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The Voice of the Clients: How the Mature Clients Perceive the Benefits of Availability of Microcredit

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Background of the study

In the last decade microfinance has emerged as an important tool to provide financial products and services including micro credit to those who were earlier excluded from formal finance. There are different kinds of organizations which are engaged in microfinance activities and they follow different models to provide financial products and services to the consumers. Over the past few years many studies were undertaken to understand the impact of microfinance on the socio economic characteristics of the clients, but very few try to understand the perception of clients about benefits (if any) derived from the availability of microfinance. Thus, it becomes important to understand the perception of the client regarding the changes in these socio economic characteristics while they receive sustained access to loans from the Microfinance Institutions (MFIs).

Rationale behind the study – aim, objective and basic research questions

Microfinance has often been projected as a very powerful poverty alleviation tool, though there has been little rigorous evidence of such impact of microfinance. It is often believed that it takes a long time to appropriate the benefits of access to credit through the MFIs, and traditionally shorter impact assessment studies, lasting 12-18 months are not good candidates for assessing the impact of microfinance on the clients' lives. On the other hand, there are very few studies that could afford to conduct such analysis which require observing the clients over a longer period of time.[1] As a result, there exists a large gap in our understanding of the effect of sustained micro loans on the life of the clients.

Given this gap, the objective of this study is to assess how the lives of the clients have changed overtime as they get sustained access to credit and related services from the MFIs. The study broadly covers how client's socio economic indicators have evolved during their period of engagement with the MFIs. It also aims to understand the change in client's self-esteem, involvement in household decision making and vulnerability to shocks as perceived by the clients of microfinance institutions.

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The research questions addressed include:

1. Does the sustained access to microfinance improve consumers' economic condition?
2. Does the sustained access to microfinance improve consumers' perception about their social condition?
3. Does the sustained access to microfinance change well-being, hope and aspiration of the consumer?

These research questions will be addressed in this study based on recall and perceptions of the clients, and as a result, might involve bias in the results.

Description of the sample

Given the objective of the study to assess the effects of sustained access to loans from the MFIs, the natural target for the study becomes the clients of MFIs who received few doses of credit from an MFI. Thus the sample of our study consists of clients who received loans from MFIs on a regular basis for few years. Primarily, given our objective of the study to understand the effect of MFI loans on the mature clients, we have randomly selected clients who have secured four or more loans from a particular MFI in the past (clients in the 4^{th} or above loan cycles, to be referred to as 4 loan cycle clients). Also, to create a comparison group, we have selected clients who secured two loans from the partner MFI (clients in the 2^{nd} loan cycles). We have a total five partner institutions which agreed to share their client information for the purpose of the study.

Sample Selection

To ensure unbiased sample selection, we have used random selection of clients using the client list of participating MFIs. To minimize the logistic challenges involved in survey, two districts were randomly selected from each MFI, resulting in a sample covering 7 districts across 4 states. After the districts are selected, clients from each of the district were randomly sampled separately from 2^{nd} and 4^{th} loan cycles. The final sample consists of 231 clients, with 102 clients from the 2^{nd} loan cycle, and 129 clients from the 4^{th} loan cycle.

[1] "Miracle of Microfinance" Banerjee, Duflo et.al

Table 1: Sample Selection		
Name of the MFI	**Districts**	**Number of clients Selected**
KGFS	Thanjavur, Tamil Nadu	50
Hand in Hand	Trichy, Tamil Nadu	50
VFS	Hooghly and North 24 Parganas, West Bengal	61
Swadhaar	Mumbai, Maharashtra	30
Grameen Koota	Bangalore and Tumkur, Karnataka	40

Methodology

In order to understand how socio-economic parameters evolved during the period of the engagement with MFIs, and perception of the clients about the changes that took place after they secured loans from MFIs, we adopt a before and after analysis. For this analysis, we collected data on certain socio-economic parameters and client perceptions before the clients took their first loan from the MFI and also collected the data on the same parameters when they took the latest loan from the MFI. Using this data, we conduct the following set of analyses:

a. Comparison of socio-economic parameters to identify changes between the first and the most recent loan for all the clients (including fourth loan cycle and second loan cycle clients).
b. Comparison of the difference in socio-economic parameters at the most recent loan cycles between the fourth loan cycle and second loan cycle clients which will identify the marginal difference in achievements.

