MFC Spotlight Note

3

Improving Cost-Effectiveness of Exploratory Practitioner-Led Research: Key Factors to Consider When Selecting Tools

Katarzyna Pawlak & Michal Matul[1]   July 2003

There are good reasons for microfinance practitioners to conduct exploratory research on their own: it empowers their staff, creates a learning culture in the organization, responds to their internal objectives, and yields useful results as it is driven by institutional needs. Unfortunately, it also takes time away from their limited human resources, thereby increasing opportunity costs for the organization.

In recent years, there have been two efforts undertaken to create practitioner-oriented toolkits: **AIMS/SEEP "Learning From Clients"** and *MicroSave-Africa*'s **"Market Research for Microfinance"**, both of which allow Microfinance Institutions (MFIs) to conduct research on their own. If correctly used and adapted to institutional needs, they provide an invaluable source of knowledge and skills for microfinance practitioners, thus allowing them to innovate and become more market oriented. They can be used for multiple purposes ranging from market research to developing new and refining exiting products, branding, research on client desertion, understanding target group characteristics as well as impact assessment and social studies. However, if used "off-the-shelf," they can increase unnecessary burdens on institutions and result in low-quality findings, leading to bad decisions that can undermine organizational performance.

The key to success in practitioner-led exploratory research is a **process-centered approach to select tools**. Focusing on a process in a rigorous and systematic manner helps institutions to come up with in a cost-effective way to produce high-quality and useful results[2].

Step One: Identifying Problems and Opportunities

The research process begins with **identifying institutional problems and opportunities** that exist in the organization. Example opportunities might be: an opportunity to enter a new area, introduce a new product, expand a client base, etc. Regarding problems, MFIs may face low demand, delinquency, desertion, low recognition of brand, and exclusion of certain potential client group and other issues that they want to address. The identified list is later verified to set **preliminary priorities**. The prioritization can be based on different evaluation criteria and depends on the institution. Factors such as strategic or operational importance, immediacy of the need, required capacity to address the problem or to follow up on the opportunity and other issues are taken into account in this process. It is necessary to revise existing **secondary information sources** to identify threats and opportunities. It is usually limited to internal sources, like MIS, staff feedback, customer desertion and satisfaction monitoring and external factors such as changes on the market, competition analysis, etc.

Step Two: Defining the Research Issue

After the problem/opportunity has been identified and selected, the research objective addressing the problem/opportunity is defined. The **research objective** is about putting in precise terms what we want to obtain from the research we are going to conduct. The research issue will drive us throughout the whole study helping us to stay focused on our needs. For that reason, a clear and concise definition of the research issue is a must.

The objectives that MFIs may have can be different in scope and nature. They can refer to more general and broader problems that during the research will be further defined. An example of such broader issues may be: to explore reasons for low demand, identify reasons for delinquency problems, etc. On the other hand, we may come up with a very narrow objective like exploring alternative ways of collateral for business loans. Contrary to the exploration, we may want to determine the certain frequency or magnitude of a problem (e.g. how many people will be interested in using a consumer loan) or find out about different cause-and-effect relationships (e.g. how people's perception of the institution will change, what new clients the institution will attract if it reduces the price, what the impact is of an MFI intervention, etc.).

Box 1: **From Opportunity Identification to Detailed Research Questions, Demos**

Having identified an opportunity to move into a new area, following donor-funding availability, Demos had serious doubts whether to do it since it had been heavily dependent on grant funding. As a small institution with limited capacities, Demos wanted to explore whether the potential existed to move the currently offered business loan to a new area targeting a group of clients similar in characteristics. The research objective was to explore the needs and demand for business loans of microentrepreneurs in the new area. To address this issue, Demos identified that it needs to provide information to answer the following questions:

