

## **AIMS annotated bibliography**

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**Barnes, C.** (1996). *Assets and the Impact of Microenterprise Interventions: a Framework for Analysis*. Washington, AIMS

*What are the impacts of microenterprise credit programmes on asset accumulation and how can this be measured?*

Uses assets and net worth as categories for documenting the impacts of microenterprise (ME) financial services. Summarises findings from 32 studies on the impact of microenterprise credit programmes on asset accumulation. Highlights techniques to address some of the challenges to measuring assets and net worth.

Recommends that

- AIMS should focus on assessing the direct uses of ME programme loans and savings in acquiring assets as well as the secondary impacts of programme participation
- information should be collected on how loan funds were allocated, and if they are used for more than one purpose, what are the relative amounts allocated to each
- if the client has received more than one ME program loan or withdrawn programme savings more than once during the bounded period, each instance should be documented to determine the use
- to help with interpretation and verification of the results, complementary information of a qualitative nature should be obtained. This is extremely important since the range of measurement error may make it difficult to know how much of the change is genuine and how much reflects measurement problems

Concludes that studies on the impact of microenterprise credit programmes repeatedly show that asset accumulation is incremental and that successive loans lead to a build up of enterprise and household assets. [adapted from author]

**Barnes, C. and E. Keogh** (1999). *An Assessment of the Impact of Zambuko's Microenterprise Program in Zimbabwe: Baseline Findings*. Washington DC, Management Systems International.

*What are the client impacts from the Zambuko microenterprise programme in Zimbabwe?*

Presents the baseline findings of a two-stage assessment of the impact of microenterprise services on clients, their households and enterprises in Zimbabwe.

Findings highlight similarities and differences between new Zambuko programme clients, repeat clients and non-client microentrepreneurs.

Concludes that:

- Zambuko clients are microentrepreneurs from low-resource, low-income households
- repeat clients tend to be significantly different from new clients and non-clients. They are better off economically than the new clients and non-clients, probably because initial loans proved useful in stimulating a net increase in enterprise income
- loan funds permit the majority of clients to make purchases which they otherwise would not have made
- provision of client business training by Zambuko has resulted in positive business changes

Overall results establish that participation in microenterprise programs leads to improvements in the economic welfare of households, enterprise growth or stability, increases in empowerment of women and strengthened social networks. [adapted from author]

**Barnes, C., G. Morris, et al. (1998).** An Assessment of the Impact of Microfinance Services in Uganda: Baseline Findings. Washington DC, MSI AIMS.

*What are the impacts of microfinance programmes on clients and enterprises?*

Presents the baseline findings of a two-stage assessment on the impact of microfinance services in Uganda. Identifies the impacts of programs on clients, their households and enterprises. Also examines the linkages between rural and urban microentrepreneurs and the agricultural sector. The client and non-client participants all possess the following three characteristics: the respondent is the sole owner or co-owner of a microenterprise, has been involved in the enterprise during the last two months and their enterprise generates a weekly cash flow.

Findings and analysis cover basic characteristics of respondents and their households: sources of income, uses of income, financial services, empowerment and agricultural sector linkages. Results reveal similarities and differences between a group of clients from three microfinance programmes and a comparison group of microentrepreneurs who are not clients. (adapted from author)

**Barnes, C. and J. Sebstad (1999).** Guidelines for Microfinance Impact Assessments: Paper for discussion at CGAP 3 virtual meeting. Washington, CGAP.

*What guides the planning, design and conduct of useful microfinance impact assessments?*

The manual aims to provide:

- a guide to developing an action plan or scope of work for an Impact Assessment (IA)
- assistance to those leading the assessment in thinking through the process
- help for those who have limited experience with IAs of microfinance programs
- instruction and educational value
- a checklist of key steps that may be useful to more experienced managers and researchers

It gives a general framework which includes stakeholders, MFI managers and donors in the planning stage. This determines the setting objectives, the applications of results and the focus of key research questions. Further stages are:

- **Design** which looks at the feasibility of putting key questions and conceptualises expected changes. Attention should be given to methods of information gathering together with the analysis and indicators of impacts
- **Implementation** gives attention to the logistics and human resources needed to conduct the research. Supervision of the process can smooth the translation of the design into action
- **Data analysis and report writing** is guided by the clear and integrated presentation of outputs and results that are uncluttered by data and amplify discussion. Quantitative information should use averages, frequency counts, distributions and simple statistical tests. Qualitative information should be meaningful and focused to draw out strong themes and highlight exceptions
- **Findings and conclusions** should be presented by impact assessment organisers yet might be enhanced by further inputs from stakeholders, MFI managers and donors

- **Final reports** answer the questions from the planning and design stages and are substantiated by the methods and findings

**Blank, L. (1998).** Client Monitoring Systems for Microfinance Institutions: AIMS Assistance to the Workers Bank of Jamaica. Washington, AIMS.  
*Can a practical monitoring system be successfully integrated into the general database system of a financial institution?*

Describes the client monitoring system established at the Workers Bank of Jamaica with the assistance of experts from the AIMS Project in 1997 and 1998. The Workers Bank, a financial institution that offers services to poor entrepreneurs in Jamaica, provides a full range of banking services to a socially diverse client base through bank branches located in post offices throughout Jamaica.

The goal of the AIMS Project assistance was to help the Workers Bank develop a computer-based client monitoring system that was integrated into the loan application and review processes. The system, known as the Client Profiling System (CPS), was to provide the Workers Bank and USAID/Jamaica with information about the impacts of program participation on clients' enterprises and households.

Describes steps in system design and implementation, methodological considerations in selecting indicators of changes, data collection procedures and standards and lessons learned through the technical assistance effort.

Concludes that the client monitoring system developed for Workers Bank indicates:

- a practical monitoring system can be successfully integrated into a general database system
- staff and clients can quickly become comfortable with an automated loan processing system
- efficiency of loan officers can be enhanced by improving organization and accuracy and by eliminating the time required for manual calculations

[adapted from the author]

**Chen, M. (1997).** A Guide for Assessing the Impact of Microenterprise Services at the Individual Level. Washington, MSI/USAID AIMS.

*Presents practical methods and concrete measures for assessing the impact of microenterprise services on individuals*

Addresses conceptual and methodological issues regarding impact at the individual client level, particularly the impact on individual women.

Argues that in measuring the impacts of microenterprise services, it is common to focus on the impact on the client's household or on the client's enterprise. However, even when the household as a whole experiences improvements in economic or social welfare, the individual client may not. Or, even when the client's enterprise does not show impact, the client may experience an improvement in his or her economic and social welfare. Thus, in order to capture the range of potentially significant impacts of microenterprise services, the focus of measuring the impacts should be broadened to include an assessment of impact at the individual client level.

Outlines a mixed methodological approach, combining quantitative survey and qualitative case study methods. Variables relating to participation, mediation and impact can be measured and used to test hypotheses of impact at individual level. [ adapted from author]

**Chen, M. and E. Dunn.** (1996). Household Economic Portfolios. Washington, AIMS.

*What are the approaches to analysing the household economic portfolio?*

Reviews different approaches to analysing and modelling the household.

Presents a conceptual model of the household as an economic portfolio. This model builds on important developments in the analysis of the household which have emerged in the past two decades. It assumes that household decisions and activities regarding production, consumption, and investments are affected by the interplay of several levels of organization: the individual, intrahousehold relationships, the household as a whole, and suprahousehold groups and networks. And it recognizes that there is a continuum of possible intrahousehold arrangements, including pooled-to-non-pooled income, joint-to-separate preferences, and joint-to-separate allocation of time and resources.

The model provides a framework for understanding the role of microenterprises in the household economic portfolio and for assessing the impact of microenterprise services on enterprises, households, and individuals. [author]

**Chen, M. A. and D. Snodgrass** (1999). An Assessment of the Impact of SEWA Bank in India: Baseline Findings. Washington, Management Systems International.

*What are the impacts of microenterprise services at the household, enterprise, and individual levels?*

Reports baseline findings of a two-stage study on the impact of participation in microenterprise services of the SEWA Bank, a sister institution of the Self-Employed Women's Association (SEWA), in Ahmedabad, India.

Compares borrowers and savers in the SEWA Bank with a control group on a number of impact variables.

Provides preliminary indications of the nature and magnitude of benefits resulting from participation in this programme. Results suggest positive programme impacts at the household, enterprise, and individual levels. [author]

**Cohen, M.** (1999). Opening up the Impact Assessment Agenda. Washington, AIMS.

*What are the emerging rules and tools of IA?*

The paper examines the changing role of impact assessment (IA) in microfinance, looking at:

- the options and choices for undertaking impact assessment
- how impact information can be used as a management tool and not just for proving the positive effects of microfinance programs
- product innovation within the microfinance industry, the overlap between impact and market research data and whether impact assessment can be used for market research

The author finds that there has been a movement towards developing middle range/lower cost approaches to impact assessment under pressure from both donors and practitioners. Specifically she finds that:

- purpose and resources must guide the choice of IA

- assessment tools such as those from CASHPOR, AIMS and others are proving useful not only for accountability but also for the generation of information useful to MFI management
- while there is considerable overlap in impact assessment and market research, it is not complete and additional data needed for market research will have to be generated in other ways - particularly through the use of participatory tools

The author concludes that useful information is being generated on clients, dropouts, and non-clients and their behaviours. At the same time a set of tools is emerging that can contribute to the needs of MFIs in the area of market research.

**Cohen, M. and J. Sebstad.** (1999). *Microfinance and Risk Management: a Client Perspective*. Washington, CGAP.

*Does microfinance help clients manage risk? An introduction.*

This AIMS report prefaces the more substantial work: 'Microfinance, risk management and poverty' by the same authors.

It demonstrates the importance of client perspectives in understanding the nature of risk they experience - what is most prominent, most expensive, most frequent or most devastating, how they respond and the integral roles of microfinance services.

Suggests that both targeted and non-targeted microfinance programmes reach a variety of clients across a broad range of poverty levels. All these clients are exposed to frequent and wide-ranging risks such as structural factors (systemic risks), emergencies and life cycle events. Furthermore, lack of access to market information, competition and labour practices are important sources of enterprise risk for clients but do not necessarily lead to risk adverse behaviour. Risks were found to be highly variable across client enterprises.

Reveals the importance of borrowing and saving at all poverty levels to mitigate risk and reduce vulnerability. By making money available, microfinance services provide clients and their households with options to take advantage of opportunities when they arise, manage cash flow, and maintain access to a range of formal and informal financial services to manage crises. It also gives clients the opportunities to build and diversify all kinds of assets which can be drawn upon in times of need, including human assets such as health and the education of children.

Concludes that understanding client strategies for dealing with risk and the role of financial services in this process provides a basis to design better products, improve impact and promote sustainability. [adapted from author]

Also available as CGAP Focus Note No. 17, May 2000

**Dunn, E.** (1997). *Diversification in the Household Economic Portfolio*. Washington, AIMS.

*Is it insufficient to analyse target microenterprises as a basis for impact assessments?*

Drawing on case study information from Peru, investigates the use of income diversification as an economic strategy among clients of the microfinance programme of Accion Comunitaria del Peru (ACP).

Develops a symbolic representation of the household economic portfolio. Examines the dynamic, or life cycle, changes that may occur in the portfolio as it pursues the diversification strategy of intergenerational launching.

Findings reveal that recipients of microenterprise credit have established one or more new microenterprises to be managed by their grown children. The resources for starting the new microenterprises came from the revenues of the parents' microenterprises and, sometimes, directly from the microcredit extended to the parents' microenterprises. The purpose of the diversification strategy was to launch the next generation of entrepreneurs.

Assesses implications for impact evaluation and concludes that:

- growth in the target enterprise may not occur when the target enterprise is a launching pad for additional microenterprises managed by children
- despite the fact that the target microenterprise is not growing, the welfare of the household may be improving. Therefore, the target microenterprise is insufficient as the unit of analysis for impact assessments, and must be expanded to include the household economic portfolio

Explores the implications of incorporating diversification into the design of a microenterprise programme impact evaluation and describes possible approaches for measuring the concept of diversification. [adapted from the author]

**Dunn, E and J.G. Arbuckle.** (1999). Technical Note on the Relationship Between Market Research and Impact Assessment in Microfinance.

*Can information gathered in micro finance impact assessments be useful as market research for new product development?*

Focuses on linkages between market research and client-level impact assessment of microfinance programmes. Both strive to gain an understanding of household behaviour and how clients/consumers interact with financial services.

Attempts to identify areas of overlap in information gathered by both type of research which might be taken advantage of:

- both can generate data on household resources, activities and flows
- data would have information on client characteristics, use of products and services and evolving needs
- impact assessment data yields demographic, geographic and behavioural information useful for market segmentation and new product development

Outlines a market research collaboration effort between Mibanco, a Peruvian microfinance organisation and AIMS (Assessing Impact of Microenterprise Services) in the longitudinal evaluation of a credit programme. This illustrates the usefulness of impact assessment information as preliminary market research which can also identify areas for more focused research. It provides information about client savings, spending and investment behaviour and can give insights into potential demand for new products.

**Dunn, E.** (1999). Microfinance Clients in Lima, Peru: Baseline Report for AIMS Core Impact Assessment. Washington, AIMS.

*Do microfinance clients differ from non-clients as microentrepreneurs?*

Describes the context, design, and findings of a baseline survey of microentrepreneurs conducted in August 1997 in Lima, Peru.

Provides insights into the household economies and microenterprises of Lima's entrepreneurs.

Yields extensive information on Accion Comunitaria del Peru (ACP) clients and on the non-client comparison group.

Concludes that ACP clients and non-clients share similar characteristics, but in other ways they are significantly different. Where differences exist, they almost uniformly point to the advantageous position held by the clients. [adapted from author]

**Dunn, E. (1996) Risks and the Impacts of Microenterprise Services.**  
Washington, AIMS.

*Explores the concept of risk and how microenterprise clients try to handle and reduce risks*

Study analyses interactions between risk, household income levels and microenterprises. Risk is defined as the chance of loss, called "ex ante," or the loss itself, called "ex post".

The decision-making environment of low-income households is characterized by imperfect or incomplete markets, multiple and interlinked production and consumption activities, and vulnerability to risks from numerous sources. Households may use risk reduction strategies like:

- Selecting low-risk activities, though these activities may be typically less profitable
- Diversifying their income generating activities
- Building insurance mechanisms like accumulating savings and assets, maintaining non-market kinship relationships so as to access resources and spreading risk through sharing, and establishing access to credit

Management of losses tends to occur in stages. Households turn first to reversible strategies, such as increased labour sales, temporary migration, reduced consumption and liquidation of self-insurance assets. If these are inadequate, households may be forced to dispose of key productive assets

Microenterprise services can assist households by improving the effectiveness of both their risk reduction strategies and their loss management strategies [adapted from author]

**Dunn, E. (1996) Households, Microenterprises and Debt.** Washington, AIMS.

*Examines the role of debt as a component of household and microenterprise strategies*

Provides a conceptual framework which defines the household economic portfolio as a set of resources, a set of activities, and the circular flow of interaction between them. Argues that debt can be part of a strategy for increasing current income, investing in the future or coping with crises. Posits that in the current period, debt provides additional resources to support household activities, but it also represents a claim on future resources.

Reveals that in general:

- debt from formal sources tends to be primarily for production purposes, secured by collateral, has high transaction costs and relatively low interest rates
- informal debt from relatives, neighbours, and friends tends to have low interest rates, indefinite repayment periods, high social pressures for repayment and high hidden costs
- informal debt from moneylenders typically has high interest rates and low transaction costs
- debt can contribute to household economic security by smoothing consumption when income is interrupted and by protecting key productive assets
- debt can play different roles over the various stages of enterprise growth

[author]

**Edgcomb, E. (1996).** PVO/NGO Tools for Household and Business Impact Assessment: Report of a Planning Meeting. Washington, AIMS.

*How to develop and test tools that measure the social and economic impacts of microenterprise programmes*

Report of a meeting on developing tools to measure the social and economic impact of microenterprise programmes on individual clients, businesses and households. Participants set out characteristics for the tools as follows:

- they must provide clear evidence of impact to external constituencies, as well as program performance information
- they must be low cost, three to 10 percent of a program's operating budget
- they must include a core set of tools, indicators with standardized definitions for all users and supplementary tools for areas of impact specific to certain constituencies
- focus of the tools should be on the poorer clients of these programs
- tools should be designed for use by voluntary organisation or NGO field staff
- they should have a simple design and require a minimal level of training for data collection and quick analysis

Outlines decisions made regarding the selection of local partners for development and testing of tools and to use fieldwork to test the tools with a limited number of clients.

**Edgcomb, E. and C. Garber (1998).** Practitioner-led Impact Assessment: A test in Honduras. Washington DC, USAID AIMS.

*Tests conducted in Honduras show how tools to track the impacts of microenterprise programmes work in the field*

Describes the process and results of the first of two field tests on tools for practitioners to track the impacts of their microenterprise programs. It was conducted in September 1997 by the Organización de Desarrollo Empresarial Femenino (ODEF) in Honduras in collaboration with several development agencies, and implemented over a three-week period. Objectives of the assessment were to:

- test a process of training, data collection and analysis conducted by and for practitioners
- assess whether the tools applied were simple, credible, useful and cost-effective

Findings showed that ODEF's clients experienced positive program impact, particularly at the enterprise level. The assessment contained a strong focus on client satisfaction issues, with data gathered from current and former clients. The field test in Honduras demonstrated that practitioners can conduct credible, useful and relatively low-cost impact assessments. But practitioner-led impact assessments require substantial skill, interest and time commitment on the part of the practitioner organization for the assessment to be successful. The results and lessons learned from this tools test and a second one in Mali will lead to the development of a manual containing practitioner tools and guidance for their application. [adapted from online abstract]

**Gaile, G. and J. Foster (1996).** Review of Methodological Approaches to the Study of the Impact of Micro-enterprise Credit Programmes. Washington, MSI: AIMS.

*Reviews some of the more rigorous microenterprise credit impact assessments*

Covers eleven studies carried out in Asia, Africa and Latin America. Focuses on sample design and execution, temporal issues, analytical technique and control methods for

eliminating other explanations for changes. Explains issues of selection bias and fungibility, meaning that financial and other resources including credit/profits from microenterprise projects may move between and among various household activities making it difficult to track impacts.

Recommendations include:

- sampling for assessment should occur within control groups from programme sites and a control population from matched non-programme sites
- statistically equated control groups may be used for individual controls
- in programme sites, eligible non-borrowers should be used for individual controls
- sample size of 500 allows for effective use of control variables and for dealing with problems of longitudinal analysis

Suggests that assessment should give consideration to time and longitudinal impact, and recommends 18-24 month intervals for data collection since the point at which impacts first begin to occur and the length of time that impacts are sustained are subjects of debate.

**Hulme, D. (1997). Impact Assessment Methodologies for Microfinance: a Review. Washington, AIMS.**

*What is required to improve impact assessment studies?*

Reviews the literature and practice on impact assessment (IA) of microfinance projects.

Notes that:

- impact assessments can be viewed as laying on a continuum between 'proving impacts' and 'improving practice'. While many different groups have interests in IA there is currently great pressure on donor agencies to prove impact
- different conceptual frameworks provide the foundations for IAs. These cover a model of the impact chain, the identification of units (levels) of assessment and specification of the types of impact to be assessed
- the range of methods used for IA has increased over the last decade - sample surveys, rapid appraisal, participant observation, case study and participatory learning and action. Each method has particular strengths and weaknesses. The choice of methods should be based on objectives, costs and feasibility. Mixed methods are preferable
- attribution and fungibility are key problems for impact assessment studies. The ways in which scientific, humanities-based and participatory methods deal with these problems are examined. Argues that the problem of fungibility is not as great as many writers suggest
- the key to selecting an appropriate methodology rests on achieving a fit between IA objectives, program contexts and the availability of resources. Four types of methodology are identified - monitoring, simple, moderate and complex - and their key characteristics are examined

Presents a number of recommendations for IA practice:

- more emphasis should be placed on internal impact monitoring within MFIs, rather than on impact assessment
- the idea of methodological rigour must be applied to all designs and methods
- the main need in IA is to improve the quality of simple IA designs
- monitoring MFI performance is not sufficient - IAs must look at impacts on livelihoods
- the Household Economic Portfolio Model (HEPM) and other multi-level approaches, are to be recommended for complex IA studies
- problems of attribution can be overcome by careful design

- many IAs have 'low impact' because they do not address the issue of dissemination sufficiently
- donor activity has done little to strengthen the human resources or institutions available for IA in non-OECD countries and this must be corrected
- improving IA standards requires major efforts to raise the capacities of an 'army' of impact assessors who are carefully trained and have a code of practice

[author]

**Hyman, E. and K. Dearden (1997).** A review of the Impact Information Systems of NGO Microenterprise Programs. Washington DC, USAID AIMS.

*How do NGOs supporting microentrepreneurs gather information on and assess the impact of their work?*

Reviews the impact information systems of NGOs that provide services to microentrepreneurs in less developed countries. Systems and indicators of 19 organizations are described, including specific indicators used by 13 of these organizations. Use of the information, and strengths and weaknesses of different types of the systems are discussed. Findings include:

- types of economic impacts considered are changes in quantity of goods and services sold, employment, assets and profits
- social impacts are less commonly addressed, only in more comprehensive systems
- program records and client surveys are the common sources of data for comprehensive information systems, though some organisations use focus groups, loan applications and key informant interviews
- more reliable information is obtained by collecting twice and comparing "before assistance" levels with "after assistance" levels rather than asking directly about changes
- comprehensive impact assessment systems run the risk of becoming too complicated or costly

Concludes with recommendations for loan tracking systems and questions for more comprehensive systems. Balancing costs of assessments with requirements is discussed as are data collection processes, data analysis and reporting, staff and training issues.

**Inserra, A. (1996).** A Review of Approaches for Measurement of Microenterprise and Household Income. Washington, AIMS.

*What are the issues involved in measuring income as an indicator of the impact of microenterprise services?*

Reviews selected methods for measuring microenterprise and household income. Discusses the value of income as an indicator of enterprise stability or growth, of household welfare and poverty status, and the difficulty of obtaining accurate and reliable data on income. Information is presented on a number of different approaches for measuring income. They are classified into categories of simpler, middle range and more complex and advantages and disadvantages of each are delineated. Alternative indicators of household economic well-being, such as assets and expenditures, are also discussed. Each approach is reviewed in terms of major strengths and weaknesses, including the accuracy and reliability of data that can be collected, and the cost and feasibility of gathering the data. The author concludes:

- no single approach can overcome all the constraints that affect measurement of economic status or well-being of the microenterprise or household
- in choosing an approach, there seems to be a trade off in terms of human and financial cost and the degree of detail and accuracy produced as a result
- selection of a measurement approach should be based on the extent to which the approach can produce accurate and reliable data on income or an acceptable

alternative economic impact indicator, the relative cost of the approach, and whether the method is compatible with other data collection approaches already in use

**Koopman, J. (1996).** Client Impact Assessment of Women's Entrepreneurship Development Program in Bangladesh. Washington, AIMS.

*What are the impacts of the Women's Enterprise Development Project on clients and their households?*

Presents the findings of an assessment conducted to determine the impact of the Women's Enterprise Development Project in Bangladesh on borrowers.

Findings reveal that:

- nearly all clients reported that status in their households has improved since they began taking WEDP loans. Many also cited an improved status in the community
- WEDP has had a major positive impact on women's entrepreneurship and decision-making abilities. Well over a third of WEDP borrowers manage their businesses entirely on their own and another 22 percent manage their businesses jointly with their husbands. An even larger group, 58 percent of respondents, report that they alone control the income from their businesses
- about 20 percent of the borrowers make a major contribution to household income from earnings. There is less tension in their households because there is less financial strife, better food and a greater ability to meet their children's educational expenses
- several women said that they no longer need to borrow from neighbours or money-lenders to finance their businesses or to meet household expenses
- a few have been able to increase their personal savings. For many of them, the savings facility offered by WEDP has enabled them to start a savings deposit account that will eventually grow with regular bi-weekly deposits
- WEDP's most significant impact on employment has been the creation or expansion of borrowers' own self-employment

[adapted from author]

**Little, P. (1997).** Income and Assets as Impact Indicators. Washington, AIMS.

*What are valid indicators for tracking changes in household and enterprise welfare?*

Addresses income and assets as impact variables in the assessment of microfinance programs. Argues that if both variables are analysed within the context of a household economic portfolio model, then they are valid indicators for tracking changes in household and enterprise welfare.

Several key issues surrounding the use of income and/or assets as impact variables are presented. These include income diversification, intrahousehold income and asset control, fungibility and problems of attribution, seasonality, valuing assets and liabilities, and measurements of net versus gross incomes.

Highlights practical solutions for measuring income- and asset- related variables.

Concludes that:

- impact assessment should combine elements of 'low' and 'middle' approaches to data collection
- the 'middle' approach includes a reasonable amount of impact variables to test hypotheses related to the impacts of microenterprise programmes, focuses as much

on expenditures as it does on incomes and assets, and requires interviews with only one household member

- reliability of data is increased using a 'middle' approach over a 'low' approach, and information of sufficient precision is collected without the costs of panel ('high') research

[adapted from author]

**McNelly, B. and K. Lippold (1998).** Practitioner-led Impact Assessment: A test in Mali. Washington DC, MSI AIMS.

*Tests conducted in Mali show how tools to track the impacts of microenterprise programmes work in the field*

Describes the process and results of field tests on tools designed to help practitioners track the impacts of microenterprise programmes. Tests were conducted on the Credit with Education program of Kafo Jiginew, a Malian credit union federation, in March 1998. The objectives were to:

- test the process of training, data collection, and analysis conducted by and for practitioners
- assess whether the tools applied were simple, credible, useful, and cost-effective
- analyse data collected and document the impact of the program on its clients

Findings showed positive program impact at the individual, household, and community levels. The field tests previously done in Honduras and these in Mali demonstrated that practitioners can conduct credible, useful, and relatively low-cost impact assessments. But both field tests clearly indicate that a certain infrastructure, level of commitment, skill and administrative support are required for the impact assessment to be successful. The results and lessons learned from the tools tests will lead to the development of a manual of practitioner tools and guidance for their application [adapted from online abstract]

**Sebstad, J. (1998).** Toward guidelines for lower-cost impact assessment methodologies for micro-enterprise programmes. Washington DC, Management Systems International.

*How can impact assessment methodologies for microenterprise programs be improved?*

Debates issues involved in improving impact assessment methodologies. Focuses on lower-cost IA approaches that generate credible and useful results for both donors and practitioners. Argues that current standards of academic rigor are neither practical nor affordable, and advocates use of lower- cost, "middle-range" approaches to assessment. A middle-range assessment is defined as an inquiry to estimate the amount, pattern or direction of change that can be plausibly associated with the intervention. Critical elements of an impact assessment are credibility and reliability.

Several key issues surrounding the design and implementation of a credible, middle-range impact assessment are discussed in the paper:

- establishing clearly defined objectives and a target audience
- selecting a conceptual framework
- keeping to a small set of key hypotheses
- including variables with demonstrated validity
- determining reliable measures

A credible impact assessment can generate data which links client-level impact and microenterprise program performance. Paper suggests seven ways that impact information can be useful for improving institutional performance.

Conclusions share lessons learned from recent assessments and propose guidelines for conducting middle-range impact assessment [adapted from author]

**Sebstad, J. and G. Chen (1996).** Overview of Studies on the Impact of Microenterprise Credit. Washington, MSI/AIMS.

*Who benefits from microenterprise credit services?*

Summarises the key findings from 32 research and evaluation reports on the impacts of microenterprise credit services, with special attention to impacts on household economic security, enterprise stability and growth, and individual control over resources.

Identifies two main types of beneficiaries:

- richer beneficiaries who use credit for capital deepening, which increases their expectations of income and risk at the same time
- poorer beneficiaries who use credit for capital widening, which involves unchanged risks and income, or even reduction of risks and vulnerability

Reveals that programs:

- effectively reach large numbers of poor households and women but have a differential effect on groups within the poor
- have varying degrees of positive impacts on participants, most notably in terms of increases in household and enterprise income and assets
- show mixed effects upon employment, children's schooling and women's empowerment

Concludes that it is unusual for credit to trigger a continuous increase in technical sophistication, output, or employment, as long-term borrowers are preoccupied with household survival.

Closes with a discussion of factors other than programme interventions which influence impacts on clients, their enterprises, and household, including the economic and policy context, gender, sectoral differences, and the poverty level of borrowers. [author]

**Sebstad, J. and M. Cohen. (2000).** Microfinance, Risk Management and Poverty. Washington, AIMS.

*A full, comparative analysis of microfinance outreach and client coping strategies*

The paper seeks to improve understanding of the extent to which sustainable microfinance programs reach poor households and contribute to poverty reduction. It focuses on selected non-income dimensions of poverty, specifically those related to risk, vulnerability, and assets. Main implications of the study point to means to improve microfinance products, services and delivery mechanisms. They show the need to:

- **Match products to clients' needs** by developing financial products, services, and delivery mechanisms that meet the financial needs of a wider spectrum of households
- **Match repayment amounts and cycles to clients' needs** to improve a client's capacity to repay and borrow over the long term and thereby reduce the risk of borrowing for them, as well as reduce the risk of lending for the MFI
- **Match loan size to clients' needs:** Poorer borrowers need flexible and timely products with bite-size, manageable repayments. For better-off households, larger loan sizes could enable them to take advantage of investment opportunities with potentially higher returns

- **Examine the demand for individual loans** to offer alternatives to the high borrower transaction costs associated with group lending systems
- **Increase services to vulnerable non-poor households: Economic** stress events and shocks can push this group below the poverty line while they are in a better position to take risks and invest in employment-generating enterprises
- **Examine financial flows and repayment cycles** by looking more closely at the match between household financial and investment flows and loan and repayment cycles
- **Broaden the range of products and services:** Improved housing and education are perceived as pathways out of poverty for the poor, suggesting the potential for developing housing and education loans or savings products
- **Increase product flexibility**, focusing on emergency loans which could help clients recover from such events more quickly as they continue to pay their loans and stay in programs
- **Provide insurance products** as study results suggest a potential role for insurance products to help clients cope with frequent, idiosyncratic risks such as ill health or death of a family income earner. All are potentially insurable risks
- **Increase individual savings opportunities:** there is a role for more accessible and private savings that are not linked to borrowing and that can be used to deal with anticipated and unanticipated risks and day-to-day economic stresses

Implications for policy highlight

- **The importance of client perspectives in improving the outreach, impact, and sustainability of microfinance programs** which requires an awareness of (1) the economic goals of poor households, (2) how people manage resources and activities in the context of their household economic portfolios, and (3) how they deal with risk in their day-to-day lives
- **The critical relationship between risks facing borrowers and risks to the MFI portfolio:** Products, services, and delivery mechanisms that are designed to improve the capacity of clients to deal with risk in their lives (reduce their vulnerability) and to reduce the risk of taking a loan can lead to better repayment, fewer dropouts, and, accordingly, lower operating costs
- **A broader role for financial services to support the livelihoods of the poor:** The concept of livelihood is a broader than that of enterprise development. It considers a mix of resources, activities, and capabilities that enable individuals and households to pursue their economic goals. In reality, resources within households are fungible, and it is important to recognize that clients will use microfinance services for a variety of purposes.
- **A continued role for donor investment in microfinance programs:** The demonstrated role of microfinance in reducing vulnerability for clients and their households points to a role for continued donor investments in microfinance programs. [adapted from author]

The study focuses on clients from selected microfinance institutions (MFIs) in Bangladesh, Bolivia, the Philippines and Uganda.

**Sebstad, J., C. Neill, et al. (1995).** Assessing the Impacts of Micro-enterprise Interventions: A Framework for Analysis. Washington DC, USAID: AIMS.

*How to examine the impact of different intervention strategies on the household*

Presents a preliminary framework for evaluating how microenterprise interventions contribute to household security, enterprise stability and growth, individual well-being, and the economic development of communities.

This approach departs from convention by starting with the household. It recognises that decisions about microenterprises can be understood more clearly when considered in relation to the overall household economy. Not only do microenterprises belong to a larger portfolio of household economic activities, but they also depend to varying degrees on their households for capital, labour, and other inputs. Furthermore, income generated by microenterprises is used for family consumption and investment.

The framework permits the analysis of four intervention strategies:

- financial services
- social intermediation which helps marginalised clients connect to more formal financial institutions through village banking, solidarity groups, and other organisational forms
- economic policy, regulatory reforms, or other subsector interventions
- technical and management assistance such as training and business advisory services

Recognises a need for impact studies that are conceptually grounded, yet methodologically practical. Projects studied should be mature so that impacts are discernible. Such studies should:

- determine the difference that microenterprise interventions make to the client, his or her household, the enterprises, and the community
- generate information useful for improving the design and implementation of microenterprise programs and projects
- be rigorous, and use comparison groups
- be longitudinal, spanning at least three to four years, and large survey data should be complemented by data collected several times from a selected sub sample or from case studies

The study concludes that this preliminary framework is intended to raise issues, establish parameters, and identify key impact variables to guide USAID and its partners in designing future impact assessments. It is not a final work, but a first step in setting forth a broader approach for evaluating the impacts of microenterprise interventions. [Adapted from author]

**SEEP Network (2000).** Learning from Clients: Assessment Tools for Microfinance Practitioners: Draft Manual. Washington DC, AIMS/MSI.

*Five assessment tools that practitioners can use to gather information about their programs - and step by step instructions for using them*

The manual was developed by the SEEP Network as part of the PVO (private voluntary organization) and NGO (nongovernmental organization) component of the larger AIMS (Assessing the Impact of Microenterprise Services) project funded by USAID. It was developed by and for practitioners and, as such, responds to the particular needs and challenges they face in determining how their programs and services are affecting clients.

This manual offers several critical advances in the practice of mid-range impact assessment:

- Detailed guidance-written by and for practitioners-for planning and implementing impact assessments and for analysing all data generated
- A coherent set of quantitative and qualitative tools that address the most common hypotheses that undergird microfinance programs
- Clear explanations of indicators and measures used, along with supplementary discussions of additional sets of potential interest to individual users
- Methods that provide information on impact and client satisfaction and that result in specific feedback for program improvement. [author]

**Snodgrass, D. (1997).** Assessing the effects of program characteristics and program context on the impact of microenterprise services: a guide for practitioners. Washington, AIMS.

*Which programme characteristics define an effective microenterprise support program?*

A successful microenterprise support programme is one defined in terms of outreach, financial sustainability or socio-economic impact, and is likely to be designed and implemented for effective operation in its particular environment.

The type of data collected on programme structure and environment may be important for its success. Suggests top priority should be given to the collection of qualitative information and statistics that provide clear, accurate and comprehensive descriptions of the operations of the microenterprise support programme, addressing factors such as:

- structure and history of the institution undertaking the programme
- management style and practices in services provided
- financial outcomes over at least the past three years
- economic environment, government policies and regulation

Concludes that an effective and sustainable microenterprise support programme should be context specific

**Snodgrass, D. (1997).** *The Economic, Policy and Regulatory Environment.* Washington, AIMS.

*What are the impacts of the programme environment on sustainable microlending activities?*

Analyses impact of the physical environment, institutional setting, economic factors, government policies and regulations on the generation of socio-economic benefits through sustainable microlending activities. Suggests that collectively these factors interact to create the total environment in which microenterprise (ME) programmes, their client microenterprises and households, industries and communities all operate.

Argues that knowledge about the magnitude of these effects is still rough, partial and to some degree disputed. Posits that the success of any ME support programme depends in part on the influence of environmental factors. In extreme circumstances, external influences such as natural disaster or breakdown of civic order may swamp all the efforts that the actors themselves make.

Findings reveal that:

- environmental influences can impact on ME programmes indirectly through their effects on the client enterprises, households and communities of the programme or directly on the design and operation of the ME program
- while it is easy to see that physical, institutional, economic, policy and regulatory factors can all have some effect, the everyday workings of these factors are in many cases hard to trace completely, let alone to quantify
- government policies and regulations have an important direct influence on sustainable microfinance programmes, since freedom to set interest rates is vital to sustainability. The right to accept voluntary deposits and avoidance of cost-increasing labour regulations are also important
- effects of policies and regulations on the microenterprises themselves are less clear-cut. Although it has been argued that over-regulation is a major impediment to business development in many developing countries, most surveys indicate that microentrepreneurs do not regard taxation and regulation as among their major business problems

Recommends that ME programme evaluations should be designed with sensitivity to differences between programme and comparison ("control") groups in respect to population density, mean income level, degree of urbanization, gender, ethnicity, the structure of goods

and credit markets, government policy, regulatory and enforcement patterns, giving special attention to local government actions that might impede microenterprise activities.

**Wright, G. et al. (1999).** *Vulnerability, Risks, assets, and Empowerment: the Impact of Microfinance on Poverty Alleviation.* Washington, AIMS.

*Do financial services help the poor cope with risk and reduce their vulnerability?*

The research investigated:

- which groups among the poor Uganda Women's Finance Trust (UWFT) reaches
- the nature of risks confronting the poor clients of the UWFT
- if, and how, financial services improve client's capacity to manage and control assets and build up their asset base to protect against and cope with risks
- if, and how, microfinance services enable clients to use assets to maintain a minimum economic threshold

The research revealed that financial services help to protect against risk by:

- providing chunks of money to build assets (financial, physical, human and social assets)
- providing chunks of money to better manage cash flow and assets
- increasing the diversification and development of household assets
- offering a place to safely store savings
- increasing women clients' control over assets

In addition, financial services help poor clients cope with shocks by:

- providing savings or emergency loans to draw upon
- building assets that can be sold

Furthermore, found that social intermediation combined with financial services contributes to reduced vulnerability and increased empowerment for women clients. This is achieved by:

- building women's human assets (self esteem, bargaining power, control over decisions, and to a limited extent, skills and knowledge, usually relating to planning and financial management, but sometimes also to business- related information)
- increasing women's social assets (social networks, membership of groups, relationships of trust, and access to wider institutions of society)

**Zaman, H. (1999).** *Assessing the Impact of Microcredit on Poverty and Vulnerability in Bangladesh.* Washington, World Bank.

*What effects have one of the largest providers of micro-credit to the poor in Bangladesh had on poverty and on women?*

Presents the main argument that micro-credit contributes to mitigating a number of factors that contribute to vulnerability, whereas the impact on income-poverty is a function of borrowing beyond a certain loan threshold and to a certain extent contingent on how poor the household is to start with.

This argument is illustrated by

- complementing the existing literature with some empirical analysis of household survey data collected in Bangladesh in 1995. Consumption data from households is

used to show that the largest effect on poverty arises when a moderate-poor BRAC loanee borrows more than 10000 taka (\$200) in cumulative loans.

- identifying a number of pathways by which micro-credit can reduce vulnerability, namely by strengthening crisis-coping mechanisms (the 1998 flood in Bangladesh is used as a case study), building assets and 'empowering' women are discussed.
- using data from women to construct sixteen 'female empowerment' indicators and the empirical analysis that follows suggests that micro-credit has the greatest effect on female control over assets and also on her knowledge of social issues controlling for a host of other characteristics