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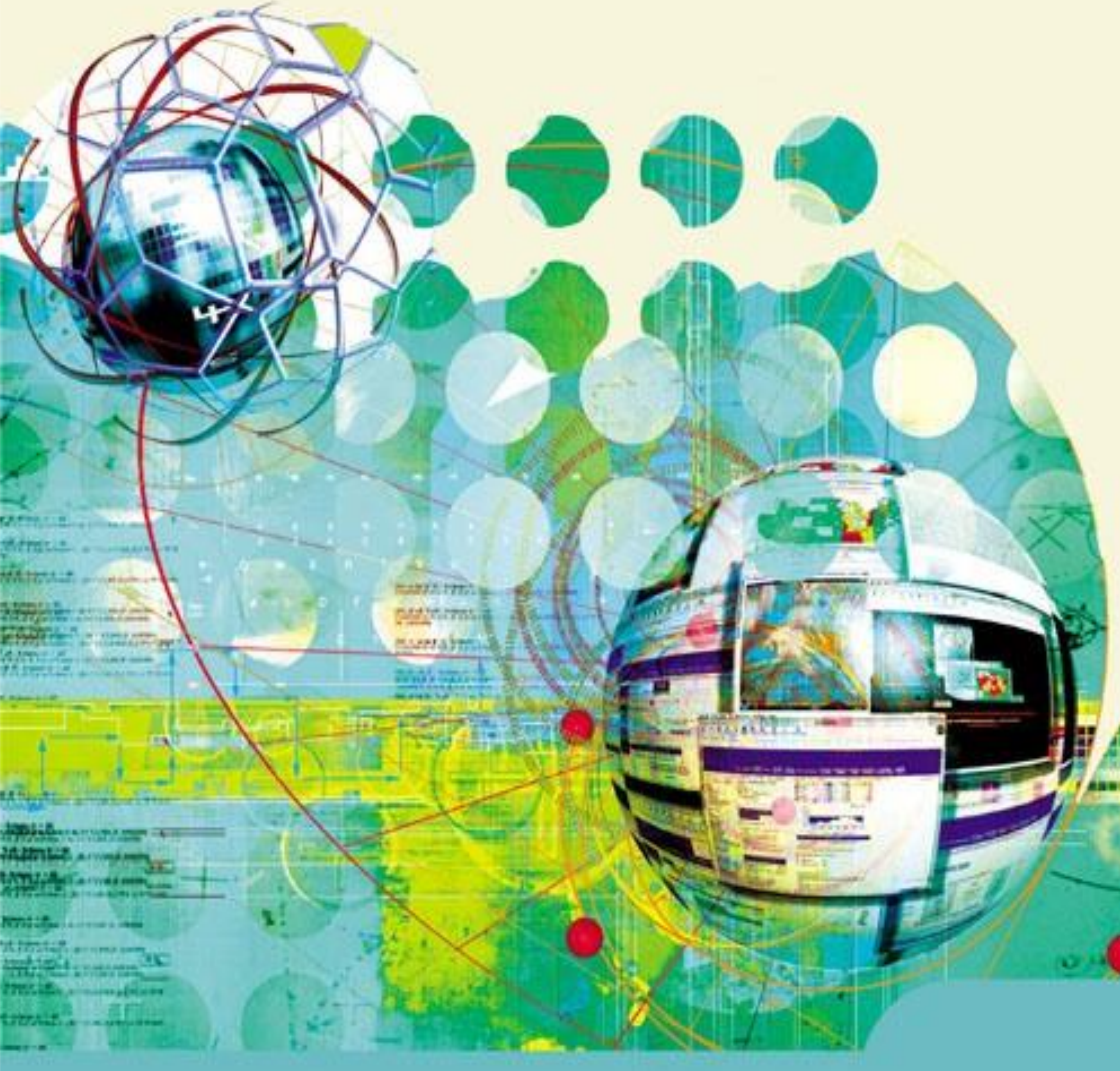

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Analysis on Effects of Microfinance in Poverty Reduction

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Abstract – The thrust of the study lies in knowing the effect of micro finance on the poverty alleviation. In this study it is analyzed that microfinance is an important element for an effective poverty reduction strategy. The role of Micro- Finance on poverty alleviation is checked both in social and economic aspects. The social and economic factors considered in this study include the improvement of life style, accommodation standard, income generation, and life standard, and purchasing power, expansion of business facility, self-employment and adoption of better technology. Economic growth and development is also considered in this study. It reveals that access and efficient provision of micro credit can enable the poor to smooth their consumption, better manage their risks, gradually build their assets, develop their micro enterprises, enhance their income earning capacity, and enjoy an improved quality of life. It argues that with little efforts, the performance of Micro Finance institutions can be improved and these institutions can play their role better in poverty alleviation than usual.

