

Housing outcome

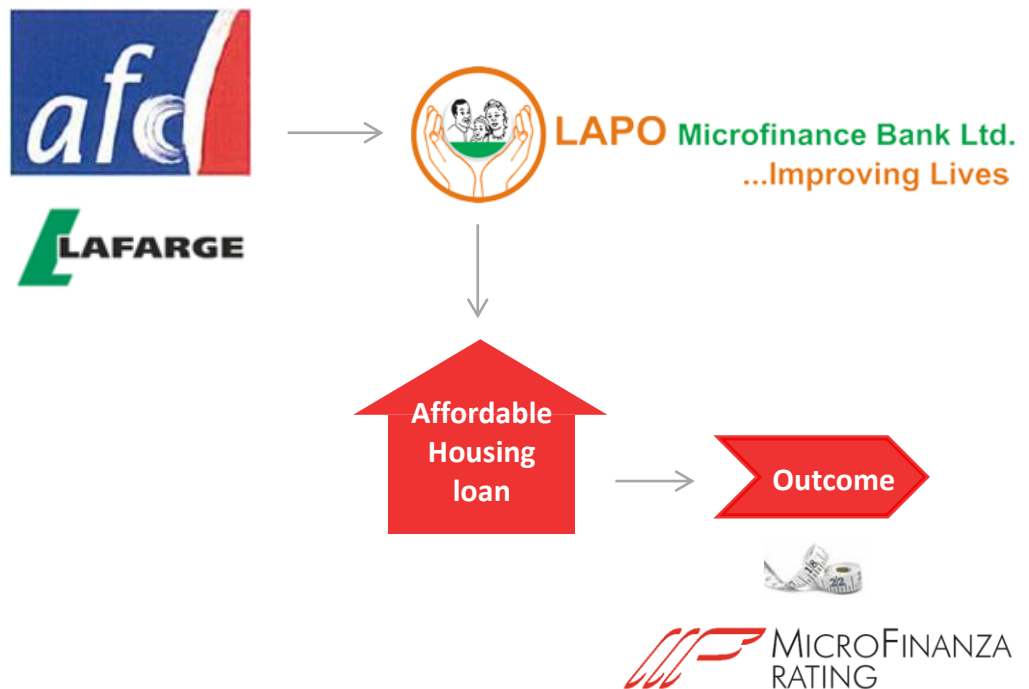
Change measurement and housing microfinance: a good match.

The measurement of outcomes appears to be relatively more cost-effective in housing than in other areas such as income.

Rationale

[MicroFinanza Rating](#) would like to share the experience of developing a system to measure the outcome of a program to finance affordable housing.

Source of information



[Lapo Microfinance Bank](#) in Nigeria received funding from the [French Development Agency](#) (AFD) to develop a loan product to finance affordable housing: i.e. improvements, extensions or modular construction of dwellings. As an embedded service, the clients receive assistance to develop the construction plan by [Lafarge](#). The project was launched in 2013 and MicroFinanza Rating was contracted by AFD to develop a system for LAPO to measure the outcomes of the affordable housing loans. The measurement system was developed in 2014 and its implementation is currently on-going.

Please contact Lucia Spaggiari for more information on outcome measurement systems.

Indicators

Table 1 below shows some examples of outcome indicators used in the system. The table reports the related impact even if the system measured the results at the outcomes level and not at the impact level, for the sake of clarifying the underlying theory of change (graph 1). The information used to calculate the indicators was already available in the loan forms in some cases, while it had to be added as new fields in the loan forms in other cases, as detailed in the table below.

