Global Insights to Inform New Zealand Microfinance

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A literature review and discussion of international microfinance best practice to inform New Zealand policy development

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The NZ Fin-Ed Centre aims to empower New Zealanders to make more financially savvy decisions – to give people the tools they need for the life-long process of managing their finances. Key projects include a 20-year longitudinal study that follows 300 New Zealanders to understand their needs for financial knowledge at different life stages, a multi-level certification programme for personal financial educators and the New Zealand Retirement Expenditure Guidelines Report to establish guidelines for 'modest' and 'comfortable' retirement. The Centre is regularly involved in commissioned and collaborative research projects within Massey University and external stakeholders.

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The views expressed in this report are those of the authors and do not necessarily represent the views of the NZ Fin-Ed Centre or Massey University.

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1. Executive Summary

This report provides an overview of the microfinance landscape, including its global development, the market gap for microfinance in New Zealand and the current status quo of New Zealand microfinance institutions (MFIs). It also reviews relevant literature on microfinance best practice and industry experience before opening a discussion on how this international experience can be applied to fill the market gap in New Zealand. Our discussion finds that:

1. Microfinance can sometimes provide significant social outreach at a lower cost than some other methods of intervention such as direct cash payments

2. New Zealand microfinance providers are currently structured effectively as non-profit NGOs with government oversight – this trend should continue

3. There is room for expansion in the sector through:

    a. Further service diversification of current providers into microinsurance and microsavings
    b. New commercial microfinance providers charging interest rates above zero but lower than short-term high-cost lenders as a socially desirable consumer alternative

4. In expanding the sector, policymakers should ensure adequate monitoring to prevent mission drift, institutional capture and moral hazard. This includes:

    a. Internal auditing which increases efficiency for larger organisations, enhancing social outreach and financial viability
    b. Legislative regulation for individual MFIs and the wider sector

5. Policymakers should encourage partnerships and enable integration between MFIs and the formal financial sector to facilitate service diversification

6. As the sector expands, research should be undertaken to integrate new technologies into microfinance considering the success of the "mobile money revolution"

7. Care should be taken to ensure microfinance is empowering rather than harming women

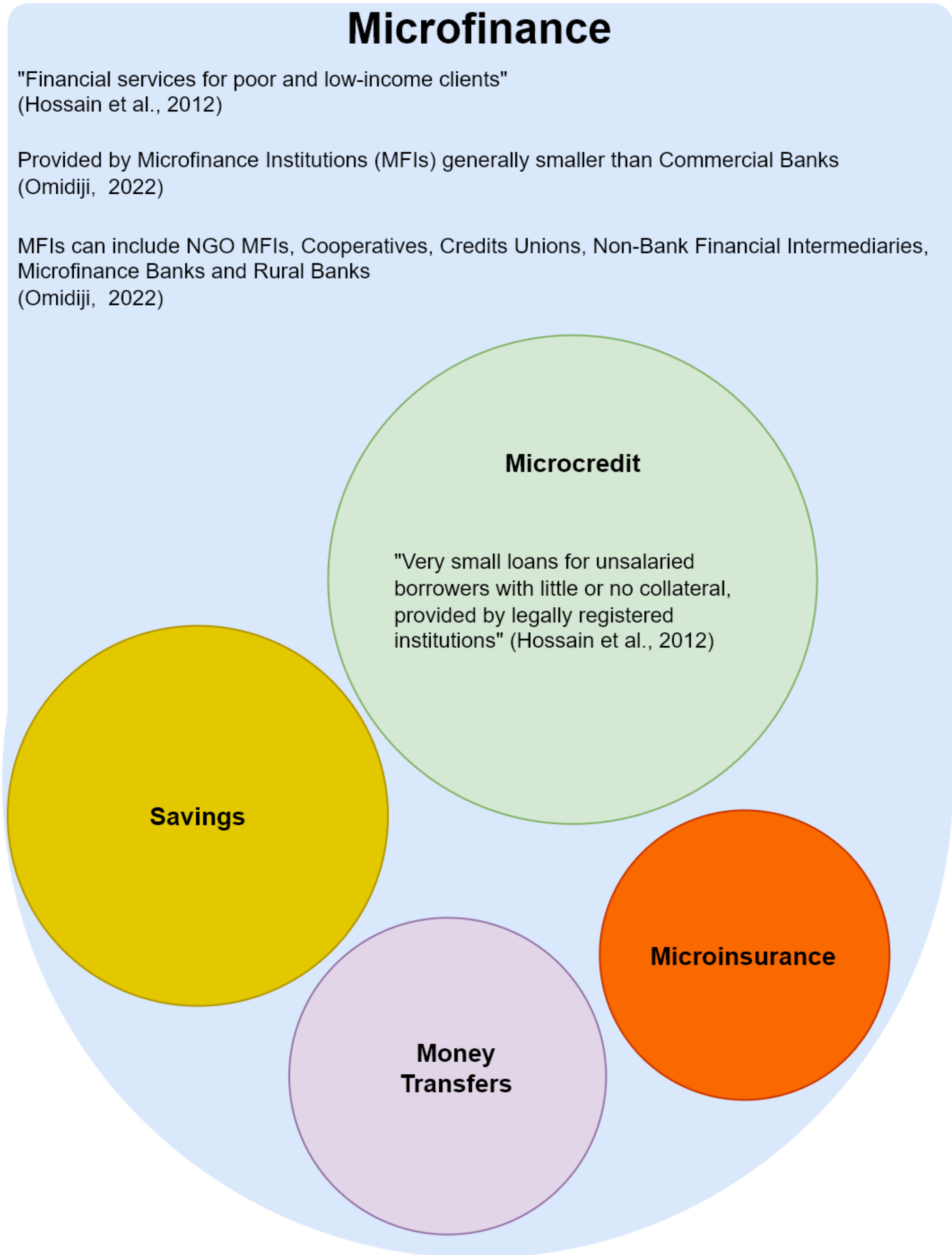
8. MFI providers should adopt a market-led, grassroots and socially conscious approach to ensure effective social outreach and financial viability

9. Policymakers and MFI providers should acknowledge that microfinance is part of a wider toolbox of policy initiatives for social benefit and is only appropriate for limited scenarios.

2. *Introduction*

Microfinance is a term for services to clients provided by microfinance institutions (MFIs). These services can include microloans, microsavings, microinsurance and money transfers (Hossain et al., 2012, 2).

Figure 1: Microfinance Overview



The purpose of microfinance is to facilitate economic development and social benefit by helping low-income individuals grow their business, smooth income flows and consumption costs, and improve their household management to improve productivity (Robinson, 2009, 45). This allows low-income individuals to decrease risks, increase incomes (Robinson, 2009, 63) and amass usefully large sums of money (Rutherford, 2009, 43), helping them to move, and remain, above the poverty line (Hietalahti and Nygren, 2012, 22).

