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TRANSLOCAL VIEW ON MICROFINANCE TRAJECTORIES:

SCALES, FLOWS, AND INTERCONNECTIONS

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Abstract

As of 2018, the Microfinance Industry reached about 139 million individuals worldwide with loans totally estimating 114 USD. Development Institutions and powerful donors are deploying substantial funding to the expansion of global financial systems as microfinance has become a primary enabling tool for financial inclusion in the Global South and Global North alike.

Objective of this elaborate is to explore from an explicitly translocal perspective the characteristics of the material and immaterial flows mobilized within the industry, and by doing so, drawing physical and non-physical connections between levels of interaction. An attempt to investigate the dimensions of the microfinance sector's spatial configuration is made through the provision of quantitative data and visual mapping concerning the relevant flows and interconnections that link different scales and actors within the industry and the global movement for financial inclusion as a whole.

As to conclude, the need for further research is identified in order to assess the consequences of the Covid-19 Pandemic on the industry as well as the outcomes of the industry's gradual restructuring to fit wider processes of development financialization.

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List of abbreviations

BOP	Bottom of the Pyramid
BPRs	Indonesian People's Credit Bank
CFI	Center for Financial Inclusion
CGAP	Consultative Group to Assist the Poor
DFI	Development Finance Institution
DFS	Digital Financial Services
EAP	East Asia and the Pacific
FSP	Financial Services Provider
GDP	Gross Domestic Product
GLM	Group Lending Method
IMF	International Monetary Fund
MDBs	Multilateral Development Banks
MDGs	Millennium Development Goals
MENA	Middle East and North Africa
MFI	Microfinance Institution
MIVs	Microfinance Investment Vehicles
MN	Microfinance Network
MSC	Microcredit Summit Campaign
NBFI	Non-Bank Financial Institution
NGO	Non-Governmental Organization
PRFI	Partnership for Responsible Financial Inclusion
ROSCA	Rotating Savings and Credit Associations
SDGs	Sustainable Development Goals
UN	United Nation
UNCDF	UN Capital Development Fund

UNCTAD	UN Conference on Trade and Development
UNDP	United Nation Development Program
UNSGSA	United Nations Secretary General for Inclusive Finance
USD	US Dollars
WB	World Bank
WOCCU	World Council of Credit Unions

1. Introduction

1.1. Microfinance, an overview

Microfinance has been gaining increased attention by both academia and the general public alike, specifically as an innovative mechanism for economic growth and poverty reduction (Hulme & Maitrot, 2014). Newman et al. (2017) identify the emergence of the topic within the academic debate as a result of the shift of economic growth and development emphasis towards emerging economies, where microfinance is still today one of the largest developmental approaches, both in financial terms and in relation to the number of poor people targeted and reached (van Rooyen et al., 2012).

To the broader and less specialized public, echoes of this powerful development tool came from international organizations such as the UN or the UNDP firstly in the context of the MDG's (Millennium Development Goals) and later on thanks to the SDGs (Sustainable Development Goals). Microfinance, therefore, has been popularized from within the lines of a broader discourse concerning global poverty reduction.

Today the microfinance industry reaches around 139 million individuals with loans totally estimating 114 billion USD (Valette & Fassin, 2018). As noted by Hulme & Matriot (2014), with the rise of the concept of "financial inclusion" as *human right*, and not just as a strategy for development, microfinance and its implementation has increasingly been presented as a moral imperative and as key component to eradicate social injustice. Hence, the construction of sustainable financial systems in developing countries has become of primary interest for international organizations and development donors, which deploy extensive funding to this end.

1.1.1. A definition

Microfinance can be characterized as an economic development approach deemed particularly fit for poverty alleviation (Helms, 2006). The term *microfinance* refers to the provision of financial services to low-income clients that are unable to access formal banking systems as a result of information asymmetries, lack of collaterals, high transaction costs, high risks and systematic market bias (Qudrat-I Elahi & Lutfor Rahman, 2006; Rahman, 2010). Different types of microfinance institutions (from now on MFIs) provide a range of financial and non-financial services. Among these, the provision of small loans (widely known as *microcredit*) aims to support income-generating activities, often within the informal economy, often through self-employment (*ivi*). As we'll see further on in the discussion, microcredit is only one among many financial services provided by MFIs. A multiplicity of financial products is in fact being deployed in order to achieve *universal financial inclusion*.

Along with a set of financial services, some MFIs provide access to "social intermediation" programs, which are often not strictly "financially inspired" and are aimed at increasing individual and household's self-reliance through trainings and education. These are considered as of central importance to sustain micro-enterprises, both independently and collectively (Panjaitan-Drioadisuryo & Cloud, 1999).

The provision of financial services alone, or in conjunction with social intermediation programs, is believed to impact positively not only income creation, but also asset accumulation and resilience over external shocks (Rahman, 2010).

1.2. Microfinance and the international development agenda

1.2.1. Framing poverty reduction

The end of the 20th century marks the end of the unpopular political project for development known as the *Washington Consensus*[1]. Many immediately noted how enabling a pro-poor growth had then become central in the definition of a new agenda for global development, which have been defined by some as the *post-Washington consensus* (Drolet, 2010).

The 1980's and early 90's have been addressed by many as "a lost decade" for development with reference to the neo-liberal orthodoxy of those years, which today have proved to have caused social injustice and adverse development implications (Hulme & Arun, 2011).

[1] 1 The academia refers to the *Washington Consensus* as a body of institutions, norms and rules that conveyed neoliberal praxis in developing countries development policing in the aftermath of WWII. In this context multilateral organizations imposed stringent liberalization policies, as the general lack of capital allowed these institutions to impose an unilateral leverage over developing countries for the implementation of various forms of marketization, fiscal austerity, removal of trade and investments barriers and direct and non-direct forms of protectionism (Carroll & Jarvis, 2014).

Heloise Weber (2002) points out how a poverty reduction agenda has gradually arisen as a response to the social limitations of the *Washington Consensus* through the definition of new international development targets. She further argues that microfinance and its success as a poverty eradication strategy finds its context within the lines of this agenda, as a result of the endorsement received from important international organizations, such as various UN agencies, the World Bank, Bilateral and Multilateral Development Agencies and Regional Development Banks (commonly defined as DFIs, development finance institutions). Consequently, she argues, this renewed engineered global effort outlines an emerging "global development architecture" that aims at "strategically embedding the poverty reduction agenda within the global political economy" (2002, p. 539).

Microfinance gains recognition in this shifting context of development rationality and affirms it-self as a bottom-up participatory approach to development, in net contrast with the top-down approaches that have been characterizing the strategies of the *Washington Consensus* (Qudrat-I Elahi & Lutfor Rahman, 2006). In conformity with the path outlined by the new poverty eradication agenda, MFIs, which in the early stages were mostly NGOs (non-governmental organizations), seek to operate independently from governments and claim through their non-profit status their motivation to serve cultural, humanitarian, and social interests (*ibid.*).

1.2.2. Financializing development

The development policy corpus known as the *Washington Consensus* prescribed economic transformation and modernization of developing countries by adjusting the state presence in domestic economic activities and by rolling back market barriers for national and international investors (Carroll & Jarvis, 2014). With a second wave of neo-liberal development policing (known as the *post-Washington Consensus*), top-down approaches were generally abandoned while poverty reduction instances got incorporated within the political economic arena (Qudrat-I Elahi & Lutfor Rahman, 2006), as introduced above. Bottom-up participatory approaches, like microfinance, and market-efficient strategies for development in general, have originated from and thrived within the shifting international political-economic space of neoliberalism and have contributed to popularize an idea of development that hails individual freedom and initiative.

As argued by Brau & Woller (2004), what has grown as a grassroots movement largely motivated by development instances has become one of the main drivers of *financialization* processes in developing countries. It is in fact widely recognized that microfinance supply and demand in the Global South have expanded in parallel with the globalization of financial practices and technologies developed in the Global North, and especially in the context of neoliberal policy making practices (*Washington* and *post-Washington Consensus*). The concept of "financialization" will be better addressed in its theoretical facets later on in this elaborate.

What interests this paragraph is to highlight the existence of a deepening nexus between financialization dynamics and development.

The idea of "*inclusive finance*", which has conceptually evolved from microfinance, is a cornerstone of contemporary development policing efforts. It is considered as fundamental driver for economic development on both micro and macro scale, and it is therefore featured as target in eight of the seventeen Sustainable Development Goals set by the United Nations (*Financial Inclusion and the SDGs - UN Capital Development Fund (UNCDF)*, n.d.). Financial inclusion can be briefly defined as a set of processes that ensures access, availability, and usage of formal financial systems for larger portions of a population (Sarma & Pais, 2011).

Development institutions are actively engaged in providing institutional and material basis to promote a pro-growth/pro-private environment as pillars for sustainable development. Direct consequence of such dynamic is that microfinance programmes worldwide are being restructured to be further integrated into global financial flows. Furthermore, the progressive formalization of the sector has disclosed new possibilities for new actors, such as international private entities like banks and other financial firms (Banerjee et al., 2015; Brau & Woller, 2004), among others, as growing emphasis on finance accessibility translates into growing number of actors within the industry (Carroll & Jarvis, 2014).

1.3. Relevance to development studies

As highlighted above, financialization practices are being incorporated within the development realm with the primary objective - whether implicit or explicit - of promoting a pro-growth and pro-private agenda[2]. What emerges clearly from the academic debate is that

[2] Carrol & Jarvis (2014) suggest that the current phase of neoliberal policing is further committed in promoting pro-private sector agenda. As for development at large, the authors point out that international organizations have gradually lost unilateral leverage over developing countries as local class interests started arising. They conclude that even though developing countries seems to be over the binds of multilateral

connections between development and financialization processes have never been so robust. This trend is observable in international, as well as domestic, policy praxis for development in emerging economies (Mader, 2014; Rankin, 2013; 2002).

In this context, microfinance, which is an unparalleled and unrivalled device for the democratization of credit and financial means, is accelerating, scaling up and connecting poorer people and communities to wider global financial structures. Moreover, as microfinance institutions get restructured to emerge as players in the global economy, new actors and intermediaries participate in this complex net of stakeholders ultimately reshaping transnational governance (Mader, 2018).

These processes, despite having extremely localized consequences, are not to be considered clustered or bundled within the lines of local development realms, but rather as interlocked trends of globalized nature. Globalization requires to consider local livelihoods not as merely based on economic aspects but also on political, social, cultural, and ecological factors (De Haan & Zoomers, 2003). Furthermore, opportunities on the local level, are necessarily to be interpreted in light of their interrelations with a range of "assets, income opportunities, and product/labour markets that are located in different places and, in turn, interact with other places, meaning that livelihoods both depend on and shape global forces" (*ibid*, p.2).

Such an interpretative framework allows to overcome the analytical and theoretical dichotomy between "here" and "there", to grasp globalization in its *relational dimensions* (Bathelt & Glückler, 2005). *Mobility* is a key component of the *global-local nexus* as it links "abstract processes" of globalization, like financialization, to the specificities of localized development (Mader, 2014).

As a consequence, a theoretical and methodological need for a perspective that is capable of grasping the increasingly relational, mobile, and volatile nature of such processes is hereby identified. The *Translocal Perspective*, which will be deepened in the conceptual framework as foundation for this study, perceives mobility beyond the mere movement of people (Brickell & Datta, 2011) and includes the circulation of knowledge and concepts, as well as other types of flows, as key components of the local-to-local interconnectedness. In this sense, the increased mobility of financial *information*, *investments*, and *investors* across the economic space is to be seen as major driver of contemporary development. Drawing from the above-discussed

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development financing, they are nevertheless subjected to international market regulations and are "embedded in global capitalist social relations in a more complete manner" (p. 538).

arguments, aims and objectives of the research are identified and outlined in the following paragraph.

1.4. Research aims and objectives

While the literature on microfinance is abundant - even though highly clustered, as explained in the first paragraph of the theoretical background, less has been written with regard to the industry's interconnectedness with wider financial drivers of development through an expressly translocal angle. More specifically, as the scholar interest for the financialization of development rises, with a natural positioning within the economic geography and the development debates, so do the need to broaden the understanding of these intangible dynamics in their extremely tangible interrelations with the local level. More specifically, what interests this research the most is how such interrelations create links and ties that connect different microfinance's stakeholders operating at different scales. An attempt to explore the nature and the characteristics of the connections that are being materialized within and beyond the microfinance industry, which is already the most predominant and yet increasingly relevant tool of financial inclusion worldwide, will be made.

This elaborate intends to locate itself at the intersection of, and contribute to, the microfinance, development and financialization debates by applying the translocal perspective to highlight relevant issues and topics, with a conclusive reflection concerning the Covid-19 pandemic's consequences for the industry.

The study will be built on the existing literature with the primary aim of advancing the scholar understanding of the microfinance phenomenon and further explore it in its translocal facets. The specific objective of the study is to provide qualitative and quantitative insights concerning microfinance most relevant actors, legislation, and funding flows while drawing on the literature on translocal development, secondary data, and relevant resources retrieved by the internet.

The necessity to conceptualize such processes through the translocal lens is given by the multiscalar and multidimensional nature of microfinance, which concur in shaping local opportunities in developed and developing countries alike. As such, a framework that highlights extra-local, meso and macro contextual relations is to be considered essential for the above cited quests.

1.5. Research questions

In accordance with the general aims and objectives of this elaborate, 3 main research questions are identified below:

- **How is the microfinance industry composed?**
- **How do different actors interact with each other within the industry?**
- **What kind of translocal ties and interconnections exist within the microfinance industry and the financial inclusion movement?**

The questions are to be framed within a more general quest that focuses on the exploration of the theoretical and analytical potentialities of the translocal perspective in the context of the analysis of financial inclusion and microfinance related phenomena. The fundamental premiss that lies behind such quest is the acknowledgment of the inherently translocal nature of microfinance and consequently the 3 research questions are designed to explore relevant issues and topics of the global nature of microfinance.

2. Theoretical Background

Key elements concerning microfinance, its characteristics as a development toolset and an introduction to the process of financialization and it translocal implications have been the object of the introductory section.

Primary aim of the present chapter is to lay the theoretical foundation for the study. The concept of microfinance is assessed and investigated firstly by exploring the composition of the academic debate. Further on in the discussion, the functioning of microfinance as development tool is discussed in order to highlight and clarify the multiple ways in which borrowers and other MFIs clients are co-opted within financial structures of globalized nature.

Paragraph 2.3 provides a context and a rationale for the use of the terms microcredit, microfinance and financial inclusion and serves as bridge to assess the concept of financial inclusion in a more complete and exhaustive manner, highlighting the relevant issues and topics.

2.1. Overview of the debate

The rise of microfinance as development tool has been followed by the expansion of an increasingly nuanced and complex academic debate. This paragraph aims to offer a brief overview of the microfinance knowledge base, as well as of the main thematic research clusters through which academia have been analysing and deepening the understanding of the topic.

For what concerns academic production, the first articles on microfinance were authored in 1989, but consistently appears on scholar journals starting from 1997 (García-Pérez, 2017). In 2005, UN's International Year of Microfinance, the topic sparks the interest of scholars from different academic backgrounds. In 2006 Mohammad Yunus is invested with the Nobel Peace Nobel Prize for his efforts in reducing poverty through financial inclusion practices (Bayulgen, 2008). From 2007 an exponential growth of publications generates a large and dynamic debate. The vast majority of the publications, in fact, has been published from this moment on.

Zaby's science mapping literature review (2019) has found that the academic production comes predominantly from the US and the UK, and in smaller concentration from India, Malaysia, France, Canada, Australia, Germany, Belgium, and Bangladesh. Zaby again identifies

3 separates clusters that constitute the “cognitive structure” of the microfinance literature: the first cluster encompasses publications concerning *poverty alleviation*, *rural development*, *gender and empowerment* related issues, and it is labelled as the “Microfinance and Social Justice” cluster (Zaby, 2019, p. 12). The second cluster groups publications that focus on *economic performances*, *efficiency*, *outreach*, *services’ sustainability* and *institutional aspects* such as policy regulatory frameworks and administration. Brau & Woller (2004) noted how throughout the late 90’s and early 00’s, and despite being an economic inspired intervention for development, microfinance had only timidly attracted the interest and the attention of the specialized economic literature. Today the microfinance mainstream entrepreneurial and financial literature is successfully established and grows at faster rates than other spheres of analysis (García-Pérez, 2017). The third cluster includes publications on *repayment performances* of peer/group lending and more in general on *impact assessments* in relation to poverty alleviation targets. This group of publications have evolved to evaluate the impact and sustainability of microfinance initiatives, policies, and practices, contributing to the debate with sophisticated research designs, for example, as suggested by Zaby (*ivi*), through experimental economics, randomized impact evaluations, longitudinal panel studies.

Today increasing attention on small enterprises creations is opening a new debate (Berge et al., 2015). As a consequence of the shift from the microfinance movement to the financial inclusion one, a wide and complex debate on financialization processes is getting more and more attention, embracing financial issues from developing countries as well as developed (Lawrence, 2015; Mader et al., 2020; Pollard, 2013).

2.2. Microfinance in perspective

2.2.1. Brief history

Microfinance in its modern fashion evolved from the work of the already cited Muhammad Yunus with the Grameen Bank in Bangladesh (Lakwo, 2006; Yunus, 1998). In 1975, Yunus, professor of economics at the Chittagong university, dissatisfied by the governmental approach to famines, landed few dollars from his own pocket at no interests to a group of 42 women who made bamboo stools (*ibid.*). Such a small credit made it possible for the women to exit a cycle of dept with local moneylenders, who lent the money for raw materials under the obligation that the women would sell the final product back to them for a price barely higher than the material themselves (Newman et al., 2017). Further experimentation on the group lending model eventually led to the formalization of the Grameen Bank in 1983 (Ghosh, 2013).

The notion of credit as a poverty cycle breaker is not new. Throughout the centuries different forms of credit and saving groups have operated to meet the poor's unmet financial needs. Helms (2006) points out that already in the 15th century the Catholic Church established pawnshops as an alternative to moneylenders. In the early 18th century formal credit and saving institutions that would offer their services to the poor appeared throughout Europe. The Irish Loan Fund, which operated in different parts of Ireland for about 200 years, is a successful example of an early MFI. Again in Europe, credit and saving cooperatives developed during the 1800s (*ibid.*). These institutions were mainly based in rural settings to offer peasants an alternative to money lenders. Different cooperatives were established in Germany and quickly spread all around Europe and northern America. Another early MFI example is the Indonesian People's Credit Banks (BPRs) which was instituted around 1895 and quickly turned into the most successful microfinance provider in Indonesia.

The microfinance approach, although in different modalities, landed South America in the early 1900s, where rural financial interventions were aimed at modernizing the agricultural sector.

All these past experiences merged into the modern conceptualization of microcredit which, as we said, is exemplified by the pioneering work of Grameen Bank in Bangladesh and other institutions all around the globe that started operating in the late 70's of 20th century.

