



## 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

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# Toward Guidelines for Lower-Cost Impact Assessment Methodologies For Microenterprise Programs

*Discussion Paper for the Second Virtual Meeting  
of the CGAP Working Group on Impact Assessment Methodologies*

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**Submitted to:**

Monique Cohen  
Office of Microenterprise Development  
Economic Growth Center, Global Bureau  
USAID

**Submitted by:**

Jennefer Sebstad  
Management Systems International  
Washington, D.C.

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## EXECUTIVE SUMMARY

The question of impact and how to assess it is generally agreed to be important given the expansion of microenterprise programs as a strategy for reducing poverty and the level of donor support provided to these programs. The purpose of this paper is to advance the debate on improved impact assessment (IA) methodologies for microenterprise programs. Specifically, the focus is on lower-cost IA approaches that generate results that are credible and useful for both donors and practitioners. Donors want to know whether their support for microenterprise programs conforms to the poverty alleviation or other priorities of their agencies or political constituencies and whether impacts justify the financial support given. Practitioners want to know whether they are reaching their program objectives and how to improve their services. How can impact assessments serve both purposes in a practical and cost-effective manner?

### **Why Lower-Cost Impact Assessment Methods?**

In the past, credibility in the impact field often has been defined by large, complex, and expensive studies rigorously designed to measure and attribute change to a particular microenterprise intervention with a high degree of confidence. Their focus has been on “proving” that interventions have a positive impact in order to justify future investments. Credibility notwithstanding, the largest number of impact assessments of microenterprise programs actually have used smaller, simpler, and less expensive methods. Their emphasis has been on “improving” programs by understanding impact processes and suggesting how programs can become responsive to client demands and needs.

Participants in a 1997 CGAP Impact Working Group virtual meeting concluded that the greatest gains for improving IA methods could be realized by improving the credibility, utility, and cost effectiveness of simple approaches. By improving the credibility of simple approaches without making them too complex or expensive, they can be used for both justifying investments and improving programs. By achieving this broader purpose at a modest cost, they can be more cost-effective. In the paper we refer to this as the “middle-range” approach.

### **Basic Parameters of a “Middle-Range” Approach to Impact Assessment**

A middle-range IA may be defined as an inquiry to estimate the amount, pattern, or direction of change that can be plausibly associated with an intervention. This is distinct from more academic impact research that seeks to measure change precisely and attribute it to an intervention with a high degree of confidence. A middle-range IA generally is smaller in size and scope, uses less-complex measures, and applies simpler analytic techniques. It may involve a mix of methods including surveys, case studies, focus group interviews, and other qualitative methods. It generally compares two points in time (usually before versus after intervention) and uses sample groups with and without the intervention to establish plausible association. Rather than prove impacts within precise and statistically definable limits of probability, middle-range IAs seek to understand intervention processes and to identify and estimate the value of impacts that stand the test of plausible association.

### **Some Important Elements of Credibility, Usefulness and Cost-Effectiveness**

For an IA to be *credible* it is important to have clearly stated objectives that indicate the types of impacts that will be examined, the intended use of the findings, and the audience. It should have a

small set of key hypotheses, some of which have proven valid in previous IAs. The IA should be designed to establish plausible association between measured changes and the microenterprise program. Towards this end, it should have a longitudinal design, if possible, to obtain more reliable measures of change. If a longitudinal design is not possible, the assessment should concentrate on variables for which recall data is easily obtainable and generally reliable. It should have a control group to provide a basis for associating change with the microenterprise program. It should have a sample size large enough to ensure effective use of control variables, account for drop outs, and allow for invalid data issues, but small enough to fit the budget. Here is where trade-offs are required between the number of variables, margin of error, confidence interval, and budget. The IA may use a mix of research methods, for example, small surveys combined with rapid appraisal techniques, focus groups, case studies, semi-structured interviews with key informants, participant observation, and use of secondary sources. Data generated by mixed methods can help to establish the validity of the data and the reliability of the measures of change. The credibility of an IA can be improved further by data-gathering instruments that are well designed and clearly documented. Relevant background information on the institution and program, and the identification of key context variables that influence the program and its clients, are also important.

Credibility is also a function of usefulness. To be *useful*, an IA should span the “proving” and “improving” objectives by providing results relevant to both donors concerned with justifying investments in microenterprise programs and program managers concerned with improving the design of their programs. This can be done by including indicators to assess program effectiveness in responding to client needs. Such information can be obtained through outreach indicators, client satisfaction surveys, exit interviews, analysis of client transaction costs and client service relationships, and a breakdown of portfolio performance data by relevant client characteristics. The results can help program managers define strategic objectives, design and deliver appropriate products, and develop strategies to improve portfolio performance by reducing turnover, expanding outreach, and improving portfolio quality. Involving clients and program managers in the impact assessment process is important in insuring that the issues addressed are meaningful and the results are useful. Another element of usefulness is developing a specific dissemination strategy and presenting findings to the intended audience in a timely and comprehensible fashion following completion of the IA.

A key challenge in designing a middle-range impact assessment is deciding how to get credible and useful results out of a modest budget. An IA can be more *cost-effective* if there is a good “fit” between the objectives, methods, and resources available in terms of money, people, and time. Greater efficiencies can be achieved by building on the lessons of past IAs. Past experience can be especially helpful in identifying meaningful and valid impact hypotheses and variables, developing data-collection strategies for obtaining reliable and valid data, and selecting appropriate analytical techniques. Resources can be allocated more efficiently if the data needed to test the hypotheses are considered at the planning stage, and the expertise required at different stages of the process is considered and budgeted for *a priori*. The cost of collecting data can be reduced by keeping the sample to a manageable size and measuring the direction or pattern of change rather than the amount of change in most variables and using recall data as appropriate. The cost effectiveness of an IA can also be improved if the methodology is pilot tested ahead of time.

## **Toward Guidelines**

The current standards of academic rigor, which heretofore have defined credibility in the impact field, are neither practical nor affordable in a world where resources are limited and where timely information is needed for building more effective microenterprise programs. Neither donors nor practitioners are willing to accept that IAs are only worthwhile if undertaken at great expense. The challenge at hand is to identify and build consensus on important elements of a middle-range approach that is within reach of microenterprise practitioners and donors.

The design and implementation of middle-range impact assessments should be guided by practices that ensure credibility by i) establishing plausible association between changes experienced by clients and their participation in microenterprise program and ii) generating information that is useful for improving programs. The paper concludes by suggesting a set of guidelines for conducting middle-range impact assessments. They are not meant to suggest a standardized impact assessment method for all programs. Rather, they are meant to serve as a checklist of elements to consider in planning, designing, and implementing impact assessments. The suggested guidelines are still at a preliminary stage of development and are offered as a “first cut.” They need to be further tested and refined based on practice.

## I. Background and Purpose

Successful microenterprise programs can be defined in terms of institutional performance, financial sustainability, and socio-economic impacts. While all three elements are interrelated, this paper focuses on socio-economic impacts. The question of impact and how to assess it is generally agreed to be important given the expansion of microenterprise programs as a strategy for reducing poverty and the level of donor support provided to these programs. It is also important because claims about the benefits of microenterprise programs often tend to outstrip the evidence currently available (Hulme 1997).<sup>1</sup>

The purpose of this paper is to advance the process of developing guidelines for lower-cost methodologies for assessing the impact of microenterprise programs. It has been prepared for the Consultative Group to Assist the Poorest (CGAP) Working Group on Impact Assessment Methodologies. It follows on the results of a 1997 Working Group virtual meeting and associated papers that reviewed microfinance program impact assessment (IA) objectives and methodologies. One of the conclusions of that meeting was the need for improving the credibility, utility, and cost effectiveness of simple IA designs and methods. Another conclusion was the need for impact assessments to be more operationally relevant to microfinance institutions (MFIs). The Working Group's April 1998 virtual meeting focused on these topics as a step toward the development of guidelines for lower-cost, credible, and useful IA methods.

Why lower-cost impact assessment methodologies? For donors and practitioners who receive support from the donor community, the goals of impact assessments may range from "proving" impacts at one end of a spectrum to "improving" practice on the other, with considerable overlap in the middle (Hulme 1997). Donors want to know whether their support to MFIs conforms to the poverty alleviation or other priorities of their agencies or political constituencies and whether the impacts justify the financial support given. Practitioners want to know whether they are reaching their program objectives and how to improve their services. The concerns of policy makers, donors and practitioners coincide in the sense that they all want microenterprise programs to have a positive impact on clients. Most IAs incorporate both the proving and improving elements to some degree (Hulme 1997).

In the past, credibility has often been defined by large, complex and expensive impact studies rigorously designed to attribute change to microenterprise program participation, thereby justifying expenditures on these programs. While the findings have been useful for justifying program investments, they have been somewhat narrow in their scope and therefore less useful for improving programs. Credibility notwithstanding, the largest number of impact assessments actually have been smaller, simpler, and less expensive. The findings have been useful for understanding impact processes and suggesting how programs can be improved, but less credible for justifying investments.

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<sup>1</sup> Some credit analysts argue that a 100% recovery rate is sufficient to demonstrate that the objective of a credit program is reached and that the borrowers are benefitting. Therefore, impact assessments are an inappropriate and unnecessary waste of resources. Others argue that recovery rate is an insufficient indicator of impact. Bruntrup et al. (1997), for example, discuss the failure of recovery rates to identify credit effects beyond the mere capability to repay debts, such as inter-household and intra-household distribution effects. Recovery rates do not provide a basis for comparing the benefits of credit and other interventions. Moreover, credit repayment does not necessarily signal capacity to repay debts. In some cases, people go further into debt.

Several participants in the 1997 CGAP virtual meeting argued that the greatest gains for improving IA methods could be realized by improving the credibility, utility, and cost effectiveness of simple approaches — to bring the justifying and improving goals closer together. This makes sense. By improving the credibility of simple approaches without making them too complex or expensive, they can be used for both justifying investments and improving programs. By achieving a broader purpose, they can be more cost-effective.

One challenge in designing any good impact study is achieving a “fit” between the objectives, methodology, and budget, thereby optimizing the use of available resources (Hulme 1997). In a world of both limited resources and increasing demand for impact information, the question is how to get credible and useful results out of a modest budget. As we learn more about how to carry out effective microfinance impact studies, we can become more efficient in the use of resources, and more effective in generating credible and useful results.

Fortunately, there is a growing body of relevant experience to draw upon. The AIMS project has identified approximately 50 microfinance or credit program impact assessments undertaken since 1990.<sup>2</sup> These assessments have focused on a range of organizations in different regions, countries, cultures, and contexts. The programs have had different objectives and have ranged in scale from several hundred to over a million clients. The studies have required different levels of resources and time frames and have been carried out by researchers from a variety of disciplines. Notwithstanding their differences, they all provide useful lessons with respect to understanding the impacts of microfinance programs and how to study them (Sebstad and Chen 1996; Gaile and Foster 1996).

Neither donors nor practitioners are willing to accept that IAs are only worthwhile if undertaken at great expense. The challenge at hand is to define a middle range — to develop smaller, lower-cost IA methodologies that incorporate both the “justifying investment” and “improving program” elements, that are not too complex, and that are credible, useful, and cost-effective. To this end, recent impact assessments supported by donors participating in the CGAP Impact Assessment Working Group were submitted for the 1998 CGAP meeting to provide examples of approaches which attempt to use lower-cost methods that generate credible information useful to both donors and practitioners.

The key challenges in developing credible, useful, and cost effective approaches are to

- ! come up with lower-cost methods that can plausibly associate (instead of attribute) program interventions with change while also generating information useful for improving program performance and impact,
- ! streamline IA designs to fit the budget and the time available (Hulme has made the point that overly ambitious designs continue to lead to poor IA), and

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<sup>2</sup> The Assessing the Impact of Microenterprise Services (AIMS) project is funded by USAID’s Office of Microenterprise Development. This five-year project (1995-2000) works to improve the understanding of the impacts of microenterprise programs on microentrepreneurs, their households and enterprises, and to strengthen the ability of USAID and its partners to measure the results of microenterprise programs. Project activities are carried out by Management Systems International in cooperation with the Harvard Institute for International Development, the University of Missouri, and The Small Enterprise Education and Promotion Network



! build on existing knowledge and IA experience in design, implementation, analysis of data, and dissemination strategies (i.e., do not repeat mistakes and do not reinvent the wheel).

