

# Microfinance Participation and Food Security

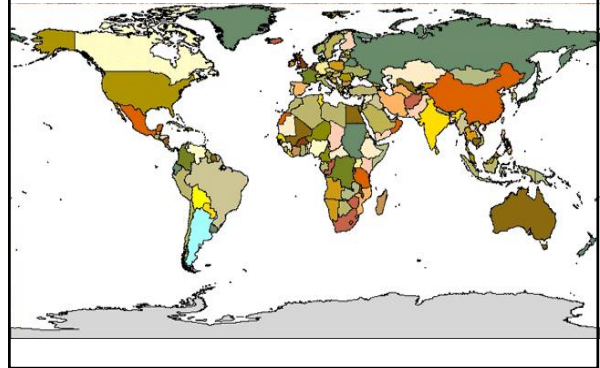
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## Introduction

- Why is a nutritional anthropologist studying microfinance?
- Why Bolivia?
  - “Mature” microfinance market
  - Large number of MF organizations
  - Large number of people participating as borrowers
  - and...



## Bolivia in the World



## Why study microfinance?

- Isn't it one of the most successful development efforts in decades?
  - >3000 microfinance organizations world wide
  - >115 million borrowers world wide
  - Reportedly up to 2 trillion dollars in portfolios
- “Microcredit is the extension of small loans to entrepreneurs too poor to qualify for traditional bank loans. It has proven an effective and popular measure in the ongoing struggle against poverty, enabling those without access to lending institutions to borrow at bank rates, and start small business.” (Muhammad Yunus, Grameen Bank)

## Microcredit/Microfinance

- Wide range of approaches
- Best known is “village banking”
  - Women borrow small amounts of money to start a business
  - Market-based interest rates
  - Mutual liability: Social group as collateral
    - Social support and social pressure for repayment
      - 95-98% repayment common in Bolivia

## Why is Microfinance Growing?

(Ledgerwood 1999:3)

- The promise of reaching the poor
- The promise of financial sustainability
- The potential to build on traditional systems
- The contribution of microfinance to strengthening and expanding formal financial systems
- The increasing number of success stories

## But how successful?

- “Measurable enterprise growth, as well as impacts on poverty, cannot be demonstrated easily or accurately; outreach and repayment rates can be proxies for impact.” (Ledgerwood 1999:3)
- “[We] lack hard data to demonstrate that microfinance leads to poverty reduction.”
  - Emma Torres, Senior Advisor, International Year of Microcredit (9/30/2005)

## Research Question

- Globally: Seeking to understand how and why people do, or don't, do better economically and socially as a consequence of participating in microfinance
- Research partners: Freedom from Hunger, CRECER
- Specific outcomes of interest
  - Health
  - Access to health resources
  - Food security
  - Economic well-being

## Research Design

- Multi-method: quantitative/qualitative
- Followed a randomly selected group of women for 14 months with three survey instruments
  - Financial diaries
  - Food security/dietary diversity
  - Health status and health care access
- 2 full surveys 14 months apart, shorter monthly surveys over 10 months in the interval
- Rural/urban
- ~80 hours of recorded qualitative interviews
- 20 months of participant observation





## Food Security

- Sensitive measure of household well-being
  - Underlying assumption in microfinance
    - Increase income → improve diet (quantity and quality)
- Easy to measure
- Widely validated scales (HFIAS/Radimer)
  - Nine occurrence questions of increasing intensity
  - Three frequency of occurrence questions
    - Rarely, sometimes, frequently

## Food Security Scale

- Questions proceed from anxiety to physical consequences of insufficient food
  - Anxiety and uncertainty about the household food supply
  - Insufficient quality (includes variety and preferences of the type of food)
  - Insufficient food intake and its physical consequences

## Food Insecurity

- 54% food insecure in 2007 survey (over past year)
  - 19% food insecure “without hunger”
  - 35% food insecure “with hunger”
- Monthly surveys: ~50% food insecurity (month to month)
  - ~25% food insecure “without hunger”
  - ~25% food insecure “with hunger”
- 2009 survey: ~34% food insecure (over past year)
  - 13% food insecure “without hunger”
  - 21% food insecure “with hunger”
    - Government intervention
    - Diversion of loan funds

## Why?

- The situation didn't change much according to a range of factors usually associated with food insecurity
  - Size of loan
  - Years of participation
  - Household income
  - Household size
  - Education level of borrowers
- Food insecurity worse in rural vs. urban areas

## Why?

- Logistic regression
  - Chronic disease incidence in household
  - Household size/number of children
  - Economically active people in household
  - Household income
  - Urban/rural
  - Using loan for other than business activities
  - Business cycle
  - Type of business
- Nothing of consequence emerged as significant
  - Multiple factors operating

## Digging deeper

- A broader perspective on food insecurity yields considerable complexity not easily captured in quantitative analyses:
  - The structural context of microfinance participation
  - Very traditional approach to diet
  - Large number of competing interests for limited funds

## The structural context of microfinance

- Limited opportunities in the formal sector
- People “on their own” – informal sector
- Very low education levels – third grade
- Tremendous competition in available activities
- Very uneven and uncertain income

## Very traditional approach to diet

- “Eat what they eat”
- Diet and dietary quality organized around “wet/dry”
  - Each meal should have a “wet” (soup) and a “dry” component (main dish)
  - Each dish of the meal should have a wet and a dry component
    - “dry” starch (potato, grain, quinoa) and a “wet” sauce (vegetable/meat based)

## Diet

- Several factors define a diet as adequate:
  - Ability to have a wet and a dry course
    - Alternate soup and main dish through the week
      - Retains “balance”
  - Meat
    - Huesos blancos, huesos rojos
  - More than one “meal” per day
- This baseline (i.e., “normal”) in many cases is below dietary sufficiency
  - The poor haven’t had enough to eat for a long time
  - Central food choice criteria: “Filling us up”

## Large number of competing needs for limited funds

- Many fixed expenses
  - Education
  - Housing
  - Electricity, water
  - Clothes
  - Microfinance loan payments
- Uneven and uncertain income (informal economy)
  - Income actively managed to meet expenses

## Setting priorities

- The poor spend up to 65% of daily income on food
- Given multiple fixed costs, the food budget is one of the few places for flexibility
  - Quantity
  - Quality
  - Frequency

## Conclusions

- Is food security a reasonable measure of microfinance success?
  - Increased income (maybe)
  - Rising expectations
    - Education
    - Housing
  - Conservative view of dietary adequacy
    - “Normal” is insufficient

## Are we asking the right questions?

- Microfinance is first and foremost about creating “sustainable banking for the poor”
- Benefits to the poor largely assumed
  - Participants make payments and take out new loans ≈ productive investment ≈ increased income ≈ improved diet
- The trouble arises when we start asking questions of the people...

## Thanks

- The staff and borrowers of CRECER for patiently accommodating our constant interruptions in their daily routine
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