Figure 2: Microfinance Interventions

PROGRAMS FOR THE POOREST

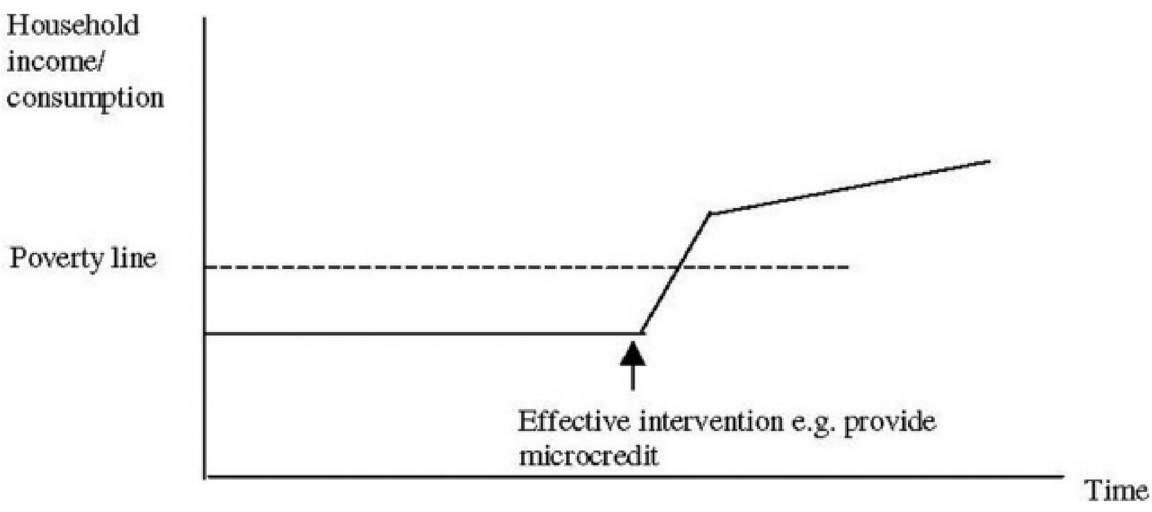
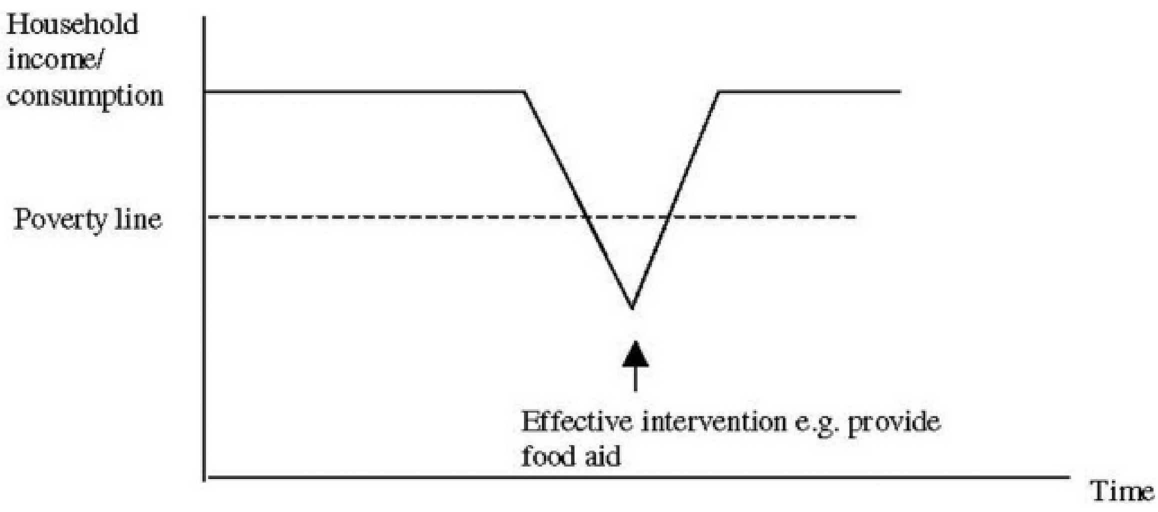


Figure 7.1 Poverty reduction as a 'one-step' increase in household income.



(Matin and Hulme, 2009, 81)

Microfinance has become an integral driver of development around the world since the 1970s, with uptake in over 100 countries. It allows those on low incomes to exercise agency by accessing the benefits of formal financial markets rather than often-unsuccessful government schemes (Arun & Hulme, 2009, 2). Alesane (2023, 24) cites microfinance as underpinning a fall in individuals living on less than $1.90 a day from 1.85 billion in 1990 to 736 million in 2015.

The purpose of microfinance aligns with the goals of New Zealand's Ministry of Social Development. These include *Mana Manaaki* – A positive experience every time*, Kotahitanga* – Partnering for greater impact and *Kia takatū tatou* – Supporting long-term social and economic development. By implementing and facilitating microfinance initiatives in Aotearoa, policymakers can empower New Zealanders to exercise their own agency to build financial capability and resilience.

There is currently need for this development. New Zealanders hold more debt than most OECD countries at around 164 per cent of annual income (Cleland et al., 2020). Until recently, short-term high-cost lenders were free to charge effective annual interest rates up to 292 per cent (Commerce Commission New Zealand, 2021). Some progress has been made in this area, with the Commerce Commission New Zealand (2023) amending the Credit Contracts and Consumer Finance Act in 2020 to effectively cap high-cost lenders to annual interest rates of 50 per cent. Pay day lending has become prevalent, and around half of the fringe lenders in New Zealand advertise in community and ethnic newspapers (Dale et al., 2012). Research has found disproportionate harm to Māori, Pacific and low-income New Zealand communities (Signal et al., 2012). The recent advent of "buy now pay later" financial products like Afterpay has also introduced new bad debt hazards for consumers to navigate (Pratley, 2024).

The extant Microfinance Literature is broad and increasingly deep. It draws from a diverse range of academic and professional fields, including economics, development studies, banking, finance, sociology, social policy, books, agency reports and websites (Arun & Hulme, 2009, 23). There is general agreement on the challenges faced by suppliers, including high transaction costs at smaller scales, difficulty in monitoring and risk assessment and a lack of collateralized assets (Morduch, 2009, 20). The rest of the subject matter is disputed, with various authors drawing different conclusions about the ethics, deployment and outcomes of microfinance. Due to their different sociological contexts, different geographical regions produce disparate and often conflicting viewpoints. This report explores literature detailing the global development of microfinance, the status quo of the New Zealand microfinance landscape and the recommendations of authors for future initiatives. It then opens a discussion which analyses how these overseas experiences could inform the development and expansion of New Zealand microfinance to help New Zealanders improve their financial capability and resilience.

3. *Overview of the Microfinance Landscape*

Microfinance is not new. Early examples date back to 1789, when Benjamin Franklin left a sum of $4,444 to nearby states to help young artisans establish small businesses. Through a system of compounding repayments, this fund grew to $6.5 million in 1991 (Yenawine & Costello, 2010). In pre-World War 1 Germany, Credit Cooperatives developed small-scale joint liability lending (Suesse & Wolf, 2020) which influenced later development of microfinance in developing countries (Armendariz and Morduch, 2010). Prevalent in other areas of Europe, these institutions where then exported to the Global South, with the Dutch founding the Badan Kredit Desas in the late 1890s, and the Banco Caja Social emerging in Colombia in 1911. Despite these early examples, the modern "Microfinance Revolution" did not truly emerge until the 1970s (Robinson, 2009, 59).

3.1 Modern Microfinance in the Global South

The 1970s "Microfinance Revolution" saw explosive growth in both the scale and nuance of microfinance operations across various countries. With different social makeups and models, different nations' experiences produced a wealth of experience in providing different types of microfinance solutions to diverse populations. This section examines literature surrounding microfinance from Bangladesh, India, Indonesia, Pakistan, Barbados, Africa, South Africa, Cambodia and Mexico. Readers should note that microfinance is widespread globally, and this limited selection of countries acts as a reader's digest for brevity.

The most salient microfinance initiative, which achieved great success and ushered in the modern microfinance revolution, was the advent of the Grameen Bank in Bangladesh. Professor Muhammad Yunus recognized the implications of microcredit when he loaned a poor woman in the village of Jobra a small amount of money to purchase her own materials for manufacturing bamboo stools, cutting out an extractive middleman. Following this experience, he founded the Grameen Bank Project in 1976, sponsored by a national commercial bank and supervised by his economics students from Chittagong University. Following explosive success, from 1979 to 1983, with help from the Bangladesh Central Bank and the International Fund for Agricultural Development, the project expanded across three more regions of Bangladesh before transforming into a national project and becoming officially recognised by government ordinance as the Grameen Bank (Rahman, 2001). Priyashardee et al. (2012) highlight various studies finding positive economic and social effects of the Grameen Bank, including greater capital asset accumulation and higher incomes for clients, 75 per cent lower poverty rates and widespread economic growth.

Although the Grameen Bank model spread to India and continued its development there, India was also instrumental in developing new microfinance methods. The "self-help-group" model, for example, is an informal organisation of women, averaging around 14, who NGOs or self-help promoting agencies organise to meet and save regularly. Once organised, the groups are connected to formal banks finance via savings accounts, after which they can issue each other with micro loans before gaining access to formal finance (Priyashardee et al, 2012, 142). This model was propagated by the National Bank of Agriculture and Rural Development. Like many places, despite meteoric microfinance growth, there is still room for expansion in India, with microfinance services meeting only INR 18 billion of INR 500 billion in estimated demand as of 2012 (Priyashardee et al, 2012, 142).

Indonesia also played a major role in the development of modern microfinance. It was the first country to establish formalised, financially self-sustaining microfinance on the national scale. In 1984, the Bank Rakyat Indonesia, a large state-owned commercial bank, opened the doors of its microbanking division. Reaching millions of clients, it achieved subsidy independence in 1987. By 1999, it reached a long-term repayment rate of 98%, US$802 million in outstanding microloans, and US$2.3 billion in savings accounts. Following this success, various profitable, niche MFIs have sprung up in the country, operating without subsidies from donors or the Government (Robinson, 2009, 61).

Pakistan also has a significant, successful, microfinance sector. Early initiatives began in the 1960s with the Comilla Project, followed by the AKRSP and ADBP which aimed to provide microfinance to rural communities. In the 1990s, the MFI sector began formalisation, with the AKRSP model being used as the template for the National Rural Support Programme and the Sarhad Rural Support Programme. Since then, the Kashf Foundation was established in 1996 and the Pakistan Poverty Alleviation Fund was established in 2000. Following the 2001 Microfinance Ordinance, six Microfinance Banks had received licences by 2007. This significant investment into MFIs in the 1990s and 2000s was due to the success of the earlier initiatives and the recognition that MFIs increased the outreach of financial services, leading to economic growth (Ghalib, 2012, 123).

