IMPACT ASSESSMENT OF MICROFINANCE: TOWARDS A SUSTAINABLE LEARNING PROCESS

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CONTENTS

List of Case Studies of Micro Finance Institutions currently on EDIAIS site, or forthcoming

Summary

Section 1 Introduction

Section 2: Existing Impact Assessments: Methodologies, Innovations and Continuing Challenges

Section 3: Framework for Future Impact Assessment: Towards a sustainable learning process

Section 4: Role for externally-funded IAs: Summary Guidelines

Appendices:

Appendix 1: DFID-funded micro-finance projects

Appendix 2: Poverty, empowerment and environment: overview of findings of existing impact assessments

Appendix 3: Micro-finance programmes: dimensions of variation and areas of innovation

Appendix 4: Bibliography and further resources.

1 This paper makes substantial use of material on models of microfinance, impact assessment methodologies, participatory development and women's empowerment collated by the author in the course of her work as research fellow at The Open University, Milton Keynes, UK between October 1998 and October 2001. The material on women's empowerment and microfinance also builds on an earlier DFID-funded project managed by ActionAid, UK 1996-1998 and subsequently further developed through funding from ILO and UNIFEM.
CASE STUDIES:

A series of case studies are currently being prepared to support this text and will be added to the site as they are completed. These include:
- Small Enterprise Foundation, South Africa
- Vietnam: SCF, Oxfam and Action Aid
- Port Sudan Small Scale Enterprise Programme (ACORD)
- SEWA, India
- Zambuko Trust, Zimbabwe
- SHDF, Zimbabwe
- K-Rep, Kenya

Other Case Studies of Micro Finance Institutions that have recently been added to the EDIAIS site include:

- KASHF, Pakistan
- Financial Services Association, Uganda
- DFCU (formerly Development Finance Company), Uganda
- Centenary Rural Development Bank, Uganda
- UGAFODE (Opportunity International), Uganda
- SEDA (Small Enterprise Development Agency), Tanzania
- SELFINA, Tanzania

Case Studies of Micro-finance institutions that are already on the EDIAIS site:

CRISP, Zimbabwe
AGENT, Zimbabwe
SUMMARY

Impact assessment in microfinance has received more attention than in any other area of enterprise development. It is now generally accepted that impact assessment is a critical element in further improving micro-finance services and promoting innovation.

Existing impact assessments have made an important contribution to understanding some of the complex interactions between microfinance interventions, livelihoods and different dimensions of poverty reduction and empowerment. There remains nevertheless a considerable gap between the potential contribution of impact assessment and the practical usefulness of existing findings.

It is the view of the author, as elaborated in this paper, that the challenge for impact assessment is now to build on existing impact assessments and move on from merely measuring impact of individual programmes on incomes to developing ongoing and sustainable learning processes within and between programmes, between programmes and donors and also between microfinance users. There is currently rapid innovation in impact assessment methodologies in microfinance which point the way to possibilities of a new and more integrated sustainable learning process between different stakeholders which can itself make an important contribution to poverty reduction and empowerment.

The aim of this paper is not to duplicate other Best Practice guidelines. Guidelines for Best Practice in impact assessment have already been produced for CGAP and DFID. These are easily available from other sources to which the reader is referred (See Appendix 4). Sebstad et al 1995, Sebstad and Chen 1996, Hulme 1998 and SEEP 2000 all produced for the AIMS initiative2 are particularly recommended supplementary reading.

The main focus here is on:

- recent **methodological innovations** in impact assessment
- how these can be used for detailed research on current areas of **policy innovation**
- the challenges which the move from impact assessment to sustainable learning presents for **institutional practices** and **relationships between stakeholders**

Section 2: Existing Impact Assessment: Methodologies, innovations and continuing challenges summarises the methodologies in existing impact

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2 Assessing the Impacts of Microenterprise Interventions (AIMS) is an ongoing initiative by CGAP under the management of USAID and implemented by Management Systems International to develop poverty impact assessment methodologies for micro-finance and conduct assessments over time of selected programmes. All the papers can be accessed via the Microfinance Gateway [http://www.cgap.org](http://www.cgap.org) (See Appendix 4).
assessments, proposals for innovation and challenges which need to be addressed in future impact assessments.

**Section 3: Framework for Future Impact Assessment: Towards a sustainable learning process** summarises the main conclusions and indicates ways in which some of the current innovations in impact assessment methodologies might be integrated to lead to a more cost-effective and sustainable learning process.

**Section 4: Role for externally-funded IAs: Summary Guidelines** outlines the possible roles for donor-funded impact assessment in initiating and contributing to this process and points to areas on which further development or refinement of impact assessment methodologies is needed.

The main text is supplemented by Appendices giving more details of DFID-funded micro-finance projects, findings of existing impact assessments and current policy debates. The bibliography contains an annotated bibliography of selected impact assessments, references and links to Case Studies, appended papers, other websites and further sources of information.
SECTION 1 INTRODUCTION: KEY CHALLENGES FOR MICRO-FINANCE

‘...impact assessment studies keep donors happy... we don't use them very much’ (director of a large Asian microfinance institution that has received substantial amounts of aid-financed IA consultancy and internal IA-capacity building quoted in Hulme 2000)

‘So we find out that such and such a percent of people have such and such a percent increase in income. So what. It doesn't tell us what do about it.' (participant at Micro credit summit meeting New Delhi 2001)

1.1 DFID’s approach to micro-finance

Microfinance has been defined as:

the means by which poor people convert small sums of money into large lump sums (Rutherford 1999)

Microfinance services may be seen in terms of four main mechanisms:

- **loans**: which allow a lump sum to be enjoyed now in exchange for a series of savings to be made in the future in the form of repayment instalments.

- **savings**: which allow a lump sum to be enjoyed in future in exchange for a series of savings made now.

- **insurance**: which allows a lump sum to be received at some unspecified future time if needed in exchange for a series of savings made both now and in the future. Insurance also involves income pooling in order to spread risk between individuals on the assumption that not all those who contribute will necessarily receive the equivalent of their contribution.

- **pensions**: which allow a lump sum to be enjoyed as a specified and generally distant date in future in exchange for a series of savings made now.

DFID’s work with microfinance has been a major focus of enterprise development as part of a wider involvement with the financial sector of a country or region. DFID provides a range of different types of support to Micro-finance (See Appendix 1). Particular emphasis has been given to:

- technical and financial **support for micro-finance institutions** in order to assist them to become financially self-sustaining

- development of **innovative credit services** to extend their scale, outreach, and commercial viability

- development of **savings and insurance** provision alongside credit to provide economic security and maximize the mobilisation of local financial resources.
In order to counteract possible market distortions caused by donor subsidy EDD has also been developing new funding mechanisms including convertible loans, guarantee funds, asset leasing, venture capital and other equity instruments, alongside other investment vehicles such as the Challenge Funds.  

