



Assessing the Impact of Microenterprise Services (AIMS)

Management Systems International
600 Water Street, S.W.
Washington, D.C. 20024-2488
Tel: (202) 484-7170 • Fax: (202) 488-0754
E-mail: aims@msi-inc.com

PRACTITIONER-LED IMPACT ASSESSMENT: A TEST IN HONDURAS

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Monique Cohen, Ph.D.

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Submitted by:

Elaine L. Edgcomb and Carter Garber

The Small Enterprise Education and Promotion Network

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FOREWORD

The Assessing the Impact of Microenterprises (AIMS) Project seeks to gain a better understanding of the processes by which microenterprise programs strengthen businesses and improve the welfare of microentrepreneurs and their households. In addition, it focuses on strengthening the ability of the U. S. Agency for International Development (USAID) and its partners to measure the results of their microenterprise programs. The project's core agenda includes desk studies, focused field research, three major impact assessments, and the development and testing of tools for use by private voluntary organizations and non-governmental organizations to track the impacts of their microenterprise programs.

This paper reports on the first test of tools for organizations to use to track the impacts of their microenterprise programs. A forthcoming paper will report on the results of a second tools test. Subsequently, the results and lessons learned from the tools tests will lead to development of a manual containing practitioner tools and guidance for their application.

Further information about this USAID-funded project and its publications is available on the AIMS home page (<http://www.mip.org>). The AIMS series of papers includes those which address specific issues and those based primarily on field work applying the AIMS approach to assessing the impact of microenterprise programs. Included in the latter will be papers on the three major impact assessments which focus on specific programs and cover program participants and a comparable group of non-participants. The three assessments will consist of information obtained through two rounds of data collection, with a two year interval between the survey rounds, complemented by case studies and focus group discussions.

Elizabeth Dunn
AIMS Project Director

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EXECUTIVE SUMMARY

In September, 1997, representatives of the SEEP Network led a team of NGO practitioners from two organizations – Katalysis North/South Development Partnership and Organizacion de Desarrollo Empresarial Femenino (ODEF) – in an impact assessment of the latter’s microenterprise programs. Implemented over a three-week period, the assessment was a test of five data collection instruments, two protocols, and a process of training, data collection and analysis conducted by and for practitioners. Designed under the auspices of the U.S. Agency for International Development’s AIMS Project, the test is part of a project of tools development responding to the growing interest of NGO practitioners in evaluating the social and economic impact of their microenterprise programs on clients, their businesses and households.

ODEF implements a variety of loan programs. This study focused on their village bank and individual loan programs, both of which incorporate some business development training into the services provided. The study design involved several key aspects: a cross-sectional comparison of clients to non-clients using a survey instrument addressing all key hypotheses; in-depth interviews with a small sample of clients on either empowerment or loan use/business development issues; a survey of ex-clients on their assessment of program impact and program services; and focus group interviews with village bank members on client satisfaction issues. The non-client comparison group included individuals from village banks-in-formation, and individual loan applicants who had met the approval criteria, but had not yet received their first loan from the program.

A team of eleven ODEF and Katalysis staff were led through the assessment by two SEEP facilitators. The three-week period included a week of training, instrument testing, and planning; a second week of data collection and a third devoted to analysis. Specific steps were taken to compensate for weaknesses of previous practitioner-led assessments. First, a special team was created and released from other obligations in order to avoid the tendency for staff involved in ongoing data collection to dismiss or short-change these tasks. Second, objectivity was supported by assigning interviewers outside their areas of responsibility. Finally, staff members’ lack of evaluation skill was addressed by intensive training and close monitoring.

Because of the test nature of the activity, and the interest in applying all the instruments, only a limited number of ODEF clients and non-clients were interviewed with each. Nevertheless, sufficient data were gathered to evaluate both the strengths and weaknesses of the tools in generating information on impact assessment and the outcomes that ODEF appears to be producing in its clients. This report documents both aspects of the test, and it identifies lessons learned with respect to practitioner-led impact assessment.

The findings demonstrated some significant outcomes experienced by ODEF clients, especially at the enterprise level. Client enterprises were found to be significantly larger, and to generate greater profits, than non-client enterprises. Reports of positive business results were also associated with length of program participation, as should be expected. Clients reported making more changes in their businesses to “earn more profit or be more productive,” and in particular, reported acquiring new products to increase their profitability. Such a change is a likely consequence of infusing more working capital into these small businesses. More clients than non-clients also invested in business assets, and more clients reported acquiring a separate, fixed location for producing or warehousing their products.

In terms of household-level impacts, more clients than non-clients reported that their savings had increased over the last year. And, clients who had participated in ODEF's program for at least a year were more likely to report that their personal income had increased. There was also evidence that household income had improved for village bank clients, particularly as program participation lengthened. More clients than non-clients reported that their household food consumption had improved, and those reporting gains had taken an average of 3.3 program loans.

At the level of individual impacts, there was qualitative evidence that women acquire greater self-esteem and confidence through program participation. Women clients also reported spending less time on their enterprises than non-clients, while at the same time generating greater return for their investment.

The assessment contained a strong focus on client satisfaction issues, with data gathered from current and former clients. While client satisfaction is not a proxy for impact, NGOs recognize that they must keep clients satisfied if they are going to remain in the program long enough to benefit from the NGO's services. Most interesting was that departing clients generally left of their own volition, and not because of compliance problems or business difficulties. The great majority reported income increases as a result of their loans, and felt positively enough about the program that they would consider borrowing again and would recommend the program to family and friends. Current clients also reported favorably on many program features, including access to a permanent source of working capital, the ease of guarantees, the savings and loan insurance services, and the training provided. There were differences among clients in their opinion of whether the interest rate was too high or too low, although four of six focus groups considered it too high. Village bank clients in particular made strong recommendations to the program with respect to increasing the level of the promoters' attention to the banks, and improving the quantity and quality of the training provided.

Overall, several lessons were learned about practitioner-led impact assessment. The staff of NGOs can evaluate with objectivity and rigor, but it requires substantial skill, interest, and time commitment. Management must be committed to assessment, must articulate its importance and rationale to staff, and must create an independent team charged with implementing the process with the highest standards. Accomplishing this requires not only vision, but resources, a solid infrastructure, and the sustained involvement of senior managers. The rewards, however, are tangible in terms of both the results produced, and in terms of the sense of learning and renewal for those involved. Senior and middle management staff of ODEF found trends in the data with immediate implication for policy and practice. Their participation in the field was a source of enthusiasm for field staff and regional managers, who do not often see the senior staff up close and in action. Sharing a common task for an intense period built camaraderie between persons at different organizational levels. While there may always be a need for outside technical assistance in design and implementation, this assistance does not have to be imported, and it can serve to support rather than overstep NGO management of the process. Examples of useful outsider roles include assistance in planning, guidance in sampling, ensuring that the requirements of objectivity are met, problem-solving, and data analysis.

The set of tools described in this report does not need to be implemented as a unit. The survey and other instruments can be tailored more closely to the organization's particular goals and issues. In addition, the instruments can be administered separately. Exit interviews can be administered after each loan cycle to some or all departing clients. Client satisfaction focus group interviews can also

be scheduled after discrete cycles and to a random number of groups. The impact survey and in-depth qualitative instruments can be reserved for a specially scheduled assessment.

Finally, more effort needs to be devoted to training NGO staff in quantitative analysis techniques, and in qualitative data gathering and analysis. These skills are not commonly found in NGOs, and require more practice than was permitted by the test's three-week schedule. A practitioner-oriented tool kit could provide detailed guidance in these areas, in addition to introducing the data gathering instruments themselves. In addition, further efforts in developing training activities would be invaluable.

With further refinements and attention to these areas, practitioner-led assessment can offer microenterprise implementers and their supporters important information on program performance, information that is not currently captured through most management information systems and program evaluation methods. While there are costs associated with assessment, these costs can be held to a reasonable level. For practitioners committed to fostering real change in the lives of their clients, impact assessment is a valuable investment.

I. INTRODUCTION

Can NGO practitioners conduct credible, useful, and low-cost impact assessments of their microenterprise programs? What type of simple tools and processes could support such an undertaking? What type of staffing is required; what type of training; and what does it require in terms of budget and infrastructural support? These are the critical questions that the U.S. Agency for International Development's AIMS (Assessing the Impact of Microenterprise Services) Project has set out to answer in its PVO/NGO component. Designed to respond to the growing interest on the part of these practitioners in evaluating the social and economic impact of their microenterprise programs on clients, their businesses and households, the tools development activities under this component have been led by the SEEP Network.¹ These activities have included:

- a collaborative planning process with representatives of the PVO community engaged in impact assessment work, and organized as an activity of the SEEP Network's Evaluation Working Group;²
- the design of a set of assessment tools by a team of PVO practitioners aimed at providing quantitative and qualitative data to 1) address a core set of impact hypotheses, 2) provide information for program improvement, and 3) collect critical program and contextual background; and
- the testing of these tools in Honduras with an NGO microfinance program.

Future activities will include a second test of the instruments with a microfinance program in Mali, the development of a manual containing the tools and guidance for their application, and two field-based workshops.

This document reports on the first field test experience, and will describe both the outcomes of the assessment and the process itself, highlighting lessons learned with respect to the tools, as well as the critical questions cited above. In doing so, this report will present comments on these aspects from the perspective of a project in process, far from complete in its activities or conclusions. To that end, it is hoped the readers will obtain some practical suggestions that might be useful in their own work, and have patience with the authors for the lack of finality regarding some of the more crucial elements of this endeavor. Practitioner-led impact assessment of microenterprise development remains a challenge, and one that will require more than this first set of efforts to resolve.

¹ The Small Enterprise Education and Promotion Network (SEEP) is an association of more than 40 US and Canadian NGOs that works with hundreds of local organizations throughout the South on microenterprise development. The Network engages in research, documentation and training activities aimed at improving member practice. Since its inception, SEEP has focused on monitoring and evaluation issues as a critical part of its program; its Evaluation Working Group provides the intellectual energy for SEEP's work under AIMS. Other partners to the AIMS Project are Management Systems International, Harvard Institute for International Development, and the University of Missouri.

² A report of that planning process, *PVO/NGO Evaluation Tools For Household and Business Impact Assessment: Report of a Planning Meeting* (August, 1996) is available from AIMS and summarized in AIMS Brief No. 9. The paper and brief can be obtained from AIMS' home page (www.mip.org) or from USAID's Development Information Services Clearinghouse at (703) 351-4039 (fax).

A. Conceptual Background

As with the AIMS Project's other initiatives, these tools were designed in relationship to an impact assessment framework and a model of the household economic portfolio that provide a conceptual basis for the selection of hypotheses and areas of inquiry.³ Much of the AIMS material has been developed with a view to designing a set of rigorous longitudinal evaluations in addition to providing practitioners with a framework for understanding more clearly how microenterprise development intersects with households' and individuals' economic goals and behaviors. Broader avenues in which impacts might manifest themselves are suggested, and underscore the complexity of capturing them.

The impact assessment framework points out that impacts may be found at the level of the individual, the business, the household and the community. The hypotheses for which tools have been designed, therefore, seek to assess effects at each of these four levels.

The household model demonstrates how a microenterprise is situated within a broader household strategy to achieve economic security and family well being. The model is based on two premises: first, that a household's economic activity can be viewed as a portfolio of income generating and investment strategies designed to, together, achieve specific goals. Secondly, because the microenterprise is firmly embedded in the household, especially among poorer families, searching for impacts requires a lens on the full range of economic activities undertaken. The model allows practitioners to address the issue of fungibility of credit by opening up the range of possible impacts to include those on other productive activities in the household and on consumption. It provides an explanatory framework for these choices. The model also recognizes that decisions on economic activities and on the use of resources within the household may be joint or separate, thereby suggesting the importance of examining decision making and resource control on the part of female clients with respect to the microenterprise.

Both these conceptual representations open up the search for impact while providing a rationale for this broader exploration. This is helpful for practitioners who are aware that enterprise development may have both social and economic effects, and who value both. It also helps clarify that lack of impact in the most obvious place — the target enterprise — does not mean that there is no impact at all. At the same time, however, these frameworks increase the challenge of designing simple tools. One implication of the model, for example, is that an assessment should look at the full range of income sources and economic activities to capture impact; yet doing so raises significant issues even for a more rigorous approach. The challenge in the development of the practitioner tools is to find a way to build on and reflect these insights into how microenterprise development works, yet capture them in a simpler way. How the tools have attempted to do this will be discussed below.

³ A conceptual model of the household economic portfolio is presented in one of the AIMS desk studies (Chen and Dunn 1996). This paper seeks to address conceptual and methodological issues regarding impact at the level of the individual client.

B. Hypotheses

The tools were designed to provide data that could help practitioners address the following key hypotheses:

Participation in microenterprise services leads to:	
at the individual level,	increased control over 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 household level,	increased income increased assets increased welfare (in such areas as food security, housing, and health)
at the business 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 households.

These hypotheses were selected by the SEEP Evaluation Working Group and represent the members' estimation of the broad importance of these impacts across a wide variety of program methodologies and contexts. At the same time, they were identified with the awareness that programs would have different levels of impact against selected hypotheses depending on the emphasis placed on them as expressed in program goals and services offered. These should not be uniform but tailored to the program services for which impact is being measured.

In addition to these hypotheses, the tools were designed to assess and better understand client satisfaction with the program. Program operators have a keen interest in information that will help them improve program services — and ultimately impact. As programs become more market driven, this need to understand what clients like and dislike about program services, which factors enhance client loyalty and which lead clients to separate from the program (often called “desertion”). At the same time, clients who are the objects of impact surveys and in-depth interviews often have more immediate and pressing concerns about their relationship with the program that they would like to express. Clients and ex-clients often have hypotheses regarding which programmatic changes would lead to greater impact on businesses like their own. To miss the opportunity to acknowledge the value of clients' opinions on this matter in an impact process would be a great loss. Several of the tools were designed to draw on client knowledge.

C. Test: Partners, Objectives and Expected Outcomes

The impact assessment test was undertaken in association with Katalysis North/South Development Partnership, a US private and voluntary organization that is a member of the SEEP Network, and the Organizacion de Desarrollo Empresarial Feminino (ODEF), their partner. ODEF is based in San Pedro Sula, Honduras, and provides microenterprise services in the northern part of the country. A more complete description of their program can be found in Section II. Katalysis and ODEF were selected for this first test through a Request for Application process that required the soliciting institutions to demonstrate strength in microfinance (as evidenced by scale and performance indicators), and an institutional commitment to impact assessment (as evidenced by the staff and organizational resources they were willing to apply to the process, and by a commitment to undertake a second impact assessment on their own within a year). SEEP served as facilitator to staff of both organizations.

The objectives of the test were:

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

Based on these objectives, the following outcomes were established for the three-week field activity:

- data collection from a sample of 144 clients and non-clients (while 72 was the original goal, in fact, a decision was made during the planning stage to double the sample size so that equal numbers could be included from ODEF's two programs — village banking and individual lending);
- □ an initial analysis of this data;
- □ an identification of the strengths and weaknesses of the impact assessment tools used;
- □ an assessment of the benefits and costs of an NGO-implemented impact assessment;
- □ an identification of issues associated with this form of assessment, and recommendations for improved implementation in the future; and
- □ an initial plan for the second stage test expected to be undertaken next year.

It is important to note that because the tools were being tested and time was limited, it was decided early on that only a small sample of clients and non-clients would be interviewed. Therefore, the data generated do not provide a full assessment of ODEF's program. Rather, they provide some indication of likely impacts that may be verified through a fuller administration of the impact assessment process in the second round. The following chapters will summarize the results of the impact assessment in light of these objectives and outcomes.

II. THE MICROFINANCE PROGRAM EVALUATED AND ITS CONTEXT

A. Context of Field Test

The field test took place in communities on the northwestern coast of Honduras, which is among the three poorest countries in Latin America. The communities studied were in three of Honduras' 18 departments: Cortes, Yoro and Santa Barbara departments, covering 16,664 square kilometers. These contiguous departments, with a population of close to two million, are bordered by Guatemala and the Caribbean Sea.

The study focused primarily on the informal sector of the economy. This sector has grown rapidly not only in Honduras but also in other countries that have had several years under the economic structural adjustment programs encouraged by the International Monetary Fund and the World Bank. The Honduran economy is still primarily agricultural with related industries. Many of the microenterprises in the rural communities where interviews took place were selling produce or providing services to workers on rural plantations.

