

"Microfinance, mental models and wellbeing"

Abstract:

How relevant is the burgeoning literature on wellbeing to the field of microfinance as an instrument of development? The paper first defines terms and then explores the ontology underpinning common mental models of both providers and users of microfinancial services. Moving beyond standard economic assumptions of Pareto efficiency it then asks how far divergences in the aspirations, expectations and actual experience of each party to microfinancial transactions matter for each. More specifically, it asks (a) under what circumstances financial products turn out to be what Max-Neef describes as "pseudo-satisfiers" and (b) how far financial service providers should, do and could share responsibility for such outcomes with their clients. The paper concludes that if microfinance is to fulfil its potential as an instrument for sustainably enhancing human wellbeing then providers need to reflect far more deeply on both their own and their clients' mental models.

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