Using Microfinance Networks to Promote Client Assessment: Case Study of ASOMIF

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Introduction

This Progress Note presents a case study of the efforts made by the Nicaraguan microfinance network, ASOMIF, to develop the capacity of its member institutions to conduct client assessments. The purpose of the case study is to highlight the role microfinance networks can play in promoting client assessment and to identify important lessons learned from ASOMIF’s experience.

Background to ASOMIF’s Involvement in Client Assessment

The Nicaraguan Association of Microfinance Institutions (ASOMIF) was founded in 1999 to respond to the needs and coordinate the efforts of the growing microfinance sector in Nicaragua. Its 21 members consist of non-profit organizations and credit unions that provide over $100 million of financial and non-financial services to over 240,000 poor people. ASOMIF is a founding member of the Central American Network of Microfinance (REDCAMIF), an alliance of five country networks. During the project, its Executive Director also served as Executive Director of REDCAMIF.³ ASOMIF’s objective is to contribute to the strengthening and sustainability of the microfinance sector in Nicaragua. It pursues this objective through research, policy advocacy, collaborative projects with outside entities, and trainings and other events for member and non-member MFIs.

ASOMIF’s first foray into client assessment occurred when it co-sponsored a January 2001 regional conference on impact evaluation in Managua. Twenty-one participants from 15 Nicaraguan organizations were among the 50 participants and trainers at the regional conference. At the conference, two Nicaraguan MFIs with experience implementing the AIMS-SEEP tools reported on their experience.

IMP-ACT¹

Improving the Impact of Microfinance on Poverty

A Joint Publication of The Client Assessment Working Group and Imp-Act

¹ IMP-ACT is a three-year action-research program that aims to improve the quality of microfinance services and their impact on poverty through the development of impact assessment systems. IMP-ACT is funded by the Ford Foundation, and it is being jointly implemented by a team from three British universities: the Institute of Development Studies, the University of Bath and the University of Sheffield.
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³ For more information on ASOMIF, see www.asomif.org and on REDCAMIF, see www.redcamif.org
findings, and implications of the findings for changes in their institutions. ASOMIF followed up by co-sponsoring another conference, along with a university institute Nitlapan, on impact assessment in March 2001. Out of that session came the genesis of the proposal for a series of additional workshops on client assessment for ASOMIF members. The Client Assessment Working Group (CAWG) of SEEP was awarded funds from the Imp-Act Project to pursue action research on the client assessment process within microfinance institutions.

The CAWG and Imp-Act agreed that investigating the role of microfinance networks in the client assessment process was an important complement to the action research agenda. Therefore, they decided to help fund ASOMIF’s client assessment work so that the process could be documented. The Imp-Act grant to ASOMIF helped to leverage additional funds from ASOMIF, NOVIB, and HIVOS, and an in-kind contribution from IDEAS, which provided the training and most of the technical assistance to ASOMIF and its members during the process. With this funding and in-kind support, ASOMIF organized three four-day workshops to train members interested in implementing the SEEP-AIMS and MicroSave tools in Nicaragua. This workshop model resembled the one being used in Honduras by the REDMICROH Network. The three four-day workshops were held in August 2002, February 2003, and September–October 2003. Thirty-five organizations participated in the workshop series, including MFIs, universities, and consultants. Ninety-five percent of participants were mid- or senior-level MFI managers. Twelve MFIs participated in each of the workshops, although few individuals attended more than two of the workshops.

The ASOMIF Board of Directors played an active role in choosing which tools would be taught in the first two workshops. For the first workshop, they choose the AIMS-SEEP Client Satisfaction tool and the MicroSave Relative Preference Ranking tool. The Client Satisfaction tool uses focus group discussions to assess how satisfied current clients are with different aspects of the organization, while Relative Preference Ranking compares the same aspects to those of competitor MFIs. For the second workshop, the ASOMIF Board again chose two qualitative tools: the AIMS-SEEP Use of Loan, Profit, and Savings tool, which uses individual interviews, and a MicroSave Seasonality group interview tool, which uses the participatory rapid appraisal method. Finally, for the third workshop, the trainers selected two MicroSave qualitative tools, both using participatory rapid appraisal methods: the Life Cycle tool, which focuses on understanding clients’ financial needs at different times during their lives, and the Financial Landscape tool, which evaluates competitors and their product offerings, in addition to the availability of financial services and why people use them.

