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**Assessing the social performance of
microfinance using the QUIP: findings from
Huancayo, Chimbote and Cajamarca, Peru**

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Assessing the social performance of microfinance using the QUIP: findings from Huancayo, Chimbote and Cajamarca, Peru

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Abstract

There is already substantial evidence to suggest that microfinance has polarising effects (Buckley, 1997, Copestake, 2002, Hulme, 2000 Marr, 2002; Wright, 2001). This should come as no surprise. Whilst every effort should be made to reduce negative impacts, it is inevitable that some clients will benefit more than others. Research needs to be designed in such a way as to reveal the reasons behind diverse impact. This paper draws upon a series of studies of village banking programmes in Peru to argue in favour of using a qualitative in-depth individual interview protocol (QUIP) to reveal and analyse diverse impact. It finds that those least able to benefit were low-income women with dependent children. In addition, those clients exiting the programme did so due to an inability to repay loans due to their own ill health or that of their relatives, pointing to the importance of kinship obligations and the highly gendered dimension of health care which prevents them from using loans for their own businesses. Conflict within groups was found to be another major reason for exit.

1. Introduction

Analysing the wider literature on the impact of microfinance it can be observed that academics, consultants and practitioners have tended to use quantitative indicators more than qualitative indicators to assess the impact of these programmes and as a result, impact studies have tended to draw upon highly quantitative methods (2). In many ways the use of quantitative methodologies stems from a donor and practitioner concern with ensuring the financial sustainability of microfinance institutions (MFIs). Indeed, the financial performance of MFIs has in recent times been higher on the agenda than that of their social performance (Copestake, 2003). In the present climate however, there is some evidence that this is beginning to change. Due to increased competition between MFIs, some practitioners have realised that in order to improve their financial 'bottom lines', they need to pay more attention to the social performance of their MFIs, since one is seen to affect the other (Cohen and Wright, 2003; Johnson, 2003).

In the field of development practice there is a wealth of experience with impact assessment methods, each with varying degrees of success. In-house methods are being adapted specifically for microfinance and it is important to understand the kinds of methodological foundations upon which they are based. These products tend to draw on a combination of methods as outlined below.

Table 1: Methods for impact assessment information

	Positivist methods	Rigorous qualitative methods	Participatory methods
Data collection method	Sample survey using a closed questionnaire	Quota sample of semi-structured narrative interviews	Case study focus group discussion and semi-structured games
Data analysis	Interpretation of statistical tables and multiple regression analysis	Systematic scoring of types of impact from interview notes and transcripts	Verbal and experiential learning among participants. Interpretative reports.
Epistemology	Rigorous statistical inference and peer review	Rigorous qualitative analysis and peer review	Process transparency and expert judgement
Potential strengths	Rigour. Possibility of quantitative estimates of impact. More convincing to sceptical outsiders	Richness in detail and understanding of differential impact. Ability to pick up unexpected and unmeasurable impact.	More timely and cost-effective with potential for shorter feedback loops from suppliers to users of information. Can be positive learning tool for respondents too.
Potential weaknesses	High cost and time lags; Restricted to measurable impact indicators. Reveals little about causation. Difficult to counter selection bias problems.	Demonstrating that findings are representative of wider populations. Lack of clarity and consensus about how to achieve rigour.	Participants may hide important facts from peers as well as facilitators. Risk of response bias makes it hard to convince outsiders of the reliability of findings.

As demonstrated in table 1 above, many of the social outcomes of microfinance cannot be as easily measured using positivist (quantitative) approaches as they can using qualitative measures that expose the causal links between events, processes and outcomes and allow for the more indirect impacts of microfinance to be revealed (Wright, 2003). The creation of

the QUIP came in response to the need expressed by practitioners on the *Imp-Act* programme (3) for guidelines that would allow them to monitor their social performance using qualitative methods in a cost-effective, timely and reliable way. The aim was thus not to invent an original methodological idea, but rather the challenge was to select and develop known but diffuse ideas about qualitative data collection and analysis by designing a qualitative protocol for impact assessment that practitioners themselves could eventually use. The aim was to give managers a clearer idea of the different profiles of clients that they serve and to understand the impact that their programme has on these different groups in order that to help managers tailor services and products to maximise the impact that their organisation is having on poverty reduction (Copestake, Johnson and Wright, 2003).

2. Background and aim of the studies

The QUIP studies were implemented in three different MFIs belonging to the PROMUC network located in three provinces in Peru: Huancayo (Central highlands), Chimbote (Coastal province) and Cajamarca (Northern Highlands). The aim of this study was to assess the socio-economic impact of the services of three MFIs working in these areas, using a total of 60 case studies selected from the original baseline survey which was conducted as part of the *Imp-Act* work. This involved measuring the impacts of the programme in terms of changes in the clients' own business, relationship with their village bank, impacts on their household and in their own personal well-being. The emphasis was on gleaning information relating to multiple levels of impacts including material impacts – such as profitability of their enterprises – and also non-material impacts – such as strengthening of personal abilities and increased self-confidence, and wider social impacts, including leadership in the wider community. The goal was also to assess whether family members view the participation of their relatives in Village Banks (VBs) in a positive light because of the indirect benefits they gain. Understanding reasons behind client exit, particularly in relation to group dynamics was another goal of this study. The first study, in Huancayo, was undertaken by the author and a social anthropologist from Puno, who then went on to implement the studies in Chimbote and Cajamarca, together with a practitioner from each of these organisations.

