Microfinance:
A Poverty Trap or Solution?

A study of the development strategies operational NGOs use to help entrepreneurs in developing countries escape the poverty trap

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Abstract

Microfinance is many times used as a developmental tool to tackle hunger and other issues related to poverty. The adoption of microfinance as a tool to raise welfare in communities is rising in the sector of Non-Governmental organizations (NGOs). In recent times, development projects by Non-Governmental Organizations have been criticized for lacking financial sustainability and for leading people into a poverty trap created from a vicious cycle of borrowing. For entrepreneurship to flourish, micro-financial clients must first escape the poverty trap by becoming self-sufficient.

The purpose of this thesis is to comprehend what strategies operational Non-Governmental Organizations use in developing countries in order for clients to escape the poverty trap with the help of sustainable microfinance.

The stakeholder theory is the comprehensive approach used in this thesis to understand how a Non-Governmental Organization’s stakeholders influence their Microfinance Program and vice versa. The Non-Governmental Organizations need to incorporate all the stakeholders and assist these stakeholders to strive for a common goal. A qualitative case study was conducted on the global, non-profit, strategic organization; The Hunger Project.

Our findings resulted in identifying the integrated holistic Epicenter strategy as The Hunger Project’s solution to tackling economic- and development inhibiting barriers. The findings indicate that a sustainable Microfinance Program may need to be integrated into all surrounding aspects influencing the micro-financial stakeholders.

The implications of this study is that microfinance providers can gain an understanding of the requirements for sustainable Microfinance Programs. This understanding will result in organizations being able to contribute to a more sustainable development for underprivileged entrepreneurs. Our dissertation contributes in creating awareness in potential solutions for overcoming micro-financial criticism, by implementing and integrating sustainable principles along with the society.

Keywords: Microfinance, NGO, self-sufficiency, entrepreneur, sustainability, society
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### Acronyms

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<th>Description</th>
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<tbody>
<tr>
<td>AWFFI</td>
<td>African Women Food Farmer Initiative</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CSO</td>
<td>Civil Society Organization</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>MFD (model)</td>
<td>Micro-financial Development model</td>
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<td>MFI</td>
<td>Microfinance Institution</td>
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<td>MFP</td>
<td>Microfinance Program</td>
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<tr>
<td>MNC</td>
<td>Multinational Corporation</td>
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<td>MOU</td>
<td>Memorandum Of Understanding</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>SHG</td>
<td>Self-Help Group</td>
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<tr>
<td>SPO</td>
<td>Senior Program Officer</td>
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<tr>
<td>THP</td>
<td>The Hunger Project</td>
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<tr>
<td>VCA (workshop)</td>
<td>Vision Commitment and Action workshop</td>
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1. Introduction

This paper starts by presenting the background information on the topic of the study, followed by the problematization. Furthermore, the research question and purpose will be specified before the presentation of demarcation and research outline.

1.1 Background

In my experience, poor people are the world's greatest entrepreneurs. Every day, they must innovate in order to survive. They remain poor because they do not have the opportunities to turn their creativity into sustainable income. (Yunus, 2012)

The Nobel Peace prize winner of 2006, Dr. Muhammad Yunus, has been called a “banker to the poor” in his pursuit to help the underprivileged out of poverty. His solution was to grant smaller loans and develop self-sufficiency through education in financial principals. Dr. Yunus started the concept in the mid-70s by offering personal loans and later, in 1982, establishing the Grameen Bank based on the view of that credit is a fundamental human right (Grandin, 2007).

Since the early 1920s, the socially, politically and economically disadvantaged, along with the underprivileged, have been emphasized by the non-governmental organizational (NGO) sector (Premchander, 2003). For many NGOs the main purposes are to: improve demanding social and environmental problems, fight hunger, limit human rights abuses and improve health care (Dahan, Doh, Oetzel, & Yaziji, 2010). Recently, there has been a shift in the NGO sector towards self-helping economic strategies that are operated by the community, as opposed to welfare that is provided by the government (Premchander, 2003). The new generation NGOs consist of organizations such as; Amnesty International, CARE, Greenpeace, Save the Children (Dahan et al., 2010), The Hunger Project and many more.

The concept that Dr. Yunus created in the 70’s is called microfinance, which is a series of financial services provided to the poor by NGOs and Microfinance Institutions (MFIs) (Premchander, 2003). The purpose of microfinance is to enhance welfare and self-sufficiency by targeting women because this target group delivers wider social benefits (D’espallier, Guérin & Mersland, 2010; Ahlin & Jiang, 2008; Ngo & Wahhaj, 2011). One type of micro-financial service is micro-lending, where the impoverished borrow small amounts to fund undertakings for self-employment (Ahlin & Jiang, 2008). Microfinance has significantly lowered poverty in many developing countries (ibid.).
In the discussion regarding global hunger, many people immediately think the concept is equivalent to starvation (Hungerprojektet, 2015). However, the World Food Programme distinguishes between the two concepts; starvation is a sudden shortage of food caused by inevitable phenomena, while, chronic hunger is an incapability to satisfy the necessary daily energy requirements (The World Food Programme, 2015). Often, starvation receives greater attention with stronger headlines in the media because starvation, many times, is a result of drought, war and/or natural disasters (Hungerprojektet, 2015). Yet, starvation is merely the tip of the iceberg, with less than one tenth of the world’s deaths being caused by starvation-related food shortages (ibid.). With that said, chronic hunger is a problem of greater importance since 805 million people live with chronic hunger from birth to their often premature deaths (ibid.). Additionally, over one billion people live under extreme poverty today (Naudé, 2009).

Developing countries represent eighty-two percent of the world’s population, which in turn, is equivalent to ninety-eight percent of the undernourished (Stewart & Bell, 2015). There are several factors that affect global hunger and reduce the supply of food to these regions (Naudé, 2009). These factors have been argued to be based on weather conditions, trade policies, energy prices, consumption capacity, little research in agriculture, financial market, property rights and biofuel policies (Stewart & Bell, 2015; Naudé, 2009). In recent times, there has been a decline of investments in research and development regarding production of raw materials that can survive climate effects. The decrease has resulted in a reduction of the amount of food produced. Trade policies and rules can also have an impact on the supply of food. For example, non-tariff barriers can create delays when goods are crossing borders, which leads to goods in transit becoming more expensive (Stewart & Bell, 2015).

Usually, it is forgotten that hunger in developing countries can be fought by introducing an entrepreneurial mindset. Advocates argue that developing countries need to allocate their entrepreneurial resources to produce goods in which they possess comparative advantages. The outcome of this approach, however, could lead to either productivity, unproductivity or destructivity. Despite these risks, entrepreneurs and organizations are encouraged to discard the typical development model in economics and adopt a new mindset to improve understanding of the development process (Naudé, 2009).
1.2 Problematization

Corporate globalization has brought both challenges and opportunities to the human rights movement led by many NGOs (Winston, 2002). The multinational corporations (MNCs) and international financial institutions, such as the International Monetary Fund, do not have the same social accountability as rural and local corporations. The lack of accountability leads to negligence of economic, social and cultural rights (ibid.). The advocates of globalization tend to believe that ethnic hatred, sectarian bitterness and other forms of social incorrectness will disappear with the entrance of modernization (Thomson, 2008). However, the reality looks different since globalization tends to turn all friends and enemies into competitors (ibid.). In addition, small industries in third world countries have a small chance of competing with well-established, more advanced firms. Without the aid of social entrepreneurship to reduce the negative globalizational effects, small industries have a hard time competing with industries situated in industrialized countries (Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008).

There are different perceptions of globalization; some support it while others are entirely against it (Lee & Vivarelli, 2006). The perceptions can be explained by the respondents’ attitude towards the issue (ibid.). Numerous scholars believe that the solution to the fight against hunger and poverty is by opening a country’s borders to globalization with free markets and democratic political institutions to minimize and/or eliminate poverty (Thomson, 2008). Moreover, some advocate that entrepreneurship lifts the country’s economy despite others’ beliefs that globalization is an illusion due to the lack of accountability mentioned previously (ibid.). A research done by Swedish scientists on “Entrepreneurship policy and globalization” shows that there are less barriers against entrance of MNCs when the countries are corrupt (Norbäck, Persson, & Douhan, 2014). Studies conducted in the area, show that the early stages of openness to trade can increase imports of capital within the country, using skill-biased technological change (Lee & Vivarelli, 2006). However, it is incorrect to state that differences in income for developing countries increase when they let foreign direct investors enter their country (ibid.).

The globalizational effects that have been discussed give reason to evaluate the long-term effects of the help provided by NGOs, more specifically; the micro-finance programs (Ahlin & Jiang, 2008; Winston, 2002). An important distinction between entrepreneurship and self-employment is that; entrepreneurial activities involve larger scale funds and employees, while self-employment only involves minor funding and the owner’s own employment
(Ahlin & Jiang, 2008). The self-employment is mostly funded by micro-credit, which raises the question on whether self-employed people are able to advance and become entrepreneurs (ibid.). Ahlin and Jiang (2008) evaluate this and have used a model that suggests that incentives and evaluation should be incorporated into the Microfinance Program and reward loan officers for clients who leave the program for formal financial institutions.

Women have been found to play an important role in the development of societies. Women entrepreneurs determine economic growth for developing countries because they have a leading role in creating productive work, maintaining farms and achieving gender equality (Hungerprojektet, 2015; Poggesi, De Vita, & Mari, 2014). They play a great role in generating income through small enterprises and improving the family welfare (Premchander, 2003). In the 1980s, scholars began questioning if there was a link between higher income for men and the welfare of their families (Premchander, 2003). The results showed that women’s incomes tend to go back to meet their families basic needs, while men’s incomes tend to go towards assets and leisure (ibid.). Further, if female farmers had the same access to resources as men, the number of hungry people in the world would fall by up to 150 million (Hungerprojektet, 2015). Thus, investing in women’s leadership is very effective for NGOs and MFIs (ibid.).

Agier and Szafarz (2013) evaluate discrimination in the distribution of small-business credit and divide the term into two views that coexist; taste-discrimination (not hiring because of conscious distaste and prejudice) and stereotypes (not hiring because of social and/or cultural constructs). Prejudice is not very common in the Microfinance-sector because most MFIs support the underprivileged. However, stereotypes are unintentional and hard to regulate (Agier & Szafarz, 2013). Stereotypical discrimination affects women entrepreneurs negatively, because positive attributes required as successful entrepreneurs are many times associated with male stereotypes. This in turn, gives women entrepreneurs a disadvantage because it leads formal bank officers to grant micro-loans to men rather than women (Agier & Szafarz, 2013).

The importance of women’s access to microfinance is due to the fact that nearly 42% of the world’s entrepreneurs that had created and maintained their own business in 2010 were women (Poggesi et al., 2014). For these women, entrepreneurship is the starting point for their well-being as they are usually not offered other careers (ibid.) Self-employed women in developing countries represent 45%, a percentage that is much higher than that of
industrialized countries (*ibid.*). With the knowledge that women are a critical part of the developmental activities, many NGOs attempt to empower women through micro-enterprises with the ambition to positively impact their lives (Premchander, 2003). Many NGOs are using micro-credit activities in their methods to support women’s enterprise without becoming MFIs. Instead of changing their organizations, the NGOs become facilitators of credit, arrange groups and work as a banking network for their clients. However, the MFIs only provide the financial services and do not get socially involved with their clients (Premchander, 2003).

Ahlin and Jiang (2009) argue that there are exceptions of microloans reducing poverty in the long run. The authors advocate that reality looks different, microloans often result in coming out of extreme poverty or hunger into self-sufficiency (*ibid.*). Moreover, Ahlin and Jiang state that: “in the long run there are more subsisters (survivors), fewer entrepreneurs, lower aggregate income and higher poverty” (2008, p. 2). Because NGOs are socially involved with their clients and develop the society with them (Premchander, 2003), there is an indirect dependency that follows. Ahlin and Jiang (2009) advocate that the borrowers can end up in a vicious cycle of borrowing caused by the microloans. There are scholars that have investigated the exit strategies that can be used, however, we find it interesting to comprehend the strategies NGOs use to ensure sustainable development.

1.3 Research question

What micro-financial development strategies do operational NGOs use to help underprivileged clients become more than self-sufficient in developing countries?

1.4 Purpose

The purpose of this thesis is to comprehend what strategies operational NGOs use in developing countries in order for clients to escape the poverty trap with the help of sustainable microfinance.
1.5 Demarcations

In our study, we have chosen to base our dissertation on a NGO that provides micro-financial services. The choice led us to our study object, The Hunger Project. The organization is currently operating in different continents and combating different issues. However, the strategies for a sustainable micro-financial program is only conducted in certain countries in Africa. Therefore we demarcate our study to the countries where the organization’s Microfinance Programs (MFPs) are operating. An additional reason for the demarcation is that the MFPs are restricted to rural areas as part of The Hunger Project’s strategy.

1.6 Outline

Chapter 1

The first chapter presents the background for the thesis and the problematization is presented based on previous research. The problematization is followed by the research question, purpose and demarcations of the thesis. The chapter closes with a comprehensive outline for the thesis.

Chapter 2

The second chapter is introduced with a literature review. The purpose is to give an understanding on Non-Governmental Organizations' role in societies and the impact microfinance has on poverty. The literature review is followed by a presentation of the Stakeholder theory and the chapter ends with a specifically constructed model. The model will be the basis for the analysis of the empirical data.

Chapter 3

The third chapter is divided into two sections; research method and empirical method. Firstly, the research method presents the research philosophy, research approach and choice of theory. Secondly, the empirical method is made up of an elaborate description of the method for data collection and the implementation of the method.

Chapter 4

The fourth chapter presents the organization that the case study was conducted on. The chapter provides an understanding of the global, non-profit, strategic organization that was studied as preparation for the analysis in the following chapter.
Chapter 5

The fifth chapter presents the results from the empirical data gathered through interviews and internal documents. The chapter begins with a description of the strategy that is used by the organization. Further, the strategy is analyzed using the model in chapter two and results relevant to the research question are the focus of the analysis.

Chapter 6

The sixth chapter presents the discussion of the data that was analyzed in chapter five. The chapter includes a discussion of the strategy used by the organization for a sustainable solution to our research question.

Chapter 7

The seventh chapter presents the conclusion of the study. The chapter starts by introducing a summary of the thesis followed by the conclusion. Lastly, the ethical implications, critical review and future research are presented.
2 Theory

In this chapter, a literature review will be presented to give the reader an understanding of how Non-governmental organizations operate within social society. Further, microfinance as a development tool will be described, followed by a definition of the stakeholder theory. Lastly, a development model using a multi-stakeholder approach will be presented as a basis for the analysis.

2.1 Economic development provided by Non-governmental organizations

There are two types of NGOs defined by The World Bank, which can be determined by the type of activities they take part in (Nega & Schneider, 2014). The first type of NGOs take part in development projects and are called operational NGOs. The second type are called advocacy NGOs and raise awareness concerning specific causes (ibid.). Because this paper is focused on microfinance projects provided by NGOs, the following section will focus on providing a better understanding of operational NGOs Micro-financial programs.

