

FAITH IN LENDING:  
THE EFFECTS OF RELIGION ON MICROFINANCE

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Submitted in partial fulfillment of the  
Requirements for Departmental Honors in  
The Department of Finance  
Texas Christian University  
Fort Worth, Texas

May 2, 2014

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## ABSTRACT

Religion plays a distinct role in microfinance. This paper seeks to identify, through an inductive case study of two microfinance institutions (MFIs), the impacts of religion on development through a religious financial analysis. The study concludes there are positives and negatives, and the differences can be powerful. The differences are powered by a set of shared values and core principles that religion promotes, making the religion-microfinance nexus distinct and unique; the two weigh heavily upon each other. Religion brings an emphasis on universally applicable values and development is a vehicle for value fulfillment. In the microcosm of the study, religion promotes lowered borrowing costs, connects the organization to the community on a deeper level than in its absence, and encourages microcredit+ services that work to alleviate needs that are non-economic. However, there are lowered rates of return and portfolio yields because lower interest rates are charged and financial profitability is often held in question.

TABLE OF CONTENTS

INTRODUCTION.....	1
LITERATURE REVIEW .....	3
A CASE ANALYSIS OF TWO NON-PROFITS.....	9
Esperanza: A Brief History.....	10
Esperanza: A Company Overview .....	11
Esperanza: A Christian Philosophy in Microfinance.....	12
El Centro Dominicano de Desarrollo: Company Overview.....	14
COMPARATIVE ANALYSIS OF THE TWO STRUCTURES: VALUE DIFFERENCES	
RESULT IN DIFFERING OPERATIONAL OUTPUTS.....	16
IMPLICATIONS AND CONCLUSIONS.....	18
APPENDIX.....	21
REFERENCES.....	24

## INTRODUCTION

The microcredit nexus is an exciting and burgeoning field captivating the minds and hearts of many people around the globe. Traditionally, banking institutions have neglected lower income earners for several reasons, including accessibility, risk, and size. In fact, only about half of the world's population over the age of fifteen held an account at a financial institution, 22% of them saved and 9% of account holders borrowed in 2011 (World Bank, 2014). However, over the past decade there have been remarkable strides by social entrepreneurs who have sought to demonstrate that the traditionally "unbankable" are merely "under-banked". The result has been an explosion in the number of microfinance institutions (MFIs) and credit organizations to alleviate the confines of poverty through direct lending on a small scale to people that do not have access to credit.

The core of microfinance, microcredit, dates back to the early 1700s. However, the modern day movement began in the 1970s with the creation of ACCION by Joseph Blatchford in Brasil, SEWA by a coalition of Indian women, and most notably the Grameen Bank founded by Muhammad Yunus in Bangladesh (Bayar, 2013). Since the inception of these modern microcredit institutions, the number has mushroomed across the globe. In 2010, a total of 3,652 MFIs worked with 205 million clients and 96% were located in the developing world (Maes & Reed, 2012). As this number continues to grow, many different factors continue to mold this relatively juvenile industry. One such factor, and a key reason for growth in the field, is religion.

Religion is a tricky term that is ambiguous. In the context of microfinance the term's broad usage is just as perplexing. In this thesis, I will use "faith" to refer to the idea of organized religion. However, this in no way omits what some term atheists, agnostics, or other groups that do not adhere to a specific religious tradition. In fact, Gerald Larson (1995, p. 280) argues that religion is an anthropological feature, like culture or language, and to not practice a set of traditions and hold to a set of convictions does not mean one is not religious. With that said, any more discussion on the topic of what it means to be religious is beyond the scope of this paper.

With that in mind, I will use organized religion to refer to a set of universal values that a term like Christianity evokes, which are open to interpretation and aid practitioners, both secular and religious, in the application of development practices (Narayanan, 2013). The rationale behind this paper works to apply this understanding of religion's emphasis on shared values and open interpretation to develop understanding about the meaningful differences between MFIs that adhere to a certain standard of values motivated by religion, faith-based organizations (FBOs), and those that do not, secular organizations (SOs). The underlying principle stems from different organizational motivations among FBOs and SOs. FBOs tend to be motivated by a set core of values, like charity or duty, while SOs objective is to resolve a problem, like eliminating poverty. While both classifications have values and objectives, it is the impetus that differs. That impetus is described by the organization's values and produces different operating results, hopefully notable by

standard financial metrics of operating performance such as ROA, ROE, and portfolio yield.

