

SUMMARY

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Project Description

The project addresses the question: under what conditions can microfinance generate a positive impact. In particular, we want to know what attributes of loan officers – the people who work at local microfinance branches and who give out loans – will help generate a positive impact. As we are interested in many attributes of the loan officers (age, education, working experience, etc.), we focus particularly on whether a loan officer tends to follow faithfully the existing rules when giving out loans, or tends to break the rules often. We call the former a “rule follower” and the latter a “rule breaker”. Existing data seems to suggest that when a local microfinance branch has a mix of “rule followers” and “rule breakers”, the branch’s loans have the most positive impact. Professor Canales would like to examine whether such a mix really has a correlation with positive impacts.

Student’s Responsibility

To supplement the data already collected by Professor Canales, I was responsible for collecting more data by frequently contacting our source, a microfinance institution in Mexico. After that, I used STATA to clean the data I had received, to merge the data, and to perform some basic analysis in order to confirm that our data was complete.

I also searched for data about availability of credits given by non-bank intermediaries. I paid special attention to non-bank intermediaries in Mexico, namely the *sofols* and *sofoms*. I wrote a short summary of my findings to Professor Canales.

Findings

At this stage of our research, our finding is incomplete. Therefore, I am not able to report a finding at this stage. In the fall, Professor Canales will go on to analyze the data.

Things Learned

- how to construct a hypothesis and break it down to smaller questions
- how to search for macroeconomic data
- how to program using STATA

Opinion of SRO Experience:

I strongly recommend SRO to any prospective economics students. I gained a broad picture as well as some deep insight into microfinance research by working with Professor Canales. I cannot thank him enough for advising me on unknowns and guiding me through difficulties. I also want to thank Professor Ray Fair for putting together this inspiring project and Mr. Qazi Azam for making SRO proceed smoothly. Thanks to SRO, I was able to gain invaluable skills, and this experience convinced me to do more work in the field of microfinance.