Impact Assessment of Microfinance Interventions in Ghana and South Africa

A Synthesis of Major Impacts and Lessons

by Sam Afrane

Abstract: Delivery of microcredit to operators of small and micro enterprises (SMEs) in developing countries is increasingly being viewed as a strategic means of assisting the so-called "working poor" (ILO, 1973). Over the past decade, a considerable amount of multi- and bilateral aid has been channeled into microfinance programs in the Third World with varying degrees of success. Like all development interventions, donors, governments, and other interested parties demand evaluations and impact assessment studies to ascertain the achievements and failures of these programs. This paper reviews two such studies conducted in Ghana and South Africa that focused mainly on impact results. The outcomes of the two case studies have established that microfinance interventions have achieved significant improvements in terms of increased business incomes, improved access to life-enhancing facilities, and empowerment of people, particularly women.

Introduction

Over the past two decades, various development approaches have been devised by policymakers, international development agencies, nongovernmental organizations, and others aimed at poverty reduction in developing countries. One of these strategies, which has become increasingly popular since the early

1990s, involves microfinance schemes, which provide financial services in the form of savings and credit opportunities to the working poor (Johnson & Rogaly, 1997). Small and micro-enterprises (SMEs) are the backbone of many economies in Sub-Saharan Africa (SSA) and hold the key to possible revival of economic growth and the elimination of poverty on a sustainable basis. Despite the substantial role of the SMEs in SSA's economies, they are denied official support, particularly credit, from institutionalized financial service organizations that provide funds to businesses.

Microfinance Institutions (MFIs) have become increasingly involved in providing financial services to SMEs focused on poverty reduction and the economic survival of the poorest of the poor. There is continuing and quite rapid improvement in understanding how financial services for the poor can best be provided. As part of this learning process, microfinance practitioners, donors, and governments have been interested in knowing to what extent these credit interventions impact the beneficiaries. Consequently, a number of impact assessment studies on the performance of microfinance projects have been undertaken in recent years, with varying and revealing results.

Although there are various aspects of impact assessment studies, this paper focuses primarily on the impact results and emerging trends of microfinance projects conducted by the author in Ghana and South Africa in 1997 and 1998, respectively. The first section explores conceptual and methodological issues of impact assessment in order to provide a theoretical framework for the paper. The second section examines the methodologies used in both studies, while the third section analyzes the impact results of the two microfinance interventions in Africa, focusing on the measurement indicators and the extent of transformation in the lives and businesses of the project beneficiaries. Within the framework of the analyses,

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the differing levels of impact in both projects are compared. The fourth section ties together the key findings and conclusions of the studies.

Review of the Concept and Techniques of Impact Assessment

Concept

Impact assessment is a management mechanism aimed at measuring the effects of projects on the intended beneficiaries. The rationale is to ascertain whether the resources invested produce the expected level of output and benefits as well as contribute to the mission of the organization that makes the investments. Indeed, for microfinance institutions (MFIs), impact assessment is important in enabling them to remain true to their mission of "working with poor people in their struggle against hunger, disease, exploitation and poverty" (Johnson & Rogaly, 1997). Until quite recently, impact assessment as a management process has been mainly associated with and driven by donor agencies. It is increasingly acknowledged, however, that donor interventions have higher potential of sustainability and growth if these processes are developed and managed with greater involvement of the target group. The traditional approach to impact assessment comprises reviews and examinations of effects by "neutral" outsiders who are more likely to give unbiased and uninfluenced assessment. This method is criticized as being monolithic in form and basically extractive in process, and it fails to identify and respond to changing needs and impacts of projects. In a positivist view, this approach is supposed to be scientific, based on standardized means of quantifying outcomes, reliability, and validity of data.