### LITERATURE REVIEW

Traditionally there has been little regard for the impact of religion on development efforts, much less microfinance. There is little mention of religion in field prior to 2000 other than regulatory classifications of nonprofits as FBOs; there is little to no research on what draws faith-based organizations to the field of microfinance and the impact that religion plays on approaches to lending. However, this is now not the case as religion is emerging “as a category of analysis in development studies” and there is a growing awareness of its influence (Narayanan, 2013). Specifically, Narayanan argues religion brings three notable additions to broader development efforts: a set of universally applicable values, potential for activism and personal development, all of which result in more powerful sustainable development efforts.

Sustainable economic development has become an increasingly important issue. Sfeir-Younis (2001) lists five reasons why it is important for economists to incorporate religion and spirituality into economic planning and development. First, as the chasm between rich and poor continues to widen under current economic policies, societies are demanding a system that addresses the issue, and religion notably pays attention to the poor and economically distressed. Second, economists are increasingly involved in multidisciplinary issues in economic policy, and ethical and moral implications are progressively more an issue. Third, economic policies are not unrelated to other social issues and require thinking

through the moral implications of actions. Fourth, he acknowledges that many institutions and organizations nowadays are humanizing economics, and religion is a medium of doing so. Finally, Sfeir-Younis surmises economics must become the science of the collective as opposed to the individual in an increasingly globalized world, and no force brings more people together across cultures, languages, and ethnicities than religion.

Ghandi evaluates this notion (Iyer, 1990, p. 94), saying that “true economics stands for social justice; it promotes the good of all equally, including the weakest, and is indispensable for decent life.” He goes on to elaborate that economics itself, if it means unlimited growth at the expense of morality and social justice, is not true economics. Put another way, Herman Daly characterizes infinite growth in a world with finite resources is an “impossibility theorem”. In addition, the assumption that capitalism is the most advanced form of economic practice we should accept is questionable. Its promise to alleviate the problem of poverty has not lived up to the hype, and we should not accept it if it does not incorporate what we want it to be (Narayanan, 2013). Even some of the most notable business thinkers of the time have proposed higher forms of capitalism. Michael Porter, from the Harvard School of Business calls what he classifies as creating Shared Value “the next evolution of capitalism” (Porter, 2011). Furthermore, the assumption that *economic growth* must be present to solve any economic problem has been proven false. In fact, low rates of economic activity have been shown to tackle the worst forms of poverty (de Fonseca *et al.*, 1993).



In this regard, religion aids in helping to address many social aspects that traditional economic theory and practice lack. A central theme in this redress is the need for values, which promote a cloud of universal morals open to individual interpretation (Narayanan, 2013). This can be seen in the Christian promulgation of *caritas*, or charity, which Govert Buijs (2004) claims is an important way for establishing a link between Christianity and development, as it serves as “a non-utopian source of inspiration for the alleviation of human suffering”. Narayanan (2013) points to benefits between the combining religion and development, evident in the Hindu religion through *dharma* philosophy, or the notion of duty, contending the two can mutually benefit each other because if dharma is “the value, then sustainability becomes the strategy by which to live and realize the value”. When evaluating the link between Islam and development, we find even more convincing evidence that religion, and specifically microfinance, are intertwined. Within Islam, charging interest is forbidden, which stimulated the creation of early MFIs that actively engaged with the tenet and worked to lower borrowing costs (Narayanan, 2013).