NGOs are very visible actors in civil society, which is a concept that can be seen as a third institutional sector of societies (Crane & Matten, 2010). In the conventional view, the two institutional sectors are market and state (government). The market sector can also be referred to as the economic sector and consists of businesses (ibid.). “Firms (businesses) and NGOs possess complementary resources: while the main resources of NGOs lie in their reputation and legitimacy within society, firms - by nature - are equipped with, among others, organizational and financial resources” (Graf & Rothlauf, 2012, p. 104). The citation describes motivators for collaborations between organizations from the market- and civil society sector (ibid.) Within civil society there are Civil Society Organizations (CSOs) where NGOs, charities and social entrepreneurs are categorized (Nega & Schneider, 2014; Crane & Matten, 2010). The establishment of civil society was due to the conventional sectors (state and market) failing in terms of social welfare and in generally serving the interest of the public (Crane & Matten, 2010). Many multinational organizations have taken the role of government in various countries (Visser et al., 2008; Nega & Schneider, 2014).

The growing importance of foreign direct investment and corporate social responsibility (CSR) policies of multinational companies, has impacted the rise of international NGOs
focusing on the ethical, social and environmental practices of companies in developing countries. The partnership between the multinationals and NGOs give opportunities to provide access to health services, water sanitation, roads, telecommunication, and power supply. In addition, the key CSR issues include; (1) working conditions of the employees; (2) Human rights by reducing child labor, etc.; (3) Health and Safety in the sector involving, for example, mining and reduction of diseases such as HIV / AIDS and malaria. These are factors that NGOs have incorporated in their business strategy and actively work with (Visser et al., 2008).

Economic development in Africa has often been improved with the help of NGOs, social entrepreneurs and charities using self-helping economic strategies (Nega & Schneider, 2014; Premchander, 2003). Poor communities many times benefit from self-help strategies, however, according to Nega and Schneider (2014), the structural transformation needed for true economic development is yet to happen. For long-term development, it has been proven that NGOs cannot substitute the state, which as mentioned, happens often when NGOs enter a country (Nega & Schneider, 2014; Premchander, 2003). Nega and Schneider (2014) define one weakness of NGOs as the projects provided many times not being sustainable enough to financially support themselves when the NGOs exit. The projects provided by NGOs do remarkable favors for short-term problems such as famine relief and disease devastations. Additionally, the authors claim that NGOs do not always take into account the larger socio-political and economic environment of the country in which they operate. It is important to recognize that the government is a key function for long-run development. However, for development to be possible the government has to be efficient and accountable. Because civil society emerged as a result of the government sector failing with state provision and listening to the interest if the public, the long-run impact is uncertain (Crane & Matten, 2010). Challenges also occur when governments are corrupt or want to shift the responsibility for development towards civil society (Nega & Schneider, 2014). Therefore, it has been suggested that a better approach to economic development could be to create structural transformation at a larger scale through partnerships between NGOs and governments (Nega & Schneider, 2014).

The main goal for many NGOs is to decrease poverty in developing countries with the help of tools that improve people’s lives (Ahlin & Jiang, 2008; Nega & Schneider, 2014). These NGOs might be striving to reach the eight millennium development goals (see Appendix 1) set by the United Nations (United Nations Economic Commission for Europe, 2015). The
goals set in the Millennium declaration, are universal development objectives to be achieved by 2015 (ibid.). The following section will describe the process of microfinance programs used as a developmental tool by NGOs.

2.1.1 Microfinance Programs

Financially, it is more costly for banks to give out microloans in relation to larger loans when considering the administrative costs. For this reason, 75% of the lenders of microfinance are not banks. The majority of lenders are, in fact, NGOs and other non-bank financial institutions (Cull, Demirgüç-Kunt, & Morduch, 2009).

Certain NGOs specialize in providing micro-financial services in developing countries and there are different processes organizations can utilize to deliver their services (Visser et al., 2008). Microfinance includes micro-loans and other services such as micro-insurance and payment services (ibid.). Because of the variety and complexity of services, the strategies and processes used by organizations vary as well. There are multiple methods for NGOs to fund their microfinance programs. One approach is for NGOs to take loans from banks and distribute the funds to their clients through their Microfinance Program. Another approach is for NGOs to distance themselves from banks and other formal financial institutions by assembling their own source of funding. The income gathered by NGOs can be in form of donated funds from companies/individuals, or by selling assets donated from other organizations (e.g. old computers, close etc.). Further, the income can also be generated through fund-raising and private gifts (Alymkulova & Seipulnik, 2005).

The clients of micro-financial programs are those who intend to leave poverty through microfinance and are in need of the services (Visser et al., 2008). One of the important requirements to qualify for micro-financial services, is the establishment of Self Help Groups (SHGs). These groups are not always a requirement, as clients can take out loans individually by qualifying through other requirements. However, SHGs are an effective tool where the groups are assembled by the clients of the organization (Premchander, 2003). SHGs usually consist of 10-20 members, mainly women who are regularly saving money together, and these savings rotate within the group. SHGs create networks, collective influences and give the groups the possibility to link with financial institutions. Credit providers use SHGs to distribute microfinance by meeting the groups’ accumulated savings (Premchander, 2003).

The most effective target group for microfinance programs are women because they provide wider social benefits (Ngo & Wahhaj, 2011). In 2007, more than 70% of MFIs clients were
women because small loans are commonly more beneficial to women than they are to men. Microfinance has high records in repayment which is why there is a strong appeal for it; only 1% of the loan portfolio will be written off in the data set by D’espallier, Guérin and Mersland (2010). Women in general generate high repayment rates, outperforming men, making them good credit risks for MFIs and a target to diminish repayment failure (D’espallier, Guérin, & Mersland, 2010). Women’s bargaining power in the household is strengthened with access to the credit provided by MFIs and becomes important in patriarchal societies (Ngo & Wahhaj, 2011). The high repayment rates and the fact that women are instrumental to escaping poverty are significant reasons to why many NGOs focus on women in their approaches (Agier & Szafarz, 2013).

2.1.2 Outcomes of microfinance

According to Ahlin and Jiang (2008), micro-financial services usually do not allow the generation of full-sized businesses. The services, however, allow for long-term savings of disposable income to achieve entrepreneurship. Although, if the average salary is high, higher than normal, long-term savings can result in a full-scale business. Self-sufficiency is the first step to becoming entrepreneurial. Self-sufficiency can be accomplished by working for a company or by micro-loans which are usually provided by NGOs or MFIs and gradually transform into an entrepreneur. Furthermore, it is crucial for these individuals to have access to micro-loans as these loans have been proven to be a very useful tool for poverty reduction. This approach also removes the financial barriers that are normally set by commercial financial institutions (Ahlin & Jiang, 2008).

Despite microfinance being significant to economic development, Ahlin and Jiang (2009) believe that the borrowers can end up in a vicious cycle of borrowing. The micro-loans can serve as maintenance support to get out of the trap of poverty. However, when micro-loans do not tackle all barriers that prevent entrepreneurship, these individuals end up needing new loans. Eventually they end up in what the authors call a “poverty trap” (Ahlin & Jiang, 2008). Moreover, the microfinance program may affect wages, which in turn helps to lift the whole society, in best terms even the whole country. When self-sufficiency has expanded into entrepreneurship, the disposable income may increase enough to the level which it results in additional employment, in this case it also helps the others to get out of poverty without having to take microloans. Microcredit generates stabilization in household’s economy and may even lead to entrepreneurship if proper training is offered on how to reach entrepreneurship. As an outcome of this, the society or country becomes a stakeholder that
benefits from the impact of self-sufficiency (Ahlin & Jiang, 2008). Other factors that can place individuals in the poverty trap are cultural, religious and traditional ones (Handy, Kassam, & Ranade, 2002).

From the literature it is evident that there are major differences between self-sufficiency and entrepreneurship (Ahlin & Jiang, 2008). As mentioned, entrepreneurship is an activity that requires a large investment of capital and labor; while self-sufficiency needs capital and the owners’ own labor (ibid.). Furthermore, it is important to acknowledge that entrepreneurship plays a greater role than self-sufficiency (Ahlin & Jiang, 2008; Nega & Schneider, 2014). Although the purpose of NGOs might solely be to end severe poverty or chronic hunger, the development towards entrepreneurship is an important issue. In order to provide a long term solution to poverty in developing countries, it is necessary to transform poverty into entrepreneurship (ibid.).

For organizational projects to be sustainable and improve micro-financial circumstances, the expectations of stakeholders have to be in line with organizational goals (Galuppo, Gorli, Scaratti, & Kaneklin, 2014; Phillips, 2003). The stakeholders play a crucial role in the survival of organizations (Lahouel, Peretti, & Autissier, 2014) and to map out the strategies of NGOs, the Stakeholder theory will be implemented.

2.2 Stakeholder Theory

Stakeholder theory functions as the comprehensive theory in this thesis, and the literature is presented for the possibility of conducting an analysis in the form of descriptive stakeholder theory (Crane & Matten, 2010). This form establishes what organizations presently do to make sure their objectives suit the interest groups (ibid.).

The Stakeholder theory takes groups/stakeholders, within societies and organizations, into consideration. A simple definition to the stakeholder theory, in the wide sense of stakeholder, is given by Freeman and Reed: “Any identifiable group or individual who can affect the achievement of an organization’s objectives or is affected by the achievement of an organization’s objectives” (1983, p. 91). On the same path, Clarkson states that “stakeholders are persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future” (1995, p. 95). These statements suggest that many individuals, including organizations can be noted as stakeholders. In other words, the stakeholder theory aims to collaborate with different groups in the society (Deegan,
Different stakeholder groups do not always share the same point of view on how an organization should be functioning. Therefore, stakeholders get together and negotiate rather than the organization conducting everything by itself. The traditional stakeholder map/model consisted of shareholders, suppliers, customers and employees, with an organization as a central point (Crane & Matten, 2010; Phillips, 2003). However, over the years, the stakeholder model has been augmented with government, competitors, civil society (Crane & Matten, 2010) or community, natural environment, media and activists (Phillips, 2003).

The stakeholder approach is different from the CSR approach, however, a stakeholder approach is central in CSR when looking at several groups (stakeholders) to which the organization has a responsibility (Dobers & Halme, 2009; Ditlev-Simonsen & Wenstøp, 2013; Crane & Matten, 2010). CSR concentrates on organizations fulfilling their social responsibilities (Crane & Matten, 2010) by attempting to satisfy the need of stakeholders who are affected by business procedures (Ditlev-Simonsen & Wenstøp, 2013). When corporations operationalize social responsibility, they interact with their stakeholders as voluntary support to contribute to specific causes (Dobers & Halme, 2009). Stakeholders motivate businesses to pursue CSR, however, NGOs many times take the role of pressure groups to encourage social responsibility (Ditlev-Simonsen & Wenstøp, 2013).

2.2.1 Power of stakeholders

Stakeholders are shaped differently, and organizations divide their stakeholders in different groups that have different dimensions in relation to their purposes (Brugha & Varvasovszky, 2000). To determine the importance of a stakeholder, there are three attributes that have to be considered. Deegan and Unerman (2011) argue that these three attributes are power, legitimacy and urgency. The three attributes can also be defined as voting power, political power and economical power, which are what will be further discussed (Lahouel, Peretti , & Autissier, 2014; Freeman & Reed, 1983). Stakeholders have voting power to directly influence organizational strategies and changes, political power to regulate laws and organizational behaviors, norms, values and beliefs, and economical power to influence managerial decisions (Lahouel, Peretti , & Autissier, 2014). According to Clarkson (1995), the identification of stakeholders has been changing throughout the past century and looks different for every organization.

The stakeholder map identifies the stakeholders that organizations can have, however, these stakeholders can be further categorized according to their importance. General Electric
Company identified their stakeholder groups as: shareholders, employees, customers, and the general public (Clarkson, 1995). Johnson and Johnson’s president listed their stakeholder groups as customers, employees, managers and shareholders (ibid.). After studying several organizations Clarkson (1995) pursued to divide stakeholder into primary and secondary stakeholders and these sub-categories can be further organized into multi-stakeholder associations.

*Primary stakeholder groups* are stakeholders who are considered to have a significant role in the company with the company’s survival depending on them (Deegan & Unerman, 2011; Clarkson, 1995). Primary stakeholders emerge in roles of power, such as management, which influence organizational strategies (Lahouel, Peretti, & Autissier, 2014). These stakeholders often consist of investors, employees, customers, suppliers etc. (ibid.). Moreover, actors who indirectly affect the organization a great deal fall into this category (Clarkson, 1995). These actors could be public stakeholder groups, for instance governments and communities, who affect the organizations by building infrastructure, markets, and establishing laws and regulations (ibid.).

*Secondary stakeholder groups* are groups or individuals who are affected or have an impact on organizations, but are not part of the business institution (Deegan & Unerman, 2011). For example; community groups, the public, regulatory bodies, the media, and special interest groups (Greiman, 2013; Deegan & Unerman, 2011) and other interested parties could fall under this description. Media as a channel of communication does not affect organizations directly, however, it has the capacity to indirectly influence populations positively or negatively (Clarkson, 1995). For example, a number of high profile companies such as Nike, Coca Cola and H&M have experienced damage to their organizational reputation due the global criticism. The criticism derived out of allegations about everything from child- and forced labor to verbal- and physical abuse at supply factories in developing countries (McPhail & Islam, 2011; Clarkson, 1995). Although these organizations suffered from the influences of a secondary stakeholder, there may well be positive influences surfaced from this stakeholder group (Deegan & Unerman, 2011; Clarkson, 1995).

Non-state, *multi-stakeholder* organizations has globally been on the rise when it comes to setting standards for social and environmental responsibility (Boström & Tamm Hallström, 2013). The idea of multi-stakeholder organizations consists of gathering resources, experiences and competencies from various actors in different circles of societies (ibid.).
Within the society, the cultural values and norms of the stakeholders plays a great role in many aspects (Schminke, 1998). Because the values of the stakeholders might differ, the way to resolve the issue can unfortunately be to put economic interests against the welfare of individuals (ibid.).

2.3 Micro-financial Stakeholders

The purpose of this thesis is to comprehend what strategies operational NGOs use in developing countries in order for clients to escape the poverty trap with the help of sustainable microfinance. To facilitate the analysis of micro-financial strategies, a modified Stakeholder map has been created. The model is specifically designed to analyze operational NGOs using a Microfinance Program (MFP) as a tool to reduce, and ultimately, eliminate poverty. The goal for the MFP in this model is to collaborate with different stakeholders in order to provide micro-financial services for the unprivileged in developing countries. The ultimate outcome is to eliminate poverty by turning clients into successful entrepreneurs.

![Micro-financial development model](image)

*Figure 2.1 Micro-financial development model
*(Based on: Philips, *Stakeholder Theory and Organizational Ethics* p. 126, 2003)

The model illustrated above presents the stakeholders of development programs held by NGOs and is based on the Stakeholder map described in the previous section. MFPs are the central point of the model, with crucial stakeholders mapped out. These stakeholders are
interdependent and should be connected for the program to reach its most fruitful and sustainable development. The stakeholder map presents the possible stakeholders, however, in an operational NGO a multi-stakeholder concept can be applied for specific development projects (Boström & Tamm Hallström, 2013). Therefore, this model requires multi-stakeholder characteristics where stakeholders assemble their resources and competencies for the success of the program. In order for a multi-stakeholder concept to emerge, primary and secondary stakeholders have to cooperate and strive towards a common goal. The stakeholders presented in figure 2.1 will be described in a clockwise order.

