Conference Presentations

A Personal Perspective on the Evolution of Microcredit in the Late Twentieth Century

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Microenterprise development and microcredit have been central to my professional experience in development for the past twenty years.

In this paper, designed to offer some observations on microcredit practice, I will use highlights of my own experience to illustrate the evolution of the sector. I will start with my earliest encounters with microenterprise development in Botswana in the early 1980s, proceed to my most significant microcredit experiences during the 1986-1996 decade at Calmeadow, a specialized Canadian NGO, and complete the journey on Canada's East Coast at St. Francis Xavier University's Coady International Institute.

Although microcredit existed in traditional forms long before the early 1980s and formal microcredit efforts have certainly been identified early in this century, I believe that my own experience working in the sector parallels fairly closely the widespread emergence of the sector in developing countries and in Canada.

1980 Botswana - Microenterprise and the Identification of the Demand for Microcredit

In 1980, I was assigned to the post of Rural Industrial Officer, working for the Botswana Ministry of Commerce and Industry based in Kanye. The job entailed doing whatever it took to encourage the development of new enterprises and expand existing ones throughout the rural villages of the Southern District. It involved: organizing technical and business skills training; identifying, developing and promoting new technologies; providing infrastructure support; identifying markets for local products; and putting people in touch with a variety of business support services. The one missing element was capital.

The purpose of the rural industrialization strategy was to improve employment opportunities for local people and increase their incomes in order to reduce poverty. These basic goals were common to many small enterprise development programs of that time and have endured to the present day.

The term microenterprise was not yet in common use in Africa. In 1981 the United States Agency for International Development sponsored the 'Pisces Studies: Assisting the Smallest Economic Activities of the Urban Poor'. These studies were instrumental in drawing distinctions between the small enterprise sector and the microenterprise sector. 'Pisces' played a large role in starting to popularize the term "microenterprise." Prior to that the International Labour Office had officially approved the term "informal sector." The two are often used interchangeably. Microentrepreneurs are people who farm or fish or herd; who operate enterprises where goods are produced, recycled, repaired or traded; who provide services; who work for commissions; who gain income from renting out small amounts of land, vehicles, draft animals or machinery and tools on a very small scale in both rural and urban areas.[1]

Other actors promoting microenterprise development in Botswana included local organizations such as Brigades and international non-governmental organizations (NGOs) such as Partnership for Productivity. The focus, again typical of the era, was the promotion of production enterprises rather than commercial or service sector businesses. It was believed that production enterprises had the greatest potential for growth and employment generation. This bias did end up being a great disadvantage to women who were represented in large numbers in the service and market trade sectors. Also characteristic of the period was the tendency to refer to women's businesses as income generating activities or projects. It was also fairly 'traditional' female productive activities such as sewing, knitting, craft production, poultry raising, etc. that were promoted. Some exceptions to this practice were the support provided for women's involvement in small-scale mining ventures and for the gathering of desert plants for export to florists in Europe.

Important early subsector research was undertaken during this period by my colleague, Steve Hagglade, who was the Senior Rural Industrial Officer. In addition to carrying out his professional duties with the Ministry of Commerce and Industry, Steve was conducting his doctoral research on Botswana women and the small-scale beer brewing industry. His work was part of a larger research initiative, focussed on the African Rural Economy, headed by Carl Liedholm at Michigan State University. These studies played a critical role in exposing the nature and extent of the small and microenterprise sector in Africa. One final comment on the Botswana experience is that the lack of any financing mechanism was identified as a genuine hindrance to the rural enterprise development efforts. In response to this, the Financial Assistance Program (FAP) was introduced by the government of Botswana in 1984. Typical of many early financial interventions, FAP had significant grant and subsidized credit elements. It was designed based on the assumption that small and microenterprises required capital to invest in assets or to use as working capital, but they could not possibly have the capacity to repay loans at commercial rates of interest. The FAP was therefore clearly not designed to be self-sustaining.