During the 80's liberalization of financial flows and increased integration of capital markets become a "commonplace" (Arestis & Caner, 2009, p. 229); from an ideological perspective, rising emphasis on individual initiative, along with the valorisation of individual freedoms, as explained in the introductory section, lay the foundation for the microcredit movement to attract the interest of international organizations such as the World Bank and the International Monetary Fund (IMF) (Sengupta, 2013).

Between the 90's and the early 2000's, in the context of rising financial liberalization processes, financial inclusion is increasingly understood and theorized as a human right to which poor people are entitled; microfinance as a development tool gets therefore included in the UN's Millennium Development Goals (MDG's) (Yunus, 2004).

As argued by Rahman (2010), the MDG's represented an important component of the global policy environment for development of those years and by acknowledging microfinance as an efficient tool for poverty reduction, the MDG's helped focusing attention and channel resources towards innovation within microcredit programs and the integration of financial markets.

The early 2000's represented a turning point for the entrance of international investors into emerging economies' financial markets, which encouraged a significant number of MFIs to convert from informal into formal entities (Srnec & Svobodová, 2009). As a consequence, interest rates on financial products increased from an average 5% circa, within informal arrangements, to 30-100% (*ivi*).

Microfinance is today getting more and more integrated into larger financial systems, though unevenly around the globe, through collaborations with national banks and national strategies for development, international organization for development and commercial banks (Helms, 2006). Many have noted how the boundaries between traditional microfinance and larger financial mechanisms are getting increasingly blurred. As it will better addressed further in this section, the conceptual shift from microfinance to financial inclusion had major policy implications for development planning on different scales and levels. Financial liberalization policies had been often presented as necessary preconditions for the delivery of sustainable financial products at scale, but the increased interconnectedness of financial markets have often played against the most fragile fractions of the population, delivering different impacts depending on the specific settings, in ways that yet to be fully understood (Arestis & Caner, 2009). Nevertheless, the introduction of new technologies (especially on behalf of FinTechs) for the delivery of financial services represents an element of novelty with further democratizing potential. Such instances will be better addressed further on in the discussion.

2.2.2. Microfinance clients and financial inclusion practices

Processes and dynamics through which clients are financially included largely depend on the provider's features along with the specificities of the local lending habits or social/economic environments. Yunus (2004) has identified different categories of formal and informal providers:

- Traditional informal credit providers: moneylenders, pawn shops, friends, relatives and so on.
- Traditional microcredit informal groups: *tontin*, *su su*, ROSCA, and so on;

- Activity-based micro-credit through conventional or specialised banks: agricultural credit, livestock credit, fisheries credit, handloom credit, and so on.
- Rural credit institutions. Co-operative micro-credit: credit unions, savings and loan associations, savings banks, and so on;
- Consumer micro-credit. Bank/NGO partnership-based micro-credit.
- Grameen-type microcredit.
- Other types of NGO micro-credit.
- Other types of non-NGO non-collateralised micro-credit.

A widely employed method for service delivery in developing countries is the so-called *group lending method* (GLM). As recipients are generally unable to provide collaterals for their borrowings, they get clubbed into self-selecting groups, usually small (6-7 individuals), in which each participant is responsible for other's repayments. This form of peer-monitoring reduces adverse selection and ex-ante moral hazard (Ghosh, 2013), as participant are presumed to know who a potential defaulter is and who's not. Hence, the model allows the institution to rest assured about the reliability of clients while being almost completely ignorant about their previous lending history.

While this is an extreme viable sorting strategy for MFIs, it might not be the best way to reach different social strata as extremely poor people or marginalized communities remain often disproportionately excluded (Karlan et al., 2014).

Along with the multiplicity of FSPs, a multiplicity of microfinance clients defines the bottom of the pyramid (from now on BOP) of the industry.

A generic profile of the MF client *tipo* is one of a small self-employed entrepreneur, often home-based, engaged in small income generating activities. From petty trade to food processing or artisanal work, the differences between rural and urban settings are substantial (van Rooyen et al., 2012).

As not everyone has the material nor the social means to become an entrepreneur, along with loans and entrepreneurial financing, MFIs often offer deposit services, insurance products, pensions, payment systems, and also increasingly include financial education and consumer protection mechanisms (Marsden & Nileshwar, 2013). Different financial services are intended to tackle different financial issues at different points in life. Collins et al. (2009) reflect upon 3 main groups of circumstances in which poor people might need financial support throughout their life: life-cycle events, such as birth, marriage, or death; emergencies, which might include sickness, injury or other emergencies that are out of the household's control; and opportunities. In this last category lies all the entrepreneurial opportunities to invest in business, land or household assets (Helms, 2006). Microfinance attempts to provide an alternative to local money lenders and to other informal arrangements where the lack of formal institutions leaves many unbanked and often vulnerable in the abovementioned key moments of life.

2.2.3. Approaching poverty reduction

Reaching a clear and overarching definition of poverty is of strategic importance for both the design and the impact assessment of any poverty reduction strategy.

Deepening the debate on poverty conceptualization has allowed to acknowledge the lack of uniformity within the needs of poor and marginalized people and this was the very starting point for the elaboration of a more sophisticated idea of financial inclusion, as well see further on in this section.

One of the core issues in poverty framing was to determine whether it is mostly about material deprivation or about a far more extensive scope of needs. Many have questioned the limiting definition of poverty as a condition for which one lives under 1 US Dollar a day, as stated, for example, in the MDG document (Chibba, 2009).

Today the United Nations defines poverty as severe deprivation of *basic human needs*, which entails more than the lack of income and productive resources to ensure sustainable livelihoods. Its manifestations include hunger and malnutrition, limited access to education and other basic services, social discrimination and exclusion, as well as lack of participation in decision-making processes (*Ending Poverty*, 2018).

A more comprehensive and multidimensional understanding of poverty allows to see the phenomenon through the lenses of *access*, or rather the lack of it, as the idea of vulnerability is acknowledged as a social issue, not just as a material one (Kabeer, 2005).

So how does the microfinance movement intend to enable access for poor people? By providing financial services to those who are excluded from formal banking systems, MFIs pursue a range of objectives that span from income creation to asset accumulation and increased resilience to external shocks (Marsden & Nileshwar, 2013). The underlying assumption of microcredit promoters is that access to financial services will enhance poor households' abilities to access and benefit from other services, smoothing basic consumption while positively affecting their health and education level (Qudrat-I Elahi & Lutfor Rahman, 2006). Many MFIs, most commonly NGOs or other institutions specifically focus on boosting social development and design their service delivery along with literacy programs, microenterprise development trainings, healthcare awareness programs and so on (Rahman, 2010).

Today is widely accepted and recognized that the more a financial package is tailored to the target population's needs, the more the program will have chances to succeed in stimulating a positive and long-lasting impact. Outreach and targeting strategies design are therefore core issues within the microfinance debate.

2.2.4. Impact assessments and clients' positionality

Microfinance impacts and processes cannot be considered separately from "the broader local and macroeconomic dynamics of livelihoods and employment, consumption and financial development in general", to put it with Ghosh's words (2013, p. 1208). This is why impact assessment efforts must have a closer look to the recipient's positionality within a specific context of options and possibilities of translocal nature.

It is in fact true that while many MFI's advocate for the poor's portfolio expansion, asset accumulation and increased consumption by means of loans, many researchers have found that poor households characterised by low propension to start a business increased their spending only on non-durable items, often food (Banerjee et al., 2015). On the contrary, owners of existing businesses turn out to be able to use microloans to expand their businesses. Consequently, a correct characterization of the targeted population, as well as an extensive understanding of the broader social and economic context, is key to estimate the extent to which poor individuals and households can benefit from the participation to microfinance schemes.

This observation is of central importance especially if we consider that several studies have questioned the direct link between microfinance participation and positive impacts on both financial and non-financial outcomes. As stated in van Rooyen, et al.'s systematic review of evidences on microfinance impact assessments (2012), financial inclusion appears to benefit the poor but not the poorest, who often remain financially excluded. Among the poor who genuinely benefit from microfinance there often seem to be an improvement in financial management abilities but not on income creation. Some had even argued that microfinance subsidies could be more efficiently deployed in other development interventions (Karnani, 2007, in van Rooyen et al., 2012). On the other hand, some have reached the conclusion that microfinance brings harm, especially when it comes to women's overexploitation, increased or unchanged poverty levels, increased income inequality, increased workload and child labour, and creation of dependencies and barriers to sustainable local social and economic development (*ivi*).

So, despite the great quantity of positive anecdotal experiences, which are undoubtedly inspiring, it is still unclear to what extent microfinance is able to tackle poverty in a systematic and substantial manner.

2.2.5. Microcredit approaches

Today there are 3 main approaches in microfinance practice: the "*financial self-sustainability* paradigm, the *poverty alleviation* paradigm, (which Morduch (2000), in his well-known paper "The Microfinance Schism" defined respectively the "*institutionalist*" and the "*welfarist*" approaches) and the *feminist empowerment* paradigm (Drolet, 2010; Woller et al., 1999). The last was most recently discussed drawing from bottom-up experiences in urban India, and therefore the literature on the matter is scarce. Much more attention has been given to the first two approaches, as they represent a first categorization within the microfinance industry, offering contrasting views on MFIs' functions and priorities in their pursue for development.

The *financial self-sustainability* paradigm is often promoted by leading donor agencies. Mayoux (2002) and others (Karim, 2008; Rankin, 2001) have argued that this type of microfinance practice is consistent with a wider neoliberal agenda that facilitates financial sector liberalization as well as an extension of the policy of trade in financial services to the local level. MFIs operating under this label, as noticed by Drolet (2010), raise funds from international financial markets, rather than subsidies from donors and development agencies. Their aim is to strengthen the role of financial sectors in emerging economies as a way towards development. Hence, microfinance is fundamentally seen as a financial product (Bangoura, 2012).

Karim further argues that policy discussions have led to the separation of financial services from other social services (*i.e.* the social intermediation programs) in order to increase outreach and scale of the operations, which, along with the rise of interest rates, is aimed at covering the totality of the costs. A famous example is the Bolivian NGO "PRODEM", which externalized its microcredit activities establishing a for-profit bank called Banco Solario, widely known as BancoSol (Bangoura, 2012).

This *financial self-sustainability* paradigm has been at the centre of a healed discussion especially when it comes to women's empowerment. Feminist scholars concur on the fact that women's empowerment is here understood in terms of individual choice expansion and increased autonomy within the existent power structures, and not as a result of a critical examination of patriarchal limitations to women's freedom (Keating et al., 2010; Sengupta, 2013). Hence, credit is considered the only missing element for both poverty eradication and women's empowerment.

The *poverty alleviation* paradigm includes all those approaches to microfinance aimed at fostering development on a wider level than the economic one, by investing in trainings and social services for borrowers (Panjaitan-Drioadisuryo & Cloud, 1999). Robinson (2001, in Drolet, 2010) highlight how this approach derives directly from the tradition of subsidized agricultural credit programs that characterized the 20th century development approaches which was gradually expanded to reach non-agricultural borrowers. This model heavily relies on donor's subsidies to cover operational costs. Development is here contextualized not solely in material terms, and therefore strive for the achievement of a more holistic idea of empowerment.

The last paradigm, the *feminist empowerment* one, as explained by Drolet (2010), is rooted into a recently established microfinance tradition, well exemplified by the experiences of the *Self Employed Women's Association* and the *Working Women's Forum* in India. These organizations base their practice on the concepts of equity and equality, acknowledging empowerment as a process of change of gender subordination which is viewed as a complex, multidimensional, and pervasive element of society.

The 3 above-described paradigms are considered to be competing within the microfinance industry, even though the vast majority of the programs try to combine one or more of these approaches in order to achieve specific objectives and meet stakeholders' aims and expectations, which might differ greatly between each other.

2.3. Microcredit and Microfinance: functional and conceptual differences

Before the rise of a formal industry composed by a variety of actors, as argued by Brau and Woller (2004), the term microfinance referred to the multiplicity of informal and community-based financial arrangements developed by the poor over time. Today it may be argued that the differences between the terms microfinance, microcredit, and financial inclusion are merely semantic and are not of substantive importance. On the other hand, some (Qudrat-I Elahi & Lutfor Rahman, 2006) have been claiming that there are both conceptual and functional differences. The problem seems to reside in the fact that the terms are used interchangeably in relation to specific development programs, which often ends up being analysed under the same heading (Morduch, 1999). The lack of clarity seems to have theoretical and policy-making implications; a proper understanding of the two concepts could therefore lead to a better design of alleviation strategies for emerging economies (*ibid.*) and it is certainly useful to the ends of the present elaborate.

As noted by Qudrat-I Elahi & Lutfor Rahman (2006) the modern conceptualization of microfinance developed in the late 90's as a result of the increased popularity of microcredit as a poverty alleviation tool, when MFI's started offering a wider range of services, including lending, savings, insurance, leasing and transfers. This was largely due to the growing recognition that not all poor are necessarily entrepreneurs in need for enterprise finance, but all poor people might benefit from access to sustainable, flexible and reasonably priced financial services (Helms, 2006).

"Grameen-like" institutions are to be considered under the microcredit label, as the only service that they provide is loan distribution and recovery for microenterprises, even though savings are often a prior requirement before the loans are granted.

To sum up, the main difference between microcredit and microfinance from a functional perspective is the range of provided services.

From the conceptual point of view, again Qudrat-I Elahi & Lutfor Rahman (*ivi*) argue that microfinance and microcredit are to be differentiated on the base of profit motives. NGO's and other non-profit organizations that run microcredit programs, by definition, don't seek any form of profit. On the other hand, modern microfinance institutions seek profits to pursue the sustainability of the services, which can (it often doesn't) allow independence from donor's subsidies or other form of external financing.

For what concerns this research both conceptual and functional differences between microfinance and microcredit are of central importance, as they outline different forms and degrees of interconnectedness with international development organizations and the development industry as a whole, allowing different degrees of investments and other flows to participate in pursuing financial inclusion in developing countries.

2.4. Financial inclusion

Financial Inclusion plays a central role in 2030 Sustainable Development Goals as it is featured as major target in eight of seventeen goals as fundamental development enabler. Moreover, its importance has been widely recognized and has become a policy priority in many countries (Sarma & Pais, 2011).

2.4.1. From Microfinance to Financial Inclusion

S. Mahendra Dev (2006) refers to financial inclusion as the delivery of banking services at an affordable cost to vast sections of disadvantage and low-income groups. The concept evolved from the microfinance approach to poverty reduction and has come to exemplify the profound yet gradual and still ongoing changes in the global financial landscape (Mader, 2018). It entails access to financial services through a variety of formal FSPs. Recent innovations in digital finance only are believed to potentially benefit billions by adding 3.7 trillion dollars of GDP of inclusive growth in emerging economies within a decade (*Social Responsibility | McKinsey & Company*, n.d.). On a macro scale, this is believed to be ascribable to a number of reasons; financial inclusion advocates call for a facilitation in mobilizing domestic resources through national savings, boosting government revenues (*Financial Inclusion and the SDGs - UN Capital Development Fund (UNCDF)*, n.d.). Increased financial inclusion also appears to promote efficient allocation of productive resources, potentially reducing the cost of capital (Sarma & Pais, 2011). Building comprehensive and inclusive financial systems also allegedly reduces the growth of informal sources of credit, providing safe avenues for "secure and safe saving practices" (*ivi*, p. 613). A policy division working paper of the Department for International Development of the UK government states that long-run growth might be positively affected by the development of financial systems as it "facilitates and encourage inflows of foreign capital"(Ellis, 2004, p. 7).

Undoubtedly the microfinance movement has evolved as forerunner for financial access in developing countries and expanded up until it accounted to one of the most important drivers of financial inclusion in emerging economies as well as in developed ones (van Rooyen et al., 2012). International organizations and international advocate groups push forward for international recognition on financial inclusion potentialities for development. These lobbying efforts impact greatly on local governmental policies and play a central role in the expansion of the industry. As a consequence, the landscape of actors is in constant change and evolution.

Mader (2018) points out that mainstream companies are downscaling into microfinance-specific segments, while formerly small MFIs scale up to acquire the status of formal for profit banks. Morduch (1999) argues that the provision of financial services to low income households has the potential of transforming economic and social structures. Indeed, the expansion and evolution of financial systems has proved to entail the mobilization of a great deal of resources while pursuing structural transformations, even though tangible, positive structural changes are yet to be corroborated by solid evidence (Nega & Schneider, 2014).

The two predominant views on financial inclusion are characterized by those who advocate for the widening of financial services provision by the private sector, deeming it as necessary to tackle the issue of financial exclusion on an adequate scale (Ellis, 2004), and those who stress on the dangers of deep financial interconnectedness through (often) evidence-based concerns on the many ways through which financial crises can affect the poorest and the most vulnerable, as these events usually result in major growth reduction and increased poverty levels (Arestis & Caner, 2009).

2.4.2. Inclusive Finance at times of Globalization

Contemporary conceptualizations of local development and poverty have moved beyond the static representation of development as strictly connected to access and distribution of resources, which are specifically local features. Local opportunities for poverty reduction are increasingly understood as tied to larger development dynamics through translocal links in a globalized context (Zoomers et al., 2011; Zoomers & Westen, 2011). The ongoing mutations of international financial systems are impacting unevenly worldwide and their effects on poverty reduction, as already mentioned, are not fully understood. Arestis & Caner, (2009) have theorized 4 channels of interaction through which financial liberalization (FL) impacts on poverty, stressing the geographical and spatial dimensions that determines different localities' experiences with financial inclusion: the *growth* channel draws attention on the recurring and unidirectional focus on positive links between economic growth, poverty reduction and financial inclusion that characterized much of the relevant literature on the matter; the *financial crises* channel highlights the interconnectedness between larger financial dynamics and effects on poor communities; the *access to credit and financial services* channel, which regards the work of MFI's to financially include those who are excluded, and the *income share of labour* channel, which reflects on the effects of financial capital mobility and the relative "immobility" of labour (especially unskilled, especially across national boundaries).

2.5. The financialization of development: theoretical facets

Aim of the present paragraph is to introduce the reader to the academic debate regarding the connections between the development industry, and more specifically the microfinance industry, with wider processes of *financialization*.

As briefly introduced in the introduction, financialization can be defined as "the increasing role of financial motives, financial markets, actors and institutions in the operation of domestic and international economies" (Epstein, 2005, from Mawdsley, 2018, p. 265). It is the cause and the result of a shift towards accumulation processes "where profit derives increasingly from financial speculation rather than trade and commodity production", to put it with Rankin's words (2013, p. 549). Higher levels of financial integration are largely considered as sign of maturity of an economy. In this regard, the *Washington* and *post-Washington Consensus* policies were essential precursors and enablers for contemporary forms of financialization and market integration, which are deployed at different scales and are "produced by political action, through transnational regulatory regimes, non-governmental organizations, development donors and other agents operating at sub and super national scales" (*ibid.*). Consequently, financialization is to be understood as a *translocal dynamic*, as capital flows become increasingly mobile and volatile in accordance with policies that enable *information*, *investments*, and *investors* to move more easily within the economic space (Young, 2010).

