Meeting the MDG Target of Halving Global Poverty by 2015: An Overview of Asian Experiences

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Acknowledgement

This paper "Meeting the MDG Target of Halving Global Poverty by 2015: Roles of INAFI MOs and Microfinance Practitioners" was planned and organised by INAFI Asia to investigate in-depth as to whether microfinance has any role in poverty reduction, and what are its limitations thereof, and how it can help effectively to reduce poverty and can reach the un-reached, and can meet the MDG targets of halving global poverty etc. This study also planned to find strategies for INAFI to reduce global poverty, and to reach the extreme poor with microfinance so that MDG targets can be met by 2015, and can also indicate what roles INAFI should pursue. Lastly, this paper also tries to find impacts of INAFI programmes, and did a stock taking of INAFI Asia’s members’ activities to poverty reduction outreach, approaches etc.

Though the author for this research paper is me, but I was supported by my colleagues at INAFI Dhaka office, esp., Mr. Atiqun Nabi, Executive Director of INAFI Asia, and some local and Asian microfinance and development experts, and others. All are also acknowledged for their contributions to this publication. This paper has not been possible without their active support. I must thank all of them.

Logistic support for the publication of this document was provided by INAFI Management at Dhaka office, and we are grateful to them all for that, esp., Mr. Ruhul Quddus Shanti who was in the centre of ensuring all logistic, his contribution is duly acknowledged.

Lastly, acknowledging a shortcoming of this research, I like to make this a point that impacts of microfinance practices of INAFI Asia member organisations are largely drawn from mainstream microfinance literatures. I apologies for this lack mainly due to non-availability of the relevant materials from all the MOs of INAFI Asia.

I, along with INAFI Asia express gratitude to INAFI’s core funding partners Oxfam Novib and the Netherlands government (DGIS) for support to all INAFI programmes, including the publication of this document.

Thank you all.

Sirajul Islam
Consultant
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March 9, 2007
Foreword

Microfinance has proven to be an effective and powerful tool for poverty alleviation. So, INAFI set its attention to achieve the goals set forth in the MDGs by 2015 to halve global poverty. But INAFI observes that microfinance has some limitations. The poorest in Asia and Africa and in the entire globe, in general, consisting the vast greater part of those without access to some very basic needs like PHC and basic education, and suffers from livelihood or food or social insecurity and AIDS etc. Likewise, they are the mainstream of those without access to microfinance as well. While there is no argument that the poorest can benefit from health and nutrition programmes, basic education, food or social security programmes or anti-HIV-AIDS interventions, INAFI sees it also insightful that they can also benefit from microfinance, or that microfinance is a right tool by which to reach the Millennium Development Goals of halving poverty by 2015, through pursuing some empirical strategies.

Asia is the hub of divergent microfinance practices, and different microfinance methodologies have been in practice since long in the Asian region. They differ in context, outreach, service delivery mechanisms, and structure. Some only provide microfinance services; others have added technical assistance and training programmes, while others still manage integrated social development programmes. Some provide direct financial intermediation while others assume promotional roles and support self-help grass-root groups, mainly women, and are putting them in contact with banks or other lending organisations. Finally, some members have already reached scale, are undertaking highly efficacious operations, and not even have become major players in their respective countries but in the world.

To support the positive impact of microfinance on poverty alleviation, INAFI commissioned this study to collect evidences, which in relevance to fully six out of seven of the Millennium Development Goals. Whatever the evidences that does exist by using that INAFI wants to prove that microfinance is an instrument that, under the right conditions, fits the needs of a broad range of the population, including the very poor and women, those in the 'bottom half' of people living below the poverty line. So, the targets for INAFI through this research is to explore the situation amongst the MFIs and microfinance stakeholders across the globe regarding the achievement of MDGs, finding out the lacks and gaps, and to stratagise for the future interventions.

This is the purpose of this publication, in a very few words. I am pleased to share the views and the ideas of the author with readers. Any suggestions or comments are welcome also. Thanks and regards.

Atiqun Nabi
Executive Director
INAFI Asia
Abstract

Microfinance has a positive impact on the first Millennium Development Goal, that the number of people living in extreme poverty (defined as those living on less than US$1 per day) will be reduced by half between 1990 and 2015, and showed some evidences of positive impact of microfinance in different countries. Some limitation of microfinance to reach the MDG targets, however, and the most common of them are: micro loans cannot be easily targeted to reach the poorest and many of them cannot make use of microcredit because they are in no position to undertake an economic activity. Sometimes microfinance couldn’t reach the target poor people by considering portfolio at risks and sustainability. In most of the cases targeting approach of microfinance programme encourages exclusion of the poorest and also the “missing middle”. Some probable strategies for meeting the MDG target of halving global poverty, or provide credit to 175 million poor (or poorest) as the target set by Global Microcredit Summit 2006. The strategies were to find out:

