Business Models to Change the World: Microfinance and Microfranchise

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As a context, it should be noted that I write not only from the perspective of academia, where I have served as a professor teaching organizational behavior for three decades at the Marriott School, Brigham Young University. That context is one of doing research, publishing and teaching corporate management and leadership, organizational culture and change, business entrepreneurship, finance and economics.

Concomitantly, I write from many years of experience as a social entrepreneur, intent on changing the world. I have taught courses and published of women's empowerment, Third World development, microcredit and cooperatives, civil society and social entrepreneurship, ethics and sustainability, as well as NGO management. These have become my central questions and passions for doing action research and practice.

Together with my students, we have launched over 40 projects and 21 NGOs to combat global poverty and human suffering. I am interested in exploring tools for empowering the poor in the Third World, not simply constructing theory. I emphasize equality, capacity-building and the design of sustainable livelihoods. To me these are both means and ends to a better quality of life among indigenous societies.

Over time, I have sought to gradually transform U.S. business schools into pro-poor incubators for solving global problems. Some success has been achieved, but there is much work still to be done. In discussing and analyzing the two innovative business tools for Third World development that follow, the reader needs to understand where the author of this manuscript is coming from.

The current context of global poverty is wide-ranging and linked to multiple factors. The basic elements of human poverty, especially in the Third World may be briefly described by summarizing some of its features—unemployment, malevolent income distributions, gaps between rich and poor, issues of disease, hunger, inadequate shelter, unclean drinking water, women's oppression, adult illiteracy and lack of education for school-age children, as well as the effects of war, conflict and natural disasters.

After highlighting traditional solutions for alleviating world poverty—what has worked, as well as what has not—we turn to the application of a new business twist, microfinance, services in behalf of the world's poorest families. We will explore how microcredit seems to be succeeding as a current innovation. Its successes and limitations are analyzed, and we then turn to microfranchising as a new tool, by attempting to elucidate its potential for moving the poor up the economic ladder.

Aspects of Poverty

The plight of the global poor and the causes of their impoverishment have been debated for decades, even centuries. From time to time, experts offered grand solutions and predicted the alleviation of human suffering. New voices continue the cause, even calling for an "end to poverty" (Jones, 2004; Sachs, 2005; World Bank, 2002).

When I speak of poverty, I mean *extreme* poverty, that which resides in the many so-called 'developing nations,' the Third World, or what the World Bank refers to as "Low Income Countries." The bank asserts that some 1.1 billion of the poorest attempt to live out an existence on merely a dollar a day. Some 400 studies carried out in a hundred countries, mostly by government researchers conducting random samples, substantiate this figure. The sample size consists of over a million households, and the surveys have sought numerous details about the sources of income, amounts spent, the number of individuals dependent on that income and so forth (PovCal Net, 2006).

Economists of the bank began collecting and integrating these data in 1989, and continue to do so regularly. They include poverty and inequality measures calculated for the total number of people trying to survive underneath several international official poverty lines, depending on one's national and/or regional economy. It should be noted that the numbers used are estimates, since the sheer size and complexity of findings make exact calculations either impossible or too expensive to develop.

A number of facets contribute to the bleak picture of human suffering today. Only a few citations can be mentioned: Third World government tensions and corruption: A rising wealth gap between Haves and Have-nots (Brown); HIV-AIDS (UN, 2006); Millions of deaths of adults and children due to malaria and other preventable disease (WHO, 2004); Malnutrition (PAHO, 1990); Environmental dangers such as toxic pollution and global warming (Burnett, 1997); Civil conflicts, including those fought over natural resources, political opposition, ethnic and religious violence; Illiteracy and lack of schools (UNDP, 1994); and so forth.

Regardless of which study or specific conclusions one accepts, the future picture does not suggest an acceptable rate of progress. Clearly, more must be done.

Traditional Tools That Address Poverty

Over the past 40 years, large scale strategies of traditional development programs have each been attempted, but at times they led to questionable results. They include the following: A) Modernization (highways, dams, ports, etc.) in the 1960s, B) The Green Revolution of agriculture in the 1970s, C) Basic Needs Theory of the 1980s which stressed health and clean water, all with a degree of success, but growing problems as well (So, 1990).

Thus, in the 1990s, there began to occur a dramatic shift away from huge, macro solutions that were inefficient, costly, and often wasteful, funded by major donors such as the World Bank or the United Nations. Experts from such institutions too often described their projects in high level abstractions which seemed ethereal to indigenous groups in the Third World. So new approaches started with emphasis on small, concrete projects which the local community could manage, grow, and improve, thereby impacting the members.

