

Responding to recent media criticism

Setting the scene

Opportunity International is a Christian organisation that has led the way in providing microfinance to very poor people around the world for the last 40 years. Over this time, the number of other microfinance providers has grown substantially. New for-profit institutions have subsequently appeared, seeking to use microfinance to make money by offering their own style of micro-financial services to very poor people.

In extreme cases, commercial pressures have resulted in some of these organisations pursuing some irresponsible lending and undesirable debt-collecting practices. Having uncovered instances of abuse by a few organisations, much recent press coverage has responded by questioning the legitimacy of the microfinance industry as a whole.

At Opportunity, we believe that any practices that abuse or exploit poor people should be exposed and condemned. We also believe that the malpractice of a few does not represent the faithful service of many.

We offer the following list of questions and answers to help you think through the core issues that recent press coverage raises, believing that Opportunity-style microfinance is uniquely placed to define the standard by which others should be measured.

Question: “Are all microfinance practitioners the same?”

Note: Not all Microfinance agencies are motivated by charitable objectives. Indeed, some commercial microfinance providers are more focussed on maximising profits and delivering shareholder value. It is important to find out whether the organisation is primarily focussed on serving the poor or maximising profit as this will affect the way they do microfinance. It is also important to remember that microfinance is more than microcredit.

Opportunity is a Christian organisation called to put poor people's interests first and foremost. This is why we have organised our business model around them since our start in 1971:

- **On our approach:** Our hybrid approach employs the best of commercial banking practices in service of our pro-poor mission.
- **On profit:** Our microfinance delivery partners aim to make a small profit so they can afford to maintain and improve their service to poor people without being long-term dependent on overseas aid. If we ever make small profits they are reinvested in services for our clients.
- **On the importance of charitable ownership:** As all Opportunity commercial partners are majority owned by Opportunity charitable trusts, our commitment to use any profit to benefit poor people is ensured.
- **On full-service microfinance:** Microfinance is more than microcredit. Loans can be very effective in helping poor entrepreneurs grow their businesses - but loans are not for everyone. Secure savings accounts and tailored insurance products are just as important in helping people step up out of poverty. Opportunity is one of a very few global microfinance organisations able to provide a full service to most clients.

Q: What evidence is there to support a claim of people before profit?

Note: Charitable ownership is not the only gauge of a microfinance provider's pro-poor credentials. Other factors like the social demographics of their clients, the location and scale of their work and their track record are also important.

- **Social Demographics:** Opportunity International is passionate about serving the poorest of working poor people. This is evidenced in micro measures such as the average group client loan size (which, for example, is £145 in Malawi) and macro measures such as the relative poverty of the countries served (the majority of Opportunity Partners work in the least developed nations).
- **Location and scale of work:** Opportunity International works in 24 of the poorest countries in the world. Within these countries, we are expanding out of urban areas into the much poorer rural regions where most people have no access to microfinance. Work in remote rural areas is costly, but essential if people are to be given a reliable and safe way of borrowing and saving.
- **Services offered:** Opportunity International provides a full microfinance service - loans, savings and insurance – because poor people don't just want loans. They want to save securely and insure themselves against an uncertain future. Saving securely is especially important because it enables people to access healthcare, pay for food and respond to hardship when it happens. Opportunity savings accounts offer poor people the chance to securely save in a bank instead of leaving their money at risk under a mattress or buried in the ground.
- **Track record:** Globally, Opportunity International has 40 years of experience providing microfinance to very poor people.

Q: How does the organisation protect its clients from falling into financial difficulty?

Note: Without proper care, a loan can be a curse and not a blessing.

- **Build relationships:** Opportunity International takes time to build relationship with all clients. By knowing their individual situation, we are best placed to meet their specific needs. As a responsible lender, we regularly refuse microloan applications if we feel the applicant is not well placed to manage the loan repayments.
- **Support business expansion:** Further, we focus our lending on those who want a loan to grow an existing small business. In this way, our loans are used to improve our clients' sources of income rather than push them into unmanageable debt.
- **Promote Financial Education:** We provide financial training to our clients to help them manage their money wisely. We are increasing the scale of our training thanks to investment from the UK Government and other major donors.

Q: "Does Microfinance work?"

Note: Recent media coverage has tended to prejudice all microfinance by citing a 2009 MIT report.

- **Our response:** One study ...by one institution... of one microloan product... provided by one microfinance organisation ... over one year... in one city. . . cannot judge the effectiveness of all microfinance provision over the last 40 years.
- **Microfinance is best assessed using many studies from many locations.** Opportunity loans are helping over a million small businesses to expand and earn a more consistent income. More children are in education and more families have access to healthcare and permanent housing as a result. We continually evaluate our impact with studies undertaken by experts from inside and outside of Opportunity.

For more information about Opportunity International's approach to microfinance, please visit:

www.opportunity.org.uk