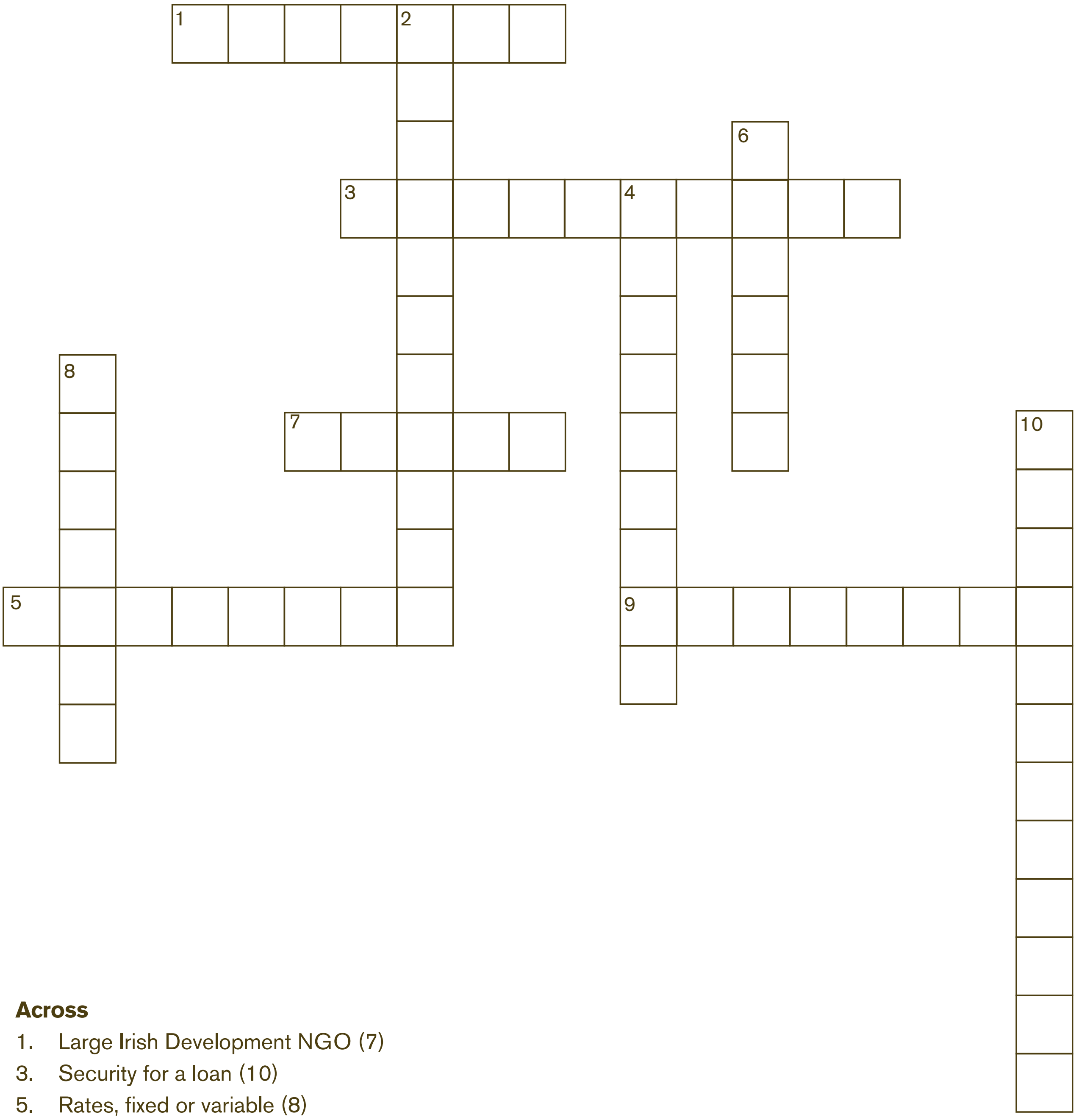
Lesson 1: **Wordsearch**

Countries with Microcredit

A	I	B	M	U	L	O	C	L	A	X	S	O	D	T	A	Z	X	E	T
X	Z	L	O	G	N	A	V	L	A	E	N	N	J	H	K	T	U	H	E
C	T	P	H	A	M	I	B	Q	T	P	A	Y	T	E	N	O	C	M	M
P	Q	A	H	B	A	A	G	A	D	L	E	S	H	G	A	V	S	I	Q
I	N	V	O	O	N	O	T	E	I	A	S	N	D	A	L	B	V	M	O
A	N	D	G	I	R	S	E	A	R	Z	N	G	L	M	I	D	J	C	F
A	I	I	A	O	D	E	H	K	A	I	D	N	I	B	R	B	I	Y	M
A	U	J	P	E	B	T	F	L	I	Z	A	R	B	I	S	X	L	A	H
A	J	S	T	B	A	N	G	L	A	D	E	S	H	A	E	O	F	L	Z
R	I	I	T	A	O	G	L	L	A	E	T	X	F	M	U	L	P	L	V
O	N	P	C	R	X	S	F	W	D	S	Z	I	R	E	L	A	N	D	I
U	K	I	O	J	A	A	U	G	A	N	D	A	C	Q	N	H	I	A	E
I	N	V	B	I	A	L	C	K	N	Q	N	I	M	W	B	Z	T	M	T
B	V	G	E	L	H	R	I	Y	A	Q	O	X	S	B	B	O	C	I	N
J	R	G	W	B	X	T	D	A	C	Z	X	U	O	T	I	O	H	F	A
L	V	U	Z	L	D	C	E	N	K	N	E	I	V	D	Q	A	I	E	M
Z	X	B	Y	S	P	K	W	H	A	E	D	P	L	X	Q	E	N	Y	A
T	Z	L	C	U	B	L	I	R	Y	L	N	N	G	B	V	P	A	Y	F
A	L	R	R	A	O	A	U	O	O	N	O	X	L	M	M	J	L	L	Q
W	K	U	M	Y	G	B	Q	B	S	O	I	P	H	C	E	M	C	E	B

Albania
Australia
Bangladesh
Brazil
Cambodia
Canada
China
Columbia
Ethiopia
Ghana
India
Ireland
Mexico
Nepal
Nigeria
Poland
Sri lanka
Thailand
The Gambia
Uganda
United States
Vietnam
Zambia

Lesson 1: **Crossword**



Across

1. Large Irish Development NGO (7)
3. Security for a loan (10)
5. Rates, fixed or variable (8)
7. Majority of Microcredit Clients (5)
9. Irish Government's Programme of Assistance to developing countries (5,3)

Down

2. Give power to (11)
4. West African Country (3,6)
6. Buy now pay later (6)
8. Setting money aside (7)
10. Community Financial Institutions (6,6)

? QUESTION SHEET CREDIT UNIONS

Since watching the DVD you are now aware of Microcredit and how credit unions, Irish Aid and Concern help, for research purposes, answer the following questions using the websites listed below:
www.creditunion.ie www.cu4youth.ie

