POLICIES AND IMPACT: AN ANALYSIS OF VILLAGE-LEVEL MICROFINANCE INSTITUTIONS

Joseph P. Kaboski
Ohio State University

Robert M. Townsend
University of Chicago

Abstract
This paper uses variation in policies and institutional characteristics to evaluate the impacts of village-level microfinance institutions in rural Thailand. To identify impacts, we use policies related to the successful/unsuccessful provision of services as exogenous variation in effective financial intermediation. We find that institutions, particularly those with good policies, can promote asset growth, consumption smoothing and occupational mobility, and can decrease moneylender reliance. Specifically, cash-lending institutions—production credit groups and especially women's groups—are successful in providing intermediation and its benefits to members, while buffalo banks and rice banks are not. The policies identified as important to intermediation and benefits: the provision of savings services, especially pledged savings accounts; emergency services; and training and advice. Surprisingly, much publicized policies such as joint liability, default consequences, or repayment frequency had no measured impacts. (JEL: 012, 016)