



A SOCIAL, BEHAVIORAL, & EDUCATIONAL RESEARCH (SBER) CASE STUDY OF BEHAVIORAL ECONOMICS RESEARCH

A MICROFINANCE STUDY

By Ken Carson, JD

with the SBER Subcommittee of Harvard Catalyst's Regulatory Foundations, Ethics, and Law Program

OVERVIEW

The social, behavioral, and educational research (SBER) case studies provide education and guidance on how to identify and mitigate risks associated with SBER. These studies may be used by both IRB administrators and investigators when reviewing and designing research studies that involved SBER components.

Case studies follow a standard format that includes: 1) a fact pattern, 2) regulatory, cultural, and ethical issues, and 3) a risk/benefit analysis and risk management options. This format was created to allow for flexibility in applying the case studies.

By identifying common themes, linking them directly to federal regulations and guidance, and outlining risk mitigation options, the case studies can be used in a variety of ways, which include: 1) as an education tool for training individuals in human subjects research, 2) as a basis for developing reviewer checklists/worksheets, and 3) as a tool in designing research projects.

We encourage you to reproduce and use these materials freely. In doing so, we require that you acknowledge Harvard Catalyst as the publisher and that you give appropriate [credit](#) to the individual authors. For additional information, visit <http://catalyst.harvard.edu/about/citingsupport.html>.

CASE STUDY

SCENARIO/FACT PATTERN:

Microfinance includes the provision of credit to those who do not have access to traditional banking services (i.e., residents of rural villages or, more recently, urban residents living in poverty). Microfinance provides economic researchers the opportunity to design “real life” randomized interventions to test economic behavior hypotheses with large numbers of participants. In this case, a team of economics researchers seeks to test the tenet that the framing of default choices affects decision-making.

The researchers plan to structure microfinance lending operations with different default repayment schemes. A microfinance lender, working with the researchers, will move into a previously underserved area in India. The lender will offer one plan in 200 villages, an alternative plan in 200 other villages, and no plan at all in a control group of an additional 200 villages. The first plan will have an automatic savings deposit feature as a default, the other will not; this other plan will only include regular communications encouraging saving. The lending program will exclusively recruit women.

The researchers will evaluate:

- Loan uptake
- Delinquency rates
- Saving behavior

The researchers will also look at more indirect measures of the impact of microfinance, such as assessments of changes in family assets and school enrollment of children. Since the lending program recruits women exclusively, impacts on intra-family relations will also be studied.

Researchers will obtain loan data directly from the microfinance lender, and additional information from borrowers and their families through detailed, in-person surveys (lasting over one hour). When conducting the surveys, the researchers do not plan to disclose their connection to the microfinance lender or the new loan offerings. The microfinance lender's agreements with borrowers will disclose that account information "may be provided to third parties who are evaluating lending programs."

No compensation will be offered for participation in the research.

The experiment is carried out against a background of reports that microfinance borrowers' repayment rates are in the high 90 percent range. However, there have been disturbing news reports of some microfinance lenders engaging in what appear to be predatory lending, taking harsh measures to collect from borrowers who are in arrears.

A MICROFINANCE STUDY

DISCUSSION

Questions/Comments for the researcher:

- What role have the researchers played in developing the two plans the lender will offer?
- Do the researchers have any consulting arrangements with the lender?
- Does the lender expect to have access to the survey responses of individual borrowers? If so, could loan officers use the information in a way that could prejudice the respondents?
- Will survey participants ever be told that the research was conducted with the cooperation of the microfinance lender, and that their survey responses were combined with account information provided by the lender?
- Would the microfinance lender have the capacity to roll out the program in all 600 villages at once? If so, what is the justification for withholding credit access in the control group of 200 villages? If not, was the selection of villages that would get the service equitable?

