



Outcomes Working Group
Brief on Session 14: FINCA Experience with Outcomes Management
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FINCA is a non-profit organization with a network of subsidiary microfinance providers operating in various countries in Latin America, Africa, Eastern Europe, and Asia. Its mission is that financial services reach those who can most benefit from them, especially low-income entrepreneurs, helping them to create jobs, build assets, and improve their standard of living.

FINCA's approach to outcomes management

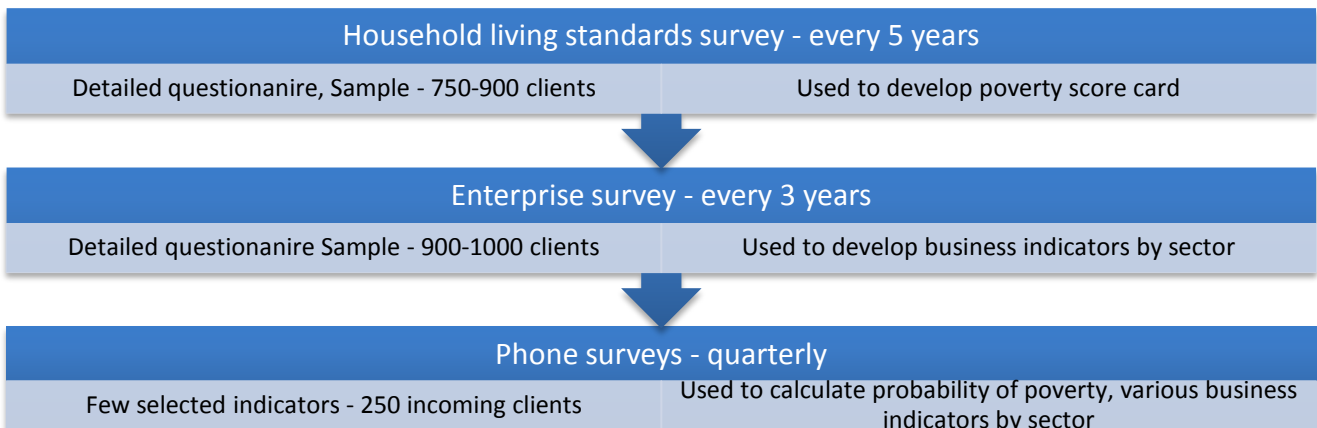
*Social performance requires a factual accounting for the results that we produce
 We may be earnestly pursuing our mission, but what matters is whether we are actually achieving it*

The research team in FINCA is small with a limited budget, so FINCA has had to develop affordable and efficient ways to collect and use client data to measure progress toward achieving its mission. The aim is to generate evidence that can be used in decision-making, so data has to be both credible and relevant. The starting point was to translate FINCA's mission for its subsidiaries into measurable indicators, and then develop the tools to monitor those indicators on an ongoing basis.

FINCA includes outcomes data in its quarterly MFI mission monitoring dashboard, which includes targets and achievements for depth of outreach (including female managed enterprises) as well as predicted outcomes on key business indicators. Note: actual change data is not collected each quarter – there is no baseline-endline comparison, but a predictive model based on a small number of selected indicators and enterprise segmentation, as described below.

Innovative tools

FINCA has developed a combination of tools as outlined in the graphic below.



The periodic surveys employ extensive questionnaires, each taking 40-60 minutes, with a representative sample of clients. The household survey is analysed (based on correlation between

household indicators and household income) to generate a poverty index (like the PPI¹). The enterprise survey, with a larger sample to allow for more disaggregation of findings, is analysed to correlate employment, wages, and goal setting findings to particular enterprise sectors. The time reference is just the period of one loan (4-12 months). The correlations are expected to hold for a period of 3 years for the enterprise indicators, and 5 years for the poverty indicators. The 3-yearly analysis of enterprise sectors is also directly useful for operations, in understanding the target markets for enterprise loans.

Based on the statistical analysis of the survey findings, a small number of indicators are selected to be covered through a quick phone interview with a representative sample of new clients, to derive poverty outreach, and the probability of employment etc depending on the business sector profile. The phone interviews are quick (1-2 minutes) and light touch: a sample of 250 incoming clients can be interviewed by a call centre within one week.

Each MFI organizes the field data collection, supported by FINCA HQ for questionnaire design and digitization, sample design, quality checks, and data analysis.

Emphasis on quality of data – using tablets and software checks during field work

There is no point putting in effort to collect data that no-one believes, or is just nice marketing information which nobody is willing to act on

FINCA emphasizes the importance of quality and the use of technology to ensure data quality. The quality pitfalls are familiar to anyone involved in data collection, and include both enumerator and respondent errors. Such errors, combined with traditional approaches to check for outliers and discard them after the survey is completed, can result in waste/loss of data, and unreliable findings.

