



# CRITERION INSTITUTE

## **Investment Education**

*To fully understand the Investment Pathways, one needs to understand the terminology. This document is an informative and thorough document that describes the vocabulary used in the Investment Pathways and by the Criterion Institute. By no means is this a definitive list. For more information either click on the links or talk to one of us at the Criterion Institute.*

### 1. Microfinance

- A banking services to those who are unemployed or low-income individuals or groups who would otherwise have no means of borrow, lend and save money
- It is an avenue for those to become self-sufficient by giving them a place for their banking needs
- It is designed to support entrepreneurship, alleviate poverty, and empower entire communities

### 2. Microloans

- One of the services under the umbrella of Microfinance that allows individuals to access money that one needs to repay to the bank with interest
- Microloans is a synonym of Microcredit
- Usually these loans are very small in amount to those who lack collateral, employment, a verifiable credit history, or money on their own

### 3. Social Investment

- When an investor wants an investment to be more than simply financial return, but have a social and environmental return
- Entails developing businesses with a positive relationship to the community in which they operate
- Often an investor will accept a lower financial return for a more significant social return
- A policy designed to strengthen people's skills and capacities to support themselves and participate fully in the economy of the community
- Also could be called a Triple Bottom Line

### 4. Financial Intermediary

- An entity that acts as a middleman between two parties for a financial transaction
- An example is a commercial bank
- A place where lenders and borrowers meet for a transaction

### 5. Entrepreneur

- An individual who runs a small business and assumes all the risk and reward of the business
- These are the people who have the skills and initiative necessary to take a good idea to market and make the right decisions to make a business idea profitable

### 6. Trustee

- A person that holds property for the benefit of a third party and trusted to make decisions in the beneficiary's best interest
  - Kiva believes a trustee is a person responsible to find borrowers, endorse them and give ongoing support
7. Angel Investor
- An investor who provides financial backing for small startups or entrepreneurs
  - The money they provide can be a one-time starting fund or ongoing aid
  - Investors can either be close friends to the entrepreneur or have zero affiliation with the investor
  - An Angel Investor gives more encouraging terms because they are investing in the person just as much as the business
8. Peer lending (Peer to Peer Model)
- Method of financing that allows individuals to borrow and lend money without a financial intermediary like a bank
  - Lending without the middleman that takes more time and effort
  - Usually is a lower rate loan than a bank
  - Can also be known as social lending
9. Thrive Notion of Lending
- To provide a loan with no interest to entrepreneurs who pay the loan back through donating their services to the communities
  - Example is giving a loan to a dentist who pays the loan back by giving 50 children free dental check-ups
10. Community Development Financial Institution (CDFI)
- A financial institution that focuses on personal lending and local business development
  - These institutions often receive funding through the national government because of their focus on growing their communities economically
  - Have the ability to combine public and private resources to serve both public and social purposes and able to provide financial returns as well as social returns
  - Can be considered a form of microfinance
11. Crowd-funded
- The use of small amounts of money from many individuals to finance an entrepreneur or business venture
  - Accessibility is one of its biggest strengths to increase entrepreneurship by growing the pool of investors from whom the entrepreneur can borrow money
  - Usually via the internet, a community can network and pool their money to support entrepreneurs
12. Power of One in Three
- The concept of if one in three microenterprises hired a single employee, the US would be fully employed
  - Helping Main Street Businesses succeed which will in turn help the entire economy



Links for More Information:

- <http://www.cdfifund.gov/>
- <http://www.investopedia.com/>
- <https://zip.kiva.org/>
- <http://www.aeoworks.org/>
- <http://www.kiva.org/about/microfinance>
- <http://www.accionusa.org/home/small-business-loans/about-our-loans.aspx>
- <http://grameenamerica.org/model>
- <http://www.microfinancegateway.org/p/site/m/template.rc/1.26.12263/>
- <http://thrive.org/how-thrive-works-2/>
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