With the connection of religion and microfinance, there is an increased propensity of activism. In fact, Narayanan (2013) identifies activism itself as “quasi-religious” in nature. Furthermore, religious values and the aims of strictly secular development parallel each other, resulting in low levels of dissonance because what constitutes the idea of development is the same in each circle (Noy, 2009). In the same study, Noy (2009) admits there is likely to be more agreement between different religious traditions than sects and groups within similar religions because

agreement is based on the liberal or conservative application of values rather than differences in religion or denomination. Lim and Macgregor (2012) have found religion has the tendency, through a nation's religious environment, to induce volunteerism and civic activism in those people who are more exposed at a personal level to piety. The article finds that largely secular and highly religious nations are more prone to volunteer compared to moderately religious nations. On a comprehensive level, Lim and Macgregor (2012) find, "... One additional instance of church attendance per year is associated with a 2.8 percent increase in the odds of volunteering" (p. 758). However, an important anomaly the study finds is that highly religious cultures hollow out volunteering opportunities, turning secularists away from volunteering which results in an overall negative relationship between religiosity (as judged by church attendance) and civic activism.

As religion promotes activism, it also promotes self-analysis and awareness based on its universal value proposition (Narayanan, 2013). This is important because it extends metaphysical scrutiny beyond the scope of social, political or economic factors present in everyday life, and promotes "self-development". It works to break down barriers, initiating conversations amongst, "Geneva and the Vatican, between Varanasi and Washington". Finally, it lends to analysis of current practical implications of history and society of which secular organizations may not be aware. For example, secular activists and policy makers' religious views play an important role in any sustainable development (Narayanan, 2013). The Western world's model of general advancement is a "secularized and technicized translation of the Christian longing for a new heaven and a new earth," turning sustainable

development into “a missionary practice”, making Western development difficult in non-Western contexts because it seeks to impose Western tactics in an environment not conducive to successful implementation (Buijs, 2004 p.104). However, as religion promotes analysis of factors beyond socio-cultural barriers, it works to break down and resolve problems that remotely secular practices encounter.

As religion continues to heavily engage with development broadly, it has concrete implications on microfinance. Mersland, D’Espallier & Supphellen (2013) have found that there are empirically significant differences in operating characteristics of secular and Christian MFIs. They use common measures of financial and social performance as proxies to statistically determine whether Christian MFIs have lower funding costs and underachieve according to profit measures relative to secular MFIs. Lower funding costs are a result of source of funds—most secular MFIs raise capital through public outlets. Across the study, they find operating costs are no different between Christian and secular organizations, but Christian firms tend to have a lower portfolio yield at 35%, versus 40% for secular organizations. This is also a proxy for interest rates, indicating Christian MFIs generally charge lower rates on loans. However, they also find that Christian MFIs have like loan repayment ratios compared to secular firms and the average loan sizes (a proxy for social obligation based on client wealth) between the two are similar. According to social performance measures, Christian MFIs service fewer females than secular MFIs—another proxy for social commitment as proposed by Cull, Demirgüç-Kunt, & Morduch (2007) and Mersland & Strøm (2010). Interestingly, while these indicators are popular social commitment

proxies, Mersland, D'Espallier & Supphellen are skeptical of their usage, noting Christian MFIs smaller portion of female clients may be appropriate, "Considering the risk of feminizing families' debts..." (p. 150). Table 1 describes the yields and financial metrics used to determine the results from the study.

A risk associated with loaning funds to clients from traditional banking institutions stems from market asymmetries. Without MFIs, banking is done by local loan sharks who charge extremely high rates of interest, largely because financing is all equity (Ashta, 2009). As a result, MFIs find a niche because they are able to reduce financing costs through borrowing debt from a variety of sources, and can be profitable enough to subsidize or fund their costs out of retained earnings. This generally results in a downward shift in the debt supply curve when compared to interest rates. This is a remarkable achievement, as the default rate increases with funding lower income areas, and on average the study finds only approximately 7% of portfolios at risk, as measured by the amount of funds 30 days in arrears, and no difference between Christian and secular MFIs (Mersland, D'Espallier & Supphellen, 2013). However, default rates experience high variant levels, ranging from 0% to 97%, in some cases. The observation concludes that default rates are more a function of managerial practices. Harper et al. (2008) also note that forgiveness, a staple Christian virtue, is antithetical to forced repayment and may contribute to lower repayment rates. Yet, Mersland, D'Espallier & Supphellen (2013) find the contrary to be true.

