

Preface

Fifteen years ago, microfinance was looked upon as one of the most promising concept to lift poor people out of poverty. Microfinance was perceived to be “good per se”. Many institutions proved successful both in development and in financial terms. Today, after an impressive pushing of the “financial frontier”, financial inclusion seems to have a mixed record: While it is true that many people in developing countries still lack access to finance, we have also witnessed the opposite “too much/easy access” led to overindebted clients, unable to serve their several microcredits offered by (too) many institutions. In some markets, this implied a move into pure consumer lending, partly replacing the traditional lending to micro-entrepreneurs. “Good” responsible microfinance institutions were not able to continue to operate in these “contaminated markets”. In this context, the question (re-)emerged: isn’t it, after all, unrealistic to believe that pursuing a development mission can go hand in hand with financial success, particularly in the context of commercial microfinance?

I do not share this view. In fact, I believe the two goals are intertwined in the sense that without financial viability, clients cannot be served in a sustainable way, and that institutions which do not understand their clients with their financial needs will hardly be financially successful. However, this does not happen automatically: on the contrary, it takes a lot of efforts to achieve both objectives: a high degree of professionalism and a strong commitment to a responsible service delivery. It also takes responsible regulators and more efforts to promote financial literacy of clients.

This book is part of a publication series initiated by KfW on selected topics in the field of financial systems development, one of the core competencies of KfW. This edition addresses the ethics of financial systems development which have been under scrutiny in “developed” markets as well as in developing countries. As “banking” seems to have become a questionable activity, we will take a special look at the institutions that provide microfinance services. “Microfinance 3.0” intends to provide a new “framework” for the future of microfinance which builds upon past success stories as well as upon lessons learnt from bad practices and errors. It contains nine contributions, written by different microfinance experts, distinguished practitioners as well as observers and analysts of microfinance for more than a decade. Some of these contributions were presented at the KfW Financial Sector Symposium in late 2012 in Berlin, where the future landscape of microfinance was discussed.

These contributions touch upon some of the “ingredients of “microfinance 3.0”: the values needed to provide financial services responsibly, the appropriate busi-

ness models needed to serve a large number of unbanked people, the right role of funders to promote professional and responsible service delivery, and the question as to how to measure the impact of microfinance.

As this publication is also available online (via Open Access), my special wish is that it contributes to a fruitful learning process around the globe and familiarizes financial institutions in KfW's partner countries with our ideas of microfinance 3.0. May this book provide new insights for the reader and promote knowledge sharing among all stakeholders.

August 2013

Doris Köhn
Director General, Africa and the Middle East
KfW Entwicklungsbank

Microfinance 3.0

Reconciling Sustainability with Social Outreach and
Responsible Delivery

Köhn, D. (Ed.)

2013, XI, 199 p. 38 illus., Hardcover

ISBN: 978-3-642-41703-0