



# THE IMPACT OF MICROFINANCE ON WOMEN AND ECONOMIC DEVELOPMENT



## THE IMPACT OF MICROFINANCE ON WOMEN AND ECONOMIC DEVELOPMENT

A CLIENT STUDY

Microfinance is the provision of basic financial services to the poor. Access to loans, savings and insurance helps poor entrepreneurs to create and grow small businesses. Initially, microfinance was largely gender neutral: it sought to provide credit to the poor who had no assets to pledge as collateral. It quickly emerged, however, that women invested their business profits in ways that would have a longer-lasting impact on their families and communities. Consequently women became fundamental to the success of the microfinance model as a poverty alleviation tool.

The commercialization of microfinance and more recently the media have challenged microfinance's impact. In response, WWB commissioned Accenture Development Partnerships (ADP) in 2009 to conduct a study with two WWB microfinance partners: **Muthoot Fincorp Ltd** in India and **Fundación Mundo Mujer (FMM) Popayán** in Colombia, to understand how clients of these two vastly different institutions use their loans. The Study showed that small business loans do nurture investments, foster growth and create additional jobs in the community. *The Study also found that women tend to make more positive improvements to their businesses after receiving a loan than men, and reinvest more of their earnings into their families.*

We present five key messages from the study here, giving both anecdotal and data-driven evidence of the power of microfinance, especially in the hands of women.

WOMEN'S WORLD BANKING IN COLLABORATION WITH ACCENTURE

*Study* FINDINGS >>



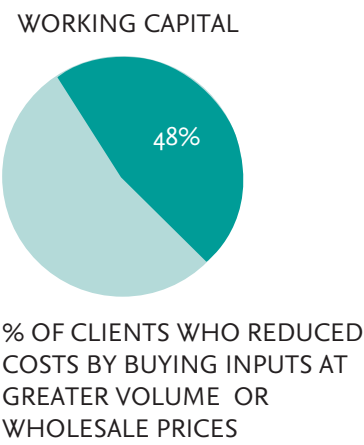
*"I got a \$1,100 loan... I invested in my shop for stocking items and materials."*



## LOANS HELP FAMILY BUSINESSES SURVIVE EMERGENCY SITUATIONS OR MANAGE SEASONAL CASH FLOW FLUCTUATIONS.

Small business loans are used for investing in long-term growth, but equally important, they also provide short-term infusion of cash, which could be the lifeline that keeps a business afloat through an economic difficulty, or conversely, the cash that allows a business to stock up for seasonal peaks.

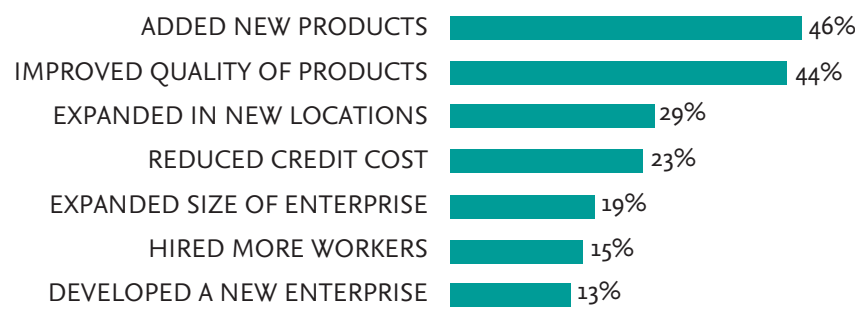
### LOAN SUPPORTS BUSINESS CONTINUITY AND GROWTH



## SMALL FAMILY BUSINESS LOANS NURTURE INVESTMENTS, FOSTER GROWTH AND CREATE JOBS WITHIN THE COMMUNITY.

Lending to small family businesses contributes to thriving enterprises, and also leads to higher standards of living across entire communities.

### WHAT CHANGES DID SMALL BUSINESS CLIENTS MAKE IN THE LAST YEAR?



*"Every festive season we need to purchase more stock and expand our business during this period. So, we took a loan from Muthoot."*





MICROFINANCE HAS EXPANDED FROM THE TRADITIONAL GROUP LENDING MODEL TO INDIVIDUAL LENDING TO SMALL FAMILY BUSINESSES.