Keywords: Poverty, Removing, and Microfinance

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1. INTRODUCTION

Across the world almost every country has to face the poverty. Poverty is the condition in which low-income people cannot meet the basic needs of life. This situation leads to many fold difficulties like decreased health facilities, high illiteracy rate, decreased quality of life etc., these difficulties motivate human beings to commit heinous crimes and times suicide. Several authors define poverty, as it is the situation of having no enough money to meet the basic need of human beings. While measuring in terms of land Zaman (2000) discussed ultra- poor as people having less than ten decimals of land and the moderate-poor households as having greater than ten decimals of land (p. 10). Hulme and Paul (1997) had categorized poor into two groups and defined them as the core poor who have not crossed a minimum economic threshold‗ and whose needs are essential for financial services that are protectional, and those above this threshold who may have a demand for promotional credit. Moreover they have discussed a minimum economic threshold is defined by characteristics such as the existence of a reliable income, freedom from pressing debt, sufficient health to avoid incapacitating illness, freedom from imminent contingencies and sufficient resources (such as savings, non-essential convertible assets and social entitlements) to cope with problems when they arise. In another study Weiss, Montgomery and Kurmanalieva (2003) defined poverty as an income (or more broadly welfare) level below a socially acceptable minimum and micro finance as one of a range of innovative financial arrangements designed attract the poor as either borrowers or savers. In terms of understanding poverty a simple distinction can be drawn within the group the poor between the long-term or chronic poor‗ and those who temporarily fall into poverty as a result of adverse shocks, the transitory poor‗.

The researchers have paid attention to microfinance as one of the contributors in reducing poverty, women empowerment, health, education, democratization and environmental improvement (Mayoux, 2001a; Chandarsekar & Prakash, 2010). Poverty is defined in Economic Survey of Pakistan (2009 - 10) as it consists of two elements, narrowly-defined ―income‖ poverty and a broader concept of ―human‖ poverty. Income poverty is defined as the lack of necessities for minimum material wellbeing determined by the national poverty line. Human poverty means the denial of choices and opportunities for a tolerable life in all economic and social aspects. Many authors have made efforts to advise the ways to reduce poverty. Chandarsekar and Prakash (2010) examined the role of information communication technology (ICT) in reducing the poverty among women and found that definitely ICT plays an important role in reducing poverty because by the use of this technology the powerless women started identifying their inner strength, weakness and opportunities for growth, and started reshaping their own destiny and the process of empowerment becomes the symbol of hope for the family and society The current study focuses on the effect of micro finance on reducing poverty in India. This study provides the insights for the investors, general public, researchers and students.

2. REVIEW OF LITERATURE

The types of micro - finance used in the Islamic part of the world include the Islamic micro – finance and the conventional micro - finance. Akhtar, Akhtar and Jafri (2009) mentioned that Islamic micro finance is of the effective means to fight poverty. The authors mentioned that in Muslim world, the conventional micro finance could not be fruitful because of the Islamic social principles. Most of the people prefer Islamic micro finance on the conventional microfinance.

Bakhtiari (2006) concluded that micro credit and microfinance have received extensive recognition as a strategy for poverty reduction and for economic empowerment particularly in rural areas having poor population. Providing poor people the small amounts of credit at reasonable interest rates give them an opportunity to set up their own business at small scale.

Mawa (2008) conducted a research study focusing the issue under discussion and concluded that microfinance is an innovative step towards alleviating poverty. The author mentioned that microfinance facilities provided to the people help them to use and develop their skills and enable them to earn money through micro enterprises. Moreover provision of micro finance helps them to smooth their consumption level and manage unexpected risks. Micro finance helps the poor to build assets, educate their children and have a better quality of life.

