Micro-Start Program
Local Technical Services Provider

Impact Study of the Zakoura Microcredit Program

Fouzi MOURJI

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This study was conducted as part of MicroStart,
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Summary of Results and Main Recommendations of the Study

Institutional Framework

Zakoura Micro-Crédit (ZMC) is the microfinance arm of the Zakoura Foundation, a national NGO devoted to increasing the quality of life of the most underprivileged Moroccans. ZMC provides credit and training to a target market of economically disadvantaged women using a solidarity group methodology. Between its founding in 1995 and September 2000, ZMC had disbursed 82,814 loans totaling 121,489,000 Dirhams. Its current repayment rate is 99.69%.

Goals of the Study

ZMC is a participant in the UNDP's MicroStart program, which provides training and technical support to promising microfinance institutions around the world. This impact study was conducted by the Local Technical Service Provider (LTSP) DIS[1].

From ZMC's point of view, the study had four main objectives:

1. To better understand their clients' requirements in terms of products;
2. To allow them to assess client satisfaction;
3. To evaluate the impact of the program on clients' lives and businesses; and
4. To understand the reasons clients leave the program.

The results of the study will be used to "prove and improve": to develop an objective sales argument about the impact of ZMC, useful for both management and external partners; and to develop a set of recommendations for enhancing the institution's operations and impact. To that end, the study analyzes ZMC's impact at three levels: on clients' enterprises, on their households, and on clients as individuals. In order to gauge these effects, we utilized "Learning from Clients: Assessment Tools for Microfinance Practitioners – Draft Manual" (AIMS Tools) developed by the SEEP Network. These tools include a series of quantitative and qualitative evaluation methods.

This report is divided into **two parts**. The first part gives a description of the context of the study, lays down the hypotheses to be examined and presents the methodology to be employed while collecting information during the surveys.

The results of the study are presented in the second half. Rather than presenting them in a linear fashion by giving the results for each of the tools used, we chose to combine all that we had learnt from each of the tools and present the results thematically, divided into chapters and sections.

Here, we shall give a summary of the most salient results and then sum up the main recommendations.

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[1] Nous remercions Liz Mc Guinesse de SC (US) qui a contribué à l'écriture des programmes de saisie des données et de sortie des tableaux, sur EpiInfo 6. Nous remercions également toutes les personnes qui ont contribué (voir la liste en annexe II) et restons seuls responsables des erreurs et omissions qui subsistent dans ce

Findings

It must be noted that in general, there were relatively more clients as compared to non-clients who were open and more at ease in answering the questions raised. For example, to a question referring to changes in their income, the proportion of clients who gave no answer was 1.1% as against 9.3 % for non-clients.

We also observed that 62.7 % of the clients had recorded an increase in income over the preceding twelve months. Of them, 5.3 % considered the increase substantial, whereas for the same questions, the figures stood at 38.9 and 0% in the case of non-clients!

The program's clients seem to be more actively involved in managing the household budget, potentially because of their increasing and more substantial financial contribution.

The Zakoura program's clients seem to be better protected against shortages of inputs as compared to non-clients. The same is the case with "events outside their business activities". However, as with any other entrepreneur, they too are affected by the general economic situation, which impacts on the demand for their products or services.

The Zakoura program seems to have given a boost to entrepreneurship among its participants while making it easier for them to take advantage of possible business opportunities.

Clients' sales from the two primary activities of their enterprises are higher by 14 % on an average as compared to those of non-clients. However, with regard to the profits calculated, the difference is smaller – 8.9 %. The smaller gap can be explained by the fact that clients are better able to assess their profits as compared to non-clients. In a certain sense, they have better control over the management of their funds.

The results obtained upon going through the answers to questions concerning the functioning of the enterprise itself enabled us to conclude that the Zakoura program had helped its clients to further diversify their activities (their average profits from their secondary business were far higher than those obtained by non-clients).

In most fields of activity, clients' sales and profits were higher than those in the case of non-clients, which explains the decreasing need for supplementary sources of income (such as wages which means working for others).

Access to a funding source has enabled clients to undertake the necessary investments to promote their business, thereby extending their process turnover ratio, leading to economies of scale (relative reduction of unit costs).

We observed that participation in the ZMC program also promoted diversification in enterprise activities, either through the funding it enables, or through the empowering (network) of the women participating in it.

As far as the opportunities the loan program offers clients, it was observed that, proportionally speaking, clients had made more changes in their business over the 12 months preceding the survey. For example, over the same period, 63.30% of the clients increased the size of their businesses as against 39.3% of non-clients. In the same way, 54.8% of the women who had spent some time in the program expanded their product range as compared to only 35.5% of incoming clients.

Hence, the Zakoura program seems to be fulfilling its role by loosening the financial constraints that held women entrepreneurs back from taking decisions. The access to the credit market that the program offers appears to provide the participants with surplus resources that can be used for strengthening and expanding their enterprise activities. It also gives them the opportunity to think in broader terms about further developing their business. In addition to increased investment, they also expand their distribution network.

Given the prevailing economic situation, clients seem far less disadvantaged than non-clients.

With regard to professionalism in the management of their business, there is no notable difference between clients and non-clients – the majority in both cases keeps the money from their business separate from the money used for family and personal expenses. However, 65.7% of the clients did admit that they only started this practice once they had joined the program. ZMC has also encouraged its clients to calculate their profits on the basis of their record of income and expenses (in this case, 71.6% of the 46.6% admitted that they started this practice only after they joined the ZMC program), which reinforces the idea that the program has contributed substantially to consolidation and professionalism in the management practices of its clients.

Thus, 56.6% of the clients have said that they only learnt which of their products was earning them the highest profits once they started participating in the program.

With regard to the program's impact on the household, irrespective of the geographic area under consideration, the proportion of clients who have increased spending on education is 10 points higher than in the case of non-clients. All school-aged children go to school in 83.9% of client households (73% in the case of non-clients).

From the viewpoint of population targeting, 37.8% of the clients declared that as far as the profit use was concerned, their first choice was the purchase of food and food products. In contrast, only 26.50% of the non-clients admitted that the profits were primarily used to finance such purchases. In spite of this difference, food remains the primary item as far as the priority goes for using the profits earned, irrespective of the group concerned. This proves that ZMC's client base is still composed of a population group that sets aside a major proportion of its budget for food and food items, and that, therefore, it is a group of limited means.

However, the summary table of the number of people per household, in particular the number of working persons, allows us to compare the socio-economic profiles of both client and non-client samples, thereby helping us to explain why non-clients sometimes have "household performance" results that are better than those of clients. It would appear that, since loan officers are offered an incentive to collect the maximum number of clients possible (premiums are normally linked to the number of new clients in a portfolio), they have a tendency to "run" after clients and are therefore "less careful" about the fact that they should be from among the "poorest" sections. Hence, new clients sometimes have the profile of working women, who are less disadvantaged than older clients.

Among the clients, more than one-third had observed an improvement in their diet while only 18 % of non-clients remarked on a similar change. On the other hand, a larger number of non-clients felt that their diet had declined in quality.

With regard to empowerment, proportionally speaking, a higher number of the ZMC program's clients were taking more decisions on their own.

As for the functioning of the program itself, we observed that when the group was properly managed, the clients felt that it was useful since it served as a basis for mutual help if and when required. On the other hand, they also appreciated the fact that Zakoura enabled them to form a fresh solidarity group from one cycle to another, if they liked.

When the clients were asked to give their spontaneous reaction to the program, as far as the overall quality of the program was concerned, the women respondents were unanimous in their opinion. For them, the program's main attraction was that it provided them with a regular source of working capital. As we had observed in the report, the program led to a relative reduction in shortages of resources for its clients. One of the results obtained from the focus groups was that client satisfaction had increased due to the fact that they were able to **reimburse their loans in small installments**.

The program's second major advantage, according to them, was the fact that the interest rates proposed were lower than those associated with other informal credit sources.

However, very few women mentioned the training and technical assistance provided during the program, while previous results had quite clearly highlighted the usefulness of these services.

It also must be noted that some of the clients were disappointed with the fact that solidarity did not necessarily work within the groups.

Viewpoint of outgoing clients

On the whole, the program was viewed positively, even by clients who had left it. It may be noted that for 32.8% of them, the loan was considered easy to reimburse, but the loan amount was believed to be too small to meet their business needs. One must remember that one of the main complaints the participants (present clients) make to Zakoura is the small size of the loans.

In conclusion, it may be noted that the program has had a very clear impact when you consider the enterprise activities of clients versus non-clients or even when its effects at individual level are examined. The performance of the former is often significantly higher than in the case of the latter. However, the impact at household level is not as tangible. This may be explained by interference by other family members. On the other hand, we have observed that there are a proportionally higher number of clients who are the head of the household (35.30% against 21.30% in the case of non-clients). In the same way, the "dependency ratio" (defined as the ratio between the number of persons per household and the number of working members in that household) is higher among the clients as compared to non-clients.

Summary of main recommendations

In preparing the recommendations, we shall try take into account not only the results of the client surveys, on the basis of each of the five tools used, but also the ground reality of the ZMC program. In other words, the aim is to take into account what is desirable while bearing in mind what is actually feasible. Past experience in the framework of work with MFIs participating in the Micro-Start program has shown us that optimum results are obtained when an MFI tries to make its procedures more flexible, in response to clients' concerns (for example, reducing transaction costs resulting from excess traveling), without calling into question any of the mechanisms that guarantee the program's durability. Making a distinction between what is "negotiable" and what is "non negotiable" is in the interest of MFIs themselves.

For the same reason, we shall not take up any of the client's wishes that are likely to undermine ZMC's success. For example, a reduction in the number of members in a solidarity group or even permission to set up groups with members from the same family[2].

On the other hand, we shall include the requests that we felt were relevant and would increase client membership (satisfaction), without increasing ZMC's costs or endangering the program's functioning (repayment rate quality).

In other areas, we have taken up clients' requests and have tried to reformulate or adapt them as best possible in order to make procedures more flexible, without calling into question the basis of the ZMC program. For example, with regard to the extension of the grace period, a request that has been made at several occasions (as can be seen in the results obtained by all the tools) and which is supported by a fairly convincing argument by the clients, we would like to propose the following:

i. For new clients (1st loan cycle): The grace period should not be extended, since it is very important that the contact be maintained in order to ensure continuity, proximity and "presence" for these clients, as at this stage we do not know how disciplined they are with regard to honoring their commitment to pay their installments within the specified time. On the other hand, we suggest that the amount of the first installment be reduced in order to respond at least partially to their constraints. They very rightly want to use the profits they earn from their enterprise to repay the loan, instead of using a part of the loan itself to do so.

ii. For longer-term clients in the program – those who have had a chance "to prove themselves" during preceding loan cycles - we believe that it would be more justified to increase the grace period to 3 to 4 weeks from the present 15 days. This can also be easily understood because the size of their loans is much greater, thereby taking their installments higher. An extension of the grace period in their case would enable them to begin reimbursing the loan only once their enterprise is running well enough, with the help of the loans granted. They feel that repaying the loan from the product of their sales is not the right thing to do and that it would be far better to pay from the profits generated. In some borderline cases, a part of the loan is frozen in order to be able to meet their installments.

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We have observed that loans are sometimes used to parry external crises. However, such usage has not, properly speaking, been provided for in the terms and conditions of the contract between Zakoura and its clients. The use of loans for such reasons is completely non-productive, although it may sometimes prove useful. It would be far better if clients had access to **a proper insurance system** rather than being forced to misuse the ZMC program to fill the gap. In the discussion and conclusions drawn from the application of Tool no. 4 (Client Satisfaction Survey), we have brought up the request of clients to have access to a savings service.

We have also given the example of clients who use the loans to pay for medical examinations. In fact, such a situation is quite "understandable" and not all that rare in most micro-finance programs. However, we believe that it is the right time to recommend to ZMC (while waiting for a savings or insurance system to be set up) that loan officers take the help of solidarity groups in order to "assess" the use of loans for such purposes, which are not "in conformity with the initial rationale" of the ZMC program.

The interviews also revealed cases where clients wanted to avail of certain opportunities and used loans to purchase food items since it was more cost-efficient to do so during a particular period as the prices were lower (for example, during the cereal harvesting season). In such a situation, they often chose to postpone investing in their enterprise – in order to "make full use of the opportunities that presented themselves".

Hence, we could recommend the following, in particular:

- To better assess projects and their ground reality before granting loans
- To involve solidarity group members more in the process so that they could monitor each other better (giving them a true sense of responsibility)
- To ensure a more rigorous follow-up so as to remain in closer touch with clients once loans are granted and to avoid granting fresh loans to clients who do not stand by their commitments as far as investing in their enterprise is concerned, even if they do repay their loans on time.

In both the cases, the number of clients per loan officer may not increase at the desired pace and may even have a negative effect on their bonuses. Hence, qualitative criteria should be introduced upstream for the grant of bonuses to Zakoura staff at various levels (loan officers, supervisors, etc.).

Some of the participants in the group discussions felt that for clients who had reached the **5th loan cycle or beyond, loans should be personalized**. In fact, they felt that by the time they reach this stage, clients have already "proved" themselves, loan amounts are higher and the installment mechanism needs to be personalized (adapted to their activity).

In this regard, we recommend that ZMC look favorably at such an option for clients who reach an advanced loan cycle stage, if they have proved themselves as far as their sincerity and regularity in repayments is concerned. However, in that case, it would be essential to consolidate project assessments before granting loans and to ensure a thorough follow-up in the field.

With the diversification of products (the changeover to individual loans for long-term clients), the responsibilities of loan officers would increase considerably - in project assessment, follow-up and consultancy once the loan is granted. In several microfinance programs, these tasks, where the loan officer plays the role of a solidarity group, are often entrusted to “senior loan officers”.

With regard to installment payments, it appears that **the clients manage to adapt to weekly repayments.** They seem to constitute a viable repayment level and clients seem satisfied with the loan period insofar as it enables them to repeat the loan fairly quickly.

It must be pointed out that some clients wish that Zakoura would introduce some flexibility in repayment (rescheduling of payments) for extraordinary circumstances, in case of a very adverse economic situation or in case of illness. We think that such a strategy calls for an objective assessment of the condition of the clients concerned and the involvement of the solidarity group’s members, so that they can judge the real situation of the clients and bring their solidarity into play.

Many of the clients felt that prior consultation and agreement was necessary before deciding on timings for repayment and training meetings, so as to avoid disrupting their professional activities as far as possible. For example, some prefer the afternoon.

We feel that it would be appropriate for Zakoura to examine these options more deeply, by questioning a large number of clients, to take into account their diverse activities and locations (regions), before making any arrangements.

The physical conditions for the meetings need to be improved - several women would like to have benches or chairs in order to avoid problems caused by the cold weather when they are seated on the floor.

An oft-quoted demand has been reiterated in the interviews held while implementing the quantitative and qualitative tools – regarding an increase in the loan rate. We believe that by targeting poor working better, Zakoura will be able to avoid increasing the amount of the 1st loan, without losing out to the competition. As far as prospecting for clients is concerned, more efforts need to be made, in order to reach the poorest. The system of bonuses for loan officers could include a gratuity to those that grant low initial loans, with a moderate and gradual increase in the amount. This would ensure that Zakoura’s mission would be better fulfilled, along with a higher retention rate.

The survey results also show that an additional educational input is required to explain the following to the clients:

- Under what conditions their loan amount would increase from one cycle to another
- For what reasons the loan is repeated without increasing the amount and why the amount is sometimes reduced.

For the first loan cycles, a 6-month period seems very suitable. For **advanced loan cycles**, according to the activities concerned and the pace of business, **adapting the installments seems appropriate.**

In the case of clients whose business is dynamic in nature, they prefer to retain the 6-month period even with higher loan amounts, as otherwise, the period before a fresh loan can be obtained would be extended. For enterprise activities with a longer turnaround period, it would seem that 9-month cycles for loans above DH 3000 and one-year cycles for DH 5000 loans are far more appropriate, according to the women. In our view, ZMC may consider these complaints favorably.

Discussions (in the focus groups) have revealed **the need for an individual savings service**.

The same applies to a **"security fund"** representing collective savings to meet the needs of Zakoura's clients in times of difficulty.

We believe that ZMC could examine these requirements and define the optimum indicators for meeting the need for an individual and collective savings service.

With regard to individual savings, it would be necessary to **make the concerned supervisory authorities aware** of these requirements for **an amendment to present laws**. The option for individual savings could be reserved for microfinance institutions that have proved themselves through: i) good governance, ii) efficient management leading to financial viability, and iii) transparency in transmission of information.

The analysis of the survey results shows that the needs and complaints expressed were extremely diverse. The heterogeneity of ZMC's clientele could, however, be circumvented by adapting loan amount more to the real absorption and repayment capacities of clients, for those in advanced cycles.

This leads us to recommend that ZMC should strengthen its detailed client information and targeting system. In order to improve the retention rate, it would therefore have to:

i. Target clients better; ensure that their business activity profiles are of the kind that would comply with the procedures that ZMC has established and that they are in harmony with its mission and its strategy to work durably;

ii. Adapt these procedures, without harming its viability (on this point, refer to the detailed discussion of the results of the focus group meetings - Section II, Chapter IV).

The recommendations resulting from **interviews with outgoing clients**, aimed at learning how the program could be improved, coincide with the principal grievances mentioned above. Thus, 30.5% of them were in favor of an increase in the loan amount and 28.7% emphasized an extension of the repayment period. In Chapter IV, Section II, we have shown that the women need explanations that are more detailed. Thanks to the group dynamics within the focus groups, the women explained to their colleagues that with an extension of the repayment periods, the amount of time they would have to wait before being able to apply for a fresh loan would increase (later cycles). On learning this, the women went back on their proposal and declared that weekly repayments over 23 weeks would be satisfactory.

Corresponding to the proportion of women leaving the program because of group-related problems, 14% proposed that loans should no longer be granted collectively, but individually. The idea does deserve to be examined in greater detail for older clients, with higher loan levels (See Chapter IV, Section II).

It may be noted that the proportion of dropouts suggesting the reduction or removal of interest rates is no higher than 4.3 %. This observation is fully consistent with the fact that very few clients noticed the reduction in interest rates applied in the months preceding the survey. The idea is also consistent with the observations that are commonly made in the field of microfinance. The problem target groups face is not related to the cost of financial services, but to the access to credit. The cost of credit from other sources is often exorbitant.

These observations, based on interviews with outgoing clients, also confirm the results of the quantitative and qualitative surveys with ongoing clients; for clients in the higher loan cycles, those who have proved their reliability and regularity in repayment, ZMC should consider offering more adapted services – in terms of loan amounts, repayment indicators, guarantees, etc.

In conclusion, we would like to point out that the recommendations given here must be taken in their context. In the body of this report, we have linked the recommendations to comments made in client surveys. The reasoning behind the recommendations is, thus, further substantiated.

PART ONE:

STUDY CONTEXT AND METHODOLOGY

CHAPTER I: Context of the Study

I. The Role of Microfinance in Morocco

Despite the efforts made in the 60s and 70s for the economic and social development of the country[3], despite the structural adjustment program (SAP) implemented during the 80s and, finally, despite the "sustainable growth" policies adopted in the 90s, we witnessed not only the **persistence but also an increase in pockets of poverty** in Morocco.

Thus, the percentage of the population living below the monetary poverty line[4] rose from 13% in 1991 to 19% in 1998/99. Hence, the population is presently estimated at over 5 million.