Methodology Used in ASOMIF Client Assessment Workshops

Each workshop followed a similar methodology, taking participants through the first four of the eight steps of the Feedback Loop. Trainers reviewed the tool with participants, participants practiced the tool in the classroom under simulated conditions, and then participants went to the field to implement the tool with clients from a participant MFI. After completing the field implementation, participants returned to the classroom to organize and analyze the information. On the final day of each workshop, participants wrote up the findings in PowerPoint format and presented them to the management of the MFI that had provided the clients.

The original plan developed by ASOMIF called for three-day workshops, a decision motivated by cost (monetary and opportunity) considerations. On thinking through what it wanted to accomplish, ASOMIF decided that additional time was needed meet its objectives for the workshops. In particular, it wanted to take participants through the first four steps of the Feedback Loop, which required time to interview clients, process and analyze the data, and report the findings and recommendations. Extending the workshops to four days elevated the cost of the workshop to participants, but was evaluated to have produced a more
than commensurate improvement in the quality of the training. The original plan also called for only about seven ASOMIF members to participate in an intensive training. To participate in the training, the Executive Director of the applicant institution would be required to submit a letter of commitment that the participant would implement each tool in the months immediately following the workshop. However, ASOMIF felt political pressure to open the workshops to its entire membership and even to non-members. Consequently, the decision was made to open up the training to all interested parties. Opening the training up had a number of important implications for training effectiveness:

• By increasing the number of participants, it diluted the intensity of technical assistance given to each participant.
• With a more heterogeneous group of participants, it proved difficult to focus the training on specific applications. Each organization insisted on selecting its own emphasis for tool implementation according to its situation and needs. This led to a diversity of applications.
• A policy requiring a written commitment to implement the tools after the training could not be enforced. Consequently, a number of participant organizations did not follow up the training by implementing the tools. The lower-than-hoped-for level of post-workshop follow-up concerned ASOMIF, as it recognized that the impact of the training would be lessened if the participant MFIs did not put into practice what they had learned in workshops. Senior staff at ASOMIF met repeatedly with IDEAS to evaluate which participants had implemented the tools. IDEAS conducted phone interviews, e-mail questionnaires, and focus group discussions during and after the workshops to determine how to increase the possibility that participants might implement what they had learned in the workshop. It was clear that motivation was not lacking. As a result of this follow-up research, IDEAS identified several factors that either encouraged or discouraged post-workshop follow-up.

Factors encouraging post-workshop follow-up included the following:

• MFI had a staff person dedicated at least part-time to research and product development.
• MFI had a staff person, motivated by professional growth, who attended the workshops and wanted to try out the tools.
• MFI had a social commitment to clients beyond the desire to expand the loan portfolio and reach financial sustainability.
• MFI was concerned about competition and was thus looking for specific ways to change.
• MFI had a burning issue that it needed to research and solve, such as client desertion.
• MFI management had a professional and personal curiosity about their clients’ needs and uses of their products.
• MFI saw the training expenditures as an investment rather than a cost.
• Some MFIs used undergraduate students to conduct some of the interviews, rather than relying solely on staff. (A graduation requirement for undergraduate students in Nicaragua is to perform some form of public service.)

Factors discouraging post-workshop follow-up included the following:

• Executive Director or senior staff was not committed to listening to clients or changing products.
• Executive Director was not completely aware of the assessment tools and their power to provide quick feedback. Some participants expressed frustration at not being given time to debrief or present findings to senior staff upon completion of the workshop.
• No budget line existed for impact assessment or market research. Thus even if management thought client assessment was a good idea, there were no funds to implement client assessment tools in the institution.
• MFI had problems completing the research design and implementation plan in detail even though the framework was completed during the workshop.
• MFI staff was overwhelmed by sampling issues. The need for technical assistance in sampling methodology and data analysis is an ongoing constraint of MFIs.
• Insufficient staff was dedicated to client assessment. Staff at some participant MFIs was so busy with regular work that they were unable to find time to organize and supervise the follow-up research, much less implement the tools.
• MFI sent different staff to each of the trainings, such that none had sufficient knowledge of all the tools and implementation techniques. The MFI treated
participation in the workshop as a rewarding break from regular duties rather than as an opportunity to learn and implement useful client assessment tools.

- Some of the market research tools (such as the seasonality tool) required focusing on one sector of the portfolio at a time, requiring larger sample sizes for MFIs reaching multiple economic sectors, thus raising costs in time and money.