Techniques for Impact Assessment

Debates over the techniques used for impact assessment have centered on the application of quantitative or qualitative methods. Conventional approaches often give an unbalanced focus on quantitative and measurable indicators, to the neglect of social and psychological issues that tend to be qualitative in nature. Recent methodological research papers have revealed that there are limitations to a purely quantitative approach as well as to a purely qualitative approach in social science research, be it impact evaluation, poverty assessment, and so forth (Howe & Eisenhart, 1989; Glewwe, 1990; Dudwick, 1995). Each approach has an appropriate time and place, but in most cases, both are required to address different aspects of a problem and to answer questions that other approaches cannot answer well or cannot answer at all (Car Valho & White, 1997). One significant innovation in impact assessment studies of late is the injection of participatory approach into the broad methodology. The participatory approach is a tool for learning from experience. Its appeal lies in the fact that it is action oriented and provides the framework for the stakeholders to be intensively involved in data collection and analysis with the process as facilitated by the researcher or resource person (Howe & Eisenhart, 1989). For example, focus group discussions, often used in Participatory Rural Appraisal (PRA) research, provide not only an effective means of collecting high-quality qualitative data but also serve as a way to cross-check or validate information from other sources (i.e., triangulation). In short, the participatory approach complements conventional methods of data collection in impact assessment studies. The application of these methods in impact assessment studies is illustrated in the case studies presented in this paper.

Difficulties of Assessing Impact

The measurement of the impacts of microfinance projects is obviously fraught with a number of methodological problems. One such problem is the difficulty of estimating the counterfactual situation in order to compare with factual conditions of the target group. It is encouraging to note, however, that in recent years some progress has been made in developing methodologies that address this problem. In fact, impact assessment methodologies are being improved through the application of methods like "with" and "without" approach and preproject baseline studies. The methods help not only in assessing the counter factual situation but also in reducing errors associated with memory difficulties of respondents (Moser & Kalton, 1971).

Another problem is the difficulty of attributing any change that is found in the circumstances of the beneficiaries specifically to the credit intervention. Normally, microfinance interventions take place alongside a whole array of social and economic projects, all aimed at promoting development. Consequently, other events and changes occur while the intervention is taking place, and this may make it virtually impossible to separate out the specific impact of credit programs (Johnson & Rogaly, 1997). Here, too, the use of "control and experiments groups" allows, at least to a limited extent, the isolation and capture of project benefits. The foregoing conceptual issues and methodological constraints serve as the context within which the paper is situated. Some of these limitations are addressed in the paper with appropriate assumptions.

General Background of MFIs Studied

As a prelude to the detailed discussions of the impact results, this section examines the background information of the two case studies from Ghana and South Africa. The first case study involves Sinapi Aba Trust (SAT) in Ghana. SAT is an implementing partner of Opportunity International (OI), an international NGO headquartered in Chicago, USA, and involved in microenterprise financing in over 40 countries in the Third World, Eastern Europe, and Russia. OI is therefore the major sponsor of SAT's credit operations. The mission of SAT is to serve as the biblical "mustard seed," through which opportunities for enterprise and income generation are provided to the economically disadvantaged. In pursuit of this vision, credit programs are designed to promote positive transformation in the economic, social, spiritual, and political lives of beneficiaries and their communities. Its operations began in October, 1994, and it has since offered financial services to over ten thousand clients in all the ten regions in Ghana, supporting SMEs in the trading, manufacturing, services, food industry, and agricultural sectors. The lending facilities are extended to individual clients and well-constituted, credit-seeking groups called trust banks.

An impact study of the operations of SAT was undertaken in 1997 as a contribution to International Transformation Research being carried out by the OI Research Group. The research sought to assess the nature and degree of changes that clients have experienced in their businesses since they started benefiting from the credit scheme, and to further examine the extent to which these changes in their businesses have affected other aspects of their lives.

The second case study is the Soweto Microenterprise Development (SOMED) project—a microfinance program initiated in 1994 to provide credit and training to small and microenterprises in South West Townships (Soweto) of Johannesburg in South Africa. The program involved the provision of institutional development and lending capital for a microenterprise credit scheme being undertaken by SEED Foundation (formerly Izibuko Foundation), which was an implementing partner of the OI.[1]

SOMED was initiated by SEED Foundation with the support of the Australian Agency for International Development (AusAID) and other donors to create sustainable jobs, to increase levels of household income, to reduce poverty, and to improve the standard of living as well as quality of life of the poor in Soweto for a five-year period. At the end of the project period, SOMED was expected to impact the lives of over 300,000 people, create 8,000 new jobs, sustain 8,000 existing jobs, make 78,000 loans, inject more than $5 million into the community, and facilitate the establishment of 6,920 new enterprises; 4,156 of these would be started and owned by women. A mid-term review was undertaken in 1998 to evaluate the impact of the SOMED Project so that the lessons emerging from the review could inform the ongoing project implementation process.