Gurses (2009) conducted a study in Turkey and mentioned that micro finance especially micro credit is a powerful tool to reduce poverty. The author has mentioned that one fifth of the population of turkey was at risk due to the poverty even then it is not a poor country according to global standards. This is due to the introduction of micro credit by two NGOs–KEDV and the Turkish Foundation for Waste Reduction (TISVA).

Moreover the author mentioned that poverty, both in Turkey and all over the world, is not only a function of micro credit but a political problem, and political intervention of the state holds the ultimate resolution to struggle against poverty.

Rena, Ravinder and Tesfy, Ghirmai (2006) concluded that micro finance is the founding stone for poverty reduction. Their study showed that there is a fundamental linkage between microfinance and poverty eradication, in that the latter depends on the poor gaining access to, and control over, economically productive resources, which includes financial resources. Previously implemented programs not produced good results due to the noninvolvement of the peoples for which the programs was designed (the poor). They suggested that the government poverty alleviation program should be restructured if not re-designed and should be centered on the basic needs approach. Micro finance is the mean for income generation and the way for permanent reduction of poverty through the provision of health services, education, housing, sanitation water supply and adequate nutrition. In many instances, micro enterprises rather than formal employment create an informal economy that comprises as much as 75 per cent of the national economy.

Kumar, Bohra & Johari (2008) found that micro finance is the only way to overcome poverty in India. A great potential exist for micro finance in the country. Major cross-section can have benefit if this sector will grow in its fastest pace. An annual growth rate of about 20% should be continuing if they want to control poverty. At present, the outstanding balance is 1600 crores. This amount should be increase to 42,000 crores in next five years.

Shastri (2009) revealed that there is no way better then micro finance in the war against poverty. Creating self-employment opportunities is one way of attacking poverty and solving the problems of unemployment. The authors reported that there are over 24 crore people below the poverty line in India. The Scheme of Micro-finance has been found as an effective instrument for lifting the poor above the level of poverty by providing them self- employment opportunities and making them credit worthy.

The study conducted by Shirazi and Khan (2009) show that two type poor were taken in consideration such as the poor and the extreme poor. The authors examined the impact of micro credit on poverty alleviation. Micro credit had reduced the overall poverty level by 3.07 percentage points (from 6.61 percent to 3.54 percent) and the borrowers have shifted to higher income groups during the reported period. The poverty status of the extremely poor borrowers has been marginally increased (by 0.63 percentage point), showing obviously no effect of micro credit on poverty status of these households. The reason behind no effect of micro credit on extremely poor is that, the extreme poor get the loan for protective purposes not for further income or self-employment. In case of ultra poor, the net impact of micro credit shows a reduction by 1.45 percentage points which is a positive impact.

Hassan (2010) mentioned the reasons behind success of micro finance and highlights that it is only having no collateral against loans. The negative point of the conventional micro finance is the fixed high interest rate. Interest is not acceptable in Islam that is why the Muslim clients prefer Islamic micro finance. According to the researcher, if conventional micro finance is combined with the Islamic financial system like Zakat and Awqaf, the result will be different.

Knight and Farhad (2008) mentioned that micro finance directly improves quality of life and promotes poverty reduction. By getting loans the client become self-employed and protect himself for the external threats. By getting employment they become raised from the poverty line and the poverty decreased. Micro finance is in the initial stages and in these stages most of the peoples do not know about the reality of micro finance. Some peoples take that example of micro finance where the result of micro finance is negative. It is more important that the examples where the result of micro finance is more positive than negative should be highlighted so that more and more peoples get benefit from micro finance and cross the poverty line.

Seibel (2003) proved through the survey that micro finance is that chemical through which the germ of poverty can be killed. The study also showed that micro finance is equally profitable in the poor countries as in the rich countries. He rejects the concept that that Microfinance is a poor solution for poor countries. If properly regulated and supervised, they have great potential in poverty alleviation and development, both in rural and urban areas.

Matovu (2006) mentioned that without any doubt it is obvious that micro finance play an important role in poverty alleviation but the part of micro finance in poverty alleviation is like a drop of water in a sea. Micro finance helps in improving the standard of living of peoples. The main hurdle in this is the finding of relevant data. It is very difficult to find the poor people and help them. It requires a deeper analysis to find the poor people and help them through micro finance. Next hurdle was the kind of poor peoples. It was difficult to divide the poor into different portion and what be the base for this division. Along with positive role, micro finance has also a negative role because micro finance only finds out the symptoms not the real causes. Other portion that is not well developed till now is the woman empowerment by the help of micro finance. It requires much more research for the real empowerment of women by giving a chance to them to get access to the micro financial institutions.

