

Client Exit Surveys:

A Tool for Understanding Client Drop-Out

by Anton Simanowitz

ABSTRACT: The ability of microfinance institutions (MFIs) to reach and to demonstrate a positive impact on their clients is increasingly recognized as a core principal in poverty-focused microfinance, and there is a growing move toward lower-cost, practitioner-friendly approaches to impact assessment.

Interviews with program drop-outs are an important source of information, and they are incorporated into a number of impact-assessment systems. This article explores how useful impact information can be gained from drop-out interviews and presents ideas from the experience of the Small Enterprise Foundation (SEF) in South Africa. Drop-outs provide a very valuable source of information for program improvement, relating both to the performance of the MFI in relation to client needs, and more generally to how an MFI relates to client livelihoods and external conditions.

Two approaches commonly used are contrasted—the survey-based client exit interview and a more in-depth case-study approach that seeks to understand deeper, underlying reasons for drop-out.

The impact of microfinance on poverty alleviation has recently gained a prominent position on the microfinance agenda. Donors, practitioners, and academics are realizing that microfinance institutions (MFIs) must

concern themselves with more than their ability to reach institutional self-sufficiency. The ability to reach and to demonstrate a positive impact on the poorest is now becoming a core principal in poverty-focused financial institutions. The 1999 Microfinance Summit Meeting of Council, for example, set out a hard-hitting agenda, with key note papers calling on MFIs to meet the challenge of targeting and reaching the poorest (Simanowitz, et al., 1999) and to develop systems for measuring their impact on their clients (Reed & Cheston, 1999).

The World Bank–sponsored Consultative Group to Assist the Poorest (CGAP), a leading donor and policy maker, shows signs of moving away from its former hard-line view on impact assessment. In 1997, Rich Rosenberg, a senior advisor to CGAP, expressed a view which mirrored the approach of CGAP:

If your investee institutions [the MFIs] are pricing their services in a way which covers all of the costs of providing them . . . and if their clients continue to use these services, then you have strong evidence from the persons most likely to know that the clients are deriving benefits Do you really need to know a lot more than that?

This contrasts markedly with a recent CGAP initiative on “Deepening the Poverty Outreach of Microfinance” (CGAP, 1999), which looked at improving knowledge on poverty outreach and the impact of microfinance on poor clients.

Reflected in the discussions of impact assessment is the growing realization that traditional, high-cost, externally led, survey-based impact studies cannot effectively serve the needs of MFIs. Where an MFI seeks to alleviate poverty through its services, it is imperative that it is able to cost-effectively measure the achievement of this goal on an on-going basis. This will allow for operational and methodological changes to

Anton Simanowitz formerly conducted leading research, methodology development, and impact assessment work at the Small Enterprise Foundation in South Africa. He is currently based at the Institute of Development Studies, UK, coordinating an action-research project developing impact assessment systems with MFIs.

improve impact. Traditional impact studies are limited both by their high cost, and by time and communication barriers; this means that although useful information is generated, it is not timely and it often does not translate into useful input into operations.

A number of initiatives to develop more appropriate forms of impact assessment are therefore now underway, both within MFIs, and externally led. The central premise of this new approach holds that impact assessment is implemented “to improve impact, not to prove impact” (Simanowitz, 1999). The AIMS project, for example, takes a “middle-range” approach which seeks to achieve credible results, which establish a “plausible association between changes experienced by clients and their participation in a microenterprise program,” while “generating information which is useful for improving programs” (Cohen & Gaile, 1998, p. 25). The initial terms of reference for a proposed Ford Foundation funded study set out “to develop methodologies to be used by development finance institutions themselves as a management tool to allow them to receive feedback from their clients in order to improve their services and product mix” (Copestake et al, 1998, p. 4).