Methods Applied in the Studies

A similar methodology was used for both studies. The methodology adopted for the two studies could be described as a flexible and eclectic research approach that combined relevant aspects of quantitative, qualitative, and participatory methods within the broad framework of changing evaluation and impact assessment techniques. Whereas the quantitative method dealt mainly with economic indicators (e.g., business turnover, employment, etc.), the qualitative and participatory methods examined social indicators and spiritual issues.

In terms of data collection, four main survey instruments were used: questionnaire-interviews, case studies, focus group discussions, and field observations. The questionnaire collected both quantitative and qualitative data from the individual SME operators who fell within the sample. In addition, case studies were intended to assemble more detailed qualitative information from a few selected entrepreneurs who had unique impact experiences. This method facilitated the capturing of interesting client stories and important impact statements. On the other hand, the participatory approach used focus group discussions to examine divergent opinions about certain issues and to validate contradictions in some of the information emerging from the use of the other survey instruments. Finally, the field observations offered opportunities for objective assessments of on-site situations of project beneficiaries and also for further probing of issues that were initially unclear. Data collection instruments were the same in both studies except in the case of SAT, where focus group discussion was not applied due to time limitations.

The selection of respondents for the questionnaire-interviews was guided by a sampling procedure. The process involved (a) identification of the sample frame; (b) determination of appropriate sample size, and (c) distribution of the selected sample size to ensure proper representativeness of the client population. In determining the sample frame, the basic criterion adopted was that the client should have been on the scheme for a minimum period that was necessary for clients to have experienced some form of impact in their lives and business activities. The minimum periods fixed in determining the sample frame for SAT and SOMED were twelve and eight months respectively. In applying these thresholds, appropriate sampling sizes were established for the two studies using a statistical sampling method. Based on these statistical analyses, total sample sizes of 129 and 82 clients representing 92% and 90% confidence levels were determined for SAT and SOMED, respectively. Following these, the proportional sampling approach was applied in distributing the chosen sample to the various categories of clients defined by gender, business sector, size of enterprise, and level of education.

Four broad impact indicators, or domains, were defined for both SAT and SOMED studies: economic domains, access to life-enhancing facilities, and social and spiritual[2] domains. Specific indicators were developed for each domain. The indicators were classified into quantitative and qualitative indicators, as presented in Table 1.

Ex-ante and ex-post analysis was adopted for the two case studies. This was necessary to establish the extent of change the credit interventions have had on clients since they started benefiting from the programs. The main difficulty encountered was how to empirically establish the counterfactual situation of project beneficiaries, since none of the programs was preceded by a baseline study, which would have captured the conditions of clients before they joined the scheme. In the light of this limitation, respondents compared their conditions before they joined the scheme with their situations at the time of the survey. The assumption here was that the respondents would be able to remember fairly accurately these historical data concerning their situation before benefiting from the schemes. Obviously, by relying on memory of clients, some inaccurate responses in some cases could not be entirely avoided. Armed with this awareness, however, interviewers were trained and equipped to approach the interviews in such a manner that the problem of unreliability of data was reasonably reduced. Apart from the lack of baseline data, the

Table 1. Impact Evaluation Indicators

INDICATORS	QUANTITATIVE	QUALITATIVE
Economic	• Number of employees • Increase in revenue or turnover • Equipment and tools • Market opportunities • Income and expenditure	• Quality of business premises • Household/personal assets • Business diversification • Business skills and techniques • Business opportunities
Access to social services	• Water • Toilet • Health facility • Children out of school • Number of rooms occupied	• Housing conditions • Health conditions • Food and nutrition • Meeting educational needs
Social		• Family bond and relations • Quality time with the family • Family acceptance and respect • Social involvements • Public respect and acceptance • Attendance of social meetings • Financial independence of women
Psychological		• Personal dignity and self-esteem • Self-worth • Confidence for the future-self-actualisation
Spiritual		• Church attendance • Donation in church • Participation in church activities • Prayer and devotional life

studies adopted a “before and after” approach and not the “with and without” methodology (i.e., control group) because of the difficulties likely to be encountered in applying the methodology. The use of a control group requires surveying people who are not beneficiaries of the scheme and experiences from similar studies indicate that the cooperation of such people could not be guaranteed. In view of the foregoing limitations, the results must therefore be interpreted within the context of the general strengths and weaknesses of the “before and after” methodology.

