

# Microfinance

Finance



Microfinance Microfinance can be termed as a development tool that provides affordable and continuous access to finances for small businesses, reducing the gap between the active but financially challenged business society and financial services (Ledgerwood 3). It is a service provided by Microfinance Institutions, also known as MFIs. In this aspect, they provide more than just banking services. In my opinion, MFIs have empowered the poor by bringing financial services closer to them. However, it is also of equal significance to lay policies for efficient management and operations of the MFIs (Ledgerwood 205).

To determine if the MFIs are able to make sufficient returns to meet their needs without extreme risks and remain financially viable while extending loans to small businesses, a periodic analysis of their performance is necessary (Ledgerwood 205). The targeted beneficiaries also require training in capital management and investment to gain profits. A report on the financial analysis is not only helpful to the internal management of the MFIs, but also to donors and financiers that have invested in them (Ledgerwood 205). This aspect applies to both non-profit and profit making entities. An analysis of the performance provides information that assist in identifying existing and potential problems. From the analysis, changes in policy and management can be implemented, improving financial performance.

In conclusion, I believe MFIs need to be monitored and undergo periodic evaluations. This is because well managed MFIs are in the forefront in supporting generation of sustainable income to financially challenged entrepreneurs, driving them towards a financially independent society (Ledgerwood 8). The way they are managed enables practitioners to determine how well they are performing financially and also determine

future performance goals.

#### Work Cited

Ledgerwood, Joanna. *Microfinance Handbook: An Institutional and Financial Perspective (Sustainable Banking with the Poor)*. New York: The World Bank, 1999. Print.