Residential milieu and period	Population below poverty line In thousands	Poverty rate in %
1998/1999		
Urban	1,814	12.0
Rural	3,496	27.2
Together	5,310	19.0
1990/1991		
Urban	912	7.6
Rural	2,448	18.0
Together	3,360	13.1

Source: Statistics Branch – Ministry of Planning and Economic Forecasting –Synthesis Report – Rabat 2000

In fact, the policies adopted did not make it possible to put Morocco on the road to growth – neither regular, nor adequate growth. Indeed, the vagaries of the weather continued to play a decisive role in the economy, lowering the growth rate from 11% to – 4% from one year to the next. The annual average growth rate remained around 3.5% - which was far from enough given the population growth (almost 2%), particularly the rise in the working population (3.02%). For this reason the unemployment rate remained high (around 18 to 20%). It was estimated that Morocco would have to have a growth rate of 7% to curtail unemployment and absorb the flow of young people entering the labor market every year (Montmarquette and Mourji (1997)).

The rise in poverty and the growth of unemployment triggered the intensive development of the informal sector.

[3] This period was characterized by the preponderance of the role played by the State both at the regulatory level and at the level of production mechanisms. The macro-economic reforms of the 1980s and 1990s were focused on the increasing role the private sector had to play in promoting growth and development.

Among the measures and incentives undertaken to deal with the situation, since the 90s, a number of microcredit program experiences were observed, aimed at alleviating or eradicating poverty.

The objectives of these programs[5] were:

- To provide financial services to the underprivileged and those excluded from formal funding channels. It was observed that on the whole, the banking facilities coverage rate in Morocco (15%) was below the standard necessary to enable the financial network to contribute to the promotion of production activities. The number of bank accounts was no more than 4.1 million in 1996. In addition, a considerable disparity was also observed between the regions (most banking outlets were concentrated along the Casablanca – Rabat axis; in other regions of Morocco, only the bigger cities were relatively well covered) and, in particular, between the urban and rural belts.
- To promote the regular operation[6] and encouragement of income-generating activities within these sections of the population.

According to a World Bank report (1998), the demand for microcredit was estimated at 500,000. Bearing in mind the number of people working in the informal sector (with the help of household living standard surveys), we estimated the number of micro-enterprises eligible for micro-credit at 1.2 million.

Thenceforth, microcredit activities were regulated in Morocco - along with the Banking Act (1993) and the Associations' Act (1956), a Microcredit Associations Act was promulgated in April 1999. The Act provides for the setting up of mechanisms for the promotion of the microfinance sector, which has a very important role to play in Morocco's economy, given the high demand level prevailing in the country. It may be noted that the Act contains certain cautioning clauses – for example, it prohibits MCAs from mobilizing savings.

At present, there are less than a dozen MCAs in Morocco, reaching around 55,000 clients, some with a national coverage, other with a regional coverage. The activities of these MCAs are basically concentrated in urban and peri-urban areas (80% of clients), although most of the poor sections live in rural areas (see table above). These programs are aimed at men and women micro-entrepreneurs, but some of them are targeted solely at women.

In this general introduction, it must be pointed out that the latter strategy may be justified from several points of view:

- From the viewpoint of labor, we cannot ignore the fact that in almost all cases, women occupy low-income jobs or carry on with essentially domestic jobs. And yet, some of them have potential capabilities that need to be developed to enable them to blossom, in order to include women in the country's development efforts.
- From the social and cultural point of view, women have lower literacy and educational levels (Cf. UNDP 2000) than men, especially in rural areas, but also in urban areas. This only goes to show that women suffer far more insecure conditions than men.

[5] These programs were initially introduced by NGOs that had been set up with the development of the civil society that accompanied Morocco's political liberalization. With the implementation of the Act adopted in April 99 (see further down), approved NGOs were characterized as "micro-credit associations" or MCAs.

[6] This meant allowing micro-entrepreneurs to have access to the means necessary to finance their enterprise

Finally, the place of women in society is such that in a poor family, if an effort has to be made to help a member of the family to finance an enterprise, it is always the man who is favored. The family believes that it is the man who has to shoulder his household's responsibilities.

Literacy rate of population age group above 10 years old, according to sex and living environment in 1994 and 1998

Sex	Living environment and period					
	Urban		Rural		Total	
	1994	1998	1994	1998	1994	1998
Men	75.3	79.0	39.4	50.1	58.6	66.2
Women	51.4	54.5	10.9	17.0	32.6	38.1
Total	63.1	66.3	24.9	33.1	45.3	51.7

Source: Statistics Branch – Ministry of Planning and Economic Forecasting – Synthesis Report – Rabat 2000

All the observations and information given above give us an overview of the prospects of the microfinance sector in Morocco – it is destined to play a very important role in its future.

The Micro-Start Program

The UNDP, which supports several anti-poverty activities in Morocco (UNDP 1999), provides special support to the promotion and development of the microfinance sector on a sound basis, ensuring the sustainability of microcredit programs. Hence, the Micro-Start program, launched in January 1998, is aimed at strengthening the institutional capacities of the microcredit associations (MCAs) participating in the program.

In addition to specialized training workshops for the staff working in these institutions, continuous technical assistance is also provided in the field to the 5 participating institutions. The technical assistance is provided jointly by International and Local Technical Services Providers (SCF and DIS, respectively). Acknowledged international experts participate in conducting the workshops and in providing technical assistance.

Zakoura Micro Crédit (ZMC) is one of the MCAs participating in the Moroccan Micro Start program. In the light of this organization's success in terms of the growth in the number of its clients and the progress it has achieved in implementing its program, it was decided in agreement with Zakoura's management that an impact study of its microcredit program would be conducted with it (See Section III for the hypotheses to be tested).

II. Zakoura's Program

All the information given in Section II of the report has been drafted by the management of Zakoura Microcrédits (ZMC). We are merely reproducing it here as it was conveyed.

1. Mission.
2. Values
3. Legal form and steering body
4. Regulatory context
5. Socio-economic context in Morocco
6. Target market
7. Financial services and marketing program

8. The Zakoura Foundation's partnerships
9. Credit activities on 30 September 2000.

II.1. THE ZAKOURA FOUNDATION'S MISSION

The Zakoura Foundation's mission is to bring about a substantial change in the quality of life of the most underprivileged sections of our country's population, especially women, who have no access to any aid program or to any traditional sources of funding, by helping them to create or develop projects associated with their own expertise.

The Foundation's objective is to set up a financially self-sufficient program that is viable on a large scale.

The Zakoura Foundation plays a role in financing services through microcredit, along with the support and training programs necessary to learn and develop income-generating activities.

II.2. THE ZAKOURA FOUNDATION'S VALUES:

The Zakoura Foundation's staff, as well "project-holders" (clients) have to adhere to certain values before joining or benefiting from the program:

- ✓ Solidarity,
- ✓ Respect for the individual,
- ✓ Gender equality,
- ✓ Rejection of corruption,
- ✓ Spirit of quality.

II.3. LEGAL FORM AND STEERING BODY:

The Zakoura Foundation is a non-profit humanitarian association governed by the "dahir" of 15 November 1958 and supplemented by the "dahir" of 10 April 1973.

A Steering Committee was set up with the aim of periodically assessing the Zakoura Foundation's activities. It consists of 6 Governing Board members, assisted by volunteers.
It meets at least twice a year and its functions include:

- ✓ Monitoring the organization's financial health,
- ✓ Defining broad guidelines and objectives
- ✓ Supervising implementation and assessing its effectiveness,
- ✓ Validating the budget policy,
- ✓ Examining the annual finance report.

II.4. REGULATORY CONTEXT:

The banking laws, as well as other texts governing associations, prohibit the latter form granting loans to the target population.

Then, on 1st April 1999, an Act for the structuring and regulation of the microcredit sector in Morocco came into force. The salient points of this Act are:

- ✓ Advance authorization to execute their activities issued by the Ministry of Finance,
- ✓ A ban on collecting savings.
- ✓ The establishment of a federation of microcredit associations.
- ✓ The establishment of a Board of Ethics composed of representatives from the government, the federation of microcredit associations, a representative from the El Maghreb Bank, a representative from the professional banking organization and a representative from the association of finance companies.
- ✓ The establishment of ceilings on the loan amount and interest rate by the Ministry of Finance, on the advice of the Board of Ethics.
- ✓ The obligation to display the terms and conditions for loans (amounts, duration, interest, etc.).
- ✓ Tax and customs duty exemption for a five-year period.

II.5. SOCIO-ECONOMIC CONTEXT IN MOROCCO:

The Moroccan population is estimated at 27 million inhabitants, of which 53% are located in urban areas. The average annual population growth rate stands at 2.1%.
However, the size of households has remained rather large (6 persons in 1994).

As far as health is concerned, there are only 1,764 primary health centers in Morocco. Life expectancy at birth is presently estimated to be 68.5 years.

As of today, over 55% of the population is still illiterate. The rate is higher in rural areas (75%), where nine out of ten women are illiterate.

As far as housing is concerned, almost 7% of all households still live in slums. 89% of rural households have no electricity in their homes.

The active population is characterized by increasing numbers of women in the labor force. Unemployment is relatively high in Morocco (18.5%) and is often long-term (69% of the unemployed have not held down a job for over 12 months).
Source: "Les indicateurs sociaux 1996 et 1997" (Social indicators – 1996 and 1997), published by the Population Ministry

II.6. TARGET MARKET:

The Zakoura Foundation has focused on the following as its target market:

· <u>Women:</u>

The population group targeted by the Zakoura Foundation is composed mainly of women, most of whom are illiterate. This population group is involved in small project activities corresponding to the expertise of its members. The reasons why our program is basically focused on women are simple:

- *Women repay their loans far more regularly than the male population,*

- *Women also have a greater tendency to use the increase in their income to improve their family's food, shelter and hygiene conditions, as well as for their children's schooling.*

· <u>*Disadvantaged groups:*</u>

The Zakoura Foundation aims at helping poor women but does not direct its energies toward the poorest of the poor. The maximum income of its target population is 1,500 Dirhams per month per 5-member household. This amount is lower than the poverty line.

It must be noted that Morocco's poor constitute an estimated 1 million inhabitants (those living on less than 20 Dirhams per day). Moreover, according to a study conducted by the World Bank, "Making Microfinance work in the Middle East and North Africa", the potential for microcredit in Morocco is around 500,000 clients.

II.7. FINANCIAL SERVICES AND MARKETING PROGRAM

Financial Services:

1. The Zakoura Foundation grants loans per 5-member solidarity group.

2. Loans are granted for:
- projects already operating,
- developing new projects.

3. Loans are granted for financing:
- small capital goods,
- working capital.

4. Loan amount:
- minimum: 1,000 Dirhams.
- *maximum: 5,000 Dirhams.*

The loans granted are progressive:

-	*First loan*	*1,000 to 1,500 Dirhams*
-	*Second loan*	*1,500 to 2,000 Dirhams*
-	*Third loan*	*2,000 to 2,500 Dirhams*
-	-- --	--
-	-- --	--
-	*Eighth loan*	*4,500 to 5,000 Dirhams.*

5. Loan period:
- *23 weeks.*
- *35 weeks.*

6. A two-week deferment is granted to borrowers.

7. The repayment frequency is every week.

8. The only guarantee taken from borrowers is the solidarity group's bond.

9. The interest rate is linear. It has stood at 27 % since 1st January 1999.

For example, the 23-week schedule of loans in Dirhams is as follows:

Initial amount	Interest	Total to be repaid	1st installment amount	Amount for the 22 following installments
1,000	120	1,120	20	50
1,500	180	1,680	30	75
--	--	--	--	--
5,000	600	5,600	210	245

<u>Marketing Program</u>

The loan granting procedure may be illustrated as shown in the following chart:

SELECTION OF SITES

↓

RECRUITMENT OF LOAN OFFICERS

↓

TRAINING OF LOAN OFFICERS

↓

PROSPECTING FOR "PROJECT-HOLDERS" (CLIENTS) IN THE SELECTED SITE

↓

ORGANIZATION OF INFORMATION MEETINGS WITH "PROJECT-HOLDERS" (CLIENTS)

↓

ESTABLISHMENT OF SOLIDARITY GROUPS

↓

FIELD SURVEY

↓

SCRUTINY AND APPROVAL OF LOAN APPLICATIONS

↓

PRE-UNFREEZING MEETING WITH "PROJECT-HOLDERS" (CLIENTS)

↓

WEEKLY REPAYMENT AND TRAINING MEETING

↓

FOLLOW-UP OF “PROJECT-HOLDERS” (CLIENTS)

↓

RENEWAL OF LOANS

II.8. THE ZAKOURA FOUNDATION’S PARTNERSHIPS

1. International Partnerships:

UNDP (United Nations Development Program). In the framework of the Micro-Start Program, the UNDP, through the intermediary of international (ITSP) and local (LTSP) technical services providers, supports the expansion and strengthening of our institution’s expertise. Thus, they provide regular technical assistance through field visits. Two specific risk assessment missions have been scheduled. The technical assistance has sometimes been provided through the help of experts accompanying the LTSP. This partnership has been signed for an amount of 1,073,000 Dirhams over a three-year period as of 1 January 1998.

In this framework, ZMC has been able to avail of training workshops for its operational staff and a workshop has also been organized for its Governing Board members.

The UNDP has also enabled us to participate in three study visits, aimed at learning about the experiences of other foreign institutions (Bolivia, Bangladesh and Lebanon).

CIDA (Canadian International Development Agency). This agency has enabled the Zakoura Foundation to finance 453 sewing and embroidery machines for underprivileged women with the necessary expertise to use them.

Futures Group. This agency enabled the Zakoura Foundation to have a credit fund for financing a contraception project for 160 women. The agency also funded the purchase of computer equipment along with providing a budget for the recruitment of a project-in-charge. This partnership was signed for an amount of 142,000 Dirhams for a one-year period.

Oxfam-Quebec. This organization provided the Zakoura Foundation with the funds necessary to finance the salary of a Director – Finance and Administration for a period of 18 months. The incumbent’s duties consisted of setting up a high performance administrative, accounting and financial system. The contract ended at the end of June 1999. This partnership enabled the Foundation to set up an effective accounts team and efficient accounting procedures.

The Embassy of Finland granted a loan fund to the Zakoura Foundation for an amount of 50,000 Dirhams. The grant was earmarked for Casablanca (Douar Lahjar) and enabled the Foundation, in turn, to grant loans to women for income-generating activities.

The Embassy of Japan granted a loan fund to the Zakoura Foundation for an amount of 800,000 Dirhams. The grant was earmarked for the Doukkala Region to enable the Foundation to grant loans to women for income-generating activities.

2. Partnerships with Banks:

The partnerships signed by the Zakoura Foundation with banks consist of placing a zero rate revolving credit at the disposal of the Foundation.

The Zakoura Foundation has signed five partnership agreements with banks, for a total amount of 14,600,000 Dirhams:

- Banque commerciale du Maroc (BCM) : 3,250,000 Dirhams,
- Le Crédit Immobilier et Hôtelier (CIH) : 2,000,000 Dirhams,
- La Société Générale (SGMB) : 2,500,000 Dirhams,
- La Banque Centrale Populaire (BCP) : 2,850,000 Dirhams,
- La Banque Marocaine pour Le Commerce Extérieur : 3,000,000 Dirhams,
- Le Crédit Du Maroc : 1,000,000 Dirhams.

Bank loans constitute over 75% of the Zakoura Foundation's loan fund.
The BCM, CIH and BCP have shared in the start-up costs in certain regions.

3. Public Sector Partnerships:

In addition to partnerships with the "Office National de l'Eau Potable" (ONEP - the National Drinking Water Board) and the Ministry of Employment and Social Affairs, the Zakoura Foundation has also signed an agreement with the "Office de la Formation Professionnelle et de la Promotion du Travail" (OFPPT or Vocational Training and Labor Promotion Board).

This partnership has been signed in the framework of the Government's Employment-Action Program, aimed at promoting the school-to-work transition of young graduates through the implementation of Employment and Training contracts, which enable a complete exemption from social security and employer's contributions and a coaching bonus.

In this framework, the Zakoura Foundation has recruited 134 persons since 1998.

4. Partnerships with Associations

Partnerships have also been signed with five Non Governmental Organizations (Moroccan and French), enabling the latter to set up microcredit cells in Morocco and abroad. On the whole, 16 people have been trained by the Zakoura Foundation.

II.9. CREDIT ACTIVITIES ON 30 SEPTEMBER 2000

a) Loan situation:

Number of loans disbursed in 2000	**32,750**
Number of loans disbursed since the establishment of the Zakoura Foundation (October 1995)	**82,814**
Amount of loans disbursed in 2000	**DH 49,926,500**
Gross outstanding debt	**24,993,909.48**
Amount of loans disbursed since the establishment of the Zakoura Foundation (October 1995)	**DH 121,489,000**
Repayment rate on 30 September 2000	**99.69%**
Number of branch offices spread over 15 Moroccan regions	**28**
Number of outstanding loans	**32,265**
Employees of Zakoura Microcredit Foundation (including)	**186**
Number of loan officers	**170**

b) Development forecast for 2000-2001

2000	Number of loans to be granted	60,000
2001	Number of loans to be granted	120,000

III. Impact Study Objectives, Hypotheses to be Tested and Selection of Areas of Application

III.1. Overall Objectives

During our meetings with the ZMC management prior to the study, the following points were revealed:

- ZMC did not have any real experience with regard to the assessment of its program's impact on the target population,

- The management was desirous of "getting to know the clients, whether their lives and enterprise activities had improved thanks to microcredit".

They were of the opinion that the impact study "could enable them to develop their relationship with their clients" (to better understand their clients' requirements in terms of products). The study would "also allow them to assess their clients' level of satisfaction with regard to the present microcredit program".

- Finally, the ZMC's management considered that "an assessment is becoming necessary now for our organization, since it would enable us to learn whether the path we have followed is leading us the results that we expected (target); the study would also enable us to understand the reasons why clients leave the program".

Following the training workshop held in Nairobi[7], we reformulated the main questions for which ZMC wanted an answer: Why do clients drop out of the program? Do the clients use the loans effectively? Have the clients achieved or are they in the process of acquiring a certain degree of autonomy? Are the clients happy with the microcredit program? Does the program help clients to further develop their enterprise activities?

To summarize, we felt that the objectives defined in consultation with ZMC's management were, to a considerable degree, similar to those behind the development of the SEEP-Network's AIMS tools (2000). The aim was to **"Prove and Improve"** by **listening carefully to the program's clients**.

In our view, **"proving"** consists of developing an objective "sales" argument, based on rigorous methods, in order to describe the impact of the ZMC program on its clients. The argument would be useful both for:

- the ZMC's Governing Board (who would like to verify that the results of the program being implemented were in harmony with the objectives defined in ZMC's mission),
- and for ZMC's partners, who would like to assess the desirability of their support to the institution

"**Improving"**, for us, means defining the directions to be given to the ZMC's operational staff, on the basis of what we hear from the clients thanks to the application of the AIMS tools, in order to serve the clients targeted by the program better.

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[7] A training workshop on the AIMS tools was organized by the SEEP Network in Nairobi from 11 to 16

That is also why our analyses of the survey’s results are accompanied by recommendations.

III.2. Hypotheses to be tested

The implicit hypotheses borne in mind while designing and adapting the tools (questionnaires) and while analyzing the results are that participation in ZMC's microcredit program leads to the following:

At household level:

- An increase in income;
- An increase in assets;
- An improvement in the welfare of clients and members of their households (housing and health, in particular).