2.1 Methodology

The interviews were divided into the following subject areas that corresponded to changes that had taken place from the time of the baseline study to the date of the interview:

1. Changes in the household
2. Changes in the activities of the enterprise
3. Experience in the VB
4. Impacts at the individual level
5. Changes in household and community relationships

All the interviews were conducted in the clients' houses and each interview lasted approximately one hour and a half. Special emphasis was placed on inviting clients to speak about the changes in their participation in the VB and to distinguish between these and changes that had occurred due to external factors. Most of the questions asked were of an open nature, starting firstly with generative questions, after which supplementary questions were used to address particular issues. Finally one closed question was asked, asking the informant to evaluate the overall impact of their participation for each subject area.(4) For every study, three groups of informants were selected from the baseline study according to the size of the enterprise –classified as small, medium or large – using the following variables: level of investment, sales, costs, profitability, income and number of years that the client had been a member of the programme.(5) For each study 20 cases were selected with businesses classified as large, medium and small.(6)

2.3 Research areas

The QUIP was implemented in three organisations –Huancayo, Chimbote and Cajamarca. Each of these organisations selected for this study form part of an umbrella network of MFIs

in Peru known as PROMUC. (7) The poorest province, with the lowest ranking on the HDI (Human Development Index), is Cajamarca, which also has the lowest level of life expectancy, literacy and household income per capita. (8) Huancayo performs slightly better in terms of each of these indicators and outperforms Chimbote in terms of educational attainment (90.6). Overall however, Chimbote is the least poor of the regions.

2.4 Profile of organisations and services offered

Each of the organisations studied offers credit, savings and either offers training services or is directly linked to organisations which provide training.

Programme A (Huancayo)

Programme A is located in the centre of Huancayo and delivers 70 per cent of its credit through VBs (known as *Bancos Vecinales*). These consist of 20 – 30 women which meet once a month for 2-3 hours to return the so-called 'external credit' and to receive 'internal credit'. Ninety five per cent of the clients are women. In practice each client saves 20 per cent of the credit solicited in each loan cycle. Technical assistance is offered by CEPROEM (*Centro de Promoción y Empleo*), which is located in the same building. The costs of the training are paid for in part by the client and in part by the VB.

Programme B (Chimbote)

For the VBs in programme B, loans vary from \$100 to \$350 although in exceptional circumstances \$1500 has been given. Loans are repaid every two weeks. The savings product is an important element of this programme, including both obligatory and voluntary components. The interest rate is 5 per cent and is added to loan repayments. Training at programme B is based on reinforcing the VB methodology and consolidation of the group. It also offers business management training twice a year. Additionally the president of the group attends training in areas such as marketing, self-esteem, women's health and domestic violence

Programme C (Cajamarca)

The VBs in programme C comprise 15-20 women who meet every 15 days for 2-3 hours. Ninety seven per cent of clients are women and 3 per cent are men. Each client is obliged to save between 20 and 25 per cent of the credit they solicit per cycle. Programme C offers training prior to the disbursement of credit in the VB methodology and basic administration skills and in areas such as family planning, domestic violence and communication skills.

2.5 Client profiles

Table 2 below indicates the client characteristics in each of the studies conducted. It is noteworthy that there is a lot of overlap between these. Over 95 per cent of the clients interviewed were middle-aged women. Of these over half are married or cohabiting in Huancayo and Chimbote. This figure was even higher for Cajamarca, representing 8 per cent. Between 10 and 20 per cent of the clients interviewed were single. Seven per cent of the total samples were female heads of household and 3 per cent were widows. Family size was also extremely similar across the studies varying from 4-5 members per household. In terms of education in both Huancayo and Chimbote 85 per cent had secondary education or superior education whilst in Cajamarca this was markedly lower (65 per cent), whilst one client had no formal education at all, representing the higher overall poverty levels of this region. Interestingly, 80 – 90 per cent of the total sample interviewed had previous experience of managing an enterprise. Activities in which clients were engaged were of a slightly more agricultural nature than in Cajamarca than in the other areas. Approximately half of the total sample interviewed had more than one business. Just over half of all clients interviewed owned their own homes whilst just under half lived with relatives. Significantly, ten per cent of those interviewed had exited the programme and an additional 18 per cent of

the clients currently in the programme were seriously contemplating exiting at the time of interview. Thus, those who had exited or were seriously considering exiting represent almost a third of the total sample interviewed.