The contribution of religion to development is clear, although the precise connection is still cloudy. Homophily, the degree of similarity between individuals

based on values, likings, and socioeconomic status, breeds interaction frequency and openness between people (Rogers & Bhowmik, 1970). More importantly, religious homophily is shown to be an extremely powerful determinant in the development of close ties between individuals (McPherson, Smith-Lovin, & Cook, 2001). However, there is little empirical evidence as to the specific degree to which homophily has the potential to increase ties, especially when involved in a specific context of development, much less microfinance. Given this, homophily supports the idea that religion can greatly influence development aims, and given that varying religions across the globe affect societies and people, religious homophily can support many different activities and tie development efforts to specific socio-cultural contexts that other similarities simply cannot.

#### A CASE ANALYSIS OF TWO NON-PROFITS

During the summer of 2013 I spent two months in the Dominican Republic, and worked with a Dominican MFI, Esperanza International. My specific function involved a marketing and operations initiative that allowed me to live in the small coastal community of Samaná de Santa Bárbara on the Northeastern peninsula of the island of Hispaniola. As I worked over the summer I noticed that the work Esperanza was doing was overshadowed by other organizations. Some were nationally funded development organizations, like Asociación La Nacional de Ahorros y Préstamos (National Savings & Loan Association). However, there was often a disconnect between the locals and recipients of Esperanza's funding with that of other organizations. This inspired me to think about the reasons for the disconnect, and a simple yet profound conclusion that lead me to conjecture about

the mission and values of organizations was the influence of religion in development efforts. Based on my knowledge of Esperanza, and its heavily influenced set of core values by the Christian faith, I now seek to understand religion in a specific context by analyzing Esperanza and a secular non-profit with similar goals, objectives, loan portfolio size. In deciding the comparable organizations, there is a lack of data and consolidated reporting standardized across the industry. After searching I determined El Centro Dominicano de Desarrollo to be a suitable point of comparison based on its objectives (outlined later), size, employment of largely Dominican locals, and secular impetus.

### **Esperanza: A Brief History**

In 1985 David Valle, a professional baseball catcher for the Seattle Mariners, went to the Dominican Republic to play winter baseball. Prior to this, he had not played outside of the US, so the socioeconomic strife of the Dominican Republic was unbeknownst to him. However, the reality of the Dominican poverty was about to reveal itself. One day, after a baseball game, Dave and his wife were walking out of the stadium and a group of children came up and greeted them. Dave thought, as is common, they wanted autographs. Instead, they came up asking for food. The stadium was located in an extremely impoverished area, where thousands of families live in ramshackle houses made of a potpourri of materials. Malnutrition, along with lack of education and a host of other poverty-induced plights deprive the people of living with the basic necessities.

After having seen the stark reality of life on the island, Dave and his wife, Vicky, made a commitment to do something should they have the means and

opportunity. Then, in 1995, Dave went ahead and founded Esperanza with the help of Mercy Corps employees from the Dominican Republic.

### **Esperanza: A Company Overview**

Esperanza International is a Dominican based microfinance institution founded on lending to the poorest of the poor in the Dominican Republic in an effort “to free children and their families from poverty through initiatives that generate income, education and health, restoring self-worth and dignity to those who have lost hope” (Esperanza, 2014). It does this through a variety of services focused on providing holistic remedy to poverty and associated symptoms. And, religious conviction is a key to understanding the thesis for Esperanza’s work.

The company is split into two operations, microfinance services and complementary (also referred to as “plus”) services. The microfinance side of the enterprise deals with more traditional lending practices. Individuals (“associates”) take loans from Esperanza in small amounts denominated in Dominican pesos and generally run from \$125 - \$500 USD. The duration of a standard loan is six months and paid back in biweekly intervals with interest charged at a fixed rate on the declining balance. Should an associate have a good payment record, they may reapply for another loan and draw more money than previously lent. However, if given the circumstances the associate does not maintain quality repayment practices as gauged by a formal process and the loan officer in charge of marshalling the process, the associate can be denied a loan.

The repayment of loans occurs through a process known as a Banco de Esperanza (BDE), or “Bank of Esperanza”. Associates are organized into groups of

five unrelated people from the same community or geographical area. From there, the BDEs are gathered into a cohort of 3-5 to create a loan group, which will meet every 2 weeks for 6 months to pay off the loan. The process begins with an “Entrega”, where the loans are given to associates. After an Entrega, the biweekly process begins until the principal and interest are repaid. During the process, each associate is given a “libretta”, or booklet, that tabulates the interest on each loan and tracks loan payments for the life of the loan. This helps retain transparency on both the parties, borrower and lender, and is signed by a loan officer to retain transparency.

