

Abstract

Microfinance as the best way of tackling poverty is under attack. It has been accused of failing to help the poor, of treating its clients badly, of charging high interest rates and of encouraging poor people to take on excessive debt burdens. The authors examine these issues, and find that microfinance institutions (MFIs) can have significant positive impacts, including democratisation of banking services, provision of secure savings facilities for poor people, and social benefits, particularly for women. The paper looks at the way forward for microfinance, suggesting some changes that need to be implemented by MFIs, banking authorities and governments.

Keywords: microfinance, microfinance institutions, low-income households, poverty reduction, Grameen Bank, India, Bangladesh

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