Table 2 Client profiles

Criteria	
Average age	37
Sex	57/60 female 3/60 male
Marital status	45/60 married or co-habiting 7/60 single 4/60 female heads of household 4/60 widows
Average household size	5
Primary education	12/60
Primary education and secondary education / superior studies	47/60
No formal education	11/60
Previous experience of managing an enterprise	51/60
Enterprise size	Small 22/60 Medium 18/60 Large 20/60
Main activities	Commerce (iron mongers, off licences, selling livestock, selling woollen goods/ other textiles, food shops); Services (car repair, restaurants).
Supplementary business?	28/60
Own home	34/60
Live in relatives' home	25/60
Rent	1/60
Currently a member on the programme/ exited programme?	54/ 60 current 6/60 exited 11/60 considering exiting

3. Findings

3.1 Impact on business

Business profitability: The profitability of clients' businesses in the last 12 months since the baseline survey was higher in programme B (Chimbote) than in the other two areas. The profitability in programme C (Cajamarca) had slowed the most in the last 12 months, with 7/20 clients experiencing less profit than in the previous year due to a drop in sales. They linked this to a decline in the wider economic situation of the country. In programme A (Huancayo) nine out of 20 were more profitable than in the past and seven out of 20 considered themselves to be the same. Only three out of 20 considered themselves to be worse off than before.

Changes since the baseline survey: The main changes in the baseline survey since the previous year were related to ill health, increases in business productivity or deterioration in this. For example in programme C 13 clients had managed to strengthen their business in the previous year. However, almost a quarter of the sample experienced ill health which had

a negative impact on their business. In addition, five clients had been forced to sell assets having made poor investments. One client had been forced to sell her sewing machine to pay for her children's education and other consumption needs and another client's business was adversely affected when he invested the loan in house improvements.

Interestingly, in programme B, once again almost a quarter stated ill health of family members and the expenses incurred as the main reason for the business failing. These included accidents of relatives at work and ill health of spouses. Four other clients' business activity had ground to a halt. In the case of programme A one client had lost her husband in a car accident which had severely affected her business and psychological well-being. Three others had closed their business due to lack of profitability. One had been compelled to sell an asset due to loss of stock.

Use of credit: In the case of Programme C, only 7/20 used the credit exclusively in the business, using the credit to pay for stock, for supplementary businesses, for businesses of relatives, or for household needs, such as food. This tendency was also apparent in programme B where only 10 used credit to purchase assets for the business or supplementary business, for the their partners or other people's economic activities, or for house improvements. In two cases credit was used to pay for health costs. In programme A 16/20 used the credit for purchasing assets for the business or as working capital. Of these four used the credit for supplementary businesses. In other cases, part of the credit was used for children's education, house improvements and for paying off debts. The samples illustrate that the overall tendency across the samples is thus for credit to be divided in three ways: for the business, the supplementary businesses and for consumption.

Work generation: Across the samples it is clear that jobs were generated in some cases and in other cases family members were hired in the place of external staff. In programme C ten new jobs were generated in 2003 and these were principally in the largest businesses. Conversely, for those with smaller businesses, there were job losses or workers formerly hired were substituted by unpaid family members. In programme B six new jobs were generated between august 2002 and October 2003. One of these was filled using unpaid family labour. In Programme A six clients had hired new staff between august 2002 and October 2003 and were also drawing on unpaid family labour.

3.2 Client exit

Interestingly, across the overall sample of 60 members selected, six had exited and a further 12 were seriously considering exiting. In programme A, of the sample interviewed, one quarter had exited and a further two were seriously considering exiting. In all of these cases, the main reason was group dynamics and in particular, dissatisfaction with the 'authoritarian and repressive' way the VB was run or personal conflicts with individual members who are often related by family networks. In the case of programme B, the main reason for exit was ill health of relatives. One client had exited due to repayment difficulties leading to the closure of her business, and a further four were seriously considering exiting because of ill health of relatives and a subsequent inability to repay loans. In programme C, though no-one exited the programme, six were seriously considering exiting for reasons that included having made poor investments, a combination of low sales and heavy domestic costs, the financial burden of having to look after an extra child and losing money through a robbery.

3.3 Group dynamics

In programme A working capital and liquidity was the main motivation behind joining the VB. In a sample of 20, 13 members were content with the group dynamic stating that the bank is 'democratic and that every one has the right to speak'. However, seven were unhappy, stating that the VB was characterised by conflicts, repressions and divisions. This had been the reason why four had exited. In one of these cases, one of the best clients of the group had been obliged to pay his guarantor's credit. In another case the authoritarian nature of some VBs was stressed by seven clients, who argued that those with more family members

had greater power within the group. Although programme A stipulates that only two family members can participate in each group, this only applies to immediate family and thus, in practice, members with more kinship ties have more power in the group: 'It is very important to have family members in the group, if not noone supports you because you are not part of their family'. It also creates the conditions for abuse of power: 'If you have less capital or because of a small conflict they will not give you credit'. Younger women in particular found it hard to be accepted into these more established groups.

In programme B 18/20 were broadly satisfied with the group dynamic, where groups are formed by neighbours and friends rather than relatives. However three members spoke of favouritism in disbursing loans: "*the leaders manage the approval of the loans depending on the friendship or animosity that they have with the members*". In addition almost a quarter of the sample complained that leaders were withholding information about the internal account and then taking funds out of it with no clear explanation. Another client felt hostile that the VB was responsible for those who did not repay their loans, and argued that the MFI should share the load, which was particularly heavy for those with smaller businesses. Interestingly, the savings element was the prime motivation for clients choosing to join the VB.

In programme C, 10 out of a sample of 20 found the dynamic in the VB highly motivating: 'It makes me feel young now that I belong to the VB'. Conflicts were due to non-repayment of loans by particular individuals and poor attendance.

Perception of the BC: In programme A several clients spoke of how they had internalised the values of discipline, responsibility and solidarity through belonging to the VB: 'we learn not to be selfish and to promote a sense of community'. They also referred to 'camaraderie', making new friendships, sharing a history together and having a time for distraction from domestic life and relaxation. Being with other women was a motivating force: 'The other women dress better, eat better, and you see this example and want the same'. The metaphors used to describe the bank were revealing and in some cases moving. One commented referred to the VB as 'a school for parents'. Another referred to the VB as 'like a child who has helped me', underlining that it is not only of value to her but that she has devoted time to its development and now that it has matured, she is protected financially. Lastly, one client talked about her belief in a banking system that is not exploitative: 'Before, we were ripped off by the banks but not any more'.

In programme B clients felt 'able to speak up' and make friends in the VB and that the values of solidarity and responsibility had been incorporated into their daily lives. The important role that the bank plays is visible in the metaphors clients use to describe the bank: 'the bank is like a family, we always say we are going to leave it but as we know each other we stick with it'. In another instance a client emphasised the solidarity of the VB, likening it to 'a friend...if you get ill, it helps you out'.

In programme C the VB is predominantly viewed as a place where clients can share their concerns and aspirations in their different roles as business women, wives and mothers.

3.4 Impact on household well-being

The principle improvements in household well-being across the sample were investment in education, house construction and, in certain cases, an improved diet. It is notable that in programme A, of 20 clients, six paid for the education of a relative through their micro-enterprise activity. However, in one case the strain of supporting her brother's educational costs in addition to her own was having a negative impact on her psychological wellbeing. In 14 cases clients had bought assets for the home such as furniture, an oven and land for house- building. Two were eating more and better-quality food than before they had the loan but one client was worse off than before was depriving herself of food and in order to make the loan repayments. One person had her assets confiscated by programme A for non-payment and was having to sell her own animals in order to repay.

In programme B, of 20 clients, 10 had bought household utensils. Interestingly those with smaller businesses were seen to be eating better food than those with larger ones. Overall, seven were eating more and better quality food than before they had the loan. Three of the clients had used part of their loan to pay for the education of their children. In addition two of the clients used part of their loan to pay for health costs for relatives.(9) Finally, three clients were able to purchase material to enlarge their houses.

In programme C, of 20 clients, six were able to add additional rooms to their houses or buy land for house construction and two had bought artefacts for the home. However, in five cases they were unable to invest in the home or use the money to cover educational costs. In these cases, illness, robbery and the birth of children had prevented them from doing so.

3.5 Non-material impact

Non-material impact was classified using the Chen framework (1997) whereby impact is classified into three different types: cognitive, perceptual and relational. While cognitive impact refers to acquiring knowledge, skills and awareness, perceptual change refers to changes in self-esteem, vision of the future and a willingness to plan, and status. Relational changes refer to decision-making power, ability to negotiate change, organisational strengthening and changes in relationships within and outside the household.

Overall the non-material impact across the three programmes studied was greatest in terms of perceptual impact and to a lesser extent, in terms of relational impact and cognitive impact. For example, in the case of programme A, 14 out of 20 clients had experienced perceptual impact in terms of improved self-confidence and higher self-esteem, motivation to begin new enterprises and less fearfulness about managing the loan: 'before out of fear I dedicated myself exclusively to my home... now I set off with the drive of an engine'. In two cases, however, the new sense of obligation and fear of reprisals in their VB for non-repayment made clients feel more insecure than before. Eight clients had experienced positive cognitive impact in terms of an improved ability to manage capital, and improved relationships with their buyers. In terms of relational impact, six felt that they had managed to foster more support for their activities from members of their household, an increased sense of economic independence and an accompanying sense of self-sufficiency.

In programme B 13 out of 20 clients experienced positive perceptual impact, including more self - assurance when operating in public arenas. Other perceptual impacts included being more punctual, sociable and at the same time more prudent. In addition, eight clients experienced positive relational impact: one had stopped drinking heavily at home and another had negotiated fairer and more egalitarian treatment at home which both spouses were now inculcating in their children. Almost all the respondents had increased their circle of friends. Nevertheless, only four clients experienced positive cognitive impact, and the others felt that this had not changed.

In programme C, once again 14 out of 20 clients experienced positive perceptual changes, particularly in relation to their well-being. However, three felt even worse off due to the added burden of having to repay loans. Again only four had experienced positive cognitive impact whilst almost half the sample – nine – had experienced positive relational impact. This was particularly noticeable in that, since respondents had participated on the programme, decisions about investments and childcare were increasingly shared with their partners. Lastly, half of those interviewed were participating in grassroots organisations and three occupied decision-making posts. It was not clear however whether their participation was a direct result of participating in a VB or whether they would have participated in these in any case.

4. Overall impact: winners and losers

In terms of analysing reasons for diverse impact across the three studies, a particular pattern in terms of client profiles and particular outcomes is observed. 38 of the 60 clients interviewed were classified as 'winners; 11 as losers and 13 as lying between these two extremes. Each client was given an impact score in each of the following areas:

- Improved economic situation,
- Improved profitability of business,
- Positive perception of overall situation since participating in the VB,
- Growth of the business,
- Strengthening of personal abilities, self confidence and willingness to plan and
- Other household members viewing clients' participation in the bank as positive.

Overall impact was then aggregated, with those with high scores being classified as winners and those with low scores as losers.

The winners in the programme A sample tended to have complimentary businesses; were either married or single; either young or old (rather than middle-aged), and seven had family businesses and were thus supported by relatives. They tended to be educated above primary level and had more than three years' experience in business. This reinforces findings from other regions. (10) Similar characteristics were found in the case of programme B whereby their businesses were generally large to medium-sized; most had supplementary businesses; the businesses were administered by one key person; and on average they had eight years previous business experience. In programme C, winners also tended to have medium and large businesses and supplementary businesses. They also benefited from the support of other family members. Furthermore, they tended to have superior levels of education and significant business experience.

When the profile of the losers is compared, very different characteristics emerge. In the case of programme A, those least benefiting from the programme were women aged 33-35 with young dependent children, who could not rely on family support and who could not delegate the business to others. Widows and female-headed household were also worse affected. This corroborates with other research in Central America. For example, one study conducted by Wydick on the Dominican Republic finds that 'during childbearing years and years in which females must allocate much of their time to caring for children, female entrepreneurs are restricted in their ability to generate employment within their enterprises' (Wydick, 2001:18). (11)

In the case of programme B, those worse off overall had the smallest businesses; were lacking in family support; tended to be younger (24-33) and had dependent children. Losers were also observed not to be investing credit directly into the business. For programme C, those experiencing overall negative impact were those with smaller businesses who could not afford to hire workers and who did not benefit from family labour. In general they were middle aged (30-38 years) with young children. In addition, they were predominantly migrants. (12)

As well as highlighting the diverse impacts of microfinance and linking these to particular client profile types, these studies shed light on reasons for client exit. Interestingly, poor health of the individual or their relatives appeared to have a major impact on clients' exit from the programme. The cultural system of extended family networks (*compadrazgo*) which typifies Peruvian social relations, has a strong influence on how women use their loans (Wright, 2001). When there is a more pressing need for the loan money, women often are obliged to spend their loans on these more urgent consumption needs. In addition, the effects of structural adjustment programmes have put more pressure on women to provide for health services in the absence of state support, which has further increased their burden as primary health care providers (Hays-Mitchell, 1999). Conflict within the VB was another major reason for client exit. Again this corroborates with other research in Peru on the importance of group dynamics (Marr, 2002; Wright 2001; Wright 2003). Poor investments were also a factor.

The most positive impacts across the samples overall were increased education and house-

building, but perhaps the most frequently stated positive dimension over all was non-material impact. Interestingly, positive perceptual impact was the greatest dimension. It is clear from these studies that women enjoy increased levels of self-esteem, which appear to translate into more self-assurance in the public arena. Relational impact was also strong, reflected in increased support from women's partners in their business activities and domestic needs. It is not clear whether participation in the VB leads to an increased chance of employment in the formal economy or increased participation in decision-making positions in other organisations. Though women may participate in group-run subsistence activities, there is insufficient evidence from this study to suggest that more active participation in civil society organizations was a direct consequence of participating in the VB. Cognitive impact was not particularly strong overall and this could be linked to the issue of poor investments.

5. Conclusions

The results discussed above have several important implications for policy-making and future research. There are also implications in terms of research methods. The QUIP went beyond quantification of 'typical impacts' on clients by highlighting varieties of impacts and reasons for this. It proved to be a useful protocol which, after its initial application in Huancayo practitioners themselves were able to adopt in the second and third rounds in order to explore the diverse impacts of their programmes. Implications for policy are: 1. Based on these studies and on that of Wydick (2001) there appears to be a strong case for tailoring programmes (Johnson, 2003) to meet the specific needs of younger clients who have dependants, and organising improved childcare in order to help free up their labour.

1. The poor health of clients and their relatives is a major reason for client exit and/or deterioration of enterprises. Understanding the role women are expected to play in health care and facilitating access to cheap and effective health services seems critical if MFIs are to have more impact on this vulnerable section of their client groups. More research is needed in this important but currently neglected area.
2. Understanding group dynamics in VBs and, by extension, how households are embedded in communities and the nature of kinship links is vital if MFIs are to understand this issue in relation to client exit. Another theme is that more work is necessary to improve the cognitive impact of these schemes, which would in turn prevent individuals from making poor investments.
3. More research is needed into the area of relational impact, in particular how far participation in VBs enables the regrouping of clients into new forms and how far this in turn leads to greater decision-making power and the adoption of leadership roles in the wider community context.