1. The market for products (demand)
   - What businesses are in the area and what is the demand for their products?
   - Which and to what extent is the formal industry developed?
   - What is the potential for new businesses?
   - What are the linkages with outside markets?
2. Financial landscape
   - What are the formal financial institutions that exist in the area?
   - What are the semi-formal financial institutions that exist in the area?
   - What are the informal financial institutions that exist in the area?
   - What is their accessibility to the local population? How has this changed?
   - What is their image and importance?
3. Credit mentality of local population
   - What is the access to grants? Who has access to grants? What are the future prospects of grant activity in the area?
   - What are the sources of borrowing money?
   - What are the terms of borrowing money?
   - What is the popularity of borrowing money and the attitude toward credit?
   - What are the other financial needs and behaviors of the local population?
4. Environmental factors
   - What is the population density?
   - What are the demographical factors?
   - How developed is the infrastructure?
   - How much is weather a factor? Seasonality?
   - How is the legal environment?
5. Entrepreneurial spirit
6. Capacity to repay
   - What is the profitability of different businesses?
   - What are the sources of income? Are they diversified? What is the income volume? What is the income flow, seasonality?
   - What are the types of expenditures? (diversification, volume, flow, seasonality)
   - What assets do people have? (physical, financial, human, social, etc.)
   - What are the problems/needs and how do people cope with them?
7. Product terms and delivery adjusted to the needs of local population

---

Research

Step Three:
Identifying Detailed Research Questions (Information Needs)

After we have clarified what the objective of our study is, we need to consider what information we will need to be able to address our research problem. In other words, we have to **disaggregate the research objective into more detailed sub-objectives** or questions. Such decomposition is helpful to see the different components underlying our problems (investigated issues) that need to be understood, verified and/or answered during our research.

Box 2: Research Issue and Objectives, Polish Rural Foundation

The two-year-old Polish Rural Foundation Microlending Program (Fundacja Wspomagania Wsi Program Mikropozyczkowy - *FWW PM*) has swiftly delivered its program, particularly to the Polish countryside. Its initiative has been met with interest from the Polish rural population, however, the intensity of the program's popularity has not been the same everywhere. Notably, the program seemed to be less popular in northwest Poland – an area of high concentration of former state farm (PGR) workers.

The **research issue** was to provide *FWW PM* staff with information about target population needs for the financing of their enterprises as well as to clarify what motivates people to join the program in northwest Poland. In particular, the research team involved the *FWW PM* staff and management to define goals and discuss issues of particular interest. As a result, the following **research questions** have been identified:

- What motivates people from the local community to start business?
- What are the financial needs of the local current, and potential, small entrepreneurs?
- What motivates people from the local community to join the microcredit program of *FWW*?
- How to adjust *FWW PM* to the needs of the current and potential local small entrepreneurs?

Box 3: Research issue and objectives, Prizma

Since its inception, **Prizma** has embraced social performance and financial sustainability as core values, which has led to the constant clarification of the essential indicators of its effectiveness as a social enterprise. The lack of reliable welfare data about its target population in post-war Bosnia and Herzegovina was the biggest obstacle for Prizma identifying its target clientele and consequently adapting its services to existing needs. The only way to consider this issue was to conduct a small-scale exploratory research with the following **objectives:**

1. What are the robust criteria to defining the poverty level in Bosnia and Herzegovina? Take into consideration:
   - Income and non-income measures, asset ownership, availability and access to cash, vulnerability level and current coping mechanisms, ability to address basic needs, differences between rural and urban areas, etc.
2. What are main characteristics of Prizma's target group?
   - Who are we reaching?
   - Why some target people are included and some excluded?
3. What are the financial needs and demand for financial and non-financial services of Prizma's target group?
   - Which needs are the most important?
   - To what extent does Prizma satisfy these needs?
   - Why high-stress coping mechanisms are applied and to what extent they can be replaced by financial services?
   - How flexible are existing Prizma services?

Step Four:
Mapping Available Information to Identify Information Gaps

Once we have disaggregated the research objective into questions, the next step is to assess which information is already available. **Information mapping** is about reviewing different **internal and external secondary sources of information** with relation to our detailed research questions. Very often forgotten secondary sources provide information at a very low cost and help further narrow information needs. As a result the scope of the primary research is reduced making it more focused, manageable and less costly. At the same time the risk of producing low-quality outputs is reduced.

Box 4: Mapping Available Information and Identifying Gaps, MDF Kamurj

MDF Kamurj decided to expand its operations to rural areas because of the growing saturation of urban microfinance markets in Armenia that stopped MDF Kamurj growth in 2002-03. Given the fact that MDF Kamurj was typically an urban MFI with very limited knowledge about rural areas and the agriculture sector its management decided to conduct exploratory research by its own. **The research issue** was defined as follows: *identify needs and opportunities (and estimate demand) for financial services for farmers and (micro) entrepreneurs (and their families) living in rural areas of Northern Armenia that are manageable (risk control) and advantageous for MDF Kamurj.* The detailed information needs that were identified are included in the table below.