- Ways and means to increase the income of the poor (or the poorest);
- Ways and means to meet more of their basic needs; and
- Ways and means to asset transfer, and/or making grants to the poorest

The poorest can benefit directly from programmes like the safety net programmes, or asset transfer or from primary health care and from basic education. It is also found that they can also benefit from microfinance, which is an appropriate tool by which to reach the Millennium Development Goals. There are examples of INAFI member organisations how their programmes contributed directly or indirectly to achieve MDGs. Finally, this paper links INAFI's strategies towards poverty alleviation that is again linked with MDGs. This paper emphasised that INAFI should carry on with the idea that the poorest must be central to the vision and commitment of microfinance institutions. Only then achieving the Microcredit Summit goals of providing credit to 175 million people by 2015, and MDG goal of halving global poverty by 2015 would possible.
**Introduction**

There is extensive evidence that microfinance has a positive impact on the first Millennium Development Goal, that the number of people living in extreme poverty (defined as those living on less than US$1 per day) will be reduced by half between 1990 and 2015. There are fewer studies examining the effects of microfinance on the other Millennium Development Goals, but what evidence exists generally indicates a positive impact. Though various scholars confirm that most microfinance programmes do not serve the poorest, however, there are some institutions that do, and the evidence indicates that the poorest can definitely benefit from microfinance in terms of increased incomes, and reduced vulnerability. But what evidences we do have to support the views stated above? Let us see what some world class researchers said.

**Evidences for the Effects of Microfinance on Poverty Reduction**

In providing evidences for the effects of microfinance on poverty reduction, Shahidur Rahman Khandker noted: "Microfinance participants do better than non-participants in both 91/92 and 98/99 in per capita income, per capita expenditure, and household net worth. The incidence of poverty among participating households is lower in 98/99 than in 91/92 and lower than among non-participating households in both periods."\(^1\) In another landmark study Remenyi commented that "Household income of families with access to credit is significantly higher than for comparable households without access to credit. In Indonesia a 12.9 per cent annual average rise in income from borrowers was observed while only 3 per cent rise was reported from non-borrowers (control group). Remenyi noted that, in Bangladesh, a 29.3 per cent annual average rise in income was recorded and 22 percent annual average rise in income from non-borrowers. Sri-Lanka indicated a 15.6 rise in income from borrowers and 9 per cent rise from non-borrowers. In the case of India, 46 per cent annual average rise in income was reported among borrowers with 24 per cent increase reported from non-borrowers."\(^2\)

Graham Wright provides a more comprehensive review of the research to date in his work\(^3\), and noted in the chapter “Economic impact of Microcredit” (p. 14 to 16) that the World Bank in collaboration with the Bangladesh Institute of Development Studies showed that the Grameen Bank not only reduced poverty and improved welfare of participating households but also enhanced the household’s capacity to sustain their gains over time, and asserted that women (and men) participating in BRAC sponsored activities have more income (both in terms of amount and source), own more assets and are more often gainfully-employed than non-participants”.

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and noted that the net impact of the wide-spread closure of large textile mills in Ahmedabad City appears to be that the borrower households suffered greater setbacks (more jobs lost and less compensation paid) but were able to recover more quickly (more laid-off workers are currently economically active) than non-client households.

Household income of families with access to credit is significantly higher than for comparable households without access to credit. Poor households that have had access to microfinance services show significant increases in asset accumulation, providing them with both a safety net against misadventure as well as resources for self-help investments. Increased household income improves nutrition, and improves the probability that poor children from poor families will go to school. Microfinance programmes have facilitated the graduation of poor households’ clients to a status where commercial sectors of developing countries, banks especially, are able to meet the needs of the poor for credit, savings services, insurance, money management advice and financial planning. These are some observations that Eugene Versluysen made on the effects of microfinance on poverty reduction.

The book Money Matters: Understanding Microfinance by Save the Children, UK draws on a wide range of experience and examines Save the Children’s microfinance projects in light of current trends and research, and concludes: “Microfinance can clearly help reduce poverty and vulnerability. Improvements to livelihood security are usually more incremental than the dramatic success stories sometimes quoted. Microfinance clearly contributes to improvements in children’s welfare through increased incomes and thus: improved nutrition, housing, health and school attendance, and reductions in harmful child labour.”

While the above is the observation of Rachel Marcus, Susan Johnson of University of Bath wrote: there are methodological difficulties involved in measuring increases in incomes brought about by the provision of credit, studies have demonstrated that the availability of credit for micro-enterprises can have positive effects. The results demonstrated that credit provision can enable household incomes to rise.

