Systematic review: What is the evidence of the impact of microfinance on the well-being of poor people?

Description

Tweet

by Maren Duvendack, Richard Palmer-Jones, James G Copestake, Lee Hooper, Yoon Loke, Nitya Rao, August 2011. Available as pdf

[found via@poverty_action]

Executive summary
Background

â??The concept of microcredit was first introduced in Bangladesh by Nobel Peace Prize winner Muhammad Yunus. Professor Yunus started Grameen Bank (GB) more than 30 years ago with the aim of reducing poverty by providing small loans to the countryâ??s rural poor (Yunus 1999). Microcredit has evolved over the years and does not only provide credit to the poor, but also now spans a myriad of other services including savings, insurance, remittances and non-financial services such as financial literacy training and skills development programmes; microcredit is now referred to as microfinance (ArmendÃ¡riz de Aghion and Morduch 2005, 2010). A key feature of microfinance has been the targeting of women on the grounds that, compared to men, they perform better as clients of microfinance institutions and that their participation has more desirable development outcomes (Pitt and Khandker 1998).â?•

â??Despite the apparent success and popularity of microfinance, no clear evidence yet exists that microfinance programmes have positive impacts (ArmendÃ¡riz de Aghion and Morduch 2005, 2010; and many others). There have been four major reviews examining impacts of microfinance (Sebstad and Chen, 1996; Gaile and Foster 1996, Goldberg 2005, Odell 2010, see also Orso 2011). These reviews concluded that, while anecdotes and other inspiring stories (such as Todd 1996) purported to show that microfinance can make a real difference in the lives of those served, rigorous quantitative evidence on the nature, magnitude and balance of microfinance impact is still scarce and inconclusive (ArmendÃ¡riz de Aghion and Morduch 2005, 2010). Overall, it is widely acknowledged that no well-known study robustly shows any strong impacts of microfinance (ArmendÃ¡riz de Aghion and Morduch 2005, p199-230).â?•

â??Because of the growth of the microfinance industry and the attention the sector has received from policy makers, donors and private investors in recent years, existing microfinance impact evaluations need to be re-investigated; the robustness of claims that microfinance successfully alleviates poverty and empowers women must be scrutinised more carefully. **Hence, this review revisits the evidence of microfinance evaluations focusing on the technical challenges of conducting rigorous microfinance impact evaluations**.â?•

See also the blog commentary on this paper â??Disproving and Confusingâ?•by Jonathan Morduch, August 17, 2011

RD comment: After a quick scan I am not sure which has been dammed the most by this paperâ??s findings: the micro-finance industry or the evaluation business. :-(

24 Aug 2011: I just noticed this relevant quote from Chris Blattman in his 2008 presentation to DFID

> â??*Fast forward, if you will, to 2015, when there will be dozens upon dozens of education and health impact evaluations giving us average ROI figures for interventions from textbooks to scholarships to vocational training. It is extremely possible that in some contexts we will see a particular intervention yield 100 percent improvements, in some 30 or 40 or 50 percent improvements, and in some much less than that.*
>
> *If so, we may find ourselves in an uncomfortable position: the average ROI of textbook provision may be statistically indistinguishable from the ROI of another program, like school meals, simply because of the variability of the impacts.*
>
> *I fear the current ream of impact evaluations will yield one overwhelming result: how and where we implement is more important than what we implement. Performance is essentially conditional on context and processes. â??*

See online comments by others here:

- The Mothership of Microfinance Impact Studies has landed at www.governancexborders.com, 19 August 2011
- Microfinanceâ??s sober reckoning, by Madeleine Bunting at the Guardian, 18 August 2011

Category

1. Uncategorized

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