1. Where is your local Credit Union?

2. When and why was the first Credit Union established in Ireland?

3. How many people in Ireland are members of a Credit Union and what is the total value of their savings?

4. What is a Credit Union?

5. What is the difference between a Credit Union and a Bank?

6. What is the Common Bond? Name and explain briefly the 3 types of Common Bonds.

   a)

   b)

   c)

7. What are the benefits of being a Credit Union member?

8. What are your rights and responsibilities as a Credit Union member?

↗ Lesson Two

Theme: Empowerment
Focus: How MicroCredit has transformed the lives of people living in poor countries
Time: 1 class period
Resources: Factsheet of 4 individual Case Studies
Aims:
- Students will read and discuss individual case studies
- Students will understand the concept of empowerment
- Students will explore the hierarchy of needs and how this relates to poverty alleviation

Case Studies

Introduction

In lesson one we learned about how Microcredit schemes and Credit Unions are helping to alleviate poverty, through the provision of loans to extremely poor and disadvantaged people.

In this lesson we will be introduced to some of the people and communities who have benefited from their involvement in these credit schemes. We shall also look more closely on the effects that having access to credit has had particularly on women within the family and within the community at large.

Process

1. Ask students to come up with a definition of empowerment and to give examples from the DVD of where they saw empowerment in action.

2. Examine other concepts like 1) equality (between men and women or between rich and poor) or 2) access (ability of the poor to engage with financial, health or education services etc.) Ask students where they saw positive examples of equality and access in the DVD.

3. Ask four volunteers in the class to read out one of the case studies, after each case study ask the class for their reactions, as well as to identify how the individual or community was 'empowered'.

Development

Give students the pyramid of motivation and discuss how the needs of women have not been met. Then on the blank pyramid, get students to complete the different stages on how each of the needs have been met e.g. Physical = women now have access to money from their jobs/microbusiness/microcredit.

Conclusion

At the end of the lesson, students should be aware of how Microcredit creates empowerment and real difference particularly among women in impoverished communities. After reading the case studies it is hoped that they can begin to empathise with individuals who have worked their way up from disadvantaged circumstances.

Information Required:

- Worksheets on Maslow's Heirarchy of Needs in relation to the empowerment of women.

Lesson 2: Case Studies

The following are four case studies of people who have been helped through microfinance.

Case Study 1

Mrs Fill Sarr, who has taken a loan from the Credit Union amounting to 1575.00 Gambian Dalais (€43) to start her own fish business.

Empowering Women in Fishing Villages

Tanji, a small fishing village located on the Atlantic coast of The Gambia, and is one of the busiest coastal fisheries communities in the country. The village was originally a farming community, which turned to fishing with the arrival from Senegal of migrant fishermen and their families.

The fishermen, fish driers, fish smokers, fish sellers and processors in Tanji, have been successfully brought together through the establishment of Natangeh credit union, which has become a focal point for the entire community. Because of the migratory tendencies of fishermen, conventional financial institutions are unwilling to extend credit facilities to them. Lack of access to financial services has been a major constraint to the development of small scale fisheries in The Gambia.

Also unfortunately women constitute the poorest segment of most fisheries communities worldwide. The gender inequity in access to and control over resources places women in a precarious situation. This prevents the expansion of their businesses and often leaves them poor and vulnerable. Yet women play a fundamental role as fish processors and traders while also engaging in activities that even if not related to fisheries are still essential in family and community development.

The relative social status of women in Tanji has been improved since women occupy key positions on its credit union board of directors which comprises of 6 female (including Chairperson, Vice Chair Person and Treasurer) and 3 male members. The leadership role played by women in Natangeh credit union has improved their status, through active participation community decision-making processes. Women members are now financially independent; they can rely of their businesses and meet their needs and those of their families.

Mulump Faye's (credit union Chairperson) positive outlook exemplifies how important the local credit union really is: 'It is the norm for local communities to expect the government to provide everything: boats, fishing gear, but in Tanji we don't need government's help, we have our credit union'.

Access to savings and credit is contributing to food security and poverty reduction in the fishing community; raising incomes and improving people's quality of life.

Case Study 2

Albanian Credit

Her name is Ervehe and her village is only 40 km away from Tirana (the capital city of Albania), on the side of the national road. If you ask her about her family she replies simply that all she has are her husband, two sons and the small piece of land.

Once upon a time they used to work in the village agricultural cooperative, but now they are both unemployed. Lately their eldest son decided to emigrate and help his family with what he could earn in Italy. But he soon discovered that this was not easy. As an illegal emigrant in Italy he finds it extremely difficult to maintain himself alone.

Ervehe is a quiet and goodhearted woman. She speaks very little but her eyes lighten up when she talks about something that is really close to her heart. This is how her eyes lighten up when she talks about her son that is far away, or when she talks about her small piece of land. “This is not only a piece of land anymore”- she says smiling- “It is a … greenhouse…” The eyes lighten even more when she says how she built the greenhouse.

Not very long ago, some friends told her that a group of women in the neighborhood village had created a credit union named “TEUTA”. Ervehe got involved in expanding the credit union in her own village. She was also one of the first people in the village to get a loan to build one of the first greenhouses in the village. This loan helped her to build a 600m^2 greenhouse and plant different vegetables. Since then she and her husband work long hours everyday in their greenhouse.

But this is not the only change in her life. She also helps as an assistant treasurer in her own village and very often travels to other villages for credit union meetings and has made a lot of friends.

If you ever happen to visit her in her village, she will always make sure that she gives you, very quietly, a small bag of tomatoes, cucumbers, peppers and whispers with lit up eyes: “Please accept these, these are from my greenhouse”.

A true measure of success of the difference credit unions are making worldwide comes from credit union members and their ordinary, everyday life experiences, as described by Ervehe’ story.

Ervehe got involved in expanding the credit union in her own village. She was also one of the first people in the village to get a loan to build one of the first greenhouses in the village. With this loan and helped her to build a 600 m2 greenhouse and plant different vegetables.

Case Study 3

Collecting for the Future - microfinance in Bangladesh

The urban slum areas of Saidpur in Northern Bangladesh are home to some of Bangladesh's poorest people. These areas are densely populated and lack clean water and electricity.

Most people live in overcrowded shacks and squatter settlements. Increasingly, these areas are home to "floating populations" of homeless people who sleep on the streets at night.

Imran was one such person. An elderly man with no family, no way of earning a living and very few possessions, Imran had been homeless for most of his life. He felt ashamed to be a burden on his already impoverished community. Although trapped in a cycle of poverty, Imran had an idea of how he could get himself out. He just needed the means to do so.

Imran's idea was to support himself through the sale of firewood. Most of the people in the urban slum community in which he lived need wood for cooking, and to boil water for washing and drinking. However, they have to walk for some distance to get this firewood. This takes up time which adults could use for productive work, or children for attending school.