The list of **research objectives** for exploring rural needs and opportunities prepared by MDF Kamurj is very comprehensive. No practitioner can afford to cover all the areas of interest by primary research. Thus, it was necessary **to further narrow the objectives** for primary research by identifying priority **information gaps**.

Detailed information needz	Current knowledge (secondary data sources)	Relative importance for MDF Kamurj	Identified as priority objective for primary research	Identified as secondary objective for primary research
What is the general socio-economic situation in rural areas?				
village socio-economic profiles	medium	high		+
favorable conditions for agriculture lending	high	medium		
infrastructure level / legal and regulatory environment	high	low		
What are main rural enterprise sectors?				
development prospects and risks associated with main rural enterprise sectors	medium	high		+
level of business diversification	medium	high		+
access to input and output markets	medium	high		+
seasonality of typical business sectors	high	high		
What is the financial landscape in rural areas?				
main credit schemes and their design, popularity and importance	low	high	+	
potential main competitors for MDF Kamurj	medium	high		+
savings behavior and what are the main savings schemes and their design, popularity and importance	medium	medium		+
knowledge about insurance and available insurance schemes	medium	medium		+
What are the household and enterprise needs and capacities for financial services?				
business opportunity needs	low	high	+	
household sources of income, asset ownership and repayment/saving capacity	low	high	+	
general seasonality of household cash-flows, financial needs and capacities	low	high	+	
life-cycle needs	low	low		
emergency needs	low	low		
consumption smoothing needs	low	low		
What are the preferences regarding financial services?				
specific preferences toward the 8 P's and the importance of specific attributes	low	high	+	
"wants" (demand) for specific products	medium	high		+
attitude towards borrowing, insuring, saving	medium	medium		+
level of solidarity and mutual trust	medium	medium		+
What are promising target-market segments?				
characteristics of specific market segments	low	high	+	

That way, MDF Kamurj prioritized its information needs and came up with a narrowed list of six core objectives for primary exploratory research. Some other areas that were covered by secondary sources and/or were relatively less important for MDF Kamurj were either identified as secondary objectives that can be covered by "side" information collected through discussions on main objectives or deleted from the list.

Step Five:
Choosing the Right Research Techniques

When all available data has been used, it is possible to assess which questions remained unanswered and plan for primary research to provide missing data. Generally, at this point we can choose between two techniques: qualitative and quantitative, or an appropriate mix of them.

Box 5: Primary and Secondary Data and Data Sources

Primary data – data collected for the first time by a researcher for the specific research project at hand
Secondary data – data previously gathered for some other purpose

Secondary Sources	Primary Sources
Internal Applicant/client profiles Loan ledgers Savings accounts Cash/liquidity positions MIS statistics Monitoring forms *External* Macro Economic Factors Industry Standards Environmental Factors Dominant Firms Public Health Competition's Activities/Products – Competition Matrixes Private/Industry Networks International Networks/Literature	Branch Staff /Loan Officers Feedback Management by Being There Customer Consultative Groups Focus Group driven by discussion guide Participatory Rapid Appraisals In-depth Individual Interviews Surveys

---

Quantitative methods are useful to respond to descriptive and casual research objectives. Quantitative research, which is usually conducted by means of pre-tested questionnaires and administered to a sample population, facilitate speedy data processing as well as statements such as "75% of the target population use bank-based savings services, 20% use money guards, and the rest do "do not save"". This is obviously an attractive and effective way of presenting survey data but it restricts the data collected to answers to specific, pre-determined questions. Moreover, it rarely provides the reasons for the stated practices. The reasons are the domain of qualitative research.

Qualitative methods are a main vehicle for exploratory research. Originally derived from the behavioral sciences, qualitative research is primarily used to examine and understand the complexity of human behavior, and is more descriptive than definitive. It is not concerned with measurement, and so does not show proportions. Rather, it shows behavior.

It is usually cost effective for the MFI to conduct exploratory research using in-house capacity. Indeed, such research has been demonstrated to yield useful and timely results. However, it may be more cost effective to contract out more detailed, descriptive and casual research to specialist research organizations. This is because such detailed research often goes beyond the scope of practitioner-led research.