Gopalan (2007) concluded that micro finance increase the self-confidence of the poor by meeting their emergency requirements, ensuring need based timely credits and making the poor capable of savings. The study also shows the credibility of microfinance in health related issues in a positive manner. It has been postulated that by making policy towards income generation and enhancement, ultimately to eradicate poverty alone can improve the health status through better, timely and easy access of health care. The survey shows that peoples do not consider micro finance as a help full tool for health problems. This is shown by the survey that a small portion of peoples takes loans for health facilities. When the peoples do not consider it necessary they cannot control poverty and health problems.

Imai, Gaiha, Thapa and Annim (2010) concluded that there is no doubt micro finance is a powerful tool against poverty but some evidence creates a black spot on its performance.

The study proved that the number of poor people's is less in those countries where the number of micro finance institutions is more in compare to those countries where the number of MFIs are less. In many studies it is proved that micro finance have no or negative impact on the women empowerment. Women are the major portion of our society that is poor and they cannot get access to the micro finance. Until and unless women cannot share an equal portion of financial facilities, a society cannot control poverty.

Ahmad (2008) concluded that micro finance is fighting against poverty with full force but due to some facts the role of micro finance is decreasing in some areas of Pakistan. If these portions are cut, micro finance will eliminate poverty in short period of time. Some of these short coming of micro finance are as following.

1. Small loan size

2. Investment of the loan on consumption instead income generation

3. Low awareness in the society about micro finance

4. Less support by the government

Brownstein, Fleck, Shetty, Sorensen, and Vadgama (2007) mentioned that micro finance is a good tool for poverty alleviation but it is not a magic to solve the problem of poverty in a night. In Sub-Sahara Africa micro finance is performing well but cannot solve the problem of poverty because the problem is big and the weapon is very simple and lose. Micro finance should be given more support to yield some fruitful results. Currently we have demonstrated there is need for greater awareness, greater coordination, additional aid, and technological improvements for increased efficiency. Significant increases in micro financing is a critical first step in accelerating Sub-Saharan Africa_s progress towards the Millennium Development Goals, but micro financing is only one pillar in the systemic approach needed to reduce poverty and hunger in the region. Microfinance can serve as a catalyst that enhances other programs and lifts the region out of impoverishment. The concept of micro finance is simple and allows people to determine their own future, to identify exactly how to prosper, and they will do it.

Siddiqi (2008) mentioned that in Pakistan micro finance is not clear till now that whether this has a positive role or negative role. Obviously the role of micro finance should go for the positive side but due to some hurdle and lack of performance the role of micro finance is not so profitable. The first hurdle is the interest rate. MFIs charge a high interest rate. The second hurdle which put a black spot is the interest (Riba) itself. Our society is an Islamic society and most of the peoples have an Islamic mind setup. In Islam Riba is not allowed therefore they hesitate in getting micro loans from the banks. The third hurdle is the empowerment of women because the woman clients are abused by the male relatives for getting loans. Islamic micro finance (akhawat) is much better than conventional micro finance because work according to the needs of the poor people‘s not merely profit generation while conventional micro finance work for profit generation instead for helping the poor.

Ali & Alam (2010) concluded that Microfinance is the most important resource to provide loans and other basic financial services to increase the employment rate, productivity and earning capacity. It will impact the people s lives through removing poverty, improving living standards, such as health, education, food and other social impacts. The microfinance sector is developed day by day in Pakistan. Most of the population of Pakistan is based on the rural area, where people live below the poverty line. The need for micro credit is higher in the rural area than urban area. The large numbers of microfinance borrowers show the market opportunity and need in Pakistan. Study showed that high interest rates on micro credit are one of the problems faced by the microfinance sector. But poor people still favor and want micro credit because they don have access to the commercial loans, which are collateralized loans. These poor people are very hard working and may have innovative ideas about business but they don t have opportunity. That is why they take micro loans on high interest rate and often they get success in their business and repayment of these loans.