In addition to work at programme level there has also been increasing emphasis on:

- regulatory frameworks for micro-finance providers, ensuring that these promote innovation and diversity as well as ensuring accountability and probity

- linking micro-finance into sector-wide approaches (SWAPs) to increase the contribution of micro-finance to wider economic growth and poverty reduction.

The underlying assumptions in DFID support for micro-finance have been that:

- Micro finance services are a key contribution to poverty reduction

- Increasing women's access to microfinance services is desirable, not only because of experience of higher female repayment rates, but also gender equality and empowerment

- That the ultimate aim is therefore to develop financially self-sustaining and specialist microfinance institutions (MFIs) which will in the longer term be able to access private sources of capital. This will enable them to achieve the scale of expansion necessary to reach significant numbers of poor women and men.

1.2 Key challenges

The apparent simplicity of the above definition of microfinance however conceals important questions to be asked about:

- Whose small sums are being converted and where do they come from?
- Who receives the large sums and how are they used?
- How is the conversion done, by whom and what are the implications for relationships between them?
- What are the costs of conversion and who benefits from them?

3 DFID Enterprise Development Strategy June 2000
4 Many of the programmes supported by DFID are female-targeted or are required to reach significant numbers of women (see Appendix 1). Although the aim of empowerment is not always explicit, the word empowerment features frequently in DFID’s promotional literature on microfinance. Moreover microfinance has been the main focus of gender policies (which do have the explicit aim of empowerment) in the Enterprise Development Department.
Experience and the findings of existing impact assessments (see Appendix 2) indicate that:

- contributions to poverty reduction and women's empowerment cannot be assumed.\(^5\)

- progress towards financial sustainability has been more problematic than anticipated in many programmes

- some policies introduced to increase financial sustainability may have negative consequences for both poverty reach and gender objectives.

Key challenges include particularly:

- developing services which not only give access to services but also *increase client incomes and decrease vulnerability*

- ensuring that female targeting contributes to *women's empowerment*

- deepening *poverty reach* to the poorest and most disadvantaged groups

- resolving *potential tensions between these development aims and certain policies for achieving financial sustainability*

There is also an increasing recognition of the potential limitations of microfinance alone in promoting poverty reduction, enterprise development and other development aims. This is leading to a reassessment of different ways of:

- *integrating microfinance with other types of development intervention to cost effectively build on complementarities*

These challenges, together with the now extensive literature on ways in which different poor people use financial services in the context of complex livelihood strategies indicates that there is no one single ideal blueprint model for microfinance, but a need to develop:

- *a diversity of programmes which, in combination, will address the multiple needs of different target groups in different financial, economic, social and political contexts.*

Microfinance programmes are currently undergoing a period of rapid innovation in an attempt to meet these various challenges (See Appendix 3). These include development of:

\(^5\) In ‘Implications of Target Strategy Papers for Enterprise Development Department’ it is stated that ‘EDD's support to successful, large-scale microfinance programmes has achieved significant advances in women's economic self-determination and their status in the family. However, we have not yet developed specific gender skills and knowledge of our own in the process, nor a proper understanding of how we can further the gains in socio-economic empowerment.’
• **new products**: new loan packages, savings facilities, insurance and most recently pensions\(^6\).

• **methodologies for reaching new types of client**: particularly the poorest and most disadvantaged

• **new types of institution** which are capable of being flexible and innovative, including client participation, gender mainstreaming and new ways of combining cost-effective microfinance delivery with other services

• **new types of partnership** between MFIs and other development actors. This includes linking with the informal and formal financial sectors, other complementary service providers and linking micro-finance groups with local political processes and advocacy organisations.

The emerging challenges and innovations also point to **changing roles for donors** like DFID in ensuring that microfinance continues to make its significant potential contribution to poverty reduction and other development goals.

1.3 The role of impact assessment and the aims of this paper

Impact assessment in microfinance has received more attention than in any other area of enterprise development. It is now generally accepted that impact assessment is a critical element in further **improving micro-finance services and promoting innovation**.

From a donor perspective impact assessment is necessary to make informed funding decisions in the context of increasing competition between different programmes many of whom are making ambitious claims of impact. Many organisations are attempting to justify continuing subsidy to cover delays in achieving financial sustainability on the grounds of their contribution to other development goals such as rural development, poverty reduction and women's empowerment. Impact assessment is also crucial to ensuring that donor guidelines for Best Practice support rather than undermine programme achievements in relation to poverty reduction, empowerment and other development aims.

Existing impact assessments have made an important contribution to understanding some of the complex interactions between microfinance interventions, livelihoods and different dimensions of poverty reduction and empowerment. There remains nevertheless a considerable gap between the potential contribution of impact assessment and the practical usefulness of existing findings. Most impact assessments to date have been funded or motivated (implicitly or explicitly) by the desire of donors or programmes to 'prove' the impact of microfinance *per se* or the impact of their own particular programmes. The findings are frequently ignored by program managers as

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\(^6\) For an overview of savings debates see eg Michael Fiebig, Alfred Hannig, Sylvia Wisniwski, 1999; Sylvia Wisniwski, 1999; Graham Wright 1999a,b, 2000. For micro-insurance and pensions see Appendix 3.
irrelevant to their needs (See quotes above) and it is also unclear whether they have made any changes in donor funding.

It is the view of the author, as elaborated in this paper, that the challenge for impact assessment is now to build on existing impact assessments and move on from merely measuring impact of individual programmes on incomes to developing ongoing and sustainable learning processes within and between programmes, between programmes and donors and also between microfinance users. There is currently rapid innovation in impact assessment methodologies in microfinance including:

- **practitioner-led impact assessment** to enable ongoing programme learning and more reliable data on which to base external assessments
- **grassroots learning processes** which have a key potential contribution to cost-effective assessment as well as grassroots empowerment and impact itself

These point the way to possibilities of a new and more integrated sustainable learning process between different stakeholders which can itself make an important contribution to poverty reduction and empowerment.

The aim of this paper is not therefore to duplicate other Best Practice guidelines. Guidelines for Best Practice in impact assessment have already been produced for CGAP and DFID. These are easily available from other sources to which the reader is referred (See Appendix 4). Sebstad et al 1995, Sebstad and Chen 1996, Hulme 1998 and SEEP 2000 all produced for the AIMS initiative are particularly recommended supplementary reading.