It is important to appreciate that the type of data produced depends not only upon the approach taken, but also on the method of data collection used. Different methods will produce data of differing depth, breadth, quantity and content as well as differing levels of accuracy, speed and cost. For the research user, it is important to have some feel for what each method can accomplish in order to select those appropriate for the needs of a particular problem[3].

---

[3] More information on qualitative and quantitative research can be found in "Learning from Clients: Assessment Tools for Microfinance Practitioners", the Seep Network; "Market Research for Microfinance Practitioners", *MicroSave-Africa*; http://www.nova.edu/ssss/QR/text.html;

Step Six:
Selection of Tools

The biggest challenge is to select a mix of tools that will bring high-quality, useful and timely results within the existing capacities in a cost-effective way. Usually this involves an iterative process that helps match together the information requirements, different methods and tool potential to cover relevant areas, existing capacity of the practitioners and methodological requirements for high-quality results.

Box 6: Adapting Tools to Your Needs

One of the fundamental research objectives for Prizma was to identify criteria that accurately describe the household poverty level in the post-conflict, transitional environment of Bosnia and Herzegovina. The *MicroSave-Africa* "wealth ranking" tool seemed to be a good choice for this task. However, there was a very strong feeling among Prizma staff that procedures included in the toolkit are not contextually adapted, therefore there was a high risk of not getting the useful information. MFC and Prizma staff simplified the tool for the purpose of the research. Instead of cards with names the following table was used:

Very poor	Poor	Non poor	Better off

Focus group participants were asked to divide their local communities into 4 groups and list the characteristics of each group. In order to retain visual effect stimulating discussions the moderator put all mentioned characteristics on separate cards. The tool worked very well and provided Prizma with interesting insights on various dimensions of poverty, robust poverty criteria, and the main barriers to getting out of the poverty trap.

When considering packaged tools provided by AIMS/SEEP and *MicroSave-Africa*, remember that these are developed on the basis of "**generic" tools**. In the case of exploratory research, these include in-depth individual interviews, focus groups and participatory rapid appraisals. The generic tools are packaged by AIMS/SEEP and *MicroSave-Africa* to provide specific information. Be sure to check first how each of the tools corresponds to your research question. They should give you ideas about innovative ways of getting answers to your questions. However, if you need information that cannot be obtained using packaged tools, there is a need to **adapt the tools** and build on them to create your own tools that respond better to your research objectives.

Box 7: Adapting Tools to Your Needs

To conduct an image study, MFC created a PRA matrix that would help participants express their opinions about the organization. They were asked to place different characteristics of an institution in a distance that would represent the characteristic fit into the MFC's current characteristics. This exercise generated lots of interesting discussion that helped MFC understand how it positions itself and how it is perceived by its course participants.
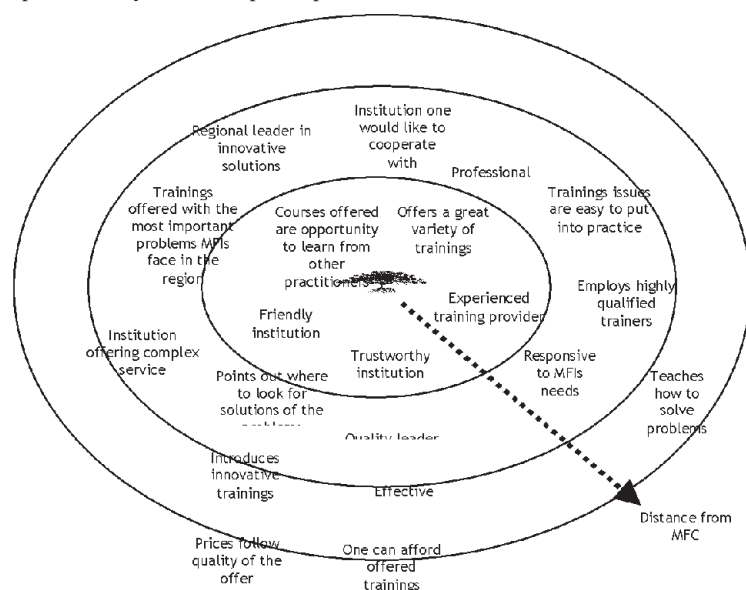
First of all, you need to determine which research questions can be addressed using which techniques. It is very important to take into consideration the **complexity and sensitivity of the questions**. In other words, some questions are too complex or too sensitive to rely only on client feedback from focus groups. This is not to say we cannot touch on these issues during our focus group research, rather it is to emphasize the importance of other, more reliable sources of information. In general, few individual interviews with key informants can really make a difference. The comprehensive information obtained from experts or other knowledgeable individuals can then be triangulated with more anecdotal information coming from focus groups participants.