1983 A State of the Art Review of Donor Assistance to the Sector – CIDA

In 1983/84 the Canadian International Development Agency (CIDA) undertook a worldwide review of what donors, the multilateral agencies (i.e., United Nations, World Bank, etc.), the regional development banks, the bilateral agencies (i.e., USAID, Swedish SIDA, Norwegian NORAD, British ODA, etc.), and other non-government agencies (i.e., Ford Foundation, ACCION International, Catholic Relief Services, etc.) were developing or supporting in the small scale enterprise sector. I had the good fortune to be a research associate on the study and conducted most of the interviews in the United States, Canada and a sample of countries in Africa including Egypt, Tanzania, Kenya, Ivory Coast and Burkina Faso.

The Americans were very actively promoting microenterprise development and microcredit by this stage. USAID supported the sector through research and financing their own bilateral programs as well as those developed by NGOs. One such NGO, ACCION International, had converted itself from a multipurpose NGO to one that focused exclusively on microcredit. ACCION was one of the first to experiment with group lending in Latin America.

Grameen Bank in Bangladesh was also identified as an up and coming microcredit initiative and had started to use groups as the basis for lending.

A lot of what was happening in the sector was fuelled and/or shaped by the donors. Microenterprise and microcredit projects started to proliferate. In many cases they were components of a larger development intervention. Africa did not have the successful examples of microcredit emerging in the way that Asia did with Grameen, BRAC and Proshika and Latin America did with the ACCION network of partners.

This was a period of discovery and legitimization for the microenterprise sector and an exciting early time of experimentation in credit and other small and microbusiness services.

1984 Indonesia - Observations on ROSCAS

Although Indonesia is well known in the microfinance world for its Bank Rakyat, Indonesia (BRI) and its BadanKredit Kecamatan (BKK) initiatives, I had very limited exposure to these rural, large-scale state initiatives. The BRI and BKK are examples of large scale, profitable financial institutions that were tremendously successful in capturing people's savings. Unlike the experience of their NGO counterparts in other parts of the world, in their case, credit followed savings.

The microfinance activities I did witness on a regular basis in Sulawesi, where I was a rural development advisor from 1984-1986, were like the BRI and BKK in that savings came first. What I am referring to are the arisan, the indigenous savings and credit groups prevalent in villages, neighbourhoods and among office workers. My office, for example, had several arisans going. This simple system involves members of a group contributing a set sum of money on a weekly or monthly basis to a common pot and then each member taking turns in receiving the pot for investment or consumption purposes. The generic name for systems such as arisan is ROSCA—rotating savings and credit association. These are very common throughout the world and come under a variety of names: *hui* (Vietnam), *partner* (Jamaica), *pasanaku* (Bolivia), *susu* (Ghana), *tontine* (Mali), *chikola* (Kenya), *stockkvel* (South Africa) to name a few. The other most common source of credit in Indonesia was the moneylender. In our local area, moneylenders tended to be shopkeepers or senior government officials. Again this informal credit source is in evidence in most countries.

1986 Calmeadow - Breakthroughs in the South and the South Instructs the North on Microcredit Practice

From 1986 to 1996 I worked for an organization called Calmeadow based in Toronto. This decade truly was the golden age of microcredit development in the south and in Canada. Calmeadow was a leader in the sector. In 1985, Calmeadow was a new foundation with a modest endowment and one central idea. Most people in the world earned a living from a microenterprise of one type or another. With limited access to credit, their ability to improve their income and employment opportunities was limited. Calmeadow was dedicated to promoting the proliferation of successful microcredit facilities throughout the developing world. To this end, Calmeadow sponsored a conference at the Couchiching Conference Centre, north of Toronto which brought together all of the microcredit gurus of the mid 1980s including Muhammed Yunus of Grameen Bank, Mary Houghton of the South Shore Bank in Chicago, representatives from ACCION International in Latin America and others. There were no Canadian gurus in the mix, but the audience was primarily Canadian NGOs. Calmeadow's intention was to get these Canadian NGOs excited about microcredit and then offer small grants as an incentive to become involved in microcredit programming in developing countries.

The Canadian NGOs did not embrace the concept. On the contrary, many expressed concerns, based on ideological grounds, that microcredit and microenterprise development were counter developmental because they were supporting petty capitalism and perpetuating the marginalization of poor people. Calmeadow's response was to get into the business directly by transforming itself from a funding organization into an operational one. If the other Canadian NGOs weren't interested in microcredit, Calmeadow would have to get involved directly.

