



**Growing Inclusive Markets**

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# **INNOVATIVE MODELS IN FINANCING INCLUSIVE BUSINESS**

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# **Microfinance and Gender Today for The Harvest Tomorrow.**

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# **Introduction.**

Microfinance is the provision of financial services to low-income clients. It refers to a movement that envisions a world in which as many poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit, but also savings, insurance and fund transfers.( Burgonio 2008)

# Providers of microfinance

Microfinance services are provided as by:

- Formal institutions, such as rural banks and cooperatives;
- Semiformal institutions, such as non-government organizations; and
- Informal sources such as money lenders, traders, relatives, friends

# What is poverty?

- Poverty can be defined in terms of basic needs. A group of development workers in Uganda defined absolute poverty as the inability of an individual, a community or a nation to satisfactorily meet its basic needs. They defined relative poverty as the condition in which basic needs are met, but where there is an inability to meet perceived needs and desires in addition to basic needs. (Burkey 1993:3-4-)

# Causes of poverty

The causes of poverty are complex and controversial and much has been written to explain its existence.

Geography, ineffective government institutions, poor economic policies, a lack of investment in human capital and infrastructure, the absence of democracy and markets, government regulation and political unrest.

# Why the poor need financial services?

- Build capital and assets for future life-cycle demands
- Deal with shortfalls (seasonality and cash flow fluctuations; shortage of capital)
- reduce risk (ahead of time) i.e. diversify income
- To have choices between financial options

# Why invest in microfinance?

- Empowers individuals to improve their own state and lift themselves out of poverty.
- It accelerates economic growth.
- Strengthens & extends market mechanisms.

# Innovative models

- Grameen and Variants (e.g ASA Bangladesh)
- Individual e.g commercial banks
- Member owned institutions (e.g SHG's, cooperatives)
- Village Banks
- Technology for delivering financial services (prodem, mobile banking, kiva.org)

# Obstacles

- Entry and prospective growth
- Overregulation and underdeveloped property laws.
- Financial sustainability

# Recommendations

- Investigate existing financial services
- Understand local social & economic structures and also macro-level trends.
- Long term Sustainable benefit for all
- Continuous assessment of poverty reduction
- Investment in Microfinance not aid

# Questions of thought

- Do microloan borrowers become less poor?
- What is the best approach to effectively deliver microfinance services?
- What has the private sector done to remove barriers that keep the poor from the circle of progress?

# Conclusion

The true success of microfinance will come, when the market failures that microfinance endeavors to remedy become market successes, when financial services are provided to the poor not by an alternate set of micro-institutions, but by the same mainstream commercial entities serving richer populations.

**THANK YOU**