Box 8: Complexity and Sensitivity of Questions

MDF Kamurj in its rural market research decided to rely on the knowledge of rural experts in estimating the risks and development prospects of specific business sub-sectors in rural areas of Northern Armenia. From previous research, it was evident that the system transition has just started in rural Armenia and people still lack the skills to appropriately judge risks and identify business opportunities. In addition, a broad knowledge of researched regions was needed to spot similarities and differences across various areas. Two knowledgeable rural experts were interviewed separately, and the results compared. The next step was to triangulate the results with some anecdotal data from the field reflecting more grassroots views to be sure that experts' advice was not their academic visions of rural Armenia 50 years hence. Hopefully, people's perceptions were in general reflected in the experts' opinions. This way, MDF Kamurj gained a cost-effective, comprehensive in-depth view of the risks and opportunities associated with rural economic activities.

Partner and BosVita during their joint research to understand their role in the reconstruction process in post-war Bosnia and Herzegovina decided to conduct individual interviews on more sensitive issues instead of discussing them in-depth in focus groups. It related mostly to retrospective information on loan use among the most experienced clients. This information was considered as very sensitive, therefore it was difficult to obtain credible information during focus group activities. The adapted AIMS "Loan Use" tool was applied with 16 experienced clients who had excellent repayment histories as well as with those who had experienced repayment problems.

Other sensitive information was related to the effects of the conflict on individuals and their families. Going more in-depth in conflict-related issues was particularly hard during focus groups, making group moderation and focusing on main objectives very difficult. Much of this in-depth, conflict information was also obtained through individual interviews on loan use.

One of the most obvious factors to be taken into account when selecting tools is a **sampling plan** that is developed according to detailed research objectives. The sampling plan reflects capacities and the desired level of in-depth (in terms of number of groups/interviews planned) as well as the composition of respondents (individuals, very homogenous groups, less homogenous groups). The sampling plan is designed in a way to enable clear identification of the needs, behaviors and preferences of a group with common characteristics (segment). As each group/segment differs in terms of their needs and behavior, there is a need to ensure that the research questions are answered by representatives of each different segment. This way, a clear definition of a targeted segment helps narrow the scope of research.

Box 9: Sampling Plan

The Polish Rural Development Foundation (*Fundacja Wspomagania Wsi – FWW*) conducted exploratory, qualitative research on why its program is less popular and how it can be adapted to the needs of the former workers of state farms in northwest Poland. In order to reach this objective 13 focus groups were organized using two sampling criteria: client or non client and individual farmer or former state farm worker. Groups were homogenous according to given criteria as it was not possible to gather individual farmers together with former state farm workers due to the inferior status and poor reputation of the latter group. That is why fewer tools were used as the same tools had to be used with all the groups to allow for comparison.

One important factor that should be taken into consideration when selecting tools is ensuring **data triangulation possibilities**. First of all, the possibility of triangulation must be ensured. In other words, you should be able to cross check most of the findings from one tool using some "side" or core findings from another tool application. For example, findings concerning the popularity of different financial services obtained through the *MicroSave-Africa* PRA tool "financial sector trend analysis" can be triangulated with information get through probing on savings and credit sections using *MicroSave-Africa* PRA tool "seasonality of income, expenditures, savings and credit". It is necessary to use both tools if both objectives are a priority for the exploratory research (we do not know much about it and it is very important to inform the research issue).

Box 10: Data triangulation possibilities

Triangulation – different information sources
Demos, Croatia was facing a problem of high delinquency in urban areas and wanted to explore this issue to help address it better. To learn about the reason for delinquency, delinquent clients were interviewed - their loan officers as well as non-delinquent members of delinquent groups. This turned out to be a very effective way of identifying the real reasons for problems with repayment. Demos found out that in some cases the reasons were related to the shoddy work of one loan officer, in some other cases it was a consequence of bad character, in others it was related to group formation, business problems or unsuitable loan product. Looking at the same issue from the perspective of different parties involved in the loan transaction was very helpful in understanding the situation and revising its product and policies respectively.

