# Finance, Entrepreneurship and Growth: Multilateral Development Banks and Microfinance

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Pietro Masci

Professor Malta Unilink University of Rome
Director EIB,
Balkans and Mediterranean
Department of the Treasury
Ministero dell'Economia e delle Finanze
pietro.masci@revisori.it

# Myself

- PIETRO MASCI, Professor International Economics, University of Malta, Rome Campus.
- Director of the Office for the European Investment Bank (EIB), the Mediterranean and the Balkans, and Director of the Office for economic and financial analysis of emerging countries and their policies, Ministry of Economy and Finance of Italy. In January 2008, he became member of the EIB's Board of Directors.
- From 1998 to 2007, Chief of the Infrastructure and Financial Markets Division of the Inter-American Development Bank (IDB). From 1993 to 1998, Chief of the Cofinancing Division of the IDB.
- In the early 1990s, he managed the US portfolio of stocks and bonds for Fondigest, an Italian Mutual Funds Company.
- In the 1980s he served as Executive Director of the Inter-American Investment Corporation and as Assistant Director at the World Bank.
- He previously worked for the Italian Treasury in charge of management of public debt and government bonds, export credit, international financial institutions and bilateral aid programs. He has served as Chairman of the Audit Committee and as a Board Member of Italian banks and Agencies.
- He holds degrees in Political Science and Economics from the University of Rome; an MBA in finance from George Washington University; and a PhD in Public Policy from George Mason University.
- He has published various articles and editor of books on financial and capital markets.
- He is a Legal Auditor for the European Union.


» pmasci@cpcug.org

» pietro.masci@revisori.it

# Outline

1. **Finance and Growth: the Process of Development**
   - Knight and Schumpeter, entrepreneurship and economic growth

2. **Response: Public Sector Banks and Financial Market Development**
   - o To overcome market failures
   - o IFIs (International Financial Institutions), Multilateral Development Bank, National Banks
   - o IFIs, MDBs , EIB and their Critical Role during the Financial and Economic Crises

3. **Microfinance**

   Concept, Scope and Limitations

# Thanks

To

Philip Brown, Risk Director – Citi Microfinance

Nimal A. Fernando Principal Finance Specialist (Microfinance) Asian Development Bank

Shashank Shukla, shash2007in@yahoo.co.in

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# 1. Finance and Growth:

# The Process of Development

# Finance, Entrepreneurship and Growth

- According to Schumpeter (1934), the entrepreneur is the innovator who implements change, i.e., the creative destruction, by initiating new combinations, which can take several forms:

  (1) the introduction of a new good or quality thereof,
  (2) the introduction of a new method of production,
  (3) the opening of a new market,
  (4) the conquest of a new source of supply of new materials or parts, or
  (5) carrying out the new organization of any industry.

– Role of Financial Markets:

  Allocation of credit according to efficiency criteria, rewarding the "creative destruction" of the Schumpeterian entrepreneur, and therefore creating opportunities to finance growth.

# Entrepreneurship

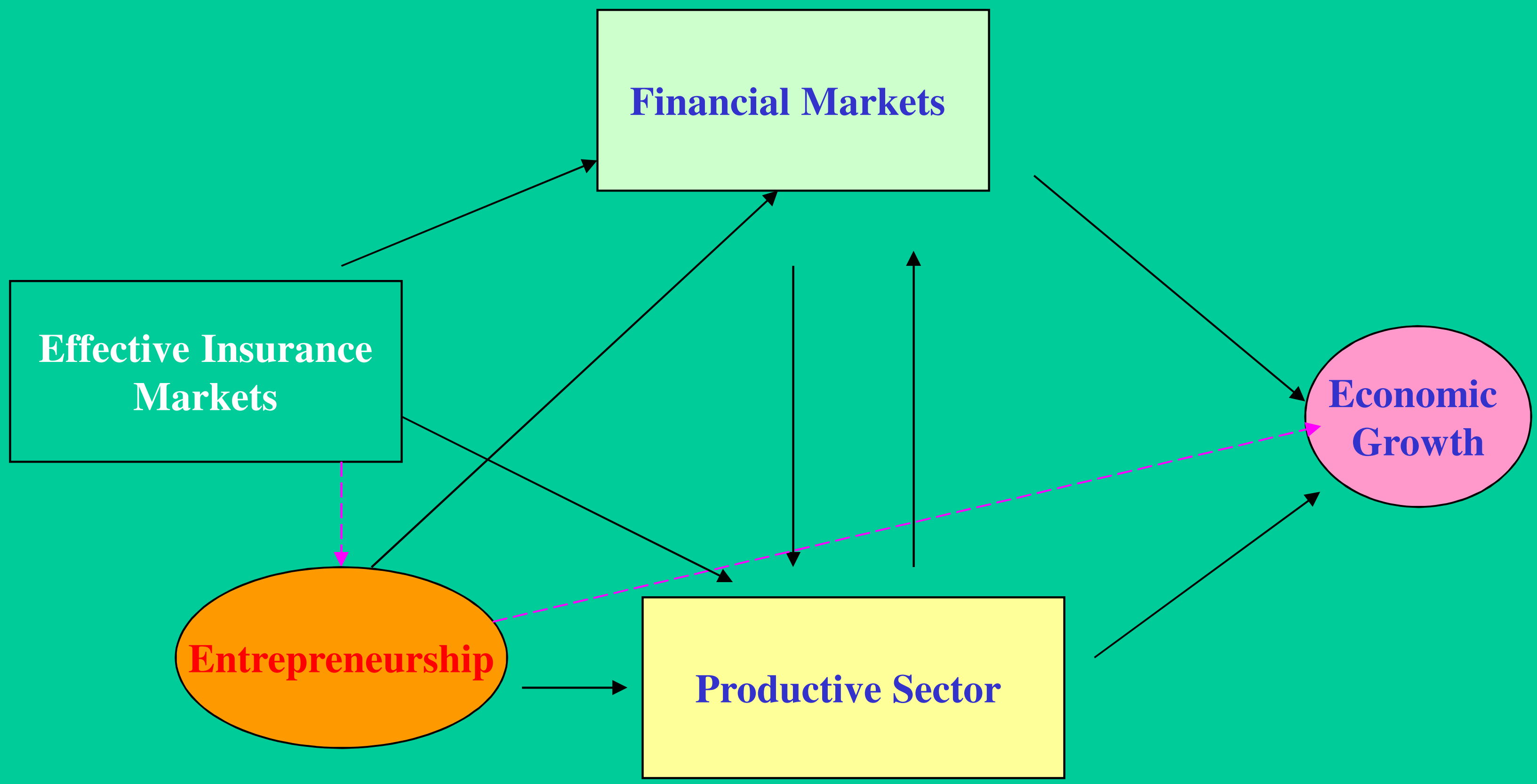
- There are various definitions of entrepreneur derived mostly from Knight (1921), Schumpeter (1934), and the Austrian School and mostly based on the environment of developed countries.

- A definition of entrepreneur is that of someone who has a strong intuition and drive and in a given institutional setting undertakes the uncertainty of the business risk, and use the financial markets to obtain financing for his/her initiative and the insurance markets to transfer various specific risks. He/She creates a new organization that will exploit a new technology, or innovative process and generates value and economic growth.
- This definition is closer to the view of Knight in terms of "risk", and recognizes the crucial contribution of Schumpeter to identify the entrepreneur as an engine of growth.

