Vol 2 Issue 11 Aug 2013 ISSN No : 2249-894X

Monthly Multidisciplinary Research Journal

Review Of Research Journal

Chief Editors

Ashok Yakkaldevi
A R Burla College, India

Flávio de São Pedro Filho
Federal University of Rondonia, Brazil

Ecaterina Patrascu
Spiru Haret University, Bucharest

Kamani Perera
Regional Centre For Strategic Studies, Sri Lanka

Welcome to Review Of Research

RNI MAHMUL/2011/38595 **ISSN No.2249-894X**

Review Of Research Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial Board readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

Advisory Board

Flávio de São Pedro Filho
Federal University of Rondonia, Brazil

Kamani Perera
Regional Centre For Strategic Studies, Sri Lanka

Ecaterina Patrascu
Spiru Haret University, Bucharest

Fabricio Moraes de AlmeidaFederal
University of Rondonia, Brazil

Catalina Neculai
University of Coventry, UK

Anna Maria Constantinovici
AL. I. Cuza University, Romania

Romona Mihaila
Spiru Haret University, Romania

Horia Patrascu
Spiru Haret University, Bucharest, Romania

Delia Serbescu
Spiru Haret University, Bucharest, Romania

Xiaohua Yang
University of San Francisco, San Francisco

Karina Xavier
Massachusetts Institute of Technology (MIT), USA

May Hongmei Gao
Kennesaw State University, USA

Marc Fetscherin
Rollins College, USA

Liu Chen
Beijing Foreign Studies University, China

Mabel Miao
Center for China and Globalization, China

Ruth Wolf
University Walla, Israel

Jie Hao
University of Sydney, Australia

Pei-Shan Kao Andrea
University of Essex, United Kingdom

Osmar Siena
Brazil

Loredana Bosca
Spiru Haret University, Romania

Ilie Pintea
Spiru Haret University, Romania

Mahdi Moharrampour
Islamic Azad University buinzahra Branch, Qazvin, Iran

Titus Pop
PhD, Partium Christian University, Oradea,
Romania

J. K. VIJAYAKUMAR
King Abdullah University of Science & Technology,Saudi Arabia.

George - Calin SERITAN
Postdoctoral Researcher
Faculty of Philosophy and Socio-Political Sciences
Al. I. Cuza University, Iasi

REZA KAFIPOUR
Shiraz University of Medical Sciences
Shiraz, Iran

Rajendra Shendge
Director, B.C.U.D. Solapur University, Solapur

Nimita Khanna
Director, Isara Institute of Management, New Delhi

Salve R. N.
Department of Sociology, Shivaji University, Kolhapur

P. Malyadri
Government Degree College, Tandur, A.P.

S. D. Sindkhedkar
PSGVP Mandal's Arts, Science and Commerce College, Shahada [M.S.]

Anurag Misra
DBS College, Kanpur

C. D. Balaji
Panimalar Engineering College, Chennai

Bhavana vivek patole
PhD, Elphinstone college mumbai-32

Awadhesh Kumar Shirotriya
Secretary, Play India Play (Trust),Meerut (U.P.)

Govind P. Shinde
Bharati Vidyapeeth School of Distance Education Center, Navi Mumbai

Sonal Singh
Vikram University, Ujjain

Jayashree Patil-Dake
MBA Department of Badruka College Commerce and Arts Post Graduate Centre (BCCAPGC),Kachiguda, Hyderabad

Maj. Dr. S. Bakhtiar Choudhary
Director,Hyderabad AP India.

AR. SARAVANAKUMARALAGAPPA
UNIVERSITY, KARAIKUDI,TN

V.MAHALAKSHMI
Dean, Panimalar Engineering College

S.KANNAN
Ph.D , Annamalai University

Kanwar Dinesh Singh
Dept.English, Government Postgraduate College , solan

More.........

Address:-Ashok Yakkaldevi 258/34, Raviwar Peth, Solapur - 413 005 Maharashtra, India
Cell : 9595 359 435, Ph No: 02172372010 Email: ayisrj@yahoo.in Website: www.isrj.net

Review Of Research
Vol. 2, Issue. 11, Aug. 2013
ISSN:-2249-894X
Available online at www.reviewofresearch.net

ORIGINAL ARTICLE

ASSESSING AND IMPROVING THE IMPACT OF MICROCREDIT: ISSUES, CHALLENGES & FUTURE DIRECTIONS

SOUMITRO CHAKRAVARTY AND AMAR NATH JHA

Faculty Member, Department of Management, Birla Institute of Technology, Lalpur Campus, Ranchi
Professor & Centre Director, Birla Institute of Technology, Lalpur Campus, Ranchi

Abstract:

The issue of impact assessment continues to challenge microcredit practitioners. Some opine that existing impact assessment studies are superfluous, while others maintain they are critically important. The present paper strongly recommends renewed focus on the transformation of clients and their communities, as well as needs for new impact assessment models to support and document this focus. It aims to outline the key principles for conducting impact audits that include measurement of transformation among clients. Further, it also outlines future challenges for practitioners, donors, and academics in improving performance through impact assessment.