Imran felt that if he could collect the firewood and sell it to families at a reasonable price, he would not only be supporting himself, but providing a service to the community at the same time.

To do this, he needed credit to rent a stall, and to buy the necessary equipment. In the past he would not have been able to get credit as he had nothing to use as collateral. The interest rates of the moneylenders would have been too high and too much of a risk.

However, members of the community identified Imran as someone most in need of support, and so a Community Based Organisation working in the area, and supported by Concern, offered him the chance to join one of their group savings schemes.

Because of the nature of the group saving scheme, Irman could take out a loan without any assets. By collecting and selling wood, and using his stall as his new accommodation, Imran soon paid off his loan and was in a position to begin saving for his future.

Not only is he now self-sufficient, but through his savings he is helping other members of the group to access credit and get out of poverty. Imran has always been proud of his community, and now he feels part of a wider family who respect and value him.

Imran is just one of more than 45,000 people supported by Concern's microfinance program in Bangladesh. With rapid urbanisation in Bangladesh increasing demands for city housing and basic urban services, it is estimated that there will be 18 million urban poor in Bangladesh by 2015.

We are currently working to link Community Based Organisations to the formal financial system in Bangladesh, so that in future these organisations may have access to technical support, can grow in a sustainable way and help many more of the extreme poor such as Imran.

Case Study 4

Hamida Nassanga

Uganda

Hamida Nassanga is 47 years old and separated from her husband. She has 5 children, 3 in school and 1 grand daughter aged 8 years. She joined a local microfinance organisation, the Mirco Credit Development Trust (MCDT) on 8th May 1998. She is currently paying back a loan of $270, (this is her ninth loan she started with a much smaller loan and built up to this loan size).

Hamida's life before MCDT:
Hamida was educated to primary school level and married when she was very young. Later, due to marital problems, she and her husband separated. She left her home with her children and secured a one-bedroom house in the middle of a slum in Kamwokya in Kampala, the capital of Uganda. Life was extremely hard bringing up her children on her own. She got a stall in the local market and started selling foodstuffs but her income level regularly fell short of meeting even basic needs for her family. The inadequate diet for her family resulted in both herself and her children falling sick leaving her unable to work. While she was ill she could not pay the market dues for her stall and so it was handed over to another person. Life was hard and the house that she was renting was in a poor state such that when the rainy season started the family could not sleep comfortably as the roof was badly leaking. Around the same time, a worse fate also befell her family when she lost her 16-year-old daughter who died in her arms. This death dealt a very heavy blow to her aggravating her health condition and damaging her self-esteem. She blamed herself for having brought her children to the slum where they were so exposed. She was in a state of depression for a long time and it was during this time that MCDT staff told her about credit facilities. Hamida explained that she did not know anything about savings as she fed her family from hand to mouth and was constantly indebted to others in the community. She decided to join MCDT since there was no prior savings required, the pre-loan disbursement training period was short and there was the prospect of saving funds which could be accessed when in need. She joined so that she could develop her business and be able to look after her children better.

Hamida's life after receipt of MCDT loan:
Her life changed tremendously, after she got her first loan of shs 100,000= (which was worth around $50 at the time). She talked with her credit group members about her problems and felt relieved and supported as they also shared their problems with her. She immersed herself in her businesses, carrying out frequent trips to the rural areas where she purchased foodstuffs to sell in her own business and supplying other food vendors.

Building up her business has enabled her to manage her household expenses. She has bought two cows and a piece of land in a nearby village. She is particularly proud of the fact that one of the children is now a qualified teacher and another is also training to become a teacher. Also, she has begun constructing a two-roomed house. She is confident that with continued support from MCDT credit, she will complete this house and looks forward to the day when she can tell her children that they are moving out of the slum into their own, secure house.

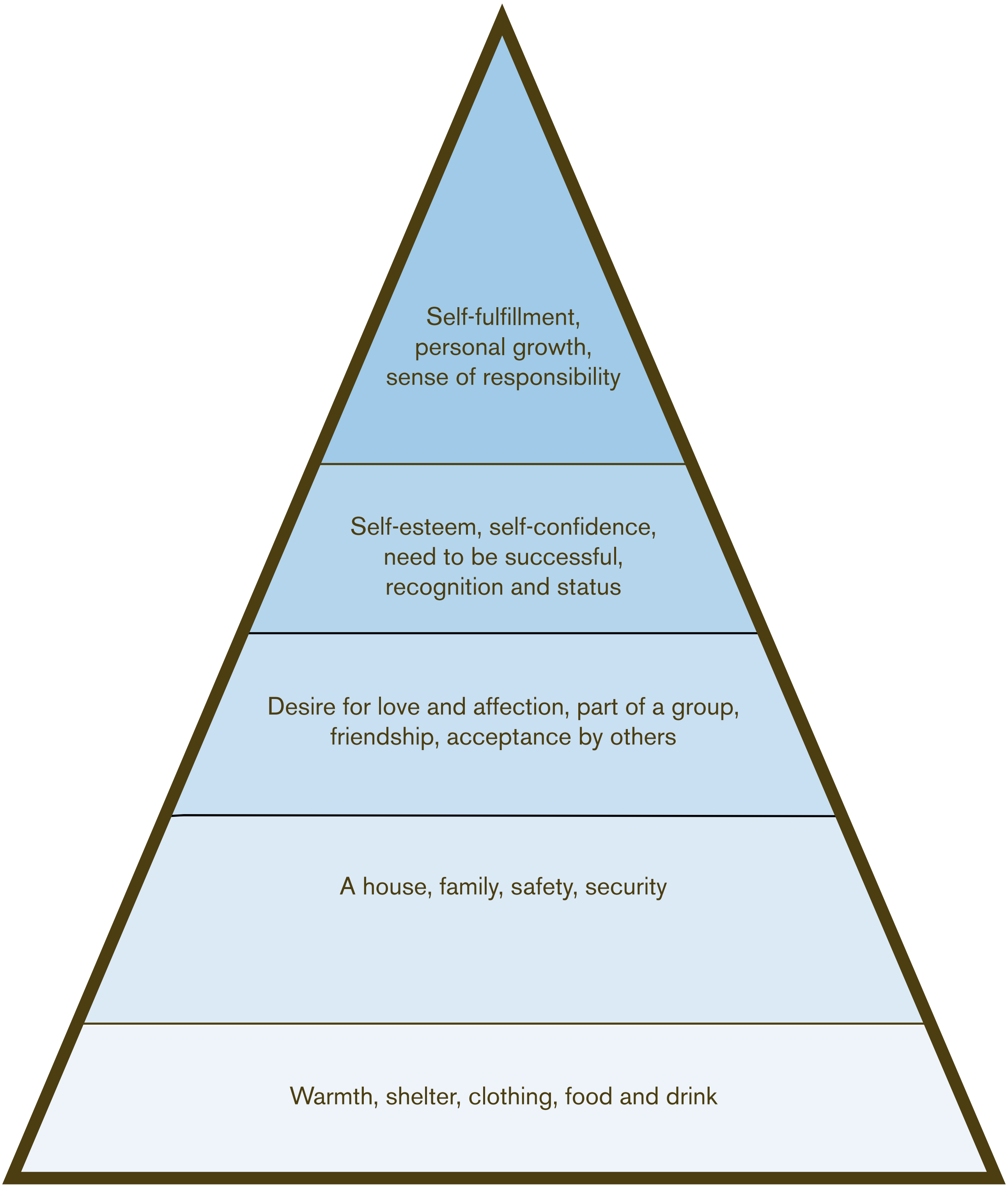
Hamida explained that she did not know anything about savings as she fed her family from hand to mouth and was constantly indebted to others in the community.