Notes

- (1) The author would like to thank the Ford Foundation for their generous support of this study and Demecia Benique from PRO-MUJER – Peru who co-wrote the Huancayo report and then implemented QUIP in the other two areas with staff from these organisations, upon which this paper is based. I would also like to thank James Copestake for his helpful comments. The author can be contacted at the Centre of Development Studies, University of Bath by email: k.e.wright-revolledo@bath.ac.uk
- (2) See for example large scale impact assessments by Khandker et al (1998), Sebstad et al., (1995).
- (3) Imp-Act is a partnership between 30 MFIs across 20 countries and three universities based in the UK (University of Bath, Sheffield and the IDS, Sussex) whose purpose is to improve the impact of microfinance on poverty alleviation. The three main objectives are: (i) To develop credible and useful impact assessment systems which are based on the priorities of MFOs; (ii) To widen the scope of impact assessment in order to incorporate wider and more indirect impacts; (iii) To influence thinking and practice with regard to the role of microfinance in poverty alleviation. See www.imp-act.org
- (4) See annex 1 for question format.
- (5) Cases with the lowest scores in terms of selection criteria were classified as 'small', those with intermediate scores are termed 'medium' and those with the highest scores 'large'.
- (6) The sample selected for each study can be viewed in annex 2.
- (7) *PROMUC* is a network of 12 NGOs promoting village or "communal" banking under a common brand, *La Chanchita*. ("The Piggy-bank"). It currently has a presence in eight out of Peru's 24 departments, with approximately 25per cent of its banks located within the city of Lima, 55per cent in other urban areas and 20per cent in rural areas. Each member NGO manages its own network of communal banks (CBs) independently, and retains flexibility to vary the way these operate and the services they offer. The participation of *PROMUC* in the *Imp-Act* programme relates additionally to at least two more general sets of issues. The first concerns the status of village banking as a model for promoting social goals; including women's empowerment, social capital formation and poverty reduction. A second and linked issue is the extent to which the status of *PROMUC* as a network of NGOs (rather than as a single organisation) affects its capacity both to develop social performance measurement systems and to adapt policies and practices in the light of findings (Copestake and Wright, 2003).
- (8) Figures taken from: *Informe sobre Desarrollo Humano Perú, 2002 (PNUD, Perú)*
- (9) It should be noted however, that the loan was used directly to pay for these costs rather than the money being generated from business activity. It is likely that this will have a negative impact on their business.
- (10) See for example Copestake, Bhalotra and Johnson's study in Zambia (2001).
- (11) Ironically, this coincides with the fact that women in this age bracket are likely to have a positive impact on their children's welfare as highlighted by Pitt and Khandker (1998).
- (12) This final point reinforces the view that first-generation migrants come to the labour market in a position of distinct disadvantage (Wright, 2001).

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Annex 1

GUIA DE ENTREVISTA (Interview schedule)

INTRODUCCION

GENERATIVO	SUPLEMENTARIO
Datos generales	Edad, género, localidad, nivel educativo, estado civil, numero de hijos. Negocio principal, otras actividades complementarias, ¿cuánto tiempo de experiencia tiene en el negocio? ¿Cuál es la antigüedad del negocio? ¿Qué hizo antes de empezar el negocio? ¿Cuántos empleados tiene el negocio? ¿Cuánto gana en su negocio principal? ¿Qué otros ingresos tiene Ud.?, ¿Otras personas que contribuyen a los ingresos del hogar? ¿Cuántos años esta participando en el programa? ¿Cuántos préstamos saco a través del programa? ¿Alguna vez salió del programa? ¿Por cuanto tiempo? ¿Porque regresó?

I. CAMBIOS DE CIRCUNSTANCIAS EN EL HOGAR

GENERATIVO	SUPLEMENTARIO
Cuénteme ¿Qué cambios se han visto en su hogar desde la última entrevista?	Cambios en el hogar Desde la última entrevista ¿ha habido algún cambio en su hogar? ¿Qué cambio? ¿Qué sucesos han ayudado o dificultado el cambio? Por favor explique ¿Qué motivo estos cambios? ¿Por qué cree que paso esto? ¿Las cosas cambiaron por cosas que sucedieron en su hogar o por cosas que pasaron en el programa? Composición del hogar <ul style="list-style-type: none">• ¿Hubo algún acontecimiento nuevo en la familia? ¿Algún cambio?• ¿Qué cosas nuevas ha pasado en el hogar? ¿Alguien tiene trabajo?• ¿Porque sucedió esto?
Evaluación general	En general ¿Qué diría Ud. obre su situación económica? Si tuviera que calificar ¿Ud. diría que fue mejor, sigue igual, peor o no sabe?

II. NEGOCIO

GENERATIVO	SUPLEMENTARIO
Cuénteme ¿Qué cambios ha notado en su negocio desde la última entrevista? ¿Podría explícame los motivos por los cuales ha cambiado?	<ul style="list-style-type: none">• ¿Cuál es su negocio principal?• ¿A parte de este negocio Ud. tiene otras actividades que le generen ingresos? ¿De quien es el negocio? ¿Desde cuando lo tiene?• ¿Tiene alguna persona que le ayuda en el negocio? ¿Le paga? Ayuda, ¿Quien es? ¿Desde cuando le esta ayudando?• ¿Cómo le fue, o como ha visto sus ventas el ultimo año?• ¿Comparado al año anterior, cómo ha visto sus ingresos? ¿Por qué sucedió esto?• ¿Este último año ha hecho alguna inversión en su negocio? ¿En que invirtió? ¿De donde saco el dinero para la inversión? ¿Antes de estar en el programa hubiera comprado y/o invertido igual?• ¿Tuvo que vender alguna cosa de valor en el hogar? ¿Para qué la vendió? (Ej. invertir o pagar deudas de su negocio o del hogar)• Alguna vez en tu BC, para recuperar una cuota, ¿alguién ha tenido que recurrir a la venta de algunas cosas del hogar o negocio? ¿Le ha pasado a usted? ¿Le ha pasado a alguien a quien tú conoces?

