Community Accountancy
PUTTING ACCOUNTANCY TO WORK FOR ALL OF SOCIETY

IMPACT OF MICROFINANCE

FOR DISCUSSION ONLY
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The Tr-Ac-Net Organization

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COMMUNITY ACCOUNTANCY AND MICROCREDIT

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

The 16 Decisions of Grameen Bank Clients

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

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

Family Size
We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
<table>
<thead>
<tr>
<th><strong>Education</strong></th>
<th>We shall educate our children and ensure that they can earn to pay for their education.</th>
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<td><a href="#">Image</a></td>
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<th><strong>Cleanliness</strong></th>
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Water

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

Dowry

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

Justice

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

We shall collectively undertake bigger investments for higher incomes.

Helping each other

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

Community discipline

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

We shall take part in all social activities collectively.

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

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

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

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

**Progress of a community**

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

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

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

**Impact of MFI on Community.**

**Good MFI ... negative for community.**

- **Success of MFI comes from everyone else in the community...**
- **Community ... staying static**
  - **Non-MFI ... more stressed**
  - **MFI clients ... progressing**

**Impact of MFI growth?**

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

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

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

**Impact of MFI on Community.**

**Good MFI ... good for community.**

- **Community ... improving nicely**
  - **Non-MFI ... progressing as well**
  - **All the linkages of a dynamic economy**
  - **MFI clients ... progressing**

**Good Impact of MFI growth?**

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

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

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