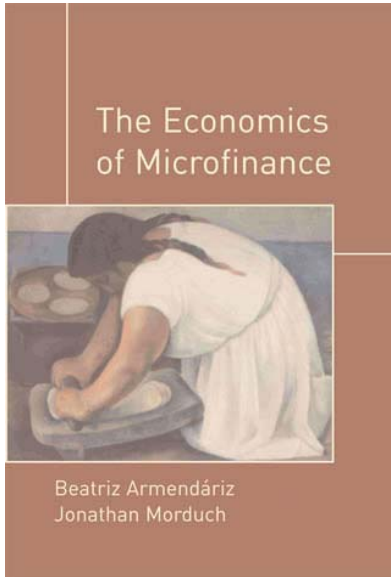




The Economics of Microfinance

Beatriz Armendáriz
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The microfinance revolution, begun with independent initiatives in Latin America and South Asia starting in the 1970s, has so far allowed 65 million poor people around the world to receive small loans without collateral, build up assets, and buy insurance. This comprehensive survey of microfinance seeks to bridge the gap in the existing literature on microfinance between academic economists and practitioners. Both authors have pursued the subject not only in academia but in the field; Beatriz Armendariz founded a microfinance bank in Chiapas, Mexico, and Jonathan Morduch has done fieldwork in Bangladesh, China, and Indonesia.

The book provides an overview of microfinance by addressing a range of issues, including lessons from informal markets, savings and insurance, the role of women, the place of subsidies, impact measurement, and management incentives.

It integrates theory with empirical data, citing studies from Asia, Africa, and Latin America and introducing ideas about asymmetric information, principal-agent theory, and household decision making in the context of microfinance.

"The single best book on the economics of banking and finance, period, and certainly the most encompassing book I have read on microfinance. My copy is covered in notes and dog-eared from use."

—Thomas Easton, New York Bureau Chief, *The Economist*

"The microfinance movement is bringing hope, prosperity, and progress to many of the poorest people in the world. It is necessary to use critical economic reasoning to understand why the movement is such a success and how its exact achievements can be assessed and scrutinized. This book is a splendid contribution to that goal, and will be a great help to students, teachers, and practitioners in economics and the social sciences."

—Amartya Sen, Lamont University Professor, Harvard University, Nobel Laureate in Economics (1998)

"A great place to learn how and why microfinance really works, and where it hits its limits. The book, written by two leading young economists, brims with new evidence and provides fresh perspectives on old debates. Clearly written and sharply argued, it revisits and transforms important ideas about poverty reduction, finance, and incentives. The authors describe what we know and what we need to know in order to move forward."

—Joseph E. Stiglitz, Professor of Economics and Finance, Columbia University, Nobel Laureate in Economics (2001)