UNICEF, in one of its report told that “Experience with microcredit has shown that the poor can be disciplined borrowers and savers, able to repay loans on time and to save. If poor families are to pull themselves out of poverty, they need access to the successive loans that microcredit programmes provide. In areas

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where credit has been combined with support for basic social services, infant mortality is lower, school attendance for girls is higher and children’s health, nutrition and education have shown greater improvement, than in areas where credit alone is given or where no credit is provided”… “In Egypt, the conditions for the women’s loans are that all the children should go to school. This scheme, in an area with adequate access to basic education, has proved that microcredit can reduce child labour and improve school attendance while at the same time improving the income levels of the participating families”.

Problems for Meeting the MDG Targets by the MFIs

In spite of gathering many evidences by the scholars that microfinance has effects on easing global poverty, there are many limiting factors still that have to be addressed to attain the MDG target of halving global poverty by 2015. Most common of them are: microloans cannot be easily targeted to reach the poorest and many of them cannot make use of microcredit because they are in no position to undertake an economic activity. Most of the targeted microcredit programmes around the globe, or in Asia that has a lion’s share of global outreach has limitations to address the issues above mentioned for some basic reasons. They are:

- A branch or unit office of a microfinancing NGO or MFI assigned specific target population for its credit operations feel accountable for repayment problems that the organisation may encounter. So, targeting policy is self-censored with regard to the extension of credit. Repayment problems are considered to be the problems of the branch or unit office of the NGOs/MFIs, but targeting policy is ordered by the institutions they serve under.

- Most often the categories of borrowers that a branch or unit office of a NGO/MFI is instructed to accept cannot be defined with precision. Targeting therefore creates a situation where ineligible people pretend to be eligible in order to be allowed to borrow from branch or unit offices.

- Targeted lending goes against the basic principle of risk diversification, one of the elementary rules in banking. Targeting limits lending to a given set of beneficiaries, who have certain characteristics in common, that make them covariant risks: they are located in the same area; they work in related businesses or environments, etc. When the targeted population is small, covariance cannot be compensated.

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9 By December 31, 2005, 3,133 microcredit institutions reported reaching 113,261,390 clients with a current loan, 81,949,036 of whom were among the poorest (in the bottom half of those living below their country’s poverty line or below US$1 a day) when they started with the programme. 91 percent of the poorest families reported are in Asia, a continent that is home to some 67 percent of the world’s people living on less than US$1 a day, as reported in the “State of the Microcredit Summit Campaign Report 2006” (p. 14)
10 91 percent of global outreach as reported in the “State of the Microcredit Summit Campaign Report 2006” (p. 14)
11 Garson, Jose. Microfinance and Anti-Poverty Strategies. A Donor Perspective. UNCDF.
So, the fact is that the targeted categories of people in microfinance programmes do not alter the value of the argument that credit cannot be targeted to the poorest in conventional credit programmes or else the programmes may face difficulties. The non-entrepreneurial poor do not know how to use credit to generate income. The fact is that the vast majority of the most destitute and the poorest of the poor are likely to figure among the non-entrepreneurial poor although there is no conclusive evidence of a direct relationship between the level of poverty and the skills and willingness to run a business. Yet while all poor people need to own more assets to generate more income, not all of the poor can put across a practical demand for credit to finance the attainment of these assets. On the other hand, credit is not appropriate for all entrepreneurial poor. Microcredit can be named as debt also, and debt financing is not always the best way to run a business. The most pressing need of the entrepreneurial poor involved in a business is to maximise their cash flow. This implies delaying payments to suppliers and receiving early payments from customers as well as equity from family members. Although such conditions amount to obtaining hidden credit from the entrepreneur's customers, partners and family, credit as such (i.e., as provided by NGOs/MFIs) may not inevitably required.

**Strategies Therefore…**

Strategies for meeting the MDG targets of halving global poverty, or provide credit to 175 million poor (or poorest) as the target set by Global Microcredit Summit 2006 therefore needs to propose ways and means to address two issues\(^\text{12}\): how to increase the income of the poor (or the poorest) and how to meet more of their basic needs. This, in turn, calls for a differentiation between two categories of the poor. Some are able to increase their income by themselves; others cannot. Those in the first category we like to call them as entrepreneurial poor. The entrepreneurial poor do not need assistance for themselves, but they do need help in setting up an activity that will eventually increase their income. The concept of entrepreneurial poor thus allows poverty reduction strategies to move from purely direct assistance, e.g., subsidies, to mixes of direct and indirect assistance, e.g., subsidies for the non-entrepreneurial poor and financial assistance for the entrepreneurial poor. Governments and donors are more interested in indirect assistance through safety-net programmes like Food For Work etc for ensuring food security for the poorest because it targets the causes of poverty rather than the poor themselves. However, there are some NGO/MFI sponsored debt swap (Dhan Foundation) or asset transfer programme (BRAC's CFPR-TUP), that aims to help or prepare the poorest of the poor so that they become an active client of microcredit programme.