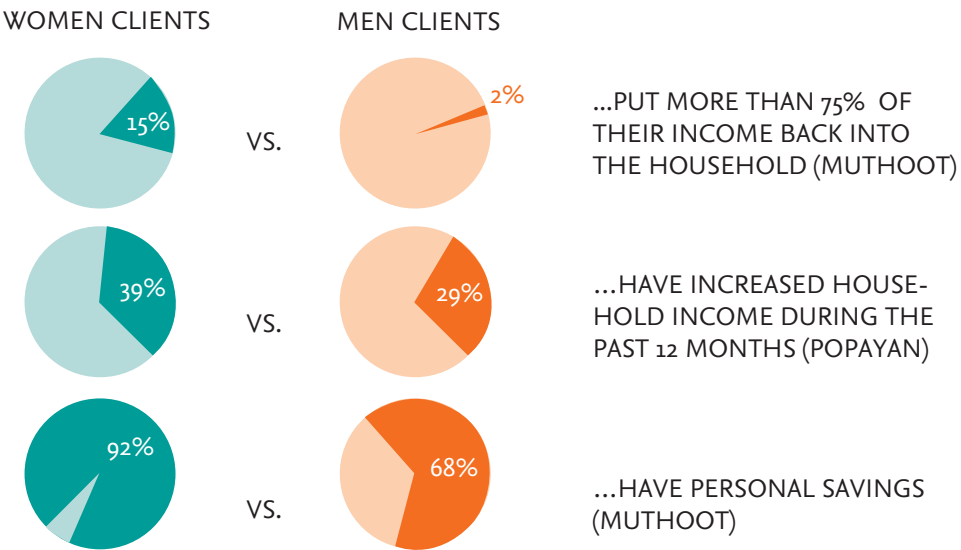
The traditional microfinance model is based on providing group credit to poor individuals with no assets to pledge as collateral. Individual lending approaches small business owners who need cash for working capital or expansion, have some assets for collateral, but may still be unqualified for bank loans.

SAMPLE CHARACTERISTICS	MUTHOOT	POPAYAN
AVERAGE AGE	41	43
Monthly Income Ranges (Segments)	<\$100; \$100-\$300; >\$300	<\$250; \$250-\$500; >\$500
Literacy Rate	100%	98%
Most Prominent Business Sector	Trade (commerce, trade, retail)	Trade (commerce, trade, retail)
Average Loan Amount	\$850	\$1,100
Average Loan Period	35 months	Data not available
Top Use of Loan	49% of clients reduced costs by buying inputs at greater volume or wholesale prices	45% of clients purchased small tools/ accessories (cooking utensils, plow, basket, etc.)

WOMEN TEND TO REINVEST MORE OF THEIR BUSINESS EARNINGS INTO THEIR FAMILIES.

Women are often the gateway to household security. Women entrepreneurs invest a higher percentage of their income into the household, enhancing the family’s overall financial security and access to health care, education and housing.

HOUSEHOLD INCOME AND SAVINGS OF WOMEN AND MEN CLIENTS





## WOMEN ARE AS ENTREPRENEURIAL AS MEN AND OFTEN BETTER BUSINESS MANAGERS.

Women entrepreneurs have skills, innovative ideas and are as business savvy as men. Women in particular use their loans to reinvest in their businesses and make more improvements than men.

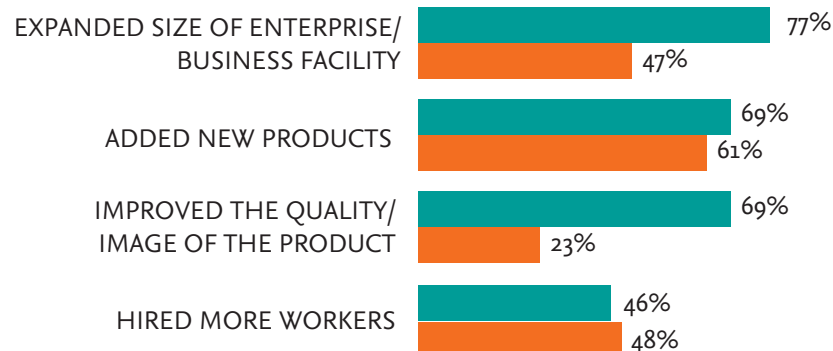
### AVERAGE NUMBER OF IMPROVEMENTS TO BUSINESS (MUTHOOT)

WOMEN = 3.5



VS.

MEN = 2.5



*"In those days (days of her mother) women had no opportunity to be involved in business and decision making matters. Also, they were very much submissive in nature. Now the situation is entirely different...now I am managing this hotel and coordinating everyone accordingly."*

## About

### ABOUT WOMEN'S WORLD BANKING

The mission of Women's World Banking is to expand the economic assets, participation and power of poor women as entrepreneurs and economic agents by opening their access to finance, knowledge and markets. WWB is a global network composed of 40 leading microfinance institutions from 28 countries. Collectively the network reaches over 25 million poor entrepreneurs, the majority of whom are women. WWB's goal is to work with its network partners to ensure that the rapidly changing field of microfinance remains committed to women as clients, innovators and leaders.

### ABOUT ACCENTURE

Accenture is a global management consulting, technology services and outsourcing company, with more than 176,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments.

### ABOUT ACCENTURE DEVELOPMENT PARTNERSHIPS

Accenture Development Partnerships employs an innovative not-for-profit business model that makes Accenture technology and consulting services accessible and affordable to development sector organizations. Through this model, which is based on the principles of mutual contribution and benefit, Accenture Development Partnerships are able to provide non-profit clients with the same high-quality consulting services that Accenture provides to commercial clients, but at a fraction of market rates. This sustainable model is based on collaboration one in which Accenture, its employees, and the development sector clients all make a contribution.



Women's World Banking  
Investing in Women. Transforming Lives.



High performance. Delivered.

WOMEN'S WORLD BANKING  
8 WEST 40TH STREET  
NEW YORK, NY 10018  
(212) 768-8513  
[WWW.WOMENSWORLDBANKING.ORG](http://WWW.WOMENSWORLDBANKING.ORG)