- For Shumpeter, financial markets play a crucial role for the entrepreneur. Schumpeter believes that the entrepreneur does not bear the risk – "*the entrepreneur is never the risk bearer*" (Schumpeter 1934, p.137), which is taken by the capitalist, the banker. Knight believes that the entrepreneur bears the uninsurable business risk, i.e., uncertainty associated with the business venture.

- A key point of Knight is the distinction between Uncertainty and Risk
  - Uncertainty must be taken in a sense radically distinct from the familiar notion of risk, from which it has never been properly separated.... The essential fact is that 'risk' means in some cases a quantity susceptible of measurement, while at other times it is something distinctly not of this character; and there are far-reaching and crucial differences in the bearings of the phenomena depending on which of the two is really present and operating.... It will appear that a measurable uncertainty, or 'risk' proper, as we shall use the term, is so far different from an unmeasurable one that it is not in effect an uncertainty at all.

# Entrepreneurship and Growth



# Operational Theory

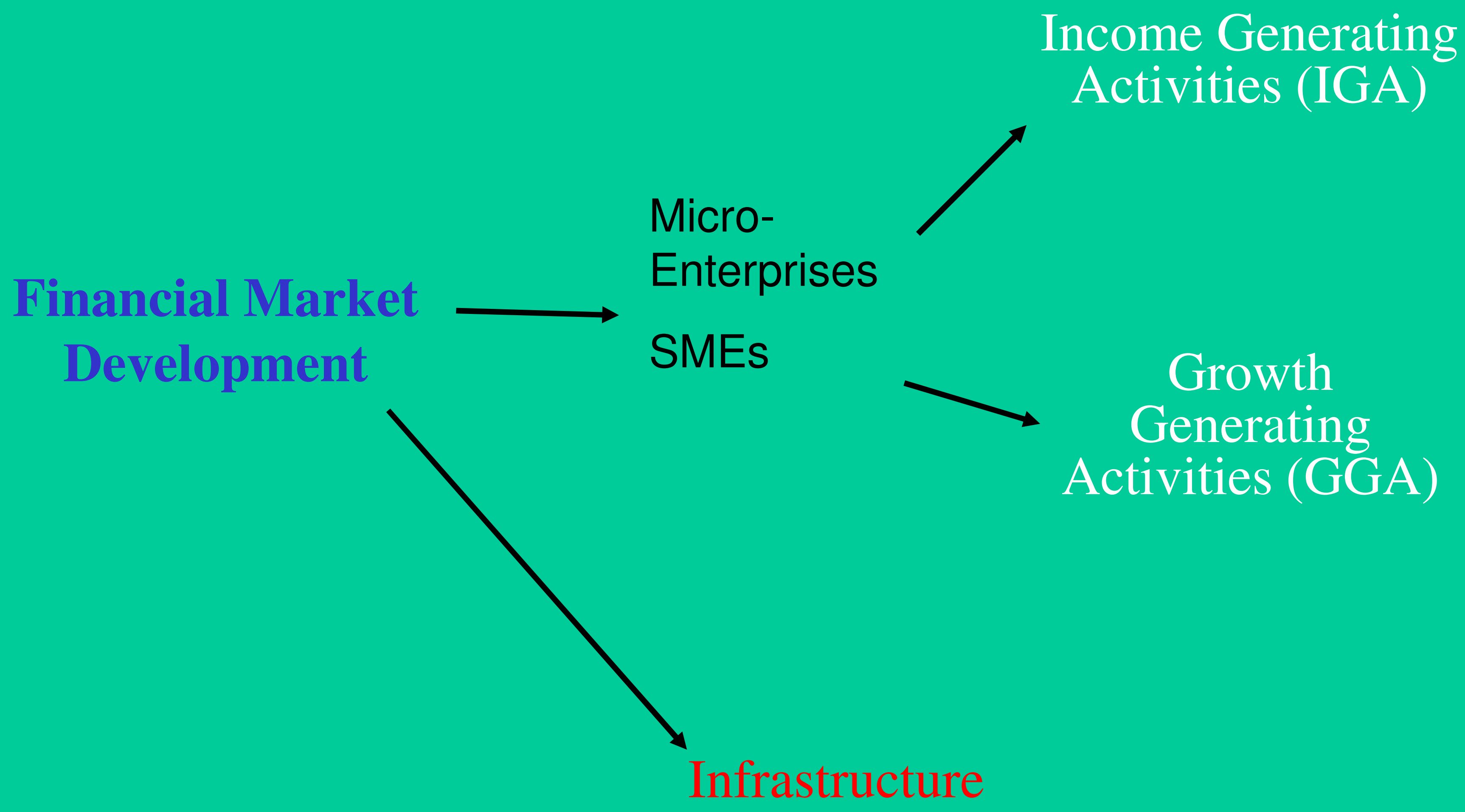
- The central contention is that small firm, home of the independent entrepreneur and the independent inventor, has been the primary source of the technical ideas and innovations that serve as the foundation for the unprecedented growth performance of the world's industrial economies,

  Baumol W., The Free-Market Innovation Machine: Analyzing the Growth Miracle of Capitalism, Princeton: Princeton University Press, 2002

- A functioning financial system allows access to finance for firms and entrepreneurs and promote economic growth (Schumpeter)

- Lessons from Development Economics: Participation

# Activities in Need of Financing



# Finance and Growth: Indicators

Entrepreneurship - GEM Data vs WBGES Data

- Empirical work based on GEM (*Global Entrepreneurship Monitor*) and WBGES (*World Bank Group Entrepreneurship Survey*) produce interesting results.

- Different data sets,

  - WBGES measures are based on registred companies, entrepreneurship in broader sense,

  - GEM capture "*propensity to entreprenrusship*" in the various countries (e.g., pecentage of population that is self -employed).

# Finance and Growth: Indicators

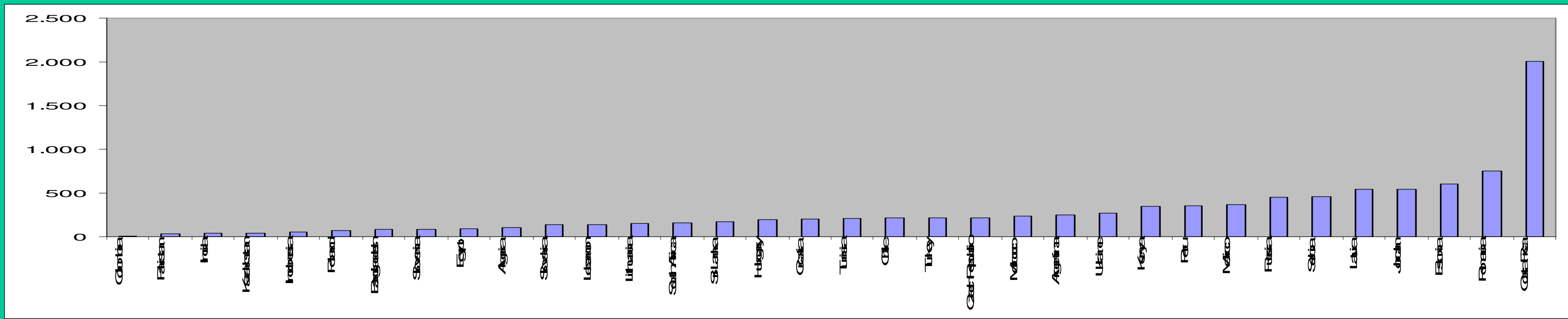
## Entrepreneurship: GEM Data vs WBGES Data

- GEM: informal economy; WBGES: official economy
- GEM data are higher in emerging countries (e.g., role of informal economy)
- Less administrative and other obstacles to start a business in developed economies
- Less problems of access to finance.