Thus, there is a growing consensus that the achievement of the impact objective needs to be monitored in much the same way that financial objectives are monitored. Impact assessment, however, is much more complicated, and a major challenge lies in the difficulties in attributing causation. Add to this the financial and staffing constraints of MFIs seeking to reach large numbers of clients, and the possibilities for impact assessment become very limited. The main focus of recent work has been how to achieve credible results that are timely enough to be used as a management tool, yet which do not put great demands on the MFI’s resources. Innovations include developing on-going impact monitoring integrated into the loan application process, and the design of a modular impact assessment whereby information gathered from a number of

sources and on different occasions can be combined to produce credible results (Simanowitz, 1999; Cohen & Gaile, 1998; PlaNet, 1999).

Learning from Client Exit Interviews

Client exit interviews are increasingly cited as an important source of information and are incorporated into a number of impact assessment systems. They have been accepted in both the AIMS guidelines and the PlaNet Impact Knowledge Management framework as an important source of impact information. In this article, I seek to explore in more detail how useful impact information can be gained from client exit interviews and to present some ideas from the experience of the Small Enterprise Foundation (SEF) in South Africa. A detailed drop-out study and on-going drop-out monitoring are important elements of SEF's impact measurement system.

Commonly referred to as "drop-outs," clients who have left an MFI's program can provide very valuable information. On one level, drop-outs may represent the MFI's failures, e.g., clients for whom the service was not suitable or who suffered a negative experience and chose or were forced to leave. In some cases, where the client has graduated beyond the need for the MFI's services, drop-outs may represent a success. In either case understanding the reasons and processes leading to clients' exits can provide valuable information about the strengths and weaknesses of the program, and its relevance to different target groups.

In the case of programs which are genuinely reaching the poorest people, drop-out is a major issue for a number of reasons. First, it is highly unlikely that a very poor person will graduate out of the program for several years. Drop-outs are therefore likely to be a direct or indirect, result of a failure of the program to adequately work in a way that raises the client out of poverty. This may be due to inappropriate products for the needs of the very poor, to the pushing out of struggling clients by more

successful ones, or to business collapse and difficulty in maintaining repayments. In all of these cases, the loss of the clients represents a failure of the MFI to have a positive impact on poverty and in some cases it may be a negative impact.

Impact studies in SEF's poverty-targeted program, Tshomisano (TCP) clearly demonstrate that since its inception in 1996, clients have not yet reached a stage where they are leaving as a result of their success (Simanowitz, 1999). Where clients remain in the program, a very high incidence of positive impact occurs by the fourth loan (approximately 2 years after the first loan). Where people leave, it is mostly in the early loans, before there has been a sustainable positive impact on their livelihoods, pointing to a failure by TCP to achieve its mission in these cases.

Drop-outs are a particularly valuable source of information, as they are beyond the sphere of influence of the MFI. For existing clients, there may be real or perceived reasons against talking honestly about their dissatisfaction with the MFI's service or their failure to achieve success in their business. Drop-outs have much less to lose or to fear.

Methodologies for Understanding Client Drop-Out

The AIMS project has developed impact assessment guidelines which propose the use of a client exit survey tool (Cohen & Gaile, 1998). This uses a standardized questionnaire which can be coded and quantitatively analyzed, and which seeks to capture information about all drop-out clients. The questionnaire seeks to find out and track when and why a client left the program, what the client thinks about the program's strengths and weaknesses, and what its impact is on her or his livelihood and business. It uses a structured format in terms of questions to be asked but it does allow some space for the enumerator to add her or his own comments and observations. The questionnaire is designed to be

used by a loan officer as part of her or his routine duties and should be administered in about 20 minutes.

Starting in late 1997, SEF began looking closely at the reasons for client drop-out. Monthly “drop-out monitoring” now forms a standard part of operations. However, SEF has opted for a qualitative sample approach, which gives a detailed understanding of the range of issues causing clients to leave the program rather than a descriptive quantitative picture.

By understanding reasons for drop-outs, directors can gain a picture of problems in program design and application. Quantitative measures, produced by a standardized exit-survey approach, give a good picture of drop-out patterns; however, they fail to provide the depth of understanding for one to really be able to understand how program methodology might be changed. This problem is compounded by the fact that gathering accurate information from drop-outs is very difficult. It is easy to get a superficial reason for client exit rather than to develop a real understanding of the underlying causes.