Likewise, microfinance has flourished in Barbados, with the transition from the Barbados Development Bank to four separate Government-Private Partnerships. These include FundAccess, the Urban Development Commission, the Rural Development Commission and the Barbados Youth Business Trust. These MFIs provide a range of services, including credit, training and technical assistance to small businesses, unemployed individuals and youth in both rural and urban areas (Millar and Hossain, 2012, 75).

In Africa, VisionFund's Finance accelerated savings group (FAST) has also generated excellent results across Senegal, Ghana, Zambia, Malawi, Uganda, Kenya, Rwanda and Tanzania. The programme, which offers savings groups and capital lending to groups of women in rural communities, aims to break the cycle of intergenerational poverty. It does this by providing loans to mature savings groups with good record keeping who have completed financial literacy training. The programme has been successful, with 93 per cent of group members reporting significant quality of life improvements, 94 per cent reporting a significant improvement in their ability to support their children, and 77 per cent reporting increased savings balances (VisionFund, 2025, 8).

Despite these successes, microfinance in the global south has not always been so successful. In South Africa, The Small Enterprise Foundation (SEF) has faced significant challenges since its inception in the early 1990s. Tasked with creating feasible micro-enterprises for the poor but monitored by a financial board and donors, a schism emerged over time between the administrative and field staff regarding the extent of the financially oriented approach. Despite this, SEF still saw an outreach growth of 23 per cent per annum, increasing from 22,110 clients in 2004 to 50,319 clients in 2008 (Hietalahti and Nygren, 2012).

Microfinance is credited with mixed effects in Cambodia. In 1999, Cambodia's NGOs and commercial banks could not meet the level of credit demand, particularly in poor and rural areas. To meet this demand, the Asian Development Bank issued a US$1.45 million technical assistance grant to the National Bank of Cambodia. This grant was used to develop MFIs, which were credited with boosting growth and reducing poverty in 2009. Following this success, The International Finance Corporation introduced advisory services for Angkor Microfinance Kampuchea, enabling further expansion into rural areas. MFIs in the early 2010s were credited with offering interest rates half those of moneylenders while providing high service standards, transparency and governance (Pellini and Ayres, 2012, 52). In recent years, however, microfinance has depleted the health and wellbeing of farmers facing crop failure resulting from climate and environmental change. In some cases, this has resulted in forced migration and land loss (Guermond, et al. 2025, 487).

Microfinance in Mexico also has a checkered past. Positive stories have emerged such as the Land Fund and Young Entrepreneur Farmers Programme, which received World Bank and FAO-Mexico assistance, and is cited as providing business opportunities for young farmers while providing income and insurance for retired farmers (López et al., 2012, 105). Despite this, Hummel (2013, 268) draws attention to dependency on external financial institutions due to over-indebtedness. This is fuelled by aggressive marketing and expansion of microfinance, alongside careless lending to an increasingly consumerist culture resulting in clients juggling numerous high-interest, unsustainable debts. With annual interest rates of over 100 per cent, leveraging social and familial ties as collateral, this has resulted in wealth being extracted from the area and has caused significant social conflict between creditors and debtors.

3.2 Modern Microfinance in the Global North

Interestingly, American microfinance is expanding by importing lessons from the developing world to implement its own modern programs. In 2008, Grameen America was founded by Dr. Muhammad Yunus to test his Bangladeshi Grameen banking system in a developed country, in hopes of helping the 45 million Americans living in poverty. By 2012, the programme had six offices in Queens, New York, and other offices spread as far as California. The programme follows a similar model to the Bangladeshi programme, with small loans of around $1,500 delivered to women. Unlike the system in the developing world, loans are zero interest and subsidised by foundation grants. By 2012, 11,000 women had received loans, and thanks to a robust oversight and counselling system, Grameen America achieved a repayment rate of 99 per cent (Public Broadcasting Service, 2012). Schaberg et al. (2022, 73) evaluated the programme, and found that it was effective in achieving its goals. Clients of Grameen America saw a reduction in material hardship, increases in income, increases in non-retirement saving and strengthened social relationships and support systems. They also found that the programme helped clients to safely build credit score, giving them broader access to the wider financial system.

Europe has also begun to develop microfinance initiatives. In 2010, amidst the wake of the 2008 global financial crisis' credit crunch, the European Credit Commission established the European Progress Microfinance Facility. It aimed to boost small scale lending to entrepreneurs by assisting European MFIs with loan volumes and risk sharing. In 2011, this led to the first EU microfinance project in the Netherlands (Hossain et al., 2012, 29).

In Australia, The Good Shepherd Sisters founded the No Interest Loan Scheme (NILS) in 1981. Originally designed to help women escape domestic abuse, by 2012 the NILS network included 400 Australian community programmes providing nearly 11,000 loans valued at AUS$8.75 million. NILS microloans are typically less than $1,200 for asset-building purposes. The programme has been incredibly successful, showing that microfinance is relevant to the global north in addition to the global south. Indeed, studies assessing the programme found material improvements in clients' lives and increases in financial capability. As a result, the programme has received significant funding. In 2006 the National Australia Bank committed over $15 million, and the Victoria State Government committed over $4 million (Dale et al., 2012).

In addition to individual countries' initiatives, recent years have seen a general microfinance market formalisation, bringing MFIs more in-line with traditional western financial services. MFIs are now listed on both the London and Toronto stock exchanges via, respectively, the Alternative Investment Market and the Venture Market. West Africa and Jamaica also formalised microfinance in 2008 and 2009 with the advent of the Alternative Electronic

Stock Exchange and the Junior Stock Exchange (Hossain et al., 2012, 29). These initiatives allow MFIs to access traditional stock market funding, allowing more stable and expansive provision of services. The principles of microfinance themselves have been codified, with the Consultative Group to Assist the Poorest formalising their 11 key principles of microfinance (CGAP, 2006). These principles have been widely accepted by institutions from the global north, with the US Agency for International Development and the United Nations Development Program circulating these principles (Morduch, 2009, 17).

3.3 Global North Versus South Microfinance Differences

Although there are similarities between microfinance dynamics in the global north and south, such as the need for low-income individuals to access financial systems (Dale et al., 2012), and a general worldwide increase in over-indebtedness (Servet and Hadrien, 2013, 24), authors highlight key differences in the role of microfinance.

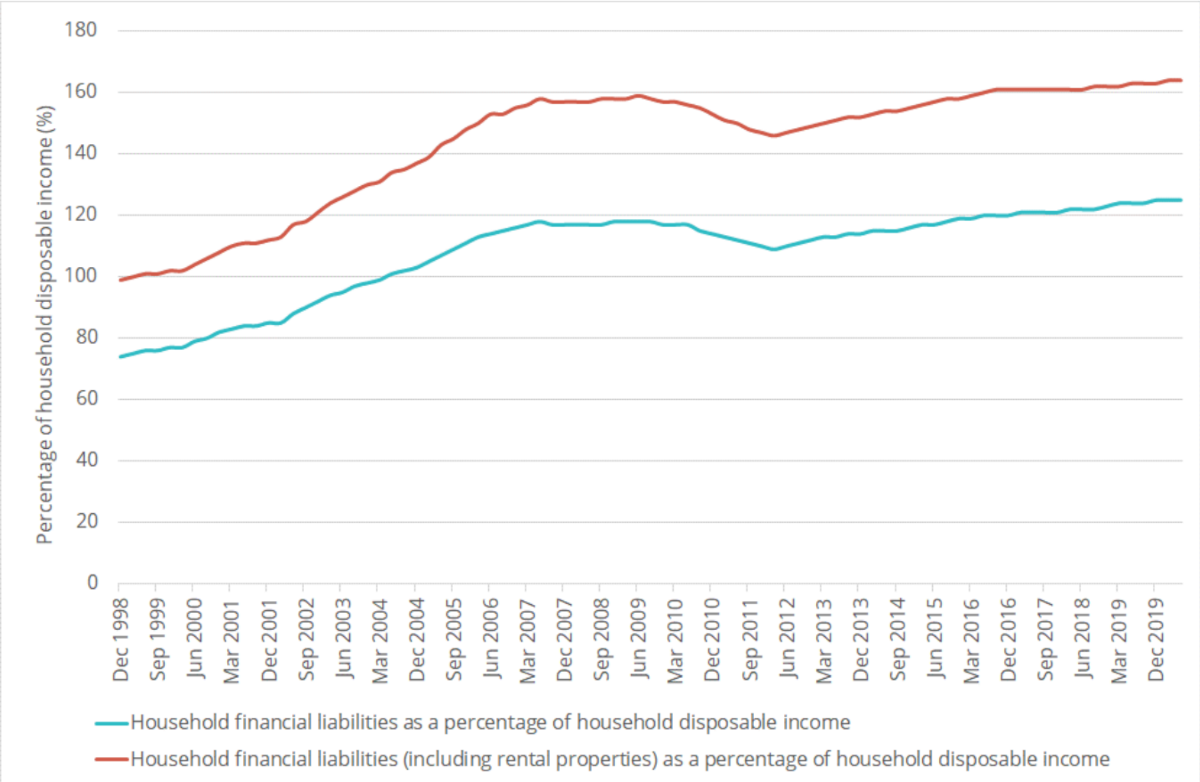
Dale et al. (2012) state that in the global south, microfinance is used to establish micro-enterprises, whereas in the global north it is used to increase financial capability, build credit rating and enable consumers to more effectively engage with pre-existing formal financial services. They also cite different challenges in ensuring repayment, including lack of collateral and subsequent moral hazard in the global south, contrasted with difficulty assessing true risk profiles of borrowers in the global north.