This emerging approach began to be bottom-up. Needs and problems were identified at the grassroots level and participants were able to later engage consultants to assist. In this alternative development paradigm, Third World citizens began to operate in partnership with outside experts—each having a voice, each involved in the process of defining problems and generating solutions. Above and beyond traditional strategies that were run by the World Bank and other huge institutions that focused on economic matters primarily, social development began to be addressed—factors such as health and education. Hence the need for different foreign aid and development strategies that would work..

Micro Methods to Alleviate Poverty

While big business, big government, and multi-lateral institutions tend to emphasize the macro approach, these new strategies tended to focus on narrowly-built change tactics. They are often operated by an NGO or local government to address concrete problems of underdevelopment, regardless of a national policy or priority. Practitioners work to design and implement these tools, often out in the trenches. Many may be considered as ‘grassroots’ or ‘bottom-up’ approaches to change, as opposed to massive, top-down solutions for development.

Briefly summarized, they include programs such as *worker-owned cooperatives*, either in farming contexts or industrial settings such as manufacturing (Ellerman, 2005; Woodworth, 2002); NGOs aiding the rural poor by helping them to achieve *small-scale farming* success by growing cash crops for selling in village or town marketplaces, instead of large agribusinesses that harvest millions of acres with heavy farm equipment; *women's empowerment,* the movement to strengthen development efforts in behalf of females with gender equality, education for girls, political rights, reproductive health, protections from domestic abuse; *legalizing the informal economy*, a tactic initiated by Peruvian economist, Hernando de Soto, who labors to establish quick and simple processes by which the poor may obtain legal title to their squatter land, register their small businesses, etc. (de Soto, 2000). Several others are also being implemented, but are beyond the scope of this paper.

Having summarized the major macro development tools, as well as briefly highlighted several small-scale interventions, including new or emerging ones, we now turn to the topic of microfinance services for the world's poor.

Business Development as Microfinance

Perhaps the most innovative development tool to empower millions of poor families in recent years is that of microcredit. It was hardly known until a decade ago, but is becoming widely practiced in the contemporary Third World. It is impressive for several reasons: It defies the traditional assumption that solutions are best invented in industrialized nations and that top-down development is required because national political leaders' support is essential for success. Instead, microfinance essentially turns traditional borrowing and finance upside down.

Let us first clarify several terms. The most commonly used word is *microcredit*, but in this paper, when it is used, I mean "microlending" only—tiny amounts of capital loaned for income-generating projects. *Microentrepreneur* is the term for the recipient of microcredit, i.e. an individual who seeks a small loan with which to start or expand one's business. *Microenterprise* is used to signify one's small business. Because of its miniscule size, it is usually operated by just one or two people, perhaps just a parent and her child. Such an entity is "micro" because it is much smaller than traditional definitions of small business (less than 50-100 employees and annual revenues of under $1 million).

Microfinance is a more encompassing word that may consist of microcredit for the microenterprise operated by the microentrepreneur. But microfinance may also include other economic services for the poor like a microentrepreneur's savings account. Other examples could include such instruments as microloans for housing or education, microinsurance, small-scale agriculture loans for seed, tools or animals, and so forth. NGOs that provide such credit, or the broader array of financial services, on the other hand, are often referred to as *microfinance institutions* (MFIs). Basically, they are organizations that offer a range of small-scale economic programs to strengthen the informal economy and empower impoverished families.

Microfinance History

This movement grew out of three different experiments. One pioneer was the Grameen Bank of Bangladesh, based in the capital city, Dhaka. It was the first microcredit organization to achieve major growth and substantial scale. Founded in 1976 by Professor Muhammad Yunus, a U.S.-trained economist, Grameen created a peer-lending structure where five to six women each received individual loans and jointly guaranteed all the loans in the group. Weekly payments were small and easy to understand, and all loans were one year in length. The groups met weekly in a designated center, meeting with five to seven other groups, to make loan and interest payments and to support each other's business success. This group structure fostered self-esteem and a culture of mutual accountability that supported high loan repayment rates, high savings rates, and low levels of business failure (Woodworth 2001).