Gaining reliable information about client exit is one of the most difficult research tasks facing an MFI. It is also one of the most potentially rewarding in terms of the quality of information which can be obtained. A number of factors may lead clients to be reticent about giving the whole picture. Clients often feel bad about admitting that their business has failed, or that they have experienced problems as a direct result of breaking an MFI's policies, for example in poor loan utilization.

SEF, for example, struggled for some time to address the drop-out issue. A major reason for this struggle was a limited understanding of the reasons for drop-out. Asking the question, “Why did you leave the program?” rarely yielded accurate information and certainly did not expose the underlying reasons for exit. Reported answers tended to be that clients were “resting” or had “family problems” or “got a job.” These

answers did not lead to an adequate understanding of the underlying reasons for client exit.

In many cases, these reasons are symptomatic of deeper problems. For example, “family problems” or “problems with the group” are often rooted in changing power relations created by participation in the program, or from financial difficulties created by a failing business.

The key to effective use of client exit surveys is thus to develop an approach which creates the needful space where ex-clients feel comfortable to talk freely about why they left the program, and to develop a way to dig beneath superficial answers to understand the underlying reasons.

SEF’s Experience with Understanding and Monitoring Client Drop-Out

SEF is a nonprofit nongovernmental organization (NGO) working toward the alleviation of poverty and unemployment in South Africa’s rural areas by providing sustainable financial services. It uses a group-based lending methodology patterned after that of the Grameen Bank. An evaluation in 1995 concluded that only 30% to 40% of people reached by SEF were very poor, i.e., living below one-half of the poverty line. Rather than change the structure of SEF, a new project, Tshomisano, was launched to specifically target the poorest sector. Although similar in philosophy and basic structure, the motivational techniques, loan utilization checks, ongoing follow-up, and other aspects of the program have been adjusted to address the needs of the poorer population. Currently 97% of SEF’s 9,500 clients are female. Typical enterprises include small convenience shops, dressmakers, and hawkers of fruits and vegetables and new or used clothing.

SEF began its drop-out research by using a once-off drop-out study. This study used a two-stage qualitative approach, based on an understanding of the potential reasons for client drop-out. Discussions started

with the least sensitive issues and covered all of the potential issues which may have motivated a client to leave. By the end of the discussions, it was clear as to what range of factors may have led to a decision to leave, and only at this stage was the question put directly. The success of the drop-out study in deepening understanding of drop-out, and its major impact in terms of improving the service provided by TCP and in reducing drop-outs, led to the implementation of on-going drop-out monitoring.

The drop-out monitoring uses a similar approach to the drop-out study, building on the understanding of the range of reasons for drop-outs. The group meetings and interviews follow the framework of reasons from this study, with the least threatening subjects being dealt with first, and the question, "Why did you leave?" being left until last.

The first stage is a group discussion which focuses first on the services given by SEF and then examines issues relating to the clients' group and center. The second stage is an individual follow-up interview which looks in more detail at the issues raised in the group discussion and includes personal issues, such as intra-household relations. The drop-out monitoring is implemented by the assistant zonal manager in collaboration with branch managers, on a monthly basis. This helps to highlight common problems and it focuses the branches' efforts onto solving them. It also provides a continuing understanding of the patterns and reasons for members leaving the program, whether measures to reduce drop-out are working or not, and whether new issues are arising.

Drop-out monitoring is then implemented on a monthly basis by the assistant zonal manager, in collaboration with branch managers. This helps to highlight common problems and focuses the branches' efforts around finding solutions. It also provides a continuing understanding of the patterns and reasons for why members leave the program, whether measures to reduce drop-out are working or not, and whether new issues

are arising. A center or the centers with the highest drop-out rates in the proceeding months are first selected. Arrangements are made to meet with all (if possible) the drop-outs from the center(s) identified in a group meeting (see methodology below) and follow-up individual meetings. In practice, an average of about six drop-outs are interviewed each month.

1. Group Meeting

A meeting is set up with as many of the drop-outs as possible. In this meeting a general discussion is held. At this stage it is important not to ask the reasons for drop-out.