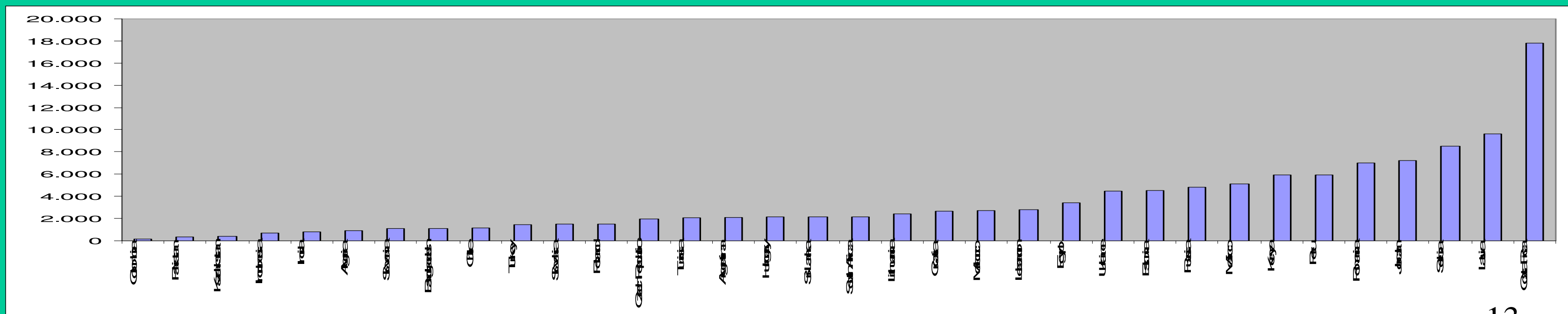
# Finance and Growth: Indicators of Entrepreneurship

## Propensity to Entrepreneurship

**New Corporations over GDP**




**Total Corporations over GDP**






Source: WB Data

# Finance and Growth: Entrepreneurship -Major Mediterranean Countries

| Country | Year | New Corporations | Crescita % |
|---|---|---|---|
| Algeria | 2002 | 13.770 | - |
| | 2003 | 10.123 | -26,49 |
| | 2004 | 12.494 | 23,42 |
| | 2005 | 12.164 | -2,64 |
| Egypt | 2002 | . | - |
| | 2003 | . | - |
| | 2004 | . | - |
| | 2005 | 9.595 | - |
| Jordan | 2002 | 4.792 | - |
| | 2003 | 5.080 | 6,01 |
| | 2004 | 6.532 | 28,58 |
| | 2005 | 7.706 | 17,97 |
| Lebanon | 2002 | 2.853 | - |
| | 2003 | 2.891 | 1,33 |
| | 2004 | 3.470 | 20,03 |
| | 2005 | 3.127 | -9,88 |
| Morocco | 2002 | 9.362 | - |
| | 2003 | 10.788 | 15,23 |
| | 2004 | 11.810 | 9,47 |
| | 2005 | 13.407 | 13,52 |
| Tunisia | 2002 | 5.460 | - |
| | 2003 | 5.332 | -2,34 |
| | 2004 | 5.883 | 10,33 |
| | 2005 | 6.353 | 7,99 |

Data Base World Bank

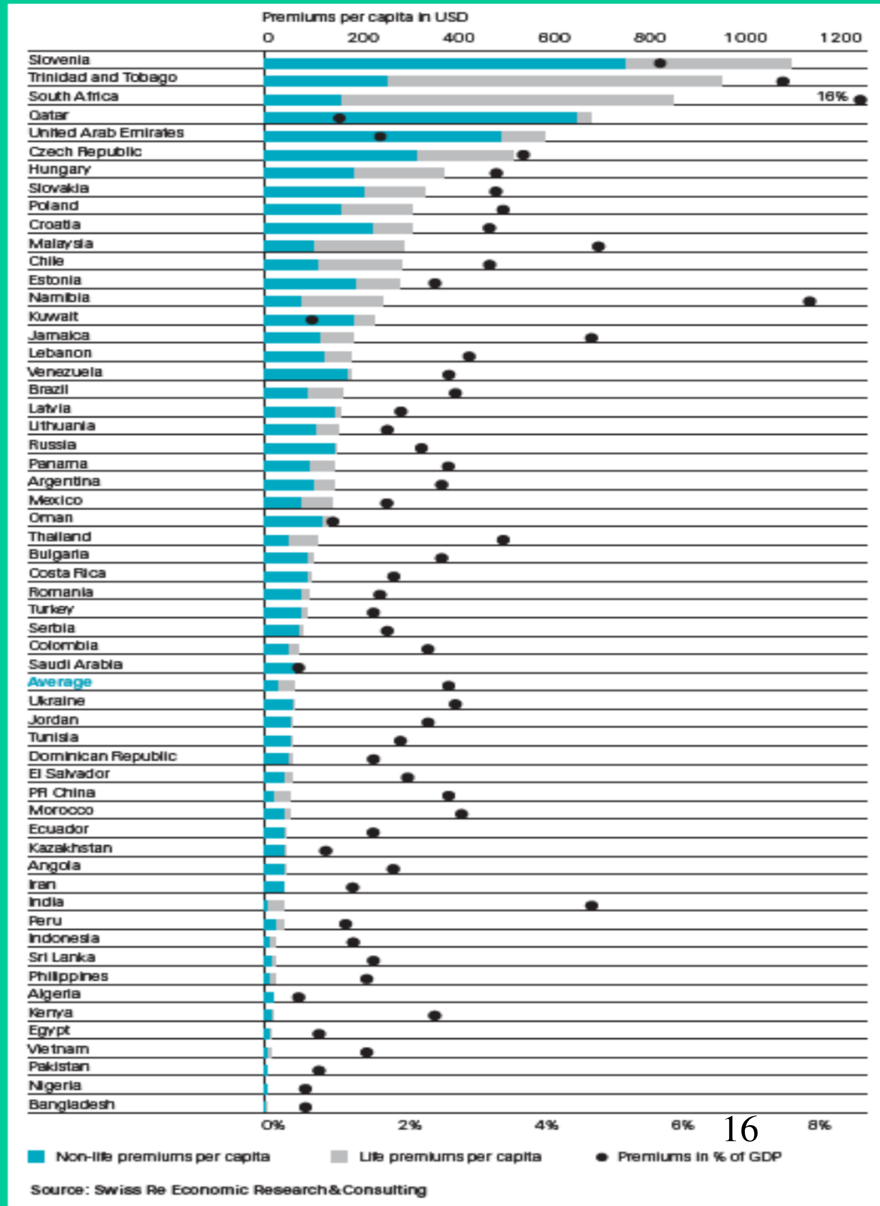
# Indicators of Financial Sector Development

- Bank Credit/GDP as an indicator of financial sector development

| Geographic Area | $M_2$/GDP(%) | Private Loans/GDP (%) |
|---|---|---|
| Latin America | 0,354 | 0,251 |
| Advanced Economies | 1,11 | 0,86 |
| Selected Emerging Markets | 0,89 | 0,9 |

Indicators of Financial Sector: Insurance

Although insurance products are progressively spreading in emerging countries, there is still much room for improvement.



