



Do financial inclusion interventions enable poor people to engage in economic activities?

EVIDENCE BRIEF

Micro-credit and micro-savings can reduce poverty but do not in all circumstances nor for all clients.

About this brief

This paper summarises evidence from a systematic review by Stewart et al (2012), titled [Do micro-credit, micro-savings and micro-leasing serve as effective financial inclusion interventions enabling poor people, and especially women, to engage in meaningful economic opportunities in low- and middle-income countries?](#) It was produced by the EPPI-Centre, in partnership with the University of Johannesburg.

Micro-leasing, micro-credit and micro-savings are three financial inclusion interventions which have the potential to transform the lives of those with limited access to financial services. The systematic review looks at evidence of impact on starting or extending a business or investing in someone else's.

Key findings

- *Micro-savings* does not significantly increase poor people's engagement in economic opportunities while there is some evidence that *micro-credit* does
- Use of ordinary *savings* accounts have no effect on clients' incomes while *micro-credit* appears to have a positive impact

- *Micro-savings* does increase savings though evidence of the impact of *micro-credit* on savings is mixed
- Impact of *micro-savings* and *micro-credit* on accumulation of non-financial assets is mixed
- Impact of *micro-savings* and *micro-credit* on expenditure is mixed.

Research gaps

- Primary research that unpacks the stages of the causal pathway
- Consideration of longer-term outcomes and greater standardisation of outcomes within impact studies
- Studies that contrast interventions targeted at women with those that are not
- Studies that assess whether combining micro-credit, micro-leasing and micro-savings with other complementary interventions is more or less successful
- Studies on micro-leasing.

How to use this brief

This brief is designed to provide an overview of the key evidence included in the systematic review, to

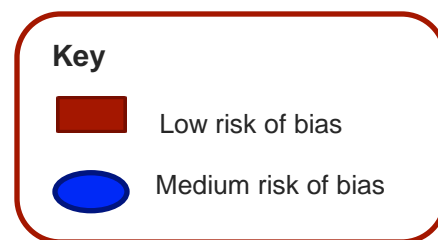
assist policy-makers and researchers in assessing the evidence in this field. It summarises key findings, indicates the country contexts from which evidence is drawn, and provides links and references to the included studies. The evidence is deeply contextual and this brief provides only a broad overview. It is not designed to provide advice on which interventions are more or less appropriate in particular contexts.

Methodology

A systematic search for evaluations was carried out in six specialist trial and systematic review databases, 25 electronic bibliographic databases, Google Books and 31 organisational websites. Key specialists were contacted and citation searches and snowballing in related systematic reviews and reference lists of included papers were carried out. The search results were screened in two stages for relevance and reliability. Papers that met the predetermined inclusion criteria were described in a structured way, including extracting their findings, by a team of four researchers to reduce bias. Of over 14,000 citations, 17 studies were judged to be of high enough quality to be included in the review.

Summary map of evidence

The summary table below outlines the quantity and location of studies included in the systematic review according to type of study design and topic of study. The relevant reference for each study can be found on page 4. No rigorous relevant evidence on micro-leasing was available. The last two types of study design in the table (prospective data collection and retrospective analysis of a single panel) have no “before” data so can only show association rather than causality.



Two studies were assessed by the authors of the systematic review to be at low risk of bias (strong studies), taking account of information available to the reader, appropriateness of the model tested and the way the study was conducted. These and the studies with a medium risk of bias (weaker studies) were deemed to be of good-enough quality to be included in the synthesis.

Type of study design	Studies of micro-credit only	Studies of micro-savings only	Studies of micro-leasing	Studies of micro-credit and micro-savings
Randomised controlled trial	■ Bosnia and Herzegovina ¹	■ Malawi ⁶ ● Kenya ¹⁰		
Type of controlled before and after study	● Thailand ¹³			● Kenya ¹¹ ● Indonesia ¹⁷
2 surveys 2 years apart	● Peru ⁹ ● Uganda ³ ● Zimbabwe ⁴			● India ⁷ ● Madagascar ¹²
Retrospective analysis of 2 surveys	● Vietnam ⁸ ● Bangladesh ¹⁴			
Prospective data collection	● Ghana ¹⁵			● Tanzania ⁵
Retrospective analysis of a single panel	● Bangladesh ¹⁶			● Ethiopia ²
Total studies (17)	9	2	0	6

Outline of evidence

This table below outlines the key findings for review's sub-questions in relation to various types of intervention.