By 1983, the Grameen methodology was well established, but efforts to involve the national banks of Bangladesh had met with frustrating failure. Professor Yunus, worked to get legislation passed that created the Grameen Bank, a for-profit lending institution permitted to operate only in rural areas of Bangladesh. At that time, Grameen had nearly 100 000 borrowers in five districts and 1000 employees. It was, by far, the largest microfinance institution in the world. Today it has more than 5 million clients, 96 percent of them women. One of the most important features of Grameen is its openness and commitment to helping other NGOs start microcredit programs. Today there are hundreds of replication efforts in many nations that were built off the Grameen model. Amazingly, after decades of economic innovation that was largely ignored by the business and economic establishment, in 2006 Grameen and Founder Yunus jointly received the Nobel Peace Prize for their poverty-alleviating impacts (Yunus, 2006).

Another MFI is ACCION International, an NGO that was doing traditional development work in Latin America during the 1970s. It began to provide simple, tiny loans for start-up economic activity in 1972 in Recife, Brazil. Seeing that a small amount of credit could help a poor family improve, the practice began to spread. In the early 1990s, ACCION collaborated with a group of business leaders in La Paz, Bolivia to establish the first for-profit, commercial bank dedicated to microfinance services for the poor, Banco Sol. While ACCION's efforts were limited to Latin America until recently, it eventually began to expand--launching start-up offices in the U.S., Africa, and most recently, India. Currently, ACCION has over a dozen affiliates which are regulated MFIs in various nations including the U.S., where it has several operations across the country. ACCION has been a major voice in promoting microcredit with the U.N., World Bank, USAID, and dozens of international governments. It also consults with and offers consulting assistance to new MFI start-ups (ACCION, 2006)..

The third MFI, FINCA International, (Foundation for International Community Assistance), did not become a major organization in the emerging microcredit field until 1990. But the founder, Dr. John Hatch, was a key player in efforts to generate interest and public attention for the MFI field beginning in 1983. Indeed, without any knowledge of the Grameen Bank in far-off Bangladesh, or of the microcredit experiments by ACCION in Latin America, Hatch invented another type of solidarity group which he called *Village Banking*. In his model, the loan officer would go to a village, explain the concept, and ask the village elders to choose 30-40 impoverished women who each needed a $50 loan to start or expand a business. A contract was signed with the village elders, the loans were issued for four-month terms to very poor women, and the women jointly guaranteed all of the loans. Four months later, the loan officer returned, collected the payments of principal and interest, and issued new loans for the original amounts, plus any savings that the women had set aside (FINCA, 2006).

FINCA created a number of start-up programs over the next few years, giving workshops in which the Village Banking model and methodology were taught to numerous other microfinance institutions. The model was implemented in those early years in several Latin American locales, but more recently has expanded to Africa and the former USSR. Today it has some two million clients, mostly poor women, living in 23 nations. Further details about the rise of microfinance may be obtained in *Small Really is Beautiful: Micro Approaches to Third World Development—Microentrepreneurship, Microenterprise, and Microfinance* (Woodworth, 2001).

Expansion of Microfinance

The experimental beginning of microfinance has evolved into a development strategy involving millions of poor women and men who are accessing the services of thousands of microfinance institutions (MFIs). These MFIs come in various forms. Most are NGOs directly operating as microcredit practitioners. That is, they acquire funds and provide microcredit services. Some are commercial banks like Mibanco in Peru, an independent partner of ACCION International. These are specialized, for-profit banks set up to provide financial services to the poor. Many credit unions are also participating in the microcredit movement.

An annual microcredit summit was set up in the late 1990s which brought together several thousand NGO leaders from more than a hundred countries. Conceived of by Sam Daley-Harris of Results International, an NGO that focused on hunger, the summit campaign established the goal of extending microcredit to the planet's poorest families, hoping to impact a hundred million by 2005. In 2005, it was reported that 3,164 MFIs had reached 92 million clients with microloans, benefiting over 333 million individuals in poor families (Harris, 2005). The microcredit campaign has grown 776 percent since its inception in 1997, averaging a bit more than 36 percent annual growth. The summit plans to expand its outreach over the next several years. With the UN declaring 2005 as the 'International Year of Microcredit,' the movement has continued to grow (UN, 2005).

Microfinance Recent Tactics

A variety of new tools are being rolled out to facilitate the practice of microlending and self-employment. Several of these are identified below:

Various loan products

Microcredit services are being offered above and beyond simply obtaining a loan to start a microenterprise. Some NGOs are giving other types of loans. For example, the Aga Khan Development Network operating in Egypt, Syria, and elsewhere, has started providing health microinsurance for poor families at extremely low costs. They also give school loans so impoverished children can get an education. With support from the World Bank, Aga Khan will be able to grow from its available $35 million in microcredit for small businesses of 25,000 borrowers per year into a larger MFI that offers numerous types of financial loans to the poor. Other NGOs are offering housing loans to improve one's shelter, agriculture-crop loans to insure peasant field work, and so forth.