Another strategy in practice is the minimalist approach to the role of microcredit in poverty eradication that holds that the provision of credit to any poor person

able to repay a loan is in itself enough to fight poverty. They think that controls on the way in which borrowers use the money they borrow are uncalled for. Borrowers should be left to do what they want to do with the borrowed money. Since money is fungible, the ultimate allocation of borrowed funds is never known by the lenders. This approach is absolutely based on the assertion that, on average, credit extended to the poor is likely ultimately to increase income even if some of the poor or poorest use it for immediate consumption. The desired result in terms of poverty reduction is achieved when the NGOs or MFIs delivering credit are made sustainable. This happens perfectly when the number of poor borrowers serviced by the NGO or MFI is quite large, as it is seen in Bangladesh in the case of ASA, BRAC or Grameen programmes. In this new approach, attention directs to the microfinance institutions delivering financial services rather than to the poor or poorest benefiting from the services of the institutions.

Does INAFI Policy contributing to meet the MDG Target of Halving Global Poverty?

Can the world reach 175 million poor by 2015 as targeted by the Microcredit Summit Campaign, or halving global poverty by the same timeline as targeted by the UN? The answer perhaps lies whether the microfinance institutions worldwide can, or willing to, reach to poorest. We don’t know exactly whether all the MFIs in the world can, or willing to do so, but certainly members of INAFI are. Let us look at what’s in the INAFI network, and its members believe, and doing. It was formed in response to concerns by its founders that microfinance was not reaching its full potential as a poverty alleviation tool. INAFI's raison d'etre is to offer an alternative vision and revitalising direction for the microfinance industry that overcomes the tired and discredited cookie-cutter model. INAFI's alternative is to recognise that although microfinance has limitations, it can be used in creative and responsive ways to make a real difference in the lives of the poorest – economically, socially, and culturally.

INAFI promotes to combine financial service with non-financial services to have a greater impact that successfully maintain balancing between outreach (deepening outreach towards more poor), social impact and sustainability. INAFI believes that if needed, the NGOs/MFIs can ask for subsidy or grant to provide non-financial services along with microfinance services in order to have broader impact of microfinance on social aspect. The organisation’s priority in this aspect may be considered which go fast. Rather than limiting themselves to the entrepreneurial poor, INAFI member organisations focus on the vulnerable non-poor, as well as the entrepreneurial poor and the poorest through specialised services. INAFI members believe that credit should not be provided merely for cash flow and income generating purposes, but instead include a range of loan products for business development, housing, and education, and a range of savings products, including insurance. This diverse array of products and

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services demonstrates member commitment to a multi-dimensional development approach and expansion policy to deepening outreach\textsuperscript{14}.

**Roles of INAFI Members and Microfinance Practitioners**

While there is no question that the poorest can benefit directly from programmes like the safety net programmes, or asset transfer or from primary health care and from basic education, it is also found that they can also benefit from microfinance, or that microfinance is an appropriate tool by which to reach the Millennium Development Goals. This conclusion can be drawn by examining microfinance programmes by the Asian MFIs in general, and in particular, Bangladesh and India on who’s the resulting literature is now quite large, and many of them are members of INAFI Asia\textsuperscript{15}. A focused review of the literature was conducted to distill out the impact and poverty outreach of INAFI MOs\textsuperscript{16} on poverty reduction and meeting the MDG goals. The study shows that:

- INAFI members show considerable diversity in their ability to reach poor populations\textsuperscript{17}.
- Some of the INAFI members have excellent financial performance that has achieved excellence in outreach to poor households also.
- At the same time, reaching the poorest and large number of clients is not at odds with maintaining excellent financial performance and professional business practices.
- INAFI members’ programmes that make poverty reduction an explicit goal and make it a part of their organisational culture are far more effective at reaching poorest households than those that value finance above all else.

The review of the literature also points to several specific conclusions about the social and economic impact of microfinance practice by some of the INAFI members (as available) on poverty reduction. There were many references made on more than one INAFI members, and the evidences show the positive impact of microfinance on poverty reduction as it relates to the first six out of seven Millennium Development Goals.\textsuperscript{18} There is an overwhelming amount of evidence substantiating a beneficial affect on:

