

## Impact of Microcredit for Women in Mexico

**Country:** Mexico

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**Partner Organization:** CompartamosBanco

### Background

While proponents of microfinance tout its benefits, few studies have rigorously quantified the unbiased impacts of microcredit loans on the lives of their clients. Seeking to fill this gap and contribute to the collective knowledge regarding the impact of microfinance, IPA has partnered with the Mexican microfinance bank CompartamosBanco to evaluate the social and economic impact that the bank's women-only village banking product has on its clients. What is the impact of introducing a microcredit product for women on their lives, and the lives of other family and community members? What determines take-up of this microcredit product and what is the profile of new microfinance clients?

Increasing commercialization of microfinance has been accompanied by an increasing worry within the microfinance sector that there might be a "mission drift", i.e more focus on financial sustainability and profit generation than on social impact. It is therefore critical, in this context, to evaluate the impact of microfinance when offered by commercially sustainable institutions. A rigorous impact evaluation of credit offered by a market-leading microfinance organization in Mexico will contribute vital evidence to the debates around the true economic and social outcomes of microfinance on the lives of its clients, and whether or not microfinance programs achieve their social goals. The study, by providing detailed information on the profile of people who choose to enroll into microfinance programs, will also provide useful information to microfinance institutions who aim to reach out to a larger segment of households.

### The intervention

Compartamos was founded in 1990 to offer credit as a means to make micro businesses grow in Mexico, and has now acquired the status of a bank<sup>1</sup>. The organization offers several credit products, but this evaluation will focus on their main product, "Crédito Mujer" (Women Credit), offered to women in groups of 12 or more, with a solidarity guarantee. In addition, women are eligible to take a credit extension if they have a current credit in Crédito Mujer.

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<sup>1</sup> Compartamos has recently entered the market by issuing bonds and is the first microfinance company in the world to issue debt on the stock market with its own collateral. It has occasionally been heavily criticized for this, as increasing commercialization of the microfinance sector makes some stakeholders worry about "mission drift". This impact evaluation is therefore of particular interest to organization

## Experimental Design

A pilot of the study was conducted over the summer of 2008, in four communities in the Federal District and State of Mexico, where Compartamos had not yet promoted its services. A baseline survey was conducted, after which Compartamos loan officers promoted credit services only among randomly-selected blocks within each community.

The full study is taking place in northern Mexico in 250 communities where Compartamos had no presence before, mainly in urban areas. After the baseline surveys, Compartamos will open three new offices in those areas. Baseline surveys, to be conducted in October through December of 2008, will measure general characteristics of the population and help identify variables that predict loan take-up, as well as potentially permit analysis of the loans' impact within various sub-groups. Following the baseline, 125 of the 250 communities will randomly be designated to receive direct promotion for the Crédito Mujer loan product. Blocks within treatment communities might be further randomly selected, in which the product will not be promoted. Those in control communities will not be allowed to take up credit. After a period of 2 years, a follow-up survey will measure the differences between treatment and control households and communities: the "impact" generated by access to the loan product.

Impact will be measured holistically, and will include measures of differences in income, health, self-esteem, decision-making power, and political participation, among other factors. The analysis will also look at heterogeneous treatment effects between various subgroups. For example, is there a difference in impact between those who own a business at the time of taking out a loan, and those who propose to use the credit to start a business? We will also examine spillover effects on those who did not take up micro-credit.