At enterprise level:

- An increase in net worth;
- An increase in the net cash position;
- Progress in the distinction made between the microenterprise's budget and the household budget.

At individual level:

- An increase in the clients' ability to retain control over their resources;
- A greater empowerment of clients.

III.3. Selection of Areas of Application:

We selected three sites representing the Zakoura Foundation for the application of the tools (cf. Chapter II, Section I). The choice of these sites was dictated by two main criteria:

i. **The validity of the sample is the first criterion:**

Morocco's various regions are so diverse that client characteristics vary considerably. Thus, the nature of the program's impact needs to be described. Apart from differences in the nature of activities (even the kind of business undertaken may differ from region to region), the activities of members within a household may also differ. The sites we selected are in the center of Morocco, with one region in the hinterland (Fez), one along the coast (Kenitra, along the Atlantic coast), and Northern Morocco (Tetouan, Mediterranean region). The latter is one of the most backward areas, for which a special development agency has been set up. The focus on rural areas is due to the fact that while the demand for microcredit is high in Morocco in general, rural areas have barely been covered. Yet, it is here that most pockets of poverty remain and develop. In rural areas, the poverty rate is 27.2% (12% in urban areas). In other words, of the total 5.3 million poor in Morocco, 3.5 million can be found in rural areas (Results taken from the 1998-99 survey on household standards of living carried out by the Statistics Branch).

ii. **Feasibility is the second criterion**:

Given the limited time available for this study, it was not conceivable to include clients from all of Zakoura's branch offices.

The following table gives the sample size targeted for each tool:

Design of sample for the Zakoura program's impact study in: FEZ, KENITRA, TETOUAN							
	Tool #1		**Tool #2**	**Tool #3**	**Tool #4**	**Tool #5**	**Total Sample**
	Impact Survey		**Exit Survey**	**Loan Use**	**Client Satisfaction**	**Degree of Self-esteem**	
	Non-Clients	**Clients**	**Ex-Clients**	**Clients**	**Clients (1)**	**Clients (2)**	
				4th cycle or higher			
Fez	**40**	**70**	**40**	**6**	**16**	**6**	**178**
Urban	20	35	20	3	8	3	89
Peri-urban	20	35	20	3	8	3	89
Kenitra	**40**	**70**	**40**	**6**	**16**	**6**	**178**
Peri-urban	20	35	20	3	8	3	89
Rural	20	35	20	3	8	3	89
Tetouan	**40**	**70**	**40**	**6**	**16**	**6**	**178**
Urban	20	35	20	3	8	3	89
Peri-urban	20	35	20	3	8	3	89
	120	210	120	18	48	18	534
Substitutes	48	84	48	7	19	7	
Total	168	294	168	25	67	25	747
(1)	<2 years; >2 years, e.g. Tetouan < 2 years						
(2)	>2 years, e.g. Tetouan >1 year.						

CHAPTER II: Study Methodology

I. The Reasoning behind the Tools: Sampling Objectives and Principles

To find an answer to the hypotheses and questions raised above, we used the five AIMS tools (SEEP Network (2000)). We only made minor changes in them to adapt them to our needs – basically, minor amendments in the questionnaires (See Annex 4). While the tools were being translated into the Arabic dialects and during the training imparted to the administrators of the survey, we found certain ambiguities in the documents contained in the manual, which we clarified, while adapting the questions to the Moroccan context.

The first two tools are quantitative in nature, so we undertook a survey after an exhaustive sampling process. The three following tools are qualitative, so we adopted the process of individual interviews and focus groups.

I.1. Tool 1: Impact Survey.

The first tool, the "Impact Survey", was administered to both clients and "non-clients".

I.1.1. Clients

These were people who had been taking loans from Zakoura for over 2 years (in Tetouan), and for over 4 years (in Fez and Kenitra). Thus, they were "confirmed" clients – in other words, the program had had enough time to have an impact on them.

The survey objectives and hypotheses were to verify or demonstrate whether there are any positive by-products of the ZMC program for clients who join it. This includes both loans and other services offered by the program. Hence, the points brought up were: the availability of regular financing facilities, training sessions during repayment meetings, a wider network thanks to the solidarity groups (and the center, composed of 8 solidarity groups – i.e. 40 people), etc. We then observed whether or not the clients were "empowered" at various levels, and if so, whether their degree of empowerment was higher than that of "non-clients". The development considered was at various levels:

a) At family/household level:
   i) Growth in income,
   ii) Enhancement of welfare (food security, housing, health, etc.), and so on.

b) At individual level:
   i) Improvement in the client's control over their resources,
   ii) Improvement in self-esteem.

c) At enterprise level:
   i) Increase in the ME's net worth,
   ii) Increase in working capital,
   iii) Differentiation between the ME and the family/household,
   iv) More significant increase in turnover, etc.

I.1.2. “Non-clients”

Ideally, one should have a "base line study" as a basis for comparison – i.e. a “photograph” of Zakoura’s clients as they were 3 - 4 years ago, for with it’s help and along with the present survey’s data, we would have had “longitudinal” data. In other words, we would have had two vantage points for the various criteria defined earlier and it would have been possible to compare the current conditions of clients with their earlier situation. In that case, it would also have been necessary to set up a “control” group of women micro-entrepreneurs who were not members of the ZMC program. The comparison would have allowed us to eliminate the effects related to the economic situation. Unfortunately, no such reference data was available.

In order to mitigate the lack of such information, the trick is to work on “cross-sectional” data (or a cross-section at a specific point of time). For the purposes of the study, this meant judiciously selecting a “control group”. The aim of the latter was to paint us a “picture” of Zakoura’s clients as they used to be before they joined the ZMC program. For the control group to have the same characteristics (both socio-economic and behavioral) as the clients, it was important to be very careful in the selection of its members in order to avoid any risks of statistical bias. Whence the idea of taking “non-clients” as the comparison group. In our case, this meant women who were already involved in some professional activity (since that is a condition for eligibility to the ZMC program), so that they were just as "dynamic" as the clients, and/or had as strong a potential as the clients had at the time they joined the program.

We took “incoming” clients – i.e. clients who were about to receive their first loan (they had completed the other procedures) or those who had spent less than a week in the program, which meant that ZMC’s program had not yet had enough time to “work” on them.

The advantage of this decision was that it helped in avoiding any bias in approach that may have led to hasty conclusions. In fact, if we had approached only clients, asking them questions about their condition before they joined the program and how they were placed now, we would never have learnt whether the improvement (or worsening) of their situation was due to their participation in the program or whether it was due, rather, to exogenous factors, for example, the economic situation in general.
If, on the other hand, we had chosen to compare the clients to other women selected arbitrarily, we would have risked comparing women with different predispositions, openness to other ideas, aspirations, etc. In that case, if we had tried to examine the improvement (or deterioration) in conditions against the previous year for clients as compared to the “control group”, we would not have known whether the changes stemmed from their being members of the program, or from the clients’ own behavioral characteristics…

I.2. Tool 2: Exit Survey.

The questionnaire in the set of AIMS tools (SEEP Net-Work 2000), adapted to local conditions in the framework of this study (cf. Annex 4), was administered to clients who had dropped out of the ZMC program. The aim was to find out the reasons they left it, their degree of satisfaction vis-à-vis the services they received, the impact of the loans they were able to obtain, and so on. The analysis of the results of this tool will enable ZMC to gain information about the improvements they may be able to introduce in their program in order to meet the expectations of their clients more fully.

I.3. Tool 3: Loan Use

The interviews carried out in the framework of this tool are aimed at observing how ZMC's clients have used their loans, while distinguishing between the various loan cycles. The analysis of the results of this tool would make it possible to round out and qualify the results of the quantitative tools.

I.4. Tool 4: Degree of satisfaction of clients

This was the second qualitative tool, developed in the framework of focus groups. The aim here was to go into greater details about the aspects broached by the quantitative tools, while benefiting from the advantages of group dynamics between women belonging to different loan cycles from different areas. The objective was to better understand and analyze the degree of satisfaction (and dissatisfaction) of clients vis-à-vis the ZMC program's procedures. This tool provides an answer both to the issue of "**proving"** the advantages of the program and that of how to **"improve"** it.

I.5. Tool 5: "Empowerment" of clients

Administered in the form of an interview, this tool aims at observing how clients, through their participation in ZMC's program, were able to achieve an "uptrend" in their status and daily lives. Did the clients have more i) self-esteem, ii) decision-making "powers" in the household, iii) satisfaction in their enterprise activities and daily lives within their social milieu. A comparison was made between the prevailing conditions of "confirmed" clients in the program (in this case, there were no "non-clients" in the sample) and their conditions before joining the program.

For each of these tools, a rigorous sampling procedure was observed, in order to ensure the validity of the population constituting ZMC's clients. Section II describes the indicators of the sampling process, along with its results.

II. Sampling and Database

II.1. Sampling methodology

In order to constitute samples, we adopted a method of stratified random sampling of the population of each of the sites selected. The aim was to achieve a representative sample of all ZMC's clients. However, these included clients working in urban, peri-urban and rural areas. On the other hand, the duration of their membership in the program also varied greatly (ZMC has witnessed a strong growth since 1988).

We proceeded in stages and, each time, the clients selected through the random sampling process were **not repeated for any other survey**, in order to avoid having the same clients participate in more than one survey, interview or focus group.

A) Thus, for the sample to whom **Tool 1** was to be administered and for which we had to have both clients and "non-clients",:

i. In the case of clients

- We took all the clients in each site.
- We then excluded those who had been with the program for less than 4 cycles in the case of Fez and Kenitra and less than 2 cycles for Tetouan, since the program was introduced relatively later in this city. However, it was necessary to have a survey base that was exhaustive enough to apply the random sampling method effectively.
- Further, we separated urban clients from peri-urban clients and, in the case of Kenitra, had a separate group for those in rural areas.
- Then we proceeded to select 35 clients at random from each stratum for each site.

ii. In the case of "non-clients"

A random sample was taken from the women whose names were present on the lists of loan applicants that reached the ZMC's head office. These were working women who had completed all the requisite procedures and who met ZMC's criteria. Hence, in our sample, we had women who were about to receive loans or who had recently received a loan (less than a week before). In other words, these clients could be called "incoming clients"[8].

[8] It may be noted that there were several lessons to be learnt in the course of this survey, among which: the need to explain the definitions of the clients to be interviewed very clearly to the MFIs data processing department (to explain directly to the people who managed the information system - MIS). During the initial phase, we received lists of "false incoming clients". These were clients who were renewing their loans (in the lists, they were included with the women whose loans had "to be released"). We had to specify clearly that we wanted the details of women who were getting the loan for the **first time.** This experience has shown us that meetings prior to these processes have to be held with the institution's entire staff, in order to make sure that the survey objectives and methodologies are clearly understood. Then, one has to remain vigilant and monitor the process in order to

B) For the second tool - **outgoing clients** – we used the list provided by ZMC giving the details of clients who had dropped out of the program over the previous 6 months[9].

C) For the tools related to **loan use (Tool 3) and empowerment (Tool 5),** we used the remaining survey base, after the random sampling of clients for the first tool.

D) For the survey on **degrees of satisfaction (Tool 4)**, the focus groups were established on the basis of a random selection from stratified samples. The strata were composed of the various client categories that had already been identified (living environment), on the basis of the survey base composed of clients with less than 2 years in the program, who had been excluded from the samples for the preceding tools.

Finally, it may be noted that in order to avoid failure due to the inability to include one or more of the women in each of samples selected (absence or some other reason), we also randomly selected a sample of **"substitutes"** for each of the tools.

For the samples of substitutes, as in the case of all the other samples, we asked the management of ZMC's branch offices to prepare the basic information form for each of the clients selected at random. We took "Appendix E" of the AIMS (SEEP Net-Work 2000) Manual as a starting point and adapted it (See Annex 4).

II.2. Sample frame and validity of samples obtained

The following table presents ZMC's client population characteristics on a national scale in Morocco, as well as in each of the sites selected for this survey. To facilitate comparison, it also shows the characteristics of the clients who were included in our samples, reinforcing the validity of our samples.

Finally, the number of questionnaires per survey category with significant answers was:
190 - clients, 108 - non-clients and 119 – drop-outs.

[9] The observation made in the preceding note is just as valid here. In the first list we received, we found "false drop-outs". These were old clients who had recently settled their loans and were in the process of getting a repeat loan (entering a new cycle). Here, monitoring is essential in each sample in order to avoid having people who do not correspond to the objectives. We had to proceed very carefully, methodically and slowly in order to verify that the profiles obtained each time were consistent with the profiles we required as well as the survey's

Socio-economic characteristics of the Zakoura Foundation's clients and of the survey sample: Discussion concerning validity

	Clients in general	Fez		Kenitra		Tetouan	
		Z Clients	Clients in sample	Z Clients	Clients in sample	Z Clients	Clients in sample
Age							
Under 29 years	43.80%	47.36%	27.05%	38.54%	19.70%	44.11%	22.22%
30 to 39 years	33.13%	32.62%	32.70%	34.12%	33.33%	33.31%	28.57%
40 to 49 years	17.50%	16.44%	30.19%	20.82%	33.33%	15.69%	26.98%
50 years and above	5.65%	3.58%	10.06%	6.52%	13.64%	6.89%	22.22%
Marital Status							
Married	68.18%	70.56%	71.70%	67.07%	62.12%	70.45%	71.43%
Separated	9.96%	7.25%	6.29%	9.60%	6.06%	5.17%	6.35%
Widowed	8.08%	5.77%	5.66%	9.45%	13.64%	8.92%	9.52%
Single	13.78%	16.42%	16.35%	13.87%	18.18%	15.46%	12.7%
Educational Level							
None	65.86%	70.24%	61.64%	65.61%	58.33%	56.16%	53.20%
Primary	21.07%	16.83%	20.01%	23.63%	30.30%	30.22%	26.60%
Secondary	11.67%	11.43%	15.72%	9.51%	11.36%	12.88%	19.84%
Literate	34.14%	29.76%	30.19%	34.39%	34.85%	43.84%	41.27%
Nature of business							
Retail trade	55.75%	48.50%	42.47%	59.97%	50.40%	48.38%	47.58%
Sale of ready-cooked dishes	1.33%	0.63%	2.74%	1.40%	6.40%	1.02%	3.26%
Services	2.67%	2.21%	8.90%	1.40%	2.40%	3.13%	1.61%
Production	32.49%	44.29%	37.67%	19.12%	12.00%	46.61%	45.97%
Agriculture and animal raising	6.45%	3.54%	7.53%	16.83%	22.40%	0.39%	0.81%
Miscellaneous	1.32%	0.83%	0.68%	1.28%	6.40%	0.47%	0.81%
Place of business							
1. Commercial premises			11.50%		11.90%		15.58%
2. Mobile			27.43%		40.48%		27.27%
3. Home-based			55.75%		35.52%		53.25%
4. Miscellaneous			5.31%		13.10%		3.90%

This table gives the following information for the various classification criteria:

i. Information on all ZMC's clients at national, Moroccan level (Column 2).
ii. Information on all Zakoura's clients in each branch office: Column 3 for Fez, Column 5 for Kenitra and Column 7 for Tetouan.

These first two categories of information were sent to us by the ZMC head office. This helps us to show that the client population per branch office did not constitute the sample frame – in fact, it included our sample frame. Indeed, as it has been explained earlier, we excluded clients with less than 4 cycles for Fez and Kenitra and those with less than 2 cycles for Tetouan.

This explains why the relative differences are sometimes greater than expected, between the percentages of each of the indicators in the sample and those in the branch offices[10]. For example, for Fez, the percentage of illiterate clients in the sample is 61.64%, while it is 70.24% in the total client population in Fez.

The table also gives the information gathered through the survey in columns 4, 6 and 8. However, for the nature of business and marital status, the proportions for each indicator were comparable between the samples and the groups to which they belong.

Finally, you will note that for the place of business, the information was not gathered during the loan granting procedures and, therefore, is not given in the clients' files. That is why we only have this information for the clients surveyed and not the total client population.

II.3. Administration of the survey

To ensure the success of the survey, not only was it necessary to target the clients to be surveyed properly (for example, old clients and "non-clients" for Tool 1 – see above), but also to ensure that the surveys were carried out in optimally neutral conditions.

There were two disadvantages inherent in the idea of using loan officers:

i. It would have prevented the loan officers from pursuing their regular duties properly (follow-up of clients, repayments, targeting new clients, etc.) since the survey required a great deal of time, and it would have hindered ZMC's operations at a time when it was witnessing a strong growth period
ii. Secondly, by using loan officers there was a risk of getting biased answers and even the possibility of a bias in the selection of clients for the survey.

In order to mitigate these risks, it was preferable to use the services of other staff members. Since the Zakoura Foundation comprised of two independent institutions - ZMC and Zakoura Education – it was proposed that we use the services of the Zakoura Education program coordinators.

In order to avoid any external influence due to the involvement of loan officers who may have heard of the impact study, we held meetings with them at each of the sites. The aim was to explain the objectives of the study to them (i.e. to analyze Zakoura's program and not to assess the work of the loan officers) along with the reason we were using the services of the coordinators from the other institution (we then explained the first disadvantage described above).

They proved to be very cooperative during the administration of the survey. Every morning at 8 a.m., they would meet the coordinators to show them the location of the addresses of the clients listed for the survey that day, since the information form mentioned earlier (adaptation of Appendix E) did not by itself suffice to find the clients' homes or places of business[11]. A

[10] We must remember that we only filled client information forms (Appendix E) for the clients who had been selected at random for interviewing in the main sample, and for "substitutes".

[11] Among the lessons learnt for future surveys, the addresses and maps provided for in Appendix E have to be

second meeting was held later in the day so that the loan officers could give the coordinators similar information about the "substitutes", if necessary.

It is owing to the training the coordinators received and the interest they showed in the survey that the results we obtained were of such a good quality.

PART TWO:

STUDY RESULTS

Introduction: Characteristics of clients, non-clients and ex-clients interviewed

We shall begin by giving some general information about the women who formed the samples to whom the various surveys were administered. This information was available in the client files filed in ZMC's branch offices. These information forms can be equated with "Appendix E" as defined in the AIMS (SEEP Network (2000)) manual.

Variables No. 52.53.54.55.57 (Appendix E)

		Clients	Outgoing Clients
Average number of months in the program		19.24	15.73
	Fez	21	18
	Kenitra	24.68	12.71
	Tetouan	17.65	17
Average number of loans received		4.052	2.17
	Fez	4.6	2.23
	Kenitra	4.58	2.13
	Tetouan	3.19	2.14
Average amount of first loan (in Dirhams; 1$ = 10 DH)		1,158	1,060
	Fez	1,446	1,231
	Kenitra	1,000	1,000
	Tetouan	1,000	1,000
Average amount of current loan		2,288	1,667
	Fez	2,200	1,682
	Kenitra	2,607	1,552
	Tetouan	2,090	1,767
	Rural	2,261	1,682
	Urban	2,090	1,525
	Peri-urban	2,240	1,720

In the sample established, the average number of months current clients had spent in the program was higher than that of ex-clients[12]. Hence:

i. The average number of loans was also higher.
ii. The average loan amount of current clients was double that of drop-outs. It may also be borne in mind that the average period was 4 months longer

While the average amount of the first loan was higher in Fez as compared to Kenitra and Tetouan (where it was 1000 DH - apparently standardized), it appears that the average of current loans was higher in Kenitra. Hence, the progressive rise in loan amounts according to cycles differs from branch to branch.

