



Microfinance and Health

Linkages, Innovations and Future Trends

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Meaghan Smith

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Presentation Outline

- Why should we care about health?
- The linkages: health and microfinance
- The innovations
- Future trends

Why Should We Care about Health?

- Health indicators are dropping in many parts of the region (HIV/AIDS, TB).
- 1.5 million living with HIV/AIDS in the region.
- World's highest growth of HIV/AIDS infection rate: Ukraine followed by Russia
- 6 out of 10 hot spots for multidrug-resistant TB are in Russia, the Baltic states and Central Asia.
- Declining health indicators directly impact economic gains, stalling development.
- Can threaten the health of MFI clients.
- Can hurt an MFI's financial performance.

Why Should We Care about Health?

- MFIs in other parts of the world are developing health-related products to:
 - Diversify
 - Provide a competitive advantage
 - Establish market share
- There are dynamic linkages between microfinance and health that can strengthen impact on the lives of poor and low-income people

The Linkages: Microfinance & Health

- Indirect links
- Microfinance to expand and improve private health sector
- Credit and Health Education (FfH)
- Microfinance to expand distribution of health products
- Multi-sectoral NGOs use microfinance to cross-subsidize less profitable health programs
- Microinsurance
- Health savings products
- Economic response to impact of HIV/AIDS

Innovations

A New Market of Microfinance Clients: Private Health Providers

- Programs working with MFIs to reach out to the private health sector.
 - Indonesia: BRI to provides loans to village midwives
 - Philippines: A commercial loan company to provides loans to physicians
 - Tanzania: MEDA provides loans to drug shops
 - Uganda: UMU lends to private providers

Uganda Private Providers Loan Fund



- Background
- Objective
- Partners
- Project Design

Project Background

Issue: Lack of financing and basic business skills are constraining the growth of small private practices in Uganda

Issue: MFIs were not lending to health providers. Considered “Unbankable”.

Project Objectives

1. Provide access to credit and TA in business skills to at least 500 private providers in order to:
 - Increase the viability of private practices
 - Expand services
 - Improve services
2. Work with MFI to develop a sustainable market for loans to health providers.

Project Partners

- Summa Foundation
 - Not for profit investment provided \$300,000 to on-lend to providers
- Uganda Microfinance Union
 - A local MFI that administers and markets the fund
 - Guarantees repayment
 - Shares interest income with Summa Foundation
- Uganda Private Midwives Association
- ACIDI/VOCA, National Smallholder Business Centre

Design of Fund

- Loan Fund Capital: \$300,000
- Borrowers: midwives, nurses, doctors, drug shops
- Loan Size: \$30-\$5,000
- Loan Terms: 6-12 months
- Group lending or individual
- Savings required

Loan Fund Criteria

- Must be willing to provide family planning services
- Must own a private practice
- Loan must be used for private practice
- Must be creditworthy and able to repay



Business Skills Training Program

- Training curriculum
 - Customer service
 - Record-keeping
 - Stock control
 - Profit and loss analysis
 - Business management
 - Handling credit
- 5-day workshop, clinic follow-on
- Pre and post test scores increased from 70% to 84% (n=94)
- Training not mandatory for getting a loan.

Loan Fund to Date (9/30/03)