Increased capital mobility has proved to impact directly and indirectly on the local level, in the Global South and North alike. As noted by Roy and Mawdsley (2018; 2010), financial capital has been "democratized". Those who were previously excluded from formal financial circuits have now an array of instruments and options, from microfinance to subprime mortgages, credit cards and so on. What has been defined as the "financialization of everyday life" (Rankin, 2013), *i.e.* the growing role of debt in financing household social reproduction, is a rising subject of interest for geographers, economists and development scholars alike.

When it comes to microfinance, it has been observed that new kinds of mobility concerning capital, technology, and other financial practices, are producing new forms of mobility "on the ground". Young (2010) sheds light on the gendered nature of possibilities deployed by microfinance and how micro and macro financial flows interact with regional social configurations to shape and differentiate people's mobility in accordance with their gender, class and ethnicity.

Young's research, among others, ultimately shows how wider access to financial instruments is reinforcing a *global-local nexus* that shapes development opportunities on the ground while interlocking individuals to broader financial dynamics, as it was clearly observed, for example, in the aftermath of the 1997 and 2008 financial crises (Carroll & Jarvis, 2014).

As financial systems get increasingly integrated, microfinance programmes get restructured to fit global financial flows and grasp opportunities given by international financial firms and investment banks (Mader, 2014; Weber, 2014).

This trend is consistent with wider tendencies of development financialization. Multilateral development institutions are, in fact, recentring private-sector led economic growth in their *narratives*, *policies* and *partnerships*, providing institutional and material basis for the construction of "an enabling environment" for further capital penetration, market development, and other drivers of financialization (Mawdsley, 2018). From a geopolitical and geoeconomic standpoint, microfinance represents a major development force that accelerates and scales up the connections between poorer people and communities with regional and global structures and drivers of financialization.

3. Conceptual Framework

3.1. The translocal perspective

From a geographical perspective, globalization - which can be understood in terms of "technological innovations in transport, automation, and telecommunications resulting in massive exchange of people, goods, services and ideas" (De Haan & Zoomers, 2003) - has posed major theoretical and methodological challenges to the study of socio-spatial dynamics. Geographers had to re-assess the very notion of "place" in light of the rising relevance of multiscalar interconnections in driving and shaping local opportunities as well as mobility patterns (Brickell & Datta, 2011). Generally defined as a "territorial space", the notion of place has been re-assessed, on one side, by focusing on the emerging role of industrial spaces and financial hotspots within the global economy. Another fertile argumentative strand focuses on how the notion of globalization necessarily requires to consider "the construction of *scale*" (Sheppard, 2002) and, more specifically, how "local trajectories depend" on the specific ways in which they "are embedded in a range of territorial scales" (*ibid*. 310). In times of globalization, in fact, prioritizing a scale approach over a focus on microprocesses alone allows to overcome the analytical limitations of not positioning localities within a network of spaces, places, and scales (Brickell & Datta, 2011). Hence, in the early stages of translocal research, the idea of *situatedness* was embraced as key dimension for the analysis of social relations and their effects on transnational migrant networks, economic exchanges, and diasporic spaces.

In a more systematic and comprehensive way, translocality can be defined as a theoretical and methodological framework aimed at describing "phenomena involving mobility, migration, circulation, and spatial interconnectedness that are not necessarily limited to national boundaries" (Greiner & Sakdapolrak, 2013, p. 373).

The need to expand the analytical concerns beyond the nation-state was primarily given by the recognition of the fundamentally translocal nature of socio-spatial phenomena and development trajectories. The concept of scale had, therefore, gained a central place in the theorization of analytical frameworks specifically designed to unravel global-local concerns and globalization dynamics. As Sheppard emphasises (2002, p. 313) "theorists of scale build on research on place by asking how change in any one territorial unit is affected by change at other geographic scales". This reasoning refers to a hierarchical way of thinking at scales - which are necessarily defined in relation to one another - that nevertheless acknowledges its "socially constructed" nature. Research on globalization and scale have therefore tried to conceptualize how the latter emerges and evolves in co-relation with other scales and how what happens on a specific scale reverberates on others in accordance with specific interconnections (*ibid.*). What emerges is that the destiny of a territory at a particular scale is shaped by the social construction of scales in coevolution with globalization.

3.1.1. Networks and Positionality

Along with the notion of scale, the concept of *network* arises as major theoretical tool for globalization analysis. On one side, networks have been drawing the attention of geographers that study economic clusters. They noticed how the success of a place situated within an interconnected system of places is bounded to the characteristics of their networks, which play a central role in the formation and the thriving of the above cited economic clusters (Martinez et al., 2013). On the other side, the literature on globalization and networks has contributed with insights on the central role played by networks in the deepening of global trade, financial transactions and relations, commodity chains and migration-related phenomena (Cichorska & Klimontowicz, 2016). As Sheppard argues, the notion of network is particularly interesting when it comes to geographical imagination as it can be linked to a specific kind of geographic geometry, one that "stretches horizontally across the map and that questions the very categories of global and local - and thereby place and scale" (2002, p. 317).

Sheppard (2002) therefore argues for the necessity of introducing a concept that is analytically and theoretically capable of, and coherent in, pulling together a multiplicity of actors, places, and scales in the geographical analysis of socio-spatial dynamics. The concept of *positionality* is therefore introduced to unravel issues concerned with the nature of the interconnectedness linking places and its intensity. Local opportunities or livelihoods on one side, and local disparities on the other, are understood in terms of positionality within a certain system of interconnected actors, places and scales that ensure the ability to "exploit the fluidity of the global economy and its trajectories", or not (*ivi.*).

In the development literature the concept of translocality contributed to draw attention on how globalization processes are shaped, and shape, development trajectories, transcending national boundaries at different scales and producing spatial differences (Greiner &

Sakdapolrak, 2013). In this regard, Zoomers and van Westen (2011) argue that globalization is producing "translocal patterns of development" and that local development opportunities "are very much determined by what is happening in other places – sometimes directly, as a result of flows of capital, goods, people and information (*ibid.* p. 377). The translocal perspective allows a less narrow grasp on such dynamics and trajectories and it's better equipped to interpret the meaning of localized experiences in light of their multiscale multidimensional links with wider "networks of different localities". As such, local opportunities are to be interpreted as local-based rather than local-bound (Zoomers & Westen, 2011). Mobility is then seen in its fundamentally relational nature, as it boosts the emergence of reiterated flows of people, resources, practices, and ideas that can overlap and take multiple forms or directions. As such, translocality doesn't represent a scale supplement between the local and the national, or the local and the global. Following Greiner & Sakdapolrak's (2013) interpretation, translocality occurs through "socio-spatial scales that are: not given *a priori*, but rather socially produced; simultaneously fluid and fixed; fundamentally relational" (p. 376).

3.2. Economic geography toolkit

As highlighted above, globalization phenomena have shifted geographical scales resulting in a strong need to re conceptualize the meaning of connectedness in light of the contemporary multitude of circulations and transfers. How does movements, flows and mobilities produce connectedness between different scales? The rise of the translocal perspective within different academic traditions has enabled a less space-bound grasp on development phenomena that transgress national boundaries and regional limitations and, as a consequence, produce spatial differences. As such, the translocal lens is hereby considered particularly fit for the analysis of the microfinance phenomenon, which, in parallel with other development dynamics, has gradually shifted towards a setting that is markedly financialized. This implies that today more than ever the fortunes of specific territories are to be positioned within a system of possibilities given by the level of access to different types of material and immaterial flows of financial resources and inputs.

3.2.1. Defining scale, flows and networks

The literature on translocality, as introduced in the previous paragraph, engages with the concept of mobility and its outcomes by trying to make sense of its embeddedness while being globally referenced. In coherence with what outlined in the research objectives paragraph, primary concern of this elaborate is to explore the characteristics of the material and immaterial flows mobilized within the microfinance industry, and, by doing so, drawing physical and non-physical connections between levels of interaction, which, as we'll see further on in the discussion, stretch both vertically and horizontally across scales. Therefore, the concept of *scale* is further explored to be deployed as analytical tool for the analysis.

Scale is a key dimension of the translocal analysis of socio-spatial dynamics and, as the concept of translocality itself, is relatable to the "structuring of socio-spatial entities, mobilities, and connections across spaces (Porst & Sakdapolrak, 2017, p. 112). The notion of scale employed in this elaborate implies an idea of structures between analytical levels.

The scales examined could be objects of interest per se, but the primary focus lies on the processes and the interconnections that characterize each scale of the microfinance industry. Therefore, the concept of *flow* is analysed hereby as well.

Using as a premiss that scales are produced by the exchange of tangible and intangible resources (*ivi*), we acknowledge that processes produced at a specific scale reverberates on other scales. The system as a whole is therefore produced by a continuous flow of inputs and outputs.

The processes considered here can't be traced back *linearly* to a causal relationship (*i.e.* a process, an input or a flow of resources generated at scale A has direct and immediately recognizable outcomes at scale B), nor specific actors can be confined within the lines of a specific scale of operation.

Hence an attempt to present the findings from different points of view will be made with the end of drawing attention on the multidimensionality and the multiscalarity of such processes.

In the literature on microfinance, attempts to categorize different levels of activity within the industry heavily draw on the CGAP and the World Bank's influential report on financial inclusion systems (Helms, 2006). The report subdivides financial inclusion systems in 3 analytical levels: *micro*, including financial services providers operating at the local level; *meso*, comprising non-locally based and networked actors; and the *macro* level, which focuses on the role of governments in building inclusive financial systems on a national scale.

This conceptualization uses the nation-state as benchmark for the elaboration of a hierarchical system that contributes to build financial systems on the national and local levels. This perception has certainly a coherent rationale and analytical advantages but appears to be unfit to our ends.

Hence, a representation of scales based of geographical circumscriptions, from the global to the local, is hereby presented along with the corresponding actors (Table 1).

SCALE	ACTORS
Global	Development Finance Institutions (DFIs), Bilateral and Multilateral Organizations, International Microfinance Networks
National	National Governments, National Development Banks
Local	Financial services providers (FSPs): formal, informal, or member-based institutions, NGOs. Borrowers.

Table 1 - Scales and Actors

Main criterion for the definition of these scales is the geographical representation of the levels within which the phenomena of interest are traced (which are clarified in the results chapter), in coherence with what stated above concerning the analytical difficulties of strictly attributing a fixed array of actors and actions to a specific scale, tied to other scales by a cause-effect relation.

In this representation, the global level comprises what Helms (2006) described as webs of entities that work to build global financial infrastructures. This includes Development Finance Institutions (DFIs) and Bilateral/Multilateral Organizations, that operate globally and exist in the global space beyond the boundaries of nation states. These entities are globally referenced but by no means are to be considered “un-localized”. In this elaborate, *Networks* are conceptualized both as a type of link between scales (flow of intangible resources) and as an entity *per se*, and therefore are included in Table 1 as entities localized at the global level.

At the same time, the types of interconnections that are established between scales are to be considered as defining elements of the scales themselves. These exist and links different scales both vertically and horizontally across the map.

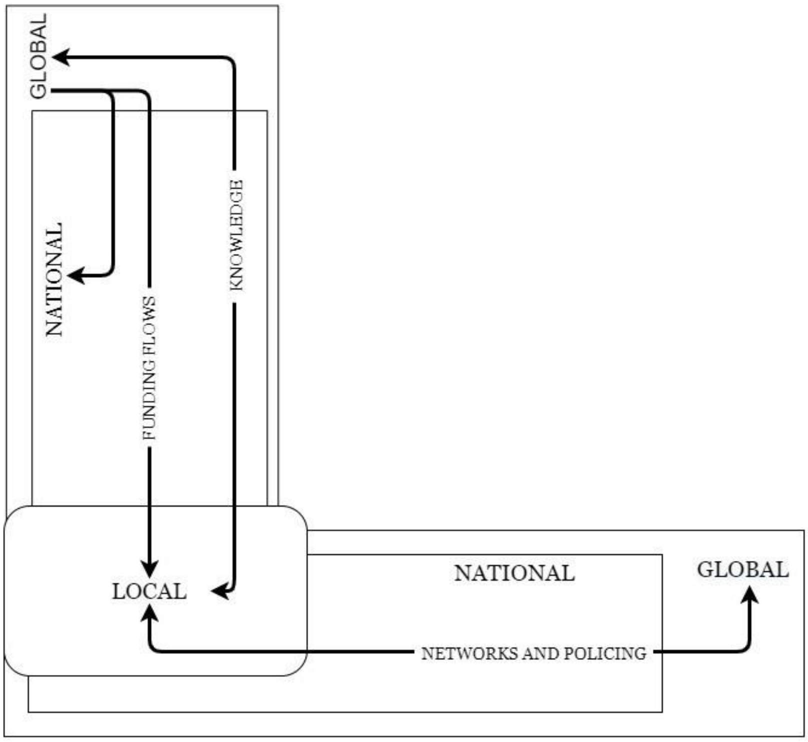

Figure 1 - Vertical and horizontal connections across scales

As it is showed in Figure 1, knowledge and funding flows, which are among the type of intra-scale links that are deepened in the analysis section, are to be considered as flows that occur vertically across scales, as they are generated (more or less rigidly) at a specific scale, with almost clearly recognizable points of origin and destination. When it comes to networks and transnational policing efforts, on the contrary, a kind of geographic imagination that stretches horizontally across scales has to be deployed in order to grasp the fundamentally translocal nature of such processes, which involve actors that are positioned at a specific scale, who overstep the boundaries of their main scale of operation to produce a translocal ties.

These entities operate in concert while belonging to different scales. Scales are therefore to be considered as fluid containers of activities and actors that are "space-based" and not "space-bound" (Zoomers & Westen, 2011).

4. Methodology

Relevant issues and topics concerning microfinance and financial inclusion have been identified in the theoretical background. The conceptual framework deepened both theoretical and analytical facets of the translocal perspective, and consequently clarified how this elaborate intents to deploy such a perspective as foundation for the analysis.

In coherence with the aims and the objectives of the study, this section aims to provide specifications concerned with the scope of the research, the data collection process and analysis and concludes by outlining the research design.

4.1. Scope of the analysis

The type of reflections pursued by this research requires different analytical approaches for each specific sections, and therefore different scopes are defined in relation of each argumentative strand. Notwithstanding that criteria or reproducibility and objectivity inspire the analysis cycle in all its steps, we nevertheless acknowledge the composite nature of the elaborate and argue therefore for the adoption of a set of mixed methods, qualitative and quantitative. Moreover, given the amplitude of the topic and the issues that are necessarily related, the primary objective is to provide a clear and compelling picture of the phenomena of interest and, consequently, the scope of each thematic chapter is defined by specific sub research questions following criteria of completeness and reliability.

4.2. Data collection process

The data deemed relevant for the analysis is retrieved exclusively from the internet.

The corpus of academic production on financial inclusion and translocal perspective that served as a base for the elaboration of the theoretical background and the conceptual framework has been retrieved from the following sources:

- https://utrechtuniversity.on.worldcat.org/discovery
- https://scholar.google.nl/?inst=2882909335949531239
- https://onlinelibrary.wiley.com/
- https://www.academia.edu/
- https://search.proquest.com/

- https://www.jstor.org/

As a full and comprehensive coverage of the microfinance literature goes beyond the scope and the objectives of this elaborate, consequently, after an initial selection of the relevant academic production, a screening process inspired by criteria of relevance and applicability, produced a list of the selected material, while reflections concerning the characteristics of the debate as a whole has been addressed for completeness-sake.

The research and the selection of the grey literature, (reports, working papers, government documents, and so on) upon which this thesis built extensively, was also conducted mostly via Google or Google Scholar.

Online databases, from the World Bank and the CFI (Center for Financial Inclusion + ACCION), provided the corpus of secondary data. In particular, the MIX Market (a World Bank branch for the study of microfinance), provide access to their databases comprising relevant information on financial inclusion indicators. The CGAP Funder Survey also provide access to their data. The participation to these databases (on behalf of the microfinance institutions, especially the CGAP's one) is voluntary and therefore a certain type of institution is encouraged to participate, one that is likely to be already a participant of such microfinance networking efforts in the context of the CGAP or beyond. Nevertheless, the participant institutions mobilize a great deal of resources, therefore, in the context of the analysis of international funding flows, the data provided in the context of the CGAP Survey is deemed representative of wider global financial flows for development.

Other online resources, especially informative material produced by investment firms to attract new potential investors, represents a valuable source of information.

The selection of the relevant data was guided by each section's main research question and objectives.

4.3. Data analysis

The data analysis process involved different methodologies that were intended to tackle different type of data. A substantial part of the results chapter is composed by the re-elaboration of secondary data retrieved from online databases, in coherence with the primary aims and objectives of each specific section, as made explicit at the beginning of each result paragraph.

In order to do so, a mix of qualitative and quantitative analysis methods are to be deployed.

As stated above, E-journals and online bibliographical databases will be the main data source. International data sets (provided by both international public institutions and private ones) will be used to analyse fluxes of resources using a transnational and translocal lens, while trying to highlight *spatialities* and *directionalities*, allowing for an in-depth reflection on power relations, scales, and spaces. An attempt to engage with a critical reflection of such fluxes implications on international cooperation will be pursued.

Summarizing, the following objectives, as defined by the research question n. 3, guide the selection, the analysis process, and the reflection on the results.

- Quantification of microfinance related fluxes, with regard to the scales of the phenomenon
- Directions and directionalities
- Actors and stakeholders

The goal of the section is to highlight the significance of the issue, which have reached a global scale, involving many different actors and a surprising level of interconnectedness between them.

4.4. Outline and Research Design

The introductory section is conceived to provide both contextual information regarding the microfinance phenomenon, with specific attention to its situatedness within wider international development agendas and traditions, and its connection to globalization, with the end of highlighting its fundamental translocal nature. The theoretical background built on the existing literature on microcredit, microfinance and financial inclusion to tackle such issues more extensively. As already clarified, the terms *microcredit*, *microfinance*, and *financial inclusion* are used in their commonly shared interpretation and are used advisedly with respect to specific contexts and argumentative objectives.

The first result chapter is mainly focused on providing an overview of the landscape of actors that composes the microfinance realm. After an introduction to the chronological evolution of the industry, a systematic attempt to map out the actor panorama will be built on insights coming from the existing literature and material retrieved from the internet.

The central thematic chapter focuses on specific interconnections produced among scales. Specific circulations are be considered in relation to a set of actors while trying to identify the level of interactions. The topic will be approached by mean of literature review and analysis of secondary data and online resources.

The last thematic chapter briefly considers the implications of the Coronavirus pandemic on the microfinance industry.

5. The Microfinance Ecosystem

In order to be able to explore the characteristics of the material and immaterial flows that are mobilized within and beyond the microfinance industry, the 5 main actors of the ecosystem, following the categorization employed in this chapter, are presented in relation to their main scale of operations in order to provide a structure between analytical levels.

