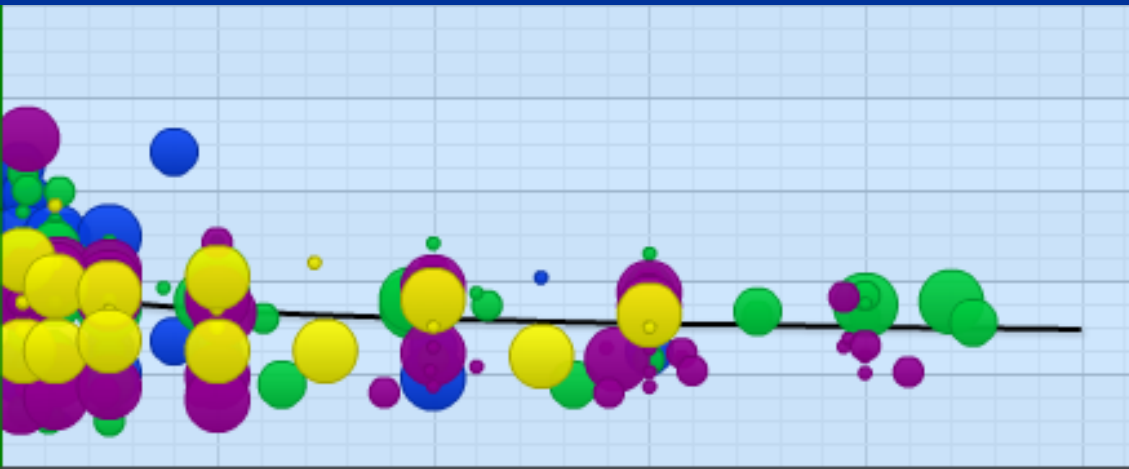


# Pricing, Profits, Financing, and Responsible Practice

Microlumbia Conference  
New York  
April 2012



# Prices and Profits

The prices we charge....



Generate the profit levels we reach



Profits attract investors, but...



How much profit do we need to attract investors while claiming the label of a “double bottom line” industry?

# Market Approach to Pricing

- Charge what the market will bear
- When supply doesn't meet demand, raise your price
- Make your price look attract to clients, bending the rules as much as legally allowed

# Which loan would you pick?

	Zero Interest Loan	Interest and Fees	And Savings	Interest Only
Loan amount:	\$1,000	\$1,000	\$1,000	\$1,000
Loan term:	10 weeks	10 weeks	10 weeks	10 weeks
Interest Rate:	0%	15% “flat”	12% “flat”	40% decl
Upfront fee:	5%	2%	1%	0%
Security deposit:	0%	0%	20%	0%

<b>APR</b>	<b>49%</b>	<b>47%</b>	<b>49%</b>	<b>40%</b>
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# Responsible Behavior is an Obligation

1. Microfinance take place in quite imperfect markets
2. Our clients are the very poor
3. We hold power, with power comes responsibility
  - Micro-credit is not an exchange negotiated between equal parties
3. The temptation of large profits can lead some to irresponsible practice
4. Irresponsible practice leads to client abuse
5. This repeats the pattern of the past 2,000 years.  
Microfinance was created to be an alternative path.

# Prices and Profits – 5 Years ago this week Compartamos (Mexico)

The Price	APR
w/o Collateral Deposit	105%
With Collateral Deposit	126%

The IPO in 2007 resulted in a 300-to-1 return on investment made in 2000.  
\$6 million turned into \$2 billion

