

Microfinance Industry in Asia: Achievements and Challenges

By

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Outline

1. Introduction
2. Industry's Achievements
3. Industry's Challenges
4. Conclusions

Introduction

- Industry has grown
- It continues to grow
- But what has it achieved?
- What are its major challenges?

Achievements

- It has brought hope
 - to an increasing number of social entrepreneurs
 - to policymakers and governments
 - to millions of poor households
 - particularly to disadvantaged women

Achievements

- It has provided opportunities for the poor to improve their own welfare
 - growth of innovative institutions

Achievements

- It has made a significant contribution to poverty reduction (different dimensions)
 - Reducing severity of poverty
 - Reducing poverty incidence

[access to basic financial services]

Challenges

- Industry faces many challenges
- Will focus on a few major challenges

Challenges

- Expanding scale of financial services
 - to underserved
 - to unserved, including the poorest
- Doing these in sustainable ways

Challenges

- Providing a broad range of services at affordable prices
 - many cannot afford high interest rates on microcredit on a regular basis
 - assumption that access is more important than cost is questionable
 - poor demand a range of services

Challenges

- Integrating microfinance into broader financial system
 - walls between microfinance and the broader financial system must be dismantled
 - established large-scale institutions must be encouraged to provide the services

Challenges

- Eliminating inappropriate government interventions
 - and increasing appropriate interventions
 - many governments intervene inappropriately
 - but governments have a constructive role

Challenges

- Reforming state-owned financial institutions (SOFIs) to provide financial services for the poor
 - many SOFIs are involved
 - but their potential is not fully harnessed
 - reforming these is not easy; but essential

Challenges

- Increasing the number of sustainable service providers
 - a small number of institutions dominate the current industry
 - needs a more competitive industry
 - competition will bring benefits to an increasing number of poor households

Conclusions

- The industry has achieved a lot
- But many challenges remain
- All stakeholders have to work hard to meet them
- Organizations like ASA Philippines Foundation have a significant role to play
- They deserve encouragement, recognition and support

Thank You

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