The table below recapitulates the answers to questions 3,4,5 and 6. In particular, this table enables a comparison between the profiles of clients and non-clients. A reminder – there were no significant conclusions to be drawn from the marital status or age. On the other hand, the fact that, on an average, non-clients had more years of schooling than clients and that

[12] We must remember that before sampling, in order to understand the actual impact of ZMC's program, we had excluded clients who had spent less than 2 years in the program in Fez and Kenitra and those who had spent less

there were relatively more of them who could read a letter, for example (37.4% as against 34.3%) was useful in explaining certain counterintuitive answers (see further down).

Variables Q3.4.5.6

RESPONDENTS' INDIVIDUAL DEMOGRAPHIC INFORMATION				
		Clients n=190	**Non-clients n=108**	**Ex-clients n=119**
Marital Status				
	Married	70.50%	69.40%	64.70%
	Separated/Divorced	7.90%	3.70%	5.90%
	Widowed	8.90%	8.30%	10.90%
	Single	12.60%	18.50%	18.50%
Age				
	Mean age	39	36	38
	Less than 20 years old (%)	1.10%	0.90%	0.80%
	20-29	18.90%	26.90%	23.50%
	30-39	28.40%	36.10%	32.80%
	40-49	34.20%	26.90%	26.90%
	50-59	11.10%	4.60%	12.60%
	60 and above	6.30%	4.60%	3.40%
Educational level of interviewee				
	Mean years at school	3	3.18	2.18
	Percent never attended school	54.70%	60.20%	61.90%
	1 to 6 years	29%	25.90%	24.50%
	7 to 9 years	11.60%	6.50%	10.90%
	10 to 12 years	3.70%	4.70%	2.50%
Reading				
	Percent able to read a letter	34.30%	37.40%	31.90%

The table summarizing the answers to questions 7, 8 and 9 is even more edifying, particularly in comparing the socio-economic profiles of current clients vs. non-clients.

Variables Q7.8.9

HOUSEHOLD DEMOGRAPHIC INFORMATION			
	Clients n=190	**Non-Clients n=108**	**Ex-clients n=119**
Mean number of adults in household (a)	4.3	3.8	4.2
Mean number of children in household (b)	2.7	2.3	1.9
Mean number in household (c) = (a) + (b)	6.9	6.1	6.1
Mean number of economically active persons (d)	2.5	2.4	1.80
Mean number of household members with salaried jobs (e)	1.8	1.6	1.4
Dependency Ratio (f) = (c) / (d)	3.5	3.1	3.39
Percent female-headed household	35.30%	21.30%	19.50%

Note concerning the table:
The “dependency” ratio was calculated on the basis of the information in the database and not on the basis of the averages given in the table’s initial rows.

The table shows that there were proportionately more clients who were heads of families (35.30% against 21.30%). It also shows that the “dependency ratio” (defined as the ratio between the number of people per household and the number of economically active people in the household) was higher in the client population as compared to non-clients.
These results lead us to deduce that clients were relatively more disadvantaged than non-clients.

This observation was confirmed by the difference between clients and non-clients according to their type of housing. A fairly significant number of clients lived in shanty-towns.

Variable Q38

Housing Conditions		
	Clients N=190	**Non-clients N=108**
1- In rooms in shanty-towns	8.90%	0.00%
2- In earth plus wood	1.60%	5.50%
3- In light cement	24.70%	21.30%
4- In reinforced cement	62.60%	65.70%
5- Under construction	1.60%	1.80%
99- Don’t know	0.50%	5.60%

The observation that non-clients were in some way or the other better-off than clients is very useful since it explains and helps us understand some unexpected results (in the sense that they do not comply with the hypotheses tested in this survey (see, for example, Chapter II, Section I).

The chapters in this part of the report deal with each of the levels to which the impact survey relates. Hence, the results of the survey are analyzed here - at enterprise level (Chapter I), household level (Chapter II) and individual level (Chapter III). Chapter IV analyzes the clients’ actual experience of the program, how the loans were used and to what degree the clients were satisfied or dissatisfied with the program. Chapter V examines the reasons that women left the ZMC program and reports the suggestions given by them.

CHAPTER I:
Impact of Microcredit Program on Enterprise Activities of Clients versus "Non-clients"

I. Income Behavior

To present the income variations between clients and non-clients, we shall first examine the overall household income and then the individual income earned. In the latter case, we shall first look at all the samples together and then make the difference between regions and areas of activity.

I.1. Household Income

Variable Q 13

General Household Income		
Over the last 12 months, has your household's overall income:	**Clients n=190**	**Non-Clients n=108**
Decreased greatly	2.6%	5.6%
Decreased	13.7%	15.7%
Stayed the same	31.1%	50%
Increased	49.5%	25%
Increased greatly	1.6%	0%
Don't know	1.6%	3.7%

χ^2 =21.5 DOF= 5 P-value = 0.0007

With regard to the general changes in total household income over the previous 12 months, you will note that there are a proportionately larger number of clients who noticed an increase and, sometimes a considerable increase. In fact, 49.5% of them felt that their household income had increased while only 25% of the non-clients could say the same. Indeed, half of the latter group did not notice any noteworthy changes in their household income. This means that as far as income was concerned, the households of clients registered a better performance overall as compared to those of non-clients.

In the same way, in the case of the women who reported a reduction in the family income, it may be observed that non-clients experienced this phenomenon more strongly (over 1/5th of them). The value of χ^2 indicates the presence of a significant difference between clients and non-clients, with regard to the variations in their overall household income.

It may also be observed that there were relatively fewer clients who did not answer this question due to a lack of information. Hence, the program's clients seem to be more involved in managing their family budget, possibly due to their increasing and more substantial financial contribution.

We would also like to specify that while this question relates to total household income, it does not give any specific information about the income of the women themselves. It is possible that the household income may have reduced while the woman's income had increased. However, the following question clarifies this point.

I.2. The Micro-entrepreneur's Income

Variable Q 14a

Change in Income earned over the last 12 months: Total sample		
Over the last 12 months, has the income you have been able to earn:	**Clients n=190**	**Non-Clients n=108**
Decreased greatly	2.1%	8.3%
Decreased	12.1%	13.9%
Stayed the same	22.1%	29.6%
Increased	57.4%	38.9%
Increased greatly	5.3%	0%
Don't know	1.1%	9.3%

χ^2 ***= 29.71 DOF=5 P-value = 0.00002***

Change in Income over the last 12 months: Fez		
	Clients n=70	**Non-Clients n=45**
Decreased greatly	1.40%	15.60%
Decreased	20.00%	15.60%
Stayed the same	12.90%	13.30%
Increased	58.60%	44.40%
Increased greatly	7.10%	0.00%
Total	100.00%	89.00%

χ^2 ***= 20.18 DOF=5 P-value = 0.0011***

Change in Income over the last 12 months: Kenitra		
	Clients n=58	**Non-Clients n=37**
Decreased greatly	5.20%	2.70%
Decreased	12.10%	21.60%
Stayed the same	22.40%	29.70%
Increased	58.60%	35.10%
Increased greatly	1.70%	0.00%
Total	100.00%	89.10%

χ^2 ***= 11.54 DOF=5 P-value = 0.041***

Change in Income over the last 12 months: Tetouan		
	Clients n=62	**Non-Clients n=26**
Decreased greatly	0.00%	3.80%
Decreased	3.20%	0.00%
Stayed the same	32.30%	57.70%
Increased	54.80%	34.60%
Increased greatly	6.50%	0.00%
Total	96.80%	96.10%

χ^2 ***= 9.43 DOF=5 P-value = 0.093***

The tables above seem to justify the cautionary note given above. In them, we can see that the proportion of women – all categories included – who complained about a considerable fall in their personal income over the 12 previous months was no higher than 10%. More precisely, it was mostly non-clients who seem to have suffered from a downward trend in their income.

This observation is even more striking in the Fez region where 15.6% of the non-clients suffered a fall in their income.

The second remarkable fact revealed in this table is that 62.7% of the clients had recorded an increase in income, with 5.3% being of the opinion that the increase was substantial, while the relative proportions in the case of non-clients were 38.9 and 0%! Hence, only clients were in a position to increase their income substantially. Statistical indicators lead us consider that the difference in behavior between clients and non-clients is statistically significant.

We also noted that, once again, clients seemed relatively better informed than non-clients about changes in their own income.

The proportion of those who did not know was 1.1% against 9.3%.

If the various areas of business are taken separately, it may be observed that similar trends remain between clients and non-clients. However, the differences are clearer in the case of trading – a field that microcredit seems to favor quite a bit.

Change in Income over the last 12 months: Retail Trade		
	Clients	**Non-clients**
Decreased greatly	2.20%	9.50%
Decreased	10.80%	11.90%
Stayed the same	18.30%	38.10%
Increased	63.40%	31.00%
Increased greatly	5.40%	9.50%
Total	100%	90.50%

Change in Income over the last 12 months: Sale of ready-cooked dishes		
	Clients	**Non-clients**
Decreased greatly	7.10%	0.00%
Decreased	28.60%	50.00%
Stayed the same	21.40%	0.00%
Increased	42.90%	50.00%
Increased greatly	0.00%	0.00%
Total	100%	100%

Change in Income over the last 12 months: Production		
	Clients	**Non-clients**
Decreased greatly	0.00%	12.20%
Decreased	10.70%	14.60%
Stayed the same	30.40%	29.30%
Increased	51.80%	41.50%
Increased greatly	3.60%	0.00%
Total	96.40%	97.60%

Change in Income over the last 12 months: Services (other than food)		
	Clients	**Non-clients**
Decreased greatly	0.00%	0.00%
Decreased	25.00%	16.70%
Stayed the same	12.50%	50%
Increased	50%	33.30%
Increased greatly	12.50%	0.00%
Total	100%	100%

Change in Income over the last 12 months: Agriculture		
	Clients	**Non-clients**
Decreased greatly	0%	0%
Decreased	12.50%	16.70%
Stayed the same	37.50%	0%
Increased	50%	66.70%
Increased greatly	0%	0%
Total	100%	83.30%

Change in Income over the last 12 months: Animal raising		
	Clients	**Non-clients**
Decreased greatly	14.30%	0%
Decreased	0%	11.10%
Stayed the same	0%	0%
Increased	57.10%	44.40%
Increased greatly	28.60%	0%
Total	100%	55.60%

From a sectoral point of view, it appears that clients engaged in the retail trade had the highest increase in income.

It is interesting to note, on the other hand, a lower than average number of non-clients in this sector to benefit from such an increase. The better performance recorded in this field would therefore be due to participation in the program. The same observation can be made in the area of production, a business field in which no client suffered any reverses in income, while 12.2% of the non-clients seem to have done so.

On the other hand, clients in the animal raising sector seem to have suffered relatively more from a fall in income than non-clients in the sector, although they were also relatively a larger number to have recorded an increase in income.

It must be pointed out that when the various fields of activity are examined separately, the differences between clients and non-clients are not statistically significant for all sectors.

Finally, by comparing the information contained in the two preceding tables (the one concerning household income and the one concerning the income of clients and non-clients), we are led to conclude that variations in the personal income of the women surveyed seem to sometimes be the reverse of the trend in the overall household income.

Hence, 49.5% of clients and 25% of non-clients witnessed an increase in their household income, whereas 57.4% of the former and 38.9% of the latter recorded an increase in their individual income. Therefore, it would seem that there are households in which the women's income has increased while the overall household income has fallen. Non-clients seem to have witnessed such a change in considerably higher numbers – the difference being above 10 points. Furthermore, the individual income of non-clients also seems to play a less decisive role in the total household income than that of clients since 50% of them reported that the household income had not changed and only 29.6% of them had recorded an increase in their personal income. This may mean that non-client households are in a relatively more precarious situation than client households. These observations agree with the information reflected in the table giving the characteristics of clients interviewed (refer to the introduction to Part II, further up), where we noted that there is a proportionately higher number of clients who are the head of their household (35.30% against 21.30% in the case of non-clients) and that the dependency ratio was also higher in their households.

For clients, the changes in their personal income seem to impact more on their overall household income. This may be explained by the fact that the enterprise they run is growing bigger and the income forthcoming constitutes a larger share of the family's total income. This could also mean that the "non-clients" belong to relatively less deprived sections of the population (see further down).

An understanding of the reasons behind the rise or fall in income provides additional information about the impact of the ZMC program.

I.3. Reasons behind Income Variations

Variable Q 14b

Reasons behind Decrease in Income		
	Clients n=32	**Non-clients n=31**
She herself or a household member had been sick	16.1%	20%
Poor sales	71.0%	43.3%
Unable to get inputs	0%	16.7%
Agricultural production was poor	3.2%	6.7%
Lost her job	3.2%	6.7%
Other	6.5%	6.7%

χ^2 = 4.62 DOF=5 P-value =0.5934

With regard to events that led to a fall in their income, the majority of clients mentioned poor sales as the cause, while only 43% of the non-clients attributed their problems to this factor. But statistical tests were unable to conclude that there was any significant difference between clients and non-clients who had observed a fall in income and were able to explain the reasons. While other reasons were given by both groups more or less equally, the inability to obtain raw materials was one that was brought up exclusively by non-clients.

The Zakoura program therefore seems to have protected its clients against this kind of problem. The loans granted by the program seem to have enabled the participants to avoid any interruptions in raw material supplies.

Zakoura's clients seemed to be better protected against phenomena arising outside their enterprises. However, like all other entrepreneurs, they too were subject to the caprices of the prevailing economic situation, which impacted negatively on the demand on which their trade depended.

Variable Q 14c

Reasons for Increase in Income		
	Clients N=113	**Non-clients N=37**
Expanded existing enterprise	44.1%	43.4%
Undertook new enterprise	6.2%	1.9%
Able to buy inputs at cheaper price	27.1%	24.5%
Sold in new markets	19.2%	22.6%
Got a job	1.7%	3.8%
Sold at a good price	1.7%	0%
Demand increased	0%	1.9%
Other	0%	1.9%

χ^2 = 4.82 DOF=5 P-value = 0.4385

The reasons given to explain the rise in income by the two groups are also fairly uniformly divided. Statistical tests confirm that there is no significant difference between the two population groups. However, the percentages nonetheless reveal a difference concerning funds emanating from a new enterprise. 6.2% of the clients mentioned a new enterprise as an additional source of income whereas only 1.9% of the non-clients had had the same experience. The Zakoura program therefore seems to stimulate entrepreneurship in its participants and enhances their capacity to take advantage of business opportunities.

On the other hand, finding a new job was a reason that was slightly more frequently given by non-clients than by clients for a rise in income. Clients apparently had less “need” of a job and/or were less inclined to look for a job in addition to their own business.

However, the activities of non-clients were still relatively less remunerative and less developed than in the case of clients, driving them to look for an additional source of income through other means. Non-clients also had to finance their enterprise through their own resources, forcing them to increase their sources of income.

With regard to the greater tendency of non-clients to expand their market, it is possible that the clients had adopted this strategy extensively over the first few years of the program and that their expansion potential had now begun to level off.

This observation is completely in agreement with the preceding comments relating to the clients’ pace of diversification. The Zakoura program could then lead to reducing returns, supporting women only up to a point where their business reaches a level to which the program’s procedures are unable to respond. Whence the idea of developing new products, especially for older clients. In Chapter IV, we shall present what we have learnt from the focus group discussions, which help in examining such aspects in greater detail. Here, we will describe the expectations of the clients and propose ways and means by which the program could be developed to include some of them.

II. Behavior of Enterprise Sales and Profits

The objective here was to analyze the program's impact on the results obtained by micro-enterprises for both clients and non-clients (in the preceding paragraph, income from other sources was also included).

While processing the data, we sometimes came across unrealistic figures for the turnover and/or profits (too high or too negative). This was due to the problems faced by the interviewers in reporting "product cycles" (daily, weekly, etc.) and then, the effective number of these cycles, for each client, along with the appropriate costs and/or sales for the cycle concerned[13].

[13] Herein lies one of the main problems in implementing the AIMS (SEEP 2000) tools, in spite off the detailed training given to the facilitators in this regard. They found it difficult to take into account the product cycle given or deduced (in any case, the cycle settled upon with the client being interviewed) and still remain consistent while filling in the entries for the various expenses. For example, clients who had a daily product cycle (in the case of ready-cooked dishes, for example), spoke of weekly expenses while answering the questions related to their expenses (gas cylinder or yeast, etc.). In this case, the interviewer had to divide the amount by the number

II.1. Overall level

Variables Q16 and Q 17

Average annual sales and profits of enterprise: Activity No. 1 (Q16) (Amounts in DH)		
	Clients	**Non-clients**
Sales	34,310	29,519
Profits calculated	13,625	13,213
Profit declared	12,813	11,383
Difference	812	1,830

Average annual sales and profits of enterprise: Activity No. 2 (Q17) (Amounts in DH)		
	Clients	**Non-clients**
Sales	12,995	5,467
Profits calculated	9,749	---
Profit declared	6,679	4,666
Difference	3,070	--

Average annual sales and profits of enterprise: Activities Nos. 1 and 2 (Amounts in DH)		
	Clients	**Non-clients**
Sales	34,716	29,743
Profits calculated	14,682	13,373
Profit declared	13,436	11,575
Difference	1,246	1,798

On an average, the clients' sales from their two primary enterprise activities were 14% higher than those of non-clients. If you know that the non-clients (incoming clients) came from relatively less deprived sections of the population, you can understand the importance of these findings. They reflect the fact that the performance of clients who had participated in the Zakoura program was far better than that of non-clients. The difference between the profits calculated, however, was smaller: 8.9%. This can be explained by the fact that clients were better able to assess their profits than non-clients were. In a sense, they had better management control.

On studying the detailed findings closely, we learnt that the costs could include - apart from inputs - investment costs, maintenance and renewal costs as well as payment of wages. Zakoura's clients, thanks to the credit provided by the program, were in a better position to develop their enterprise activities, thus increasing both their fixed costs as well as their variable expenses.

The difference between sales and profits of clients and non-clients is even more striking when the diversity of each one's activities is taken into account. As far as their second enterprise activity was concerned, the sales achieved by clients were higher by 57.93% as compared to non-clients. There was an even lower difference in profits declared, although it nevertheless came to 30.14%. For their primary enterprise activity, the difference in sales was 14%, while for profits calculated it stood at only 3%. Hence, the burden of investment expenses was particularly high when it came to their secondary enterprise activity.

Thus, we may conclude that ZMC's program has enabled its clients to diversify more (their mean profits from their secondary activity were significantly higher than those recorded by non-clients), with the increase in expenses weighing heavily on their enterprise. However, the surplus expenses are not too high - not high enough to make the clients' profits fall below those of non-clients.

The ZMC program therefore enables their clients to increase their sales more than in proportion with the costs necessary to achieve the increase.

II.2. Consideration of nature of site of enterprise activity

Average annual enterprise sales and profits according to nature of site (Amounts in DH)			
	Nature of site	**Clients**	**Non-clients**
Sales			
	Rural	24,471	16,717
	Urban	37,974	27,975
	Peri-urban	35,348	36,740
Profits calculated			
	Rural	8,856	9,206
	Urban	15,248	13,779
	Peri-urban	15,890	14,135
Profits declared			
	Rural	9,184	8,305
	Urban	15,862	10,708
	Peri-urban	12,971	13,721
Difference			
	Rural	-328	901
	Urban	-614	3,071
	Peri-urban	2,919	414

Once the **aspect of the location of the enterprise** was introduced, the volume of sales of the two categories studied was reversed. Thus, the sales of non-clients from peri-urban areas were higher than those of clients (3.94%). On the other hand, we were able to observe that while the clients' sales were lower than those of non-clients, their calculated profits were higher. The expenses of non-clients from peri-urban areas therefore seemed excessive, in relation to their enterprise activity.