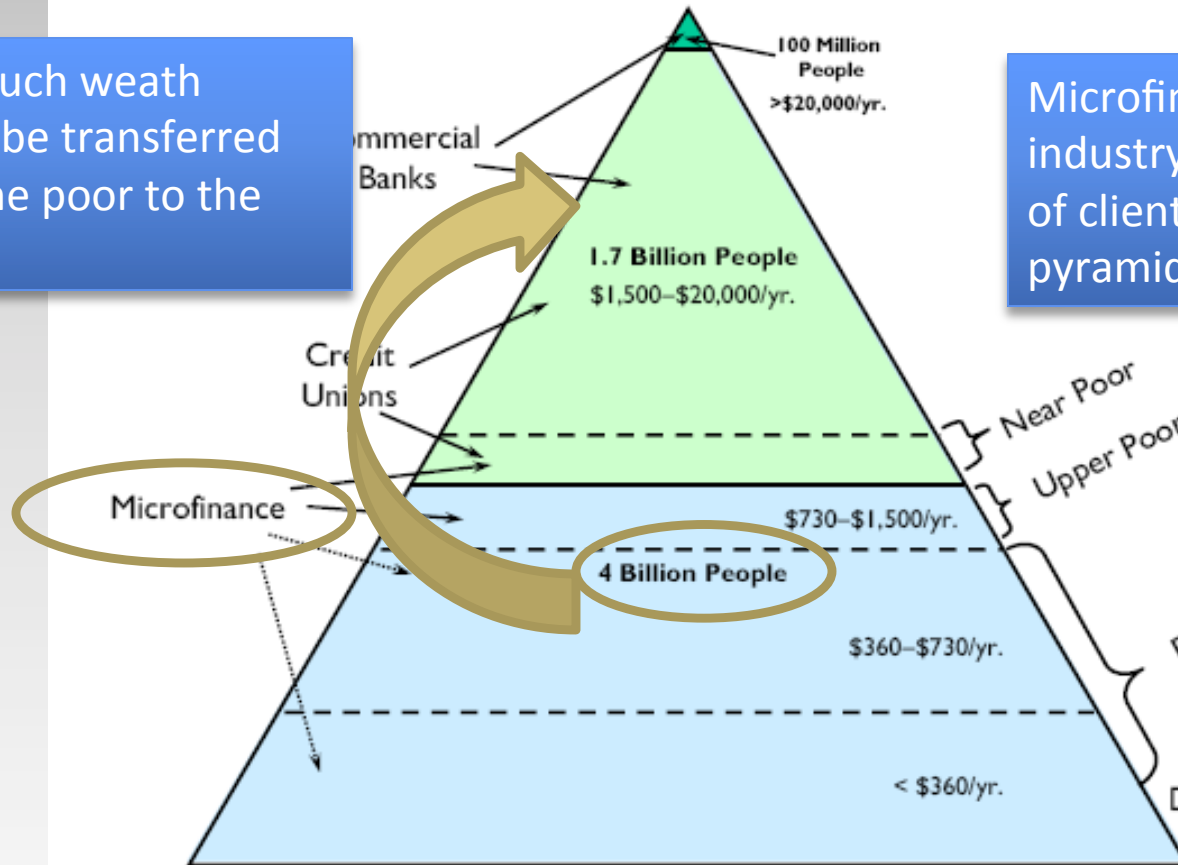
Year	ROE
2000	62%
2001	40%
2002	54%
2003	53%
2004	49%
2005	55%
2006	57%
2007	54%
2008	55%
2009	43%