Ways in Which ASOMIF Members Have Benefited From Implementation of Client Assessment Tools

Based on the results of the follow-up research by IDEAS, ASOMIF senior staff organized a special half-day workshop with the Executive Directors of ASOMIF members to discuss post-workshop tool implementation. To motivate additional Executive Directors to use the tools, the Executive Directors of MFIs that had implemented the tools gave short presentation on many changes their organizations had made as a result of implementing the tools.

Tool implementation helped at least two participant MFIs (ADIM and ASODENIC) to document that field staff were not following proper administrative procedures, and that their actions were having a very detrimental effect on the program. Consequently, the MFI implemented more rigorous orientation procedures and tightened up supervision of field staff.

Other common interventions adopted by several institutions (Leon 2000, ASODENIC, ADIM and Pro Mujer) were training programs directed at clients so as to cut down on business failure rates. The types of training implemented included business and financial planning, credit issues, assertiveness training for women, and support for women in resisting domestic violence.

The findings of ADIM in this last area are worth noting separately. ADIM found that women with higher education tended to make better use of their loans. This confirmed ADIM’s hypothesis that the key is training, not credit alone, for women to be successful in their business endeavors. On the basis of this findings, ADIM developed a 56-hour course in business development including themes specific to women's empowerment and human development.

Changes made by selected institutions are summarized in Table 1.

Table 1: Induced Changes From Implementing Client Assessment Tools in Selected ASOMIF Members

<table>
<thead>
<tr>
<th>Change Description</th>
<th>Prestaníc</th>
<th>Leon</th>
<th>ADIM</th>
<th>ASODENIC</th>
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<tr>
<td>Introduced training, supervision, or incentive systems for field staff</td>
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<td>Opened new branches and/or improved existing branch premises</td>
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<td>Simplified approval procedures to reduce time lags and paperwork</td>
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<td>Collected more useful information from clients and used it methodically</td>
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<td>Introduced savings products or scheme linked to loan payments</td>
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<td>Introduction of longer-term loans specifically for agriculture</td>
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<td>Diversified into solidarity groups and individual loans (from VBs)</td>
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<td>Introduced training and technical assistance services for clients</td>
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<td>Raised loan ceilings for new and/or existing clients</td>
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<td>Implemented additional client assessment tools, including:</td>
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<td>Life Cycle and Seasonality surveys</td>
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<td>Exit surveys</td>
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<td>Client satisfaction focus groups</td>
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<td>Impact survey</td>
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<td>Client status monitoring (routine)</td>
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</table>
Participant MFIs tended to report relatively low costs to implement the client assessment tools. ADIM, for example, estimated costs at $2,300, and ACODEP estimated the costs for implementing the client satisfaction and exit survey tool at $4,000. These cost estimates, however, do not include the staff time involved in data analysis.

Other Lessons Learned

In addition to lessons learned already described in the Progress Note, several other lessons learned may be taken from ASOMIF’s experience.

• In conducting network-wide trainings, it has proven more effective to focus training on only one or two tools at a time. This allows more intensive and in-depth instruction and practice in the tool.
• There is a distinct tradeoff between time and training effectiveness. While cost considerations are always important, careful thought needs to be given to the time necessary for participants to acquire a reasonable mastery of the tool and techniques. Quick trainings can be useful, but are far less effective than intensive trainings in engendering meaningful follow-up and long-term change by participant institutions.
• Training effectiveness increases significantly if the same people, including one from management, from participant institutions attend the various workshops. This creates a cadre of trained staff who can more effectively and strategically guide the client assessment work in the institution.
• Training effectiveness also increases if two or more representatives from each MFI participate in the training. This gives additional voice to management advocating implementation of client assessment tools. Plus, it increases the chances that knowledge remains in the institution if one of the training participants leaves the MFI (a not-uncommon occurrence).
• Training participants tend to have greater difficulties mastering research tools, particularly sampling methodologies and data analysis. The need for capacity building in these areas is ongoing. In response to the demand for ongoing training in these areas, for example, ASOMIF offered a parallel workshop on data processing and analysis in conjunction with its August 2002 training workshop.
• All of the organizations that implement the client assessment tools acknowledge the quantity and utility of useful information readily available from the clients using these techniques.
• Many MFI managers hold negative stereotypes of client assessment, equating it with “academic”-type research that is perceived to have little practical value. On hearing the many ways in which participant MFIs had used the client assessment information to make changes in products and policies, a number Executive Directors attending ASOMIF’s half-day workshop expressed surprise that the tools could produce such useful information.
• Fewer MFIs will implement quantitative tools on their own than they will qualitative tools, due to the fewer numbers of interviews required and less rigorous methods of data analysis involved with qualitative tools. Nonetheless, MFIs that implement both types of tools tend to find the results very useful.
• Although the rationale for opening training to all interested network members is understandable (e.g., the desire to be inclusive and participatory), it is counterproductive. Training organizations in client assessment tools that have no commitment to implementing the tools is a poor use of donor and organizational money and of the trainers’ time. Potential participants need to be carefully screened to identify those with a real commitment and organizational ability to do meaningful field implementation. Experience suggests that those MFIs with weak commitment to follow-up are more likely to commit after seeing demonstrations of the tools’ usefulness through network channels by institutions committed to follow-up implementations.
• Training is more effective if participants learn the same tools and apply them in similar ways. Again, the rationale for allowing participant MFIs to choose the tools and applications is understandable (e.g., the desire to make the training as participatory and meaningful as possible for participants), but doing so dilutes the effectiveness of doing it as a Network.
• Overall, it is better to conduct a more effective training with fewer institutions over a longer period than a less effective training with more institutions over a shorter period. The former will tend to have a greater long-term demonstration effect than the lat-
ter. ASOMIF’s implementation of training workshops loosely followed the process used by the REDMICROH microfinance network in Honduras, which also used IDEAS as lead trainers. There were differences between the two, however, that had important implications for training outcomes.

