

Micro-Finance Impact Assessment and Methodology: Evidence from a Christian Development Programme in Honduras

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ABSTRACT

A field survey of micro-enterprises was designed and analyzed to assess the impact and social costs and benefits of micro-credit programmes. The survey was administered to a group of the smallest and youngest Honduran micro-enterprises provided loans by a Christian microfinance organisation, the Institute for Honduran Development (IDH). The survey was also administered to a control group of micro-enterprises which did not receive loans but with similar characteristics to those that did. The use of the control group circumvents several difficult impediments encountered in rigorous impact assessment research and in social cost benefit analysis. The approach employed in this research thereby constitutes a methodological advance in this field. The research does not distinguish between lending and non-lending support services provided by IDH. Statistical techniques are used to analyze the data and the combined provision of lending and non-lending assistance is found to significantly increase income. Social cost benefit analysis demonstrates that the benefits far exceeded the costs of administering the programme. The results suggest that micro-credit assistance to the smallest and youngest micro-enterprises can be an effective way of increasing incomes and reducing poverty.