The NGO is the main financial supporter for the Microfinance Program and this stakeholder is required to generate income to fund activities. According to Alymkulova and Seipulnik (2005), there are multiple methods for NGOs to fund their Microfinance programs. Thus, the income can be generated from banks or donations from individuals and/or companies. If NGOs choose to distance themselves from commercial banks, they can take the role of pressure groups to encourage social responsibility. The pressure of corporate social responsibility would result in companies investing in NGOs. Investors are the type of stakeholders that are necessary for organizations to reach their goals of eliminating world hunger (Enhert & Harry, 2012).

NGOs are part of civil society, which separates itself from the government and business sector. However, this model complies with the vision that NGOs should cooperate with governments for sustainable and long-term solutions. Collaborations between NGOs and local governments are crucial for developmental programs because clients need governmental support to stay out of the poverty trap once NGOs exit (Nega & Schneider, 2014; Ahlin & Jiang, 2008). Governmental stakeholders introduce the discussion regarding political power that is inflicted by this stakeholder group. Political power further encourages the collaboration between the various stakeholders through social enterprise for example. The political power should also promote the stage from self-sufficiency to entrepreneurship through laws and regulations. The government has to be able to provide infrastructure in order for the entrepreneurs to successfully transport and trade their goods.

The employees in this model play the role of primary stakeholder, because they are the one who give and administrate the loans, and further make sure that clients follow the contract. Because the employees act as intermediates between the levels of hierarchy within the program, the employees have the possibility to identify the management control matters that
require solutions. Management control systems could be top down- and bottom up leadership, people, action and result control etc, depending on the program (Merchant & Van der Stede, 2012). The competitors for the microfinance program can be identified as other MFIs and NGOs. Competitors can be considered as stakeholders because they can influence or be influenced by an organization (Phillips, 2003). The competitors are seen as other organizations competing for the same customers or resources (Crane & Matten, 2010). According to Phillips (2003), competitors can fall into the category of stakeholders that act as terrorists who wish to harm an organization. The negative impact of competition can result in loss of market shares and influence organizational behavior (Crane & Matten, 2010). Interactions between organizations and their stakeholders have to occur under ethical guidelines and rules which cannot be violated. An example of an ethical rule is that all stakeholders have the right to possess information of how the organization affects them (Deegan & Unerman, 2011). When NGOs distance themselves from formal financial institutions, these institutions can compete with the NGOs and become terrorist groups (Phillips, 2003).

Another important collaboration that takes place is between the financial supporter and the clients. The clients of MFPs are entrepreneurs, small businesses and loan groups. This stakeholder group is constantly a primary stakeholder, regardless of the particular program. Specific for MFPs is that the target group primarily consist of women, even though men are taken into account (see section 2.1.2). The goal for the client is to end poverty by becoming self-sufficient through entrepreneurship in order to lift the household economy. For clients to avoid getting stuck in the poverty trap, NGOs need to tackle the barriers that keep their clients from becoming entrepreneurs (Ahlin & Jiang, 2008). The barriers can, according to Ahlin and Jiang (2008), be prevented by for example providing the right education and training. When clients have reached self-sufficiency, they can exit the MFP and graduate to a commercial financial institution. As an outcome, entrepreneurship could be successful which can result in microfinance lifting the social welfare of the society.

In order for the clients to be able to take part of the microfinance program, there should be a few qualifications that have to be met. One requirement within microfinance that has proven to increase repayment is SHGs. The requirements can vary depending on the strategy and goals of the program but have to be set into place to ensure that the program is sustainable in the long run. For organizations to be seen as socially sustainable by potential stakeholders, such as investors and clients, they must be transparent about their economic, environmental
and social impact. Also, to be sustainable, they have to consider the combined outcome of the “triple bottom line”; people, planet and profit. By sustainability, the authors mean “meeting the needs of the present without compromising the needs of future generations” (Galuppo et al., 2014, p. 687). Sustainability is to be considered throughout the interdependent elements of the triple bottom line (Galuppo et al., 2014).
3 Methodology

This chapter will present the methodological framework divided in research method and empirical method. The first section includes a number of aspects such as; research philosophy, research approach and choice of theory. Further, our empirical method includes empirical strategies, interview respondents, ethical considerations, interview design, and empirical tools. To conclude this chapter, we describe how we analyzed the data and the verification the data followed by our limitations.

3.1 Research method

The methodological framework in this thesis is based on the purpose of the study: to comprehend what strategies operational NGOs use in developing countries in order for clients to escape the poverty trap with the help of sustainable microfinance. To answer the research question, we intend to get a deeper understanding of the subject through an analysis made on empirical findings (Denscombe, 2009). A qualitative research method is utilized because it is the research method best suited to answer the research question in the depth that is required. According to Bryman and Bell (2011), there are fundamental differences between qualitative and quantitative research methods. Quantitative research is numeric and seeks to measure the collection of data in order to transform them into figures. In other words, quantitative methodology quests to produce quantifiable units with the use of statistic methods (Denscombe, 2009). On the other hand, qualitative research strives to analyze data with the help of words (Bryman & Bell, 2011) and a very thorough interpretation of data (Denscombe, 2009). Our study is consistent with the qualitative research method since we use philosophies, strategies and data collection processes that are used in qualitative studies (Bryman & Bell, 2011). This chapter will define our methodological framework and course of action based on what is emphasized in qualitative research methods.

3.1.1 Research Philosophy

The first philosophy used in the thesis, is epistemology which holds the subcategories positivism, realism and interpretivism (Bryman & Bell, 2011). Positivism is an approach that illustrates methods of science to study the social reality, while realism is the view that our representation of the world is a relatively straightforward reflection of reality (Bryman & Bell, 2011; Forrester, 2010; Denscombe, 2009; Powers, 2010). However, our dissertation
uses interpretivism which is the opposite of positivism because it does not believe in using scientific models to study the social reality. Interpretivism includes strategies that are designed to respect the differences between people and the objects in the scientific world (Bryman & Bell, 2011). This subcategory is used because we seek to understand and explain strategies that are used to achieve entrepreneurship.

The second philosophy used is hermeneutics, and has been influential in the general formation of interpretivism as an epistemological theory. This philosophy refers to an approach that was originally developed in relation to understanding or interpreting texts, theological in particular (Bryman & Bell, 2011). The combination of philosophies used in our study is in line with the hermeneutic ideology because the information that is collected through qualitative methods is subjective. The information is based on the answers given by the respondents and later interpreted by us. Therefore, the gathered information from this research seeks to provide detailed understanding rather than general explanations about the subject (Denscombe, 2009).

3.1.2 Research Approach

The research approach used in our dissertation is an abductive approach which, according to Alvesson and Sköldberg (2009), is close to hermeneutics. The abductive approach has elements from two other approaches that it alternates between; these are the deductive and inductive approaches. The deductive approach moves from theory to empirical, where general assertions derive from theories investigated with empirical data. Contrariwise, the inductive approach goes from empirical data to theory (Bryman & Bell, 2011) by first collecting the data and then finding general patterns that can be formed into theory (Alvesson & Sköldberg, 2009). The reason for using the abductive approach is because we have gathered information for the theoretical framework (chapter 2) and created a model that we tested by collecting data from our chosen NGO. The data was completed by secondary data and complemented with follow up data. The abductive approach illustrates an alternation between inductive and deductive approach. Further, this approach is beneficial for our study because it seeks to give a deeper understanding and explanation of the subject.

3.1.3 Choice of theory

Our study is based on Freemans (1983) stakeholder theory because the theory fits the descriptive form that is used to present the stakeholders in the analysis. The analysis is based on a theoretical model that was produced by specifying the Stakeholder map towards
sustainable MFPs held by NGOs. An assumption within the model is that the MFP is put together by an NGO. In actuality, the programs can also be assembled by MFIs or any other organizations providing micro-financial services. The reason for creating our own model was the lack of research made regarding Microfinance from the stakeholder perspective. In the process of developing our model, we studied and collected information about potential stakeholders and combined the information with the stakeholder map presented by Phillips (2003). We used the wide sense of stakeholder because this description is more appropriate for applying the theory to different types of organizations. We further implemented a multi-stakeholder concept within our model to display the cooperation that is necessary for a MFP to be sustainable. The model was designed to understand the relationship between stakeholders and the empirical method was further designed to answer the research question through the analysis.

3.2 Empirical method

The data collection for our qualitative research has been performed on an operational NGO of our choice: The Hunger Project (THP). The reason behind our decision was that THP is an established NGO that uses microfinance as one of their tools to end poverty. Other tools THP uses are; nutrition programs, community mobilization, provide clean water, sanitary etc. (see Appendix 2). The strategies THP may use are interesting to investigate because the organization has been using their MFP actively for many years. The data collection for our qualitative strategies are performed through interviews. There are many methods that are used as tools to collect primary empirical data, however, since our dissertation used interviews, a combination of different types of interviews was implemented. Further, the analysis of the findings were complimented with secondary empirical data which made the findings clear and reliable. The methods used will be identified in the following sections.

3.2.1 Empirical strategies

Interviews are an attractive alternative for the collection of primary empirical data and is the main method used in this paper. Within qualitative studies, interviews are one of the most important methods because of their potential when studying complex and subtle phenomena (Denscombe, 2009). Interviews include a number of assumptions and knowledge of situations, which differentiates interviews from normal conversations. Further, our research is a combination of unstructured and semi-structured interviews.
Implementations of methodical interviews can be made in various conducts. The first implemented interview was in the form of an unstructured interview. This method was used as an introduction, where we introduced ourselves to the representatives of the Öresund region. At the same time, the respondent introduced the main concept of THP. Our role was to intervene as little as possible and let them develop their ideas and pursue their thinking of the organization and their identifications as well as goals for stakeholder groups. The remaining interviews were conducted in semi-structured interviews. Before all semi-structured interviews, an interview guide with a few open questions and broader themes was put together (see Appendix 3). Furthermore, the interviews were flexible in their sequence to make room for the respondents’ reflections. Structured interviews were avoided in our research because we did not want to have strong control over the questions and design of the answers given by the respondents. Structured interviews would have generated short and shallower answers and prevented us from creating an interactive element through giving a feeling of an interview.

When using interviews to collect data it can be beneficial to complement the information with secondary data. The secondary data used in our study came from annual reports, internal evaluations, information from the global and Swedish THP website and other documents provided by the personnel. When collecting secondary data we were selective by only choosing information that complemented and generated a general understanding of the projects THP provides.

3.2.2 Interview respondents

The interview was conducted on different staff members with different positions and professions at THP. The reason of the choice of respondents was that we wanted a broader response and different point of views. The first respondents were fundraisers from different regions in Sweden. A fundraiser in the Öresund region was the person we initially contacted and later recommended us to the other staff members at THP. The recommendation led us to two interviews with fundraisers in the Stockholm and Gothenburg region and one interview with the Country director of Sweden (who hereafter will be referred to as CEO for Sweden). Even though the interview guide was in English the interviews were held in Swedish, mainly because it is their mother tongue and they would better express their thoughts and points of view. Further, we held an interview over skype with the Senior Program Officer (SPO) for the Africa department based in New York, USA. We also attended a speech held by the Country director of Ghana (hereafter referred to as CEO for
Ghana) on his visit to Sweden where he spoke about THP and the Epicenter strategy. We got the opportunity to interview him in a face-to-face interview in conjunction with the speech. The interview with the CEO for Ghana and SPO were held in English according to appendix 3. Additionally, the respondents’ busy schedule resulted in time limitations that had to be taken into account. By having a set of questions ready, the intervention and guidance kept the conversation from drifting away, resulting in the caption of optimal amount of relevant data.

The data collected for this dissertation is based on seven interviews and one a breakfast meeting held by the CEO for Ghana. The recorded amount of data for each of these interviews is around 40 minutes, and the meeting held by the CEO for Ghana was around 52 minutes. The total amount of the data collected was 309 minutes. The distribution of the transcriptions between respondents is illustrated in the table below.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Time</th>
<th>Transcribed pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO Sweden</td>
<td>32 min</td>
<td>8 pages</td>
</tr>
<tr>
<td>CEO Ghana</td>
<td>35 min</td>
<td>15 pages</td>
</tr>
<tr>
<td>Senior program officer (Africa dep.)</td>
<td>56 min</td>
<td>7 pages</td>
</tr>
<tr>
<td>Fundraiser, Öresund region (two interviews)</td>
<td>64 min</td>
<td>6 pages</td>
</tr>
<tr>
<td>Fundraiser, Gothenburg</td>
<td>41 min</td>
<td>10 pages</td>
</tr>
<tr>
<td>Fundraiser, Stockholm</td>
<td>29 min</td>
<td>7 pages</td>
</tr>
<tr>
<td>Breakfast meeting</td>
<td>52 min</td>
<td>2 pages</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>309 min (5h, 9min)</td>
<td>61 pages</td>
</tr>
</tbody>
</table>

3.2.3 Ethical considerations

When the respondents agreed to participate in the research interviews we made sure the following conditions were met. Firstly, an agreement to participate had to be reached. From a research point of view, this agreement is particularly important in research ethics. The interviews were not made with the help of secret tape recordings nor by taking advantage of occasional conversations as research data. For this reason, every respondent had to give permission to record beforehand. Secondly, the interviews are considered as protocol and were therefore documented. Thereby, the recordings and transcriptions from the interviews were kept in file for the possibility of revision if needed. The interviewee may of course require that his word is not attributed to him, or that his words are not published. Although, anonymity was not required in our study, the interviewees are referred to by profession rather than names.
3.2.4 Interview design

Before starting the preparation of interviews, there has to be a sense of confidence that the method is feasible. Questions that ought to be asked are: if it is possible to make direct contact with the potential interviewees and if the interviews are possible given the time etc. (Denscombe, 2009). Through our THP contact at the Öresund Region we got in touch with other representatives in Sweden, USA and Ghana. These individuals and their profession play a crucial role in the formation of the interview guide, which have been presented in appendix 4.

Before any interview was initiated we presented ourselves and the purpose of the research to the respondent. Because of the untrustworthiness of the human mind, every interview that was performed was recorded. Permission to record the sessions was requested beforehand and falls in line with the “agreement to participate” that was mentioned earlier. Recordings are important due the fact that we collected permanent and complete documentation which when recorded results in higher accuracy and easier control.

To ease the atmosphere, we primarily asked four general questions that were mutual for all respondents. The content of these questions was background information and their position in the organization. The purpose of this technique is to ask questions that are in a familiar environment in order to get a concrete discussion, instead of rushing to specific questions. After the general questions, the questions were specified and based on theory angled to their profession to best answer the research question. Initially we wanted to do as many “face-to-face” interviews as possible, however, due to different circumstances there was no possibility. Therefore, the majority of interviews were held over the phone or skype.

3.2.5 Empirical tools

While interviewing, we could rely on the short- or long term memory. However, the memory is not a reliable methodical tool because it is human nature to forget and/or misinterpret the data collected (Denscombe, 2009). Therefore, our empirical method takes advantage of certain tools to reduce human error and misinterpretations.

