What the World is Saying About Pricing Transparency

The following is a collection of quotes about the value of transparency in microfinance from a range of industry actors including policy analysts, funders, journalists, microfinance institutions and networks, microfinance industry support organizations, legal advisors and academics.

Reactions to the Data Launch – Bolivia & Ecuador

"I applaud MF*Transparency*'s achievements by holding this type of event which, with the support of the institutions involved, not only represents benefits for the consumer of financial services, but also has a positive impact on the financial institutions themselves by having clients who are better informed and more aware of their rights and responsibilities."

Iván Velástegui, General Director, Superintendency of Banks and Insurances (SBS), Ecuador

"The objective of a double-bottom line can only be achieved if there is a genuine conviction, an honest commitment and ongoing practice that emphasizes the importance of pricing transparency and consumer protection as the ideal vehicle for success of both the institutions at the individual level and the industry as a whole. In my opinion, this has been the case in Bolivia."

Fernando Prado, General Manager, Prospero Microfinanzas Fund, Bolivia

"I'd like to emphasize the inclusive nature of the [data launch conference], as it featured the participation of the various sectors of the country's microfinance industry, demonstrating that customer protection is a topic of general interest. It also marked a milestone in the country, making microfinance interest rates for the first time in Bolivia and in a public event transparent."

Irina Aliaga Romero, Head of the Area SME, Fundación PROFIN, Bolivia

"The participation of MFIs is remarkable, the fact that 100% of member institutions of ASOFIN and FINRURAL have participated and provided the necessary information demonstrates the willingness of these institutions to make their prices and supply of services transparent."

Erlan Llanos, Investment Officer, LOCFUND, Bolivia

"I think the topic of interest rates was one of the most delicate ones to address, [prices] to clients and the general public. I believe transparency is fundamental, and this achievement represents a truly spectacular qualitative step."

José Auad, President, FINRURAL, Bolivia

"The panelists [of the data launch conference] noted in particular the need to look at transparency from the viewpoint of Corporate Governance and Social Responsibility, so as to ensure long-term profitability. (…) Social investors choose MFIs based on conditions of social responsibility and the belief that good practices of transparency in pricing achieve customer loyalty by building trust that will result in more clients and improved financial performance."

Maria Teresa Alarcón, President, WAM Ecuador

"The event [data launch conference] has been an important start to continue a process that involves working with the client focusing on transparency. It is essential for all financial institutions to acquire and develop a policy of pricing transparency, for which the event has been very important as the impetus for this objective."

Juan Carlos Bustillos, Submanager of Corporate Development, Fortaleza, Bolivia

Policy Analysts

"We have made major investments in improving the quality and clarity of information on microfinance institutions. But we have not yet invested as much as we should in making sure costs of financial services for poor clients are clear and fair. MF*Transparency*'s initiative is a bold one that promises to fill an important gap."

Elizabeth Littlefield, Director and CEO, CGAP

Funders

"Microfinance is both social and financial. These two components are inextricably intertwined, like DNA. You cannot focus on one or the other."

Asad Mahmood, Director, Community Investment Group, Deutsche Bank

"Non-transparent institutions are ultimately identified by their clients and abandoned. Therefore, the business advantages of transparent practices are obvious: High and immediate profit today and many problems tomorrow, or transparency from the start to promote client loyalty and a sustainable, ethical and ongoing relationship. This is corporate social responsibility."

Fernando Prado, General Manager, Prospero Microfinanzas Fund, Bolivia

"A market in which all institutions make the real cost of credit transparent, encourages institutions to further develop their efficiency in order to achieve higher levels of profitability. This also promotes competition in the supply of credit-related services and thus an improvement in customer service."

Erlan Llanos, Investment Officer, LOCFUND, Bolivia

"Transparent and consistent pricing ensures that clients can compare the [prices] of lending products across institutions while donors, investors and analysts can better assess lending institutions from a financial and social perspective. MicroFinance Transparency is playing a lead role in addressing this challenge by providing the financial education, institutional training and tools to make this information widely available. This will yield positive results for microfinance clients and enhance the transparency of the industry."

Bob Annibale, Global Director for Microfinance, CitiBank

"Transparency is the root of every healthy industry. It is fundamental to good business practices."

Asad Mahmood, Director, Community Development Group, Deutsche Bank

"MF*Transparency* is helping to build the commons for microfinance. All of us who invest in this market would benefit from this kind of information infrastructure."

Gil Crawford, CEO, MicroVest

"I think when it comes to the investors it's a question of efficiency. An investor investing in Oikocredit wants to make sure that we finance institutions that are efficient and not institutions that charge extremely high interest rates because of inefficiency or any other reasons. So transparency about costs is essentially pushing MFIs to become efficient and effective. And because of this transparency they will also be challenged to become more accountable. And that's of course something that an investor would be extremely interested in."

Tor G. Gull, Managing Director, Oikocredit

Journalists

"MF*Transparency* provided our team of investigative reporters with invaluable help that allowed Business Week to make sense of the complex financing schemes that make microfinance so expensive in Mexico—and so difficult for the average consumer to understand."

Geri Smith, Mexico Bureau Chief, Business Week

Microfinance Institutions and Networks

"Transparency is a core business value and an indispensable tool in servicing the poor and vulnerable. MF*Transparency* has come at the right time for the correct purpose and intent."

