1) **Title:** FINCA ANALYSIS: OUTSTANDING QUESTIONS IN MICRO-FINANCE

2) **Client:** FINCA International (from http://www.villagebanking.org/)

FINCA provides financial services to the world’s poorest families so they can create their own jobs, raise household incomes, and improve their standard of living. They deliver these services through a global network of locally managed, self-supporting institutions.

FINCA does not simply extend loans to low-income families; it helps to create community-run, community-focused credit and savings associations, particularly in areas untouched by the formal financial industry. The village banking method is highly participatory in nature. It gives the beneficiaries a voice and it involves them in the development process. Members not only receive loans, they form cohesive groups who manage and collect repayments on those loans, who save diligently and decide on ways to invest those savings, and progress together, forming networks for mutual support.

FINCA currently serves some 400,000 clients in 23,000 villages or neighborhoods located across 23 countries on four continents. In FY 2004 the FINCA International program network lent $230 million with an on-time repayment rate of 97.2% and an operational self-sustainability of 119%.

3) **Problems and Opportunities**

As micro-finance is approaching its thirtieth birthday the field has solved most problems of creating viable models for delivering capital to poor populations in developing countries, but there are still many outstanding questions about how microfinance impacts poverty. When does access to credit allow a borrower to accumulate enough assets to leave poverty? What are the limits of growth for a small business? FINCA has created a research team within its organization to collect and analyze field data in order to try and answer these ‘mysteries of micro-finance’. The Systems team will work with John Hatch, the organization’s founder and head of the research team, in order to try and answer some of these questions.

4) **Scope of the Work - Issues and Correlations of Interest:**

Students will work with a new data set that is currently being collected by summer interns along demographic, social, and income dimensions of the clients. They will also have access to past FINCA datasets from over 20 countries.

5) **Expected deliverable**

Expected deliverable would be a tool that can be used for field agents to better deliver micro-finance to the areas where it has the largest impact. Such a tool might be a training manual or a method of analysis derived from the student research, for example a manual that helps field agents as they begin the process of collecting their own data with the Client Assessment Tool.

6) **Skills Required**

The project will require a critical mass of students with:
- Overseas experience or residency (Peace Corps, etc)
- Desire to focus on data analysis
- Background in finance or micro-finance
- Interest in social science research