In 1986, Calmeadow was busy learning everything it could about microcredit practice by informally apprenticing itself to ACCION International and co-sponsoring microprojects in Latin America. In that same year, Martin Connell, the President and co-founder of Calmeadow, decided that it was time for the organization to get involved in its own backyard. This is where I came in. I was hired in 1986 to help Calmeadow design and deliver a microcredit program for Canada's First Nations Communities. Over the years I worked in both domestic and international programming and ultimately became its first executive director. For clarity and ease of comprehension, I will start with the evolution of Calmeadow's involvement in microcredit internationally and then follow with a description of how the domestic programming developed and why.

In its first decade of operations internationally, Calmeadow's understanding of the microfinance sector grew tremendously and its niche became very clearly focused and defined. It made the journey though experience, from subsidized credit to commercial intermediation. On the heels of the Couchiching Conference and the First Latin American Workshop of Solidarity Group Programs in 1985 in Bogota, Colombia, Calmeadow plunged into partnerships with ACCION in Brazil, Colombia, Peru and Mexico. Calmeadow's role was learning, co-funding (also attracting CIDA funding) and trying to stay one step ahead in order to be able to offer advice and in some cases, a vision. The partners in all cases were local NGOs.

Calmeadow was always pushing its partners to improve the participation rate of women. Calmeadow was keen on women's participation for three reasons: women are more credit disadvantaged than men (equity), women tend to share the benefits of an improved income with family and the community (impact) and women have proven to be better credit risks (good business).

Although Calmeadow did have a bias in favour of solidarity group lending (one loan shared by a mutually responsible small group), or peer group lending (individuals in a group each receive a loan but are responsible to each other for repayment), other forms of credit delivery, such as village banking and individual/direct lending, were practised by some partners.

As Calmeadow matured and developed its own expertise, it expanded its partnerships to Africa and Asia. Dr. Yunus of the Grameen Bank joined the Calmeadow Advisory Council. He was demonstrating in Bangladesh that lending to poor people could be done on a large-scale basis, that poor people could reliably repay loans, and that a permanent banking institution for the poor could supplant the earlier NGO credit projects. Dr. Salehuddin Ahmed of BRAC in Bangladesh was advising that 'small is beautiful' but 'large is necessary' because the need and the demand for credit are so vast. He also preached institutional self-reliance, stating that reliance on donors could leave an organization vulnerable and subject to other whims.

In the late 1980s, Calmeadow was evolving into a much more technically sophisticated organization. It had identified its three goals for partnership development. A partner would need to be committed to having a significant *impact* on the poorest of the economically active population. They would also have to have the vision and desire to achieve *scale*—reach large numbers of people and *sustainability*—be able to do so and cover costs with revenues from products and services.

Calmeadow started to take partners from other parts of the world to Bangladesh to see the Grameen Bank in order to inspire them and learn what it takes to scale up and institutionalize while still focussing on lending to the poor and women in particular. On one trip we took Pancho Otero of PRODEM, Bolivia, Carlos Costello of ACCION, Colombia and Oscar Giraldo of Actuar, Bogota. Pancho and Oscar ran very large, successful NGO microcredit programs. They had adopted the conventional wisdom of the day as promoted by ACCION and Calmeadow. They believed in 'minimalist credit'. That is to say that they focussed efforts largely on credit delivery without providing many other business services. This minimalist approach is based on the assumption that microentrepreneurs know what they are doing and also on the need to keep delivery costs down. They believed in charging rates of interest, which incorporate the full costs of operating and financing the lending operation. They also agreed that strict discipline and strict repayment enforcement were essential for the health of the loan program. What their organizations were lacking were the vision and the mechanisms for creating large scale, sustainable, permanent microfinance institutions.

Calmeadow entered a new phase which saw it define itself as an organization which assisted microlending initiatives to scale up their operations in significant ways and transform themselves into permanent, sustainable and ultimately profitable financial institutions. This involved playing a technical consulting role, an investment role and a broad information dissemination role. New staff members with finance and banking backgrounds were required. New investment vehicles were needed and new mechanisms for disseminating lessons learned to the sector had to be developed. This was a completely new approach and it did not develop overnight.