## Indicators of Financial Sector: Insurance Markets in Emerging Countries

- Insurance significantly reduces transaction costs and facilitates financing by diminishing borrowers' exposure to risks.

- Insurance as a new financial product improves the stability and profitability of finance institutions.

# Public Policy Objective

Fostering MSMEs (micro, small and medium sized enterprises) and infrastructure activity:

↓

Support financial market development

to

- o prompt entrepreneurship and investments
- o promote economic growth
- o create jobs and
- o increase welfare

# Diagnostic:MSMEs and Infrastructure

- Micro and SMEs (MSMEs) constitute roughly 99% of firms and provide 2/3 of total employment
- The challenge is that of creating million of jobs to maintain unemployment rates at present levels
- Difficult access to financing for MSMEs
- Need of Infrastructure Financing

# Diagnostic: MSMEs and Infrastructure

- Prior to the current crises, excess of liquidity together with a difficult access to financing for MSMEs → 75% are internal funds

- Banking finance remains the main source of external finance for MSMEs (12%)

- Infrastructure produce growth, but needs finncing

- The current situation worsens it:
    - Decrease in capital inflows
    - Declining in investment
    - Reduction in remittances

# A Wide Spectrum of Challenges: **MSMEs**

**Small and Medium Entrepreneurs with innovative and riskier projects that would generate growth but with limited access to finance (e.g., due to lack of collateral)**

**Targeted and Innovative Financial Support and Technical Assistance (TA)**

**Small and Medium Entrepreneurs with some growth potential and having limited access to finance**

**Limited financial support; TA to improve project and risk analysis of various players**

**Existing and Potential Micro Entrepreneurs almost exclusively dedicated to income generating activities**

**Widespread Support with Financing and TA**

## A Wide Spectrum of Challenges: **Infrastructure**

- Infrastructure produces economic growth and create jobs
- Infrastructure needs huge investments
- Risks and uncertainties

# 2. Response:

## Public Sector Banks,
## Financial Market Development

# Rationale

- As part of government intervention in the economy, public sector banks constitute an important instrument to overcome supposed market failures (lack of private sector intermediation, low savings, lack of foreign exchange) and to finance long term investments.

- Different types of Public Sector banks

  - IFIs, e.g., IMF
  - MDBs, e.g., World Bank, Regional Development Banks
  - National Development Banks, e.g., Bnedes, Mediocredito
  - State-owned Commercial Banks, e.g., BNL

# Market Failures

- Uncertainty and Risk,
- Limited domestic savings and need of foreign exchange,
- Lack of "Local currency"

Is financial intermediation a market function?

The critical needs are:

- o Financial Sector Development to reduce asymmetries
- o Infrastructure and project financing
- o Incentives to be an entrepreneur and to operate
- o Technology, Innovation, Strategy for SMEs and micro enterprises

## IFIs (International Financial Institutions), Multilateral Development Bank, National Development Banks

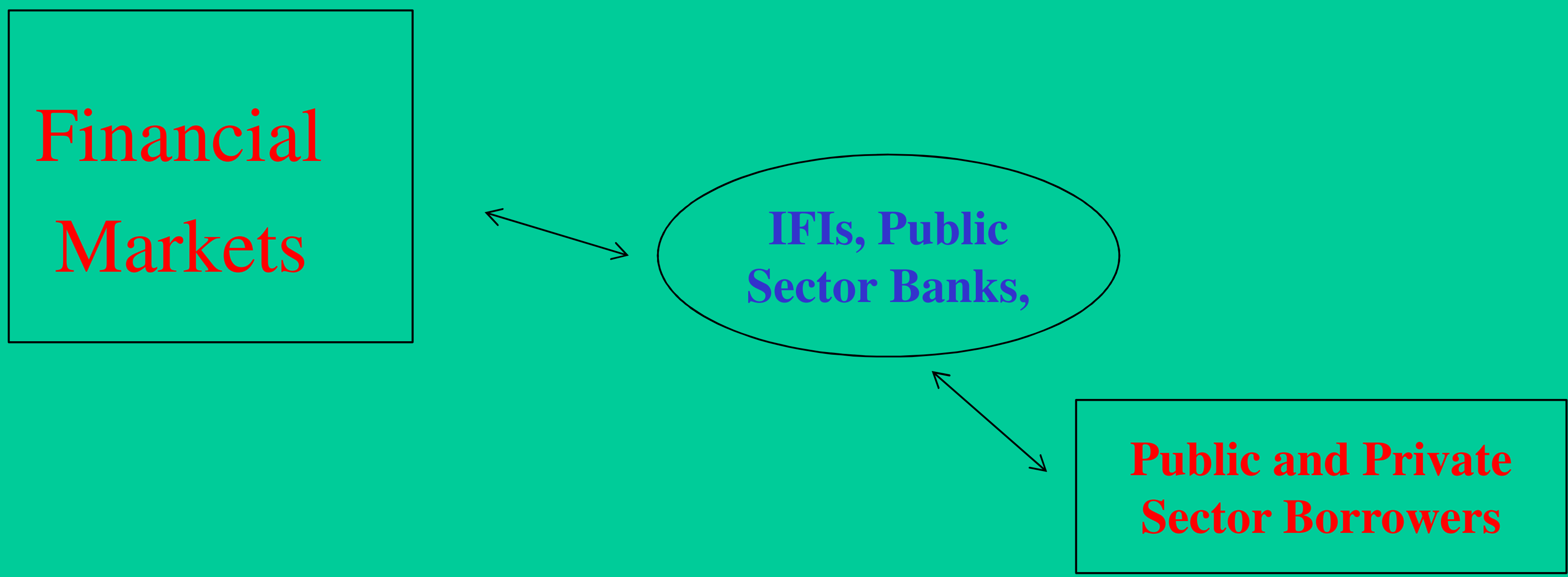
- The IFIS and "Multinational's" AAA: The strong AAA is mainly a result of:

    1. Strong Membership Support
    2. Sound Financial Policies (e.g., liquidity)
    3. Good Financial Performance
    4. Preferred Creditor Status
    5. Ratio loans outstanding/capital (gearing ratio)
    6. Borrowers are also shareholders

