

# Social Performance Glossary

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## ABSTRACT

This *Social Performance Glossary* includes terms and definitions necessary to understand the social performance of microfinance institutions. In addition to terms and definitions related to social performance, the glossary also provides terms and definitions necessary to understand microfinance, financial institutions, and institutional performance in general. The purpose of the glossary is to facilitate common understanding of key terms and concepts in microfinance and social performance among industry stakeholders and thereby enable stakeholders to act more productively and collaboratively to achieve high levels of social performance, both on an institution-by-institution basis and in the industry as a whole.

## INTRODUCTION

This *Social Performance Glossary* includes terms and definitions necessary to understand and discuss the social performance of microfinance institutions. In addition, the glossary also contains terms and definitions necessary to understand and discuss the field of microfinance, financial services, and institutional performance in general. The purpose of the glossary is to facilitate common understanding of key terms and concepts in microfinance and social performance among industry stakeholders, and thereby, enable stakeholders to act more productively and collaboratively to achieve higher levels of social performance, both on an institution-by-institution basis and in the industry as a whole.

The glossary is intended primarily for key stakeholders in the microfinance industry, such as microfinance practitioners and practitioner organizations, donors, social investors, rating

agencies, and policy makers. Although intended primarily for this market, the glossary will also be useful to people and organizations outside microfinance, including those in other development fields and anyone with an interest in social performance. For this reason, the terms in the glossary relating directly to social performance or to assessment in general are defined generally, rather than solely in the more narrow microfinance context. It is the intention and hope that this *Social Performance Glossary* will help catalyze interest, agreement, action, collaboration, and progress in social performance in microfinance and in the wider development community.

The terms and definitions in the glossary are listed alphabetically. To give users more accessibility, the terms are also listed by category at the back of the glossary, although without accompanying definitions.

## ALPHABETICAL LIST OF DEFINITIONS

### Absolute Poverty

The state of subsisting without a set of minimum necessities for living.

### Accountability

The principle that individuals and organizations are responsible for their actions and may be required to explain them to others.

<b>Accountability 1000</b>	An evaluation framework developed by United Kingdom-based AccountAbility to address the need for organizations to integrate stakeholder engagement processes into daily activities. The framework provides a systematic, inclusive, and credible approach to improving social and ethical accountability and overall performance. It provides guidance to users on how to establish a systematic stakeholder engagement process that generates the indicators, targets, and reporting systems needed to ensure its effectiveness in impacting on decisions, activities, and overall organizational performance.
<b>Accounting</b>	The systematic generation, tracking, and analysis of information about the financial and social performance of an organization for the benefit of its stakeholders.
<b>Accumulating Credit and Savings Association (ASCA)</b>	Informal savings groups that resemble rotating credit and savings associations, but are slightly more complex. In an ASCA, all members regularly save the same fixed amount while some participants borrow from the group. Interest is usually charged on loans. ASCAs require bookkeeping because the members do not all transact in the same way. Some members borrow while others are savers only, and borrowers may borrow different amounts on different dates for different periods. If members pay interest on their loans, the return to savings has to be individually calculated and fairly shared among the group.
<b>Agriculture and Livestock Loan</b>	A type of loan made for the purpose of funding the agriculture and livestock activities of smallholders in rural areas.
<b>Alternative Financial Institution (AFI)</b>	All types of financial institutions that offer financial services to low-income or persons otherwise excluded from formal financial services. It includes microfinance institutions, rural banks, state/agricultural development banks, and postal banks. The common thread binding alternative financial institutions and microfinance institutions is the pursuit of a double bottom line.
<b>Apex Institution</b>	A wholesale lending institution operating within a single country or integrated market that channels funds, with or without technical assistance or other supporting services, to retail microfinance institutions.
<b>Arrears</b>	Interest or principal which was not paid when due, but is still owed.
<b>Assessment</b>	Evaluation activities undertaken to determine how well an organization performs financially, operationally, and managerially. See Evaluation.
<b>Assurance</b>	An evaluation method that uses a specific set of principles and standards to assess the quality of a reporting organization's subject matter, such as reports, and the organization's underlying system, processes, and competencies that underpin its performance. Assurance includes the communication of the results of this evaluation to provide credibility to the subject matter of its users.
<b>Attribution</b>	Demonstrates a statistically significant causal link between observed outcomes and organizational activities.
<b>Audit</b>	An examination of the records, statements, systems, and procedures of an organization together with its stated claims for performance. This is typically undertaken with a view to verifying the quality, meaningfulness (e.g., accuracy, validity, compliance, inclusiveness, completeness), and other aspects of the claimed performance of the organization.

<b>Audit Report</b>	A testimony produced by an auditor regarding the quality and meaningfulness of an organization's records, statements, systems, and procedures, as well as stated claims for performance. May also include an opinion on areas for improvement and predicted future progress.
<b>Auditor</b>	Person who conducts an audit, often certified by a professional body or licensed under statute. The auditor may be internal (employed by the organization) or external (unconnected to the organization).
<b>Balanced Scorecard</b>	A strategic management system that aligns business activities with organizational strategy and monitors the performance of strategic goals over time. It proposes that organizations measure operational performance in terms of financial, customer, business-process, and learning-and-growth outcomes, rather than exclusively by financial measures, to arrive at a more powerful view of near-term and future performance. It advocates integration of these outcomes into the organization's strategic planning processes.
<b>Bank</b>	A licensed financial intermediary regulated by a state banking supervisory agency. It may provide any of a number of financial services, including deposit taking, lending, payment services, and money transfers.
<b>Bankable</b>	People deemed eligible to obtain financial services that can lead to income generation, repayment of loans, savings, and the building of assets.
<b>Baseline</b>	A starting point against which future changes are compared. Used for benchmarking.
<b>Benchmark</b>	A measurable variable used as a relative baseline or reference in evaluating the performance of an organization. Benchmarks may be drawn from internal experience, the experience of other organizations, or from legal requirements.
<b>Benchmarking</b>	The process of putting performance measurements in context by comparing an organization with similar organizations based on a common factor, such as region, size or methodology. A benchmark can also refer to the relative standard against which all similar institutions are compared.
<b>Benefit-Cost Analysis</b>	See Cost-Benefit Analysis.
<b>Best Practice</b>	A technique or methodology that through experience and research has proven to lead reliably to the desired result.
<b>Blended Value</b>	The idea that the total value created by an organization consists of three components: economic value, social value, and environmental value.
<b>Breadth of Outreach</b>	The number of persons reached with financial services.
<b>Break-even point</b>	The point at which the volume of sales or revenues exactly equals total expenses—the point at which there is neither a profit nor loss—under varying levels of activity. The breakeven point tells the manager what level of output or activity is required before the firm can make a profit; reflects the relationship between costs, volume, and profits.
<b>Business Development Services</b>	Non-financial services offered to microenterprises that have the objective to increase productivity, competitiveness, and job creation. They include, for example, training, capacity development, marketing, accounting, or strategic planning.