Scales and the array of operations that are carried out within each level are continuously produced and shaped by the translocal exchange of tangible and intangible resources. The nature of such interconnections, more specifically the modalities through which different actors come together to produce transnational regulatory regimes via international policing, share knowledge and team up in networking efforts to enhance the latter two, will be the object of the following chapter. Such efforts reconfigure the role played the actors, as they overstep the boundaries of their main scale of operation by producing translocal interconnections.

This paragraph considers each actor in a relative static representation and discusses funding flows for financial inclusion as mean to clarify each actor's role within the microfinance ecosystem, showing how different actors coexist and work in concert contributing in different ways to the functioning of the industry as a whole. First, different actors are considered individually to shed light over specific features, such as access to international funding. Data concerning geographical specificities are presented to give account to the diversity of MFIs specifically while highlighting characteristic features of each global region. Reflections concerning interactions' modalities between actors are discussed throughout the chapter and deepened in the final paragraph after the presentation of data concerning funding flows for financial inclusion.

As of 2018, about 139.9 million individuals were part of a microfinance scheme or benefitted from the provision of financial services by a MFI (*Microfinance Barometer 2019*, n.d.). The vast majority of the recipients was reached by one of 100 top Institutions operating in the market (*ibid.*). Despite the high concentration of outreach capacity and market segmentation, a wide variety of microfinance institutions provides clients with financial services in developing and developed countries alike. Such variety is the result of evolving traditions of local financial arrangements, which differ greatly from region to region according to local social, economic and political specificities. MFIs undoubtedly represent a significant portion of the microfinance world, but the landscape of actors directly or indirectly involved in the global effort for financial inclusion comprises an even larger variety of entities.

5.1. MFIs

Microfinance institutions constitute the very foundation of the microfinance industry. The term comprises a wide array of institutions and financial providers, usually within the formal side of the microfinance spectrum. The categorization drafted below excludes informal credit providers such as local money lenders, friends, and relatives or traditional microcredit informal groups such as *tontin*, *su su*, ROSCA, and so on. The scale and the extents of these operations are difficult to trace and quantify and therefore such sources of financial arrangements aren't considered in the analysis.

Formal microfinance institutions can be grouped in 5 main categories (CGAP, 2020):

- *Banks*: licensed financial intermediaries regulated by state banking supervisory agencies. This category includes commercial banks and specialized microfinance banks.
- *Cooperatives and Credit Unions*: non-profit, member-based entities, often regulated by a regional or national cooperative council instead of a banking supervisory agency.
- *NGOs*: non-profit grassroots organizations, usually providing fewer financial services (credit-only) than licenced banks but a wider array of social services for borrowers. These institutions are licenced to operate under general credit laws or special microfinance laws.
- *Non-Bank Financial Institutions (NBFI)*: a variety of entities that are not supervised by a banking agency. These institutions provide alternative financial services that are not necessarily suitable to banks such as investments (collective and individual), risk pooling, financial consulting, brokering, money transmission and check cashing (*Nonbank Financial Institution*, n.d.). NBFIs include insurance firms, currency exchanges, and microloans organizations (*ibid.*).
- *Rural Banks*: banking institutions that target clients who live and work in non-urban areas and who are generally involved in agricultural-related activities.

This categorization is based on the variety of profit and legal status that characterize contemporary MFIs, which is strictly connected to different development approaches and regulatory frameworks to which institutions are subjected. These, consequently, outline the array of actors with which interactions are established at specific scales. Unregulated MFIs, for example, are not subjected to any regulatory or financial supervision, but are often still imposed to follow, among others, consumers' or data protection laws. These institutions, like grassroots organizations such as local NGOs or credit unions, are more likely to focus their operations on the local level by prioritizing the engagement with the BOP (bottom of the pyramid). Other institutions pursue their profit objectives by restructuring their operations in order to fit the rising MF investment market while entering the national and the global scale. Others take part in transnational policing efforts, or networking efforts, to build better infrastructures (material and immaterial) and sustain the flow of capital towards the local level.

Different profit and legal status therefore define access to specific scales and engagement level with specific actors in an ecosystemic way, but such connections are often anything but clear cut.

5.1.1. External funding dynamics

External funding, whether socially or financially motivated, is central for any microfinance institution at any stage of development.

In a quite generic way, external funding, when financially motivated, can be defined as the total amount of resources coming from an external source, which is also definable as that share of the total debt that is owned by an outsider (a private commercial bank, national or international financial institutions, private actors or other microfinance institutions) (Ondieki et al., 2017).

In line with what argued in the theoretical paragraph 2.5, a dynamic of development financialization is identified. Private capital is becoming an increasingly relevant development driver in different development realms. The CGAP Cross-Border Funder Survey (CGAP, 2020) estimates that from 2011 to 2019 the amount of private funding deployed for financial inclusion projects have almost doubled (from 8 to 14 billion USD with a steady 1 billion USD yearly increase from 2015 onwards).

While public funding from DFIs (development finance institutions, *i.e*. multilateral development institutions and so on) remain predominant in financing financial inclusion (38 billion USD in 2019 only – leading to an astonishing 52 billion USD deployed worldwide for the financial inclusion efforts exclusively), the expansion of the microfinance actors' landscape reflects the widening of investment possibilities within the industry. As microfinance becomes an increasingly appealing investing solution for private for-profit institutions, so do the need to access funding on behalf of the MFIs, without which growth prospects remain low. External funding helps ease cash flow management, generate institutional income and increase membership size or outreach (Ondieki et al., 2017). These issues will be further addressed later on in the discussion.

5.1.2. MFIs type focus

Using information concerning the variety of actors worldwide and their geographical distribution, this paragraph intents to discuss each type of MFI positionality within a system of approaches and regulations, funding dynamics and will provide contextual information regarding the relevant issues.

Drawing from the Mix Market metadata on MFIs' geographic information and last known legal/profit status (the most complete of its kind), Table 2 shows the totality of regulated MFIs classified per type of legal status (based on the categorization presented above).

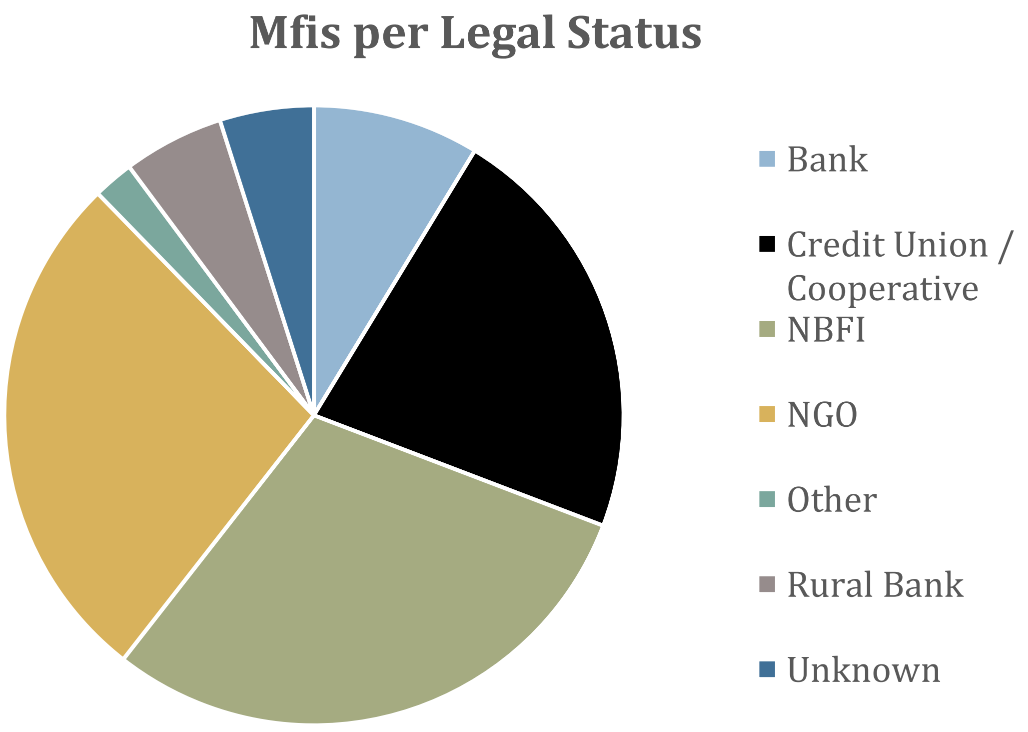

Table 2 - MFIs per legal status

The database displays complete information concerning approximately 3.100 listed institutions out of the 10.000 circa (formal and informal) that researchers and analysts believe to be operative worldwide.

Out of the totality of known MFIs reported in the MIX Market databank, 30% are non-Bank financial institutions, followed by NGOs, 27%, and credit unions and cooperatives, 22%.

According to the specialized literature, produced mostly with informational purposes from investments firms[3], non-bank financial institutions are a particularly adaptable form of institutional arrangement. While licenced banks are subjected to strict regulations and fiscal supervision, NBFIs are freer to navigate financial systems fostering competition within the industry (Faisal & Rehman, 2009). Nevertheless, while NBFIs appears to be more flexible in the provision of financial services, as they tailor their services to specific groups and within specific sectors, in contrast with formal banks which often deliver specific services as part of fixed packages, licenced banks have more flexible capital structures, *i.e.* they receive both socially and financially motivated funding (*ibid.*). Consequently, licenced banks are proving to be more efficient than other institutional arrangements in establishing multiple connections at different scales within the microfinance ecosystem with the end of channelling resources to fund their operations and grow. A significant driver of such endeavours, a study found (Liñares-Zegarra & Wilson, 2018), is the commercial orientation. The authors analysed the relationship between microfinance institutions' size, which is measured by the total amount of assets and the number of active borrowers, and the growth prospects using as reference the legal status and the commercial orientation. The study found that commercial orientation specifically is determinant to understand growth dynamics.

NGOs, representatives of the civil society effort for poverty eradication, have played a major role in the diffusion of microfinance as alternative pathway towards bottom-up economic empowerment while promoting innovation of participatory strategies since the 80's (Baruah, 2010). This is primarily referable to the proximity between the institutions and their recipients, which has no equals among other kind of MFIs. Many NGOs focused their operations to reach only the very poor, often women, and finance livelihood or subsistence activities instead of full business activities, which are more often covered by commercial microfinance banks or credit unions. The literature agrees on and hails NGOs' unique tie with the BOP, despite the growing evidence of the struggles they face while pursuing financial sustainability and wider outreach due to their non-profit status (*ivi*).

3 (*Nonbank Financial Institution*, n.d.; *Non-Bank Financial Intermediation*, 2020)

Highlighting NGOs privileged relation with their contractors by no mean equals to confine NGOs in general to the local scale. As other types of entities, NGOs have grown and developed, established translocal ties with different actors, engaging with the industry's regulators, advocating for microfinance internationally, and sharing best practices of products and approaches.

As of 2019, NGOs had access to the 9,22% of the total international financial funding commitments (3.103 billion USD circa from DFIs, i.e. international multilateral banks and other donors) according to the CGAP Funder Survey (Tolzman, 2021).

According to the World Council of Credit Unions, (WOCCU) Cooperatives and Credit Unions are believed to be around 80,000 in 118 countries serving 274.2 million members worldwide. As for other types of financial arrangements, Credit Unions are now deeply networked in order to achieve regulatory and legislative outcomes, share best practices, information and so on. Primary external funding providers for Credit Unions include governments, development donors, commercial banks, other cooperatives stakeholders (such as the abovementioned international networks) and other financial institutions such the World Bank and the International Monetary Fund (Ondieki et al., 2017).

Credit Unions penetrates the social and economic tissue in very pervasive ways. Being member-based institutions operating at the local scale, they are pillars of national strategies for development in many developing countries (mostly in Africa), sponsored by the government and by regional economic development authorities which often provide the funding and the knowledge to establish the cooperatives. Again according to the WOCCU, Credit Union's total assets reached an astonishing 2.19 trillion USD in 2018 (WOCCU, 2019).

5.1.3. Geographical features

With regard to MFIs' geographical denseness and features, as it emerges from Table 3, India, accounts for the highest concentration of MFIs and the highest volume of microfinance related activities (Khama, 2019).

Different types of microfinance institutions operate in 29 Indian states (with a high concentration in the state of Andhra Pradesh) and, according to the most complete and recent available data (Nandi et al., 2017), have reached about 37.8 million clients, 96% of which are women, with a gross loan portfolio of 21 billion USD (the largest in the world). 42% of the active MFIs in India are NBFI, another 42% are NGOs while the remaining 16% is either a bank, a credit union/cooperative or an unknown entity.

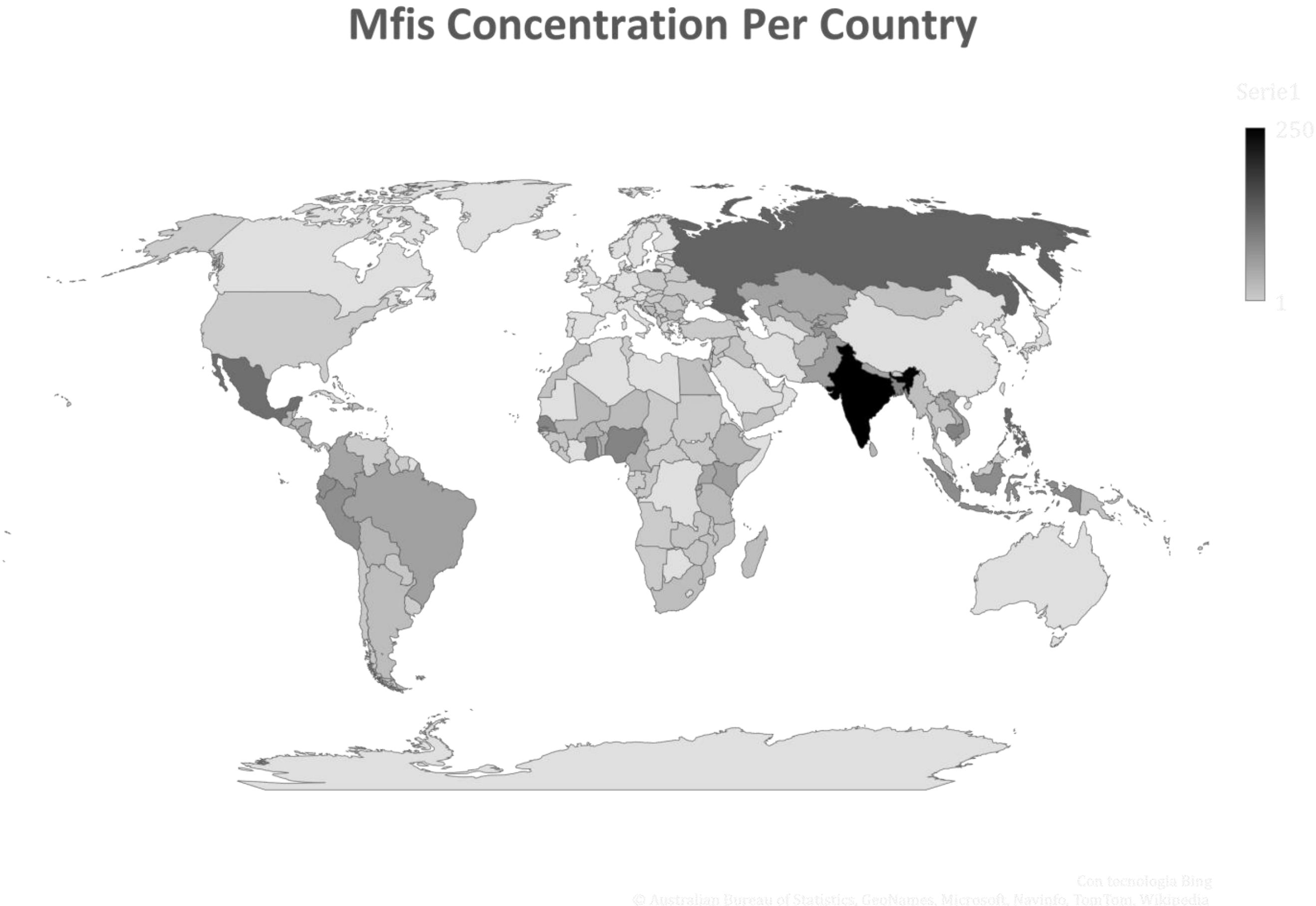

Table 3 - MFIs concentration per country

Regional microfinance traits are determined by specific social, economic, regulatory and political environments. An exhaustive analysis of such features goes beyond the scope of this research, but a reflection on the relevant trends and the type of MFI that prevails in each regional context (with reference to the characteristics of such institution), can provide a foundation to reflect on inflow funding directionalities and on higher or lower volumes of networking efforts.

Therefore, if the data presented above are aggregated and considered with reference to global regions only, along with the data and insights provided by the MIX Market Global

Outreach & Financial Benchmark Report (Khama, 2019)[4], South Asia (Afghanistan, Pakistan, India, Nepal, and Bangladesh) represents the first global region for number of active borrowers (71,125,1 million) and the region where the total loan portfolio (+26,7%), the volume of depositors (+44,3%), and the number of active borrowers (+14,9%) increased the most on a yearly basis (from Financial Year 2016, from now on FY, to FY2017) (*ibid.*). This data give account to the extremely dynamism of the south Asian microfinance industry.

Table 4 shows the distribution of MFI typologies in each region of the globe. As it emerges from the chart, in South Asia NGOs are the most diffused institutionalized actors in the microfinance landscape. According to the PWC Report on financial inclusion in Asia, the actor panorama is rapidly evolving due to the appearance of new entities such as FinTech companies which are "rewriting the rules of engagement of financial services" (Rao Verghese et al., 2017, p. 7). An increasingly higher number of non-profit MFIs are expected to change their legal status in order to embrace these innovations in partnership with FinTech companies. Nevertheless, the 46% of the microfinance lending sector is already accounted as large-scale MFIs that turned into licenced banks, with a loan portfolio that reaches almost 4 billion USD.

Also in the EAP region (East Asia and the Pacific), NGOs are the dominant institutional form of arrangement. Thanks to their extensive rural presence, NGOs reached more borrowers than any other institution in FY2017, the vast majority of which were reached through digital delivery channels (Khama, 2019).

Sub-Saharan Africa makes up for the highest number of MFIs (879 out of 3114), with an astonishing prevalence of Credit Unions and Cooperatives over other forms of institutional arrangements. In the African context these institutions are believed to have deeper outreach than any other type of financial entity, and as of today a relevant number of countries supports them as part of their rural development programs, as discussed above. Considering that extreme poverty is overwhelmingly rural and that out 736 million individuals living below the international line of poverty worldwide, 41% is based in Sub-Saharan Africa only (World Bank, 2018), cooperatives and credit unions make up for a relevant part of the African poverty eradication effort.

[4] The MIX Market provides an annual report on the global outreach and financial benchmark which is based on the data provided by a limited amount of microfinance institutions (762 for the 2017-2018 report) if compared to the wider list used for the elaboration of the graphics above. As explained in the report itself though, the data are considered to be representative of the whole population of microfinance institutions.