# The Income Distribution Pyramid

## Microfinance Can Reach the Lower Income Levels

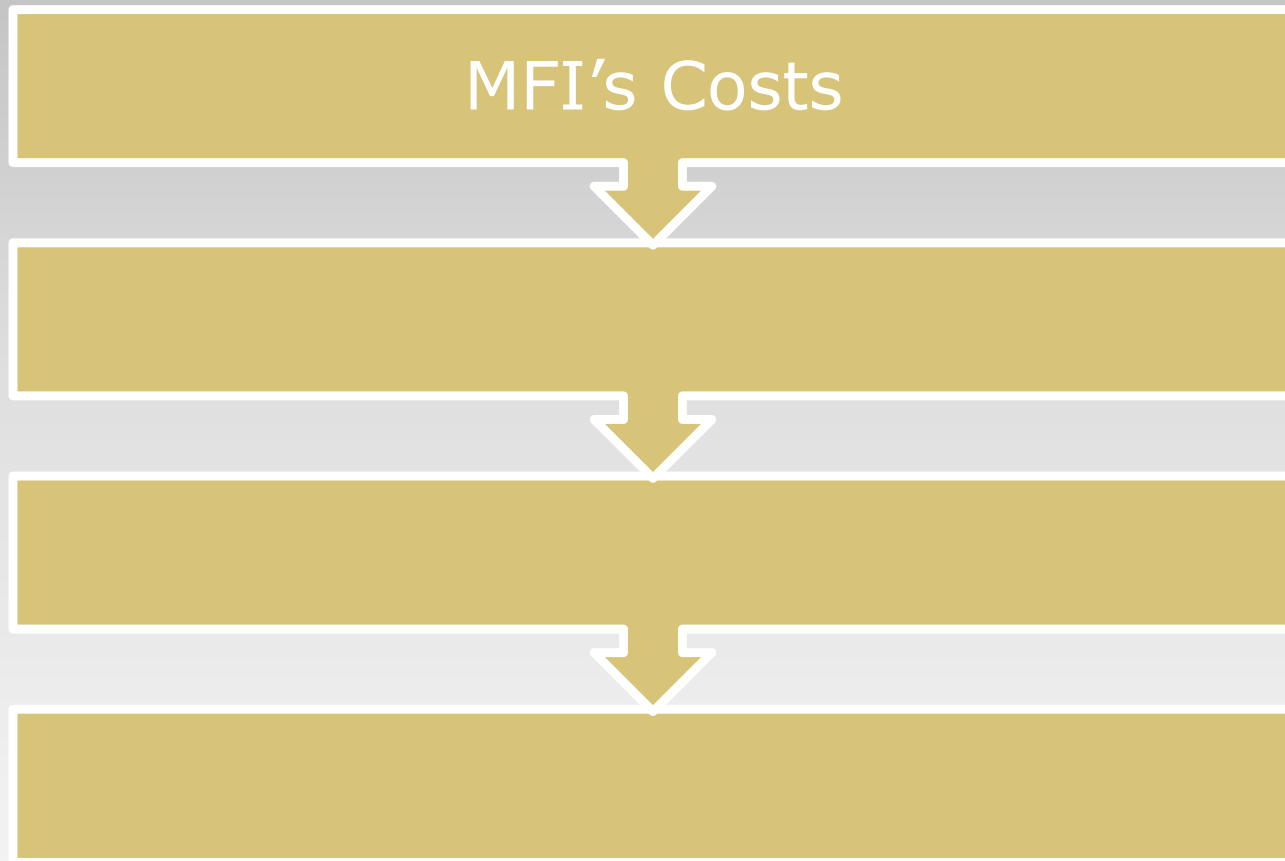
How much wealth should be transferred from the poor to the rich?

