



## Microfinance Research and Innovation Matchmaking Symposium Submission Booklet

The organizers of the 2010 Microfinance Impact and Innovation Conference conceived of the Microfinance Impact and Innovation Conference as an opportunity to share with the practitioner and policymaker community what the research community has learned from recent studies, and for the research community to learn from practitioners which important questions remain unanswered. This gathering presents an important opportunity to build off existing knowledge to create the next generation of microfinance innovation and rigorous research. To this end, the organizers circulated a “Call for Ideas,” to both practitioners and researchers, and in response received dozens of submissions from across the world. Eight ideas were selected for presentation at the conference itself.

We are excited to share a selection of the submissions received in response to the “Call for Ideas,” in this booklet, presented here as summaries of the original submissions. We hope that they act as catalysts for discussion during and after the conference and help plant the seeds for new projects and collaboration. **This is an active matchmaking event! We encourage attendees to reach out to the people and organizations listed here to collaborate on implementing innovations and research projects.** Please use the breaks and the periods before and after sessions to meet fellow attendees to discuss opportunities to collaborate. Ask an organizer if you need an introduction! If there is an **\*\*asterisk\*\*** next to an individuals’ name, he/she has registered for the conference and will likely be present and available to discuss their idea. If you are reading this after the conference’s conclusion we still encourage you to read the submissions opportunistically.

If you wish to contact one of the authors their email addresses are provided with their summaries. We request that any email communication to the authors cc’s Alexandra Kobishyn, Project Coordinator for Partner Outreach, ([akobishyn@poverty-action.org](mailto:akobishyn@poverty-action.org)) so that the event organizers can gauge the effects of the matchmaking efforts. Additionally, for all inquiries on partnering with IPA, please contact Alex Kobishyn [akobishyn@poverty-action.org](mailto:akobishyn@poverty-action.org) or Alana Rosenberg [arosenberg@poverty-action.org](mailto:arosenberg@poverty-action.org). If you have an idea for a future innovation that was not included in this booklet and would like to participate in matchmaking, please find an IPA staff member during a networking break.

## Researchers:

### **Researcher Presentation: “Missing Firms”**

**\*\*Rocco Macchiavello**

**Assistant Professor, Warwick University**

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**Co-Applciant: Maitreesh Ghatak, Chris Woodruff**

#### *Abstract:*

Microcredit - broadly defined as the provision of small, uncollateralized loans to poor borrowers in developing countries - is widely believed to be an important instrument in the fight against global poverty. But while it may help alleviate poverty, there is little evidence that microfinance-funded businesses grow beyond subsistence entrepreneurship. Extremely few micro-enterprises hire employees outside their immediate families: in other words, few of those businesses “scale-up”. Why do so few micro-enterprises grow beyond self-employment? Are there profitable micro-credit contracts that can encourage the “right” micro-entrepreneurs to hire employees and/or to reorganize and coordinate their production together with other micro-entrepreneurs? As a consequence of taking up such a contract, would borrowers and employee average incomes increase and income volatility decrease? In partnership with MFIs we are interested in exploring contractual innovations that would enable micro-enterprises to scale-up by either hiring employees or by reorganizing their production through coordination. The characteristics of such a contract, if it exists, might be in part specific to a particular setting or occupation. We want to learn about the experience of MFIs that have tried similar ideas, think theoretically about existing experiences and potential innovations and, eventually, evaluate (original) contractual schemes specifically aimed at encouraging scaling-up.

### **Researcher Presentation: “From Micro to Small: Lending Profitably with Expansion Loans”**

**\*\*Adair Morse**

**University of Chicago**

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### **Researcher Presentation: “Does Increased Repayment Flexibility Change the Demand for and Use of Microfinance Loans?”**

**\*\*Sarah Pearlman**

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**Co-Applcants: Fernando Alvarez, Daniel Ortega, Corporacion Andina de Fomento (CAF)**

#### *Abstract:*

The goal is to examine if increased repayment flexibility increases the demand for and use of microfinance loans. Frequent and strict repayment schedules and severe default penalties are key features of most microfinance loans, distinguishing them from other types of credit, mostly informal, used by poor households. While repayment terms are only one component of a credit contract, they may be of paramount importance for poor borrowers who face high levels of risk and rely heavily on informal loans with contingent repayment options. Given the vulnerability of many target microfinance clients coupled with limited access to insurance, repayment rigidity may mute demand for microcredit and potentially help explain the low take-up and high dropout rates experienced by some microfinance institutions. They also may help explain many households’, and even many microfinance borrowers’, continued reliance on informal loans, some of which are significantly more expensive than formal alternatives.

### **Researcher Presentation: “Integrating Informal Finance”**

**\*\*Ashok Rai**

**Associate Professor, Williams College/University of Goettingen**

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#### *Abstract:*

I propose a novel method of integrating informal financial groups. I propose to link poor communities by linking their bidding Roscas (Rotating Savings and Loan Associations). In contrast with the traditional “group lending”

product, this form of financing will use pre-existing groups (Roscas) – and will be flexible enough to allow the Rosca to save or to borrow as the need arises.



## **Researcher Submission: “Partial Group Liability”**

**\*\*Treb Allen**

**PhD Candidate, Yale University Department of Economics**

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### *Abstract:*

Group liability lending has been heralded as a major innovation in getting the poor access to credit. Making individuals responsible for their group member’s loans creates group solidarity and improves repayment rates. At the same time, however, group liability may create undue hardship on borrowers who are called upon to be responsible for their group member’s loans, which could make the best borrowers stop borrowing or default themselves. A new economic theory of microloans has been developed\* that suggests that partial group liability – making borrowers partially rather than fully responsible for their group member’s loans – can achieve the same benefits of group solidarity without the costs of losing the best borrowers. By combining the best parts of individual liability and group liability, partial liability may substantially reduce default rates and improve client retention.