Emerging institutions

Large, new players are entering the field of microfinance. For instance, the International Finance Corporation (IFC), which overlooked microcredit during its early years, now funds 56 MFIs in 38 nations. Its portfolio is $25.6 million and the client base consists of over 1.3 million households. IFC is currently planning to expand to over $500 million in loan capital for poor families in those countries in 2006.

Government initiatives

National governments are beginning to experiment with new approaches to microcredit. For instance, the government of Bangladesh has established *Palli Karma Sahayak* Foundation (PKSF), a national wholesale fund that, in turn, channels monies to NGOs for microcredit purposes. So far, it has extended about $262 million to approximately 200 Bangladeshi NGOs, greatly expanding the availability of microcredit to the nation's poorest regions where, before PKSF, there were few such opportunities. Because of this success, other countries such as Pakistan, Nepal, and the Philippines, have likewise created national wholesale funds.

Commercialization

For some, what started as a nonprofit NGO providing humanitarian loans to the poor has evolved into a formal, for-profit bank. Depending on the legal environment and social-political structures of the national government, the trend for doing this seems to be growing. The first example of this was ACCION's project in Bolivia to transform itself beginning in 1984. A partner NGO, PRODEM, was organized, and with a native board of business experts and a skilled staff, training and loans began to be provided. But the demand for microcredit was so huge in a country so poor, PRODEM soon realized it could simply not do the job as an NGO. A committee was formed to launch a new formal financial 'institution,' Banco Solidario (Solidarity Bank). It opened in 1992 and quickly outgrew its need for donors and unpredictable government support. Instead, profits generated operating capital to fuel its growth. Today Banco Sol is the largest bank in

Bolivia, providing a vast array of financial services to the country's poor, while enjoying a high rate of return on its loan portfolio. Banco Sol became the model for a similar formal microcredit bank in Peru called Mibanco

MFI acceleration

Critical challenges today are how to expand microcredit from its current important but limited impacts into a major tool for empowering the poor. So far, even though microcredit provides loans to 100 million individuals, this represents a small percent of the projected global demand for microcredit. UNITUS has led the charge in showing that most microcredit NGOs serve an average of only 2,500 poor clients. A handful of major NGOs such as FINCA, Grameen, and ACCION, serve well over 100,000 borrowers each.

An MFI I founded and served as board chair, UNITUS, has launched an innovative acceleration model to exponentially expand microcredit around the world. It evaluates high-potential NGOs that have only a few thousand clients and, upon deciding to partner with them, provides capital and consulting services to enable them to dramatically expand. UNITUS typically invests $2-4 million for several new partners annually. So far it has fueled the growth of such MFIs in Kenya, Mexico, India and Argentina to a total of over 400,000 clients. By 2015 its objective in India alone is to have ten million poor families receiving microcredit.

Microcredit and ecology

Environmentalists have begun to partner with new types of ‘green’ microcredit NGOs to provide financial services for the poor that are ecologically appropriate and sustainable. They are teaming up with Rotary International to send solar ovens to poor families victimized by the 12/26 Asian tsunami in Sri Lanka. Another three-way partnership is between Fonkoze, the major microcredit NGO in Haiti, a U.S. green NGO, and a solar-energy vendor piloting equipment that will generate electricity for Haitian microentrepreneurs. Several NGOs and universities are collaborating on research about pro-green policies for microcredit as well as holding conferences and funding student internships in green microcredit. HELP International, an NGO we established at BYU in 1999, trains its college-student volunteers to implement Square Foot Garden methods, using compost to double or triple vegetable produce for poor families in Central America. A number of other NGOs are giving loans for environmentally sustainable projects like bio-gas systems, micro-drip irrigation, Lorena Stoves to reduce in-house smoke particles, low-tech water pumps, and so on.