<b>Capital</b>	Assets available for use in the production of goods and services or other assets. It includes physical capital, financial capital, human capital, and social capital.
<b>Capital Markets</b>	Those financial markets, including institutions and individuals, which exchange securities, especially long-term debt instruments.
<b>Causal Model</b>	A model or portrayal of the theorized causal relationships between concepts or variables.
<b>CGAP Poverty Assessment Tool</b>	An assessment tool designed by the International Food Policy Research Institute (IFPRI) and the Consultative Group to Assist the Poor (CGAP) to measure the relative poverty status of microfinance clients.
<b>Civil Society</b>	Refers to the totality of voluntary civic and social organizations that form the basis of a functioning society, as opposed to the force-backed structures of a state (regardless of that state's political system). Civil society organizations include non-profit and non-governmental organizations, organized groups, clubs, universities, trade unions, environmental movements, and indigenous peoples' associations. Civil society can be organized at the local, national and international level
<b>Client Assessment</b>	The process of gathering and assessing information about clients. Ideally, information includes clients' perspectives and experiences. It includes quantitative and qualitative methodologies.
<b>Client Dropout</b>	The share of an organization's clients that ceases to purchase its products or services.
<b>Client Monitoring</b>	The routine process of tracking changes in clients' status or of providing important descriptive information about clients. It may be quantitative or qualitative in nature.
<b>Client Retention</b>	The share of an organization's clients that continue to purchase its products or services. See <b>Customer Retention</b> .
<b>Client Satisfaction</b>	An organizational measure of the extent to which the needs, wants, and expectations of clients are met. See <b>Customer Satisfaction</b> .
<b>Code of Conduct</b>	A set of principles indicating how an organization expects its members to act. It is frequently general, and enforcement is left to the discretion of the organization.
<b>Code of Ethics</b>	A general code that articulates an organization's values or moral standards, focusing on the duties and responsibilities of organization members.
<b>Code of Practice</b>	A set of written rules that dictate measurable and verifiable operating requirements for specified activities.
<b>Commercial Bank</b>	A type of financial intermediary and a type of bank. It raises funds by collecting deposits from businesses and consumers via checkable deposits, savings deposits, and time deposits. It makes loans to businesses and consumers and buys corporate bonds and government bonds. Its primary liabilities are deposits and its primary assets are loans and bonds. It is regulated by national banking supervisory authorities.
<b>Commercialization</b>	Refers to steps taken by microfinance institutions to adopt principles and practices of commercial banks, including bank or bank-like legal status, formal regulatory oversight and other integration into the formal financial sector.

<b>Community-Based Finance Institution (CBFI)</b>	Financial organization structured to enable low-income community groups to participate in and govern the development process and to access services of the institutions. Frequently, these organizations are referred to as cooperatives, but some community-based organizations are in fact not cooperatives but groups with a similar structure and objectives.
<b>Community-Based Sector</b>	See Voluntary Sector.
<b>Community Economic Development</b>	A process by which communities can initiate and generate their own solutions to their common economic problems and thereby build long-term community capacity and foster the integration of economic, social, and environmental objectives.
<b>Compliance</b>	The act or process of fulfilling internal or external requirements as set forward in policies, regulations, or guidelines.
<b>Compulsory Savings</b>	Savings payments that are required as part of loan terms or as a requirement for membership, usually in a credit union, cooperative, microfinance institution, village bank, or savings group. Compulsory savings are often required in place of collateral. The amount, timing, and level of access to these deposits are determined by the policies of the institution rather than by the client. Compulsory savings policies vary: deposits may be required weekly or monthly before the loan is disbursed, when the loan is disbursed, and/or each time a loan installment is paid. Clients may be allowed to withdraw at the end of the loan term; after a set number of weeks, months or years; or when they terminate their memberships. See <b>Forced Savings</b> .
<b>Conceptual Framework</b>	A systematic structure for classifying and organizing complex information.
<b>Consumer Loan</b>	A loan that establishes consumer credit granted for personal use. It includes, for example, the purchase of motor vehicles, appliances, consumer electronics, or other household necessities and the payment of school fees. See <b>Consumption Loan</b> .
<b>Consumer Protection</b>	Government or self-regulation to protect the rights and interests of consumers.
<b>Cooperative</b>	A non-bank financial institution organized as a mutual society and jointly owned by its members for the purpose of mobilizing and intermediating savings and providing other financial and non-financial services to its owners/members. See <b>Credit Union</b> .
<b>Core Values</b>	Values that are formally identified as important by an organization and which it attempts to realize. These are often reflected in the organization's vision or mission statement and cover its relationship with those stakeholders critical to success. Core values endure over the long term and provide a constant source of strength and motivation for an organization and its employees.
<b>Corporate Social Responsibility (CSR)</b>	The principle that corporations have a responsibility to the local community, broader society, and the environment. It may involve the integration of social value directly into business operations or it may refer to philanthropic activities indirectly related to business operations.
<b>Cost-Benefit Analysis</b>	A type of economic analysis in which the costs and benefits, both tangible and intangible, of an investment, policy, program, or organization are expressed in monetary terms and assessed according to one or more of three measures: (1) net present value, (2) cost-benefit ratio, and (3) internal rate of return. See <b>Benefit-Cost Analysis</b> .
<b>Cost-Benefit Ratio</b>	The discounted value of benefits divided by the discounted value of costs.

<b>Cost of Outreach</b>	The sum of costs to the consumer for financial services, including financial costs, transaction costs, and opportunity costs.
<b>Credit Bureau</b>	An agency that maintains information on the credit history of consumers so that creditors can make decisions about granting of loans.
<b>Credit Rating</b>	An evaluation of an organization or individual's ability to repay financial obligations or the likelihood of not defaulting on financial obligations. It is used to determine an organization's or individual's credit risk.
<b>Credit Scoring</b>	A predictive measure of the risk associated with a credit applicant. It is an automated system that assigns points for credit risk factors, providing lenders with the ability to grade prospective clients and to calculate the risk of extending credit. The credit score is a prediction of the creditworthiness of the credit applicant.
<b>Credit Union</b>	A cooperative financial institution owned and controlled by the members who use its services. It serves groups that share a common bond, such as where they work or live, or go to church and offers a place for members to save money and to get loans and other financial services at reasonable rates. See Cooperative.
<b>Default</b>	Failure to make timely payment of interest or principal on a loan, or to otherwise comply with the terms of a loan.
<b>Depth of Outreach</b>	The degree to which an organization reaches poor people with financial services.
<b>Development Bank</b>	Generally country-owned and state-based, these banks offered agricultural credit originally and have moved to offer microfinance services.
<b>Development Finance</b>	General term that encompasses all types of financial services and financial service delivery models to promote social and economic development among low-income, vulnerable, or otherwise marginal persons.
<b>Double Bottom-Line</b>	A framework for measuring and reporting an organization's performance against financial and social standards.
<b>Double Bottom-Line Business</b>	Entrepreneurial ventures or investments that strive to achieve measurable social and financial outcomes. <b>See Social Enterprise.</b>
<b>Downscaling</b>	Description of formal financial institutions' move down market by offering products and services to micro- and small enterprises and low-income persons.
<b>Effectiveness</b>	The degree to which an organization is successful in achieving a specified goal.
<b>Efficiency</b>	The extent to which maximum output is achieved from a given input. Alternatively, a minimum input for a given output.
<b>Embeddedness</b>	Integration of the social and ethical accounting, auditing, and reporting processes into an organization's operations, systems, and policy making.
<b>Empowerment</b>	The process of individuals equipping themselves with the knowledge, skills, and resources they need in order to change and improve the quality of their own lives.



<b>Enterprise Loan</b>	A loan made for the purpose of financing productive enterprise activities.
<b>Ethical Investment</b>	Investment that attempts to ensure that invested funds are not used to violate the investor's most basic moral values or ethical codes. There is a wide variety of means to ensure that invested funds are used ethically, and a wide range of interpretations of what "ethics" mean relative to investing.
<b>Evaluation</b>	See <b>Assessment</b> .
<b>External Audit</b>	A formal, independent review of an organization's financial statements, records, transactions, and operations. External audits are usually performed by professional accountants in order to lend credibility to financial statements, to ensure external accountability and to identify key internal weaknesses in an organization. The external audit process is vital to transparency.
<b>External Auditor</b>	An auditor who is independent of the organization being audited and does not share any material interest with the organization.
<b>Extreme Poverty</b>	The state of living below an absolute extreme poverty line. Common extreme poverty lines include (1) persons in the bottom 50 percent of those living below the poverty line established by the national government, or (2) persons living on less than US \$1.00 per day in daily per-capita expenditures—equal to \$1.08 per day per capita in purchasing power parities at 1993 prices.
<b>Extremely Poor</b>	Persons falling under an extreme poverty line.
<b>Extreme Poverty Line</b>	The level of annual income below which a person is defined to be living in extreme poverty.
<b>Fair Trade</b>	A trading relationship based on commitment to social justice in which employees and producers are treated and paid in a fair manner, sustainable environmental practices are followed, and long-term trade relationships are fostered.
<b>Feedback Loop</b>	A continuous cycle by which information is processed within an organization. It starts with the collection of information, passes through to data consolidation and analysis, and next uses the data to make, communicate, and implement decisions.
<b>Financial Institution</b>	An organization whose primary line of business is to provide financial services to its clients. It may specialize in a narrow range of financial services or offer a wide array of financial services. Includes formal and informal organizations, for-profit and non-profit organizations, and regulated and non-regulated organizations.
<b>Financial Intermediation</b>	The process carried out by a financial institution serving as a link, or intermediary, between borrowers and savers. Savers deposit funds in the institution, which then lends those funds to borrowers.
<b>Financial Performance</b>	Organizational performance as measured by financial metrics, such as profit, net operating margin, return on investment, return on assets, or operational efficiency.
<b>Financial Return</b>	A return that enhances the stock of financial capital.

