Innovations for Poverty Action

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BULLETIN

POLICY BULLETIN [FEBRUARY 2015]

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WHERE CREDIT IS DUE

Seven randomized evaluations from around the world show that microcredit does not have a transformative impact on poverty, but it can give low-income households more freedom in optimizing the ways they make money, consume, and invest.

Key Results:

Demand for many of the microcredit products was modest. In Ethiopia, India, Mexico, and Morocco, when MFIs offered loans to eligible borrowers, take-up ranged from 13 to 31 percent, which was much lower than partner MFIs originally forecasted.

Expanded credit access did lead some entrepreneurs to invest more in their businesses. In Bosnia and Herzegovina and Mongolia, access to microcredit increased business ownership. All but one study showed some evidence of expanded business activity, but these investments rarely resulted in profit increases.

Microcredit access did not lead to substantial increases in income. Despite some evidence of business expansion, none of the seven studies found a significant impact on average household income for borrowers.

Expanded access to credit did afford households more freedom in optimizing how they earned and spent money. Six studies suggest that microcredit played an important role in increasing borrowers' freedom of choice in the ways they made money, consumed, invested, and managed risk.

There is little evidence that microcredit access had substantial effects on women's empowerment or investment in children's schooling, but it did not have widespread harmful effects either. Microcredit did not lead to increases in children's schooling in the six studies in which it was measured, and only one of the four studies that measured women's empowerment found a positive effect. Across all seven studies, researchers did not find that microcredit had widespread harmful effects, even with individual-liability lending or a high interest rate.

BOLETÍN

BOLETÍN DE POLÍTICA [AGOSTO 2015]

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CRÉDITO PARA QUIENES MÁS LO NECESITAN

Resultados:

Where Credit is Due

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Key Results:

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- Expanded credit access did lead some entrepreneurs to invest more in their businesses. In Bosnia and Herzegovina and Mongolia, access to microcredit increased business ownership. All but one study showed some evidence of expanded business activity, but these investments rarely resulted in profit increases.
- Microcredit access did not lead to substantial increases in income. Despite some evidence of business expansion, none of the seven studies found a significant impact on average household income for borrowers.

- Expanded access to credit did afford households more freedom in optimizing how they earned and spent money.
- Six studies suggest that microcredit played an important role in increasing borrowers' freedom of choice in the ways they made money, consumed, invested, and managed risk.
- There is little evidence that microcredit access had substantial effects on women's empowerment or investment in children's schooling, but it did not have widespread harmful effects either. Microcredit did not lead to increases in children's schooling in the six studies in which it was measured, and only one of the four studies that measured women's empowerment found a positive effect. Across all seven studies, researchers did not find that microcredit had widespread harmful effects, even with individual-liability lending or a high interest rate.

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