Impact Results

The studies analyzed the nature and degree of impact of the two credit schemes and further examined the differential effects of the program on factors like gender, business activities, access to social facilities, participation in community activities, etc. The following discussions also compare the levels of impact in both projects and highlight the similarities and differences in the results.

Qualitative Assessment

The first segment of assessment focused on qualitative indicators. This type of analysis dealt with the noneconomic dimension of project impacts that are often downplayed in conventional impact evaluation studies. Qualitative impacts measure social variables that are critical human development indices and represent real improvement in the quality of life of the poor. Since these variables are value laden and sometimes perceptional, they are often difficult to capture.

For each of the qualitative indicators specified in Table 1, respondents indicated whether their conditions with respect to each of the defined indicators had either improved (positive change), deteriorated (negative change), or remained the same (no change) since they joined the scheme. Average impact levels of clients were established by defining thresholds for each

Table 2. QUALITATIVE IMPACT ASSESSMENT DATA

Impact Indicators	Negative Change %		No Change %		Positive Change		Impact Levels		Rank	
	SOMED	SAT	SOMED	SAT	SOMED	SAT	SOMED	SAT	SOMED	SAT
ECONOMIC DOMAIN										
Business Opportunity	2	0	43	25	55	75	M	H		
Market Opportunity	2	2	24	22	73	76	H	H		
Quality of Business Premises	1	0	38	66	61	34	H	L	1ST	1ST
Household Assets	2	0	35	41	62	59	H	M		
AVERAGE	2	0.5	35	38.5	63	61	H	H		
ACCESS TO FACILITIES										
Housing Conditions	5	2	24	56	71	42	H	M		
Health Conditions	6	0	52	25	42	45	M	M		
Food and Nutrition	4	0	31	25	66	75	H	H	2ND	2ND
Children s Education	4	0	23	30	73	70	H	H		
AVERAGE	4.8	2	32.8	41.5	63	58.0	H	M		
SOCIAL DOMAIN										
Family Relations	13	2	50	58	37	40	L	M		
Public Respect and Acceptance	0	0	35	58	65	42	H	M		
Time Pressure	38	36	30	47	32	17	L	L		
Participation in Social Activities	9	2	28	53	63	45	H	M	3RD	4TH
AVERAGE	15.0	10	35.8	54	49.3	36	M	L		
SPIRITUAL DOMAIN										
Participation in Church Activities	12	4	54	48	34	48	L	M		
Church Attendance	12	4	47	65	42	31	M	L	4TH	3RD
Prayer and Devotion	7	2	41	65	53	33	M	L		
Giving	5	2	44	26	51	74	M	H		
AVERAGE	9.0	25	46.5	51	45.0	47.5	M	M		
AVERAGE ALL IMPACT										
ALL SECTORS / DOMAINS	17.6	3.38	36.6	46.6	56.0	50.4	M	M		

Source: Field Surveys, 1977 (Ghana); 1998 (South Africa).

of the three outcomes indicated above. The thresholds were as follows:

- Less than 40% of positive change: Low Impact.
- 41–60% of positive change: Moderate Impact.
- 61–100% of positive change: High Impact.

These classifications facilitated the ranking and comparison of the various domains.

The data in Table 2 indicate that although the average impact figures recorded for SAT's clients were relatively lower than those of their counterparts in SOMED, the ranking of the first two main domains (i.e., economic and access to facilities) was the same. Specifically, whereas SOMED's clients experienced an average positive change of 56%, the clients of SAT achieved a positive impact of 50%. On the other hand, the clients of SAT experienced a relatively lower level of negative impact of 3% as compared to 8% for SOMED's clients. On the whole, both projects achieved moderate levels of impact (i.e., 41–60%) according to the assessment scale defined above.

