PROPOSAL: MICROFINANCE –FIELD EXPERIMENT DESIGN, EVALUATION

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Each year, more than 150 million low-income customers receive loans from microfinance institutions (MFIs) around the world, $85 Billion in loans are disbursed, and close to $4 billion are invested in microfinance activities. Increasingly, microfinance –in particular microcredit, or small loans granted to low-income clients—is seen as an instrumental tool in the fight against poverty.

At the same time, studies that seek to quantify the impacts of microcredit are surprisingly inconclusive. There is increasing evidence to demonstrate that the income effects of microcredit are less clear, less consistent, and less prevalent than previously thought. There are several reasons behind the lack of clarity on the impacts of microfinance. The first has to do with selection issues that play on two levels. One is the fact that MFIs might select the best potential clients, so increases in income for credit recipients might reflect higher ability instead of the impact of a loan. A second has to do with censoring effects. When a client drops out –either because she "graduated" from microcredit or because she experienced highly negative results— she is no longer observed, so only clients who remain as clients can be accounted for. The second reason behind the inconclusiveness of existing studies has to do with the emphasis that has been placed on the contractual structures used by MFIs (the types of loans given, the collection mechanisms, etc.) and no attention has been placed on the actual field practices of loan officers, branch managers, etc. This is problematic because Microfinance is a setting where there is much uncertainty on the field and agents have been demonstrated to often diverge –significantly—from company policies.

All this points to the suggestion that the question should not be whether Microfinance generates positive impacts for clients, but the conditions under which it can generate positive impacts. To raise this more specific question, I am conducting a series of field experiments in Mexico that seek to address these issues through systematic manipulations of the actual practices that field agents most commonly diverge from. It is important to note that the experiments will involve real loan officers and real clients. A central part of the analysis, therefore, involves the careful screening and coding of the loan officer population to ensure that agents are distributed equally and randomly across conditions.

The research assistant will help us run the analyses to screen and analyze the loan officer population, and to help us code the different types of loan officers that have emerged from our previous work. This will involve cleaning, arranging, and analyzing the databases of a medium MFI in Mexico that has collected very detailed information on loan officer characteristics and performance. The research assistant will interact with multiple SOM faculty who are engaged in this research. The project will be especially useful for those students interested in behavioral research. Experience with Excel is required. Experience with experimental research would be helpful. Experience with Stata or SPSS is desirable.