

<b>Institution:</b> University of Portsmouth		
<b>Unit of Assessment:</b> UoA 17: Business and Management Studies		
<b>Title of case study:</b> Improved Effectiveness and Impact of an International Microfinance Programme		
<b>Period when the underpinning research was undertaken:</b> 2014 - 2020		
<b>Details of staff conducting the underpinning research from the submitting unit:</b>		
<b>Name(s):</b>	<b>Role(s) (e.g. job title):</b>	<b>Period(s) employed by submitting HEI:</b>
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Salem Chakhar	Research Fellow	27/08/13 - date
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<b>Period when the claimed impact occurred:</b> 2015 – 2020 (ongoing)		
<b>Is this case study continued from a case study submitted in 2014? N</b>		
<b>1. Summary of the impact</b>		
<p>Since 2014, the University of Portsmouth (UoP) has collaborated with CARE International UK and their online microfinance platform (Lendwithcare - LWC) to research their communities of borrowers and lenders. <b>The <u>direct</u> impact of that collaboration has been two-fold.</b></p> <p><b>First, UoP research findings into who donates, in particular the projects donors/lenders favour donating to have been utilised by LWC in completing a major re-design of their online platform.</b> This has seen the number of active LWC lenders grow from 20,794 (2014) to 66,002 (2021), with the investor portfolio growing from GBP5.5m to over GBP31.5m over the same period. As a consequence of this expansion, more than 120,000 new loans have been made to low-income entrepreneurs in developing countries <b>[Impact Strand 1]</b>.</p> <p><b>Second, field research completed with LWC partner microfinance institutions (MFIs) saw these MFIs introduce a number of important operational changes as a result of the UoP research.</b> These changes impacted upon <i>social welfare through enhanced social inclusion</i> (Ecuador - rebalancing the loan portfolio in favour of more marginalised groups), <i>service change</i> (Pakistan - streamlined loan selection processes for existing borrowers), and <i>improved service provision</i> to marginalised women (Zimbabwe - refined loan supervision processes and client training procedures) <b>[Impact Strand 2]</b>.</p> <p><b>An unexpected and <u>indirect</u> consequence of the success of the collaboration was the recognition of the ‘higher cost-effectiveness’ of the UoP-LWC project compared to other impact assessments commissioned by CARE International from external consultants.</b> This not only convinced LWC to increase the time and budget allocated to their impact activities with UoP but will “<i>most likely privilege [CARE International] collaborations with academic institutions in the future as a direct result</i>” (S3).</p>		
<b>2. Underpinning research</b>		
<p>Microfinance is a well-established development instrument that provides financial services and training to low-income populations to lift themselves out of poverty. LWC is a microfinance crowdfunding platform created in 2010 by CARE International UK, a leading international development NGO working in over 100 countries. The funds raised through the platform are then distributed, with the aid of local microfinance institutions (MFIs), to borrowers across eleven developing countries. Research undertaken by the UoP on the effectiveness of microcredit programmes supported by LWC directly responds to increased calls for accountability within the development sector. The team from UoP designed a comprehensive evaluation that considered both sides of LWC’s microfinance programme - the lenders (Impact Strand 1) and the borrowers (Impact Strand 2).</p>		

**Impact Strand 1 firstly focussed on better understanding the preferences and behaviours of LWCs community of lenders.** Lender profiles are displayed on the LWC platform, and a link is provided to all the projects they have funded (a photo and lender descriptor are optional). As lenders do not receive interest on their loans, they can best be viewed as ‘pro-social donors’, and their behaviour can be analysed through the lens of social image theory. The research disclosed that lenders who took advantage of the opportunity to add personal details (photo and descriptor) were much more likely to make a larger number of smaller value loans than those who did not. **The research also found that gender, age and money donated to other charitable causes resulted in significant variations in observed donor behaviour. Somewhat surprisingly, religiosity, social capital and income levels – found to be highly significant in other empirical studies - were found to have little to no explanatory power in this particular context.** The research concluded that organisations such as LWC should consider encouraging “self-presentation and increase levels of visibility in the donation process. This could be achieved by making public profiles a more prominent feature on their websites and encouraging more funders to complete them” (R1, p.53).

**Impact Strand 1 also investigated how funding pitches from borrowers are presented on the platform - and how this impacts upon lender decisions,** research that was published in the *European Journal of Operational Research* (R2). The study found that the most attractive attribute to funders was activity type (funders preferring to invest primarily in farming projects, food stalls followed by sewing/tailoring enterprises and then ‘green’ loans). Gender of the borrower and the loan size requested were also important determinants (albeit less so than activity type), while country and number of dependents exerted only a moderate influence on lending patterns. Age of borrower was of minimal significance. The research suggested that these findings could help website design with a view to increasing the contributions derived from LWC crowdfunding campaigns (R2, p.709).