This paper is intended to advance the debate on improved impact assessment methodologies. The following section proposes definitions of middle-range, or smaller, lower-cost impact assessments that are credible, useful, and cost-effective. It also sets forth important elements or characteristics of impact assessments that should be considered when developing guidelines. Section three discusses what we have learned about smaller, lower-cost approaches from recent impact assessments. The final section suggests a small set of central hypotheses and variables which have demonstrated their validity in previous assessments and provides preliminary guidelines for conducting middle-range impact assessments.

## **II. Definitions and Important Elements of Credible Impact Assessments**

The basic purpose of this paper is to promote discussion on guidelines for lower-cost impact assessments. While there is no one set of hypotheses, no single methodology, no single type of data or mode of analysis — since these will vary according to the objectives of the study, the program, and the context — it may be possible, on the basis of past experience, to identify and build consensus on important elements of an IA approach that can contribute to more credible, useful, and cost-effective results.

### **A. Working Definitions**

#### **1. What do we mean by “impact assessment”?**

At the outset, it may be useful to distinguish between “impact assessment” and “impact research.”<sup>3</sup> For purposes of this discussion, “impact research” may be defined as the accurate measurement of change that reliably can be attributed to an intervention. It is part of a systematic inquiry to discover or check facts. It generally involves a “fully resourced” quasi-experimental approach which compares the outcomes of an intervention with a simulation of what the outcomes would have been had there been no intervention. The results allow the researcher to draw conclusions attributing the changes in the impact variables to the intervention with a high degree of confidence. Impact research tends to be very expensive and would be classified within Hulme’s framework of impact methodologies as a “complex approach” (Hulme 1997, table 5).

“Impact assessment,” by contrast, may be defined as an inquiry to estimate the value, degree and/or pattern of change that can be plausibly associated with an intervention. They generally are smaller in size and more limited in scope, and use less-complex measures and simpler analytic techniques. Impact assessments may involve a mix of methods including surveys, case studies, focus group interviews, and other more qualitative methods. Impact assessments generally compare impact variables at two points in time (usually before versus after an intervention) and cover sample groups with and without the intervention to establish “plausible association.” Rather than prove impacts

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<sup>3</sup> Impact monitoring, by contrast, may be defined as the regular, systematic collection of information to assess the impacts of a program. IA relates to fixed points in time, whereas impact monitoring refers to continuous data collection (Montgomery et al. 1996; Espegren 1997; Edgcomb and Garber 1998).

within precise and statistically definable limits of probability, impact assessments seek to understand intervention processes and to identify and reliably estimate the value of impacts that stand the test of plausible association. A mix of methods may be used to establish the validity of a relationship between interventions and changes in selected impact variables.

This paper focuses on impact assessments. Drawing on previous experience, it proposes guidelines for conducting credible impact assessments that are within reach of practitioners and donors. The current standards of academic rigor, which heretofore have defined credibility in the impact field, unfortunately are not practical or affordable in a world where resources are limited and where timely information is needed for improving microfinance programs and for justifying the allocation of development resources to these programs.

## 2. Basic parameters of a lower-cost approach

The above definition of an impact assessment establishes some basic parameters within which to discuss issues of cost, credibility, and usefulness. Referring to Hulme's (1997) classification of impact assessment methodologies, approaches can range from simple to complex, depending on the objectives, intended audience, level of reliability required, methods used, costs, and time scale. Within this framework, we can begin to define some basic parameters of a lower-cost approach.

For the purpose of this discussion, we will assume that the resources available for most IAs are low to moderate, and therefore not sufficient to support complex studies. We also will assume that most IAs have dual objectives, that is to *plausibly associate* changes in key variables with program participation, with a reasonable degree of reliability, and to generate information useful in *improving* programs. We further will assume that the audience for the IAs includes both donors (policy makers, managers, and in-country representatives) and practitioners (MFI senior program and operations managers and field staff).

Referring back to Hulme's classification, a lower-cost approach could be seen as a hybrid that straddles the simple and moderate approaches he described. This approach might be thought of as a "high-caliber" simple approach, or a "low-cost" moderate approach. For convenience, we will call it the "middle-range" approach.

## 3. What do we mean by "credible?"

*"...something that is capable of being believed; something that is reliable"*

At a minimum, a credible "middle-range" impact assessment should have

- ! clearly stated objectives;
- ! a small set of focused hypotheses;
- ! well-defined and reliable variables and measures;
- ! well-designed and documented data gathering instruments;
- ! methods that allow for establishing plausible association between interventions and measured changes;
- ! a design that generates information useful for improving program performance and

<b>TABLE 1: A MIDDLE-RANGE APPROACH AND WHERE IT FITS INTO HULME'S FRAMEWORK (ADAPTED FROM HULME 1997, TABLE 5)</b>							
	<b>Key characteristics</b>						
<i>Approach</i>	Objectives	Main Audience	Level of reliability	Main method	Other methods	Costs	Time scale
<b>Simple (lower cost)</b>	To test existing understanding of impacts and improve program performance	Senior program managers and in-country donor representatives	Moderate to low	No main method	Many methods used	Low to moderate	9-18 months
<b>Middle-Range (modest cost)</b>	To show plausible association between changes and program intervention and to improve program performance	Donors (policy makers, managers, and in-country representatives); recipient MFIs (policy makers, managers, and field staff)	Moderate (high quality field work; well documented research process; incorporation of lessons from previous ME impact studies)	Sample survey with control or comparison group (rigorous methods applied over time and clearly documented)	Rapid appraisal, case studies, participant observation (clearly documented use of triangulation)	Moderate	6-24 months
<b>Moderate (higher cost)</b>	To prove impact to a reasonable degree of reliability and to improve program performance	Bilateral and recipient policy makers and managers and senior operational managers	Moderate	Sample survey with control group	Rapid appraisal Case studies Participant Observation	High	15-30 months

impact; and

- ! a design process which ensures that the impact variables are meaningful to clients and the study results are useful for program managers.

Other important elements that contribute to the credibility of impact assessments include the following:

- ! a statement of the key assumptions and values underlying the impact assessment;
- ! a research design that is grounded in the country and program context;
- ! a clear rationale for the choice of hypotheses, variables, and measures, and use of some hypotheses and variables that have demonstrated validity in previous assessments;
- ! research methods that are rigorous, that have been applied successfully over time, and that are documented;
- ! a sample design that allows for analysis of statistical significance;
- ! a control or comparison group in the sample;
- ! a longitudinal design if possible;
- ! a time period that is sufficient for impacts to manifest themselves;
- ! clear instructions and guidelines for data collection procedures;
- ! personnel who are capable of obtaining correct impact assessment results and trained prior to data collection;
- ! cross checks to ensure the data are valid and reliable; and
- ! a statement of the limitations of the study design, methods, and data to promote transparency.

#### 4. What do we mean by “useful?”

*“...the state or quality of being practical or beneficial”*

Important elements that contribute to the usefulness of impact assessments include the following:

- ! the audience for the assessment is identified *a priori*;
- ! the intended use of the findings is identified *a priori*;
- ! to the extent possible, users participate in one or more stages of the impact assessment process (for example, at the planning and design stages or during the analysis stage);
- ! outside impact assessors develop constructive relationships with program staff to encourage co-ownership of the findings;
- ! the findings are linked to the objectives of the assessment;
- ! the findings allow program managers/practitioners and donors to draw conclusions about plausible associations between interventions and changes and hence identify impacts, thereby providing data that can help justify investments in microenterprise programs;

- ! the findings let program managers/practitioners and donors know if programs are reaching who they intend to reach;
- ! the findings provide data that can help program managers/practitioners adjust policies and practices to improve program performance and impact;
- ! a specific dissemination strategy is developed aimed at the relevant audience, including decision makers;
- ! the findings are presented in a way that is comprehensible to users;
- ! findings are presented within a nine month period (maximum) from data collection; and
- ! the IA provides data on key indicators of interest to the field.

5. What do we mean by “cost-effective?”

*“...something is cost-effective if the benefits exceed costs”<sup>4</sup>*

In developing cost-effective approaches, a key challenge is maximizing the effectiveness of an IA in relation to the costs. The resources available for an impact assessment can be used optimally if there is a good “fit” between the objectives, methods, and resources available in terms of money, people, and time (Hulme 1997). Greater efficiencies can be achieved by building on the lessons of past IAs to identify meaningful impact hypotheses and variables and methodologies that have been effective for obtaining reliable data and analyzing it. More benefits will accrue if the findings are comprehensible, disseminated to the appropriate audiences, and used. To this end, some basic parameters of a cost-effective approach might include the following:

- ! the cost of study method is considered *a priori* as high, medium or low;<sup>5</sup>
- ! the objectives are clearly defined and fit the methodology and budget;
- ! the method is clearly defined (at all stages) and fits the budget;
- ! the approach/method meets the objectives at an acceptable level of reliability;
- ! the approach/method is compatible with the program’s context;
- ! the approach/method is feasible in terms of cost, timing, and human resource availability;
- ! the process builds expertise in IA where it does not already exist;
- ! the data needed to test the hypotheses are considered at the planning stage;
- ! the expertise required at different stages of the process is budgeted for;

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<sup>4</sup> This measure can be used to compare benefits or outputs achieved per unit cost across different impact assessments, assuming comparable measures of costs and benefits are used.

<sup>5</sup> Cost information on impact assessments is limited, but costs appear to vary widely. Rough guestimates might be from \$10,000 for 1-2 experts working for 1-2 months on a “simple” assessment; to \$35,000 to \$100,000 for a larger team working on a middle-range assessment; to several hundred thousand dollars for a multidisciplinary team of experts working on a “complex” study.

- ! costs are considered in relation to the operating budget of the program to be assessed;<sup>6</sup>
- ! resources allocated to IAs, especially if they are longitudinal, are used to assess programs utilizing best-practices and having a reasonable level of financial security;
- ! the IA builds upon, draws on, or adapts methods and findings of previous IAs;
- ! the IA methodology is pilot tested ahead of time;
- ! the IA considers how much staff time is required to support the IA process (sometimes a hidden cost); and
- ! the IA budget is not out of line with the scale/budget of the MFI operation.

<b>TABLE 2: CREDIBILITY, USEFULNESS, AND COST EFFECTIVENESS OF IMPACT ASSESSMENT APPROACHES (ADAPTED FROM HULME 1997, TABLE 5)</b>			
<i>Attributes</i>			
<i>Approach</i>	<b>Credibility</b>	<b>Usefulness</b>	<b>Cost effectiveness</b>
<b>Simple Approach</b>	Findings credible for improving understanding of impact processes. Findings not credible for reliably attributing or plausibly associating changes with the program.	Useful for improving programs. Less useful for justifying investments in MFIs.	Lower cost. Benefits: program improvement.
<b>Middle-Range Approach (suggested)</b>	Findings credible for establishing plausible association between a measurable change and microenterprise program and understanding impact processes.	Useful for improving programs. Useful for rough justification for investment in microenterprise programs.	Moderate costs. Benefits: program improvement and rough justification for investment in microenterprise programs.
<b>Complex Approach</b>	Findings credible for reliably attributing a measurable change to microenterprise program; understanding impact processes.	Useful for justifying investments in microenterprise programs. Useful for improving programs.	Higher cost. Benefits: justification for investment in microenterprise programs; program improvement.

## **B. Important Elements of Credible Impact Assessments**

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<sup>6</sup> The Honduras ODEF impact assessment used a rule of thumb, aiming for the cost to approximate 3 to 10 percent of operating budget, depending on size (Edgcomb and Garber 1998).

The bottom line for an impact study is credibility. Credibility involves plausibly associating changes found in the impact variables with program participation, and generating information that is useful for improving program performance and impact. If a study is credible, it is more useful or beneficial to practitioners, donors and policy makers. If it is more beneficial, by definition, it is more cost-effective. To stand the test of credibility, middle-range impact assessments should incorporate some basic features. Most of these issues have been discussed in detail elsewhere and are only touched on here.<sup>7</sup>

### 1. Clearly defined objectives and audience

Clearly defined objectives are important because they drive the study design, the methodology, the types of data collected, and the budget. As mentioned above, impact assessment objectives may range from investments in programs to improving programs. They have implications not only for the audience, but for the balance between objectivity and subjectivity in the approach. They also influence whether the assessment will address questions that are more theoretical or practical and whether the findings can be generalized or are context-specific. Finally, the objectives will have implications for the time scale of the assessment and the degree of confidence expected from the findings (Hulme 1997).