\begin{footnotesize}
\begin{enumerate}
\item INAFI Asia, undated. Looking At INAFI's “Alternative”: INAFI Asia’s Position Paper on Conceptualising the Alternative Nature of INAFI, Dhaka.
\item Documents studied has been given as bibliographic references at the end of this paper
\item 70 MOs so far, in total
\item INAFI Asia’s MOs’ total borrowers were 11.75 million as on December 2006 as per INAFI Asia Strategy Paper 2008-2010, “Looking For Future”, Shaping Alternative Paradigm of Microfinance in Asia, Dhaka, March 2007
\item Millennium Goals: #1Reduce the proportion of people living in extreme poverty by half between 1990 and 2015 (defined as people living on less than $1/day). #2 Enrol all children in primary school by 2015. #3 Make progress towards gender equality and empowering women by eliminating gender disparities in primary and secondary education by 2005. #4 Reduce infant and child mortality rates by two-thirds between 1990 and 2015. #5Reduce maternal mortality ratios by three-quarters between 1990 and 2015. #6 Provide access for all who need reproductive health services by 2015. #7Implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015.
\end{enumerate}
\end{footnotesize}
• Reductions in vulnerability (Harper, Malcolm 2002; Wright 2000, Zaman 2000; McCulloch and Baulch 2000)
• There are fewer studies with evidence on health, nutritional status and primary schooling attendance, but the existing evidence is largely conclusive and positive (Wright 2000).

It has been demonstrated in a number of studies that the poorest covered by some of the members of INAFI Asia can improve their socioeconomic conditions, and many world class researchers have pointed to several general issues that make microfinance work for the poorest. Microfinance programmes of many INAFI Asia members are likely to have a positive impact on the poorest because they specifically seek to reach them through appropriate product design and targeting. It is also clear from the studies that there are strong potential synergies between microfinance practiced by INAFI members and the provision of basic social services for clients. However, let us have a closer look at the outreach, approaches and diversified products of INAFI Asia members19.

Outreach to the Poor, and Poorest
At end December 2005, the number of active borrowers of ASA stood at 4.17 million, whereas ASA has 160,058 clients in the programme of hardcore poor. At the same time, BRAC’s Economic Development Programme has organised 4.96 million poor, and ultra-poor under its CFPR-TUP programme. On the other hand, as on 31 December 2004, where Buro covered total 221366 clients with its micro finance programme, mostly moderate and hardcore poor, Pally Bikash Kendro (PBK) has covered total 28,104 clients, and Shakti 1,314,499 clients up until December 2005. BAIF (India) has promoted more than 8000 Self Help Groups by the same reporting time; and the Kalanjiam programme of Dhan Foundation (India) with its exclusive focus on poor is reaching out to 194,482 poor women benefiting a population of about a million poor. It is believed to be one of the largest microfinance programmes in Asia and probably the largest programme in the world focusing on community ownership based on the principles of self-help and mutuality. Self-help banking programme of CSD (Nepal) has covered 55 VDCs/Municipalities serving more than 11000 members. This programme has served about 7000 borrowers in total as of mid July 2005 under credit operation. NUBL (Nirdhan Bank, Nepal) is providing microfinance service to 64,037 household members as of Mid July 2005. 25,000 clients has so far benefited from the microfinance facility of SRSP of Pakistan since 1991. To date, as visited

19 Though INAFI Asia has 70 members, this observation is based on self-disclosed, and/or endorsed information that some MOs provided to INAFI Asia, and have been incorporated in “Harmony in Diversity: INAFI Asia Members’ Profile Exploring Different Institutional Methodologies Practiced in Microfinance Delivery Services to the Poor”. INAFI Asia Trust, Dhaka, December 2005
their website on March 6, 2007 NRBSL (Philippines) has reached more than 54,000 enterprising poor clients through its microfinance programmes, transforming the lives of some 327,000 family members. SEEDS (Sri Lanka) has, however, over 3,500 SSS (Sarvodaya Shramadana Societies) in 25 districts. Total cumulative membership is over 670,000.

**Divergent Approaches**

ASA approach, what they terms it a 'cost–effective sustainable microfinance model' necessitate contribution is to help both the grassroots people and development institutions to build up their capability and enable them to reduce poverty. ASA ensures a low cost operation that includes the small loan, small business loan, loan for small entrepreneurs, loan for BDS, loan for hardcore poor, male member's loan, education loan, famine (Monga) protection loan, flood and rehabilitation loan and member’s security funds (life insurance) etc. Through extending these services, ASA goes on contributing to the field of poverty alleviation. Whereas BRAC is quite different in its comprehensive approach to development combines microfinance under BRAC’s economic development programme with health, education and social development programme, linking the programmes strategically to counter poverty through livelihood generation and protection. While BRAC believes that micro credit is an important tool in breaking the cycle of poverty, it also places equal emphasis on training its members in income generating activities and facilitating their linkage with consumer markets. Instituting linkages between producers and consumers, BRAC has assisted in the entire process of income generation, juxtaposing itself so as to counter market failures and make it possible for the poor rural producers to be linked to the market for sustainable livelihood.