## **Researcher Submission: “Measuring the Impact of Microfinance in Italy using a Randomized Evaluation”**

**Giorgia Barboni**

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### *Abstract:*

Notwithstanding the flourishing of microfinance programs in Italy, the success of these experiences for this country is still unknown. One of the most recent analysis of the Italian microfinance scenario and MFIs social performances reports the existence of 27 MFIs in Italy, mainly interested in social inclusion and fight against poverty (35% of these MFIs have indicated this goal as primary), targeting migrants and women at most (44%) and lending credit individually (94%) only with few exceptions. However, no data are available about the impact of microfinance on borrowers for Italy and, to our knowledge no evaluation has been conducted so far in Italy to test this impact. Therefore, with the present work, we would like to start a discussion on how microfinance impacts on borrowers’ life conditions in Italy and, as a first attempt, we will focus, through a randomized evaluation, on the effect of microfinance on borrowers by encouraging them to undertake ex novo a microfinance contract.

## **Researcher Submission: “The Value of an Improved Credit Score in US Lending Markets”**

**\*\*Emily Breza and Nathan Hendren**

**Massachusetts Institute of Technology**

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### *Abstract:*

According to the FDIC, almost 20% of Americans are underbanked and are forced to use alternative financial services such as payday loans or pawn shops when the need for credit arises. We are interested in the role that the credit bureaus play in helping underbanked individuals transition to becoming clients of the formal banking sector. Specifically, we would like to estimate the value of credit reporting to these individuals. We are looking to partner with either a US microlender that reports performance data to the credit bureaus or with a US financial institution that provides services such as secured credit cards.

Our initial estimates of the potential value of credit reporting are quite large. For an underbanked individual with a FICO score below 600, successful repayment of a \$3,000 loan can lead to an 80 point score improvement. We would like to measure the client’s monetary valuation of this potential credit score benefit through willingness to pay

experiments. We are open to many possible experimental designs and would tailor the design to the partner's interests and product offerings. One potential method (out of many) for eliciting this willingness to pay would be to post google ads for loan products that make the credit reporting more or less salient and that advertize different interest rates or closing costs. Varying both the price of the loan and the salience of credit reporting would allow us to cleanly estimate the value of credit building.

## **Researcher Submission: “An empirical investigation on joint liability and project selection”**

**Alfredo Burlando, Assistant Professor, University of Oregon**

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**Co-Applicant: Andrea Canidio, Assistant Professor, Central European University**

### *Abstract:*

We propose to study the effect of joint liability on project choice within microfinance borrowing groups. The hypothesis is that borrowers select projects that are less correlated with each other under joint liability than under individual liability. When they are individually liable, borrowers choose projects without considering correlations with other projects in the economy. Under joint liability, however, they should consider the impact of their enterprise on the risk of group default. As a consequence, projects within the group should be more diversified. Greater diversification within the group has important implications to the lender and to the aggregate economy. With joint liability, lenders would naturally diversify the loan portfolio, and ultimately reduce the rates of default in the presence of economic shocks. Similarly, a more diversified local economy has lower exposure to these shocks. We propose testing this hypothesis by comparing project choice and project returns from members of loan groups that operate with and without joint liability. In particular, we plan to randomly assign groups into liability regimes, measure the degree of correlation in project choice and project returns, and compare the degree of diversification across liability regimes.

## **Researcher Submission: “On the complementarity of commitment devices and cash transfers”**

**\*\*Thomas de Hoop**

**PhD Candidate, Centre for International Development Issues Nijmegen**

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### *Abstract:*

The past decade has shown an expansion in cash transfer programs. So far, these programs have mainly been introduced in Latin-America. In the wake of the financial crisis, India has also shown interest to introduce a cash transfer program. This research aims to shed light on the potential complementarities between cash transfers and commitment devices in India.

Earlier research has shown that individuals in developing countries show a high demand for commitment devices, in the sense that they are willing to pay to abstain from immediate consumption. In the absence of commitment devices, individuals often have difficulties to control their consumption behavior. Cash transfers might thus result in too high immediate consumption. To test whether commitment devices help cash transfer recipients to invest in long-term benefits, we propose to undertake a randomized evaluation with two treatments; 1) A group that only receives cash transfers, and 2) A group that receives cash transfers in the presence of a commitment device.

Comparing the two treatment groups with a control group and with each other, should make it possible to estimate the separate impact of cash transfers and the complementary effect of cash transfers and commitment devices on immediate consumption and long-term investment.

## **Researcher Submission: “The effects of default choices on voluntary enrollment in micro-insurance”**

**Victoria Fan**

**Doctor of science (2011), Harvard School of Public Health**

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**Co-Applicant: Felix Lam, Master of science (2011), Harvard School of Public Health; Ajay Mahal, Finkel Chair in Global Health, Monash University**

How do people decide whether or not to purchase insurance? The view from classical economics suggests that individuals who are risk-averse would prefer to purchase health insurance rather than not. However, research in behavioral economics as well as social psychology and sociology suggest that people’s decisions are not simply a rational calculus of utility maximization in deciding between or among options. Instead, people’s preferences are usually not yet well-articulated and can be influenced by social norms and the presentation of options. In other words, whether an individual is willing to enroll in a particular insurance plan or not depends not only on the plan itself, but how the choice is presented. In micro-insurance plans, the presentation of the default choice as opt-in or as opt-out can potentially make a major impact on whether an individual joins voluntarily. The presentation of choice and defaults impose physical, cognitive, and emotional costs for those who must change their status. We propose an experiment to test the potential effect of an opt-out insurance scheme on new enrollees to a microfinance program (e.g., loan or savings program).

