### Poverty Traps and Microfinance: From Financial Inclusion to Sustainable Development

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Wirtschaft > Internationale Ökonomie > Entwicklungsökonomie

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#### Introduction: poverty is a complex matter

Poverty is a complex matter, requiring a holistic approach - Walking with Socrates inside the poverty issues - Breadth over depth - Poverty is neither a sin nor a fatality -Poverty traps are self fulfilling, if left unsolved - The poverty tree - The rich with the poor: living together, sharing opportunities - Human altruism, beyond Darwinian Mother Nature - Microfinance, a partial solution to (some) poverty traps

### **PART ONE - BEING POOR: CAUSES AND CONSEQUENCES**

## 1. History matters: from asymmetric development to diverging cumulated 23 growth

Historical roots of (under)development - The wealth ... and poverty of nations - From nomadism to the dawn of agriculture - The European miracle - China, a glorious and (once) sleeping giant - The colonial adventure - Euro centrism and the development gap - From the geographical to the cultural approach - Industrializing inventions - Looking for a new global common wealth: from war games to post colonial heritage - The intoxicant blowing wind of independence - Statehood in history - Making poverty a history ... is better than telling the history of poverty

#### 2. Geography matters: the misfortune of landlocked countries

Sea less countries with unnatural borders - Burdening geography - Poor mountains -Landlocked development - Lack of infrastructures - Bad neighbors - Regional integration and other mitigation strategies - Geopolitical handicap - Unifying water

#### 3. Disgraceful opportunities: the natural resources curse

Unlucky bingo - The Dutch disease - Volatile revenues: the boom-and-bust cycle -Spoiling rents, mixing windfall oil with ruthless repression - Unfriendly multinationals - Blood diamonds - Myopic underinvestment - Choice, not fate

#### 4. Poverty multiplication: the demographic spiral

Poor fertility - Cassandra Malthus - The demographic trap - A cruel Spartan selection - Literate women and the book of life - Trendy demography - Demography and poverty - Life expectancy - The population pyramid - Is growing population an opportunity, instead of a problem?

#### 5. Misery, conflicts and bad governance back themselves

Poverty and conflict trap: years of pain ahead? - War games and killing fields - History is littered with tragic conflicts - (Un)civil wars - Contagious conflicts - Let it bleed: counting the damages, when the war is over - Bad governance and kleptocracy - Fail-ing banana republics - Country and political risk - The institutional poverty trap - Corruption and underdevelopment - Racial discriminations and the ethnic trap

39

51

#### 6. Water and diamonds

Water, the true jewel of a thirsty world - Safe drinking and sanitation are basic human rights - Dry and cry: the misfortune of poor water - The big mess ... of the water stress: a vital resource often unavailable to the thirsty poor - When the rain dance hardly works anymore: trendy water shortages due to climatic changes - Irrigation and hydraulic infrastructure: hell without well? - Water mismanagement and hydro-politic problems - The wolf and the lamb: from hydrological interdependence to water conflicts - A vital drinking ... for the sober - No crop without drop: H<sub>2</sub>O for agriculture

### 7. The dark side of the spoon: (mal)nutrition, healthcare and biblical plagues

Illness, undernourishment and poverty - The interaction of >Biblical< plagues with illness and hunger - From little wealth to ... poor health - Global health ... needs an affluent help - Neglected tropical diseases and (elsewhere) trivial illnesses - The case for universal healthcare: a hardly affordable right? - From the vaccination puzzle to the drugs free riding - Dead unless properly fed: is hunger ... an exaggerate diet? - Famine and the tragedy of mass starvation

#### 8. Apocalypse soon? Warnings from the global warming

The weather has no passport: worrying and warnings from global warming - Longing for Noah's protecting ark - Causes and consequences of global warming - Climate changes and misery: are the poorest paying the bill for the richest? - Cooperative agreements for adaptation and mitigation measures: who pays the toll? - Blowin' in the wind: cutting emissions and solving the energy dilemma - Climate refugees and vulnerability - Mother Nature versus Father Profit - Reshaping poverty traps in a polluted planet

#### 9. Underdevelopment and the cultural trap

Culture matters - Managing cultural melting pots, beyond battle of idea(l)s - Economic progress is a cultural process - Unproductive cultures - Falling down from the tower of Babel to the language trap - A cultural approach to prosperity - Social capital - Family clan survival legacies - From corruption to trust - Culturally inherited poverty traps - From poor illiteracy to the primacy of education - The cultural concept of time - From recurring cycles to the cosmological arrow of time - Synchronizing global time

