

# Comments to the proposal “Accessing finance for productive employment opportunities in rural Benin”

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# Summary of the proposal

- Research Question: is own finance driven self-employment for rural women more profitable than micro credit financed self-employment?
- Data: 2011 multi-topic survey “Plan Fonciers Ruraux Impact Evaluation 2011 – baseline survey”
- Methodology: generalized structural equation model (GSEM), endogenous treatment regression model

# Scientific Contribution

- I have some doubts about the proposed research question:
  - Djossou et al. (2019) estimate the effect of different type of credit (banks, microfinance, informal, family) on firm's performance in Benin.
  - Your proposal differ from what they did in two points: i. you only compare microcredit and self-financing; ii. You specifically focus on rural areas.
  - I am not sure to understand the choice to restrain the analysis to the comparison between micro-credit financed and self-financed entrepreneurs because the latter category is very heterogeneous. It includes both the individuals who would have liked have a credit but could not and the ones who did not even asked because they did not need.
  - Why should we be interested in the comparison between those two groups? Isn't more interesting to compare the ones who asked (or would have asked if it was possible) for credit and did not obtained with the ones who obtained it?

# Scientific Contribution, cont.

- I suggest you to move in that direction. May be your rich dataset contains information on past credit request or on intentions to ask for a credit. Or you could look for other data who allow you to go in this direction.
- Another option would be to move in the direction of what you propose in your third research question, when you wonder if access to microcredit benefit more certain types of activities rather than others, if it benefits more the youths or the elders, the more or the less educated...

# Data and methodology

- The proposal would benefit from a better description of the data. This would allow the reader to better understand the context.
  - Which is the percentage of individuals who benefit from microcredit in the different zones? Which is the percentage of women who have access?
  - Descriptive statistics on performance indicators. By the way, how do you measure profitability?
- Instrumental variables: even if you claim they have been used in other papers, I have some doubts on them:
  - Land ownership could be correlated to firm performance, because they can be both explained by wealth. Also, individuals whose firms perform better could buy more land.
  - Microfinance availability at the community level correlates with local conditions that favor (or not) enterprises development and thus profitability.
  - Interest rate could be higher in risky markets where enterprises could be less profitable.

# Policy relevance

- You should better explain why the proposed research question is relevant for policy makers.
- Which policy implications? Imagine you can conclude that microfinance is not good for firm profitability (with respect to self-financing), which is your policy implication/recommendation?

# Comments added after presentation

- From the presentation, I understand that ideally you would like to determine if government should better support savings or microcredit. But unfortunately the actual version of the proposal do not allow to reply to this question.
- Could you reframe the proposal to reply to this question? (if data are available)
- During the presentation you talked about irregularities in the management of the fund. I do not see how your proposal can help fix/give recommendations with respect to those irregularities.



**Thanks!**