This region of Honduras also has a thriving formal sector economy. San Pedro Sula in the Cortes Department, with a population of 850,000, is the second largest city in Honduras and the largest industrial area of the country. International trade policies have led to a flourishing number of "maquiladoras" or assembly plants, which are in free trade zones. Some of the microenterprises studied were dedicated to providing services and goods to the workers of these industrial plants who typically had left their rural communities and moved to areas like Choloma, where there is a concentration of these industries. Transportation and commercial services also have experienced high rates of growth in recent years.

Despite growth in both the formal and informal sectors, there remains a high unemployment rate (36% in 1995) in this region. In order to survive, people often establish microenterprises. ODEF estimates that it is currently reaching about 10 percent of the potential market of microentrepreneurs who need credit.

The national income per capita was \$469 (6,097 lempiras) in 1995.⁴ According to the Inter-American Development Bank the poverty line for a family of six has been set at US \$2,904. As with many microcredit programs, ODEF aims to serve clients who are usually below the national income averages.⁵

⁴ Currency values throughout this paper are usually presented in lempiras (LPs). The exchange rate is LPs 13 to \$1.

⁵ ODEF (Organization for Women's Enterprise Development). January 1996. Credit Program Strategic Business Plan: 1996-2000. Translated from Spanish. San Pedro Sula, Honduras.

B. Mission and Brief History of Program

The program chosen for study was the Organization for Women's Enterprise Development (ODEF or Organización de Desarrollo Empresarial Femenino), with headquarters in San Pedro Sula. ODEF describes its mission:

- “1) To offer financial services through the village banking and individual credit program methodology, community development and training to the small business and microenterprise sectors in the Cortes, Yoro and Santa Barbara Departments of Honduras; and
- 2) To facilitate the incorporation of the individual and family, especially women, into the productive process of the national economy allowing for an improved standard of living.”⁶

C. Financial Service Methods Evaluated

ODEF has two major lending methods, individual loans and village banks, both of which were selected for study in this impact assessment. In addition, ODEF is beginning to implement a solidarity group method and has a minor program (4% of the total clients in 1995) for environmental loans in which borrowers use the funds to improve the sanitary conditions of their home.

At the end of 1996, ODEF had 5,262 active clients.⁷ The active portfolio amounted to approximately \$1.4 million. While the village banking program had 73 percent of the total clients, it accounted for 30 percent of the loan value. The individual loan program had only 27 percent of the clients but accounted for 70 percent of the total amount lent. While the individual loan program is available to graduates of the village banking program, loans are also available directly to microentrepreneurs with somewhat larger businesses and higher financing needs.

There has been a substantial increase in clients during the past 12 months, with a small increase in the loan portfolio. At the end of 1995, ODEF had 3,134 active clients. While the proportion of clients in each program remained similar between December 1995 and December 1996, the village banking portfolio grew very rapidly.⁸ The growth of the loan fund had been even greater between 1994 and 1995. During that year, the credit program grew 278% in terms of size of the portfolio and 222% in terms of the number of loans.

⁶ Ibid, section 3.1.2.

⁷ 1995 and 1996 data are reported in this section, as these were the most recently completed years at the time of the impact assessment. In fact, at the end of 1997, ODEF had 7,612 loans outstanding to clients, valued at \$ 1.5 million. The increasing number of loans coupled with the somewhat smaller portfolio demonstrates the continued emphasis on village banking. Average loan size was \$98 for village bank clients and \$986 for individual borrowers. Solidarity group borrowers, not included in this study, numbered 505 with an average loan of \$ 132.

⁸ Miguel Navarro, Assistant Director of ODEF, provided the 1996 statistics and these were compared with the 1995 statistics in the Strategic Business Plan.

The two principal loan methods used by ODEF, and studied under the assessment, are outlined in Tables 2.1 and 2.2 below. In addition to the data included there, it is important to note the following about these two programs:

- □ The village banking program is directed to program clients who would not have access to credit individually. Bank members are typically women who already have microenterprises or have some work experience in areas in which they wish to start an enterprise. Individual loan clients, on the other hand, represent more established microentrepreneurs who can provide personal and property guarantees against their loans.
- □ Both programs have undergone some shifts in clientele over the last two years. In both programs, men have entered in increasing numbers, which was reflected in the sampling done for this test. Expansion has occurred more rapidly in the marginal zones of the urban sector. And, in the individual program, commerce has grown at the expense of production.
- □ Finally, ODEF provides business development services to banking clients through utilizing 10 training modules. Five modules are offered in business management, and five are offered in environmental and health issues. The costs for these courses is built into interest rate and fee charges. Business training for individual borrowers, while once offered, has been de-emphasized.

Table 2-1. ODEF Program Characteristics

	VILLAGE BANKING PROGRAM	INDIVIDUAL LOAN PROGRAM
Number of Clients	3,841	1,421
% Female	87%	60%
% Urban	70%	84%
Value of Active Portfolio	5.4 million lempiras (\$417,692)	12.7 million lempiras (\$976,923)
Distribution by Sector		
Commerce	75%	51%
Services	15%	25%
Production	10%	24%

Table 2-2. Loan Products Offered by ODEF

	VILLAGE BANKING PROGRAM	INDIVIDUAL LOAN PROGRAM
Loan Size	1,000-4,000 lempiras (\$77-\$ 308)	3,000-100,000 lempiras (\$231-\$7,692)
Loan Term	4 months (first five cycles) 6 months (second four cycles)	based on loan use; up to 24 months
Interest Rate	36%	30%
Payments	weekly to bank; banks pay monthly in rural areas and bimonthly in urban areas	monthly
Loan Access Requirements	initial loan for all borrowers of 1,000 lempiras; subsequent loan amounts increased in relation to business needs and accumulated savings (20% of loan amount must be on deposit)	— for 3-4,999 lempiras, guarantor is required — for 5-9,999 lempiras, guarantor and collateral are required — for 10,000 or more, lien on is property required
Savings	forced; available to clients only on departure from bank	none
Length of Participation	expected to participate up to nine cycles (3.5 years)	varies; not all borrowers take repeat loans

III. STUDY DESIGN

A. Design Elements: Description and Rationale

Because the study was designed both to test a series of instruments, as well as a practitioner-led impact assessment process, there were special demands placed upon it. The interest in testing a variety of instruments dictated the need to limit the number of clients interviewed with each; yet there needed to be sufficient data to analyze in order to determine whether the information obtained was meaningful. **The emphasis on a practitioners' process meant that the effort needed to fit within a limited time period and with a very limited set of resources, while producing meaningful data for program operators.** At the same time, it was important that the process enabled practitioners to develop a strong, plausible association between the impacts perceived in clients and the program intervention. These requirements meant that some difficult choices had to be made in the design stage, which had implications for the results achieved. Seven of the more important design elements are described below.

1. Cross-sectional Design

The design would be cross-sectional, rather than longitudinal. Program clients would be compared with non-clients to determine differences between them at the time of the assessment, rather than by comparing each at two different points (before and after). The decision to undertake a cross-sectional study was based on issues of both cost and relevance. A cross-sectional study was determined to be one that fell most readily within the financing and time limits of many NGOs. In addition, it was one that would permit an immediate estimation of impact. The designers acknowledged the strengths of longitudinal assessment, particularly when coupled with a comparison group, but thought that a discrete, one time exercise might be more practical for many NGOs. (See Appendix 1 for a table with the relative costs and merits of different strategies, as understood by the design team. Of the nine options presented, Option 2 was selected as the basis for this test design.)

2. Selection of Clients

The sample of clients were to be drawn from those who had participated in the program for at least one year. For those participating in the village banking program, it was decided that banks should have two years of experience, and clients selected for interview should have at least one year of participation in the bank. It was hypothesized that clients would need at least one year of engagement in the program to demonstrate change and that greater impact would be apparent with more years of participation.

3. Comparison Group

The comparison group selected would be the incoming clients that met all the criteria for program participation, but had not yet received a loan. In addition, these incoming, or new, clients would be selected from the same program areas as the current clients. It was expected that they would be similar to clients in their experience with economic activities, in their seeking of program services, and in other key characteristics related to program selection. (And the sample data bore these assumptions out.) Because the comparison would take place at the same point in time, historical effects would not be an issue. Within the ODEF program, the comparison groups included members

of village banks in formation, and individual borrowers who had completed their loan applications and been positively assessed by the loan officer. An equal number of clients and non-clients would be selected within each of ODEF's major programs.

4. Practitioner-led Assessment

Practitioners — management and line staff — would be involved in all phases of the impact assessment: pre-testing instruments, sampling, data collection, data input and analysis. These staff would be guided by a two person facilitation team from SEEP through all phases of the program. (The use of outside facilitators may or may not be necessary in all practitioner-led assessments. This still needs to be determined.) In Honduras, the training exposed staff to the rationale and hypotheses for the assessment as well. They were encouraged to ask questions about this intellectual framework and its assumptions about impact. The staff made changes in the wording of the instruments to ensure that the intent of the questions would be understood by their clients. In effect, the team worked to make the instruments their own, rather than just use what was delivered to them by the SEEP facilitators.

In making the decision to support a practitioner dominated process, the weaknesses of previous assessments of this type were recognized. There was an attempt to compensate for them with various features of the process. Specifically,

- □ the tendency of loan officers and front-line staff to dismiss or short-change data collection tasks would be avoided by placing these tasks within the hands of a small team released from other work obligations for the period of the assessment, specially trained, and monitored for the program.
- □ the lack of objectivity would be addressed by assigning staff to interview respondents they did not know, from program areas not under their responsibility, and by monitoring them in the administration of the interviews. The importance of objectivity was also emphasized during training and reinforced by thorough practice in neutral prompting. During the Honduras test, field supervision was done by a senior staff member of the sponsoring organizations, who made all necessary field decisions for changes in the sampling or adjustments to the daily interviewing schedule. Individual interviewers were not permitted to substitute interviewees on their own.
- □ the lack of skill in survey and in-depth interviewing would be addressed by a week of training and pretesting. Training focused on providing broad understanding of the purpose and elements of impact assessment, specific review of interviewer skills and of the content and administration of the instruments.

5. Mixed Method Approach

The study would use multiple methods — quantitative and qualitative — to provide information on the hypotheses and on client satisfaction. The qualitative instruments would seek to shed light on areas that the quantitative survey instruments could not capture well, namely empowerment and an historical perspective on loan use and business development, as well as provide clients with the opportunity to speak their minds with respect to their assessment of program services. Quantitative

data from clients and non-clients would also provide input on program performance as well as on all the major hypotheses. The principal survey would attempt to broadly cover all hypotheses rather than pursue an in-depth focus on any one element. The time frame for administration of the survey was set at 45 minutes to an hour. Within this, the survey also would seek to limit its focus most directly on one or two enterprises managed by the client and on welfare effects manifested at the individual and household level. While this represents a compromise with the household economic portfolio model, the decision was based on the need to limit the length of the interview and the expectation that practitioners remained strongly interested in the target business activities for which loans were nominally provided. In addition, the focus on welfare effects would serve as proxies for tracking specific quantitative income increases. In fact, in this particular sample, very few borrowers reported having a second enterprise activity of their own.

6. Use of Existing Data

The design also would include protocols to guide practitioners in reporting key data about program methods and in extracting information from their management information system. The first protocol would ensure that critical program and context information would be available to readers of assessment findings so that they could better understand the relationship of methodology and context to the results obtained. The second would enable practitioners to obtain baseline data before meeting the clients. It would also allow data from the impact assessment to be checked against information reported through their normal management information system to determine whether the data are supportive or contradictory. These additional elements were seen as useful in rounding out and strengthening the design.

7. Data Analysis

The analysis plan involved two aspects: the use of a simple statistical package for the quantitative data, and simple content analysis on the case studies developed from application of the qualitative tools. EpiInfo was the statistical package selected, a program designed for public health specialists using IBM-compatible computers. The virtues of the system are its relative simplicity, low cost, and availability in a wide variety of languages.⁹ No software was selected for the qualitative analysis; given the small number of interviews, it was anticipated that this could be done manually. In both instances, the aim was to find methods amenable to use by lay people with a small amount of training. At the same time, the use of a statistical package could permit higher levels of data analysis if desired.

8. Time Required

The test would be limited to a three-week period, divided roughly as follows:

- Week 1: Training, sample selection, pretesting and revision of instruments, and development of data collection plan;
- Week 2: Collection of quantitative and qualitative data; and

⁹ EpiInfo is Dos based, can work on 386 processors with only 4 megabytes of RAM, is translated into 12 languages, used in 117 countries, and has a good technical support system by phone, fax and E-mail (EpiInfo@CDCI.CDC.GOV or epihelp@EPO.EM.CDC.GOV). Manual and disks shipped internationally are \$65 and a tutorial is available. For more information, contact www.cdc.gov/epo/epi/epiinfo.htm.

- □ Week 3: Analysis and draft report writing.

In fact, these were not normal five day work weeks. Rather, they were six days, seven and a half days, and five days respectively. The sharp limitations this posed on data collection led to a decision to collect data from a limited sample rather than a size that would more likely facilitate a full analysis. Initially the plan was to conduct the quantitative survey with 35 clients and 35 non-clients. Because of ODEF’s two programs on site, it was decided to conduct approximately 70 interviews within each program. This would allow the team to assess the utility of the instruments with each population, as well as hopefully enable some assessment of impact to be made on each program. The aim would be to detect tendencies in the data at this stage, and suggest avenues for greater attention in the second round.

B. Staffing

The staff that implemented the assessment included 13 individuals: eight from ODEF; three from Katalysis and two from SEEP. ODEF and Katalysis staff were drawn from management ranks and line staff. They included ODEF’s Assistant Director and Director of Credit, as well as Katalysis’ Microcredit Program Director and Village Bank Specialist. They also included four loan officers (two who had coordinator responsibilities), a program assistant, and two support staff with strong computer skills. The SEEP staff who served as facilitators of the assessment included management staff who brought evaluation, training, and microenterprise program skills to the team. The skills and experience level of the team varied broadly in terms of their experience both in microenterprise and in evaluation, and in their educational background. Apart from the SEEP staff, only four had experience with survey research, and none with qualitative research. A profile of all team members is included in Appendix 2.

Members of the group were assigned to three sub-teams, and within each team given specific responsibilities. SEEP staff supported all three sub-teams. The table below lists the responsibilities and composition of each team.

	Team 1	Team 2	Team 3
Responsibilities of Team	Data Collection, Data Cleaning, Analysis and Report Drafting	Data Collection, Data Cleaning, Analysis and Report Drafting	Installation of Statistical Software, Creation of Data Files and Data Input
Composition of Team	4 survey interviewers (client survey and ex-client survey) 1 focus group and in-depth interviewer	3 survey interviewers (client and ex-client survey) 1 focus group and in-depth interviewer	2 data entry staff

Each team was assigned to specific sites for data collection activities, with no individual interviewing in his or her own normal geographic area of responsibility. This obviously created difficulties in finding clients in many instances. Therefore, ODEF arranged for the regular promoters to either call village bank meetings if none were planned and lead the research team to the site, or to guide researchers to the work sites or homes of individual borrowers. These guides did not remain present for the interviews. They often did not approach the house or business so as not to engage personally

with the client or have their presence lead to the impression that the interviewer was going to share the client's opinions with the promoter.

Each team was also supported with one car and one motorcycle. The site visits were arranged with a common starting point and the two modes of transport allowed flexibility in reaching a range of clients.

C. Costs

The AIMS Project provided a grant of \$ 7,500 to underwrite the field costs of this impact assessment. In fact, Katalysis and ODEF reported direct expenses of \$11,105 and an additional \$4,775 in "opportunity costs." This last item refers to what ODEF estimates to be lost income due on withdrawing loan officers from their regular work of bank formation, loan origination, and collection of payments. These costs are at the high end of the range estimated for this study design, as outlined in Appendix 1, which estimated costs for the administration of a survey to 200 individuals. This assessment involved 166 survey interviews, an additional 22 in-depth interviews, and six focus group interviews. The level of effort is fairly comparable.

In addition, \$ 20,000 was applied to underwrite on-site staff time and travel expenses of the two SEEP facilitators. (Expenses associated with design of the tools and pre-test planning are not included in this estimate.) This latter set of expenses, while important to this test effort, would not need to be replicated in future assessments by ODEF and Katalysis. Any necessary technical assistance might be purchased locally and at lower cost than this test administration required.

Overall, 260 person days were applied to the effort in the following areas:

On-site planning, training and pre-testing	78 days
Data collection	75 days
Software installation, data entry	59 days
Data cleaning	18 days
Analysis	30 days

Future tests will examine to what extent this level of effort can be reduced. NGOs might administer fewer of the tools, shortened versions of the survey, or they might administer them at different times, reducing the staff burden at any given moment.

D. Limitations of the Study

The greatest limitation of the study relates to the size of the sample for the main questionnaire. As mentioned above, only 143 were completed. This small sample size greatly affected the analysis. Differences between clients and non-clients were perceived in most instances only when both program groups were combined into one data pool. In some instances, there were indications of difference

that were not statistically significant within the sample pool studied that might appear more clearly in a larger study. These elements will be highlighted in the analysis below.

The other samples — for the qualitative instruments and ex-clients — were also small; nevertheless, the data collected from these instruments were intended to be illustrative rather than statistically valid.

A second limitation of the study relates to the sample drawn. Despite the decision that all clients should have at least one full year of participation in the program to be included in the sample pool, in fact nine of 37 bank clients had less than one year; it is not clear how many of the individual clients may have had less than one year's participation with the program. The causes for this lapse were several: some team members did not understand the participation criterion when the sample was drawn; there was no computerized management information system; participation data were not easily extracted from ODEF's paper files; and the interview structure did not explicitly include a check on this criterion at the start of the interview. Only during the analysis stage did this issue become apparent. For some questions, it was possible to separate out the least experienced clients so that only "mature" clients were compared with non-clients.

A third limitation of the study relates to the depth of qualitative information generated from the in-depth individual interviews. As designed in draft form, these tools leave latitude to the interviewer to probe and pursue story lines provided by the client. They also offered options for graphic representations (by clients in one instance; by the interviewer in another) to increase the depth and detail of communication. Administration in Honduras was limited to the oral portions of the tool, and the question process was reduced and re-structured to increase consistency and the capturing of similar detail. Nevertheless, interviewers found it extremely difficult to capture significant levels of detail in writing. All interviews were also tape recorded to compensate for this difficulty; still, there was great variety in the written cases based on the tapes. While there are certain areas in which the cases speak clearly, there are others in which the details are lacking. More will be discussed with respect to the qualitative research in lessons learned.

IV. QUANTITATIVE AND QUALITATIVE INSTRUMENTS FOR IMPACT ASSESSMENT ON MICROFINANCE PROGRAMS

Two quantitative and three qualitative instruments designed by the SEEP team were used in the impact assessment in Honduras. In addition, two protocols were developed and shared with the Honduran staff. There was feedback from the Honduran evaluators on each tool. This section provides an overview of each tool, along with the hypotheses it addresses, why it was developed, how it is to be used, who the participants are to be interviewed, and the strengths and weaknesses found in the application of the instrument. In designing tools to be administered by microenterprise development practitioners, the SEEP team kept in mind a variety of factors. Appendix 3 summarizes the criteria that are used for judging if a tool is simple, credible, useful, and cost effective.¹⁰

Title:	1. Quantitative Survey
Overview:	The main quantitative instrument for the impact assessment.
Hypotheses:	All of the hypotheses identified by the SEEP Evaluation Working Group
Why it was developed:	To have a quantitative overview of the impact of microenterprise development services.
How it is administered:	One on one. Preferably in a private setting so that the respondents can be candid.
Time needed:	60 minutes
Skill level of interviewer:	High school education; preferably familiar with relating to the type of population of the respondents but not the specific persons in the sample; need a minimum of three days of training. [The data analysis requires more sophistication and knowledge of the overall program and its intended impact.]
Respondents:	Equal number of clients and non-clients. At least 35 of each.
Use in Honduras:	Administered to 73 clients (half of individual loans and half of village banks) and 70 non-clients of similar profile.
Strengths:	Questions can be deleted or added without affecting the overall utility. Can cover many items and hypotheses in one hour. The pre-coding means that it is relatively simple to obtain statistically significant answers and tables using EpiInfo.
Weaknesses:	56 questions is long. Some ODEF staff felt that a much shorter instrument would work better: it would be easier to ensure quality control of the staff interviewers; it would reduce the labor of data entry and cleaning (which is substantial); and allow more interviews to be completed in the same amount of time, raising the number of surveys completed (which is desirable for the analysis stage). All the questions were maintained in this administration due to its test nature. Despite the current length, it covers each hypothesis in a relatively cursory manner; thus shortening would mean eliminating hypotheses. The pre-coded format means that there is little chance for the respondent to answer fully or explain their answers. Some of the questions have multiple answers so in effect many more than 56 questions are involved; this makes coding more difficult.

¹⁰ Readers interested in receiving full copies of these instruments should contact the AIMS Project at Management Systems International, 600 Water Street S.W., Washington, D.C. 20024, fax: 202 488-0754; E-mail: aims@msi-inc.com.

Title:	2. Client Exit Interview (a quantitative survey instrument)
Overview:	Designed to ascertain: 1) Why the client left; 2) whether motivating factors were program related or due to external reasons; 3) ex-clients' opinions of program and problem areas; 4) modest indication of his/her opinion of impact of program on him/her and business before s/he left or graduated.
Hypotheses:	The client leaves because s/he is dissatisfied, and impacts are assessed not to be sufficiently positive to maintain program participation.
Why it was developed:	The majority of evaluations interview the clients or non-client control group. This is supplemental in interviewing the drop-outs or graduates of the program. Useful not only in impact assessments but also as a routine monitoring tool for management.
How it is administered:	One on one. Preferably in a private setting so that the respondents can be candid. Should be done routinely soon after the client leaves or at the time of departure (when s/he withdraws his savings).
Time needed:	20 minutes.
Skill level of interviewer:	High school level. Could be administered by clerical staff or another promoter. Should not be done by client's own promoter.
Respondents:	Clients leaving the program for whatever reason.
Use in Honduras:	23 respondents. Half from village banks and half from individual loan program.
Strengths:	Simple to use and to analyze since most are pre-coded answers. Can be on-going so as to gather large amounts of respondents over the course of a year. Good management tool to correct situations seen to cause multiple clients to leave. Good check for supervisors on the impressions of promoters about why clients are leaving. More complete than earlier efforts.
Weaknesses:	Has only been tried once in the field. The instrument as tested in Honduras assumed in the pre-coded answers that clients would be dropping out or leaving upset at the program. The survey's pre-coding needs to allow for the sense of graduation from the program encountered in a number of the 23 interviewed.

Title:	3. Loan Use Strategies Over Time (qualitative)
Overview:	This uses in-depth interview techniques to ascertain the many ways that clients utilize the loans they receive, assuming that not all loans are invested in the growth of the enterprise. These techniques attempt to shed some light on how decisions are made to utilize loans and income generated from the business. The tool also contains participatory rapid appraisal elements (visual drawings) to help respondents describe and record the uses of loan proceeds and profits.
Hypotheses:	E-1 Increased net worth in the microenterprise E-2 Increased net cash flow from microenterprise activities E-3 Increased differentiation between the microenterprise and household
Why it was developed:	The specific purposes of the set of activities in this exercise are: — To document use of loan resources over time — To complete an economic analysis of current business(es) — To illuminate decision-making by women — To understand the control women have over the utilization of business income and loans — To demonstrate the interrelationship between household and business — To identify the source of differentiation and diversification in business activities
How it is administered:	One on one. This exercise is presented in three parts - a historical time line, the decision tree, and the advanced decision tree, and one can decide how much to use.
Time needed:	Depends on level of implementation. Minimum of 30 minutes.
Skill level of interviewer:	University graduate or very skilled questioner who know the type of respondents.
Respondents:	Microentrepreneurs having had at least two loans. It captures a richer decision-making with clients with multiple loans.
Use in Honduras:	Applied to 16 respondents from the village bank and individual loan programs. Only the historical time line and loan use “decision tree” attempted in narrative rather than graphic form. The advanced decision tree considered too complex by Hondurans.
Strengths:	Approaches the issue of fungibility in a positive manner so that the client is encouraged to indicate the many uses of the loan and the business income rather than hide the uses not mentioned in the loan application. Helps understand decision-making and control (or lack thereof) of women over loans and income. Validates the interrelationship of household and business. Captures multiple businesses and diversification.
Weaknesses:	Requires probing questions to ascertain uses, constraints on resource use, decision-making and this is complex when faced with the variety of types of microenterprises. Depends upon the client’s memory and willingness to explain the uses of funds.

Title:	4. Ascertaining Perceptions and Manifestations of Empowerment among Clients - (qualitative)
Overview:	The goal of this interview technique is to ascertain ways in which clients feel and manifest empowerment (including self-confidence and self-esteem) as a result of their participation in the program activities.
Hypotheses:	I 4 - Increased self-esteem on the part of women clients.
Why it was developed:	This technique concentrates on the manifestations of empowerment in individual, household, community and enterprise behavior rather than on attitudes because it is hypothesized that those who have been empowered through program participation will make decisions differently and take greater risks in all these areas. It is important to document whether empowerment occurred as a specific function of program participation as many group lending programs targeting women provide training designed to empower them.
How it is administered:	One on one. There are suggested probing questions. The original calls for drawing self-portraits at a time before entering the program, now, and in the future and then asking the client to explain each of the portraits and to analyze changes, emotions, and how the changes occur.
Time needed:	One hour? Depends on the depth of the interview.
Skill level of interviewer:	Probably university educated or extensive experience in training and/or adult education.
Respondents:	Women clients with at least two years in the program.
Use in Honduras:	Used with six village bank clients. The Hondurans eliminated the drawing aspect and just questioned about the client's image of herself before and during the program. The detailed future scenario also was eliminated due to time constraints although some elements of future business goals were included.
Strengths:	Lots of probing questions for past, present and future.
Weaknesses:	The matrix is not adequate to capture the amount of material generated by the client. The analysis requires sophistication.

Title:	5. Ascertaining Client Program Satisfaction
Overview:	The focus group techniques can be utilized to ascertain whether or not clients are satisfied with the program overall and with the specifics of the program.
Hypotheses:	This technique does not address any hypotheses.
Why it was developed:	It was included because it is assumed that program managers or directors will be interested in learning whether clients are satisfied with the program and, if not, what client suggestions might be for improvement.
How it is administered:	There are three versions: in the first, clients are asked to design the best lending program they can think of. In the next step the group presents its ideal and then compares it to the current program. The differences provide suggestions to the agency of possible changes to consider. In the second, the group is asked to discuss what it likes and dislikes about the present program, and there is a voting process to determine the strength of the opinion. Recommendations for change are solicited for elements which are less satisfactory.
Time needed:	One hour? Depends upon depth.
Skill level of interviewer:	Skilled trainer or university trained person with skills in group work.
Respondents:	Clients with at least two years of experience so they can comment on the pros and cons of different elements of the program and make suggestions for changes.
Use in Honduras:	This was administered in Honduras by senior staff in the microfinance organization and its technical support agency.
Strengths:	Stimulates debate and discussion on various elements. Helps staff see what the clients are satisfied with and what they would like to change.
Weaknesses:	If not done carefully, may falsely raise hope for change of methods just because the group articulated and voted that they would like changes in the interest rates or another element. There may be a tendency toward unanimity which is false just because clients want to be seen voting with the majority. In the testing stage, it was found that the Honduran clients had a difficult time with the concept of voting on how many experienced different changes. There was a strong tendency toward unanimity in the votes with clients switching their personal votes in order to be in step with the majority. The group process was redesigned to encourage each participant to describe and discuss one program element, and then open the discussion up to other participants. There may be a fear (of reprisal or hurt feelings) to state openly to program staff that there is strong dissatisfaction with an element of the program.

Title:	6. Protocol for Extracting Data from a Management Information System (MIS) for Use in an Impact Evaluation
Overview:	This document will help internal or external evaluators to determine what existing management information may be useful in assessing the impact of microfinance services.
Hypotheses:	This document will assist in extracting and recording data from the MFI's loan documentation and its MIS that address key hypotheses.
Why it was developed:	The document provides recommendations on the type of information that could be included in the normal loan process which would provide useful indicators for impact measurement on an ongoing basis.
How it is used:	The MIS is designed to provide information for three different internal levels (top management and the board; middle management; line staff) and for an external public (funders; public). This protocol draws from the information already gathered and pulls what is useful in addressing impact hypotheses.
Time needed:	At least six hours to find out what is currently being compiled, think about its usefulness to impact evaluation, find out how accessible is the data, do some trial efforts to pull the data for random clients, design a way of pulling the data on the clients, and draw up a plan to do so with a budget of time and money required.
Skill level of user:	University trained. Should be equivalent to the skill level of a middle manager in a MFI.
Source of information:	The computerized and manual MIS, including the loan application and tracking documents.
Use in Honduras:	Applied to ODEF, although lack of computerized information other than loan data limited use. A half page form for key information was prepared. After the sampling was complete, borrower files were consulted to fill in basic data before the interviews. These were attached to the top of the instruments for the interview, then detached to protect the identity of the interviewee. The information gathered before the interviews assisted only in the sampling (to determine gender, urban/rural, business sector, loan program, months in program, etc.) and in the beginning of the interview with the client (loan and savings amount, loan size as proxy for time in program, if behind in loan payments, etc.)
Strengths:	The protocol reviews issues involved in abstracting useful information from an MIS. It outlines the impact and measurement variables and where those could be found within an MIS. It concludes with the ODEF example and a bibliography.
Weaknesses:	The limitations are substantial because there is no standardization in MIS and/or related software. Thus, there is no easy way to write an instructive piece on how to abstract standard information from an MIS for use in an impact evaluation.

Title:	7. Protocol for Writing a Program Intervention Profile for Use in Evaluations
Overview:	This is an instructional protocol of the essential elements that should be included, a series of questions, ideas of the sources from which the information may be drawn, and a sample profile written by ODEF.
Hypotheses:	This does not address hypotheses.
Why it was developed:	In order to design an adequate impact evaluation, it is important to understand the problems the organization desires to address and the program intervention in sufficient detail. This description of the program should accompany the final report so the reader may understand if the program methodology is having the desired impact.
How it is used:	The process is started before the evaluation is begun. The protocol provides a list of questions under each category. Key documents can be studied and a draft made. Clarification must be made through interviews of staff, preferably at the middle and field level since many written lending procedures are not currently being used.
Time needed:	Depends on the size and complexity of the organization and the number of its programs. A minimum of five hours to research documents, interview, and write. Then time to translate and be reviewed by program staff. A minimum total of ten hours.
Skill level of user:	University trained with good abilities to summarize accurately large volumes of material. Skill to probe and clarify inconsistencies.
Sources of Information:	Organization's goal and objectives; strategic or business plans; annual reports; reports to board and funders; management reports; financial records; MIS; program supervisors and field staff; public information on region and country. Sometimes interviews with clients turn up inconsistencies in the way the program is supposed to work and how services are really delivered.
Use in Honduras:	This was used to compile the information about ODEF included in the section on the context and program.
Strengths:	The series of questions should stimulate a relatively unsophisticated user to develop a good profile. The sample written by ODEF gives the reader a good example of what to include and what level of detail is important. It shows that this can be done by practitioners.
Weaknesses:	The questions point the user in the right direction but cannot assure the correct information will be collected. The level of detail needed requires a judgment call, as it would be easy to be too detailed or obtain too little information on methods. There are always contradictions in information about program intervention due to lack of systematic implementation across geographical zones or ongoing changes in methods. A fairly skilled user is needed to determine which of these are important to pursue and record.

V. THE SAMPLE

As discussed earlier, it was decided to keep the sample size small. Rather than identifying an optimal number in relationship to program and client characteristics, minimum numbers were selected that would provide adequate experience with the tools and some initial level of analysis. Guided by this principle, the numbers interviewed for each element of the assessment were as follows:¹¹

	Quantitative			Qualitative	
	Core Survey		Survey of Former Clients: “Exit Interview”	Focus Groups	In-depth Individual Interviews
	Client	Non-client			
Village Banking Program	37	36	12	6	13
Individual Loan Program	36	34	11		9

Within these target numbers, a set of selection criteria were applied to ensure that the sample matched the client population as closely as possible. These criteria are outlined in Appendix 4.

A. Comparison of Clients and Non-Clients

The sampling succeeded in producing a group of clients and non-clients who were similar in their demographic characteristics. Clients and non-clients were similar within their sub-programs as well as across the two programs on the following characteristics:

- Overall, 66% of the sample were women and 34% were male. Within the village bank sample, 75% of the clients and 69% of the non-clients were women. While this somewhat under represents the current population of women in the client pool, it does reflect the current trend toward greater inclusion of males in the village bank program, as can be seen from the non-client sample. Within the individual sample, 61% of the clients and 59% of the non-clients were women.
- The average age for the entire group was 40 (clients: 39; non-clients: 40.)
- Two-thirds indicated that they were married or in a partnership relationship.
- The average educational level was 6.2 years. Bank clients and non clients reported an average 4.9 and 4.5 years of schooling respectively. Individual borrowers reported an average 8.7

¹¹ The number of interviews planned in certain categories differed slightly from the numbers achieved. It had been hoped to achieve 24 exit interviews (rather than 23); 24 in-depth interviews (rather than 22). Two fewer than planned in the individual loan program were completed as well.

years of schooling, while non-clients in this category reported 6.8 years of schooling. This difference is not statistically significant.

- There was some difference in household composition. The households of individual loan clients and non-clients were approximately the same. Within the bank sample, however, on average, there were 4 children in client homes and 2.8 children in non-client homes ($p=.025$).¹² Furthermore, there were only 2.4 adults in client homes versus 3.5 in non-client homes. This additional adult presence did not make itself felt in terms of the economic security of the household and income streams. Both clients and non-clients had similar numbers of adult income earners, with an average of a little over two income earners per family. While the type of dependents varied somewhat, the dependency ratios were similar overall, with a little over two income earners supporting about 4.2 dependent household members.
- The sample was equally distributed among respondents who said they were heads of households: 49 clients and 46 non-clients reported that they were heads of household.
- The types of business carried out were also similar, although with some differences: Fifty-eight clients and 43 non-clients were engaged in commerce; twelve clients and 24 non-clients were in the service sector; and 6 clients and 7 non-clients engaged in production activities. In addition to these activities, an equal number of clients and non-clients reported that they were wage earners (14 each); 6 each engaged in agriculture or animal husbandry and 5 clients and 6 non-clients engaged in casual labor.

Overall, the two groups were substantially the same. This close matching suggests that differences between the groups demonstrated in the analysis are associated with client participation in the ODEF program. Tables located in Appendix 5 provide the detailed breakdown on these characteristics.

B. Demographics of Clients Who Had Left the Program

The 23 respondents selected for exit interviews included 11 former clients of the individual credit program and 12 from the village bank program. Of those 23 interviewed, 9 were men and 14 were women. Among the 12 village banks' ex-clients were 5 men and 7 women. Of the 11 individual borrowers, 4 were men and 7 were women.

There was nothing distinctive about the 23 who left the program from the average business profile of ODEF clients. Fourteen were in commerce (5 men and 8 women; 8 of the village bank members and 6 individual borrowers). Four were in service (2 men and 2 women; 3 village bank borrowers and 1 individual borrower). Five were in production (2 men and 3 women; one village bank member and 4 individual borrowers).

¹² A p value of less than .05 is considered statistically significant. The p value is a measure of the statistical significance of the difference between two mean values.

VI. FINDINGS

This section presents the principal findings of the impact assessment, drawing upon data generated by all five instruments. First, the findings related to each hypothesis are discussed. Next, the results of the interviews with former clients are given, followed by results from the “Client Satisfaction” group interviews.

A. Overview

The hypotheses selected for this assessment presume that the impact of microenterprise services will be found at four levels: the client, the household, the enterprise and the community. As the design team developed the instruments to test these hypotheses, however, a set of decisions was made with regard to how much emphasis each level would be given. It was felt that practitioners would be strongly interested in impacts at the enterprise level since this was the focus of their services. Therefore, special attention was given to this area of research. In addition, it was assumed that if the microenterprise program worked as intended, effects should show themselves within the enterprise and then spill into other areas of change. It was further expected that, given the small loan sizes normally provided, effects would manifest themselves as incremental increases. More substantial effects in terms of asset build-up might be less apparent.

In many respects, the findings mirror these assumptions. The strongest differences between clients and non-clients were found in the size, profitability and development of their businesses. At the household level, the most critical differences were found in reported gains in 1) personal income (among the more mature clients); 2) savings; 3) food consumption; and 4) basic home improvements. At the individual level, women clients appeared to have achieved greater productivity than non-clients, expending fewer hours in business activities while generating greater returns. The qualitative data also suggest growth in self-esteem and confidence on the part of women clients over time. On the other hand, little difference was found with respect to decision-making and control issues, employment, and other welfare effects such as schooling and health. More detail on each of these areas will be reported below.

1. Impact at the Enterprise Level

The enterprise-level hypotheses assert that microenterprise services will lead to increased net cash flow, increased acquisition of business assets, and ultimately to greater differentiation between the enterprise and household as the business matures. Evidence supporting each of these was found in the comparison of ODEF clients to non-clients. In addition, there was some evidence that supported the belief that these impacts increase as program participation lengthens.

Client enterprises were significantly larger than non-client enterprises, and generated greater profits.

Respondents to the survey were queried about the sales, expenses and earnings of their two most important enterprise activities. In this program, very few respondents reported a second enterprise, so the results reported here will focus on their most important one. The approach taken was to query clients first about the production cycle for their particular enterprise (“over what period of time do you realize earnings from this activity?”), and then use that cycle to help clients recall their expenses

and sales. These figures were translated into monthly estimates for purposes of comparison. Interviewers calculated the earnings from these figures. In addition, clients were also asked to estimate their earnings. The results demonstrate a marked difference between the two groups.

Client businesses were significantly larger, as represented by sales volume (Table 6-1). This was true whether looking at all respondents together, when comparing mature clients to non-clients, bank clients to their counterparts and individual clients to their comparison group. This finding is not surprising. Loans are used to inject working capital into the business, to increase the quantity of product produced (or purchased for re-sale), and thereby the volume of sales. The growth of businesses in this way is an immediate, positive result of program participation.

The profit levels are also higher for clients than non-clients (Table 6-1). The difference was significant when interviewer (versus client) calculations were used. Interviewers estimated that clients and non-clients had roughly equal levels of confidence or difficulty in making estimates of sales, expenses, and profits.

Table 6-1. Business Sales and Earnings (*in lempiras*)

	Average Monthly Sales	Average Monthly Profit (<i>based on sales and expenses</i>)	Average Monthly Profit (<i>as reported</i>)	Respondent Difficulty with Profit, Sales and Expense Questions		
				<i>no difficulty</i>	<i>some difficulty</i>	<i>much difficulty</i>
Clients	17,363	7,214	4,528	30%	41%	29%
Non-Clients	9,989	4,125	2,974	32%	43%	25%
p value	p=.006	p=.04	p=.06			

Also of note is the relationship between the number of loans and client estimates with respect to the position of their businesses. It is a challenge for a microenterprise to maintain stability or to grow. In this respect, it is interesting to see that clients who reported that their profits had increased or maintained the same, had an average of three program loans. Those who reported that their profits had worsened had an average of 2.2 loans. For village banking clients alone, the average was even higher. Those who indicated that their profits had increased or stayed the same had an average of 3.7 loans. This could be attributable to the smaller loan size in this program. The average loan amount of the borrowers who reported an increase or stability of profits was 2,920 lempiras (\$ 225 US); clients who had worsened profits had an average loan amount of 2,250 lempiras (\$173 US).

This relationship, at least for village bank clients, is further supported by the information gathered from the individual in-depth interviews focused on loan use and business evolution. Sixteen bank and individual borrowers were interviewed on these topics. Appendix 6 includes two tables that briefly summarize the results of these conversations. For the village bank clients, increasing profits are clearly associated with the succession of loans. From this small sample, two had only one loan, another two had two loans, while three had between three and six loans. Consistent with the findings from the survey, reports of increased profits that the clients considered significant were found after the second loan, and even more strongly after the third. Respondents reporting on their first loan made the following types of remarks:

“ ... the results aren't satisfactory due to the high interest rate that ODEF charges, the rapid turnaround on loan payments; this doesn't give time to move the money...”

“ ...the loan didn't have the results hoped for...”

“... the first loan was little, and the results weren't as good as hoped for...”

“... for this business, [the first loan] is little money since the investment [required by this business] is substantial.”

“If one wants to be in business, it's little.”

After the second loan, the reports of higher profits increase. Bank clients in this sample talked of profits between 15 and 50% depending on the product or activity; one mentions doubling his daily profits; four of five mention adding a second economic activity to bring in additional returns. Three of these clients reported that the added business was also successful in generating profits. In addition, the clients provided a portrait of increasing investments in their key business stocks. This was seen in a steady increase in the pounds of cheese and butter bought by one vendor, and the growing value of clothing that another vendor was able to buy on credit for resale. In addition, longer term clients articulated additional economic ambitions: to open a store, to lend out savings, to build a number of rooms for rental. Bank clients who have had more loans made the following types of remarks:

“ [After two loans] Currently, I have profits that average 1,300 lempiras. The factors that have contributed to this are that I watch expenses, select customers carefully, and I know how to buy what they want. I count on this money to work, and I am increasing my sales... I have improved in terms of [what I can pay for] food consumption, education, and things for the house. Also I have been able to pay for medicine for thyroid problems.”

“ [After four loans] What would I earn if I was employed? A misery. I have all that is needed in the house: I have food, I sleep with tranquility. I don't worry about the loan from ODEF because I know I can pay it.”

“[After five loans] I felt more contented since my business was going up and I had more profits, more money and more clients. I have overcome a lot since I began, and I've begun to get articles for my house.”

This last individual was in her sixth cycle and plans to take one additional loan after which she expects to be able to continue working with her own funds. In her mind, she will have successfully used the ODEF program to accomplish her goals, and will “graduate” of her own volition.

It is also interesting to note that two of the seven borrowers indicated that loan proceeds were used to support family consumption during their first cycle, but this is not mentioned by borrowers when they discussed how they expended their loans at later cycles. This may suggest that as the businesses have grown, they have been able to generate sufficient return to cover these expenses without having to draw from the loans directly.

The picture one gets from the interviews with the individual borrowers is somewhat different, however. Of nine clients interviewed, eight were on their second loan and one was still on his first loan. Loans for these clients average 12 months, and are of a much larger size. Therefore, it should be expected that positive returns would show more quickly than for the bank borrowers. And in fact,

this is true: eight of the nine borrowers report that they achieved their business goals after their first loan. Only one was disappointed. Although he reported profits between 10% and 12% from his activities, his diversification strategies (he added new merchandise to his store that had slow turnover, and he bought a truck to start a transport business) were more than he and his wife could adequately manage.

However, now in their second loan cycles, four of eight reported disappointing profits, while the other half reported strong earnings. The “strugglers” reported a series of reasons: illness, difficulty finding qualified workers, changes in the neighborhood that have reduced visibility and access to one store. One charged that an increase in ODEF’s interest rates (from 22 to 32% between the first and second loan), coupled with delays in disbursement, prohibited him from having stock in hand for peak seasons. The “gainers,” on the other hand, reported expansion of customers, increasing product lines, improvements in product display, and increasing production.

Certainly, this small sample did not capture the whole of the borrowers’ experience in either program, but these findings do suggest that the individual borrowers, with their more complex businesses and greater financial risk, may not follow the same steady progress that bank clients tend to demonstrate.

Client businesses may also be advancing because of changes in business practices (Table 6-2). The survey asked respondents what changes they had made in their businesses during the last twelve months in order to “earn more profit or be more productive.” Among the types of changes mentioned were increasing the scale of the business, acquiring new products, employing more workers, improving the quality or appearance of a product, bulk purchasing, sourcing cheaper credit, accessing new markets, or taking on a new economic activity. About two-thirds of the clients compared to 47% of non-clients reported making at least one such change. The average number of changes that clients made was one; for non-clients, the average was a half. Very specifically, more clients than non-clients reported acquiring new products in order to increase their profitability, a change that would logically follow the infusion of funds into a business.

Finally, it was of note that when the two groups were asked what factors they would consider when “deciding to involve themselves in an economic activity,” approximately two-thirds mentioned having working capital. Only two of the non-clients mentioned this factor. This suggests the strong demonstration effect of the loan in the business lives of the clients.

Table 6-2. Changes in Business Practices

	Number making changes in business		Number acquiring new products	
Clients	48	66%	25	34%
Non-clients	33	47%	12	17%
p value	p=.003		p=.019	

More clients had invested in business assets.

The survey asked respondents if they had invested in any tools or equipment over the last twelve months, and if so, in what type of items (Table 6-3). A significantly greater proportion of clients than non-clients reported that they had made these investments, buying major or minor tools and equipment, storage containers, warehousing, transport, and site specific improvements. Although no specific type of purchase stood out as significantly different, in many areas the clients invested in more of specific items. It may be that the small sample size prevents the differences from being seen more clearly.

Table 6-3. Enterprise Assets

	Invested in tools, equipment, or other articles	
Clients (n=73)	29	40%
Non-clients (n=68)	13	19%
p value	p=.007	

More clients than non-clients reported acquiring a separate, fixed location for production or storage.

The survey questioned respondents about a set of management practices that correspond to a greater separation of the business from household funds and transactions. These practices included separating household and business funds, paying oneself from the business, maintaining written accounts, and having a fixed location to sell, produce, or warehouse products. In most of these areas, clients and non-clients gave similar replies. A large proportion reported maintaining separate funds, evaluating which products provide the greatest profits, and using written accounts (60%, 86% and 55%, respectively). The ability to keep written accounts is facilitated by relatively high education levels. Some 40% reported paying themselves regularly as well. In only one area did clients report differently than non-clients. Almost a third of the clients, compared to 15% of the non-clients, reported a fixed location to produce or warehouse their products (Table 6-4). This seems to be an important marker of progress at this level of enterprise. It contrasts sharply with the proportion of respondents who reported having a fixed location to sell their products.

Table 6-4. Business Location

	Fixed location to sell products		Separate, fixed location to produce or warehouse products	
Clients (n=73)	40	55%	23	32%
Non-clients (n=69)	37	54%	11	16%
p value			p=.03	

2. Impact at the Household Level

Household-level hypotheses suggest that participation in microenterprise services should lead to improvements in personal and household income, to an increase in household assets, and to improved household welfare. This impact assessment found differences between clients and non-clients in several key areas, no differences in others, and some conflicting data in the area of income gains. The different perspectives provided by the qualitative and quantitative research methods suggest that more needs to be done to re-focus and clarify research questions on this topic. This section discusses key findings at the household level.

More clients than non-clients reported that their savings had increased over the last year. They also reported having more household assets than non-clients, although it is not clear to what extent this is related to program participation.

The survey queried respondents about their savings and household assets. Like income, savings is a sensitive subject. Rather than attempt to capture exact amounts (except for savings maintained with the program), the focus was on capturing respondents' perceptions of the trend over the last year. In this respect, the answers were quite interesting. Both clients and non-clients responded in roughly the same numbers that they currently had "personal cash savings for emergencies or for future large purchases or investments." But clients were more likely to respond that their savings had increased over the last year than were non-clients.

Table 6-5. Savings

	Those with personal, cash savings		Those whose savings have increased	
Clients	37	51%	17	47%
Non-clients	31	45%	7	23%
p value			p = .037	

One might assume that this difference was due in large measure to the ODEF requirement that all village bank clients save as a condition of loan access. But, it is clear that clients did not interpret the question in that way. Only 55% of the bank clients responded "yes" to the question of whether they had personal savings. Because the funds maintained with ODEF can only be accessed under strictly limited conditions,¹³ clients do not view them in the same fashion as savings for emergencies or large purchases. Nevertheless, this is another asset they are building through participation in the program which the non-clients do not have. The average amount of savings that interviewed bank clients had with the program were 902 lempiras for all clients, with the range from 180 to 3000 lempiras.

With respect to household assets, the picture is less clear. Clients were asked to report on whether they owned any of 16 different household assets, including household goods, transport vehicles,

¹³ Savings may not be withdrawn during a loan cycle. If a client has more savings than the minimum required to guarantee her/his loan amount, the excess may be withdrawn with the agreement of the bank's board of directors. Generally, clients do not withdraw their savings until they depart from the program.

animals, and property.¹⁴ Overall, clients reported owning more of these assets than non-clients, with clients on average owning 7.5 items versus 6.5 for non-clients (p=.037). But there was no difference in the number of items bought over the past two years. On average, clients reported buying one new asset since they had joined the program.

Table 6-6. Household Assets

	Average number of household assets	Number of assets purchased in last two years	Number of assets purchased since joining program
Clients	7.5	2.1	.9
Non-clients	6.5	1.9	
p value	p=.037		

There was no particular item that clients had acquired more than non-clients, although there is one item that deserves special attention in future assessments of the ODEF program. In Honduras, the refrigerator is an important economic marker for movement from one economic level to another. In this sample, 19% of the clients, compared with 10% of the non-clients, indicated that they had bought a refrigerator in the last two years. Although the difference is not statistically significant in this sample (p=.12), it is worth looking at this again with a larger sample of clients.

Clients who had participated in ODEF's program for at least a year were more likely to report that their own personal income had increased. There were also indications that household income improved for village bank clients, in particular, as program participation lengthened.

Addressing this hypothesis is always a challenge. How best to gather accurate income data — with a moderate amount of expenditure and time investment — has been the subject of much debate. Should income be measured directly and in detail; should proxies (in terms of key expenditures) be used; should the questioning focus on trends?¹⁵ A less complicated approach was taken in the survey, and questions were designed to capture respondent perception of changes (trends) in income over the past year. These trend questions were asked in terms of both household income and the respondent's own income.

Clients and non-clients answered these trend questions in very similar terms. While slightly higher numbers of non-clients reported that their household income had increased, the difference was not statistically significant. This was the same when looking at all households, and even more importantly, when looking at households where the number of income earners had stayed constant.

¹⁴ The list included the following: radio or tapeplayer, television, telephone, sewing machine, bed, wardrobe, stove, refrigerator, bicycle, motorcycle, truck, animals (small and large), house and land.

¹⁵ The AIMS project has produced a working paper on this topic (Anne Inserra. 1996. *A Review of Approaches for Measurement of Microenterprise and Household Income*. Washington, D.C.: Management Systems International).

Table 6-7. Household and Personal Income

	All reporting increase in HH income		HH income increases with same number income earners		All reporting personal income increases		Mature clients versus non-clients reporting personal income increases	
Clients	26	37%	16	30%	38	53%	36	57%
Non-clients	30	45%	17	36%	27	40%	27	40%
p value							p=.054	

When one looked at personal income, however, the data were somewhat different. When all clients were compared to non-clients, there was no significant difference in the numbers reporting that their own income had increased over the last year. However, when one removed the nine village bank clients who had participated in the program for less than a year, then the data looked somewhat different. In this second instance, 36 of 63 mature clients versus 27 of 67 non-clients who reported on their personal income indicated that it had increased. The percentage of mature clients reporting personal income increases was higher than the non-client pool: 57% versus 40% (p=.054). This suggests a trend towards income gain as program participation lengthens, and is worth following up in the second round of the assessment.

It is important to emphasize that the survey queried respondents about changes in their income *over the last twelve months* only, and therefore changes that might have occurred over a longer period of time of program participation might have been missed. In fact, information from the qualitative interviews on loan use and business development suggest that this might indeed be so. As indicated in the section above on enterprise-level impacts, 16 clients were interviewed. Of the seven village bank clients, five of them considered the return from their first loans too small, and the impact on their businesses and family income quite marginal. From the second loan on, higher returns were noted and investments in family expenses were reported on an increasing basis. Those with three to six loans were even more positive about the value of the returns in increasing family income. This longer, historical perspective, as opposed to the look back over just the last 12 months, may suggest more clearly the type of benefit that bank clients receive as they gain access to higher loan amounts.

The different views obtained on this issue from each method of inquiry raise an interesting challenge for the further development of the instruments. Further testing is needed on a reliable and simple way to ask about and capture income change.

More clients than non-clients reported that their household food consumption had improved.

Respondents were asked to what extent their household's diet had improved over the last twelve months, and, if it had improved, in what ways. They were also asked how much of certain key items they had consumed over the last three days, and how much they had spent on these items. In addition, respondents were asked whether there were any periods during the last twelve months when

they had greater difficulty feeding their families; if so, how long the period lasted, and what strategies they used to manage during that period.

Table 6-8 illustrates the difference in responses. More clients than non-clients reported that household food consumption had improved, and the difference is even more striking when comparing current village bank clients to those not yet in the program. Also of note is that clients reporting improved household food consumption had taken an average of 3.3 loans with the program. The average loan size related to improved food consumption was 8,837 lempiras (the median was 3,000 lempiras). These data point to the importance of sustained participation in improving clients' food consumption. Improved food consumption has many positive benefits, including higher labor productivity.

Table 6-8. Improvements in Overall Food Consumption

	Improved food consumption (full sample)		Improved food consumption (village bank sample)		Average number of loans taken
Clients	28	38%	20	54%	3.3
Non-clients	16	24%	10	29%	
p value	p=.058		p=.037		

Despite these positive trends, ODEF should not rest comfortably; 40% of its clients reported that there was a period during the last twelve months when it was more difficult to feed their family, whereas 30% of the non-clients reported the same. For each group, the period of difficulty averaged around two and a half months.

There were no significant differences in clients and non-clients with respect to housing, education and health.

The survey queried respondents on home ownership: whether they had made repairs, improvements or additions to the home over the last two year; the types of changes made; and the amount of funds invested in them. An equal proportion of homeowner clients and non-clients reported making a variety of improvements to their homes, spending approximately the same amount of money. The only difference between the two groups related to the type of improvement made, with 24% of ODEF clients reporting that they had made basic improvements to the structure of their home, largely roof, floor and wall repairs, versus 7% of non-clients. While the result is not statistically significant in this small sample, it is an area for greater attention in the larger, second round, as most of those who reported the improvements stated doing so while they were clients of the program. It is important to note that these basic structural changes contribute to the health and well-being of household members.

The survey looked at educational attainment of the respondents' children and at the amount of school expenditures for the current school year. There were no statistical differences with respect to the number of children in school overall, the average expenditures per child or the average grade level.

This is not surprising. Children of primary school age, at least, appear to be largely attending school in the areas where ODEF operates its program.

Respondents were asked if any household members needed medical attention during the last year, and if so, where they obtained the funds to pay the expenses. They were also asked if there was a time when a household member did not receive treatment due to lack of funds. There were no statistical differences in the replies given to any of these answers within the small sample studied.

3. Impact at the Individual Level

The individual-level hypotheses in this study look for change in women's decision making and control with respect to economic resources, for improvements in their self-esteem, and for improved productivity of their economic activities. They also test that enterprise activities have had no undue burden on children. Data from this assessment suggest that women's self-esteem and confidence do increase with program participation, that they are increasing their productivity and that their children are not harmed, at least not by missing school. The survey did not capture differences in decision-making and control between female clients and non-clients.

Women clients manifest greater self-esteem through program participation.

Because self-esteem is a concept not easily amenable to quantitative instruments, it was examined through an in-depth interview instrument that asked women clients to reflect on themselves prior to joining the program and now. Women were asked to consider how they saw themselves in the context of their households, businesses, and communities. Six such interviews, all with village bank clients, were completed during this impact assessment. While not a large number, it did reveal some interesting results. Three of the six respondents characterized themselves in terms such as timid, isolated, and with limited economic options prior to their participation in the ODEF program, whereas three characterized themselves in more positive terms. One of the latter group described a personal transformation that had occurred prior to entering the program, with further advances since.

Key words and phrases from both sets of interviews are included in two tables found in Appendix 7. Of note is the marked difference in descriptive words and sentences that the less empowered women used to characterize themselves before and after program participation. It is also interesting to note that in each of these cases, the women had no or very limited business experience prior to joining the program. Therefore, the changes in the perceptions of themselves appears strongly related to their growing abilities in managing a business and developing a credit history. Their perceptions of themselves change from timidity and limitation to greater confidence. Their perceptions of their household position change from dependency to greater independence. Household security is seen as increased through the income that the businesses generate that can cover basic expenses. Investment in children is posited in terms of providing resources to support other business activity. Participation in the bank is also described as creating opportunities for more friendships and a larger life in the community than previously. With respect to their businesses, the emphasis is on confidence in their ability to manage credit and their businesses. Future aspirations involve greater capitalization of the businesses as well as diversification of activities.

In contrast to this group, the more empowered women all had businesses operating prior to their entrance into ODEF's program — one for 15 years. One respondent also had managed loans from

other sources. For them, participation has meant an opportunity to advance on their earlier successes and build towards even higher levels of economic security. Their self-perceptions are largely the same before and after. With respect to their households, they are more specific than the first group in their descriptions of how the family has benefitted from their businesses, and they are more expressive of their possibilities to advance their children both through their involvement in the businesses and through education. Most striking is their characterization of their role in community. They use terms like “respected” and “important.” One is a village bank president; a second aspires to a board office. More than just seeking a place for friendships and support, these women talk of service: their capacity to give leadership, advice and support. With respect to their businesses, their ideas are also much clearer about what they have learned and to the future growth they would like to see. In each instance, they propose growth of their prime business (the supermarket will grow from a local store; the clothes maker seeks a fixed location; the third wants higher revenues). They have confidence in their ability to make these dreams happen.

Of interest is the contrast in what is contained in these interviews to the results from the quantitative survey, where little difference in decision-making and resource control was discovered. It may be that the survey questions do not provide a good format for clients to describe in what real ways their lives have changed. In these in-depth interviews, clients expressed pride in the decisions they had made about their businesses and the control that they exercised over their operations. More importantly, they were able to describe a change in self-worth that appears reflected in both behavior and in aspirations for themselves and their families.

Women clients reported spending less time on their enterprises than non-clients, while at the same time generating greater returns for their investment.

The survey queried respondents on the number of days they worked in their enterprises. Women clients reported on average working fewer days in their enterprises than non-clients (Table 6-9). This finding is interesting in that the enterprise data showed that client enterprises were larger and yielded more earnings. These enterprises also had been subject to more changes in their management. Loans enable clients to buy in bulk, reducing transaction time. Clients also acquired storage facilities to consolidate their products. These, and other types of changes, allow a client to do more in less time, a real boon for women. The difference does not reach statistical significance for men in the survey, perhaps due to their much smaller number in the sample.

Table 6-9. Days Worked in Enterprise

	Average Days Worked	
	Women	Men
Clients	18 (n = 43)	18.5 (n = 20)
Non-clients	22 (n = 43)	21 (n = 22)
p value	p=.045	p=.5

Clients' children did not miss school to assist in the businesses of their parents. But neither did those of non-clients.

The survey revealed no differences between clients and non-clients with respect to the number of children assisting in the businesses, and the number of days they missed school because of work obligations. In all instances, few respondents reported that children missed school to help with the business, and when they did, they reported the number of days as few.

4. Impact at the Community Level

Assessing impact at this level is difficult, and appropriate methods still need to be designed. The survey attempted to address this in a simple way by examining the level of employment generated by respondent businesses. In fact, the level of employment creation is generally quite low, which should not be surprising given the size and type of enterprises assisted. The average number of paid, full time workers in client businesses was one; it was less than one (0.7) in non-client businesses. Paid part-time and casual labor was minimal. Given that most ODEF entrepreneurs are in commerce and service, the minimal employment effect is to be expected.

5. Former Clients: Perceptions of Impact and Reasons for Leaving

Caution should be used in interpreting the findings from a sample of only 23 respondents. This section highlights tendencies from the interpretation of the mostly quantitative data, which can be checked with a fuller application of the survey. The client exit interview is designed to be used on an on-going basis and not just at the moment of an evaluation. The instrument includes open-ended questions; the responses were coded and then examined using quantitative analysis techniques.

Another factor to keep in mind when interpreting the data is that these are the clients' own perceptions of what happened. However, the information was cross-checked with the promoter attending the client and no significant differences in interpretation were detected between the ex-client and the staff who knew their case.

The majority of ex-clients sampled left during their first year of borrowing.

The majority (13) of the clients left after one loan; another four left after the second loan and the third loan saw a final four leave. Only two of the 23 left after four loans. There were no borrowers in the random sample who left after 5 or more loans. There was an average of 1.8 loans before leaving.

Males showed a tendency to leave the program earlier.

The 23 ex-clients were fairly evenly distributed in terms of gender across the two programs. All nine of the males left in the first two loan cycles; seven left after just one loan. There was no difference in the departure rate for men between the two loan programs.

The overwhelming majority made their own decision that they wanted to leave the program.

While there is a tendency in the literature to refer to ex-clients as “drop outs,” repayment deadbeats or business failures, the field work among ODEF’s clients point to the fact that this may be an unfair characterization. Most former clients made their own decision to leave the program: nine men and eleven women left on their own volition.

Only two women were pushed out of the program by their group or program staff. In addition, one woman was forced to leave the program when her group fell apart.

Almost half of the clients left for personal reasons and not out of dissatisfaction with the lending program or problems with their business.

The general impression among many practitioners is that persons leave due to either dissatisfaction with the program or business failure. In this ODEF sample, only four respondents (one man and three women) left due to dissatisfaction with the program policies and procedures. A further five ex-clients (three men and two women) left for economic problems related to the business for which the loan was obtained. Another three (one man and two women) left for problems with members in their village bank.

Almost half (four men and seven women) left for reasons not related to either the loan program or their businesses’ health. These included sickness, moving out of the area, seasonal nature of the microenterprise, the changing economic situation of the region.

The data collection instrument allowed for a detailed breakdown of the reasons why clients left. The initial instrument was pre-coded for mostly negative responses and codes had to be added when the data were entered. The surprise was the number of positive reasons reported for leaving , such as a feeling that they had graduated and no longer needed loans from the program.

Most had no problem repaying their last loan before leaving.

The general impression among practitioners, that people quit borrowing only when the last loan was difficult to repay, was not borne out by this survey. Eight of 23 said the repayment was easy, and the loan was really too small to supply the needs of their business and nine said they were able to pay without problems. Only six persons reported difficulty in repaying their final loan.

In analyzing if difficulty to pay had anything to do with length of time in the program, it was found that it made no difference. An almost equal number in each loan cycle found it as easy as those who found it difficult to repay the last loan. For example, of the 13 with only one loan, four found it difficult to repay, five had no problems, and four found that it was easy because of the small amount.

There was no apparent difference between those in village banks and those with individual loans on the matter of ease of payment. Ex-clients of each of the two programs were fairly evenly distributed among the three categories.

Ex-clients said that their business income increased due to the loans.

Eighteen interviewees said that their income had increased. Half of these (four from the village banks and five from individual borrowers) said that their incomes had increased substantially. The other half felt that their incomes had increased a little; this represented five from the village banking program and four individual clients. Four ex-clients found that their business income stayed the same and only one ex-client complained that business income had dropped a little during the loan.

All ex-clients found the loan useful to their businesses.

Fifteen respondents said that the loans had substantially helped their microenterprise. These respondents were equally divided between ex-clients of the village bank program and the individual loan program. The other eight said the loan had helped a little. No one reported that it had not been helpful or that it had been a burden.

B. Client Satisfaction

Questions on client satisfaction were asked to three different categories of individuals with experience in borrowing from ODEF.

- 73 clients were interviewed using the main survey instrument. Approximately half were village bank clients and half individual borrowers. The last two questions (numbers 53 - 55) of the survey probed problems of payment, elements of dissatisfaction, what they liked about the program and what they would suggest changing.
- Six village banks were convened for focus groups using the program satisfaction instrument.
- 23 ex-clients were surveyed using the exit interview instrument; 12 were former village bank members and 11 were former individual borrowers.

1. Results from the Main Survey

One-third of the clients had difficulty paying their last loan to ODEF.

One-third of the clients said that they had some difficulty paying ODEF for their last loan (this is a little higher than reported by the ex-clients in the exit interviews). The reasons included the microenterprise was not lucrative (8 of 25); there was sickness in their family (4 of 25); they had to

use the money for food (2 of 25); and they sell on credit and their clients had not paid them back in time for them to pay ODEF (1 of 25).

Almost one-third of the clients interviewed find ODEF's interest rates cheaper than other credit sources. In contrast, 19 percent complained that the interest rates and transaction costs were too high.

Sixteen clients (22%) felt that one of the positive aspects of the ODEF program is that the interest rate is less expensive than other sources of credit available to microenterprises like theirs. In contrast, 13 of the 73 (18%) complained that the interest rates and commissions were too high, and another person complained about high transaction costs.

Almost a third found ODEF more efficient than its competition.

Twenty-one of the 73 respondents (29%) voluntarily mentioned that they feel that ODEF is more efficient than other sources of credit to microenterprises. In contrast, two clients registered their complaints about the poor treatment of the clients by personnel of the program.

Thirty-seven percent feel that the permanent source of working capital is valuable and the same percentage appreciate the training and technical assistance provided by the program.

In two separate answers, 27 of the 73 (37%) mentioned the following as positive aspects of the program the value of having an on-going source of credit; and the value to them of the training and technical assistance that ODEF offers.

More clients mentioned liking the ease of guarantees and other financial services like savings and insurance than those who complained.

Of the 15 who made positive comments, 11 volunteered that they felt that ODEF, in comparison to other lenders, accepted guarantees that were easier to provide. Four persons complained that the guarantees are not easy to provide.

Eleven of 15 clients also liked the other financial services, like the savings program and the loan insurance. These are obligatory features of the village bank program. No one complained about the forced savings.

One-quarter of the clients disliked the short loan terms and other repayment policies.

Eleven of the 73 clients noted that they were unhappy with current policies on the frequency and number of repayments. Another four persons specifically mentioned that the loan cycles are too short. Another three persons specifically complained about the lack of a grace period for late payments.

2. Results from the Focus Groups

The results presented herein are based on a content analysis of the commonalties and differences in the responses on client satisfaction gathered during six focus group sessions with members of village banks. (The responses were put on a chart in Excel and then recurring themes were calculated.) ODEF staff were present during the group discussions and learned the nuances of the clients' concerns and recommendations as they listened and responded to items being discussed.

Positive reactions to ODEF's village bank program:

5 of 6 groups	liked the	internal rules of the program
3 of 6 groups	liked the	monthly meetings of village banks
4 of 6 groups	liked the	current method of client selection
4 of 6 groups	liked the	loan amounts being given now
3 of 6 groups	liked the	way the loans are being disbursed now
3 of 6 groups	liked the	method of payment of the loans
4 of 6 groups	liked the	obligatory savings

Negative reactions to ODEF's village bank program::

4 of 6 groups	disliked the	current low level of loan supervision
4 of 6 groups	disliked the	current high interest rates
3 of 6 groups	disliked the	current level and content of training

The focus groups allowed for a rich discussion of recommendations for changes in the use of ODEF staff to support village bank clients.

Some of the recommendations to ODEF for staff deployment included the following: more frequent loan supervision; attendance of ODEF personnel in monthly village bank meetings; more training in group conflict resolution; more training of groups in client selection; improving the criteria for selecting clients (e.g., considering the capacity to pay and the current business conditions); and ODEF staff other than the regular promoter should occasionally attend village bank meetings. There was a recommendation that ODEF staff try to be more punctual and agile in loan disbursement.

The focus groups had a number of recommendations on how to improve the training.

Training recommendations included the following: more frequent trainings; more diversity in the topics; topics should be selected which meet the clients' needs; more convenient location; more flexible schedule so that more clients could attend. There was also a suggestion that there be more opportunity for the local banks to meet together and learn from each other.

3. Results from the Exit Interview

The vast majority (83%) of ex-clients characterized their participation in ODEF's loan program as good or very good.

The survey found that four described their participation as very good and 15 as good. Over 90% of the village bank participants had this positive impression while 73% of the individual borrowers felt this way. Only three found it to be neutral and one to be negative.

The vast majority of ex-clients feel positively enough to return to borrow again from ODEF.

Nineteen out of 23 said that they would be willing to borrow again from ODEF. A greater percentage of the village bank participants than the individual loan borrowers (92 percent versus 73 percent) said they would be willing to borrow again. Only two of 23 said they would not return to ODEF. These two were from the individual loan program. Of the other two, one indicated maybe not and the other maybe yes.

There seemed to be no correlation between the number of loans a person had received and their desire to participate again. Of those 19 ready to participate again: 12 had borrowed only one loan; two had had two loans; three had had three loans and two had received four loans. Of the two firm negatives, one had had two loans and one had had three loans.

The vast majority of ex-clients would recommend the program to family or friends.

Twenty of the 23 said they would recommend ODEF's program. The three who clearly would not recommend the program were all former individual loan recipients.

One-third of the ex-clients liked the attention given by ODEF's personnel and 9 percent appreciated their patience with clients. However, another 9 percent complained about the impulsive nature and strong temperament of the personnel. About one-quarter of the ex-clients recommended more attention be given to clients by ODEF's staff and that staff be better trained in client relations.

In response to three open-ended questions on what they liked, disliked and what they recommended for change, the 23 ex-clients had divergent opinions: Eight of 23 liked the attention they had received while five ex-clients felt that ODEF should provide more attention and train its staff in how to deal with clients. An equal number (2) liked the patience with clients and felt that the staff were too impatient.

The peer lending features received praise and criticism.

Four of the 23 ex-clients mentioned that the new friendships were an important feature of the program. Two complained that loans were given to irresponsible persons and another two complained that clients were dismissed from the program without a clear explanation.

Ease of access to and payment of loans was important but there were complaints by ex-clients about interest rates, small loan amounts, short loan terms, and lack of training.

Aspects ex-clients liked about ODEF program are as follows: three of 23 voluntarily mentioned the easy access to loans; another three liked the quick disbursement; and one ex-client liked the easy payment features. Ex-clients disliked the following aspects of the ODEF program: three of 23 complained about high interest rates; five recommended shifting from a flat interest calculation to a declining balance calculation; three felt that the loan term ought to be longer; two were in favor of an increased loan amount; and two complained about too little training.

VII. LESSONS LEARNED

A. Lessons about Practitioner Involvement in Impact Assessment

It is possible for NGO staff to evaluate with objectivity and rigor.

The Honduras test proved that practitioner-led impact assessment can be accomplished without sacrificing the objectivity and rigor associated with evaluations. The ODEF and Katalysis staff performed well with minimal training and achieved quality results.

This type of assessment requires skill, interest and time commitment by staff.

The practitioner-led impact assessment requires much skill and interest on the part of the NGO staff, as well as a strong commitment. The highly ambitious objectives of this tools test were completed in three weeks because there was a highly motivated staff and a strong endorsement of the process by the ODEF Executive Director, who oriented the staff to work as many hours as were necessary to complete the evaluation. Both ODEF and Katalysis contributed an extra full-time worker not contemplated in the original design and even with these persons there was barely enough time. The outside advisors from SEEP also worked 14 to 18 hour days.

Clearly, this level of evaluation activity cannot be programmed for the future, nor does it have to be. Future assessments do not need to implement all the tools applied in Honduras, at least not within the same time frame. But the NGO's commitment of time to accomplish the tasks is essential.

This commitment also necessitates a significant budget allocation. The staff working full-time must be paid. ODEF also paid for overtime. Additionally, substitute staff not involved in conducting the assessment were paid to cover functions for the staff involved in the assessment. The promoters working on the assessment were not able to find new clients and lend to them during this three-week period. These factors could negatively affect the lender's financial sustainability for this period.

The plan for this type of evaluation needs to have the flexibility and time to deal with situations that result from difficult economic conditions in the microenterprise sector and in developing economies.

In addition to skill, time, and money, staff must have dedication and courage. Management must ensure that working conditions are as safe as possible, such as providing for safe vehicles and helmets to those interviewing by motorcycle. Many microfinance institutions like ODEF are working in very difficult economic environments, which often means that the level of theft and threat of personal attack are heightened. One interview had to be aborted when an urban gang moved in threateningly on the interviewers and their motorcycle. Staff could not return from their interviews in certain rural communities after dark due to the threat of bandits on the highways. One of ODEF's clients died from a robbery and another from a car accident during the evaluation period. There was a drive-by shooting and a robbery of a car being used by the evaluation team. If the plan for interviews is not flexible enough to take such risks into account, the push to stay on schedule may endanger the lives of the evaluators.

The NGO must be advanced enough to have a solid support infrastructure to allow part of it to be used for the assessment.

This type of evaluation requires more than the basic infrastructure found in nascent organizations. The organization must satisfy the following requirements:

1. *Means of transportation* - This field test utilized two cars and two motorcycles for transport full-time for most of three weeks.
2. *Computers* - Two computers were dedicated to data entry during the process and seven computers during the period of analysis and preparation of the report. SEEP consultants supplied two additional laptop computers, which operated during the full three weeks.
3. *Tape recorders* - One tape recorder, with attendant batteries and tapes, was used by each qualitative interviewer.
4. *Office space* - The team fully occupied two large office rooms both day and evening for three weeks.
5. *Photocopying* - A tremendous volume of copying was required.
6. *Logistical support* - ODEF staff outside the evaluation team ran errands, bought office supplies, brought in meals, and covered functions for staff busy in the evaluations.

The Honduras test operated out of a large city with modern infrastructure. This impact assessment experienced relatively minor delays due to electricity shortages and computer problems, such as incompatibilities of software and viruses. No time was lost due to personality conflicts of staff who had not known each other before working intensely in a logistically complex activity under frustrating circumstances. Time was lost returning several times to a client's home and business site only to find him/her not available for interview. There were minor mechanical problems with vehicles. The assessment was affected by the theft of a vehicle, which also underscored the poor economic environment which makes for difficult working conditions at ODEF. More of these types of logistical problems could have delayed substantially or aborted an assessment on a very tight schedule.

There are at least six necessary roles for middle management staff.

Some of these roles may be played by the same person, while some require simultaneous actions and hence imply different persons functioning on a team.

1. *Overall planning function* - Some person(s) must have the design clearly in mind, make plans, rework schedules, make decisions to change sampling or tools, make judgments in analysis, and decide on the content of the final report. In the Honduras field test, the SEEP director shared this role with the other SEEP consultant, the ODEF assistant director, and the Katalysis assistant director.
2. *Quantitative tools coordinator* - Some person(s) need to train the others in the use of the tools, take initiative in changing the tools after the pre-test, and oversee the implementation

and analysis. In Honduras this role was shared, but one of the SEEP consultants took more initiative in this area.

3. *Qualitative tools coordinator*- Some person(s) needs to train the others in the use of the tools, take initiative in changing the tools after the pre-test, and oversee the implementation and analysis. In Honduras this role was shared, but one of the SEEP consultants took more initiative in this area.
4. *Field team coordinators* - Someone with supervisory experience must take the lead on each team of persons doing qualitative and quantitative field work. In Honduras the ODEF assistant director and the Katalysis assistant director, both of whom were experienced in microenterprise development and supervision, played this role for each of the two teams.
5. *Data processing coordinator* - Someone needs to play the role in the office of coordinating the persons doing the data input, making decisions of when and how to change the data templates, managing crises relating to data input, dealing with viruses and power outages, routing the interviews through the data processing and cleaning processes, doing quality control and assisting those doing the analysis to get the data they need. From the pre-test to the end of the report writing, this proved to be a time consuming job. One of the SEEP consultants played this role and two almost full-time ODEF computer persons were assigned to data input.
6. *Field notes and report writing* - Some person(s) needs to have the responsibility to make clear, concise notes each day and to document the process. In Honduras this was a shared function and some of it was delayed due to the persons having other roles. In Honduras there was amazing cooperation by nearly all team members in helping to write the report during the last couple of days. Each person took responsibility for one or more sections of the report but it still needed a person(s) to assemble and edit it.

There is a positive value in middle and senior management participating in the individual and group interviews.

There are so many other tasks in the course of daily operations for a senior manager of a rapidly growing microfinance institution to tend to that it is difficult to voluntarily take the time to visit clients and village bank meetings. This assessment had the added benefit of providing the means and incentive for staff in the finance department and senior management to interface with the clients in their homes or places of business and to attend village bank focus groups. Several commented that this had been a refreshing and enlightening experience since program methods are constantly evolving. ODEF middle and senior staff discovered trends that they had previously been unaware of that they then brought to the attention of others; some of the findings caused enough concern to instigate procedural or policy changes.

The participation of middle and senior staff in an assessment is also a source of enthusiasm for field staff and regional office managers who sometimes do not have a chance to see these persons in action. Sharing a common task for an intense period built camaraderie between persons of different organizational levels and strengthened the personal friendships and knowledge between staff of ODEF and Katalysis.

There may be a need for outside technical assistance in survey redesign and implementation.

While one of the goals of the SEEP Network's participation in AIMS was to design a process that could be practitioner-led, there may be a continuing role for outside technical assistance. This does not necessarily need to come from another country but may be a local academic, or someone from an apex organization or local network of NGOs. This outsider's role may include assisting practitioners to think through the process; helping them to balance the requirements of objective evaluations and the pressures of the NGO's logistics which may tempt practitioners to cut corners; providing a solid presence to keep NGO staff from tending to sudden emergencies; helping them think through how to respond to the problems that arise during implementation; assisting with the analysis of the data, especially the EpiInfo computer aspects; and helping to organize the findings to be useful to those external to the NGO.

The process still needs to be refined to be manageable by NGOs.

Work is still needed to make this process truly manageable by NGOs. Too much time was spent on data gathering and not enough on analysis and report writing. The instruments need to be streamlined in order to reduce implementation time and be more useful for management purposes.

B. Making Impact Assessment Meet Program Implementers' Needs

Staff incentive is important to the investment of time and financial resources.

The ODEF staff were genuinely interested in and committed to making this impact assessment work for their own learning. ODEF has a strong development mission, and is particularly interested in women's empowerment issues, as well as household welfare effects. Staff viewed this process as an indicator of how they were doing in critical areas. For example, they focused on the results related to "changes made to improve business." While their clients in significantly greater numbers reported having made at least one such change, the raw numbers were actually small: clients had made an average of one change to an average of a half change by non-clients. Given that they conduct business development training, they felt that this result did not appear substantial enough, and they are now interested in examining their training curricula and processes to learn how these can be improved.

The client satisfaction questions and data are an important complement to the evaluation.

ODEF staff expressed a strong interest in the three methods (survey; exit interview; focus group discussion) of gathering data on client satisfaction. While they received positive feedback on these methods from both clients and ex-clients, they also received strong messages about the desire for greater staff attention from focus groups and individual clients.

Client satisfaction is not a proxy for impact, but NGOs recognize that they must keep clients satisfied if they are going to remain in the program long enough to benefit from the impacts of the program. In this era of increasing competition among microlenders, client satisfaction is not only useful for the client but vital to client retention and thus financial viability. By packaging client satisfaction and

impact together, these instruments become more attractive to program managers. It should be emphasized that the strength of the tools is in the interdependence of information on client satisfaction and impact; the findings on the one inform the findings on the other.

C. Tailoring the Objectives, Key Questions, and Hypotheses to the Time Available

The three-week period was insufficient for the amount of work attempted. In fact, only a partial analysis of the data was completed during this period, and the SEEP team engaged in more detailed analysis upon their return from the field. This more detailed analysis and report writing consumed an additional ten days of staff time.

If all the instruments were to be applied again as a unit, it would be more reasonable to plan for a month of work by the full team, with up to an additional week to ten days for management staff to pull together the final analysis and report. ODEF and Katalysis staff all participated in the first stage of the analytic tasks, either writing up case studies and reviewing them for commonalities, organizing and analyzing the focus group information, or checking and cleaning data for the statistical analysis. But the statistical analysis was done by two individuals, and a more in-depth look at the qualitative information was also done by two individuals at a later stage in the process. An NGO team could develop a work plan that allows for the data collection staff to return to their duties at the end of the first phases of analysis, allowing management more time to refine and develop the analysis and provide feedback to the full staff at a later date.

A second way to approach the use of these instruments would be to separate their application into two to three units, as follows:

1. *Exit interviews*: Administer after each cycle to all or a random sample of those departing. Not to be administered by the client's loan officer.
2. *Client satisfaction focus group interviews*: Hold after discrete cycles (e.g., third, fifth) and to a random number of banks and groups of individual clients.
3. *Impact survey and in-depth qualitative interviews*: Conduct during a specially scheduled impact assessment.

D. Lessons Regarding the Instruments Tested in Honduras

The tools can be adapted to the local situation and microenterprise services.

An NGO can hone in on hypotheses they want to test and the variables for each according to their theory of program impact and the methods they are using. For example, the survey currently asks questions regarding a variety of business practices and changes. These may be eliminated or shortened if a program does not provide training or technical assistance expected to lead to business development or is less interested in understanding how businesses may change as they grow. The survey also asks questions on a variety of welfare effects: education, health, nutrition and housing. Depending on the economic level of the clients, some of these areas might not be relevant.

Shortening the tools in this way may also help improve the quality of the impact assessment. ODEF felt that a much shorter instrument would have several advantages:

1. it would be easier to ensure quality control of the staff interviewers;
2. it would reduce the labor of data entry and cleaning (which we found enormous); and
3. more interviews could be completed in the same amount of time, increasing the number of surveys completed (which was seen as very desirable for the analysis stage).

Another way to adapt the survey is to eliminate certain areas of overlap with the qualitative instruments: for example, the quantitative questions on women's decisionmaking and control might be deleted in favor of capturing this information through the in-depth instruments.

There are questions that may not clearly measure the indicators or proxies.

Some survey questions worked and others did not. The trend-oriented income questions seemed to be less revealing than expected. The financial questions related to the business also created some difficulties. While the strategy with these questions was to start off with a sense of the business cycle of the clients and then work towards a monthly calculation (for the purposes of comparison), this led to some difficulties with the data. In a few instances, interviewers calculated losses as a result of a large-scale purchase of inventory during the period, not matched by sales during that same period. This approach revealed negative profits although borrower estimates were not negative. (A few were zero, but none negative.) These questions need further refinement.

The qualitative tools require substantial training and skill to implement well.

The qualitative tools are more challenging than the surveys to implement. As currently structured, they are somewhat "free form" and this demands that facilitators and interviewers need to be adept at probing for answers beyond the first response to a question, in guiding group processes that encourage clients to open up and to participate. Managers of the process must be able to test and adapt the instruments to the local population and context. The selected variant of the client satisfaction focus group interview, for example, did not work in test administrations in Honduras because clients appeared very uncomfortable with the voting aspects of the process; they were also reluctant to mention program elements with which they were dissatisfied at an early stage in the discussion. Finally, an adaptation was developed that "required" each client to describe and clarify one program feature for the group, and then describe its good and bad features from her/his perspective. Other members then contributed their impressions.

The initial versions of the in-depth instruments left too much of the question plan open to personal discretion, resulting in widely varying case studies. A set of core question guides was developed for each, and interviewers were trained to use these through out the interview, and to add probing and clarifying questions as they went along. More challenging was the requirement to record the information in rich detail. Interviewers captured little on paper; fortunately, almost all interviews were taped, and the tapes were used to write the case studies afterwards. It would be best for qualitative researchers to work in teams of two, with one asking the questions and the other

recording. While this was the process used for the focus groups, it was not used for the individual interviews due to lack of staff.

Finally, there are specific ways in which each tool could be strengthened. The empowerment interview guide could be adapted to include the same questions on decision making and control found in the survey to see if results were similar. It should also be adapted to include some specific questions on behaviors that in the program context would be considered markers of empowerment. These would need to be determined by the local staff and tested for validity. The loan use tool needs to be more structured in how data are captured for the financial analysis of the business. In addition, it would be helpful to select respondents by business type to use the tool to capture more detailed information on the key businesses supported by the implementing organization.

The exit interview tool worked well and was a very attractive tool for staff.

This tool required only 20 minutes for the interview. It could be honed down for programs desiring even shorter interviews. It seeks to capture some impact information as well as client satisfaction. ODEF did not have a previous method for systematically interviewing clients leaving this program. The tool can be used on its own or synchronized with others. The instrument mainly contains questions with pre-determined response codes, but does include some open-ended questions. It is easy to analyze because of its brevity and may serve as a good training exercise in EpiInfo.

E. Lessons Regarding Sampling and Field Work

The ODEF case was an excellent test due to multiple microenterprise services.

ODEF was chosen through a request for application procedure by the SEEP Network. It proved to be a good model because it allowed for testing the instruments with village banks, small individual loans, and business development training. While there are characteristics of the northern coast of Honduras that are not common elsewhere, the majority of the elements evaluated had much in common with other Latin American microfinance institutions.

A good management information system (MIS) would assist the sampling and initial contact with the client.

Time could have been saved on site if a list of zones, bank names and client names had been prepared ahead of time. One area where ODEF was weak was MIS; their earlier computer system had failed (a long story), and their paper files did not organize the information in a way that made it easily accessible. At the very least, information regarding length of program participation, number of loans, loan amounts, savings amount, other services received, and demographic characteristics should be easily accessible.

Double check of procedures when starting an interview are important.

The sampling error mentioned earlier in this report would not have been as serious a problem had interviewers been better trained to double check participation requirements at the start of the interview and, if the respondent did not meet them, to terminate the interview, and move onto an alternate on the list. This needs to be made clearer during the training phase and on the survey itself.

There needs to be a larger sample to gain a better assessment of impact.

While 30 is often considered the minimum number of interviews for statistical significance, a good analysis often requires more than that, especially when the analysis relates to subgroups of the population (women and men, for example). NGOs will need guidance on the proper sample size for their specific program and client characteristics. The difficulty with increasing the sample size is the accompanying increase in work in data collection, inputting and analysis. More work needs to be done in analyzing a feasible sample size for useful and credible results. In this instance, it would have been better had the test focused on one ODEF program (village banking or individual lending) and drawn the whole sample from it, as greater analytic power would have been obtained.

F. Lessons Regarding the Analytical Process

More time is needed to teach quantitative analysis to practitioners.

There was insufficient time to teach the ODEF staff how to use the analysis features of Epi during the three-week period, although two actions were taken to compensate. A mini-manual with all the key commands for the most basic analysis was created for their later use. And a follow-up training with ODEF staff on the analysis features of the program was offered after SEEP staff's departure. That training was undertaken by a consultant experienced in EPI; three ODEF and Katalysis staff received the training.

The use of EPI is a challenge for practitioners. While it would have been impossible to do the type of analysis included here without some statistical package, this does not mean that the application was easy. Fortunately, ODEF and Katalysis have staff with strong computer skills who were interested in learning new applications. But there were difficulties in setting up the system, inputting the base survey documents, and then inputting the data. Data entry required significant monitoring as the assigned staff tired during the long hours of inputting. Staff also need direction not only in how to reproduce the basic analytic commands, but also the logic of how to write these commands in response to new avenues of inquiry. These are all areas where an outsider will remain valuable to an NGO that cannot afford the expertise on staff.

More training and practice in qualitative analysis is needed.

More guidance and time were needed to lead the qualitative team through writing up the case study findings. While samples were provided by one SEEP facilitator, the team produced cases of varying detail and richness, some with many quotations and some with few or none. Regrettably, there was little time to critique and practice case writing in this exercise, but this would be an important part of the exercise. Equally important would be guiding the team through the second stage of extracting commonalities and differences from the cases, and interpreting the findings. One team member made a good start at this work in Honduras, but lack of time meant that this analysis was not as detailed as it could have been. Additionally, objectivity would be strengthened by having at least two people participating in this analytic process. The tools need to be revised to contain very specific guidance for this analytic process.

APPENDIX 1

Pros and Cons of Various Research Designs for the AIMS Practitioner Impact Survey

Appendix 1. Pros and Cons of various Research Designs for the AIMS Practitioner Impact Survey*

Design	Interview Participants Only		Interview Participants and Comparison Group of Nonparticipants
<p>Cross-Sectional Design</p> <p>Conduct Survey only once</p>	<p>OPTION #1 “Mature” participants (N=100) - those in the program long enough to expect impact.</p> <p>Measure change by</p> <ol style="list-style-type: none"> 1) participants self-reports since joining the program, or 2) compared to targets set by program, or 3) national or department level data 	<p>OPTION #2 “Mature” participants (N=100) vs. “New” participants (N=100) not in program long enough to expect impact.</p> <p>Measure change by</p> <ol style="list-style-type: none"> 1) comparing responses of two groups assumption that groups similar characteristics and any diff. btw groups due to greater exposure to program. 	<p>OPTION #3 “Mature” participants (100) vs. Nonparticipant (100) comparison group - randomly selected individuals or households from similar “types” of communities not included in program and not receiving similar program or microentrepreneurs not involved in program. (may include third group nonparticipants in program community)</p> <p>Measure change by comparing responses of participants and comparison group.</p>
<p>PRO - get impact information more immediately. Survey and analysis less expensive with only one data collection round.</p>	<p>PRO Most inexpensive, simple and straight-forward option bc sample size small with one group, have prior contact and relationship w/ participants easy to sample and locate, analysis is easy bc self-reported change does not require comparisons of two groups only simple percentages from one group.</p>	<p>PRO Better than option #1 bc have a comparison group (new borrowers) . Even though X-Sectional get some sense of time (before/after) the program, easier to locate and sample participants bc have relationship with them, “new” participants are likely to be a more valid comparison group than randomly selected nonparticipants since “new” participants have also self-selected to the program.</p>	<p>PRO Better than option #1 bc have comparison group so rather than depend on participants’ self-reported change see difference “with” and “without” program.</p>
<p>CON - aim to understand change over time and Xsect. Study only gives you information about 1 point in time</p>	<p>CON Most common approach used by practitioners not considered particularly valid since self-reported change and no comparison group. (maybe general improvement in the program area or better-off people tend to join program.)</p> <p>Est. Cost - assume 100 interviewed w/ 5 interviewers 4 questionnaires per day = 5 days data collection + 4 days training and pretest + 4 days tabulation and analysis = 60 person days + 6 days write-up = 1 person</p> <p>Field Budget to carry out, tally and write-up approximately - \$4,300- \$7,000</p>	<p>CON Requires that ‘new’ and “mature” participants come from similar types of communities and have similar individual and household characteristics. Requires coordination between implementation and evaluation plan since need large enough pool of “new” part. (who ideally have training but no loans) coming from as many communities as participant sample. Still some self-selection problem since not all participants stay in program maybe people who stay with the program systematically different so bias the results. (Possible way to deal with this if group based lending - randomly sample X number of participants in “new” and “mature” groups.)</p> <p>Est. cost - assume total of 200 interviewed (100 each group). A little more than 2x estimated costs for option #1 bc more complicated logistics and analysis - \$9,000 - \$14,000</p>	<p>CON Requires that “nonparticipant” comparison group come from similar types of communities and have similar individual and household characteristics as the participants. If randomly select households or individuals in nonprogram communities, some of those people would not have joined the program if offered in their community so likely to be greater self-selection bias in comparisons btw participants and randomly selected comparison group. Who to interview in nonparticipant households? May be several adults both men and women who should be selected to be interviewed?</p> <p>Est. cost assumed to be comparable to Option #2. \$9,000 - \$14,000</p>

* This table was prepared by Barbara MkNelly of Freedom from Hunger Foundation on behalf of the design team.

Design	Interview participants only		Interview Participants and Comparison Group of Nonparticipants
<p>Longitudinal Conduct same survey at least 2 times</p> <p>T1 - baseline T2- follow-up possible additional rounds</p> <p>Trend - different people T1 & T2 compare change</p> <p>Panel - same people T1 & T2</p> <p>PRO - opportunity to look at change over time which is what want to evaluate.</p> <p>CON - Requires 2 data collection rounds before have any impact information. More expensive and more complicated to analyze. Need larger samples to compare results from two surveys.</p>	<p>OPTION #4 -Trend with different people T1 - do baseline interview with “new” participants or in new program communities (N=150)</p> <p>T2 - go back to same communities or groups and interview “mature” participants Compare change over time between two groups. (N=150)</p> <p>PRO - get sense of trend over time CON - no comparison to know if general improvement or deterioration in the program area that might explain diff. Btw. Time 1 and 2. Common for baseline to be done in program community but when program offered not everyone will join so self-selection bias between T1 and T2 if don’t interview “new” borrowers. Need bigger samples to compare results of two surveys. Field Budget to carry out, tally and write-up approximately - \$14,000- \$21,000</p> <p>OPTION #5 - Panel same people Similar design but same people in T1 and T2. Need bigger sample size in T1 to get same size as Option #4 above. For example, if 50% attrition over 2 years need T1 sample of 300 persons.</p> <p>PRO - better able to attribute change to program since same people CON- Need bigger sample sizes bc need to plan for attrition of new borrowers who leave the program, leave the area or who can not be relocated. Estimated cost Assume total sample is 450 est. cost- \$20,000 - 30,000</p>	<p>OPTION #6 -Trend with different people T1 - do same as option #2 above - “new” and “mature” participants (total N=300) T2 - go back to same groups and interview “mature” and “more mature” participants with possibility of adding third group of a new “new” . (N=300)</p> <p>PRO - get sense of impact over time from T1 to T2 and by level of exposure to the program - new vs. Mature and more mature. CON- Complicated data analysis to compare difference in two time periods for 2-3 groups. Also same as above option #2</p> <p>Est. cost - assume total of 600 interviewed. Approx. 2 x cost of option #4 - \$28,000 - \$42,000</p> <p>OPTION #7 - Panel same people interviewed in T1 T2. Like option #5 need bigger T1 sample sizes since need to plan for attrition. Using assumptions from option #5, need to sample 600 persons in T1 to get 300 in T2.</p> <p>PRO - better able to attribute change to program since same people. CON - Expensive and complicated - large T1 samples, logistics difficult to track same people, complicated analysis.</p> <p>Estimated cost - Est. total sample 900 estimated cost = \$40,000 - \$63,000</p>	<p>OPTION #8 - Trend with different people T1 - compare “new” participants vs. nonparticipant comparison group (see option #3) T2 - compare “mature” participants vs. nonparticipant comparison group in T1 communities.</p> <p>Measure change by comparing difference from T1 and T2 for participants vs. nonparticipants (comparing “difference” not change since not same people).</p> <p>PRO Get sense of trend over time for participants and by having comparison group able to “control” for possible history effect (general change in the area not due to factors external to the program).</p> <p>CON Same cons as option #3. - need similar nonprogram communities, ? who to interview in comparison group households. Also quite expensive need approx. 300 interviews in T1 and 300 interviews in T2.</p> <p>Est. cost assumed to be comparable to Option #7 \$28,000 - \$42,000</p> <p>OPTION #9 - Like option #8 only panel design interview same people in T1 and T2.</p> <p>PRO - better able to attribute change since same people. However less attrition from comparison group than option #7 which are participants. CON - Relatively expensive option since need large samples in T1 of participants like option #5 & #7 plus need comparison group. Question about compliance of comparison group that would be interviewed 2x but not receive benefits of program.</p> <p>Estimated cost - Est. sample T1 300 part. 200 nonpart. T2 150 part and 150 nonpt = 800 - \$35,000 - \$55,000</p>

APPENDIX 2

Biodata of ODEF and Katalysis Staff

Appendix 2. - Biodata of ODEF and Katalysis Staff

ODEF Staff:	
Miguel Angel Navarro	Assistant Director, ODEF Education: B.S. in Economics Microenterprise Experience: 10 years Survey experience: 2 years
Gladys Cristina Mejia	Director, Credit Department Education: Secondary degree: marketing and public accountant Microenterprise Experience: 4 years Survey experience: none
Maria Argentina Guardado	Coordinator of Santa Barbara Region previously promoter and credit analyst Education: Secondary degree: marketing and public accounting Microenterprise Experience: 4 years Survey experience: none
Carmen Yasenia Rodriguez	Coordinator of Village Banks, and El Progreso previously promoter and credit analyst Education: Secondary degree: marketing and public accounting Microenterprise Experience: 3 years Survey experience: none
Jorge Omar Nunez	Credit promoter Education: Secondary degree: marketing and public accounting Microenterprise Experience: 1 ½ years Survey experience: none
Andres Saul Gomez	Credit promoter Education: Secondary degree: social promotion Microenterprise experience: 5 years Survey experience: 1 ½
Ernesto Hernandez	Systems assistant Education: Secondary degree: computers Work experience: 1
Yovany Rodriguez	Accounting assistant Education: Secondary degree: letters and sciences
Katalysis Staff	
Luis Felipe Borjas Espinal	Director, Microcredit Program Education: B.S. in Economics Microenterprise Experience: 6 years Evaluation experience: 6 years including client impact
Martha Maria Salgado	Specialist, Village Banks Education: B.S. in Business Administration Microenterprise Experience: 5 years Evaluation experience: Program level impact
Rosario Campos	Program Associate Education: B.S. in Foreign Languages Microenterprise Experience: 2 years Evaluation experience: none

APPENDIX 3

Checklist for Evaluation of Impact Assessment Tools

Appendix 3. Checklist for Evaluation of Impact Assessment Tools

Simple tools were defined as:

- done at discrete intervals, rather than as on an ongoing basis
- data collection can be done by NGO field staff; analysis by NGO managers
- having clear, written instructions and guidelines
- having pre-coded surveys, with uncomplicated page layouts
- having a limited number of indicators or study questions
- supporting simple and more complex analytic techniques

Credible tools were defined as meeting these requirements:

- there is clarity regarding what the assessment will produce
- there is consistency in the application of the instruments
- a comparison group is used
- there is training of data collectors preceding each administration
- there is solid documentation of the assessment methodology so that data could be checked by outside evaluators, or the assessment methodology is checked prior to implementation
- the rationale for choice of hypotheses and measures is laid out
- key assumptions and values are stated
- data allow for analysis of statistical significance (that is, the study was based on a representative sample, randomly selected)

Useful tools:

- let us know if programs are reaching who they want to reach
- let us know if programs are achieving their vision, or what the limitations to achieving it are
- provide data that programs can report to outsiders on key indicators of interest to the field
- provides data that can serve for more in-depth assessment if warranted
- provides client satisfaction information that can help program managers adjust policies and practices for better impact
- can develop the capacity of practitioners to assess the impact of their programs more rigorously

Cost Effective tools:

- require approximately a month of staff time every two to three years
- can be done with a reasonable amount of money, between three and ten per cent of operating budget, depending on size

APPENDIX 4

Sample Design

Appendix 4. - Sample Design

A. For Village Banks

- The sample frame would include all banks with a minimum of two years of experience; and within these banks, the frame should include all clients with at least a year of participation with the bank.
- Eligible banks would be stratified into three groups, reflecting the three departments in which ODEF implements its program: Puerto Cortes, Santa Barbara and Yoro. Within each of these regions, the number of banks to be selected would be determined on the basis of the relative proportion of clients each department represented. Further, banks would be selected to reflect the proportion of urban and rural banks in each region. Using these rough guidelines, the numerical breakdown of banks and clients decided on was as follows:

Site	Rural/urban location	Number of clients	Number and type of banks selected	Number of clients selected
Department of Cortes				
San Pedro Sula	99% urban	1,500	2 urban	10
Villa Nueva	100% rural	600	1 rural	7
Choloma	50% urban 50% rural	200		
Puerto Cortes	18% rural 82% urban	400	1 urban	5
La Lima	100% urban	440		
Subtotal		3,180	65%	
Department of Santa Barbara				
Macuelizo	100% rural	240	1 rural	7
Quimistan	100% rural	14		
Ilama	100% rural	40		
Chinda	100% rural	60		
San Nicolas	100% rural	60		
Trinidad	100% rural	40		
Sta. Barbara	100% urban	100		
Subtotal		514	13%	
Department of Yoro				
El Progreso	85% urban 15% rural	920	2 urban	6
Subtotal		1,080	27%	

- Banks were selected randomly within the rural and urban clusters for each department first, and clients were selected from each selected bank, also randomly. Given that more than 90% of the village bank clients are women, no special effort was made to stratify the sample by gender.
- The non-client sample would be selected from those individuals who were interested in joining the program, but who had not yet received a loan. In all instances, they were part of banks in formation, but for which no funds had as yet been transferred. These banks in formation would be selected in the same regions as the clients. Again, those to be interviewed were selected at random from the list of those registered with the bank.