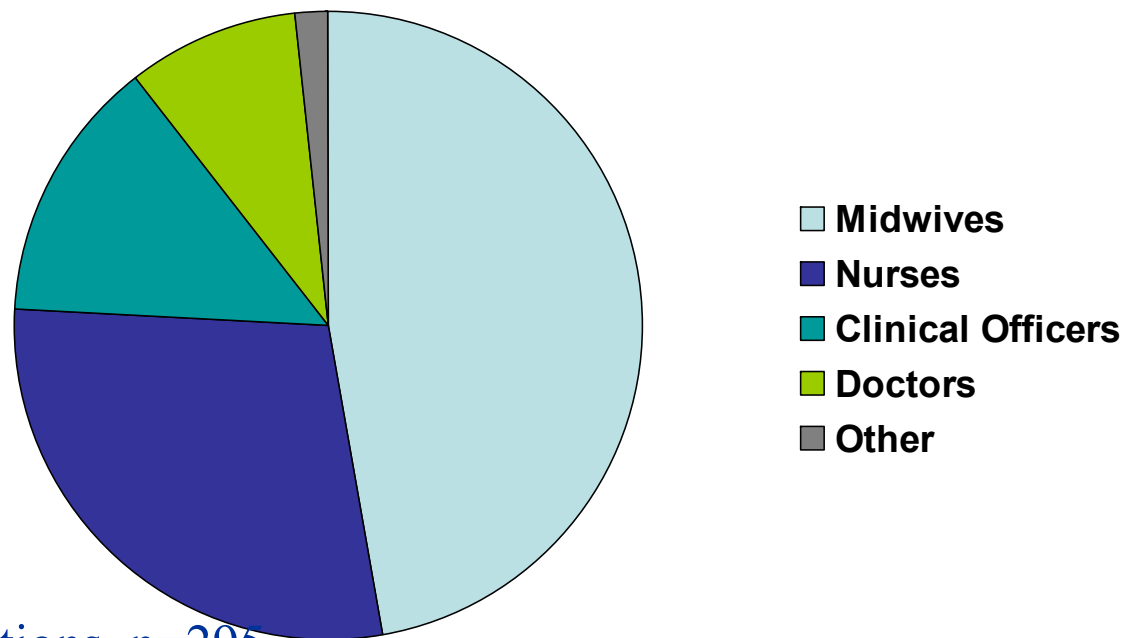
- Total loans to first time borrowers: 300
- Average loan size for first loans: \$556
- Total loans to repeat borrowers: 249
- Average loan size for repeat loans: \$1,043
- Delinquency: 1%, no write-offs
- \$175,000 outstanding
- MFI broke even during first 9 months

Monitoring and Evaluation

- **Monitoring Objectives**
 - Monitor borrower profile
 - Monitor trends in service expansion and financial viability
 - Provide feedback to program managers
- **Evaluation Objectives**
 - Impact of loans and business training on quality
 - Provide feedback to private providers

Distribution of Borrowers by Provider Type

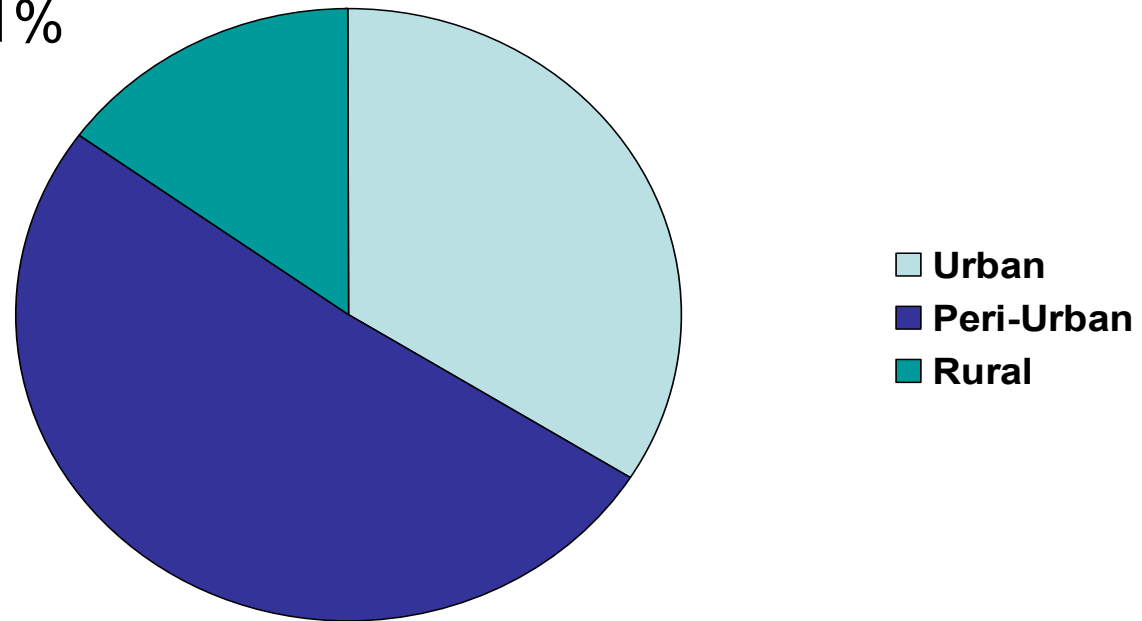
- Midwives: 47.1%
- Nurses: 28.8%
- Clinical Officers: 13.6%
- Doctors: 8.8%