Faustin Zihiga, Chairman, AMIR

"Transparency pre-supposes a level of fairness. Those who are fair and reasonable can afford to be transparent. Thus, if we merely insist on transparency and pursue it to its logical end, it would also automatically lead to the players adopting fair practices be it with regard to pricing, client interactions etc. Thus…just advocating total transparency in the communication of lending rates itself would automatically lead to fair pricing."

Vasudevan PN, Managing Director, Equitas Microfinance India

"With a hand calculator and simple examples it is easy for clients to learn how to calculate the costs of their loans, and it is important to accompany them in this learning process, until they can do it alone and teach their knowledge to their fellow group members. Education and training is clearly the only tool that ensures transparency, and those who practice it benefit from it as well as their family and community."

Luis Tatés, General Manager, COAC Padre Vicente, Ecuador

"The same principles of transparent pricing applied to the commercial finance industry in many countries should also be applied to the microfinance industry. It is our duty to clearly communicate true prices to our clients. MF*Transparency* is taking this very important initiative in the world of microcredit. I wish the organization a great success in moving the microcredit movement forward to achieve its goal."

Muhammad Yunus, Founder, Grameen Bank

"Financial services are just that - a service. And they should therefore serve the people. Transparent and full disclosure of the real price is an integral part of providing the service in a fair and ethical manner. MF*Transparency* is leading a very important initiative to have the microfinance Industry become more and more transparent. I am a fervent endorser of MF*Transparency* since its very inception, and sincerely hope that more and more players of the Industry take active part in this initiative."

Maria Sara Jijon, LLM, President, WAM Ecuador

"Our clients, who are the poor people that we're working for, need to understand what they are paying for. This is a matter of trust. If we lose that it would mean that microfinance would miss its point, and I think that would be the end of microfinance in the way we want it to be."

Christian M. X. Loupéda, Director – Credit with Education, Freedom from Hunger

"We need to draw a line between genuine and abuse. You will never see the situation of poor people if you look at it through the glasses of profit-making."

Muhammad Yunus, Founder, Grameen Bank; NY Times, 2010-04-14

"We at Hope International know the interest rates that we're charging as institutions but to be able to get a better gauge of competitive forces and how we can improve our transparency as a network is going to be a crucial way that we can use the [MF*Transparency*] website."

Micah Crist, Data Analyst, Hope International

"Without being transparent you are not really accountable to anyone. You are not accountable to your clients; you are not accountable to any of your stakeholders."

Irina Ignatieva, Microfinance Advisor, Concern Worldwide

"I think [interest rates are] confusing to the borrower, particularly someone who is illiterate, innumerate, and has not had access to financial services in the past besides to a moneylender and that was a lender of last resort."

Pamela A. Eser, Microenterprise and Economic Development Director, MercyCorps

"We created microcredit to fight the loan sharks; we didn't create microcredit to encourage new loan sharks. Microcredit should be seen as an opportunity to help people get out of poverty in a business way, but not as an opportunity to make money out of poor people."

Muhammad Yunus, Founder, Grameen Bank; NY Times, 2010-04-14

"In the US if someone asked us how important it is for somebody lending to us to be transparent we wouldn't even question whether that is an issue, that they should be completely transparent with us."

Sarah Rutt, Hope Global Investment Fund, Hope International

"The reputation of the sector as a poverty reduction strategy would increase if there was more transparency."

David Kombanie, Regional Director - Africa, Vision Fund

Microfinance Industry Support Organizations

"They call it 'social investing,' but nobody has a definition for social investing, nobody is saying, for example, that you have to make less than 10 percent profit."

Chuck Waterfield, CEO & President, MFTransparency; New York Times, 2010-04-14

"You can make money from the poorest people in the world — is that a bad thing, or is that just a business? At what point do we say we have gone too far?"

Chuck Waterfield, CEO & President, MFTransparency; NY Times, 2010-04-14

"Mexican microfinance institutions charge such high rates simply because they can get away with it. They could do better, they could do a lot better. If the ones that are big and have the margins don't set the pace, then the rest of the market follows"

Emmanuelle Javoy, CEO, Planet Rating; NY Times, 2010-04-14

Legal Advisors

"Communicating the true price of a loan is so critical. How can you say you are teaching financial literacy to your clients while withholding the alphabet from them?"

Howard Finkelstein, the Law Offices of Howard J. Finkelstein

Academia

"Finance is about confidence, which depends on information."

Russell P. Mask, PH.D., Microenterprise Technical Advisor

Elizabeth L. Littlefield **CGAP**

Former Director and CEO 23 July 2008

CGAP Statement on MicroFinance Transparency

We welcome any initiative whose objective is to provide greater transparency around financial service costs for poor people. Such initiatives will lead to lower costs, increased efficiency and will empower customers to make the best choices they can. This initiative is a bold one that promises to fill an important gap.

Building the fledgling microfinance industry through providing more and better data on products and performance has been a cornerstone of CGAP's strategy for a decade. We have made major investments in improving the quality and clarity of information on microfinance institutions. But we have not yet invested as much as we should in making sure costs of financial services for poor clients are clear and fair.

Transparency and comparability of prices will lead to more efficient markets and downward pressure on costs that will benefit millions of poor people.

MF*Transparency* aims at giving microfinance institutions information to offer better value to customers. And it will give investors and others the information they need to put pressure on those institutions that may be charging unreasonably high fees or hiding the full cost of their services. We applaud the effort.