The before and after comparisons are all based on recall and perception data, and thus might result in recall bias. Proper care was taken to reduce the recall bias by probing the responses as and when necessary.

On the other hand, the comparison of data on current achievements of 2nd and 4th loan cycle clients will possibly be free from such biases. However, the characteristics of the 4th cycle clients could possibly be different from the characteristics of the 2nd cycle clients as 4th cycle clients might have chosen to continue borrowing from the MFIs as they would have foreseen more benefits from MFIs. Thus, the control group (2nd cycle clients) of this study might not be truly identical to the treatment group (4th cycle) and hence conclusions based on this comparison might not be robust.

Data Description Sample Profile

The following table provides the description of the sample. Around 79% of the clients were engaged in some income generating activities when the survey was done (July 2012), though around 65% of them had so before taking the first loan from the MFI.

Table 2: Occupation Profile of the Sampled Clients		
	Before taking the first loan from MFI	**Now**
Percentage having income generating activities	65%	79%*
Primary Engagement	**% Engaged Before taking the First loan from MFI**	**% Engaged Now**
Agriculture and Animal Husbandry	16	14
Salaried in the Private/Public Sector, Self employed Professionals	12	16
Firm and non-firm Labourer	37	35
Hawker/ Petty trader	9	7
Own business/ Trade/ Manufacturing	13	16
Others	13	11

**Represents difference is statistically significant*

Large majority of the sample are labourers – working in the agricultural and non-agricultural firms, followed by clients with primary activity in business and agricultural and animal husbandry. The distribution of primary engagements shows no major shift in occupation profile overtime, possibly indicating that longer association with MFIs does not result in shift in occupation profile of the clients. The sampled clients are predominantly females – around 98% with median age of 38 years. The clients are predominantly (90%) married and living with their spouses. The client median size of the households is 4 members, with equal proportion of male and female members. The educational attainment of the sample is poor – around 11% had above secondary education indicating that most of the female clients had less than higher secondary education.

Analysis of Survey Data

In this section we present the analysis of survey data collected from clients of 5 partner MFIs across 4 states. We first explore how certain outcome variables have evolved during the period of their association with the MFIs. Then, we explore clients' perceptions on changes on various qualitative dimensions of life that took place around them during their association with the MFIs.

Changes in Major Outcome Variables

To find the effect of extended access to credit from the MFIs on the clients' lives, we identify the changes that took place in outcome variables that could be distinctly measured and assessed.
It is expected that the access to credit offered by the MFIs will help the clients support their income generating activities. So we identify changes in income generating activities by comparing the data on present situation with the period before taking the first loan from the MFI. The data reported in the table below shows that there has been a statistically significant increase in the average number of days of engagement for the entire sample – and also across the clients with different vintage. The data points out that there is a greater increase in the engagement of the 4^{th} Cycle clients who received larger number of doses of credit from the MFIs.

Table 3: Monthly average Number of days Engaged in Income Generating Activity

	Monthly average Number of days of engagement		**Difference between the present and before the first loan Statistically significant**
	Before First loan	**Now**	
Full sample	15	18	Yes
2nd Cycle Clients	14	16	Yes
4th Cycle Clients	16	20	Yes

Following this, the immediate question that we explore is to address how the data on income compares across time and across the vintage of the clients. Income data presented in Table 4 shows that for the full sample the median monthly household income has increased significantly over the period between the first loan and the most recent loan. The data on the clients' income show that there about 33% increase in median income of the overall sample.
Cycle wise break-up of the data indicates that more mature client households (4^{th} Cycle clients) experience larger increase in their median income as compared to the 2^{nd} Cycle clients. Similarly, 4^{th} Cycle clients have an higher average number of days they were engaged in an income generating activity compared to the 2^{nd} Cycle clients. This difference is probably indicating that the MFI loans are not very effective in immediately increasing income of clients of the lower vintage.

Table 4: Change in Income				
Average Monthly income: Median				
	HOUSEHOLD		**CLIENT**	
	Before First loan	Now	Before First loan	Now
Full sample	3500	6750	1500	2000
2ndCycle Clients	3100	8500	1350	1500
4th Cycle Clients	4000	10000	1500	2000

Next, we present the data on savings of the client to find whether increase in income has any bearing on the savings of the clients when the clients receive the loan from the MFI on a regular basis.