As mention earlier, our study relies on collecting data from the interviews with tape recorders and further complemented with field notes. The actual recording can make the respondent feel uncomfortable, however, most participants tend to be relaxed after a short while. The reason we chose to use tape recordings is that they offer a permanent and complete
documentation of what is said during the interview, as well as increasing reliability and validity because other researchers can investigate them.

In some cases, researchers have to rely on the field notes taken after or during interviews (Denscombe, 2009; Bryman & Bell, 2011). This type of method could have been used if the respondent did not want to be recorded during the process of interview. Fortunately, our research received confirmation from all respondents to use audio recordings. However, we consider field notes to be important and were therefore used as a second tool. The field notes were used because they captured aspects that tape recordings disregarded. This information was in the form of interview location, the atmosphere during the interview and clues/hints behind some intentions. During the analysis, these notes were used to refresh our memory and also to strengthen the interpretation of the documentation. In addition to field notes and tape recordings, Skype was also used to interview respondents from New York, and e-mail to contact and interview other respondents in Sweden.

The limitation for empirical tools in our case was; usage of video recorders as an empirical tool because they may feel intrusive and have a disruptive impact. Video recorders are good in the sense that they can capture nonverbal communication. Nevertheless, the nonverbal communication in our study was complemented with field notes.

3.3 Data analysis

After collection of the interview, the data was transcribed from tapes. The recorded interviews were around 300 minutes and were transcribed into 61 pages. Examples of transcriptions are illustrated in appendix 5 and 6. The transcriptions were reviewed twice to be sure that all the information was there and nothing was missing. Further, the transcribed data was coded by categorizing and grouping the data from different respondents in larger blocks as part of the analysis. The coded data was then organized according to the theory in order to better analyze and discuss the data with the theory. The process of coding the data was implemented in order to facilitate our process of analyzing (see appendix 7). The questions asked to some of respondents were quite similar, resulting in some answers being similar as well. For example the first four general questions were asked to all respondents. Since the information from these questions were quite similar, they were blended together in the same codes. After categorizing and coding the data and eliminating the irrelevant data,
the number of pages was reduced to 37 pages. Further, secondary data in the form of annual reports and other data were used to better analyze the material.

3.4 Verification of data

The qualitative approach does not seek to induce precise and accurate data. Paula and Pries suggest that in qualitative research: “reliability can be thought of as the trustworthiness of the procedures and data generated” (2006, p. 43). It can also be seen as the suitability of data regarding the research question being investigated (Denscombe, 2009). The fundamental question we asked ourselves was whether our empirical findings were right to examine our issue and if the data was evaluated in an acceptable way. There is no absolute way to show that a qualitative study is correct. However, we have utilized strategies to assure the reader of the probability of correctness in our study (Denscombe, 2009; Alvehus, 2013).

The study applies the criteria for validity and reliability of qualitative research that is described by Bryman & Bell (2011) in the following ways. Firstly, credibility investigates how believable the empirical data collected through interviews is. In our study, it was important that the data from interviews was not assumed to be credible. Therefore, we took the opportunity to confirm or disprove statements with the help of other sources. Secondary sources were used from websites etc. to avoid assumptions or relying too much on the information given by the respondents. Secondly, transferability refers to data being applicable to other contexts or times. Because the empirical data was documented, the interviews could be compared with other interviews to see if there were any agreements. By using these methods, we wanted to increase the validity of our thesis.

The reliability in our dissertation was created by transcriptions of the interviews that were further formed into specific codes to describe the data. Thereby, the reader can take part of what was said without reading the entire transcriptions. Finally, confirmability determines if the interviews have been conducted subjectively or open-mindedly. We tried to be objective throughout the process of collecting information, writing and analyzing. Other actions that have been taken is the effort of trying to be transparent and open throughout this dissertation. Further, the interview guide is presented in appendix 3 in order to increase transparency and demonstrating how this study can be done again. The reason for doing this is to increase reliability in this study.
In order to ensure validity and reliability in our dissertation, the study consists of seven interviews that provide the sufficient information. Further, the respondents are diverse in both their profession and geographic location.

3.5 Limitations

In the process of collecting data, some limitations were experienced. The desire was for all the interviews with the Swedish respondents to be personal, face to face interviews. However, because of the distance between us and the interview respondents and busy schedules, the majority of interviews were held over the phone. In addition to the lack of personal interviews, every interview that was performed was solely audio recorded. Video recordings would have been preferable because they capture unintentional signals that a respondent might send (Denscombe, 2009). Unfortunately, audio recordings do not take up on such signals but we complemented this with field notes.
4 The Hunger Project

This chapter starts by a presentation of our study object which has been the Non-Governmental Organization, The Hunger Project. The information has been collected from interviews and has further been complemented and verified with the help of secondary data. The secondary data primarily comes from The Hunger Project’s website and an evaluation of the Microfinance Program conducted by the Microfinance Consultant in 2013. Further, the microfinance department of The Hunger Project, and the micro-financial strategies created for rural areas of Africa will be described before the analysis is conducted in the next chapter.

4.1 Presentation of The Hunger Project

The Hunger Project (THP) is currently working with different projects in Africa, Asia and South America. In Africa, THP uses a method called the Epicenter strategy which is currently present in eight countries. The Epicenters focus depends on the main issues present in each of these countries and communities. In some countries, combating HIV / AIDS may play a central role. In those cases THP provides workshops in gender equality, even though the Epicenters has a core set of focuses within the strategy.

THP is also present in India, Bangladesh, Mexico and Peru. In Mexico and Peru, the work is mainly with indigenous people, focusing on women becoming self-sufficient, knowledgeable in their rights and ability of supporting their families. In India, THP strives to train elected political women leaders in village councils. Around 83 000 women leaders have joined the program, and these women are usually selected during a 5 year period in village councils. The law in India states that at least 1/3 and up to half of all the members of the village council shall consist of women. Unfortunately, the reality looks different. THP provides women in India with the right education to give them knowledge and courage to take place in their villages. The educational program is meant to teach them how to eliminate hunger and poverty in their villages by running campaigns and doing effective political work. In Bangladesh, the work is also regarding female leadership, where THP networks with the thousands of women who are leaders in their villages. As in India, THP works towards raising female status in society and equality between man and woman. Education is also provided for local and community boards in order to meet the demands of the population.
in the villages. THP also provides education to nearly 100,000 students in Bangladesh. All these strategies were created by THP to eliminate hunger and poverty. In Asia and South America, THP does not work with the Epicenter strategy or microfinance. The Epicenter strategy was developed by Africans for Africans and reached 1.6 million people in 2015 throughout Benin, Burkina Faso, Ethiopia, Ghana, Malawi, Mozambique, Senegal and Uganda.

Within the Epicenter strategy, the micro-financial services are a necessary part because they help attract partners and mobilize community members while contributing to economic development. Further, the strategy empowers women, reduces poverty and brings community members together as proud owners of a financial institution. The self-reliance of Epicenters significantly depends on the success of rural banks.

The entire budgeting process is coordinated by the global office in New York that has overview over the entire program. The Program- and Partner Countries submit their budgets for the coming year to the global office. Further, the global office delegates the budgets in order for the right amount of money to go to the right projects. Some investors that donate money to THP can earmark their donations to specific projects or countries. The money that is not earmarked passes on to projects in selected countries in agreement with the global office. Some countries are responsible for selected program-countries, as for instance, Swedish offices fund certain Epicenters in Ethiopia, the Netherlands earmarks donations to Epicenters in Benin, Australia to Epicenters in Uganda and so on.

In the United States, charitable giving has historically been more focused on private citizens who have decided to give some of their earnings or savings to THP. However, in recent times the share of companies that invest in THP, as an organization and strategy they support, has increased. For THP Sweden, the main sources of income are foundations, organizations and private citizens. The foundations encompass around half of the funding’s, while organizations and private citizens encompass the other half. The fund-raising process is different in every Partner Country depending on the practice in each country. In Sweden, the strategies for maintaining investors is that specific employees at THP become Key Account Managers for a couple of key organizations. Thus, one employee is responsible for the contact and interaction with these organizations: sending annual reports, organizing meetings etc.
THP has almost no marketing budget directed towards advertisement, dispatches or posters. As a substitute, THP increases awareness through networking meetings with other organizations by being present in civil society as an actor that influences development policies. THP uses networking meetings with companies to create publicity for the organizational cause. Other marketing tools that are used are: the homepage, social media, fundraising events and pro bono collaborations. In addition, THP has been able to create more awareness through events that have shown to be successful and been published in local media. The publicity from media has helped THP reach a greater target without additional cost. THP, thereby gains media as secondary stakeholder to create awareness and a positive attitude towards THP’s projects.

4.1.1 Microfinance

Improving the lives of the poor is the main goal of microfinance and is typically aimed at women in underserved populations. With the help of microfinance, the people living in these communities (especially women) get a possibility to receive education and micro-financial services. According to the evaluation rapport at THP, studies have shown that microfinance statistically does not increase household income or empower women. However, those studies were made over a period of one year and supporters of Microfinance Programs suggest that the time interval is the reason for the disappointing results. Further, the same studies say that businesses grow thanks to the small loans and there is evidence that microfinance stimulates new business creation, increases revenue and enlarges existing businesses (Mintalucci, 2014).

THP entered into microfinance in 1999 when they established the African Women Food Farmer Initiative (AWFFI), which was an independent program with services offered to rural populations. Thereafter, the program was integrated into the Epicenter strategy with the goal of creating a member-owned and women-led rural bank that ultimately would operate independently and sustainably. The Microfinance Program (MFP) was started with the purpose to empower women in rural areas in Africa to end hunger and poverty. The strategy suggested that the program would give people the tools to take themselves out of difficult situations. The activities held in the Epicenters are led by specific committees, with focus on; Finance, Water and Sanitation. Education, Food Security, Food Processing, and Health. The MFP was further integrated into the Epicenter strategy and started to include men, with the focus still lying on women in rural communities.
THP uses the term “rural bank” which is a financial cooperative, meaning that the bank is owned and operated by the members. The bank works as a program to increase the economic growth and as a source of income within the society. The clients would learn how to increase their income and use their savings to improve the health, education and nutrition of their families. The ultimate goal is for the rural banks to be recognized by local authorities and become nationally certified banks. When the bank has attained national certification, THP is able to retreat and the bank operates independently within the Epicenter like any other bank.

When the rural bank initially kicks off, THP gives seed money of $25,000 which becomes property of the bank. The interest generated by the bank is kept within the society to improve the welfare of citizens through education, health centers etc. In other words, the revenue is considered income to the Epicenter and is not taken out by THP or any other partner. To date the MFP is operating in a total of 123 Epicenters with around 30 of these banks being government-recognized. Unfortunately, the strategy approach does not have a lot of empirical evidence to support it. Typically, injections of outside capital to a community-based institution hurts the chances of success and the results of the MFP coincide with this finding. In 2013, only a handful of rural banks were able to operate independently and as a result, THP increased the requirements for additional subsidies. The new strategy was produced to ensure that the banks and Epicenters are sustainable without help from THP in the long run.

No program is perfect and THPs MFP has some weaknesses as well. The rural banks in the most rural areas have difficulties recruiting and retaining skilled and qualified staff members in the management teams. Many bank members, who are mostly women, and serve on the board of director have very little education. These members are responsible for important tasks such as providing checks and balances on management. The majority of Epicenters operate without a recognized rural bank, which results in a minimal oversight, many times they only have a part-time bookkeeper. When an evaluation was performed, in 2013, the repayment in the Epicenters was not where they hoped it to be. The Portfolio at Risk over 90 days was at 11% across the African countries, but this was only a general number with some countries rating much higher. Also, because THP focuses on their social mission, the loan collection methods have proved to be ineffective. Lastly, the MFP is an expensive program and as a result, many programs are underfunded in the sense that they do not have computers and rely on for example manual bookkeeping. When the banks grow, their
financial status becomes an even more important issue and needs to be sorted, otherwise rural banks become unprofitable and unsustainable.

The purpose of this thesis is to comprehend what strategies operational NGOs use in developing countries in order for clients to escape the poverty trap with the help of sustainable microfinance. In THP’s design, the MFP is a part of the Epicenter strategy. Therefore, the identification THP’s work for sustainable microfinance will be done by analyzing the Epicenter strategy provided in Africa.
5 Result and Analysis

This chapter presents the results gathered, which the analysis is based on. The chapter will be presented in the following order: introduction, the Epicenter strategy as a holistic solution followed by an analysis of the organizational stakeholders based on the model in figure 2.1. Lastly, an analysis based on the triple bottom line for sustainability will be presented.

5.1 Introduction

The development project that The Hunger Project (THP) uses in Africa is the Epicenter strategy. The strategy is a holistic solution that has integrated Microfinance Programs as one of the components constituting the approach. In order to comprehend the composition of the Epicenter strategy, a description based on the interviews and internal documents will be described before the analysis. Thereafter, the analysis is based on the Micro-financial Development (MFD) model described in chapter two. The analysis, in subchapter 5.3, will analyze how the Epicenter and the Epicenter’s stakeholders influence each other in a clockwise order according to the MFD model.

5.2 Epicenter strategy as a holistic solution

THP’s Epicenter strategy is an integrated development approach that unites clusters of villages, at the grassroots level, to create an Epicenter. The name “Epicenter” is a term referring to the focus point of a volcano, affecting its surrounding\(^1\). The Epicenter is both a physical building and a holistic strategy to reduce poverty. The strategy can be described as a community-center approach to help rural people out of hunger and poverty. The communities THP works with consist of people and villages that are willing to play a very active role in changing their communities. The goal is to ultimately create a self-reliant community that meets the basic needs of people living within the community. This strategy has become successful seeing that THP has been able to mobilize 123 Epicenters. The Epicenter strategy goes through four phases over a period of around eight years which is illustrated in the figure below.

\(^1\) Samuel Afrane CEO for THP Ghana, breakfast meeting 8 may 2015.
Figure 5.1 The Epicenter Strategy (The Hunger Project, 2015)

*Phase one* is the mobilization phase where communities are mobilized to develop their own visions and goals for the future. The Epicenters usually consist of 10-15 villages coming together and creating a community with a population of 5,000 to 15,000 people. The communities participate in Vision, Commitment and Action Workshops (VCA) to identify the key goals they want to achieve in partnership with THP. The workshops also have the purpose of giving THP a chance to understand the needs and top priorities within the communities. “Animators”, are what the local volunteers are called and the animators work with the communities to reach the final goals by creating an action plan. Gaining the support of government officials is one way for THP to support the communities. Other methods are to encourage local leaders and governments to provide land for the Epicenter construction. If the process goes as planned, the first phase takes two years to complete.

*Phase two* is where the communities and THP work together to put infrastructure components into place. To begin with, an L-shaped Epicenter building is constructed and there is a basic core set of infrastructure that is part of the strategy. These are: a food bank, community fields, a meeting hall, a rural bank, a clean water source, public latrines and, where they do not already exist, a health center, food processing units and classrooms. There are certain key components, but the content of the Epicenters depends on what the communities already have access to. The Epicenter become development-centers and positive symbols for change.