Tenaw & Islam (2009) mentioned that micro finance has vital role in improving and maintaining livelihoods of rural people in Bangladesh and Ethiopia. The financial system that was originated by the local population proved useful tool in promoting self-help and independency. The main drawback of this local originated financial system was that the rules and regulation was in the hand of originator. The main sector of income in Bangladesh and Ethiopia is agriculture but poor technology, dependent on unreliable climate, poor infrastructure, small and fragile market creates hurdle in the development of this sector. Micro finance is the only method through which these hurdle can be overcome. When agriculture sector become stable in these countries, poverty will be eliminated automatically. So for poverty alleviation agriculture sector is the founder stone and for agriculture sector development micro finance is must.

Abiola & Salami (2011) in his study mentioned that a lot of literature is present on the positive role of micro finance in poverty alleviation, but every time and everywhere, micro finance is not so profitable. Many scholars wrote that micro finance is a good tool for poverty alleviation but in many occasion the result is opposite. The main reason behind the negative effect of the micro finance on poverty alleviation is due to the time shortage. The time is not enough for generating the income i.e. the shortness do not give room for loan to generate future income. The researcher mentioned that at the repayment time the loan taker is not in the position to repay the loan, if he so his business will collapse. He shows through the respondents that before the end of the loan the business would have almost collapsed. At the time of repayment he is almost in the middle of the business process. If he pays he has to close the business because the business is not in the position to continue any more. This put an extra pressure on the client. The client lost his time as well as some money in his business.

3. ROLE OF MICROFINANCE IN POVERTY REDUCTION:

Microfinance is about giving monetary administrations to poor people who are not served by the customary formal money related foundations - it is about augmenting the outskirts of budgetary administration arrangement. The arrangement of such budgetary administrations requires imaginative conveyance channels and procedures. The requirements for money related administrations that enable individuals to both exploit openings and better administration of their assets. Microfinance can be one powerful device among numerous for destitution mitigation. Notwithstanding, it ought to be utilized with alert - in spite of late claims, the condition amongst microfinance and destitution lightening is not straight-forward, on the grounds that neediness is a perplexing wonder and numerous imperatives that the poor all in all need to adapt to. We have to comprehend when and in what frame microfinance is suitable for the poorest; the conveyance channel, technique and items offered are all between connected and thus influence the prospect and guarantee of destitution easing. Access to formal saving money administrations is troublesome for poor people. The principle issue the poor need to take when attempting to procure credits from formal monetary organizations is the interest for security asked by these foundations. Moreover, the way toward securing a credit involves numerous bureaucratic systems, which prompt additional exchange costsfor poor people. Formal budgetary establishments are not persuaded to loan cash to them. All in all, formal monetary establishments demonstrate an inclination for urban over rustic areas, vast scale over little scale exchanges, and non-rural over rural advances. Formal budgetary foundations have little motivating forces to loan to the rustic poor for the accompanying reasons

- Administrable challenges: Small provincial ranchers regularly live geologically scattered, in territories with poor correspondence offices, making credit organization troublesome.

- Systematic dangers: Agricultural creation is related with some systemic dangers, for example, dry spell and surges, which is reflected in a high covariance of neighborhood earnings.

- Lack of data: The nonattendance of institutionalized data, Standard loaning apparatuses, for example, budgetary explanations or records, don't exist in these zones.

- Repayment issues: The reimbursement of working capital might be required just once per year for instance amid the collect season. Then again, access to casual credits is moderately simple, advantageous, and accessible locally to low pay families for the accompanying reasons:-

➢ Informal moneylenders utilize interlinked credit contracts to diminish default hazard, for example, advancement of business association with the customers.

➢ Informal moneylenders have neighborhood data which helps them to assess credit needs and credit value of the customer.

➢ Informal moneylenders are thinking about the necessities and prerequisites of customers notwithstanding for little measure of advance.

➢ Informal moneylenders will benefit from social authorizes, for example, those that may exist among individuals from a family. These assents may fill in as a substitute for legitimate authorization.

➢ Informal moneylenders utilize particular motivating forces to animate reimbursement, for example, rehash loaning to borrowers who reimburse quickly, with bit by bit expanding advance size.

