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## Carlos Danel on Evaluation and Stories

We've all read the story of the poor woman who was unable to pay her bills and keep her children in school, until a microfinance institution came to her village and loaned her the funds to start her own business and become financially self-sufficient. Such stories communicate the promise of microcredit but they are, in the end, just stories. Reality is always more complicated.

"I think we tend to oversell the benefits of financial inclusion as a poverty alleviation tool," says Carlos Danel, co-founder and Executive Vice President of Compartamos Banco, a microfinance institution serving 1.6 million clients in Mexico. "We all tell stories, and it is fine to tell stories--they are indicative of what we do. But this whole idea that microfinance institutions change lives is overblown. We don't change lives. Our clients change their own lives as they see fit. We just bring some tools, and that is significant."

Compartamos has collaborated with IPA President and FAI Director Dean Karlan on a number of impact studies, the most recent of which measured the effects of price on demand for microcredit.

Danel says, "Microfinance has not been very heavy on serious research. As an industry, we sometimes act on assumptions, and not on evidence. We often don't know enough about our clients, which sometimes leads us to design products that are not as good as they could be. So in Compartamos we have invested in what impact studies can tell us, and we have made concrete changes based on what we have learned. Our current pricing model is based on what we found out about price, demand and risk from our collaboration with IPA."

*To hear more from Carlos Danel, and to get the full results of the Compartamos-IPA price impact study, come to the [Microfinance Impact and Innovation Conference](#).*

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