Clients who have left the program feel bad or feel pressured to rejoin. By explaining the poverty mission of SEF and the fact that SEF is worried when people leave, the staff should make sure that clients feel relaxed and free to talk about their experiences in the project. The staff then explain that they want to learn what the former clients thought was good and bad about the project—former clients are the best people to learn from because they have nothing to lose if they tell the truth. Existing clients, on the other hand, may feel they will jeopardize their position if they say what they think.

- A. The group meeting starts with looking at the participants' experiences at SEF.
- What did they like about SEF (what was good)?
 - What did they not like (what was bad)?

Participatory methods, such as voting forms, are used to ask specific questions as they arise. For example, how was the loan term; how was the loan amount; how was the support from the staff; how was the support from the group? Voting forms give a quick view of the range of opinions, which can then be used to facilitate a dis-

cussion about why people voted the way they have and why there are differences of opinions.

- B. The second stage looks at participants' business experiences. Matrices or voting forms can be used to look at participants' business strength before the loan, at present, and at a number of points during the loan.

If the business status has changed, the staff ask why. They try to understand why it improved or if there were problems.

This general discussion generates a good understanding of the clients' experience in the program, and it is likely that the staff will have a good idea of the reasons for drop-out without actually having had to ask.

The group meeting should not be too long (about 1 hour). The aim is to finish when people are still active, not when they are getting tired. In this way they will be happy to come back for a follow-up meeting. At the end of the group meeting the staff facilitator explains that the meeting yielded a lot of information which is very helpful to SEF. Participants are then asked if they would be available for individual discussions at a later date.

2. Information From Files

Following the group meeting, the files for drop-outs are gathered. Information can be triangulated with the group meetings, for example on loan sizes and business types. Credit discipline, performance, impact monitoring, and comments on the debtors card can also help triangulate information and add to the understanding.

3. Individual Meetings

Individual meetings allow for a more in-depth understanding of an individual's experience in the program and reasons for drop-out. Prior to this

meeting, the facilitator looks at the information gained in the group meeting and relates this information to the four areas of potential problems: personal reasons, problems with the business, problems in group/center, and problems with SEF procedures.

In the individual interview, the staff member probes the issues raised in the group meeting, trying to get a good understanding of the member's experience and opinions. Finally, as the last question, the drop-out is asked why she or he left. At this point, there will be a good understanding of the experience, but not necessarily how these related together and what was the final motivation for her or his leaving the program.

4. Interview with the Field Worker

Finally, the staff member talks with the field worker (FW) and discusses the dropped members. Again, this helps to triangulate previous information, as well as improve the overall understanding.

5. Writing of the Report

Reports are written using these headings in the following format:

- A. *Introduction and description* of the process for the monitoring—how did you do it, what problems did you have, how was the group meeting (were people open and free?), etc.
- B. *Description of the members who dropped*—names, center, group, business, loans received, etc.
- C. *Group discussion* (according to the four headings).
- D. *Individual members*—results from discussion and information from files (according to the four headings).
- E. *Information from field worker*.
- F. *Analysis and conclusions*—from the meetings, interviews, files, and FW, what can you conclude are the main reasons for drop-outs (according to the four headings)?

- G. *Recommendations* for the members who dropped (is any more follow-up necessary?), for the center where the member dropped, and for SEF.

Benefits from Using Drop-Out Monitoring

Using this approach to understand drop-out, SEF has developed a much deeper understanding of client drop-out. There is no simple answer as to why people leave, and consequently there is no simple solution. People's reasons for leaving are complex and often the decision to leave may be a combination of a number of issues. It is, therefore, not possible to magically reduce drop-outs, but drop-out understanding can have a very significant impact on program performance. In TCP, for example, drop-out understanding led to actions in several areas resulting in a reduction of the drop-out rate from 35% to 14% between April 1998 and April 1999.

Drop-out monitoring has provided a practical tool whereby staff can improve program service and reduce drop-outs. Drop-out monitoring reports are discussed at weekly branch meetings, and action plans are developed to address the issues raised in the reports. Therefore, all staff are aware of the issues facing their branch and their centers and are thus able to take immediate, corrective action.