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SECTION 2 EXISTING IMPACT ASSESSMENTS: METHODOLOGIES, LIMITATIONS AND CURRENT INNOVATIONS

2.1 EARLY IMPACT ASSESSMENTS: SCOPE, METHODOLOGIES AND LIMITATIONS

Impact assessment started to be a concern in microfinance from the late 1980s. Assessments were of different types commissioned by different agencies with different aims and have included:

- **donor-funded impact assessments**, particularly initiatives by CGAP and the USAID-managed AIMS project using mainly quantitative statistical analysis to assess impact on poverty at the enterprise and household levels (see annotated bibliography of AIMS).

- **academic research** on both poverty impact and quantitative and qualitative analysis of empowerment.

- **NGO internal evaluations** including use of quantitative, qualitative and participatory methods to assess impact on poverty, children, women’s empowerment and environment.

There is also an extensive literature on the informal and formal sector.

The main focus of interest has been the impact of credit, and to a lesser extent savings, on:

- **poverty reduction**
- **women’s empowerment**

There has also been some consideration of:

- **environmental impact**

As discussed in detail in Appendix 2, these impact assessments have demonstrated the considerable potential contribution of microfinance to a range of development goals. At the same time they have shown the need to question many of the assumptions underlying the rhetoric surrounding the promotion of microfinance.

It is clear that demand for microfinance cannot be used as a proxy indicator for impact on poverty reduction or empowerment. It is also clear that impact assessment cannot confine itself to impact on cash incomes and because:

- **economic relationships have inherent social and political dimensions.** Research on informal sector micro-finance indicates that people value not only the financial service, but also the social networks they help to cement. This building of ‘social capital’ is also often crucial
to enterprise functioning and other dimensions of livelihoods as well as empowerment and other development goals.

- **micro finance inevitably support or undermine existing power relations within households and communities.** Microfinance interventions, if they are at all effective, inevitably alter the relationship between men and women, between poor people and those who may previously have enjoyed power over them and between different groups of poor people themselves.

### 2.2 PRACTITIONER-LED IMPACT ASSESSMENT: CURRENT INNOVATIONS

Towards the end of the 1990s a combination on the one hand of the recognition of importance of impact assessment, and worries about cost of assessment on the other, led to a re-evaluation of the nature and role of impact assessment. This has led to a new focus on the importance of practitioner-led assessment.

On the one hand this focus on practitioner-led assessment has received support from CGAP-sponsored AIMS initiative. This has held annual virtual conferences since 1997 bringing together experts within the different member donor agencies. At the time of writing these have culminated in a draft manual produced by SEEP (Seep Network. 2000). This proposes a series of tools which can be integrated into program management on an ongoing basis and which can be done by programme staff with realistic levels of resources (See Box 6).

The SEEP manual is an important departure from earlier donor-led impact assessments in a number of respects:

- the focus is on the need of practitioners for information in order to **improve programmes** rather than simply to prove impact. There is an emphasis on practical relevance and market research, through some of the questions in the impact survey, the client exit survey and client satisfaction focus groups.

- the **conceptual framework** moves away from simplistic measurement of impact on enterprise incomes to a more sophisticated consideration of the complex interactions between impacts at the level of enterprises, households, individuals and communities (See Figure 1). In the empowerment survey it also includes power dimensions. In doing so this framework is more capable of capturing gender dimensions and wider impacts on markets.

- The focus is on **learning rather than policing**. Programme staff can easily use the tools on an ongoing basis as part of program implementation.

- The focus on **flexibility based on specific hypotheses to be investigated** rather than blueprints which would be valid for all impact assessments in all circumstances. Detailed explanations and guidelines for training provide the basis for adaptation to particular questions, institutional capacities and socio-economic contexts.
These developments at donor level have been paralleled by, and have built on, innovations at program level. These include monitoring systems developed by:

- Small Enterprise Foundation (SEF) in South Africa. Participatory methods like wealth mapping for poverty-targeting and monitoring poverty reach and to identify client perceptions of poverty are also used.

- partners of Opportunity International. This includes a DFID-funded monitoring and evaluation system in CETZAM in Zambia which makes substantial use of the SEEP tools.

These systems are administered by programme staff and integrated into Management Information Systems and programme planning. This approach is currently being promoted and developed as part of the Microcredit Summit Campaign.

Other programmes have been developing learning systems which involve clients themselves in collecting and collating information with a more explicit empowerment objective. These include particularly:

- the Internal Learning System developed by Helzi Noponen and currently being implemented by SEWA in India. This involves women themselves keeping diaries of their lives, largely in diagram form to enable their use by illiterate women. Diaries are then collated and analysed at group level and fed into program-level decision-making. The explicit aim is for the impact assessment process to be empowering in itself, enabling women to document and analyse their lives and develop collective strategies for change.

- linking the REFLECT literacy methodology with credit programmes and development participatory assessment methodologies by Action Aid.

These different methodologies are all still in their infancy. Nevertheless they have made significant contribution to improvement in the practical relevance of impact assessment and linking impact assessment to program implementation. They have a number of potential benefits for programmes, clients and also donors. They enable immediate feeding of information into program improvements which not only improves impact but also improves loan repayment and deposit rates and hence program sustainability (See Box 8).

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Details and references for these innovations in grassroots learning are given in Mayoux 2001 forthcoming.
AIMS CONCEPTUAL FRAMEWORK: LEVELS AND DOMAINS OF IMPACT

**Community Level**
Domains of Development (4)
- Employment and Income
- Forward and Backward Linkages

**Household Level**
Domains of Household Security (3)
- Income
- Assets
- Expenditures

**Enterprise Level**
Domains of Development (5)
- Resource Base
- Production Process
- Management
- Markets
- Financial Performance

**Individual Level**
Domains of Well-being (3)
- Control of Resources
- Leverage in Decision-making
- Community Participation

- Social Networks
- Civic Participation
BOX 6 SEEP TOOLS

TOOL 1: IMPACT SURVEY
The principle quantitative tool comprising thirty-seven questions that test all the SEEP hypotheses regarding impacts:

At the household level:
- Increased income
- Increased assets
- Increased welfare (in such aspects as food security, housing, and health)

At the individual level:
- Increased control of resources on the part of women clients
- No negative impacts on children’s labor
- Increases in paid labor—and in the productivity of labor for women, without negative consequences
- Increased self-esteem on the part of women clients

At the enterprise level:
- Increased net worth
- Increased net cash flow
- Increased differentiation between the microenterprise and household

At the community level:
- Increases in paid employment by client families/households

The Impact Survey is administered to three groups selected at random: a group of short-term clients (about one year’s time in the program), a group of longer-term clients (two years or more in the program), and a group of new clients who have joined the program but have not yet received any services. The survey is administered in the same way to all respondents; their answers are expressed largely in terms of numbers corresponding to pre-coded responses. It takes about 1 hour.