The other half of the microfinance operations involve personal loans to associates with good credit. They are given larger sums to build personal projects like adding cement floors, expanding the square footage of the home, installing running water, and possibly adding plumbing. These personal loans are given on the basis that, like a standard loan, the individuals repay the loan as a part of a BDE. The beginning of the individual loan process starts with an assessment of wealth and condition by an Esperanza loan officer, and that officer is tasked with understanding the family’s needs and the purpose of the loan. From there, the loan is given at an Entrega and during the repayment process loan officers make sure the loan is being used appropriately.

### **Esperanza: A Christian Philosophy in Microfinance**

Christian philosophy under Esperanza’s approach to poverty eradication. The organizational values explicitly cite religious motivation:

- Demonstrating the unconditional love of God to all those we serve;



- Honoring the worth, dignity and potential of every person;
- Developing the whole person: body, mind, and spirit;
- Strengthening the family;
- Fostering a sense of community wherever we serve;
- Learning from all those with whom we serve as we endeavor to teach truth;
- Stewarding the earth as God's creation, intended for the good of all people;
- Achieving excellence in all we do;
- Pursuing integrity over image;
- Enabling every person to have the opportunity to become all that God intends.

The overtly Christian values need to be analyzed. Chiefly based on the fact that the organization seeks to not only offer credit, but to supply a host of services and products aimed at providing traditional microfinance services coupled with community, social, and spiritual development (referred to as “plus services”). Rooted in these values, Esperanza has outlined applicable principles to stimulate a guided approach to engaging its motivations:

- Address the root causes of poverty, especially those impacting children, and facilitate activities that lead to improved living conditions, reduced infant mortality, greater life expectancy, better nutrition, improved education, increased income, environmental improvement;
- Focus on families and communities as the agents, planners, implementers and evaluators of the development efforts, where the vision comes from the people, and the ownership is theirs;

- Improve the capacity of people to learn from their experiences of development; to be empowered by that process and to lead more fulfilled lives with greater understanding of the world they live in;
- Free people from the bondage and oppression of cultural, social, spiritual and economic forces that inhibit becoming all that God has intended for them;
- Build alliances and partnerships with other institutions, with compatible goals, such as churches, non-governmental organizations and local community groups;
- Lead to more technically appropriate, and sustainable activities and practices that contribute to self-sufficiency and self-reliance;
- Encourage systems that ensure accountability and integrity;
- Improve the leadership, management and organizational skills within the families and communities of a project area.

The key to understanding the organizational principles is outlined in the first principle, to “address the root causes of poverty...” Esperanza’s view is that poverty is not merely economical, but can manifest in spiritual, emotional, psychological, and physical forms. This belief, centered on the idea of Christians having a humane form that is just as much a part of the being as the spiritual form, leads Esperanza to offer micro-credit and complementary services to a high number of women.

### **El Centro Dominicano de Desarrollo: Company Overview**

The Dominican Center for Development, founded in 1991 after receiving incorporation from the government, was created in response to the sectors of the Dominican economy with the scarcest of resources. Its mission was to contribute to

the conditions and quality of life through income-generating programs and projects in these areas and provide financing and training to small and micro-businesses with an emphasis on female clients. The CDD's values (translated from their website) are:

- **Transparency:** Conduct our all activities and operations under clear accounting and administrative controls, outreach and public information.
- **Institutional Commitment:** Commit to institutional interests over personal interests.
- **Equality:** Maintain institutional activities based on standards of horizontal equality and fair treatment.
- **Solidarity:** Incentivize the target population and personnel in practices that contribute to unity and mutual support.

Given the CDD's values and mission, the vision it pursues is to provide microcredit services while being self-sustainable, innovative, efficient, and effective in human development efforts through starting and strengthening micro- and small business amongst the poorest segments of the population. The company operates two segments: a microcredit arm and an outreach arm. The microcredit arm lends funds, distributing them to target communities through local branches. The outreach arm of the organization provides lectures and workshops to increase financial literacy, develop basic accounting skills, offer gender and violence protection, and provide other supporting activities.