<b>Financial Self-Sufficiency</b>	A situation in which an organization generates sufficient revenues from clients to cover all of its operating and financing costs, both actual and imputed.
<b>Financial Services</b>	Services offered by financial institutions. They includes savings, loans, insurance, leasing, wire transfers, and brokerage services.
<b>Forced Savings</b>	See <b>Compulsory Savings</b> .
<b>Formal Financial Sector</b>	The financial sector consisting of legally licensed and registered financial institutions.
<b>Formal Financial Institution</b>	Financial institution operating in the formal financial sector. It may or may not be supervised by national supervisory authorities.
<b>Formal Sector</b>	The economic sector consisting of legally licensed and registered institutions that operate within the formal regulatory environment (e.g., labor and taxation laws). See <b>Formal Economy</b> .
<b>For-profit Enterprise</b>	An enterprise that operates for the sole or principle objective of earning a financial return.
<b>For-profit Sector</b>	See <b>Private Sector</b> .
<b>Fungibility</b>	The quality of money that makes one individual specimen indistinguishable from another. Anything used as money (gold, shells, bank notes) must have this quality. The fungibility of money makes it difficult for lenders to ensure that borrowers use the loan funds in the way lenders wish; one way they try to get round “misuse of funds” is to lend in kind. Often a person will borrow money for one stated purpose, but the effect of the loan is to finance another activity.
<b>Gini Index</b>	An index that measures the extent to which the distribution of income (or in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line. Thus, a Gini index of zero represents perfect equality, while an index of 100 implies perfect inequality.
<b>Global Reporting Initiative (GRI)</b>	An independent institution whose mission is to develop and disseminate globally applicable, sustainability reporting guidelines, comprising 158 indicators. These are for voluntary use by companies and governmental and non-governmental organizations to report on the economic, environmental, and social dimensions of their activities, products, and services. Started in 1997 by the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Program (UNEP), the GRI uses a multi-stakeholder process incorporating the active participation of representatives from business, accountancy, investment, environmental, human rights, research, and labor organizations from around the world.
<b>Goal</b>	The end result of ultimate accomplishment toward which an effort is directed. Goals provide purpose and direction to an organization and thus must be capable of being effectively pursued and measured.
<b>Goal Alignment</b>	The process of evaluating whether operational outputs, outcomes, or impacts meet organizational goals and determining what can be done to better achieve those goals.



<b>Governance</b>	Anything related to the activities of governing the organization, e.g., board of directors, bylaws, and so on.
<b>Group Guarantee</b>	A loan guarantee based on joint liability in which each group member who receives a loan pledges to guarantee the loans of all other group members. If one member of the group defaults, the remaining group members are responsible either for enforcing loan repayment by the defaulting member or for paying off the outstanding loan balance.
<b>Group Lending</b>	Lending mechanism that allows a group of individuals—often called a solidarity group—to provide collateral or loan guarantee through a group repayment pledge. The incentive to repay the loan is based on peer pressure—if one group member defaults, the other group members make up the payment amount.
<b>Group Loan</b>	A loan extended to a group of persons under a joint liability arrangement. It is generally short-term, relatively small in size, and not tied to any specific investment activity.
<b>Guaranteed Loan</b>	A pledge to cover the payment of debt or to perform some obligation if the person liable fails to perform. When a third party guarantees a loan, it promises to pay in the event of a default by the borrower.
<b>Guarantee Fund</b>	A fund that can provide an organization's initial access to the formal financial sector, strengthen the organization's capabilities as financial intermediaries, and provide important leverage in terms of lending capability. See <b>Bridge Fund</b> .
<b>Impact</b>	Those organizational outcomes that can be attributed to the activity of the organization above and beyond what would have happened anyway.
<b>Impact Assessment</b>	A research activity undertaken with the objective of attributing observed outcomes to organizational activity. Impact is determined by the counterfactual. Determining the counterfactual in turn requires comparing a treatment group to a valid control group.
<b>Impact Monitoring</b>	The periodic or routine tracking of selected client outcomes. In contrast to impact assessment, impact monitoring does not attempt to attribute observed impacts to organizational activity.
<b>Impact Monitoring System</b>	The integration of impact monitoring into an organization's internal processes, routines, and management information systems.
<b>Indicator</b>	A piece of qualitative or quantitative information that provides meaningful insight into the performance of organizations or their beneficiaries.
<b>Individual Loan</b>	A loan made to an individual borrower who is solely responsible for its repayment.
<b>Informal Financial Sector</b>	The financial sector consisting of unlicensed and unregistered (and often community-based) organizations, groups, or individuals offering financial services.
<b>Informal Credit</b>	Credit services provided by independent persons or community-based groups that do not belong to the formal financial system.

<b>Informal Savings</b>	Savings held outside of a formal financial institution. Informal savings mechanisms include saving at home—in cash or in kind—savings groups, rotating savings and credit associations, accumulating credit and savings associations, through reciprocal savings and lending with neighbors or relatives, and with money guards (friends or relatives willing to hold a saver’s money for a period) or informal sector deposit collectors (people who charge a fee to hold a saver’s money for a determined period). Informal savings devices are often highly convenient, but may be unreliable, insecure, and/or illiquid.
<b>Informal Sector</b>	The portion of a country’s economy that lies outside of any formal regulatory environment (e.g., labor and taxation laws) and which consists of unregistered or unlicensed licit and illicit activities. Informal-sector activities are rarely reflected in official statistics on economic activity, including gross domestic product. The main features of the informal sector are ease of entry, self-employment, small-scale production, labor-intensive work, lack of access to organized markets, and lack of access to traditional forms of credit. See <b>Informal Economy</b> .
<b>Input</b>	Resource used to implement an activity, including money, people, time, facilities, and equipment.
<b>Institutionalization</b>	The integration of processes, procedures, beliefs, values, norms, etc., into an organization’s systems, routines, and culture.
<b>Intermediate Outcome</b>	An outcome from an activity that can be identified and measured in the medium-term, which is practical when long-term outcomes are diffuse or otherwise difficult to measure. It is intermediate between outputs and outcomes.
<b>Internal Processes</b>	Operational processes that transform inputs into outputs, outcomes, and impacts. Internal processes include, for example, mission identification, communication, and reinforcement; management information systems; incentive systems; staff hiring and training; customer service; and strategic planning.
<b>Internal Audit</b>	An independent appraisal of operations, conducted under the direction of organizational management, to assess the effectiveness of internal administrative and accounting controls and help ensure conformance with managerial policies.
<b>Internal Auditor</b>	A person employed within an organization who conducts an internal audit. The internal auditor is generally independent of management and reports directly to the board of directors.
<b>Internal Rate of Return</b>	The discount or interest rate at which the net present value of a cash-flow stream is equal to zero.
<b>Joint Liability</b>	A method of providing guarantees for loans in which members of a loan group agree to jointly guarantee the loans of all group members. If one member of the group defaults, the remaining group members are responsible either for enforcing loan repayment by the defaulting member or for paying off the outstanding loan balance.
<b>Key Performance Indicators</b>	A short list of indicators that an organization has identified as the most important measures of organizational performance.
<b>Length of Outreach</b>	The sustainability of the supply of microfinance services.