↗WORK SHEET Maslow and Microcredit

Maslow's hierarchy of needs is a theory that Abraham Maslow proposed in his 1943 paper *A Theory of Human Motivation.*

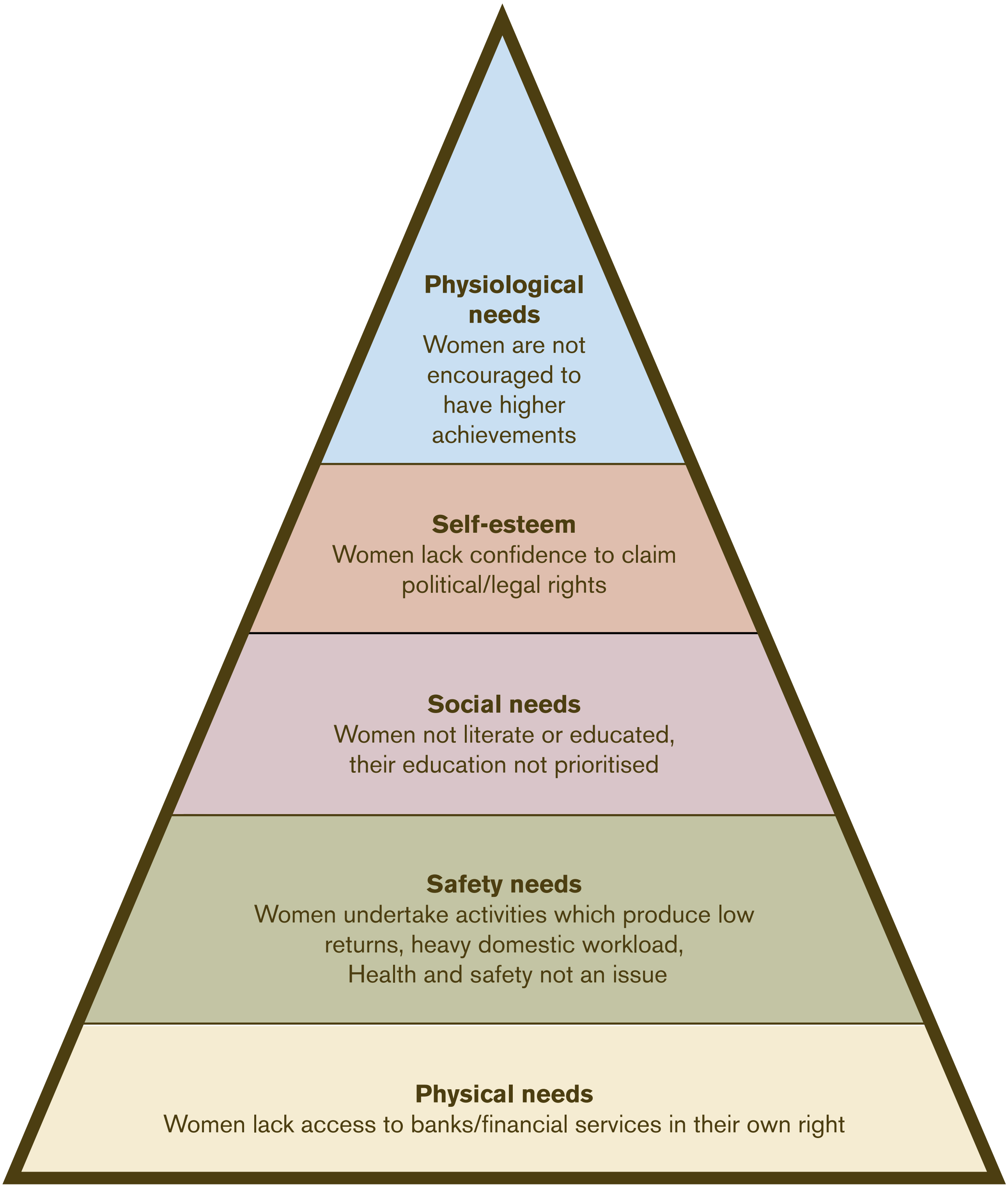
Maslow's hierarchy of needs is often depicted as a pyramid consisting of five levels: the four lower levels are grouped together as *deficiency needs* associated with physiological needs, while the top level is termed *growth needs* associated with psychological needs. While *deficiency needs* must be met, *growth needs* are continually shaping behaviour. The basic concept is that the higher needs in this hierarchy only come into focus once all the needs that are lower down in the pyramid are mainly or entirely satisfied.

The **five stages** starting from the bottom are: Physical needs, Security and Safety needs, Social and Acceptance needs, Ego and Esteem needs and Self Actualisation needs.