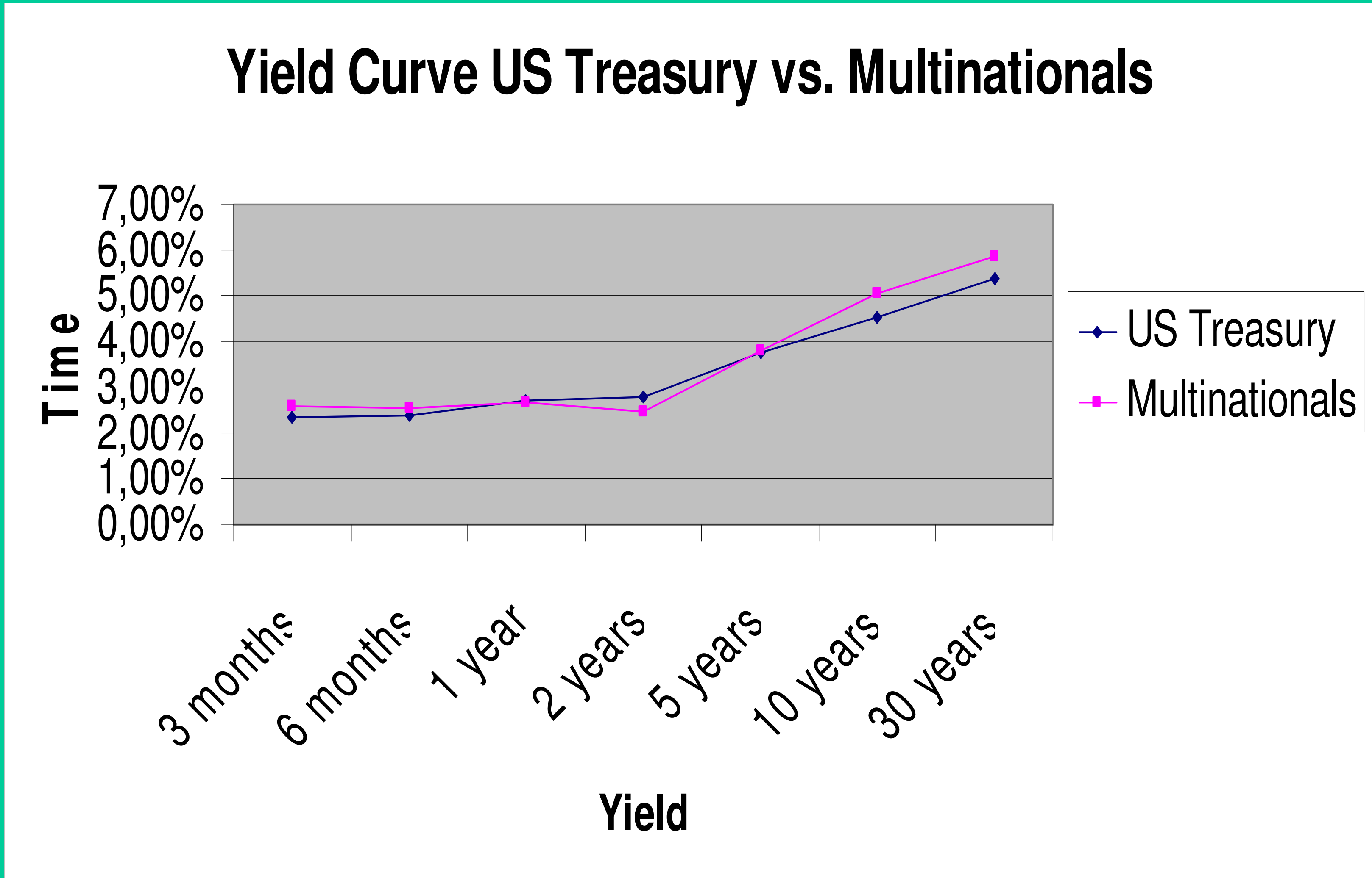
- **National MDBs (e.g., BNDES in Brazil)**

    1. The "risk free rate"
    2. The right of Government to print money

# How it Works


Financial Markets
IFIs, Public Sector Banks,
Public and Private Sector Borrowers

# AAA Rating of IFIs



# IFIs (International Financial Institutions) and Multilateral Development Bank

- International financial institutions, or IFIs, refers to financial instituions that have been established (or chartered) by more than one country, and hence are subjects of international law. Their owners or shareholders are generally national governments, although other and other organisations occasionally figure as shareholders. The most prominent IFIs are creations of multiple nations, although some bilateral financial institutions (created by two countries) exist and are technically IFIs.

- Multilateral Development Banks are banks that have a developmental mandate and in which the Member States are shareholders and over which they exert a certain degree of influence in proportion to their stake. IFIs have a Governing Council (Member States' s Finance Ministry) and a Board comprising executive directors responsible for their daily management and representing a set group of countries (referred to as a constituency). IFIs can be divided into three categories: the so-called Bretton Woods institutions, regional development banks and the financial institutions of the European Union.

## IFIs (International Financial Institutions) and Multilateral Development Bank: Types of IFIs

- Bretton Woods institutions
  - The best-known IFIs were established after World War II to assist in the reconstruction of Europe and provide mechanisms for international cooperation in managing the Global finacial system They include the World Bank, the IMF, the International Financial Corporation, and other members of the World Bank Group (e.g., MIGA).

- Regional development banks
  - The regional development banks consist of several regional institutions that have functions similar to the World Bank group's activities, but with particular focus on a specific region. Shareholders usually consist of the regional countries plus the major donor countries. The best-known of these regional banks cover regions that roughly correspond to United Nations regional groupings, including the Inter-American Development Bank (i.e., it works in the Americas, but primarily for development in Latin America and the Caribbean); the Asian Development Bank; the African Development Bank; and the European Bank for Reconstruction and Development.

- Bilateral development banks
  - Bilateral development banks are financial institutions set up by individual contries to finance development projects in developing countries and emerging markets. Examples include the Netherlands Development Finance Corporation (FMO) and the German Development Bank KfW.

- Other regional financial institutions
  - Several regional groupings of countries have established international financial institutions to finance various projects or activities in areas of mutual interest. The largest and most important of these is the European Investment Bank, an institution established by the members of the European Union. Other examples include the International Investment Bank (established by the countries of the former Soviet Union and Eastern Europe), the Islamic Development Bank and the Nordic Investment Bank.

# The European Investment Bank

–European Investment Bank (EIB) was created by the Treaty of Rome in 1958 as the long-term lending bank of the European Union

–The task of the Bank is to contribute towards the integration, balanced development and economic and social cohesion of the EU Member States. The EIB also operates outside the EU.

–The EIB raises substantial volumes of funds on the capital markets, which it lends on favourable terms to projects furthering EU policy objectives. The EIB continuously adapts its activity to developments in EU policies

–The EIB is one of the largest non-sovereign borrowers on the EU bond market.

–The EIB enjoys its own legal personality and financial autonomy within the EU; it operates in keeping with strict banking practice and in close collaboration with the wider banking community, both when borrowing on the capital markets and when financing capital projects

–In 2007, the European Investment Bank lent a total of EUR 47.8 billion for projects promoting the European Union's policy objectives. Finance for the EU-27 Member States represented 87% of its activities and amounted to EUR 41.4 billion.

# The European Investment Bank

- **Within the EU** the EIB has 6 priority objectives for its **lending activity** which are set out in the Bank's business plan, the Corporate Operational Plan(COP):

  - Cohesion and Convergence
  - Support to SMEs
  - Environmental Sustainability
  - Implementation of the Innovation 2010 Initiative (i2i)
  - Development of Trans European Network of Transport and Energy (TENs)
  - Sustainable, Competitive and Secure Energy Markets

# The European Investment Bank

- **Outside the EU** EIB lending is based on EU external cooperation and development policies.

  EU Mandates are:

  – Pre-Accession:Candidate and Potential Candidate countries in the Enlargement Region
    European Neighbourhood
    Mediterranean Neighbourhood
    Russia and Easter Neighbours
  – Development:
    - Africa, Pacific and Carabbean (ACP)
    - Republic of South Africa
  – Economic Cooperation:
    Asia and Latin America (ALA)

- Lending under these mandates focuses on:
  – Private sector development
  – Infrastructure development
  – Security of energy supply
  – Environmental sustainability

## Experiences and Research

- Most of the literature on state ownership of banks focuses on development banks – at national and international levels (i.e., DFCs, MDBs)- and their impact on financial development and economic growth.
- However, there are also very different and significant types of Government owned and public sector financial institutions., e.g., commercial banks owned by Government. There are also various examples, e.g., KfW, Latin American experience.