## **Researcher Submission: “Processes of Impact & Product Development Insights among Users of Savings Innovations”**

**\*\*Michael Ferguson**

**Senior Research Officer, Microfinance Opportunities**

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**Co-Applicant: Guy Stuart, Harvard University**

### *Abstract:*

Conventional impact assessment studies rely on methodologies that cannot fully explore the processes leading to impact. The Financial Diaries represents a new alternative in the quest to comprehend changing conditions as they develop in real time. Our goals are applied and industry-focused as well. We premise this study on the idea that aggregate transactions data provide a more accurate lens through which MFIs can view preferences and behaviors of consumers, to develop better products and delivery mechanisms. The focus in this case will be savings products, or how changes in savings design or delivery may change usage patterns, which may in turn become causal processes leading to impact. We propose to partner with an MFI offering savings innovations and study clients (a three-part comparison, including both users and non-users) over 15 months. The field team will visit participants each week and ask them to recount all resources that came in and all resources that left over the seven-day period. The unique data of Diaries research stands to make a real contribution to understanding usage patterns as well as impact of savings products, both of which can translate into important industry lessons.

## **Researcher Submission: “Are borrowers separated if the bank offers two different loans?”**

**Shuhei Kitamura**

**Ph.D. candidate, Department of Economics, Stockholm University**

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### *Abstract:*

In this research, I would like to test the hypothesis which was derived in Kitamura (2009) that if the principal offers two different types of loans and if there is the (positive) assortative matching, then those who take group loans are safe agents whose default rates are relatively low and those who take individual loans are risky agents. If the

hypothesis is supported, then the practical implication would be if the bank offers two different types of loans and if there is the (positive) assortative matching, then the borrowers are separated for each loans spontaneously. Moreover, this policy also maximizes agents' welfare since each of them chooses one of her most preferred loans.

## **Researcher Submission: “Not purchase until sick”**

**\*\*Hisaki Kono**

**Researcher, IDE-JETRO; Visiting Scholar, Department of Economics, Harvard University**

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### *Abstract:*

Most micro health insurance generously covers pre-existing illnesses. But if the pre-existing illnesses are covered and the insurance can be purchased at any time, then people's optimal strategy will be “not to buy the insurance until getting sick.” This will be more serious when the insurance only covers the surgery, which many health insurance programs employ to reduce the insurance costs. Unless it is acute, people will wait for surgery until they purchase insurance. The fact that the frequency of insurance utilization in the first couples of months after enrollment is much higher than the later months indicates that this problem is prevailing.

Given the difficulty of implementing excluding the pre-existing illness, my proposal is to implement the introduction of longer waiting periods for chronic diseases or infrequent marketing with longer contract period, which affect the payoff from taking the strategy of “not purchasing until getting diseases,” and then estimate the parameters of the economic model and simulate how the uptake and the portfolio of the purchasers will be if the pre-existing illnesses are not covered. Once we obtain the economic model with its parameter, we can perform counterfactual experiments to predict what will be the prospective interventions.

## **Researcher Submission: “Evaluation of saving strategies between urban and rural ultra poor: A case study in Tamil Nadu”**

**Lakshmi Kumar**

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### *Abstract:*

There has been a keen interest and growth in microfinance in the urban areas in India in the last couple of years. Saturation in the growth of the same in the rural areas could be the prime reason for this shift. However, a close look at the demographics reveals that while poverty in India stands at 27.5 per cent, poverty levels are still higher in rural areas at 28.5 per cent compared to urban areas at 25.5 percent. In addition, financial inclusion of those at the bottom, earning less than \$2 per day is even worse. Even microfinance, which aims to target the poor and ultra poor, infrequently engages with the latter group. Thus, despite India's tremendous growth in the microfinance sector, ultra poor households are generally not involved. On the technology front, several devices such as smart cards, handheld devices etc. are being experimented. Nonetheless, only 59 percent of the Indian adult population has a formal bank account, leaving hundreds of millions financially excluded, with exclusion acutely felt among the ultra poor. Despite government initiatives, such as the Reserve Bank of India's (RBI) drive to provide financial services to the impoverished and "unbanked" in the form of "No Frills" (costless and easy to open) bank accounts, access is still limited. In the absence of formal and semi-formal financial services, understanding how the extremely poor manage their money is even more important. In addition, it is important to build reliable and systematic data to compare and evaluate the financial behavior of the urban and the rural ultra poor. This study conducts a comparative study of the financial diaries of the ultra poor recipients' of micro finance in the urban areas and rural areas, which will yield insights into their financial behavior and will help financial institutions serve them better.

## **Researcher Submission: “Consumption microloans, business microloans and their impact on poor household’s welfare”**

**Professor Janina Leon**

**Pontificia Universidad Catolica del Peru (PUCP), Peru**

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### *Abstract:*

The main goal of this research is to contribute in the debate about the true impact of microfinance, more specifically microloans, on the consumption, income and welfare of Latin American urban poor families in short term and long term. Here it is proposed that, beyond methodological issues, it is key understanding that the nature of the loan and its use on consumption or productive purposes makes great differences on the poor welfare. While consumption loans may have direct effects in the poor family consumption, it is not necessarily the case for business microloans. In this last case, microenterprises spend loans in working capital, payroll, training and even investment and innovation. Just if these last transactions influence in favor of income and welfare increase of poor families, favorable impact may occur. Development of labor markets, merchandise and raw material markets, and innovation options may favor these last effects. Measuring and understanding these arrays of possible effects may improve the design of poverty alleviation policies as well as entrepreneurial strengthen of ME.

## **Researcher Submission: “Ethnic Divisions, Institutions, and Microcredit”**

**Daniel Mattingly**

**PhD Student in Political Science, U.C. Berkeley**

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**Co-Applicant: Laurel Eckhouse**

### *Abstract:*

Many microcredit organizations work in countries with ethnically diverse populations. A large body of scholarship has also shown that increased ethnic diversity leads to less cooperation, fewer public goods, and a weaker financial services sector. Yet, to our knowledge, no randomized field experiment has attempted to determine which institutions increase microloan repayment rates in ethnically diverse settings. We propose a field experiment that determines what specific group monitoring institutions increase the rate of microloan repayment and, as a secondary effect, build increased social trust among ethnic groups.

## **Researcher Submission: “Will the very poor rural people use mobile money?”**

**Woldmariam Mesfin**

**Lecturer, Addis Ababa University**

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### *Abstract:*

The current technology acceptance models were developed based on data from organizational employees or individuals who have know-how about the technology and they measure user’s technology acceptance from psychological and social perspective. Hence, these models can’t be used to measure mobile money use of the poor due to (i) the poor have no know-how about the technology/mobile money and even do not heard of it so far (ii) their use of the technology can be determined by legal, economic, social, and psychological factors. Thus, this study will try to investigate (1) what legal, economic, social, and psychological factors affect the decision of an individual to use or not to use mobile money? And (2) develop a model that shows the relationships of determinants of mobile use by poor people. To address these objectives, this research will use qualitative research methodology, particularly grounded theory technique. Economic, social, legal, and psychological data will be collected through interview, questionnaire, and focus group discussions.

## **Researcher Submission: “Encouragement for Improving Outreach and Financial Capability of Rural Clients”**

**\*\*Geetha Nagarajan**

**Research Director, IRIS center, University of Maryland**

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**Co-Applicant: Arthur Shaw, IRIS center, Univ. of Maryland; Jeffrey Flory, IRIS center, Univ. of Maryland; Sherri Haas, IRIS center, Univ. of Maryland**

### *Abstract:*

Based on our research in Malawi, especially developing and testing effects of intense information campaign in selected locations to boost take up of savings products, we propose to expand the experiment on individual client basis to encourage take up of insurance products and study the effects of the products on household risk coping mechanisms. We propose to use a deep dive mixed methodology using qualitative and quantitative tools to understand how much, why and how outreach and resulting effects happen. Currently, Opportunity International (OI) in Malawi is piloting funeral insurance products and also some crop insurance products but with low up take. Our research could help with that effort. Also, M-KESHO in Kenya is a new product and use of the product has been low. Our research can help with that also.

## **Researcher Submission: “Designing Micro-Insurance Schemes for Farmers in South Asia and Sub-Saharan Africa”**

**Dr. Sriniketh Nagavarapu**

**Assistant Professor of Economics and Environmental Studies, Brown University**

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**Co-Applicant: Dr. Ahmed Mushfiq Mobarak, Assistant Professor of Economics, Yale University School of Management**

### *Abstract:*

Agricultural activity is inherently risky, and smoothing consumption across years or seasons is a significant challenge for agrarian households in developing countries. Institutional innovations have led to thriving microcredit enterprises in certain areas, but farmers still largely use informal alternatives to cope with risks associated with pest- or drought-induced harvest failure or commodity price volatility. Both researchers and practitioners report that liquidity constraints and a general mistrust of financial institutions are leading reasons why demand for formal insurance remains low in these rural environments. However, one puzzling aspect of these explanations is that markets for credit and savings programs have begun to function quite well in these same environments.

This proposed project will use the insights gained from the success and popularity of credit and savings programs to design innovative micro-insurance contracts that replicate key features of those programs. We propose to study the take-up of these products in sites in Sub-Saharan Africa and South Asia. By relying on a randomized design and careful variation of product features, the study will lead to a greater understanding of the opportunities for and obstacles to micro-insurance, by itself and as part of a broader range of financial interventions.

## **Researcher Submission: “Incorporating Housing Microfinance to Housing Policies in Latin America”**

**Camila Ronderos**

**PhD Candidate, Milano The New School for Management and Urban Policy**

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### *Abstract:*

As microfinance has become more widespread other products and services have opened up. Housing microfinance has become an alternative for the urban poor to have access to housing; it is the only financial alternative that adapts to the gradual building process of a wider part of the population in developing countries. Nevertheless it has not been

widely incorporated to traditional housing policies in countries in Latin America. This research would draw lessons from successful experiences with housing microfinance in Central America and recommend how to develop the portfolio jointly with the private sector and the changes in the national policy needed to incorporate it.

## **Researcher Submission: “The Impact of Micro-Credit Repayment Rules on Seasonal Migration and Loan Repayment during the Agricultural Lean Season – A Randomized Experiment”**

**Dr. Abu Shonchoy**

**Research fellow, Institute of Developing Economies (IDE-JETRO)**

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**Co Applicant: Ben Greiner, Lecturer, School of Economics, University of NSW**

### *Abstract:*

Seasonal migration after natural disasters is a common phenomenon in developing countries, especially in Bangladesh. During such agricultural downturns, a large share of the labor force temporarily migrates to nearby urban areas for survival. After the shock's effects abate, most people return to their villages. However, through strict weekly loan repayment rules, micro-credit institutions can hamper this process, reducing the ability of participating people to react to a shock. We would combine a panel data survey with a randomized experiment to test the impact of relaxing these payment rules on seasonal migration, loan repayment and micro-credit participation rates.

### **Practitioners:**

## **Practitioner Presentation: “Evaluating Technology-Assisted Non-Formal Education in Microfinance”**

**\*\*Bobbi Gray, USA**

**Research and Evaluation Specialist, Freedom From Hunger**

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### *Research Question:*

Can technology-assisted non-formal education improve quality of implementation of education by group-based lending credit officers? Is a technology-based education program able to expand integration of non-formal education without significant input from microfinance credit officers? Is technology-based non-formal education more cost-effective for some microfinance institutions than direct implementation of education by staff, and still provide at least the same client-level results?

### *Idea:*

Freedom from Hunger works with microfinance institutions to integrate non-financial services such as business, financial and health education as well as other health protection services, such as linkages to health providers and health products. In most cases, Freedom from Hunger promotes a unified model of education delivery—the same credit officer that facilitates the financial services in group-based lending also delivers the non-formal, dialogue based education to the clients. Long-term experience and recent evaluations have highlighted the importance of quality of education delivery as an important factor for achieving short-term and long-term impacts. A recent collaboration with a researcher from Research Triangle Institute has led to the development of a tablet computer-based program that utilizes Freedom from Hunger's education modules as a basis for “computer-led” education services. This tablet-based program has been used in more clinical settings, such as an HIV/AIDS clinic in Washington State and has only recently been tested with sex-workers in India. It is not clear whether 1) a computer-based program could work in a microfinance environment, 2) it would be a value-added component to traditional dialogue-based education as facilitated by credit officers, 3) it could increase implementation of education for organizations that do not want to provide a unified model of education implementation, or 4) this is a cost-effective technology for improving business, financial, and health knowledge, attitudes, practices, and impacts. Freedom from Hunger would like to test out a computer-based technology program (as it is currently designed by the researcher at RTI or an adaptation more appropriate for a microfinance environment) to determine its value add to our promoted integration of financial and non-financial services.

Concerns about quality of implementation of our education as well as the growth of technologies supporting existing financial services have prompted Freedom from Hunger to explore the value that technology would have for better integration of education into a microfinance organization's offer of financial services. Freedom from Hunger often confronts barriers of integrating non-financial services with financial services because of concerns over cost (upfront investment as well as running costs), concerns over distracting credit officers with a non-financial service, as well as institutional capacity to provide education at high levels of quality. If it were found that technology could support implementation of education and improve quality, expand the integration, prove to be cost-effective, and create significant impacts, this could expand the offer of non-financial services that MFIs around the world could provide and ultimately improve the lives of the clients they serve.

## **Practitioner Presentation: “Scaling up the added value inputs of training and “handholding” required by the extreme poor to build sustainable livelihoods”**

**\*\*Jo Sanson, USA**

**Director, Monitoring and Evaluation, Trickle Up**  
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### *Research Question:*

How can we increase the scalability of the coaching or “handholding” support required by the ultra-poor to build sustainable livelihoods? In particular, how can we best balance the benefits and costs of “handholding” compared to more conventional (and less resource-intensive) training, and predict the differential needs for support among the ultra-poor?

### *Idea:*

As the extreme poor generally have little in the way of productive assets, their livelihoods are often largely dependent on daily wage labor. Building productive assets therefore also necessitates the development of skills to manage new livelihood activities, as well as a mindset, knowledge, and confidence to engage in medium- to long- term planning to foster their growth. As participants generally have very little formal education, we have found that classroom-type settings alone have proven to be fairly ineffective. In India we use “just-in-time” learning techniques, through coaching or “handholding,” to provide participants with the support they need to successfully develop asset-based livelihood activities by acquiring knowledge at appropriate times in the business cycle. These are delivered through regular savings group meetings and household visits by field staff.

Without such intensive support, we have found that the failure rate of new enterprises in India can be unacceptably high. Furthermore, given many among the extreme poor are forced to migrate for periods each year to seek work, careful planning and coaching is required for participants to build the confidence to take the risk of not migrating to instead devote time to developing alternate livelihood activities.

These processes raise two sets of questions. Firstly, are there ways in which the intensity of the coaching or handholding support provided in India can be reduced without significant adverse impacts on program outcomes? This includes determining whether participants who are doing well can have their support reduced without causing them to slip back, understanding what are the key times in which support is most crucial, and also predicting in advance what characteristics of participants are the best predictors of handholding requirements. These questions in turn necessitate a nuanced understanding of the value of handholding visits to participants: to what extent are the livelihood planning and skills reinforcement key; how does the health messaging contribute to behavior change; and does just the act of checking in on participants help build confidence and motivation, regardless of the content of the visits?

The second set of questions refers to how uniform is the need for coaching or handholding support among the extreme poor in other regions where we work. In other words, how applicable are the lessons we have learned in India to the extreme poor in Mali and Burkina Faso? Do needs differ, and are there alternate delivery mechanisms that would be more appropriate or feasible in such regions?

In order to determine the most efficient use of resources we need to be able to quantify the added value of handholding support, including at varying levels of intensity. This partly involves identifying the differential needs for individualized support among the extreme poor (in India, for example, we focus on the “ultra-poor,” arguably a subgroup of particularly poor people within the extreme poor). It also involves identifying the minimum level of support required for the majority of participants to be able to make significant movement out of poverty. It necessitates

gaining greater clarity on what type of selection and training process is required to enable locally-based staff to develop the skills and build the rapport required to provide the support. And lastly, it requires judgment about how to balance scale against depth of support, while still adhering to a mission of reaching and making sustainable improvements in the lives of the extreme poor.

## **Practitioner Presentation: “Micro Equity”**

**\*\*Shivani Siroya**

**CEO, InVenture Fund**

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### *Research Question:*

What happens after micro-loans? How can we create a market for expansion capital to micro-entrepreneurs who have been successful in starting their businesses but are now still stuck in debt and poverty?

### *Idea:*

\$44 billion has been lent to start businesses in developing regions, but few funding options exist for entrepreneurs who hope to grow their businesses, access new markets, and escape cycles of debt and poverty.

We at InVenture believe that there can be a solution to this problem by becoming a partner with these micro-entrepreneurs rather than their creditor. InVenture provides expansion capital to developing businesses in underserved areas around the world so that they can lift themselves and their communities out of poverty. We raise these funds through our website, where users can invest as little as \$25 in an entrepreneur of their choosing and make a measurable difference. As businesses grow, InVestors receive profits and can re-invest them into new entrepreneurs, thereby maximizing impact.

It would be great to do a comparative study on the success and impact of micro loans versus micro-equity on growing businesses to see the financial effects as well to track the social performance measures on the individual's life.

## **Practitioner Presentation: “Measuring Business Income”**

**\*\*Doug Spencer, USA**

**Director, NamasteDirect**

[dspencer@evcohs.com](mailto:dspencer@evcohs.com)

### *Research Question:*

Is there a need for an on the ground laboratory that maintains a revolving 1,000 person clientele for the development and testing of new concepts designed to promote poverty reduction and social benefits to low income women through various combinations of mentoring and coaching, informal education classes and business development loans?

A second question is: Assuming there is a need, what are the appropriate protocols for measuring and evaluating the testing results that flow from the various interventions under test?

### *Idea:*

The evidence that microfinance loans by themselves can significantly reduce poverty is weak. Therefore the motivation to research, design and develop new interventions that can significantly increase a borrower's business cash flow and the concomitant social benefits of education of the young, of better health and housing, and of economic and social justice. Paramount to this process is the ongoing accurate measurement of the results of interventions on a borrower's business cash flow.

This research is important to Namaste because our organizational mission revolves around poverty reduction and we have chosen an operating modality of being a Women's Business Development entity to implement that mission. We need to achieve significant results for our clients as there is otherwise no reason to exist. It is important to the microfinance sector as it has received massive financial support on the supposition that it is an agent of social good as well as a platform for economic returns. Sooner or later the sector will have to face up to the fact that it has pretty much received a free ride on proving results.



## **Practitioner Submission: “The Impact of Savings Products and their Delivery on the Socioeconomic Well-Being of low Income Mexican Families”**

**Luis Alberro, Mexico**

**Coordinator of the Financial Services Office, Diconsa**  
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### *Research Question:*

How can Diconsa optimize the design and delivery of savings products to meet poor Mexican families’ needs and ultimately generate increased socioeconomic impact where:

- design refers to product features and structure, such as commitment-based versus voluntary or standalone versus tied to additional products;
- delivery refers to efforts made to communicate and promote products, such as financial education and marketing activities;
- and socioeconomic impact refers to outcome variables such as (but not limited to) propensity to save, investments in human and/or physical capital, and ability to smooth consumption (e.g., overcome emergency situations)?

### *Idea:*

Diconsa launched 2 pilots this year to bring financial services to the poor through its network of stores in 2 Mexican states (Estado de Mexico and Puebla) and plans to expand its operations to 250 stores by the end of year. This expansion, combined with a planned increase in product diversification and marketing interventions, makes this a ripe time to study the design and delivery of Diconsa’s savings products. In fact, the expansion could be designed with the above research question in mind in order to ensure a rigorous methodology and resulting dataset.

Diconsa’s pilot data suggest that there is demand for formal savings products, yet it does not have information on the specific kinds of savings products that would best meet the needs of the target population. While the lack of information makes it difficult to know how to design effective savings products, the total absence of formal savings products in these populations also provides a kind of “blank page” on which to test the effectiveness of different products and delivery approaches in terms of their impact on a series of outcome variables related to socioeconomic development. In fact, Diconsa is committed to conducting a rigorous evaluation of its program in order to understand the impact of its savings products and to increase the probability that the program’s success will be replicated, as appropriate, in other countries.

Diconsa’s 23,000 stores, with their specific mission to target communities of less than 2,500 people (where 25 million Mexicans live), provide a truly unique channel for providing small villages with formal financial services, such as savings. Diconsa has used the infrastructure of its stores to construct a network of correspondent banks and offer accounts at a low cost in villages that are too small to support traditional branches of banks and credit unions. There is no other network like Diconsa in Mexico, and it is with few peers globally.

## **Practitioner Submission: “Determining the Social Impact of a Rural Microfinance Service”**

**John Dada, Nigeria**  
**CEO, Fantsuam Foundation**  
[johndada@fantsuam.org](mailto:johndada@fantsuam.org)

### *Research Question:*

What information is required for a rural integrated microfinance service to measure its impact? What rating system could be used that could not only measure financial indicators but also reflect the wider social impact of the integrated support that Fantsuam delivers?

### *Idea:*

Fantsuam is a leading rural-based non-governmental organization in northern Nigeria that works with local communities to fight poverty and disadvantage through integrated development programs. Founded in 1996, its aim is to use ICT and micro-finance for poverty reduction in rural Nigeria by equipping youths and women with basic skills and finance to facilitate productive living in the community.

Micro finance lies at the heart of Fantsuam’s development activities however the Foundation has developed a fully integrated approach to secure the livelihoods of local communities, using the return from its micro finance activities to underpin vital support services such as health and nutrition, vocational training (in particular ICT, brick-making and cell phone repair), and volunteering. Projects are focused on a group basis within selected communities providing both a strong support and guarantee network as well as driving socio-economic development through the community as a whole.

The Fantsuam suite of integrated services has been the result of ongoing organic growth that meets identified community needs. It is one thing to design specific interventions, however it is also important to know when and to what extent such interventions are meeting the identified needs. In an integrated program, extricating the cause and effects of different components requires detailed analysis; such skills are beyond the available in-house skills at Fantsuam Foundation. In addition, providing evidence of impact is also, sometimes, a donor requirement.