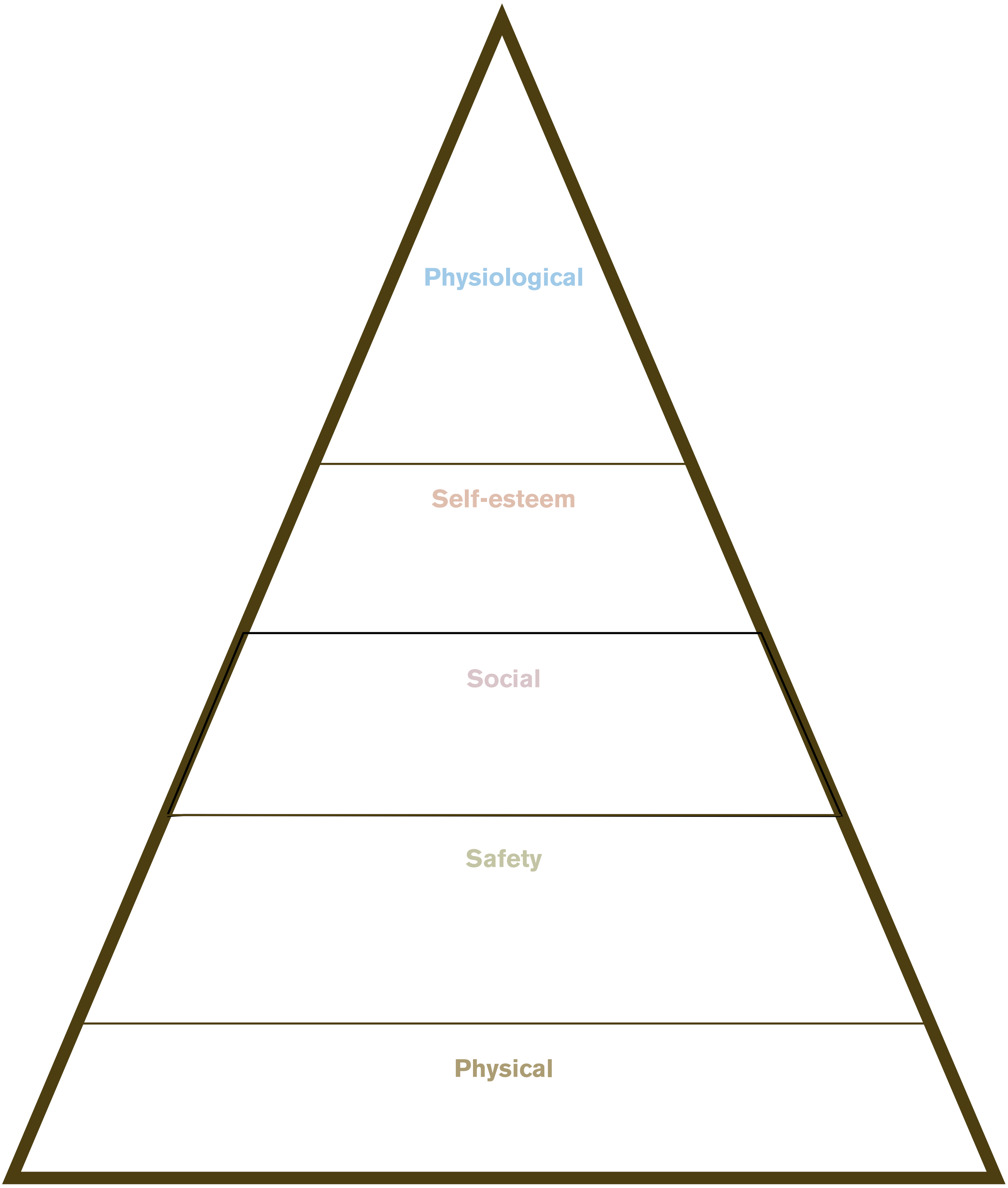
↗**WORK SHEET** Maslow and Microcredit

Using Maslow's Heirarchy to understand the situation of many women in the developing world without access to credit.



↗WORK SHEET Maslow and Microcredit

After viewing the 'Give Credit to the Poor' DVD and reading the case studies in this pack, complete Maslow's Hierarchy below on the role microcredit has played in empowering women.



Lesson Three

Theme:	Comparing access to credit in Ireland and in the Developing World
Focus:	Applying for credit
Time:	1 class period
Resource:	Worksheet: Applying for Credit
Aim:	• To have students participate in activity and discussion on access to credit in Ireland • To complete an application form for a car loan • To compare criteria needed for securing a loan between different financial institutions

All Credit to you…

Introduction

In the third lesson of the resource students will now get a chance to assess the criteria for application for Microcredit loans in poorer countries compared to Ireland. Students should realise that there is little difference in the application procedure except on scale and collateral required.

Preparation

- **Activity 1:** Students should visit a credit union, bank or other financial institution and ask for a car loan application form. They should then bring the form into the class for examination and completion.

- **Activity 2:** Students will be divided into groups of 4. Prior to the class the teacher should photocopy the Applying for Credit Worksheet, (page 22) one for each group. Before distributing the worksheet to the group however each box should be cut out and 'jumbled up'. Students will be asked to place the correct boxes under each heading, Bank, Micro Finance Institution (MFI) and Credit Union.

Development

- Begin with a discussion on 'how hard/easy it is to get a loan' – ask students for their views.

- Role play with students telling them that they are now making €30,000 per year and are living in rented accommodation. Unfortunately they have virtually no savings. They are fed up taking the bus to work each morning and want to buy a car instead. Have students fill out their forms as accurately as they can, inviting them to seek clarification on terms or questions they don't understand (25 mins).

- Have the students arrange the 'jumbled' cards under their correct headings (10 mins).

Conclusion

- Any problems or difficulties in completing the car loan application forms should be resolved. For a variety of sensible reasons the forms should be collected by the teacher.

- The teacher can invite each group to call out the cards they placed under one of the headings… differences between the groups should be discussed.

- Students could be encouraged to explore more about 'credit practices' in Ireland and to read the 'In too deep?' report (page 25).

"A small loan from my credit union has turned my life around. I set up my own sewing business, I am no longer unemployed and have the means to provide for my family".

Mrs File Uruci,
Teuta credit union member, Albania

↗WORK SHEET APPLYING FOR CREDIT

Place the following under the correct headings for application procedure for Ireland v microfinance countries. Cut out each statement.

Bank	MFI (MicroFinance Institution)	Credit Union
Complete application form	Call in to a MFI	A person must be within the common bond
1st loan must have credit rating	No credit rating on first loan	Can complete an application for membership
Must give valid reason	Must give reason for loan	Must be with them for a period of time and have savings
Needs security	Security not required	Loan applications considered by loan officer and credit committee
Credit check done	No need for credit check	Will check your record of savings, repayments and ability to repay
Loan size – based on supply	Loan size – based on demand	Usually loan sizes are small
Interest rates charged	Interest rates charged vary	Must complete a promissory note to commit to regular repayments
Repayments flexible and fixed	Flexible repayments	Flexible repayments
Opportunity for top-up	Encourage top-up for developments	Opportunity for top-up

↗ Lesson Four

Theme: Does it work?
Focus: Applying the learning students have gained
Time: 2 class periods – the first for preparation and the second for presentation
Resources: We can leave this up to the ingenuity of the students
Aim: To provide students with an opportunity to use their creativity in presenting aspects of their learning from this resource, both within the classroom setting and the wider school community

Taking Action on Credit

Introduction

At the start of this final lesson, the teacher should initiate a discussion with the students on how the class would like to demonstrate their learning from the resource. A range of possible ideas are suggested on the Lesson 4 Taking Action worksheet, however the best ideas will be the ones the students come up with themselves.

Depending on the preference of the class students could undertake an activity in pairs, in groups or as a whole class.

If additional information on microcredit or the Credit Union is required there is a list of useful and informative websites included on the Credit Links sheet.

Preparation

The teacher should photocopy and distribute the Taking Action Worksheet. After sufficient class time has been allotted to the students to prepare their action the classroom will need to be arranged to suit the activity; for example if a debate is to be held desks will need to be place facing each other at the front of the room etc. Students could also avail of the Fact Sheets and additional information on The Grameen Bank (page 26) and Interest Rates and Microfinance (page 27).

