

## **Microfinance, Human Security and Sustainable Development**

Richard Matthew, PhD  
Director, Center for Unconventional Security Affairs  
Associate Professor, Planning, Policy and Design, and Political Science  
University of California Irvine

### **Project Overview**

---

The purpose of the proposed project is to undertake a meta-study of the linkages among microfinance services, human security and sustainable development. The specific objectives are:

1. to summarize and evaluate what is known about the broad social and environmental effects of microfinance services;
2. to identify best practices and missed opportunities with specific reference to security and sustainable development;
3. to develop recommendations for how microfinance services might further evolve such that in alleviating poverty and empowering communities, the environment is protected and a buffer against recruitment into terrorism and crime is constructed;
4. to present the findings and recommendations of this study at a workshop involving members of the academic, practitioner, security, and environmental communities

### **Rationale for Project**

---

The proposed study will fill a gap in our understanding of microfinance services, and be of direct and immediate interest to lenders, the sustainable development community, and those looking for effective and positive approaches to the creation of sustainable peace processes and countering recruitment into terrorism and crime.

It will also make a direct and significant contribution to the growing academic literature in sociology and political science on the ways in which public goods and other services historically provided by the state increasingly are being provided by the private and non-profit sectors.

There is a large body of research that examines the complex relationships between, on the one hand, chronic poverty and, on the other, human and national security problems including transnational criminal activities such as human and drug trafficking, certain forms of environmental degradation, the spread of infectious disease, and global terrorism. These network-structured threats have proven to be robust, growth oriented, and hard to control through traditional, military-driven security strategies. To be vital, all of them require social conditions susceptible to recruitment of the poor as terrorists, drug mules, disease vectors, slave traders, and so on. Insofar as alternative, sustainable livelihoods can be promoted along with institutions and practices contributing to human security, such recruitment will be challenged, disrupted and perhaps disabled altogether.

The proposed research will make a direct and immediate contribution into a range of policy arenas. For example, the United Nations is currently involved in a multiyear analysis of how to link security and development as part of a more general reform initiative. We have already participated in this process, bringing to it the environmental perspective. Also, the US

Government is reexamining its relationship to the rest of the world, and trying to identify the most effective balance between development assistance and the application of force in addressing security threats. We have also directly participated in this process.

## **Background**

---

The microfinance industry arose in the 1970s to assist those too poor to qualify for services from traditional banks, and inadequately served by government programs. The initial goal was to provide small loans to help start up or expand small businesses. It might seem that the poorest people in the world would pose an insurmountable risk to lenders, but, through a series of carefully-conceived measures, this strategy has been extremely effective. Indeed, by 2004, some 92 million clients had been served by over 3,000 microfinance institutions.

These numbers have attracted considerable attention. In recent years there has been a surge of interest in microfinance services on the part of government, the private sector and the non-profit community. This interest is driven by evidence demonstrating that microfinance services (MFS) are successful across a range of objectives. In particular, MFS are widely seen as constituting an economically sound and profitable approach to poverty alleviation, economic growth, community empowerment and capacity building.

The interest has raised a number of questions. Can microfinance services serve as a platform for connecting poor communities to national and global policymaking processes? How can and should these services expand and diversify in the future? Can MFS be linked to other humanitarian agendas such as human rights, conservation and post-conflict reconstruction? Given that 92 million clients have been served over a thirty year period, are broader social and environmental effects discernible?