New technologies

Providers of microcredit services are rapidly embracing the use of new technologies to expand their impact: computers, smart cards, personal digital assistants (PDAs), cell phones and other tools, etc. For instance, the Andhra Pradesh partner of UNITUS, *Swayam Krishi Sangam* (SKS) began using smart cards for each of its clients spread throughout the hard-to-travel rural areas of India. Before this innovation, paper, pencil, and manual ledgers were used. But the SKS staff now uses PDAs to record borrowers' efforts. The clients' loan and savings transactions are recorded automatically. Instead of paper passbooks and collection sheets, everything is computerized. This reduces meeting times, gives management up-to-date reports, cuts reporting costs, decreases errors and improves overall effectiveness. PDAs are being used by numerous NGOs to manage MFI client data. While out in the field, staff members can review clients ready for upcoming loans, track financial transactions, use scoring techniques to predict customer behavior, identify borrowers whose repayments may be late, plan collection visits, and so forth. They can also fill out loan application forms.

All this enables the NGO to standardize credit practices and policies, improve data accuracy, and build loan-officer efficiency as a result of improved management information systems (MIS). Elsewhere in Uganda and Bangladesh, cell phones have begun to be used, not only to enhance client communication, but as microenterprises that can sell minutes to the public. Such services are a hot commodity in rural villages where there is no regular phone system. Some 'phone ladies' in Uganda have incomes of $1,000 per year, a sharp contrast to annual compensation of $300 when they were only raising goats. Grameen Phone began in 1997 with 28 village cell phones. Today it is the largest mobile service provider in Bangladesh. There are over 50,000 Grameen cell phones in Bangladesh villages with some 500,000 subscribers throughout the nation. Smart cards, PDAs, cell phones, and other technologies are enabling microcredit practitioners to leapfrog from 18th Century feudalism to 21st Century high-tech systems.

Questions About Microfinance

Three main criticisms exist about the viability of microfinance services for empowering the poor..

Microloans only?

One debate centers around whether a microcredit business loan ought to be the only offering to poor individuals, or if additional services should be provided. Many NGOs claim that they should strictly focus on doing one thing—microcredit—and do it well. Their view is that organizations need to have a single, clear mission, but that many flounder by trying to offer multiple services, none of which is extraordinary.

Conversely, other practitioners hold the opposite view. In their minds, microcredit is a necessary, but not sufficient, resource for the poor. They stress the need for additional programs that, if not provided, will likely lead the poor to slip back into their earlier suffering state. Perhaps the most well-known NGO advocating this view is Freedom from Hunger, a California-based nonprofit that pioneered the provision of various services, (Freedom, 2006). Starting in 1946 to fight hunger, it shifted in 1988 to integrate microcredit with nutrition and/or education. The result was 'Credit with Education,' which combines microloans with such things as HIV-AIDS awareness, polio vaccinations, family nutrition, women's health, literacy, and management skills. It now services 309,000 impoverished families in sixteen of the poorest nations of Asia, Latin America, the Caribbean, and Africa via organizations like ProMujer. While the integration of microcredit with other programs takes longer and is more costly, advocates feel the holistic approach greatly benefits the whole woman, not just her economic nature.

Microentrepreneurial education?

In scanning the horizon of microcredit, there is ongoing debate about whether the NGO practitioner should only provide microloans, or whether small-business training ought to be included. Some MFIs such as Grameen simply provide microloans. They claim that the poor are trustworthy, capable, and merely need extra capital to start or grow their business ideas. Small organizations point out that training is costly and takes time, thereby reducing the growth of poor borrowers, many of whom can't afford the time or travel costs to attend seminars, even if such training events are free. Other NGOs argue the opposite. What good is a loan if a person can't use it effectively? They note the high rate of failure among new firm start-ups in most countries and suggest that training lessens the likelihood that the microenterprise will fail. Enterprise Mentors International (EMI), an MFI that I started with BYU students in 1990, argues the need for extensive training. With a dozen NGO partners today in five countries, EMI continues to emphasize training and management skills first, and credit later.

Questions of gender

Another matter is whether loans should go to only women, mostly women, or males and females equally? The trend over time has mostly been toward giving loans to female microentrepreneurs. The marginalization of women in the marketplace has been an age-old problem based on the notion that women shouldn't have property rights and so on. But the rise of democracy in the Third World, as well as other forces, is gradually destroying such biases. It is now known that women are a significant economic sector, especially in the informal economy, with huge potential impacts in helping a national economy to grow. Many NGOs including Grameen and FINCA, that initially and primarily gave microloans to men, now almost exclusively channel their credit to women. They do this 'because it is right,' as some staffers say. They also do it because women tend to be better risks, they pay their microloans back at a higher rate, and they use their profits to grow the business and/or help their children. Males often are not so responsible. However, others primarily loan to men. They argue that men can be responsible, too, and that loaning only to women upsets the traditional patriarchal structure in their culture, leading to unintended consequences, such as role loss, marital conflicts, and so forth. As an illustration, the case of BASIX, a new MFI in India emphasizes microcredit for males.