Conclusion

At the end of this resource students should have a clear understanding of what Microcredit is about, how it works and who benefits from it. Similarly they should be more familiar with the Credit Union movement here in Ireland as well as the work of the Credit Union Foundation overseas.

↗WORK SHEET TAKING ACTION

Here is a suggested list of actions that pairs, groups or the whole class can undertake to demonstrate their learning on Microcredit;

1) News report

A group of students (4 to 5) is now employed by the Micronews Network and have been asked to give a special feature report on Microcredit in the Developing world. The report should explain what Microcredit is, how it works and who benefits. A 'satellite linkup' could be made with their colleague in the developing world who is interviewing a person now on their 5th loan…Once they have developed the content of their report the group should present it to the class (each member of the group takes on an individual role, i.e. newsreader, reporter, loan recipient, the village mayor, etc.), the report should last for 5 minutes.

2) Quiz Night

A group of students (3 to 4) will invite the rest of the class to participate in a Microcredit quiz. Prior to the actual quiz the students should create a set of questions on different aspects of Microcredit and the Credit Union movement. Questions could be drawn from the DVD or worksheets from the pack, as well as from their own research. All students from the group should work on developing the questions however in presenting the quiz one student should serve as 'quiz master' while another is researcher and marker, referee etc.

3) Debate it!

Two groups of 6 students will organise a debate on some aspect of Microcredit. They should agree a motion (for example 'Microcredit is the answer to poverty elimination') and decide which group will propose it and which will oppose it. The roles of each group member then needs to be decided, four members from each side should actually take part in the debate while the others can serve as researchers, timekeepers, chairperson etc. The class can act as adjudicators.

Check out www.concerndebates.net for more information on running a debate.

4) Talk about it!

Interviewing the manager of the local credit union. An activity best suited to one or two students who will visit their local credit union to conduct the interview or invite him/her into the school and interview the manager in front of the whole class a la 'Pat Kenny'. The interviewers questions should reflect their knowledge of credit and how beneficial the credit union movement has been to us in Ireland.

5) Over to you…

There are hundreds of other activities that students can undertake ranging from poster presentations, essay writing and setting up a microcredit group etc.

! FACT SHEET CREDIT AND THE IRISH BORROWER

One of the characteristics of our own Celtic Tiger has been the ease with which the Irish consumer has had access to credit. It is now common place for us to be offered 35 to 40 year mortgages, at 100% of the cost price of the property we are buying. Irish consumers are also among the most travelled in the world, jetting off to destinations both far and near in numbers unimagined just 20 years ago.

To fund our Celtic lifestyle we have become accustomed to borrowing from institutions willing to lend to us. In a June 2006 report by the economist Austin Hughes he poses the question, is the Irish borrower

'In too Deep?'

Key Findings:

- The financial position of Irish consumers is very healthy; the value of the houses they own and their deposit accounts exceed their debts by around €440 billion. A very strong 'macro' position conceals wide differences in personal circumstances.
- In a perfect world, all savings would be set aside in a bank and drawn on by entrepreneurs and householders for investment (in economic terms, this is stated simply as 'Savings = Investment'), and it has been as a result of the correlation between savings and investment that economies have been able to resource their expansion. However, an increase in indebtedness and a rising trend in interest rates have caused a notable rise in debt concerns among Irish consumers. The number of borrowers who feel that their debt represents a 'heavy burden' has increased notably in the past year.
  Questions: What do you think are the key things that people borrow for?
  In the less industrialised world, what do you think people borrow for?
  From the items that you have listed, what would you classify as 'personal debt' and what would you class as 'investment finance'?
- Debt concerns rise with age and tend to peak in the 40–50 age groups. This appears to be a decade in which many people are asset rich but cash poor.
  Questions: In a typical lifecycle, when do you think people should save and when should they borrow?
  What type of contingencies do you think people in the less industrialised world should save for? For them, is savings more important then credit?
- A rising trend in interest rates will hurt Irish borrowers further. Roughly 40 per cent of borrowers reckon their financial position would deteriorate substantially if interest rates rose by 1 per cent. As many as 80,000 borrowers would be hit by another half per cent rise in interest rates. Of these we reckon some 50,000 borrowers who are already expressing significant concerns about both household and non-household debt will feel a considerable pinch.
  Questions: Why are rising interest rates a problem for people with borrowings?
  Do you think that low interest rates have been good or bad for the Irish economy?
  Why do you think that microcredit clients are able to pay the relatively high interest rates on loans?

Source: Adapted from Irish Personal Borrowing 26th June 2006 , Austin Hughes, Chief Economist, IIB Bank

! FACT SHEET GRAMEEN BANK

Winner of The Nobel Peace Prize 2006

"For their efforts to create economic and social development from below." Nobel Committee

The Grameen Bank (GB) has reversed conventional banking practice by removing the need for collateral and created a banking system based on mutual trust, accountability, participation and creativity. GB provides credit to the poorest of the poor in rural Bangladesh, without any collateral. Professor Muhammad Yunus, the founder of "Grameen Bank" and its Managing Director, reasoned that if financial resources can be made available to the poor on terms and conditions that are appropriate and reasonable, "these millions of small people with their millions of small pursuits can add up to create the biggest development wonder." Muhammad Yunus, the bank's founder, earned a doctorate in economics from Vanderbilt University in the United States. He was inspired during the terrible Bangladesh famine of 1974 to make a small loan of $27 to a group of 43 families so that they could create small items for sale without the burdens of predatory lending. Yunus believed that making such loans available to a wide population could ameliorate the rampant rural poverty in Bangladesh.

The Grameen Bank (literally, "Bank of the Villages", in Bangla) is the outgrowth of Muhammad Yunus' ideas. The bank began as a research project by Yunus and the Rural Economics Project at Bangladesh's University of Chittagong to test his method for providing credit and banking services to the rural poor. The Bank was immensely successful and the project, with government support, was introduced in 1979 to the Tangail District (to the north of the capital, Dhaka). The Bank today continues to expand across the nation and still provides small loans to the rural poor. As of mid-2006, Grameen Bank branches number over 2,100. Its success has inspired similar projects around the world.

Application of Microcredit

The Grameen model is the basis for the self-help group system now at work in over 43 countries. Those wishing to take out a loan from a microcredit organisation are asked to join or form a group with 5 other people. Each group of five individuals are loaned money, in some permeations of the model, the whole group is denied further credit if one person defaults – thus acting as a strong incentive for the each member to repay in full. However, Grameen and others have found that this is not necessary and have been able to retain very high repayment rates on the basis of forming a group of five who provide solidarity and encouragement to each other. This creates economic incentives for the group to act responsibly, increasing Grameen's economic viability. In a country in which few women may take out loans from large commercial banks, the fact that most (96%) loan recipients are women is an amazing accomplishment. In other areas, Grameen's track record has been equally astonishing, with very high payback rates–over 98 percent. More than half of Grameen borrowers in Bangladesh (over 6 million) have risen out of acute poverty thanks to their loan, as measured by such standards as having all children of school age in school, all household members eating three meals a day, a sanitary toilet, a rainproof house and access to clean drinking water.