Triangulation – information from different tools
During the research study on product refinement in EKI, Bosnia and Herzegovina, different tools were used to better adjust to the needs of small farmers. To better match the product terms to needs, information received during the product attribute ranking was cross checked during the seasonality analysis and discussion on the production cycle. EKI understood that a grace period is required especially in mono-activity businesses where people don't have other income sources to cover repayments during the non-productive period and the need for it varies depending on accessibility to other income sources during this time. They also learned that a longer loan term (that seemed to be adjusted to the production cycle) was found to be so important as lowered the installment rate and made it easier for clients to provide monthly repayments from other sources of borrowing during the non-productive period of production. An analysis of the competitive advantage of competitors further clarified that even though none of them provided loans with a grace period that time, those that offered longer term loans were more popular among farmers than other microbusiness owners and the loan term was found to be an attractive attribute.

Last but not least, triangulation also comes from contrasting opinions on the same issue from different respondents. Starting from the use of specific interviewing techniques at the focus group level when one respondent's opinion is immediately validated with others' comments, through raising the same issue across focus groups made of similar respondents, to cross-checking information with knowledgeable other parties (cross check information from clients with loan officers' opinion; group leaders with group members, target client focus group with another target client focus groups, etc.).

If you have **limited capacities and resources** and cannot organize the number of groups that will provide the necessary information to answer the research questions, it is better to go back to earlier steps and further prioritize your needs. It is more reasonable to answer only one core question with high-quality data within your capacities than to have lots of non-triangulated anecdotal information covering a wide range of research questions. We may be tempted to accept the findings coming out of small-sample, unverified research, especially when we get the information we expect, however, decisions made upon such results are very risky. Collecting a sufficient amount of data is required, and as a consequence conducting a sufficient number of focus groups or individual interviews to answer particular research questions. A rigorous research process, while requiring resource allocation, helps you to economize on unnecessary future cost related to risky decisions.

Needless to say that selection of tools and generally the whole research plan are determined by the **required credibility of results**. External stakeholders usually require higher credibility than a manager for its decisions. In other words, in terms of impact of microfinance services, a practitioner will be more interested in understanding the impact so that he or she can make better informed decisions to improve its services. On the contrary, an external stakeholder will in the first place look for "hard data" on results and demand representative findings and figures, which cannot be expected from the qualitative research, but can be obtained by practitioners by implementing some other tools, e.g. the AIMS/SEEP "Impact Survey".

Research

Step Seven:
Drafting the Research Plan

Once the tools have been selected, the research plan can be finalized. It consists of a clearly defined research objective, detailed research questions, sampling criteria and plan, and the mix of tools. This is when we are ready to start pilot testing the tools, organizing logistics and field research implementation.

Before launching the field research, don't forget to pilot test the tools! The biggest issue is that your sophisticated wording must be understandable to your respondents. Rather than testing each tool it can be done by developing a discussion guide including most of the questions you want to raise during the research. This way you will be able to use the language of your (potential) clients making the research more cost-effective. Also watch how the respondents react to different techniques or tools. Especially in the case of PRAs - make sure that you use contextually appropriate visionary aids.

At this point it is very important to mention that because **exploratory research is of an iterative nature**, your research plan, the tools you selected and the way you modified them may change during the fieldwork. During research activities you may learn something interesting and decide to probe it further with the next groups or oppositely, decide that you already confirmed this information with a sufficient number of groups and you feel that it does not make sense to repeat the tool with the next planned groups. Consequently, your research plan is changing its course. It is in fact a desirable output, meaning that you analyze the data on an ongoing basis and try to modify your tool selection in a way to maximize benefits from the research.

Box 11: Ongoing Modification of the Selected Tools Mix

The *FWW PM* research is a good example of how an ongoing analysis and discussion provides lots of input to the study and allows an in-depth investigation of the research issues as well as tools-mix refinement according to the needs. It is really useful to select the tools during the fieldwork according to increased understanding of the research objectives.

