

Lahore School of Economics and University of Oxford
Second International Conference on
Microfinance Products and Processes: Lessons from the field
13th April 2017

About 40 percent of the South Asian population living on less than \$1.25 per day and 74 percent subsisting on less than \$2 a day. This suggests that a large proportion of the population in South Asia is particularly ‘vulnerable’ to external shocks. Research shows a strong positive relationship between financial inclusion and poverty reduction. However, Only 13% of the adults in Pakistan have access to a formal account, which is much lower than 31% in Bangladesh, 53% in India and 83% in Sri Lanka. Recent empirical results on microlending show that the standard microcredit model, with high interest rates and immediate repayment, seems unable to generate enterprise growth (Karlan and Zinman, 2011). In contrast, a growing body of empirical evidence suggests that savings products can be valuable for generating income and for reducing poverty (Burgess and Pande, 2005; Brune, et al., 2014).

Academic research on microfinance in Pakistan has received considerable boost in recent years, notably with funding support from the International Growth Centre (IGC) and Economic and Social Research Council (ESRC). For instance, in a research jointly funded by the UK’s Department for International Development (DFID) and Economic and Social Research Council (ESRC) as part of the DFID-ESRC Growth Research Programme, researchers from the University of Oxford and the Lahore School of Economics in collaboration with the National Rural Support Programme (NRSP), find that for microfinance clients, savings and credit products are often substitutes, satisfying the same underlying demand for a regular schedule of deposits and a lump-sum withdrawal. The IGC is supporting research into a wide range of topics – the role of access to finance and household dynamics in promoting female enterprise; the reliance of mobile money on social networks; peer effects on demand for savings and if credit bureaus are effective in encouraging credit expansion by reducing information asymmetry.

The Lahore School of Economics and the University of Oxford proposes to hold a conference to bring together speakers from microfinance institutions, researchers and other stakeholders from Pakistan and outside of Pakistan to discuss some of the cutting edge research that has been done in Pakistan. The conference intends to achieve two objectives. One, to disseminate the findings from innovative rigorous research, encouraging feedback from policy makers on how to make research effective and relevant for policy making. Two, the conference will help start a conversation on mutually beneficial collaborations between researchers and practitioners on topics that are of interest to practitioners and policy makers.

The conference is structured with the first and second sessions in the morning disseminating the findings from cutting-edge research on innovative new products in the microfinance sector. The third session, in the afternoon, will discuss the preferences that influence consumer demand and the impact that microfinance products can have on the socio-economic welfare. The first panel discussion in the morning will invite representatives of microfinance institutions; practitioners and policy makers to talk about the current state of the sector and the role that research can play in the sector achieving its objective of poverty alleviation through microcredit expansion. Finally, the last session of the conference will be a panel discussion on the future directions of the sector, specifically as it expands to offer a broader range of products including insurance, health and education.