Ownership and other facts

Of the total equity of the Grameen bank, the borrowers own 94%, and the remaining 6% is owned by the Government of Bangladesh. Some other facts about the Grameen bank, as of August 2006 include:

- Total number of borrowers is 6.61 million, and 97% of those are women.
  The Bank has 2,226 branches, covering 71,371 villages, with a total staff of 18,795.
- Loan recovery rate is 98.85%
- Since inception, total loans distributed amounts to Tk 290.03 billion (US$ 5.72 billion).
  Out of this, Tk 258.16 billion (US$ 5.07 billion) has been repaid

Source www.grameenfoundation.org Wikipedia, October 2006

ⓘ **INFORMATION SHEET** INTEREST RATES & MICROFINANCE

Why Do MFIs Charge High Interest Rates?
Microfinance can pay for itself, and must do so if it is to reach very large numbers of poor people. Most poor people cannot get good financial services that meet their needs because there are not enough strong institutions that provide such services. Strong institutions need to charge enough to cover their costs. Cost recovery is not an end in itself. Rather, it is the only way to reach scale and impact beyond the limited levels that donors can fund. A financially sustainable institution can continue and expand its services over the long term. Achieving sustainability means lowering transaction costs, offering services that are more useful to the clients, and finding new ways to reach more of the 'unbanked' poor (CGAP).

Providing financial services to poor people is quite expensive, especially in relation to the size of the transactions involved. This is one of the most important reasons why banks don't make small loans. A $100 dollar loan, for example, requires the same personnel and resources as a $2,000 one thus increasing per unit transaction costs. Loan officers must visit the client's home or place of work, evaluate creditworthiness on the basis of interviews with the client's family and references, and in many cases, follow through with visits to reinforce the repayment culture. It can easily cost US$25 to make a micro-loan. While that might not seem unreasonable in absolute terms, it might represent 25% of the value of the loan amount, and force the institution to charge a "high" rate of interest to cover its cost of loan administration. (Microfinance Gateway).

In order to grow and be financially sustainable in the long term, the costs that a microfinance institution must consider are administrative or operational costs; costs associated with clients who cannot repay their loans known as 'loan losses'; the cost of raising money for on-lending to clients (i.e. the microfinance organisation may have had to go to a larger development bank and borrow the money at a rate of interest for on-lending) – this is known as the 'cost of funds'; it must also cover the cost planned expansion of its lending portfolio otherwise known as the 'capitalisation rate'. The microfinance organisation might have investment income from some other source that it can help to off set some of these costs. Beyond this, these costs must be met by the interest charged on loans. While this is usually not a problem for a medium or large scale microfinance organisation (with say 10,000 to 30,000 clients), it is a problem for a small start up microfinance organisation. Thus, a start up usually plans a growth path over a 5 to 10 year period where it initially uses grants but eventually is generating enough income to cover its own costs as well as costs associated with growth and expansion. Based on the costs, there is a formula to work out what interest rate needs to be - in the formula, the costs / income are expressed as a fraction of the total loan portfolio.The formula is as follows:

$$\text{Interest Rate} = \frac{(\text{Admin/op. expenses} + \text{loan loss} + \text{cost of funds} + \text{capitalisation}) - \text{investment income}}{1 - \text{loan loss}}$$

Take the case of a of a microfinance organisation with the following financial information:

- the cost of operations is on average €5 per €100 loan
- it experiences defaults (or loan losses) to the tune of 1% of the total amount lent (loan portfolio)
- the price paid by the MFI for the money it lends out is 5% (i.e. it borrowed the money from another bank to on-lend and that bank charges a rate of 5% per year)
- It plans to expand its lending portfolio by 5% in the following year, so it needs to accumulate the necessary amount this year
- They have a small amount of investment income by putting some of the savings that they collect into bonds - they have €20,000 worth of bonds yielding 10% interest per year

What is the interest rate they need to charge, if they have a loan portfolio of €100,000?
Using the fomula, the answer is as follows:

$$\text{Interest Rate} = \frac{(0.05 + 0.01 + 0.05 + 0.05) - 0.02}{1 - 0.01} = \frac{0.16 - 0.02}{0.99} = 0.141 \text{ or } 14\%$$

MFIs have to charge rates that are higher than normal banking rates to provide services in challenging environments but even these rates are far below what poor people routinely pay to village money-lenders and other informal sources, whose interest rates routinely rise into percentages up to and above 100%. Why do you think costs for an MFI in a developing country are high? Calculate the interest rate needed for sustainability where the portfolio is €1,000,000 and

- the costs of running operations is €100,000
- they expect loans amounting to €10,000 to be defaulted on
- the MFI borrowed the million euro from a development bank that charges them interest of 4% per year
- they plan to expand their portfolio by 6% next year
- they earn€30,000 per year by providing consultancy services to other smaller MFIs

WEB LINKS - FURTHER INFORMATION

Here are some links to help you find out more about Microcredit and the Credit Union movement

1) Microcredit Summit

In 1997 nearly 3000 people from 137 countries launched a nine-year campaign on microcredit to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the year 2005. The Microcredit Summit Campaign brings together microcredit practitioners, advocates, educational institutions, donor agencies, international financial institutions, non-governmental organizations and others involved with microcredit to promote best practices in the field, to learn from each other, and to work towards reaching our goal.

→ www.microcreditsummit.org/

2) The Grameen Bank

The 2006 Noble Peace Prize has been awarded to the Grameen Bank and Professor Muhammad Yunus "for their efforts to create economic and social development from below". Mr Yunus, an economist founded the Grameen bank, and is one of the pioneers of microcredit lending schemes to the poor especially women in Bangladesh.

→ www.grameenfoundation.org

3) World Council of Credit Unions

As a worldwide representative organization, World Council of Credit Unions, Inc. (WOCCU) is the world's leading advocate, platform for knowledge exchange and development agency for credit unions.

→ www.woccu.org

4) The Microfinance Gateway

The Microfinance Gateway is the most comprehensive online resource for the microfinance industry. It includes research and publications, specialized resource centers, organization and consultant profiles, and the latest news, events, and job opportunities in microfinance.

→ www.microfinancegateway.org/

5) AMK

AMK's mission is 'to help large numbers of poor people in rural Cambodia to increase their livelihood options through the sustainable delivery of appropriate and viable microfinance services to the economically active poor'.

→ www.amkcambodia.com

WEB LINKS - FURTHER INFORMATION

6) Department of Foreign Affairs

The Irish Aid programme has as its absolute priority the reduction of poverty, inequality and exclusion in developing countries. Anti-poverty strategies should seek to break the vicious circle of poverty through support for sustainable indigenous development.