Robinson (2009, 45) and Servet and Hadrien (2013, 24) both highlight the absence of credit facilities in the global south. Whereas in the global north the challenge is directing clients to the right credit, in the global south, the challenge is often finding credit at all.

3.4 The Need for Microfinance in New Zealand

New Zealand holds high levels of consumer debt relative to other OECD countries (O'Donovan et al., 2007). In 2020, household debt rose to 164 per cent of household disposable income, the highest since the introduction of the measurement in 1998 (Cleland et al., 2020).

Figure 3: Rising New Zealand Household Debt



(Cleland et al., 2020)

This section discusses the literature explaining this rise in debt levels, the recently increased cost of servicing that debt and its consequences for New Zealand consumers leading to the need for microfinance.

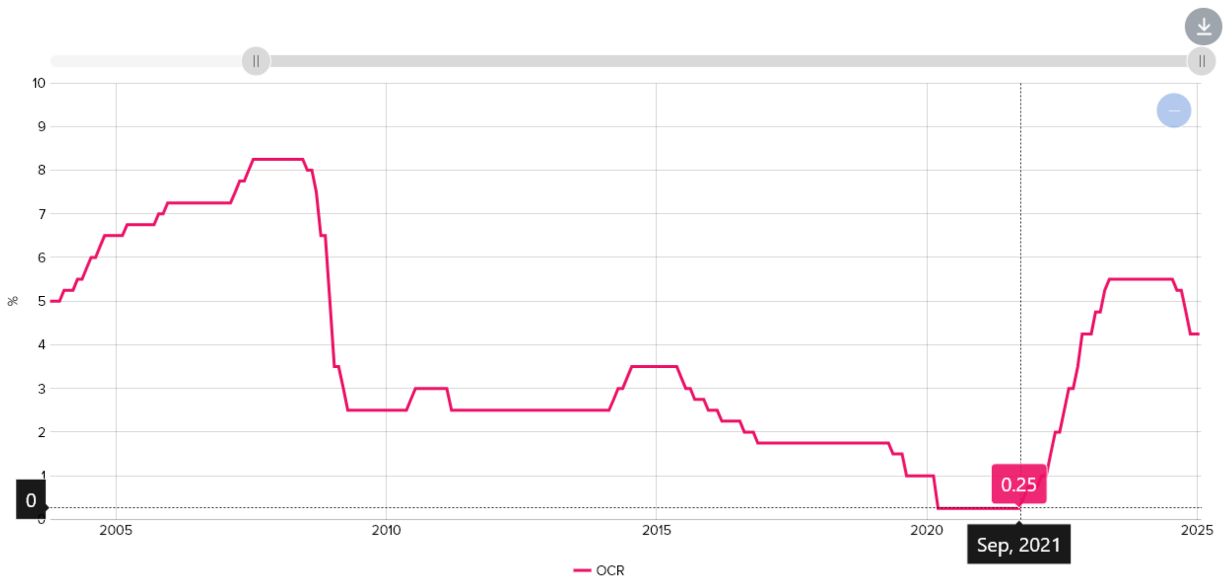
The greatest factor underpinning high New Zealand household debt is asset-backed loan securitization. According to Servet and Hadrien (2013, 26), the development of loan securitization, in particular mortgages, has resulted in a financial system where debt is limited only by valuations of financial securities and real estate. This holds true for New Zealand, where 92 per cent of household debt is related to housing (O'Donovan et al., 2007). O'Donovan et al. (2007) cites low interest rates, low inflation, financial deregulation and an increase in leveraged rental properties and risk appetite as driving factors for this debt increase.

Concurrent with asset-backed debt, New Zealand literature indicates a fall in labour bargaining power. New Zealand union membership has fallen even faster than the global trend of declining membership over the past four decades (Ryall and Blumenfeld, 2015). Internationally, this trend has resulted in the development of marginal forms of wage labour such as short-term, part-time and sub-contracted jobs (Servet and Hadrien, 2013, 26). These have depressed unskilled workers' salaries and increased financial insecurity. An example of this trend in New Zealand is the rise of zero-hour contracts, which result in insecure incomes and reduced legal protections of employees' rights (Okur-Berberoglu, 2019). In combination with the advent of asset-backed loan securitization, this has led to unprecedented levels of household debt in New Zealand (Cleland et al., 2020).

Despite record levels of household debt, until recently economists remained optimistic about household finances due to low interest rates. O'Donovan et al. (2007) stated that rapid increases in debt "should not be feared", Ranchhod et al. (2016) cited low debt servicing costs as a guard against the economy "toppling over" and Cleland et al. (2020) highlighted high debt serviceability due to New Zealand fixed term mortgage rates falling below 3.5 per cent in September 2020. This optimism proved unfounded when the Reserve Bank of New Zealand hiked interest rates from 0 per cent to over 5 per cent as a response to inflation caused by the 2020 COVID-19 pandemic.

Figure 4: Rising Interest Rates

Official Cash Rate (OCR) (updated at end of month)



(Reserve Bank of New Zealand, 2025)

While necessary to dampen inflation, this surge in the cost of servicing debt contemporaneous with record levels of debt has been disastrous for New Zealand households' finances.

When New Zealand households suffer extreme financial hardship, they can easily fall victim to high interest short term loans. New Zealand has a higher legal cap on interest rates than many other OECD countries, with high-cost consumer credit contracts allowing a maximum rate of charge of 0.8 per cent per day (Parliamentary Counsel Office, 2025), and an annual interest rate cap of 50 per cent (Commerce Commission New Zealand, 2021; Commerce Commission New Zealand, 2023). Dale et al. (2012) highlight the problem of information asymmetry driving New Zealanders in financial strife to take on further high interest debt. Because mainstream lenders view the poorest New Zealanders as “high risk”, they are excluded from relatively affordable short-term credit. This often results in them turning to “fringe lenders” charging excessively high interest rates. Cagney and Cossar (2006, 16) support this, finding 185 fringe lending firms in low-income areas, 38 per cent of whom are in Auckland, 19 per cent in Christchurch and 9 per cent in Wellington. Concerningly, they also found that half of those companies advertised in community or ethnic newspapers. Anae et al. (2007) and Signal et al (2012) both found that Māori and Pacific communities were particularly affected by high interest debt.

Microfinance presents a tool to mitigate the extent of financial hardship caused by high interest loans. Robinson (2009, 45) found in their study of developing countries that monthly informal credit rates ranged from 10 to 100 per cent. New Zealand’s interest cap of 24.3 per cent per month (Commerce Commission New Zealand, 2021) falls within this range, unfortunately enabling us to draw comparisons with this literature. Robinson found that commercial microfinance institutions could offer significantly lower interest rates than local moneylenders. They could also provide savings services that individuals viewed as “high risk” often lose access to in the formal sector. Signal et al. (2012) support the expanded deployment of microfinance services within the New Zealand context, citing literature support and calling for deployment by Kiwibank, credit unions and other community leaders. They note that microfinance initiatives should be deployed alongside tighter interest rate caps. By ensuring that those borrowers viewed as too “high risk” for a commercial interest rate could access relatively affordable microloans, policymakers could mitigate significant financial harm to the poorest New Zealanders.

In addition to microfinance as an alternative to high interest short-term moneylenders, microfinance could also help to boost the economic productivity of New Zealand. A new IMF report shows that the New Zealand finance sector is hesitant to issue competitive interest rates to knowledge-based startups, resulting in an environment which lowers productivity. This is in turn causing New Zealand to fall behind capital investment and labour productivity growth relative to comparable countries (McNaughton, 2025). By supporting a microloans industry, policy makers could unlock the potential of New Zealand startups to boost productivity across the country via technological innovation and capital accumulation.