The credibility of an assessment is enhanced by establishing, at the outset, clear and realistic expectations of what the assessment will do. This can be achieved through a statement of objectives that indicates the types of impacts that will be examined, the intended use of the findings (ranging from proving impacts to improving programs), and the audience (practitioners, donors, policy makers, academics).

### 2. Conceptual framework to guide the impact assessment

A conceptual framework sets out a model of the *impact chain* to be examined in an impact assessment. It specifies the unit(s) of analysis to be assessed (e.g., household, individual, enterprise, community) and specifies the types of impacts to be studied (e.g., social or economic) (Hulme 1997). Whether the conceptual framework is explicit or implicit in the study design, it provides a base for framing specific research questions related to the impact of microfinance services, developing related hypotheses, and identifying priority variables for study.

Previous impact assessments provide useful conceptualizations of impact chains that can be used, adapted, or refined in future studies (Chua 1998; Ouattara et al. 1997; Bruntrup et al. 1997). Some are more complicated than others, but basically provide a foundation for conceptualizing a unit (or units) of analysis, behaviors, practices and relationships, mediating processes, desired impacts, and the role of microfinance interventions in contributing to the desired changes.

Many recent studies have used the household as the primary unit of analysis and have conceptualized various types of impacts in relation to household economies. Household frameworks, while not the

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<sup>7</sup> See, for example, Hulme 1997; Cohen and Gaile 1997; Gaile and Foster 1997; Edgcomb and Garber 1998; AIMS Core Team, forthcoming; and Sebstad et al. 1995.

only kind, have a number of advantages.<sup>8</sup> They provide information on many of the types of social and economic impacts desired by clients, practitioners, donors, and policy makers. They help to address the fungibility problem in studying impacts. Household frameworks provide a basis for studying impacts on microenterprises and individual household members (while recognizing that they also may function independently of households). They also provide a springboard for studying broader impacts at the village or community level, as well as impacts on the “supply side” of microfinance. The growing experience of impact assessments using a household framework in different places allows for efficiencies in the design and implementation of studies, a higher degree of reliability in the data generated, and richer insights into the interpretation of findings. (The growing number of studies from Bangladesh provide a case in point.) These all are important elements of credibility and cost effectiveness.

### 3. A small set of key hypotheses

Participants in the 1997 CGAP virtual meeting agreed that the scope and scale of impact assessments should be limited. They do not need to be as extensive or comprehensive as donors or implementing organizations often demand. The starting point for this is a smaller set of key hypotheses. A review of over 40 impact assessment reports suggests that some of the most credible and useful studies have a small number of well-articulated hypotheses. Most are linked to a conceptual framework and grounded in an understanding of the program and the broader context in which the program and the clients operate. Some of the hypotheses are embedded in theory, others in practice. Notwithstanding, a smaller number of key hypotheses can lead to impact assessments that are more focused in their design and more manageable to carry out. They allow for more thorough data analysis and produce findings that are more useful for drawing conclusions about impacts.

The trade-off between breadth and depth in selecting hypotheses is challenging, especially in a world with limited resources for impact assessments. There is a tendency to want to study and learn as much as possible about impacts and not to miss anything. However, trying to cover too many impacts in one assessment does not usually pay off. Overly ambitious studies are difficult and resource intensive and often produce less-credible and less-useful results. One important consideration in choosing a focused set of hypotheses is their demonstrated validity in previous impact studies. Other considerations include the objectives of the organization and its supporters, client perspectives on impact, and the complexity (and associated cost) involved in testing a particular hypothesis.

### 4. Variables with demonstrated validity

There are almost an infinite number of variables that can be used to study impacts. In deciding on what variables to include in an assessment, it is important to establish that they are linked to hypotheses (i.e., there is a rationale for studying them), they are defined with precision, and that they are measurable within the time frame and budget of the assessment. The choice of variables should also consider their demonstrated validity in previous impact assessments. Section IV-A identifies some variables that have demonstrated validity.

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<sup>8</sup> There was general agreement among the 1997 CGAP Impact Working Group virtual meeting participants that a household framework is useful for formulating hypotheses and selecting elements to consider in a microenterprise program impact assessment.



## 5. Reliable measures

A related consideration is to define how change in the variable will be measured. What degree of precision is needed to document impact? Is it sufficient to show direction of change (positive or negative; increase or decrease), pattern of change (ordinal scale), or amount of change (interval measure)? Information on the direction of change can be used for almost any variable, but interval measures are generally more robust. However, they often are more complex to measure and are more subject to measurement errors. The definition of the measure should be guided by the inherent nature of the impact variable and the complexity of measuring change in it. One way that a “middle-range” impact assessment differs from a more complex approach is that it estimates change, rather than measuring it precisely. Such assessments are likely to involve a mix of measures, but to reduce costs and complexity (while allowing for reliable estimates of change) they probably will include more measures that indicate the direction and pattern of change than measures that indicate the amount of change. The selection of which variables to measure more precisely should be guided by the relevance of the variable and the budget and time frame of the assessment.

An important measurement issue is the time frame required for impacts to manifest themselves. Previous studies have shown that different variables show change at different times. Some studies suggest that for many clients, impacts on enterprise profits occur early and then taper off within the first year or two of ME program participation. Other impacts, for example the accumulation of selected household assets, may take as long as three to five years of ME program participation to manifest themselves. One recent study concluded that social impacts (such as changes in women’s mobility) are likely to take longer to occur than economic impacts (such as changes in income). Attention to temporal issues in measuring variables in impact assessments (either through longitudinal designs or through the use of recall data) is important for ensuring valid findings.

Other measurement issues to consider are highlighted below.

- ! It is important to distinguish between perception of change and actual change in questions. This distinction sometimes gets lost.
- ! It is important to determine the precision desired in choosing a particular measure: direction of change, pattern of change, or amount of change. As a rule of thumb it is easier to measure the direction and pattern of change than the amount. One should prioritize and consider trade-offs in deciding on the mix of measures to use.
- ! Some variables are more difficult to measure than others. In choosing the mix of variables to include in an assessment, it is important to consider how difficult it will be to measure it in relation to the methods to be used, the skills required, and the budget.

## 6. Relevant background information on the institution and program

Snodgrass (1997) provides a useful discussion of important program information for impact assessments, how to prioritize in deciding on the types of information to include, and the sources, methods, and timing of collecting program data. Program information should establish the extent to which the program operates effectively in its environment and is financially sustainable. Important information to collect includes data on the structure and history of the institution undertaking the program, its management style and practices, the services provided, and financial outcomes over at least the past three years. The information should provide a clear, accurate, and comprehensive

description of the operations of the microenterprise support program, especially its credit activity. The credibility of impact assessments can be enhanced if this program information is linked to the hypotheses and/or used at the analysis stage in interpreting the findings. (See section II-C for further discussion of linking program performance and impact.) Many previous impact assessments provide good examples of the type of program information to collect, and how it can be linked to impact analysis (Edgcomb and Garber 1998; Ouattara et al. 1997).

Background information on client satisfaction with the program, and reasons that clients leave the program are also important in assessing the extent to which the program operates effectively in relation to client needs and demands.

#### 7. Identification of key context variables

Context influences microenterprise program outcomes (outreach, financial sustainability, and impact) by affecting the operations of the microenterprise program and by affecting the economic activities of clients. Snodgrass (1997) identifies four broad types of context information that may be important. These include the physical environment, formal and informal institutions, economic factors, and government policies and regulations. In choosing the type of context information to collect, it is useful to consider factors which, according to Snodgrass, may influence microenterprises and microenterprise support programs. These include, for example, seasonality, natural catastrophes, inflation, economic growth levels and patterns, ethnicity, and local government regulations. In terms of using this information, it is not possible to measure precisely the contribution of each factor to the observed outcome. However, it is useful to observe whether a particular hypothesized influence is present or absent, and whether significant changes in these factors have occurred during the assessment period.

#### 8. Use of mixed research methods

The most common and increasingly effective approaches for lower-cost impact assessments involve small surveys combined with a mix of rapid appraisal techniques, focus groups, case studies, semi-structured interviews with key informants, participant observation, and secondary sources. Mixed methods can help to establish the validity of the data and the reliability of the measures of change through triangulation. This involves asking the same or similar questions in different ways (for example, in a survey and then in a case study) to ensure the reliability of the answer.<sup>9</sup>

The main strengths of surveys include their coverage and representativeness and their ease of data standardization and aggregation. The findings can be used to isolate and estimate non-project causes of change, and thereby to establish plausible association between program interventions and change (Hulme 1997). Rapid appraisal techniques are an effective means of capturing qualitative information and causal processes, eliciting views of clients, capturing diverse perceptions and unexpected or negative impacts, and identifying and articulating perceived needs. They encourage participation and contribute to stakeholder capacity building and downwards accountability (Hulme 1997).

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<sup>9</sup> The most common impact assessment methods include sample surveys, rapid appraisals, participant observation, case studies, and participatory learning and action. For a useful summary of the key features of these methods, their strengths and weaknesses, and the circumstances under which methods are appropriate (or not), the reader is referred to Hulme's 1997 paper prepared for the CGAP Impact Working Group (which draws on Montgomery et al. 1996).

Data on client satisfaction and reasons for leaving the program are particularly useful for improving programs. This information is relatively easy to collect and analyze. Edgcomb and Garber (1998) suggest that one way to simplify and lower the cost of collecting this type of data is to fit it into ongoing work cycles (exit interviews after each loan cycle; client satisfaction interviews after discrete cycles).

The choice of methods should be based on the objectives, budget, the human resources available to work on the assessment, the time available, and their rigor.

#### 9. Appropriate sample design

A credible impact assessment should have an explicit sample design that provides a rationale for the choice of sample size, the location of program study sites (and non-program study sites, if included), and the characteristics of the sample (client and comparison groups). Two key points are mentioned here.

For surveys, the choice of *sample size* is critical for establishing plausible association between microenterprise programs and impacts. This is where limiting the scope of an impact assessment becomes important because the broader the range of issues covered, the larger the sample required to establish plausible association. The general rule of thumb is that the sample size should be large enough to ensure effective use of control variables, allowing for at least 30 in any sub-sample of interest in the study. Each control variable used increases the minimum sample size that is required. The sample also should be large enough to account for dropouts if the study is longitudinal and to allow for invalid data issues. It should be small enough to fit the budget. In determining the sample size, trade-offs must be made between the margin of error, the confidence interval, and the budget.

Chua (1998), in his study of two Philippine MFIs, describes a rationale for choice of sample size. He determined that a sample size of 420 (150 clients, 120 on-site comparison group, and 150 off-site comparison group) would allow for a 10 percent margin of error and a level of confidence of 5 percent for each group of 100. This fit the budget and was considered to be an acceptable level of reliability for the purposes of his study (Gaile and Foster 1996, 20; Sebstad et al. 1995, 51-52). Several of the background studies with sample sizes under 200 ran into fairly significant constraints in drawing conclusions about plausible association due to sample size limitations.<sup>10</sup>

Several previous studies have emphasized the importance of including clients who have left the program in their samples (Oldham et al. 1994; Churchill 1995). Leaving out this group may result in overestimated impacts (or in some cases underestimated impacts).<sup>11</sup>

#### 10. Use of a control group<sup>12</sup>

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<sup>10</sup> The total sample sizes of the background studies were: 138 (WEDP), 143 (ODEF), 175 (CVECA), 420 (ASKI), 483 (ASA), and 1332 (Uganda), 1799 (BRAC).

<sup>11</sup> For further discussion of sampling issues see Gaile and Foster 1996; Sebstad et al. 1995; AIMS Core Impact Assessment Research Plan (forthcoming).

<sup>12</sup> This refers to a control group within a quasi-experimental research design, not the random assignment of individuals to a client or control group as done in experimental designs.

The use of a control group is critical for establishing that a microenterprise program is plausibly associated with a change. It associates the program with impacts by adjusting for changes unrelated to the program. This is achieved by comparing change between those with and without the intervention. Changes in the client group minus changes in the comparison group should reveal impacts associated with the program. The 1997 CGAP virtual meeting participants agreed that control groups are an essential element of a credible impact assessment. Although it increases costs, demands more expertise at the design and analysis stages, and requires more enumerator training, there is general consensus that the effect on results is worth it.

A key challenge in selecting a control group is to ensure that the client and the control group are similar on key variables and to address the issue of self-selection which can affect the validity of the findings. The challenge for a middle-range approach is to find low-cost ways to do this. One simple and low-cost method of addressing the self-selection issue is to use new clients instead of non-clients as the “without” group and compare them with old clients. A trade-off with this approach, however, is that the characteristics and “initial endowment” of clients entering programs often changes over time which introduces a bias. Baseline data on both groups would be necessary to control for this bias, but is usually is not available on older clients. Recall data could be used, but the range and reliability of some variables would be compromised. In general, if the budget and time frame allows, it is preferable to use a non-client control group and to collect data on both groups at two points in time. In selecting the comparison group, individuals should be screened against a small set of key variables to establish the basis of comparability with program clients. Data on both groups at two points in time can provide a more reliable basis for assessing not only the differences between the two groups, but also the pattern and direction of change for both, thereby improving the plausibility of the impact findings.

#### 11. Use of a longitudinal design

In general, collecting data at more than one point in time yields more reliable information than depending on recall. Data from two points in time are important for measuring or estimating change more reliably. This is especially true for measuring change in areas where recall is weak, or if attitudes, opinions and behaviors are likely to change over time. For example, recall data on income or self-esteem are not very reliable. Other questions lend themselves to more reliable recall information, for example, questions on children’s education, or investments in housing or land. If a longitudinal design is not used, these types of questions should be given preference in the assessment. Even if a longitudinal design is used, recall questions on some variables can yield useful and reliable information on change and reduce costs.

#### 12. Appropriate data collection tools, techniques, and processes

The reliability of data starts with the choice of good variables and measures. Thereafter, it depends on a well-designed questionnaire, the quality, training, and attitudes of enumerators/data collectors, well-motivated respondents, and the use of cross checks to ensure the data are valid and reliable. The quality of the data can be enhanced if survey questionnaires are not too long (10 - 15 pages), the questions are sequenced effectively (income and asset questions at the end), the interview time is not too long (one hour maximum), the data collectors have the appropriate skills for the task (collecting information from case studies requires different skills than collecting information through structured questionnaires), and the total number of data collectors involved in the assessment is kept to a

minimum (less than 10). Closed-ended survey questions reduce errors and are easier to analyze. Good questionnaires also require translation into local languages and then reverse translation to cross check the accuracy of the translation. They further require pretesting to ensure that the questions are clearly understood by data collectors and respondents, careful training of enumerators prior to data collection, and standardizing instructions for recording interviews. Protocols are important for introducing the study to respondents to incorporate them more into the process (Edgcomb and Garber 1998; Barnes et al. 1998).

Objectivity and skill on the part of enumerators is important for collecting credible impact data. Involving program staff who may not be objective or have the right skills in collecting impact data may influence the validity and reliability of some data. In a practitioner-led assessment in Honduras, however, Edgcomb and Garber (1998) found that staff could evaluate with objectivity and rigor. Under what circumstances staff should be involved in the process of collecting and analyzing data and how to do so without compromising objectivity and rigor of the study is an issue for further examination.

### 13. Systematic analysis of the data collected

Systematic data analysis is a pivotal link in establishing the credibility of an IA. Good analysis starts with the quality and reliability of the data, the manageability of the data in terms of quantity and manipulability, and whether sufficient resources for analysis (time, money and people) have been planned for. Much can be learned from previous assessments in terms of what types of questions did not work in generating information needed for analysis. Documentation of these types of lessons would be useful for the future.

Quantitative data can be analyzed in many ways, ranging from simple cross-tabulations, to more sophisticated methods. It is important to choose the appropriate statistical technique. The choice of technique should be guided by the data available; i.e., the form of the variables and whether they meet distribution assumptions. The latter is not known until the data are gathered, coded, entered, and tested using descriptive statistics to determine their distributional properties. The statistical technique should be chosen following this step (Gaile and Foster 1996).

Qualitative data also can be analyzed in different ways, but may require different skills. Challenges relate to consistencies in the way it is recorded, variation in the level of detail, drawing out general conclusions and integrating it with quantitative findings. More work on ways to integrate qualitative and quantitative findings is important since most middle-range assessments use methods that generate a mix of quantitative and qualitative data. Involving staff in the analysis stage can provide immediate feedback relevant to program improvement and can promote co-ownership of the assessment.

### 14. Effective and efficient allocation of available resources

Many of the above elements are a direct function of the resources available for a study. It is important to establish the total amount of resources available, and then to allocate them effectively and efficiently across the various stages (planning, design, implementation, data processing and analysis, report write-up, and dissemination) and components (e.g., personnel, travel expenses, field costs, data processing expenses, and so forth) of an impact assessment. Up-front planning and periodic reassessment are critical. A common pitfall is to use too many resources for design and data collection, at the expense of analysis and dissemination (or vice versa). This ultimately limits the

usefulness of an assessment.

Little information is available on assessment budgets and allocation of resources. The Honduras tools test (Edgcomb and Garber 1998), which reports on the budget and the allocation of person days across the various tasks associated with the impact assessment, is an exception. This type of information is very useful for helping to improve the quality of studies (to provide guidance on how to effectively plan for and allocate resources across tasks) and their cost effectiveness (to try to get the most benefit from a modest budget).

#### 15. Clear presentation of findings

Many impact assessment reports are challenging to read. Frequent coffee and snack breaks are often required, but do not really solve the problem of cumbersome reports. This issue is not unrelated to the excessively broad scope of many assessments. The early sections of impact reports are often straightforward and readable discussions of objectives, research design, methodologies, the program, and the context. The challenge often begins in the sections reporting on findings. The issues are complex, and reports often try to cover more ground than can be easily absorbed in one sitting. Trying to squeeze everything into one report means that topics are not treated in as much depth as they might otherwise be, or that the reports are very long. The key research questions or hypotheses sometimes get lost, and the link between the analysis and the conclusions is not always obvious.

Perhaps one of the greatest challenges (which relates to the analysis problem above) is integrating and “triangulating” the findings when mixed methods are used. Findings from case studies or focus groups are often reported separately from survey findings rather than integrated. In some cases, findings from case studies, which are more challenging to analyze and summarize, are not reported at all.<sup>13</sup>

To improve the effectiveness of reports, mixing text with bulleted points, small charts or tables, and crisp introductory and summary paragraphs is helpful. In addition, shorter reports are more likely to be read and absorbed. One way to avert “impact fatigue” is to present findings in more than one report, each focused on a very specific impact question or set of issues. This strategy has been used by Pitt and Khandker in reporting their impact findings from Bangladesh.

#### 16. Effective dissemination to the intended audience

To be useful, impact assessments must be disseminated effectively to decision makers. Dissemination strategies suggested by Hulme include bullet point summaries, snappy presentations, and strategic cups of coffee. The time lag between data collection and presentation should be reduced to a minimum (Espegren 1997). Hulme suggests a period not exceeding nine months. Others argue for the advantages of more immediate feedback, especially to program staff or other practitioners who may have been involved in the assessment process. Directly involving practitioners and program staff is one way to ensure immediate feedback. In addition, an impact assessment linked to a larger program evaluation is likely to reach a wider audience.

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<sup>13</sup> See Edgcomb and Garber 1998 for a discussion of the challenge of integrating findings from case studies.

## 17. Documentation of the research process

The documentation of the research process, including initial plans, problems encountered, changes made, and lessons learned, can enhance the transparency and credibility of an impact assessment, help future assessors avoid the same problems, and contribute to the evolution of more efficient and effective impact assessment methodologies. One purpose of the Honduras study was to test a methodology for studying impacts. The report very usefully describes the research process and lesson learned (Edgcomb and Garber 1998). The background study on BRAC (Husain, et al. 1997) also provides a useful description of both the problems encountered in the assessment process and responses to those problems. The BRAC longitudinal research process basically has involved the “evolution of an impact assessment system” and the mid-course addition of questions to better understand the shortcomings of the program and its sustainability. While it would not be cost-effective to document the research process in all IAs, the inclusion of learning components in some impact assessments is important for the development of more efficient and effective impact assessment methodologies.

### **C. Linking Client-Level Impacts and Microenterprise Program Performance**

An important element of credible impact assessments is generating data that are useful for improving microenterprise program performance. Program performance relates to the effectiveness of a microenterprise program in achieving specific institutional objectives such as expanding outreach, maintaining a high-quality portfolio, and achieving financial sustainability. Program impact, by contrast, relates to the success of a microenterprise program in contributing to broader development goals. At the client level, this generally relates to social and economic changes at the individual, household, enterprise, or community level.

Effective program performance and client-level impacts are intimately related. In the short run, programs may be able to perform well without having a positive impact on clients, and clients may experience positive impacts even though programs are not performing well. Beyond the short run, however, both are necessary for a program to achieve and maintain financial and institutional sustainability.

A critical dimension of microenterprise program performance is its effectiveness in reaching the intended client group and in responding to their needs, preferences, and demands. This is the link between the proving and improving goals of IA since it regards the client/service relationship. Moreover, this is an important intermediate step in the impact chain, since programs that respond to client needs should result in greater impacts. The effectiveness of microenterprise programs in responding to client needs can be assessed through outreach indicators, client satisfaction surveys, exit interviews, analysis of client transaction costs and client/service relationships, and a breakdown of portfolio performance data by client gender, socioeconomic status, location, enterprise type, etc. (Table 3). Much of this information can be obtained relatively easily and inexpensively in the context of impact assessments. This type of information can be useful in relation to the objective of financial sustainability by helping to identify strategies to expand the size and improve the quality of loan portfolios (increasing revenues) and improve the efficiency of services (reducing expenses).

Information both on client impacts and the effectiveness of programs in responding to client needs should be included in impact assessments to improve their credibility and usefulness. Chua (1998)

suggests ways to use client-level information for improving programs. His paper discusses strategic issues and choices facing microenterprise programs and presents a framework for assessing program performance. Below, we discuss some examples of how findings of IAs related to client-level impacts and program effectiveness might be used in combination by program managers to inform strategic choices and to improve institutional performance.

## 1. Making strategic choices

Chua (1997) describes a number of strategic choices facing microenterprise programs related to their mission and role in the overall development scenario and their contribution to poverty alleviation. These include choices about the targeted clientele, the range and type of microenterprise services to provide, the role of the program relative to the clients, and the nature of expansion plans. These strategic choices have implications for the type of development interventions to pursue, operational requirements, and expected impacts.

Client-level impact data can inform these strategic decisions in several ways. For example, in the Philippines case, an important strategic decision for ASKI and KMBI involved defining the target clientele (Chua 1998). To this end, they faced several questions. Should they pursue poverty-focused lending or microenterprise lending in general? Should they focus on livelihood enterprises or growth-oriented microenterprises? Should they support start-up enterprises or established microenterprises? Should they focus on urban clients or rural clients? Should they target microenterprises in specific industry sectors? The choice of target group has direct implications for the design of the program as well as for measuring institutional performance with respect to outreach and effectiveness.

There are several ways that client-level impact data could be used to inform this strategic decision. Findings and lessons from *previous impact studies* could help to inform the issues by providing information on the experience of other programs in lending to various target groups. Previous studies provide insights on what types of financial service methodologies work best for various groups, what types of savings and loan products are most appropriate, and differences in the demand for credit and savings services. At a second stage, *baseline information* on the target population and context can provide a basic understanding of the degree of poverty, nature of economic activities, and borrowing and saving behaviors. The results could inform the design of the services to be provided and their expected benefits. Periodic *impact assessments* using this baseline information can be utilized to revisit the appropriateness of the strategic choice in relation to the program context and objectives, client satisfaction, and actual benefits.

## 2. Improving institutional performance

The impact assessment by Bruntrup, Huda and Rahman (1997) of the Association for Social Advancement (ASA) in Bangladesh provides some concrete examples of how impact information can be used to improve programs. They found that impact information can be useful for the following:

- ! deciding where to locate branches (impact data revealed that the ability to conduct transactions at branch offices was important for some clients because personal monetary transfers are still done in the face of considerable risk);
- ! uncovering areas of potential investment that do not fit terms and conditions of loans;
- ! understanding information on savings behavior to design savings schemes;



- ! assessing information on the capacity of clients to absorb risks to help determine the need for more formal protection of client deposits; and
- ! revealing the potential for clients to graduate to the formal financial sector with corresponding implications for strategic choices for the program.

The Honduras assessment (Edgcomb and Garber 1998) also identified some important links between impact and institutional performance and suggests several “client-sensitive” performance indicators. For example, institutional performance indicators often focus on the total volume of lending or total numbers of clients. The assumption is “the more the better.” However, the study found that it is not only the volume of lending, but the turnover of clients that is important. Client turnover has implications for impact because, as a growing number of impact assessments show, most benefits accrue over time. For clients who leave the program early, impacts are limited. If a majority of clients leave the program early, total impacts are reduced. Re-loan rates, therefore, may be a useful indicator for estimating impacts. The study further found, for example, that village bank clients experience impact only after two or three years. An important performance indicator related to impact, therefore, might be the total number or percent of all clients who have participated in the program for more than two years. The study also found loan size to be related to impact, which suggests that another indicator to gauge impact might be the total number or percent of all clients receiving loans over a certain size.

Expanding on these ideas, we can identify performance criteria commonly used by institutions and consider how information on client-level impacts might be combined with standard performance indicators and used to improve program performance. MFI performance criteria basically relate to program outreach and effectiveness (the ability to effectively reach large numbers of people, especially the poor) and financial viability (ability to operate at a level of profitability that allows sustained service delivery with little or no dependence on outside inputs) (Christian et al. 1995). Table 3 provides some examples.

### 3. Summary of ways impact information can be useful for improving portfolio performance

***To help microenterprise programs retain clients (reduce turnover):*** The borrowing rate, repayment rate, arrears rate, and default rate are proxy indicators for product responsiveness to client requirements. Analysis of these rates by client characteristics (gender, socioeconomic status, location variables, selected household characteristics, selected enterprise characteristics, number of loans, loan size, loan processing time, or other target group characteristics) could provide insight into the appropriateness and responsiveness of the loan product to the requirements and preferences of specific market segments. This data, combined with information on client satisfaction and reasons for leaving, could be useful in improving program design to reduce turnover.

***To help microenterprise programs expand outreach:*** Information on the characteristics of successful and repeat borrowers and savers can help in expanding outreach to people with similar characteristics. Information on who is *not* borrowing and why, can help in adjusting program design (e.g., introduce new loan products) and delivery systems accordingly.

***To help microenterprise programs improve portfolio quality:*** More specific information on who is not repaying and why (analysis of indicators as per the first point above) can be used to improve follow-up on clients and to adjust product design and delivery systems if necessary.

4. Summary of ways that impact information can be useful for improving institutional performance

***To help microenterprise programs define their strategic objectives:*** Findings and lessons from previous impact studies, baseline information on the target population and periodic impact assessments can help organizations define their strategic objectives, and to reassess them over time in relation to program experience.

***To help microenterprise programs design and deliver appropriate products that respond to client requirements:*** Impact assessments that assess client satisfaction, study the reasons that people leave the program, and study the reasons that people stay in the program in relation to different program inputs, loan sizes, number of loans, savings scheme designs, and delivery mechanisms can be used to improve the design of products and services provided.

***To help microenterprise programs mobilize funds:*** For investors concerned not only with financial returns to investment, but social returns to investment, impact information can provide information on the social dimensions (“returns”) to their investment. This information can be used to inform and justify their investment decisions.

***To help microenterprise programs to establish credibility:*** Impact information can help to ensure that claims of microfinance program benefits do not outstrip reality. It can help to establish the credibility of an institution by substantiating claims about the benefits of the services provided.

**TABLE 3: SUGGESTED GUIDELINES FOR SELECTING MFI PERFORMANCE INDICATORS AND RELATED IMPACT INFORMATION**

<i><b>MFI INDICATOR</b></i>	<i><b>RELATED IMPACT INFORMATION</b></i>	<i><b>HOW COMBINED INFORMATION COULD BE USED TO ENHANCE PERFORMANCE</b></i>
<b>Outreach and Effectiveness</b>		
Disbursements — number of borrowers reached by program	by target group characteristics (e.g., gender, socio-economic status, location, microenterprise type, etc.)	to assess effectiveness in reaching the intended target group; to develop strategies for improving outreach to target group
Number of borrowers currently active	by target group characteristics	to assess effectiveness in reaching target group and to identify strategies for improving outreach to target group
Average outstanding loan size	by target group characteristics	to assess effectiveness in reaching target group with appropriate loan size; to identify sub-groups likely to benefit more (previous studies suggest a relationship between larger loan size and positive impact)
Percent women borrowers	by other target group characteristics	to assess effectiveness in reaching women in all categories of the target group; to identify strategies for improving outreach to women
Number of savings accounts	by target group characteristics	to assess effectiveness of savings services in reaching the target group; to identify strategies for improving savings services for the target group
Average amount of savings	by target group characteristics	to assess effectiveness of program in mobilizing savings of the target groups; to identify strategies for improving the design of savings services to increase the volume of savings
<b>Effectiveness</b>		
Re-loan rate	by target group and loan characteristics	to better understand who repeat borrowers are; to identify groups that may be benefiting more through repeat loans; to identify strategies for expanding the volume of lending by reducing turnover of clients
Dropout rate	by target group characteristics by loan size by number of loans by reasons cited for exiting program	to better understand who is dropping out and why; to identify strategies for retaining more clients
Repayment rate Arrears by age Defaults	by target group characteristics by loan size by number of loans	to better understand the characteristics of clients experiencing repayment problems and why they may be having problems; to identify strategies for improving portfolio quality
Credit and deposit flows	by local economic cycles by target group characteristics	to better understand the role of credit and savings in smoothing investments, income, and consumption (i.e., managing risks)
<b>Viability</b>		
Costs per amount lent Cost per new loan made	by target group characteristics	to pinpoint potential problem areas; to reassess service delivery strategies for various groups; to identify strategies for reducing service delivery costs
<b>Sustainability</b>		
SOURCES OF FUNDS Grants and donations	impact information related to the socio-economic investment objectives of donors	to justify, encourage investments
SOURCES OF FUNDS Members' capital	impact information related to the socio-economic investment objectives of members	to justify, encourage investments

### III. Lessons from Recent Impact Assessments

#### A. Description of the Background Studies

Five recent impact assessments submitted as background papers for this virtual meeting, plus two related assessments, provided the set of studies reviewed to identify lessons. Most of them are characteristic of a middle-range approach. The assessments cover nine programs in five countries. Four are cross-sectional and three are longitudinal study designs. Appendices One and Two describe elements of their design and methodology and key findings.

These assessments reflect significant progress in the development of methodologies for studying the impact of microenterprise services. They encompass many of the elements of credibility and usefulness described above. In general, they have clearly stated objectives that include both justifying investments and improving programs. Their audiences include both donors and practitioners. The assessments have well-documented research designs and most use mixed methods. Six of the seven studies include comparison groups and several cover respondents in non-program sites. Some studies contain useful sections describing the data collection process, and refer to problems encountered and describe how they were addressed. This type of information is very useful for improving future assessments.

One of the strongest attributes of several studies is that they effectively build upon previous work related to impact (especially in Bangladesh, which continues to be ahead in terms of the number of impact assessments). The growing body of information on impact has helped to identify impact variables and measures that have been valid in previous studies. Another strong point of several of the reports is that they present good descriptions of microenterprise programs and institutions, and of the context in which respondents live and work.

Several of the assessments are works in progress. Three of the studies (Uganda, Philippines, and BRAC in Bangladesh) are longitudinal and current reports present baseline or interim findings only. A concept paper that proposes a practitioner-driven approach was also submitted (Espegren 1997).

#### **Studies Used to Identify Lessons**

##### AFRICA

Assessment of Caisses Villageoises D'epargnes et de Credit Autogerees (CVECA) in Mali  
Assessment of FINCA, FOCCAS, and PRIDE in Uganda - baseline report

##### ASIA

Bangladesh Rural Advancement Committee (BRAC)- interim report  
Women's Enterprise Development Program (WEDP) in Bangladesh  
Association for Social Advancement (ASA) in Bangladesh  
Alalay sa Kaunlaran sa Gitnang Luzon Inc (ASKI) in the Philippines - baseline report

##### LATIN AMERICA

Organizacion de Desarrollo Empresarial Femenina (ODEF) in Honduras

#### B

## Lessons

One lesson from the background studies is that establishing plausible association between programs and changes experienced by clients requires both a good control group and a reliable way to measure or estimate change. The assessments use different criteria and methods for selecting control groups. This is not always documented in the study, however, so judging the reliability of the findings is difficult. More attention to the topic of control or comparison groups would help to improve the credibility of middle-range IAs. In particular, discussion should focus on building consensus on minimum requirements for control groups and effective, economical selection methods. To improve the reliability of measures of change, two things are important. First, appropriate variables and measures should be selected. Second, a longitudinal study design should be used. Consensus on minimum requirements for reliable measures of change would also help to improve the credibility of middle-range IAs.

A second lesson is that sample sizes cannot be too small; a sample of less than 400 seems to be problematic. The studies that had survey samples of less than 200 all reported limitations in analyzing the data.

A lesson from the WEDP study in Bangladesh is that simple PRA methods can be useful in generating information to improve program performance. This study, which involved focus group interviews with 138 clients, generated data relevant to program efficiency and expansion. For example, the focus groups identified a problem of high client transaction costs and participants offered suggestions about how costs could be lowered. Also, the interviews revealed that borrowing requirements such as male signatures on loan applications and home ownership certificates can limit outreach to poor women (the target group of the program). The focus group approach was also useful in uncovering negative changes. In this case, an increase in the use of child labor in client enterprises was noted (the study method was not able to associate it to the program, however, because there was no control or comparison group). Finally, this method was useful for assessing client relations with staff, which in the case of WEDP were very good.

A lesson from the Honduras (Edgcomb and Garber 1998) and ASA Bangladesh (Bruntrup et al. 1997) studies is that data on client satisfaction are easy to collect and analyze. The results can be useful for improving understanding of the impact processes as well as program design and implementation.

The CVECA study in Mali (Ouattara et al. 1997) uses an interesting and innovative framework for assessing the impact of microfinance services. It considers impacts both on the supply of financial services and the demand for these services, with emphasis on how the CVECAs contribute to risk management at the household and village levels. This is a critical question in the microfinance field. The study generated information on how local CVECA units fit into the local context and used *funds flow analysis* to assess the use of CVECA savings and credit to manage risks. This technique tracks the timing of deposits and withdrawals in relation to local economic cycles as a proxy for the use of funds (although the study ultimately was not able to draw convincing conclusions about the use of funds). Further testing and refinement of *funds flow* as a proxy indicator for risk management, with more emphasis on the link between the timing of the flows, use of the funds, and risk management at the household level, would be useful. The study convincingly argues for the importance of understanding the impact of financial services on the savings and borrowing behavior of clients and

how this relates to risk management and to program performance. This is an important topic to consider in future impact assessments.

A lesson from the ODEF Honduras study is that practitioner-led impact assessments can be rigorous and generate cost-effective information useful for both improving programs and justifying investments in microenterprise programs.

As a group, these studies suggest a number of areas for future work in developing lower-cost methodologies for assessing the impact of microenterprise programs. These include the following:

- ! improving the reliability of measures or estimates of change and devising simple but reliable ways to measure change;
- ! demystifying the control group issue, by evolving guidelines for the use of groups (who, where from, how many to include, how to find them, how to motivate them to participate, how to effectively use the data obtained);
- ! cutting back on the amount of data collected (one study included over 1300 questions in the questionnaire; another study had 105 tables);
- ! applying more powerful tools to analyze the quantitative data (beyond cross tabulation);
- ! evolving more effective ways to analyze qualitative data;
- ! evolving more effective ways to integrate quantitative and qualitative data in the design of studies and in the analysis of data;
- ! documenting the dissemination plan or process;
- ! documenting the eventual use/usefulness of the IA to audience;
- ! documenting the research process and what was learned about methodology (AIMS Honduras and Uganda reports are models for this); and
- ! effectively using information on the program and its context in interpreting findings.

#### **IV. Suggested Guidelines for Lower-Cost Impact Assessments of Microenterprise Programs**

##### **A. Select a small set of hypotheses and variables that have demonstrated validity in previous impact studies**

The selection of hypotheses, impact variables, and control variables for any one impact assessment will vary according to the objectives, the context of the program(s), and the study design. Notwithstanding, there are some key impact questions that cut across the microenterprise field. Hypotheses and variables related to these questions have been tested in more than one place, and have demonstrated validity in different programs and contexts (Tables 4 and 5). These suggest some (although not all) areas where we should expect to see (and look for) impacts in future assessments. Further tests of hypotheses that have demonstrated validity in previous studies can help to build a body of common knowledge on impacts in selected areas. Eventually, they might be used to develop some impact indicators for evaluating the success of microenterprise programs. By presenting this list, we do not mean to suggest that IAs rule out other hypotheses and variables that may be more relevant to a particular program and context.

##### **B. Suggested Guidelines for Credible, Useful, and Cost-Effective Impact Assessments**

The design and implementation of microenterprise program impact assessments should be guided by practices that ensure credibility by i) establishing plausible association between changes experienced by clients and their participation in a microenterprise program and ii) generating information that is useful for improving programs. The guidelines suggested in table 6 are not intended to be a recipe for conducting impact assessments, nor do they suggest a standardized impact assessment method for all programs. Rather, they are meant to serve as a checklist of things to consider in planning, designing, and implementing impact assessments.

These suggested guidelines are still at a preliminary stage of development and are offered as a “first cut.” They need to be further tested and refined based on practice.

**TABLE 4: SUGGESTED GUIDELINES FOR SELECTING HYPOTHESES AND VARIABLES WITH DEMONSTRATED VALIDITY IN PREVIOUS IMPACT ASSESSMENTS<sup>14</sup>**

*Hypotheses and Related Impact Variables*

**“Participation in microenterprise programs leads to increases in household welfare”**

*Related variables*

- Household income (level and sources)
- Savings
- Household assets (e.g., contextually defined assets that indicate improved economic status, such as refrigerators or transport vehicles)
- Land holdings
- Expenditure patterns reflecting more investments and expenditures that improve the quality of life such as food expenditures (contextually defined)
- Children’s education (e.g., increased expenditures on education; increase in the proportion of school age children in school)
- Seasonal fluctuations in per capita food expenditures
- Household’s effectiveness in coping with shocks (types of shocks and coping strategies)
- Borrowing, saving and lending patterns (changes in relation to contextually defined borrowing and savings systems; in relation to contextually defined production, investment, and expenditure patterns)
- Practices related to non-financial program services (e.g., health or nutrition practices)
- Family planning practices
- Poverty gap (difference between household poverty level and poverty line)

**“Participation in microenterprise programs leads to increased enterprise stability and growth”**

*Related variables*

- Microenterprise profits (reflected in marketing margins, sales value, volume of sales)
- Microenterprise fixed assets, especially among repeat borrowers
- Paid and unpaid employment generated by the microenterprise
- Business practices (including use of technology)

**“Participation in microenterprise programs leads to increased individual empowerment”<sup>15</sup>**

*Related variables*

- Personal income
- Labor productivity (earnings in relation to hours of work)
- Client’s control over use of money they earn (over purchases)
- Assets owned and controlled by client
- Pattern of savings towards more formal channels
- Women’s share of income and assets
- Self-confidence and self-esteem for women (improved self-image; increased capacity to manage specific aspects of the enterprise; extent to which the respondent values her own contribution to the household; the extent to which others value the respondents capacity and abilities)
- Increased mobility, especially for women
- Participation in decision making

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<sup>14</sup> Many of these hypotheses and variables were identified in the AIMS research plan for carrying out impact assessments in three countries. These were identified on the basis of their demonstrated validity in previous studies, their cross cutting nature and their meaningfulness in understanding the contribution of microenterprise programs to household economic welfare, enterprise stability and growth, and individual control over resources, self esteem, and self confidence.

<sup>15</sup> See Chen 1997 for a comprehensive discussion and guide for assessing the impact of microenterprise services at the individual level





**TABLE 5: SUGGESTED GUIDELINES FOR IDENTIFYING MEDIATING OR CONTROL VARIABLES WITH DEMONSTRATED VALIDITY IN PREVIOUS IMPACT ASSESSMENTS**

*Mediating or control variables*

**Household level**

Socioeconomic status  
 Poverty level  
 Dependency ratio (workers to dependents in household)  
 Initial endowment of household (e.g., assets)  
 Gender of head

**Enterprise level**

Initial endowment of enterprise (contextually defined)  
 Gender of owner  
 Location of enterprise (urban or rural)  
 Type of enterprise  
 Increased labor supply in enterprise

**Individual level**

Gender  
 Control over loan

**Program**

Program methodology  
 Loan size  
 Number of loans  
 Repayment cycle (weekly vs. monthly)  
 Term of loans (short term, medium term)  
 Length of membership in program  
 Client use of the loan (used for production and investment or for consumption and risk management)  
 Client satisfaction with program

**Context**

This will be determined on a country-specific basis.

**TABLE 6. SUGGESTED GUIDELINES FOR CREDIBLE, USEFUL, AND COST-EFFECTIVE IMPACT ASSESSMENTS**

<i>To reliably establish plausible association</i>	<i>To improve program performance and impact</i>
<b>Planning Stage</b>	
Identify successful programs	Explore client and program staff perspectives on the meaning and value of program participation and positive and negative impacts
Begin planning the IA process as early as possible	
Review key program and context variables	
Define objectives of the study	Involve program staff and management in the planning process
Define use of the findings	Promote the development of constructive relationships between program staff and outside assessors
Define audience for the study	
Define level of reliability required	
Define the methods to be used	
Estimate the sample size and locations	
Define personnel needs/availability for the assessment	
Define the time frame for the assessment (longitudinal assessments if possible)	
Estimate the budget needs and availability of funds	
<b>Design Stage</b>	
Select a small set of meaningful hypotheses	Involve program management and staff in the design process
Select valid impact and mediating variables that are linked to the hypotheses	Select a small set of indicators to assess the effectiveness of the program in reaching the intended clients and in responding to the needs, preferences, and demands of different client sub-groups
Document the mix of methods to be used (surveys, case studies, focus groups, PRA methods, or other)	
Select an appropriate mix of approaches to measure the direction and pattern of change and to estimate the amount of change, depending on the variable	
Design and document the sampling plan (size, criteria for selection). This should include a control group either of new clients (to compare with old clients), non-clients (to compare with clients)	
Identify other basic analytic categories which might influence the sampling plan	
Design and document the data collection plan (questionnaire design/pre-testing/translation)	
Re-evaluate the budget and adjust accordingly	

*To reliably establish plausible association*

*To improve program performance and impact*

**Implementation stage**

Wait to collect data until the program or branch office has gone through its start-up phase and reached some degree of stability in its strategy, operations and staff (unless the baseline is also used to assess the market)

Hire personnel with the appropriate skills and experience

Train enumerators and other data collectors

Refine data collection instruments

Ensure adequate supervision of the data collection process

Use cross checks in cleaning, coding and entering the data

Document problems encountered, responses and lessons for future

Involve program staff, including mid-level managers, in the data collection and analysis process if the priority objective is improving program performance and impact

**Analysis stage**

Link the analysis to the hypotheses

Choose an appropriate statistical technique

Use analysts with appropriate skills

Devote enough time to this stage

Triangulate

Document problems encountered, responses and lessons for future

Present the findings clearly

Get feedback from program staff and clients

Involve program management and staff in the analysis process to promote co-ownership and immediate feedback

Write up findings in a comprehensible, user friendly way

**Dissemination stage**

Leave time and resources for dissemination to the intended audience

Disseminate information on the research process

Develop a specific dissemination plan

Disseminate findings as soon as possible after data collection (nine months maximum)

**BACKGROUND PAPERS SUBMITTED FOR THE  
APRIL 1998 CGAP IMPACT WORKING GROUP VIRTUAL MEETING**

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- Gheen, William. 1998. Review and Summary of Consultant 's Report, Survey Results, Ecuador. Inter-American Development Bank.\*
- Holvoet, Nathalie. 1998. Intrahousehold Resource Allocation Processes and Their Outcomes: Impact of Credit and Women Groups. Case Study for Rural North Tamil Nadu. General Outlook and Design of the Case Study. College voor de Ontwikkelingslanden, RUCA.\*
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\* These studies were shared with the participants in the virtual meeting, but were not available for use in preparing this discussion paper prior to the meeting.

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**Appendix 1: Eight Impact Assessments: Elements of Research Design**

Country Program Author	Objectives of the study Audience	Conceptual framework	Hypotheses	Variables	Findings
<p>MALI</p> <p><i>Caisses Villageoises D'epargnes et de Credit Autogerees</i></p> <p>by Korotoumou Ouattara, Genevieve Thi-Diew-Phuong Nguyen, Claudio Gonzalez-Vega and Douglas H. Graham</p>	<p>To assess the impact of CVECA (in combination with other interventions) on the supply of financial services, and contributions to risk management at household (hh) and village levels</p> <p><i>Audience:</i></p> <p>Donors</p> <p>MFI's</p> <p>Academics</p>	<p><i>Impact chains:</i> CVECA, and other external interventions and indigenous institutions contribute to risk management at hh and village levels</p> <p><i>Levels of analysis:</i> institutional, individual (ind.), household, village, region</p> <p><i>Type of data:</i> Institutional policies, procedures, and financial information</p> <p>Economic</p> <p>Social</p>	<p>1. CVECA contributes to improved <i>risk management</i> at the hh and village levels</p> <p>2. Ind/hh: Encouraged deposit mobilization, diversification of deposit and loans; longer term and larger loans, loans for use in agriculture and trade, help members deal with shocks</p> <p>3. Village: CVECA is a complement to informal finance, enhanced village group activities and attracts group savings, dominant role in financial landscape compared to other sources of finance</p> <p>4. Regional: expands trade relationships and contributes to regional economic integration</p>	<ul style="list-style-type: none"> <li>• quality of services</li> <li>• capacity and willingness of CVECAs to reach clientele (comparison of credit and deposit <i>flows</i> in relation to seasonal patterns of hh income, investment, and consumption; deposit and credit policies, collateral requirements, growth path of institution)</li> <li>• organizational <i>viability</i></li> <li>• structure of hh <i>income</i> (agriculture and non-agriculture)</li> <li>• total hh <i>wealth</i> (total income; total value of physical assets; total value of savings)</li> <li>• ability to manage crisis</li> <li>• access to savings</li> <li>• use of financial assets</li> <li>• access to credit</li> </ul>	<ul style="list-style-type: none"> <li>• CVECA effectively reaches poor people in villages. Also includes some rich clients</li> <li>• clients smooth income by savings, but women have limited savings</li> <li>• credit flows coincide w/ withdrawals, and w/ seasonal patterns of hh income, consumption, and investment peaks. Conclude probably used for production (no evidence though)</li> <li>• loan demand less for women</li> <li>• clients have larger, more diversified access to deposit and loan sources, although women save and borrow less</li> <li>• loans larger, longer term, lower interest rates. Almost exclusive source for hh</li> <li>• timing of loans shows clients use for agric. and trade and to smooth consumption (note: evidence not convincing)</li> <li>• CVECA an additional way of dealing with crisis, but inconclusive evidence that helps deal with shocks</li> <li>• Complements, but does not substitute for informal financial sources in village.</li> <li>• Have attracted savings formerly held in informal groups</li> <li>• regional impacts-- more trade (no evidence to support this conclusion)</li> </ul>



Country Program Author	Objectives of the study Audience	Conceptual framework	Hypotheses	Variables	Findings
UGANDA  FINCA, PRIDE, FOCCAS “An Assessment of the Impact of Microfinance Services in Uganda: Baseline Findings Volume I” (draft)  By Carolyn Barnes, Gayle Morris, Gary Gaile  Feb. 1998  BASELINE REPORT ONLY	To provide USAID with data to report on the impacts of microfinance services upon clients, their households, and enterprises. Includes information on client linkages to the agricultural sector.  Baseline report on study design and implementation process. Reports baseline findings -- characteristics of sample.  <i>Audience:</i> Donors Practitioners	<i>Impact chains:</i> Household economic portfolio model  <i>Levels of analysis:</i> Individual Household Enterprise  <i>Types of data:</i> Social and economic	Participation in microfinance program leads to: <ul style="list-style-type: none"> <li>• improvement in economic welfare of household</li> <li>• enterprise growth or stability</li> <li>• individual empowerment</li> <li>• stronger social and rural networks</li> </ul>	<i>Input:</i> program participation  <i>Impact variables</i> HH: diversification in sources of income, living conditions (# rooms and infrastructure in house), school enrollment, hh diet, effectiveness in coping w/ financial crisis, amount of land used, crops, livestock, new health and nutrition practices ENT: investment in fixed assets, employment (paid and unpaid), continuation or expansion of microenterprise IND: control of own earnings, assets owned and controlled, pattern of savings, agricultural input purchases RURAL AND SOCIAL NETWORKS: flow of remittances and transfers to rural areas  <i>Mediating variables:</i> gender, geographic location	n/a Baseline survey only

Country Program Author	Objectives of the study Audience	Conceptual framework	Hypotheses	Variables	Findings
PHILIPPINES ASKI  “Impact of Access to Credit on the Poor: A research design and baseline study”  By Ronald T. Chua Dec. 1997  BASELINE REPORT ONLY	To ascertain the extent to which access to credit and financial services contribute to poverty alleviation  To compare the cost effectiveness of microfinance models to other poverty alleviation programs  <i>Audience:</i> Donors Practitioners	<i>Impact chain:</i> <ul style="list-style-type: none"> <li>• household funds flow framework (inflow /outflow model, flows affected by hh resource allocation decisions, availability of resources, needs, wants, perceived opportunities, values and priorities of hh decision makers)</li> <li>• impact defined as changes in inflows, outflows, level of various resource pools; changes in behavior related to accessing and allocating funds, saving and borrowing behavior, hh decision making, level of community participation</li> </ul> <i>Levels of analysis:</i> <ul style="list-style-type: none"> <li>• Household, Individual, Enterprise</li> </ul> <i>Types of data:</i> <ul style="list-style-type: none"> <li>• Economic and social</li> </ul>	<i>Economic</i> <ul style="list-style-type: none"> <li>• Increased hh income</li> <li>• increased expenditure to improve quality of life</li> <li>• increased assets</li> <li>• higher level of ME activity (volume, type, quality of output, technology)</li> </ul> <i>Social/Behavioral</i> <ul style="list-style-type: none"> <li>• Higher no. women borrow, increase amounts borrowed, and shift from money lenders</li> <li>• Higher no. women save, increase amount of savings</li> <li>• women increase control over resources (independent income, amounts invested in own business, personal assets)</li> <li>• women increase influence over major hh decision (greater participation in decisions regarding consumption, productive investments, asset accumulation)</li> </ul>	<i>Income:</i> individual amount and sources, hh amount and sources, ME gross sales, value of goods consumed, net income <i>Expenditure:</i> on hh assets, food, rent and utilities, house repairs, education/training, health, emergencies, ME capital equipment, ME repairs and maintenance of capital equipment <i>School participation:</i> rates, types of schools, reasons for non-attendance <i>Health facilities:</i> visits by type <i>Assets:</i> savings, household assets (list),ME capital equipment/tools, value of selected business current assets <i>Land and housing tenure and quality</i> <i>Level of economic activity</i> <i>Savings and borrowing behavior</i> <i>HH decisionmaking</i> <i>Participation in comm. activities</i> <i>Mediating variables:</i> Individual, ent. and hh variables described	n/a Baseline survey only

Country Program Author	Objectives of the study Audience	Conceptual framework	Hypotheses	Variables	Findings
Bangladesh WEDP “Client Impact Assessment of Women’s Entrepreneurship Development Program in Bangladesh” By Jeanne Koopman 1996	To assess WEDP’s impact on borrowers  Audience: WEDP management and program staff; Donor program managers  Part of larger program evaluation	<i>Impact chain:</i> not specified  <i>Levels of analysis:</i> Household, Enterprise, Individual  <i>Types of data:</i> Economic and social (institutional performance addressed in wider study)	Research questions: <ul style="list-style-type: none"> <li>• is WEDP is reaching the intended people?</li> <li>• what are the qualitative and quantitative impacts on clients and their households?</li> <li>• what is the likely continued impact over time?</li> <li>• is the project purpose being achieved?</li> <li>• is the design appropriate as a strategy for poverty reduction in Bangladesh?</li> </ul>	<i>Input variables :</i> Loan size  <i>Impact variables</i> Use of loan funds Employment generation Income generation Asset acquisition Decision making Women’s status  <i>Intervening variables:</i> Poverty level  Focuses primarily on client perception of impact	<ul style="list-style-type: none"> <li>• positive impact on enterprise and hh income</li> <li>• positive impact on reducing indebtedness</li> <li>• positive impact on employment</li> <li>• half of non-family employment generated for children (negative impact)</li> <li>• large impact on women’s entrepreneurship and decision making</li> </ul> <i>Project performance information:</i> <ul style="list-style-type: none"> <li>• good relationship between WEDP staff and clients</li> <li>• high borrower transaction costs relative to interest rate...</li> <li>• loan size to small</li> <li>• approval process for larger loans too cumbersome</li> <li>• grace period to short</li> <li>• mixed views on forced savings; interest in voluntary savings</li> </ul>

Country Program Author	Objectives of the study Audience	Conceptual framework	Hypotheses	Variables	Findings
<p>Bangladesh BRAC “Poverty Alleviation and Empowerment: An Impact Assessment Study on BRAC’s Rural Development Programme (IAS-II)”  by A.M. Muazzam Husain  December 1997</p>	<p>Mid-term impact assessment (IAS designed in 1993, revised in 1996. To be applied in 1996 and 2000. This is 1996 report on findings)</p> <ul style="list-style-type: none"> <li>• to measure success of RDP in raising the socioeconomic status of the target populations</li> <li>• to identify shortcomings of program and its sustainability</li> </ul> <p><i>Audience:</i> BRAC Donor Consortium (donor program managers and field staff) BRAC management (BRAC policy makers, program manager, operational managers</p>	<p>Impact chain: Household material well being, seasonal vulnerability and coping capacity. Empowerment through material, relational, cognitive, and perceptual change.</p> <p><i>Levels:</i> Household, Individual, Village organization</p> <p><i>Types of data:</i> Social and economic</p>	<p>Not stated</p>	<p><i>Input variables:</i> Credit, training, technical assistance (no mention of participation in BRAC sectoral programs)</p> <p><i>Impact variables:</i> Asset holding, savings and net worth, household expenditure; improvements in housing</p> <p>Mediating variables: Loan use; amount of land, sex, occupational status of hh head, women’s involvement in IGAs</p>	<p><i>Cross sectional analysis:</i> <i>Positive contribution to material well being:</i></p> <ul style="list-style-type: none"> <li>• land acquisition: 3.8% shift from landless to some land; small increases in size for others</li> <li>• Employment: SE increases from 28.4 to 40%</li> <li>• assets: non-land assets increase over time, but related to other factors</li> <li>• net worth: 50% higher for BRAC</li> <li>• savings: twice as much for BRAC</li> <li>• calorie consumption and total expenditure: higher for BRAC.</li> <li>• ratio of non-food to food expenditures higher for BRAC, increases with hh income.</li> <li>• housing: quality higher for BRAC</li> <li>• education: higher in level of educ of head, average level of hh educ. adult literacy, primary school enrollment.</li> <li>• health: BRAC members higher on all indicators</li> </ul> <p><i>Poverty:</i></p> <ul style="list-style-type: none"> <li>• proportionally fewer BRAC members under poverty line (52% and 69%)</li> <li>• poverty gap less (BRAC members less poor)</li> <li>• fewer in severe poverty (22% and 37%)</li> <li>• fewer experience food deficit</li> <li>• impacts higher for those with more loans and those who are self employed</li> </ul>

Country Program Author	Objectives of the study Audience	Conceptual framework	Hypotheses	Variables	Findings
					<p><i>Vulnerability:</i></p> <ul style="list-style-type: none"> <li>seasonal fluctuations in per capital mo. Food expenditure lower for BRAC. (3% and 18%). - BRAC members spend more (total)</li> </ul> <p><i>Women's empowerment</i></p> <ul style="list-style-type: none"> <li>increased involvement in IGAs; half hand over loans to men; asset ownership and control increases w/length of membership, but still limited; more positive self perceptions and self confidence; reduced mae dependent, husbands give more importance, share more in family decision making, increased mobility and outside communication</li> </ul> <p><i>Panel data analysis</i></p> <ul style="list-style-type: none"> <li>BRAC f increase greater for comparison group. Initial endowment (of assets) important determining factor.</li> <li>non-institutional cash loan decreases for BRAC members except self employed ones</li> <li>housing- better quality for BRAC, but increases in value greater for control group.</li> <li>drop outs no different than other BRAC members; less credit and savings in last three years; not homogeneous; 85% drop out by choice; 15% by force; Reasons: loss in IGAs, loan repayment problems, problem with savings; objections of in laws, misunderstanding, involment in other NGOsmembers have higher asset levels, but rate o</li> <li>outreach: poorest proportionately covered by BRAC. 83% BRAC VO members in target group</li> </ul>

Country Program Author	Objectives of the study Audience	Conceptual framework	Hypotheses	Variables	Findings
<p>Bangladesh ASA "Impact Assessment of the Association for Social Advancement (ASA)"</p> <p>by M. Bruntrup, A. Huda, S.M. Alauddin, M. Rahman</p> <p>August 1997</p>	<p>To assess the impact of ASA on economic, health, social and educational aspects. To contribute to the debate on how rural credit and other complementary measures influences family welfare.</p> <p>Audience: Donor consortium ASA, donor and other development policy makers</p>	<p><i>Impact chains:</i> Credit used for production and consumption; leads to improved hh income and family welfare; effects mediated by environment</p> <p><i>Levels of analysis:</i> Household Regional/village level</p> <p><i>Types of impact:</i> Economic and social</p>	<p>Not stated</p>	<p>Input:</p> <ul style="list-style-type: none"> <li>• savings plus credit</li> <li>• savings, credit and Dev. education</li> <li>• savings, credit, dev. education and health</li> </ul> <p><u>Economic Impacts:</u> <i>HH level</i>, HH incomem, new sources of income, HH Income by labor and decision power, Assets (Value by ownership; change), HH savings, HH borrowing and lending out <i>Village level</i> Labor supply, employment of hired labor, wage rates, prices of selected high end goods <i>Health</i> Changes in health situation <u>Social impacts</u> Types of group activities, leadership, asst. from outside sources, mobility; perceived impacts on community, change in recreational or leisure behavior <u>Drop outs</u> Reasons <u>Political participation</u> Cast votes? Support for conservative or progressive parties</p>	<p>Reach very poor although no specific target group Income growth 5-7% more than control group Productive use of credit Consumption use the longer in program Increased Diversification Assets higher in ASA group, mostly due to ag. land, 70% loans controlled by men Women's share in income and assets very slowly increasing over time Hard to attribute regional changes in prices to credit program... Older member ahead in social indicators than control group and new members, but start at a higher level Mobility and decision making improves only a little. Skeptical about social impact claims of other programs. Health -- impacts not overwhelming; difference. not that great with control group. Health programs very widespread. Health effects likely to be long run. Women's self esteem increases, but economic. empowerment more than social. Social empowerment positive, but slow.</p>