B. For Individual Borrowers

- The sample frame was to include all individual borrowers with a minimum of two years experience with the program. Those to be interviewed would be selected randomly within the three departments of Cortes, Santa Barbara, and Yoro.
- Within these areas, borrowers would be selected to roughly reflect the proportional difference in the size of the program in each of these areas. In addition, an attempt was made to reflect the urban/rural split in the location of clients. A minimum of six clients in each department would be selected, however, to support a practical division of labor within the work plan to be developed.

- Non-clients would be identified in the same manner as for the village bank program. Individuals would be randomly sampled from lists of new clients who had completed loan applications, and were in the approval process, but to whom loan funds had not yet been transferred. They would be selected within the same regions as the borrowers in generally the same numbers in each site.

Site	Urban/rural Location	Number of clients	Types of microentrepreneurs selected	Number of clients selected
Department of Cortes				
San Pedro Sula	100% urban	159	100% urban	9
Choloma	100% urban	221	100% urban	12
La Lima				3
Subtotal				24
Department of Santa Barbara				
Pinalejo				1
La Flecha				1
Chinda				1
San Nicolas				1
Sta. Barbara	26 % urban 74% rural	61		2
Subtotal				6
Department of Yoro				
El Progreso	100% urban	93	100% urban	6
Subtotal				6
TOTAL				36

C. For Ex-clients

- Within the bank program, former clients to be subjected to the “exit interview” would also be selected at random from the same banks that had been chosen for the sample. Within the individual program, individuals would be identified who had left the program at the conclusion of the most recent cycle, and who appeared in the last liquidation report.

D. For In-depth Interviews

- Those to be interviewed in depth would be selected at random from the same sites selected for the quantitative surveys. For the empowerment tool, only women were included in the sample frame; for the in-depth interview on loan use, both men and women were included. For each site, alternates would be selected if efforts to locate the individual inscribed on the list were not successful.

APPENDIX 5

Comparison of Clients and Non-Clients Selected for Impact Assessment Survey

Appendix 5. Comparison of Clients and Non-Clients Selected for Impact Assessment Survey

Gender

	Female		Male	
	number	percentage	number	percentage
Clients: village bank	27	75%	10	25%
Non-clients: village banks	25	69%	11	31%
Clients: individual loan program	22	61%	14	39%
Non-clients: individual loan program	20	59%	14	41%

Age

	Minimum Age	Maximum Age	Average Age
Clients: village banks	26	63	40
Non-clients: village banks	18	64	37
Clients: individual loan program	25	58	42
Non-clients: individual loan program	24	64	41

Civil Status and Heads of Households

	Married		Head of Households	
	number	percentage	number	percentage
Clients: village banks	24	65%	10	28%
Non-clients: village banks	20	56%	3	8%
Clients: individual loan program	23	64%	13	36%
Non-clients: individual loan program	27	79%	11	31%

Educational Level

	Average	Maximum
Clients: village banks	4.9	13
Non-clients: village banks	4.5	12
Clients: individual program	8.7	17
Non-clients: individual loan program	6.8	16

Number of Adults and Children in the Home

	Average : Children	Average: Adults	Average: Adults with Income
Clients: village banks	4	2.4	2.1
Non-clients: village banks	2.8	3.5	2.2
Clients: individual loan program	2.2	2.9	2.2
Non-clients: individual loan program	2.6	2.9	2.3

Business Type

	Commerce	Service	Production	Agriculture
Clients: village banks	30	6	4	0
Non-clients: village banks	22	12	2	0

Clients: individual loan program	28	6	2	0
Non-clients: individual loan program	21	12	5	1
Totals:	101	36	13	1

APPENDIX 6

Evolution of Borrower Businesses: Village Bank Borrowers

Appendix 6. Evolution of Borrower Businesses: Village Bank Borrowers

Borrower	Loan 1			Loan 2			Loan 3-6		
	Businesses	Loan Amount (in lempiras)	Use	Business	Loan Amount (in lempiras)	Use	Business	Loan Amount (in lempiras)	Use
1 (male)	home based grocery store	1,500	purchase rice and beans						
	minimal: shouldn't have invested all at once since returns are not as quick; has had trouble making weekly payments; interest rate too high; term too short; some profit reinvested in business and savings; believes loan has had limited impact								
2 (female)	clothes maker (children + women)	400	fabric, notions (75%); food (25%)						
	makes children's clothes and sells at events; makes women's dresses to order; business slow; attends to it part-time; is paying loan with income from sons, not from business; loan has had limited impact so far.								
3 (female)	home based grocery store	1,800	merchandise (80%); family expenses (20%)	home-based grocery; "glorieta": serving soft drinks and beer	1,800	installation of glorieta			
	profits low due to small amount of loan; invested profits in family expenses; business survived due to investment of husband's job termination benefits			earning profits of 50% on glorieta (900 l. weekly); earning profits of 25% on grocery; investing returns in business and family expenses;					
4 (female)	vender: clothing; "chiclera": very small shop selling candies, gum	2,500	clothing to sell on credit; gums, candy, etc.	clothing sales; "chiclera," cooked foods	3,000	clothing			
	900 lempira profit weekly, invested in food, school expenses, father's funeral expenses			Sales clothing on credit, earning 30-50% depending on the article; diversifying to selling cooked food on daily basis in addition; considers businesses successful due to care with expenses; good customer selection; purchase of the right merchandise.					
5 (male)	sale of meats	1,100	meat purchases	sale of meats; corn grinding business	3,000	meat purchases	home-based store	6,000	meat, groceries

Borrower	Loan 1			Loan 2			Loan 3-6		
	Businesses	Loan Amount (in lempiras)	Use	Business	Loan Amount (in lempiras)	Use	Business	Loan Amount (in lempiras)	Use
	sold meats traveling on bicycle; weekly profit of 180-200; considered very low returns and insufficient to feed family adequately			sold meat on contract to women making food for factory workers; earned 410 lempiras daily; bought corn grinder and car to deliver meat ; but then sold them because didn't think returns merited funds invested in them; bought a property.			selling from home due to fear of robbery by delinquents when traveling; now renting rooms; dreams of much larger loan (12,000) for grocery store, but doesn't meet ODEF's requirements in terms of guarantees and documentation on property.		
6 (male)	sale of butter and cheese	800	30 pounds of cheese	sales of butter and cheese, medicines	1,500	50 pounds of cheese; 40 pounds of butter	sale of butter and cheese, medicines	2,000 4,000	80 pounds of cheese; 60 pounds of butter; 600 lempiras in reserve; daughter's university fees
	small return due to small loan size			earnings increased to 330 l. weekly			business has grown; supports youngest daughter in university; profits amount to 800-900 weekly; gives daughter 30 lempiras daily for school expenses; dreams of home based store; interested in using bank savings with other members as loan fund to non-bank members.		
7 (female)	vender: sales of clothing and lotions	800	lotions, clothing	clothing	1,500		clothing	2,000 2,500 3,000 5,000	clothing household articles
	saved 160 in village bank; had clothing stock worth 4,000 on credit; increased sales						over this period profits increased; increased number of clients; selling to factory workers on credit; able to buy inventory on credit worth 15,000 lempiras; only 4 have failed to pay; planning to take one loan more and then work with own capital; planning to buy property for home.		

Individual Borrowers

Borrower	Loan 1					Loan 2			
	Am't (in lempiras)	Business	Use	Goals	Achieved?	Am't (in lempiras)	Use	Goals	Achieved?
1 (male)	60,000	trash removal	equipment (volqueta)	expansion	yes: 2 major contracts: profits: 11,000 lempiras monthly	40,000	equipment (volqueta)	expansion: 3rd contract	Yes; investing in maintenance; improved employee conditions
2 (male)	3,000	Shoe maker	raw material	increase production	yes: repaired and bought equipment; expanded shop size; increased sales by 30%	6,000	raw material	increase profit; improve shop	No: due to personal illness, couldn't sell and employees quit; didn't have product for high season; diverted part of working capital to consumption
3 (male)	10,000	shoe maker	raw material	increase production	yes: bought "hormas" and sewing machine; production increased by 24%; monthly profits average 2,100 lempiras	10,000	raw material	increase production	no: couldn't find qualified workers; lost production and sales during high season; diverted earnings to family needs and is 3 months delinquent
4(male)	60,000	store: pulperia	expand premises; buy merchandise	improve store appearance to attract customers and increase sales	yes: sales between 6 and 7,000 lempiras daily with daily profits at 20%; bought property next to theirs	40,000	display counters; freezer, "vitriñas," merchan- dise	increase product line and improve product display to increase sales	yes: profit 38,000-42,000 monthly; considering expanding into a "mini- super."
5 (male)	50,000	cement block maker	buy truck	reduce transport costs	yes; earnings are 200 lempiras daily and 5,000 lempiras during weeks when product shipped to El Salvador; but was delinquent for 3 months due to driver killing a pedestrian, for which he was responsible to make reparations. Payments now completed and seeking 2nd loan to sell construction materials.				

Borrower	Loan 1					Loan 2			
	Am't (in lempiras)	Business	Use	Goals	Achieved?	Am't (in lempiras)	Use	Goals	Achieved?
6 (male)	60,000	Shop	merchandise; truck	expand product line - bikes, beds, furniture, TVS; add truck rental business	no; store business declined when in his wife's hands while he focused on transport business; sold truck; also didn't profit as expected from add'l merchandise as he sold it on credit and recuperation is slow; estimates profit at 10- 12%	30,000	merchan- dise	buy rapid turnover products (radios, tapeplayers, etc.)	no: court for basketball and local events build opposite shop reducing access; considering re-location; also starting to sell basic grains and hopes to make 50% profit
7 (female)	10,000	Clothes making: small factory "maquila"	car repair	to transport product to and from worker's homes	yes	10,000* (3rd and 4th loans same amounts)	fabric and threads	increase production	yes: all clothes sold wholesale on credit at stores and markets in city; weekly sales of 14,000 lempiras in good seasons; 5,000 lempiras in others; profit estimated at 22%
8 (male)	20,000	grocery store	grocery stock	to increase inventory	yes	20,000	grocery stock	to increase inventory	no: blames increase in interest rate from 22% to 32%; and delay in disbursement so that funds arrived after best period for earnings
9 (male)	30,000	furniture maker	raw material	to respond quickly to customer requests	yes: inventory allowed him to more quickly meet client requests(he makes furniture to order) with only 50% down payment; net profits estimated at 38,000; hired 5 people at peak; 2 for slow periods	35,000	raw material	to respond to customer requests	yes: reinvesting earnings in business, although considering a change: wood prices are increasing due to forest preservation laws; may enter metal work; concerned also that loan terms don't coincide with peak and fallow work periods; was in delinquency for 5 months due to this.

APPENDIX 7

Less Empowered Clients (n=3)

Appendix 7- Less Empowered Clients (n=3)

	Before Participating in ODEF's Village Banking Program	After Joining the Program
As a person:	timid fearful of relating to others sad (2) unmotivated without confidence to seek favors	happy (2) capable of setting goals and knowing that I can achieve them what I need I can obtain through work
Within the household:	economically dependent on spouse (2) dedicated to household tasks (2)	Household security: I can buy what the children need (3) The businesses of husband and wife enable household expenses to be covered Having my own things makes me feel more secure The family feels more supported. "Each day that passes I feel better because I help the family." I have bought my daughter a sewing machine because wants to learn the business of sewing. dream to repair the house
Within the community:	few friendships based in church not well known in the community	more friendships (3) relates to others more more well known sharing experiences with companions (helpful in the business and in my life) There are people who recommend and support me. "Thanks to the support received from the community bank, my husband and I have joined the patronato to contribute to the solution of problems that exist in the community."
In relation to business:	desirous of working outside the house had dream of own business (a little restaurant; clothes sales) (3)	work that I like Confidence in repayment capacity: "I have learned that there is demand, and money can be invested and the investment can be repaid;" "I have no fear in taking loans." The business is more "surtido" due to the loans. Dreams: If all goes well, I'd like to grow my savings in order to begin to work with my own funds. to start another new business (2): "I'd like to diversify in a way that is not so demanding, for example dedicating myself to renting chairs and arranging rooms for parties" "I'd like to increase my business income and each day improve it." "I need more money to capitalize the business."

APPENDIX 8

More Empowered Clients (n=3)

Appendix 8 - More Empowered Clients (n=3)

	Before Participating in ODEF's Village Banking Program	After Joining the Program
As a person:	<p>independent optimistic secure with many aspirations my goal was to travel abandoned by husband, forced to make own way ... capable, secure, respected because "I could solve my own problems" although I can't read or write, I carry all the accounts of my clients in my head."</p>	<p>Happy, realized, capable satisfied with my successes indispensable, important good moral values such as responsibility, solidarity, honesty "more than a woman" responsible, with obligations, and with an excellent credit record proud that I have advanced</p>
Within the household:	<p>a good mother always wanted to use the business to satisfy the family's basic needs (2) My children had no limits with respect to their nourishment.</p>	<p>I feel happy since I make my own decisions. I have changed my appearance and that of my children. I have been able to support my family on the base of the business. I have improved my house, paid for education, food, health and to buy household necessities. "The business has been a positive influence in the family, as the children are motivated and help on their days off." Dreams of giving the children a complete education so that they can take care of themselves. (2) Dreams of buying a house, and is looking for one to buy on credit</p>
Within the community:	<p>participative, social a good friend and Christian had been in courses before and had knowledge of organization had worked with organizations that worked on behalf of light, water, school, community center.</p>	<p>Important and respected President of the village bank: "I have changed as I've been involved in the group, to be capable, to share the needs of others, to transmit knowledge through advice. I am trying to know and measure the members' capacity as much in their being as in their role as borrower." I feel more important and am motivating other people to join the group I am motivated to collaborate in the bank's activities; they keep me in mind for any activity that is for the benefit of all. wants to form a group to petition for "alcantarillado" wants to learn to read and write in order to become bank secretary</p>
In relation to business:	<p>had a business (3) I had the store for 15 years had previous loans (1) my business was small: my only goal was to find someone to invest in it "I had the goal of improving my business, and always the spirit to keep moving forward and improve my economic situation. I was always looking for someone who could orient me on how to invest in my business and improve it." Secure as administrator of my own business: "I worked without tiring, without pressure and with earnings; I decided everything." Always interested in getting more customers and keeping them</p>	<p>I spend more time in my business as I have the firm goal of paying off the loan ahead of time and getting a larger one. I feel secure that I am capable of paying off larger loans each time. My business has grown. I have more products to sell and my earning have increased. The number of customers has increased as has my income. A good administrator: I have not lost anything; on the contrary, I have made profit. My sales have increased; I have more clients. I have learned to charge, to sell to my customers' satisfaction, to buy merchandise with care in selection. My goal is to increase my income by 50% and make changes in the business to make it more attractive. My biggest obstacle is competition which is growing every day." wants next loan to be larger so that "I can rent a site for my business." "I want to put a mini-super here in the community." My goal is to be a good businesswoman. Seeking business management training from ODEF</p>