3.5 New Zealand Microfinance Providers

While there is room for expansion, New Zealand does have several well-reputed extant microfinance providers. These generally fall under the supervision of the Ministry of Social Development (MSD). This arrangement aligns with the values of MSD (2025a), including "*Kotahitanga* – Partnering for greater impact" and "*Kia takatū tatou* – Supporting long-term social and economic development." MSD offers its loans directly through Ngā Tāngata Microfinance and Good Shepherd New Zealand (Ministry of Social Development, 2025b). Other regulated MFIs include DebtFix, Christians Against Poverty, the Māori Womens Welfare League, The Salvation Army, Agape Budgeting Service, Angel Fund Wahine Putea, Aviva, Just Dollars Trust, Newtown Ethical Lending Trust, Porirua Rongopai Trust, St Francis of Assisi Dunedin Trust and The Kingdom Resources Trust.

Ngā Tāngata Microfinance was the first formal microfinance scheme in New Zealand. Founded in 2009 (Ngā Tāngata Microfinance, 2025a), it is based on Australia's Good Shepherd model and accredited as a NILS provider (Dale et al., 2012). Its loan funds are primarily provided by Kiwibank and MSD provides its operational funding. Ngā Tāngata provides debt relief loans up to $5,000 and asset building loans up to $3,000 to low-income clients, interest-free, with applications submitted via financial mentors (Ministry of Social Development, 2025b). In addition to the immediate benefits of the loans, Ngā Tāngata seeks to improve financial capability by building relationships with Budget Advisors and building credit history, creating a pathway back to commercial lenders instead of short-term "fringe lenders." The programme follows the NILS repayment system, using two structural and two social mechanisms. Structurally, payments are made straight to providers of the approved good/service and repayments are automatically deducted from the clients' income, reducing agency issues and moral hazard. Socially, loan officers keep in contact with clients, offering flexible repayment. Clients are also informed that their repaid funds will be recycled to help other members of the community. These initiatives encourage greater voluntary rates of repayment (Dale et al., 2012).

Good Shepherd New Zealand was developed based on the original Good Shepherd programme in Australia. They offer a similar service to Ngā Tāngata via their "Good Loans" programme. They operate under a similar structure, with MSD providing operational funding and BNZ providing loan capital. "Good Loans" offer interest free loans up to $7,000 for assets to increase employment readiness, such as cars or computers. "DEBTsolve" offers zero interest debt consolidation loans up to $15,000. Their interest repayment periods are flexible up to 36 months (Ministry of Social Development, 2025b). They also offer a "Family Violence Economic Harm Service" which helps New Zealanders recover from the financial effects of domestic abuse and connects them to other organisations such as Women's Refuge, ACC, WINZ, and banks. Alongside the use of some of their funds for car purchase, they offer a “Car Insurance – Drive” programme, which provides low-cost car insurance for clients with car loans (Good Shepherd New Zealand, 2025).

DebtFix, established in 2018 and partnered with FinCap, provides free debt support, solutions and advice to New Zealanders, and directs them to appropriate financial help organisations such as Ngā Tāngata, Good Shepherd, Christians Against Poverty and the Financial Services Federation (DebtFix, 2025).

Christians Against Poverty New Zealand, founded in 2007, advocates for New Zealanders in debt, providing confidential expert financial advice, debt consolidation and interfacing with creditors on behalf of clients (CAP, 2025).

The most notable informal microfinance provider is Te Ropu Wahine Māori Toko i te Ora (Māori Women’s Welfare League Inc.). Founded in 1951 (Māori Womens Welfare League, 2025), but incorporated in 1987 (Dale et al., 2012), the league has 130 branches in New Zealand connecting voluntary workers with Māori women and their whānau to enable and empower them (Māori Womens Welfare League, 2025). They offer members of Māori and Pacifica communities loans of up to $20,000 to establish businesses (Dale et al., 2012).

4. Literature Review

Microfinance literature contains a plethora of perspectives offering advice for operating future MFIs. While there is agreement in some areas, the advice is often disparate. This diversity of thought is usually driven by differing academic and corporate schools of thought alongside cultural differences between various countries. Broadly, proffered advice tends to fall under the categories of the ideal MFI financial and administrative structure, optimal monitoring of MFIs, employment of technology and social concerns including empowering women, socially responsive microfinance and the limitations of microfinance for social outreach.

4.1 MFI Financial and Administrative Structure

MFI ownership is the first area of discussion pertaining to their optimal structure. Morduch (2009, 21) highlights the problem government ownership of MFIs poses; namely, the capture of microloan funding by entrepreneurs with political connections, resulting in the benefits of microfinance schemes being siphoned from their intended low-income recipients. They characterise most successful microfinance programmes as NGOs which minimise governmental operational involvement. Guérin et al (2013, 301) temper this advice by highlighting the risks of MFIs prioritising commercial profit incentives, which can lead to them avoiding less profitable but more socially desirable sectors of the market, thereby defeating the primary purpose of microfinance – helping the poor. The best structure for effective MFI outreach therefore appears to be an NGO not-for-profit system. Nevertheless, some degree of profit motivation is recommended by authors, as we will discuss.

The question of interest rates is the second area of discussion pertaining to the operation of MFIs. Central to their funding structure as subsidised, self-sufficient, or somewhere in between, the choice of interest rate level has significant and disputed ramifications upon the outreach, sustainability and efficacy of microfinance initiatives. Robinson (2009, 59) aptly describes the microfinance interest rate problem. Because of their labour intensive, small-scale and often geographically dispersed nature, alongside potentially higher default risk due to often offering unsecured loans, microloan providers face higher operating costs than standard banks. As a result, MFIs must charge higher interest rate than equivalent banks to be financially self-sustaining. This appears to create a trade-off between outreach and financial cost, since lower-interest loans would be more socially beneficial to clients. Surprisingly, this is not always the case. In some cases, microloan rates above commercial levels have both satisfied the needs of poor clients for accessible credit that is cheaper than informal moneylenders, while also maintaining high repayment rates and remaining commercially viable (Hossain et al., 2012, 27). This was the case in our earlier discussion of the Bank Rakyat Indonesia (Robinson, 2009, 61). Mosley and Hulme (2009, 73) agree with this argument in some cases, however they also cite the failure of this financially self-sustaining approach in other locations, such as the Malawi Mudzi Fund. Morduch (2009) is critical of this "win-win proposition", finding that most programmes with social objectives remain heavily subsidised, typically covering only 70 per cent of their costs. Morduch (2009, 20) concurs, arguing that there has never been a general presumption that poverty alleviation should be self-financing and that subsidized microfinance often demonstrates sustained effectiveness. Further complicating the trade-off between financial sustainability and outreach is the motivation of the capital providers for MFIs. Omidiji (2022) examines the case of MFIs backed by donors, capital providers and other investors. MFIs which offer lower interest rates skew towards being less financially viable, but more socially beneficial. While appearing more socially beneficial in the short-term, they may ultimately fail to attract capital sources in the future, thus curtailing their social outreach in the long run. The interest rate question creates a dilemma for microfinance providers which is best answered by their capabilities, goals and financial structure.

The third operational consideration for MFIs is the balance between service diversification and mission drift. Diversification could entail MFI expansion from microloans to microinsurance (Brown, 2009, 184), savings and money transfers (Hossain et al., 2012, 2). Service diversification is desirable because it attracts more clients to microfinance programmes and better meets their needs (Arun et al., 2009, 35). For example, Arun et al.

(2009, 14) find that microsavings systems allow the poor to mobilise their microsavings, resulting in small, temporary surpluses accruing over time into meaningful sums. Morduch (2009, 20) also states that programme diversity will be required to meet microfinance demand. Despite this clear benefit of service diversification, Hossain et al. (2012) and Pedrini and Ferri (2016) warn about the dangers of mission drift. When MFIs move beyond their initial mission, they can often improve their financial performance at the cost of mission outreach (Pedrini and Ferri, 2016). If they are motivated by financially driven stakeholders, as discussed in the previous paragraph, this can tempt MFIs to stray from their core purpose of helping the poor. Managers of MFIs should therefore ensure that positive efforts to expand the microfinance offerings of their initiatives, while beneficial, should not stray beyond the boundaries of their mission profile.