In sum, microfinance is not a panacea for poverty reduction, which needs both complementary supply-side and demand-side factors. Supply-side factors–such as good infrastructure, entrepreneurial skills, etc.–are needed to make micro-enterprises more productive. But the potential for increased productivity will remain mostly unrealized in the absence of demand-side factors. In other words, without a supportive macroeconomic, trade and industry policy framework, micro-enterprises will remain micro, with no back- ward or forward linkages or employment creation possibilities. Is the crux of the so-called graduation problem of micro-borrowers, as highlighted in a recent editorial in the *Daily Star* (Dhaka, Dec. 12, 2008): ―so long as this is not complemented by the government‗s facilitating growth of marketing network, reliable energy supplies and a dose of scal incentives to the small exporters, the full potential of the micro-credit sector would remain untapped.‖

More than anything else, the interest rates charged by microfinance institutions (MFIs) draws most vigorous criticisms. ere are claims of interest rates ranging from 30 per cent to 100 per cent on an annualized basis. Jonathan Morduch (2008) reports a survey of 350 leading microfinance institutions, which charged, between 20 per cent and 40 per cent per year after taking in ation into account. Some (e.g., Nimal Fernando of the Asian Development Bank, Armendariz Achion and Jonathan Morduch) defend the high rates on grounds of sustainability. According to them, anything less will not attract pro t seeking bankers into this market. However, this argument weakens the claim that microfinance is more cost effective compared to commercial banking loans because of:

(a) Lower information gathering and processing costs, and

(b) Higher repayment rates requiring less provisioning for bad loans.

Where the interest rate is at the lower end, it is often due to implicit subsidies. Based on in-depth case studies, Pankaj Jain and Mick Moore (2003, p. 10), observe, ―all ve programmes we studied obtained subsidized funds for initial capitalization and, in many cases, for meeting part of the operating costs‖. Jonathan Morduch‘s (2000) panel discussion with senior and experienced donors and NGO representatives in Colombia suggests that not more than 5 per cent of microcredit programmes world-wide could become financially viable without subsidy. Despite growing interest from private investors, 53% of the $11.7 billion that was committed to the micro nance industry in 2008 still came at below-market rates from aid agencies, multilateral banks and other donors.18 is, then, raises the issue of the social opportunity cost of subsidies. Vijay Mahajan (2005) puts this argument forcefully: ―If the implicit subsidies to microcredit institutions are made explicit, then subsidizing microcredit programmes versus subsidizing social sector programmes can become an informed policy choice, rather than be carried out under the mistaken notion that the former will require only temporary and diminishing subsidies. But the implicit subsidies to microcredit, legitimate as they may be, are not being described or analyzed.‖

us, some proponents defend this by arguing that it is still less onerous than the alternatives. For example, according to Karol Boudreaux and Tyler Cowen (2008), ―at‘s not as scandalous as it sounds– local moneylenders demand much higher rates‖. Others defend the high interest rates by claiming that the returns to capital are, indeed, high in micro enterprises. But Jonathan Morduch (2008: 1), an advocate of microfinance, makes an important, but moot acknowledgement: ―microfinance movement rests largely on one basic *assertion*: that poor households have high economic returns to capital.‖ [emphasis added].

Morduch also reports some recent research findings of high returns to capital ranging from 20 per cent to 33 per cent per month for small, male-owned retail businesses with no employees other than the owner. Estimated returns to capital for the financially constrained businesses, according to these researchers, are even higher, ranging from 70 per cent to 79 per cent per month. Based on these ndings, Morduch (2008) concludes that even an interest rate of 10 per cent per month would be reasonable.

However, these findings have their own limitations, which Morduch himself admits. First, they do not say anything about female owned businesses and hence, do not corroborate the popular claim that microfinance is particularly better for female borrowers. Second, and more importantly, one is not sure how these studies impute the cost of own labour. In an economy characterized by surplus labour, as in Bangla- desh, where disguised unemployment in rural areas can be widespread, one can impute a zero shadow price for own labour. In that case, the entire surplus over and above the cost of capital can be regarded as pro t or returns to capital. is can be the most plausible explanation for the findings of high returns to micro-enterprises, such as from selling milks or eggs. e valuation of own labour at a zero shadow wage, coupled with high interest rates, essentially means that free labour accrues to capital.