Table 5: Savings of the Clients				
	% with Positive Savings		**Median Savings**	
	Before First Loan	Now	Before First loan	Now
Full sample	46%	66%	1100	3000
2nd Cycle	48%	68%	2000	3000
4th Cycle	45%	65%	1000	3000

The above table indicates that there has been a considerable increase in the fraction of households with positive savings and also, the median value of savings increase considerably from Rupees 1100 to 3000 for the combined sample with greater increase for the clients with 4th loan cycle (threefold increase in current savings as compared to the period before the first loan was taken), though absolute value of savings of the 2nd loan cycle clients are found to be much higher than the 4th loan cycle clients. [2]This data may possibly be explained by the assumption that the 2nd cycle clients started well off than the 4th cycle clients. But, irrespective of the heterogeneity, the data clearly indicates that the savings of the clients with continuous access to credit from the MFI significantly increases over the period of engagement with the MFIs.

As an obvious next, we looked into the households' loan portfolio in the following table:

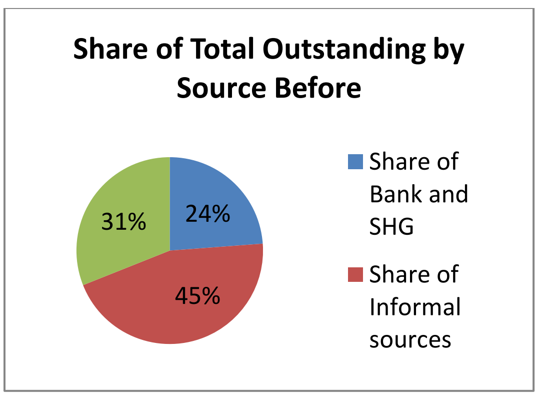
Table 6a: Comparison of Loan Portfolio of Clients				
	Percentage with Positive Loan Outstanding		**Median**	
	Before	Now	Before	Now
Full sample	22	80	5500	14000
2nd Cycle	23	78	5000	11120
4th Cycle	21	81	7000	15000
Table 6b: Clients Borrowing by Major Source				
	Percentage with Positive Loan Outstanding		**Median**	
	Before	**Now**	**Before**	**Now**
Bank/SHG/NBFC	5%	19%	10000	10000
Moneylender Friend Employer/Landlord/others	11%	13%	5000	10000
MFI	7%	68%	4500	12250

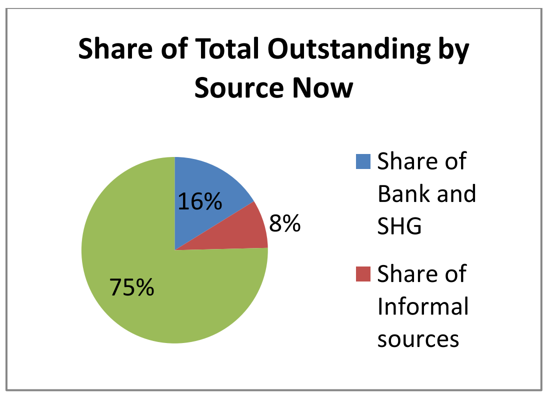
2 As the before and after comparison is based on the recall data, the results might be biased.

As expected, over the course of the engagement with the MFIs, there is a significant increase in the percentage of clients with loan outstanding. The median outstanding increase from Rs. 5500 to Rs. 14000 and 4th cycle clients outstanding increases to Rs. 15000 from Rs. 7000.

We next explore how the distribution of loan portfolio changes as the clients mature with the MFI loans as shown in the table 5b. For this purpose, we have combined few sources to create the following categories to ensure enough representation: Formal sources (including bank, SHGs, NBFCs), informal (including moneylenders, friends, family, employers, landlord and others) and MFIs.

The distribution of the loan portfolio across major sources as presented in table 5b indicates that larger fraction of the client households secure loans from formal sources, which is predominantly from the SHGs (as in the formal category bank and NBFCs have had very little presence and this category is mostly dominated by the SHGs with 14% of clients having outstanding with the SHGs now) indicating that as they mature with the MFIs, they also borrow from SHGs, possibly to get cheaper loans from the SHGs. The data shows that clients' borrowing from informal sources did not change much during the period of their association with the MFIs. As shown in the table above, 68% of the households had positive loan outstanding with the MFIs. When we looked into the issue of borrowing from multiple MFIs, we found that around 12% of clients who had positive outstanding with the MFIs, had outstanding with 2 or more MFIs – indicating that multiple MFI borrowing in not very common phenomena. Also, comparing the indebtedness to MFI figures, it seems that borrowing from MFIs does not necessarily increase the borrowing from other informal sources since even with significant increase in percentage of clients with positive outstanding from the MFIs (from 7% to 68%), there is a minor increase in percentage of clients with informal outstanding.