TOOL 2: CLIENT EXIT SURVEY
A short quantitative survey administered to clients who recently have left the program in order to find out and track:
- When the client left the program;
- Why the client left the program;
- What the client thinks about the program’s impact on her and her business;
- What the client thinks about the program’s strengths and weaknesses; and
- When (or if) the client will rejoin the program and/or recommend the program to friends and family.

It is intended as a management tool that can be applied regularly as part of the institutional monitoring system or that can be used as a component of a periodic evaluation. It takes about 20 minutes.

TOOL 3: LOAN USE STRATEGIES OVER TIME
A qualitative tool in the form of in-depth individual interview. It focuses on how the client has used his or her loans and business profits over time. Its multiple purposes include determining how loan use and allocation decisions change over time, as well as documenting changes in the individual borrower, enterprise,
family/household, and community that are associated with participation in the program. Each interview takes between 60 to 90 minutes.

TOOL 4: CLIENT EMPOWERMENT
A qualitative tool which focuses on women clients and uses an in-depth interview to determine if and how women have been empowered by their participation in the program. Clients are asked a series of questions about themselves, their enterprise, their family/household, and their community at different points in time (past and present). The tool includes a methodological option to use self-portraits as a way to initiate this discussion. Each interview takes between 60 to 120 minutes.

TOOL 5: CLIENT SATISFACTION
A qualitative tool using focus group discussion to explore clients’ opinions—what they like and dislike—of specific features of the program, as well as their recommendations for improvement. Each discussion takes about 120 minutes.

| BOX 7: DISTINGUISHING FEATURES OF THE INTERNAL LEARNING SYSTEM (ILS) |
|---|---|
| ILS Features | Description |
| Simple | The medium for ILS is pictorial diaries suited to illiteracy and poverty conditions. Using pictures or scenes that represent an impact indicator, poor women can keep a diary of change by making simple tick marks. |
| | Data are recorded in member diaries as: |
| | • numbers using tick marks | , || , |||, ||||, ||||| |
| | • yes / no responses using ✓ / X |
| | • scores on a rating scale |
| | • 5 scale satisfaction levels using ☹, ☻, ☻
| | Data are recorded in group, staff and program diaries as: |
| | • counts |
| | • averages or percentages |
| | • scores on a rating scale |
| | • number of units excelling (+) or lagging (−) a program-wide percentage or average |
| Participatory | Poor women learn together and the learning process is internal to the group. Data are collected and analysed in the same diary. At each program level—members, groups, staff, managers—participants reflect upon their findings, plan and document their experiences. The essence of the internal learning system is that learning is participatory. Each program level completes the same five tasks: |

16
### Five ILS Tasks

1. Collecting information on their lives.
2. Assessing change in this information.
3. Analysing causes of change or troubleshooting.
4. Planning or making decisions based on their learning.
5. Sharing their results with others.

### Decentralized, Streamlined Process

Data are collected, analysed, acted upon and stored in the pictorial diary at each participant level. Only aggregated data and results flow upward reducing the burden of data collection and analysis.

### On-Going — Tracks Change Over Time

Members mark changes in their diary as and when they occur. The data is summarized at the baseline period and at a choice of quarterly, semi annual or yearly intervals over a three-year period, resulting in from 4 to 10 time observations.

### Extensive Impact Indicators

Extensive impact indicators. Provides a menu of impact indicators in 5 assessment domains:

#### Individual Level:
- Work and material assets (e.g., shelter, land, livestock, improved work conditions)
- Consumption (e.g., health, nutrition, education, social spending)
- Empowerment (e.g., female mobility, gender relations, female ownership and participation in decision making)
- Finances (e.g., debts, savings, income, livelihood strategies)

#### Group Level:
- Group functioning (e.g., Knowledge, attitudes, and practices of self-help savings and credit groups)

Impact variables or indicators are the development issues that an organization is interested in tracking among its members. A picture or a scene in the ILS diary represents each impact indicator.

### Impact Results Linked to Planning and Training Responses

Links planning options and training exercises to real life changes of participants, resulting in revised member, group and area plans and a program "Best Practices" guide. These elements include:
- Member Satisfaction Barchart, Goals and Priorities Setting Exercises
- Group Functioning Phase Score; Train and Plan Modules
- Staff Inputs Against Performance; Force Field Analyses
- Program ILS Retreat exercises

### Flexible and Responsive to

The structure and content can be shaped to the needs, human resource capacities, and financial constraints of
Local Needs

There is a broad range of ILS adaptation from limited to comprehensive use of ILS. Users can opt between the following:

- **Program Coverage**: census versus a random sample of participants use ILS.
- **Levels**: each program level uses a diary versus skipping some levels.
- **Time Periods**: quarterly, semi-annual, or yearly assessment periods
- **Assessment Domains**: fewer domains selected or additional impact domains selected such as severe poverty conditions, collective workplace struggles, etc.
- **Impact Indicators**: more or less indicators (picture cells) are selected for each domain.
- **Elements**: electing to use or forgo any of the following: "Train and Plan" modules; "Group Functioning" rating scales, tracking of lagging and excelling performance with respect to program-wide result; analyses of "Inputs Delivered Against Impact Performance."

Source Noponen 2001 forthcoming

**BOX 8: PARTICIPATORY IMPACT ASSESSMENT: POTENTIAL ADVANTAGES**

**POTENTIAL ADVANTAGES**

**Client level**
1. Self-analysis can lead to improved understanding of situation and strategies to resolve problems or improve performance. This is both empowering and contributes towards the reduction of poverty of the client.
2. Improved sense of ownership is empowering for clients, and can lead to greater participation in organisational processes.
3. Better targeted products result as clients are able to voice their needs, and shape products to suit these needs.
4. The combination of client empowerment with better DFO products can contribute significantly to the goal of poverty-alleviation.

**Staff level**
1. Improved understanding of clients allows field staff to make better loan decisions. It also leads to a greater sense of ownership of the programme by staff, and an identification with its achievements. This can increase staff moral and is empowering.
2. Increasing responsibility of clients for their own decisions and management of groups or centres reduces work load for staff, and can assist in achievement of productivity targets.

3. As part of a broader process of decentralisation this can lead to a greater role for field staff in impact assessment and other organisational processes.

**Organisational level**

1. Transactions costs are lowered as more is done by clients, particularly supporting “problem” clients

2. Improved client success increases the chance of the client taking a larger repeat loan.

3. Increasing client success reduces client delinquency

4. PIA can serve the organisation’s informational need in terms of reporting to donors

5. Increasing sense of client ownership leads to clients putting time and effort into “making things work”. Improved credit discipline and centre management can reduce the DFO costs.

6. PIA is a cheap and effective form of market research

7. Better targeted and appropriate products, combined with increasing sense of ownership will also increase client loyalty and assist the DFO in competing effectively.