The reasons for drop-out revealed from the monitoring can be divided into four broad categories into which more detailed reasons fit (a detailed description of the reasons and resulting action is given in the Annex).

1. Personal Reasons

Main reasons: death in the family; personal or family illness.

Other reasons: husband stops member attending; conflict in the family; moving away from the area; other disaster; found a job (this normally is a sign of business failures); afraid of credit.

2. Business Failure (Often Described as “Found a Job”)

Business does not grow or collapses. Reasons for this include: too much selling on credit; money not re-invested into business; money taken from business for household expenditure or emergency; poor loan utilization; inappropriate loan size.

3. Problems in the Group/Center

Paying on behalf of other group members (“patching”); conflict in group/center (mostly caused by patching); poor group formation (members don’t know and trust each other well); thrown out of center.

4. Problems with SEF Procedures

Main reasons: fortnightly payments; loan period wrong (too long or too short); high transport costs; left alone in the group

Other reasons: not enough support from FW; loan too small; didn’t like the loan utilization check.

Conclusions

It is clear that drop-out clients provide a valuable source of information for program improvement. This information relates both to the performance of the MFI in relation to client needs, and more generally to how an MFI relates to client livelihoods and external conditions. This information can form a core part of impact understanding. This understanding feeds into operational development and leads to changes that better tailor the MFI’s services to their target client needs and thus improves the overall impact of the MFI.

Both survey and case-study approaches have their advantages and disadvantages. Survey-based client exit interviews provide a picture of the patterns of drop-out, but there is a strong possibility that they may not

provide the depth of understanding required for improvements in operations. Drop-out clients are particularly difficult to interview, and often information collected from them is inaccurate or does not provide an understanding of the underlying reasons for drop-out. A case-study-based approach takes a sample of drop-out clients and therefore cannot develop an adequate picture of the patterns of drop-outs. Reasons highlighted by a small number of drop-outs may not be widely applicable to other clients. However, by raising the issues and by understanding the issues, one can gauge their applicability to the rest of the program.

Client exit surveys require the investment of time, which is likely to be difficult for field staff pursuing high productivity targets. The AIMS client exit survey, for example, requires approximately 20 minutes per drop-out. This is administered by loan officers, who are likely to be the most pressed for time. SEF drop-out monitoring requires approximately 1 hour for the group interview, and then 1 hour for each of the individuals in the group interview (approximately six). Drop-out monitoring is administered by the assistant zonal manager and sometimes by branch managers. It is a time-consuming task, but it fits well with the manager's task of monitoring performance and it increases their general understanding of program impact.

Annex: Report from SEF's Drop-Out Study

I. Personal Reasons

There are many personal reasons given for drop-out, which include the following: death in the family; personal or family illness; conflict in the family (e.g., husband stops member participating); moving away (temporarily or long term). Personal reasons are important to note for two reasons:

- A. Often they are not the real reason but are given as an excuse, either because the member is ashamed of failure or the member has not complied with TCP rules and is afraid to admit it (for example, poor loan utilization).
- B. Where the reason is because of something temporary, the member may want to return in the future, or may return with encouragement.

Action to Reduce Drop-Outs

1. Understanding reasons for drop out: Where “personal reasons” are given it is important to allow the member time to talk freely about her or his reasons for dropping and to talk about the success or problems in the business. This may give FWS a chance to discover other reasons that they may be able to help solve.
2. The “personal touch”: Members should feel that TCP staff care about them as people not just as loans. For example, if a member is ill or has a death in the family, the FW should visit the member and perhaps a fund should be set up to make a small contribution toward funeral costs. This contact will also help in encouraging the member to return once the mourning period is over, or once they have recovered from illness.
3. Allowing the member to return: If the member gives reasons that indicate a temporary problem, the FW should encourage the member to continue to attend center meetings and maybe to save. The FW should make an effort to maintain contact and give the member an opportunity to return in the future. Important: The FW should never try to force or convince a member to remain in the program or to return.

4. Group formation: During group formation, it is important to discuss issues of potential conflict at home created by the member starting or expanding her business.

