

doi:10.1016/j.worlddev.2010.10.008

Women and Repayment in Microfinance: A Global Analysis

BERT D'ESPALLIER

Hogeschool-Universiteit Brussel and Lessius University College, Stormstraat, Brussels, Belgium

ISABELLE GUÉRIN

Research Unit Development and Societes (Paris I Sorbonne University/Institute of Research for Development), Paris, France

and

ROY MERSLAND*

University of Agder, Kristiansand, Norway

Summary. — This paper uses a global data set of 350 microfinance institutions (MFIs) in 70 countries to study the common belief that women are generally better credit risks in microfinance than men. The results confirm that a higher percentage of female clients in MFIs is associated with lower portfolio risk, fewer write-offs, and fewer provisions, all else being equal. Interaction effects reveal that, while focus on women is generally associated with enhanced repayment, this trend is stronger for nongovernmental organizations, individual-based lenders, and regulated MFIs.

© 2010 Published by Elsevier Ltd.

Key words — microfinance, gender, women, repayment, portfolio at risk, write-offs

1. INTRODUCTION

Microfinance—financial services tailored to the poor—has been celebrated for its ability to reach out to women and enhance their welfare. Since its beginning as experimental schemes in Asia and Latin America in the 1970s, microfinance has been concerned, above all, with women. The objective of the Microcredit Summit Campaign, which plays a central role in the promotion of microfinance, is “to ensure that 175 million of the world’s poorest families, *especially women*, receive credit for self-employment and other financial and business services” (our emphasis).¹ Indeed, many microfinance institutions (MFIs) do target women. In this study’s data set, women represent 73% of microfinance customers, similar to figures reported in previous literature (e.g., Cull, Demigüç-Kunt, & Morduch, 2007). The strong appeal of microfinance also lies in its high repayment records. In our data set, only 6% of the total loan portfolio, on average, is overdue more than 30 days, and only 1% will be written off, on average. From a credit design perspective, this is interesting, since modern microfinance was intended as a response to the high default rates in subsidized rural credit, mostly provided to men, in the 1950–80s (Hulme & Mosley, 1996).

The targeting of women has been suggested to generate high repayment rates for MFIs. Microfinance advocacy networks and sponsors, as well as bilateral and multilateral development aid agencies, regularly assert that women are good credit risks. For example, the World Bank argues (2007), “Experience has shown that repayment is higher among female borrowers, mostly due to more conservative investments and lower moral hazard risk” (p. 124). Armendariz and Morduch (2005, p. 139), evaluating different techniques to reduce repayment defaults, consider the targeting of women as a technique in its own right, alongside group lending and dynamic repayment incentives.

But do we actually know that women are better credit risks than men? The fact is that the relation between an MFI’s repayment performance and its targeting of women has hardly been rigorously studied, and existing empirical evidence is mixed. Besides anecdotal evidence and the analysis of one or two MFIs in a given country (see, e.g., Khandker, Khalily, & Kahn, 1995, in Bangladesh and Kevane & Wydick, 2001, in Guatemala), no paper provides a detailed empirical analysis of the gender–repayment relation within a global and longitudinal context. Sponsors seem to raise the repayment argument without ever furnishing empirical evidence. We thus respond to Cornwall, Harrison, and Whitehead (2007), who argue that gender development discourses are too often based on myths and simplistic slogans.

This paper sets out to be the first rigorous global study of the relation between MFI gender focus and repayment performance, using a data set spanning 350 MFIs in 70 countries over 11 years. Repayment is studied through a variety of measures, such as *portfolios at risk*, *write-offs*, and *provision expenses*. We take into account the specific methodological problems associated with this type of estimation, such as (a) isolating the gender effect from other MFI or institutional influences on repayment and (b) the time-invariant nature of many covariates.

*The authors thank participants at the First European Research Conference on Microfinance (Brussels, Belgium, June 2–4, 2009); participants at the 2nd International Workshop on Microfinance Management and Governance (Kristiansand, Norway, August 31st, 2009); participants at internal seminar of the Institute for Economics, Econometrics and Finance (Groningen, The Netherlands, November 18th, 2009); and Isabelle Agier, Cyril Fouillet, Rienst Galema, Niels Hermes, Marek Hudon, Marc Labie, Solène Morvant-Roux, and Ariane Szafarz for useful comments and suggestions. Final revision accepted: October 18, 2010.

The findings indicate that a *higher* percentage of female clients is significantly associated with *lower* portfolio risk and *fewer* portfolio write-offs, after controlling for a number of MFI-specific factors, as well as institutional factors. Additionally, MFIs with a higher proportion of female clients carry *fewer* provisions, additional evidence that focusing on women significantly reduces MFIs' perceived credit risk. Findings further indicate that not all MFIs benefit to a similar degree from targeting women. Interaction effects reveal that specifically nongovernmental organizations (NGOs), individual-based lenders, and regulated MFIs benefit more from focusing on women. The finding that identifiable MFI characteristics interact with the targeting of women is particularly interesting, since this can inform both microfinance practitioners and those interested in gender policies.