<b>Loan Procedures</b>	Procedures for providing loans, including client selection, underwriting, paperwork, and disbursement.
<b>Loan Products</b>	Types of loans with particular sets of terms and conditions, and often for a particular use.
<b>Logical Framework (logframe)</b>	A matrix articulating what a project aims to achieve and how, what its main assumptions are, and what the means of verifying objectively verifiable indicators are.
<b>Low Income</b>	Persons below or just above the poverty line.
<b>Management Information System (MIS)</b>	System used to capture organizational information for the purpose of managing information and making decisions. It typically refers to a computer-based system and can include details on clients, services provided, and data on inputs, outputs, and outcomes.
<b>Market Research</b>	The systematic collection, analysis, and reporting of data about the market (customers, competitors, and other market actors) and its preferences, opinions, and trends.
<b>Metric</b>	A measurement used for comparison purposes.
<b>Microfinance Institution (MFI)</b>	A financial institution specializing in providing financial services to low-income persons or to persons otherwise systematically excluded from formal financial services. It may also offer business development or other non-financial services. It includes non-governmental organizations, cooperatives, credit unions, non-bank financial institutions, and commercial banks.
<b>Microfinance Non-governmental Organization (microfinance NGO)</b>	A non-governmental organization that offers financial services to its clients.
<b>Microfranchising</b>	A business approach designed to assist individuals to be more successful as independent entrepreneurs. The impetus behind the idea is to provide sound business opportunities and services to the poor by introducing scaled-down business concepts drawn from successful commercial franchise businesses.
<b>Microcredit</b>	A sub-segment of microfinance that focuses on giving small loans to low-income people for the purpose of allowing them to earn additional income by investing in the establishment or expansion of microenterprises. Microcredit may also refer to the actual microloan.
<b>Microenterprise</b>	A market-oriented economic activity with 10 or fewer employees (including the owner and unpaid family members) that is owned and operated by someone of modest means.
<b>Microenterprise Development</b>	Any activity undertaken to encourage the formation of microenterprises and/or the improved performance of existing microenterprises.
<b>Microentrepreneur</b>	The owner and operator of a microenterprise, sometimes an individual who is economically, socially, or educationally disadvantaged, and usually one who lacks access to the formal financial system and traditional business development services.
<b>Microfinance</b>	The provision of financial services adapted to the needs of microentrepreneurs, low-income persons, or persons otherwise systematically excluded from formal financial services, especially small loans, small savings deposits, insurance, and payments services.

<b>Microinsurance</b>	A sub-sector of microfinance that provides insurance products to micro- and small business owners, their employees, and low-income persons.
<b>Microleasing</b>	A sub-sector of microfinance that provides small-scale leasing. In one microleasing arrangement, the lessee (client) goes to an equipment supplier, chooses the needed equipment, and negotiates the price and terms of delivery. Then, rather than approaching a bank for a loan, the lessee approaches a lessor (MFI) or the equipment provider itself. The lessor evaluates the lease application and, if it is approved, the two parties sign a lease contract. The lessor purchases the equipment from the supplier and leases it to the lessee for a period that is usually close to the estimated economic life of the asset. During this period (the lease term), the lessee uses the equipment and makes regular payments to the lessor. In many cases, the lessee has the option to buy the equipment from the lessor at the end of the lease term.
<b>Microloan</b>	A loan provided by a microfinance institution to a microentrepreneur or low-income person for business or personal use.
<b>Microsavings</b>	Small-scale savings deposits mobilized by microfinance institutions, often without minimum balance requirements.
<b>Mission</b>	The core purpose of an organization that defines why it exists, and what it does for whom.
<b>Mission Alignment</b>	The alignment of an organization's internal processes, policies, culture, incentives, and products and services with its mission.
<b>Mission-Based For-profit Business</b>	See <b>Social Enterprise</b> .
<b>Mission Drift</b>	The divergence of an organization's activities and outcomes from its mission.
<b>Mission Statement</b>	A formal, written expression of an organization's mission.
<b>Moderately Poor</b>	Persons in the top 50 percent of those living below the relevant absolute poverty line.
<b>Monetization</b>	An approach to measurement that converts inputs, outputs, outcomes, or impacts into dollar values.
<b>Monitoring and Reporting</b>	The observation, documentation, and accounting of an organization's activities and performance.
<b>Mutual Savings and Loan Association</b>	A non-bank financial institution organized as a civil association authorized to engage in financial intermediation and offer other financial services to the public.
<b>Net Present Value</b>	The future stream of benefits and costs converted into equivalent values today. This is done by assigning monetary values to benefits and costs, discounting future benefits and costs using an appropriate discount rate, and subtracting the sum total of discounted costs from the sum total of discounted benefits.
<b>Non-bank Financial Institution (NBFI)</b>	An institution that provides similar services to those of a commercial bank, but is licensed under a separate legal authority or regulation that may require lower capital requirements, limitations on financial service offerings, or supervision under a different regulatory body.

<b>Non-financial Services</b>	Services offered by an organization, either alone or in collaboration with other organizations, with the main objective of improving clients' business performance, socio-economic well-being, access to services, or social standing. Examples include business development services, health care, literacy or other life skills training, community participation, or political voice or other type of empowerment. Such services may be linked to, bundled with or provided separately from financial services.
<b>Non-governmental Organization (NGO)</b>	A non-profit group or association organized outside of institutionalized political structures to realize particular social objectives or serve particular constituencies. Its activities include program operation, service delivery, research, information distribution, training, local organization, and community service, as well as legal advocacy, lobbying for legislative or social change, and civil disobedience.
<b>Non-poor</b>	Persons living above the relevant absolute poverty line. It may also refer to persons who are non-poor by relative standards.
<b>Non-profit Business Venture</b>	See Social Enterprise.
<b>Non-profit Enterprise</b>	A revenue-generating non-profit organization operating with a focus on the financial bottom line.
<b>Non-profit Organization</b>	An organization whose income is not used for the benefit or private gain of shareholders, directors, or any other persons with an interest in the organization. Such organizations are typically funded through a mix of private or public donations. They may also be funded by an endowment or separate for-profit enterprise, social franchise or other commercial means.
<b>Norms</b>	A shared expectation of behavior that notes what is considered culturally desirable and appropriate. They are prescriptive, but lack the formal status of rules.
<b>Objective</b>	A measurable statement about the end result that an organization is expected to accomplish in a given period of time. Objectives flow from goals, the purpose of an organization, or the organization's overall mission.
<b>Operational Self-Sufficiency (OSS)</b>	A situation in which an organization generates sufficient revenues from operations to cover all of its operational costs.
<b>Opportunity Cost</b>	The potential benefit that is foregone from not following the best (financially optimal) alternative course of action.
<b>Organizational Culture</b>	An organization's beliefs, knowledge, attitudes, norms, values and customs. It can be supportive or unsupportive of an organization's mission and can affect employees' ability or willingness to adapt or perform well.
<b>Outcome</b>	The change to the client population and its environment the organization is trying to make, which could include attitudes, behaviors, knowledge, skills, status, or socio-economic well-being. (If outcomes can be statistically attributed to the organization's activities, they become impacts.)
<b>Output</b>	The measurable product of an organization's activities delivered to external beneficiaries. Outputs are the tangible results of applying inputs and undertaking activities.
<b>Outreach</b>	Active attempt to target, attract, serve, retain or otherwise interact with a clientele in selected populations, geographic areas, or targeted initiatives.