**Impact Strand 2 switched focus to borrowers and examined the degree to which loan recipients under the LWC programme had seen visible improvements in their wellbeing.** Three LWC MFI partners with differing size portfolios were selected; Akhuwat Islamic Microfinance (AIM) in Pakistan (813,525 borrowers), Fundación FACES in Ecuador (19,978 borrowers) and Thrive in Zimbabwe (3,384 borrowers). The research involved the completion of three waves of household surveys in Pakistan, two household surveys in Zimbabwe, and a baseline survey in Ecuador. The findings were distributed through academic outputs (R3, R4) and practitioner-friendly reports (R5, R6). In each instance, the surveys disclosed a wide heterogeneity in the MFI client base.

**In the case of Pakistan,** the longitudinal analysis found that while prior management experience was positively associated with business growth, no significant association was found between business growth (and also employment creation) and gender, poverty levels and prior credit experience. Importantly, as would be hoped, poverty levels also reduced among AIM borrowers compared to the hundred-strong control group who had not received MFI loans (R3). It was complemented by case study research which delved more deeply into the simple, yet innovative, approach based on a practical and financially sustainable operating model that had enabled AIM to become the largest non-bank Islamic micro-finance provider in the world (R4). These academic outputs were supplemented by the production of practitioner-friendly reports which, among other things, highlighted a sharp divide in the impact of loan provision between rural and urban borrowers (**case of Ecuador**, see R5) and the important challenges posed by the economic and cash crisis to both clients and MFI (**case of Zimbabwe**, see R6). The identification and exploration of these differences allowed the institutions to improve their knowledge of their clients and re-evaluate their targeting criteria, prompting changes in the internal processes of the MFIs as further described below.

### 3. References to the research

(R1) Cox, J., Nguyen, T., Thorpe, A., Ishizaka, A., Chakhar, S., & Meech, L. (2018). Being seen to care: The relationship between self-presentation and contributions to online pro-social crowdfunding campaigns. *Computers in Human Behavior*, 83, 45-55. <https://doi.org/10.1016/j.chb.2018.01.014>

(R2) **Chakhar, S., Ishizaka, A., Thorpe, A., Cox, J., Nguyen, T., & Ford, L.** (2020). Calculating the relative importance of condition attributes based on the characteristics of decision rules and attribute reducts: Application to crowdfunding. *European Journal of Operational Research*, 286(2), 689-712. <https://doi.org/10.1016/j.ejor.2020.03.039>

(R3) **Afonso, J.S., Cox, J. & Thorpe, A.** (2020). Business Performance and Heterogeneity among Islamic Microfinance Clients: Evidence from Pakistan, Working Papers in Economics & Finance 2020-03, University of Portsmouth, Portsmouth Business School, Economics and Finance Subject Group. [http://repec.port.ac.uk/EconFinance/PBSEconFin\\_2020\\_03.pdf](http://repec.port.ac.uk/EconFinance/PBSEconFin_2020_03.pdf)

(R4) **Afonso, J.S. & Khan, A.A.** (2019). Islamic Microfinance: exploring the experience of Akhuwat in promoting Qard Hasan in Pakistan. In O'Connor, M. and J.S. Afonso (Eds), *Emerging Challenges and Innovations in Microfinance and Financial Inclusion*. London: Palgrave MacMillan. ISBN 978-3-030-05260-7.

(R5) **Afonso, J.S.** (January 2018). Lendwithcare Impact Assessment - Fundación de Apoyo Comunitario y Social del Ecuador (FACES). Baseline Report, University of Portsmouth. <https://drive.google.com/file/d/1xzB9whsYcZi2Y9Tw736S5Y9WCyr9buvX/view?usp=sharing>

(R6) **Afonso, J.S.** (March 2018). Lendwithcare Assessment Project – Thrive Report, University of Portsmouth. <https://www.careevaluations.org/wp-content/uploads/LWC-Assessment-Project-THRIVE-Report-March-2018.pdf>

The references above contain two peer-reviewed journal articles (R1 and R2), one book chapter (R4), one working paper (R3) and two policy reports (R5 and R6). One article (R2) was published in CABS 4\* journal and, following peer-review, adjudged as of 4\* REF2021 quality. One article (R1) was published in CABS 3\* journal and, following peer-review, adjudged as of 3\* REF2021 quality. One article (R4) was, following peer-review, adjudged as of 2\* REF2021 quality.

