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# Microcredit is not the Enemy

I had [an op-ed published yesterday in the FT](#) with Abhijit Banerjee, Pranab Bardhan, Esther Duflo, Erica Field, Asim Khwaja, Dilip Mookherjee, Rohini Pande and Raghuram Rajan, discussing the recent crisis in microfinance in India. You may need to register (for free) with FT.com to read the whole thing.

Microfinance fills a vital need in developing countries: the provision of financial services to those on low-incomes who lack access to formal banking. It is not a silver bullet that ends poverty, as is sometimes claimed. But studies have shown sound evidence that it allows many of the world's poorest people to develop businesses, insure against bad weather and illness, maintain employment, and smooth consumption. Its main innovation is not lending to the poor – but doing so at lower cost, and with lower interest rates, than informal moneylenders.

Microcredit can be profitable, but its profits, at least in South Asia, come mainly from large volumes rather than large mark-ups.

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