

# Micro-scope on Microfinance

NEW SURVEY QUESTIONS WILL BE AVAILABLE IN FEBRUARY 2013  
WHAT WOULD YOU LIKE TO KNOW? IF YOU HAVE A QUESTION  
YOU WOULD LIKE TO PUT TO THE MEMBERSHIP, EMAIL IT TO  
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RESULTS: REPORT GENERATED ON 19 OCTOBER 2012.  
220 RESPONSES.

This month's survey aimed to measure actuaries' involvement in microfinance. For the purpose of this article, microfinance refers to the provision of financial services to the poor. These services frequently include such things as credit, savings, insurance and fund transfers. Many of those who promote microfinance generally believe that such access will help poor people out of poverty. Microfinance has arisen because banking and related services are often lacking in the context of poverty, notably due to the high transaction costs associated with serving this type of customer.

## QUESTIONS

We received many valuable comments in response to these questions, and it is plain to see that a considerable number of members have well-thought-out views on this topic. There were 220 respondents, whose composition by age, gender, practice area and membership status are shown opposite. These results are similar to previous *Pulse* surveys.

Age band	Female	Male	Total
<25	0%	4%	5%
25-34	15%	25%	40%
35-44	6%	16%	22%
45-54	4%	17%	21%
55-64	2%	8%	10%
>65	0%	2%	2%
<b>Total</b>	<b>27%</b>	<b>73%</b>	<b>100%</b>

Practice area	Count, by qualification level				Total (%)
	Student	Associate	Actuary	Fellow	
Banking & Finance	1	0	2	8	5%
General Insurance	9	12	1	39	28%
Health Insurance	1	0	0	5	3%
Investments	0	3	3	7	6%
Life Insurance	7	5	5	51	31%
Risk Management	0	0	1	1	1%
Superannuation	4	4	3	25	17%
Wealth Management	0	1	0	2	1%
Other	1	2	3	11	8%
<b>Total</b>	<b>11%</b>	<b>12%</b>	<b>8%</b>	<b>69%</b>	<b>100%</b>



### QUESTION 1: WHEN DID YOU FIRST HEAR OF MICROFINANCE (OR MICROCREDIT, MICROINSURANCE ETC.)?

Response	Count	%
More than 10 years ago	55	25%
More than 5 years ago	83	38%
More than 1 year ago	53	24%
Within the last 12 months	9	4%
Never	18	8%

### QUESTION 2: WOULD YOU BE INTERESTED TO LEARN MORE ABOUT MICROFINANCE?

Response	Count	%
Yes	117	53%
No	67	31%
Undecided	35	16%

Microfinance is not a new concept, so it is not surprising that most respondents have known about it for some time. It is also not surprising that the majority of respondents (53%) are interested in learning more about this topic. Comments on question two drew attention to the sources of information already available to actuaries and other members of the public, and the fact that some 'information sessions' turn out to be promotional attempts to obtain funding or volunteers. Some respondents expressed interest in learning about the technical details of the provision of microfinance products.

### QUESTION 3: WOULD YOU BE INTERESTED IN VOLUNTEERING TO WORK IN A MICROFINANCE ORGANISATION?

Response	Count	%
Very interested	24	11%
Interested	49	22%
Undecided	65	30%
Not interested	80	37%

Although the 'Not interested' option was the most popular response, a third of respondents indicated an interest in volunteering. These respondents mostly cited the potential to make a positive difference as their reason, and were also generally keen to learn more about microfinance, based on their responses to the previous question. Uninterested or undecided respondents were generally more concerned with other priorities in life, and many suggested that financial contributions are a more valuable way for them to help.

### QUESTION 4: HAVE YOU EVER WORKED FOR A MICROFINANCE PROGRAM OR ORGANISATION? IF YES, WAS THE EXPERIENCE POSITIVE?

A key result emerges when considering the responses to this question

and the last in combination: although a third of respondents are interested in volunteering, only 5% have previously done so. The experiences of this 5% were overwhelmingly positive, and all but one indicated that they would be interested in volunteering in the future. This suggests that there are benefits that could potentially be realised by providing more accessible opportunities for actuaries to become involved in microfinance.

Response	Count	%
Yes - Strongly positive	5	2%
Yes - Positive	5	2%
Yes - Neutral	2	1%
Yes - Negative	0	0%
Yes - Strongly negative	0	0%
No	205	95%

### QUESTION 5: DO YOU THINK ACTUARIES SHOULD BE ACTIVELY INVOLVED WITH MICROFINANCE? WHY / WHY NOT?

Response	Count	%
Strongly agree	28	13%
Agree	92	43%
Neutral	91	42%
Disagree	4	2%
Strongly disagree	1	0%

This question, along with the ones that follow, allowed the respondents to move beyond their personal situation and consider the role of the actuarial profession more broadly.

The majority of respondents think that actuaries should be involved in microfinance, with people who have known of microfinance for longer generally responding more positively to this question.

One respondent summed up the main two recurring themes among the responses by commenting "Actuaries are well placed and appropriately skilled to assist, but are by no means the only or the best group". Making a positive difference to the lives of the poor, enhancing the profile of actuaries and the need to be wary of the very different operating environment of developing countries were also mentioned.