Microfinance is a rare industry with nearly 100% of clients at bottom of the pyramid.



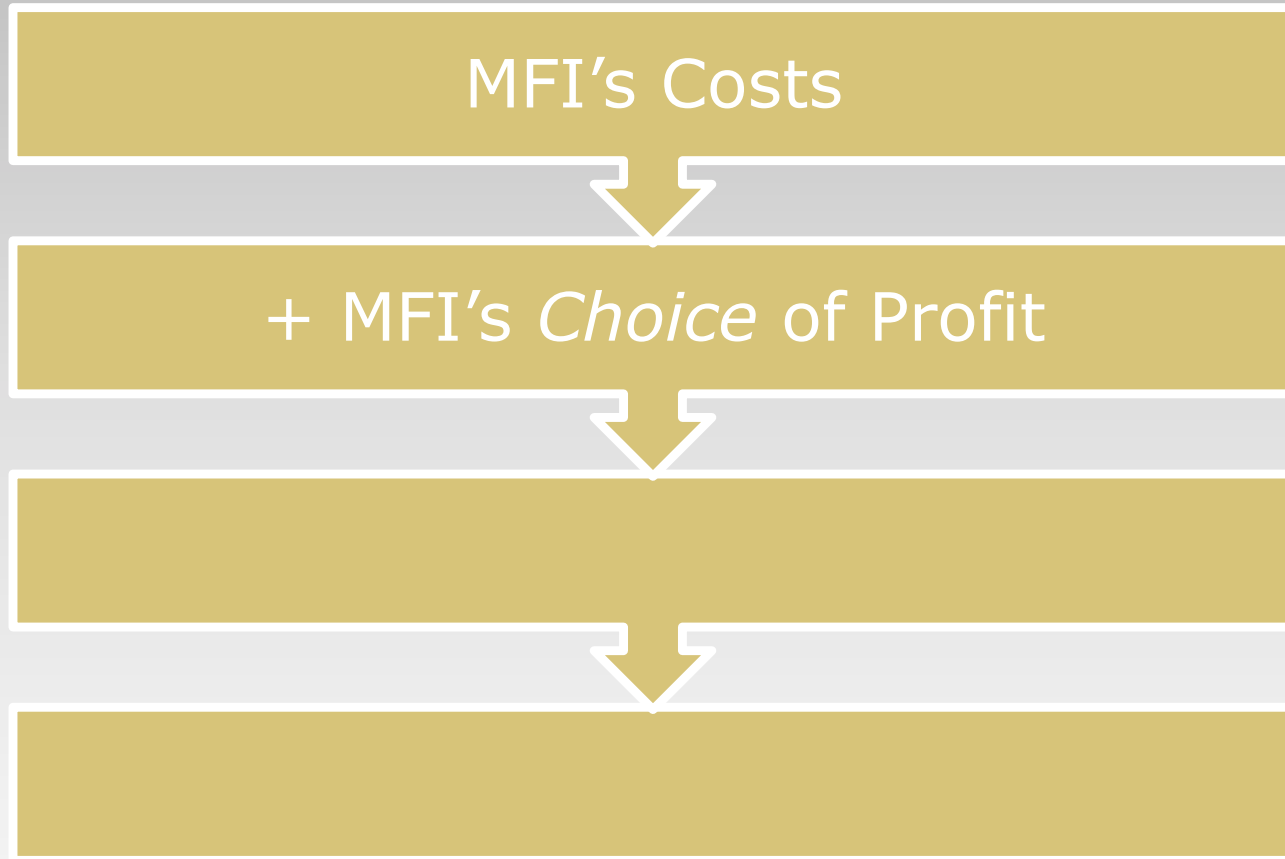
\*Sources: VISA International, World Bank, C.K. Prahalad

