



## Microfinance Article Library

# MicroFinance Visionary Showcase, by Zvi Galor.

### Keywords:

*microfinance, microcredit, enterprise, interest rates, credit.*

### Note:

This very short piece offers an interesting and different approach to microcredit and microfinance, examining new roles for institutions and key players.

### Countries:

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I would like to present a slightly different approach to MicroCredit and to MicroFinance. For the purpose of this document these two terms are synonyms. The poor person needs finance when approaching any economic activities. Poor people are out of accessibility when requesting finance. Projects of MicroCredit nature, which offer finance to poor people, are of value. In many cases, worldwide, these projects are not reaching their target: sustainability in the ability of the poor to uplift himself from his actual position.

I would like to propose a different angle to look at MicroFinance projects role and achievements.

1. The MicroCredit enterprise belongs to its members, and provides them the best possible service at the lowest possible cost.
2. The MicroCredit enterprise allows its members-owners to save their money at a competitive rate of interest, the highest possible one. A rate of interest which takes into consideration the rate of annual inflation in the given country where this enterprise exists, as well as to be higher than that offered by any other financial institution for fixed deposits..  
It allows them to obtain credit when necessary, at a competitive rate of interest, the lowest possible one.
3. The MicroCredit enterprise exists to serve its members at best possible way. This means, no profit, no surplus. The enterprise would function on the basis that its total income would cover it operational expenses plus the interest paid to members on their deposits. Exactly.
4. The MicroCredit enterprise is aimed at the provision of credit to income generating projects. Not exclusively, but mainly. This credit is part of the Essential Triangle of Production (EPT), where the production process is inside a triangle. The triangle is composed of the Saving and Credit side, the Supply of Inputs side and the Marketing side. The connection existing on the angle between the Marketing side and the Credit Supply side, conditions the rate of success of the Income Generating Project.

This is a new concept of MicroCredit, and I hope you will consider it.

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