Common errors in data collection

- Misunderstanding the question
- Rushing through the question or the section
- Confusing the units of measure or time period in question
- Falsified responses
- Entering wrong data

It takes very thoughtful, systematic, and sustained effort to ensure the accuracy of data. FINCA takes a rigorous approach to ensuring data quality, as follows:

- Enumerators use tablets to collect data. No data are recorded by pen and paper.
- The survey software checks and constrains the types of answers that may be entered.

¹ The poverty indexes for FINCA clients are created for each country. They are specific to the client base, and more up to date than the PPI which depends on available national data. Each country has a unique scorecard because context (e.g., what foods are consumed) varies considerably among countries. Note – FINCA is willing to share its country scorecards. For more information, please contact Scott.Graham@finca.org

- There is real-time checking of data patterns, each day of the survey. For this, FINCA has created a software (*ValiData*) that applies a set of statistical data quality filters to check for anomalies in responses between enumerators, or between questions (e.g., survey says family has only two people but they consume 10 cups of rice per day; or, one enumerator reports that every one of his/her respondents did not have any loan except for from FINCA). ValiData does this analysis, generates a report, and this is sent to the survey manager typically the day following data collection. This allows data cleaning to be integrated into the field work: the reports reach the survey managers whilst field work is ongoing, so that they can follow up on the spot with enumerators to investigate unusual data points and fix any errors. (They can find out, for example, that an enumerator was answering "no" to the question of whether the client had an outstanding loan at a different financial service provider because this enumerator did not want to spend time asking all the follow up questions that the survey required if the answer to that questions was "yes" – quite a common issue!)

This approach has improved data accuracy both because it enables survey managers to provide a high level of supervision to the work of the field enumerators, and because enumerators, when they know they are being supervised, become more vigilant about data accuracy. With real time consistency checks, it becomes unnecessary simply to delete outliers, which may actually convey real, unusual, and interesting results.

Predicting employment – based on enterprise sector characteristics

Contribution to employment is a key outcome indicator for FINCA. The probability of change in employment is derived from the enterprise survey – through a statistical model of correlation between enterprise profile indicators, and changes reported by the client since taking a loan from FINCA.

Enterprise profile ("control attributes")	Changes since taking FINCA loan, as reported by the client
<ul style="list-style-type: none"> ➤ Sector ➤ Income, expenses, profit ➤ Age ➤ Growth expectations ➤ Formality ➤ Current employment (full/part-time, paid/unpaid, permanent/seasonal, registered/unregistered) ➤ Wages paid (and whether above the minimum wage) 	<ul style="list-style-type: none"> ○ Number of new employees, including owner, since taking the FINCA loan ○ Whether the FINCA loan helped to start a business, expand a business, or hire an employee ○ Number of current employees, including the owner, who were employed as a result of the FINCA loan.

The broad sector of the business - trade, services, agriculture, livestock, manufacturing - is a key profile indicator, since the scope for employment varies significantly by sector. Based on sector of activity and other characteristics, FINCA predicts what each enterprise's employment generation and wage paying capacities are.

Quarterly tracking – *not measuring change but predictive*

This unique method enables quarterly tracking, shared with the board, that covers outreach indicators, business profile indicators, and predictions of employment, all of which are estimated probabilities of change based on sectoral characteristics identified through the periodic surveys. The report includes average employment per enterprise by sector, what percentage of FINCA's clients work in that sector, and on average by sector what percent of employment in a firm is attributable to the FINCA loan.

This methodology allows FINCA to provide regular predictions of employment resulting from a FINCA loan, assess without the cost and time commitment required of panel data collection (i.e., baseline plus follow-up). The average ratios by sector are assumed to remain valid for 3 years, but what changes over time is the distribution of FINCA's clients among the sectors.

Ways that FINCA uses outcomes data

- When we launch new products, let's redouble our efforts to reach out to clients in crops since we know that is a sector where our loans make the biggest difference in employment.
- Evaluate how our existing strategies are affecting our mission performance and adjust accordingly.
- Asking clients their goals helps us understand what it is that will speak to clients. This guides product development and marketing (for example looking not only at business development, but also house improvement).

Key lessons

- Measure data accurately. Put in the time and energy to do this right.
- Think of PPI as an approach, not a tool. The PPI tool relates to poverty, but you can use the same approach used to create the PPI on other datasets, and to identify predictive variables in other outcome areas. With proper data, a scorecard approach can be applied to other areas of client activity, both in the household and the enterprise, including employment generation.
- There are other ways to track outcomes. Panel data (tracking baseline and follow up) is the standard approach to track change over time. With effective controls and cross-validation of data points, it is possible to capture some measures of outcomes at the client level without a panel study approach
- Use technology. Technology bears some initial costs, but is an important asset to leverage in order to install good data controls and make the most of limited resources.

*The working group is open to all stakeholders:
practitioners, networks, TA providers, investors, researchers, subject matter specialists – academics
Contact us to share your experience and views: info@sptf.info*