Source: Loan Applications, n=295

Distribution of Borrower Clinics by Market Area

- Urban: 34%
- Peri-Urban: 51%
- Rural: 15%



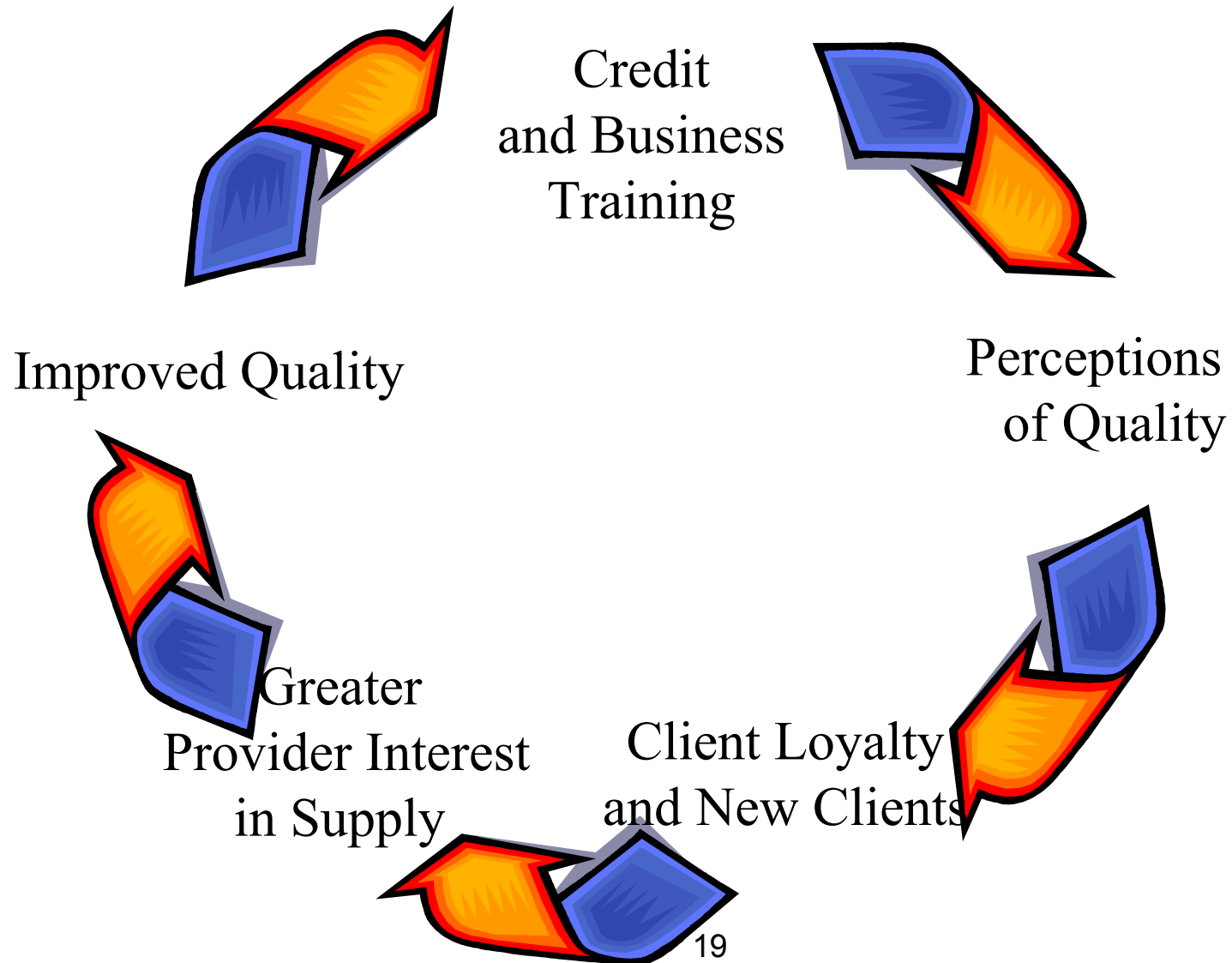
Source: Loan Applications, n=291, 4 missing