Interpretaion of Averages

In terms of ranking, the results indicate that in both projects, the economic domain had the highest positive rating, followed closely by access to facilities. On the other hand, the social and spiritual domains were inversely ranked between the two projects. That is, whereas social and spiritual ranked third and fourth for SOMED, the opposite was the case for SAT. It is significant to note that the economic or business indicators emerged as the domain with the highest impact. Three of the defined indicators scored “high” impact with respect to SOMED, as compared to two for SAT. Only two “moderate” and one “low” impact scores were recorded for both projects. This trend is not only expected but also very encouraging. One female client of SOMED in the dressmaking business testified that after receiving a loan of $500, she was able to increase her procurement of sewing materials from $100 to $300 per month and thus raise her gross turnover from $250 to about $1000. Many other ladies in the sewing business shared similar experiences about how they were able to expand their markets as a result of their enhanced ability to produce a wide variety of dresses for sale, something hitherto impossible due to their limited capital base. It was expected that these gains from improved production and productivity would have snowball effects on the other aspects of the lives of clients as discussed below.

Following closely to the economic domain is access to social facilities. The number of indicators with "high" impact scores was very close to that of the economic domain. This implies that a significant proportion of the increased incomes from the businesses were channeled into improving access to life-enhancing facilities comprising housing, education, food, and health. It is important to note that the improvement in these facilities represents real reduction in poverty of the clients concerned. One middle-aged lady in Soweto said that as a result of the loan and the subsequent expansion in her business and income, she and her husband have been able to send their children to a multiracial school. Another client said, "Our children can now have enough to eat at school, unlike before. They are excited and indeed very proud of us as parents. We can notice a huge difference in our relationship with the children. The loan has made all the difference," she concluded. Similarly, high levels of positive impacts were reported by the clients of SAT for food and nutrition and children's education. The two important indicators recorded 75% and 70% positive change, respectively.

With regard to social indicators, the data indicate that SOMED clients achieved a relatively higher level of impact than their counterparts in SAT. In terms of the assessment scale, the impact levels achieved were more mixed. SOMED scored two "high" and two "low" impacts while SAT achieved three "moderate" and one "low" impact level for the indicators. SOMED and SAT recorded 49% and 36% average positive impacts, respectively. Table 2 shows that, unlike the other variables, no negative impact was experienced in respect of public respect and acceptance for both projects. Rather, positive impacts of 65% and 42 % were reported for the clients of SOMED and SAT, respectively. The majority of them saw the financial support they received as a means that had enabled them to gain public respect, acceptance, recognition, and an enhanced involvement in the decision-making and development affairs of their communities. Most of them reported improved self-confidence, leading to an enhanced ability to participate in community discussions. Others have taken responsible social positions and roles in their communities. One female nursery operator in Soweto remarked, “Nowadays I can attend community meetings with other women in confidence, knowing that I am respected by my neighbours and I also have a say as a member of the community because I am offering an important service in the society.” A retailer also intimated that “I am now a member of the governing board of the community school, which makes me feel proud that the community accepts me.”

These positive impacts notwithstanding, some disturbing negative effects were also observed in the social domain. This refers particularly to pressure of time and family relations. Business expansion resulting from access to credit obviously meant more working hours and limited time for the family in terms of quality interactions and other recreational needs. Another reason was the nagging pressure on clients to avoid loan default. Surprisingly, this indicator (i.e., pressure of time) recorded the highest negative impact in both studies (i.e., SOMED–38%; SAT–36%) as well as the lowest positive impact (SOMED–32%; SAT–17%). Further, the impact of the projects on family relations was discouraging particularly in South Africa as compared to the other indicators. Thirteen percent of SOMED’s clients reported negative change. While some of the female respondents complained of the tendency of some of the men to misuse resources when their financial situations improve, some of the males interviewed also expressed concern about disrespect and lack of attention on the part of some of the women. It is interesting to note that the adverse effects of enterprise expansion and economic growth on social relations is in keeping with trends observed in the literature on countries going through capitalist transformation (Mandel, 1978).

In spite of these unfavourable observations, some clients indicated that they had had positive experiences in their families. One lady had this to say about the impact of the loan on her relationship with her husband: “We have developed a special respect for each other because no one gives a burden to one another when it comes to finances.” Also, a middle-aged male client proudly remarked, “I can now provide leadership in the house as a man because I have money to maintain and dignify the family.” In conclusion, although the projects have achieved some degree of beneficial social impacts, the adverse effects on pressure of time and family relations should be a matter of concern to MFIs, lest they undermine the overall positive benefits achieved.