While looking into the share of total outstanding across the sources, it seems that loans from MFI has taken over the predominant share of total outstanding now – marginalizing the importance of informal sources to 8% from 45% before the first loan. Thus, even the median informal loan size grows along with the increase in loans to MFIs, the total contribution of informal loans on the households' entire loan portfolio significantly shrunk overtime.

To explore whether the clients also experienced increase in spending with increase in their loan outstanding, we compare how spending on the major household needs have evolved over time. The survey collected information on current expenditure across major sources and then collected information on the range of spending on the same sources before taking the first loan as compared to the current value. The following table presents the expenditure comparison.

Table 7: Fraction of the Clients for Indicated the Expenses Doubled between the First Loan and Most Recent Loan			
	Full Sample	2nd	4th
Business	55%	56%	54%
Home improvement	37%	42%	32%
Education	51%	49%	53%
Consumption	69%	60%	80%
Health Emergencies	58%	53%	66%
Other emergencies	61%	68%	55%

As can be seen from the above table, for a majority of clients households' expenditures for most of the categories doubled during the period of their engagement with the MFIs. Larger fraction of clients experienced increase in consumption, health and other emergencies.

To explore how the assets of the clients change overtime, we collected information on their house quality (pucca house or not) just before they took their first loan and the type of the house that the leave now. The table below shows the comparison between these two periods:

Table 8: Percentage of households with Pucca Residence		
	Before First loan	Now
Full sample	60	70
2ndCycle	58	70
4th Cycle	61	72

As indicated by the numbers above, overall, a larger fraction of households lives in a pucca house now as compared to the period before they took their first loan from the MFI, which could possibly indicate an improvement in the quality of their housing during the period in consideration .

To explore how the clients are using the loans from the MFIs, we collected the data on usage of their first and most recent MFI loans. The table below represents the most important usage of the MFI loans as stated by the clients.

Table 9: Most Important Purposes for Usage of MFI Loans			
Most important purpose of using First MFI loan	Percentage of clients quoted	**Most important purpose of using most recent MFI loan**	Percentage of clients quoted
For buying business asset/stock for the existing business	33	For buying business asset/stock for the existing business	43
Setting up a NEW BUSINESS	17	Buying animal for rearing and trade	12
Buying animal for rearing and trade	12	Children education	10
Children education	9	Setting up a NEW BUSINESS	9
For buying Agriculture inputs	7	New house building/purchase	4

The data on most important usage of MFI loans show that around 62% of the clients used their first MFI loan for business purposes (either for setting up of new business or for supporting existing business), with a similar usage in the most recent loan as well. A significant fraction of the clients used MFI loans for their children's education in both of the periods. While looking at the details of the table, it seems that significantly larger share of clients are using their MFI loans for supporting existing business expenses now – which indicates that once the new business is set up, more of clients use the MFI loan for expanding their business. Overall, the survey data on loan usage data indicates that MFI loans are predominantly being used for business purposes by the mature clients.

Thus before and after comparison of observable outcome variables documented considerable improvement of the clients achievement in these parameters as compared to the period before they took the first loan.

Clients' Perceptions on Benefits of MFI Loans

In the previous section we have examined how various economic variables change after the clients receive their first MFI loan. Changes in income, savings, consumption and some proxy of assets were evaluated in the previous section. In this section, we explore how clients perceive the benefits of their association with MFI based on their access to credit, income earning capacity, decision making capabilities and abilities to cope up with shocks that result in financial loss.

Since the clients' relationship with the MFIs is mostly focused around the access to loans, we present clients perception about the changes in their access to loans for various purposes in the following table. For this question, we showed the clients a hypothetical ladder with 0 to 10 steps, where 0 signifies no access to loans and 10 signifies complete access to loans. The clients were asked to identify their position on the hypothetical ladder before they took their first loan from the MFI and then asked to identify their current position on the ladder. Comparison of the means of the scores shows that clients' access to credit for each purpose had improved overtime during their association with the MFIs.