Micro-credit	Micro-savings	Combined micro-credit and micro-savings
Do micro-credit, micro-savings and micro-leasing enable poor people to engage in economic opportunities, and if so, which type of economic opportunities?		
Some evidence that increases engagement (1 strong study in Bosnia and Herzegovina ¹ ; 3 weaker studies in Uganda ³ , Zimbabwe ⁴ , Peru ⁹)	A strong study in Kenya ¹⁰ found no significant increase in engagement	Weaker studies found no impact on income diversification in India ⁷ or employment in Madagascar ¹²
Does engagement in these economic activities impact on their income?		
Weaker studies found largely positive impact on income in Vietnam ⁸ , Uganda ³ , Peru ⁹ and Thailand ¹³ but mixed impacts in Zimbabwe ⁴ . In Ghana ¹⁵ some areas have a positive association between micro-credit and income and a negative association in others.	A strong study in Malawi ⁶ found that micro-savings using a commitment account increases the value of the business but not profits. No effects for ordinary savings accounts.	Weaker studies found increased income in India ⁷ but not Indonesia ¹⁷ and Kenya ¹¹ .
Does engagement in these economic activities impact on their savings?		
A strong study in Bosnia and Herzegovina ¹ found reduction in savings. Weaker studies in Uganda ³ and Zimbabwe ⁴ found increase in savings. No impact on savings in Peru ⁹ .	Strong studies found significant increases in savings in Malawi ⁶ but only among women in Kenya ¹⁰ .	Weaker studies in Kenya ¹¹ and Indonesia ¹⁷ found no significant effects on savings
Does engagement in these economic activities impact on accumulation of productive or non-productive assets?		
Weaker studies in Zimbabwe ⁴ , Uganda ³ and Peru ⁹ found no significant impact on household level assets, but in Uganda and Peru there was impact at the business level	Strong evidence from Malawi ⁶ shows increase in non-financial assets from commitment account but not ordinary account	Weaker studies found no impact in Indonesia ¹⁷ and significant positive impacts in Kenya ¹¹
Does engagement in these economic activities impact on their expenditure?		
A strong study in Bosnia and Herzegovina ¹ showed no significant effect on business consumption but significant decrease in home food consumption of clients with low education. Weaker studies showed increased expenditure in Thailand ¹³ , Bangladesh ¹⁶ and Vietnam ⁸ but opposite in Peru ⁹ , Zimbabwe ⁴ and Uganda ³ .	A strong study from Malawi ⁶ shows that only commitment accounts increase levels of household expenditure. A strong study from Kenya ¹⁰ found no impact on business expenditure or gifts and remittances, but suggests increased spending on foodstuffs and personal items.	Weaker evidence in India ⁷ shows increased spending on housing and consumer goods but not food.
Do these impacts occur at the individual, household or business levels?		
Insufficient evidence from studies of micro-credit, micro-savings and combined micro-savings and micro-credit		
Where these interventions are effective, how, for whom, and in what circumstances?		
Focusing on the data showing micro-finance to have a positive impact on poor people to engage in economic activities: <ul style="list-style-type: none"> - those with relatively higher levels of education or vocational training are enabled to start a new business (Bosnia and Herzegovina¹) - young people with limited education work longer hours in the family business (Bosnia and Herzegovina¹) - there are higher levels of employment in small businesses (Peru⁹ – weaker study) - the diversity of income, crops and investment in land for cultivation increase (Uganda³ and Zimbabwe⁴ – weaker studies) - the interventions lead to increased income, savings, expenditure and accumulation of assets in particular circumstances. Refer to pages 73-76 of the systematic review for more detail. 		
Where these interventions are delivered in combination with each other and/or with other complementary interventions, are they more likely to be successful?		
Insufficient evidence from studies of micro-credit, micro-savings and combined micro-savings and micro-credit.		
Which interventions work better for women? When interventions specifically target women, are they more successful?		
Evidence of outcomes on women is varied. Not possible to ascertain whether micro-finance is disproportionately effective for women. Strong evidence from Kenya ¹⁰ suggests more positive results for female clients, possibly due to limited male client data.		

References

This evidence brief summarises: Stewart R, van Rooyen C, Korth M, Chereni A, Rebelo Da Silva N, de Wet T (2012) [Do micro-credit, micro-savings and micro-leasing serve as effective financial inclusion interventions enabling poor people, and especially women, to engage in meaningful economic opportunities in low- and middle-income countries? A systematic review of the evidence](#). London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London.

The following studies were included in the systematic review:

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14. Khandker SR (2005) Microfinance and poverty: evidence using panel data from Bangladesh. *The World Bank Economic Review* 19(2): 263-286.
15. Nanor MA (2008) *Microfinance and its impact on selected districts in eastern region of Ghana*. Unpublished MPhil thesis, Kwame Nkuruma University of Science and Technology.
16. Pitt MM, Khandker SR (1998) The impact of group-based credit programs on poor households in Bangladesh: does the gender of participants matter? *Journal of Political Economy* 106(5): 958-996.
17. Takahashi K, Higashikata T, Tsukada K (2010) The short-term poverty impact of small-scale, collateral-free microcredit in Indonesia: a matching estimator approach. *The Developing Economies* 48(1): 128-155.

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