4.2 Monitoring MFIs

There is a wealth of literature analysing effective monitoring of MFIs. Key areas include the application and drawbacks of internal auditing, the need for a robust external monitoring structure, and the need of systems for client assessment when delivering microloans. This is because the implementation of microfinance rarely adheres to the planned "operations manual." In reality, "implementation gaps" can arise for various reasons, such as inadequate administrative capacity, benefit capture by influential parties, misunderstood cultural contexts and a disconnect between organisational needs and goals (Matin and Hulme, 2009, 82). As a result, microfinance stakeholders have stressed the need for greater attention given to the governance and control of MFIs in recent years (Omidiji, 2022).

The first area of discussion is internal auditing. The Institute of Internal Auditors New Zealand (2022) defines internal auditing as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations." As such, it is typically a process which involves an MFI hiring an external, accredited, company to "evaluate and improve the effectiveness of risk management, control and governance processes" (The Institute of Internal Auditors New Zealand, 2022). Omidiji (2022) finds significant advantages of internal auditing for MFIs, including enhanced depth of outreach leading to improved social objective achievement, enhanced governmental processes, value added via healthier loan portfolios and ease of attracting investors due to mitigation of moral hazard and adverse selection. They also present some interesting caveats relating to implementing the internal audit function. The first of these is the finding that gender-diverse MFI boards are tougher monitors, meaning they are more likely to work closely with internal auditors, increasing efficacy. Secondly, they highlight the need for economies of scale to render internal audit cost effective. This is because internal auditing has a high up-front cost but provides more benefit for larger MFIs with greater loan volumes, meaning that internal auditing is more feasible and desirable for larger MFIs. However, there are drawbacks to internal auditing besides monetary cost. Hulme (2009, 219) finds that MFIs engaging heavily in internal auditing to appease donors can result in neglect of their own impact monitoring, leading to inadvertent organisational capture where the MFI pursues financial or other objectives rather than its original social goals. Pedrini and Ferri (2016) support this, finding that in the quest to appease internal audit by wealthy clients, who seek financial performance, MFIs often transition from rural to urban markets to lower their transaction costs, thereby weakening their social outreach.

While useful, the limitations of internal auditing highlight the need for a more comprehensive, overarching external monitoring structure which ensures MFIs retain their goal of social outreach. Priyadarshee et al. (2012) highlight the trend to sacrifice social outreach and empowerment in favour of financial sustainability. Arun (2009, 195) provides guidance for the constitution of a monitoring framework. They support sector-specific regulations, prudential reforms and a tiered approach to enable MFIs to access commercial market resources while retaining social outreach and mobilised savings. In establishing this framework, they emphasise the need for incorporation of institutional, cultural, macroeconomic, developmental and sector-specific requirements. A pertinent example of the need for regulation is presented by Alesane (2023), who examines the fallout and subsequent reform of the Ghanan banking crisis of 2019. Nine universal banks saw their licences revoked by the Bank of Ghana, leading to the collapse of the microfinance sector, with the Bank of Ghana subsequently revoking 347 microfinance company licences. Following this collapse, the Bank of Ghana instituted greater vigilance, intensified examinations and increased compliance enforcement. Most notably, the bank collaborated with the association of rural banks to reposition the rural and community banking sector. From this evidence, it appears that policy makers aiming to promote microfinance should proactively generate a microfinance framework which aims to mitigate institutional and structural problems before they occur.

A key area of regulation emphasised by the literature is employee and client assessment. Rahman (2001) recommends “imposing discipline” upon lending institutions to ensure they do not exceed the debt capacity of clients and maintain their goal of social development and empowerment. The Grameen Bank successfully used a three-tiered employee structure. Loan groups would select a group chair, who would in turn report to a centre chief via loan centre meetings, who would in turn report to a Grameen Bank worker (Rahman, 2001). This system ensured that loans were approved for socially beneficial reasons and that their clients attended centre meetings and repaid their loans. Despite its success, this structure also highlighted the need for robust employee monitoring. Priyadarshee et al. (2012, 145) found that leadership of loan groups was generally captured by “high castes” such as Brahmin, with little leadership rotation and discrimination against lower castes. Additionally, Rahman (2001) found that the Grameen Bank, although focused on lending to women, primarily hires male workers to deliver its services, creating an impediment to the benefits of women's empowerment targeted by the Grameen Bank and discussed in this report. MFIs should also carefully choose their client selection mechanisms. In the case of Mexico, risk-control procedures have often been financially effective, but socially damaging. For example, the use of social collateral, peer pressure and legal action, while effective in recouping loans, has been "of dubious benefit" (Salazar, 2013, 247). Guérin et al. (2013, 298) provide further cautionary tales of the damaging social implications of institutional failure to effectively assess client over-indebtedness. These include loan default resulting in shame, humiliation, dependency, sexual abuse, decapitalization and forced migration in areas of Mexico and Southern India.

4.3 Partnering MFIs with Traditional Finance

Creating an environment where MFIs can work closely alongside traditional financial institutions such as banks and insurers is beneficial for all three parties involved: MFIs, traditional financiers and clients. Suesse and Wolf (2020) find evidence that relationships between MFIs and banks create better market outcomes upon MFI market entry, creating a more profitable operating environment for banks. Brown (2009, 184) finds that partnerships between MFIs and banks allow MFIs to provide service diversification, which is recommended elsewhere in this text as a core component of successful MFIs. For example, MFIs generally lack the expertise and licensing to provide microinsurance independently, while traditional insurers generally lack the client knowledge to distribute microinsurance independently. By partnering with insurers, MFIs can enhance and diversify their microinsurance services, leading to greater financial sustainability and greater social outreach. Additionally, close relations between MFIs and traditional finance can give clients access to broader financial services. Dale et al. (2012) find that no interest loan schemes afford clients the opportunity to demonstrate timely credit repayment, thus building credit score to reintegrate into the traditional financial sector. This enables financial inclusion, a current goal of New Zealand policy, which aims to "improve consumers' and firms access to financial products and services that meet their needs" (Council of Financial Regulators, 2025). Thus, by working closely, MFIs and traditional finance can create an environment which is beneficial for themselves and their clients.

4.4 Implementing Innovation and Technology

Authors agree that implementing new technology, particularly mobile devices, enables greater financial sustainability and social outreach than traditional methods. In Ghana, "mobile money" utilising mobile phones and payment platforms has helped to overcome the distance problem which previously led to poor savings rates in the North Rural Savannah, with mobile money penetration rising from 13 per cent in 2012 to 38.9 per cent in

2017 (Alesane, 2023, 249). Similar technology has been employed in Bangladesh, Indonesia and Bolivia by the Grameen Bank, the BKKs and the BancoSol. This has enabled greater social outreach and has led to international consortiums committing to initiatives to further diffuse the technology, including CGAP and the CASHPOR Network (Mosley and Hulme, 2009, 65). Hossain et al. (2012, 29) find further evidence of the same phenomenon in Afghanistan. Interestingly, they also draw attention to Opportunity International's use of wire transfers to increase donations, facilitating greater MFI capital formation. "Mobile money" provides an opportunity for MFIs to increase social outreach and attract greater funding. It also provides an example of the initiatives MFIs could undertake in the future as opportunities to further expand their operations present themselves with the advent of new technology.

4.5 Women in Microfinance

The empowerment of women has been a major theme of microfinance literature since the 1980s. The UN, USAID, the World Bank, the CIDA and the Ford Foundation all focus on women's incorporation, with most developing a "women in development" division in the 1980s (Rahman, 2001). This is because women generally experience disproportionately high rates of poverty (Dale et al., 2012) (Robinson, 2009, 51) (Matin and Hulme, 2009, 84) and microfinance has been found effective in empowering and advocating for women.

Microfinance is particularly empowering for women because, in addition to being disproportionately affected by poverty, women are more likely to own smaller businesses (Rahman, 2001). Microloans have become a major tool for the empowerment of women, connecting them with previously structurally inaccessible capital (Kabeer, 2009, 140). Microfinance improves both the income and status of women (Rahman, 2001) (Hossain et al., 2012, 27), allowing them to escape a cycle of poverty, fight social injustice and gain strength in solidarity with other women (Rahman, 2001). Moreover, lending to women has been found to be more beneficial for households because women are more likely to share their loans with their male household members and loans issued to women benefit the household more than loans issued to men (Kabeer, 2009, 140). By focusing on female clients, MFIs can create positive social change, in addition to achieving greater financial sustainability and social outreach.