The rest of this paper proceeds as follows. Section 2 reviews the literature on gender and repayment and presents the hypotheses to be tested. Section 3 describes the data and the statistical methods employed. Section 4 reports our findings and discusses a number of robustness checks carried out. Section 5 presents the study's conclusions and possible implications.

2. GENDER AND REPAYMENT

There is no lack of studies arguing that women outperform men in terms of repayment in microfinance. For instance, Armendariz and Morduch (2005) report that, in its initial phase, the Grameen Bank included men among its customers. However, the bank decided to switch to a nearly entirely female clientele due to repayment problems with men. Hossain (1988) reports that in Bangladesh, 81% of women had no repayment problems, compared with 74% of men. Similarly, Khandker *et al.* (1995) find that 15.3% of Grameen's male borrowers had repayment problems, compared with only 1.3% of the women. In addition, in Bangladesh, Sharma and Zeller (1997) report that credit groups with higher percentages of women had significantly better repayment rates. From Malawi, Hulme (1991) reports that 92% of women paid on time, compared with 83% of men, and Gibbons and Kasim (1991) find that in Malaysia 95% of women repaid their loans, compared with 72% of the men. Finally, in a study from Guatemala, Kevane and Wydick (2001) report that female credit groups had better loan repayment records than male groups.

On the other hand, a number of more recent studies find that, when controlling for other factors, there is no significant relation between gender and repayment. Enhanced female repayment rates are driven by a focus on nonfinancial services in the case of Bangladesh (Godquin, 2004), the adaptation of loan methodologies to local contexts in the United States (Bhatt & Tang, 2002), and group methodology, local economic opportunities, and types of clients' livelihoods in Ethiopia (Brehanu & Fufa, 2008). Finally, BRI, in Indonesia, has never had any specific focus on women but has achieved nearly perfect repayment rates over several years (Armendariz & Morduch, 2005). Perhaps the argument of women being better credit risks is not as clear-cut after all? The fact that former studies are based on anecdotal evidence or are very limited in geographical and institutional scope warrants the need for this global study.

Why would women be better in honoring their loan contracts than men? One argument is that women invest in types of businesses that allow easier repayment. For instance, based upon her experience in Grameen villages in Bangladesh, Todd (1996) argues that women are more conservative or cautious in their investment strategies and therefore have better repayment records. Recently, Agier and Szafarz (2010) find similar

results in Brazil. Johnson (2004) highlights that women's business activities often imply a quick turnover, which is more adaptable to the regular repayments demanded by most MFIs. By contrast, seasonal and risky activities such as agriculture, which are more often a male preserve, are a poor fit to microfinance modalities (Morvant-Roux, 2010). In many countries, there is also a long collective history of debt forgiveness in agriculture, which often translates into a male culture of "non-repayment" (Servet, 2006). Another argument is that women have fewer credit opportunities than men and must repay their loans to ensure continued access to credit (Armendariz & Morduch, 2005). A premise of these arguments is that the women are actually the ones controlling the loans; however, several studies indicate that loans taken out by women are in some cases used and controlled by the men within their households (Goetz & Gupta, 1996; Kabeer, 2001; Mayoux, 2001; Rahman, 1999). Thus, if men are the ones using the loans, the former arguments do not hold.

However, regardless of who controls the money, it still makes sense for the MFI to know whether contracting with women lead to better repayment performance than contracting with men. Along this line, several papers argue that contracts with women are easier to monitor and enforce. For example, Rahman (2001) and Goetz and Gupta (1996) indicate that women are more easily influenced by peer pressure in credit groups and more sensitive to the interventions of loan officers. Ameen (2004) states that women have a lower opportunity cost of time than men and are therefore more inclined to have contact with the MFI and credit groups, with a positive impact on repayment. Moreover, female customers tend to stay closer to home rather than going out to work, and can therefore be more easily monitored by the MFI (Armendariz & Morduch, 2005; Goetz & Gupta, 1996).

Not all arguments favor women as a good credit risk, however. The simple fact that women, on average, are poorer than their male peers should indicate that repayments are more troublesome. Phillips and Bhatia-Panthaki (2007) contend that women entrepreneurs tend to be overrepresented in traditional sectors with lower profits, fewer growth opportunities, and harsher competition, which should make them less able to honor their credit contracts.

Given the previous discussions, the relation between gender and repayment-rates remains unclear. However, in line with common beliefs in the industry, we propose the following main hypothesis:

H1. MFIs with a greater female focus exhibit better repayment performance.

Female focus is measured by the proportion of female customers and with a dummy indicating whether the MFI has a female gender bias in its lending policies. Better repayment performance is measured by the proportion of portfolios overdue by at least 30 days (*portfolio at risk*) and the percentage of the loan portfolio that is written off because of nonrepayment (*write-off ratio*). For robustness, we also analyze the relation between gender and loan loss provisions² and call this the perceived credit risk hypothesis:

H2. MFIs with a greater female focus exhibit lower perceived credit risk.

In addition to our main hypotheses, it is interesting to know whether the relation between gender and repayment performance is greater for certain categories of MFIs. We

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات