ICMC AND PRIZMA

BOSNIA AND HERZEGOVINA

IMPACT SURVEY
Executive Summary

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ABBREVIATIONS AND DEFINITIONS

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ICMC	International Catholic Migration Commission
PE	Project Enterprise.
MC/SEA	Mercy Corps/Scottish European Aid
BiH	Bosnia and Herzegovina

DEFINITIONS - CLARIFICATIONS

COMPARISON GROUP: in this paper, the group of non-clients.

NEW OR NEWER CLIENTS: individuals who have had a loan with ICMC for a period of 6 to 12 months. They have received a loan before October 98.

REPEAT, OLDER OR FOLLOW-ON CLIENTS: individuals who have had a loan with ICMC for over 12 months. These clients have received a loan from Prizma in the period between October 98 and April 99

MEAN AND AVERAGE: used synonymously in this paper.

STATISTICAL TESTING: the three tests used in this paper were the independent sample t-test, the chi-square analysis and the Mann-Whitney test. When the data to be analyzed was interval (allowing for calculation of means), independent sample t-tests were used to determine whether the difference in means was statistically significant. Chi-square tests were used when the data was nominal (categorical), in which case they allow to verify whether or not observed frequencies and differences between them are statistically significant. Finally, Mann-Whitney tests were used when it was determined that the variables were not following a normal distribution, i.e. that their pattern was not to have a large frequency around the mean and a similar dispersion on each side of the mean. The Mann-Whitney test is a non-parametric test.

ICMC and Prizma: Prizma (formerly named Project Enterprise) is the microcredit arm of ICMC in Bosnia. It is expected to become an independent entity from ICMC in the near future. Participation in this impact initiative was an ICMC endeavor, therefore this organization is mentioned more frequently by name throughout the report than Prizma. However, results and findings naturally apply to both Prizma and ICMC, as suggested in the conclusion section of the report.

I. EXECUTIVE SUMMARY

BACKGROUND

ICMC is one of the four microcredit practitioners that have volunteered to test the AIMS impact methodology in Central, Eastern Europe and the NIS. This methodology is meant to enable NGOS to design and administer their own impact studies. This initiative has been carried out in other parts of the world such as Africa and this pilot project is an attempt to examine programs in Central and Eastern Europe more closely. A series of 3 workshops were held on the matter: the first one in Warsaw in 1998 was an introduction to the program goals. The second one in May of 1999 in Krakow reviewed all the tools of the AIMS methodology so as to create a questionnaire for each participating institution. The goal of the third session was to learn how to analyze the data gathered from the interviews and entered into the SPSS program (Statistical Package for Social Sciences) prior to this workshop. ICMC and Mercy Corps/Scottish European Aid, both working in Bosnia and Herzegovina, designed the questionnaire and trained the interviewers together. Data analysis was conducted in close consultation so as to ensure coherence in terms of selection of tests to be run and presentation of findings.

PURPOSE OF THE IMPACT SURVEY

1. To demonstrate that the program is having the expected impact (as measured by the hypotheses);
2. To improve the program

Hypotheses selected by ICMC and MC/SEA were the following:

1. The program is meeting its target group;
2. There is an increase in household wellbeing (as measured by fixed assets, expenditures and savings);
3. There is an improvement in the business (demonstrated through income and fixed assets).

SURVEY METHODOLOGY AND SAMPLING

The survey was conducted in the Una-Sana Canton in the northwest corner of Bosnia and Herzegovina. The survey consisted of 120 interviews with ICMC clients and 80 interviews with non-clients. Of the 120 clients surveyed, 40% or 48 clients, called newer or new clients, have received a loan from Prizma in the period between October 98 and April 1999 and therefore had been in the program for 6 to 12 months; 60% or 72 clients had joined the program over 12 months ago (repeat or older clients), having received a loan before October 1998.

The comparison group (alternatively called “non-clients”) was randomly selected from the waiting list for the training (at that time there were over 300 women on this list)[1] and was made of 80 individuals.

The questionnaire is made of 62 questions (5 of which are only for clients) and consists of a background section (with questions on gender, age, education, household size, dependents, etc.), a household section (property, expenditures, savings, income, loan use) and a business

[1] ICMC conducts compulsory training sessions before giving out the loans (non-clients are potential and hopeful clients).

section (income, employees, profit, sales, business improvement). Questions for clients only cover clients' likes and dislikes with the program and difficulties repaying the loan.

