

**Authors**

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## Barbara Magnoni on microfinance product design

The vast majority of microfinance programs -- particularly group lending efforts -- explicitly target women. This focus grew in part out of the belief, supported by some research, that women are more likely to invest in the household as a whole, particularly in the children. Given that, what can we do to improve women's financial self-sufficiency, either through employment, entrepreneurial success or thoughtful risk management tools?

Barbara Magnoni, President of EA Consultants, a development consultancy that advises on microfinance product design, thinks we could start by taking a more differentiated view of men and women as microfinance customers.

"Men and women face different constraints and they often have different types of businesses. EA Consultants recently completed a great study for the Inter-American Development Bank on barriers to business growth for women microentrepreneurs. One of our findings is that women in Latin America typically have the same level of education as men, but they are less skilled in highly profitable trades. A sample of some MFI client databases also showed their businesses to be consistently smaller than men's--smaller businesses naturally mean smaller profits. These skills constraints could be steering them toward less profitable businesses, and it could be overcome with focused training for women in profitable trades. Yet many MFIs shy from training due to capacity issues and perceptions of cost."

Magnoni says that even when MFIs do offer training it misunderstands the client's need. "I learned more about the relationship between inflation and exchange rates from taxi drivers in Chile in 1990 than from any professor at University and graduate school. An illiterate woman in Puno, Peru was able to do the most complex arithmetic in her head for me.

Mexican migrants in New York can explain the value of check cashing services, despite the high fees. The poor live the concepts that we study on a daily basis. Their survival depends on their ability to make rational financial choices at a very micro level. I still think financial education is important, but training for poor women should be defined more broadly to include other specific areas of need."

To hear more from Barbara Magnoni, attend the [Microfinance Impact and Innovation Conference](#) in New York City on Oct 21-23.

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