Distribution of Borrowers by Use of Loan

Use of Loans (multiple uses)	1st Loans	2nd Loans
Increase drug stocks	77.5%	71.2%
Buy equipment	45%	52.1%
Clinic renovation/expansion	32.2%	47.9%
Other	9%	6.8%

Source: Loan Applications, n=289, 6 missing

Evaluation Hypothesis



Study Design*

- Quasi-experimental study
- 15 private midwife clinics in intervention (Kampala), 7 private midwife clinics in comparison (Mbarara)
- Pre and post-test client interview surveys

	Intervention Pre Test	Intervention Post Test	Control Pre Test	Control Post Test
Clients Interviewed	800	900	300	400

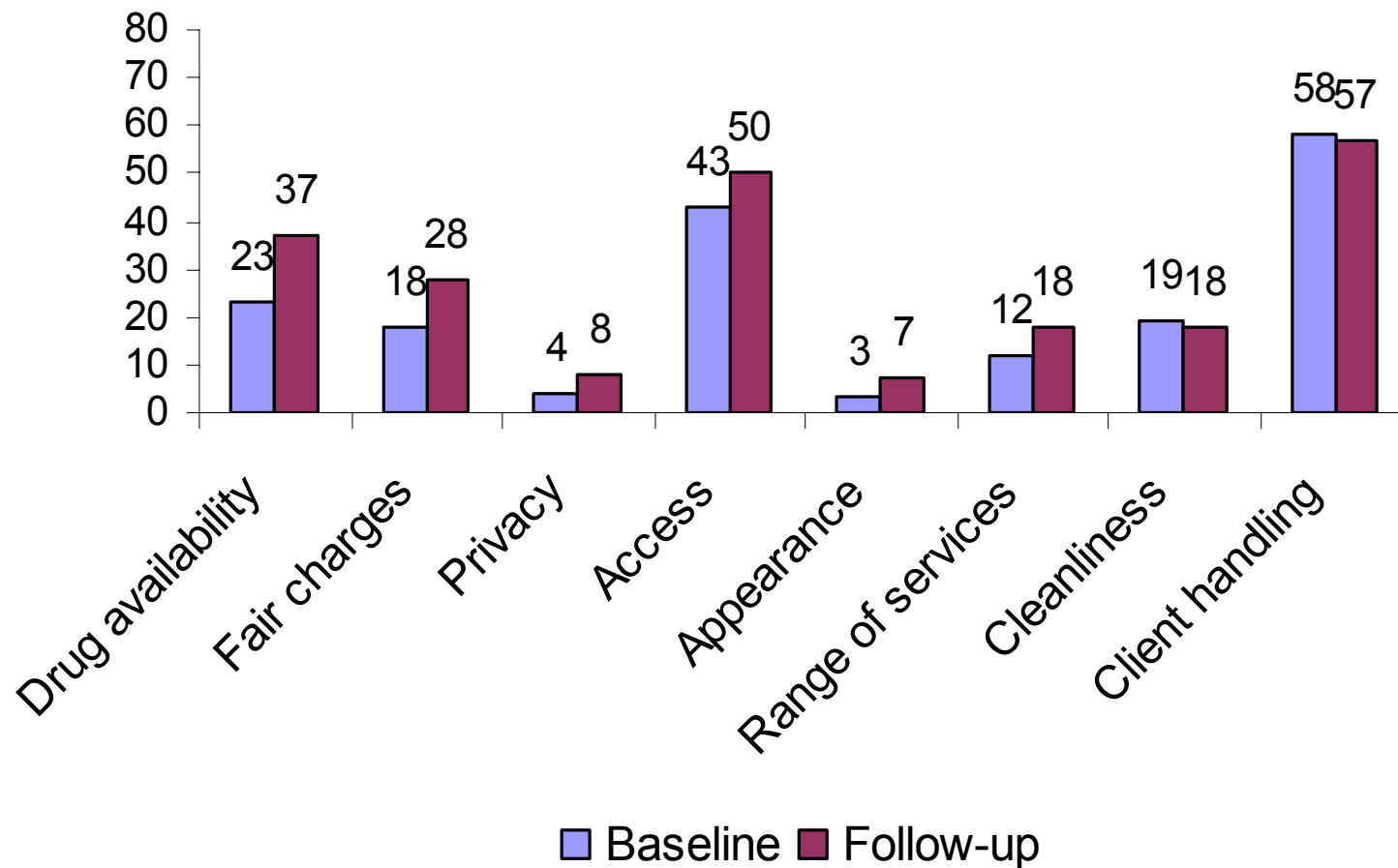
*Study and data: S. Agha, et al, Commercial Market Strategies Project (2002)