### QUESTION 6: IF YOU ANSWERED POSITIVELY TO QUESTION 5, DO YOU THINK ACTUARIES SHOULD BE INVOLVED WITH MICROFINANCE MORE BROADLY, OR ONLY BE INVOLVED WITH MICROINSURANCE? WHY / WHY NOT?

Response	Count	%
Microfinance more broadly	105	67%
Microinsurance only	9	6%
Undecided	43	27%

Of the 43 respondents indicating that they are 'undecided' on this question, 65% had given a 'neutral' response to question five. Of the remaining responses, a high proportion (81%) thought actuaries should be involved with microfinance more broadly. In the comments section, respondents overwhelmingly expressed the more general view that actuarial skills can be applied much more widely than just in insurance. One respondent commented: "I hate being bucketed as an insurance specialist as an Actuary. Our skill set is broader than that."

**QUESTION 7: IF YOU ANSWERED POSITIVELY TO QUESTION 5, IN WHAT WAYS DO YOU THINK ACTUARIES COULD OR SHOULD CONTRIBUTE TO THE MICROFINANCE INDUSTRY?**

Many insightful comments were proffered in this section, covering various technical areas relevant to microfinance, as well as training, volunteering, knowledge and experience sharing, helping with the responsible management of financial risk, and helping with the active management of the interests of multiple stakeholders. Other notable comments included that it would raise our profile if the Institute linked up with potential organisations, that "listening is an underappreciated skill many actuaries are good at" and actuaries have an "ability to see the big picture".

**QUESTION 8: DO YOU BELIEVE IT IS POSSIBLE FOR MICROFINANCE INSTITUTIONS TO ACHIEVE BREAK-EVEN PROFITABILITY AND CONTRIBUTE TO REDUCING GLOBAL POVERTY, OR DO YOU BELIEVE THAT IT IS ULTIMATELY NECESSARY TO CHOOSE BETWEEN THESE TWO GOALS?**

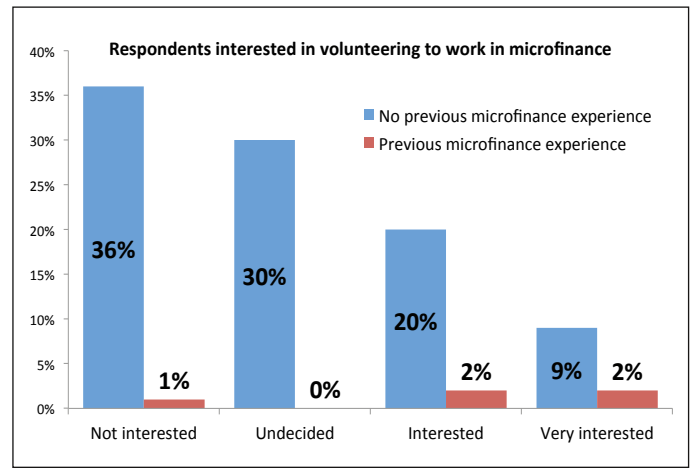
Response	Count	%
Possible to achieve both	133	62%
Impossible to achieve both	28	13%
Undecided	55	25%

The motivation for this question arose from the fact that, in recent times, the social benefits of microfinance (in particular microcredit) have been called into question somewhat. However, overall,



respondents believe that microfinance has positive potential, although many recognise the difficulties associated with the dual social and financial goals targeted. There was a wide range of views expressed: "Poverty is a solely relative measure... Poverty is a prerequisite to the creation of profit." "Life insurance mutuals were once the predominant company type. An appropriate charter can keep the microfinance institution aware of its dual obligations." "Ideally it stays in the not for profit space so people are not taken advantage of."

**CONCLUSION**



The original purpose of this survey was to assess whether a gap exists between actuaries' current vs potential involvement in the microfinance industry. This assessment was deemed worthwhile in part because, while actuaries are not necessarily 'purist' altruists, we are generally quite socially conscious, as reflected by our mandate to look after all stakeholders' interests, as relevant to the decisions we advise on. Therefore, since microfinance is an industry that contributes to significant social goals, it may represent an opportunity for actuaries to make a significant difference to the lives of the world's neediest people. This notion is reinforced by those individuals within our profession who have already made inroads into microfinance in a significant way.

**Although a third of respondents are interested in volunteering, only 5% have previously done so. The experiences of this 5% were overwhelmingly positive.**

The results of this survey show that there is material latent interest in microfinance among actuaries; in particular, there is unfulfilled interest in volunteering to work in microfinance organisations. Tapping into this latent interest could help advance the social goals that survey respondents have identified, and would also help promote our profession and facilitate our move beyond the traditional actuarial disciplines, as most of the survey respondents believe we should.

The Actuaries Institute plans to start a microfinance web portal within its website, in order to facilitate these aims. In the meantime, if, in the words of one of the survey respondents, you are interested in "doing it, not talking about maybe doing it", please feel free to contact the authors of this article and we will try to help. **A**