With respect to the spiritual domain, 47.5% and 45% of the respondents of SAT and SOMED, respectively, reported of positive impact. As can be observed from the data, four of the five indicators scored “moderate” levels of positive change with respect to SOMED. On the other hand, SAT achieved one “high,” two “moderate” and two “low” impact levels. The situation of a large proportion of the respondents (i.e., 46.5% for SOMED and 51% for SAT) with respect to this domain remained unchanged. It is significant that financial contributions to church activities improved significantly with the respondents of SAT recording an impressive positive impact of 74%. This implies that some of the economic gains from the loan scheme were being channeled to support Christian work. However, three of the spiritual indicators scored “low” levels of impact: church attendance, prayer and devotion activities, and participation in church activities. This observation implies that economic prosperity also tends to impact negatively people’s attitude toward spiritual issues, as has been observed in many rich countries. This observation is a real challenge to the work

Table 3. Changes in Some Key Quantitative Variables

INDICATORS	SAT (Ghana)		SOMED (South Africa)	
Monetary Variables	Amount $	%	Amount $	%
Average Turnover Increase	900	157	400	118
Turnover Increase: Male	317	122	318	72
Turnover Increase: Female	634	89	342	130
Increase in Value of Inputs	580	144	195	110
Increase in Value of Machinery	72	88	426	46
Employment Change Variables	Actual Increase	%	Actual Increase	%
Increase in Employees	413	46	1500	49
Enterprises that hired new workers	43	33	36	44

Source: Extracted from SAT and SOMED Studies, 1997, 1998

of Christian MFIs that are currently operating in many developing countries.

Quantitative Impacts

The quantitative assessment focused on changes in four important indicators: business turnover, monetary value of enterprise inputs or raw materials, monetary value of machinery, and employment. Turnover here is gross monthly business turnover, or what is generally regarded as monthly sales. Turnover is used as a proxy for income and profit; most informal enterprise operators often do not distinguish between these two variables. It is assumed here that gross sales or cash flow from the business gives an approximate picture of business growth, at least in monetary terms. Although growth in turnover may not have a corresponding increase in income or profit, these variables often move in the same direction. Since inputs and machinery can vary in terms of physical size and quantity, monetary values were used to facilitate easy assessment of change. The ex-ante and ex-post approach adopted for qualitative assessment was also applied here as well. Whereas some entrepreneurs gave verbal responses, a good proportion provided information from their record books, especially respondents from South Africa. The limitation here is that, given the monetary nature of the above data, some inaccuracies likely occurred since some respondents relied on their memory. The data gathered for the four indicators are tabulated in Table 3.

The data show that the injection of capital into the enterprises had positive impacts on all the four selected indicators. First, the turnover of the businesses of clients in both projects increased significantly after the disbursement of the loans. On the average, the turnover of clients of SAT ($900; 157%) increased higher than that of their counterparts of SOMED ($400; 118%), both in monetary and percentage terms. It is also interesting to note from the table that in both projects, the enterprises operated by females achieved a higher turnover than their male counterparts in monetary terms. This observation underscores not only the ability of women to utilize loans effectively but also their capacity to manage businesses successfully when given the opportunity. Although the overall picture of turnover performance looks generally impressive, the situation was negative for some of the enterprises surveyed. For example, additional data on the South African study revealed that ten (i.e., 12%) out of the eighty-two sampled enterprises recorded negative growth. The picture becomes even more disturbing when one looks at the distribution of these poorly performing businesses in terms of gender. In terms of ownership gender, nine (90%) out of the ten distressed enterprises were owned by women.

With respect to increases in the monetary value of inputs and machinery, the level of increases in Ghana (144%; 88%) was higher than in South Africa (110%; 46%) in percentage terms. In monetary terms, however, the rate of increase for inputs was higher in Ghana, while that of machinery was higher in South Africa. The explanation for this observation is that a greater majority of clients of SOMED were using more machinery and equipment in the operation of their businesses than their counterparts in Ghana.

Finally, the studies established that 43% and 44% of the enterprises sampled in Ghana and South Africa, respectively, took on new workers. In addition, the total number of people employed by the enterprises surveyed increased by 46% and 49%, respectively, for SAT and SOMED. About 20–25% of these employees comprised unpaid family labor. This applied particularly to the home-based enterprises. A related study in Kumasi on home-based enterprises shows that the contributions of these family workers to the operation of the businesses are integrated into the performance of domestic household activities. For these types of families, no clear boundaries could be drawn between the performance of normal household chores and the running of the enterprises. This lifestyle continues from morning to the night, especially for households operating retail services, food-processing, restaurants, and personal services (Afrane, 2000).