# Defining a Responsible Price

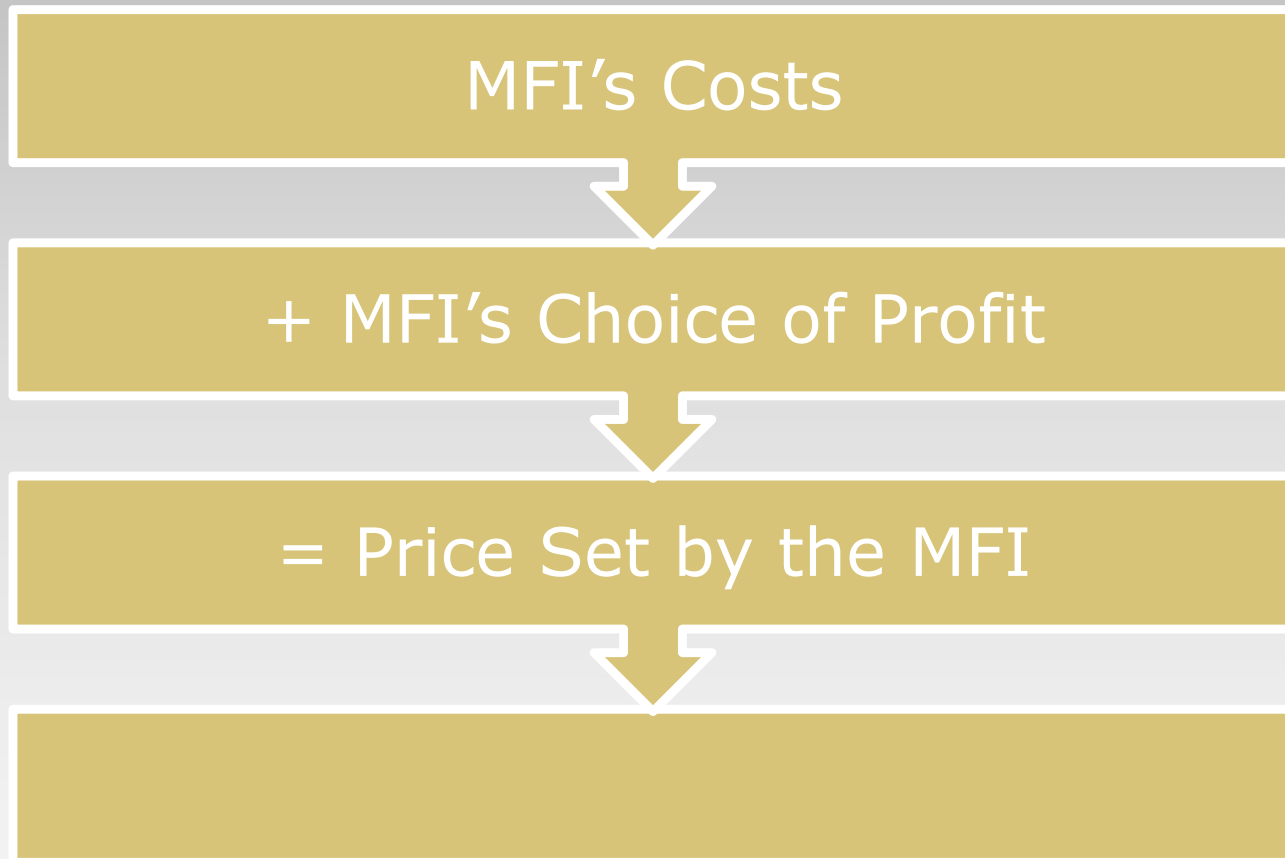




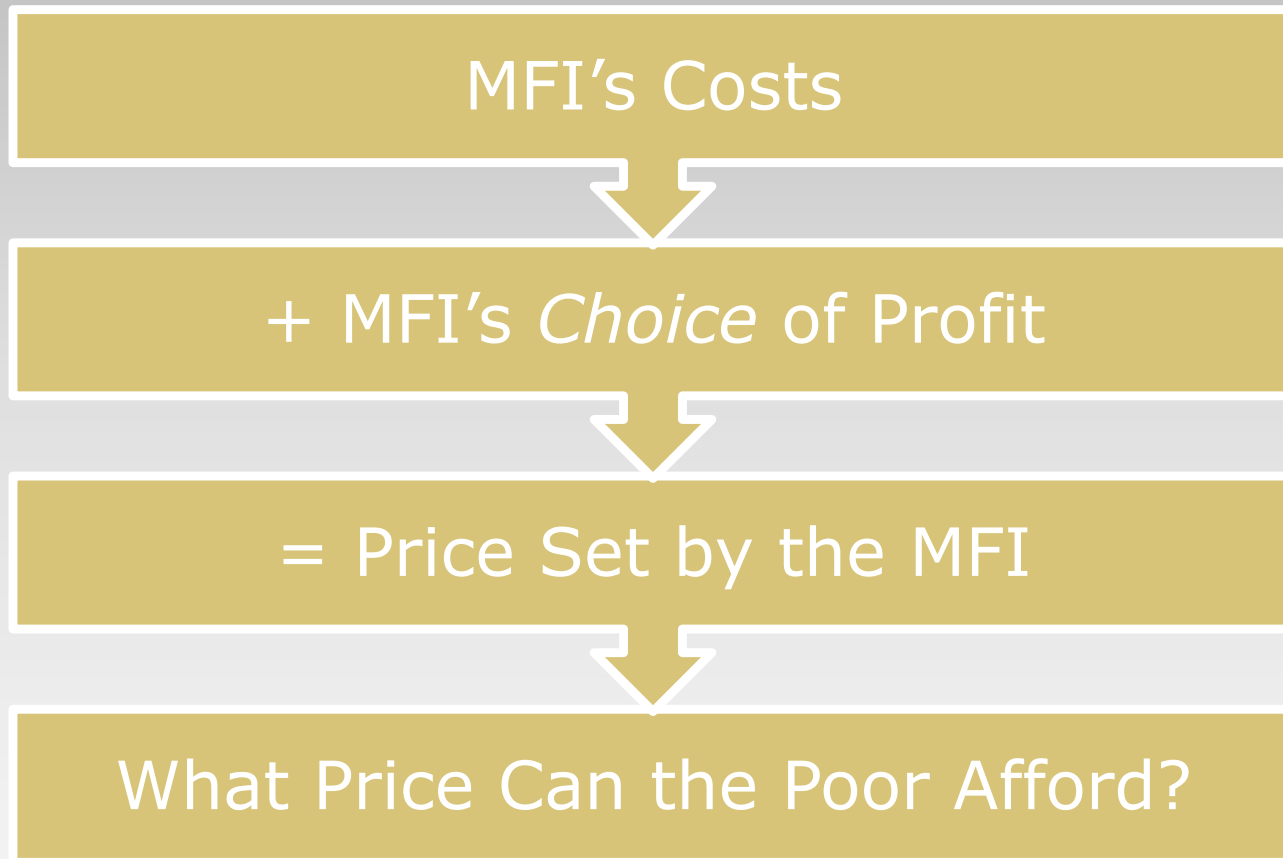
# Defining a Responsible Price



# Defining a Responsible Price



# Defining a Responsible Price



# Movement