

Editorial: Research trends in microfinance from the Third European Research Conference on Microfinance

WHAT CAN THE WORLD OF academic research teach microfinance and enterprise development practitioners? The opportunity to sample this research was presented by the Norwegian Centre for Microfinance Research at the University of Agder, who hosted the Third European Research Conference on Microfinance in June this year. Through 13 plenary speakers and 170 research papers presented in 46 parallel sessions the conference offered a wide range of microfinance topics. With around 250 participants the conference was probably the largest ever academic microfinance conference.

In the call for papers the many dilemmas facing the industry were highlighted as well as the importance of studying the industry from many angles and through different academic 'lenses'. As a result the papers effectively illustrated the diversity of research currently being undertaken within the microfinance arena.

As the host of the conference I've been asked whether I see a trend in microfinance research. Indeed I do. Most notably is the boost in microfinance research in general. Nine years ago I did my first search in the 'EBSCO Host Research Databases' searching for keywords 'microfinance' or 'microcredit'; I found less than a hundred peer-reviewed articles (Mersland, 2009). I remember I also did the same search at the Social Science Research Network (www.ssrn.com) and found less than 150 articles. When I do the same searches today I get more than 2000 and 1000 articles in EBSCO and SSRN, respectively. The high number of participants at the conference in June should therefore come as no surprise. Producing high-quality research requires meeting places where researchers can build their networks and stimulate and challenge each other. This was also highlighted at the conference by Christoph Pausch, the head of the European Microfinance Platform, the conference's main sponsor. He also stressed that the way forward for the industry is through research and the sharing and dissemination of knowledge with microfinance practitioners. After all, an important role of research is to highlight good practice, warn of bad practice and give direction to the whole microfinance industry.

Another notable trend is a broader scope in microfinance research. Nine years ago I found that five out of six articles were in development journals and fewer than one in 10 articles were found in typical business school journals. Today there is a much larger research focus on 'the business of microfinance'. At the conference around 60–70 of the 170 papers could be classified as 'microfinance business research' and only slightly more, around 70–80 papers, belonged in the 'development/impact' group. In particular, researchers are now interested in what drives the

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social and financial performance of MFIs. My colleague Øystein Strøm and I are therefore currently editing a book composed of performance papers presented at the conference. Furthermore, in this issue of *EDM* we present a paper by Khafagy on what is reasonably priced microcredit. This paper is a typical example of a traditional and still unsolved research dilemma: 'How can MFIs assure positive impact for their customers while at the same time being financially sustainable?'

I want to mention four other interesting trends I observed at the conference. First, academics are increasingly interested in 'microinsurance' and 11 papers at the conference focused on this, including the one by Matul et al. in this issue of *EDM*. Considering the huge demand for microinsurance but the still low uptake of voluntary insurance policies, it is time for researchers to take up microinsurance research.

Second, around 15 papers at the conference dealt with entrepreneurship. This high number is in contrast to the very few entrepreneurship articles I identified in an unpublished study I did in 2005. Originally the idea of microfinance was to improve the outcome of entrepreneurial activities through the infusion of capital. Now, when the impact of microfinance proves to be difficult to disentangle, it may be a smart move to look once more into entrepreneurship theories to better understand microfinance customers.

Third, few papers at the conference dealt with new technologies such as mobile phones, crowdfunding, branchless banking, and so on. This is surprising given that new technologies will shape the future of the microfinance industry and hopefully more research efforts will be directed at this important area. In this issue of *EDM* we include a paper by Prior Sanz and de Lima on the uptake of mobile financial services in the Middle East and North Africa.

Fourth, mirroring trends in social science research, microfinance research is becoming methodologically 'heavier'. In my unpublished study from 2005, mentioned above, I found that nearly half of microfinance papers were descriptive, without a clear theoretical foundation and/or empirical research method. Now, thanks to MIXMARKET and other data sources, researchers use advanced time series methodologies and, increasingly, experimental methods such as random control trials (RCTs) are being applied. An interesting paper we present in this issue of *EDM* combines the trends of entrepreneurship focus and new research methodologies: Martinez et al. explain how GPS technology was used to gather data when studying the effects of clustering of small businesses.

In my own paper in this edition I try to look forward. Viewed less favourably by the public than previously, MFIs nevertheless have many business opportunities before them, I believe. Only future research will tell whether I am right. A good place to question or support my view will be at the next European Conference on Microfinance Research, to be held in Switzerland in 2015 with Bernd Balkenhol at the University of Geneva as the conference host.

Roy Mersland, Guest Editor

Reference

Mersland, R. (2009) *Corporate Governance and Ownership in Microfinance Organizations*, doctoral dissertation, Kristiansand, Norway: University of Agder.