II. Business Failure

Failure of a business may be reported directly or can be seen from other information given:

- A. Business does not grow or goes down—business value does not increase, or it decreases.
- B. Member leaves business to take up employment—this employment is mostly not well-paid (such as a farm or domestic laborer), so it shows that the business was not succeeding in providing a living income.
- C. A member often has to be patched by the group or the center.

Common Reasons for Business Failure:

1. Too much sales on credit.
2. Inappropriate loan size—too big for manageable repayments, or too small to do planned business.
3. Too much competition.
4. Lack of business skills—support not given by group/center/field worker to develop skills.
5. Poor loan utilization.
6. Profits not re-invested in business—due to high demands from the family, or poor business management.
7. Unforeseen disaster—such as robbery, rain damage, or family crisis that takes money from business.
8. Part-time business—member works as well and is not serious about the business.

Action to Reduce Drop-Outs

Through close monitoring and support of businesses, joined with good problem-solving, we can help reduce the chances of business failure; we can deal with problems early so as to solve any problems before the business fails and the member drops.

1. Understanding of the business: spending time before the first loan discussing the business with the member and group (looking at the market for the business, how it should be run, and how it could grow) helps the member develop skills for running their business and gives the FW and group a focus for the type of support they should be giving.

Included in this discussion should be competition, selling on credit, the need to re-invest in the business, and often the need to diversify the business in order to grow. From this the member will develop a business plan, which will not just be how much and what she will buy, but how and where she will sell, and how she will grow her business (this need not be written down, but should be discussed).

2. Appropriate loan sizes: Using the business value and impact monitoring information, the FW can assess the strength of the member's business and her progress. Based on this assessment, an appropriate installment plan for the business should be set. During the business plan discussions, the FW, member, and group should discuss what loan size would be appropriate for the business type, and the member's planned activities.
3. Support to business development and monitoring: The group, center, and FW should support members in following through with their business plans. This support may sometimes include business skills training, but most skills will be devel-

oped “on the job” through discussion of problems and sharing of experience within the groups and centers and by the FWs.

Regular checks need to be made by members/groups/centers on the performance of businesses so as to deal with problems immediately as they arise.

4. In-depth discussions at center meetings: The financial and reporting side of center meetings should be kept short, and at least half an hour should be allowed for detailed discussions and occasional workshops. Reports from group chairs should show problem areas. These reports can be used to encourage discussion about the issues raised—for example, selling on credit, diversification, good business practice tips, etc. The FW can facilitate this. Sharing experience of problems and solutions is the best form of business skills training and can help reduce drop-outs due to business failure.
5. Good monitoring of loan utilization: Loan utilization checks and loan supervision visits must be taken seriously. It is important that the group chairs take responsibility for this job and that they do it well. FWs must ensure that this happens. Monitoring of loan utilization helps members to take their businesses seriously and to avoid destroying the business by taking money from the business for their families. The monitoring also gives an early warning of problems, which can then be dealt with.
6. Dealing with disasters: Members must be helped to deal with disasters and not to feel that they must leave the program because they are struggling to repay the loan and their businesses are failing (see personal problems).

III. Problems in Group/Center

- A. Conflicts within groups or centers: Conflicts often arise from members not making their repayments. This results in other members having to spend time trying to find the member to make them pay or having to make payments on their behalf.
- B. Patching for other members: the feeling of “working for others” is a major reason for drop-out in centers with patching problems. The costs of members making additional payments for others, on top of their other costs, may be enough to cause business failure and drop-out, or it means that they are unable to make savings.

Patching results from deliberate nonpayment or problems of some members whose businesses fail. A major reason for this is poor group formation, where the members do not know and trust each other well. This may result from the following:

1. Rapid growth of a center: The centers grows too fast for the FW to ensure that the groups are well formed.
2. Inexperienced FW: Many drop-outs are from groups that were formed by trainees or newly qualified FWs. Again, this is due to failure of the FW to recognize poorly formed groups.
3. Pressure of targets on FW and branch: The need to reach targets can result in a FW or branch manager (BM) pushing through groups that are poorly formed.
4. Deliberate “cutting of corners”: FWs may form groups that they know are not well formed and then train the group to answer questions from the branch or zonal manager in a way that the poor group formation is disguised.