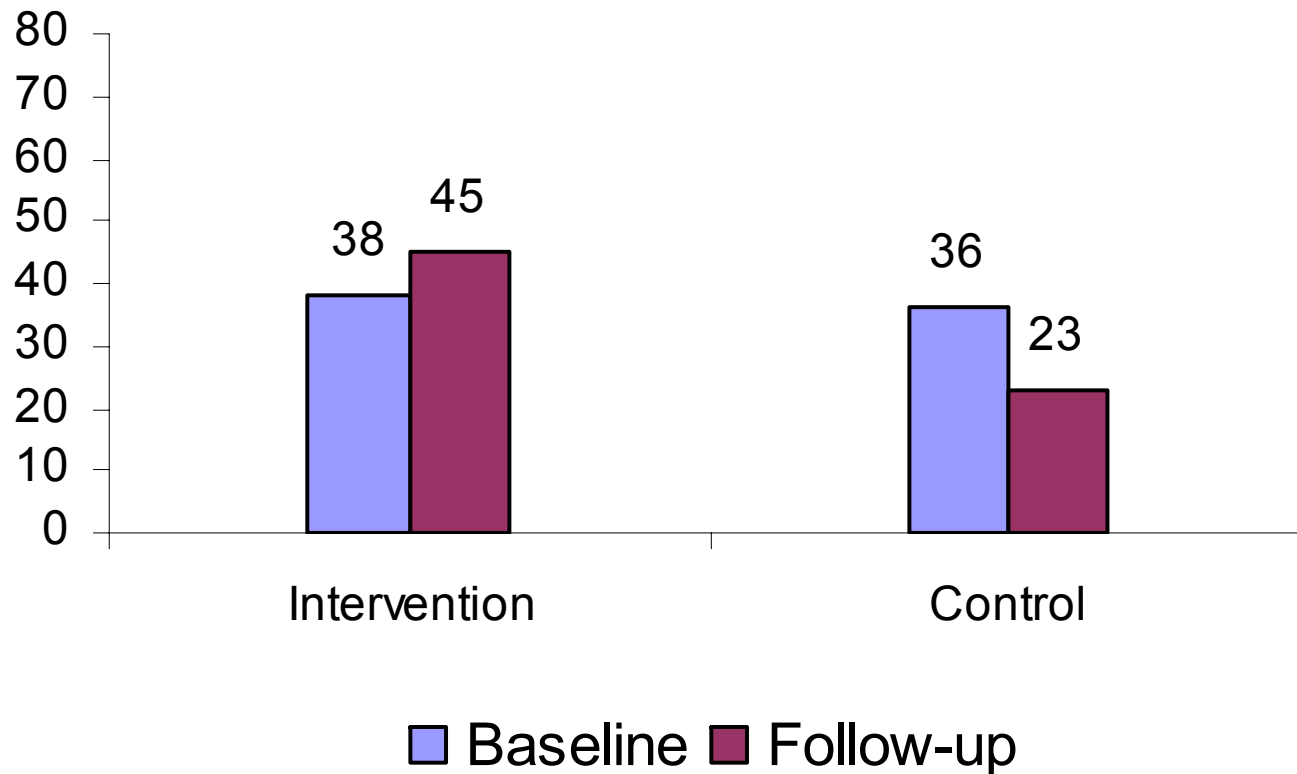
Questionnaire

- Socio-demographic characteristics
- Client loyalty
- Perceived quality

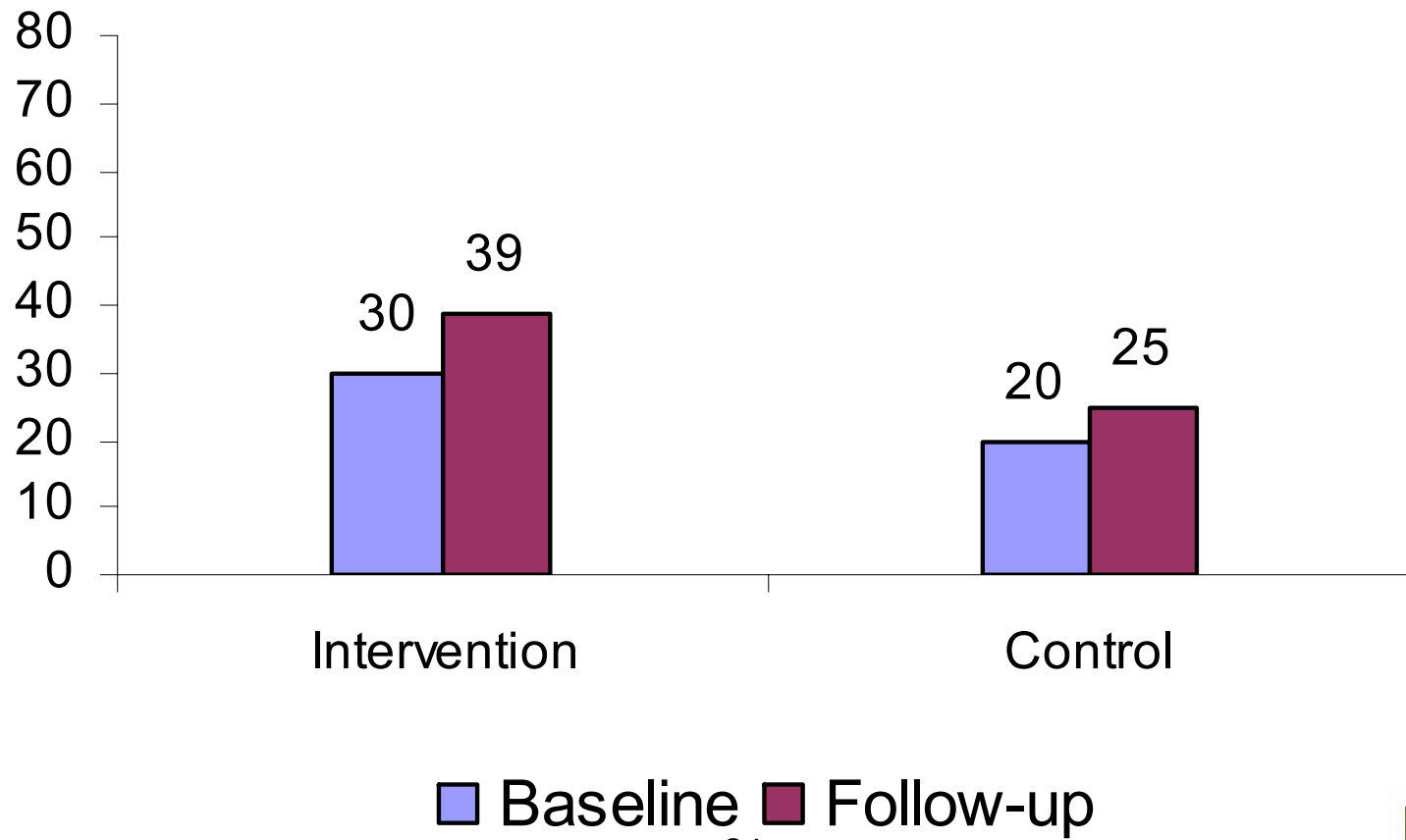
Client Perceptions of Quality Improved at Intervention Clinics



Client Loyalty Increased at Intervention and Decreased at Comparison Clinics



Percent of Clients who Reported MCH Visits Increased



Discussion

- Perceived quality of care improved
- Client loyalty increased
- Indication that MCH utilization increased
- Short observation period —13 months
- Study did not measure actual changes in quality. Anecdotal evidence. Would be useful to measure this.

Conclusions

- Increasing access to financing and training for small scale providers can improve perceived quality
- Large demand for credit by small private providers
- Small private health providers are good borrowers
 - reputation based business
 - community based business
 - many private practices are owned by women
 - multiple development impacts: economic livelihood, health

Future Trends

- There are many synergies between the microfinance and health fields.
- Pilot programs need to be evaluated and best practices disseminated.
- Exploring links to the health sector can help and MFI:
 - Diversify
 - Develop new markets
 - Improve competitive advantage
 - Maximize impact.