Microfranchising as the Next Stage?

An innovative addition to microfinance for fighting Third World poverty, recently being designed and implemented, is the new concept of microfranchising as development. For now it is viewed as an extension of the set of already existing microfinance practices. Essentially it builds off of the traditional microfranchise business model prevalent in industrialized nations. Examples of the traditional system range from fast food cases like McDonalds, Pizza Hut, and Subway sandwiches to automobile dealers and gas stations.

The basic feature of a microfranchise is that it is replicable. The franchisee is trained and mentored, buys into the business with a microloan in order to get a license, adheres to the parent organization's established operational systems and marketing practices. The parent firm, or franchisor, finances the microfranchisee who, as the business grows, pays off the debt while making a share of the profits from his/her microenterprise. At the same time he/she enjoys a greater income for one's family.

It is beyond the scope of this paper to spell out the details of how microfranchising operates. But several cases of success are currently being analyzed at the BYU Center for Economic Self-Reliance (CESR, 2006). The expectation is that this latest innovation may help to accelerate the broader field of microfinance by providing an additional tool for speedier economic growth.

Potentially, on one hand, microfranchising may obtain deeper impacts because of its capacity to be replicated and to expand since it has a proven product or service. In other words, the microfranchisee is not having to "reinvent the wheel" by launching a new start-up business. Rather, she or he works within an existing structure to scale up the firm that is already operating and successful. The hunch is that by so doing, the individual faces less risk and is able to generate more profits, revenue, and family income by using this method than the traditional microenterprise. In addition, because the franchisor is already incorporated, has a business license and so forth, the franchisee will likely be able to move from the informal or underground economy to the formal economic system more efficiently. Thus, poor families may enjoy greater success in moving up the socio-economic ladder throughout the Third World.

On the other hand, microfranchising may have a few weaknesses, as well as the potential to do good. I do not believe it is appropriate to over-hype this new form of microfinance as the ‘one big answer’ to the problems of poverty in general, nor of microcredit is particular.

What might be some of its limitations? My guess is that it will require more money and time spend on training potential new microfranchisees, getting them up to speed with more sophisticated business processes than, for example, simply buying fruit wholesale and selling it retail as a street vendor on a city sidewalk. Indeed, one can also hypothesize that a microfranchise business will more likely work for individuals who are better educated, have math and reading skills required to fill out reports and handle larger financial transactions than simple microenterprise efforts. If this is true, will it tend over time to gravitate toward serving better-off poor families rather than the ‘poorest’ of the poor? Such would disadvantage those who need economic growth the most.

Another critique is that establishing microfranchises will more likely require larger amounts of capital, better infrastructure such as roads and bridges, in order to receive raw materials or ship products. Such requirements are often difficult to achieve in heavily impoverished regions of the Third World.

A related concern is the viability of franchising under conditions of conflict, violence, war and natural disasters. For instance, just a few months after the 12/26 Asian Tsunami hit, several traditional MFIs such as Grameen Foundation-USA started giving microcredit. The same was true with Katalysis in Central America after Hurricane Mitch. My assumption is that trying to attract microfranchisors into hard-hit disaster areas would be much more difficult because of the business risks involved. In contrast, traditional microcredit NGOs will tend to rapidly respond with humanitarian aid, as well as microenterprise loan capital, because of their commitment to social development, not just business deals.

A final worry to be mentioned is the fear that microfranschising may create a larger spiral of individual debt than traditional microcredit. Franchisees will likely have to borrow more and they may end up with repayment amounts that are clearly over their heads in the ability to pay back such large loans. If conditions worsen, as they often do in the Third World, it may be exceedingly difficult to overcome such crises as regional conflict, genocide, terrorism, drought and/or flooding. Some experts might argue that in turbulent environments, the poor are better off doing something smaller, simpler and easier to manage and more adjustable to rapid change, in comparison with more complex and higher capital cost microfranchise situations.

In conclusion, we have summarized the stress, strain and manifestations of poverty in today's Third World. Types of global impoverishment were highlighted, as well as a few tools for empowering those who suffer. One growing innovation, that of microfinance, in several variations, was reported on, along with its challenges and recent trends. Finally, microfranchise was discussed, along with several potential criticisms which were identified. However, because it is such a new model for microfinance, development, I suggest we consider microfranchising's further potential, and do so with an open mind.

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