	<ul style="list-style-type: none"> • ¿Qué cosas podía comprar antes de estar en el programa? • Ahora trabajando ya en el programa ¿qué cosas puede comprar para su hogar o su negocio? ¿Piensa que puede hacer cosas nuevas? ¿Que cosas? Antes de estar en el BC ¿comía lo que le gustaba comer? ¿Y ahora? • ¿Cómo hace Ud. para hacer sus compras? • En el ultimo año que gastos ha realizado en su negocio? ¿Que compro? (Ej. Activos fijos) ¿Con qué dinero lo compró? • ¿Cómo planifica sus actividades en el negocio?
Evaluación general	En general, ¿qué tan rentable es su negocio comparando a la ultima entrevista? ¿Es más rentable? ¿Es más o menos rentable? ¿Igual de rentable o no se sabe?

III. USO DE LOS SERVICIOS FINANCIEROS

GENERATIVOS	SUPLEMENTARIOS
Cuénteme ¿Qué cambios ha hecho o ha sucedido desde la última entrevista con relación a los préstamos que ha obtenido?	<ul style="list-style-type: none"> • ¿En que ciclo esta? ¿Cuántos préstamos ha sacado? ¿Cuánto saco en su último crédito? ¿Qué montos saco en los diferentes ciclos? • ¿Cómo uso cada uno de estos préstamos? ¿Por qué lo uso de esta manera? • ¿Cómo hace para pagar su préstamo? • Todos alguna vez hemos fallamos en el pago de nuestros prestamos, ya sea porque no vendimos, nos enfermamos, etc. ¿Alguna vez le ha pasado algo así? ¿En que ciclo estaba? ¿De donde saco para pagar? ¿Quién le ayudó? • ¿Alguna vez saco crédito de la cuenta interna? ¿Qué hizo con ese crédito? • ¿Alguna vez saco crédito de la cuenta complementaria? ¿Qué hizo con ese crédito? • ¿Tiene crédito de otras instituciones financieras? ¿Qué hizo con ese crédito? • ¿Ud. ya retiro sus ahorros? • ¿En qué uso o invirtió sus ahorros? • ¿Cómo incrementa sus ahorros? • ¿Que porcentaje del préstamo debe ahorrar obligatoriamente? • ¿La organización además de brindarle el crédito, le sirve en otras cosas? • Al entrar al programa ¿qué encontró en la organización? ¿Siguen las mismas cosas que encontró o ha cambiado en algo? • Cuando la gente trabaja juntos, siempre hay conflictos y alegrías ¿Que es lo que le molesta de su banco comunal? ¿Hay alguna cosa que sí le gusta? • ¿Cómo se sentía su familia antes de su participación en el banco comunal? ¿Cómo se llevaban? • Ahora que participa en BC como se siente su familia? ¿Qué es lo bueno según ellos? ¿Qué es lo malo? • ¿Desde la ultima entrevista (agosto 2002) ¿le ha pasado algo grave que afecto tu hogar o tu negocio? • Es normal que alguna vez, no podamos pagar nuestra cuota, ¿le ha pasado alguna vez? ¿Cómo resolvió en ese momento? • ¿Recuerda algún tema de capacitación que recibió? • ¿Le ha sido útil lo que aprendió? (muy útil, útil, no tan útil, medianamente útil) • ¿Alguna vez utilizó el crédito en otras actividades además de su negocio, es decir no necesariamente en su negocio?
Evaluación general	Comparado a otras personas que no son parte del programa ¿su

	negocio principal está: mejor, igual o peor que los negocios de sus compañeras? ¿Por qué lo cree?
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IV. IMPACTOS NO MATERIALES:

GENERATIVO	SUPLEMENTARIO
<p>¿Puede contarme que ha cambiado en usted desde la última entrevista? ¿Puede explicarme los motivos que hicieron posible este cambio?</p> <p>¿Desde que estas en el programa, siente que algo ha cambiado en su persona?</p>	<ul style="list-style-type: none"> • ¿Cómo se sentía con su familia antes de sacar un préstamo? ¿Ahora cómo se siente? ¿Ha notado algún cambio? ¿Cómo planificaba sus actividades en el hogar antes de estar en el programa? ¿Y ahora como lo haces? • ¿Participa Ud. en algún grupo u organización fuera de su banco comunal? ¿Desde cuándo? • ¿Qué funciones ha cumplido este último año? • ¿Cómo ingresó a esta organización? • ¿Porque decidió participar en esta organización? • Siempre en un BC hay cosas que nos molestan ¿Qué cosas te han dado cólera en su BC, en el tiempo que está participando? • ¿Alguna cosa le ha gustado de su BC? ¿Por qué? • ¿Que otras actividades realiza en otros lugares, además de participar en el BC? ¿Tiene alguna responsabilidad? ¿Cuánto tiempo le dedica a este grupo? ¿Desde cuando está? ¿Hay actividades que hacía antes y que ha dejado de hacer ahora?
Evaluación general	Personalmente desde que esta en el programa ¿Se siente mejor, igual o peor que antes?