## **Practitioner Submission: “Impact of new housing - MHFC customers”**

**Rajnish Dhall, India**  
**CEO, Micro Housing Finance Corporation Limited**  
[rajnish.dhall@mhfcindia.com](mailto:rajnish.dhall@mhfcindia.com)

### *Research Question:*

What is the impact of the new housing that MHFC is helping finance for lower income families in urban India?

MHFC is a unique organization in that it is the first housing finance company in India which will focus solely on a microfinance type audience (generally informal sector - like vegetable vendors, taxi drivers, waiters, etc) in urban areas - who don't normally get access to housing finance, and thus live in very poor slums mostly.

### *Idea:*

The overall shortage in housing in India has been estimated at close to 25 million dwelling units. With rapid urbanization and increasing labor mobility arising out of the shift from the agrarian economy to the industrialized and service economy that is emerging in India, this shortfall is increasing in leaps and bounds. With five people to a dwelling unit, the minimum living space required per dwelling unit is about 300 sq ft, which means that approximately 7,500 million sq ft needs to be built. At a conservative cost of Rs 1,000 per sq ft in urban India where most of the demand exists, the overall investment requirement is a staggering US \$ 150 Bn.

Micro Housing Finance Corporation (“MHFC”) was set up for exactly this reason - to assist EWS/LIG families and those currently excluded by the mainstream banking sector (particularly the informal sector which lacks documentation) in financing the purchase of the first home. By combining the best practices of the microfinance industry and mainstream housing finance companies, MHFC hopes to play a significant role in the development of an active micro mortgage market, which is much needed, given the size of the informal sector. A recent government

report has estimated that workers from the unorganized sector / small and micro enterprises account for about 90% of the 200 million non farm workers.

We think that MHFC is providing a unique and valuable service in that it is actually providing purchasing power to a segment that desperately needs housing (currently they mostly live in slum conditions with little or no access to sanitation, clean water, electricity and security). But we want to be sure that the move into new housing is actually beneficial - and whether customers are truly happy with the new conditions, and with the creation of the new asset (the house which over 15 years will be owned by the customer).

## **Practitioner Submission: “Measuring Interconnected Poverty and Program Outcomes”**

**Stephanie Jayne, USA**

**Senior Research Officer, Nuru International**

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### *Research Question:*

Looking at poverty holistically, has the extreme poverty/poverty situation of a community changed significantly since Nuru’s poverty and empowerment work began?

Looking at Nuru’s programs in 5 primary target areas (community economic development, including savings and microfinance, agriculture, education, health, and water/sanitation), what information do we need to make operational decisions about program outcomes?

With a newly revised metric system that we would like to pilot, what is the baseline data needed to track change over time in Nuru communities in western Kenya?

### *Idea:*

Nuru is employing a holistic poverty alleviation model in small rural communities focused on community empowerment and a clear plan to minimize dependence on external resources. Nuru’s model states that the goal is to empower communities out of poverty, closely measure and monitor progress in this regard, and then leave the continuing work in the hands of the local community once this target is achieved, ideally within 5 years.

Measuring multidimensional poverty (using an existing tool designed to be standardized across organizations) is important to Nuru to keep us focused on the mission and to hold us accountable to the goal of ending extreme poverty. Having external researchers and third-party evaluators as a part of the Nuru process is a vital element of Nuru’s commitment to both transparency and using research and information to make strategic decisions.

Nuru would like to contribute to developing a standardized way to measure rural poverty, so as to correct for the market inefficiency inherent in non-comparable measurement standards in the international poverty sector. We believe there is value to the wider community to continue forward movement in this regard. We are currently considering three different levels of poverty measurement that would help answer our research question(s) in our seed project community in western Kenya. It is likely that this will involve implementation of the pre-defined MPAT process for Poverty Metrics and a data collection strategy and tool development (e.g. household surveys) for Dashboard Metrics and Program Metrics.

## **Practitioner Submission: “Visionary Leadership”**

**Kevin Lockwood, USA**

**Executive Director North America, Journey Outreach**

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### *Research Question:*

What is the impact of addressing and removing personal limiting thoughts, beliefs and emotional blocks around the ability of micro-entrepreneurs to promote business growth, personal financial stability, personal empowerment, and

improvements in health and educational opportunities for their families?

What holds micro-finance and micro-loan recipients back from being unequivocally successful? Is providing financial stability and business education enough? How far can a people go if they are haunted with the traumas of their past and/or beliefs that they don't have what it takes to succeed? Can we afford to not to look at the impacts of these emotional issues and blocks?

*Idea:*

Evidence varies over the successfulness of micro-loans in helping recipients start and/or improve a business, become more financially independent and empowered, and improve the health and/or education of their families. Indications are that business education included with micro-loan services creates a positive effect. What would be the impact of social/emotional education to help remove mental blocks to success and establish a new paradigm of personal empowerment?

In many cases micro-finance agencies are working with people in cultures that have been repressed for hundreds if not thousands of years and/or have suffered traumas from wars, famine, disease, various types of abuse (emotional, physical, sexual, cultural), and/or natural disasters. There is recognition that financial stability and business education is not enough to provide micro-loan recipients what they need to overcome the barriers of poverty to improve their income and financial stability, personal empowerment, and their ability to provide health care and educational opportunities for their families.

Are there limitations around how far can people progress when they are haunted with the traumas of their past and/or beliefs that they don't have what it takes to succeed? Can we afford to not to look at the impacts of these emotional issues and blocks?