Hence, the management methods adopted by clients would appear to be better adapted to the situation in peri-urban areas, potentially thanks to the advice and training provided by the program.

As for the rural and urban sectors, the sales figures given by clients were higher than those of non-clients, in spite of the fact that the profits calculated by rural clients were lower than those of non-clients. Here, it seems that Zakoura did not enable its clients to increase their sales in relation to the increase in their costs. The investments made by Zakoura's rural clients seem less cost-effective in the short term as compared to urban clients.

II.3. Difference according to nature of enterprise activity

Operation of micro-enterprises according to nature of activities (Amounts in DH)			
		Clients	**Non-clients**
Retail Trade			
a	Sales	40,875	39,036
b	Profits calculated	14,155	14,795
c	Profits declared	12,947	13,373
d	Difference in calculation (b-c)	1,208	1,422
Sale of Ready-cooked dishes			
a	Sales	37,353	NS
b	Profits calculated	15,424	NS
c	Profits declared	12,972	NS
d	Difference in calculation (b-c)	2,452	
Services			
a	Sales	27,538	12,030
b	Profits calculated	13,014	6,587
c	Profits declared	12,120	6,367
d	Difference in calculation (b-c)	894	220
Production			
a	Sales	29,664	27,338
b	Profits calculated	14,714	13,655
c	Profits declared	14,440	10,703
d	Difference in calculation (b-c)	274	2,952
Agriculture			
a	Sales	28,502	19,500
b	Profits calculated	18,430	13,055
c	Profits declared	17,200	13,055
d	Difference in calculation (b-c)	1,230	0
Animal Raising			
a	Sales	29,756	18,618
b	Profits calculated	19,247	8,573
c	Profits declared	11,639	8,573
d	Difference in calculation (b-c)	7,608	0

From a sectoral point of view, the sales of clients involved in trading were higher than those of non-clients (4.49%), while their calculated profits were lower (-4.52%). Zakoura does not seem to have enabled those of its clients who were involved in retail sales to undertake very profitable investments in the short term.

As far as other sectors of activity were concerned, both the sales and profits of clients seemed higher than those of non-clients. However, it may be pointed out that in the case of animal raising, clients recorded 55.45% higher profits than non-clients, while their sales stood at only 37.4%. It would therefore seem that in this field, the program enabled its clients to decrease their operating costs. The difference in sales in this case (as compared to non-clients)

The program may have enabled its clients to achieve economies of scale, increase their livestock, or even adopt less costly modes of production.

Variable Q18

Assessment of interviewee's ability to estimate their profits, costs and earnings	**Clients N=172**	**Non-clients N=93**
1- Great deal of difficulty	11.63%	7.53%
2- Some difficulty	41.86%	52.69%
3- No difficulty	46.51%	39.78%

II.4. Impact of duration of product cycle

Variable Q 16c

Product cycle percentage		
	Clients N=172	**Non-clients N=96**
Daily	10.20%	11.10%
Weekly	26%	39.50%
Every two weeks	25.20%	14.80%
Monthly	27.60%	22.20%
Quarterly	10.20%	7.40%
Other	0.80%	4.90%

χ^2 = 7.3 DOF=5 P-value = 0.1996

By taking into account the duration of the product cycles on the basis of which the entrepreneurs work helps in partly explaining the differences in expenses or relative costs.

The differences observed between the sale and profit figures of clients and non-clients may also be explained by the length of the activity cycle of the two categories of entrepreneurs. Non-clients seem to have a relatively greater tendency toward a weekly cycle (39.5% as against 26%). As for clients, they seem to have longer cycles. The percentages obtained for clients are higher than those for non-clients, in the case of two-weekly, monthly and quarterly cycles.

The program's clients are thus able to spread their fixed costs over a longer period, thereby availing of more time to recover these expenses through sales.

It is also probable that access to a source of finance has enabled clients to make the necessary investments for developing their enterprise activity, thereby lengthening their rotation cycles. That, then, could be the reason for economies of scale (relative decrease in unit costs).

III. Changes in the Enterprise: Facilities and Degree of Professionalism

Before examining the dynamics of change in the enterprises, we began by characterizing them.

III.1. Location of enterprise activities and status of micro-entrepreneurs

Variable Q 12c

Place of business		
	Clients N=189	**Non-clients N=85**
Fixed commercial premises	13.80%	10.60%
Mobile	35.40%	22.40%
Residence	42.90%	61.20%
Other	7.90%	5.90%

χ^2 **= 8.06** ***DOF = 3*** ***P-value = 0.045***

The majority of non-clients carried out their enterprise activities from their homes, while only 42.9% of the clients did the same. There was also a proportionately greater number of the latter who owned fixed commercial premises. Statistical tests have confirmed the significance of the difference between clients and non-clients, from the viewpoint of the location of their business activities.

The findings based on Question 21 told us that there were relatively more clients than non-clients who invested in structures for their marketing site. Therefore, the program seems to have enabled them to turn professional in their business, by making it possible for them to locate their enterprise in a more appropriate environment.

Variables Q 15a , Q15b and Q15c

	Clients N=190	**Non-clients N=108**
Percentage of women who said that in the last 4 weeks they had worked for someone else for pay (*)	28.90%	40.70%
Of which, percentage of women who said that in the last 4 weeks they had worked for someone who paid them in cash	98.60%	100%
Percentage of women who said that in the last 4 weeks they had engaged in their own enterprise or financed their own enterprise or some other income-generating activity (**)	97.10%	91.70%

(*) χ^2 ***=0.09*** ***DOF=1*** ***P-value = 0.7609***

(**) χ^2 ***= 0.03*** ***DOF=1*** ***P-Value = 0.85671***

We discovered that the percentage of clients that said that they had worked for somebody else for pay was lower than that of non-clients who found themselves in a similar situation. However, the very limited difference - in the region of 2 points, may perhaps be due to the fact that clients used more of their time in making their own enterprise prosper. When that was not the case, i.e. when these women were not working on their own behalf, 98.6% declared that they had been paid in cash. In the case of non-clients, the share of cash wages was 100%. It would therefore seem that the women who were members of the Zakoura program had a greater tendency to work for compensation that was other than monetary.

This observation may perhaps be explained by the fact that the women who were members of the program could earn their monetary income from their own enterprise activities and therefore accepted other categories of remuneration more readily. This interpretation may also be borne out by the fact that the proportion of women who said that in the previous 4 weeks they had engaged in their own enterprise or financed their own enterprise or some other income-generating activity was considerably higher in the case of clients as compared to non-clients.

It would seem that the program's clients earn higher monetary profits from their enterprise activity than non-clients do, which explains the fact that they are less in need of supplementary sources of income (as wage-earners).

Variables Q 16a and Q 17a

Percentage of clients with two enterprise activities		
	Clients	**Non-clients**
Two enterprise activities	14.20%	2.80%

Proportionately speaking, the number of women who divide their time between two enterprise activities is considerably higher in the case of clients than non-clients.

We observed that participation in the ZMC program promotes diversification in activities, either because of the funds that it makes available or through the empowerment (network) of the women participating in it.

Variable Q 16b

Type of Enterprise		
	Clients N=173	**Non-clients N=99**
Primarily your own enterprise	82.00%	80.80%
Primarily an enterprise of a member of the household	11.60%	11.10%
A business partnership with others not in your household	6.40%	8.10%

χ^2 ***=0.29 DOF=2 P-value = 0.8645***

A relatively larger number of non-clients are engaged in business partnerships with others who are not members of their households. This observation is related to the one mentioned earlier (for Question 15), i.e. that these women had a greater tendency to work for somebody else.

In spite of this fact, a majority of non-clients and clients too were basically engaged in operating their own enterprise, although the trend seemed slightly higher in the case of clients in the sample. However, statistical indicators lead us to believe that the clients were not significantly different from the non-clients, from the perspective of the kind of enterprise they ran.

III.2. Strengthening of enterprises and reactions to the ups and downs of the economic situation

Variable Q 20

Enterprise level: Improvement and goods		
	Clients N=189	**Non-clients N=107**
a. Expanded size of enterprise	63.30%	39.30%
b. Added new products	54.80%	35.50%
c. Hired more workers	17.50%	11.30%
d. Improved quality or desirability of product/add value	45.50%	33%
e. Reduced costs by buying inputs in greater volume or at wholesale prices or paid for them in cash	38.60%	20.60%
f. Developed a new enterprise	6.30%	1.90%
g. Sold in new markets/locations	24.70%	16.80%
h. Other	2.10%	0.00%

a- $\chi^2 = 15.90$ ***DOF=1 P-value = 0.00007*** ***b-*** $\chi^2 = 10.15$ ***DOF=1 P-value = 0.0014***
c- $\chi^2 = 1.98$ ***DOF=1 P-value = 0.1590*** ***d-*** $\chi^2 = 4.37$ ***DOF=1 P-value = 0.0365***
e- $\chi^2 = 10.23$ ***DOF=1 P-value = 0.0013*** ***f-*** $\chi^2 = 3.01$ ***DOF=1 P-value = 0.0825***
g- $\chi^2 = 2.51$ ***DOF=1 P-value = 0.1132***

With regard to the opportunities the loan program offered its clients, we observed that, proportionately speaking, clients had inducted more changes in their enterprise over the 12 months preceding the survey. For example, during this period, 63.30% of the clients had expanded the size of their enterprise as against 39.3% non-clients. In the same way, 54.8% of the women who had been in the program had increased their product range as against only 35.5% of the incoming clients.

Therefore, the Zakoura program seems to be fulfilling its role by removing the constraint of the availability of funds, which often hindered the entrepreneurs in their decisions. The access to credit offered by the program seems to provide participants with surplus resources that can be used for improving and expanding their business activities. It also gives them the opportunity for better business development prospects. Apart from increasing their investments, they are also able to expand their distribution network[14].

The loans granted are not used merely to balance accounts but also play a productive role, either directly (purchase of additional facilities in the case of old clients) or indirectly (with the expansion of their business). In fact, the loans seem to be used - at least partly - for investment under heads that promote the sustainability of the enterprise.

We observed that as far as the indicators of Question 20 were concerned, there was a significant difference between clients and non-clients, except for the indicator "other", for which one figure is below 5 and, therefore, the χ^2 test is inoperative).

[14] The difference with what is given further up (paragraph III.1) lies in the fact that these were women who said that their income was higher and explained the reasons for this being so (24.7% as against 16.8% said that they

The proportion of clients who answered "yes" to the various indicators of Question 21 was often higher than in the case of non-clients.

Variable Q 21

Investment in enterprise				
	Clients N=188		**Non-clients N=108**	
	Percentage	**Mean value in DH**	**Percentage**	**Mean value in DH**
a. Purchased small tools (cooking utensils, hoes, plow, baskets, basins, barrels)	21.60%	131.22	16.70%	60.57
b. Purchased major tools (stoves, equipment, sewing machine, knitting machine, loom)	18.40%	1,367.3	19.60%	1,613.16
c. Purchased own means of transportation (bicycle, pushcart)	5.30%	903.33	0.90%	100
d. Invested in a storage structure (granary, stock room)	1.10%	900	0%	0
e. Made a minor investment in marketing site (chair, table, shed)	9.10%	205.67	5.60%	375
f. Invested in structures for marketing site (kiosk, shop)	3.20%	15,600	0.90%	250
g. Purchased draft animals	2.70%	1,475	0.90%	4,000
h. Other	2.20%	1,962.5	2.80%	1,325

a- χ^2 = 1.05 DOF=1 P-value = 0.3063 b- χ^2 = 0.06 DOF=1 P-value = 0.7988
c- χ^2 = 3.64 DOF=1 P-value = 0.0563 e- χ^2 = 1.19 DOF=1 P-value = 0.2752

Since the numbers here too are below 5, for various indicators, the χ^2 test is inoperative. We shall therefore limit ourselves to what we can learn from indicators with higher percentages.

When a question is raised specifically about investment, a larger proportion of clients seem to have purchased or invested in assets of various kinds, such as minor tools, their own means of transportation, a storage structure or a structure at their marketing site. The clients' business seems to have developed in such a way that their investments in the enterprise could be classified as being for "refinement", unlike the investments made by non-clients.

This observation can be made in absolute terms. Not only was there a relatively higher number of clients who invested in assets such as minor tools or their own means of transportation, but their investment amounts were also higher. For example, there was a 1:9 difference with regard to means of transportation (DH 903 against 100) and a 1:2 difference in the case of minor tools.

These findings may have resulted from an income-effect, since the clients may have had more resources that could be assigned to the necessary investments, or else it may have been the expression of an insurance effect.

In fact, one may be led to believe that participants in the Zakoura program were more inclined to adopt a costlier investment strategy since they had good prospects and were able to have access to credit in case they faced problems. In that case, the program may, in a way, serve as a sort of insurance, cushioning clients from the effects of the uncertain economic environment in which they live.

On the other had, it may be observed that in the case of major tools (stoves, equipment, etc.), the ratio is slightly reversed. Indeed, 18.4% of the clients said that they had invested in such equipment over the 12-month period preceding the survey, while 19.6% of the non-clients had proceeded with such investments.

This may be explained by the fact that the non-clients, i.e. women who had just about entered the program, were only at the beginning of their investment cycle. It is during this phase that most of the equipment for production or for expanding business is purchased. Therefore, it is quite normal that there was a relatively lower level of kind of investment among the client group.

In short, faced with the uncertainties of the economic environment, clients seemed to be less disadvantaged than non-clients.

Variable Q 32a

Period when it was difficult to conduct enterprise		
	Clients N=187	**Non-clients N=97**
Percentage of women who declared that during the preceding 12 months there was a time when there was not enough money to conduct their enterprise.	34.20%	47.40%

χ^2 = 4.69   DOF=1   P-value = 0.0304

With regard to the entrepreneurs need for finance, 34.2% of the clients asserted that during the twelve months preceding the survey they had faced financial problems in conducting their business. In the case of non-clients, the proportion was 47.40%.

The Zakoura program seems to have fulfilled its mission in this regard, i.e. to provide its clients with funds to which they had no access in the formal credit market. The program's participants seem to have suffered less from an interruption in their cash-flow than women who were forced to mobilize resources by other means.

The difference between clients and non-clients in this regard can also be explained by the fact that clients had better management abilities and were thus more capable of distributing and smoothening out their income and expenses over the year.

The following table shows not only that clients were less affected by crises of this kind (as compared with non-clients), but also adds that for clients who did face such problems, they did not last for as long a time as they did in the case of non-clients (on an average, 5.8 weeks as against 8.9 in the case of non-clients).

Variables Q 32b

Duration of period of difficulty in conducting enterprise		
Number of weeks	**Clients N=64**	**Non-clients N=46**
1 Week	4.80%	6.70%
2 Weeks	16.10%	4.40%
3 Weeks	8.10%	4.40%
4 Weeks	25.80%	40.00%
5 Weeks	3.20%	6.70%
6 Weeks	1.60%	6.70%
7 Weeks	3.20%	0.00%
8 Weeks	21.00%	8.90%
More than 8 weeks	16.1 %	22.2 %
Average number of weeks	5.84	8.93

$\chi^2 = 24.07$ ***DOF=18*** ***P-value = 0.1528***

Participation in the ZMC program seems to reduce the risk of long periods of difficulty in conducting business. While clients were not completely protected from such periods, they suffered fewer adverse effects than non-clients. Thus, the fact that the average duration of such periods of difficulty in conducting business was shorter for clients may be due both to their access to financial resources through the ZMC program and to the knowledge the participants gained through the program, as well as to the fact that they were members of a network. In fact, it is possible that the meetings the program organized had a positive impact on the clients' management practices, whether from the point of view of adapting expenses according to their income or their responsiveness in case of difficulties.

The program therefore enabled clients to take the best decisions and to act on them sooner.

III.3. "Professionalization" of enterprise activities: Differentiation between enterprise and household

Before examining how clients differ from non-clients in the way they manage their enterprises, we analyzed their answers to Question 12d, which was directed only at clients.

Variable Q 12d

Percentage of women who used a portion or all of their last loan for	
	Clients N=189
Buying food for the household	27.00%
Buying clothes or other household items	20.50%

Giving or loaning the money to their spouse or someone else	4.20%
Paying for a medical visit or buying medicines	15.30%
Keeping the money on hand in case of an emergency or to repay the loan	35.30%

35.3% of the program's clients used a portion or all of their last loan as a welfare fund. The money seems to have been used both as an emergency fund in case of any problems the household may face as well as for repaying the loan itself.

The portion of the loan set aside for this purpose was particularly unproductive and was partly the result of the way Zakoura functions. In fact - and this will be verified through Question Q36 (Section III, Chapter IV) - the fact that the grace period and the time between repayments is too short was one of the major complaints the clients had about the program. The shortness of the period did not allow clients to gather enough money to repay the loan within the stipulated time, thus obliging them to freeze a part of these resources as a provision for loan repayment, as soon as they received them.

It must also be noted that half the clients used a portion or the whole of their last loan to finance purchases purely for final consumption. In this regard, differentiating between the clients who used the whole of the loan for such expenses from those who used just a very marginal part of their loan for the same purpose would have been useful. In the latter case, it would also perhaps have been useful to determine what proportion of the loan was used for such purchases. Unfortunately, the way this question was formulated did not allow us to obtain that information.

Variable Q25

Management of enterprise			
Percentage of women who declared that they:	**Clients N=190**	**Practice adopted since their participation in the program (in %)**	**Non-clients N=106**
a. Kept their enterprise money separate from the money they used for personal and household expenses	88.90%	65.70%	91.50%
b. Calculated their profits based on records of their costs and earnings	46.60%	71.60%	47.20%
c. Knew which product(s) brought them the most profit	93.60%	56.60%	91.50%
d. Paid themselves a wage for their work in their enterprise	52.60%	62%	58.10%
e. Had a fixed location with protection from the sun and the rain for selling their products (store, stall, kiosk)	25.30%	45.80%	19.80%
f. Had a fixed location for producing or storing their products that was different from the location where their family lived	22.10%	47.60%	11.30%
g. Had a separate room in their household set aside for the storage or production of their products	43.20%	52.40%	40.60%

a- $\chi^2 = 0.49$ ***DOF=1 P-value = 0.4838*** ***b-*** $\chi^2 = 0.01$ ***DOF=1 P-value = 0.9199***
c- $\chi^2 = 0.44$ ***DOF=1 P-value = 0.5085*** ***d-*** $\chi^2 = 0.81$ ***DOF=1 P-value = 0.3668***
e- $\chi^2 = 0.18$ ***DOF=1 P-value = 0.2875*** ***f-*** $\chi^2 = 5.31$ ***DOF=1 P-value = 0.0213***
g- $\chi^2 = 0.19$ ***DOF=1 P-value = 0.6651***

Statistical tests did not allow us to reject the hypothesis of a similarity in behavior between clients and non-clients, for the indicators in the question concerning the management of the enterprise.

Thus, we learnt that as far as managing their enterprise activities was concerned, the majority of clients and non-clients kept their enterprise money separate from the money used for household or personal expenses. 65.7% of the clients declared that they had only adopted this practice after they had joined the program. ZMC has also encouraged its clients to calculate their profits on the basis of their records of costs and earnings (in this case, 71.6% of 46.6% asserted that they had started this practice only after they joined the ZMC program), which reinforces the idea that the program has contributed considerably to the improvement and "professionalization" of its clients' management practices.