Table 10: Client's Perception about their Access to Loans and Overall Financial Situation

	Mean Score Before taking the first loan*	Mean Score Now*	Difference Statistically significant
Perception regarding access to loan for			
Business	2.39	3.87	Yes
Home improvement	2.13	2.95	Yes
Education	2.5	3.5	Yes
Household Consumption	2.82	4.4	Yes
Health Emergency	2.6	3.66	Yes
Other Emergency	2.3	3.34	Yes
Perception regarding overall Financial Situation			
	3.23	5.56	Yes

**In a scale of 0-10 where 0 represents no access & 10 represents complete access*

In a related manner, the clients were asked to rate their households' financial situation before they took their first loan and their current situation using the ladder example. The mean score for the households' current financial situation is found to be 5.56 against a mean score of 3.23 before they took their first loan. This probably indicates that households' perceived that their financial situation has improved significantly as compared to the period before they secure the first loan from the MFI.

To complement the question on access to finance, clients were asked to provide their opinion on the availability of sources of alternative finance in the absence of MFI loans and also asked about the expected cost of funds from these alternative sources. The tables below present the data on their perception about alternative sources of finance.
Specifically, the clients were asked whether they would have been able to get the loan from other sources for their first and most recent MFI loans, and also asked to mention the source which would have been a possible alternative for the MFI loans.

Table11: Client Perception on Availability of Substitute of First MFI Loan			
	Full sample	2nd Cycle	4th Cycle
Percentage perceived that there would have substitute sources to first MFI Loan	61%	65%	67%
Sources that would have been substitutes for MFI Loan			
Loan from friends, relatives and neighbours	46%	53%	38%
Money Lender	40%	35%	45%
Selling asset	3%	2%	5%
Loan from Bank/SHG/CHIT	11%	10%	12%

When asked about the substitute source of their first loan from the MFI, 61% of the all the clients surveyed expressed that they would have been able to find a substitute source of their credit needs catered by the first MFI loan, indicating that the 39% might not have access to credit in the absence of MFIs. As shown in the above table, moneylenders and friends/relatives/neighbours would have been the predominant alternative to MFI loans, indicating that in the absence of MFI loans large majority of the client had to adopt informal borrowing. Comparison of response by the loan cycles indicates that availability of MFI loans may have helped to replace moneylender's loans by MFI loans for about half of the older vintage clients and about a third of the 2nd cycle clients.

This data also indicates that a very small fraction of the clients (11%) viewed the other sources of formal finance (bank, SHG etc.) as a potential alternative to their credit needs that the MFIs served , which possibly indicates that the formal sources are not good substitute of MFI loans.

To assess whether MFIs offered any cost advantage over the alternative sources, the clients were asked about the interest rate that they would have to pay in accessing credit from these alternative sources and those were contrasted against the interest rate that these clients actually paid to borrow from the MFIs.

Table 12:Client Perception on Interest rates on sources substitute to MFI Loan & Actual Interest Rate charged by the MFI					
	Perceived Monthly interest rate (in percentage) that would have been charged by the substitute sources			**Monthly Interest rate (in percentage)on actual MFI loan**	
	Number responded	First MFI loan	Latest MFI loan	First MFI loan	Latest MFI loan
Full sample	87	4.58	3.49	1.29	1.35
2nd Cycle	43	4.45	3.22	1.30	1.34
4th Cycle	44	4.71	3.78	1.28	1.36

The above table indicates that the clients perceive the monthly interest rate that they would have been charged to avail credit from alternative sources for their first MFI loan would be around 4.58%, while the same would have been around 3.5% for the most recent loan. Comparing the information on the actual interest paid for the first and most recent MFI loans and the perceived interest rate for the alternative sources, it seems that the clients perceive that the alternatives sources are much more expensive than the MFIs– often demanding more than 3 times of the interest rate charged by the MFIs. Thus the findings from this table indicate that availing MFI loans may have helped the clients reduce their interest burden quite significantly. It also indicates that the clients perceive that alternative sources would now cost less compared to the period before they took the first loan – which could possibly indicate an increased competition among the competing sources.

It has been often argued that the clients frequently use MFI loans for some "*unproductive purposes*" that do not directly contribute towards income generating capacity and often leads them to a vicious debt cycle. To understand clients' perception on this issue we collected data on total number of loans taken by the clients since they took the first MFI loan and also asked how many of these loans were used for income generating purposes. The data on median number of loans show that the clients overall, had taken 3 loans since they took the first MFI loan, where 4th cycle clients took 4 loans and 2nd cycle clients availed 2 loans after they took their first loan from the MFIs.