Action to Reduce Drop-Outs

Good group formation is the key to reduce conflict within groups and centers, and is one of the keys to reducing drop-out.

1. Deal with repayment problems immediately: Field workers must find out in each meeting who is being patched and work to assist the member to pay, or settle the reason they are not paying. When patching occurs, this must be dealt with immediately. Patching one week is a problem; repeated patching every meeting causes a lot of discontent and leads to drop-outs.
2. Pressure from targets: Targets must not be set so high that they create a pressure on the FW or CO to pass badly formed groups. Other targets—such as drop out rate—should be set and the link between group formation and success in these other targets should be made clear.
3. Fast center growth: Fast growth is not good in TCP. This fact should be stressed and fast growth should be checked by BMS and the zonal manager. Again, targets should be developed which are more holistic, reflecting impact and keeping of members, not just numbers.
4. Deliberate “cutting corners”: Checking of group formation is very important, however, the current procedures should be reviewed to see if there are better systems to detect groups which have been trained to pass the group recognition test, despite being poorly formed.

IV. Problems with SEF Procedures

Many former TCP members complained about various aspects of the program. For many issues, strong opinions were expressed, but there were no issues for which there was 100% agreement—even where most people were strongly against something, there was someone strongly in favor of it.

The following are recommendations based on majority and strongest opinions—any changes implemented should be piloted prior to being adopted.

- A. Repayment terms: Most drop-outs agreed that repayments should be monthly rather than fortnightly. However, a few members do prefer fortnightly repayments. Some businesses, where income is spread throughout the month, seem more suited to fortnightly payments, but the women running these businesses still express strong desire for monthly payments.
- B. Transport costs: Many members are having to pay high transport costs, which in some cases amount to far more than the interest payments on the loan. For people with small loans and new businesses, this may place great burden on their ability to succeed.
- C. Loan periods: Long repayment periods for small loans result in difficulties in maintaining the business. Particularly at the start of the business, it is easier for a member to manage repayments over a shorter time period. As loan sizes increase, so should the repayment period. However, some members are also concerned that 10 fortnight loans are too short.
- D. Staff support: Support and regular contact with FWs is valued by members and is important to provide moral support as well as advice and skills.
- E. Loan size: A loan which is too large for a business may create problems and lead to business failure, however, no cases of this have been reported from the people interviewed so far. Similarly a loan which is too small, for example, to buy enough stock to be viable, may result in the member having to spend household money which puts a strain on the household and results in money being taken from the business.

The fact that under the Visual Indicator of Poverty Test many members came into TCP who are richer than the cut-off line under Participatory Wealth Ranking means that these people may put pressure on TCP to give larger loans. Loan size did not come across as a very strong issue.

- F. Failure to re-form groups: When a member leaves a group they must be replaced. This becomes very difficult if three or four members leave. In many cases the remaining members are forced to drop because of their inability to re-form the group.

Action to Reduce Drop-Outs

1. Monthly repayments: It is important for centers to meet fortnightly so as to establish regular contact between members and with the FW, so that problems can be discussed and businesses supported. However, monthly payments should be piloted as either an option or as standard, either from the first or second loan.
2. Transport costs: Alternative forms of disbursement should be implemented to reduce the costs of members collecting their disbursements.
3. Loan periods: There is agreement that 20 fortnights is too long for a first loan. Shorter periods should be reviewed based on the pilots currently being done, and also in relation to the issue of monthly payments. More time should be spent reviewing whether 10 fortnights is too short.
4. Staff: Staff commitment to the success of their members is important (see “personal touch” above). In addition, it is important for staff to be strict in following TCP procedures.
5. Loan sizes: Maximum first loan sizes should be reviewed in the context of the business profiles being developed

to ensure that they enable members to start a viable business.

6. Re-forming groups: We should look at how to make it easier for a member left on her own to continue with TCP. The possibility of allowing centers to re-group themselves once they have been members for some time should also be looked at.