In the same way, 56.6% of the clients admitted that they only realized which products brought in the most profits after they had joined the program, which reveals that the training and learning provided by the program is considerable. In addition to the financial aspects, the program's clients seem to have access to a real source of information and consultation with regard to the management of the funds they received. ZMC's clients seem to receive not only the material means necessary to fulfill their aims, but also the technical assistance required for the viability and expansion of their business.

While there did not seem to be any major differences in the behavior of clients and non-clients[15], from the viewpoint of the availability of conducive working conditions, more clients seem to have invested in these than non-clients (22.1% as against 11.3% non-clients had a fixed location that was different from the location where their family lived for producing or storing their products). We also observed that 45.8% and 47.6% of these women, respectively, had purchased a marketing site with protection from the weather and a storage location reserved for this purpose, after they joined the program. This observation further supports the fact that Zakoura has clearly encouraged the women to separate their production activities from their household activities.

[15] For the first 4 entries in the table given above, there were no significant differences between clients and non-

CHAPTER II:
Program Impact at Household Level

In this chapter, we will study the differences between clients and non-clients based on criteria related to their family life.

I. Personal/Family/Household Income and Expenses

I.1. Impact on educational efforts in the household

We calculated a ratio that gave us the proportion of children having undergone schooling in relation to school age children in the household. It was noted that client households "performed" better in this respect than those of non-client. The following table shows that all school-aged children go to school in 83.9% of client households (73% among non-clients).

Number of children currently attending school in comparison with the number of school-aged children in the household	**Clients N=112**	**Non-clients N=67**
Less than or equal to 0.5	16.07%	26.87%
Equal to 1	83.93%	73.13%

Variable Q11

Trends in school expenses as compared to last school year (In general)		
	Clients N=114	**Non-clients N=71**
Decreased	7.90%	1.40%
Stayed the same	14.00%	32.40%
Increased	78.10%	66.20%

χ^2 = 11.24 DOF=2 *P-Value = 0.0036*

Trends in school expenses as compared to last school year (Fez)		
	Clients N=47	**Non-clients N=31**
Decreased	17.00%	3.20%
Stayed the same	14.90%	38.70%
Increased	68.10%	58.10%

χ^2 = 7.72 DOF=2 *P-Value = 0.021*

Trends in school expenses as compared to last school year (Kenitra)		
	Clients N=36	**Non-clients N=21**
Decreased	2.80%	0%
Stayed the same	13.90%	28.60%
Increased	83.30%	71.40%

χ^2 = 2.3 DOF=2 *P-Value = 0.3161*

Trends in school expenses as compared to last school year (Tetouan)		
	Clients N=31	**Non-clients N=19**
Decreased	0%	0%
Stayed the same	12.90%	26.30%
Increased	87.10%	73.70%

At the level of the overall sample, educational expenses increased by 78.10% among clients and only 66.20% among non-clients. For a third of the women belonging to the latter category, there was no change in school expenses in relation to last year. On the other hand, it may be noted that the share of women who decreased their expenses on education is more sizeable in the clients group. The gap between the two groups is especially noticeable in the Fez region where 17% of the clients interviewed admitted that there had been a reduction in these expenses whereas only 3.20% of the non-clients recorded a similar decrease.

Irrespective of the geographical area being considered, the proportion of clients who increased their educational expenses remained, on average 10 points higher than that of non-clients.

There may be other reasons that explain these observations apart from the income effect on persons interviewed alone.

The table, which recapitulates the number of persons per household and, notably, the number of working persons (see introduction to this part), makes it possible to compare the socio-economic profiles of the client and non-client samples and thus explain why the "household performance" of non-clients is better than that of clients (as in the case here that shows variations in school expenses in relation to last year). It seems that since loan officers are encouraged to have the maximum number of clients possible (bonuses are linked, in particular, to the number of new clients in their portfolio), they tend to "run" after clients and are therefore "less particular" about profiles of the "poorest". Thus, new clients have the profile of working women, being less underprivileged than older clients. In fact, the profile of "well-to-do women" is linked to the average number of working persons in the household, which is greater amongst non-clients as compared to clients. This can also be seen in the greater of "female heads of households" among clients, as compared to non-clients. Thus, in appearance, this mitigates the distinctive effects of the program on clients in relation to non-clients, when one observes the household.

Similarly, more incoming clients are "recruited" by relatively new loan officers in the program. Since Zakoura has a very high growth rate and an increase in the number of loan officers is a direct corollary of such growth, one may suppose that these "newcomers" are less "rigorous" in their attitude and thus select clients from among household categories that are not necessarily the most disadvantaged.

I.2. Allocation of enterprise income

Variable Q19

Use of enterprise profit: Entire sample		
During the last 12 months, how did you use the profit from your enterprise?	**Clients N=164**	**Non-clients N=83**
To buy food	15.8%	12.7%
To buy clothing	13.6%	17.1%
To pay for education	6.4%	6.6%
To pay for health-related costs	8.6%	5.7%
To buy items for the house	13.8%	15.8%
To make improvements or additions to the house	5.5%	3.5%
To reinvest in the enterprise	13.4%	13.2%
To save	19.8%	21.1%
To raise animals	2%	2.2%
Other	1.1%	2.2%
	100%	100%

This table is a sort of synthesis, since it groups together the results of answers received on the use of profits by the interviewees, in the first, second and third instance. The importance of each indicator has been recapitulated here, by taking into account the number of times it came up. In this case, no "weightage" was given to whether the indicator was mentioned in the first, second or third instance. To apply a weight of 3, 2 and 1 did not seem to be justified here because a client may mention a particular use in the 2nd instance, without this implying in any way that the use the profit was put to was less important than the one mentioned in the first instance.

Use of enterprise profit: 1st instance		
During the last 12 months, how did you use the profit from your enterprise?	**Clients N=164**	**Non-clients N=83**
To buy food	37.8%	26.50%
To buy clothing	12.8%	20.50%
To pay for education	3.7%	3.60%
To pay for health-related costs	6.1%	6%
To buy items for the house	14.6%	12%
To make improvements or additions to the house	2.4%	1.20%
To reinvest in the enterprise	15.2%	15.70%
To save	6.7%	7.20%
To raise animals	0.0%	3.60%
Other	0.6%	3.60%

χ^2 = 13.89 DOF=9 P-Value = 0.1263

Use of enterprise profit: 2nd instance		
During the last 12 months, how did you use the profit from your enterprise?	**Clients N=154**	**Non-clients N=77**
To buy food	4.50%	7.80%
To buy clothing	20.80%	22.10%
To pay for education	8.40%	10.40%
To pay for health-related costs	9.10%	6.50%
To buy items for the house	11%	16.90%
To make improvements or additions to the house	7.80%	1.30%
To reinvest in the enterprise	13%	15.60%
To save	22.70%	16.90%
To raise animals	1.30%	0.00%
Other	1.30%	2.60%

χ^2 = 9.43 DOF=9 P-Value = 0.3987

Use of enterprise profit: 3rd instance		
During the last 12 months, how did you use (name three main uses) the profit from your enterprise?	**Clients N=137**	**Non-clients N=68**
To buy food	2.20%	1.50%
To buy clothing	6.60%	7.40%
To pay for education	7.30%	5.90%
To pay for health-related costs	10.90%	4.40%
To buy items for the house	16.10%	19.10%
To make improvements or additions to the house	6.60%	8.80%
To reinvest in the enterprise	11.70%	7.40%
To save	32.10%	42.60%
To raise animals	5.10%	2.90%
Other	1.40%	0.00%

χ^2 = 6.80 DOF=9 P-Value = 0.7445

As far as the allocation of profit from the enterprise is concerned, the general order of priority of expenses between clients and non-clients varies from one budgetary item to the next. Thus, there are a relatively greater number of clients who allocate such profit for purchases such as food, health-related costs and improvements or additions to the house. As for non-clients, they seem to have a greater tendency to use the fruits of their business for expenses related to clothing or the actual physical capital in their enterprise.

More particularly, 37.8% of clients have said that the purchase of food constitutes their first choice as far as allocation of profit is concerned. On the other hand, only 26.50% of the non-clients admitted that their profit was used to finance such purchases in the first instance. Despite this difference, food remains the main item that absorbed earnings on a priority basis, irrespective of the group concerned. This proves that ZMC's clientele still consists of a population with a relatively high budgetary ratio as far as food is concerned and is, therefore, a population group of limited means (these findings are along the same lines as the replies to question 30b, cf. paragraph II 2.2).

Moreover, only 6.7% of the clients and 7.20% of the non-clients mentioned savings as the primary use of their profits. School and medical expenses have been mentioned respectively by 3.7% and 6.1% of the clients and by 3.6% and 6% of the non-clients.

The widest gaps in priority expenses are in items related to food and clothing. In case of the latter, while 12.8% of the clients affirm that profits are used first and foremost to finance expenditure on clothing, this proportion is 20.5% for non-clients.

This may be explained by the fact that since clothes are consumer durables, clients have already purchased the necessary items thanks to their profit. As for non-clients, they had not yet earned the additional income necessary for the purchase of such goods. The Zakoura program thus seems to allow its clients to take the income necessary for relegating expenditure on clothing to the second place in their budgetary allocation, out of their business. This hypothesis seems to be confirmed by the fact that these expenses are second in priority for 20.8% of the clients.

In conclusion and despite a few differences, food remains the primary item to which profits are allocated, followed by clothing and savings, irrespective of the group examined. In other words, there is no inconsistency between clients and non-clients as far as indicators for the use of enterprise profit are concerned.

II. Household Level Welfare: Assets and Diet

Before examining the variations observed for clients and non-clients as far as household-level welfare is concerned, we will first deal with the condition of clients alone (Question 26 was addressed only to clients).

II.1. Program impact on assets of client households

Variable Q 26

	% of clients who declared that someone in the household owns the item	% of items in good condition	% of items acquired during the last 12 months	% of clients who were members of the program when the item was acquired
Items costing less than DH 500	91.10%	99.30%	45.50%	33.80%
Items costing between DH 500 and 6000	92.90%	NS	82.40%	82.40%
Items costing more than DH 6000	10.50%	NS	NS	NS

92.9% of the clients declared that they owned items whose value ranged between DH 500 and 6000. Among these, 82.4% had been acquired during the last 12 months and 82.4% of the purchasers were members of the program at the time they were acquired.

Thus, the Zakoura program seems to have had a positive impact on the clients' living standards by allowing them to purchase goods to which they did not have access before. The program allowed them to loosen their budgetary constraints, to the point where they were able to own relatively expensive items. The "NS" mentioned in the table concern cases where the percentages were not significant. This is notably in cases where very few answers were received and the 100% found were not representative.

Since this question did not cover what non-clients owned, it was not possible to state these observations with any degree of certainty, for want of comparisons. Indeed, it is possible that the purchases and acquisitions were due, rather, to favorable economic conditions.

For goods with a value lower than DH 500, only 33% said that they were members of the program at the time they acquired the goods concerned. This means that they were capable of purchasing them regardless of whether or not they were members of the program.

The following tables are more edifying, since it is possible to see the differences between clients and non-clients.

II.2. Program impact on living conditions

Variable Q 27 and Q 28

Household Level Welfare: Housing Improvements			
	Percentage of women having answered yes to Question 27		
During the last 2 years, were any repairs, improvements or additions made to your home that cost more than DH 500?	**Clients N=78**	**% of those who were members of the program**	**Non-clients N=37**
a. House repairs or improvements (fixed or improved existing roof, floor, walls or kitchen)	84.60%	84.80%	78.40%
b. House expansion (built new room, shed, attic, fence or wall)	37.20%	86.20%	48.60%
c. Improved water or sanitation system (new well, cesspool, showers/latrine/wash-basin/sewer)	24.00%	94.40%	32.40%
d. Lighting/electricity	13.30%	80.00%	7.90%
e. Other	11.80%	87.50%	0.00%

a- χ^2 = 0.68 DOF=1 P-value = 0.4097 b- χ^2 = 1.37 DOF=1 P-value = 0.2425
c- χ^2 = 0.90 DOF=1 P-value = 0.3432 d- χ^2 = 0.73 DOF=1 P-value = 0.3919
e- χ^2 = 4.84 DOF=1 P-value = 0.0279

As far as the impact of the program on improvements in living conditions is concerned, 84.6% of the clients asserted that they had undertaken repairs or improvements in the roof, floors, etc.; 78.4% of the non-clients also did the same. Amongst the clients, a large majority - 84.8% - specified that these works had been undertaken only after they joined the program.

The proportional ratio was reversed in the case of house expansion, since 48.6% of the non-clients as against 37.2% of the clients had done such work. Among the latter, 86.2% started the modifications only after joining the program.

This is also true for work concerning the water and sanitation system since 32.4% of the non-clients carried out such work whereas the percentage was only 24% for clients. The large majority of clients (94.4%) also specified that they undertook this work only after they had joined the program.

It is worth noting that in the case of questions relating to house improvements, statistical tests do not allow us to conclude by dismissing the hypothesis assuming similar behavior between clients and non-clients.

However, what is certain is that clients carried out improvements once they joined the program (which is consistent with their more underprivileged social status. See this part's introduction). As for the higher proportion of non-clients who carried out additions and other improvements to their houses, there may be two kinds of explanations. Firstly, non-clients belonged to households that were relatively better-off (cf. comments relating to Question 11 and the higher "dependency" ratio in client households as compared to non-client households; paragraph I.1 in Section I of this Chapter). Their better performance at this level could therefore be justified. The second explanation could be that clients were in a situation where such work has already been carried out or lived in lodgings where these works were not required.

The portrayal of family welfare through their diet seems to confirm this perception.

II.3. Program impact through diet

Variable Q 29

Household Level Welfare: Diet (for the entire sample)		
During the last 12 months, has your diet:	**Clients N=187**	**Non-clients N=107**
Worsened	5.90%	8.40%
Stayed the same	59.40%	73.80%
Improved	34.80%	17.80%
Total	100%	100%

(χ^2 = 9.73 DOF=2 P-value = 0.0077

Household Level Welfare: Diet Fez		
During the last 12 months, has your diet:	**Clients N=70**	**Non-clients N=45**
Worsened	8.60%	15.60%
Stayed the same	58.60%	66.70%
Improved	32.90%	17.80%

χ^2 = 3.78 DOF=2 P-value = 0.1508

Household Level Welfare: Diet

Kenitra		
During the last 12 months, has your diet:	**Clients N=58**	**Non-clients N=36**
Worsened	3.40%	2.80%
Stayed the same	46.60%	72.20%
Improved	50%	25.00%

χ^2 = 6.06   DOF=2   P-value = 0.0483

Household Level Welfare: Diet Tetouan		
During the last 12 months, has your diet:	**Clients N=59**	**Non-clients N=26**
Worsened	5.10%	3.80%
Stayed the same	72.90%	88.50%
Improved	22.00%	7.70%

χ^2 = 2.73   DOF=2   P-value = 0.2558

For the large majority of the entire sample, it may be noted that the household diet remained the same over the previous 12 months. This was more so the case with non-clients (73.80%) than clients (59.4%) .

However, among the clients, more than a third felt that there had been an improvement in their diet whereas only 18% of the non-clients observed such a trend. On the other hand, a greater number of non-clients felt that the situation had deteriorated in this regard.

This view was especially marked among non-clients in Fez, with 15.6% deploring a worsening of their diet. On the other hand, the proportion of these women who believed that their diet had improved comparatively, corresponds to the mean for the overall sample. The non-clients in Tetouan seem to have benefited the least, relatively, from an improvement in their nutritional status since only 7.7% of these women considered that their diet had improved. It was also in Tetouan that the gap between clients and non-clients was the widest since the percentage of clients whose diet improved was thrice that of non-clients.

Thus, the benefits of participation in the Zakoura program differ according to the regions. But overall, in the light of statistical tests, there are significant differences between clients and non-clients.

II.3.1. Taking areas of business into account

The following tables indicate variations in household welfare between clients and non-clients, classified by areas of business.

Household Level Welfare: Diet Retail Trade		
During the last 12 months, has your diet:	**Clients**	**Non-clients**
Worsened	7.50%	7.10%
Stayed the same	53.80%	88.10%
Improved	38.70%	4.80%
Total	100%	100%

Household Level Welfare: Diet Sale of Ready-Cooked Dishes		
During the last 12 months, has your diet:	**Clients**	**Non-clients**
Worsened	0.00%	0.00%
Stayed the same	71.40%	68.80%
Improved	28.60%	31.30%
Total	100%	100%

Household Level Welfare: Diet Production		
During the last 12 months, has your diet:	**Clients**	**Non-clients**
Worsened	5.70%	9.80%
Stayed the same	66.00%	75.60%
Improved	28.30%	14.60%
Total	100%	100%

Household Level Welfare: Diet Services other one than food		
During the last 12 months, has your diet:	**Clients**	**Non-clients**
Worsened	0%	16.70%
Stayed the same	62.50%	66.70%
Improved	37.50%	16.70%
Total	100%	100%

Household Level Welfare: Diet Agriculture		
During the last 12 months, has your diet:	**Clients**	**Non-clients**
Worsened	0.00%	0.00%
Stayed the same	62.50%	20%
Improved	37.50%	80%
Total	100%	100%

Household Level Welfare: Diet Animal Raising		
During the last 12 months, has your diet:	**Clients**	**Non-clients**
Worsened	14.30%	11.10%
Stayed the same	57.10%	44.40%
Improved	28.60%	44.40%
Total		

From the sectoral point of view, non-clients engaged in agricultural activities were the ones who said that there had been an improvement in their diet (80%). Only 37.5% of the clients working in agriculture shared the same opinion.

A possible explanation may be found in the fact that non-clients essentially cultivate subsistence crops and thus, good climatic conditions suffice to improve their diet.

On the other hand, it is conceivable that clients specialized more in cash crops, which bring in more income, but whose harvest they cannot consume themselves. This interpretation may be reinforced by the fact that clients seem to tend to allocate their profits more to the purchase of food items, as was mentioned earlier.

However, a very consistent finding must be pointed out: among working women (clients and non-clients) practicing agriculture and selling ready-cooked dishes, not one (0%) declared that their diet had worsened.

The category that suffered the most from deterioration in its diet was that of non-clients providing services other than those related to food. We also observed that in this sector, none of the clients complained of such a trend.

This seems to substantiate the idea evoked earlier, according to which ZMC's program makes it possible to mitigate fluctuations in economic conditions that may handicap this type of trade, while allowing clients - thanks to a more sustained business - to cross the critical level of vulnerability, either through diversification or through economies of scale. Thus, the micro-credit program seems to allow women in this area of business to maintain their food consumption levels.

As for the women who declared that their diet had worsened (5.9% of the clients and 8.4% of the non-clients), the following table shows how and in what way the diet worsened for the entire sample. It must be specified that this question, like many others, was "open-ended". The indicators were defined after processing the questionnaires. That is why specific categories (those who buy less meat, for example) and general categories (those who buy or eat less food) have been given.

II.3.2. Manifestations of variations in diet

Variable Q 30a

How did your diet worsen:		
	Clients N=11	**Non-clients N=9**
No longer eat meat	41.30%	17.40%
Two meals instead of three	11.20%	25.30%
Can no longer buy butter, jam, cakes	19.40%	4.50%
In general, buy or eat less food	5.6%	32.80%
Other	22.50%	20.00%

χ^2 ***= 8.19 DOF=4 P-value = 0.08477***

To read this table, it is necessary to know that 41.3% of the clients first said that their diet had worsened (5.9% of all clients interviewed) and then that this was due to the fact that they could no longer buy meat. Strictly speaking, this means 41.3 * 0.059 =2.43%. Thus, the diet ad worsened for 2.43% of the clients, as demonstrated by the fact that in their household, they no longer consumed meat.

