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LSE hosts international conference 'Microfinance Products and **Processes: Lessons from the Field'**

Staff Report

LAHORE: The second international conference, jointly organised by the Lahore School of Economics (LSE) and the University of Oxford, was held at Main Burki Campus of the LSE on Thursday.

The theme of the conference was 'Microfinance Products and Processes: Lessons from the Field'. The daylong event was devoted to discussions on the cutting-edge research in the microfinance sector. The conference brought together speakers from microfinance institutions, researchers research of microfinance prod-sidised capital." ucts and the key lessons of this welfare of Pakistan.

the United States and European prise growth." important for the well being of areas. people in the country."

the field was restricted to tiatives were taking centre stage debt contract. social mobilisation and com- in policymaking circles. munity development. "The tives in the field started with demic institutions like the LSE, Innovations'. the inception of Pakistan University of Mannheim and

ahore School of Economics & University of Orders's onfernse

MICROFINANCE PRODUCTS AND PROCESSES: LESSONS FROM THE FIELD

> Mahmood Chaudhry Library April 13, 2017



Pakistan and abroad to discuss country by providing technical sector. main findings of the rigorous assistance, grants and sub-

research on the socio-economic microfinance sector had gone for Microcredit and through steady changes over the Microsaving'. The conference started with years, "yet we are still lagging

growth in microfinance are very research was needed in these

He shared that despite these drawal. He stressed the importance challenges, the microfinance



first session of the conference Evidence from a Large-Scale He contented that the titled 'Comparing the Demand RCT in Pakistan'

In this session, Uzma Afzal the welcome remarks by LSE behind"; only 13 percent of the (PhD candidate, University of markets from a randomised con-Rector Dr Shahid Amjad adults in Pakistan had access to Nottingham and assistant pro-Chaudhry. He mentioned that a formal account, which was fessor, LSE) and Simon Quinn study suggested that there would the issues the conference aimed much lower than 31 percent in (associate professor of econom- be substantial adverse selection to address were very important Bangladesh, 53 percent in India ics and deputy director of the if health insurance coverage and must be explored in detail. and 83 percent in Sri Lanka. Centre for the Study of African were individually assigned. He said that the global econom- "The standard microcredit Economies, University of ic landscape was witnessing tec- model, with high interest rates Oxford) presented the study selection becomes worse with tonic shifts in major economic and immediate repayment, titled 'Two sides of the Rupee? powers of the world, including seems unable to generate enter- Evidence from framed filed a trade-off between cost recovexperiment'. In this study, using ery and the quality of the insur-Union, which already hinted He pointed out that our a framed field experiment that the traditional models of knowledge on microfinance among women in rural Pakistan, selection virtually disappears running the world as well as products and processes like the authors proposed that saving when bundling insurance polifinancial systems were no credit, savings and micro health and borrowing among microficies at the household or higher longer valid. "In particular, insurance was still very nance clients were substitutes, levels." innovative strategies to boost parochial and that more satisfying the same underlying demand for a regular deposit schedule and a lump-sum with-

The study found high of active contributions by both sector had gone through tremen- demand for both credit and sav- date, University of Oxford). The academicians and policymakers dous growth over the past five ing, with the same individuals study focused on developing to provide fresh and innovative years, emerging as a commer- often accepting both a credit alternative financial instruments perspectives on microfinance cially and financially viable contract and a saving contract for microentrepreneurs, in the products and processes. model, with three main players over the three experiment form of microequity that can The keynote lecture was dominant in the industry; NGO waves. Hence, the results stimulate demand for entrepredelivered by National Rural microfinance institutions implied that the distinction neurship and foster wider eco-Support Programme Chief (MFIs), MFI banks and provin- between microlending and nomic and employment growth Executive Officer Rashid cial governments (which have microsaving was largely illuso- in Pakistan and beyond. Bajwa. Sharing over 25 years emerged as wholesalers of ry; participants valued a mechaof experience in the microfi- microfinance in the industry). nism for regular deposits and ative to debt-based financing. nance sector, Rashid Bajwa He further discussed that lump-sum payments, whether microequity investors might be mentioned that 20 years back increasingly microfinance ini- that was structured as a credit or willing to take higher risks in

He acknowledged partner- the second session of the con- line with this, microequity pendulum swing of perspec- ship of NRSP with various aca- ference titled 'Testing Product investments were more likely to

Poverty Alleviation Fund the University of Oxford. He session, Andreas Landmann long-term returns and acted as (PPAF) in 1997. A key element argued that these partnerships (Postdoctoral Research Fellow, implicit insurance to entrepreof PPAF was to formalise had allowed NRSP to test new The Paris School of Economics) neurs, it stated.

presented the study on 'Adverse Selection in Low-Income Rashid Bajwa chaired the Health Insurance Markets:

The study provided robust evidence on adverse selection in low-income health insurance trol trial in rural Pakistan. The

"In particular, adverse higher premium prices, creating ance pool. In contrast, adverse

The second study in this session titled ' Microequity for Microenterprises: Lessons from Pakistan' was presented by Muhammad Meki (PhD candi-

he study suggested that relfavour of higher potential Dr Azam Chaudhry chaired returns on their investments. In produce firm growth since equi-The first presenter in this ty investments were focused on

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Microfinance sector Court tinds

Call for adopting innovative strategies to boost growth

the cutting-edge research in the areas. microfinance sector.

Pakistan.

products and processes. and circles.

valid.

dized capital.

Shahid Amjad Chaudhry on mal account, which is much sions.