When the Epicenter buildings are constructed and all the infrastructure is put into place, *phase three* begins. In this phase, all the programs would start to operate thoroughly and development on all fronts would be visible. Appendix 8 presents programs that address the various needs of the Epicenter communities.
The last phase, *phase four*, is when THP starts to wind down its presence and end financial- and staff support to the Epicenters. The last phase usually takes place over a period of two years and at that point the communities (hopefully) have a proven track record of leading the programs effectively. At the end of this period, THP evaluates the progress that has been made and see if the communities have hit the targets they have set for themselves. If the Epicenters have reached a point of self-reliance, THP would fully exit but still retain a relationship with the communities.

An important element in the Epicenter strategy is the VCA workshops introduced in the first phase. The workshops combine leadership training with public commitment to achieve the goals that members of the communities set for themselves. The communities construct visions by identifying and setting goals for the future in collaboration with THP. To reach the goals that have been set, the communities begin to focus on what is required by developing action plans. Finally, the action part is when communities enforce the action plans using their own initiative, skills and resources as far as they stretch. THP complements the pieces that are missing throughout the program, decreasing input successively until the Epicenters are self-reliant. VCA workshops are repeated throughout the Epicenters’ timeline to engage new members and to develop the visions. Beyond THP’s specific goals, the ambition with the Epicenter strategy is to achieve the eight millennium goals displayed in appendix 1.

When an Epicenter has reached sustainable self-reliance it displays; (1) Effective, gender-balanced and fully trained epicenter leadership, with democratic processes and transparency; (2) A strong Women’s Empowerment Program; (3) Access to basic services, including healthcare, education, clean water, agricultural tools, and microfinance savings and credit opportunities; and (4) Epicenter income, with revenues that cover all expenses and a self-reliant microfinance institution (The Hunger Project, 2015).

### 5.3 Interdependent stakeholders

It is important to keep in mind that the Epicenter strategy is a holistic approach. This indicates that the stakeholders are interdependent and work together towards a common goal. This approach displays multi-stakeholder characteristics because it unites primary and secondary stakeholders to work in harmony. The following analysis identifies the micro-financial stakeholders of the Epicenter strategy and illustrates how the stakeholders are
influenced using the Micro-financial Development (MFD) model (figure 2.1). The analysis will analyze the stakeholders in a clockwise order according to the MFD model.

5.3.1 Financial support

In the initial stages of the Epicenter strategy, the respondents explained that the main source of income is the seed money and financial support provided by THP. THP has chosen to distance themselves from commercial banks, therefore, they do not take loans to fund their projects nor do they link their clients with other financial institutions. NGOs can generate income in several ways, for example: donated funds, selling assets or fund-raising (Alymkulova & Seipulnik, 2005). The respondents said that the main source of income is generated from donations, or investments, as THP calls them. The investments are collected in THP’s partner countries, along with the United States, and are delegated by the global office in New York. The partner countries are Australia, Canada, Germany, Japan, The Netherlands, New Zealand, Sweden, Switzerland and the United Kingdom.

Companies can use Corporate Social Responsibility (CSR) to increase their social and ethical responsibility by investing in NGOs that practice social responsibility in communities that are affected by the companies in question (Visser, Matten, Pohl, & Tolhurst, 2008; Crane & Matten, 2010). The results from the respondents indicate that THP’s Epicenter strategy is focused on activities Visser, et al. (2008) claim are key CSR issues. The Epicenter strategy affects working conditions of employees (the first key CSR issue) by educating women and men in their rights in the society- and business market. The second CSR issue the author brings up is: human right by reducing child labor (Visser et al., 2008). The Women empowerment program relates to human rights because according to Ngo and Wahhaj (2011), lifting the status of women raises their bargaining power in the household. Subsequently, family welfare is improved as a result of raising women’s voice (Premchander, 2003). The fundraiser in Gothenburg also added that improved family welfare can result in more children being able to go to school. The third key CSR issue is health and safety (Visser et al., 2008), and it is described by all respondents. Since the Epicenter strategy calls for health facilities being present in the communities the health and safety issue is dealt with in the strategy. The focus of the health centers depends on what the communities are in need of, for example HIV/AIDS education, maternal health or providing contraceptives.
Motivators for businesses to collaborate with organizations from the civil society sector are the reputation and legitimacy of, for example NGOs (Graf & Rothlauf, 2012). These collaborations benefit civil society since NGOs can take part of the organizational and financial resources businesses are equipped with (ibid.). The SPO admitted that, although the self-reliance and independence proposed in the Epicenter strategy sounds ideal in theory, in practical sense the epicenter communities need support to be sustainable. THP makes an interesting distinction between the concepts of self-reliance and self-sufficiency:

It is important to note the difference between the concepts of self-reliance and self-sufficiency. Self-sufficiency implies needing no outside help in satisfying one's basic needs. Epicenters are not self-sufficient. Whereas before these communities were largely isolated from public services, now they are managing effective links with district resources to build skills, develop additional infrastructure and increase access to services. The Epicenter communities are active members of civil society and remain committed to the fulfillment of ongoing and future needs. They both give and take from their wider circles of contact. (The Hunger Project, 2015)

The citation indicates that the Epicenter community is not meant to be independent in isolation, quite the reverse, the Epicenter requires partnerships with other stakeholders in the society to be sustainable. The SPO suggested that through partnership building and advocacy training, the epicenter community exercises relationship building. Half of the respondents mentioned partnership building with the market sector as a strategy to ensure sustainability. One partnership that the SPO described was partnerships between local accounting firms and rural banks when collaborations with local governments are not sufficient. Another type of partnership the fundraiser in Stockholm mentioned, was partnerships with local businesses to maintain and repair facilities within the Epicenter communities. From this, one can note that, the nature of the relationship between Epicenters and financial supporters changes significantly once the Epicenters reach self-reliance.

Another source of income the respondents describe, beside THP’s financial support is, income generated from the rural banks. The respondents explained that the banks’ incomes are generated though activities such as; micro-financial interest rates and shares. According to the SPO, clients are required to save a percentage of their loan every month to keep their money safe. Further, the SPO explained that savings help clients build the muscle to become shareholders in the Microfinance department. These clients can purchase a share and the capital goes into the banks’ operations and still have part ownership. According to Clarkson (1995), shareholders are identified as primary stakeholders which indicates the importance of micro-financial clients in the Epicenters. The capital generated from these activities
become assets of the Epicenters and these assets can be used for other purposes within the Epicenters.
5.3.2 Collaborations with the local government

For long-term development, it has been proven that NGOs cannot substitute governments (Nega & Schneider, 2014) because governments are a key factor for sustainability (Crane & Matten, 2010). The respondents’ descriptions of the Epicenters’ collaboration with governments indicates that THP does not seek to take the place of governments. THP, being part of the civil society sector, does not seek to separate their Epicenters from the governmental sector. The strategy assembled is therefore in alignment with the MFD model's view that NGOs should cooperate with governments. However, the CEO for Ghana explained that governments are not only made up of politicians but consist of technocrats as well. According to the CEO for Ghana, any relationship between the Epicenters and the government is very casual, since THP does not seek to be involved in politics. When in need of collaborations, THP only strives to work with the technical people within ministries. The CEO further claimed that if NGOs are not very careful, people will give organizations a political label for stepping out of the technical domain.

The result from the interviews have led to the affirmation that the Epicenter strategy strives to create a community center that will be completely self-reliant without depending on financial support. However, partnerships with local governments have to be initiated to minimize some of the costs for the Epicenters. THP’s collaboration with local governments begins in phase one since governments usually donate the land Epicenters are built on. When putting some of the financial burden on the government, they become an important stakeholder with economic power (Freeman & Reed, 1983). Previous research by Nega and Schneider (2014) suggests that partnerships between NGOs and governments, where governments aid NGOs, are necessary for long-term development. However, the governments have to be efficient and accountable for the partnership to be beneficial (Nega & Schneider, 2014). Local governments are usually involved throughout every phase of the Epicenter strategy. An example the CEO for Ghana gave was that Epicenter Committees negotiate all key commitments from local governments to provide teachers, nurses, books, pharmaceuticals and farm extension agents. Other examples the CEO for Ghana gave were Epicenters communities that have partnership agreements with governments to provide the Epicenters with equipment and personnel for schools and clinics.

In terms of influential stakeholders of the MFP, the SPO claimed governments have great influence because of the legislations surrounding lending in a lot of countries. Local governments have political power due to the influence through regulations of laws,
organizational behavior and so on (Lahouel et al., 2014; Freeman & Reed, 1983). Further, the SPO explained that partnerships with local governments are there to keep THP from breaking laws or harming people more than helping them. Local governments are also there to help register the rural banks as credit unions. However, if Epicenters fulfill the criteria set in the countries, such as minimum memberships or savings, the Epicenters can seek government recognition. The recognition means that Epicenters would have a national certification and capability that credit unions would not have, for example giving loans to people outside the community. Epicenters that would like to pursue governmental recognition for their rural bank would need to collaborate closely with governments. The governmental recognition thereby leads to governments obtaining more political power in the partnership. There are some exceptions where Epicenters would opt for a more informal micro-financial institution by not seeking legal recognition. When the lending institution is informal, government oversight is minimal or sometimes absent. For those, local governments as a stakeholder have very minimal political power and merely influence THP by ensuring that regulations, such as interest rates, are in compliance. Local governments are more present when Epicenters seek governmental recognition. When micro-financial institutions receive recognition, governments oversee that all legislations are followed.

Nega and Schnieder (2014) criticize NGO’s projects of not being sustainable once NGOs exit. The SPO and CEO for Ghana described THP’s solution for overcoming this weakness. THP’s method to continue cooperation between THP, communities and local governments is to sign a Memorandum of Understanding (MOU). The MOU is designed to clarify the roles that are expected of each stakeholder (THP, government and community) going forward. The MOU guides the partnership between local governments and Epicenters after THP exits. An alternative is to sign the MOU before the Epicenter collaborations begin and to later sign an updated version when THP exits the Epicenters. To date, it is only Uganda that signs an MOU twice. As stated by Crane and Matten (2010) and Phillips (2003), different stakeholders may not always share the same point of view of how an organization should be functioning. Therefore, the MOU can function as an agreement between the long term stakeholders that affect each other. This method works to ensure that the established collaborations will continue after THP exits. In addition, the coworkers at the Epicenters are responsible for upholding the agreements that have been stated in the MOUs. Therefore, the coworkers are required to be knowledgeable and communicate the information to other stakeholders that are affected by these agreements. The importance of coworkers’ role in the
collaborations between Epicenters and governments makes them an important asset in the Epicenters.

5.3.3 The importance of coworkers

The MFD model in figure 2.1, presents employees as a primary stakeholder. However, THP does not have any employees at their Epicenters. Therefore, the group that fall in to this stakeholder group are THP’s coworkers; Epicenter committees, animators, volunteers etc. THP’s coworkers are considered to be primary stakeholder because according to the SPO, they play a significant role in the organizational survival. The hierarchy of the Epicenters was described by the CEO for Ghana and starts with the Epicenter committee, which consists of representatives from each village. The committee functions as the largest decision-making body and is, according to Clarkson (1995), a primary stakeholder because of the managerial power it holds. Stakeholders have voting power to directly influence organizational strategies and changes (Lahouel et al. 2014). The committee, as stakeholders, has voting power to directly influence the Epicenter strategies and variations by democratically selecting an executive committee. The executive committee carry out day to day activities and see to that larger decisions are implemented, since the larger body (committee) cannot meet every day. The CEO for Ghana continued to explain that THP encourages the committee to select women as much as possible. However, in practical sense, men are often selected as chairpersons. THP encourages women to take a place in controlling activities through the women empowerment program. Beside the executive, there are other sub-committees that oversee the various programs that are undertaken within the Epicenters.

The CEO for Ghana further described that the sub-committee in charge of microfinance approves loans when clients apply for microloans for business purposes. Loan applications always occur in groups because THP utilizes group dynamics to take care of the collateral security of loans. Using loan groups or group dynamics to mitigate risk is something that all respondents agree to be a sustainable approach. The sub-committee receives and vets applications and further informs the executive committee of their decision. The executive committee together with THP’s technical person, with accounting background, are the ones who grant loans. The type of approach used in the Epicenter strategy follows the bottom-up decision making process. This approach is one where people at the bottom of the hierarchy influence managerial decisions (Merchant & Van der Stede, 2012). As the CEO for Ghana described, the committee members represent their villages and raise issues and ambitions
that have been discussed in the village council. Therefore, the people living in the villages are democratically influencing the core decisions made in the Epicenter community.

When applying for a loan, the CEO for Ghana stated that the applicant must determine what the loan is for in the application. All of the respondents complied with this remark by, in various ways, stating that microloans must be used for businesses or income generating activities and not as a source of income. Further, the CEO for Ghana explained that the sub-committee must be sure the applicant is really undertaking the business they are taking a loan for. This business could be a farming business, trading, manufacturing etc. The business that the applicant is seeking a loan for, along with the business environment, indicates whether the person is actually using it for a good cause. The SPO built on this argument by stating that, this sort of indication is crucial to avoid that clients enter a vicious cycle of borrowing.

The oversight committee/sub-committee, for the microfinance program has an elected committee of individuals from the community which the SPO explained. The committee is in charge of running the program, ensuring high repayment rate and low default, overseeing the banks’ opening hours and staff on site etc. The SPO further explained that the committee is there to ensure that decisions made during meetings, concerning microfinance, are implemented. On top of this, the committee must make sure that other managerial tasks are executed. The microfinance staff is not on site every day, therefore, THP relies heavily on the committee to be active managers of the microfinance program. Lahouel et al. (2014) identify employees as primary stakeholders of organizations because of their influential role in management. Therefore, the strong influence that coworkers have on the Epicenters makes them primary stakeholders.

The loan cycles used in the MFP facilitate managerial tasks in the rural banks. According to the SPO, the hope is for banks to continue using the loan cycles after reaching self-reliance. When all clients have the same reimbursement dates the management becomes somewhat easier because the overview of payments is transparent. The clients who have not reimbursed become visible since a certain amount is expected to be in the bank at a specific date. This method becomes especially important with manual bookkeeping that is not computerized because the long term status of the portfolio is more difficult to identify. With the help of loan cycles the rural banks can easily determine the status of their portfolio which is
important in a managerial perspective. By not constantly disbursing funds rural banks mitigate their risk and can uphold a healthier position.

Nega and Schneider (2014) along with Ahlin and Jiang (2008) claim that providing the right tools that improve people’s lives, has shown to decrease poverty in developing countries. According to the SPO, a lesson learned over the years is; as the Epicenters formalize and seek legal recognition, the presence of certain tools and resources becomes really important. One of these resources are computers to digitize the record keeping as oppose to doing it by hand. Another resource, is a cashier, bank manager or book keeper depending on the needs and scale of the community. Projects provided by NGOs have a tendency to not be sustainable enough to financially support itself once the NGOs exit (Ahlin & Jiang, 2008; Nega & Schneider, 2014). Although, it has been proven that poor communities benefit from self-help strategies (Nega & Schneider, 2014), THP does not have any self-reliant Epicenters. The reason could be that the structural transformation needed for true economic development has not occurred in the Epicenters. Regardless, all the respondents informed that their first four Epicenters will become self-reliant in 2015.