Key Findings and Conclusions

Both the quantitative and qualitative results of the two studies have shown an improvement in the conditions of the clients following the receipt of credit. Generally, manifestations of positive changes were observed in almost all the impact indicators defined, namely, economic, social, access to facilities, and spiritual. On average, a moderate level of impact was achieved for both projects with ten and six indicators scoring "high" impact levels for SOMED and SAT, respectively. In more specific terms, differing degrees of positive impacts were recorded in each of the projects in the areas of business turnover, procurement of inputs/raw materials and machinery, creation of additional jobs, acquisition of business skills, marketing outlets, acquisition of domestic assets, increased access to quality food and nutrition intake, water and sanitation facilities, and health services. For instance, turnover increased by 157% and 118% on the average for clients in SAT and SOMED, respectively. These increases indicate that injections of small amounts of capital into microenterprises are capable of raising the incomes of the operators to appreciable levels within a relatively short time. These findings and others from Bolivia, Uganda, and Columbia (Eclof, 1999) amply show that microenterprise financing is really one of the strategic means through which the fight against poverty in developing countries could be won.

On the other hand, the impact results of the social and spiritual domains contained mixed positive and negative effects, as compared with the other two domains. The positive impacts included enhanced public respect and acceptance, self-esteem, participation in community activities, monetary contributions to social projects, and empowerment of women. On the negative side, pressure of time resulting from increased business activities, worsening family relations, poor church attendance, and participation in church activities were observed.

The evidence from these two studies indicates that although microfinance programs have every potential to improve the conditions of beneficiaries, they also tend to create disturbing negative impacts if necessary counteracting measures are not taken. The challenge, therefore, to MFIs is to be mindful of these negative tendencies so that appropriate steps can be taken to minimize these effects as much as possible in the design of credit.

In addition, the results of the studies confirm that the impact of the credit schemes on empowerment of women is significant. The ability of the women to out-perform the men in terms of business performance as measured by increases in turnover also underscores the competence of women in enterprise development. The additional effects of the economic gains by way of their enhanced ability to contribute to family finances, reduced dependence on their husbands, improved self-worth and confidence, increased social involvement in community affairs, and so forth, justify the greater focus of microfinance projects on women in many countries.

Finally, a comparison of the impact situations in both countries reveals that the impact trends and levels were not all that different. However, both positive and negative impacts observed in South Africa were more extreme than those of Ghana. For instance, South Africa scored an overall positive impact of 56% as compared with 50% in Ghana. On the negative side, the figures were 7.6% and 3.3% for South Africa and Ghana, respectively. In addition, the level of negative impacts with respect to the social and spiritual indicators was more pronounced in South Africa than in Ghana. This trend may be attributed to the different sociocultural and economic situations in both countries. In South Africa, where level of sophistication and inequalities are higher, more extreme impact results are likely to occur than Ghana.

In conclusion, the two impact studies have established that microfinance projects have impacted the businesses and lives of the beneficiaries in several positive ways, particularly in their economic circumstances and access to essential life-enhancing facilities and services. On the other hand, some disturbing and unintended effects have been observed in the social and spiritual dimensions of the lives of the clients. This implies that although microfinance projects are expected to generate positive impacts, in some cases, such projects tend to have some adverse effects, particularly on the social and spiritual lives of beneficiaries. More research is therefore needed in the area of impact assessments so that the outcomes can inform the designers of measures that will mitigate the negative effects of microfinance programs, maximize and deepen projects benefits, and ensure effective means of measuring impact results.

Notes

1. SEED Foundation is no longer a member of the OI Network.

2. The spiritual domain may appear strange to the general readership, but it is of great importance to the two MFIs since their programs are driven by Christian persuasion. The intention here is not to measure the impact of the credit programs by "spirituality" per se, because that is a very complex issue that is difficult to measure. The objective of the assessment in regard to this domain was to measure the effects of the credit interventions on Christian (or religious) "activities" of clients. The indicators to this effect are defined in Table 2.

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