<b>Participatory Rapid Appraisal (PRA)</b>	A label given to a family of participatory assessment approaches and methods that emphasize local knowledge and enable local people to make their own appraisals, analyses, and plans. PRA uses group animation and exercises to facilitate information sharing, analysis, and action among stakeholders. Although originally developed for use in rural areas, PRA has been employed successfully in a variety of settings.
<b>Peer Lending</b>	Lending methodology that relies on the peer pressure of group members to act as a guarantee in place of more traditional forms of collateral and credit scoring.
<b>Performance Management</b>	The process of translating an organization's mission into practice, which includes setting social objectives, tracking social performance and using this information to improve practice.
<b>Poor</b>	Persons who live below the relevant absolute poverty line. It may also refer to persons who are poor by relative standards.
<b>Poorest of the Poor</b>	Persons who are among the very poorest of all members of a given society.
<b>Poverty</b>	The state of one who lacks a usual or socially acceptable amount of money, material possessions, standard of living, or access to basic needs and/or services. It may also be defined or characterized by persons who suffer from social, economic, or political exclusion, marginalization, or powerlessness. Two common measures of poverty include (1) persons living below the poverty line established by the national government, or (2) persons living on less than US \$2.00 per day in daily per-capita expenditures—equal to \$2.15 per day per capita in purchasing power parities at 1993 prices.
<b>Poverty Alleviation</b>	The amelioration of the effects, symptoms, or causes of poverty on persons, households, or broader society. It is often used as synonym for poverty reduction although it may or may not imply an actual reduction in poverty.
<b>Poverty Assessment</b>	A process whereby the poverty status of an individual or group is determined. It typically involves the use of quantitative methods, but may also use qualitative methods.
<b>Poverty Gap</b>	The mean shortfall from the poverty line (counting the non-poor as having zero shortfall), expressed as a percentage of the poverty line. This measure reflects the depth of poverty as well as its incidence.
<b>Poverty Headcount</b>	The total number of rural population living below the national poverty line.
<b>Poverty Line</b>	The level of annual income below which a person is defined to be living in poverty. It is often calculated as the minimum level of income needed to secure the necessities of life.
<b>Poverty Reduction</b>	The reduction in the number of persons or households living in relative or absolute poverty. It is alternatively defined as an improvement in the relative income distribution between the poor and non-poor.
<b>Poverty Lending</b>	Lending in which the focus is on poverty alleviation and empowerment of vulnerable groups.
<b>Private Sector</b>	The part of the economy concerned with organizations and businesses that provide products and services based on market demands for a fee, with the intention of producing a profit for owners and shareholders. See <b>For-profit Sector</b> .



<b>Private Voluntary Organization (PVO)</b>	A term used to describe international non-governmental organizations based in North America.
<b>Public-Benefit Sector</b>	See <b>Voluntary Sector</b> .
<b>Purchasing Power Parities (PPP)</b>	Currency conversion rates that both convert to a common currency and equalize the purchasing power of different currencies. They operate by eliminating the differences in price levels between countries in the process of conversion.
<b>Qualitative In-Depth Individual Impact Assessment Protocol (QUIP)</b>	An assessment method that uses in-depth interviews of microfinance clients to help MFI managers better understand them. Designed to be conducted simply and inexpensively over a short period of time to produce detailed information about how particular clients feel about financial services and the impact they have on their lives.
<b>Rating</b>	Refers to the external process of assessing an organization's performance. This is distinct from an internal or external audit, which refers to a process of verification.
<b>Rating Agency</b>	A company that rates the ability of an organization to meet its social or financial obligations.
<b>Regulation</b>	Government laws and rules that govern financial institutions. Governments tend to focus their efforts on regulating financial intermediaries that mobilize deposits rather than on financial institutions that provide credit services only.
<b>Non-prudential Regulation</b>	Financial regulation in which the regulator does not vouch for or assume responsibility for the soundness of the regulated institutions. Non-prudential regulatory techniques may include registration and legal chartering of licensed entities; disclosure of ownership or control; reporting or publication of financial statements; norms for the content and presentation of such statements; accounting and audit standards; transparent disclosure of interest rates to consumers; external audits; submission of names of borrowers and status of their loans to a central credit information bureau; and interest rate limits. Enforcement of non-prudential regulations seldom involves regular supervision or on-site inspection.
<b>Prudential Regulation</b>	Regulation set out and enforced by the financial sector regulator; it defines detailed standards for financial structure, accounting policies, and other important dimensions of a financial institution's business. Prudential regulations will include requirements for liquidity, capital adequacy, loan-loss provisioning, and loan diversification, as well as limits on delinquency and non-earning assets. Compared to non-prudential regulations, enforcing prudential regulations requires more intensive reporting as well as on-site inspection that goes beyond the scope of normal financial statement audits.
<b>Regulation and Supervision</b>	The creation and enforcement of a set of rules for financial institutions, including MFIs. These rules are usually set by a country's central bank or superintendency of banks, or by other banking agencies.
<b>Real Guarantee</b>	A loan guarantee secured with real estate assets.
<b>Relative Poverty</b>	The state of being poor in comparison to other members of society.
<b>Remittances</b>	Transfers of funds from people in one place to people in another. Compared with other sources of money that can fluctuate depending on the political or economic climate, remittances are a relatively steady source of funds.

<b>Responsiveness</b>	The responsibility of an organization for its acts and omissions, including the processes of decision making and the results of these decisions.
<b>Return on Investment (ROI)</b>	A return ratio that compares the net benefits (financial and/or social) of an organization's activities versus its total costs. As such, ROI represents the relative value of the organization's cumulative net benefits (benefits less costs) over the analysis period, divided by its cumulative total costs, expressed as a percentage.
<b>Rotating Savings and Credit Association (ROSCA)</b>	An informal savings and credit group. It operates through a commitment of group members to contribute periodic fixed sums to a common savings fund that is lent in succession to all group members based on pre-existing distribution rules. Once one group member repays the loan, the fund is re-lent to another group member. This process continues until each group member has had the opportunity to borrow the fund amount. The process differs from an accumulating savings and credit association in that all group members receive loans.
<b>Rural Area</b>	An area in which the primary economic activities are small-scale agriculture and livestock rearing, although it also includes small-scale trade, service, and manufacturing activities. It is also characterized, in relative terms, by geographic isolation, low population densities, poorly developed infrastructure, underdeveloped market for goods and services, and high poverty concentration.
<b>Rural Bank</b>	A banking institution that targets clients who live and work in non-urban areas and who are generally involved in agricultural-related activities.
<b>Rural Finance</b>	The provision of financial services to rural areas and rural inhabitants. Although the term applies to all forms of rural-based financial services, the term is often used to connote the provision of financial services to support traditional rural and agricultural income-generating activities.
<b>Rural Microenterprise</b>	A microenterprise owned and operated by a resident of a rural area. It often serves to supplement income generated through agriculture and livestock activities.
<b>Savings and Credit Cooperative (SACCO)</b>	Another word for a credit union in Africa. The term "credit union" is generally not used in Africa—and specifically not in South Africa—to avoid confusion with the various labor movements.
<b>Savings Bank</b>	A bank that focus on savings mobilization as its core business. Found worldwide, some savings banks are public, some are private, and some function as cooperatives. Many are postal savings banks that offer their services through their countries' post office branch network. Savings banks often have far greater rural outreach than other bank networks and tend to offer products with terms that are more manageable for the poor than typical commercial banks.
<b>Savings Mobilization</b>	Programs intending to mobilize capital and to provide savings accounts, as well as credit services, to individuals and households.
<b>Scope of Outreach</b>	The number of distinct types of financial products and services offered.
<b>Screening</b>	The inclusion or exclusion of clients into an organization using selection criteria.