5.3.4 Competitors
The respondents claimed that MFPs within Epicenters are not directly affected by competitors. Deegan and Unerman (2011) define secondary stakeholders as stakeholder groups that are not a part of the institution, yet have an impact. Further, Phillips (2003) claims that competitors are stakeholders because they can influence or be influenced by the organization. The respondents’ point of view showed a mixed perspective of competitors and their role as a stakeholder group.

According to the CEO for Ghana, there are still some other microfinance operators within the same areas THP operates in. These are individuals or MFI’s that have funds to provide micro-financial services to people. The CEO further explained that in his experience, these organizations may not be organized institutions. In Ghana, unorganized institutions have collected deposits and savings from clients which they have not been able to pay back because of poor oversight. A perspective pointed out by the SPO shows another angle to the view that the CEO for Ghana presented. Other competitors may be other lending organizations, NGOs or MFI’s that provide loans. THP model is really specific to the strategy they use. By being transparent in the community and showing how THP’s work can be effective, the MFP could influence other microfinance operators to adopt the new practices
introduced. THP has also been able to have secondary influence on other microfinance organizations when setting interest rates for the micro-financial services in order to stay competitive and relevant borrowers in the community. According to Crane and Matten (2010), possible negative outcomes of competition are loss of market shares and influences on the organization behavior. By THP trying to fit their interest rates according to the lending practice in the Epicenters’ surroundings, the hope is to lower the interest rates.

In rural areas, the only option for borrowers may be to go through an informal loan process with someone in the community who has access to capital and is willing to lend it. According to the SPO, the individual lenders may set the interest rates between 40 and 80 percent. If this type of lenders is the only possibility for underprivileged to access loans, THP could come in and set their rates at 15 or 30 percent. THP's interest rate would then be competitive, relative to the environment or what the market is offering in that community. In this case, THP’s behavior is consistent with Phillips (2003) description of a stakeholders acting as terrorist groups. Although THP is looking to help local loan takers by providing loans at a lower interest rate, the low competitive rates impair the costly lenders.

Beside individual organizations and other micro-financial banks, other competitors the SPO identified are banks. This competitor is seen as a potential upgrade for clients who have succeeded in entrepreneurship and are in need of larger loans. An increase in loan size can be necessary for expanding businesses, however, this type of entrepreneurship requires clients to be self-sufficient (Ahlin & Jiang, 2008).

5.3.5 Clients

A primary stakeholder group for the Epicenters, are the clients of the MFP. The MFP used by THP is for villagers and the focus lies on women and food farmers as clients. Clarkson (1995) and Deegan and Underman (2011) identify primary stakeholders as groups that are considered to have a significant role in organizational survival. Since the income generated from interest rates etc. becomes an important source of income for Epicenters, the rural banks rely on their clients. This influence is in line with the definition of primary stakeholders because of the significant impact on rural banks. The importance of THP working in rural areas becomes apparent when most other MFIs work in urban and semi-urban surroundings as stated by the SPO and CEO for Ghana. However, even though the Epicenter strategy is restricted to rural areas, the MFP typically attracts the working poor in the community and not the poorest of the community.
For clients to be eligible to take out loans, there are certain requirements all respondents agree have to be fulfilled. The requirements are different in every country but THP tries to focus on ensuring that whoever takes a loan has a good chance of paying back. At THPs Epicenters, 80 percent of the participants in the MFPs are women who serve as a good credit risk according to D’espallier *et al.* (2010). Through targeting women, the Epicenters can enjoy high repayment rates along with wider social benefits as both D’espallier *et al.*, (2010) and Ngo and Wahhaj (2011) mention. The SPO explained that some Epicenters require clients to attend a microfinance course or a workshop to educate people on what it means to become a client. When proper training is offered on how to reach entrepreneurship, the clients’ household income can be stabilized using microcredit (Ahlin & Jiang, 2008). The workshops are used to instill knowledge and prepare the clients for the practical elements of successful entrepreneurship.

All respondents stated that a constant element in the MFP is that the rural banks do not ask for collateral or deposits. The SPO explained that instead, THP evaluates the individuals’ source of income (and diversity of income) to avoid pushing anyone further into debt or a vicious cycle of borrowing. One method THP uses is loan groups, which are equivalent to the Self-help Groups (SHG) presented in the MFD model (figure 2.1). The SPO explained that women (and men) band together to form small cooperatives that mitigate some of the risk for rural banks and also work as security for the group members. The number of members within a group can differ, for example, in Ghana every group consists of five people and other countries have between eight to ten members. The strategy of SHGs is, according to Premchander (2003), an effective tool because it gives members possibilities to network and link with financial institutions. At the Epicenters the rural banks are owned by the community and the CEO for Ghana described the loan groups as collateral security to secure sustainability for the entire MFP.

At THP’s Epicenters, loans are given out depending on the business and how the business develops. An example given by the CEO for Ghana was that an agricultural loan is paid back at the tail end of harvest because this is when the person will be able to pay. However, for clients who take a loan to do business such as sale and retail, the repayment has a schedule. These schedules are prepared depending on the business that it is meant for and goes in cycles throughout the year. Therefore, the season is another requirement that can affect clients. The cycles are a general requirement that have been put into place to make management easier.
According to the fundraiser in Gothenburg, the loans in many Epicenters are concerning very basic business procedures such as buying a cow or a chicken to create a source of income. Other Epicenters have developed more and clients have collectively bought a coffee-grinder or a soap maker to sell their merchandise on the local market. The respondents agree that the desired long term effect is for the clients to increase their income through the loan. The members of Epicenters gain access to many basic services such as health, education and other facilities on top of the financial institution. With this approach, the general being of the clients is improved since many other needs are satisfied. Through satisfying basic needs, some entrepreneur inhibiting barriers are tackled which leads to clients being able to focus fully on their businesses (Ahlin & Jiang, 2008). Further, Ahlin and Jiang (2008) suggest that by saving the disposable income in banks or other financial institutions, the clients can grow capital and become entrepreneurs and even grow full-scale businesses. THP urges the members of the communities to save their money in the rural bank and they have several built in features to avoid their clients from entering the poverty trap. Additionally, the SPO explained that when clients have reached a certain level of financial independence, the clients can “graduate” to commercial banks. THP therefore helps the clients build a financial history for them have the possibility to access the formal institutions.

The respondents unanimously established that clients of rural banks are primary stakeholders of THP’s MFP. However, the three fundraisers in Sweden and the SPO agree that families and people within the clients’ circles are secondary stakeholders. The respondents’ description is parallel with Clarkson’s (1995) definition, who claims that secondary stakeholders are groups who affect an organization without being part of it. The SPO described the people in the clients’ circles as anyone who are closely associated with them, which include: spouses, children and any other relatives in their homes. The respondents bring up different ways the clients and their associates may influence each other. For instance, the fundraiser in Gothenburg pointed out that as an outcome of decreased workload in the household, children could get time to start school. The SPO also suggested that families might have a big impact on whether or not clients are able to reimburse fully and on time. Another stakeholder group the SPO mentioned is other members of the community. The reasoning behind this statement was that, capital provided by THP is not sufficient to provide loans to every community member simultaneously. These people could be potential stakeholders and here the cycles are used so that everyone (eligible) could eventually take out a loan.
As described in the model (figure 2.1), employees have an important role in how the loan process is carried out. According to the CEO for Ghana the animators have an important role in determining who are eligible to receive loans as well as operate as employees. Living in the same community, the people know each other and are familiar with people’s behavior. The CEO mentioned that people who have been found to be untrustworthy will have a hard time forming a group and thereby being granted a loan. SHGs have been proven to be an effective microfinance tool (Premchander, 2003). The respondents all described THP’s SHG approach as a requirement in the Epicenters strategy. Instead of the loan applications coming from one person, the applications come from groups of people. When a loan has been given to a member of the group, the group is accountable for making sure that any other member of the group reimburses on time. The first loan is smaller and the loan size gradually grows as clients prove liability. For example, clients cannot take out new loans if they have not already repaid previous loans, which is another requirement in the MFP. Members of loan groups are individually managing their money but are aware of others’ spending habits because they live so closely. If members cannot pay back their loan one month, the other members come together and pay. It is important for the members to trust each other and have a good group dynamics to minimize the risk.

THPs MFP relies a lot on the group dynamics when it comes to repayment and the groups are viewed as one entity. Group members pledge for each other and if a member does not pay, it becomes the responsibility of the whole group. Sometimes, it happens that loan groups have recalcitrant persons who do not want to pay or are simply unable to reimburse. In Ghana, there are a few things the group members can do to put pressure on each other and make sure the members pay. The pressure group members can put on each other was described by the CEO for Ghana. Every member has individual loans within the microfinance scheme and if a member does not reimburse, they can either use their savings to cover it or their savings are held in check. The group members can share the debt and then decide to remove the recalcitrant person from the group. The group can also bring the person before the Epicenter committee and local government leaders to report the person. As a last resort, the person can be put before court as having defaulted on a loan and a penalty would have to be paid. SHGs with this type pressure is one technique THP uses to tackle the social barrier Ahlin and Jiang (2008) describe as contributors to the poverty trap.

The SPO explained that THP has a policy called “bad debt” which is debt that changes place on the balance sheet because it has not been reimbursed for so long. However, the fundraiser
in Öresund region, CEO for Ghana and SPO described thresholds that have been put into place for when clients are required to reimburse. The CEO for Ghana, further explained that there are no excuses for the clients not to pay and that clients are supposed to view rural banks as any bank even though they co-own it. When clients fall behind with payments, the measures described by the CEO for Ghana in the previous paragraph can be implemented. The SPO mentioned that THP works hard to find the clients so that do not fall into the category of bad debt. So they provide education or skill building to avoid those kind of situations. By trying to avoid these situations, THP tackles the barriers that prevents entrepreneurship and falling in poverty trap (Ahlin & Jiang, 2008)

5.3.6 Society

According to the respondents, the entire Epicenter approach is designed to reduce poverty through a community-centered development approach which leads to the society becoming a major stakeholder group. The success of Epicenters, and entrepreneurs residing within Epicenters, is dependent on the welfare of the society as suggested by Ahlin and Jiang (2008). The Epicenters’ various facilities such as, health & nutrition, education, microfinance etc. lift the overall welfare of the society which tackles entrepreneurial barriers. Throughout the analysis, the different stakeholder groups are linked in alignment with the multi-stakeholder concept proposed by Boström and Tamm Hallström (2013). The governments, clients, coworkers, financial supporters and communities gather their resources and work together for a common goal. Schminke (1998) pointed out that cultural norms and values of stakeholders play a great role in many aspects. These aspects should be considered since different stakeholder groups might not share the same point of view (Crane & Matten, 2010; Phillips, 2003). An example of multi-stakeholder characteristics in practice is during the Vision-Commitment and Action (VCA) workshops. The workshops begin in phase one and are given throughout the duration THP stays within the community. By having these workshops and other educational programs provided by the Epicenter, the society can prevent barriers from hindering both the society and individuals from developing (Ahlin & Jiang, 2008).

As mentioned, it is in partnership with governments that communities are provided with land to build the Epicenters. The respondents agree that THP needs to create a mindset of self-confidence and independence so that the communities do not see THP as an organization that will solve their problems for them. The fundraiser in Stockholm further strengthened the importance of the communities working with governments by stating that the relationship
is required to ensure the sustainability of the Epicenters. This line of thought is parallel with Nega and Schneiders (2014) suggested approach to long-term development, which states that collaborations between civil society and governments are necessary. The SPO stated that the strategy calls for the society to play an active role in the development of the community. By involving communities and governments, the larger socio-political and economic environments are more likely to be taken into consideration (Nega & Schneider, 2014).

According to the SPO, sustainability is really important for how the Epicenter strategy works. When NGOs are no longer physically present at the communities on a regular basis, Nega and Schneider (2014) claim that sustainability becomes particularly important for the communities. The SPO recognized the difficulties for the Epicenter communities when losing THP as a financial contributor. The SPO further explained that sometimes, stakeholders such as community members and governments have an interest in THP being physically active in the communities. Although self-reliance, independence and sustainability sounds great in theory, the communities loose the resources flowing into the communities. Making sure that the communities have the structure of elections or democratic processes in place, are aspects THP pays attention to in the duration of their stay. Providing leaders in communities with required leadership skills and making sure they have demonstrated ability and willingness before exiting are aspects Ahlin and Jiang (2008) express are important.

The CEO for Ghana explained that in every society there is bound to be conflict when people come together. Therefore, among the capacity building educations given by THP, conflict resolution is taught. The purpose of these courses is to make clients and leading figures aware that conflicts could come and further teach them how to settle it. Any issues that arise can be brought to the executive people who are at the Epicenters day to day. The executives have received resolution training and have the body to readily take up issues and resolve them. Leading figures within the Epicenters, therefore, have an active role in, “keeping the peace” in the loan groups if and when problems occur. Providing the society with tools to handle possible setbacks is another example of tackling the barriers that Ahlin and Jiang (2008) discuss. Therefore, these types of educations are crucial for both social welfare and sustainability as stated by both Ahlin and Jiang (2008) and Nega and Schneider (2014).
The Epicenter strategy encourages local communities to build partnerships with local stakeholders that are not THP. Partnership building and advocacy training is a focus that the SPO discussed. Crane and Matten (2010), view making new contacts beneficial for sustainable development. This view is shared by all respondents since THP strives to make the Epicenters a community-based, self-reliant unity, with its own network. The fundraiser in Stockholm gave an example on partnerships involving construction of water sources to ensure that these facilities function properly after THP exits. Partnerships with governments are important collaborations for the societies since education, staff and equipment provided by governments are crucial for welfare (Ahlin & Jiang, 2008; Nega & Schneider, 2014). The SPO added that repeating the fact that THP is eventually leaving is a way to remind the communities of their responsibility. Thus, they are not there to create an illusion of dependency which Nega and Schneider (2014) claim is a weakness of NGOs.

5.4 Sustainable development

The final step of this analysis will be to analyze the sustainability of the micro-financial development strategies that THP uses. To be sustainable, organizations have to consider the interdependent elements within the triple bottom line described by Galuppo et al. (2014). The elements are people, planet and profit (Galuppo et al., 2014) and these elements are taken into consideration throughout the Epicenter strategy.

People is the first element that Galuppo et al. (2014) describe and in the MFP, the element includes clients and the society. The clients of micro-financial departments at the Epicenters target women because of their relevance in ensuring sustainability. The strategy of SHG has been applied into the approach, which has shown to be an effective tool according to Premchander (2003). By lifting clients’ economic situation into entrepreneurship, societal welfare is raised. The Epicenters also provide programs such as health & nutrition, education, microfinance and so on, which the society can take apart of to further ensure development. The second element is planet. Because our thesis is focused on analyzing the microfinance program that is used by THP, the interviews have not been aimed towards the organization’s environmental impact. Therefore, the empirical data is not sufficient to analyze the sustainable impact on the planet. However, the overall holistic approach that THP uses, has environment integrated into it, as seen in appendix 2. Since THP’s overall approach includes environment, it is an indication that the planet is taken into consideration. Lastly, the third element is profit which is taken into account when the Epicenter strategy
ensures that the rural bank and the Epicenter community establish secure incomes. As mentioned previously in the analysis, for the development to be sustainable, both the rural bank and the Epicenter community have to generate revenue. Therefore, the Epicenter strategy integrates profit into the strategy when providing partnership and advocacy training with the purpose of establishing collaborations with the market and government sector. By considering these three elements throughout the strategy, the need of future generations will not be compromised as a result of trying to satisfy the needs of the present.
6 Discussion

This chapter contains a reflection of the most relevant results in the previous chapter. The outline of the discussion will be presented in following order: introduction, a step towards a sustainable solution and a discussion of the stakeholders.

