

Asking the right questions



About CMF

The Centre for Micro Finance (CMF) at IFMR Research is a non-profit, non-partisan research centre. CMF receives operational funding from IFMR Foundation and the Legatum Institute, and project funding from a variety of institutional sources.

CMF currently employs more than 40 full-time staff located throughout India.

Our Mission

The Centre for Micro Finance aims to improve the accessibility and the quality of financial services for the poor through rigorous research, knowledge dissemination and evidence-based policy outreach.





Background

Over the past few years, the Indian microfinance sector has witnessed unprecedented growth. Yet many sections of the population still do not have access to financial services – 41% of the adult population does not have a bank account. Further, critical gaps remain in our understanding of how microfinance can be best used to fight poverty. Questions that remain unanswered include:

- Which financial products have the most impact on the lives of those who take them up?
- Can the impact of microfinance be enhanced by adding non-financial programmes such as business training and health education?
- How can we ensure that the poorest are not left out?

The Centre for Micro Finance (CMF) was established in 2005 to help fill these gaps through rigorous research, knowledge dissemination and policy advocacy.

Our Partners

To achieve its mission, CMF partners with various Indian microfinance institutions (MFIs), banks, investors, training institutions, multilateral organisations, and academic institutions in India and abroad, including MIT, Yale, Harvard, NYU, Stanford, Duke, IIM-Kolkata, and Indian School of Business (ISB).





RESEARCH AT CMF

CMF undertakes qualitative and quantitative research in four broad areas:

(1) Credit and Savings

(2) Insurance and Innovative Financial Products

(3) Microfinance “Plus” (non-financial services that can be delivered along with microfinance)

(4) Sector-Wide and Policy Issues (e.g. regulations or the impact of competition)

Analytical Rigour at CMF

Randomized Control Trials

Many of CMF's in-depth research projects are based on randomized control trial. It is an emerging, state-of-the-art research methodology in the development field, and by using this method, CMF is leading the research community in the Indian microfinance sector.

Microfinance programmes, like any other social programmes, are extremely difficult to evaluate. This is because the people who participate in them are often very different from those who choose not to in ways researchers cannot measure. Thus, simple comparison of participants and non-participants invites biases that obscure the true impact of the programme.

The most promising, yet challenging, way to evaluate such programmes is through randomized control trials in which the pool of *potential* beneficiaries are randomly divided into the treatment and control groups. Since treatment (e.g. loans in the case of microfinance programme) is assigned randomly, any difference between the groups in income levels or other indicators at the end of the study can be attributed to the programme in question.



Strategy: From Research to Practice

CMF's work typically follows the following process:

(1) Identifying knowledge gaps

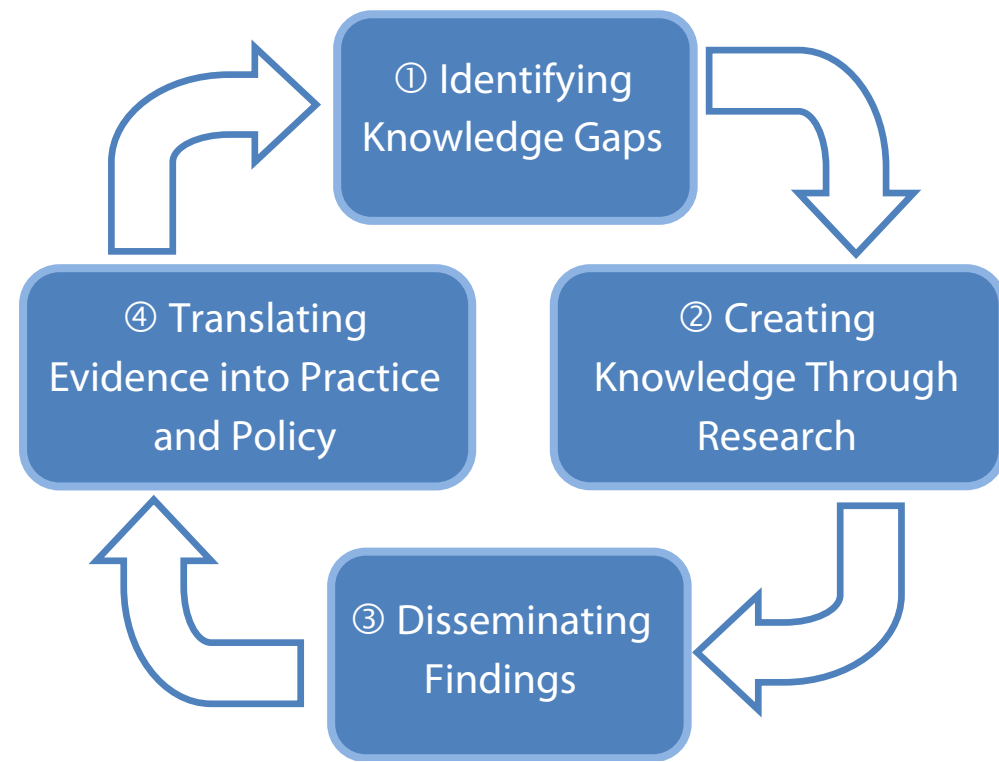
CMF identifies knowledge gaps in the sector through interactions with policy makers and practitioners in CMF-organised conferences and workshops. Insights of CMF researchers also feed into the process of identifying such gaps and formulating potential research ideas.

