




MACRO CRISIS, MICRO SOLUTIONS? ON MICROFINANCE AS A LEVER AGAINST POVERTY

UCSIA U-turn series – Webinar

9 February 2021

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3 main questions today!

- How effective is microfinance in the fight against poverty?
 - Can it cope with this sort of crisis?
 - Does microfinance need to be revisited?
- 

<https://cerise-spm.org>



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Social performance
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How effective is microfinance in the fight against poverty?



How does it work?

A small loan provided to a low-income person, excluded from traditional financial sector
Loan is usually invested in income-generating activities in order to improve the livelihood of the clients

- A microcredit in an emerging country : from 30 to 5000 €
- A microcredit in a developed country : from 2 000 to 20 000 €



Small amount

High impact



A model of social business:



Banking process

+



Social impact

=



Social and Financial
Performance

BUT

- The role of Microfinance: overpromised to start with on the fight against poverty
- It helps in consumption smoothing and support economic activities

Changing perceptions of microfinance

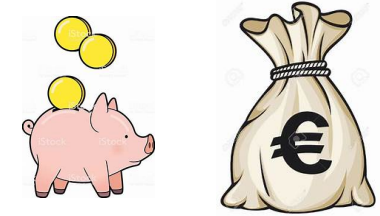
It's no longer taken for granted that just because you are doing microfinance, you are doing "good"!



Nor is it enough to say you have a social mission...because having a mission is not the same as achieving it.

Products and services: Need to propose a wide range of adapted products to answer to different needs and preferences

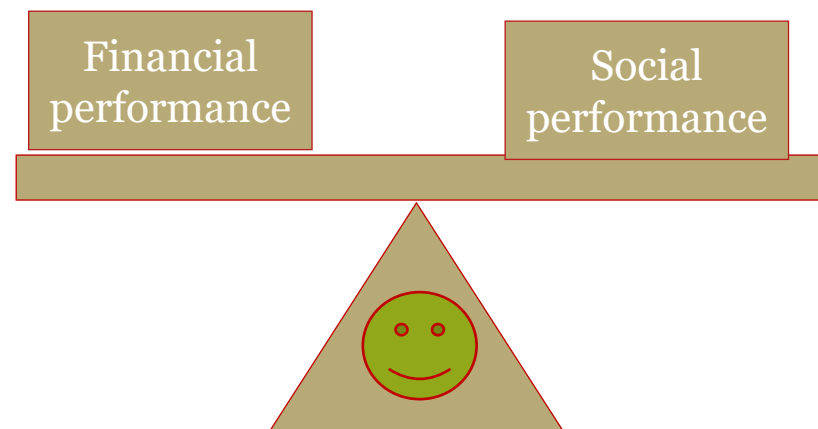
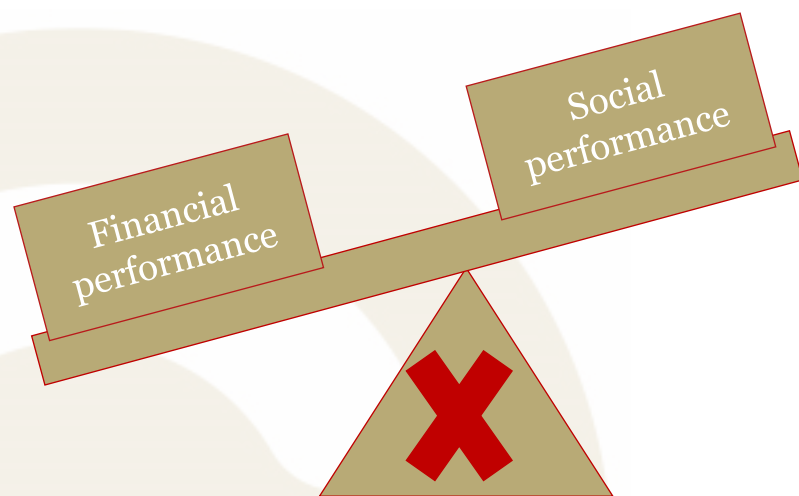
- **Simple financial services** : micro loans, loans for SMEs, savings, micro insurance
- **Flexible repayment schedules**
- Sometimes you need to form **groups** to get a loan
- Covering **basic needs** : productive, housing, education...
- **Low financial cost**, adapted to clients' needs (accessibility)
- **Non-financial services** : health, business development and financial literacy trainings, gender empowerment trainings...