1. REDMICROH dedicated single staff time to help in the facilitation of the content of the workshops whereas ASOMIF did not have those staff resources.

2. REDMICROH offered technical assistance to members to do tool implementation. ASOMIF could not. Nor did ASOMIF have funds to outsource post-workshop technical assistance. This was largely due to ASOMIF having significantly fewer donated resources to dedicate to the project than REDMICROH had. (ASOMIF is now contemplating offering post-workshop technical assistance for new funding it is seeking, based on feedback from organizations that participated in the training workshops.)

3. REDMICROH insisted that participant MFIs commit to network-coordinated tool implementation, whereas ASOMIF could not enforce such a commitment (for reasons explained above).

4. REDMICROH closed the training to about half of the 21 network members, while ASOMIF opened the training up to all network and non-network members.

5. REDMICROH organized the participants following each workshop to implement a common tool, while ASOMIF allowed participant MFIs to decide when and which tools they would apply.

6. REDMICROH was animated in the process by one member organization that had implemented the tools, which served as an advocate and part-time trainer in the workshop series. At ASOMIF, there were vocal supporters and some organizations that were farther advanced, but no organization was paid to play a mentor role for others.

7. REDMICROH staff offered to do basic data analysis for participant MFIs that lacked staff capacity. It also prepared a summary standardized report of all participating MFIs. ASOMIF left it up to the participant MFIs to do all data analysis.

As a cumulative result of the above differences in approaches, REDMICROH was able to build a core competency in a fewer number of participants and organizations, but it achieved more uniformity of experience and a common reporting, and it facilitated larger numbers of tool implementations. In the latter case, greater uniformity of reporting and accompanying peer pressure to use the same tools together had the result of getting a participant from each MFI to apply each tool at least once. In contrast, ASOMIF reached more participants with a much greater variety of tools. Its post-workshop implementation was driven more by the needs of individual MFIs than by the network, so that there was greater heterogeneity in uses of tools.

Comparison of REDMICROH’s and ASOMIF’s experience is not intended to diminish the significant work achieved by either network and its members. But the comparison is useful in showing how different goals and processes by a country network lead to differing results.

**Conclusion**

The experience of ASOMIF demonstrates clearly that microfinance networks can and do play an important role in disseminating knowledge and practice of client assessment. Networks are poised to play the key role in this process, as they have proven to be effective and efficient conduits for knowledge transfer and capacity building. Networks possess innate comparative advantages in playing this role. Since they have access to multiple institutions within specific geographical regions, they can draw on multiple and varied resources from both inside and outside the network, and they have established communication channels for relative quick and effective information dissemination among network members. Plus, they already enjoy credibility among network members, which gives them leverage to implement initiatives that would be much harder to implement if attempted by an outside entity.

The ASOMIF case study demonstrates the process through which networks can play this role and the outcomes it is capable of achieving. It also points to specific lessons learned that will help it and other networks play this role more effectively in the future.

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6 It was called COVELO Network during the Imp-Act Programme but now is called REDMICROH.
Progress Notes

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