Despite the potential to empower women socially and financially, there remain significant criticisms of the reality of microfinance, and in particular microloans, for women. In practice, microloans are often issued to women but siphoned by male household members while the woman retains the legal responsibility for the debt. This was the case in a Bangladeshi study which found that women retained significant control over only 37 per cent of microloans (Rahman, 2001). Hossain et al. (2012, 27) came to the same conclusion, finding evidence of women being harassed by MFIs, even leading to alleged suicides. This danger posed to women is not unique to Bangladesh, with Salazar (2013, 149) finding evidence of women losing power and prestige due to social implications of over-indebtedness in Mexico, with indigenous women suffering harsher social costs than nonindigenous women. This was also the case in Sierra Leone, where failure to repay high microloan rates can result in criminal convictions and prolonged imprisonment, virtually all of which is suffered by women (Kardas-Nelson, 2024). While microfinance can be a socially and financially empowering tool for women's development, policymakers must be careful to ensure MFIs are monitored to ensure women are not harmed financially or socially by microfinance initiatives.

4.6 Socially Responsive Microfinance

When developing microfinance initiatives, the literature emphasises that it is important that policymakers and providers tailor their policies to the specific cultural context of their operational environment. Key areas discussed include the promotion of grassroots innovation, the use of group meeting and credit and the employment of culturally conscious policy.

In the flagship microfinance example, the Grameen bank, group loans were used to discuss loans and enforce loan repayments. This mechanism works by providing social capital via peer pressure as an alternative to conventional capital, reducing transaction costs and increasing repayment rates (Rahman, 2001). This mechanism has been replicated with efficacy in other countries by using social ties as replacements for collateral, thereby mitigating adverse selection, moral hazard and free riding (Hossain et al., 2012, 26) (Hietalahti and Nygren, 2012, 23). Despite this widespread deployment of group lending, there remain sceptics. Mosley and Hulme (2009, 66) find that sustainability does not correlate with group lending positively or negatively. Instead, they find that it is driven by other features of microfinance schemes, including charging market rates, providing savings facilities and frequency of loan collection.

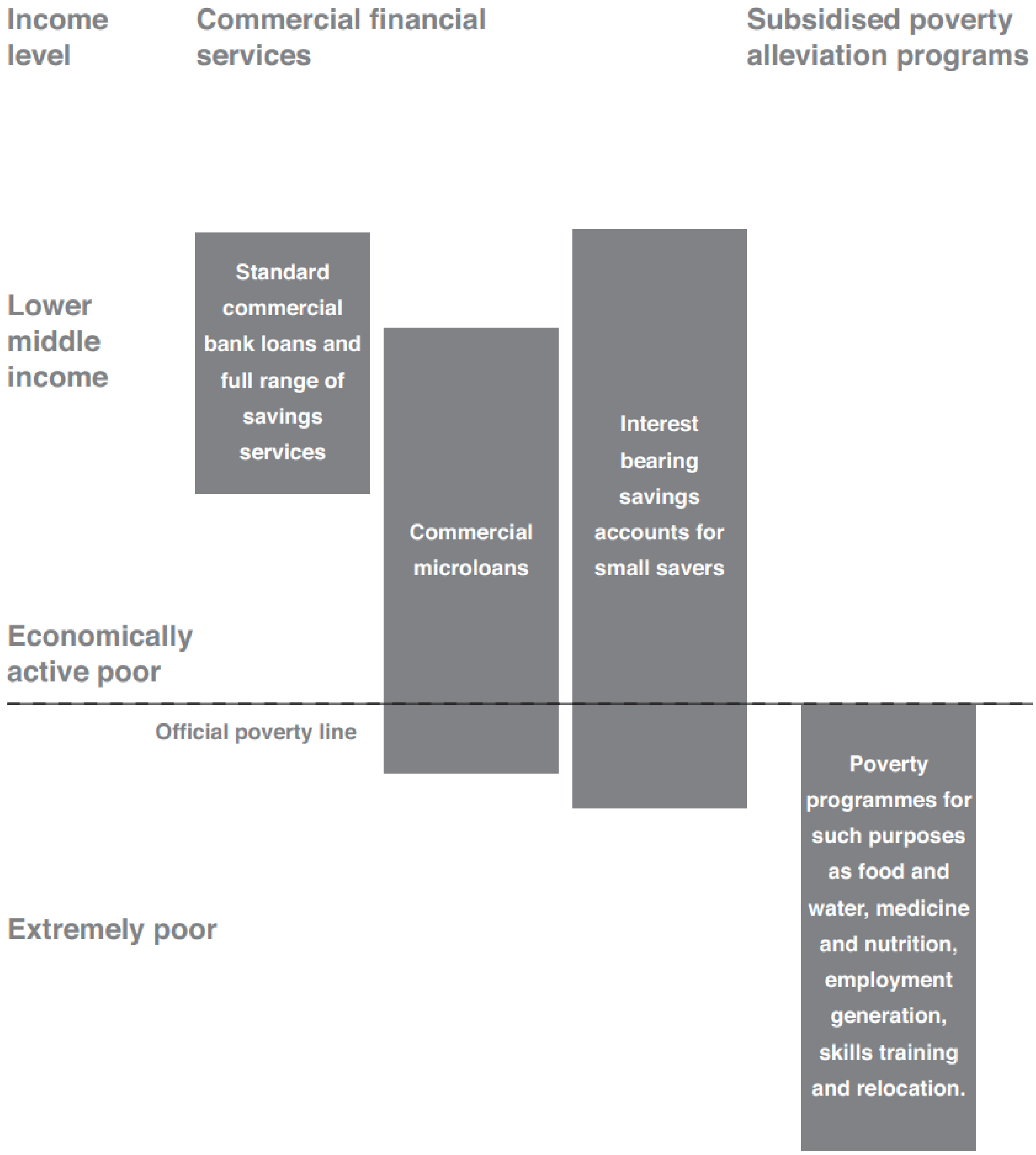
There is general agreement in the literature that promoting grassroots innovation is vital for successful microfinance initiatives in different locales. Hulme and Arun (2009, 230) summarise this well: "It is the collective imagination and social energy of this dispersed community that has created the microfinance revolution of the late twentieth century and will take it forward in the coming years." When providing microfinance services, there is always an implementation gap between the manual of operations and the reality on the ground. Elsewhere in this report we discuss the drawbacks of this gap, however there are also benefits to localised implementation flexibility. Sometimes the initial plan is found unsuitable for local conditions, program managers learn new information during the rollout, or the clients of the programs themselves exercise agency in finding better uses for funds (Matin and Hulme, 2009, 82). For this reason, Guérin et al. (2013, 299) recommend proactive engagement with clients to understand their needs for saving, borrowing and lending, in addition to gaining a broader understanding of the local socioeconomic landscape. Cohen (2009, 157) and Matin and Hulme (2009, 78) concur, recommending market led approaches which view agency of the poor as central to reducing poverty. They both agree that MFIs which fail to do this, instead rolling out non-responsive policies, are likely to fail due to infeasibility of implementation. Rutherford (2009, 36) illustrates this with savings as an example. They find that despite some misconceptions, most individuals facing poverty do want to save money, and will do so if given the opportunity. It is typically rather the lack of opportunity to save than the desire which limits their savings habits. In the absence of accessible financial institutions, poor individuals in the global south still find ad-hoc methods of saving, albeit in a less optimal manner than in formal finance. By listening to their perspectives and working in partnership, MFIs can create products which are accessible and relevant to their clients, increasing their social outreach and likely also their financial sustainability. For this reason, policymakers, while heeding the warnings in the "monitoring MFIs" section of this report, should ensure they give MFIs and their clients some degree of flexibility. The right balance of monitoring and client-led agency will depend heavily on the locale and community of the MFI rollout.

Authors are also in widespread agreement that in addition to empowering the agency of clients, MFI providers should carefully consider the social context of their local area. This is because debt is not just a financial transaction. Guérin et al. (2013, 296) point out that relationships between debtors and creditors have an emotional component. Depending on the nature of the relationship and the debt itself, this can entail positive and negative emotions ranging from prestige and dignity to shame, humiliation, anger and revenge. Moral judgements of debt vary culturally. For example, in Hindu societies, debt is generally considered normal and acceptable, whereas in rural Maghreb communities it is seen as something best avoided (Guérin et al., 2013, 297). The implication of this cultural difference is twofold. Not only can debt be socially damaging depending on cultural factors, but it can also be financially ruinous in some areas due to differing cultural propensities for taking on debt. For example, in Andhra Pradesh, high social debt propensity contributed to a microfinance crisis, whereas in rural Morocco, indebtedness is seen as dishonourable, meaning it will only be taken out by those in extreme need (Guérin et al., 2013, 297). Zanotelli (2013, 206) provides an example of this in their interview with a woman in San Dionisio del Mar, Mexico. Following the arrival of six MFIs, the woman was distressed about the state of her community, stating *"for this they are indebted, poor people, they take from one and from another, and they don't have a salary. Many people are indebted, some have lost their houses. Now they don't live in their houses. They have to start again, like when they were married. They don't know where to live."* Methods of microfinance implementation must therefore consider their cultural environment. According to Hossain et al. (2012, 28) a group lending method, for example, may be effective in Bangladesh but fail in Caribbean Countries. They highlight the need for research on the relationships between cultural factors and methods of microfinance provision. Whether full-scale academic research is financially feasible in the New Zealand context in unclear, however MFI providers should make every effort to understand their cultural environment and act accordingly.

