



Social Capital and Female Empowerment: findings from two microfinance studies

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Microfinance and Women

- Many MFIs and SHGs target women
 - Higher private returns?
 - Recent work from Sri-Lanka suggests maybe not (McKenzie and Woodruff)
 - Better clients?
 - Less likely to default
 - More likely to spend on children
 - Higher social returns?
 - Female empowerment through micro-finance
- Limited evidence from Microfinance

Microfinance and Female Empowerment

- Today, explore the view that female empowerment and possibly female entrepreneurship are influenced by informational and network constraints faced by women
- Evidence from two separate field experiments
 - Business Training and Financial Literacy training module evaluated with SEWA Bank in Ahmedabad
 - Meeting frequency and Social Capital evaluated with VWS, Kolkatta
- Both suggests a role for policy interventions
- Open question: Are MFIs the best way to deliver these benefits?

Motivation

- Significant emphasis on group participation by development assistance programs
- We evaluate whether a flagship development program which requires group interaction – microfinance – builds social capital
 - Specific channel: Frequent repayment in a group setting.
- Qualitative evidence that these meetings change client exposure:
 - “walking across the village to attend the center meeting, sitting in conversation with a diverse set of women, handling money for the group and receiving personal address from Grameen Bank employee” Larance (1988)

Experimental Design

- Between April and September 2006 loan officers formed 100 ten-member groups of first-time clients
 - Groups of clients from same neighborhood, so often acquainted
 - 42% of clients knew all their group members before joining the group , and at the first group meeting
 - 35% reported either having visited all their group members or having been visited by them in their homes
- Each client received a 4000 Rp (\$100) individual liability loan
- After group formation but before loan disbursal, we randomized groups into weekly or monthly repayment schedule
 - No drop out after randomization

Experimental Design

- Two arms
 - Meet weekly and repay in 44 installments of Rs. 100
 - Meet monthly and repay in 11 installments of Rs. 400
- Loan period 10 months, can repay as early as 6 months
- On average, weekly groups met 35.1 and monthly groups met 9.8 times
- Group meeting format same across monthly and weekly meetings.

Short-run interactions

- Examine difference in social interactions during loan cycle between monthly and weekly clients:
 - Close to 100% of weekly and only 12% of monthly had visited all members in their homes
 - Stark differences appear by end of first month (58% versus 10%), and continue to increase
 - Very similar (not surprisingly) results for been visited by others and know names of family members
 - About 20% of weekly and only 1% of monthly knew whether members had out-of-town visitors

Table 4a. Meeting Frequency and Trust Measures: Long Run

	Trust Group Member	Would Help if Sick
	(1)	(2)
Weekly	0.252 (0.126)	0.055 (0.027)
Monthly	4.327 [1.130]	0.223 [0.416]
N	432	3136

Lottery Protocol

- Method: Approach each woman and inform her that she has been entered into a lottery to promote VWS retail store (lottery prize is voucher to use in store). She is told
 - The lottery has eleven participants
 - She has the option of giving other members from her first loan group tickets
 - Use payoff matrices to explain how her probability of winning will change if she gives out tickets
 - Informed that a client she gives a ticket to will be told who gave it
 - Key outcome: Number of tickets she gives. Typical client made nine pair-wise choices.