He was addressing the sec- model, with high interest rates Pakistan.

the socio-economic welfare of and provincial governments The study found high microfinance products can (which have emerged as demand for both credit and have on the socio-economic Dr. Shahid Amjad Chaudhry wholesalers of microfinance in saving, with the same individu- welfare. said that both academicians the industry). He further dis- als often accepting both a cred- The conference was concludand policy makers should pro- cussed that microfinance initia- it contract and a saving con- ed with the second panel disvide fresh and innovative per- tives are increasingly taking tract over the three experiment cussion on "Impact and Future spectives on microfinance center stage in policy-making waves. Hence, the results Directions" where panelists Ali implied that the distinction Akbar Head Research and He said that global economic He predicted that country between micro-lending and Operations, Pakistan Micro landscape is witnessing tecton- might see merger of financial micro-saving is largely illuso- finance Network, Shahzad ic shifts in major economic institutions in the future, and ry; participants value a mecha- Akram Chief Credit Officer, powers of the world including the government must clarify nism for regular deposits and Akhuwat, Shawn Cole the United States and European the core business of microfi- lump-sum payments, whether Professor, Harvard Business Union that already hints that nance institutions. that is structured as a credit or School and Ali Khizar the traditional models of run- Chairman, Pakistan debt contract. Consultant, Asian ning the world as well as finan- Microfinance Investment Postdoctoral Research Development Bank and cial systems are no longer Company Zubyr Soomro's talk Fellow, The Paris School of Business Recorder provided a centered around four main Economics Andreas Landmann comprehensive summary of the Chief Executive Officer, points where microfinance sec- presented the study on key messages, which emerged

National Rural Support tor stands today, where the sec- "Adverse Selection in Low- during the conference. Program Rashid Bajwa while tor is looking to go as per the Income Health Insurance They mentioned that the consharing his 25 years of experi- 2020 plan, issues resulting Markets: Evidence from a ference has come up with severence in the microfinance sec- from it, and areas in which Large-Scale RCT in Pakistan." al policy relevant ideas that can tor, Bajwa said that twenty PMIC may require support The study provided robust help policymakers to devise years back the field was from the research community. evidence on adverse selection measures for propelling the restricted to social mobilization Akbar Zaidi Member of in low-income health insurance microfinance sector in the counand community development. Board of Directors, Pakistan markets from a randomized try onto a higher growth trajec-The pendulum swing of per- Micro finance Network high- control trial in rural Pakistan. tory through modern technolospectives in the field started lighted some caveats related to The study suggested that there gy. with the inception of Pakistan research in the microfinance would be substantial adverse The panel discussion was con-Poverty Alleviation Fund sector. He identified three main selection if health insurance cluded on the final points on (PPAF) in 1997. A key ele- issues including dearth of acad- coverage were individually future directions of the sector, in ment of PPAF was to formalize emic researchers on the supply assigned. a broader range of products access to microfinance in the side who specialize in microfi- The key implication of the including insurance, health and country by providing technical nance within the country, study was that the insurers education. The organizers assistance, grants and subsi- excess protection of the micro- should abstain from offering thanked the participants for their finance sector and lack of will- individual policies to avoid valuable contributions, which He also said that the microfi- ingness on part of donors and adverse selection, which have enlightened the academic nance sector has gone through funders to finance a substantive should allow them to focus on community as well as policy steady changes over the years, and comprehensive study simple and comprehensive practitioners in the area.

School of Economics Dr Pakistan have access to a for- economic and social dimen- The study titled " Micro

innovative strategies to boost Bangladesh, 53 percent in India Kashf Foundation Kamran sented by Muhammad Meki growth in microfinance sector and 83 percent in Sri Lanka. Azim discussed the current PhD candidate, University of for the well being of people. The standard microcredit state of microfinance sector in Oxford focused on developing

ond International Conference, and immediate repayment, Uzma Afzal PhD candidate, ments for micro entrepreneurs, jointly organized by Lahore seems unable to generate enter- University of Nottingham and in the form of micro equity that School of Economics (LSE) prise growth. He pointed out Simon Quinn Associate can stimulate demand for and University of Oxford. that our knowledge on microfi- Professor of Economics and entrepreneurship and foster The theme of the Conference nance products and processes Deputy Director of the Centre wider economic and employwas "Microfinance Products like credit, savings and micro for the Study of African ment growth in Pakistan and and Processes: Lessons from health insurance is still very Economies, University of beyond. The study suggested the Field." The one-day event parochial and that more Oxford presented the study that relative to debt-based was devoted to discussions on research is needed in these titled, "Two sides of the financing, micro equity Rupee? Evidence from framed investors might be willing to He said that in spite of these filed experiment." In this study, take higher risks in favour of The conference brought challenges, the microfinance using a framed field experi- higher potential returns to their together speakers from microfi- sector has gone through ment among women in rural investments. nance institutions, researchers tremendous growth over the Pakistan, the authors proposed Ali Cheema Board Member, Pakistan and outside of commercially and financially among microfinance clients are Fellow, IDEAS and Lead Pakistan to discuss main find- viable model with three main substitutes, satisfying the same Academic, Pakistan Team,

HASSAN ABBAS yet we are still lagging behind; which quantifies the impact of products for the low-income microfinance across various market.

equity for Microenterprises: Thursday called for adopting lower than 31 percent in Chief Operating Officer, Lessons from Pakistan" prealternative financial instru-

and other stakeholders from past 5 years, emerging as a that saving and borrowing CERP; Senior Research ings of the rigorous research of players dominant in the indus- underlying demand for a regu- IGC discussed the preferences microfinance products and the try; NGO Microfinance lar deposit schedule and a that influence consumer key lessons of this research on Institutions (MFIs), MFI Banks lump-sum withdrawal.