## COMPARATIVE ANALYSIS OF THE TWO STRUCTURES: VALUE DIFFERENCES

### RESULT IN DIFFERING OPERATIONAL OUTPUTS

After understanding the underlying principles that govern the organization (I have summarized their differences in Figure 2: Organizational Values in the Appendix) the key difference being the impetus for the organization and the most highly valued characteristics. These differences lead each institution to a commitment to different standards. In the case of Esperanza, religion is the inspiration for the work, and the standard by which actions are judged. As for the CDD, the institution itself is the highest authority, and caring for it becomes the highest priority. Given Esperanza's broader goals, a secondary list of principles is listed which work to transition the religious calling of caring for the poor into reality, intimating a very broad scope of organizational commitments.

After looking at the value differences, it is clear that Esperanza and the secular CDD espouse and pursue different ideals. Esperanza's focus on pursuing the enrichment of the impoverished and offering microcredit+ services is merely the vehicle to do so. Kinnier et al. (2000) argues that it is possible for universal moral values to exist, amongst diverse cultures, like the Golden Rule, or treating others with respect, and meaning transcends cultural divides. According to this analysis, Esperanza's mission, around which all values rotate, is expressing the love of God through respect and caring for others. This has led Esperanza to offer a more diverse array of services than the CDD within its plus services, including clean water projects, healthcare initiatives, family programs, housing loans, and individuals loans. It also offers traditional microcredit services. However, given the emphasis

on the family and community development, it structures loans in groups and promotes solidarity within groups.

The CDD's difference in values, lack of principles and mission helps understand the impetus for its operations. It was founded by government directive, and its values reflect a commitment to the organization and more concentrated operational mission. Finally, the financial analysis in Figure 3 (See Appendix) demonstrates the commitment to the organization as opposed to a set of values constitutes different financial performance (MixMarket, 2014).

Esperanza underperforms in financial performance measures with increased costs of doing business. Specifically, Esperanza's real portfolio yield, or interest income over the total portfolio is much lower than the rates charged by the CDD, in fact they are 13% lower than the CDD. This indicates that the interest charged is lower than that of the CDD. Also, the average loan size, a proxy for interest charged is lower. Finally, the average loan size is often a function of two factors, default risk and earnings potential. Esperanza's mission is to serve the poorest individuals on the island of Hispanola, and a lower average loan size of nearly \$165 less than the CDD (or \$286) identifies that Esperanza is servicing a more impoverished clientele. Finally, Esperanza's mission to "address the root causes of poverty" lead them to identify females as the core of family, which as an institution is the key to empowering economic growth among the poor. For that reason, Esperanza lends to nearly 90% of women, or 21% more than the CDD, which is more concerned with economic sustainability.

Interestingly enough, Esperanza operates with a lower portfolio at risk over 30 days. This is largely because of the necessity to collect with a 30-day window, and where the CDD can afford to let a larger amount go outstanding because of the relatively higher earnings potential of its borrowers. Finally, Esperanza's loan loss rate is nearly identical to the CDD, meaning that even though its values lead it to enter a potentially more financially risky market, its model is set up in a way that enables it to collect nearly all of its loan repayments while maintaining a higher risk coverage ratio, specifically 2x larger than the CDD's.

Esperanza's profitability metrics are surprising, as it posts a negative return on assets and in 2012 was highly unprofitable, or -70%. Also, the return on assets and equity were negative whereas the CDD were just barely positive. Both are consistent with the firm's missions and are explained by insights offered into the firm's mission and values. The CDD's emphasis on maintaining profitability and institutional commitment motivates it to avoid negative profitability and target only those clients that will help to further this commitment. On the other hand, Esperanza's mission works to target a particular market, regardless of cost. The result is drastically different financial results.

#### IMPLICATIONS AND CONCLUSIONS

Religion plays a diverse role in the field of development. There are positives and negatives, and the differences can be powerful. Within the context of microfinance, religion can promote lowered borrowing costs, connect the organization to the community on a deeper level than others, and promote the function of microcredit+ services that work to not only improve the economic

standings of individuals, but to alleviate other needs that are non-economic.