### 10. The silent majority of humanity: gender and age discrimination of disdained women and neglected children

Motherhood and childhood: a symbiotic and discriminated relationship - Women duties ... and rights - From unfreedom to emancipation - Culturally rooted gender inequalities - Avoid child labor and let children play - Invisible children and the birth (un)registration trap - The right to education - The denied childhood of young soldiers

133

#### 11. Globalization and poverty: not a zero sum game

Looking for sustainable globalization in a flattening world - No global or go global? -Openness and growth - Painfully converging to common standards - International speculation and food price volatility - Free capital and financial integration - Worldwide inequalities: globalization makes us neighbors, not brothers - Is globalization an orchestra without director? - Making globalization work with fair trade

#### 12. Wandering poor: is migration a dream or a nightmare?

Exodus out of poverty? - The complexity of global migration problems - Types of migration -The town versus the country mouse: from rural poverty to urban slums - Cosmopolitan migration routes - The remittances traps and opportunities - Subsistence cash from relatives abroad - Pain from the brain drain? - Clandestine vulnerability: low skill, low pay and low income - The Diaspora model and transnational networks with motherland

#### 13. Development as freedom: from human rights to economic liberty

Poverty and unfreedom - Freedom is tolerance - Why democracy helps the poor - Freedoms ... are many - Survival liberty - Market freedom - Social opportunities - Global freedom in a www scenario - From tyranny to demo-crazy? - Subsidiarity, the third complementary way beyond failing States and missing markets - From lack of capabilities to poverty - Poverty and human rights - Development is a human right - Violating poor human rights: a cause and consequence of misery - War and human rights - Amnesty International, Human Rights Watch and the role of civil society

#### 14. The Good Samaritan's paradox: is foreign aid damaging?

The impact of foreign aid in the beneficiary country: a blessing or a curse? - Dangerous aid? Even the Troy horse was supposed to be a gift ... - Spoiling aid rents - Humanitarian versus development aid - Phasing out emergency - Bilateral and multilateral aid - Beyond State-to-State cooperation: a bottom up subsidiarity approach - Donor or need driven aid? When the superficial West misunderstands the complex Rest - A mistaken approach to world's poverty, rethinking foreign aid - Dead aid? - The puzzle of aid go-vernance: are donors really targeting the poor? - Biased belief on debt relief - The best help comes from oneself: looking for home-grown solutions - Aid is more than just sending money, needing to be geared up by complementary actions - APPENDIX - Foreign aid banana skins

### 15. Capital for development and the property trap: from the misery of ungrowth to the mystery of growth

Accumulate and innovate, to move out of poverty - Combining physical with intangible capital - When ability complements capital: productivity, innovation and poverty reduction - The property trap - The mystery of hidden capital - Land reform - Reshaping dead capital, the dowry of the poor - An uneasy catch up, meeting milestone institutions (and avoiding ... tombstones) - Praise for homegrown development, overcoming the foreign debt trap - Poverty and the inefficiency trap

7

#### 197

213

233

## 16. Dismantling the poverty traps, lifting all boats: climbing up together the 305 development ladder

The economic lives of the poor - The survival challenges of the poor - Need of a >Deus ex Machina<? - The impact of foreign direct investments on economic growth - Unpacking the Pandora box of development, starting from agricultural productivity - Rural behinders farming out of poverty - The alphabet of development: promoting propoor equitable growth - Matching endowments with opportunities - Dismantling the intergenerational poverty trap - Migrating from an extended family system to a market economy - To grow or not to grow? Poor countries' development sustainability - Overcoming the parasitic rent appropriation - From heaven to hell: escaping poverty ... or becoming poor - Trespassing the poverty line threshold, with a progressive leap forward - Civic sense bypassing the >tragedy of commons< - Overcoming the competitive disadvantage of handicapped nations - Climbing the social ladder from the Bottom of the Pyramid - Shaping a strategic vision for the future and an inclusive growth pattern, together with the poor