#### 4. Details of the impact

**The UoP-LWC linkage dates to January 2014 when** Thorpe encouraged his second-year International Development Studies students to launch a series of fund-raising activities to sponsor projects advertised on the LWC platform. In May 2014 he followed up on this by writing to the LWC team expressing his interest in “What factors determine whether (and the extent to which) individuals are prepared to engage with what is, in essence, a developmental crowdfunding scheme like yours? At Portsmouth, we believe the issue of individual engagement in crowdfunding and indeed, within wider citizen science initiatives, is currently badly under-researched, and we are keen to remedy this.”

LWC responded promptly and, in agreeing with his views, requested a meeting to discuss matters further. Following a meeting in London in early June, an informal collaborative relationship was established. LWC provided the UoP team with comprehensive data scraped from the LWC platform (Impact Strand 1) and reported they would ‘think about what specific questions we would like to get the answers to.’ By late June LWC confirmed two questions they were particularly interested in were ‘what are the factors that affect the amount of money and/or numbers of projects supported by lenders?’ and “are certain types of entrepreneur significantly more/less likely to be funded by certain types of lender?” The questions that underpinned the research were subsequently published (**R1, R2**). In parallel, LWC requested support from UoP as independent experts in evaluating the effectiveness of their MFI lending programme in the field (Impact Strand 2).

##### Impact 1: Research-led changes in Practice - Growing the Lender Base

Findings from Impact Strand 1 improved LWC’s understanding of how to attract new lenders and how to better represent the profiles of borrowers appearing on the website (**R1, R2**). The research team made several specific recommendations regarding increasing lender visibility and placing greater emphasis on the community of lenders and their public profiles (**R1**), and highlighting lender preferences based on characteristics such as activity type, borrower type and gender (**R2**). The recommendations demonstrated how LWC could generate more interest among lenders by improving particular aspects of borrower funding pitches, and increasing the promotional efforts directed towards different groups of potential lenders.

**In 2015, LWC employed preliminary recommendations from these studies in a major redesign of their platform.** The recommendations emerging from Impact Strand 1 informed the design of several elements of the new platform, including the lender community and visibility of public profiles. The new platform also presented borrower funding pitches in new ways, placing greater emphasis on the borrower characteristics highlighted by the UoP research. The research, notably on lender characteristics and observed donor behaviour was not only influential in helping LWC more effectively target their annual fund-raising campaigns to potential donor groupings. Findings from Impact Strand 2 were also used to give greater authority to these campaigns (i.e., UoP research shows LWC *“microloans are proven to empower women and lift them out of poverty”* (S1). LWC considers the redesign as having played a significant role in increasing the number of lenders active on the platform, which increased from 20,794 at the end of 2014 to an aggregate 66,002 (up 217%) in January 2021. Over the same period, the aggregate loan capital issued via the platform increased from GBP5.5m to GBP31.5m, resulting in more than 120,000 additional loans. According to LWC, “the redesign of our website following recommendations from the University of Portsmouth has played a major role in achieving these increases, particularly as a result of demonstrating impact and providing credible evidence to lenders”. Furthermore, “the research was so valuable that we highlighted several of the findings directly on the new website” (S2, S3).

### **Impact 2: Improving Social Welfare across Borrower Communities**

As the underlying aim of LWC is to improve the lives of poor people through promoting financial inclusion, the LWC team wanted to understand if indeed this was the case, and if so, how was it being achieved. The UoP team were asked to supply technical help and research expertise. Over time this grew to training local interviewers, preparing training manuals in English and Spanish, monitoring the fieldwork, analysing the data, and producing both academic outputs (R3, R4) and practitioner friendly reports (R5, R6). The research team also presented at several workshops and events with LWC and their MFI partner institutions, most notably a workshop in London in March 2018 attended by representatives from partners in Ecuador, Peru, Zambia, Malawi, Palestinian Territories, Pakistan, Vietnam, Cambodia and the Philippines (S4). Participation in events such as these, not only allowed the research team to disseminate their findings to LWC and their MFI partners but also offered an opportunity to make policy recommendations relating to the way in which impact is assessed.