8. Empowerment and participation are promoted by PIA

9. Increasing participation and empowerment of clients and staff fits well with the goal of organisational decentralisation and the establishment of profit centres. It can also assist the organisation in identifying its strengths and weaknesses and improving.

Source: Simanowitz 1999

### 2.3 CONTINUING CHALLENGES

Nevertheless, despite their contribution to our understanding of microfinance, there has been continuing controversy surrounding contradictions between the findings of even well-designed and in-depth large-scale academic impact assessments. Some of these contradictions are due to a cumulative process of understanding of qualitative dimensions of impact which has led to improvements in assessment design. Some of the discrepancies are however due to challenges and complexities inherent in impact assessment itself. Even current innovations continue to face a number of challenges.

Firstly there is the vexed question of **what is to be assessed and selection of indicators**. There is a continual tension between the need for simplicity in indicators and the need to understand complex processes. This is further complicated by the requirement to attract particular processes over time. These are common to all impact assessment and. Impact assessment of microfinance faces particular challenges because of:

- **the fungibility of cash** within households, whether from loans, savings, insurance or pensions. This means for example that, except where loans
have been used to purchase a particular item of fixed or working capital, it may be difficult to trace loan use. Moreover the findings of existing studies have highlighted the diversity of uses of microfinance services and the fact that increased incomes from production represents only part of the aims of users of microfinance services. This has led to a shift in emphasis from looking only at use of loans for investment in production looking at use of a diverse range of microfinance services to increase well-being (including ability to make consumption purchases and meet social obligations) and decreasing vulnerability through ability to meet emergency expenses and develop social safety nets.

- As discussed in detail elsewhere, even the apparently simple question of impact on incomes does not lead to a clear and uncontested set of measurable indicators.

- Indicators for women’s control over loan use, assets and income in the context of intra-household bargaining have also been the subject of ongoing debate (See Kabeer 1998).

What is clear from existing impact studies is that the selection of indicators is inevitably partial and cannot capture all dimensions of ‘reality’ even for a very narrow range of development goals like increased incomes. Many assessments have excessively long questionnaires and still fail to capture important material dimensions of livelihoods, let alone crucial questions of power relations. For example the SEEP impact survey is still a very long and detailed questionnaire which at the same time fails to capture important dimensions of change in non-market activity and access to and control over resources. The empowerment tool is highly subjective and takes a very individualistic view of empowerment.

At the same time, as discussed in the following section, there are important policy questions to be asked about how the contribution of microfinance to a range of development goals can be increased. This inevitably further increases the range of potential indicators. However what is needed is not a narrowing of focus to income impacts, which are in any case extremely complex to quantify, but to make the process of selecting indicators less arbitrary and more accountable, focusing on practical policy questions rather than ‘blanket program impact’. There is also a need to integrate more fully information based on a narrow range of quantitative indicators and information gathered by qualitative and participatory techniques.

Secondly impact assessments need to have a more complete understanding of **who is affected** by particular impacts. Existing assessments tend to have a rather narrow and/or oversimplified view of the target groups. This has also been reflected in the categories used in choice of samples and data analysis in impact assessments:

- **gender analysis:** There is generally a blanket sex-disaggregation in parts of the analysis, but rarely in any detail. In many cases this is confined to distinguishing female household heads from others. There
is very rarely any following through of possible gender differences in impacts.

- some studies also differentiate by broad **income category or type of enterprise**. This is rarely done in any detail. This is very rarely applied to sex disaggregated data so that one could examine any differences between very poor women and very poor men.

- only occasionally is there any consideration of other dimensions of differentiation like **ethnic group or age**. Although these dimensions are often included in client profiles, they are rarely used in analysis of reasons for different impacts.

- analysis of differences between **different economic activities** is largely anecdotal.

Moreover if the underlying questions in impact assessment concern its contribution to poverty reduction, women's empowerment and/or other development goals, the range of potential stakeholders is much broader than current clients. Those few studies which have taken the trouble to follow-up program dropouts, have found that this has significantly altered their conclusions about impact. It is not therefore possible to reach credible conclusions about impact without investigating drop-outs, whether this is through exit surveys (see SEEP Manual) or at least targeted qualitative or participatory research. There are also important questions about broader impacts on markets, gender division of labour and gender stereotypes within communities, those affected by environmental changes and so on. These broader questions are becoming increasingly important in the context of sector-wide approaches and the need to justify expenditure on microfinance rather than other types of enterprise or development intervention.

The participatory process advocated in current innovations does not decrease the need for thorough analysis of different stakeholder interests. This cannot be done through sample surveys because this assumes that the dimensions of difference are already known in advance. This is not necessarily the case. As noted above, there may be differences of impact between different economic activities, between different household structures, between areas where different projects are introduced or where other NGOs are also working and so on. Moreover although assessments include dropouts, they still fail to fully consider impacts on those excluded by programmes who may be further disadvantaged in markets and communities. There is therefore a continuing need to balance and integrate information based on small samples of clients and non-clients and information needed for all clients or all members of particular communities.

Thirdly impact assessments need to assess impacts in relation to particular economic, social and political **contexts**. It is clear from the in-depth academic studies (and intuitively obvious) that changes over time in people's income or women's position are unlikely to be due to programme interventions alone. Clients often continue to use other informal and formal sector microfinance services. They are often involved in other development initiatives and NGOs
and/or engaging with other wider processes of economic, social and political change. Differences in impact within and between programmes may be more due to differences in contextual opportunities and constraints than program policies. These differences will affect both clients own aspirations and strategies and in the opportunities and constraints faced by programme staff. This means that programmes may have unintended consequences, both negative and positive. It also means that policy conclusions about program replication and/or transferability of particular strategies from one context to another will need to be carefully considered.

Finally all these questions are important to identifying why particular impacts are occurring and hence the practical implications of the findings. The fungibility problem as well as the importance of contextual factors, including informal and formal financial services, exacerbate the problems of attribution inherent in all impact assessment, as discussed in detail in the Core Text on this web site. It is here that quantitative statistical assessments are particularly weak:

- Analysis of programmes design and specifications of hypotheses regarding impact processes have often been extremely superficial.

- Reliance on comparison of control groups raises problems which are in view of the author insurmountable given the range of important questions to be addressed and hence variables to be included, limited resources for sample coverage and for truly random replacement of non-respondents (See paper on sampling). The non-representative nature of control groups even in very careful assessments has been a continual source of contention.

- Practical recommendations have often been more a series of contemplative afterthoughts rather than credible inferences from assessment findings and/or consideration of potential for innovation.

This does not mean that quantitative assessment is not useful or needed, but its limitations need to be recognised and much more careful thought need to be given to detailed analysis of programmes design and impact processes through integration with qualitative and participatory methods.