The external financing ratio for these institutions is particularly low (as they get funded mostly by governmental branches) and this, according to Ondieki et al., (2017) explains the recurrent cooperatives' inability to meet the demands of their clients as well as the difficulties encountered by the microfinance industry as a whole in the African context. Nevertheless, Credit Unions and Cooperatives contribute significantly to the expansion of the financial sectors in African countries and are therefore of "macroeconomic significance" (*Ibid.*).

Eastern Europe makes up for a relevant percentage of the global microfinance presence and outreach. Out of 542 listed MFIs, NBFIs appears to be the vast majority, 75% circa, while banks, credit unions or cooperatives and NGOs are respectively the 16%, the 6% and the 5% of the total. While NBFIs are strictly predominant, an interesting piece of data suggests that banks have higher outreach due to a higher number of offices within the territory. Out of an approximate 1.944 offices scattered throughout the continent, about 1.019 are banks branches and 835 are NBFIs'. These data suggest the presence of a relatively limited number of for-profit microfinance banks and institutions that are solid and well established within the eastern European and central Asian territory. This can be further confirmed by considering the data from the 2019 CGAP Funder Survey (Tolzman, 2021): between FY2017 and FY2019 the 70% of 6 billion USD of funding commitments, was destined to financial service providers (FSPs) only, which are mostly banks, digital services providers or, in few cases, registered NBFIs.

NBFIs, in line with what argued above, are smaller institutions with, all considered, limited growth opportunities due the narrower ability to access national or international funding, whether commercially or non-commercially motivated.

The microfinance providers' landscape in Latin America is heterogenous; NBFIs, NGOs, Banks and Credit Unions /Cooperatives are respectively the 35,7%, the 34,2%, the 8% and the 18,5% and a small percentage of Rural banks and other institutions.

An important data for Latin America is the percentage of urban borrowers over the rural ones, which is 77% of the total, while the majority of the other regions (except for MENA) shows a predominance of rural borrowers[5] (Khama, 2019).

The MENA region (Middle East and North Africa) counts 88 MFIs, 55 of which are NGOs. According to the MIX Market Global Outreach & Financial Benchmark Report, MFIs increased

5 Africa (60 rural 40 urban), East Asia and Pacific (79 rural 21 urban), Eastern Europe and Central Asia (62 rural -38 urban), Middle East and North Africa (53 urban - 47 rural), South Asia (72 rural - 28 urban).

their outreach by 10.9% in FY2017 also thanks to the partnerships established with FinTech companies, which are providing digital means (such as mobile and internet banking solutions), reducing transaction costs in marginalized areas, where traditional delivery methods have struggled.

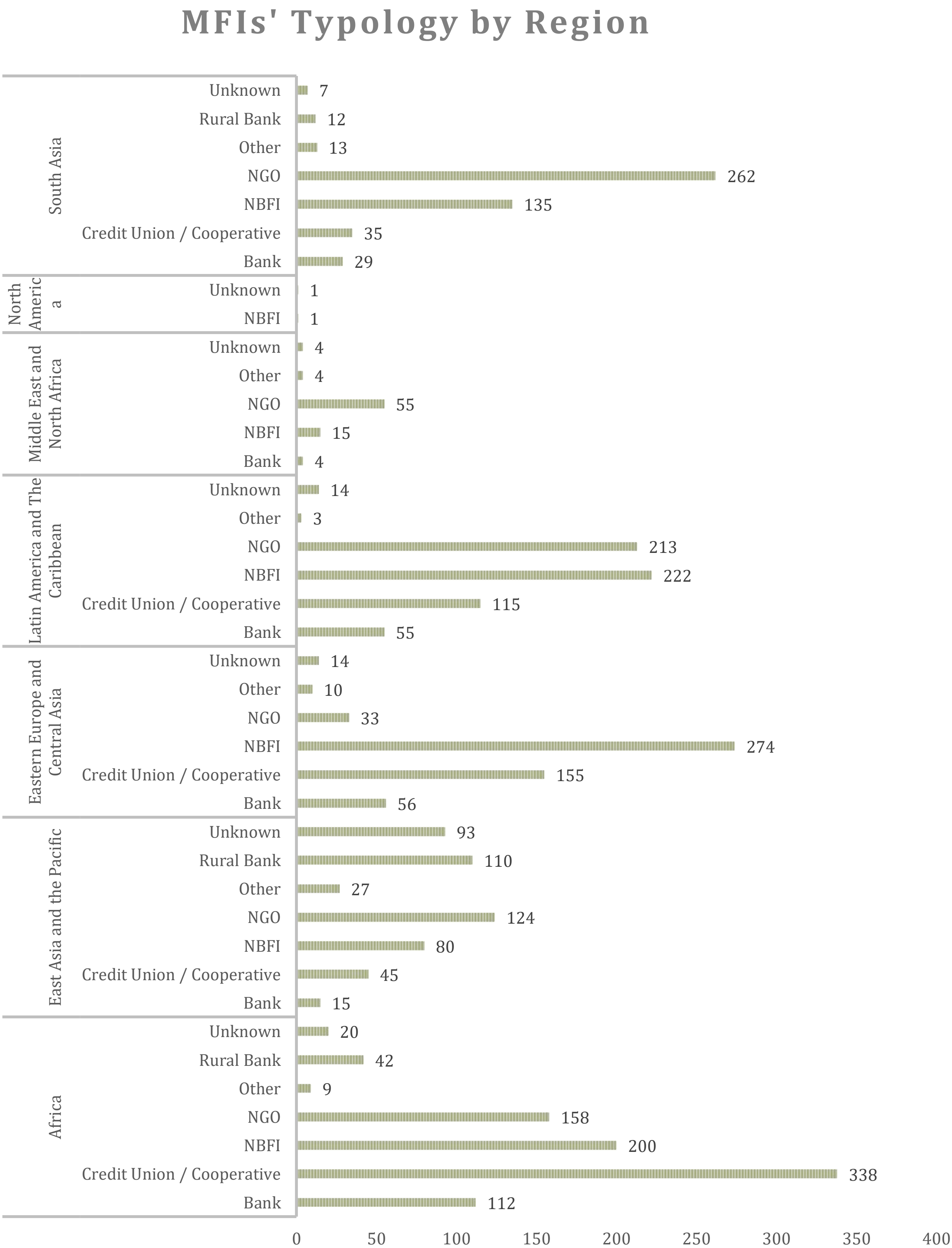

Table 4 - Number of MFI Typologies by Regions

5.2. Development Finance Institutions and Foundations

Development Finance Institutions, commonly known as development banks or development finance companies, are financial institutions that provide financing and encourage funding to the public and private sector in order to stimulate development. Besides direct funding, these institutions provide advisory and normative support for the realization of national development policies and legal or regulatory frameworks. The UNCTAD (UN Conference on Trade and Development), estimates that between 5 and 7 trillion USD should be deployed on yearly basis to achieve the SDGs. The UNCTAD further argues that funds corresponding to 2.5 trillion USD are currently lacking at the detriment of developing countries only. A large share of this funding flows is expected to be provided by development finance institutions (DFIs). Under the DFIs label the following institutions can be listed:

- *Multilateral development banks (MDBs)*: often founded by a group of countries, they operate in specific regional contexts under international laws.
- *International and regional financial institutions*: they promote development-oriented financial practices aimed at fostering development.
- *National development banks*: government-owned institutions that provide funding for economic development.
- *Export credit agencies*; governmental, private or semi-governmental institutions that offer finance services, like trade finance, to encourage domestic companies' exports.
- *Foundations*: private and independent legal entities established exclusively for charitable purposes. Foundations are often set up to channel funds from an individual, a family, or a corporation to development projects according with the foundation's mission.

These institutions are usually established and backed by national governments or non-profit organizations, with the exception of private foundations which don't receive public support but are funded by private entities or individual families.

DFIs were among the first institutions to invest in microfinance-led development and as of today remain key players of the industry (Cobb et al., 2016).

5.3. Private investors and the role of FinTech

The enthusiasm regarding microfinance for-profit practices developed in the 80's and stemmed from the growing necessity of funding, which subsidies from DFI's were allegedly not able to meet at the detriment of the industry as a whole (Cull et al., 2009). The subsidies' system was considered by many as a structural limitation to the pursue of financial sustainability and consequently, to the ability of increasing the outreach to financially include more and more marginalized individuals or communities. For-profit and non-profit organizations alike were therefore encouraged to increase interest rates, to use subsidies in the initial development phases only, and seek profits as means for rapid growth and as base for commercialization. The rapid growth of the sector opened to a wide variety of actors, which is still in evolution. Among these, Microfinance Investment Vehicles (MIVs) developed specifically to channel private funding towards MFIs. These are independent investment means open to a multiplicity of investors and, as of today, are the primary entry point and fundamental catalysts for private investments. MIVs are believed to be able to play a central role in filling the above-mentioned 2.5 trillion USD gap in funding towards developing countries via financial inclusion programs, contributing significantly to the achievement of the SDGs (Convergence, 2018).

According to the CGAP Funder Survey on Financial Inclusion Funders (Tolzman, 2021), as mentioned before, private funding grew of 10% if compared to 2018 levels, with a steady yearly 1 billion USD growth since 2015. Yet, most of the funding is provided by DFIs (especially bilateral organizations).

Development funders, private and public alike, are increasingly embracing the potential of Digital Financial Services (DFSs) as mean towards financial inclusion (Miller, 2020). A growing share of funding is therefore destined to FinTechs, which are substituting established microfinance actors as innovative forces and MF services providers.

As highlighted elsewhere in this elaborate, the development of financial markets has been at the centre of geographer's attentions since approximately the 90's. The rising phenomenon of FinTechs (short for Financial Technologies) is sparking scholars' attention and it's only at the beginning of its social scientific scrutiny. Much of the confusion surrounding the term can be traced back to its composite nature, as it generally refers to a wide array of financial and technological innovations that are currently reconfiguring international financial markets and the microfinance industry alike (Lai & Samers, 2020). FinTech, in fact, "operates at the intersection of the finance and the technology sectors, where technology-focused start-ups and new market entrants are creating platforms, products and services beyond those currently provided by the traditional finance industry" (*ivi*, p. 1). Entities operating in FinTech are at the forefront of the innovating effort to find alternatives to the contemporary modalities through which MFIs provide financial services to their clients, from payments to lending practices, borrowing, and investing (*ibid*.), in order to lower costs, ensure higher efficiency and product customization.

Figure 2 (retrieved by Lai & Samers, 2020) shows the intersection of relevant actors, technologies, and financial products comprised in the term FinTech.

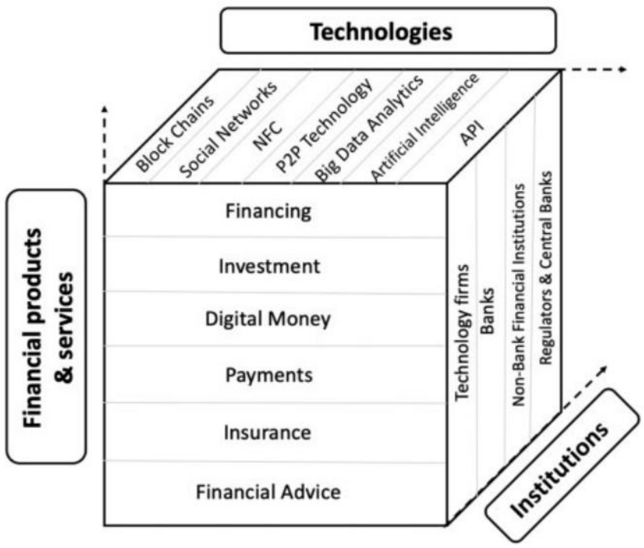

Figure 2 - The FinTech Cube

In the immediate aftermath of the Covid-19 pandemic outburst, the need for efficient digital infrastructures to achieve financial inclusion has been further acknowledged, first of all for its potentialities in channelling resources where are needed the most. DFS are also a growingly feasible option because of technological advances.

According to the MIX Market report on FinTech and Funding (Miller, 2020), more than 60% of DFS funding in 2018 was allocated to build or improve financial infrastructures such as payment systems, for research or market development programs.

DFS related efforts are increasingly embraced as part of broader digital development projects in sectors such as education, agriculture or health, giving account to the extreme versatility of DFS in pursuing a variety of development objectives towards the achievement of the SDGs.

5.4. Governments

States and governments play a central role in the development of national financial industries as well as in the strengthening of international financial ties across borders. When it comes to microfinance 3 main schools of thought appear to be shaping government's contributions. The *laissez-faire*, the *interventionist* and the *moderate interventionist* school. The first one emphasizes the need for independence of the financial sector, suggesting a roll-back from state-owned banks, whether commercial, development or microfinance-focussed. The interventionist school stresses the need to fill the gap of market failures by investing in high-risk enterprises where transaction costs are often high and therefore not appealing for commercial microfinance banks which strive for the maximization of outreach, sustainability of the service and impacts. The last school of thought is positioned somehow in the middle, emphasizing the need to ensure macroeconomic stability and an enabling policing environment. The actual role played by the state depends on country-based multi-sectorial specificities. Nevertheless, despite national MF market composition and diverging philosophical traditions, state and governments do play a central role in the construction of sustainable financial systems. This is especially true when it comes to, according to Dhakal, (2010), macroeconomic stability, development of banking systems, microfinance policy and legal environments, and rural infrastructures. Macroeconomic stability is foremost important: high inflation weaken financial systems by increasing interest rates and exchange rates volatility, forcing financial institutions to face higher transaction costs and insecurity. High levels of insecurity discourage international investors and, consequently, significantly lower access to international financial inflows. Supervision and regulatory efforts play a central role, as national agencies have to balance their interventions playing specific attention not to "choke off potentially crucial innovations and adaptations" (Rhyne, 2001, from Dhakal, 2010) while trying to rule the uncontrolled proliferation of small-scale institutions that characterized many rising microfinance national industries (*ivi.*). The presence of rural infrastructures shapes the state of the microfinance sector as well as economic development at large. Considering (as stated above) that the majority of MF services recipients in Sub-Saharan Africa, East Asia and Pacific, Eastern Europe and Central Asia and South Asia live in rural areas, ensuring a quantitative and qualitative growth of infrastructure such as roads, bridges, and market facilities and IT systems is of central importance.

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5.5. *Funding Flows for Financial Inclusion*

The CGAP Cross-Funder Survey estimates the total funding for financial inclusion by collecting data from 54 international public and private funders, such as DFIs, Foundations, Private Donors or Investors and Microfinance Investment Vehicles[6]. The survey was realized in collaboration with the already cited MIX Market, a unit of the Center for Financial Inclusion

6 A list of the institutions included in the Survey is provided in the Appendix (vedi https://www.cgap.org/sites/default/files/datasets/2021_02_CGAP_Funder_Survey_Methodology_for_2019_Survey.pdf)

(CFI), an international think thank founded by Accion in 2008. The data are presented and further in this section discussed to provide a clear picture of the microfinance ecosystem, the ways in which different actors interact with each other and how resources are channelled from the global to the local scale and vice versa.

I. *Funders Type*

As it emerges from Figure 3, Multilateral Agencies, Development Finance Institutions (DFIs) and Bilateral Organizations are the primary funders with the 95 % of the total commitments in FY2019. DFIs only deployed approximately 25 billion USD with a 13% growth if compared to FY2018. The influx of resources significantly increased especially in Sub-Saharan Africa, where commitments almost doubled since FY2017 and reached 7.6 billion USD.

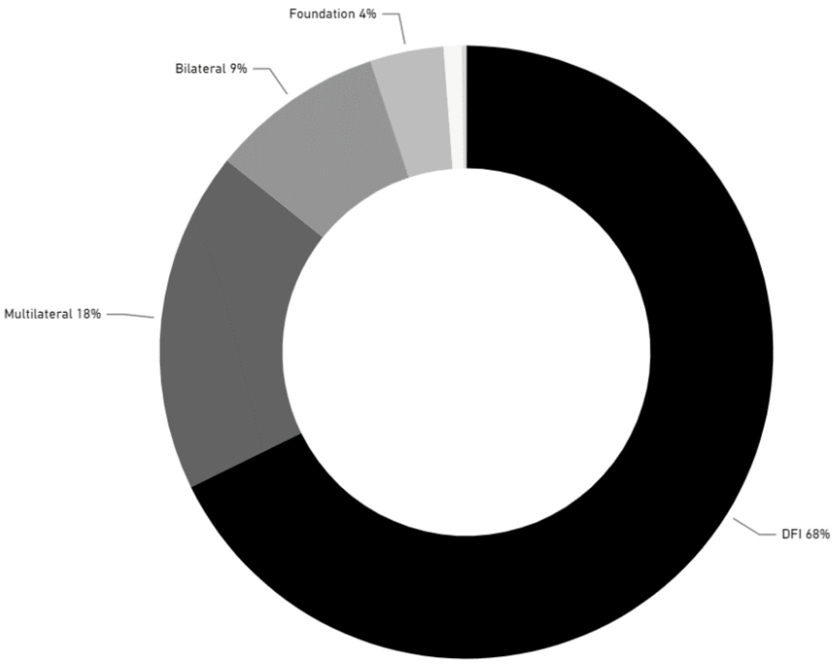

Figure 3 - Funders type

According to the data, most of the private funding comes from private investors, although foundations registered a 23% increase against the modest 10% of private investors. Foundations also appears to be deploying funding for the development of DFS specifically (30% of 2019 total commitments for DFS and 46% of the foundations overall spending), whereas private investors focus on microfinance retail financing. DFIs and other public investors also significantly increased their spending for DFS (digital financial services). This trend is consistent with wider public funders objectives, that, as we'll better see further in the discussion, tend to privilege long-term investments in infrastructures and asset creation over short or medium-term revenues, which are more often pursued by commercial investors via retail financing (funding supply for MFIs and other financial services providers, as explained above). DFIs funding for DFS on the other hand increased by 17% (almost 1 billion USD) in FY2019.

As shown in Figure 4 international private and public funders deployed approximately 52 billion USD in commitments in 2019. The 73% of funding comes from public funders with a 13% growth if compared to 2018, while private funding increased by 10%.