(2) Creating knowledge through research

Once knowledge gaps are identified, CMF collects necessary information through research. Depending on the types of information we seek, CMF conducts experimental research involving large sample households, qualitative studies, case studies, desk research, and/or stakeholder interviews.

(3) Disseminating findings

Research findings are analysed by a dedicated data management team and disseminated by a knowledge management (KM) team. CMF disseminates its knowledge through CMF publications,



newsletters, seminars and workshops, and research conferences.

(4) Translating evidence into practice and policy

Results from almost all CMF studies are publicly accessible. By actively disseminating and advocating CMF study results, we inform practitioners and policy makers to improve the operation of microfinance programmes. Close interactions with these players in return helps us formulate better research questions for future, completing CMF's virtuous research cycle.

Impact of a micro-credit expansion in Hyderabad

- » Principal Researcher: Profs. Abhijit Banerjee and Esther Duflo (MIT)
- » Partner Organisation: Spandana, Hyderabad, Andhra Pradesh

Little is known about the impact of micro-credit on poverty and household welfare. Many microfinance institutions conduct before and after evaluations, but such snapshots ignore external influences and self-selection biases that could distort results. The Centre for Micro Finance, in conjunction with Professors Esther Duflo and Abhijit Banerjee (MIT) and the Jameel Poverty Action Lab (J-PAL) conducted a randomized evaluation of the impact of Spandana's micro-credit program in Hyderabad, Andhra Pradesh. The evaluation aimed to tease out micro-credit's impact on income, consumption, financial services usage, asset ownership, business scale and profitability, and intra-household decision-making.

Beginning in 2006, the research team worked with Spandana's management to use their planned expansion into Hyderabad slums to create the comparisons necessary for the impact study. Spandana chose one hundred and four slums in Hyderabad for the project and half of those were randomly selected for Spandana's expansion. Results of the the Spandana study revealed both intuitive and surprising impacts of micro-credit; see website for more detailed summary. The research team plans to extend the study to look at micro-credit's longer-term impacts.



Insurance and Innovative Financial Products

Weather insurance: evaluating impact on risk reduction in rural India

- » Principal Researcher: Profs. Shawn Cole (Harvard), Petia Topalova (IMF), Jeremy Tobacman (Wharton)
- » Partner Organisation: SEWA, Gujarat

Despite the gradual introduction of irrigation technology, agriculture in developing countries is highly dependent on natural sources of water, meaning that farmers must rely on erratic seasonal rains. Such dependency affects the income of both farmers and agricultural

labors, and when droughts threaten, farmers are often forced to borrow from relatives, friends and neighbors. Informal risk-sharing arrangements are of limited value, however, because everyone engaged in agriculture in a given area is subject to the same productivity and revenue shocks from poor rainfall. To ease this dependency on erratic rainfall and reduce the risk of economic shocks, policymakers are seeking ways to mitigate this important source of risk.

Weather Insurance is a fairly new financial product that attempts to provide insurance against unpredictable and uncontrollable weather risk. In March 2006, the Centre for Micro Finance, Harvard University and the Self-Employed Women's Association (SEWA) began offering this product in the hope of understanding its impact on risk reduction. The research team is also studying whether complementary marketing interventions increase take-up and impact of the product.



Microfinance “Plus”

*Insecticide treated nets: Impact on health and productivity,
and determining willingness to pay*

- » Principal Researcher: Profs. Brian Blackburn and Aprajit Mahajan (Stanford), and Alessandro Tarozzi (Duke)
- » Partner Organisation: Bharat Integrated Social Welfare Agency (BISWA), Orissa

Malaria continues to be a major cause of morbidity and mortality in India and other developing countries. While the use of insecticide treated nets (ITNs) is thought to be an effective way to reduce the burden of the disease, the adoption rate of ITNs in many malaria-endemic areas remains low. In this Microfinance “Plus” project, CMF, in collaboration with BISWA, uses a randomized evaluation method to explore several different financial approaches to encourage ITN adoption and to assess the impact of ITNs on health as well as other socio-economic indicators. Through studies such as this, CMF aims to identify interventions which are complementary to microfinance and can have a strong impact on household income and well-being. The goal is to determine how these interventions can be brought to scale through effective marketing of these ideas and using microfinance as a distribution channel for beneficiaries to purchase these products.





