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Insuring Microcredit against HIV/AIDS in South Africa - Protecting Borrowers and Microfinance Institutions

This research paper investigates the continued access to credit for families that are at high risk of being infected with HIV: Credit providers typically exclude these customers or substantially increase the risk premium. Families at risk are mostly low-income families. Maintaining their access to finance would give them the opportunity to retain an active role in the economy and prevent destitution. These low-income families are served by microfinance institutions (MFIs) that specialise in providing small amounts of credit to people who do not have access to formal financial institutions. Therefore this publication develops a microinsurance concept as a hedging mechanism. Different product designs are analysed, resulting in a product proposal. The risk costs are calculated to determine the appropriate pricing. The analysis concludes that such a microinsurance product is a viable mechanism to reduce the risk for any single institution by pooling the risks of many MFIs. As a last step, the study analyses the practical implementation of this product.

This book is distributed only to German-speaking countries (Germany, Austria, Switzerland).



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