KEYWORDS:

Microcredit, Impact Measurement, audit, poverty alleviation, transformation.

INTRODUCTION:

Microcredit is the extension of small loans and other financial services (such as savings accounts) to the very poor. This allows them to pursue entrepreneurial projects that generate extra income, thus helping them to better provide for themselves and their families. In many developing countries, the self-employed comprise more than 50 percent of the labor force. Access to small amounts of credit at reasonable interest rates - instead of the exorbitant ones often charged by traditional moneylenders - allows poor people to move from initial, perhaps tiny, income-generating activities to small microenterprises. In most cases, microcredit programs offer a combination of services and resources to their clients including savings facilities, training, networking, and peer support.

In this way, microcredit allows families to work to end their own poverty - with dignity. Microcredit programs around the world, using a variety of models, have shown that poor people achieve strong repayment records - often higher than those of conventional borrowers. Repayment rates are high because, through a system of peer support and pressure used in many microcredit models, borrowers are responsible for each other's success and ensure that every member of their group is able to pay back her loans.

MEASURING IMPACT: MIXED OPINIONS OF PRACTITIONERS & THINKERS

At a first glance, the case for measuring the impact of microcredit seems obvious. If the objective is to alleviate poverty, especially when we use scarce public funds to do so, surely we need to find some way to determine whether we are achieving our objective or not. This is so because all said and done credit after-all is a two-edged tool. To a borrower, credit means debt, and debt can destroy as easily as it can build. If we seek to help people lift themselves out of poverty, we will want to know that they were poor when they started borrowing and that they were less poor as a result of borrowing. We don't want to see them stuck, cycle after cycle, earning low returns. Just knowing that we increased the debt of 100 million people will not tell us that we accomplished what we set out to do, even if we delivered that debt in a financially viable manner. Yet the case is not so clear-cut, and some of the leading thinkers in the microcredit field have challenged the usefulness of expenditures on impact measurement.

MEASURING IMPACT: TILL-DATE APPROACHES IN A NUT-SHELL

A literature review of the various impact studies conducted has led to certain observations which are being shared below. Most of the studies shared one or more of the following common weaknesses:

1. They often rely on participant memory to produce baseline data, rather than collecting information when a client enters a program.
2. They provide information for only one point in time, and cannot tell whether impact is increasing or decreasing over time.
3. They rely on too short a time period to allow impacts to manifest themselves.
4. They don't compare the changes in clients and nonclients.
5. They require specially skilled people to carry out the research or interpret its results.
6. Their data and procedures are so specific to one institution that they cannot be used by other institutions.

Despite the above mentioned limitations it should be noted that we do have some use for these studies. We quote liberally from them (as long as they are in our favor) when we apply for funding. However, we rarely use them when we are doing our planning. Therefore, the need of the hour is a new paradigm for impact measurement.

A Different Paradigm: The Impact Audit

David Hulme (1997) talks about a continuum of objectives for impact assessment ranging from proving impacts for the purposes of measuring the results of an investment to improving the practice of a microcredit institution. Impact measurement tools that focus on improving, rather than proving, may incorporate some of the tools already in use, but will use them differently. Impact measurement tools that get used by management on a regular basis will take a different focus:

1. They will be incorporated into the regular routine of data collection in an organization.
2. Staff members will collect and analyze the data.
3. The data collected and analyzed will remain consistent over time and location, allowing for trend analysis and comparisons of different geographic areas.
4. They will include a point of comparison with people in the same community who do not receive loans.
5. The results will be reviewed on a regular (at least annual) basis and become a key part of the planning process.
6. The analysis will seek to provide input to the question "How can we improve the positive impact and promote transformation?" rather than the question "Was there any impact?"
7. Outside experts, ideally local ones will be brought in to verify the accuracy of the data, make recommendations for improvements in the collection process, and help in developing control group comparisons.

This type of ongoing impact monitoring suggests a different paradigm, an impact audit as an internal tool of management. It most resembles the process of a financial audit, which involves all of the steps listed above. In a financial audit, staff members collect financial data on a regular and consistent basis. They use this data to generate trend analysis and center profit comparisons. This information gets incorporated into the regular planning process, helping the organization improve its profitability. On an annual basis the organization calls in outside experts (auditors) to verify the data and suggest ways to improve the accounting and management procedures. When an entire industry holds the same impact assessment standards, organizations are able to compare their performance with similar organizations.

Impact tools: The managerial perspective

As managers, we want to use impact data to make critical strategic decisions. We want to know such things as which client sectors to work with, which of our lending products are working, what barriers our clients are facing, why repayment rates have dropped, why people are leaving our programs, which clients are receiving more benefits and which ones are receiving less, and how best to expand our programs. To that end, we want tools that

provide analysis of trends over time,
provide results that can be compared with previous impact data,
can be implemented by existing staff with a clearly defined role
for outside experts,
become part of the regular information system of an institution,

cost no more than what it costs to track and audit financial information.