→ www.irishaid.gov.ie

7) Concern

Concern's mission is to enable absolutely poor people to achieve major improvements in their lifestyles which are sustainable without ongoing support from Concern. To this end Concern will work with the poor themselves and with local and international partners who share this vision to create just and peaceful societies where the poor can exercise their fundamental rights.

→ www.concern.net

8) Irish League of Credit Unions

The Irish League of Credit Unions is an active member of the World Council of Credit Unions and has developed a strong support programme through the ILCU Foundation for many new and developing national credit union movements.

→ www.creditunion.ie

9) United Nations

Since 1959, the UN has designated International Years in order to draw attention to major issues and to encourage international action to address concerns that have global importance and ramifications. The year 2005 was marked by the United Nations as the International year of microcredit. The website below highlights the broad array of activities that took place during the year as well as informing us of what more needs to be done to continue promoting microcredit in the fight against poverty.

→ www.yearofmicrocredit.org

10) The MIX Market

The MIX Market strives to facilitate exchange and investments flows, promote transparency and improve reporting standards in the microfinance industry.

→ www.mixmarket.org/

Answers…

QUESTION SHEET MICROCREDIT

1. Collateral
2. a) Concern b) Irish League of Credit Unions Foundation
3. 512 Over 2 million
4. 50% $2
5. AMK
6. a) Small loans ($20 to start)
   b) Peer support (to help people in repaying their loans)
   c) Shorter and more flexible repayment periods
7. a) Common Bond between people in the community
   b) Provide education opportunities
   c) Provide savings services as well as loans
8. The Gambia
9. a) The woman in Cambodia who now sells stones to Artists and Sculptures
   b) The women in the Gambia with the pump to help irrigate their fields
   c) Other answers: Hamida the Woman in Uganda who has built a two bedroom home and one day hopes to leave the slum; and the woman who says how other woman ask her 'how am I looking, do I look fresh?'
10. a) Home loans b) Holidays/Cars c) Education costs

WORDSEARCH MICROCREDIT

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G F E I G D E T V T W E A Q U S I E S A
C Y M M P F S B F M C P V X C J D C E S
I N D E P E N D E N C E U H U B Q N T S
E K Y T R O R J A V F R O U X P Z A A E
F R J E S H W N Z V J O R D Y L E R I T
M N T H F A I E H G L S E T A R Y U V S
H N L F A F J M R F S A V I N G S S E H
I L I E O T S R E M U F I M D U E N L E
A H N R P F J E U Q E X D I C D M I L K
R Q C M G R S A H Z D N G C T M K O A Z
E I L A R E T A L L O C T R R N F R K K
M D O L Y I N F P L P H J O E I A C P Q
Z Q I B F N N E B O S O O C W S W I J D
L I E W K V Y L M L K L V R O J U M F L
G N B A D L I B L O H O P E P M K T T G
U Z H F O L N G G B W C L D R G R J F D
M U S A S W R T Z V Y J Y I V T Q L M Z
X Q N Z K H Z O U A Q K D T C E Y Y L P
Q S U N E Z R F W E A U L Y M N G L E W
F D T P A Y D H K P X B I I E U J P N T
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WORDSEARCH COUNTRIES WITH MICROCREDIT

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A I B M U L O C L A X S O D T A Z X E T
X Z L O G N A V L A E N N J H K T U H E
C T P H A M I B Q T P A Y T E N O C M M
P Q A H B A A G A D L E S H G A V S I Q
I N V O O N O T E I A S N D A L B V M O
A N D G I R S E A R Z N G L M I D J C F
A I I A O D E H K A I D N I B R B I Y M
A U J P E B T F L I Z A R B I S X L A H
A J S T B A N G L A D E S H A E O F L Z
R I I T A O G L L A E T X F M U L P L V
O N P C R X S F W D S Z I R E L A N D I
U K I O J A A U G A N D A C Q N H I A E
I N V B I A L C K N Q N I M W B Z T M T
B V G E L H R I Y A Q O X S B B O C I N
J R G W B X T D A C Z X U O T I O H F A
L V U Z L D C E N K N E I V D Q A I E M
Z X B Y S P K W H A E D P L X Q E N Y A
T Z L C U B L I R Y L N N G B V P A Y F
A L R R A O A U O O N O X L M M J L L Q
W K U M Y G B Q B S O I P H C E M C E B
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CROSSWORD

Across
1. Concern
3. Collateral
5. Interest
7. Women
9. Irish Aid

Down
2. Empowerment
4. The Gambia
6. Credit
8. Savings
10. Credit Unions

Answers...

QUESTION SHEET CREDT UNIONS

1. There are over 500 Credit Unions in Ireland…so there should be one in your area

2. The first credit union was established in Ireland in 1958 to ensure that everybody had access to financial services. Credit unions were established at a time when low and middle income earners were mainly ignored by the major financial institutions.

3. On the Island of Ireland there are over 3 million credit union members and the total value of their savings currently stands at €12.6 billion.

4. A credit union is a group of people who save together and lend to each other at a fair and reasonable rate of interest. Credit unions offer members the chance to have control over their own finances by making their own savings work for them. Regular savings form a common pool of money, which in turn provides many benefits for members.

5. A credit union is a non-profit making co-operative based in the community/workplace. The credit union is owned by its members and all members have equal rights. The credit union exists only to serve its members and not to profit from their needs. When a member saves money they are allocated shares which attract a dividend, this is money paid to members from the profits of the credit union.

6. The common bond is the factor that unites the members of the credit union, it's what they have in common. It is because of the common bond that all members have the good of their community in mind, they know and trust each other. The common bond ensures that the savings of members are available to fellow members as loans.

   The 3 types of common bonds are as follows:
   Community bond - all members live or work in the locality
   Occupational bond - all members are in the same occupation or work for same employer
   Associational bond - all members are in the same society or association.

7. Credit unions offer people security and easy access to savings and control over their own finances. There are no account maintenance fees or hidden loan charges and they offer advice on a regular savings programme. Credit unions offer Loan protection (the debt of the member dies with them) and Life Savings insurance to members at no direct cost.

   The member earns money in the form of dividends on their shares. Credit unions have flexible opening hours-many are open late in the evening or on Saturday mornings. Members have the knowledge that savings are being used in their own community.

8. A member has a right to a say in how their credit union is run as the members own the credit union. The best way to exercise this right is to attend the Annual General Meeting (AGM) where each member has one vote no matter how many shares they have. The Board of Directors is elected by the members at this meeting.

   The member has the right to know how the credit union is being run and performing and a responsibility to contribute to the effective and fair running of the credit union.

Notes

ILCU FOUNDATION

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design_**www.reddog.ie**

Irish Aid
Department of Foreign Affairs
An Roinn Gnóthaí Eachtracha

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