REGULATORY, CULTURAL, & ETHICAL ISSUES:

- Understanding the local conditions is a major challenge for a US-based IRB.
- There may be a question as to whether the local research partner knows the ethnic and cultural make-up of target village groupings.
- A common consent issue in this type of research involves ensuring that borrowers understand participation in the research is not a predicate of their receiving a loan.
- What are the repercussions of conducting household surveys that are quite long, and ask highly sensitive questions (“Do you keep cash at home? Gold? How much? Where is it kept?”)?
- Microfinance loans such as these are typically made to women in households, and a common line of research is to vary the way husbands are informed about a program. Such research questions highlight an underlying dynamic of microfinance, namely, the effect of economic empowerment of women on relationships between wife and husband. Is there a heightened risk of domestic abuse as a result of participation in this study?
- Suppose the loans are *not* repaid: is bad credit, post-intervention worse than no credit in the control arm, in a village setting where there are no formal credit tracking systems?

Questions for the IRB:

- Does the withholding of the information about the relationship between the researchers and the lender qualify as deception? If so, can it be justified?
- What part of this activity is research, and what would take place even if the researchers were not involved?
- How is the risk arising from the research properly characterized? If the risk of defaulting on a loan exists independent of the research, since the lender is going ahead regardless of the research project, is there a heightened risk of default in one treatment arm or the other?

RESOLUTION & DISCUSSIONS:

Risk/Benefit Analysis:

Researchers will frequently argue that the risk of *their research* is minimal because the lenders are moving into this area regardless, and all the research is doing is evaluating which approach helps

borrowers make the best decisions. Even so, steps should be taken to address and mitigate risks associated with participation in this type of research.

Mitigation/Management of Risks:

- The data collection and storage challenges can be met by hiring reputable surveyors from outside the area.
- Research institutions associated with universities may be good resources; groups who do this type of research on a regular basis have established meticulous protocol procedures for coding paper surveys, and securing them on a daily basis.
- The IRB should press the researchers to demonstrate that all survey sections are intended to support the research questions (surveys may get adopted from earlier studies, and superfluous sections retained).
- Agencies and NGOs that provide support for victims of domestic abuse must be located, in appropriate cases, and information about them provided. Interim monitoring may also be required.
- In order to carry out their study programs, lenders may agree that they will not take measures to obtain repayment of delinquent loans from participants (though participants can't be told that).
- Pilot trials may be feasible, depending on the timetable of the lender and the researchers.
- An anthropologist, who has a deep, qualitative understanding of the culture and community structure, should review the proposal to provide an opinion on, and suggest changes to, the project.
- Researchers should engage somebody from the area who is knowledgeable about the population and familiar with what is acceptable, to assist the researchers with recruitment (and increase likelihood of participation) and consent processes.

Alternate Details:

- Identity of the microfinance lender and relationship to the research
 - Lender: a division of a for profit, publicly traded major in-country bank, or
 - Lender: a non-profit that received initial seed funding from a foundation known for international development work in lesser developed countries
 - Lender: either of the above, but the research is being sponsored by:
 - World Bank
 - USAID
- In addition to the two interventions mentioned above (alternative repayment programs), the researcher wants to know whether access to financing increases corruption: are borrowers who use the loan proceeds to produce goods in their home more likely to be met with payoff demands by local officials, in order to be able to market their goods? Some concerns, not all by any means:
 - If this issue is probed in interviews, will it heighten risk for borrower subjects?
 - What consent disclosure would be required; if word about studying bribery traveled at the outset, the results of the study, or even the ability to carry out the study, might be compromised.

Other Events:

- On continuing review, the researcher reports that, surprisingly, some borrowers are using the loans for unanticipated purposes (possibly any of the following)
 - Financing the sending of household members from village to a distant large city, to work in factories with dangerous working conditions
 - Spending on local communal social activities, e.g. purchasing fireworks or supporting religious holiday ceremonies, that promote status but don't directly generate income
 - While the microfinance loan program has incentives and rules to bolster school enrollment and attendance of borrowers' children, borrowers are turning to their extended families and neighbors to recruit very young children to do piece work for extremely low wages, while their own children attend school
 - Loan proceeds are used to finance smuggling and sales of contraband goods

REFERENCE(S)

Researchers affiliated with the Jameel Poverty Action Lab at MIT have carried out important studies using large scale randomized studies to answer economics-based questions in developing countries. <http://www.povertyactionlab.org/methodology/what-randomization>.