However, there are lowered rates of return and portfolio yields because lower interest rates are charged and financial profitability is often held in question.

One practical implication brings to question the operational processes that govern FBOs in an effort to identify possible cost saving measures. Furthermore, relying on donors is quite an unsustainable and risky form of cash flow production and requires a healthy source of funds. One possible study could evaluate the cash inflows from financing activities in order to enlighten the sources of funds and forms of equity and debt financing used and the costs of capital investors require on funds for FBOs. Finally, the study has the potential to evaluate the dynamics across cultures. Because microfinance organizations operate differently depending on different cultural contexts, it is understandable that different cultural dynamics would affect sources of funds.

In theory, religion and development are homogeneous, and share a large set of shared values and core principles. This makes the religion-microfinance nexus distinct and unique in which the two weigh heavily on each other. Religion brings an emphasis on universally applicable values and development is a vehicle for value fulfillment. Religion impacts development, as demonstrated by the Esperanza case analysis, through promoting a unique connection to the societal context. Also, religion's interpretation by the practitioner weighs on the actualization of the endeavor. This has shown to lower borrowing costs for non-profits and yields, but cause overall profitability to slide. Going forward, it is important to continue to

evaluate the effects of religion and find unique and solutions to problems in a growing and burgeoning field.



## APPENDIX

The appendix shows figures referenced in the above article, starting with aggregate MFI performance measures alluded to in the literature centered on work done by Mersland, D'Espallier & Suppenhellen. Following is the financial and social performance of Esperanza compared to the CDD in Figure 2, and Figure 3 tabling the values of each organization.

**Figure 1: Aggregate MFI Performance Statistics**

	Christian	Secular
<b>Financial Performance Drivers</b>		
Portfolio Yield	0.35	0.4
Cost of Funds	0.05	0.08
Operational Costs/TLP	0.31	0.31
PaR 30	0.07	0.07
<b>Bottom Line Financial Performance</b>		
ROA	-0.01	0.01
OSS	1.14	1.13
FSS	0.91	0.96
<b>Social Performance</b>		
Average Loan Size	641	749
% Female Clients	0.63	0.73

*Source: Mersland, D'Espallier & Supphellen (2013)*

**Figure 2: Organizational Values**

	Esperanza International	Centro Dominicano De Desarrollo
Core Values	Demonstrate the unconditional love of God Honor the worth, dignity and potential of every person Develop the whole person: mind, body, and spirit Strengthen the family Foster a sense of community Learn from those with whom we serve	Transparency Institutional Commitment Equality Solidarity

	Steward the earth as God's creation Excellence Integrity Enabling	
Secondary Principles	Address the root causes of poverty Families are the focus of development efforts Free people from bondage of social, cultural, economic and spiritual forms of oppression Build capacity to learn from development efforts Build alliances and partnerships with organizations with similar interests Promote technically appropriate development practices Encourage systems that encourage accountability and integrity Improve the leadership, management, and organizational skills within families and communities	N/A

*Source: Company Websites - Translated to English*

**Figure 3: Financial and Social Performance (2012)**

Overall Financial Performance	Esperanza International	Centro Dominicano De Desarrollo	Variance
Total Assets	3,974,950	2,289,714	1,685,236
ROA	(0.18)	0.01	(0.19)
ROE	(0.28)	0.04	(0.32)
Real Portfolio Yield	0.27	0.40	(0.13)
OSS	0.59	1.03	(0.45)
Profit Margin	(0.70)	0.03	(0.73)
<b>Expense Analysis</b>			
Cost per Borrower (USD)	166	172	(6)
Cost per Loan (USD)	162	171	(9)
Operating Expense/Loan Portfolio	0.59	0.36	0.23

Risk & Liquidity

PaR 30	0.02	0.17	(0.15)
Loan Loss Rate	0.02	0.01	0.01
Risk Coverage Ratio	0.44	0.24	0.20

Social Indicators

Average Loan Size (USD)	286	451	(165)
% Female Clients	0.90	0.69	0.21

*Source: MarketMix*

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