The first and best example of this was Calmeadow's role in the creation of Banco Sol in Bolivia. PRODEM, a highly successful microlending NGO, founded in 1984, and a member of the ACCION network in Latin America, was inspired to create a bank for a number of reasons. There was tremendous demand for its services but its growth was constrained due to the limited donor capital available and the regulatory restrictions that prevented it from capturing local savings to finance its growth. It needed capital and it needed a new structure. Calmeadow in cooperation with ACCION, came in with financial and technical support for a two-year transformation project called COBANCO (1990-1992). This project involved conducting a feasibility study, creating a business plan for the bank, working through the regulatory issues with the government and raising the investment capital to finance the new bank.

In February of 1992, I attended the official opening of Banco Sol in La Paz, Bolivia. This truly marked a new era in microfinance. It was the first time a fully commercial microfinance institution was created. It was not simple and there have been growing pains as it struggled with management issues, its lack of experience in capturing savings and defining an appropriate governance structure. Overall, however, Banco Sol has been a tremendous success, with 73,073 active clients as of 31 December 1999. It has been an inspiration to many others. Calmeadow now had a position on the board of the bank along with the other investors. PRODEM became the largest shareholder in the bank it created and turned its attention to developing an innovative model of reaching out to rural areas leaving the urban sites to Banco Sol. Calmeadow also remained a partner with the NGO, PRODEM.

Calmeadow became involved in other 'transformations' but none were as complete or as successful as Banco Sol.

To complement its technical role, Calmeadow helped to establish an innovative mechanism for raising equity capital for ventures such as Banco Sol. PROFUND, a new equity investment company was created to focus on newly developing or expanding commercial microfinance institutions. It was financed by Calmeadow, ACCION, private business interests and donor agencies.

The Microfinance Network (MFN) was also created around the same time. It is an association of the elite microfinance institutions committed to large scale expansion and commercialization of microlending. The purpose of the MFN is to exchange information on best practices. Like Calmeadow and Banco Sol, all members of the Network believed that it is critical to attract private sector capital in order to be able to meet the enormous, unsatisfied demand for microfinance services in all regions of the world. Donor resources were fickle and insufficient. Issues such as effective savings mobilization and institutional grievance were explored by the network. Calmeadow became the institutional home for the Microfinance Network.

As Calmeadow was learning and leading over the past decade, the microfinance sector was growing at a tremendous rate. In 1995, the World Bank undertook a survey to attempt to enumerate and characterize what was happening in the sector. The results, as of mid-1996, indicate that there are more than 1,000 microfinance institutions in over 100 countries, each reaching a minimum of 1,000 clients with at least three years of experience. Of the 206 that responded to a survey, 73 per cent were NGOs, 13.6 per cent were Credit Unions, 7.8 per cent commercial banks and the rest savings banks. The total outstanding loan balance reported by the survey respondents was US$4 billion, with 14 million loans to individuals and groups and US$19 billion in deposits, comprising approximately 46 million savings accounts.

Commercial banks accounted for 78 per cent of the total outstanding microloans, Credit Unions for 11 per cent, NGOs for 9 per cent and Savings Banks for 2 per cent. Of the Institutions surveyed, 69 per cent were created after 1980, the majority NGOs.[2]

The February 1997 Microcredit Summit gathered many of these institutions from around the world to commit to an even greater push for growth over the next few years. The Summit's goal was to reach 100 million of the world's poorest families, especially women, with credit for self-employment and other financial and business services by 2005. It was estimated that an investment of US$21.6 billion would be required.

Most of this activity will take place in developing countries where the demand and the need are greatest and where there is a proliferation of organizations involved. There is, however, a growing microenterprise sector in Canada that warrants some discussion.

In 1986 when Calmeadow was still early on in its international partnerships, the board decided it was time to initiate programming in Canada. The term microenterprise was not yet in common use in the Canadian context. Self-employment and home-based business were commonly used, although these were not all small in scale. A recent study conducted by Calmeadow for the Department of Finance on 'The State of Microcredit in Canada', spells out a number of interesting facts on the nature and extent of the microenterprise/self-employed sector in Canada.[3] Microenterprises are:

1. Majority run by women
2. Typically earn less than the waged employment sector
3. Are found in large numbers in large cities with heavy immigrant representation
4. Gross, as an average from all sources, a monthly income of $2,400
5. Have very little collateral, few personal assets
6. Very young businesses with 30 per cent created in the last twelve months and an average overall age of two years.