<b>SEEP-AIMS Tools</b>	A set of practitioner-oriented client-assessment tools developed jointly by the U.S. Agency for International Development and the SEEP Network. It includes two quantitative tools—an impact survey and a client exit survey—and three qualitative tools—client satisfaction focus group discussions, client-empowerment interviews, and loan and savings use strategies over time interviews.
<b>Self-Help Group (SHG)</b>	A community-based group of low-income persons who come together to address issues of mutual concern, share knowledge, and provide financial and non-financial services to each other. Financial services provided typically include savings and loans in which loans are funded by group savings. Government and non-governmental organizations often play a role in forming and serving self-help groups to facilitate and strengthen group formation and operation.
<b>Sensitivity Analysis</b>	Analysis of how sensitive analytical outcomes are to changes in underlying assumptions. The assumptions that deserve the most attention depend largely on the dominant benefit and cost elements and the areas of greatest uncertainty of the organization or process being analyzed.
<b>Small and Medium Enterprise (SME)</b>	Enterprises employing 5 to 10 workers (small) or between 10 and 50 workers (medium).
<b>Smallholder</b>	A person engaged in small-scale agriculture and livestock activities in rural areas.
<b>Social Accountability</b>	The responsibility of an organization to provide evidence to stakeholders that its operations and performance are in conformance with its social mission and obligations.
<b>Social Accounting</b>	The process by which an organization monitors, evaluates, and accounts for its social performance in relation to its aims and those of its stakeholders.
<b>Social and Ethical Accounting, Auditing, and Reporting (SEEAR)</b>	The variety of approaches related to the assessment and communication of social and ethical performance.
<b>Social and Ethical Performance</b>	The impact of an organization on its stakeholders, particularly in those dimensions in which they hold the organization accountable. It refers to the systems and individual behavior within an organization, as well as to the direct and indirect impact of an organization's activities on stakeholders.
<b>Social Audit</b>	An examination of the records, statements, internal processes, and procedures of an organization related to its social performance. It is undertaken with a view to providing assurance as to the quality and meaningfulness of the organization's claimed social performance.
<b>Social Bottom Line</b>	The social outcome measurement that parallels the financial bottom line. It is equal to the net social benefit from operations.
<b>Social Business</b>	A socially oriented business that seeks to balance the emphasis between its social and business interests. Unlike a social enterprise, it does not necessarily allow the social mission to primarily drive operations; however, managers will conduct business in such a way as to not conflict with its social objectives.
<b>Social Capital</b>	Social resources—in particular, trust, reciprocity, networks, and the sharing of values or norms of behavior—which allow a community or society to function more effectively.

<b>Social Collateral</b>	A method for guaranteeing loans that uses joint liability within a loan group rather than individual real collateral or personal guarantees.
<b>Social Enterprise</b>	An organization that uses business solutions to accomplish social goals. Social objectives are its primary driver, rather than being driven by the need to maximize profit for shareholders and owners. See <b>Double Bottom-Line Business, Social-Purpose Enterprise, Non-profit Business Venture, Mission-Based For-profit Business.</b>
<b>Social Entrepreneur</b>	A person who uses entrepreneurial skills to address social and environmental problems. It may involve revenue generation, although this is not required.
<b>Social Impact</b>	The change in net social welfare due to an organization's activities. It includes the wider local, national, and global communities.
<b>Social-Impact Causal Chain</b>	A model that explains how impact is created. It begins with organizational inputs, which are transformed via internal processes into outputs. Outputs in turn produce outcomes, and outcomes produce impacts.
<b>Social Investment</b>	Investment that aligns an individual's or an organization's investment policies with its social values, that is made principally for the purpose of earning a social return.
<b>Social Investor</b>	A person or organization that engages in social investing.
<b>Socially Responsible Business</b>	A for-profit business that operates in an ethical manner and demonstrates concern and action for the public good.
<b>Social Mission</b>	The core social purpose of an organization.
<b>Social Objectives</b>	Objectives related to the social mission and the corresponding social performance of an organization.
<b>Social Organization</b>	An organization with the primary purpose of pursuing and achieving social objectives.
<b>Social Performance</b>	The effective translation of an organization's social mission into practice. Social performance is not just about measuring the outcomes, but also about the actions and corrective measures that are being taken to bring about those outcomes.
<b>Social Performance Assessment (SPA)</b>	The process by which an organization measures its social performance relative to its social mission and objectives and to those of key stakeholders. Measurement may focus at any of the steps in the social impact causal chain.
<b>Social Performance Management (SPM)</b>	The process of translating mission into practice, including setting social objectives, tracking social performance and using this information to improve practice.
<b>Social Purpose Enterprise</b>	See <b>Social Enterprise.</b>
<b>Social Rating</b>	An independent assessment of an organization's social performance using a standardized rating scale. The social rating process and rating scale may parallel those used for financial rating.
<b>Social Reporting</b>	Public disclosure by an organization of its social performance.

<b>Socially Responsible Investment (SRI)</b>	Investment that aligns an individual's or an organization's investment policies with its social values, that is made principally for the purpose of earning a financial return.
<b>Social Return</b>	The net impact on society resulting from an organization's operations.
<b>Social Return on Investment (SROI)</b>	Monetary summary of an organization's social return from a capital investment. A term originating from return on investment (ROI) used by traditional investors.
<b>Social Screen</b>	The inclusion or exclusion of securities in an investment portfolio using social selection criteria.
<b>Social Value Added</b>	The increased social value at each stage of a production or service delivery process. It can also refer to the change in net social impact resulting from an organization's activities.
<b>Social Venture</b>	An earned income strategy that has both financial and social goals integral to its purpose. This term is generally used as a synonym for social business, although it is sometimes used to refer specifically to the revenue-generating arm of a non-profit organization.
<b>Social Venture Capital</b>	Equity investment with the goal of social as well as financial return on investments. It is typically longer term than a loan, with risk being shared more equally between the investor and the organization invested in. Social-venture-capital financial rates of return are often not as high as for conventional venture capital.
<b>Social Welfare</b>	The overall well-being of society in general. Social welfare is improved when the social benefits of a program, policy, or action exceed its social costs, and vice versa.
<b>Solidarity Group</b>	A loan group made up of approximately 3–10 people drawn from the same community and operating under a joint liability arrangement.
<b>Solidarity Loan</b>	A group loan made to members of a solidarity group.
<b>Stakeholder</b>	An individual or group of individuals who affect and/or are affected by an organization and its activities.
<b>Standard</b>	A widely agreed set of procedures, practices, or performance outcomes. Standards vary across a number of dimensions, including process and substantive standards, mandatory and voluntary standards, and theoretical and best practice standards.
<b>Standard of Living</b>	The level of individual, household, or group well-being. It is measured by the ability of the individual, household, or group to acquire goods and services.
<b>Stepped Lending</b>	The process by which borrowers who repay loans on time are eligible for increasingly larger loans. Stepped lending keeps initial risk at a minimum while allowing microentrepreneurs to grow their businesses and increase their incomes.
<b>Strategic Giving</b>	Engaging in philanthropy in a strategic manner to make a major social impact through making better choices surrounding how much one spends, invests, and gives back to society.
<b>Strategic Goal</b>	See <b>Strategic Objective</b> .