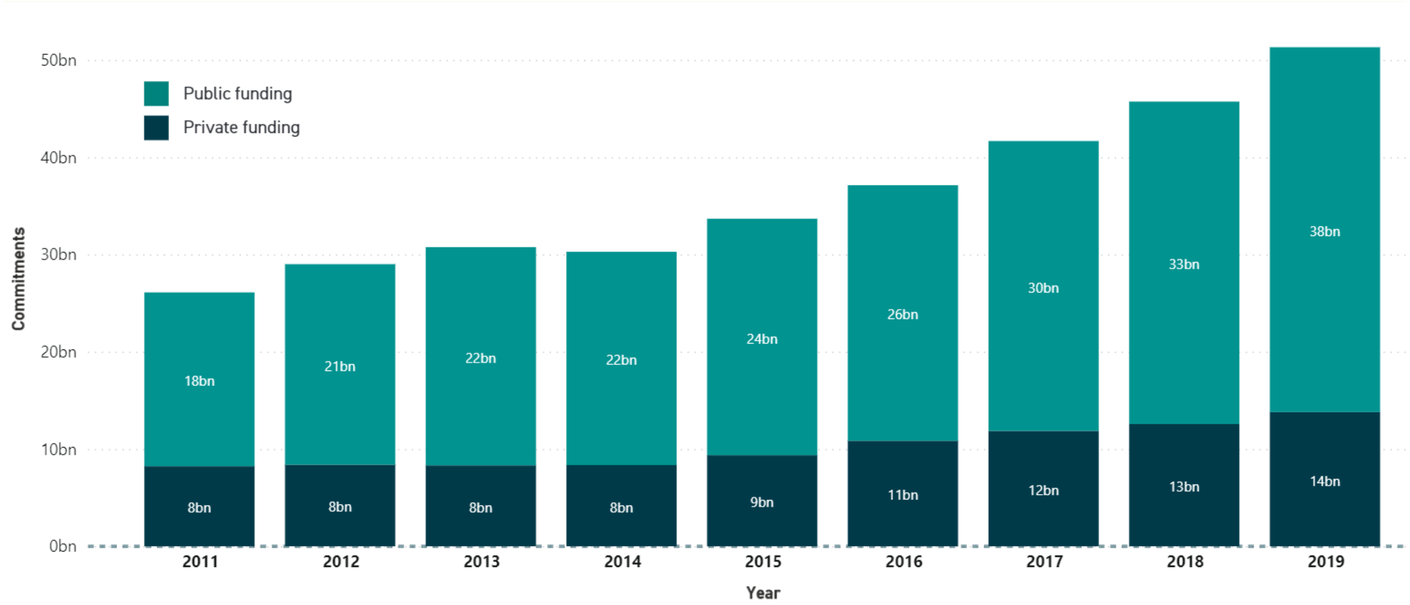

Figure 4 - Private and public funding between 2011 and 2019

II. Funding purpose

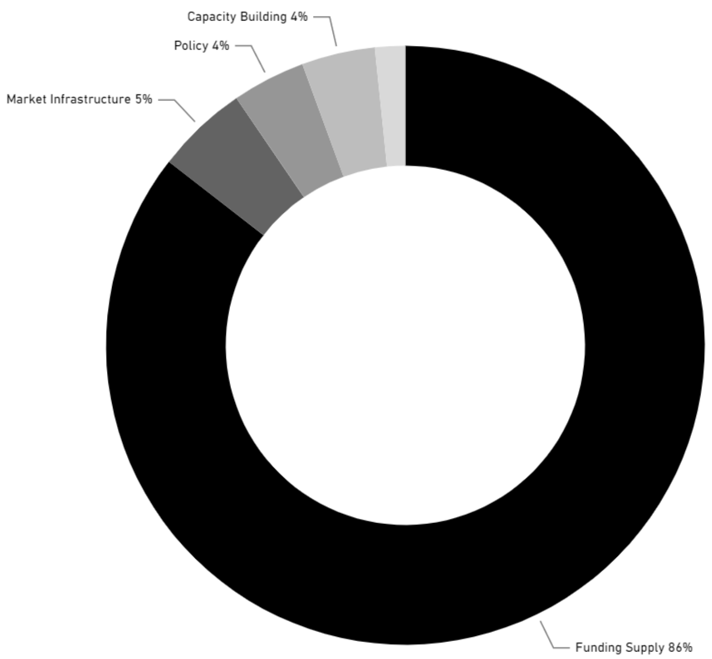

Figure 5 - Funding purpose

The total spending for DFS (digital financial services) represents the 6% of the total commitments in FY2019, with a volume growth of 3.5% in compared to 2018. These data were collected thanks to the integration of a new methodology developed by the CGAP and the CFI which allows to identify and measures resource influxes coming from other development sectors only indirectly connected to financial inclusion. DFS commitments are increasingly focused on market-building rather than retail financing for microfinance institutions and financial service providers, which still represents the vast majority of the total commitments for financial inclusion (86% funding supply), while market infrastructure, policy and capacity building respectively receive the 5%, the 4% and another 4%.

III. Recipient type

61% of the total funding was received by FSPs (Financial Services Providers), which are mostly MFIs or NBFIs that opened to the market to finance their operations (in coherence with what stated before). 16% went to the building of infrastructures and intermediaries, 9% to NGOs and another 9% to Government, which via national development banks promote economic development and regulate national financial systems.

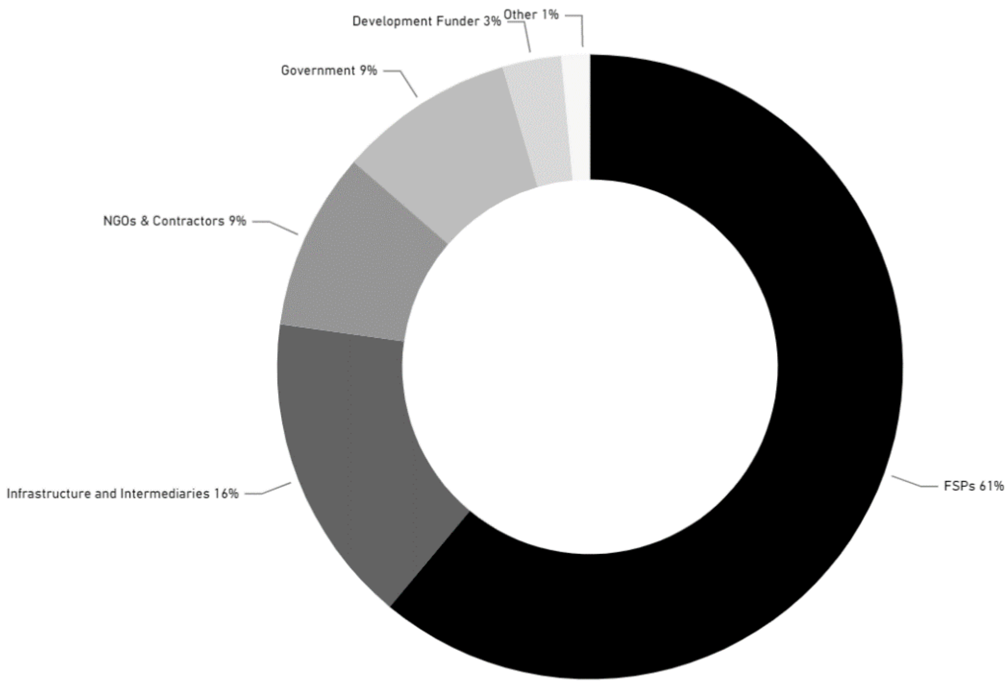

Figure 6 - Recipient type

IV. Data presented per region

Data concerning the funding inflows at regional levels were briefly introduced in the paragraphs of the geographical features of the microfinance actors' landscape. The chart shows the commitments from the whole array of investors, private and public, for different purposes and recipients using global regions as baseline. What emerges is that Sub-Saharan Africa received the majority of the funding, with almost 8 billion USD in 2019. Europe and East Asia received about 6.5 billion USD,

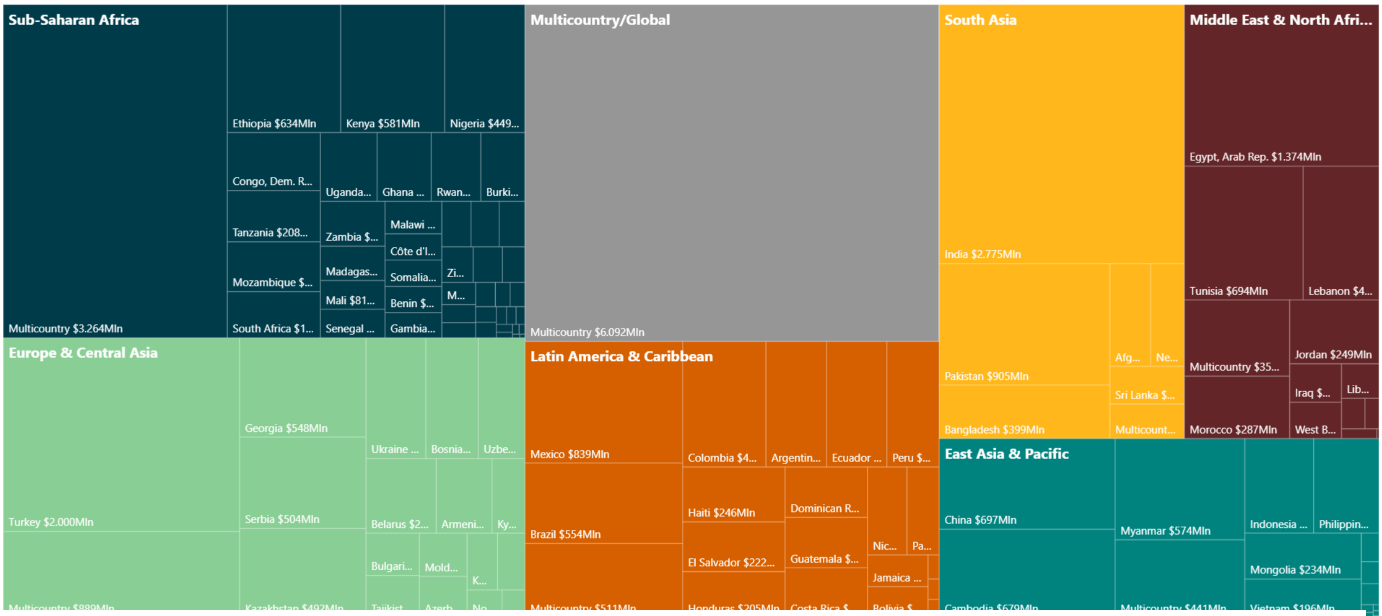

Figure 7 - Funding Flows per Region

Funding is going towards countries with relatively high levels of financial inclusion (even though at the regional level most funding goes to Sub-Saharan Africa and South Asia) followed by South Asia (5 billion USD), Latin America and the Caribbean (5 billion USD), MENA region – Middle East and North Africa (4 billion USD), and East Asia and the Pacific (3 billion USD).

An interesting piece of data suggests that 36% of the total funding for DFS was directed to Sub-Saharan Africa only, which give account to the confidence in financial technologies innovations on behalf of the donor community as mean towards financial inclusion. Nevertheless, most of the funding was directed towards countries that already have relatively high levels of financial inclusion, such as Kenya, Tanzania and South Africa, which poses a fundamental question on whether past DFS funding created an attractive environment for further funding in terms of higher absorbing capacity for larger investments.

5.6. Discussion

The schematic representation of MF actors that follows (Table 5) is built upon the geographical representation of scales within which the phenomena of interest are traced (*i.e.* the specific role played by each actor within the industry as outlined in the previous paragraphs). Notwithstanding that there are analytical difficulties in fixing these actors at specific scales, this categorization provides a compelling overview of the microfinance ecosystem.

Actors	***Sub-typologies***		***Role within the ecosystem***	***Scale of operations***
Borrowers			Receivers, recipients, targets	Local
MFIs	**Non-profit** Credit Unions and Cooperatives, NGOs		Financial and non-financial products providers	Local
	For-profit Microfinance Banks, NBFIs, Rural Banks			National - Global
Funders	**Public** DFIs		Capital supply	Global [Regional - for some Multilateral development banks] [National - for National Development Banks]
	Private non-commercial Foundations	**Private commercial** Private donors and investors		
Fin-Tech	Technology Firms		Digital infrastructures providers	Global
MIVs – Microfinance Investment Vehicles			Catalysts for private funding	Global

States and Governments	Supervisory-regulatory Enabling role	National

Table 5 - MF actors' overview

As emphasized in the previous paragraphs and more systematically in Table 5, different actors play specific roles within a self-sustaining system that is getting increasingly embedded in larger development dynamics in order to grow. Drawing attentions on funding directionalities help shedding light over different role played by MF actors within the ecosystem. As is emerged from the analysis of secondary data, funding for microfinance and financial inclusion at large comes mostly from DFIs even though a wider variety of private commercial actors are making their entrance in the market. It is estimated that approximately the 80% of the funding reaches the poor at the local scale (Cobb et al., 2016).

DFIs operate mostly within the global scale. The growing presence of the private sector can be causally traced back to the loop dynamic that is embedding MFIs and private commercial investors, as while MFIs switch their legal status from non-profit to commercial/for-profit, private investors are increasingly encouraged to enter the MF market with positive profit prospects. Therefore, the increased availability of private retail funding incentives more MFIs to get restructured with the end of meeting global financial markets. However, these connections are not so clear-cut. The level of attraction for international funding is defined by many variables, which include market trends, levels of political and economic stability, donor's objectives (which might change over time, as highlighted while discussing the shift from the *Washington* to the *post- Washington Consensus* development practices), and so on.

Public funders, such as DFIs, have interest in the health and the growth of the microfinance sector and, more in general, follow a development logic that considers microfinance as a viable strategy for poverty reduction or empowerment. Private investors on the other hand put more emphasis on investment revenues, therefore will be prone to support large scale healthy MFIs whereas public funders will prioritize small scale MFIs, not yet healthy and fully functioning (Cobb et al., 2016). However, in the report titled "role of reversal revisited" (von Stauffenberg & Rozas, 2011), the microfinance rating agency "MicroRates" (an institution that performs credit risk ratings on financial institutions that provide microfinance services) argues that DFIs are discouraging the private sector to invest in the MF industry as they channel too many resources in low-risk investments. According to the report, the role of DFIs should one of paving the way for the private sector to proceed with secure investments. As the industry matures, microfinance is increasingly recognized as a valid investment opportunity for financially motivated actors. In addition, as the volume of microfinance related activities increases (as highlighted by the data presented above), so do the need for funding, which is limited if the only source remains DFIs. Therefore, the report concludes, DFIs' primary task should be to develop an attracting environment for the private sector, for example by investing in small and high-risk MFIs and on the promotion of MF infrastructures.

From a translocal point of view, what emerges from the data presented above, DFIs operate at the national and at the global scale. At the local level interactions are established by the deployment of direct funding towards the supply chain (towards MFIs and other actors via retail financing). Also at the local level are to be positioned investments for innovations (new payment systems and new financial services in general) which are often high-risk investments with uncertain financial returns. At the global level DFIs stretch horizontally through space by investing in capital markets and in the development of market infrastructures, with the primary objective of facilitating capital mobilization. Easier access to capital in local currencies at the local level (which is the primary objective of investing in capital markets), is pursued at the global scale by DFIs and private actors alike. Growing availability of capital has extremely localized consequences showing how local development opportunities are shaped by what happen elsewhere, increasingly at the global scale. DFIs also engage with activities that don't ensure financial returns both at the local and at the global scale such as policing, supervisory and standard creation efforts and knowledge sharing. To these ends, as stated above, has been assigned the 4% of the total donors and investors' commitments. Both interventions are either pursued at the global scale and reverberate thereafter on local MF practices - especially when it comes to the adoption of new regulations and market standards - or generated at the local level and brought to the global, for example in the context of knowledge building (by making market information available, share anecdotal stories, and share knowledge with other actors).

MFIs, whether financially or non-financially motivated, establish different degrees of multiscale interconnectedness with the global scale. As explained above, profit orientation is a critical variable to consider when analysing international funding access and level of interaction with the BOP (bottom of the pyramid).

Some organizations, such as NGOs and Credit Unions/Cooperatives focus their operations within the local scale by working directly with borrowers. Other organizations, such as Kiva.org, interpose themselves between potential lenders and borrowers by including existing micro-entrepreneurs within an online platform accessible worldwide. Individual lenders choose projects to fund via Kiva.org with the operational support of local MFIs working closely with borrowers. MFIs such as Kiva are effective in channelling resources without engaging in direct contacts with the BOP and therefore their primary scale of operation is the global one. A central role is played by those Institutions that work closely with bi and multilateral organizations or other national or international entities. These play what Armstrong et al. (2018) defined an "*institutionalizer role*" by shaping public policy and promoting microfinance as a global strategy for poverty reduction, funnelling international funding towards MFI working at the BOP or other intermediaries (such as Kiva).

These institutions are positioned at the intersection of numerous development realms and actors, enabling the expansion of the industry by fostering material and immaterial flows of various nature, from knowledge and good practices sharing to the catalysation of material resources beyond funding. Today this role is often played by powerful networks of organizations rather than microfinance institutions themselves. Entities such as the CGAP (Consultative Group to Assist the Poor) or AFI (Alliance for Financial Inclusion) are member-owned networks constituted by MFIs, bi and multilateral organizations, and foundations alike. Actors such as ACCION on the other hand, developed as an MFI working exclusively at the local scale in close contact with borrowers and later scaled up to play the institutionalizer role withing the microfinance industry. MFIs networking efforts, being a fundamentally translocal phenomenon that bring together different actors while reconfiguring the scales of the operations, will be better addressed in the following chapter.

FinTechs and MIVs (Microfinance Investment Vehicles) are positioned at the global scale and play an intermediary and catalyst role between funders and actors operating at the local scale. Governments operate mostly at the national scale through the modalities describes in paragraph 5.4.

Based on the interactions between actors outlined above, a stylized attempt of representing the microfinance institutions ecosystem is presented below in Figure 8.

Large scale MFIs, such as Kiva and ACCION, are positioned at the intersection of the national and international level as they undertake multi-scale partnerships with various actors at both scales. They operate to channel resources from external actors (whose contribution will be deepened later on in this chapter) at the local level and reach the BOP through small scale MFIs operations.

What emerges from the model is the ecosystemic nature of microfinance actors landscape that operate in a symbiotic system of inputs and feedbacks (funding and knowledge sharing). Based on what stated above, the different roles played by various institutions produce a self-governing system that is effective in channelling resources at different scale for different purposes.