Even though practitioner-led assessment can lead to practical improvements within individual programmes, the types of improvement considered will inevitably depend on the types of question which practitioners encourage and/or the types of changes which clients perceive as possible. This may lead to an overly narrow focus on issues like loan size and repayment schedules and leave out other possibilities like environment policies, advocacy for change in regulations in the informal sector and so on. In addition information for individual programmes does not necessarily provide the basis from which to compare the relative effectiveness of different programmes. Nor does it address the need for information on macro level impacts and ways in which these could be increased.

A further set of challenges identified in existing impact assessments have related to the research process. Given the detailed nature of many of the questions regarding income and the often sensitive and even secret nature of savings and
credit behaviour, there are often serious questions about the reliability of information. For example very careful studies of savings behaviour have often only found out about the prevalence of secret savings among women following in-depth participant observation and residence within communities. In some contexts questions about second-hand values of assets are either meaningless or highly arbitrary.

The research process itself cannot be seen as a mechanical exercise whereby investigators extract information from interviewees. The perceptions which those interviewed have of the purpose of the investigation will affect the reliability of data. It is well known that respondents commonly exaggerate or play down income levels and sources depending on what effect they think this will have on their access to loans. Moreover in some programmes there is now increasing 'assessment fatigue' and/or development of set responses tailored to what respondents think the interviewer wants to hear. These problems are obviously not confined to microfinance but are particularly acute in large-scale quantitative surveys.

In practitioner-led surveys there are questions about who is to bear the costs of assessment. In the case of practitioner-led assessment in the long-term costs will be fed back to clients in the form of interest rates once donor funding is withdrawn. In the case of grassroots-led assessment women and men are asked to spend time providing information to programmes. There are therefore questions to the asked about how the potential benefits of assessment of clients in terms of role in decision making, access to information and empowerment can be assured. This raises questions about decision-making structures within programmes, staff incentives and how programmes are to meet the many expectations they will raise. This is particularly the case if donor funding is narrowly focused on financial sustainability rather than also taking into consideration the role of microfinance as part of a broad development agenda.

There is now a wealth of information about use of credit, and to a lesser extent of savings, in the context of livelihoods and some understanding of intra-household processes. However there is limited or no information on:

- impact of insurance and pensions
- impact of changes in micro finance regulatory environment\(^9\)
- broader community or and macro level impacts e.g. on informal finance systems, innovation in the formal financial sector, markets, gender stereotypes, roles and inequality, availability and costs of public or private services like health, education, transport or environment

These areas are becoming increasingly important in view of the current emphasis on product innovation, sector wide approaches and the role of microfinance as part of broader enterprise development policies.

\(^9\) Studies of impact of changes of regulatory environment in Bolivia and elsewhere have focused mainly on impact of regulation on expansion of micro-finance provision. There has been only anecdotal treatment of impact on clients or development goals (Eg Rhyne 2001).
SECTION 3: FRAMEWORK FOR FUTURE IMPACT ASSESSMENT: TOWARDS A SUSTAINABLE LEARNING PROCESS

3.1 FROM IMPACT ASSESSMENT TO SUSTAINABLE LEARNING: A FRAMEWORK

The challenge for impact assessment is now to move on from earlier concerns with measuring impact of individual programmes on client incomes. It is now widely accepted that:

- the main focus of impact assessment should be *practitioner-led and practice-oriented*. Otherwise it is difficult to see how the large sums of money involved in impact assessment can be justifiably diverted from programme funding.

- *there is no simple ‘cookbook recipe’* which can be applied in all impact assessments, but the need to adapt methodologies, indicators, samples and methods of analysis and dissemination to specific needs.

In order to reach any robust practical conclusions to improve practice there is a need to build up a much more detailed understanding of:

- The range of interlinked and complex contributions which microfinance can make to poverty reduction, empowerment and other development goals

- *For whom* negative and positive impacts are occurring and how impacts differ between different stakeholders

- How and why contributions of particular types of strategy vary between programmes depending on financial, economic, social political and organisational context, interaction with other dimensions of programme policy and the different aspirations and motivations of users.

- *What this implies for MFI policies* in future and directions of innovation needed.

- *What this implies for donor policies* in future and the types of support needed.

- How the development contribution of microfinance compares and/or interacts with contributions of other development interventions for poverty reduction and empowerment.

These questions inevitably make impact assessment more complex. In view of the inherent challenges faced by existing impact assessments it is clear that there will be limits to what any one commissioned impact assessment will be able to achieve. In the view of the author this is not a question of differentiating between high, medium and low-cost assessments or compromising on credibility, but of locating individual assessment, monitoring and evaluation exercises within:
• **an ongoing and sustainable learning process**

This would over time build up a cumulative picture of the varied contributions of different micro-finance strategies to development goals through establishing structures for information exchange and collaboration between programmes, between programmes and donors and also between microfinance users.

Developing these structures would enable more conventional quantitative statistical analysis to be much more cost-effectively targeted to particular hypotheses based on a much less arbitrary selection of indicators, clearer understanding of relevant stakeholder categories for selection of samples and a more in-depth understanding of context and client strategies. For some purposes a sufficiently convincing picture of impacts for practical purposes may be obtained without a large-scale survey through careful use of quantification techniques in qualitative and/or participatory methods.

### 3.2 MICRO-FINANCE AND DEVELOPMENT GOALS: ISSUES IN SELECTING INDICATORS

Existing impact assessments indicate that micro-finance services potentially have a significant contribution to make to poverty reduction, including dimensions of poverty which are not conventionally seen as the aims of micro-finance. Examples of contributions in relation to DFID's Target Strategy Papers are given in Box 9. At the same time, micro-finance may also have negative impacts in each case. While therefore assessing the impact of micro-finance on household incomes and livelihoods is undoubtedly an important part of impact assessment, it is neither straightforward nor likely to be sufficient for DFID. Confining impact assessment in this way is likely on the one hand to miss important opportunities for innovation which can increase the contribution of micro-finance to a range of development targets. On the other hand it is likely to miss negative impacts which may undermine other DFID initiatives.

For example:

- What is the aggregate impact of large numbers of micro-finance providers on markets? On the environment?

- Does the increasing availability of **micro-finance for women** increase the pressure on them to earn an income to support their families and decrease men’s sense of responsibility for family welfare? Does increasing access to savings, credit provision and insurance mean that women are now under increasing pressure to divert cash from own consumption or investment? Does microfinance lead to further expansion in the dowry system to communities where it was previously absent thus having negative consequences for the position of girls within households?

- How far and in what ways do loans used for **health, education and other services** affect availability and prices of healthcare for poor people, eg does the availability of health insurance lead local health practitioners to increase prices? How far does perceptions that some poor people can now pay for...
provision detract attention from the importance of well-funded public provision accessible to all?