6.1 Introduction

The purpose of this study is to comprehend what strategies operational NGOs use in developing countries in order for clients to escape the poverty trap with the help of sustainable microfinance. To investigate this, we have chosen to design a model based on Phillips’ (2003) stakeholder map which originates in Freemans’ Stakeholder Theory. The stakeholder map focuses on businesses and corporations (Phillips, 2003) but modifications for NGOs to be the core objective has been made. Based on the Stakeholder Theory and our literature review, we have identified six stakeholders that influence or are influenced by microfinance provided by NGOs. These stakeholders are: Financial Support, Government, Employees, Competitors, Clients and Society. The object of this case study has been THP and the strategies that are used in their MFP. The stakeholder groups have been analyzed separately according to our Micro-financial Development model (Figure 2.1) and this chapter will discuss the results that have been generated.

6.2 A step towards a sustainable solution

The strategy that THP uses for a sustainable MFP is integrated with the Epicenter strategy. During the years that THP has been involved in social development, they have found that requirements stretching further than economy have to be satisfied for sustainable microfinance. In their strategy, every stakeholder is interdependent which makes it impossible for the MFP to stand on its own. THP lays the foundation for entrepreneurship by providing education, health services, equality and so on into the community. The Epicenter strategy is a step towards a sustainable solution because Africans have been involved in developing the strategy for themselves. Thus, the communities are more likely to be active in the strategy because it is a process they believe in. Because the bottom-up management is practiced, every Epicenter is shaped to satisfy specific needs.
6.2.1 Financial support

The ultimate goal is for Epicenters to become self-reliant and to establish partnerships in the market sector increases the sustainability of the Epicenter strategy. THP introduces self-helping strategies to make sure that the Epicenter communities do not become dependent on their financial support. When the Epicenter communities have reached self-reliance and THP exits, we do not regard financial supporters as relevant stakeholders of the Epicenters. The results have indicated that the stakeholder group consisting of financial supporters should ultimately be replaced by actors in the market sector. The reasoning behind this is that once self-reliance has been achieved, it becomes crucial for the Epicenters to establish long-lived and reciprocal partnerships with businesses in the market sector.

Other strategies THP utilizes to ensure that the Epicenter communities do not depend on THP’s financial support is to establish rural banks to secure income. Since, the entrepreneurs play such as crucial role in the survival of the banks, additional micro-financial services could be added to diversify the range of services. Visser et al. (2008) give examples of micro-insurance and payment services as supplementary micro-financial services, which can be incorporated into the MFP. These types of services can be implemented in the early stages of the Epicenter strategy to be fully integrated by the final stages.

6.2.2 Local Government

THP recognizes the importance of collaborating with local governments for their strategy to be sustainable after they exit. However, the increasing requirements that come with becoming government recognized are still something THP has to work with to improve. Even though many barriers are tackled through the strategy, the financial costs of the rural banks are still high.

The Epicenters will own the rural banks themselves and exactly what the income from the banks is supposed to cover has not been specified. The costs the rural banks might have are administrative costs such as travels to the commercial banks or hiring auditors to do the annual reports. Governments are also gaining from collaborations with the Epicenters because the citizens follow the regulations of the state and pay taxes. As the Epicenters help more clients into entrepreneurship, the governments stand to generate more income. Therefore, it is important for governments to be present in the initial phase as investors that can gain from the developing societies.
Further, the Epicenters are not supposed to play the role of governments, however, put pressure on the governments to become more responsible over their population. In practical sense, involving governments in Epicenters can sometimes be challenging. The governments might not always see the importance of investing in the civil society sector as they may not see how Epicenters contribute to the governmental sector. Therefore, it is important for THP to convince governments and Epicenters that the collaboration is fruitful for both parties. The MOU is an excellent way to strengthen the collaboration and make sure that the parties are upholding their sides of the agreement, even when THP has exited.

6.2.3 Coworkers

A weakness in the Epicenter strategy is that the rural banks have a hard time keeping skilled co-workers since they tend to move on to more urbanized areas. With the requirements increasing in conjunction when seeking government recognition, the financial demands become tough on the Epicenters. To date, 29 out of 123 rural banks have received governmental recognition, which represents 24 percent. The Epicenters are so heavily dependent on their co-workers that coming up with an approach to deal with this problem becomes a priority when discussing sustainability.

The Epicenters are co-owned and do therefore not have any employees in the community. The co-workers have managerial power but are strongly led by the Epicenter community due to the bottom-up leadership that has been integrated into the strategy. The hope is for women leadership to create sustainability in the Epicenter communities and is in line with previous studies, which prove this to be true. The study has proven that societies benefit from having women in leading positions however, the results show that there are still more men in leading positions. This can be thought to be a result of 80 percent of the microfinance clientele being women, indicating that they are busy with income generating activities. The literature stated that strengthening women’s bargaining power through microcredit is important in patriarchal societies (Ngo & Wahhaj, 2011). However, this has been a challenge even though the Women Empowerment Programs have been put into place. By having women in leading positions, and attaching positive attribute to women, unintentional stereotypes which affects women entrepreneurs negatively would be broken (Agier & Szafarz, 2013). Therefore co-workers, more specifically women leaders become living examples and encourage other women in the society to take on leading roles.
6.2.4 Competitors
The focus of the Epicenter strategy does not lie on competitors, even though they are taken into consideration. Because of urban areas being more attractive for MFIs and other microfinance schemes to operate, there are not many people competing for the clients in rural areas. Even though the microfinance schemes in urban areas might not compete over clients, they have become competitors in terms of co-workers. Skilled personnel are drawn to areas where businesses boom which has resulted in a decline in the number of knowledgeable co-workers in rural areas.

In the rural areas, the competitors are individual lenders who have, what can be viewed as, destructive interest rates without any additional support. The interest rates, along with barriers that have not been tackled, increase the risk for clients to enter a vicious borrowing cycle. According to Ahlin and Jiang (2008) this results in potential entrepreneurs being held in the poverty trap without any tools to remove the financial barriers. The Epicenter strategy is part of the new generation NGOs because it seeks to provide the clients with tools to tackle barriers and bring themselves out of poverty. Premchander (2003) identified this type of NGO as organizations that provide communities with self-helping economic strategies to eliminate hunger and poverty. Thus, by integrating several elements in the community and establishing a co-owned rural bank, the Epicenters are able to set the interest rate to diminish the market interest rate. The Epicenter strategy is further used to demonstrate how micro-financial difficulties can be handled and set an example in the region.

6.2.5 Clients
By the women empowerment program, the Epicenter communities are trying to integrate more women on top of the hierarchy. It is important that women can influence the core decisions made in Epicenters or affect the decisions at a managerial level. The respondents and Déspalleir et al. (2010) agree that women in general have the highest repayment rate. Therefore, it becomes essential for women to make decision regarding the projects that concern them. Although, gender equality and women's empowerment are much needed tools to escape poverty, incorporating men into the strategy by changing the norm could be a groundbreaking solution. As discussed in chapter one: if female farmers had the same access to resources as men, the number of hungry people in the world would drop significantly (Hungerprojektet, 2015). Women are the instrumental to escape poverty and that men’s income tends to go towards assets (Agier & Szafarz, 2013; Premchander, 2003). Without
downplaying the importance of lifting women, a more effective way to increase household income would be to change the mindset of men through education. Since men are the ones with access to assets, providing them with the poverty relieving attitude of women would contribute to the welfare of the poorest. The target for microfinance might be women, however, for sustainable development in self-helping strategies on a community level requires participation on an individual level. Therefore, the Epicenter strategy should target every individual of the society regardless of gender. With this said, the implications of this would not be to stop focusing on women but to incorporate men for a more sustainable community.

The main concern for NGOs/microfinance is to provide micro-financial services to help clients escape poverty (Premchander, 2003). Further, the size of micro loans provided by the Epicenters is basic and not efficient for a full-scale entrepreneurship. The discussion is then how microfinance provided by the Epicenters can produce entrepreneurs. The main goal of the MFP provided by Epicenters is not for clients to become entrepreneurial, by the definition given in this thesis. The services provided by the Epicenters are rather focused on providing tools for the poor to become self-sufficient by instilling an entrepreneurial mindset. The sustainability of the strategy lies in the establishments such as SHGs and education in various forms. Knowledge in how to grow crops, produce income generating goods and adapt to the market are good examples of how Epicenters seek to become sustainable. The SHGs have tried to mitigate the risk for the rural banks and have proven to be effective in increasing repayment rates. Promoting these groups has become a central point within the microfinance scheme.

By the time the clients have reached self-sufficiency, the MFP has reached its goal. Thereafter, with the entrepreneurial mindset along with the foundation laid by the Epicenter strategy, the clients have the potential to reach entrepreneurship using their own initiative. Examples of the foundation laid by THP are partnership and advocacy trainings and promoting saving capital for the possibility of establishing full scale-businesses. By achieving entrepreneurship the clients have the possibility of graduating to formal financial institutions.
6.2.6 Society

The Epicenter strategy is very specific to the rural communities, because microfinance tends to move to more urbanized areas. Rural areas are where the poorest are and it is beneficial for the Epicenters to be established where the poorest are located. Although, the MFP is based on the concept created by Dr. Yunus, there are significant differences in how THP conduct their microfinance scheme (see section 1.2). THP has developed their strategy in an attempt to overcome the deficiencies that have been criticized over the years. Dr. Yunus initially introduced microloans and financial education as developing tools for poor, which has sometimes been criticized for leading people into a poverty trap. THP tries to combat this by involving the communities in order to break the social barriers which prevent sustainable development. Unlike Dr. Yunus strategy for microfinance, the Epicenters’ MFP is merely one of the components making up the sustainable solution.

Since, the Epicenter strategy through the MFP only provides microloan enough for self-sufficiency, the foundation for entrepreneurship has been laid through activities that promote entrepreneurship. Examples of these activities are: education, giving health care, food security, women’s empowerment/gender equality, including local governments and mobilizing members in the communities. This strategy becomes more suited to support and raise the society’s economic situation. When clients graduate to entrepreneurship, they become contributors to the society where they reside and work. According to Ahlin and Jiang (2008), entrepreneurship involves larger scales of funds and employees. The authors also point out that one can become self-sufficient by working for a company and establishing a secure income that way. The strategy still does not reach the poorest of the poor because the poorest might not have a business related source of income to take a microloan for. However, in the long run, the self-sufficient clients in the Epicenter that graduate to become entrepreneurs could further employ the poorest in the society. This would lead to the entire society rising and not only the clients of the rural bank. The integrated Epicenter strategy which involves all stakeholders in society therefore becomes an effective strategy that breaks the barriers that inhibits the society to develop.
7 Conclusion

In this chapter, the research question is answered by first introducing a summary of our thesis. Secondly, a conclusion of the thesis is presented, followed with ethical implications, critical review and future research.

7.1 Summary

Our dissertation was introduced in chapter one by a quotation by Dr. Muhammad Yunus who developed the concept of microfinance. The original thought of the microfinance concept by Dr. Yunus, was to provide the poor with opportunities to achieve self-sufficiency through small loans. Previous research review the rise the adoption of microfinance in the sector of NGOs as a tool to raise welfare in communities (Premchander, 2003; Nega & Schneider, 2014). Authors criticize NGOs development projects for lacking financial sustainability and leading people into a poverty trap created from a vicious cycle of borrowing (Ahlin & Jiang, 2008). However, with the right tools, microfinance can serve as maintenance support to get out of the poverty trap.

The purpose of this thesis was to comprehend what strategies operational NGOs use in developing countries in order for clients to escape the poverty trap with the help of sustainable microfinance. The study was conducted as a case study on the global, non-profit, strategic organization; The Hunger Project. The organization has a commitment to end world hunger and uses the integrated Epicenter strategy in African countries to reach their goal.

The empirical method put to use for our research question was a qualitative research, where interviews were held on several THP personnel. This dissertation analyzes our research question through a model based on a stakeholder map, designed specifically for NGOs using microfinance. The reason for this approach of data collection was due the interest of gaining a deeper understating of THPs micro-financial strategies. The empirical data collected was analyzed through our theoretical model to understand the micro-financial strategies through a multi-stakeholder perspective.
7.2 Conclusion

The main micro-financial development strategy assembled from our study was to integrate MFPs into societies. THP’s strategy towards self-sufficiency suggests that structural transformation on a societal level is needed for development on an individual level. The strategy integrates welfare-enhancing principles such as: gender equality, empowerment, sustainability, amongst others in their strategies. Providing self-help strategies to societies is exceedingly more sustainable than pushing capital and resources into societies without providing knowledge on how to effectively manage the increased resources. By teaching societies how to recognize and seize opportunities, the chance of reaching the goals set in the Millennium declaration might not be that out of reach.

Based on the analysis, our opinion is that integrating microfinance into the Epicenter strategy is a sustainable solution to the vicious cycle of borrowing. The MFP along with other components within the Epicenter strategy helps clients escape poverty by becoming self-sufficient. While assisting clients reach self-sufficiency, the strategy is instilling an entrepreneurial mindset which is a crucial aspect. Further, an entrepreneurial mindset can, with clients’ own initiative, help clients take the next step to become entrepreneurial. Ultimately, the integrated Epicenter strategy provides the foundation for clients to help themselves become entrepreneurs.

Theoretically, the Epicenter strategy is an excellent strategy to reduce poverty on a societal level. However, based on our empirical findings we cannot suggest that the Epicenter strategy is a sustainable approach to reduce or eliminate poverty. The unfortunate fact of the matter is that there is no concrete evidence to draw such a conclusion. The Epicenters have been operating for approximately 17 years and have gone through trial and error to reach the innovative strategy that is used today. Nevertheless, since no Epicenters are self-reliant in the moment of writing, there is no way to definitely propose that the strategy works in a practical sense. Four Epicenters will become self-reliant at the end of 2015. However, even after the Epicenters have achieved self-reliance, sustainability cannot be determined before the Epicenters have been operating independently within the community for a couple of years.

7.3 Ethical implications

The criticism towards microfinance in general has been harsh, claiming that it leads people into a poverty trap as the clients enter a vicious cycle of borrowing. The ethical implications
of this study is that microfinance providers can gain an understanding of the structural transformation that is required for sustainably helping people. An understanding of the requirements will result in organization being able to contribute to a more sustainable development for the underprivileged. Our model (figure 2.1) can be used by organizations who want to evaluate the sustainability of the MFP provided. Our dissertation contributes in creating awareness in potential solutions overcoming micro-financial criticism, by implementing and integrating sustainable principles along with the society.