Table 13: Perception of Clients about Change in Earning Capacity and Role of MFI Loans			
	Full Sample	2nd Cycle	4th Cycle
Median Number of loans taken after the first MFI loan	3	2	4
Percentage of loans used for income generation after taking the first MFI loan	77%	78%	76%
Percentage of clients experienced increase in earning capacity after taking the first MFI loan	80%	75%	84%
Most Important Reasons Contributing to Increase in Earning Capacity			
Increase in earning capacity contributed by sustained and easy access to MFI loan	55%	56%	54%
Increased demand for product/service	47%	46%	47%
Skill enhancement/livelihood trainings provided by the MFI	21%	17%	23%
Increase in earning capacity contributed by cheaper MFI loan	21%	27%	16%

We also asked the clients whether they experienced changes in their earning capacity after they took their first MFI loan. The table above presents their perception about changes in their income generating capacity.

The data indicates that on average, around 77% of all loans taken by the clients were used for income generating purposes. Around 80% of all the clients experienced an increase in their earning capacity during this period and more than half of those clients contributed that increase to sustained and easy access to MFI loans, 21% reasoned availability of cheaper loans from MFI and another 21% felt that skill enhancement and livelihood training provided by the MFIs were one of the three most important factors in contributing to this increased earning capacity. Thus, the data presented in the above table indicates that a large fraction of clients feel that MFIs play a catalyzing role in increasing their income generating capacity.

Next, we have asked the clients a set of questions on their perception about how their lives have changed as compared to the time before they took their first MFI loan. The table below present their responses.

Table 14: Perception of Clients about Present Situation of Life as compared to the time before securing their First MFI Loan				
	% Expressed that situation has become better now as compared to time before first MFI loan			
	Full Sample	2nd Cycle	4th Cycle	Difference (4th vs. 2nd) Statistically Significant
Financial Decision Making	55%	47%	63%	Yes
Household Decision Making	58%	53%	63%	No
Ability to cope with shocks	45%	33%	55%	Yes
Social Status	52%	39%	62%	Yes
Overall	57%	53%	60%	No

When asked to rate the changes in their life with respect to their financial decision making capacity, around 55% of the total sample indicated that it has become easier now as compared to the period before taking the first MFI loan and when we compare the perceptions of 2nd and 4th cycle clients, we find that significantly larger percentage of 4th cycle clients expressed that they are better off now as compared to the 2nd cycle clients. More than half of the sample also felt that household decision making has become easier, though there was no significant difference found among the responses of 4th and 2nd cycle clients. Ability to cope up with shock is a very important aspect of improvement of life. In this ground, 45% of the clients expressed that they are now better prepared to cope up with the shocks, though the 4th cycle clients are found to be much weathered to cope up with shocks now as compared to the 2nd cycle clients. This difference could probably indicate that the longer association of MFIs might increase preparedness to cope up with the shocks, and that availing only 2 loans might not be sufficient to prepare the majority of households to cope up with shocks. When asked about the changes in their social status, more than half of the entire sample (52%) felt that they are now better off as compared to the period before they secured MFI loan, and again, a much smaller fraction of the 2nd cycle clients felt any improvement of their social status. Finally, around 57% of the surveyed clients expressed that there was an overall improvement in their life now as compared to the period before getting the first MFI loan and there was no significant difference across loan cycles in the overall improvement aspect.

To explore whether longer association with the MFIs result in difference in ability to cope up with wealth shock, the clients were asked to provide three most important mechanisms that they would adopt to cope with various shocks. Table below presents the overall findings and loan cycle wise comparison.

Table 15: Most important means to cope up with shocks

	Full Sample		2nd Cycle		4th Cycle	
Percentage Quoted the instrument as one of the three most important means to cope up with shocks to asset	Before first loan+	Now+	Before first loan+	Now+	Before first loan+	Now+
Savings	31%	39%*	32%	33%	29%	43%*
Loan from Moneylenders	39%	32%*	46%	42%	34%	24%*
Loans from Friend, relatives, neighbours	45%	42%	48%	42%	43%	42%
Grant from Friend, relatives, neighbours	36%	34%	45%	40%	29%	29%
Loan from MFI	8%	50%*	8%	44%*	9%	55%*
Selling or mortgaging any Property	15%	13%	13%	13%	17%	13%

+ Row total could be more than 100 as the responses quoted the % of clients who would have adopted any source as one of the three most important sources.