Equally importantly, **what are the implications for ways in which microfinance interventions could or should be linked with other poverty reduction and empowerment interventions?**

### BOX 9 MICRO-FINANCE AND DFID DEVELOPMENT GOALS: POTENTIAL CONTRIBUTIONS AND NEGATIVE IMPACTS

<table>
<thead>
<tr>
<th>Potential contribution</th>
<th>Potentially negative impacts</th>
</tr>
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<tbody>
<tr>
<td><strong>Halving Poverty</strong></td>
<td></td>
</tr>
<tr>
<td>• loans for enterprise which increase incomes</td>
<td>• increasing debt in marginal enterprises</td>
</tr>
<tr>
<td>• loans for asset acquisition e.g. housing</td>
<td>• encouraging debt for high expenditure on social obligations</td>
</tr>
<tr>
<td>• consumption loans, savings, insurance and pensions which decrease vulnerability and increase access to education and health</td>
<td>• diverting resources from investment and consumption to interest repayments and savings</td>
</tr>
<tr>
<td><strong>Human Rights</strong></td>
<td></td>
</tr>
<tr>
<td>• access to microfinance services is in itself the human right</td>
<td>• microfinance services do not necessarily address rights issues</td>
</tr>
<tr>
<td>• loans for education and health</td>
<td>• increasing economic and social exclusion of the very poor through financial exclusion in badly targeted programmes</td>
</tr>
<tr>
<td>• group-based savings and credit programmes which provide a focus for local and national-level organisation for lobbying and development of participatory processes</td>
<td></td>
</tr>
<tr>
<td>• regulatory frameworks which increase the accountability of microfinance providers</td>
<td></td>
</tr>
<tr>
<td><strong>Women’s Empowerment</strong></td>
<td></td>
</tr>
<tr>
<td>• loans for enterprise which increase women’s incomes</td>
<td>• increasing women’s debt</td>
</tr>
<tr>
<td>• savings services which increase women’s control over their income</td>
<td>• increased pressure on women to take up low-profit activities and increased work burden</td>
</tr>
<tr>
<td>• pension provision which decreases women’s long-term dependence on their families</td>
<td>• women used by men as a conduit for loans or loan officers</td>
</tr>
<tr>
<td>• group-based programmes which provide</td>
<td>• increased pressure on women’s existing networks for loan repayment</td>
</tr>
<tr>
<td>Section</td>
<td>Loans for urban enterprise</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td><strong>Urban Development</strong></td>
<td>• group based programmes provide a focus for organisation on informal sector workers</td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td>• loans for urban enterprise</td>
</tr>
<tr>
<td><strong>Government</strong></td>
<td>• group-based programmes which provide a focus for increasing political awareness, development of participatory structures and/or organizational basis for leadership training of grassroots representatives</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>• loans, insurance and accessible savings for health care</td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td>• loans, insurance and accessible savings for health care</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td>• loans for purchase of water technology and sanitation facilities</td>
</tr>
</tbody>
</table>
3.3 WHO ARE THE TARGET GROUPS? STAKEHOLDERS AND SAMPLES

The main focus of existing impact assessments has been on current micro-finance users. It is clear that both uses of microfinance and impacts vary between different target groups. Understanding these differences is however not a simple case of sex disaggregation or comparing broad income categories, but looking at differences between different types of economic activity, different types of household structures, differences in access to complementary services and so on. It is also crucial that impact assessments take into consideration needs of new target groups like agricultural labourers, children, the elderly and disabled. This understanding is essential to improving products for particular target groups. It is also essential for comparing impacts between programmes as any differences in impact may be due more to differences between target groups than relative effectiveness of programmes per se.

This is not only a question of sample design and disaggregation at the analysis stage, but taking into account differences in interests and aspirations between different stakeholders in selection of indicators and assessment of practical implications. For example:

- For informal sector workers and agricultural labourers it may not be enterprise development which is the key measure of impact on incomes but ability to free themselves from exploitative debt relationships with employers, traders and landlords and/or purchase of house sites or small plots of land.

- For women, children and old people it may not be increased household income which is important but rather independent control over resources and/or their own income.

For both programmes and DFID it is also important to take into account the wider positive and negative impacts on:

- **Other members of the same households**: differentiated by gender, age, access to assets and ownership, role in decision-making. It is generally assumed that all members of the household will benefit from microfinance services. In one programme the promotional literature claimed that the number of beneficiaries are as much as seven times the number of borrowers on the assumptions of a couple with an average of five children! However this cannot be assumed but will need to be investigated. Moreover the person taking the loan is not necessarily the person uses it or controls the income from it.

- **Other members of the same local community**: inequalities and stereotypes within communities may deem certain individuals or households as not eligible for microfinance services, often adding to other forms of economic and social exclusion.
Other entrepreneurs and workers in same markets: affected by e.g. certain increases in credit-financed supply of goods leading to saturated markets or conversely, more efficient supply of goods and services.

Other secondary stakeholders who may affect the outcomes of and/or be affected by microfinance interventions and who may need to be consulted in impact assessments include:

- **Grassroots organisations and movements** like trade unions, business associations, women's organisations and environmental organisations. These may be crucial sources of expertise on ways in which the broader development contributions of microfinance can be improved and may be very useful partners in resolving some of the challenges which microfinance providers and users face.

- **Local moneylenders and bank staff** Microfinance interventions may also disadvantage small-scale local moneylenders and decrease the money available to those excluded by programmes. It may be possible to identify ways in which programmes can work more effectively together with local moneylenders and bank staff.

- **Government administrators** in enterprise development. They may be useful allies in identifying ways in which other needs of microfinance users can be met e.g. better design of other business support services, gender equality legislation, agricultural technology etc

- **Donor agencies** funding other linked interventions. They may also be useful allies in identifying ways in which other needs of microfinance users can be met and providing funding for e.g. other business support services, gender strategies, health provision, agricultural technology etc

### 3.4 INCREASING PRACTICAL RELEVANCE: FRAMING QUESTIONS

In order to produce convincing and useful conclusions for practice it is necessary to go beyond blanket assessment of programme impact to investigation of clearly articulated questions about differential impacts of particular programme strategies eg:

- details of conditions of microfinance delivery eg ways in which loans are targeted, flexibility of loan repayment and savings schedules\(^\text{10}\),

- effectiveness of complementary services eg business training, gender training and women’s legal aid services, environmental advice, health services

\(^{10}\) Contrary to popular belief however, women may not always want complete flexibility. Compulsory savings or monitoring and targeting of loans to production which in some contexts give women an important excuse to protect incomes from predation by their husbands. These are issues which need to be investigated rather than assumed in each particular case for different target groups.
ways in which female and male group structures are built on as an organisational basis for local or national-level advocacy, challenging gender inequalities, environmental planning and so on

staffing policy eg types of attitudes towards poor people or particular ethnic groups encouraged or seen as necessary qualifications for recruitment, gender policy, availability of environmental expertise

which particular policies introduced to increase financial sustainability decrease poverty reach or women’s empowerment

This would include market research for product innovation and attitude surveys (as in SEEP tools) but would go beyond this to obtain credible follow-up evidence of actual impact. It would also pay careful attention to differentiation of different stakeholder groups.