V. IMPACTO RELACIONALES: EN LOS MIEMBROS DEL HOGAR

GENERATIVO	SUPLEMENTARIO
<p>¿Desde que está trabajando en el programa, su familia ha sentido un cambio positivo o negativo en sus vidas?</p> <p>¿Cómo se sienten ellos?</p>	<ul style="list-style-type: none"> • ¿Qué piensa su familia ahora que estas participas en un banco comunal? • ¿Actualmente aportas a los ingresos del hogar? • ¿Cómo ha reaccionado su familia sobre esto? (trato, apoyo, valoración, cuidado de los hijos, apoyo económico, etc.) • ¿Cómo ha cambiado el uso de tu tiempo desde que estas en el programa? • ¿Antes de estar en el programa quien decidía sobre: uso del tiempo libre, hacer un gasto de más de 100 soles, cuidado de los hijos, etc.? • ¿Cómo fue la relación con su pareja antes de ingresar al programa? • Ahora después de XX años ¿Ha notado que algo ha cambiado en Ud. o relación con su pareja? ¿Por qué cree que paso esto? (¿Es resultado de BC u otro motivo?) • ¿Cómo se siente manejando su crédito?

Annex 2: Sample Information

Samples selected according to area

1. Sample Huancayo

Size of enterprise

Locality	<i>Small</i>	Medium	Large
Huancán	1	0	1
Huancayo	0	1	1
Jauja	1	0	0
Concepción	5	3	3
Chilca	1	2	1
TOTAL	8	6	6

2. Sample Chimbote

Size of enterprise

Locality	<i>Small</i>	Medium	Large
Chimbote	2	4	6
Nuevo Chimbote	4	1	0
Coishco	1	1	1
TOTAL	7	6	7

3. Sample Cajamarca

Size of enterprise

Locality	<i>Small</i>	Medium	Large
Cajamarca	6		1
Baños del Inca	1	6	6
TOTAL	7	6	7

Annex 3: Summary of Key Findings

	Programme A	Programme B	Programme C
Profitability	9/20 Better profitability 3/20 Worse off 7/20 Same	13/20 Better profitability 3/20 Worse 4/20 Same	8/20 Better profitability 7/20 Worse off 4/20 Same
Size of business benefiting most	Large and small	Large and medium	Large and medium
Size of business benefiting least	Medium	Small	Small
Prime motivation for entering VB	Working capital, liquidity (but can't strengthen businesses)	Savings	?
Mechanism for entering VB	18/20 invited by a relative	Through neighbours and friends	?
Credit invested in business?	16/20 invested credit in business 5/20 exclusively invested whole loan in business	2/20 Invested credit in health costs	7/20 invested credit exclusively in business; 4/20 in consumption.
Client exit	5/20 exited 2/20 seriously considering exiting	1/20 exited 4/20 seriously considering exiting	0/20 exited 6/20 seriously considering exiting
Reason for client exit	7/20 unhappy with authoritarian, repressive way group is run.	4/20 experiencing repayment problems – all of these had relatives operated on.	12/20 experiencing repayment problems. Due to health problems, bankruptcy, moving house. Reasons for not paying internal account: health, robbery, poor choice of merchandise, lack of liquidity caused by being paid in credit, low sales.
Group dynamic	7/20 unhappy with group dynamic, mainly authoritarian. Family relationships alter power dynamics.(p.14)	18/20 satisfied with group dynamic, although complaints of authoritarian leaders withholding information and not sharing power. Groups formed by neighbours and friends rather than relatives.	Conflicts due to non-repayment and poor attendance.
Impacts on household	6/20 paid education of a relative; 14/20 bought asset for home	10/20 bought household utensils; smaller businesses are eating better than larger ones (who are servicing larger loans).	12/20 bought items for the house but several had to sell household assets to repay loan (p.10).
Indirect	6/20 clients hired new	?	5/20 hired staff

economic impacts: Hired new staff?	staff		
Indirect social impacts	14/20 experienced positive perceptual impact. <i>"El BC es como un hijo que me ayudó";(p.15) "El BC es una escuela de padres" (p.16);</i> 6/20 experienced positive relational impact	13/20 experienced positive perceptual impact., confidence, security assurance in public arenas. <i>"EL BC es como una familia".</i> 8/20 experienced positive relational impact	14/20 experienced positive perceptual impact; 9/20 participate in other organisations such as <i>vaso de leche</i> and the same number experienced positive relational impact.
Winners	12/ 20 winners	13/20 winners	13/20 winners
Losers	4/20 losers	2/20 losers	5/20 losers
Intermediate	6/20 intermediate	5/20 intermediate	2/20 intermediate
Winners profile	Tend to have complimentary businesses; Married or single; Young or old (not in between); 7 of these have family businesses (supported by relatives); secondary/ superior education; More than 3 years exp in business.	Have large and medium sized businesses; have supplementary businesses; businesses are administered by one main person; average have 8 years previous business experience.	Have medium and large sized businesses; have supplementary businesses; have support from other family members; have superior levels of education; have a long business trajectory.
Losers profile	Women aged 33-35 with young children; widows; single mothers.	Have small businesses; lack family support; are younger (24-33) and have less established families (p.10); do not invest directly in business.	Have small businesses; have no workers; aged 30-38 years, have young children, predominantly migrants.