7.4 Critical review

A critical review of this thesis is that the research was conducted as a qualitative case study with one organization as the source of information. Qualitative research makes generalizations impossible because the results reflect the thoughts of the representatives within one organization. Therefore, proposing that our results represent all NGOs using self-helping development strategies would be faulty. Further, our dissertation evaluated the impact of the Epicenter strategy incorporated with THP’s MFP and not on autonomous MFPs. Thereby, the interviews were conducted on staff members within the organization who were not working with the technical side of microfinance. Therefore, the technicalities in the MFP were not analyzed in detail. Although this was the case, the literature review in chapter two describes social barriers as the main reasons for clients entering the poverty trap. Therefore, our opinion is that the model (figure 2.1) is applicable for all microfinance programs provided by NGOs even though technically they are not included.

7.5 Future research

Our findings resulted in the Epicenter strategy which, as a whole, tries to battle a slightly greater cause than our model (figure 2.1). A possible research that can be conducted in the future, is a study focusing on the sustainability of micro-financial banks that are operated and co-owned by societies. The purpose would be to evaluate if there is a greater chance of sustainability with this type of program. We find that the model, with slight modifications, is effective for new generation NGOs sector that utilize self-helping strategies to ensure sustainability in societies. The research can be conducted on already existing societies with questionable development to comprehend what strategic changes are required for sustainability within the societies. Our model could be modified to place the micro-financial bank in the middle and thereafter conducting an analysis on the stakeholders of the society. The financial supporters could be replaced by the market sector since sustainable societies
should rather use partnerships and advocacy. Another suggestion would be to incorporate men more into the strategy because they are the ones with resources as discussed in the previous chapter.

A recommendation is to evaluate the sustainability of the Epicenter in a few years because that is when the sustainability will be truly tested. Before then, this model can be used to evaluate how Epicenters collaborate with their stakeholder after THP exits.
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Appendix 1 - Millennium Development Goals

The Millennium Development Goals

Eight Goals for 2015

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

(United Nations Development Programme, 2015)
Appendix 2 – The Hunger Project

“The Hunger Project is a global, non-profit, strategic organization committed to the sustainable end of world hunger.” (The Hunger Project, 2015) Although the main purpose is to end hunger, the organization uses principles such as: gender equality, empowerment, sustainability, amongst others in their strategies. The Hunger Projects (THP) vision is to create “a world where every woman, man and child leads a healthy, fulfilling life of self-reliance and dignity”.

The overall program that THP uses in over 17,000 communities, spread all through Africa, South Asia and Latin America, has an innovative holistic approach. This program can in many aspects be compared to the Grameen business model which is widely used in South Asia. The approach that THP uses to reach their goal is seen in the model below.

![Approach model](image)

Figur 0.1? Approach model (The Hunger Project, 2015)

All the programs are modified to fit the local needs (challenges and opportunities) but the three components that never change are; “(1) Empowering women as key change agents; (2) Mobilizing communities for self-reliant action; (3) Fostering effective partnerships with local government” (The Hunger Project, 2015).

In Africa, THP addresses the critical link to ending world hunger through their Microfinance Program (The Hunger Project, 2015). Microfinance, which was created by Mohammed Yunus in the 1970s (Grandin, 2007) has been called “one of the most significant innovations in development policies of the past twenty five years” (Ahlin & Jiang, 2008). The Grameen
business model, however, has the purpose to overcome poverty by improving the quality of life and confronting predominantly social issues in the society (The Grameen Creative Lab, 2015). Lending capital to the poor is intended to improve their economy, ultimately leading to self-sufficiency (Ahlin & Jiang, 2008).

Unlike the Grameen Business Model, THP has expanded their service beyond creating economic opportunities to the poor through social business (The Grameen Creative Lab, 2015). THP uses different strategies depending on the location. The Epicenter Strategy is used in eight countries and organizes “Epicenters” by grouping rural villages to meet the basic need of the people. The development programs created by the Epicenters reaches 1.6 million men and women in their communities.

Another strategy that is used empowers women leaders in South Asia (India and Bangladesh), to give women in this region a voice. Finally, in Latin America (Mexico and Peru), THP supports “community development initiatives” and strive to improve malnutrition and motivate local entrepreneurship.
Appendix 3 – Interview guide

General questions

These are general questions to respondents of The Hunger Project.

1. What is your position at Hunger Project and could you describe for us what you do?
2. Could you describe the Epicenter strategy used in Africa?
3. Organization can have primary and secondary stakeholders, some of which might not be obvious to outsiders. Could you identify the stakeholders of your microfinance program?
4. What type of power or influences do the stakeholders of THP have on activities of the Micro-Finance Program?

Swedish Offices

Fundraisers

5. How do you as a fund raiser create awareness and advertise THP?
6. What is the main source of income the organization and how do you maintain this?
   o How do you work to keep your current investors?
7. How are the funds distributed among the different projects and what percentage reaches the microfinance program?
8. Do you have a minimum sum of funds to be raised each year to meet the project requirements?
9. What happens if the project that the entrepreneur has does not succeed?
10. Some see microfinance as being a short term solution to poverty but in the long run they see it as a vicious cycle of borrowing. What are your thoughts regarding this view?

CEO for Sweden

5. What are the strategies for a sustainable collaboration between the stakeholders to strive for the common goal?
6. How does the local governments affect your MFPs?
7. What are the criteria to become a client of the Microfinance bank?
8. How do you work to avoid conflict within the loan groups?
9. Microfinance has received some criticism over the last couple of years, why do you think that is?
10. How do you work to prevent what the critics are proposing? När började ni med Epicenter? Vad är motgångarna?

New York office

Senior program officer

5. What are the strategies for a sustainable collaboration between the different stakeholders (of the Epicenters) to strive for the common goal?

6. What is THPs relationship with the government where the Microfinance Program is active and how do the governments affect the Epicenters?

7. The goal is that Epicenters shall be independent after eight years, which are the exit strategies that are used?

8. What are the criteria to get a loan and how do you decide which individuals qualify?
   - Do you have any self-help groups?

9. Beside loans, do you provide education how to use the domestic finance in an effective way?

10. Do you use any strategies to avoid the loan takers from becoming dependent of the micro loans? If so, could you describe them?

11. Some see microfinance as being a short term solution to poverty but in the long run they see it as a vicious cycle of borrowing. What are your thoughts regarding this view?

12. We have spoken with employees in Sweden about their fund raising process. How do you, in New York, go about your fundraising?

Ghana region

CEO for Ghana

5. What are the strategies for a sustainable collaboration between the multi-stakeholders to strive for the common goal?

6. How does the local government affect the MFPs in Ghana?

7. What are the criteria to get a loan and how do you decide which individuals qualify?
   - Do you have any self-help groups?

8. Beside loans, do you provide education how to use the domestic finance in an effective way?

9. Microfinance has received some criticism over the last couple of years, why do you think that is?
10. How do you work to prevent what the critics are proposing?

11. When happens when a client is unable to payback their loan because their project failed?

12. Some see microfinance as being a short term solution to poverty but in the long run they see it as a vicious cycle of borrowing. What are your thoughts regarding this view?

Possible follow up questions

1. Have you seen any main differences in the lives of microloans takers that Epicenters provide? Does it work as poverty reduction?

2. When doing follow ups, what type of stability has been established from self-sufficiency in families

3. How has the development of microfinance affected the society? Long term

4. What strategies do you use to avoid the loan takers from becoming dependent of the micro loans

5. What is the interest for a loan in the organization? Are there differences between the Epicenters

6. What are the goals with the loan? What are the long term goals beyond eliminate hunger?

7. What happens if the project that the entrepreneur has does not succeed? What factors hinder or allow your clients to advance?
Appendix 4 - Presentation of employees

CEOs

**Sweden – Sara Wettergren (referred to as: CEO for Sweden)**

Sara Wettergren was appointed as the Country Director (CEO) for Sweden in May 2012. Sara has extensive experience in both the public and private sectors at the local and international levels. She has broad experience in strategic consulting, communicative processes and forming public opinion. For some years she was involved in local politics, giving her a thorough insight into political processes and campaigning. Sara holds a Master Degree in International Relations and Political Science.

**Ghana – Samuel Afrane (referred to as: CEO for Ghana)**

Samuel Afrane became The Hunger Project-Ghana Country Director (CEO) in March 2013. Samuel joined THP-Ghana in March 2012 as the National Program Officer, overseeing THP-Ghana’s Epicenters. Samuel holds a Bachelors Degree in Planning and a Master’s Degree in Development Policy and Planning, and has over 17 years of experience in development planning, poverty reduction and rural development.

Previously, Samuel served as the Monitoring & Evaluation and Capacity Development specialist for the Northern Region Poverty Reduction Programme, an International Fund for Agricultural Development (IFAD)-sponsored and World Bank-supervised initiative, where he oversaw data collection and analysis in northern Ghana. Samuel has also held positions in government, working as the Metropolitan Development Planning Officer alongside the United Nations Development Programme (UNDP) and GTZ (German Agency for International Cooperation) in Tamale, the capital of the Northern Region and Ghana’s third largest city.

In addition, Samuel has held leadership positions in several professional and academic associations, most recently serving as the Chairman of the Association of Development Planning Officers, Northern Region, Tamale.
Swedish offices

Malmo – Ellen Hoas Ströman (referred to as: fundraiser in Malmö)

Fund-raiser and project leader. Responsible of the business contacts in the Oresund region. Develops collaborations with the companies that invest in THP and collaborates with in different ways. Finds new investors, both businesses and individuals. Is responsible for informational projects in Sweden and volunteers and ambassadors and evenets in her region. Everything is centered around generating money and creating awareness about THP in one way or another.

Gothenburg – Niklas Hallhagen (referred to as: fundraiser in Stockholm)

Fund-raiser and project leader. Main tasks are to work with institutional fund-raising; sending applications to foundations, organizations, agencies etc. He administrates grants that come in from their investors, follows up on results, and reports back to the investors.

Stockholm – Malin Flemström (referred to as fundraiser in Gothenburg)

Fund-raiser and project leader. Is a project leader for THP Sweden’s events that are centered around collecting donations. Has contact with organizations that donate to THP Sweden.

New York (Global office) – Africa department

Senior Program Officer – Victoria Watts (referred to as: SPO)

Tory Watts, MPA, Senior Program Officer, Africa Department joined The Hunger Project in 2010 after completing her Master of Public Administration at NYU’s Wagner School of Public Service. Ms. Watts came to The Hunger Project from Malaria No More, where she researched and liaised with institutional and corporate development partners in sub-Saharan African countries.
Appendix 5 – sample of transcription

Sample of transcription in English

Victoria Watts
Senior program officer
Tel: xxxxx
Monday, 4 mars 2015

What is your position at THP and could you describe what is that you do?

I am the senior program officer for the Africa department at THP. I work in THPs global office, which is located in NY and serves as a hub for a lot of the oversight and centralizing information that goes on with supporting the community led programs in the countries where we work. The Africa programs are present in 8 countries in Africa and the department in NY focuses in consolidating information, sharing back out information to other stakeholders that we get from the programs. Keeping everybody in touch, ensuring standardization where that’s appropriate and ensuring that we are up to speed on the differences when there is no standardization.

Do you have any actual contact with the Epicenters or do you do the larger projects in the countries?

Unless I’m vising one of the program countries I’m not directly in contact with the Epicenters. One hundred % of our staff are citizens of the country that they are working in. For example, all of our staff in Ethiopia are Ethiopians etc. Local level: the individuals working at the Epicenters are either volunteer animators from that community or members of our THP staff based in our office in that country who travel on a regular basis out to the Epicenters. Sometimes I’m in touch with our staff team member but usually there is some sort of chain that goes from offices outside of the country to the office inside the country and then the office in the country to the Epicenter.

Could you describe the Epicenter strategy that you use?

The Epicenter strategy is an integrated development approach based on mobilization at the grassroots level. THPs approach focuses on working with communities that are interested in playing a really active role in changing realities about life in their homes/communities.

Our approach is initially based on what we call a mobilization phase. That is the first phase of the Epicenter strategy and that is when our staff work with communities to identify if they have certain goals for themselves that they would like to partner with THP to achieve. Some communities are more willing to participate in that exercise and those communities come together as an Epicenter, which is usually 10-15 villages. It can be 10-15000 people. We have over 120 Epicenters right now. After they go through that mobilization phase which focuses on THP trying to understand what the vision is for their community, (what they would like to achieve/ what their top priorities are) they move in to phase two. (…….)
Appendix 6 – sample of transcription

Sample of transcription in Swedish

Niklas Hallhagen
Fund raiser
Tel: 07 xxxxxx
Tuesday, 5 may 2015

vad är din position, kan du beskriva vad du gör på hunger projektet?


Hade du kunnat beskriva Epicenter strategin som ni använder i Afrika?


Du sa förskola. hur långt sträcker sig den här utbildningen som ni…

Appendix 7 - Sample of coded transcriptions

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<tr>
<td>T: (...) The last thing is that the MFP is beyond lending, it’s savings as well and a lot of our MFP actually have a mandatory savings component. Lenders are acquired to save a percentage of their loan every month to build the muscle of keeping it in a safe place and become shareholder in the MF organization. They can purchase a share and their capital goes into the banks’ operations but they have part ownership. Again, that goes back to different government requirements on capital that the bank has to have. Having shareholders is one technique to growing the capital but it also speaks to THPs approach of community ownership of saying that you are the ones that own this bank, you’re the shareholders, you make the decisions.</td>
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<td>M: Det HP gör inledningsvis i MFP, som är både en bank men även ett sparande och utbildning (det är ett program och inte bara en utbildning), det är att initialt gå in med $25 000 som blir startkapitalet på banken. Man tillsätter en kommitté, det är ofta kvinnor som driver de här bankerna och även den övergripande Epicenterkommittén består av majoritet kvinnor. 80% av låntagarna i den här banken är också kvinnor.</td>
<td>Leaders</td>
<td></td>
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<td>T: When we begin our microfinance program it’s just direct credit in the community, like a cash loan to an individual and as that formalizes the government becomes more and more involved. The primary way that they affect is if there is any legislation around lending. For example, if borrowers need to meet certain criteria or if lending organizations need to meet certain criteria, that’s something that will guide our program implementation</td>
<td>How local government affect the stakeholder</td>
<td>Criticism of MFP</td>
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Appendix 8 – Epicenter programs

**Health & Nutrition:** At health centers, children are weighed and immunized; a government-staffed maternity wing provides safe conditions for birthing.

**Education:** In classrooms, gender-balanced preschool care and Functional Adult Literacy classes are provided.

**Food Security:** Farmers are trained on how to improve yields through new technologies, alternative farming techniques and increased access to agricultural tools. Food banks safely store harvests to support communities during lean periods throughout the year.

**Microfinance:** A training, credit and savings program develops women’s and men’s capacity to become economic decision-makers, entrepreneurs and small business owners.

**Women’s Empowerment Program:** Provides education on women’s legal, reproductive, and property rights.

**Advocacy, Awareness and Alliances:** The Hunger Project supports the community in establishing effective partnerships with local government and other organizations to ensure that services are available locally.