Importantly it would go beyond savings and credit to look at other areas of practice: impact of gender and environment policies, Micro insurance, regulatory frameworks and the impact of macrolevel policies. Some of the questions which need to be asked are indicated in Box 10.

**BOX 10: SOME KEY PRACTICAL QUESTIONS**

**GENDER POLICY**

- do women and men have different needs of priorities in relation to microfinance services and/or group functions and structures and/or complementary support? How far are gender differences crosscut by other distinctions? How far do women's needs differ between women and in what ways?
- in what ways can men be involved in changing gender relations?
- what sort of relationship exists between the sex of staff and their ability to contribute to change in gender relations? What does this implies for equal opportunities policies and staff training?

**ENVIRONMENT POLICY**

- what are the best mechanisms to encourage use of loans for environmental improvement? Or to discourage use of loans which damages the environment?

**MICRO-INSURANCE**

- Is insurance the best means for poor people to decrease risk?
  Events that cause financial stress, but which occur with some certainty e.g. dowries, school fees can often be more effectively covered through access to savings rather than insurance. In developed markets people tend to use savings or credit before insurance against most risks.
Are poor people willing and able to pay a price at which the insurance can be delivered profitably? Take-up of insurance products has often been less than expected and attrition rates (i.e., numbers of people leaving) are frequently high.

Are MFIs sufficiently competent to deliver insurance? How can provision be designed to meet the needs of clients in a sustainable manner and given the capacities and limitations of particular microfinance institutions.

MICRO-FINANCE REGULATION

- How does the form of microfinance regulation affect the type of MFIs which are formed and/or are able to expand and/or receive funding?
- How far does it encourage or discourage innovation? What sort of innovation? What are the gaps?
- What is the impact of these changes at programme level on clients?

3.5 TOWARDS A SUSTAINABLE LEARNING PROCESS: INSTITUTIONAL ISSUES

This learning process would consist of a number of interlinked elements:

- **programme-level monitoring and evaluation.** This would include use of the SEEP tools discussed above. However, despite the advances, practitioner-led impact assessment is still costly and fails to capture changes occurring in different parts of the programme. There are also ways of getting programme-wide statistical information through integration of key indicators into existing Management Information Systems rather than being relegated to separate Monitoring and Evaluation departments. All programmes have loan forms, savings books, insurance forms, and so on. Many of the questions asked are unnecessary. Many could be amended to get much more useful information on the nature of the target group, extent of women’s land ownership, literacy levels and so on as judged appropriate by the programme. Many programmes also have computerised MIS on which financial and other data is entered. This programme-wide statistical information could be so designed to facilitate analysis of issues like women’s access to larger loans, nature of insurance claims by income level or gender, extent of land purchase.

- **grassroots learning.** The grassroots methodologies described above could be further developed and adapted to the needs of different types of programme. They obviously work best in programmes based on participatory management. But even in other types of group-based programmes groups keep minutes of meetings. Much of the information collected is routine and superficial. Minutes could be designed to an easy-fill format depending on group interests to record particular problems, lobbying activities, cases of domestic violence, and so on. There are also ways in which this process could be extended to support people in setting their own learning agenda rather than being used as unpaid data collectors. In terms of impact assessment this would provide invaluable contextual information on areas like production techniques, power relations,
markets, gender relations, and institutional relations (See Mayoux 2001 forthcoming).

- **networking and information exchange between donors, programmes and grassroots organizations.** Some dimensions of impact assessment like information about context do not need to be collected for all programmes separately but could be jointly commissioned and shared. This relates particularly to contextual information and macro-level impacts. Networking would also enable cost-effective broad coverage of different programmes and contexts.
SECTION 4: ROLE FOR EXTERNALLY-FUNDED IA: SUMMARY GUIDELINES

This broader learning process indicates some changes in the role of externally-funded impact assessments. The mainstay of any IA should be ongoing practitioner and grassroots-led learning processes which directly feed findings into programme improvement.

Nevertheless for external credibility, including accountability to donors, there would be a continuing need for external assessment using a combination of quantitative, qualitative and participatory methods:

- Programme level data would need to be cross-checked by external auditors to prevent it becoming, or being accused of being, a promotional propaganda exercise.

- Grassroots information and information from individual programmes involved in networks would also need to be cross-checked, collated and analysed in order to be communicated outside the programme where necessary.

- There would also be issues for example which might interest donors but which are not a priority for either programmes or clients.

However external impact assessments would focus not so much on conducting a one-off large-scale impact assessment themselves but rather setting up sustainable learning processes through identifying:

- how indicators, stakeholder coverage and practical inferences can be developed at programme and grassroots levels

- training and capacity-building of the relevant stakeholders including local external consultants who could take over external assessment tasks in the long run

- issues and practical questions on which periodic in-depth external research might be needed to supplement this information for example macrolevel impacts or more sensitive dimensions of intra household or community power relations

- ways in which ongoing and sustainable structures for information exchange and collaboration between stakeholders can be established including collaboration between MFIs, between grassroots groups, between donors and between the different stakeholder groups

- issues which would need to be periodically covered in external reviews and evaluations and how this information should be collected and recorded by programmes in order to be available and verifiable
**BOX 6: SUSTAINABLE IMPACT LEARNING: A CHECKLIST OF QUESTIONS**

**What practical issues are to be addressed?** How are these issues to be decided?

**Which stakeholders are to be involved?** How are they to be involved? How are potential differences between them in priorities and interests to be accommodated? How are the poorest and most disadvantaged to be included?

**What indicators are to be used?** How are they to be identified? By whom?

**What training/capacity building processes are to be included?** For whom? By whom?

**What proposals are included for integration of indicators into programme monitoring and evaluation?** How realistic are these in terms of time and costs?

**What proposals are included for developing mechanisms for grassroots learning?** How realistic are these in terms of the skills and literacy levels of the target groups? How sustainable are they likely to be?

**What proposals are included for networking and ongoing learning?** For whom? How sustainable are they likely to be?

**What issues are likely to require external assessment?** By whom? How can this be done cost effectively?

There is also a clear need for initial donor funding in:

- setting up and developing systems for practitioner-led monitoring
- setting up and developing structures for grassroots learning

In the long term however these would increase both the sustainability of programmes and their contribution to development goals. Moreover the assessment process itself would be a sustainable contribution to development.