

Microfinance: what is it for?

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(Micro)Finance is a “utility”, not a good in itself

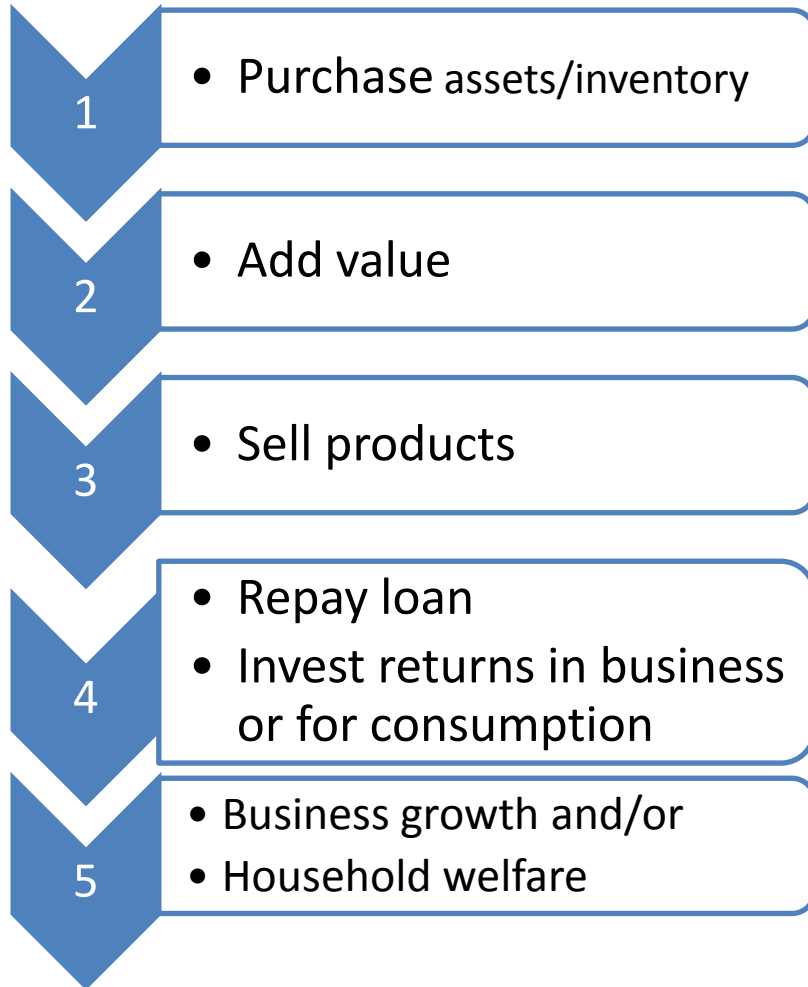
- ✓ Used to gain access to:
 - ✓ Consumption goods
 - ✓ Productive goods
 - ✓ Services such as health care and education

(Micro)Finance is not inherently good or bad

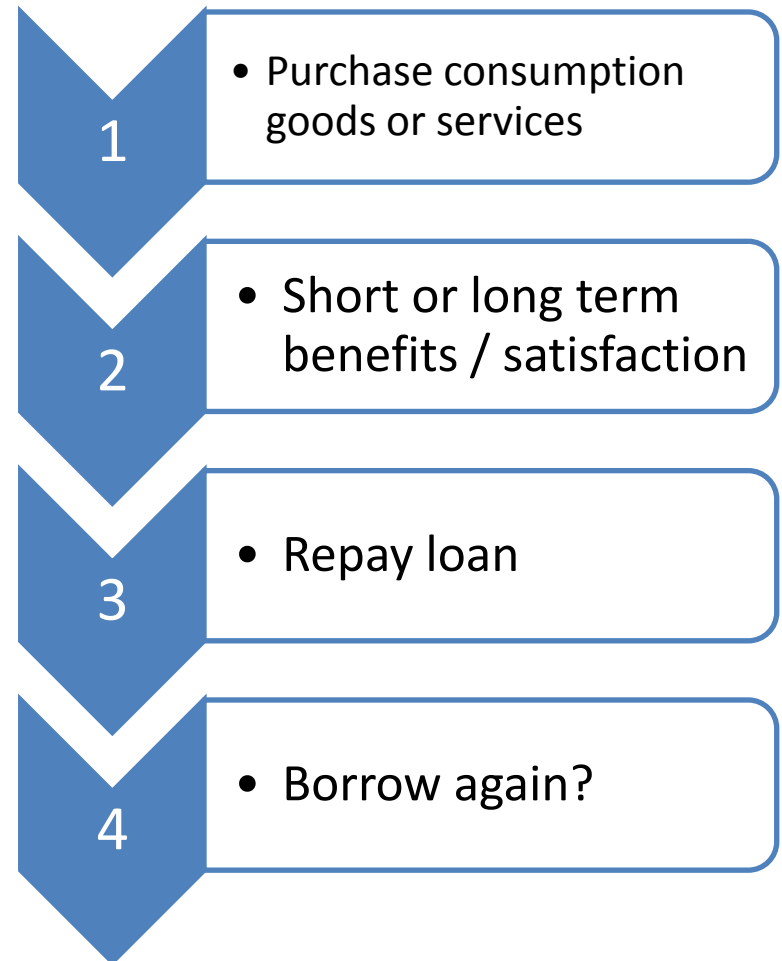
- ✓ What it is used for determines its benefits for the user

The poor and *their* decisions

Productive Usage



Non-Productive Usage



Is usage a problem?



Money is fungible

**Cost of monitoring loan
usage is high and not
effective**

**Consumer is paying for
the service and has the
right to control usage**

**Difficult to
control**

Are we the problem?



Unrealistic expectations

Marketing of the “silver bullet”

**No focus on M&E, limited evidence
of what works**

BACKLASH

Not surprising: benefits are mixed & depend on usage

	Positive Impact	No Impact
CREDIT	<ul style="list-style-type: none"> Existing business had profits (India, Philippines) Loan-takers also spent more on home-based durable goods (India) Diversification of businesses (Morocco) Reduction of "temptation goods" (India, Morocco) 	<ul style="list-style-type: none"> No impact on health, education, empowerment (Morocco, India, Philippines) New business (Morocco) No change in consumption (Morocco) or household expenditures (India)
SAVINGS	<ul style="list-style-type: none"> Faced shocks better (bought medication for health shocks), Increased food expenditure (Kenya) Business investment for women increased by 40% (Kenya) 	<ul style="list-style-type: none"> Accounts had minimal impact on men. (Kenya)
Insurance	<ul style="list-style-type: none"> Increased farm investment (fertilizer, planted more acreage, hired more labor) and had higher yields and more income, missed fewer meals and their children missed less school. (Ghana, India) Moved to higher value crops (Ghana, India) 	<ul style="list-style-type: none"> Adoption rates are modest but growing (Ghana, India) Design improvements are important-payouts too slow. (Ghana, India)