- The efficient market approach and the role of the private sector

- Research and experience have shown that public sector banks tend to have low profitability, return on assets lower than that of private banks, inefficiency, corruption.
- Related lending; limited finance for entrepreneurship; limited access to finance for the poor .
- Financial repression

- Developing local financial markets based on local currency
  - The Original Sin!!!!

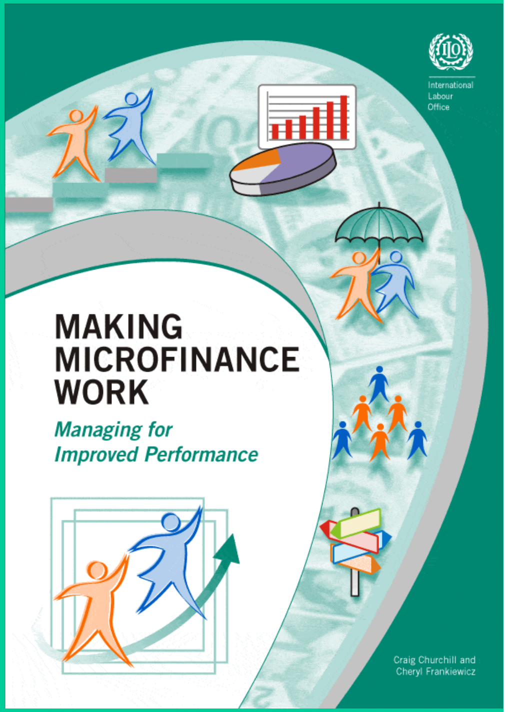
- Role of public sector banks in economic and financial crises

# 3. MICROFINANCE

## Concept, Scope and Limitations

# In this discussion we address

- Poverty
- What is Microfinance?
- It's origin
- Poverty and micro-credit
- Process of micro-credit
- Advantages of micro-credit
- IGL and group lending model
- Social Impact of Microfinance
- Scope and Limitations of Microfinance



# Poverty

- Poverty means being unable to afford basic human needs, such as clean water, nutrition, health care, education, clothing and shelter.

# Poverty: 2 Types

- Absolute Poverty or destitution.

- Relative Poverty
  is the condition of having fewer resources or less income than others within a society or country, or compared to worldwide averages

# What is Microfinance ?

- Micro finance (MF) is the provision of financial services to those who are excluded from conventional commercial financial services. Because they are too poor to offer little much - or anything - in the way of collateral .
- It builds on the existing social capital and trust.

# What is Microfinance ?

- MF includes a series of financial services - micro loans, deposits, savings, insurance- for poor individuals, or group of poor
- It presents a series of exciting possibilities for:
  - Extending markets,
  - Prompting Entrepreneurship
  - Reducing poverty, and
  - Fostering social change.

# The Challenge of Financial Inclusion

- 2.7 billion (72% of adults) in developing countries do not use formal financial services
- 160 million (19% of adults) in developed countries as of 2009 [CGAP, Financial Access, 2009]
- There are 90 millions Microfinance borrowers worldwide as of 2009 (MIX Report)
  - **Financial Management** is a **Basic Human Need**

    *"Money management is, for the poor, a fundamental and well-understood part of everyday life. It is a key factor in determining the level of success that poor households enjoy in improving their own lives"* *[Collins, Daryl et al., Portfolios of the Poor: How the World's Poor live on $2 a Day]*

  - **Financial Inclusion is widely associated with economic security and development**
    - Income generation (credit)
    - Increases investment capital (savings)
    - Increases economic security (savings, insurance)

  - **Financial inclusion is now an integral part of the regulatory agenda in developed as well as developing countries.**

# Pillars of Financial Inclusion

**"Access for individuals to appropriate financial products and services. This includes people having the skills, knowledge and understanding to make best use of those products and services. "** [Scottish Executive, Social Inclusion Division, Financial Inclusion Action Plan, 2005]

1. UNDERSTANDING FINANCIAL INCLUSION

**Inclusion: Reaching underserved population**

2. CLIENT EDUCATION

3. PRODUCTS AND SERVICES

### Clients

- Access
- Financial literacy
- Diverse Life and Business Needs
- Engagement / Retention

### Products

- **Single /multi-product**
- **Appropriateness**
- **Efficiency and scalability**
- **Tailored to the client**

### Distribution

**Market context/infrastructure**

- **Evolution of distribution channels**
- **Scalability**

## Policy and Regulation

# The Microfinance Business model is based on the three pillars

Microfinance provides a business model which addresses the pillars of financial inclusion:

- Understanding the client excluded segments
- Creating products which are scalable as well as tailored to clients' needs
- Building channels to deliver these products efficiently

- **"Microfinance is the provision of segment-specific financial services to low income individuals. MFIs promote microenterprise. They expand access and breadth of financial services to advance financial inclusion"** ***Citi Risk Management Manual*****, April 2010**

# Scale and Outreach vs. Product Tailoring

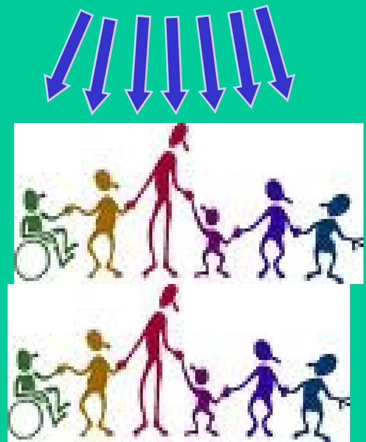
**" Deliver the broadest range of appropriate products as efficiently as possible to the highest number of people at the lowest possible price."**

***Balancing breadth and depth***

**Depth of financial Inclusion**
**Reaching underserved population**

**Breadth of financial Inclusion**
**Designing appropriate products**

**Production Centric**

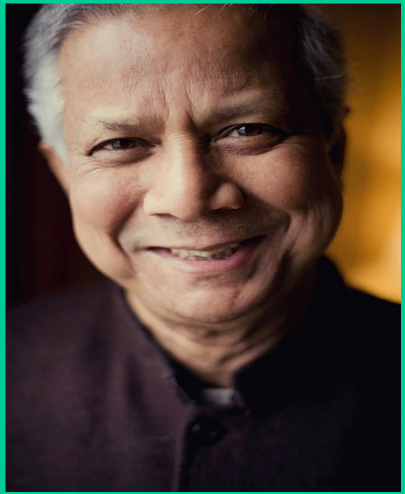


**Client Centric**

- **Credit – Access to finance**
- **Savings – Capacity to accumulate capital**
- **Payment solution : checks, electronic, mobile, etc**
- **Remittances**
- **Insurance**

# Microfinance System

# Origin of Microfinance



- The concept of micro finance originated in the mid-1970s in Bangladesh through a pioneering experiment by Dr Muhammad Yunus, then a Professor of Economics.

# Origin of Microfinance

- Dr. Mohammad Yunus Established Bangladesh Grameen Bank, a Micro Finance Institution (MFI) to:
  - Provide financial services and entrepreneurship opportunities to poor
  - So they could produce, manage and maintain their own finances
  - It was an end to mistreatment by money lenders, i.e., usury and financial exclusion.