In fact, according to statistical tests, there were no significant differences between clients and non-clients in the way such deterioration in diet manifested itself.

The following table shows how the diet improved for clients and non-clients who declared that it had improved. As indicated above, the respective percentages were 34.8% and 17.8%. We may therefore say, for example, that 34.8 * 0.846 = 29.4% of the clients could buy more staple foods (cereals, etc.).

Variable Q 30b

How the diet improved:		
	Clients N=65	**Non-clients N=19**
Able to buy more cereal staples: cereals, flour, sugar, tea, oil,	84.60%	73.70%
Able to buy more condiments, dry vegetables, green vegetables, butter, olive oil to eat with staples	6.20%	15.80%
Able to buy more animal/dairy products - meat, milk, cheese, eggs	6.20%	0.00%
Able to buy more convenience foods like pasta, canned food	0.00%	0.00%
Able to eat better during the hungry season	3.10%	5.30%
Able to continue to eat three meals in a day	0.00%	5.30%
Other	0.00%	0.00%

χ^2 ***= 6.64 DOF=4 P-Value = 0.15624***

As regards the manifestation of improvements in diet, it may be noted that for the entire sample, the improvement was constituted for the major part by an increase in the capacity to buy cereals, flour, sugar, tea and oil.

However, this mode of improvement seems to have been found much more in the case of clients. Indeed, a gap of 10 points separates the proportion of clients and non-clients who mentioned it.

A significant fact is that a limited number of clients affirmed that they ate better during the hungry season - the off-peak season for their enterprise activity. Indeed, those who shared this view constitute 3.10% whereas the percentage is 5.30% for non-clients. These results are counterintuitive (incompatible with the hypotheses tested in this survey), because, on the contrary, one may have expected clients to have been better protected against seasonal variations in their enterprise activity, given of the finance and advice available to them.

Nevertheless, it is possible that improvements in the program have led to decreasing returns. The other explanation ensues from the fact that non-clients belong to households where there are more working members; dependence on the woman's activity (incoming clients in the ZMC program) is lower (See table relating to Questions 7, 8 and 9, in the introduction of Part II).

A final explanation could be that the keyword here is "better". It is possible that a time comes, especially in the field of food, where "better" is no longer possible, or in any case, is a subjective issue[16].

Thus, by no means does this response signify that clients ate less well than non-clients did during the off-peak season. There were simply fewer women whose diet had improved during this period, potentially because their initial conditions offered fewer opportunities for growth.

Accordingly, we could conclude that there were decreasing returns on the program's positive impact, as the program brings a progressively increasing proportion of clients up to a level at which they are no longer in a position to improve their lot from the point of view of their diet.

Questions 31a and 31b are more accurate in this respect. The tables given below indicate the percentage of clients and non-clients who experienced periods where food was lacking as well as the duration of these periods.

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[16] To ensure that all the clients interviewed have the same understanding of the question, it is important to reduce the number of survey officers. This makes training easier and the work carried out more homogenous. However, it must be noted that the results remain solid, in the sense that the law of large numbers has to be at play. Thus, despite the risk of uncertainties, if we find certain trends that are stronger amongst a particular category of

II.3.3. Frequency of food shortages and measures taken

The information given here completes the details given in the preceding tables, insofar as diet variations may reveal major differences within the client and non-client populations. Here, we can observe more "clear-cut" situations where a "food shortage" has been observed.

Variable Q 31a

Percentage of women who experienced a period of food shortage in the last 12 months		
	Clients N=53	**Non-clients N=28**
	28.50%	26.70%

Variable Q 31b

Duration of food shortage period		
	Clients N=51	**Non-client N=26**
1 month	39.20%	57.70%
2 months	27.50%	15.40%
3 months	17.60%	3.80%
4 months and more	15.70%	22.90%

χ^2 = 9.19   DOF=8   P-value = 0.3367

The argument concerning the program's decreasing returns in terms of its impact on diet is limited by the fact that 28.5% of the clients felt that they experienced a food shortage during the last 12 months whereas only 26.7% of the non-clients faced a similar situation. A larger number of the latter, however, experienced a period of hardship lasting 4 months and more.

On the other hand, 39.2% of the clients estimated this duration to be one month while the percentage for non-clients was 57.7%. For the majority of non-clients, the period of food shortage did not exceed 1 month whereas for clients it extended for the major part over a two-month period. Overall, therefore, non-clients suffered deprivation for a shorter period. The explanation linked to their less underprivileged social status, with on more working persons in the household on an average, seems appropriate (it must be pointed out that the hypothesis of a significant difference between clients and non-clients is not valid here).

It must also be recalled that the question raised called for a subjective assessment by the women composing the sample and it is possible that the definition of "food shortage" varied from one category of women to another and that clients were, perhaps, more demanding. While one agrees that the program's clients achieved a standard of living that was higher than that of non-clients, it is possible that in the concept of "food shortage", they also included the kind of deprivation that was part of the non-clients' daily life (the consumption of yogurt for example).

Further, we examined the measures taken to overcome such difficult times.

Variable Q 31c

What did your household do to get through this difficult situation (For the entire sample)		
	Clients N=75	**Non-clients N=38**
Borrowed money or food from family/friend at no cost	50%	55.26%
Borrowed money or food at cost	7.89%	7.89%
Sold personal property	23.68%	15.80%
Self or someone else in family left area to seek employment	3.95%	13.16%
Self or someone else in family got local employment	11.84%	5.26%
Other	2.64%	2.63%

What did your household do to get through this difficult situation (in the first instance)		
	Clients N=53	**Non-clients N=28**
Borrowed money or food from family/friend at no cost	69.80%	75.00%
Borrowed money or food at cost	5.70%	10.70%
Sold personal property	17.00%	0.00%
Self or someone else in family left area to seek employment	0.00%	10.70%
Self or someone else in family got local employment	3.80%	0.00%
Other	3.80%	3.60%

χ^2 = 12.19 DOF=5 P-value = 0.03224

What did your household do to get through this difficult situation (In the second instance)		
	Clients N=22	**Non-clients N=10**
Borrowed money or food from family/friend at no cost	4.50%	0.00%
Borrowed money or food at cost	13,60%	0.00%
Sold personal property	40.90%	60.00%
Self or someone else in family left area to seek employment	13.60%	20.00%
Self or someone else in family got local employment	27.30%	20.00%
Other	0.00%	0.00%

χ^2 = 2.68 DOF=4 P-value = 0.6134

In order to overcome the period of hardship, the majority of women first borrowed money or food at no cost from a family member or a friend. Recourse to this type of solution seems more widespread among the non-client group as well as borrowing at cost. Indeed, it may seem normal that fewer clients resort to such an option since they have an easier access to Zakoura loans. Strictly speaking, the use of these loans as a buffer against external crises is not provided for in the terms and conditions of the contract concluded between Zakoura and its clients, but it so happens that it has been verified, at least partly.

This type of loan use, although very useful, is non-productive. It would therefore be preferable for clients to have access to **a proper insurance system** rather than be forced to misuse the ZMC program to fill this role. During the development of Tool 4 and the lessons learned from its application (client satisfaction survey), the women's request for having access to a savings service has been raised.

CHAPTER III:
Program Impact at Individual Level

I. Findings of Quantitative Tools

In this chapter, we will examine the behavior of clients and non-clients as far as their savings and business strategy are concerned.

I.1. Impact of participation in savings program

Variable Q 22

	Clients N=189	**Non-clients N=107**
Do you currently have any personal cash savings that you keep in case of emergencies or because you plan to make a major purchase or investment?	81%	70.10%

χ^2 = 4.55 DOF=1 P-value = 0.03287

Variable Q 23

Percentage of clients who declared that their personal cash savings increased in the last 12 months		
	Clients	**Non-clients**
	56.90%	82.90%

Proportionally speaking, there is a larger number of clients of the Zakoura program who have savings for the purpose of financing a major purchase or investment - and the difference between clients and non-clients is statistically significant.

On the other hand, 82.90% of the non-clients observed an increase in such savings whereas only 56.90% of the clients could say the same. Thus, access to the program seems to increase the participants' ability to save, with threshold effects.

In short, there are relatively fewer non-clients who have savings, but there was a greater increase in savings in their case as compared with clients. That is only logical: "growth is faster, when you start with very little."

I.2. Impact on perception of business opportunities

The following tables show the criteria selected by clients and non-clients when they start an enterprise activity.

Variable Q 24

Factors considered when deciding to undertake an enterprise (For the entire sample)		
	Clients N=190	**Non-clients N=104**
Work I am familiar with/It is the season/Others are doing it	32.08%	33.33%
Whether the product or service is in demand or whether it seems profitable	29.48%	29.96%
How much working capital is needed/Whether I have enough money	22.64%	17.72%
Whether I can do it and still take care of my family or my other responsibilities	14.86%	18.99%
Other	0.94%	0%

Factors considered when deciding to undertake an enterprise (factors considered in the 1st instance)		
	Clients N=190	**Non-clients N=104**
Work I am familiar with/It is the season/Others are doing it	69.50%	72.10%
Whether the product or service is in demand or whether it seems profitable	17.40%	17.30%
How much working capital is needed/Whether I have enough money	11.60%	7.70%
Whether I can do it and still take care of my family or my other responsibilities	1.60%	2.90%
Other	0.00%	0.00%

χ^2 = 1.62   DOF=3   P-value = 0.6541

Factors considered when deciding to undertake an enterprise (factors considered in the 2nd instance)		
Work I am familiar with/It is the season/Others are doing it	**Clients N=147**	**Non-clients N=90**
Whether the product or service is in demand or whether it seems profitable	2.70%	3.30%
How much working capital is needed/Whether I have enough money	61.90%	56.70%
Whether I can do it and still take care of my family or my other responsibilities	21.80%	16.70%
Work I am familiar with/It is the season/Others are doing it	12.20%	23.30%
Other	1.40%	0.00%

χ^2 = 6.45   DOF=4   P-value = 0.16767

Factors considered when deciding to undertake an enterprise (factors considered in the 3rd instance)		
Work I am familiar with/It is the season/Others are doing it	**Clients N=80**	**Non-clients N=39**
Whether the product or service is in demand or whether it seems profitable	0.00%	2.60%
How much working capital is needed/Whether I have enough	1.30%	5.10%

money		
Whether I can do it and still take care of my family or my other responsibilities	52.50%	48.70%
Work I am familiar with/It is the season/Others are doing it	43.80%	43.60%
Other	2.50%	0.00%

χ^2 = 4.66   DOF=4   P-value = 0.3236

As far as factors considered when deciding to undertake an enterprise are concerned, and this is true for all the groups taken together, the first influencing factor remains by far the fact that the product produced is known, widespread and opportune. The product's potential demand and profitability constitute the second factor that is taken into consideration by the majority. The existence of adequate working capital as well as the availability of resources is an important third factor, competing with the possibility of having enough free time to continue to fulfil other roles. Overall, statistical tests do not establish very significant differences between clients and non-clients as far as the weight of the various factors mentioned is considered.

On going into greater details, we may notice that the fact that the work should familiar, widespread and adapted to the season is considered relatively more vital by non-clients than clients. Indeed, while this characteristic is fundamental for 72.10% of the former, only 69.5% of the latter shared this view. On the other hand, the availability of sufficient working capital was considered a fundamental factor by 11.6% of the clients whereas only 7.7% of the non-clients were of the same opinion.

The latter difference may be explained by the fact that clients had a greater opportunity to learn about the importance of continuity in their enterprise activity thanks to the program. Indeed, the availability of loans for working capital allowed them to get used to work on a continuous basis. Their reaction to seasonal effects consisted in working not only on orders, but diversifying their market and even their activities.

As regards the second most important factor, i.e. the product's potential demand and profitability, its role was perceived more distinctly by clients (61.9%) than non-clients (56.70%), although the majority of all the women interviewed gave it the same importance in their hierarchy of criteria for decision-making.

The acquisition of an "entrepreneurial" logic and management reflexes may provide a further explanation for this phenomenon. The program's clients may be more aware of market realities and the conditions necessary for the success of their enterprise.

However, it is especially interesting to note that for the majority of women interviewed, the opportunity of being able to assume their other household responsibilities comes third in importance among these factors (though somewhat more frequently among non-clients), competing with the availability of sufficient working capital. This translates the fact that among ZMC's clients, there is a strong tendency to be so responsible that they manage to delegate domestic tasks or the care of their children to other people. It must be recalled that 35.3% of them are heads of their household, against 21% among non-clients.

II. Empowerment or "Emancipation" of Women: Findings of Comprehensive Survey

Before giving the results of the qualitative interviews administered to a limited number of clients to discuss the issue of their empowerment (or "emancipation"), we would like to present, as an the introduction, the replies to Question 33, included in Tool 1 (administered to 190 clients and 108 non-clients).

The table drawn up here gives the percentage of clients and non-clients who declared that the concerned decision was her husband's, shared by herself and her husband, etc. (see various columns), in each field (example of decision).

Variable Q 33

Decisions taken		Only husband	Most often husband	Husband and I together	I myself alone	Most often I myself	Others	I and others	N.S.P or NA
A. To take a loan	Clients	1.60%	0.00%	35.30%	47.40%	1.10%	1.60%	12.60%	0.00%
	Non-clients	2.80%	0.00%	34.30%	41.70%	0.00%	2.80%	18.50%	0.00%
B. How to use the loan	Clients	1.60%	0.00%	24.70%	60.50%	1.10%	0.50%	11.10%	0.80%
	Non-clients	3.70%	0.90%	25.90%	54.60%	0.00%	1.90%	13.00%	0.00%
C. What you must buy for your enterprise	Clients	1.60%	0.00%	20.00%	63.70%	0.50%	0.50%	11.60%	2.10%
	Non-clients	2.80%	0.00%	21.30%	62.00%	0.00%	0.90%	10.20%	2.80%
D. How to sell your products	Clients	1.60%	0.50%	16.80%	61.10%	2.60%	1.10%	12.10%	4.20%
	Non-clients	3.70%	2.80%	19.40%	58.30%	0.90%	0.00%	9.30%	5.60%
E. How to use your enterprise's earnings	Clients	1.10%	0.00%	23.20%	62.10%	3.20%	0.50%	7.90%	2.10%
	Non-clients	4.60%	1.90%	18.50%	65.70%	1.90%	0.00%	4.60%	2.80%
F. What tasks you must do during the day	Clients	3.70%	0.00%	24.30%	53.20%	2.60%	2.60%	11.60%	2.10%
	Non-clients	6.50%	1.90%	21.30%	45.40%	0.90%	3.70%	11.10%	9.30%
G. Number of children you should have	Clients	1.60%	1.10%	42.10%	24.20%	0.50%	4.20%	1.60%	25%
	Non-clients	1.90%	0.00%	45.40%	20.40%	0.00%	3.70%	0.00%	28.70%
H. Schooling of sons	Clients	4.20%	1.10%	48.90%	20.00%	0.50%	4.70%	3.70%	16.80%
	Non-clients	7.40%	2.80%	42.60%	13.90%	0.00%	5.60%	0.00%	27.80%
I. Schooling of daughters	Clients	4.20%	1.10%	50.00%	19.50%	0.50%	7.40%	3.70%	13.70%
	Non-clients	6.50%	2.80%	43.50%	12.00%	0.00%	5.60%	1.90%	27.80%
J. Purchase of major facilities for the house (> DH 500)	Clients	9.50%	1.60%	41.10%	22.60%	1.10%	5.80%	13.70%	4.70%
	Non-clients	12.00%	2.80%	37.00%	26.90%	0.90%	11.10%	4.60%	4.60%
K. Purchase of daily-use products	Clients	1.10%	0.50%	24.20%	55.30%	4.20%	2.60%	6.30%	5.80%
	Non-clients	5.60%	0.00%	23.10%	46.30%	6.50%	10.20%	3.70%	4.60%

L. House improvement /addition (small and major works)	Clients	580.00%	1.10%	40.50%	25.30%	0.50%	4.70%	13.70%	8.40%
	Non-clients	15.70%	4.60%	34.30%	18.50%	0.90%	13.00%	3.70%	9.30%
M. Marriage of children	Clients	3.70%	0.50%	52.10%	14.20%	1.60%	4.20%	7.40%	16.30%
	Non-clients	10.30%	1.90%	40.70%	13.10%	0.90%	5.60%	0.00%	27.80%

Broadly speaking, as far as choices relating to the enterprise were concerned, the majority of women composing the sample took their decisions by themselves, irrespective of what these may have been. Decisions concerning taking a loan and tasks to be carried out during the day were an exception to this rule.

The second tendency, which held true for both clients and non-clients, was to take these decisions in agreement with their husband. Thus, more than 20% of the women interviewed declared that they took all their enterprise-related decisions along with their spouses.

More particularly, non-clients tended to resort more to their spouse's opinion for questions concerning loan use, enterprise-related purchases as well as product sale techniques. In the case of clients, this practice was more widespread specifically for decisions related to taking a loan, use of profits and tasks to be undertaken during the day.

There were relatively more non-clients who said that it was their husband who took the decisions concerning their enterprise alone. Nevertheless, this phenomenon remains marginal, with the maximum number not exceeding 6.5% of the women who adopted this practice.

Thus, the ZMC program, through the training meetings included in its mission tasks, seems to push its participants to become more responsible and therefore involve themselves more in the working of their enterprise.

Proportionally speaking, a larger number of the ZMC program's clients seem to take more decisions alone. Thus, for most decisions that need to be taken within the household, there were relatively more clients than non-clients who replied that they alone chose the solution to be adopted.

There are two exceptions to this scenario: the use of enterprise profits and the purchase of major equipment for the house. For these choices, relatively more clients resorted to their husband's opinion than non-clients did.

It is interesting to note that the clients' decision-making authority within the household seems to increase both for enterprise-related issues as well as purely domestic issues. Thus, clients are relatively more inclined to answer that they took the decision concerning the number of children they should have, or concerning their sons' and daughters' schooling or marriage. However, the same category of women was also more ready to confess that they took a major part of these decisions along with their husbands.

On the other hand, once again, clients were proportionally less inclined to delegate their decision-making authority entirely to their husbands. The Zakoura program, while increasing the income flowing through or staying in the women's hands or, at least, by integrating them in the mainstream, increases their negotiating powers within the household.

III. Empowerment or Emancipation of Women: Findings of Qualitative Interviews

The objectives of the qualitative survey are to[17]:

- Determine gains in confidence and personal esteem of persons who participated in the ZMC program, while bearing in mind the duration of their membership.
- Measure the program's impact on behavior and autonomy at the individual, enterprise (professional) and household levels.

The objective, in particular, is to bring out the program's strong points so that Zakoura can strengthen its sales arguments, or at least identify the reasons for which their impact is not effective and give recommendations for meeting the objectives better.

Thus, the results show changes at the various levels that have been defined. To bring out these changes, we will make a distinction between the situation before and the situation after entering the program.

III.1. Before access to ZMC's loans

At individual level

Both in the rural as well as in the urban environment, clients said that they were "bored", "lethargic", "worried about their fate and that of their family", "sometimes isolated, or underestimated in the family and the community." Some of them even confessed that they were "frustrated" and sometimes made desperate by their search for a job, in vain.