Graph 1: theory of change



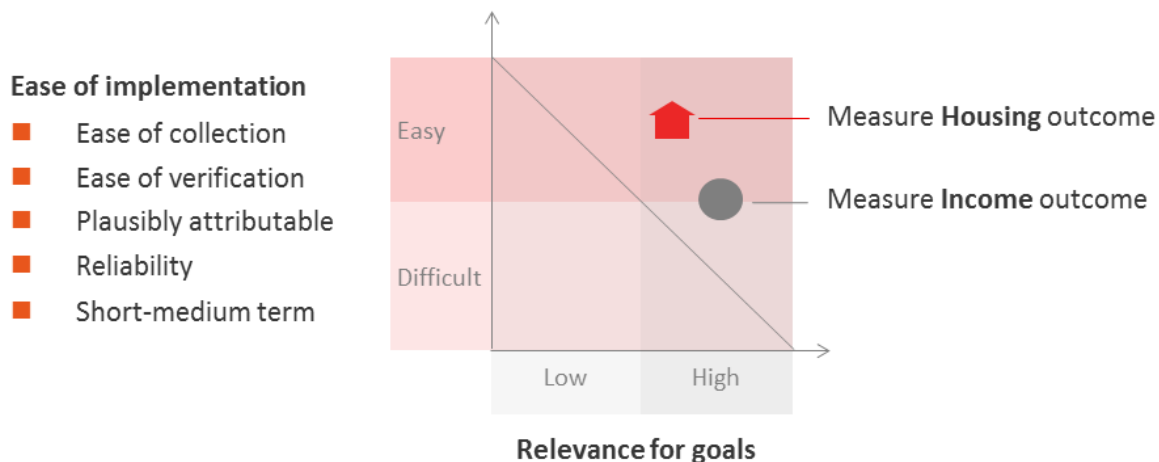
Table 1: example of indicators of housing outcome used in the measurement system

Outcome	Impact	New field needed:	
		Loan form	MIS
1) % clients upgrading from renting to owning their dwelling	“Freedom from landlord”, self-fulfillment, improved social status		x
2) % households (HH) who acquired their own toilet and stopped sharing one with other HHs	Improved hygienic standards, health	x	x
3) % dwellings with safer conditions (e.g. fence, metal bars for doors and windows)	Improved security	x	x
4) % dwellings with improved roofing (e.g. from from mud to iron or concrete)	Improved quality of living conditions	x	x

Measuring Housing outcome¹ compared to measuring Income outcome

Measuring outcome in housing may be easier than measuring outcome in income because it is easier to collect and verify (i.e. more tangible), it is more likely to be the consequence of the loan, it is more reliable because the margins of error are more manageable, and it shows results already in the short-medium term.

Graph 2: measurement of housing outcome compared to income outcome



¹ For clients with housing finance services

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It is **not suggested to stop measuring outcomes in income** and other areas: in fact, measuring outcomes in income is even more relevant than measuring outcomes in housing for many players in our industry that are looking for direct answers to poverty alleviation and impact questions.

However, we believe that the disadvantage of the lower relevance of measuring outcomes in housing is more than compensated by the advantage of its easier implementation, and that overall measuring outcome in housing is **relatively more cost-efficient** than measuring outcome in income, for instance. However, the precise relevance of a measurement system depends on the specific goals of the institution and has to be reviewed case by case.

Broadening the perspective to impact assessment

The **long-term impact** results of 6 rigorous² impact assessments conducted in Bosnia & Herzegovina, Ethiopia, India, Mongolia, Mexico and the Philippines have been recently published. No significant impact of microcredit was found on the household income, business profitability, female empowerment or children education. However, a significant positive impact of microcredit was found in regards to a household's capacity to insure against shocks and manage risks, based on the ability to avoid selling assets in case of an income shock and the ability to substitute wage employment with self-employment sources of income.

Graph 3: consistent long term findings of impact assessments across 6 countries



Conclusion

The inclusive financial industry can approach impact measurement in two ways: 1) measure what microfinance **wants** to change; 2) measure what microfinance **can** change. The first approach has the advantage of being a noble and ambitious goal. However, it entails the risk that the results will not be up to expectations or that the validity of impact results will be questioned if the assessment methods are not sufficiently rigorous. The second approach brings the advantage that successful microfinance operations will likely meet expectations and social accountability will be clear. However, the risk will be to make microfinance less attractive than alternative impact investing industries with higher and more demonstrable social returns.

² [The impact of microcredit: evidence from across the world](#). Quasi-experimental randomized control trials by Yale University, University of Michigan, Dartmouth College. Authors: Banerjee, Duflo, Karlan, Zinman, among others; 2014 -15.

The lesson that inclusive finance can learn from impact assessments is that being a **socially accountable** industry that clearly **achieves its goals** may imply measuring the **outcome** (more affordable than the impact) on low-income households' **financial risk management** (i.e. impact that microcredit is likely to have).