# Micro-credit

- Is the most common form of Microfinance

- It means the provision of small loans to entrepreneurs who are too poor to qualify for conventional bank loans.

# Micro Loan Distribution

- A micro credit program gives small loans to the poor so that they can procure whatever they need to start or continue a small local business of their choice

# Micro Loan Distribution

- A micro loan equivalent to US$ of  50 to 400 - at 1 or 1.5% interest per month, can empower people to start their own business

# Micro Loan Distribution

- With that money they can start business of:

- A Kirana Shop: handicrafts, beach mats, clocks, beach bags, children clothing, beach hats, leather goods, picture frames, tea-pots, ceramics  and more.

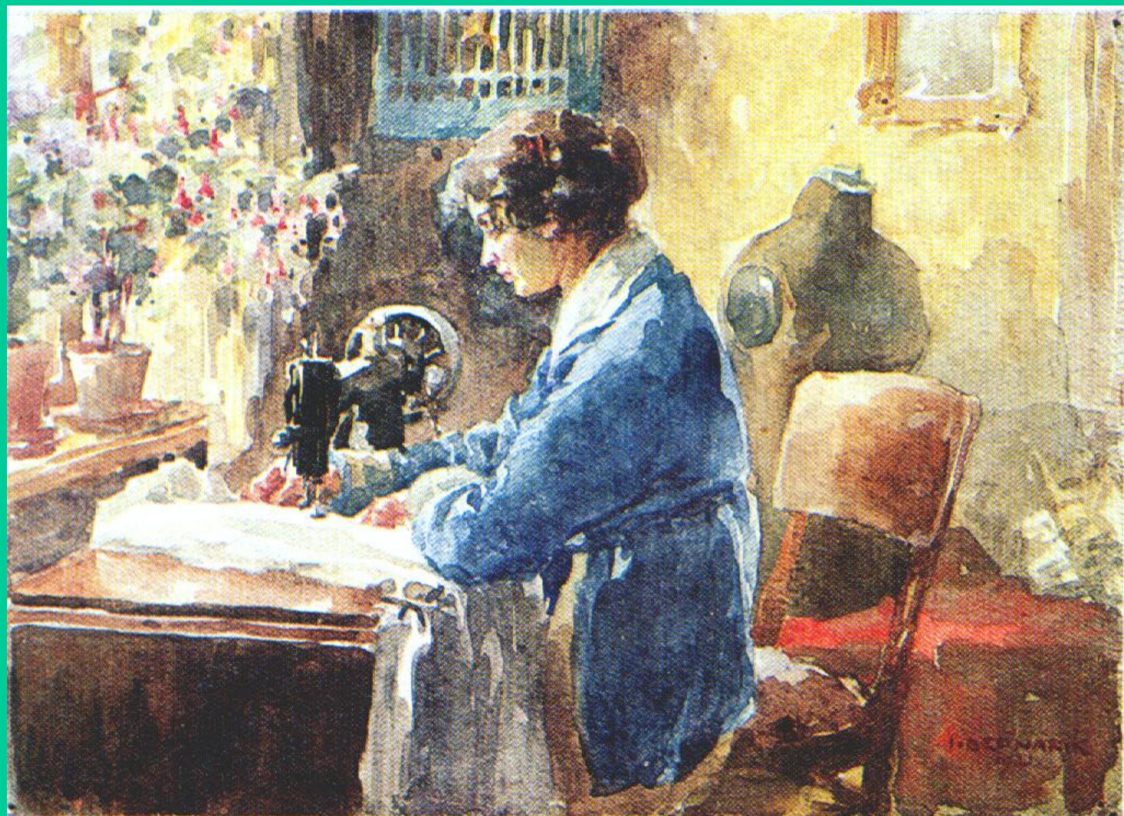
# A Bangles Shop

Often you will see Indian women wearing huge armfuls of glass bangles, even while doing day-to-day chores. It is said that bangles bring safety and luck to ones husband. If a woman breaks glass bangles (especially a large amount of them) her husband is in danger.

# Buy a cow to sell milk

# Candle Making

# Small garments manufacturing

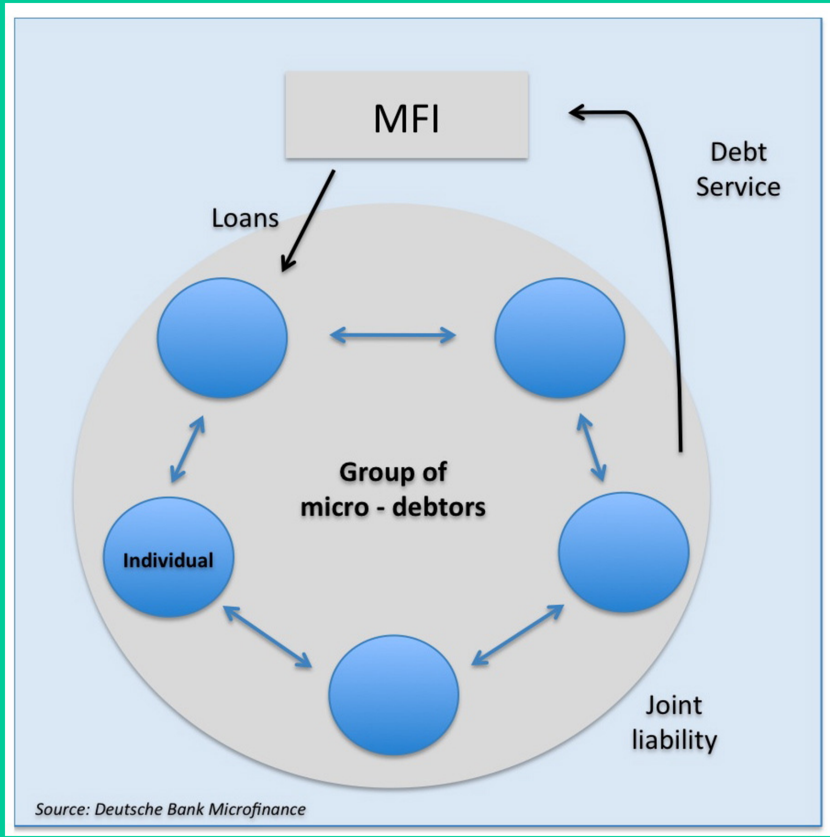


# Fruit and vegetable shop

# Process of Micro Loan distribution

- In the absence of collateral, the loans are made to groups of five, mostly women, who guarantee each others' loans.

- Called Joint liability Group (JLG)



# Process of Micro Loan distribution

- If a woman wants to receive a loan and her idea for a business is accepted, she is encouraged to find four other women and form a group.

# Process of Micro Loan distribution

- Then, the first two women are given loans and the others are encouraged to help them make their enterprise a success. After about 6 weeks, if the first two are making their payments on time, the next two women get their loans and six weeks later the last one.

# Process of Micro Loan distribution

- All persons who have paid back a first loan, are automatically eligible for a second loan and eventually a third so their businesses can grow

# Process of Micro Loan distribution

- At the same time from the interest, the loan fund is growing, though slowly, and loans are available to more persons.

# Process of Micro Loan distribution

- If one does not pay back one's loan, no one in the group will receive a second loan!!!!

