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
- 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

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

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, Googlescholar), 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)

**Situational mechanisms**

- 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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