Impact measurement tools: putting it all together

A good program of impact measurement and monitoring will not rely solely on one tool, just as business managers use a set of measures to help them assess current financial performance and predict future growth. While business people often refer to “the bottom line” as the final measure of their performance, there are, in fact, many measures that businesses use to assess their performance. These include earnings per share, market share, internal rate of return, net present value, and the most recent business measurement tool, economic value added. Businesses add to these numerical tools a wide range of subjective measures to assess customer satisfaction and behavior, including surveys and focus groups.

Impact Measurement – the road ahead : Future challenges & directions

For impact measurement to become as common and expected as a financial audit, all of us in the microcredit community will need to take it much more seriously.

1.Practitioners will need to reclaim impact measurement as an essential tool of management. We will need to take the initiative in discovering, developing, testing, and refining tools that tell us whether we are achieving our objective. We can no longer wait on donors or professors to do our impact analysis for us.
2.Donors will need to apply funds and expertise to this area. They should work with practitioners to develop replicable tools that can be used to analyze and improve the performance of microcredit institutions in transforming the lives of their clients, and they should reward institutions that implement the tools.
3.Consultants--especially local consultants--will need to develop expertise in applying these tools and auditing their use so that practitioners can come up with standardized tools that produce consistent and reliable data useful for practitioners.
4.Academics will need to work with practitioners to find ways that the tools they have already developed can be adapted to fit into an ongoing monitoring system. They can also help analyze the data that comes in from institutions employing different lending methodologies in different parts of the world.
5.Clients should become not just objects of study, but users of the data generated. Clients should be able to see the impact of their participation on their own lives, compare it with the impact on others, and make suggestions for how the microcredit institution can improve its ability to assist in the process of clients' transformation.

In conclusion it can be asserted with a reasonable degree of confidence that working together, we may all be able to shine some light on this field of impact measurement and find ways not only to measure impact, but also to improve our ability to transform the lives of the clients we serve with microcredit.

REFERENCES

AIMS. (1999). http://www.mip.org.
Cohen, M. (1988). Impact assessment: The evolving agenda. Washington, DC:USAID Brief.
Fetterman, D. M., Kaftarian, S. J., & Wandersman, A., (Eds.). (1996). Empowerment evaluation. Knowledge and tools for self-assessment and accountability. Thousand Oaks, CA: Sage Publications.
Finsterbusch, K., Llewellyn, L., & Wolf, C.P. (1983). Social impact assessment methods. Beverly Hills, CA: Sage Publications.
Finsterbusch, K., & Wolf, C.P. (1981). Methodology of social impact assessment (2nd ed.). Stroudsburg, PA: Hutchinson Ross Publishing Co.
Gosling, L. & Edwards, M. (1995). Toolkits: A practical guide to assessment, monitoring, review and

evaluation. Development Manual 5. London, UK: Save the Children.
Hulme, D. (1997). Impact assessment methodologies for microfinance: A review Paper prepared in conjunction with the AIMS Project for the Virtual Meeting of the CGAP Working Group on Impact Assessment Methodologies.
Kaplan, R. S., & Norton, D. (1992). The balanced scorecard: Measures that drive performance. Harvard Business Review, 70, (1), 71-79.
MandE News. (1999). http://www.mande.co.uk/news.htm.
Mohr, L. B. (1995). Impact analysis forprogram evaluation 2. (2nd ed.). Thousand Oaks, CA: Sage Publications.
Narayan, D. (1996). Toward participatory research. (World Bank Technical Paper Number 307). Washington, DC: The World Bank.
National Institute for Social Science Information (NISSI). (1999). http://www.nissi.org.
Nigam, A. (1998). Impact assessment of microcredit programmer: A methodological note and questionnaire. New York, NY: UNICEF.

Publish Research Article
International Level Multidisciplinary Research Journal For All Subjects

Dear Sir/Mam,

We invite unpublished research paper.Summary of Research Project,Theses,Books and Books Review of publication,you will be pleased to know that our journals are

Associated and Indexed,India

- International Scientific Journal Consortium Scientific
- OPEN J-GATE

Associated and Indexed,USA

- DOAJ
- EBSCO
- Crossref DOI
- Index Copernicus
- Publication Index
- Academic Journal Database
- Contemporary Research Index
- Academic Paper Databse
- Digital Journals Database
- Current Index to Scholarly Journals
- Elite Scientific Journal Archive
- Directory Of Academic Resources
- Scholar Journal Index
- Recent Science Index
- Scientific Resources Database

Review Of Research Journal
258/34 Raviwar Peth Solapur-413005,Maharashtra
Contact-9595359435
E-Mail-ayisrj@yahoo.in/ayisrj2011@gmail.com
Website : www.isrj.net