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AIMS Pushes Envelope on Client Insights

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Monique Cohen joined USAID's Office of Microenterprise in 1994. From 1994 to 2002 she was responsible for the design and implementation of the AIMS project. Upon leaving USAID she founded Microfinance Opportunities, a not-for-profit specializing in the client perspective to microfinance and pioneering the field of financial education for the low-income populations. Since 2012 she has worked as an independent advisor focusing on the client agenda in microfinance.

The Clinton Administration established the Office of Microenterprise Development in 1994, ushering in a period of innovation and placing USAID at the forefront of the bourgeoning field of microfinance. From the supply side, its programs emphasized sustainable financial systems that would permit service providers to go to scale. From the demand side, the flagship AIMS (Assessing the Impact of Microfinance Services) project addressed two key pressures: policymakers seeking evidence of poverty alleviation impacts and practitioners needing tools to justify their microfinance investments.

The influence of this work cannot be underestimated. Following the groundbreaking work of David Hulme and Paul Mosley1, AIMS addressed both sides of the client assessment coin: how to improve impact and how to use client data to improve operations. "Learning from Clients: Assessment Tools for Microfinance Practitioners" became the global reference for a proving-and-improving tool that remains widely used to this day.

The AIMS project contributed to USAID's role as a thought leader. Aside from the rigorous measurement of impacts in India, Peru, and Zimbabwe2, the AIMS studies were among the first to focus attention on understanding clients and their use of financial services. Many strongly held but untested premises about clients' behaviors were examined. The studies found that clients use a range of formal and informal financial services, that microcredit was additive, that over people's life cycles their financial needs evolve and require a range of products including savings, insurance, and loans, and that the most common credit product – short-term working capital loans – cannot be all things to all people.

A key finding was that households adapt microcredit to their needs. Microcredit's value was not simply in its use as an input to enterprise growth but also as a tool for managing people's vulnerability and helping households meet cash flow demands such as school fees and emergency expenses. These conclusions were subsequently verified and explored further in a paper commissioned by the World Bank that shaped the 2000/2001 World Development Report on poverty3.

The AIMS project was prescient, laying the groundwork for many issues that dominate today's microfinance discourse on clients. Its conclusions on the impacts of microcredit, similar to those of today's RCTs, found that while they may be relatively small and vary by country, for clients the changes are important and positive. AIMS was the first set of studies to highlight the cash management practices of the poor, the use of loans for consumption, promotion, and protection. Moreover, the three rigorous impact assessments remain the only studies to use the same design and methodology across three countries.

The AIMS project's success also reflects its timeliness and responsiveness to the needs of policymakers and practitioners and has provided a basis for future work in this domain by other donors and evaluators. AIMS' major body of information and case studies also have been widely used in the Boulder Institute's Microfinance Training Program course on clients, a self-sustaining initiative that originally was funded by USAID.