By 1996 there were 850,000 microentrepreneurs in Canada, 47 per cent of the 1.8 million self-employed.

1. Since 1989, 17 per cent of all Canadian workers are self-employed and three-quarters of all job growth has been in self-employment
2. The self-employed sector grows on an average of 5.5 per cent per year

The microcredit providers (business loans below $25,000) are:

1. Private financial institutions - 405,000 clients
2. Government loan programs - 19,000 clients
3. Microloan funds - 1,200 clients

The study identified thirty-four non-profit loan funds and the five largest serve 80 per cent of the 1,200 clients.

None of these non-profit initiatives were in place in 1986 and there was very little information available on the sector at that time. Calmeadow decided to start with a program for First Nations communities. They were chosen because they were economically disadvantaged. People living on reserves had legal impediments to accessing capital because they could not use their land as collateral on loans. It was legally held it in trust by the Crown.

In order to prepare for this initiative Calmeadow undertook two different kinds of research: one, which delved into the nature and extent of the microenterprise sector on three Ontario reserves, and one which looked at microcredit models.

The research on the sector was illuminating. Gord Cunningham did a thorough study of the economy of the Wikwemikong First Nation on Manitoulin Island.[4] His study uncovered a far more vibrant microenterprise economy than was expected. One in three households were involved in some form of microenterprise activity. Most of these were part-time. Lynn Convery found a similar situation in Sachigo Lake, a fly-in community in northwestern Ontario.5 People were earning a living through "income patching." They were involved in some seasonal employment, some received social assistance and many were engaged in a whole variety of microenterprises. One man in Sachigo had ten different microenterprises including completing tax returns, cutting firewood, delivering water and setting up a hot dog stand at outdoor religious revival functions.

For research on microcredit models, Calmeadow turned to its international experience. The pilot Native Self-Employment Loan Program (NSELP) was launched in 1986, drawing heavily on the Grameen Bank and ACCION models of group lending. At the time there were a number of other similar loan funds in the design phase in the United States. In October 1987, Calmeadow was the first organization in North America to issue a microloan using the peer group lending method imported from the South. Wikwemikong established the OssGobWehTodWin Loan Fund. The name meant 'to witness' or 'to stand beside' in Ojibway.

The NSELP pilot initiative was successful in many ways. Microloans were made with the participation of the local commercial banks through a guarantee scheme. Most loans were repaid. Calmeadow learned a lot about the communities and how to improve the lending model. The program was able to demonstrate that there is significant potential for microenterprise development in First Nations Communities and, most importantly, demonstrated to the skeptical Canadian public that First Nations people are bankable and could be good credit risks.

Buoyed by this early success and fueled also by its experience internationally, Calmeadow decided to expand its Canadian operations. It created a national program for First Nations communities called the First Peoples Fund. It also created other loan funds in Nova Scotia, Vancouver and then in Toronto.

Funding for these initiatives did not come from government. Calmeadow wanted to keep the funds free from government or political influence and also wanted the borrowers to take repayment responsibilities seriously. Instead, the funding came from foundations and the private sector. The Royal Bank of Canada was a large supporter, providing operating grants, and allowing some of the loan funds to piggyback on their lending infrastructure.

The First People's Fund worked with any First Nations community that wanted to establish and manage their own loan fund. Calmeadow provided the basic model, training and technical assistance for the community members responsible for the local fund and a partial guarantee with the banks. In Nova Scotia, Calmeadow started with a pilot fund in Lockeport called PARD. After some initial success that model was modified and incorporated into a province-wide initiative. Calmeadow Nova Scotia became a separate non-profit organization with its own board of directors and separate charitable status. The PAL fund in Vancouver that originally partnered with the small CCEC Credit Union, went through a phase of expansion under the Calmeadow West name with a new partnership with the Royal Bank. In 1996, in a move to ensure long term sustainability, it was taken over by Van City Credit Union, one of Canada's largest Credit Unions.