References

- AIMS. (1999). *Client Exit Survey tool*. Unpublished draft
- CGAP. (1999, November). *Deepening the poverty outreach of microfinance*. CGAP workshop, Washington DC.
- Cohen, M. & Gaile, G. (1998, April). *Highlights and recommendations of the second virtual meeting of the CGAP working group on impact assessment methodologies*.
- Copstake, J., Johnson, S., McGregor, A., Mosley, P., Blauert, J., Gaventa, J., & Greeley, M. (1998). *Proposal for the planning stage of the Ford Foundation action-research programme into assessing the impact of development finance*. Proposal to the Ford Foundation by the Universities of Bath, Reading, and Sussex.
- IDRC. (1999, August). *Proposal for IDRC/AMINA African workshop to explore collaboration on action research in microfinance and impact monitoring*. Email correspondence.
- PlaNet Finance. (1999, August). *Impact Knowledge Management (IKM) program framework, and summary of email discussion group on IKM proposal*.
- Reed, L. & Cheston, S. (1999, June). *Measuring transformation: Assessing and improving the impact of microcredit*. Paper presented to the Microfinance Summit Meeting of Councils, Abidjan, Cote d'Ivoire.
- Rosenberg, R. (1997, February). *Impact monitoring system*. Posting to Development Finance email discussion group.
- Simanowitz, A., Kasim, S., & Nkuna, B. (1999, June). *Overcoming the obstacles to identifying the poorest families, especially the women: Using participatory wealth ranking [PWR], the CASHPOR House Index, and other measurements in a way that assures identifying the poorest families, especially the women in those families, and that encourages their participation in programs*. Paper presented to the Microfinance Summit Meeting of Councils, Abidjan, Cote d'Ivoire.
- Simanowitz, A. (1999, October). *Understanding impact: Experiences and lessons from the Small Enterprise Foundation's poverty-alleviation programme, Tshomisano*. Background paper for the Third Virtual Meeting of the CGAP Working Group on Impact Assessment Methodologies.

- Simanowitz, A. Unpublished reports from SEF impact assessment: detailed village case-studies and analysis of impact monitoring database.
- Wright, G. et al. (1999). *Drop-outs amongst Ugandan MFIs*. Unpublished report: Microsave-Africa, Kampala, Uganda.

Notes

1. Anton Simanowitz's work in writing this article was made possible, in part, through support provided by The Ford Foundation and the Office of Microenterprise Development, Economic Growth and Agriculture Development Centre of the Global Bureau, U.S. Agency for International Development, under the terms of Award No. PCE-A-90-98-90039-00. Opinions expressed herein are those of the author and do not necessarily reflect the view of The Ford Foundation or the U.S. Agency for International Development. The support of these agencies is acknowledged, and we thank them for their assistance in enabling us to carry out and to publicize action research into the elimination of poverty.
2. See Reed and Cheston (1999).
3. The AIMs project is developing credible, practitioner-led, lower-cost impact assessment tools for use by MFIs in their operational management. Three recent (separate) initiatives by The Ford Foundation (Bath, Sussex and Reading Universities), PlaNet, and the IDRC and the African Development Bank's AMINA, all seek to develop action-research to develop impact assessment and monitoring tools which integrate into MFI management information systems.
4. Assessing the Impact of Microenterprise Services. The project is a technical resource of the United States Agency for International Development, Office of Microenterprise Development
5. A detailed report containing conclusions from SEF's impact assessment will be available in January 2000.
6. Even where a sustainable positive impact has not been achieved, the majority of clients do show improvements in their living conditions, expressed as (possibly temporary) improvements in food quantity and quality, as well as longer term benefits of improved educational status, improved housing, asset accumulation, improved business skills, and increasing sense of self-worth, self-confidence, and participation in the community.
7. Clients use colored stickers to vote for a range of options, such as very bad, bad, average, good, very good. The use of a visual approach is simple and highlights differences in opinions and experience, which can then be used as the basis for discussion.
8. Counters, such as beans, can be used in a matrix to show relative changes in the business over time. Again, a visual approach provides a good focus for discussion.

9. Three month rolling average of clients finishing a loan who do not receive a further loan in the following month.