Sector-Wide and Policy Issues

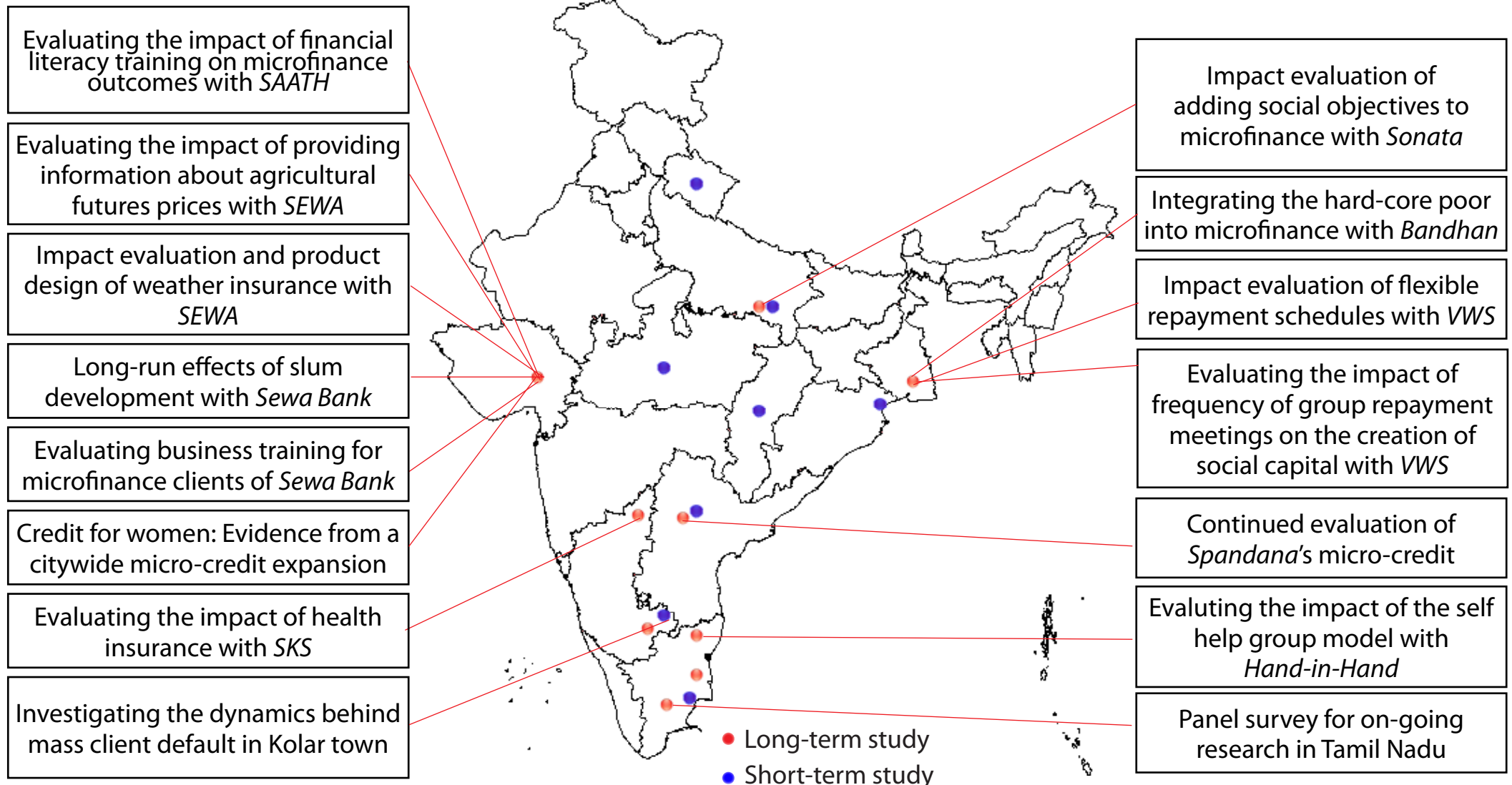
While it is important to carry out long-term studies to investigate fundamental issues in microfinance, the microfinance sector also requires continuous, timely research in the face of the rapidly changing environment that it faces today. To facilitate informative dialogues among sector stakeholders, CMF, with a dedicated in-house research team, conducts short-term, high-quality research on emerging issues in microfinance.

For example, in response to the Reserve Bank of India's "100% financial inclusion" drive, CMF conducted a study to understand the inclusion process and beneficiary perceptions of how a household becomes financially included.