The team planned to use during the first part of the research a discussion guide to examine the issue of the market saturation from the perspective of the local community asking for currently run businesses and unused potential. However, during the first groups it became evident that the tool was very difficult to apply. It was because respondents tended to easily deviate from the discussion expressing their pessimistic views about the general socio-economic situation. It was difficult to keep people on track and they became tired very quickly. The team changed strategy and applied ranking techniques to understand why it is so difficult to open or run a business there. The FGD driven by PRA tools are easier to administer in the Polish context in comparison to the ones driven by the discussion guide. Participants tended to have lots of fun and to stop complaining while focusing on the tool.

Furthermore, provided with a long list of necessary conditions and obstacles to start a business, the team investigated why people start up in spite of the difficulties (incentives to open ranking). It occurred that people had problems comparing 6-9 different aspects at once. That is why the results were vague and it was difficult to understand which were the most important incentives to open a business. Therefore, the team decided to apply a pair-wise ranking technique. Comparison in pairs was much easier for people and in-depth discussions over the core incentives contributed to a much better understanding of the reality.

EKI, Bosnia & Herzegovina	
Opportunity/ Problem	*Increasing competition and dropout forced EKI to better adjust its products to client needs. Initial analysis showed that there is no MFI offering business loans tailored to the needs of micro-enterprise involved in agricultural businesses. At the same time, clients involved in the agricultural business accounted for the biggest percentage of the EKI's micro enterprise loan portfolio.*
Research Issue	*To explore the satisfaction of the current product and fulfillment of needs of the microentrepreneurs involved in agricultural businesses*
Detailed Research Questions	*Competition analysis* *Satisfaction from the current product* *Loan use* *Seasonality and production cycles of different agricultural businesses* *Business information* *Reasons for exiting the usage of current product* *Reasons for delinquency while using the current product*
Sample	*Sample:* • *All agricultural microentrepreneurs by sub-business type (e.g. chicken raisers, land cultivators, etc.)* • *Current/former/delinquent clients of micro-loan* • *Start-up/mature businesses*
Narrowing the Information Needs	*Initial analysis involved:* • *revision of MIS (information of the client structure, portfolio, repayments, dropouts); this helped to narrow the research problem into agricultural businesses as the biggest part of the portfolio* • *competition analysis – helped to narrow research objective to agricultural businesses as no offerings of agricultural business focused product on the market* • *national statistics – provided information about local economy, business* • *loan officers feedback – provided initial insights into client satisfaction, exit reasons, problems with repayment* • *exit forms – provided initial information on client exit and the reasons for it and proxy indicators for client dissatisfaction*
Primary Research Methods	*Primary research:* *Focus group discussions with a combination of discussion guide and PRA tools* *Loan use interview* *Satisfaction self-completion form (administered at focus groups)*
Tools selected	*Discussion guide questions:* • *How is agricultural business going these days? What are the problems?* • *How do people involved in agriculture find EKI?* • *How people involved in agricultural businesses provide for additional money for their businesses?* • *What do you like/don't about EKI product? (probing about 8Ps)* • *Suggestions/improvements would you propose to adjust the micro-loan to the needs of agricultural businesses?* *Tools:* *Product Attribute Ranking* *Pair-wise Ranking* *Financial Sector Trend Analysis* *Financial Analysis Matrix* *Seasonality Analysis* *Loan Use* *Client Satisfaction* *Satisfaction self-completion form* *Nr Groups (client): 10* *Nr Groups (former clients): 2* *Nr Groups (loan officers): 2* *Nr Interviews: 3* *Nr self-completed forms: 70*
Methodological Factors	*Triangulation* • *triangulation through use of different tools e.g. satisfaction checked through: loan officer feedback, exit forms, client satisfaction, discussion guide questions incorporated into PRA tools, product attribute ranking* • *triangulation through confronting opinion of clients and loan officers* • *triangulation through organizing more than 1 focus group with respondents of the same profile* *Sensitivity* • *Delinquent clients were interviewed by non-EKI employees over coffee* *Adaptation* • *Candies were used as PRA counters* • *Discussion guide questions were incorporated into different PRA tools in such a way that they logically flowed from the discussion* *Additional tools* • *Self-completion forms were developed to get more objective information on client satisfaction as well as obtain relative assessment to the competitor which was felt not possible on the plenary*

