



Does microfinance cause or reduce suicides? The need for support groups for males

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Abstract

In a background of borrower stress and suicides by microfinance borrowers in India, a review of literature indicates that poor countries should have lower suicides but that increase in suicides accompanies a country's development. Empirical evidence on India as well as international comparison is presented. We find that suicides, especially male suicides, seem to accompany microfinance growth and penetration. This could therefore point towards specific forms of egoistic as well as anomic tendencies increasing suicide rates, possibly along with changing gender roles in the family structure. The major recommendation stresses the requirement of (new) support groups for male population.

Keywords: microfinance, impact, suicide, stress, India

Introduction:

For some time now, a spate of suicides by microfinance borrowers has been making the news (Microfinance Focus, 2010; Hulme, 2000). Already in 2006, there were warnings that the pressures of hitting outreach numbers at any cost, pressures attributed to the governments of Andhra Pradesh and Tamil Nadu, was creating immense stress on NGOs who feared their subsidies would be cut if they don't expand sufficiently (Guerin et al., 2006). Indeed, Andhra Pradesh (along with Karnataka) is the state with the most saturated microfinance market in India. Does this quick expansion come with a cost?

Microcredit is the lending of small amounts of money to the poor and financially excluded to enable them to increase income and smooth consumption. The sector has experienced fast growth rates and has been considered as an important tool of economic development, in conjunction with other initiatives such as education, health, sanitation, infrastructure and public governance. Based on over 3552 reporting MFIS, the microcredit summit campaign indicates that the sector has an outreach of 155 million people in 2007 (Daley-Harris, 2009). Table 1 provides details of median MFIs from a sample of over one thousand MFIs reporting to Microfinance Information Exchange (MIX)¹². The median MFI has about a hundred employees who lend to about 10,000 people. The average loan size is USD 523. The MFI lends at about 28% per annum and makes a positive return on both equity and assets. The portfolio at risk (30 days) is about 4.76%. A Nobel Peace Prize has been awarded to an MFI institution and its founder in 2006 to indicate the importance of this initiative. Millions of people are working in this sector, often as volunteers or working at lower than market wages and returns, because they believe that microfinance can create a difference at the grassroots level by making people responsible (as opposed to handouts). And, now, one wonders whether the initiative has not gone awry?

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¹² <http://www.mixmarket.org/mfi/benchmarks> consulted on 29th December 2010