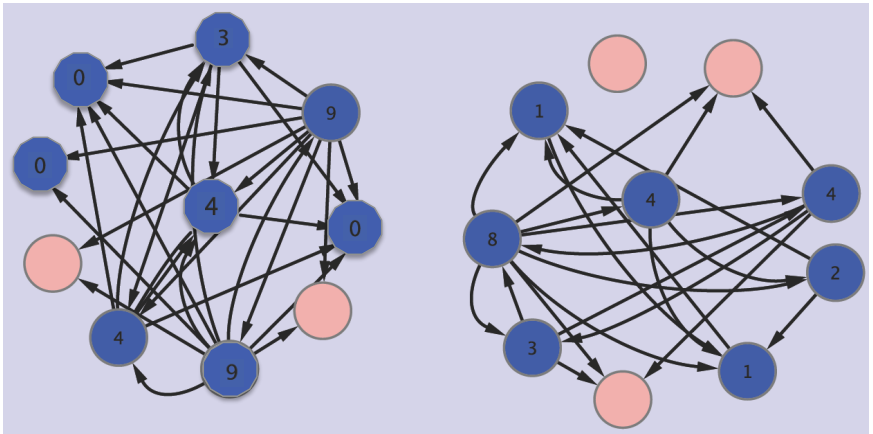


Table 6. Meeting Frequency and Financial Outcomes

	First Loan Default	First Loan Dropout	Second Loan Default
	(1)	(2)	(3)
Weekly	-0.014 (0.013)	-0.000 (0.000)	-0.081 (0.037)
Mean of monthly	0.015 [0.123]	0.311 [0.463]	0.079 [0.270]
N	1026	1026	702

Summary

- Varied frequency of group meeting and repayment (from weekly to monthly)
- In the short run increased interactions and network formation
- Higher levels of trust and cooperation
- In the long run (second loan cycle), this increase in cohesion helps MFIs reduce default
 - Trade-off between reducing transaction costs and default

Details of training

- Business and financial skills
 - Based on standard curriculum for microcredit-based training (from Freedom from Hunger)
 - Emphasized savings, not borrowing
 - How to calculate profits, keep a budget, etc.
- Aspirations
 - Short film about successful role models
 - Women set a business goal and made a plan of how to achieve it

Take-up of the training program

Table 3: Take-up of Training (First Stage Regression)

	Attended training		Attended with a friend	
	(1)	(2)	(3)	(4)
Treated	0.703*** (0.0283)	0.669*** (0.0406)	0.348*** (0.0249)	0.0186 (0.0146)
Treated with friend		0.0669 (0.0463)		0.659*** (0.0410)
N	604	604	604	604

Similar take-up for the two treatment groups:

- 67% of those invited without a friend attended the training
- 74% of those invited with a friend attended the training

No effect on saving

Table 5: Impact of Business Training on Savings

Dependent variable	Number of savings accounts (1)	Formal savings (2)	Informal savings (3)
<i>Panel A: IV (TOT Estimates)</i>			
Attended Training	0.0271 (0.0933)	-165.3 (256.8)	18.17 (44.04)
<i>Panel B: ITT Estimates</i>			
Treated	0.0191 (0.0657)	-116.5 (181.3)	12.80 (31.12)
Mean for Control Group	1.266332	373.3166	70.40201
N	604	604	604

Effects on income and spending

Table 6: Impact of Business Training on Income

Dependent variable	Log					
	Individual income (1)	Business income (2)	household income (3)	Total expenditures (4)	Aid to Husband (5)	Aid to Children (6)
<i>Panel A: IV (TOT Estimates)</i>						
Attended Training	40.83 (75.38)	33.68 (74.76)	0.0243 (0.0726)	0.283 (0.187)	-77.84 (55.37)	24.54 (21.31)
<i>Panel B: ITT Estimates</i>						
Treated	28.76 (53.24)	23.72 (52.78)	0.0174 (0.0518)	0.199 (0.132)	-55.10 (39.72)	17.38 (15.05)
Mean for Control Group	409.8894	408.2312	8.537878	5.910756	217.2613	64.9196
N	604	604	575	604	601	601

- No evidence of business improvement
- Relatively short-run measure (four months after training)
- Some suggestive evidence of empowerment – giving less money to husband and spending more on children

Open Questions

- Learnings from social capital:
 - Group setting helps women form networks
 - From MFI perspective frequent meeting has trade-off of increased transaction cost versus creating more cohesion
- Learnings from training:
 - High demand for financial literacy/business training
 - Easier to respond by borrowing than saving
 - Intra-household issues/other constraints
 - Important to not confuse demand for training with likely returns
- Microfinance/SHG are being able to alleviate constraints faced by women.
 - Open questions: Are they the best vehicle and whether current product design is the best?