However, the central of Buro’s approach is that it tries to reach in those areas of very poor, poor and vulnerable non-poor clients with qualitative financial and business development services at a competitive price. Side by side of group approach, Buro has taken in individual approach of lending to bring in innovations in the delivery environment. The organisation however provides major portion of social and financial services for its clients through group/centre approach and a minor portion through individual approach. On the other hand, where PBK strives to ensure the standard of socio-economic condition of the poorest people in its working area by their active participation in environmentally viable rural development activities through various financial and non-financial services, Shakti tries to reach in the urban areas of very poor, poor and vulnerable non-poor clients with qualitative financial and business development services at a competitive price.

BAIF identify the target families as the units of development and consider women as equal partners with men in the family and promote a multidisciplinary development programme, blending livelihood programmes with health, literacy and development of moral values, to ensure Improved Quality of Life. Women Empowerment and Environmental Protection cut across all of their programmes.
Whereas Dhan Foundation aims to promote and nurture new ideas on different development themes, which have larger potential to address the livelihoods and development of the poor in a region viz., microfinance, small scale irrigation, dry land agriculture, working with panchayats, and has programmes of promotion of exclusive thematic organisations to undertake development work with a sub-sectoral focus. The primary role of these institutions is promotional and to ensure that benefits reach a large number of poor with quality. Dhan also brings young professionals into the development sector and provide them an opportunity to practice and develop relevant knowledge, attitudes and skills to work long term in the development sector.

CSD approach, whereas, to promote development actions at the grassroots level by involving disadvantaged rural masses especially women, initiate contact and build up rapport and partnership with government agencies and financial institutions as NGOs and INGOs to channel resources and technology, and help improve their income, employment and productivity through Grameen model microcredit, adoption of new alternatives and improved technologies. On the other hand, NUBL, a Nepali bank, in fact, has the approach of individual micro lending based on group guarantee, individual service based on group and collateral for graduated members to take big loans, and wholesale lending services to the group. They have also programmes for micro life insurance, remittance and business development skill training for members and their spouse.

In contrast SRSP of Pakistan works as a development organisation, conducts in depth dialogues and diagnostic surveys in villages which result in the preparation of village micro-plans consisting of detailed feasibility of various activities, expected beneficiaries, resource requirements, training needs, implementation and maintenance arrangements, repayment schedules in case of credit and project cost-benefit analysis with an emphasis on the envisaged impact on the poverty situation, especially of the poorest of the poor. NRBSL, on the other hand, works under a framework of local economy development of philippines, and sharpens microfinance technologies towards the transformation of the enterprising poor to become full-time, progressive and community based entrepreneurs, and has the approach that micro-enterprises at the household level can expand towards the community, can be less dependent on the national government but can also rely on assistance of local government units, the civil society as well as remittances from overseas Filipinos.

SEEDS whose parent organisation is famous Sarvodaya of Sri Lanka that began in the late 1950s as a voluntary movement committed to the elevation of poor and marginal communities. Sarvodaya members would form into groups which would eventually be called Sarvodaya Shramadana Societies (SSS) SEEDS is considered to be the economic arm of its parent organisation, with the aim to help eradicate poverty by promoting economic empowerment of rural people and working with them towards creating a sustainable livelihood. SEEDS facilitates
Sarvodaya members to pursue their income earning activities more successfully, through making capital available at fair rates of interest and providing training, information, advice and product marketing support towards improving their business and technical skills. SEEDS has called this its credit plus service and they are provided by three integrated divisions, banking, training and enterprise development.

**Diversified Products and services**
ASA products include Savings, and Loan services to the poor. ASA offers various types of loans like Small Loan, Small Business loan, Small Entrepreneur Lending, Loans to Hardcore Poor, Education Loan, Loan for Business Development Service, Flood and Rehabilitation Loan, Loan Insurance, Member’s Security Fund (Life Insurance), Security fund (Life Insurance) for borrower's husband/ guardian etc. ASA also extends coverage through small MFIs at home, and works as International Technical Service Provider throughout the world. BRAC product line includes savings, loans, death benefits etc under its microfinance programme but it also offers an array of other development services such as Non Formal Primary Education Programme that accounting for about 11% of the primary school children in Bangladesh. BRAC’s Essential Health Care Programme, aside from partnership programmes with the government covering tuberculosis, malaria, immunization and sanitation programmes, offers a broad range of services to the poor including critical services in reproductive health care and disease control mobilises women and disseminates information among the poor. The organisation has many support services like training, research etc, and has invested substantially in commercial enterprises, and has been called upon to assist a number of countries including Africa, the Middle East and Afghanistan. Some of the components of BRAC’s credit programme, i.e., CFPR-TUP, IGVGD etc, however, are world famous for targeting the poorest.