AIM in Pakistan had been selected as the first field partner to participate in the evaluation, and a first visit was made by the LWC team and UoP staff in April/May 2015 to survey 500 loan recipients (and 100 in a control group) in four branches based around Lahore. A follow-up visit took place in 2017 (2019 cancelled due to COVID-19). Evaluations also commenced in Zimbabwe (Thrive) in 2016 and 2017, and Ecuador (Fundación FACES) in 2019, the latter a direct consequence of a FACES request following the March 2018 London workshop.

**Central to this evaluation process has been the provision of regular outputs (R3, R5 and R6). These reports serve two purposes.** First, they provide LWC with robust evidence from the field that can be shared with partners and prospective partners. According to Ajaz Khan; *“the quality and independence of the work [was] praised by different partners and stakeholders (internal and external)”* (S3). Second, and more critically, they also offer the local MFI relevant and timely information on their clients that is then used to inform its management decisions and improve their microcredit programme. These reports have had particular impacts in three specific areas:

#### **A. Streamlined loan selection processes for existing borrowers (Pakistan)**

The 2020 Pakistan report (R3) gave AIM management an understanding of the requirements and potential benefits of developing internal social performance assessment mechanisms, convincing them to introduce such mechanisms when they updated their updated management information systems. Furthermore, a number of the questions employed in the UoP/LWC impact evaluation survey have been incorporated as part of Akhuwat’s standard client questionnaires (S5). The improved and streamlined selection processes has enhanced the positive welfare impact resulting not only from LWC funded loans, but also all other current and future AIM borrowers. *“We expect the consequences of embedding new internal social performance mechanisms, as advocated by*

*Lendwithcare and the University of Portsmouth in their report, will ultimately feed through to increase the majority of our 800,000+ borrowers' welfare and wellbeing" (S5).*

### **B. Refined loan supervision processes and client training procedures (Zimbabwe)**

The 2018 Zimbabwe report (R6) recommended that Thrive should review its targeting processes carefully as evidence indicated that the MFI was not reaching the poorer segments of female entrepreneurs. It also highlighted that the compulsory training offered by the MFI was necessary, but was too lengthy. In response Thrive made the previously optional training programme mandatory, but shortened its length (the initial 8 sessions were reduced to 3, thereby shortening the loan application time from approximately 1 month to 10 days). In addition, a social performance officer was appointed to; ensure more effective targeting, systematically monitor progress and, help clients to work more effectively with their loans (S3).

### **C. Rebalancing the loan portfolio in favour of more marginalised groups (Ecuador)**

The 2020 Ecuador report found evidence that female entrepreneurs, and those based in rural locations and/or engaged in informal business activities, were significantly less likely to be educated and more likely to be living in poverty than other groups (R5, p.36). These findings led the MFI partner FACES to review their loan portfolio with a view to rebalancing in favour of these more marginalised groups. As a result, the organisation is better able to address their aims as a social development organisation and to *"provide better services to the most relevant groups of borrowers" (S6).*

**One unanticipated outcome of the collaboration** saw *"the quality and independence of the work developed within the project [which has been] praised by different partners and stakeholders (both internal and external)" (S3).* Moreover, the **'higher cost-effectiveness** of the UoP-LWC project' compared to other impact assessments commissioned by CARE International from external consultants led LWC *"to increase the time and budget dedicated to impact assessment activities."* The monies directed to this line of work was substantially increased, LWC contributing GBP60,000 to fund a Postdoctoral position at UoP (Afonso), as well providing GBP30,000 for a doctoral bursary oriented to examining the effectiveness of microfinance evaluation processes. In addition, one of LWC team members received external training on evaluation, and her job description was broadened to *"include specific impact and social performance related goals" (S3).* In addition, moving forward, CARE International report *"we will most likely privilege collaborations with academic institutions in the future as a direct result of our experiences with the University of Portsmouth."*

## **5. Sources to corroborate the impact**

(S1) Jones, R. (2017) Ethical gift vouchers with the power to keep on giving and giving ..., The Guardian, 2 December. <https://www.theguardian.com/money/2017/dec/02/ethical-gift-vouchers-lendwithcare-microloans-empower-women>

(S2) LWC (2017) Assessing the impact of microfinance, 7 December and LWC (2018) How your loans make a difference, 30 October.

(S3) Letter from Dr Ajaz Ahmed Khan, Senior Microfinance Advisor, CARE International UK, 1 February 2021.

(S4) The Lendwithcare Workshop, 19-22 March 2018, Programme.

(S5) Letter from Shahzad Akram, Chief Credit Officer, Akhuwat Islamic Microfinance, 3 February 2021.

(S6) Letter from Maria Elena Bravo L., Chief of Social Responsibility, Fundación FACES, 1 February 2021.