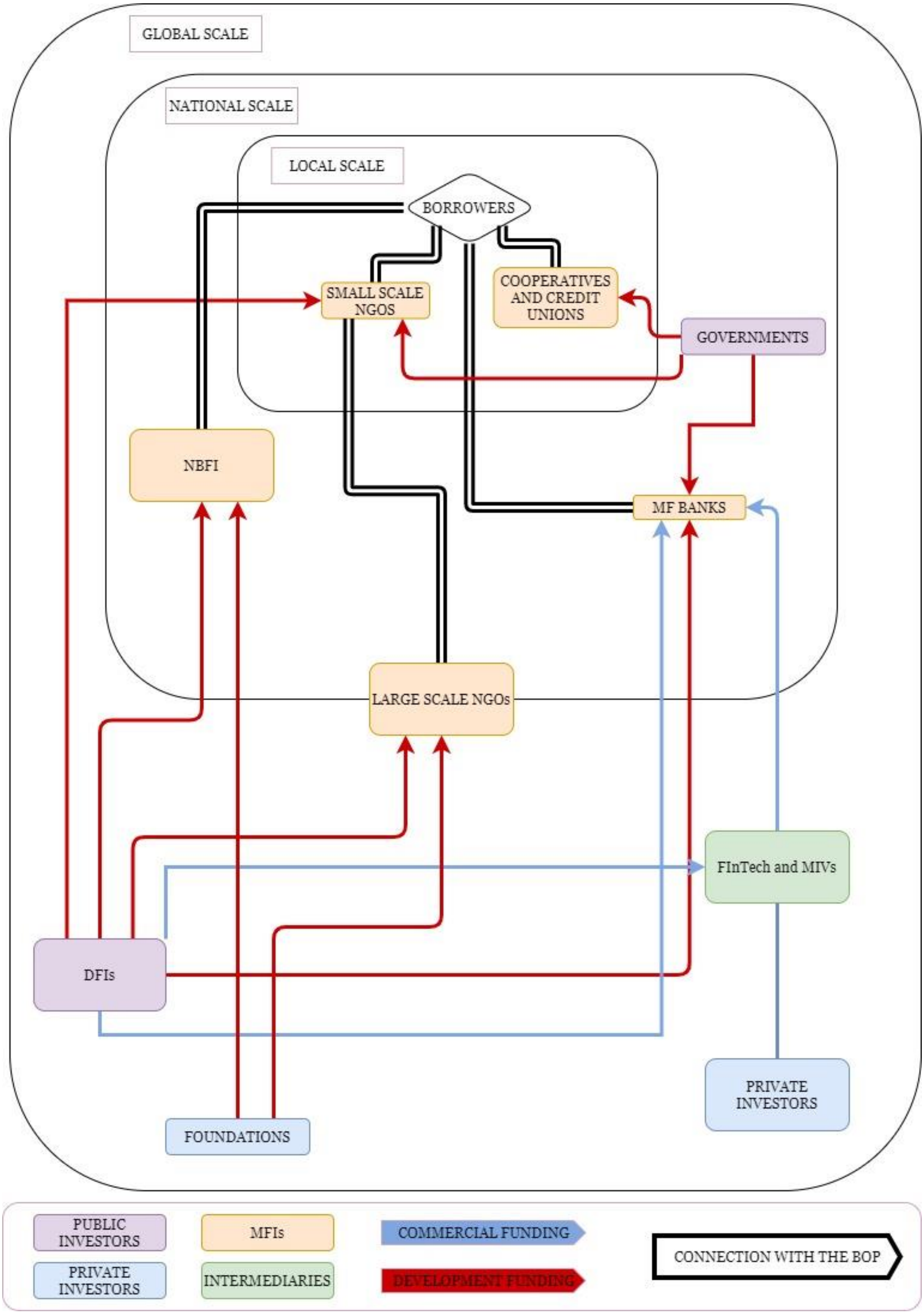

Figure 8 - Microfinance industry ecosystem

6. Microfinance translocal ties

Primary objective of the first thematic chapter was to give account of the microfinance industry, and more in general of the financial inclusion movement, by analysing each actor's role from an ecosystemic point of view. The fundamentally translocal nature of the interconnections established among actors operating at different scales was emphasized through the provision of a stylized model within which the actors interact and are connected by vertical flows, more specifically funding flows that originate at the global scale to reach the local one, connecting, as a consequence, the BOP to wider processes of development financialization.

The model outlined in the previous paragraph serves as baseline upon which the reflections of the present chapter are developed and put into focus. More specifically, this chapter aims to clarify the dynamics thanks to which different actors, from MFIs to DFIs, overstep the boundaries of their main scale of operation to produce horizontal translocal ties.

The general approach to the data is to consider specific ties that are produced by the activity of Microfinance Networks (from now on MNs), while considering Networks themselves as a translocal connection between actors. MNs materialize and facilitate flows that promote political, cultural and economic changes throughout the industry. The kind of interconnections that are to be deepened in this section concerns policy reform efforts and knowledge sharing practices.

6.1. Partnerships

As the volume of microfinance related activities increases throughout the globe, so do the variety of institutions and organizations that provide them. This complex system of entities evolves and expands especially thanks to Microfinance Networks (from now on MNs). MNs constitute a peculiar construct within the microfinance universe. As such, they are object of interest for development scholars and microfinance practitioners alike.

From a translocal standpoint, the uniqueness of MNs lies in the simultaneous embodiment of an *interconnection* between different actors that operate in concert at different scales, and of an *entity per se*, which, in accordance with each MNs' specific features and objectives, operate at a certain scale, from the global to the local, including the regional one.

Generally speaking, MNs' primary objective is to provide support to a variety of actors and entities that are committed in promoting financial inclusion (Cook & Isern, 2004). They are usually non-profit or non-governmental organizations that bring together a wide or a limited scope of institutional type and microfinance approaches. The already cited WOCCU (World Council of Credit Unions) for example, brings together variety of Credit and Saving Cooperatives based mainly in the African continent. Other networks might unite and advocate for commercial banks or general microfinance institutions, other for NGOs, and so on. The organizational structure of MNs is usually horizontal.

Specific services provided by MNs range from policy advocacy to research and knowledge management. Financial services include a range of support practices aimed at facilitating the adaptation to the progressive financialization of microfinance industry. The creation of investment funds, increasingly popular financing instruments, is therefore specifically intended to address this shift by channelling funds more efficiently. The provision of technical services is strictly connected to the above-discussed objective. Some MNs are entirely focussed on delivering technical support to MFIs, which include in-house technical support, trainings and system implementation (Cook & Isern, 2004). Others outsource these services completely and focus their operations on the provision, for example of knowledge management and research-related services. A major activity of MNs, as already cited, is policy advocacy. Lobbying efforts led by networks such as the CGAP have reconfigured the microfinance praxis by building an enabling environment for capital penetration and, consequently, fostering the financialization of the industry. Further on, MNs contribute to develop standards in order to systematize knowledge and facilitate the production and the diffusion of useful information throughout the industry.

Networks therefore are to be considered as fundamental enablers and facilitators of a diversity of channels of interaction across scales and between different actors. Because of MNs, in fact, different levels of cooperation between different types of entities are enabled, as well as an easier access to international funding deployed by DFIs and other donors for financial inclusion. MNs themselves receive a considerable amount of funding from international private and public donors.

6.1.1. Microfinance Networks in focus

The present paragraph aims to provide a picture of the relevant facts and figures concerning Microfinance Networks that are currently operating within the microfinance and financial inclusion industry.

The relevant data are retrieved from each MN's website and aggregated to offer a general picture of MNs' size, MNs' members institutional type and operational focus and scope. Main criterion for the selection of the networks (which are listed in Annex I) is the accessibility of the data of interest. Therefore, after an initial selection of about 50 MNs, which were identified thanks to others MNs' partner lists (such as the CGAP), grey literature production and researches on Google, a total amount of 25 MNs was selected to be included in the analysis.

The 25 selected MNs are based in 18 different countries from all global regions. 7 are based in the US, 2 in Ivory Coast, while the rest of the countries counts maximum 1 MN within their borders. Most notably, the ones that have their headquarters in the United States are deemed to be the most powerful within the industry, *i.e.* the ones that vaunt the highest number of interrelations with major donors and economic institutions. Among these, the FINCA, the CGAP, ACCION International, SME Finance Forum and the MicroFinance Networks are all based in Washington DC.

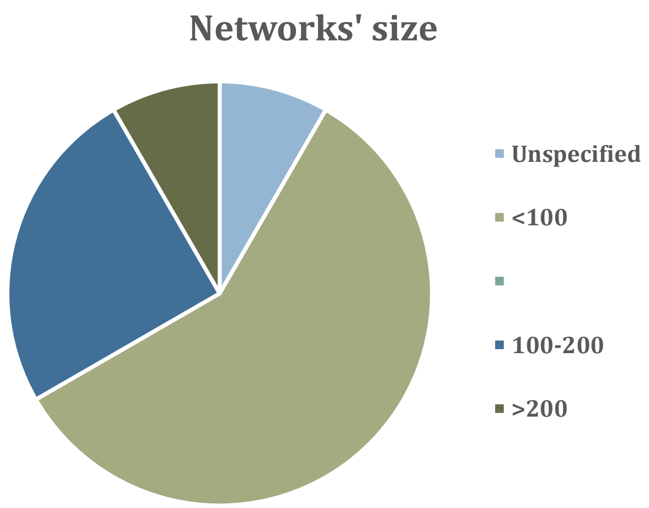

Table 6 - Networks' size

Table 6 shows the selected networks' amplitudes, *i.e.* the average number of members counted by each network. As highlighted in the graph, the majority of the selected networks (56%) counts less than 100 members, while the 24% has between 100 and 200 members. The remainder 16% has either more than 200 members or it is unspecified. No clear-cut connection between the network's size and their operational scope is identified. While it could be presumed that a global network hosts more members than, for example, a national one, it turns out the operational scopes across the selected population are evenly distributed with no regard for the networks' sizes.

Table 7 clarifies the recurrence of specific institutional typologies among the selected networks. MFIs are partners of the 70% of the Networks hereby analysed, while other types of institutions appear to be less recurrent. A relevant information for the correct interpretation of these data is that networks are extremely sectorialized organizations; as such, they group specific types of institutions, as for the WOCCU, World Council of Credit Unions, which unites under its banner Credit and Savings Cooperatives from all over the world.

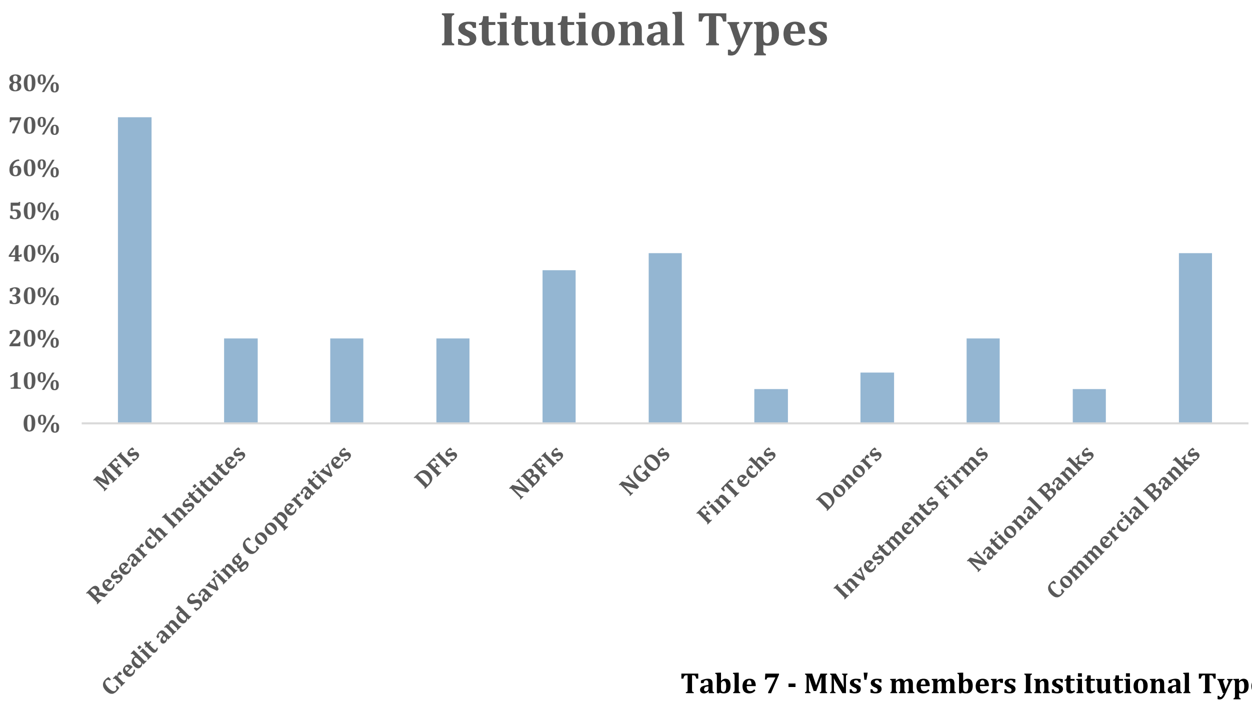

Table 7 - MNs's members Institutional Types

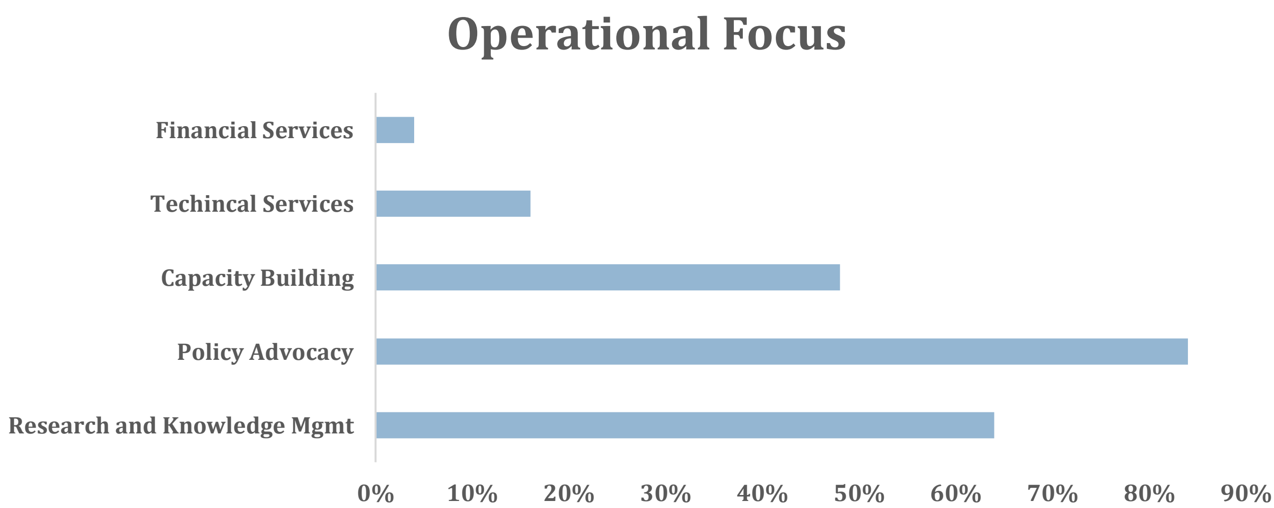

Table 8 - MNs' operational focus

Errore. L'origine riferimento non è stata trovata. shows the operational focus of the networks analysed. The 84% of the networks carry as one of its primary activity policy advocacy related efforts, while research and knowledge management, which represents the second larger component of networks activities, is carried by the 64% of the networks. Less common appears to be the provision of financial services, which is usually a prerogative of financial or non-financial institutions.

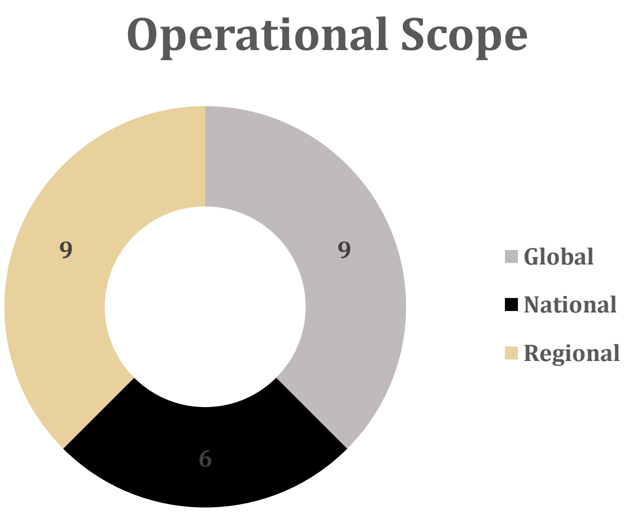

Table 9 - MNs operational scope

To conclude, as showed in Table 9, the operational scope of the selected networks is quite evenly distributed. 8 Networks focus their operations of the Global scale, 6 on the National and 9 on the regional.

6.2. Focus on Policies

The literature on microfinance's institutional aspects, as highlighted before, represents a well-established and articulated research cluster. It encompasses a substantial body of academic production that developed with the primary objective of meeting the practical requirements of a growing transnational industry that proved to be a viable and profitable venture, both socially and economically speaking.

A significant part of this academic production deepens issues related to policy regulatory frameworks and administration. The rapid grow of academic interest is to be linked to rising necessity of policy reform in the context of a global development industry that is growing at faster rates and it is in need for international regulatory frameworks in order to expand and evolve.

Less attention has been spent on the significance of microfinance policing efforts in the context of a translocal system of decision-making arenas.

It has been observed that microfinance, and particularly MNs - being relevant actors within the industry -, has posed the conditions for the development of a policy-making praxis that is markedly translocal and de-territorialized. As argued by Oikawa Cordeiro (2020), decision-making arenas are mobile and gather together policy makers, regulators, lobbyists, and so on, coming from the Global South and the Global North alike. The Microcredit Summit Campaign (MSC), to name one among many, has played, and plays, a central role in delineation of predominant regulatory regimes that affect the industry in its globality. The MSC assembles a variety of actors of the industry every year since 1997. This well exemplify what Zoomers and van Westen (2011) argued in relation to local development opportunities, *i.e.* supranational governance practices, which play a central role in the definition of local opportunities, are among those factors that are often discharged as "contextual", whereas they influence local livelihoods to a great extent. In this sense, the peculiar decision-making system that prevails within the industry, one that is de-territorialized and fundamentally translocal, confirms what Sheppard (2002) suggested with regard to intrascalar dynamics: what happens at a certain scale reverberates on other scales in concert with globalization processes.

Consequently, it can be argued that contemporary processes of policy reforms are becoming increasingly *mobile*. These meetings constitute the physical and the symbolic *loci* of production, legitimization and diffusion of the policies.

Reflecting on microfinance policies efforts, therefore, necessarily requires to critically examine such processes and their positionality within a system of multiscalar transformations. With this regard Oikawa Cordeiro argues that "it is necessary to look at microfinance policies as part of a multipolar regime in continuous transformation, as well as to understand the global mobility of microfinance as a whole" (2020, p. 20). She further argues that policy diffusion was fostered by globalization and by the diffusion of communication technologies.

An extensive and comprehensive analysis of microfinance decision-making processes goes beyond the scope of this research. As the matter of fact, a systematic and comprehensive analysis of such issues seems to be currently lacking. An interesting analysis strand to pursue would be one that digs deeper into the internal regulatory dynamics of the microfinance industry from an explicitly translocal perspective in order to reflect to wider shifts towards decision-making decentralization processes that have been developing as a result of globalization dynamics.

The international conferences on financial inclusion that are held every year are many and, to different extents, all reflect the kind of reflections that were articulated within the lines of this paragraph. The conferences that are deemed particularly relevant to cite are 2, the

“Financial Inclusion Summit”, which is organized by World Bank Group in coalition with other important institutions of the sector, such as the World Economic Forum, the MasterCard Foundation, the UNSGSA (United Nations Secretary General for Inclusive Finance for Development) among others, had as objectives to benchmark contemporary challenges for financial inclusion and to find efficient strategies to address them. The Summit brings together policy makers, national governments representatives, MFIs delegates. Another gathering occasion that is worthy to mention is the *International Conference on Responsible and Inclusive Finance* (ICRIF), mostly aimed at sharing best practices and efficient strategies for the democratization of credit and its access.