# Process of Micro Loan distribution

- To guard against emergencies, such as one's cow dying or the entrepreneur dying and not being able to repay the loan, an emergency fund is set up at the time of the first loan.
- This means that a few coins, perhaps an additional loan can solve the emergency
- Role of insurance

# Group Lending Model

- It simply means borrowers take each other's guarantee for the repayment of loan.
- The most successful micro-credit concept.
- A very disciplined and systematic model.
- It builds on the existing social capital, trust.

# Group Lending Model

- All potential borrowers undergo financial literacy training and must pass a test before they are allowed to take out loans.

# Group Lending Model

- Weekly meetings with borrowers follow a highly disciplined approach.


- Re-payment rates on these collateral-free loans are as high as 99% because of this systematic process

# Social Impact of Microfinance

- The empowerment of poor, entrepreneur, women
- As microfinance services are mostly offered to women; they are now more financially literate and confident

# Social Impact of Microfinance

## Building Economic Citizenship

- Financial services foster Independence.
- Microfinance can help clients to grow more confident, gain economic citizenship so that they can step out and become a part of main stream of society.

# Social Impact of Microfinance

- Financial services give access to education, healthcare, and other necessities that improves their quality of life. e.g., school fee loan, health insurance and  home improvement loan.

- Thus microfinance is a tool to fight poverty.

# Social Impact of Microfinance

- Normally, if a poor household loses a source of income, a child might be withdrawn from school; or valuable assets might be sold.

- This makes the household falls deep into poverty.

# Social Impact of Microfinance

- Protecting against vulnerabilities
- Financial services like saving, bank deposits, credits and insurance provide sustainable and low cost coping strategies.
- They can re-build there assets or alternate source of income without falling in poverty.

# Microinsurance

- What is microinsurance?–

  *"protection of low-income people against specific perils in exchange for a pre-specified payment determined in proportion to the likelihood and cost of the risk involved and made in advance"*

  http://micro-health-insurance.blogspot.com/

- Simply, *"insurance services provided to low-income people"*, i.e., Microinsurance is an integral part of financial services for the poor and low-income people.

# Why is Microinsurance Important?

- Poor people are subject to many risks. They are much the same as those faced by the non-poor.
- Death of breadwinner/illness/injury/loss of property/natural disasters like droughts and floods
- But the frequency of the risks greater, financial impact larger
- The ability of the poor to cope with these risks is lower.
- They are highly vulnerable.

# Why is Microinsurance Important?

- Poor use of insurance substitutes – in-kind-savings – Diversification of income sources

- Substitutes have limitations , e.g., they can lead to usury

- Poor also try to avoid certain risks and this tends to reduce their welfare

- Ex-post coping can also worsen their position (distressed sale of assets)

- Lack of insurance and persistence poverty are intimately related

- Insurance improves the capacity to manage risks

# Insurance markets at an early stage

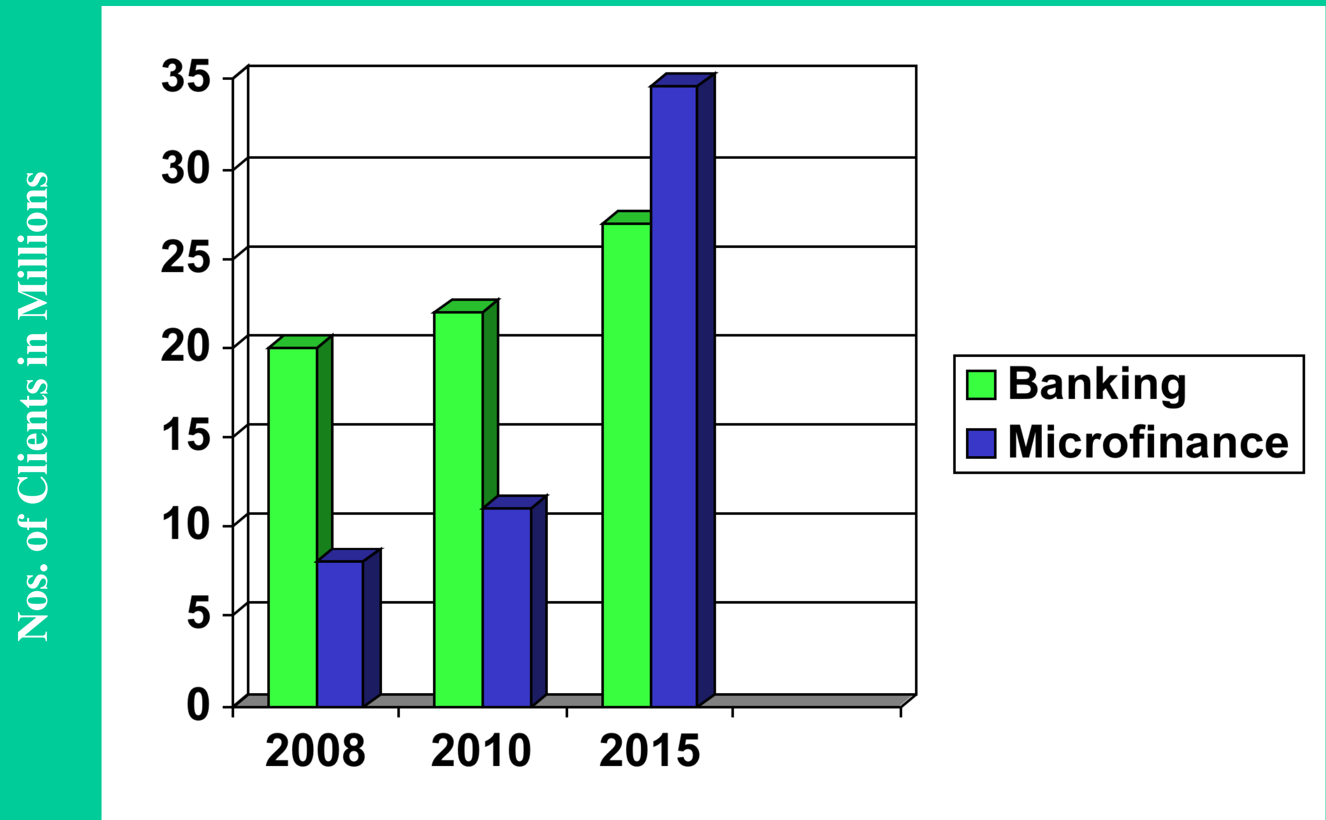
- In most developing countries, insurance markets (let alone, microinsurance) are at an infant stage.
- Low Insurance penetration levels,
- Low Insurance density levels.

# Scope of Microfinance

- *In India, Micro finance is growing faster than banking and, if the experience in other developing countries is mirrored here, microfinance "will reach more individuals than the banking sector,"*

- Robert Annibale, global director Citigroup Inc. Microfinance

# Scope of Microfinance




For 2015 the projection sourced from Citigroug microfinance

# Limitations

- Micro Loans should never lends to individuals without first providing them with the expertise and training to build a business plan that is likely to succeed.
- The mere flow of funds alone in MF sector cannot bring desired level of social impact unless other infrastructure is in place in the given area/region to absorb the funds

# Limitations

- Micro finance is mainly intended for social investment with the focus on poverty reduction.
- The utilization of funds depends on the capacity of the poor clients productively use it, at bottom level towards creating a sustainable social impact

# Thank you!

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**2. Response:**

**Public Sector Banks, Financial Market Development, Entrepreneurship, Infrastructure:**

**Guiding Principles**

- Governance and Transparency (political and operational)
- Market oriented and market driven
- Additionality/Value added