Foreword

In 1976, few would have guessed that Muhammad Yunus’s small action research project would ultimately drive the global spread of microfinance and earn him a Nobel Prize. But today, the writing is on the wall. M-PESA, Safaricom’s pervasive mobile money service in Kenya, is the Grameen Bank of the next decade. It is proof that technology will take microfinance mainstream and it has accelerated a global movement to take advantage of technology’s power.

Whereas Grameen Bank demonstrated that even very poor people are creditworthy (still a revolutionary idea among many bankers) M-PESA has demonstrated how to bring financial services profitably to nearly everyone. Cheaper to operate than bank branches and ATMs, and more accessible to the poor than the Internet, the M-PESA channel uses mobile phones and thousands of airtime resellers to let anyone conduct transactions electronically. Eventually, billions of people (yes, billions!) will use services like M-PESA to borrow and repay loans, and save for their future.

Like the Grameen Bank, M-PESA is an inspiration. The “imitators,” banks and mobile operators in dozens of markets, seek to replicate its success by adapting the model for local markets. Examples include Orange and MTN across Africa, ANZ Royal in Cambodia’s WING service, and others. The innovators are beginning to design and deliver services such as banking, health and trading differently – now that nearly half of all adults in Kenya can make small payments anytime, anywhere.

But mobile phone networks are not the only technology that will transform microfinance. Already, new ways of communicating information, analyzing data, and writing software are increasing the sophistication, scale and diversity of financial services for poor people. For example, several microfinance software providers including global leaders such as IBM are working to host their applications and store customer data “in the cloud.” Online lending platforms such as Kiva and MyC4 have begun to consider mobile-based person-to-person lending models.

This book is the first to systematically address technology’s impact on microfinance. Ably compiled and edited by Professor Arvind Ashta, it covers a range of technology applications that will define the “next generation” of the microfinance movement. Most importantly, it tackles “tough questions” around technology: what are the disadvantages of technology-enabled microfinance, and what will this mean for the inclusiveness and empowerment of the service, among others.

It may be years, even a decade before we really understand the power of technology and its limits. Indeed, many still grapple with the true impact that access to credit – Prof. Yunus’s early insights – has for the poor. But as an early proponent of efforts to track, advance and pioneer technology for microfinance, I am rewarded by successes like M-PESA and the growing appetite to tackle these questions.

Whether you are an imitator or an innovator – both are needed – you will find this book useful. It is pioneering, like the Grameen Bank and M-PESA, and I hope it will also be inspiring.
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