Among concerns raised by the process and the survey[2] are the length of the questionnaire and the sequence of tasks. Data analysis was carried out after questionnaire design and data entry. Better understanding of the data analysis process from the start would have indeed facilitated the preparation of a more suited and more simple questionnaire.

FINDINGS

Program perception

1. 22.5% of clients mention a reliable source of working capital as the one aspect they like most about ICMC's program. An additional 15% like simple guarantees best and 12.5% identify professionalism of credit officers as well as efficiency in relation to banks and other sources of credit as their main preference in the program. In terms of what clients do not like about the program, 25% of the respondents mention high interest rates as the number one factor. This is followed by small loan size for 12.5% of the respondents. In terms of time spent in the program, repeat clients appreciate access to microloans ("efficient compared with banks") more so than newer clients. Newer clients value solidarity group lending more so because it is their only option.

Descriptor information

2. Clients and non-clients are similar in terms of age, education, number of dependents, number of household members, marital status, prime sector, other credit and other source of credit. In other words, the comparison group was well selected. The majority of clients and non-clients have a secondary degree, are married, live in a household made of 3 to 4 individuals, support at least 4 dependents, work either in trade or for the state sector and do not have any other loan. A majority of people make an income from state sector activities, therefore one can conclude that in many cases, ICMC program offers only a supplementary income. However, clients also have family businesses, more so than non-clients. More repeat clients have family businesses (43.1%), as compared to new clients (14.6%) and non-clients (13.8%). This difference is statistically significant.

3. There are more returnees amongst clients than non-clients due to programmatic priorities (focus on return by donors). The percentage of returnees in the program has gone down overtime and the difference between newer clients returnees and repeat clients returnees is statistically significant.

4. A statistical test showed that clients reported a statistically significant higher number of business activities than non-clients and that this difference was significant. In addition, the mean reported for non-clients (comparison group) was below 1. In other words, some of the non-clients do not have a business and want to start one. The loan program might be helping some of the non-clients start a business.

5. Clients have used the loan on business for the following uses: 45% of clients purchased more supplies, materials or raw materials, 30% purchased new equipment or machines, 10.8% of clients started a new business. Some clients have used a portion or all of their loan monies on their household for the following uses: 22.5% of

[2] See Annex III.

clients used the loan for contingencies or to repay a loan, 14.2% of clients used the loan for household improvements and 13.3% for food.

6. 60% of non-clients and 65% of clients would like more business training. Many newer clients and follow-on clients are interested in business training, 66.7% and 63.9% of them respectively. 40.5% of respondents would like marketing training, with 10.3% of respondents expressing an interest in bookkeeping. Many survey respondents would like all sorts of other general training, such as computer science and English, as well as sector-related training, such as hair-salon or sewing. Responses given to this question seem to indicate a need to better explain what each type of training implies. It shows that many people want business training but that they don't know what kind would be most useful to their business. This also confirms the low-income and little experience profile of most clients.

Impact results

7. A larger proportion of clients saw an increase in savings than non-clients, but a larger proportion of newer clients have seen an increase in savings than repeat clients. These results were not statistically significant. One possible explanation to this result is that new clients, not quite used to their business planning, put aside some funds to repay the loan, whereas older clients are more informed of their business sales pattern. Another related explanation could be that repeat clients reinvest more of their income in their business while newer clients tend to either buy more for their household or save.

8. A larger proportion of clients (23.3%) than non-clients (17.5%) saw their household income decrease. However, a larger percentage of clients also saw their income increase or increase significantly in the last 12 months (40% of clients versus 23.8% of non-clients). This was found to be statistically significant at the 0.05 level. A larger percentage of repeat clients than newer clients saw their income both increase and decrease. Perhaps overtime, repeat clients either do increasingly well with their business, or they lack training/guidance and their business starts declining. It might also be due to increasing competition. This result was not statistically significant. As mentioned in later sections of the report, income information should be analyzed with great care anyway. Tests on income change as compared to sectors of activities is not very conclusive because results are very spread out; nevertheless, production seems to gather the largest number of clients with a household income increase, followed by services.