** Indicates the difference between now and before is statistically significant*

The data shows that before they took their first MFI loan, to cope up with financial loss, borrowing from friends, relatives and neighbours was seen as one of the most prominent strategies to be adopted by 45% of the clients, while loans from moneylender and grants from network were also quoted by more than a third of the clients. Around 31% of the clients mentioned using savings to cushion shock before they took their first loan and around 15% would have used assets selling to cope up with wealth shocks. Comparing the data presented in columns 2 and 3 of the above table it seems that a significantly larger fraction of the clients (39%) would have utilized accumulated savings to weather shock, and a smaller fraction of the clients (32%) would have borrowed from moneylenders if the shock were to happen now – a picture that shows better preparedness to weather the shock. While looking at the cycle wise break down presented in last four columns it becomes evident that more mature clients (4th cycle) are better prepared to use savings to cope up with wealth shock and also less dependent on the moneylender to cope up with wealth shocks. Thus, these findings indicate that longer association with the MFIs might result in better preparedness to cope up with shocks and less dependence on more expensive coping mechanism.

Client Perceptions about Empowerment, Self Esteem & Aspirations

Availability of sustained credit from MFIs has seemed to influence various economic parameters of clients' lives.

But, there are more nuanced qualitative aspects of life that might also be affected by the changes in opportunities that are believed to be created by the availability of MFI loans over a sustained period of time. These qualitative aspects of life might not be very easy to measure as an observable outcome. In this section, we explore how clients perceive the changes in certain unobservable qualitative aspects of their lives in view of their association with the MFIs.

It is a popular belief that the MFI loans given predominantly to the poor women might help them to improve their influence on various dimensions of household decision making and self esteem. Thus, to understand whether longer association with the MFIs might affect some qualitative aspects of life such as self-esteem, empowerment and perceptions about life in this section we asked the clients about their perception about the changes in these qualitative aspects of life to see if they gained qualitative benefit from their association.

We first present the clients involvement in major decision making of the household which could be taken as a proxy of their empowerment in the following table.

Table 16: Clients' Role in Decision Making		
	Percentage of clients equally or more Involved in household decision making	
	Before taking the first loan	Now
Savings	62	74
Loans	64	74
Household expenditure	69	81
Education	75	79
Buying/selling of assets	61	65
New business	57	68

The clients were asked to rank their involvement in household decision making (in a scale of 1-5 where 1 indicates no involvement and 5 indicates the decision is entirely take by the client), and using the responses we have created an indicator variable that shows whether the client had at least equal involvement with other members in decision making. For example, if a client is either equally involved or has more dominant decision making involvement (most involved or complete say over a given decision) then the client will fall in the category of *"equally or more involved"*. The above table compares the client's involvement in various aspects of household decision making before they took their first MFI loan with their present involvement. As shown in the table, 62% of the clients mentioned that they were equally or more involved in deciding about savings before they took their first loan from the MFIs which significantly increased to 74% over the period of their engagement with the MFIs – a finding that indicates the clients have more say now in deciding about their households' savings. Also, the table shows that a significantly larger fraction of the clients are now participating in deciding about the loans of the household – an obvious outcome of managing loans of the MFIs. There are also marginal changes in clients' involvement in deciding about the education of the children and buying and selling assets. However, clients are found to be more involved in deciding about the household expenditures and more interestingly, have greater say in decision about starting new business. So, all these changes as perceived by the clients clearly indicate that longer association with the MFIs definitely increases the stake of the women in household decision making – a finding synonymous to women empowerment.
We also confirmed our findings by asking clients about their self-esteem and empowerment. The findings were similar to our prior results, with clients feeling higher self-esteem and empowerment in regards to income spending and other financial decision making, during the 4th Cycle compared to the 2nd Cycle.

Also, we used a set of two subjective questions to assess the level of optimism of the clients. The table below brings the comparison of optimism of clients of different vintages.