Buro, on the other hand, broadly categorises it programmes into core and supplementary programmes. The core programme includes flexible financial services, domestic resource mobilisation, institutional capacity building and human resource development. The supplementary programme includes disaster programme and operational research. Three broad base financial services in Buro are available for its clients. These are credit, savings and insurance. Like Buro, PBK has the same three financial services for its clients: credit, savings, and insurance. Their credit programme includes rural micro credit, micro-enterprise loan, microfinance and technical support loan, hardcore poor credit programme, consumer credit. Their savings products are conventional savings and death benefit programmes. PBK however has successfully established a business Bikash Food Products. In SHAKTI, three are also credit, others, and savings for the urban women only, and they are general, business, SME, housing, seasonal, emergency, consumption, and Ramadan loans etc. Other products and services include leasing, and security deposit (insurance). Their savings products include Personal Business Savings, Funds for Members etc, and have a business development service.
BAIF products and services includes livestock development through upgradation of low productive cattle and buffaloes for milk production, wastelands development through horti-forestry, fodder production, agro-forestry, water resource management, tribal rehabilitation, empowerment of women through micro-enterprises and environmental protection. BAIF has two savings products for its clients: Regular savings, and Voluntary/Purpose based savings. Their savings are mainly maintained at the primary group level like Self Help Groups, User Groups or Village level Organisations. BAIF helps run credit programme through groups’ own funds, helping them taking loans from banks. Credit is also provided by BAIF and its associate organisations to the programme participants in certain areas. Their insurance cover is through the mainstream service providers. In one area, the product is a combination of Life and Health, while in another it is a combination of health, asset insurance plus an accident cover. Some participants have been linked to some of the available schemes provided by the Public Sector companies. In some areas, credit provided has been linked to insurance for certain assets like livestock and pump set.

In Dhan Foundation, there are savings, credit and insurance products that have become an integral part of their microfinance services were complimentary in making the poor to manage their finances effectively. Internal lending begins in Dhan from the first Kalanjiam meeting in which savings are made. Primary groups provide a range of products to meet a variety of credit needs of poor including consumption, health, education, social obligation, business, asset creation, income generation and shelter. Federations of Dhan Foundation offer insurance services to the members and their families. This insurance service has been in operation for the past seven years, and the types of insurance include life insurance for member and husband, health insurance for family, livestock insurance and housing insurance. Dhan has a collaboration programme with banks that has made efforts to organise exposure programmes and training to orient many bank officials and influence their attitude through interaction with group members. A number of commercial banks and Regional rural Banks are currently involved in the linkage programme with the Kalanjiams. Creation of Kalanjiam Development Financial Services (KDFS), a section 25 company by member groups for bridge fund support has further strengthened the collaboration with mainstream banks. Many banks like ABNAMRO, Canara Bank, SIDBI, Rabobank Foundation have sanctioned loans at competitive rates with flexible terms and see a great business opportunity in future.

CSD’s products are general loan, Seasonal loan, micro-enterprise loan, housing loan, medical, consumption, emergency loan, special loan etc. They have four types of savings products: group, pension/educational, festival and individual savings. CSD has a Life and Housing, and Livestock protection scheme that compensates the borrower in case of death of livestock purchased from the loan. NUBL is providing: microcredit, savings, life insurance and remittance services. Products are: General Loan, Seasonal Agricultural Loan, Seasonal Business
Loan, Tube-well/Sanitary Loan, Housing Loan, Micro-Enterprise Loan etc. The bank has a strategy to mobilise maximum amount of savings from its clients so that external dependency on lending funds could be minimised. They have Group Fund Saving, Personal Voluntary Saving etc. Other financial products include Livestock insurance, Microlife insurance, and Money Transfer Service. SRSP’s product is only Loans as in accordance with the Pakistan microfinance ordinance 2001, and SRSP being a unlicensed MFI can not mobilise deposits. The organisation is however in a process of providing insurance facility to its target group against a nominal annual premium through an insurance company. They have however has social awareness training, business development services, health, education etc.

NRBSL products are Lima Para sa Lahat (1): Two to five neighbours who are eligible for loans are grouped together; and Lima Para sa Lahat (2): Groups of women composed of 3 to 5 per group with income-generating activities may organize themselves into a centre with a total number of 15 up to 55. Prospective members observe centre-building process from means testing, project inventories, value formation trainings, documentation and release. Microsolo is another product promoted in densely populated city proper and town centres with a good number of commercial establishments situated in the public market facilities and its periphery. Negosyante ng Bayan 1 is another product that a person can borrow more than P30, 000 even without collateral for as long as he/she has proven track record of paying loans and the business is growing; and Negosyante ng Bayan 2 is that after years of business operation, the community entrepreneur (NNB1) can borrow more than P200, 000 up to P1M secured by real estate properties and/or chattels. NRBSL also have a Business Labour Triple Benefit Programme; and deposit products like Big Time Savings, Gintong Palay Savings, Regular Time Deposit, and Retirement Plans.