Research

Findings Application	*Revised product: loan size 150 – 1500 Euro*
	Term: 3- 18 months
	Grace period: up to 6 months
	Guarantee: bill of exchange + 1 guarantor
	Application time: up to 7 days
	Interest rate: same
	Incentives for on time repayment in interest rate reduction
	Thorough training of loan officers in business analysis (with special focus on seasonality and, business cycles)

Polish Rural Foundation, Poland	
Opportunity/ Problem	*One area of the FWW operation is northwest Poland. There used to exist big state farms employing thousands of people at very specialized and centrally governed positions. After their collapse, the majority of ex-farm workers became unemployed and have not been able to find their place in the market economy. Working in such difficult areas, FWW experienced the problem of low demand and wanted to explore it in-depth to better address it.*
Research Issue	*To learn about target population needs for financing their enterprises as well as to clarify what motivates people to join the program in northwest Poland*
Detailed Research Questions	*I. Assessment of the needs for microenterprise credit by the former state-farm laborers population* • *Landscape of financial services available for FWW PM beneficiaries and non-clients living in the area of FWW PM intervention,* • *Economic potential of the region vs. real usage of resources – a review of different types of economic activities and their financing needs,* • *The unemployed (mostly former state-farm laborers) and their needs for a microenterprise credit.* *II. Incentives to join the program - program image & effectiveness* • *What are the reasons for smaller popularity of the FWW PM credit program among the former state-farm laborers' communities?* • *The target group attitude towards credit.* • *The target group attitude towards new business development,* • *Visibility of FWW PM, transparency and effectiveness of its information and promotion channels,* • *General perception of the program and its services in local communities,* • *Perception of the training provided by FWW PM, general attitude towards training, training needs assessment,* • *Alternative and financial costs of the credit – clients' opinions.* *III. Existing product refinement* • *Solidarity groups vs. individual approach – what are the client/potential client's preferences,* • *Other types of collateral,* • *Flexibility of the credit terms and conditions vs. different sectors of economic activity (agriculture, trade, production, tourism, etc.),* • *Seasonality of different type of business vs. credit terms and conditions.*
Sample	*Sample:* • *Clients/non-clients* • *Former ex-farm workers/small individual farmers*
Narrowing Information Needs	*Initial analysis involved:* • *Staff feedback* • *Press articles on ex-state-farmers situation* • *Former satisfaction studies of FWW*
Primary Research Methods	*Primary research:* *Discussion guide questions combined with PRA tools*

Tools selected	*Discussion guide questions:* **Types of economic activity** *What types of businesses are most typical in the local community?* *What kind of businesses do the respondents run?* *What has motivated them to start up their businesses? What has been demotivating them from starting up (for non-businessmen)?* **Financial Landscape** *How people finance their businesses in the local community?* *How the respondents finance and used to finance their businesses?* *What are the sources of financing for start-ups? How did they change over time?* *How different sources of financing MSEs have changed over time in terms of accessibility and attractiveness, popularity?* **Incentives to join FWW /image** *Clients: What has motivated you to join FWW PM?* *Non-clients: If you wanted to finance your start-up business, what features would be the most important to you of the financial service offered?* *What is the attitude to credit like in the local community?* *How many people in the local community know FWW PM?* *What do they think about FWW?* *Tools:* *Conditions to start up business (simple ranking)* *Motivation to start up business (simple ranking)* *Incentives to join FWW (simple ranking)* *Pair-wise Ranking* *Seasonality Analysis* *Simple Wealth Ranking* *Financial Sector Trend Analysis* *Financial Services Matrix* *Product Preference Ranking* *Nr Groups: 13*
Methodological Factors	*Capacity:* *Due to limited possibility of organizing more groups, the research team decided to use 2 PRA tools at one group. It worked quite well, however, in some cases may lead to respondents fatigue so is not recommended.* *Adaptation:* *Simple ranking was used to address the issue of motivation to start up a business, necessary conditions that need to be provided to start up a business as well as incentives to join FWW.* *Wealth ranking tool was modified to local context. Respondents were asked to disaggregate the local population into different well-being categories and provide characteristics about each group.*
Findings Application	*New promotional strategy* *New targeting strategy* *MFI decentralization strategy*

This paper was published with the support of the Open Society Institute.