Ideally, own labour should be priced at a ―decent‖ or legislated minimum wage to enhance poverty reduction. Employment (self or otherwise) at a wage below a decent rate only adds to the pool of ―working poor‖. Earning a few extra cents may be a ―big step forward‖ for a person living on less than $2 a day, as claimed by Karol Boudreaux and Tyler Cowen, but does not generate enough pro t for reinvestment to grow his/her business. He/she still remains part of working poor, and perhaps even more vulnerable to shocks due to the debt burden. us, this can be another explanation for the so-called graduation problem of micro-enterprises, or why so many loans need to be rescheduled or re financed as reported by the *Wall Street Journal*.

4. ASSESSING THE CONTRIBUTIONS OF MICROFINANCE

Even the vocal critic Thomas Dichter admits that microfinance can help the poor smooth consumption over periods of cyclical downturns or unexpected crises. is positive role of microfinance should not be dismissed altogether. If this consumption smoothing means parents can send their children to school, or buy essential medications, and maintain nutritional in-takes of their children then microfinance is likely to have positive long- term impacts on productivity. As noted by Partha Dasgupta (1995: 247), ―At low levels of nutrition and health care, increase in current consumption improves future labour productivity: if nothing else, morbidity is reduced. For example, Pitt and Rozenweig (1985) observed from Indonesian data that an increase in the consumption of sh, fruit, or vegetables by 10 percent reduces the chances of illness there by 9, 3 and 6 percent respectively.‖

Microfinance, thus, fulfills an important safety-net task, especially in countries where there is no state-sponsored social security system. In di cult times, the poor can rst turn to family and neighbors. But in a situation of generalized poverty or economy-wide crisis, the poor will have to go to money lenders or to the employer/landlord for whom she or he works. If MFIs extend lending to the very poor in these circumstances then they can help break the power and hold of such creditors who operate in the inter-locking credit and factor markets. Although high, the interest rates charged by the MFIs are lower than the rates charged by informal creditors (money lenders/employers/landlords).

Unfortunately, however, most MFIs have been found lacking when it comes to lending to the very poor. Nonetheless, it seems that microfinance has significantly dented the informal credit markets by un-determining debt-bondage and usury in some agrarian societies. us, microfinance is having a modernizing impact, even if inadvertent, unacknowledged and unsung.

More importantly, by ―democratizing‖ the credit market the microfinance movement has not only curtailed the power of money lenders, but also constrained MFIs' own behaviour. Some abuses of employees of MFIs, as reported by Anisur Rahman (1999), cannot be hidden under the carpet for too long. For exam- ple, when some MFIs officials went to collect repayments as part of their regular job immediately following the devastating cyclone Sidr in Bangladesh, this was widely reported in the national newspapers.

In other words, the rapid expansion of micro finance has empowered not just women, but all small borrowers. Even if they do not participate effectively in MFIs' decision making or management (as found by Jain and Moore), the ability of the MFIs to foreclose on any tangible property of loan defaulters seems to have shrunk significantly. So, one should not be surprised by the findings of the *Wall Street Journal*'s reporters that Grameen was often rolling over unpaid loans. Whether Grameen was driven by any humanitarian consideration or forced to do so to avoid bad publicity is, of course, moot.

CONCLUSION

There is ample evidence to support the positive impact of microfinance on poverty reduction as it relates to fully six out of seven of the Millennium Goals. In particular, there is overwhelming evidence substantiating a beneficial effect on income smoothing and increases to income. There is less evidence to support a positive impact on health, nutritional status and increases to primary schooling attendance. Nevertheless, the evidence that does exist is largely positive. Microfinance is an instrument that, under the right conditions, fits the needs of a broad range of the population–including the poorest–those in the bottom half of people living below the poverty line. While there will be people in this group who will not be suited for microfinance because of mental illness, etc., the exclusion of this small percentage of the population will likely not be a limiting operational issue for MFIs. Empirical indications are that the poorest can benefit from microfinance from both an economic and social well-being point-of-view, and that this can be done without jeopardizing the financial sustainability of the MFI. While there are many biases presented in the literature against extending microfinance to the poorest, there is little empirical evidence to support this position. However, if microfinance is to be used, specific targeting of the poorest will be necessary. Without this, MFIs are unlikely to create programs suitable for and focused on that group.

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