

IMPACT of MICROCREDIT

A systematic review in progress

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Outline

1. Microcredit as a topic for systematic review
2. Review study

Microcredit: an introduction

- Microfinance: microcredit, microsavings, microinsurance
- Using alternative ways of reducing the transaction costs and risks associated with the provision of financial services to poor people
- Outreach of microcredit worldwide: CGAP (2004): 152m; World Savings Bank Institute (2005): 190m; Gonzalez and Rosenberg (2006): 94m; Microcredit Summit (2007): 133m
- Differences are due to:
 - Data availability and methods
 - Heterogeneity in MFIs (see Von Pischke, 2007)
 - Heterogeneity in clients: where does 'micro' stop?

Microcredit: 'big questions' on impact

- What is the outreach of microcredit activities? Is microcredit reaching the poorest?
- What are the effects of microcredit on those receiving it?
 - Assumption: microcredit will enable clients to invest in (micro)enterprises, eventually lifting poor people out of poverty
 - (indirect) effects of microcredit (e.g.)?
 - household income (from (micro) enterprises)
 - consumption smoothing
 - empowerment
 - schooling
 - debt as a burden
 - indirect effects on non-participants
 - at institutional level: crowding out of other investments

Microcredit: the evidence base

- Some (non-systematic) reviews on microfinance/credit, (e.g.): Morduch (1999); Goldberg (2005); Armendariz de Aghion and Morduch (2005)
- Some positive effects of microfinance found across settings
- However evidence is not convincing, 'weak' and 'controversial'
- Two recent (opposing) trends:
 - More randomized impact evaluations (Poverty Action Lab)
 - More practitioner-friendly evidence on impact (client satisfaction, in-depth qualitative research) (Imp-Act)

Methodological challenges in assessing impact of microcredit (Meyer, 2008)

- Counterfactual analysis: selection bias, spillover effects
- Heterogeneity:
 - Microcredit interventions/modalities (e.g. group vs. individual)
 - Target groups and contexts (e.g. farmers, urban traders)
 - Outcome variables (e.g. SME development, empowerment)
- Measuring treatment (discrete vs. continuous, time)
- Measuring effects
 - construct validity
 - indirect effects (e.g. displacement effects)
- Clients vs. dropouts
- Fungibility of money
- Moderator variables (e.g. 'credit plus' effect)

Structure review study

- **1A** 1st phase search process (broad search on all types of microcredit interventions and all mechanisms of change)
 - **1B** applying inclusion and exclusion criteria
 - **1C** coding
 - **1D** finalizing document database
 - **1E** mapping
- 1st phase - mapping**
- evidence base determines delimitation
- **2A** delimitation and specification of detailed review question (selection of particular microcredit intervention and outcome variable(s) for in-depth analysis)
 - **2B** 2nd phase search process (short search on additional references on the selected microcredit intervention-outcome variable(s))
 - **2C** applying inclusion and exclusion criteria
 - **2D** coding and extracting information
 - **2E** finalizing document database
 - **2F** analyzing and synthesizing results
 - **2G** Writing report
- 2nd phase - detailed review**

Where we are

- **1st phase**
 - Search protocol: search matrix with keywords, tailored to search method (MU academic search engines (e.g. EBSCO, ISI Web of Knowledge); web-based search engines (e.g. JOLIS, Google Scholar), microfinance-related web sites (e.g. microfinance gateway, multilateral/bilateral donors, NGOs), journals not covered in search engines, books)
 - Languages: English and Spanish
 - Low and middle income countries
 - Period: 1980 -
 - Coding: 1st round characterization only
 - Incl.+excl. : relevance only → empirical study focused on some type of causal analysis between microcredit modality(ies) and outcome variable(s)

Tentative search results

- > 300 documents fit relevance criterion (book search + Spanish document search still underway)
- Outcome variables (from most frequent to less frequent): empowerment, income and business (growth) effects, consumption, schooling, health and nutrition, other
- Methodological designs (from most frequent to less frequent): quasi-experimental, regression-based, other, randomized experiments (< 5 %)

Scenario's for synthesis

Quantitative synthesis

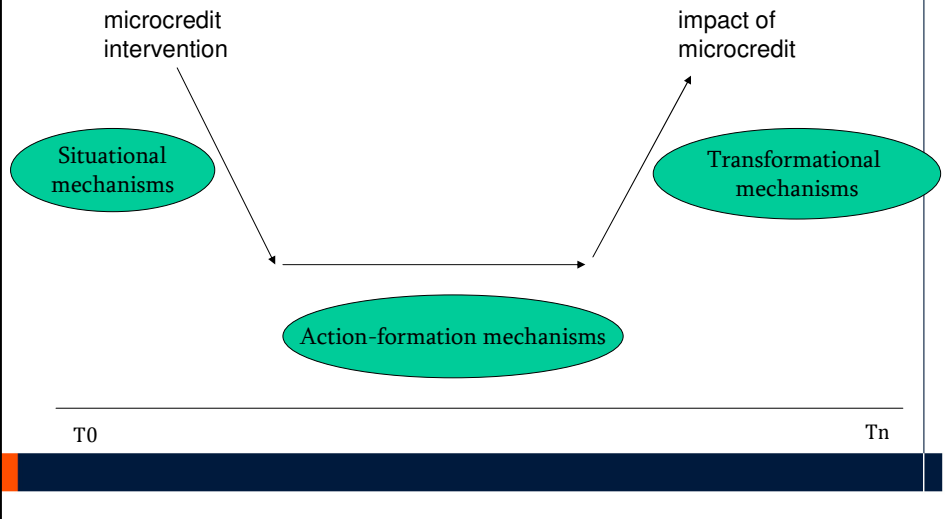
1. Meta-analysis – aggregation of mean effect sizes
 - availability of (quasi-)experimental evidence
 - homogeneity of interventions/outcomes
2. Meta-regression using ordinal and dichotomous data
 - sufficient information on common (explanatory) variables across studies
 - homogeneity of interventions/outcomes

Qualitative synthesis

3. CMO-theory-based synthesis (Pawson and Tilley, 1997; Van der Knaap et al., 2008) → combination of systematic review protocol with qualitative synthesis

Impact theory - microcredit

Based on Coleman (1986, 1990); Hedström and Swedberg (1998)



CMO on direct and indirect effects

Situational mechanism:

- Who are the clients (what is the outreach of the microcredit intervention)? **Outside the scope of the study**

Action formation mechanism:

- How do changes in the opportunity structure through microcredit (e.g. amount of credit, yes/no, modality) affect the behavior of different types of clients, under what conditions? (savings/asset-building, investment, consumption, intra-/extra-household social dynamics,.....)

Transformational mechanism:

- How do changes in behavior (of different types of clients, given outreach and nature of 'treatment') affect client livelihoods and (indirectly) livelihoods of others, under what conditions? (e.g. income, health/nutrition, education, empowerment..... employment effects, market effects.....)

THANK YOU

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