Country Program Author	Objectives of the study Audience	Conceptual framework	Hypotheses	Variables	Findings
<p>Honduras ODEF “Practitioner led Impact Assessment: A Test in Honduras”</p> <p>by Elaine Edgcomb and Carter Garber</p> <p>March 1998</p>	<ul style="list-style-type: none"> <li>• to provide meaningful data to help practitioners better understand the impacts of ME services at the hh, individual, business, and community level</li> <li>• to establish plausible association between perceived impacts and program interventions</li> <li>• to understand client satisfaction w/program</li> <li>• to test a practitioner led impact assessment process</li> <li>• not an impact assessment: rather an indication of likely impacts</li> </ul>	<p><i>Impact chain:</i> Household portfolio of income generating and investment strategies to achieve specific goals</p> <p><i>Levels:</i> Individual, business, household, and community</p> <p><i>Types:</i> Social and economic</p>	<p>Participation in ME services leads to HH: increased income, assets, welfare such as food security, housing and health IND: increased control of resources for women clients, paid labor and productivity of women’s labor, self esteem for women, no negative impact on children’s labor BUS: increased net worth, net cash flow, differentiation between ME and HH COMM: increases in paid employment CLIENT SATISFACTION:</p>	<p><i>Ent level:</i></p> <ul style="list-style-type: none"> <li>• Sales, reported profits, calculated profits, changes in business, ent. fixed assets, location,</li> </ul> <p><i>HH level:</i></p> <ul style="list-style-type: none"> <li>• Savings (amounts, increased), aver. no. hh assets, increases in hh income, improvements in food consumption</li> </ul> <p><i>Ind. level.</i></p> <ul style="list-style-type: none"> <li>• Increase in personal income, greater self esteem</li> </ul> <p><i>Community level</i></p> <ul style="list-style-type: none"> <li>• Level of employment generated</li> </ul> <p><i>Former client survey</i></p> <ul style="list-style-type: none"> <li>• Reasons for leaving</li> </ul> <p><i>Client satisfaction survey</i></p> <ul style="list-style-type: none"> <li>• Interest rates, efficiency, services offered, comparison with other lenders, loan terms and repayment policies</li> </ul>	<ul style="list-style-type: none"> <li>• Strongest difference between clients and non-clients in size, profitability, and development of the businesses</li> <li>• At hh level, strongest differences in personal income, savings, food consumption, and basic home improvements</li> <li>• Individual level, women clients achieve greater productivity (fewer hours in business with higher returns)</li> <li>• Qualitative data shows improved self esteem and confidence of women, but little difference with respect to decision making and control issues, employment, and other welfare effects</li> </ul>

Country Program Author	Objectives of the study Audience	Conceptual framework	Hypotheses	Variables	Findings
No country (Study design)  “Microfinance Impact Assessment: A dynamic dialogue Approach”  by Oddvar Espegren  September 1997	Proposes a simple approach to impact assessment for NGO microcredit programs targeted to the poor. Combines rigor with low cost and low demands on staff time.  Proposed audience: Local practitioner NGOs (not donors or users) interested in improving the impact of their programs	<i>Impact chain:</i> Framework based on intended beneficiary school of thought. Focuses on who benefits and how much  <i>Levels of analysis:</i> Households (could be supplemented by individual)  <i>Types of impacts:</i> Social and economic	None stated	Minimum set: <ul style="list-style-type: none"> <li>• change in assets (value of inventory, total business assets, new investments)</li> <li>• change in savings (value, number of households with savings over a set level)</li> <li>• health (nutritional status, potable water, latrine, health/nutrition knowledge)</li> <li>• education (no. children in school, male/female enrollment rates, literacy rates)</li> <li>• improved housing (roofing material, number of furniture, size, water/electricity)</li> <li>• empowerment (women’s control over loan, hh decisions, group self management, changes in time allocation, membership and leadership in community organizations, contribution to family support, use of birth control)</li> </ul>	n/a Study design only



## Appendix 2: Eight Impact Assessments: Elements of Research Methodology

Country Program Author	Main method	Sample design (type, size, control group)	Data collection instruments/ sources	Data processing and analysis	Time frame	Personnel, Cost
<p>Mali</p> <p><i>Caisses Villageoises D'epargnes et de Credit Autogerees</i></p> <p>by Korotoumou Ouattara, Genevieve Thi-Diew-Phuong Nguyen, Claudio Gonzalez-Vega and Douglas H. Graham</p>	<p><i>Institutional analysis</i> CVECA information on design and internal organization, credit and deposit policies, balance sheets, history of deposit and credit transactions for all clients since 1993, discussions with CVECA management committees and larger public</p> <p><i>Client analysis</i> Cross sectional sample survey</p>	<p>Cross sectional Control group</p> <p>175 people (mainly hh heads) 83 members 92 non-members</p> <p>7 Villages - 25 people per village 4 with CVECA (18 members 7 non members) 3 without CVECA (25 non-members)</p> <p>Random selection of clients and non- clients</p> <p>Matching variables: Similar characteristics (not specified)</p>	<p>Individual questionnaire (28 pages, 1,214 questions) Village questionnaire (14 pages, 126 questions)</p>	<p>Information not available</p>	<p>Field work conducted March-April 1997 Report completed December 1997</p> <p>Data from one point in time</p>	<p>Field work: 2 economists 1 socio- anthropologist</p> <p>Analysis: additional 2 economists</p> <p>Cost data not available</p>

<b>Country Program Author</b>	<b>Main method</b>	<b>Sample design (type, size, control group)</b>	<b>Data collection instruments/ sources</b>	<b>Data processing and analysis</b>	<b>Time frame</b>	<b>Personnel, Cost</b>
Uganda  FINCA, PRIDE, FOCCAS “An Assessment of the Impact of Microfinance Services in Uganda: Baseline Findings Volume 1” (draft) Feb. 1998  By Carolyn Barnes, Gayle Morris, Gary Gaile  BASELINE STUDY ONLY	Baseline survey  Repeat survey of same respondents planned 12-24 months from baseline	Longitudinal (two points in time)  Control group  1332 respondents (1242 women, 90 men)  730 clients (685 women 45 men)  602 non-clients (557 women and 45 men)  Matching variables: gender, ownership of a ME which generates weekly or bi-weekly revenue flow, enterprise operating in past two months	Questionnaire (design steps: preliminary design, exploratory interviews, revisions, pretest, revisions, pilot and focus group, revisions, translation, enumerator training, final revisions)	<ul style="list-style-type: none"> <li>• most questions closed ended, so coding easy</li> <li>• data entered w/Epi-Info</li> <li>• error traps, validation routines built in to minimize errors</li> <li>• data checked and exported to SPSS for analysis</li> </ul>	<ul style="list-style-type: none"> <li>• field work: October-December 1997</li> <li>• data collection: Nov. /Dec</li> <li>• analysis and write-up: Jan /Feb</li> <li>• Five months</li> </ul>	8 researchers 15 enumerators  Cost data not available

Country Program Author	Main method	Sample design (type, size, control group)	Data collection instruments/ sources	Data processing and analysis	Time frame	Personnel, Cost
PHILIPPINES ASKI  “Impact of Access to Credit on the Poor: A research design and baseline study”  By Ronald T.Chua Dec. 1997  BASELINE REPORT ONLY	Survey questionnaire (program participants involved in design through in-depth interviews, review previous questionnaires) Reference period: 12 months for most variables Back and forth translation to check Pretested 3 times	Longitudinal (two points in time)  Sample size 420 150 clients 120 on-site comparison group 150 off site comparison group (allows for 10% margin of error, confidence level of 5% for each group of 100 -- best budget allows for)  Program selection: considers stability, records, willingness to cooperate, previous info to build upon  Site selection: urban barangay, no expansion plans,  Matching variables: socioeconomic status indicated by quality of housing, ME activity	Survey Questionnaire  Administered to female spouse of hh or female hh head	Field supervisors review questionnaires for completion and inconsistencies Second review for accuracy and consistency prior to encoding Inconsistencies sent back to field for verification	??	Independent research firm Assisted by ASKI staff Project manager, 3 field supervisors ? enumerators  Cost data not available

Country Program Author	Main method	Sample design (type, size, control group)	Data collection instruments/ sources	Data processing and analysis	Time frame	Personnel, Cost
Bangladesh WEDP “Client Impact Assessment of Women’s Entrepreneurship Development Program in Bangladesh” By Jeanne Koopman 1996	Rapid appraisal -- individual and focus group interviews	Cross sectional  138 client participants in group interviews  Visits to 12 client individual enterprises  Non-random sample No baseline information No control group	Semi-structured questionnaires	Entered and analyzed in field  Spread sheets	11 days of field work  2 month total time	1 primary researcher 1 highly qualified post graduate interpreter  Staff assist in site selection, in introducing clients, in wealth ranking. Do not attend interviews  Cost data not available
BANGLADESH BRAC “Poverty Alleviation and Empowerment: An Impact Assessment Study on Brac’s Rural Development Programme (IAS- II)”  by A.M. Muazzam Husain  December 1997	Household survey (1993 panel and non-panel households) Qualitative study -- discussion sessions Case studies RRA Techniques Village profiles	Longitudinal (three points in time)  1799 respondents • 1250 BRAC members • 250 comparison households • 200 success households  • Survey redesigned (sample size reduced, some questions streamlined, new questions added)	• household survey • RRA/PRA techniques(physical mapping, wealth ranking, pile sorting techniques, group discussion) • qualitative and case studies • village profiles  1993 questionnaire revised and simplified, extensive training of field investigators on theoretical and practical aspects, field test of enumerators, field supervision, researcher monitoring in field, editing in field	Bivariate analysis, multivariate analysis and appropriate regression models fixed effect model to measure and compare performances over time statistical techniques applied to some qualitative data through RRA techniques (scores) SPSS	7 year study No inf. on amount of time in field for data collection.	Number of field workers not specified.  10 researchers  Cost data not available

<b>Country Program Author</b>	<b>Main method</b>	<b>Sample design (type, size, control group)</b>	<b>Data collection instruments/ sources</b>	<b>Data processing and analysis</b>	<b>Time frame</b>	<b>Personnel, Cost</b>
Bangladesh ASA "Impact Assessment of the Association for Social Advancement (ASA)"  by M. Bruntrup, A. Huda, S.M. Alauddin, M. Rahman  August 1997	Survey Interviews w/stakeholders Focus groups PRA	Cross sectional  483 respondents: <ul style="list-style-type: none"> <li>• 251 old clients</li> <li>• 117 new clients</li> <li>• 115 control households</li> <li>• 41 villages</li> </ul> Random selection  Non-client districts selected for ecological and economic homogeneity. (Clients grouped by types of inputs received. Only 17 hh with health inputs -- too small for reliable assessment)	Formal questionnaire, Series of structured interview guidelines w/various stakeholders in local arenas, Focus group discussions, HH mapping with wealth ranking to identify the distribution of ASA and non ASA hh according to prosperity  45 min.- 1 hour max.	Not described  For quantitative data, simple cross tabulations reported  No testing of distribution characteristics mentioned, no statistical techniques mentioned	Study over 3 months -- data collected May-July 1997	4 principles (team leader/economist health nutrition, social aspects, development education 8 field enumerators  Cost data not available
Honduras ODEF "Practitioner led Impact Assessment: A test in Honduras"  by Elaine Edgcomb and Carter Garber  March 1998	Multiple methods: Quantitative survey (test major hypotheses and program performance) Qualitative instruments (empowerment and historical perspective on loan use and business development, client views, intended to be illustrative.	Cross sectional  143 72 clients 71 non-clients  Practitioner dominated process	Client survey Client exit interview  Qualitative: loan use strategies empowerment program satisfaction  Two protocols (extracting data from MIS, program intervention profile One hour max.	Simple statistical package for quantitative data  Simple content analysis on case studies Epi Info used to enter data (simple, low cost, available in several languages)	3 weeks in field	13 individuals <ul style="list-style-type: none"> <li>• 8 from ODEF</li> <li>• 3 Katalysis</li> <li>• 2 SEEP</li> </ul> \$35,000 total costs. 260 person days.

<b>Country Program Author</b>	<b>Main method</b>	<b>Sample design (type, size, control group)</b>	<b>Data collection instruments/ sources</b>	<b>Data processing and analysis</b>	<b>Time frame</b>	<b>Personnel, Cost</b>
No country (general)  “Microfinance Impact Assessment: A dynamic dialogue Approach”  by Oddvar Espegren  September 1997  RESEARCH DESIGN ONLY	Proposes PRA methods Mixed methods including: Small surveys Case studies (conducted by group leaders or staff) Wealth ranking mapping Dream survey	Could use comparison group of people waiting for a loan. Otherwise, could use triangulation	Generally discussed	Not specified	Quarterly PRA data collection Surveys before first loan and after every subsequent loan Case studies following same hh for three to five years.	NGO in dialogue with users Outside consultant to supplement impact assessments and review power relations