<b>Strategic Initiative</b>	A specific activity or action undertaken to achieve a strategic goal, including the plans and milestones.
<b>Strategic Objective</b>	An elaboration of the mission statement that develops with greater specificity how the organization will carry out its mission. The objective may be of a programmatic, policy, or management nature, and is expressed in a manner that allows a future assessment to be made of whether the objective was or is being achieved. See <b>Strategic Goal</b> .
<b>Strategic Plan</b>	A document used by an organization to align its organization and budget structure with organizational priorities, mission, and strategic objectives.
<b>Strategic Targets</b>	The numbers to achieve on each strategic objective by a specified time.
<b>Subsidized Credit</b>	Loans offered at interest rates and fees that fail to cover the full long-run costs of providing those loans.
<b>Subsidy</b>	A monetary or non-monetary grant given by governments, individuals, foundations, investors, or non-governmental organizations. Also refers to the offer of a product or service to the market at a price below the cost of production, generally targeted to certain disadvantaged groups believed unable to pay the full-cost price or for whom paying a full-cost price is believed to constitute a burden.
<b>Sustainability</b>	The capability of an organization to sustain its activities over the long term, having taken due account of its environmental, social, and human impacts.
<b>Supervision</b>	The systematic oversight of deposit-taking financial service providers to make sure that they comply with the regulations governing them or to close them if they do not. Supervision plays a crucial role in protecting depositors from losses due to mismanagement or fraud. Typically, regulatory agencies have very limited resources, yet are responsible for assuring the stability of the country's financial system. As a result, policy makers must balance systemic risk and the costs of supervision to make the best use of scarce supervisory resources.
<b>Sustainability Report</b>	A formal, written report disclosing an organization's performance toward the goal of sustainable development. It provides a balanced and reasonable representation of the sustainability performance of the reporting organization, including both positive and negative contributions.
<b>Sustainability Reporting</b>	The practice of measuring, disclosing, and being accountable for organizational performance towards the goal of sustainable development.
<b>Sustainable</b>	Refers to having a neutral or positive impact on the environment's ability to sustain itself indefinitely into the future, and on the health and wellbeing of individuals, society, and communities. It also refers to the state of being economically viable.
<b>Sustainable Development</b>	Meeting needs of the present without compromising the ability of future generations to meet their needs.
<b>Target</b>	A quantitative measurement of a performance objective that is to be achieved by a given time.
<b>Targeting Tool</b>	A marketing tool used to identify and extend products or services to an organization's target market or markets.



<b>Technical Assistance (TA)</b>	The exchange of knowledge, products, services, and management technology between technical service providers and microfinance institutions.
<b>Term</b>	Refers to the maturity or length of time until final repayment on a loan, bond, sale, or other contractual obligation.
<b>Theoretical Framework</b>	A basic conceptual structure organized around a theory. It often defines the kinds of variables used to make the theory operational.
<b>Third Sector</b>	See Voluntary Sector.
<b>Transformation</b>	The conversion of a non-regulated microfinance institution into a regulated microfinance institution.
<b>Transformed Microfinance Institution</b>	A microfinance institution that has transformed itself from a non-regulated financial institution into a financial institution that is authorized and supervised by the nation's supervisory authorities.
<b>Transparency</b>	The openness and willingness to accept public scrutiny. Transparency exists when there is open public access to information produced by the organization, when the information is sufficient and reliable, and when there exists sufficient means of communication between the organization and its stakeholders.
<b>Treatment Group</b>	A group of individuals receiving organizational services that is being evaluated or studied. It is used to assess the impact of organizational activities on participants and is necessary to establish attribution.
<b>Total Return on Investment (TROI)</b>	A measure of the social impact of double bottom line ventures. It is a blend of the social and financial return on investment.
<b>Triple Bottom Line</b>	A framework for measuring and reporting an organization's performance against financial, social, and environmental standards.
<b>Unbanked</b>	A person or persons without access to formal financial services.
<b>Urban Area</b>	An area including and surrounding large cities characterized, in relative terms, by high population densities, concentration of economic activity, and high infrastructure development.
<b>Value</b>	The benefit-per-unit cost.
<b>Value Added</b>	The increased value at each stage of a production or service delivery process.
<b>Value-Added Chain</b>	Those activities or steps that add to or change a product or service as it goes through a production process; these are the activities or steps that customers view as important and necessary.
<b>Value Proposition</b>	A statement to stakeholders or potential stakeholders describing how an organization differentiates itself in the market and what particular values it delivers to its target market.

<b>Values</b>	Deeply held beliefs within organizations that may be stated or unstated and which are demonstrated through the day-to-day behaviors of its employees.
<b>Venture Philanthropy</b>	Philanthropy that borrows some of the best practices of the venture capital world to invest in non-profit organizations to build their capacity. Venture philanthropists typically value their donor dollars in terms of the social return on investment.
<b>Very Poor</b>	See <b>Extremely Poor</b> .
<b>Village Bank</b>	A loan group made up of approximately 20–30 people (typically women) drawn from the same community and operating under a joint liability arrangement. Village banks are semi-autonomous organizations with an elected leadership drawn from group members, who manage the operation of the village bank with monitoring by a representative of the sponsoring microfinance institution.
<b>Vision</b>	Long-term goal of strategy. It answers the question, “How would society be different if our mission were realized.”
<b>Voluntary Sector</b>	The sector comprised of self-governing organizations, independent of the public or private sector, which exists to serve a public benefit and generate social impact. It relies heavily on the efforts of volunteers in carrying out its mandate. Organizations may range from small community-based groups to large, national umbrella organizations, and their work may include delivering services; advocating on behalf of community causes; encouraging self-help; facilitating international, community and economic development; advancing religious faith and practice; or raising funds and providing financial support to other voluntary organizations. See <b>Third Sector, Community-Based Sector, Public-Benefit Sector</b> .
<b>Voluntary Savings</b>	Savings that are voluntarily deposited in a microfinance institution by its clients. Voluntary savings pay an interest rate and typically permit reasonably unrestricted deposits and withdrawals.
<b>Vulnerable Non-poor</b>	Persons living near the absolute poverty line, but who are vulnerable to falling below the poverty line.
<b>Working Capital Loan</b>	A loan made for the purpose of financing the current capital needs of the enterprise, such as operating expenses or the purchase of raw materials or inventory. It is a short-term loan of a relatively low amount that is tied to the resupply cycle of the enterprise.
<b>Worth of Outreach</b>	The value of financial products and services consumed and the client’s willingness to pay. Value and willingness to pay are a function of the benefits derived from consumption.

# Terms Listed by Category

## SOCIAL PERFORMANCE

This section contains terms that apply generally to understanding, assessing, managing, and investing in social performance.

### SOCIAL PERFORMANCE

Accountability  
Blended Value  
Code of Conduct  
Code of Ethics  
Code of Practice  
Community Economic Development  
Compliance  
Consumer Protection  
Core Values  
Corporate Social Responsibility (CSR)  
Double Bottom Line  
Embeddedness  
Empowerment  
Fair Trade  
Fungibility  
Governance  
Institutionalization  
Mission  
Mission Alignment  
Mission Drift  
Mission Statement  
Norms  
Organizational Culture  
Responsiveness  
Social Accountability  
Social Accounting  
Social and Ethical Accounting, Auditing, and Reporting (SEAR)  
Social and Ethical Performance  
Social Audit  
Social Bottom Line  
Social Capital  
Social Entrepreneur  
Social Impact  
Social-Impact Causal Chain

Social Mission  
Social Objectives  
Social Performance  
Social-Performance Assessment (SPA)  
Social-Performance Management (SPM)  
Social Rating  
Social Reporting  
Social Value Added  
Social Welfare  
Stakeholder  
Sustainability  
Sustainability Report  
Sustainability Reporting  
Sustainable  
Sustainable Development  
Transparency  
Triple Bottom Line  
Value  
Value Added  
Value-Added Chain  
Value Proposition  
Values  
Vision

### SOCIAL INVESTING

Ethical Investment  
Return on Investment (ROI)  
Screening  
Social Investment  
Social Investor  
Social Screen  
Socially Responsible Investment (SRI)  
Social Return  
Social Return on Investment (SROI)

Social Venture Capital  
Strategic Giving  
Total Return on Investment (TROI)  
Venture Philanthropy

### SOCIAL INSTITUTIONS

Civil Society  
Double Bottom-Line Business (see Social Enterprise)  
Mission-Based For-profit Business (see Social Enterprise)  
Non-profit Business Venture (see Social Enterprise)  
Social Business  
Social Enterprise (see Double Bottom-Line Business, Social-Purpose Enterprise, Non-profit-Business Venture, Mission-Based For-profit Business)  
Social Venture  
Social Organization  
Social-Purpose Enterprise (see Social Enterprise)  
Socially Responsible Business