toward “Responsible Finance”

**Third Annual Responsible Finance Forum 2012**



**April 23, 2012 | Washington, D.C.**



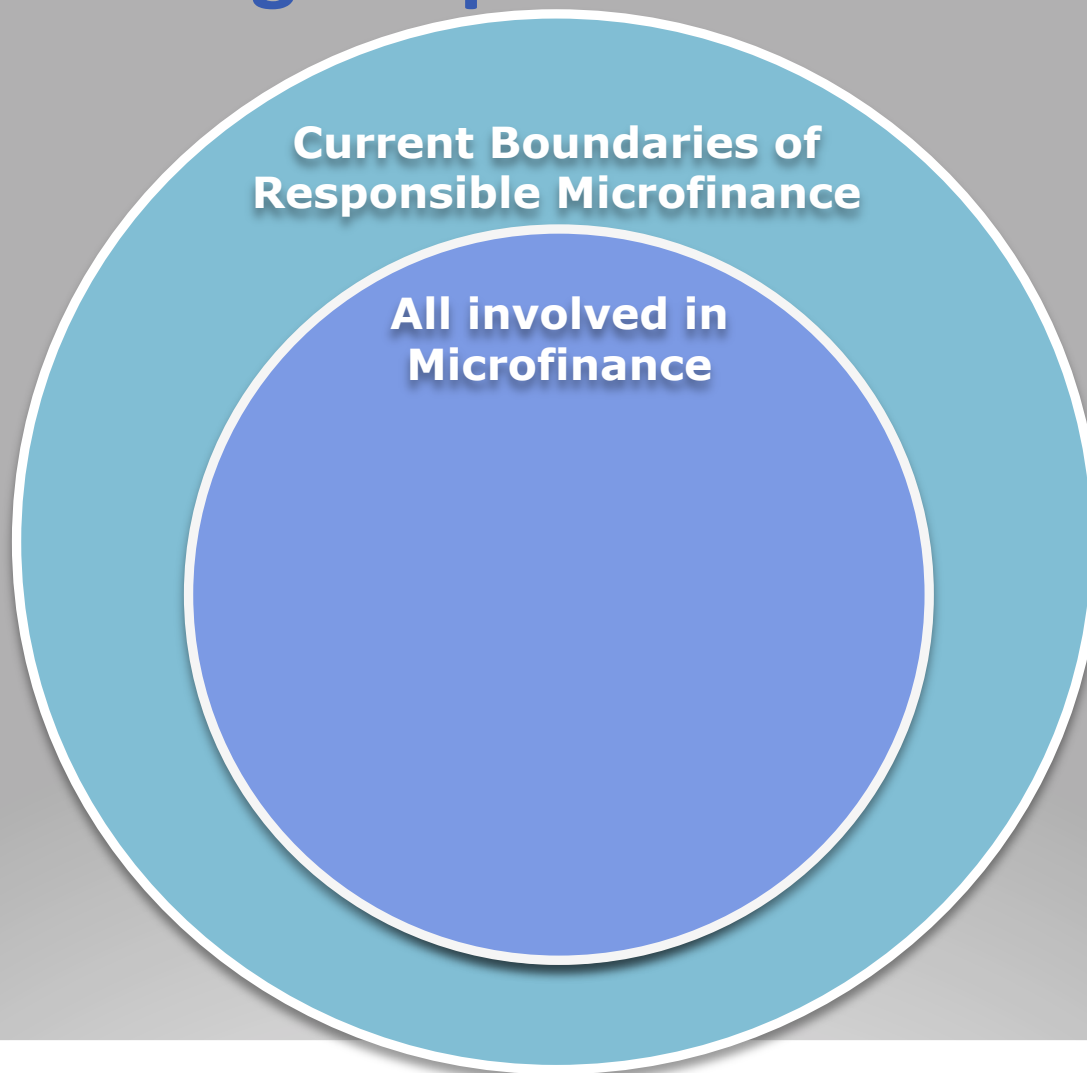
There wasn't any definition of Responsible Finance presented or proposed