CMF's study on multiple borrowings and its effect on repayment performance in the context of India's increasing competitive microfinance sector is another example of a topical study which addresses current policy and practitioner concerns.

Other Ongoing Research at CMF

CMF is a significant member of the microfinance research community. As of February 2010, we have more than 20 ongoing studies in all corners of the country.



Research Results at CMF

Through its rigorous research, CMF generates knowledge that informs the Indian microfinance sector and helps improve the financial environment for the poor. Results from CMF's studies have been written about in some of the world's most reputable journals and newspapers as well as utilized by regulators, practitioners and policy makers.

Beyond the results of a single project, CMF aspires to be, "the knowledge bank for microfinance." CMF is already a knowledge partner for some of India's highest-profile stakeholders including ACCESS Development Services, Sa-Dhan and the College of Agricultural Banking. Through effective knowledge management and dissemination, CMF continues to build its reputation for excellence as well as deepen the impact of its research results.



Knowledge Dissemination: CMF Publications

CMF produces a variety of publications, each of which has a specific target audience and tailored style

CMF Working Paper Series

Detailed results from CMF rigorous research, ranging from large-scale field research to secondary research, are presented in the working paper series. To date, CMF has published over 35 working papers.

Focus Notes

Notes inform the public on important issues in microfinance. Ideas or hypotheses set forth here typically provide the basis for the more in-depth CMF Working Papers or act as a summary of a CMF working paper.

Policy Memos

As a part of CMF's policy advocacy initiatives, Policy Memos discuss research findings with particular implication for policy or practical implementation of microfinance programmes.

Eye on Microfinance

Eye on Microfinance is CMF's newsletter, which is published every 4 months. It contains articles with preliminary findings from research projects, interviews with sector experts, conference summaries and other information related to microfinance.



Knowledge Dissemination: Conferences

Conferences are an important knowledge dissemination channel through which CMF advocates evidence-based policy dialogues. Furthermore, CMF attempts to identify relevant research questions through interactions with policy makers and practitioners during such events. Such CMF initiatives have started yielding visible results.

An illustrative example is CMF's annual conference on microfinance with the College of Agricultural Banking (CAB) - Reserve Bank of India. Leading microfinance practitioners in the country, bankers and policy makers, and researchers participated in the conference. Researchers present results from CMF studies and practitioners share their experiences from the ground. Senior bankers and faculty members of CAB provide feedback and insights from a regulatory perspective. In 2010 the CMF-CAB conference, titled "Microfinance: Translating Research into Practice," attracted luminaries such as Professor Jonathan Morduch, Abhijit Banerjee and Rohini Pande. All conference information is posted on the CMF website.



Knowledge Dissemination: Courses and Workshops



CMF reinvests its rich knowledge repository into the public in the form of courses and workshops. While some focus on research designs and methodologies, targeting researchers or practitioners who want to enhance in-house research capacity within their organisations, others have more practical orientation with the intention to provide insights into a particular topic or general trends in microfinance. In the long-run, we anticipate that these courses and workshops will promote high-quality research and foster informed discussions among various stakeholders in the sector. In 2010-2011, CMF anticipates offering the following courses and workshops:

- Rapid Immersion into Microfinance
- Activity Based Costing in Microfinance
- Designing Large-Scale Household Surveys
- Conducting a Participatory Rural Appraisal
- Data Entry and Analysis
- Economics of Microfinance
- Total Immersion Programme in Finance and Development

A photograph of an elderly woman walking on a dirt path. She is wearing a green and red headscarf, glasses, a red shawl, and a long grey dress. She has her hands on her hips. The background shows a tree and some wooden logs.

Internships at CMF

CMF welcomes short- and long-term interns throughout the year. Interns may work on on-going projects, conduct short-term projects, or carry out their own research. Previous interns include graduate and undergraduate students from MIT, Yale, Harvard, University of Chicago, University of California-San Diego, Princeton, LSE, NYU, Indian Institute of Rural Management, Indian Institute of Forestry Management, Delhi School of Economics, Madras School of Economics, and Xavier Institute of Management-Bhubaneswar.

Total Immersion Programme in Finance and Development (TIP/FD)

The summer internship programme, TIP/FD, organized jointly by CMF and other Centres at IFMR, provides students with a thorough introduction to Indian finance and development issues prior to departing for the field. In this programme, 20 graduate students from India and abroad participate in a two-week training session directed by leading researchers, practitioners from the government, MFIs, and NGOs. The training is followed by an eight-week internship based at a project site in India. The programme ends with a conference bringing together students, researchers, and practitioners for project presentations. Students are encouraged to use the internship as a basis for graduate research. Please visit [CMF website](#) for more information.

Photo credit

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