### SOCIAL ASSESSMENT METHODS

Accountability 1000 Assessment (see Evaluation)  
Assurance  
Balanced Scorecard  
CGAP Poverty Assessment Tool

Evaluation  
 (see Assessment)  
 Global Reporting Initiative (GRI)  
 Impact Assessment  
 Impact Monitoring  
 Impact Monitoring System  
 Participatory Rapid Appraisal (PRA)  
 Qualitative In-Depth Individual Impact  
 Assessment Protocol (QUIP)  
 SEEP-AIMS Tools

Breadth of Outreach  
 Cost of Outreach  
 Depth of Outreach  
 Extreme Poverty  
 Extreme Poverty Line  
 Extremely Poor  
 Gini Index  
 Length of Outreach  
 Low Income  
 Moderately Poor  
 Non-poor  
 Outreach  
 Poor  
 Poorest of the Poor  
 Poverty  
 Poverty Alleviation

Poverty Assessment  
 Poverty Gap  
 Poverty Headcount  
 Poverty Line  
 Poverty Reduction  
 Poverty Lending  
 Purchasing Power Parities (PPP)  
 Relative Poverty  
 Scope of Outreach  
 Standard of Living  
 Very Poor  
 Vulnerable Non-poor  
 Worth of Outreach

**POVERTY AND OUTREACH**

Absolute Poverty  
 Bankable

**GENERAL ORGANIZATIONAL PERFORMANCE**

This section contains terms that apply generally to understanding, assessing, and managing organizational performance.

**GENERAL ASSESSMENT**

Accounting  
 Audit  
 Audit Report  
 Auditor  
 Attribution  
 Baseline  
 Benchmark  
 Benchmarking  
 Best Practice  
 Break-even Point  
 Causal Model  
 Conceptual Framework  
 Control Group  
 (see Comparison Group)  
 Counterfactual  
 External Audit  
 External Auditor  
 Feedback Loop  
 Logical Framework (logframe)  
 Metric  
 Indicator  
 Internal Audit  
 Internal Auditor  
 Key Performance Indicators  
 Opportunity Cost

Standard  
 Theoretical Framework  
 Treatment Group

**GENERAL ASSESSMENT  
 METHODS**

Benefit-Cost Analysis  
 (See Cost-Benefit Analysis)  
 Client Assessment  
 Client Monitoring  
 Cost-Benefit Analysis  
 (see Benefit-Cost Analysis)  
 Cost-Benefit  
 Internal Rate of Return  
 Monetization  
 Net Present Value  
 Sensitivity Analysis

**GENERAL ORGANIZATIONAL  
 PERFORMANCE**

Client Dropout  
 Client Retention  
 (see Customer Retention)

Client Satisfaction  
 (see Customer Satisfaction)  
 Effectiveness  
 Efficiency  
 Goal.  
 Goal Alignment  
 Impact  
 Input  
 Intermediate Outcome  
 Internal Processes  
 Monitoring and Reporting  
 Management Information System (MIS)  
 Objective  
 Outcome  
 Output  
 Performance Management.  
 Strategic Goal  
 (see Strategic Objective)  
 Strategic Initiative  
 Strategic Objective  
 (see Strategic Goal)  
 Strategic Plan  
 Strategic Targets  
 Target  
 Targeting Tool

## MICROFINANCE

This section contains terms relevant to understanding microfinance and placing social and general performance terms in a microfinance context.

### TYPES OF MICROFINANCE INSTITUTIONS

Accumulating Credit and Savings Association (ASCA)  
Alternative Financial Institution (AFI)  
Apex Institution  
Development Bank  
Microfinance Institution (MFI)  
Microfinance Non-governmental Organization (Microfinance NGO)  
Non-bank Financial Institution (NBFi)  
Rotating Savings and Credit Association (ROSCA)  
Transformation  
Transformed Microfinance Institution  
Village Bank

Group Guarantee  
Group Lending  
Group Loan  
Guarantee Fund  
(see Bridge Fund)  
Guaranteed Loan  
Joint Liability  
Microfranchising  
Microinsurance  
Microleasing  
Microsavings  
Peer Lending  
Remittances  
Self-Help Group (SHG)  
Social Collateral  
Solidarity Group  
Solidarity Loan  
Stepped Lending  
Technical Assistance (TA)  
Voluntary Savings

Financial Self-Sufficiency  
Formal Financial Sector  
Formal Financial Institution  
Informal Financial Sector  
Informal Credit  
Informal Savings  
Microcredit  
Microfinance  
Microenterprise  
Microenterprise Development  
Microentrepreneur  
Microloan  
Non-prudential Regulation  
Operational Self-Sufficiency (OSS)  
Prudential Regulation  
Regulation and Supervision  
Rural Area  
Rural Finance  
Rural Microenterprise  
Small and Medium Enterprise (SME)  
Smallholder  
Subsidized Credit  
Subsidy  
Unbanked  
Urban Areas

### MICROFINANCE PRODUCTS AND SERVICES

Business Development Services  
Compulsory Savings  
(see Forced Savings)  
Forced Savings  
(see Compulsory Savings)

### MICROFINANCE CONTEXT TERMS

Commercialization  
Downscaling  
Development Finance

## GENERAL INSTITUTIONAL TYPES AND SECTORS

This section contains terms relevant to understanding different institutional types and the economic sectors in which they operate as a context for understanding social and general performance terms.

### GENERAL FINANCIAL INSTITUTIONS

Arrears  
Bank  
Commercial Bank  
Community-Based Finance Institution (CBFI)  
Cooperative  
(see Credit Union)  
Credit Union  
(see Co-operative)  
Financial Institution  
Mutual Savings and Loan Association  
Rural Bank  
Savings and Credit Cooperative (SACCO)

Savings Bank  
Savings Mobilization

### GENERAL OTHER INSTITUTIONAL TYPES

For-profit Enterprise  
Non-profit Enterprise  
Non-profit Organization  
Non-governmental Organization (NGO)  
Private Voluntary Organization (PVO)

(see Voluntary Sector)  
Formal Sector  
(see Formal Economy)  
For-profit Sector  
(see Private Sector)  
Informal Sector  
(see Informal Economy)  
Private Sector  
(see For-profit Sector)  
Public-Benefit Sector  
(see Voluntary Sector)  
Third Sector  
(see Voluntary Sector)  
Voluntary Sector  
(see Third Sector, Community-Based Sector, Public-Benefit Sector)

### GENERAL SECTORS

Community-Based Sector

## FINANCIAL SERVICE INSTITUTIONS

This section contains terms relevant for a general understanding of financial service institutions, the products and services they offer, the environment in which they operate, and the means of assessing them as a context for understanding social and general performance terms.

### PRODUCTS AND SERVICES

Agriculture and Livestock Loan  
Consumer Loan  
(see Consumption Loan)  
Enterprise Loan  
Financial Services  
Individual Loan  
Loan Procedures  
Loan Products  
Non-financial Services  
Real Guarantee

Term  
Working Capital Loan

### CONTEXT TERMS

Capital  
Capital Markets  
Credit Bureau  
Credit Rating  
Credit Scoring  
Default

Financial Intermediation  
Financial Performance  
Financial Return  
Market Research  
Financial Intermediation  
Rating  
Rating Agency  
Regulation  
Regulation and Supervision  
Supervision

## Note

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## About SEEP

SEEP is an international network of over 70 organizations committed to reducing poverty through microfinance and enterprise development. SEEP members are active in over 140 countries and reach over 25 million microentrepreneurs and their families. SEEP promotes professional standards of practice in microfinance and enterprise development, conducts capacity building activities for its members and other practitioners, creates and disseminates publications for application in the field, and serves as a center for collaboration on a broad range of sector-related issues.

–Dana de Kanter, Executive Director

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