Calmeadow Metrofund in Toronto was Calmeadow's last fund to be initiated directly. In this case, Calmeadow did the lending itself.

All Calmeadow funds used the peer group lending model whereby groups of four to seven individuals came together to guarantee each other's loans and provide support to one another. People started off with loans of up to $1,000 and over time, if they repaid their loans and the other members of their group did the same, they could work their way up to loans of $5,000. Individual loans of higher value were built into the business plans for subsequent phases of Calmeadow Nova Scotia, Calmeadow West and Calmeadow Metrofund.

There were efforts in all funds to attract women. The goal was to reach at least 50 per cent women. In each of the First People's Fund communities, Calmeadow imposed the rule that the first group had to be female. The intention was to send a message to the community and to the women that the fund was for them.

As awareness of the self employed sector grew, as word of Calmeadow's early successes spread and as the Grameen Bank gained a higher international profile, other groups and communities expressed an interest in starting up microloan funds. Calmeadow responded by creating a special unit called the Technical Support Group to provide training, technical advice and materials to other Canadian communities.

At the same time as this was happening in Canada, loan funds were springing up all over the United States. Out of these, a close knit group formed which included Calmeadow, ACCION, Working Capital based in Boston, The Women's Self Employment Project in Chicago, the Good Faith Fund in Arkansas, the Lakota Fund on the Pine Ridge Reservation in South Dakota, Nebraska Microenterprise and the three pilot funds of the North Carolina Rural Centre. With the support of the Ford Foundation, the group assembled in 1993 at the Couchwood Centre in Hot Springs, Arkansas with their Bangladeshi counterparts/gurus from BRAC, Proshika and Grameen. The Group took stock of their accomplishments to date and their challenges for the future.

Introducing microcredit into Canada and the United States was not easy. The three goals of impact, scale and sustainability were elusive and much more difficult to achieve in this North American context. The movement, largely inspired by the success of their overseas counterparts, was struggling to sustain its credibility.

At the Microcredit Summit in 1997, I made a presentation on sustainability of microcredit initiatives in industrialized countries. I spoke about there being a number of internal and external factors that contribute to or detract from a microcredit organization's ability to attain sustainability. Although impossible to generalize, the following external preconditions are often present in the developing country context.

There the microenterprise market is large. It is often more than 50 per cent of the population. It is concentrated. It is visible and often experienced. You can see the microentrepreneurs and see what they are doing, in marketplaces, on sidewalks, in front of their homes, etc. Economies of scale are possible in this context. Survival is often solely an individual and family responsibility. There is no social safety net. There is a large, unsatiated demand for credit.

There is information available on the sector now and it is relatively well understood. With fifteen to twenty years of experience there are successful models such as Banco Sol and Grameen Bank to learn from.

There is relative freedom in setting interest rates. Two to four per cent per month is not uncommon. This is critical to generating the revenue required to cover costs. Delivery costs are relatively low due to local wage structures and there are relatively few regulatory impediments to microenterprise development. Someone wanting to start up a microenterprise can just hang their sign out and do it.

In industrialized countries attaining scale and self-sufficiency is much more difficult. First of all, the microenterprise market is much smaller. The microentrepreneurs are not necessarily poor or low income. More entrepreneurs are better educated but less experienced in business. They are often home based and therefore invisible. The market is not as well understood. Businesses are often more complex and are operating in a more complex marketplace. Demand for credit is not as great, as people may have other options such as credit cards.

Both microenterprise and microcredit are relatively new concepts. Market demand is both latent and suppressed because:

1. There is a regulatory environment which discourages micro- and in particular home-based businesses;
2. There are often disincentives built into the social assistance system.

The needs for some may be greater than for credit. Delivery costs are higher due to human resource expenses and there is less latitude on interest rates. This is due to usury laws, public attitudes and conflicting public perception - charitable organizations supported through donations charging high rates. In spite of more than ten years of microlending experience in North America, there are no relevant, fully self-sufficient models to look to.

