

More Than Good Intentions: Improving the Ways the World's Poor Borrow, Save, Farm, Learn, and Stay Healthy by Dean Karlan and Jacob Appel



Review by: Steve Wanta

What makes microfinance effective? Unlike the industry professionals, Professor Karlan, the author of *More than Good Intentions* starts with a different question, “Is microfinance effective?” Karlan explains many of the inherent flaws in previous research studies conducted by the MFI themselves. The rigor and method of many of the classic microfinance studies is questioned. His work and this book identify this bias and attempt to best control the complex world of poverty to isolate the role of microfinance. Over many years, across many countries, with a wide array of organizations, Karlan and his team implemented a number of Random Control Trials (RCTs) to examine a wide array of effects; on incomes, consumption, consumer decisions, etc.

The use of rigorous research has been utilized by businesses to determine consumer behavior towards products and been an important part of keeping up or head of trends. As microfinance markets become more competitive, being able to evolve with your customers will be even more important. MFIs that can become more sophisticated that will offer new, more, and better services will be the leaders. This book points to interesting examples that one might not expect.

As is often noted, microfinance means many different things to many different people from loan size, loan products, and the stated mission of different MFIs. Although many different studies where performed, the ability to apply findings from one study to microfinance in another country or even a different MFI would be difficult. The methodologies researched varied widely from poverty-focused group loans in India to individual consumer loans in South Africa.

The most interesting research looked at the issue of client retention and the impact on changing the lending methodology. [Green Bank](#), an MFI in the Philippines had issues of client desertion and worried that changing the group-based model would adversely impact their repayment rates and other key indicators. Karlan’s team help pilot the implementation of the ASA model whereby all clients are individually liable with absolutely no group guarantee available. The research found across the board that this change would be positive for the MFI and thus a full rollout was implemented.

This is a great example of the need for microfinance organizations to continue to innovate and not remain stagnant in the services they provide the poor.