The underlying hypothesis of social performance

Need to ensure balanced management: social objectives and financial sustainability

Strong commitment and effective management to the social mission will lead to better and positive impact on the clients/end-beneficiaries



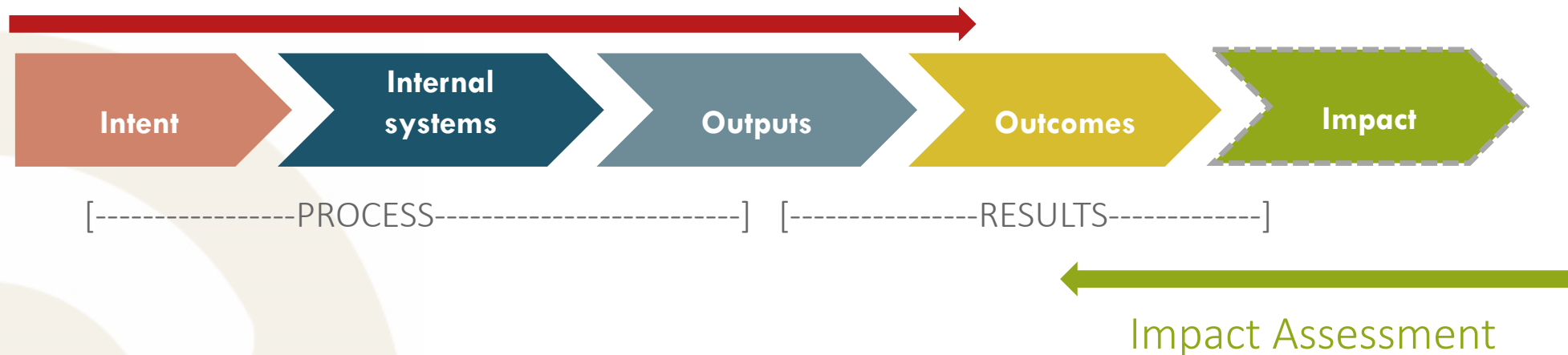
What do we mean by social performance?

Social Performance: The effective translation of an institution's mission into practice in line with accepted social values.

Social Performance Management (SPM): the implementation of management practices that put into practice the social mission of the institution.

⇒ wide range of tools and approaches now to guide MFIs to reach their social goals and protect their clients

Social Performance Management





How effective is microfinance in the fight against poverty?

With a strong SPM, an institution is more likely to have loyal staff, loyal clients, and better impact but not necessarily poverty reduction

- Improved customer loyalty
- Less loan default / less overindebtedness
- Improved reputation
- Less staff turnover
- Better data to make decisions
- Better changes in clients' lives



Can it cope
with this sort
of crisis?

A platform for social change

- Information, support to the last mile
- built to cope with risks and crisis (savings in particular)



<https://blog-brac-net.cdn.ampproject.org/c/blog.brac.net/how-brac-microfinance-is-responding-to-the-coronavirus-outbreak-in-bangladesh/amp/>

Coordination among stakeholders

PLEDGE

Key principles to protect microfinance institutions and their clients in the COVID-19 crisis

High level of reactivity observed :

3 options for using the tool

- Download Word version and integrate into existing client data collection processes
- The ValiData platform hosted by FINCA
- External company – 60 Decibels

• « Client interview tool »: a joint survey rapidly conducted: understand the differences of impact among clients, and take informed decision to adapt a response, pushed by coordination of investors

• MOU and pledges among investors to collectively answer to the crisis and adapt answers to the situation of the microfinance institutions

<https://enketo.getvalidata.com/x/aFHc9O21>

FIRST SIGNATORIES



ADDITIONAL SIGNATORIES



Does microfinance need to be revisited?



Needs for next steps

- No sector can remain the same in this challenging, evolving environment
- More coordination of actors to face the crisis: investors, TA support, regulators (avoiding over reaction but ensuring client protection)
- Scale / digital transformation to reach more clients
- Knowing more about clients/outcomes/actual changes, to make sure products and services answer their needs and preferences – Link with the SDG
- Promoting savings, insurance, and green products as a way to make clients more resilient to the next crisis

=> Next agenda for the Social Performance Task Force and CERISE as well as key players promoting coordination: European Microfinance Platform (e-MFP), DFIs, etc.



Thanks, and let's discuss!!

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