In addition to these external factors there are also a number of internal factors that have impeded self-sufficiency of North American microcredit initiatives. First, they may not have self-sufficiency as a goal. Many were not and still are not striving for self-sufficiency. Many, like early overseas initiatives, take a short-term project or program approach instead of a more long-term institutional approach. Finally, many suffer from a confusion or lack of clarity on who the client is. Does one use a broader definition of credit-disadvantaged or a more strict low-income definition of the client group?

These factors and the small numbers identified in the recent Calmeadow study on the State of Microcredit in Canada are discouraging for the people involved.

There are, however, some positive opportunities. It is clear from the recent statistics that the sector is growing rapidly and the awareness of its importance is increasing. There is a large amount of capital in North America and a growing interest within the financial sector in this emerging market. New technologies, such as credit cards and Internet banking, have the potential to improve efficiency and effectiveness. It will be up to the innovators, be they in the private, government or non-profit sectors, to come up with the next breakthrough in this area.

The goal of creating a large-scale sustainable microlending venture in Canada is still elusive even for Calmeadow, who has been the leader in this field.

1997 The Coady International Institute - The Member-Based Solution to Sustainability

I was appointed Director of the Coady International Institute at St. Francis Xavier University in January 1997. The Institute was named to honour Rev. Dr. Moses M. Coady, first director of the StFX Extension Department and a leader in the Antigonish Movement. The Movement combined a popular approach to adult education and economic cooperation to solve the severe economic and social problems facing the people of the Maritime region in the late 1920s. It became well known for its promotion of successful cooperative ventures in communities. It was influenced by the social encyclicals of the Catholic Church, the Rochdale principles in England, Alphonse

Desjardins and the Caisse Populaire movement in Quebec and Roy Bergengren and the U.S. Credit Union movement.

Many of the credit unions in existence in English speaking Canada today can trace their origins back to Antigonish and the work of Moses Coady. A number of the credit union systems around the world can also trace their origins or their development to Coady.

The Coady International Institute was created in 1959 to extend the message and practice of community-based cooperation worldwide. It has done that through training community leaders at the Institute and working on the ground around the world.

Coady's involvement in microcredit is vast. It trains students from overseas in successful microfinance methodologies. It works or has worked on the ground with partners such as SEWA Bank in India, ASA in Bangladesh, SANASA in Sri Lanka and the Microcredit Project for women in Nepal. It assists other training organizations in developing countries to establish their own programs in microfinance. Recently, Coady was involved in research on poverty targeting in microfinance programs, through CGAP, the World Bank sponsored Consultative Group to Assist the Poor.

In all of these activities, the Coady Institute has a bias. It promotes a member-based model of microfinance. Like the early model promoted by Moses Coady, in his book *Masters of Their Own Destiny*, this model involves the ownership of community-based institutions by the people.[6] For Coady, sustainable, member-owned institutions are essential to achieving the important goals of economic, social and political democracy.

The credit union/financial cooperative model has been criticized for being slow to expand, but with the right combination of leadership, technical know-how and innovative capital injections and partnerships, this approach can foster both growth and sustainability. It also has tremendous potential for empowerment.

The SEWA Bank serves and is owned by 26,271 poor women in Gujarat State, India. It has grown successfully without injections of external donor financing.

Conclusion

Looking back, the past twenty years have been an exciting period of action research in the microfinance sector. Internationally, the emphasis has changed from enterprise development to microfinance or financial intermediation that includes credit, savings and insurance services and products. A number of large-scale, successful microfinance institutions have been developed. A much larger number of smaller programs are emerging at a fast rate worldwide. In spite of this, most people in the world still do not have access to institutional financial services. Although a large amount of NGO lending is targeted at women, they are still disproportionately underserved overall. No one has come up with the magic solution achieving that elusive goal of creating large scale, sustainable mechanisms for providing these services. This is because there probably is not any one solution. Hege Gulli, in *Microfinance and Poverty: Questioning the Conventional Wisdom*, states that 'the best route for poverty reduction through microfinance may be to combine narrowly targeted programs to assist the poor with broad steps to build a competitive, sustainable finance system that provides a wide range of small scale transactions'.[7] Innovation at home and abroad fuelled by commitment to reaching the hardest to reach will have to remain the priority as we go forward into the new millennium.

Endnotes

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