These represents only a small part of the universe of encounters moments, that are enabled at different levels and with different scopes thanks to MNs and other partnerships between International Organizations with the end of promoting financial inclusion worldwide.

6.3. Knowledge and Poésie

Knowledge production processes and dynamics concerning microfinance and financial inclusion are issues of central importance for those who intend to shed light over the functioning of the industry as a whole. The concept of knowledge is to be employed in its multiple shades and nuances, as it implies, depending on the kind of information that is to be shared, different types of channels of dissemination, different actors (senders and receivers), objectives of communication, and so on. To the ends of this paragraph, the kind of knowledge that is considered is of 2 kinds. On one side the *technical knowledge* that concerns best practices, *i.e.* data accounting procedures and transparency of the sector as a whole, consequently, one kind of knowledge that could be defined as objective or technical. On the other side the kind of knowledge that permeates the public discourse on microfinance, one that could be defined as a *narrative device* concerning the potentialities of microfinance as a poverty reduction tool. This kind of knowledge has to do with the production of a “public discourse” on microfinance and its impacts, which, especially since the advent of the *financial inclusion* concept, has taken a specific narrative structure.

For what concerns the production and the exchange of technical knowledge, MNs have historically played a role of fundamental enablers, as they have been, and are, at the forefront of the global efforts for the improvement of financial reporting and transparency. As argued by Bauchet & Morduch, (2009), during the 90’s a campaign led by major MNs such as the CGAP and the Microcredit Summit Campaign, in association with policy makers and leading microfinance practitioners, promoted the transparent exchange of information between actors of the industry. Therefore, MFIs were encouraged to improve their accounting procedures and information exchange practices. Along the process, many institutions managed to improve their financial performances and efficiency levels too.

As of today, MNs keep promoting the creation of new standards and stimulate knowledge exchange with the end of systematizing such knowledge to make it accessible throughout the industry. MNs therefore aggregate and analyse this substantial inflow of data to return it in the form of accessible and exploitable information.

As it emerges from the analysis of the preceding chapter though, as well as the present one, some MNs' and other institutions' databases are not to be considered representative as they often rely on partial data coming from MFIs who sometimes don't report at all or don't report in an exhaustive way. Therefore, as also confirmed by Bauchet & Morduch, (2009), these deficient reporting patterns introduce biases in the analysis. Nevertheless, the knowledge sharing work carried by MNs and others undoubtedly enables transparency throughout the sector as well as a basis for improvements, as argued by Coe & Yeung, (2015). MFIs that are part of MNs are, in fact, generally more likely to provide reliable data regarding their performances, as the importance of sharing correct information is made explicit as well as their potential benefits for all the actors operating within the industry.

From a translocal standpoint, the creation of such *informative channels* is to be considered as a tie of intangible resources, as knowledge follows a pattern of reiterated exchanges over time. The evolution of communication technologies especially has been central in the evolution of the above-discussed dynamics, which further contributed to the de-territorialization of the spaces of interaction, to follow the arguments proposed by Oikawa Cordeiro (2020) in her paper concerning microfinance policy mobility.

The diffusion of knowledge in the form of narratives have also characterized the production and reproduction of the microfinance public understanding. This was especially clear in the aftermath of the conceptual shift from microfinance towards financial inclusion, were a specific narrative structure concerning poverty and microcredit was embraced by international organizations such as the UN. This was the result of political process of legitimization of market efficient strategies for poverty alleviation that is markedly neo-liberal. According to Sengupta, (2013), what have been characterizing the growing enthusiasm for microfinance and the popularization of its project was a general lack of objectiveness in impact assessment, as successful anecdotal stories of women escaping poverty were often given the spotlights at the detriment of accurate and generalized assessment of the projects' impacts. Following Sengupta's argument, the emphasis on individual initiative helped constructing a poor people agenda and in particular poor women's one, which have been presented all of a sudden as agents of change instead of mere victims. The problematization of these instances goes well beyond the scope of this paragraph, it is though interesting to note how the production of such discourse established a clear and direct connection between the local level and the global one, as the stories of "ordinary poor people" started serving as baseline for the construction of the narrative on microfinance. This dynamic is observable well beyond the scope of microfinance and it is a typical trait of humanitarianism and other romanticized development narratives, which are often functional for the attraction of international funding.

The flow of knowledge, to conclude, assume different forms and directionalities. The exchange of technical knowledge and the production of narratives travels across scales and it interconnects different actors through well-established channels of interaction.

7. Covid-19 Pandemic and microfinance

The Asia Development Bank have estimated that the COVID-19 pandemic will affect the global economy with a GDP loss that spans between 5.8 and 8.8 trillion USD (respectively the 6.4% to 9.7% over 2019 levels) (Zheng & Zhang, 2021). It is in fact true that the outbreak of Coronavirus, which firstly appeared in China in late 2019, have not only caused a global health crisis, but also an economic recession fostered by the sudden interruption of nearly all economic activities due to the widespread lockdown measures and social distancing policies.

The virus has hit the Global North and the Global South differently, accordingly to each context's ability to deploy efficient coping strategies. Nevertheless, massive social and economic costs are yet to be fully estimated and understood, as well as their long-term consequences in each global social and economic context.

As informality is a central feature of developing countries' economic structures, as explained elsewhere in this elaborate, a substantial portion of the population is cut out of state assistances. As explained by Zheng & Zhang, (2021a), Microfinance institutions worldwide are playing an important role in providing financial support to these widespread excluded sections of the population. Still, according to the few recent available studies, MFIs are struggling in ensuring their services to their clients.

The academic production on the impacts of Covid-19 on microfinance industry is thus far rather scarce, whereas DFIs and Microfinance Networks especially are at the forefront of the collection and the analysis of the adaptation strategies of MFIs worldwide (*COVID-19 BRIEFING Snapshot: MFIs During the Crisis*, 2021; *FGCA Covid-19 Report*, 2020).

Few studies based on the most recently available MIX Market data shows that MFIs are generally experiencing a slowdown in the achievement of financial sustainability, whereas social performances turn out to have improved, as the creation of social impacts has been generally prioritized over the maximization of financial performances. A study from Malik et al. (2020) based on data retrieved by an early survey on the consequences of the first lockdowns in Pakistan have found that week-on-week sales of financial products and household income have fallen by 90%, and that, as a result, households' primary concerns was generally to ensure food security. Consequently, 70% of the sampled respondents was unable to repay their loans. Another study (Zheng & Zhang, 2021) found that financial efficiency of MFIs have generally been negatively affected, especially the one of those who charge high interest rates. Clients that face high lending rates are therefore more likely to default their repayments than the ones that have access to more affordable interest rates. As of the end of 2020 though, a report from the Grameen Credit Agricole (*FGCA Covid-19 Report*, 2020) have found, 48% of the sampled MFIs had to increase their charges over the loans in order to face default risk. This kind of dynamic have direct consequences over borrowers and over the institutions themselves, whose profitability rates have fallen substantially. On the other hand, the same study has found that the majority of sampled MFIs have expressed a will of develop and implement new digital technologies to increase and facilitate their outreach.

While the industry as a whole faced a general halt, MNs and financial inclusion advocates started reflecting on the pandemics consequences and on how to build financial and micro financial systems that are more resilient over external shocks. Most of the available publications emphasise the need for further digitalization and, consequently, the need for structural policy reforms. From a translocal point of view, an unprecedented attempt to create connections and partnerships across different scales of the industry is observed. Microfinance Networks especially, along with different DFIs, partnered to deepen and institutionalize knowledge sharing. 2 examples are particularly worthy of being reported. On one side, the partnership between the CGAP and Symbiotic, a leading microfinance investment vehicle firm, which, from the very beginning of the pandemic, shares data regarding MFIs' responses to Covid crises. On the other hand, the Microfinance Coalition, which was created under the umbrella of the Partnership for Responsible Financial Inclusion (PRFI), is at the forefront of the coordination efforts between donors, private investors, MFIs, DFIs and other key players of the industry. Collectively these actors reach more than 80 million clients every year, 69% of which are women. The explicit aim of the coalition is to expand MFIs capacity to deliver their services and strengthen the technological infrastructure necessary to this end.

The overall objective remains to expand and accelerate financial inclusion, strengthening the general structure of the industry and the cross-sectorial and intrascalar connections that are created at its core between different stakeholders.

8. Conclusion

8.1. Problematizing Financial Inclusion: a cure-all panacea for development?

It is self-evident that behind different paradigms and approaches lie a certain idea of development. Microfinance has been hailed as a silver bullet for poverty reduction from within the lines of neoclassical theorists and neo-liberal policy makers, as the idea of "self-help" and individual entrepreneurship seemed to embody a viable solution for widespread poverty. Microfinance though is not to be considered as a monolithic set of financial tools. The existing literature suggests that financial inclusion programmes have different outcomes in different regions of the globe. Population density, group-cohesion levels, local attitudes towards dept, enterprise development processes, financial literacy levels and financial services providers are among the many key components of the local experiences with microfinance (van Rooyen et al., 2012)

It is today widely accepted that not all financial products (microcredit can be listed as one among many) are successful in achieving development goals. Recent evidence suggests that positive impacts on the individual level can come from the introduction of digital payments and saving tools (Demirgüç-Kunt et al., 2017). Rigorous evaluations of the impacts on multiple development dimensions indicates that no clear-cut connection between microfinance and economic development can be established (*ibid.*).

When it comes to development at large, the academia seems to concur downright that microfinance might constitute "a powerful institutional and political barrier to sustainable economic and social development, and consequently to poverty reduction" as it ignores the crucial role of scale economies and denies the importance of large investments for development (Bateman & Chang, 2012). Following this argument, microfinance practices appear to infantilize local economies in the Global South while hailing individual access and achievements as key components of development despite the raising awareness concerning the dangers of market participation, which can exacerbate inequalities and produce new forms of exclusion (Mader, 2018). The crucial importance of solidarity and local communities' ownership and control seem to be largely ignored in favour of donor's agenda for economic inclusion and development (Ghosh, 2013).

In other words, microfinance is widely recognized as a viable microeconomic strategy but with often limited potential for poverty alleviation at scale, which entails structural transformations, state-led development and democratic reforms, necessary preconditions for long-lasting large scale development (Nega & Schneider, 2014).

From an academic perspective, it is interesting to acknowledge the rise of a new kind of mobility that has been enabled by microfinance related flows, which has rewritten the way of "doing development". This complex framework of links and interplays encourage us to problematize the role of the microfinance industry within a wider development agenda, its ends and most of all, it impacts on the most fragile sections of the global population.

This thesis aimed at providing a clearer picture of the dynamics that produce and reproduce the functioning of the industry as a whole, considering the role of actors that are fully-fledged part of a bigger development project that is markedly financialized.

To this end, different types of material and immaterial flows and interconnections have been put into focus to highlight directions and directionalities .

As to conclude, a need for further applications of the translocal perspective to the study of microfinance-related dynamics is identified with the primary aim of unravelling the multiplicity of ways in which poor people are co-opted are affected by global financial forces.

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Annex – Microfinance Networks Sample

NETWORK	PARTNERS NUMBER	PARTNERS COUNTRY PRESENCE	INSTITUTIONAL TYPES	OPERATIONAL FOCUS
ACCION INTERNATIONAL	170	55	MFIs - DFIs - NBFIs - Donors	Capacity Building - Policy Advocay
AFMIN: AFRICA MICROFINANCE NETWORK	Unspecified		MFIs	Capacity building - Policy Advocay - Research and Kknowledge Management
AFRACA: AFRICAN RURAL AND AGRICULTURAL CREDIT ASSOCIATION	90		MFIs - Research Institute - Commercial Banks	Policy Advocay - Techincal Services
AMFIU: ASSOCIATION OF MICROENTERPRISE FINANCE INSTITUTIONS OF UGANDA	125	1	MFIs	Research and Knowledge Management - Policy Adovcacy - Capacity Building
APRACA: ASIA PACIFIC RURAL AND AGRICULTURAL CREDIT ASSOCIATION	87	24	MFIs - DFIs - National Banks - Commercial Banks	Research Management - Policy advocacy
BWTP: BANKING WITH THE POOR NETWORK	150	17	MFIs - Research Institutes - NGOs - Investment Firms - Commercial Banks	Research and Knowledge management - Policy Adovcacy
CEEC: THE MICROFINANCE CENTRE FOR CENTRAL AND EASTERN EUROPE AND THE NEW INDEPENDENT STATES	114	38	MFIs - Investment Firms - Donors - NGOs	Research and Knowledge Management - Policy Advocacy
CGAP	37		DFIs - National Banks	Research and Knowledge Management
EUROPEAN MICROFINANCE NETWORK	92	25	MFIs - Commercial Banks - Research Institutes - NGOs - Investment Firms - Credit and Saving Cooperatives - NBFIs	Policy advocacy - Techincal Services - Research and Knowledge Management

FINCA	19	22	MFIs - Commercial Banks	Financial Services - Capacity Building - Knowledge Managment
FOLADE: THE LATIN AMERICAN DEVELOPMENT FUND	14	unspecified	NGOs	Technical Services
INAFI: INTERNATIONAL NETWORK OF ALTERNATIVE FINANCIAL INSTITUTIONS	220	unspecified	NBFIs - FinTech - DFIs	Policy Advocacy - Research and Knowledge Managment
INAISE: INTERNATIONAL ASSOCIATION OF INVESTORS IN THE SOCIAL ECONOMY	19		NBFIs - Investment Firms - NBFIs - NGOs - Commercial Banks	Research and Knowledge Management - Policy Adovcacy
INDIA: INDIA COLLECTIVE FOR MICROFINANCE	unspcified	unspcified	Research Institutes - Commercial Banks - NGOs - National Banks - MFIs	Policy Advocacy - Capacity Building - Research and Knowledge Management
MAIN: AFRICAN INSTITUTIONS NETWORK	118	29	MFIs - Research Institutes - Credit and Saving Cooperatives - Donors	Capacity Building - Policy Advocacy - Research and Knowledge Management
MICROFINANCE NETWORK	25	23	NBFIs - Commercial Banks - NGOs - MFIs	Research and Knowledge Management - Policy Adovcacy
NEPAL: CENTRE FOR MICRO-FINANCE	27		Commercial Banks - NGOs - MFIs - Credit and Saving Cooperatives	Capacity Building - Policy Advicacy - Research and Knowledge Management
PAKISTAN: THE MICROFINANCE GROUP	44		MFIs - NBFIs	Research and Knowledge Management - Capacity Building - Policy advocacy
PHILIPPINES: PHILIPPINE COALITION FOR MICROFINANCE STANDARDS	59		NGOs	Policy Advocacy
RED KATALYSIS MICROFINANCE NETWORK	23	4	MFIs	Capacity Building - Technical Services
RESPONSIBLE FINANCE	50		NBFIs - MFIs	Capacity Building - Policy Advocacy

SEEP NETWORK	6	NBFIs - Commercial Banks - NGOs - MFIs - Investment Firms	Research and Knowledge Management - Policy Adovcacy
SME FINANCE FORUM	220	MFIs - NBFIs - FinTech - DFIs	Capacity Building - Policy Advocacy
SOUTH ASIAN NETWORK OF MICROFINANCE INITIATIVES	31	MFIs	Capacity Building - Policy Advocacy
WOCCU - WORLD COUNCIL OF CREDIT UNIONS	40	Credit and Savings Cooperatives	Policy Advocay - Capacity Building

NETWORK	***HEADQUARTER***	***OPERATIONAL SCOPE***	***REGION***	***COUNTRY***	***WEBSITE***
ACCION INTERNATIONAL	USA	Global			https://www.accion.org/
AFMIN: AFRICA MICROFINANCE NETWORK	Côte d'Ivoire	Regional	Sub-Saharan Africa		https://socialprotection.org
AFRACA: AFRICAN RURAL AND AGRICULTURAL CREDIT ASSOCIATION	Kenya	Regional	Sub-Saharan Africa		https://afraca.org/about-us/
AMFIU: ASSOCIATION OF MICROENTERPRISE FINANCE INSTITUTIONS OF UGANDA	Uganda	National		Uganda	https://www.amfiu.org.ug/
APRACA: ASIA PACIFIC RURAL AND AGRICULTURAL CREDIT ASSOCIATION	Indonesia	Regional	Asia		https://www.apraca.org/
BWTP: BANKING WITH THE	Australia	Regional	Asia		https://www.bwtp.org/

POOR NETWORK					
CEEC: THE MICROFINANCE CENTRE FOR CENTRAL AND EASTERN EUROPE AND THE NEW INDEPENDENT STATES	Poland	Global			https://mfc.org.pl/
CGAP	USA	Global			https://www.cgap.org/about
EUROPEAN MICROFINANCE NETWORK	Belgium	Regional	Europe		https://www.european-microfinance.org/
FINCA	USA	Global			https://www.fincaimpact.com/about/
FOLADE: THE LATIN AMERICAN DEVELOPMENT FUND	Costa Rica	Regional	Central America		https://uia.org/s/or/en/1100052473
INAFI: INTERNATIONAL NETWORK OF ALTERNATIVE FINANCIAL INSTITUTIONS	Senegal	Global			http://inafiindia.net/
INAISE: INTERNATIONAL ASSOCIATION OF INVESTORS IN THE SOCIAL ECONOMY	Spain	Global			http://inaise.org/
INDIA: INDIA COLLECTIVE FOR MICROFINANCE	India	National		India	https://www.gdrc.org/icm/country/india-icmf.html
MAIN: AFRICAN INSTITUTIONS NETWORK	Côte d'Ivoire	Regional	Sub-Saharan Africa		http://www.mainnetwork.org/en/

MICROFINANCE NETWORK	USA	Global			https://microfinancenetwork.org/
NEPAL: CENTRE FOR MICRO-FINANCE	Nepal	National		NEPAL	https://cmfnepal.org/
PAKISTAN: THE MICROFINANCE GROUP	Pakistan	National		PAKISTAN	https://pmn.org.pk/
PHILIPPINES: PHILIPPINE COALITION FOR MICROFINANCE STANDARDS	Philippines	National		Philippines	https://www.gdrc.org/icm/network/phil-6.html
RED KATALYSIS MICROFINANCE NETWORK	Honduras	Regional	Central America		http://inaise.org/en/member/red-katalysis/
RESPONSIBLE FINANCE	UK	National		UK	https://responsiblefinance.org.uk/
SEEP NETWORK	USA	Global			https://seepnetwork.org/
SME FINANCE FORUM	USA	Global			https://www.smefinanceforum.org/about/what-we-do
SOUTH ASIAN NETWORK OF MICROFINANCE INITIATIVES	Bangladesh	Regional	Asia		https://www.gdrc.org/icm/sanmfi/brochure.html
WOCCU - WORLD COUNCIL OF CREDIT UNIONS	USA	Global			https://www.woccu.org/