SEEDS in Sri Lanka offers three major loan types, A type (for self-employment for low-income groups), B type (to meet basic human needs in order to improve the quality of life such as housing, utilities, transport, consumer durables etc) and C type (issued for new employment opportunities through successful rural enterprises). Apart from that they have a Microinsurance programme with cooperative insurance company, and a Pawning Programme, the service will provide loan facilities for exchange of pawning articles (rings, necklace, bangles etc). They have also a training division and enterprise development programme.

Way forward

INAFI advances microfinance as a crucial mechanism to put up a hierarchy of prospect for the poorest people, who tend to be left out, and INAFI believes that without including them in the microfinance net, MDG target of halving global poverty by 2015, or in the other way, reaching Microcredit Summit target of 175 million people by 2015 would not be possible. So, INAFI’s main point of thinking is that, although the poorest do need subsidy-based programmes to supply their
immediate food needs, microfinance can play a fundamental role in constructing a long-term, sustainable foundation for improving food security and livelihoods. However, this is unlikely to happen automatically. INAFI’s diversified experience exploring different methodologies in the Asian region suggest that creating a strategic linkage between self-help, grant-based and market-based microfinance programmes requires careful planning, and solid and committed management. Scaling up this approach to reach significant numbers of the poorest, which is a must to reach the MDG targets by 2015, requires constant learning and innovation, and ongoing negotiation with partners based on practical field experience.

In particular, it requires an eagerness for embarking upon the generously proportioned challenge of developing markets that can open up new opportunities for the very poor in the entire world, especially in the Asian and African regions. Most important of all, it requires vision and commitment to include the poorest. INAFI's experiences suggest that carefully designed strategic linkages, which include grants with a central role for microfinance, can work for the poorest. There certainly will be many different models and approaches for including the poorest, which will vary according to country contexts. However, the starting point has to be turning round the trend of indifference, which either excludes the poorest or treats them as ‘relief cases’ to be dealt with by ‘others’. INAFI should carry on with the idea that the poorest are, can, and must be central to the vision and commitment of microfinance institutions. Only then will the look for potential and prospect to include the poorest start and widen that can achieve the MDG goals of providing credit to 175 million people by 2015, and halving global poverty.

Bibliographic references:


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SBP Study Findings as highlighted in Working Paper, No 19126, *Sustainable Banking with the Poor*.


INAFI Overview

INAFI, (International Network of Alternative Financial Institutions), is a global network of development organisations, involved in supporting microfinance programmes of its member organisations in Asia, Latin America and Africa. INAFI brings together microfinance NGOs / MFIs at three levels – International, Continental (regional) and Country level as in India, Philippines and Bangladesh, etc., in Asian context. INAFI members target client groups comprising of poor and disadvantaged particularly poor women and other vulnerable segments of the society. Since its inception in 1995, INAFI network has growth to reach over 300 member organisations across three continents. The collective reach of the members of the network is more than 20 million borrowing clients across the globe.

INAFI envisions a world where even the poorest of the poor have been able to attain a life of dignity with basic standard of living including access to food security, clothing, shelter, education and health care. It would like to see a world where the poor, particularly the poorest, have the opportunity to participate in their own development, by enhancing their own skills and abilities to reduce vulnerability and enhance opportunities through access to essential services, including financial services, to transform their lives and build sustainable livelihoods. The INAFI vision places the clients at the centre of development. In realising this vision, INAFI recognises the critical role of microfinance interventions as part of the development strategy in eradicating root causes of poverty.

It is often asked what are the alternatives that set INAFI apart in the world of microfinance. The uniqueness of INAFI as a microfinance network basically stems from being practitioners based. They consider microfinance as a means to larger end of poverty reduction and not an end in itself. The members are development practitioners either in plus credit mode or credit plus plus mode, which means, they are engaged in addressing poverty – issues of health, education, etc. and thereafter taking to microfinance intervention as a part of the larger agenda of poverty reduction or those starting with microfinance and thereafter integrating microfinance with other social and development issues and themes. It is important to recognize that member practitioners of INAFI though committed to sustainability of the intervention always put people first and for them, the client sustainability is critical and takes paramount importance.

INAFI’s single most important guiding principle for microfinance intervention is to address poverty from holistic development perspective. Which means microfinance is a cog in the larger wheel of development. The network members would be looking beyond microfinance to address the other issues of poverty – social, cultural, etc. In fact, network members are challenged by the microfinance programmes to respond to the location specific development issues and problems which have a debilitating effect on the microfinance programmes such as usury or social exclusion issues, etc. This alternative paradigm of microfinance gets reinforced with practitioners using the opportunity provided by microfinance to weave social sector and other development programmes around microfinance. This alternative paradigm of INAFI fits in well with the poverty school approach vis-à-vis the minimalist financial intervention only.