9. Older clients tend to buy more household items than new clients after they have received the loan. This result was statistically significant. Purchasing items is a strong impact indicator in Bosnia because people used to have washing machines and TVs before the war. Therefore, this is interpreted as a positive result of the program.

10. Clients have reported a larger expenditure increase in 1999 than non-clients as compared to 1998 for the following items: rent, utilities, food, school, recreation, holiday, taxes and insurance. Considering the similar profile in the two samples, this can be interpreted to mean that clients had more access to disposable income than non-clients and are therefore "better-off". However, the same test run on newer clients and repeat clients is not conclusive.

11. To test for the overall measure of household well-being, three composite indices were created, each being a variant of the other two. These indices included parts or all of the following variables: rent, food, utilities, recreation, holidays, insurance, small

items, big items, taxes, school, clothes and income change, savings change and household expenses on home repair. In all three cases, there was a positive impact found which was statistically validated, due to a statistical difference between clients and the comparison group. However, the same indices run on newer clients and older clients showed the opposite result, albeit no statistical significance.

12. No statistically significant difference was found between clients and non-clients in terms of business sales and business profit and clients did not necessarily report higher results on these two variables. In spite of these inconclusive results, a positive impact of the program at the household level can still be explained by the likely use of parts of the loan for a purpose other than the one initially stated or by different ways of reporting profit among survey respondents.

13. Tests run on a combined variable called "new business development", which includes expansion of physical plant, introduction of new products, employment, quality improvement, decrease in expenses and market expansion, showed that the mean for clients was higher than for non-clients. However, this difference was not statistically significant. The same result was found for the number of assets acquired, which identified possible acquisitions for the business such as small tools, equipment or machines, vehicles, storage facilities, chairs, desks or closets, kiosks or shops.

14. The business variables above were combined to calculate a business index, which was tested for overall impact of the program on clients' businesses. The new index represented the sum of positive changes on the business. The higher the number, the more positive the impact on business. A non-parametric test on business index showed that the positive change on business for clients was larger than for non-clients, and this was statistically significant.

15. This same index was higher for repeat clients than for new clients with statistical significance: this confirms the assumption that repeat clients tend to use more of the benefits of the loan to reinvest in their business than newer clients who focus more exclusively on household expenses and personal savings.

16. All three hypotheses used as a basis to this survey were confirmed but need further exploration. First, the results of this study suggest that ICMC is successfully reaching its target group as per client descriptor section, training needs and use of loan. ICMC purposefully does not use quantitative indicators in its selection policy (such as income caps), which makes it hard to provide quantitative evidence to prove that it is actually reaching its appropriate target group. However, one should wonder whether respondents' stated income level is accurate and to what extent reported income is a good indicator of poverty level anyway. Second, there is an increase in household wellbeing (as measured by fixed assets, expenditures and savings): the tests were run on the variables "increase in expenditures, savings and fixed assets", all included in the household composite index. Clients were found to have a significantly higher mean than non-clients. Last, the survey results show that there is an improvement in the business demonstrated through income and fixed assets. Tests run on a composite index of new business development, assets acquisition, sales and profit increase showed that clients report higher results than non-clients. These variables imply increases in fixed assets and increase in investment. Overtime, clients are better off in terms of the composite index of sales, profit, business development and assets acquisition, which also points out to the positive impact of the program.

17. Some variables need to be further examined and tested, in particular change in business sales, change in business profit, savings change, both between clients and non-clients and between newer clients and repeat clients. The program is now more

mature with some clients having gone through 3 to 4 cycles. Therefore, it would be interesting to replicate this analysis at a later stage to determine whether the pattern of a larger proportion of newer clients reporting positive changes, more so than older clients, is confirmed. ICMC should also explore the potential implications of its program having a greater impact on household than on business in terms of clients' livelihoods as well as the type of products it currently offers. Fungibility seems to be a given and rather than be forbidden or dismissed, it should be used to better know ICMC's clientele and their needs.

18. Clients' likes and dislikes justify Prizma's introduction of the individual lending product larger loan sizes. Again, close monitoring should take place to allow for further tailoring of this new product.

19. Prizma should closely examine the extent to which the results found in the Una Sana Canton can be generalized to its entire program in Bosnia by including other areas in a future survey, particularly now that that other branch offices are serving an increasing number of clients.