

Focus :

IMPACT OF MICROFINANCE

CONFERENCE

[AP8]

Room Amartya Sen
Palais Brongniart

Wednesday,
September 19, 2012

EVALUATING THE SOCIAL IMPACT OF MICROFINANCE WORLDWIDE

MAIN FINDINGS

The crises that microfinance has recently gone through remind us that the social usefulness of this sector is no longer to be taken for granted. There are nonetheless a number of different methods for measuring it. Today a whole host of quantitative studies which are said to be experimental can be found, each offering increasingly convincing responses on the impact of microfinance from a quantitative point of view. However, these are more costly because they have to draw upon very large samples in order to avoid selection bias. There is also the need to complete these studies with a qualitative approach, too often neglected but ultimately indispensable in grasping the complexity of the phenomena studied and understanding the sources of bias on the ground. The results of the studies should also allow for microfinance institutions' practices to be improved. Therefore, ideally, practitioners should be involved when putting together these practices, when putting them into practice and when publicising studies on the topic.

SPEAKERS

Bernd Balkenhol

Professor, University of Geneva

John-David (JD) Bergeron

Director, Seal of Excellence for Poverty Outreach and
Transformation

Jean-Pierre Olivier de Sardan

Researcher, Emeritus Director of Research and Studies
Director, LASDEL/CNRS/EHESS

William Parienté

Professor, Louvain University (UCL)/ Affiliated Member, J-
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MODERATOR

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Research and Business Development Officer,
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SUMMARY OF INTERVENTIONS

Bernd Balkenhol notes that in the early days of microfinance, social performance did not really feature as one of the main challenges in the field. The tacit assumption was that the social impact of microfinance was undoubtedly beneficial. The real challenge, on the other hand, was creating microfinance institutions which would have a long financial lifespan. This is why the emphasis was placed on growth and why external investor interest was aroused. Paradoxically, it was following the commercial success – sometimes excessive – of microfinance in the years from 1997 to 2007 that the question of social performance once again came to the fore. Although the numerous recent crises that have afflicted the microfinance sector have once again brought forward the question of restoring the balancing between financial results and social benefits, carrying out a complete evaluation is complex because of the fact that there are just as many variables and impact dimensions as there are operating procedures among microfinance institutions. However, a consensus emerges: microfinance seems to have a positive effect on the ability of family businesses to manage their financial resources and to bring risks under control.

For **William Parienté**, the fact that there is a large number of microcredit beneficiaries with a good repayment rate is not proof of effectiveness. The impact of microcredit should be evaluated for two reasons: firstly, it is intended to favour not only economic activity but also health and education; secondly, microcredit is often subsidised and can therefore sometimes have a perverse effect. However, evaluating the impact of microfinance is rendered difficult because of possible selection bias. In order to avoid this, the population groups studied must be large and the individuals must be chosen at random. The pharmaceutical industry operates these practices. Moreover, evaluating the impact of microfinance also allows the products on offer to be improved. Thus, a few short-term evaluations of two to three years show that microcredit has a positive effect on economic activity but mixed results in terms of consumption, which drops with microloans for investment and rises with loans for consumption. Not enough evaluations have been carried out to draw clear conclusions.

Jean-Pierre Olivier de Sardan, who carries out purely qualitative studies, particularly in Niger, explains that the multiplicity of inputs and outputs, which are not all of a financial nature, mean that purely quantitative analyses are difficult, as is responding to the questionnaires, which are often biased towards the context. In fact, there are many elements which are left out from a purely quantitative analysis. Quantitative and qualitative studies should therefore be seen as complementary, and qualitative should not be seen as inferior to quantitative. Finally, it is worth noting that serious qualitative studies can be carried out for a much more reasonable cost than randomised quantitative studies.

JD Bergeron, who leads an initiative that aims to identify and improve microfinance services for people living in poverty, underscores the importance of carrying out simple studies that are easy for small microfinance institutions to use. As a matter of fact, many small microfinance institutions carry out good work but have been lacking funding since the accusations that have been levelled at microfinance, particularly in India. What is more, research publication deadlines should be brought forward to allow operators the chance to react and to suggest concrete changes which can be implemented by professionals in order to improve results for clients. Lastly, it is important to educate loan recipients and provide them with follow-up. The fact that new international microfinance standards are coming into effect should allow everyone involved to make progress. Three initiatives in this domain complement one another: the Smart campaign for protecting clients, the universal standards for social performance management from the SPTF and the seal of excellence promoted by the Microcredit Summit.

SUMMARY OF THE DEBATE WITH THE AUDIENCE

What is the added value of qualitative studies?

William Parienté answers that qualitative studies can provide information on sustainable impact mechanisms in microfinance. Long-term studies, looking at a period

of 10 or 20 years are also necessary. The method should be chosen in accordance with the objectives being pursued and the timeframe.

What precautions should be taken in order to ensure repayment?

A member of the audience draws attention to the fact that groups of women are better at seeing projects to their end and paying back loans. Another factor of great

importance is selecting projects that will provide high added value.

How can the impact of microfinance be measured whilst also providing a strong element of support?

Bernd Balkenhol answers that studying the impact of non-financial services takes time and suggests asking clients the same questions after regular intervals.

REPORTER

Priscilla de Moustier

President of the surveillance council, OXUS Group

MORE ON THIS TOPIC

- Bernd Balkenhol, dir. / CDC / OIT (2009): *Microfinance et politique publique : portée, performance et efficience*, PUF.
- Convergences 2015 / Florent Bédécarrats, CERISE (2012): "Evaluating the impact of microfinance": www.convergences2015.org/fr/Article?id=603
- The Global Appeal for Responsible Microfinance: www.appeldeparis.org
- Olivier de Sardan, J.P. (2008): *La rigueur du qualitatif*, Louvain-La-Neuve, Academia-Brylant.