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Guest Editorial

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I have been known to mock some ’academic’ research about microfinance by suggesting that one might as well study the correlation between the size of loan officers’ shoes and the veracity of their expense claims. This nonsense arises from my scepticism about much of the research on microfinance and indeed any topic which emerges from universities around the world, and on which the professional advancement of their faculty appears to depend. Hence I was very pleased when Jason Donovan and his colleagues asked me to write an editorial for this issue. Three of the four papers which have been chosen for the issue are about correlations between two or more measurable features of a sample of microfinance institutions; I shall have to abandon my thoughtless mockery and examine whether such papers really do make a useful contribution to the improvement of microfinance.

I use the word ‘useful’ advisedly; research does not have to be useful. An enquiry into some aspect of Romanesque art or the life of an 18th-century philosopher can be interesting, a valid and valuable ‘addition to knowledge’; but microfinance is not an art form; it is a rather prosaic branch of finance whose aim is to make financial services available to people who have previously not been served by banks or other formal financial institutions.

Hence I would argue that any research or writing about microfinance should be *useful*, and not merely interesting or ingenious. It should in some way help to improve the lot of the hundreds of millions of poor people in the world, and should not merely decorate the resume or advance the career of the writer.

I shall therefore take the liberty of looking at the papers in this volume of *Enterprise Development and Microfinance* from that point of view. I played no part in their selection, since I was not asked to review any of them; the editors do not ask me to review many submissions, perhaps because I am old and slow, or I am biased, or merely ignorant (all of which I am), so I hope I shall be forgiven if I am rather critical.

I must also preface my comments by admitting that I am profoundly ignorant about the statistical techniques which are used in some of these papers. I vaguely recall something called logarithms at school, and it was only after college, when I started my first year at a business school (in the USA, there were no such institutions in the United Kingdom at that time) that I first came across what might be called higher mathematics; I was also for the first time introduced to the slide rule, but I never really grasped how it worked. Hence some of my criticisms of papers which correlate variables from MFIs may arise from my ignorance.

Two of the four papers in this issue are about microfinance institutions (MFIs) in AfrIca, one is about Latin American MFIs, and one draws on global data. They identify and discuss correlations between variables such as loan officers’ marital status, age, and experience, MFIs’ source of finance, clients’ gender, and their outreach to the poor, their profitability and the quality of their portfolios.

Three of the four papers draw their findings entirely from secondary sources, such as the well known 'MIX Market' data, or from other literature; one, about credit officers in Tanzanian MFIs, was based on primary data obtained from interviews with the staff of 20 MFIs. In every case, however, including the Tanzanian paper, the writers seem almost deliberately to avoid giving any impression of the field realities of the institutions, or still less of their clients.

They reminded me of the, to me, extraordinary reply I once received from a researcher from Texas who had carried out a study of some aspects of MFI clients in northern Mexico, only a short distance from her home. I asked her if she had visited any of the MFIs' clients to get a closer sense of their reality; she answered that she had not, and deliberately so, because any individual contacts and conversations might distort the findings from her surveys.

None of the papers in this issue of *EDM* gives any sense of the reality of clients' experiences, or indeed of the credit officers' or other MFI staff. Like the Texan lady, the authors seem to be under the impression that any account or even any mention of 'field' experiences or individual cases would in some way spoil the clear statistical cleanliness of the aggregated results. I have quite often come across this apparent reluctance to mention individual cases, and it may be that my own preference for some fragments of reality arises from my business school experience so many years ago, which was almost entirely through the case method. I still believe, however, that even 'academic' papers should be readable, and that they should convey some sense of the field reality of whatever phenomenon they are attempting to describe.

Now to the papers' usefulness:

Mori, Richard, and Swai surveyed 200 credit officers in 20 Tanzanian MFIs, to find out whether their gender, their marital status, their tribe, their age, their level of education, or their years of experience affected the quality of MFIs' loan portfolios. Not surprisingly, experience, age, and education did make a difference, while the other three variables did not. This is rather obvious, but it could be useful information for MFI management when hiring credit officers; nothing was said about salary levels and costs, but the paper might be of some limited practical use.

Chikalipah worked as so many MFI researchers do with MIX Market data, to find out whether the levels of debt as opposed to equity in 465 MFIs in 37 countries in Africa affected their profitability. MFIs with higher levels of debt were found to be less profitable, mainly because of the relatively high interest rates on corporate debt in Africa. The paper concludes that African MFIs should be able to obtain subsidized low cost debt; one hopes that such a policy, if it is implemented, would not have the same effects that such subsidies have had in India and elsewhere; its usefulness is questionable…

Leite and Civitarese again used MIX Market data to study the impact of client gender on the profitability or portfolio quality of a total of 143 Latin American MFIs, and found that there was no link. They conclude that the MFIs were emphasizing loans to women for social rather than financial reasons. This finding suggests that the common belief that women are a more profitable as well as a more 'social' target customer group for microfinance may be incorrect, at least in Latin America, and the paper ends, as so many do, with a suggestion for further research.

Finally, Zainuddin and Yasin present what might be called a 'meta-research' paper, drawing on some 50 other publications, to examine the effect of outreach to poorer clients on MFI 'sustainability'. Their conclusion is that there is no conclusion, and their recommendation is that there should be more research. This may be useful for other researchers who are looking for research questions. It is a common convention that research papers should end with suggestions for further research, which is perhaps decently modest, in that it suggests that the researcher does not claim to have found the complete answer to whatever question was being examined, but it also ensures that the research 'industry' will not lack future topics to examine.

I must admit that I am totally ignorant of the Blundell Bond system of the generalized method of moments estimation technique, or of Bravais Pearson correlation coefficients, or of the other statistical tools which are used in these papers, and with which I am sure the majority of *EDM*'s readers are very familiar. Hence my rather critical comments may be incorrect or inappropriate; I beg our readers' forgiveness.

The authors' resumes and hence their careers and the status of their institutions will I am sure benefit from the fact that their work has been published in this journal. I can only hope that those of our readers who are 'practitioners' rather than researchers will also find at least some of the content is useful, in that it helps them in some way to improve the services which are offered by MFIs to poorer households, and thus to make them less poor.

Malcolm Harper