

# Development and Testing Of An Impact Of Microfinance Scale

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*This study examines the impact of microfinance on poverty. The objectives of the study are twofold; the first section focuses on developing an impact of microfinance scale and second objective is to study the impact of microfinance on poverty using concepts: like household income/expenditure, asset holdings and diversity, education and various measures of vulnerability at household level. Prior literature informs the initial items that comprise the scale at household level. After developing the prototype scale, the authors then approached experts of microfinance institutions to get feedback on individual items. Omitting some items incorporated the expert advice, along with modifying other items to fit with the local culture and translating it into national language. Using multi-stage cluster sampling, the research team conducted structured interviews of 400 clients of four microfinance institutions. Analysis of 384 valid responses turns out to be mixed one like (i) strong positive impact on children education (ii) mixed evidence on food security, household expenditures and household assets. Present study can be very useful to impact assessment practitioners and policy makers by making a significant contribution in unraveling some of the myths of microfinance hence advancing literature and research on this important issue.*

Keywords: Microfinance, Poverty Alleviation, Household Welfare, Impact Assessment.

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