

# **Protecting microfinance clients from health related emergencies: Health loan program in one of the fastest growing microfinance organization in India**

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## **Abstract (250 words)**

### **Introduction**

The growth of microfinance as an effective tool for poverty reduction provides an excellent scope to extend health services to the poorest and needy. Several microfinance institutions (MFI) have ventured into health programs sensing sound business rationale, apart from social causes. This paper analyzed the effectiveness of health loan as a health protection instrument in a MFI in India.

### **Methods**

Qualitative research tools, adopted from AIMS-SEEP manual of USAID, were developed to measure the performance of health loan. In-depth interview were conducted with 57 members who have availed health loan and 30 members whose loan applications were rejected in Howrah district of West Bengal, India.

### **Results**

Health loans range from 1000 to 5000 INR (~24 to 119 USD<sup>2</sup>) and bear an annual interest rate of 10 per cent (which is 2 per cent less than normal business loan). Members prefer visiting private providers. However, referral system for members seeking treatment with health loan is not well laid out, with lack of systemic effort to demarcate qualified versus unqualified providers. There are instances of selection bias in offering health loan with an intention to keep low loan defaulter rate.

### **Conclusion**

There is a strong case for removing financial barrier in health loan and need to create a discounted preferred provider network. Better referral linkages, networking with public health systems and proper communication in case of loan rejection, can enable the program to work as a model health protection scheme in India and elsewhere.

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<sup>2</sup> Note: 1 USD ~ 42 INR