4.7 Limitations of Microfinance

Even proponents of microfinance agree that while it is an effective tool for certain situations, it is far from a “magic bullet” (Hietalahti and Nygren, 2012, 23). Robinson (2009, 46) shows that microfinance is only appropriate for those able to work, invest and repay their loans. This describes the upper section of the poor population; however, it does not describe the very poor – those who need food, shelter, medicine, education and employment. The poorest of the poor require other interventions, such as direct finance and provision of goods by governments, donors and grants (Robinson, 2009, 52). This has proved true, with very poor people in Bangladesh either not joining microfinance programmes or leaving them immediately, five MFIs in Bolivia reaching only the richest of the poor, and non-poor making up around half the client base of Indian MFIs (Priyadarshee et al., 2012). Matin and Hulme (2009, 98) concur, finding that while microfinance benefits the poor, it does not lift the “hardcore poor” from poverty. Robinson (2009, 54) provides a graphical illustration of this poverty hierarchy which generally aligns with the rest of the literature:

Figure 5: Appropriate Microfinance



(Robinson, 2009, 54)

When investigating the commencement of initiatives, policymakers should therefore ensure that they are implementing microfinance only when it will be of social value, keeping in mind that it is part of a toolbox for poverty reduction rather than a silver bullet.

5. Discussion

This section discusses the literature recommendations for MFI implementation which are relevant to the New Zealand context. We provide recommendations for policymakers and operators of MFIs with the goal of improving the financial sustainability and social outreach of New Zealand MFIs, including optimal administrative structure, interest rates, service diversification, performance monitoring, service integration, gender equity and social responsiveness.

In our analysis of optimal financial and administrative MFI structure, we find that the best form of governance for achieving social outreach in New Zealand is likely to be a not-for profit NGO structure, overseen by government departments. This is encouraging, because the two largest New Zealand providers of microfinance, Good Shepherd and Ngā Tāngata both follow this structure, operating under the umbrella of MSD.

We find that the decision to charge interest on microloans at a particular level is subjective, dependent on the capabilities, goals and financial structure of providers. This is interesting in the New Zealand context, because our providers operate on a zero-interest basis. While this is optimal in terms of immediate social benefit, it also imposes operational costs on providers, hence requiring subsidy and possibly limiting their outreach. It appears that in addition to the current heavily subsidised status quo, there is also room for further expansion into microloans with an interest rate above zero, but at a rate significantly cheaper than the current exorbitant interest rates charged by short-term moneylenders. This would allow the expansion of microfinance as an alternative to our current status quo of predatory short-term lending, allowing New Zealanders to connect with government and broader, cheaper, financial services. As Robinson (2009, 60) posits, however, despite significant literature support, this is likely to prove politically difficult given the common misconception that microloans are designed to target poorer households rather than enable them to escape other high interest debt and achieve greater financial capability. This could also be an effective co-policy for a tighter cap on legal interest rates, since our current effective annual short term loan interest cap is very high, at 0.8 per cent per day (Commerce Commission New Zealand, 2021) and 50 per cent per annum (Commerce Commission New Zealand, 2023). This would allow the interest rate to be capped to a much lower figure, with regulated microloans used to provide credit to those who would be "locked out" of formal finance by the rate cap. This is part of a wider political discussion, however.

We also find many voices calling for service diversification beyond microloans into microinsurance, microsavings and money transfers. While microsavings and money transfers are less relevant to the New Zealand context given our established, relatively accessible formal financial system, there appears to be room for growth in the microinsurance sector. Good Shepherd has made some headway in this regard, offering their successful "Car Insurance – Drive" programme, which insures their microloan cars at low cost, empowering at-risk New Zealanders with risk-free mobility. By partnering with formal insurers, present and future MFIs could provide a wider range of accessible microinsurance services, helping to cushion them from financial shocks. Enabling this expansion into service diversification is discussed in our "Partnering MFIs with traditional finance" section.

In our analysis of MFI monitoring, we found that there is typically an "administration gap" between the planning process and implementation of MFI schemes, and that authors encourage more robust monitoring processes in the future. Internal auditing is cited as effective but typically limited to larger organisations and itself in need of external monitoring lest it distort the mission profile of its organisation. It appears that external monitoring is best provided by sector-wide regulation aimed at regulating both individual MFIs and the wider sector. Authors also emphasise the need for robust client and employee assessment to avoid institutional capture by influential individuals and client over-indebtedness leading to financial and social harm.

There is also room for further integration between MFIs and the formal financial sector. Researchers find that MFIs and other financial institutions can combine their knowledge sets to deliver enhanced services, such as microinsurance, which is beneficial for all three parties: MFIs, formal financiers and clients. This also provides a bridge for New Zealanders trapped in the high interest short term loan sector to rebuild credit to access more affordable and sustainable commercial finance, enhancing financial inclusion.

There is also significant evidence that uptake of new technology is associated with significant MFI performance and social outreach gains. Adoption of the "mobile money" revolution into New Zealand microfinance initiatives could increase uptake and lower transaction costs, and future technological improvements should also be integrated where possible.

The role of women in microfinance was also cited as a key area of focus for policymakers. While microfinance has its origins in women's empowerment through the Bangladeshi Grameen Bank and can prove to be socially and financially empowering in certain contexts, women are also at risk of financial and social harm because of mismanagement. This should be incorporated as a core principle of monitoring and administrative structure.

Authors find adoption of market-led, grassroots and socially conscious initiatives to be vital for successful social outreach. Group loans, although successful in the Grameen Bank, remain controversial among authors and risky in the New Zealand context. Grassroots innovation and MFI client-led flexibility within appropriate monitoring structures is generally lauded as boosting social outreach and financial viability. Authors also warn about the dangers of ignoring local social norms and relationships, citing the variability of initiative efficacy between different locales and cultures. In the New Zealand context, this means microfinance providers should carefully assess the needs, wants and norms of their community before offering their services, particularly because New Zealand has such an ethnically and culturally diverse population. A scheme which works in one area of Auckland may not work in the South Island, or even in another suburb of Auckland. This means that while regulatory framework is vital, it should leave enough room for adaptation to different locales.

Finally, authors agree that microfinance is appropriate for limited scenarios. It is unable to help the poorest of the poor who cannot work to borrow, save and interact with a financial system. For those New Zealanders, there is no replacement for Government and charitable assistance. The provision of microfinance should be responsibly limited to those it will benefit, namely New Zealanders who are able to make good use of microfinance services to improve their economic situation, as part of a policy "toolbox".

6. *Conclusion*

This report aims to inform appropriate MFI development in New Zealand by providing a literature review of international and New Zealand-specific microfinance research. It focuses on presenting an overview of the global development of microfinance leading to the present status quo before investigating the current recommendations provided by authors in the microfinance field.

In our overview of the microfinance landscape, we cover the early development of microfinance from the 1700s through the modern advent of microfinance in the global south and its emerging applications in the global north. In our review of the global south, we discuss the Grameen Bank of Bangladesh, the self-help-groups of India, the Bank Rakyat Indonesia, Pakistan's Microfinance Ordinance and other examples from Cambodia, Barbados, South Africa and Mexico. In our review of the global north, we discuss the Grameen America programme, Europe's Progress Microfinance Facility, Australia's Good Shepherd Sisters and the recent formalisation of microfinance into the western traditional finance sector. We also analyse some of the operational differences between the global north and south. Returning our discussion to New Zealand, we suggest the need for microfinance by analysing the increasing indebtedness of New Zealand society and the rise of extremely high interest short-term loans, before presenting the relatively recent advent of New Zealand microfinance through programmes such as Good Shepherd New Zealand and Ngā Tāngata Microfinance.

In our review of microfinance researcher recommendations, we highlight literature insights into the optimal financial and administrative structure of MFIs, the appropriate level of institutional monitoring, the benefits of enabling partnerships between MFIs and traditional microfinance, the implementation of new technology into MFIs, the role of women in microfinance, the need for socially responsive microfinance and the limitations of microfinance.

In our discussion section, we apply relevant literature recommendations to the New Zealand microfinance status quo, generating insights for policymakers and MFI operators into methods to enhance the financial sustainability, social outreach and stability of microfinance in New Zealand. We find that the current providers of microfinance in New Zealand are well-regulated and following literature guidelines, but that there is room for further carefully regulated expansion in various areas of the microfinance sector, which would enable greater social outreach.

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