### PART TWO - MICROFINANCE: A USEFUL BUT PARTIAL SOLUTION AGAINST POVERTY

#### 17. Coping with financial exclusion in an informal survival economy

335

The financial life of the poor - Survival cash flow management - Financial illiterates -Surviving in an informal economy - The (un)rational behind financial exclusion: no guarantee, no history, no money - Financial development and inclusion, going beyond the debt trap - Getting off a barter penniless economy: from informal lending to inclusive microfinance - United we go, divided we fall: exploiting the rationale behind group lending, ethnic loyalty and other solidarity networks - Liberalizing the regulatory framework

## 18. The magic in microfinance: is it a solution for adverse selection, moral 351 hazard and strategic default?

What is microfinance? Characteristics and differences with traditional banking - From social capital to group lending and beyond - The Grameen Bank model - Lending beyond collateral - Different ways for achieving the same result: getting money back! - Corporate governance and conflicting interests between lenders and borrowers: adverse selection, moral hazard and strategic bankruptcy - Gentle governance for the poor - Most clients are women, reversing the gender bias: a feminist approach to development? - Moral hazard and microinsurance - Moral hazard within the banking system

# 19. From microcredit to microfinance: the synergic effects of microdeposits, 373 microloans and microinsurance

Smart products and nice services, trying to meet the needs of the poor - Savings first, credit later: microdeposits and precautionary thrift - Savings fuel development - Microinsurance beyond social networks - Designing locally suitable products, beyond a credit-only approach - The evolutionary and synergic interaction between microloans, microdeposits and microinsurance - Leveraging up remittances from abroad - Ancillary products and services

# 20. A chaotic supply of financial services: combining informal with institu- 387 tional intermediaries

A poor informality trap - Beyond aristocratic banking: informal versus formal financial institutions - From informal credit markets to cooperative credit, microfinance and beyond - Ruthless moneylenders - Rotating and Accumulating Savings and Credit Associations - One head, one vote: credit cooperatives for mutual banking - The Darwinian selection from survival to self-sufficiency - How NGOs with a social vision might eventually become commercial banks - Can microfinance survive in a worldwide debt economy? Opportunities and dangers of leveraged growth

# 21. Can microfinance be both sustainable and affordable, without forgetting 417 outreach?

Dreams for the present and goals for the future: combining outreach with sustainability - Deep, broad and lasting - Who pays the bill? The more you give ... the better I live - Microfinance scalability - Sustainability accounting metrics: from economic to financial flows - Balancing loans with deposits: asset and liability management - Cash and equity burn-outs, in an evolutionary growth pattern - Outreaching retail microfinance: synergic partnership for the last mile - No fuel, no growth: liquidity constraint implications for expanding MFIs - Hot versus cold investments: lessons from project financing - Technology enhancing outreach - Synergic branching to outreach clients - The interest rate paradox: why cheap credit might harm the poor - Boomerang interest rates ceilings - Constrained NGOs versus flexible moneylenders, in a slippery institutional environment - Sustainable partnership, from fair trade to social tourism, based on mutual convenience - Clustering microfinance - Microfinance and taxes - Detecting and overcoming microfinance bottlenecks, stepping up even the poorest - Assessing microfinance social impact - APPENDIX - A pricing formula for assessing affordable and sustainable interest rates

# 22. Philanthropic versus greedy returns: mission drift towards socially irre- 449 sponsible investments?

The seductive smell of money - The temptation to abandon social objectives - Moving towards a segmented, wider, and more sophisticated microfinance market - Funding sources and lending structures: should finance for the poor be subsidized? - Easy money and spoiling rents - The soft and patient (foreign) capital of NGOs - Lords of microfinance: Microfinance Investment Vehicles, ranging from philanthropy to bare profit maximization - The rich need the poor, learning from the Selfish Giant

### 23. Beware of banana skins: detecting and softening microfinance risk 465

A risky stakeholdership - The microfinance risk matrix - Assessing industry risk: microfinance banana skins - Risk, resilience and coping - The impact of risk on the MFI's cost of capital - Microfinance rating - Lessons from recessions and depressions

# 24. I have a dream: banking the unbankable, softening the poverty traps 487 with microfinance mitigation chances

501

A road map for sustainable development, lifting away poverty - Looking for a creative integrated approach, complementarily tackling the poverty traps - Microfinance within an integrated development pattern - The controversial utility of microfinance - Sustainable microfinance, beyond market and State failures? - Renewable energy and microfinance, beyond the natural resources curse - Incredible mission: outthinking and experimenting new solutions

### **REFERENCES - WEBSITES AND e-SOURCE**