There is a new program developed by Conscious Company called Visionary Leadership that looks directly into these issues and blocks and provides people with the tools to address and clear out their limiting thoughts, beliefs, and emotional blocks, and continue on this path through life as they are faced with new challenges and situations. Since 1994 Journey tools have been taught in 36 different countries and in 20 different languages to over one million people. These are practical, user-friendly tools for ordinary people that work with what is innate in every human being no matter their age, background, level of income, social status, or cultural upbringing. These tools help remove limiting beliefs, thoughts and emotional blocks, and work with the innate creativity and empowerment within each human being.

## **Practitioner Submission: “Project Mnemosyne”**

**\*\*Brett Matthews, Canada**

**Managing Partner & Microfinance Specialist, Mathwood Consulting Co.**

**[Brett@mathwood.com](mailto:Brett@mathwood.com)**

*Research Question:*

Do oral tools increase the volume and scope of savings use among oral populations? Do clients acquire important numeracy skills through use of oral tools? Do product orientation, targeted to oral clients, adds substantial value? What is the cost of the technical support MFIs require to implement an effective oral tools program?

*Idea:*

Human factors analysis predicts that participation by non-literate and non-numerate (“oral”) populations in microfinance is constrained by a misalignment between product design and cognitive human capabilities. This constraint particularly inhibits savings inclusion in rural areas, reflecting three characteristics of oral clients’ savings behavior: 1) they are less likely to join microsavings programs; 2) as participants, they will save less; and 3) as participants, they will take less advantage of savings product scope. The impact of orality is hypothesized to be significant after other dimensions of human poverty (e.g., household assets or income) are accounted for. Cognitive psychology predicts that MFIs are well positioned to improve client numeracy skills, at little marginal cost, due to regular, repetitive retail transacting – ideal for client learning. Project Mnemosyne will test diagnostic, project management and oral management information tools. There are dozens of tools in the draft suite, drawn from global best practices in oral settings.

## **Practitioner Submission: “Business Development and Social Development of Beneficiaries”**

**Zakir Hossain Mohin, Bangladesh**

**Executive Director, Grameen Jano Unnayan Sangstha**

**[mohin2010@yahoo.com](mailto:mohin2010@yahoo.com)**

*Research Question:*

Do our beneficiaries develop their target business and their social values?

*Idea:*

Training opportunities are limited for our clients. If clients were to receive loans complemented by business training, would they be better able to invest in their businesses?

## **Practitioner Submission: “What happens to dropout clients?”**

**Dr. Masudul Quader, Bangladesh**

**CEO, Dushtha Shasthya Kendra (DSK)**

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*Research Question:*

What happens to dropout clients?

*Idea:*

There is a high dropout rate of 35% yearly at DSK. We cannot achieve our goal of bringing the poorest out of poverty without understanding why these clients cannot complete their loan payments. Do clients abandon the micro financial service or do they turn to another MFI or money lender because they cannot survive without such assistance?

## **Practitioner Submission: “Evaluation of Innovations in Financial Services and Channels”**

**Suyash Rai, India**

**Team Lead, IFMR Foundation, IFMR Trust**

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*Research Question:*

Which innovations in products and processes are having significant positive impact on clients in an efficient manner, and how?

*Idea:*

We want to create a complete suite of financial services that help the households improve their financial well being by fulfilling all the major functions of finance for the households.

To date, much of the potential of financial services has not been realized for under-served clients. There is a great need to develop a model that uses a combination of financial services in a high quality manner to help households improve their welfare.

## **Practitioner Submission: “Combining Community-Managed Microfinance and Rights-Based Community Work”**

**\*\*Ole Dahl Rasmussen, Denmark**

**Microfinance Advisor and PhD-student, DanChurchAid**  
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### *Research Question:*

Are there any synergies in terms of increased effect on welfare and empowerment by combining community-managed microfinance with rights-based community work?

### *Idea:*

In theory, rights-based approaches and community-managed microfinance should be complementary. The latter provide economic opportunities which contribute to poverty reduction and enable individuals to address other barriers to development like local access to schools, water and infrastructure. The former addresses structural barriers to poverty and fosters social empowerment thereby translating economic improvements into gains in terms of political participation, improvements of public services and self-determination. Is this the situation in practice? Nobody knows. The answer would greatly support work on the ground as it would serve as an argument for changing our practice. If for example it turns out that a combination of a rights-based approach and community-managed microfinance is particularly powerful, then DCA and other organizations working with the two components should implement the combination where currently only one or the other is being used. On the contrary, if the combination does not add anything in particular, we can continue our current practice.

To help answer this question, we are looking for partners with competence in randomized impact assessments to collaborate with us on a specific project in Northern Malawi, which is specially designed to answer the above question. DanChurchAid has designed a project with exactly these components and applied the Danish Government for funding.

DanChurchAid (DCA) is a non-missionary, non-discriminatory non-governmental organization with headquarters in Denmark. DCA is carrying out development and relief work in 20 countries and works almost always with local partner organizations. The local partners are implementing projects on the ground, whereas a DCA Regional Office is overseeing and supporting this implementation. The current project was developed together with the Malawian partner Church and Society. General information on DCA can be found at [www.dca.dk](http://www.dca.dk).

## **Practitioner Submission: “Youth: A Target to Reduce Urban Migration”**

**\*\*Samuel Stieneke, South Africa**

**Director Microfinance, National Youth Development Agency**  
[ssamuel@nyda.gov.za](mailto:ssamuel@nyda.gov.za)

### *Research Question:*

Can the youth be used as a catalyst to prevent urban migration and crime?

### *Idea:*

South Africa is faced with high crime and high unemployment rates especially amongst young people. The non availability of viable enterprises in the rural areas creates urban migration especially among the youth. This problem is intertwined with poverty. Rural South Africa has the potential to reduce crime if rural economies are stimulated, encouraging the youth to engage in the community and discouraging urban migration and unrest. We want to understand cases where rural finance has worked successfully and test tools in South Africa.