# Defining Responsible Practice

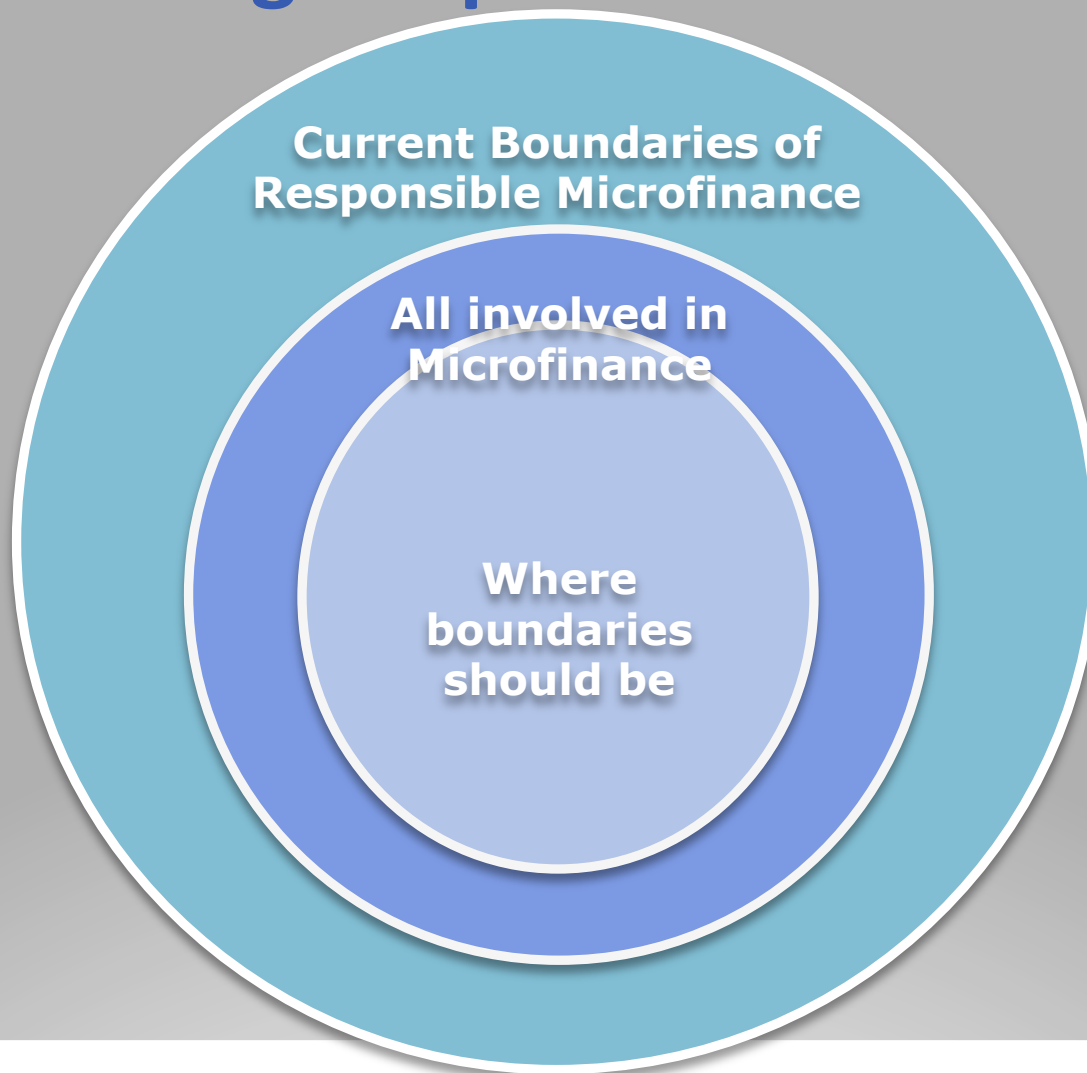


**All involved in  
Microfinance**

# Defining Responsible Practice



# Defining Responsible Practice





# Promoting Transparent Pricing in the Microfinance Industry