Table 17: Perception towards problems and optimism: Percentage Disagreed to the statements			
	Overall	2nd Cycle	4th Cycle
There is no real way I can solve the problems I have	74	71	76
There is little I can do to change many of the important things in my life	37	33	40

The above table presents the comparisons of clients' optimism based on the responses of the two subjective statements as mentioned above. A predominant majority of the clients disagreed to the given first statement which makes some assertive comment on the inability of the client to solve their problems. The cycle wise distribution of the responses show that a larger fraction of the 4th cycle clients disagreed to the statement as compared to the 2nd cycle clients –indicating that mature clients are more optimistic. In the second question clients were asked to agree/disagree to the assertive statement that they can do little to change important things in their lives brings out interesting findings. The responses from this question indicate that a much smaller fraction (less than 40%) of the clients are actually confident about their ability to change important things around their lives. However, the cycle wise comparison confirms that 4th cycle clients are more confident about their own ability to influence important outcomes of their lives.

Thus, combining the two sets of response, it emerges that though majority of the clients are ready to accept the things as they are and solve the problems, though they seem to be less prepared to take a step forward in changing the things around their lives. Also, in both cases, mature clients are found to be more optimistic and confident about their own abilities than the less mature clients.

Finally, to portray whether and how their aspirations change while their relationship with the MFI matures, we asked the clients to list their three most important aspirations before they took their first MFI loan and also asked them to list the aspirations that they presently have. The table below show the comparison.

Table 18: Clients' Aspirations

	Percentage of clients quoted a given aspiration	
	Before taking the first loan	Now
Agricultural Development	5	2
Improving Overall Financial Conditions*	16	16
Improving Children's Education and Marriage	12	26
Developing New Business	29	20
Improving Quality of Housing **	24	23
Buying New land	1	2
Buying New Assets ***	3	3
Others	3	7
No Aspirations	7	2

*Note: *Overall financial requirements define client's need for financial improvement by reducing interest rate, increasing loan amount, repaying money lenders etc.*

*** Household Development defines clients aspirations for having better living standards, good housing quality, better living for all family members.*

**** Buying new assets defines their interest in developing more durable assets like Television, Cars, Motor-Cycles etc.*

As reported in the above table, top 3 aspirations as quoted by the clients before taking the first loan from the MFI were related to developing their business (quoted by 29%) , improving housing quality (quoted by 24%), and improving financial conditions (quoted by 16%). As expected, when the clients start their first relationship with the MFI, their primary aspirations are naturally focused towards improving business, housing and financial conditions. While looking into their most important aspirations that they presently have (after sailing through a couple loan cycles), we find an interesting shift: the mostly quoted aspiration is not business any more, rather it is relating to improvement in education and marriage of their children (quoted by 26%), while aspiration relating to housing improvement remains the second most important aspiration (quoted by 23%), followed by business development which is quoted by 20% of the clients.

These findings are particularly interesting – as the clients receive more loans, primary aspiration shifts from their own business development to their children welfare – an aspiration that is not a priority for the clients in the initial stages of their relationship. This shift possibly indicates that once the very basic requirements are met using the MFI loans, the clients desire more aspirational things like improving their children's welfare. Thus the comparison of aspirations indicates that clients climb up in the ladder of aspiration as they mature with the MFI loans, which is possibly an indicator of improvement of overall household wellbeing.

Conclusions

Collecting data on various socio economic parameters, this report analyzed the changes in various aspects of life of the client households who received repeated MFI loans over a significant time period. The report compared the self-reported data on these parameters spanning over the period before the clients secure their first loan from the MFIs and current period to assess the changes that occurred during this part of their life cycle with various economic factors and qualitative aspects of their lives.

Finding of this report show that client's savings, income increases significantly during this period of their engagement with the MFIs. The data also indicates significant improvement in clients say over various household decisions making processes. The comparison also indicated better preparedness of clients to cope up with financial shocks and less dependence on costlier coping mechanisms. The analysis also pointed out that the mature clients are more optimistic and confident about their own abilities to resolve their problems. Finally, there is an indication of qualitative improvement of clients' wellbeing as portrayed by a clear shift in aspirations of the mature clients.

The before and after comparisons made in the study are all based on recall and perception data that might involve recall bias. On the other hand, the results based on the comparison of data on current achievements of 2^{nd} and 4^{th} loan cycle clients might not be robust as the 4^{th} cycle clients might *self-select* to maintain a sustained relationship with the MFIs and thus could possibly be characteristically different from the 2^{nd} cycle clients who may or may not continue to borrow from the MFI for sustained period. Thus, the conclusions drawn above might overestimate the true benefits.

Overall, the analysis indicates that certain economic factors and qualitative aspects of life improve after the clients receive sustained access to credit from the MFIs.