In short, they were dissatisfied with their lot.

At enterprise level

The situation at this level was identical and consistent with the state described at the individual level.

For those who had benefited earlier from training and/or had some skills (sewing, embroidery, agriculture, animal raising, etc.), they said that they had a specific desire to set up their own enterprise.

As for the others, they had some aspirations and dreamt of undertaking an enterprise, without being able to specify its nature, to earn some money.

Unable to fulfil their wishes for lack of financial means, their main activity - indeed, their sole activity - consisted of looking after their children. Some clients were able to resort to temporary domestic tasks at the homes of third parties without receiving any systematic remuneration or very little. For the very small number of women who had degrees, they specified that they had the opportunity to find temporary jobs but for very low salaries. Those

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who were practicing some enterprise activity affirmed that it "was not running at full capacity, and was not regular". Some specified that their enterprise activity "was dependent on orders by clients" because "they did not have the means to buy inputs to produce and sell on the market."

At household level

For reasons that seem to be due to the country's sociology (social solidarity, status of women, etc.), the situation at the household level was less serious than at the individual and enterprise levels. Thus, the majority of women confessed that their relations with the family were satisfactory. Nevertheless, very few in number played a role in the decision-making process in their household (except in exceptional cases, in case of their husband's disability). Financially, they were completely dependent on their husbands; some even said that "their participation was purely moral". Because of this financial dependence - "we don't even get pocket money" (some said) - and little contribution in decision-making at home, they were unable to make any choices regarding investments or expenses for the household.

III.2. After gaining access to ZMC's loans

All the clients who were interviewed declared that after having participated in ZMC's program, some expanded their enterprise and others set up one. The concerned activities were all income generating and allowed them to improve their personal well being and that of their family, as well as their living conditions.

At enterprise/professional level

Thanks to the loans, clients became responsible for their enterprise(s), which they are now striving to expand. They were able to acquire experience, establish and make use of their contacts with clients and suppliers. They have a very clear idea of the measures that they have to take to expand their enterprise activity. They are better able to "adapt themselves to seasonal production cycles by diversifying their activities, multiplying investments to increase their turnover, adapting their products to meet their clientele's needs better and improving their products and product ranges to meet the demand better or even to create demand", explained the interviewees. They show evidence of real management abilities and decide upon the direction their enterprise should take by themselves.

At individual level

The change in their status, from housewife to working woman, entailed changes within these women, leading to a better opinion of themselves, giving them more assurance, independence and responsibilities in both the business and within the family. "More at ease" some said, "responsible" said others, "proud to be able to participate financially in the household", "I'm happy and no longer feel "marginalized". These expressions or others like them have been used by several clients to describe the changes that have taken place in their status and feelings about themselves.

At household level

The moment they have money, many of them start showing an interest in their children's education and do not hesitate to pay the necessary expenses (most of them said they had bought them books).

Besides, as soon as they can, these women spend on clothing. There is a great deal of interest in undertaking improvements to their house, with women striving to invest or planning to invest in furniture or capital goods, or even in making additions to their homes. The nature of the interviews (more qualitative) made it possible to qualify or examine more closely the comments gathered by Tool 1 (cf. Section II).

The interviews revealed cases of women who used to work outside, at a third party's place and who had young children; now, they were able to undertake an enterprise activity (production or sale) at their homes (or from the house, or as travelling trader) and thus remain near their children.

The women's financial contribution to their household brought greater calm to family life. They said that "it sometimes allowed us to improve relations between husband and wife since it decreases tensions over financial concerns."

Some interviewees indicated that "their in-laws gave were more considerate towards them because of the economic role they played."

CHAPTER IV:

Study of Clients' Experience with the Program: Findings of Qualitative Tools

The study undertaken here constitutes one of the bases that helps us understand the ZMC program's impact: its successes and its limitations - the way the program's participants use their loans being a deciding factor in this regard (Section I).

Further, the clients' satisfaction level and their desires are analyzed and finally, some recommendations are given (Section II).

I. Loan and Income Use

The objectives of the qualitative survey consist of acquiring an in-depth knowledge of how clients used their loans, according to the degree of development of their enterprise activity, as well as according to their field of business.

I.1. How did clients use their loans and profits, according to the level of development of enterprises?

To answer this question, we

- analyzed trends in loan and profit use,
- tried to understand changes in the strategies adopted by women in their use of funds in their enterprises,
- examined the relations between the client's enterprise and her home and
- identified the results collected with regard to their decisions concerning the allocation of profits.

In order to analyze the results of the interviews undertaken, we began by describing and synthesizing the main observations made by the clients. We then tried to bring out the links we perceived between various observations, which we felt reflected the existence of risky situations. Finally, we will draw up some recommendations for ZMC.

On the whole, it has been observed that the micro-credits granted by Zakoura are often used to **develop an existing enterprise activity**, which was self-financed (7 out of 10 women taken as a whole). An example of the type of development concerned was the case of a seamstress who used to undertake dressmaking only on order before she took a loan. With the loan, she was able to buy fabric and tailor garments that she could later sell on the market. Thus, she was able to achieve the "horizontal integration" of her enterprise activity.

The areas of business that came up during these interviews were embroidery, sewing, petty trade and ready-cooked dishes.

In cases where a new enterprise was set up, although it may have been rather uncommon[18], several scenarios were noted:

[18] Indeed, depending on the manner in which the question was raised, sometimes ambiguities seem to appear due

- The client set up an **autonomous enterprise activity** in a field in which she had some knowledge. The knowledge came from the initial training acquired in the framework of work she had done as an apprentice in a micro-enterprise or, more rarely, in a vocational training center. Sometimes it was knowledge gained from the family itself.
- The client took over the activity from another family member (as an example, we may mention the case of a woman who used her first loan to buy a stock of clothes, supplementing the stock she already had, then selling them in her husband's store). Through her contribution, the woman was able to get involved in her husband's activity, and what was even better, the growth generated in the concerned enterprise activity allowed the couple to include their son in the business).
- The third scenario we encountered concerned clients who planned and worked to set up an enterprise for another family member (here, we may mention the case of a woman who used 3 consecutive loans for setting up a day nursery for children for her daughter who was out of work).

I.2. How did clients use their loans and profits, according to areas of business and the urban, peri-urban and rural milieu?

In trade, ready-to-wear clothing and embroidery, the main loan uses led to:

i. **A decrease in unit prices as they could buy larger quantities of inputs.** Some clients explained that it **also decreased their dependence** vis-à-vis credit from suppliers who implicitly charged them interest, while applying higher selling prices than if they paid cash. We found this observation judicious, because the interest charged in these cases is prohibitive (cf. LASARE-DIS (1998), survey on interest rates in the informal sector). Thus, the loans not only enabled them to buy in larger quantities and negotiate better purchase prices from their usual suppliers, but also to **diversify their sourcing network.**

ii. **An increase in the working capital.**

iii. **An increase in tangible assets**, through the purchase of capital goods (case of a client who bought a sewing machine, followed by a knitting machine, etc.)**.**

iv. **An increase in stocks** (of input, goods, feed for livestock, etc.)**.**

v. **Structural changes,** thanks to an increase in the working capital as described above and equipment. These changes assumed the form of the expansion of their workplace and the diversification of points of sale. The findings of the quantitative tool results are replicated here (cf. Section II), with the difference that in this case, the interviewees spoke spontaneously insofar as they did not receive the guidance they did within the framework of a questionnaire.

vi. **An increase in the clientele -** a woman affirmed that "the number of clients is constantly increasing[19]."

vii. **Better time management:** Sometimes from the second loan onwards, we observed a change in the organization of work time. Let us take the example of a woman who was able to employ a girl, and thus "works less while at the same time continue to make her business progress."

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business was less regular and consistent. That is the reason why we believe that the percentage of 3 out of 10 women remaining (3/10) should be marked down.

[19] The complementarity of the tools developed in the AIMS (SEEP NETWORK (2000)) manual may be noted here. The findings from the application of qualitative tools made it possible to further characterize those made after the application of "quantitative" tools, in which it is difficult to obtain this information because of close-

viii. **Employment generation:** Thanks to progress in their activities (often from the second loan onwards), some women said that they were generating jobs for:

- one or several members of the family who were earlier working very little or, indeed, not working at all.
- an outsider, who first received some small bonuses in the form of a percentage of the earnings from the increase in production and, later, a regular salary.

It may also be noted that besides the impact on production activities in the urban milieu that has already been described, **loans granted in the framework of agriculture allow**, in particular:

- A diversification of crops and/or
- An improvement in the irrigation system (a client gave the example of investment in a water pump) and/or
- An increase in the livestock (example of a client who increased her livestock from 2-3 sheep to 16 between the first and (current) last loans,
- The diversification of activities: A client who was doing sheep farming was able to use her loan to invest not only in sheep farming and vegetable gardening but also in chicken farming, thus making her repayments on the basis of activities with a short production cycle.

As far as income (and profits) is concerned, we noted that the income generated by the activities financed by the loans enabled women to:

i. **Become more independent,** in the first place, with respect to their family (parents, husband and/or brothers) as well as with respect to suppliers

ii. **Improve their family's living standards:** Increased spending on education (purchase of books for children, etc.)[20], on food, on the purchase of durable consumer goods and on home improvements. For some, the profits "allowed them to cope with difficult times" (this observation matches the results obtained with Tool 1)

iii. **Build savings**

iv. **Reinvest in economic activities.** The profit reinvestment rate varied (more than 6 clients out of 10 on an average), but in all events, it seemed to depend on the number of working persons in the household (cf. also matched Tool 1 results) and how long the clients had been in the program. Indeed, it further increased their income, through a rise in turnover.

v. **Use it partly for loan repayment.** It is worth noting in this regard that focus groups raised the issue of the grace period (cf. Tool 4 Section II in Chapter IV). Clients would like this period to be longer, to allow them to begin repayment only once the activity had started running sufficiently, with the help of the loans that had been granted. They felt that it was not appropriate to repay the loans with income from sales, and would rather use their profits for this purpose

vi. **Meet urgent needs in periods of crisis** such as the illness of children or a working member of the family. We came across cases of clients who explained that sometimes it was not just the profit that was used to meet these needs but also loans themselves.

[20] Certain answers - concerning loan use - in these qualitative interviews cut across those in the empowerment tool. Survey officers "let" the women "talk" since they had to administer both the tools. We tried to classify the

Overall, we felt that the **clients' rationality** led them to **establish a hierarchy in the allocation of funds** (consisting of profits as well as loan amounts sometimes). For example, if the sick person was a working member of the family, then they considered it essential to contribute to getting him or her back into shape as fast as possible, to avoid any negative economic consequences on the household (loss of income). As an example, we may mention the case of a client who spent the loan to pay for the medical examination of her backbone. In a similar case, the loan was given to the client's husband, a taxi driver, so that he could pay his insurance in order to continue with his business, failing which the repercussions of work stoppage would have been tragic for the family.

We believe that such situations are "understandable" and not uncommon in most microfinance programs. However, we also feel it appropriate to recommend to ZMC that loan officers rely on solidarity groups in order to "assess" any usage of loans that is "incompatible with the ZMC program's initial logic".

The interviews revealed substantially different cases in which clients wished to make the most of certain opportunities. Thus, we also came across a case in which the purchase of food was more cost effective in one period, given low price levels (during cereal harvesting periods for example). In such a case, clients chose to postpone investment in their business, to be able to "take advantage of certain opportunities."

The loans have proved to be economically viable and led to a real improvement in income (We note a woman's case whose monthly income went up from DH 800 to DH 1600, i.e. doubling between the first and third loan; another stated that her profit went up from DH 1000 at the time of the first loan to DH 3000 at the time of the third loan (US $ 1 = DH 10).

Although the question was not explicitly raised (since in the logic of the survey undertaken, such questions were raised under other tools), the clients interviewed affirmed that "given the high earning power of financed activities, financial charges[21] - considered high by some - only constituted (according to all the clients) a relatively small portion of the income generated by the loan."

It also emerged that depending on the age of the loan, the effects described in this paragraph accumulated and their impact became more pronounced.

To sum up, let us recapitulate the answers concerning the way successive loans were used:

II. Impact of Clients' Training on Loan Use

As a general remark, we would like to note that women's education and training levels have a very significant impact on the staggering of loan use. Indeed, a woman used her first loan to buy small items of equipment for dress-making; with the third loan, she bought an electric sewing machine (the idea here is that it is not just the loan amount that matters, but also promising business perspectives) and with the last loan, she bought a knitting machine, with the objective of diversifying her products (seasonality of demand for woolens) and improving the product quality, as well as the production speed[22]. This client affirmed that "when she finished repaying the loan, she intended to hire an employee to help her sell". She

[21] This relates to the interest charged in the framework of ZMC loans.

also planned to train her daughter. She was also saving money, because she intended building a workshop to train and to hire more girls in the future.

Loan repayment difficulties:

As regards loan repayment difficulties, the reasons were:

- Investment in consumer goods
- A production cycle that was longer than the repayment cycle.

In conclusion, it may be noted that with regard to certain aspects, the results of the interviews undertaken in focus groups were compatible with those of the qualitative surveys concerning loan use, as well as the quantitative surveys. Hence, the tools supplement and qualify each other.

Most clients (more than 2/3) used the totality of the loans in income-generating activities. In rural areas, the proportion was100%.

In cases where loan use was not completely in conformity with the program objectives or the intentions clients claimed to have, the reasons were varied.

Thus, illness stopped some clients from using all or part of the loan for an income-generating activity. In other cases, clients entrusted a part or the whole of their loan to a third person (husband, son or brother) to finance an activity or for improving the home for example.

In these cases, we can appreciate the fact that while the loans were not used in conformity with the Zakoura program objectives, they nevertheless made it possible for clients to:

- deal with crisis situations (illness), or
- support other family members' economic activities, the concerned members then ensuring repayments.

It must be pointed out that the conditions in which repayments were made were sometimes somewhat uncertain (if family members unable to repay the loans, the client had to resort to borrowings to honor due dates).

In relatively rare cases (a part of 1/3 of the clients) where the loan was completely diverted from the objectives initially avowed by the client (for example to pay for consumption expenditure), we think that Zakoura can remedy the situation by consolidating loan-granting strategies. We would therefore recommend, in particular, that Zakoura should:

- better assess the projects and their ground realities before granting loans
- involve solidarity group members more so that they can monitor each other (giving them a real sense of responsibility)
- ensure more rigorous follow-up, closer to the time the loan is granted, and avoid renewing clients who do not stand by their commitments as regards investment in their business, although they may be making the repayments.

In both cases, there is a possibility that the number of clients per loan officer does not increase at the desired rate, thereby reducing the bonuses they receive. Thus, it would be necessary to introduce qualitative criteria upstream with regard to granting bonuses to Zakoura's staff members at different levels (loan officers, supervisors, etc.) .

III. Assessment of Client Satisfaction Level and their Suggestions/Desires

Before summarizing the results of the proceedings in focus groups, we would like present the tables derived from the quantitative tools, as regards responses to questions 35 to 37.

III.1. Assessment of program by clients, through predetermined questions

Variable Q 35

Name three things that you like most about the Zakoura program.							
		1st choice		**2nd choice**		**3rd choice**	
		No. of Answers	**Percentage**	**No. of Answers**	**Percentage**	**No. of Answers**	**Percentage**
1	Lower interest rate lower than other informal sources of credit (informal lenders)	49	25.8%	2	1.1%	8	4.6%
2	Steady source of working capital	92	48.4%	34	18.1%	5	2.9%
3	Group solidarity and/or group dynamics	34	17.9%	88	46.8%	16	9.1%
4	Training or technical assistance	8	4.2%	43	22.9%	46	26.3%
5	Efficiency, compared to banks or other sources	1	0.5%	9	4.8%	15	8.6%
6	Easier guarantees than loan alternatives	6	3.2%	12	6.4%	82	46.9%
7	Other					0	0.0%
99	Don't know					3	1.7%
	Total	190	100%	188	100%	175	100%

Weighted ranking of choices					
	1st	**2nd**	**3rd**	**Total**	**Rank**
Lower interest rate lower than other informal sources of credit (informal lenders)	147	4	8	159	3
Steady source of working capital	276	68	5	349	1
Group solidarity and/or group dynamics	102	176	16	294	2
Training or technical assistance	24	86	46	156	4
Efficiency, compared to banks or other sources	3	18	15	36	
Easier guarantees than loan alternatives	18	24	82	124	
Other			0	0	
Don't know			3	3	
Total	570	376	175	1121	

Note: To establish this summary table, we granted a weight of 3 to the first choice, 2 to the second choice and 1 to the third choice[23].

As far as the quality of the program as a whole is concerned, the women who were interviewed were quite unanimous in their opinions. The program's main attraction for them is that it provides them with a regular source of working capital. As was mentioned earlier, this opportunity allows them to suffer relatively less from resource shortages. The focus groups brought out the fact that client satisfaction was increased by the fact that they could repay in small installments.

According to these women, the program's second advantage was the fact that the proposed interest rates remained lower than those demanded by other informal credit sources.

On the other hand, very few women mentioned training or technical assistance as advantageous, whereas previous results seemed to reflect the usefulness of such services quite clearly.

Variable Q 36

Name three things that you like least about the Zakoura program.							
		1st choice		**2nd choice**		**3rd choice**	
		No. of Answers	**Percentage**	**No. of Answers**	**Percentage**	**No. of Answers**	**Percentage**
1	High interest rates or commissions	28	14.7%	3	1.8%	5	3.5%
2	Size of loans too small	97	51.1%	30	18.0%	4	2.8%
3	Loan cycle too long or too short	16	8.4%	37	22.2%	10	7.0%
4	Problematic group dynamics (with leaders or at meetings)	9	4.7%	10	6.0%	4	2.8%
5	Meeting frequency too often or meetings too long	4	2.1%	28	16.8%	7	4.9%
6	Meeting place/office not convenient	1	0.5%	5	3.0%	5	3.5%
7	Repayment policies (frequency of installments, amount)	18	9.5%	27	16.2%	31	21.8%
8	Guarantee policies	2	1.1%	4	2.4%	7	4.9%
9	Transaction costs for clients (slow disbursement, have to cash checks, etc.)	0	0.0%	11	6.6%	24	16.9%
10	Dislike behavior/attitude of loan officer or other program personnel	0	0.0%	0	0.0%	1	0.7%
11	Lack of grace period	2	1.1%	8	4.8%	30	21.1%
12	Other	0	0.0%	0	0.0%	2	1.4%

[23] This weightage may not necessarily be representative or faithful to the viewpoint of the women. In fact, since the questions were open-ended, it is not necessarily the answer they gave in the first instance that should be

13	Nothing	8	4.2%	1	0.6%	8	5.6%
99	Don't know	5	2.6%	3	1.8%	4	2.8%
	Total	190	100%	167	100%	142	100%

Weighted ranking of choices					
	1st	**2nd**	**3rd**	**Total**	**Rank**
High interest rates or commissions	84	6	5	95	4
Size of loans too small	291	60	4	355	1
Loan cycle too long or too short	48	74	10	132	3
Problematic group dynamics (with leaders or at meetings)	27	20	4	51	
Meeting frequency too often or meetings too long	12	56	7	75	
Meeting place/office not convenient	3	10	5	18	
Repayment policies (frequency of installments, amount)	54	54	31	139	2
Guarantee policies	6	8	7	21	
Transaction costs for clients (slow disbursement, have to cash checks, etc.)	0	22	24	46	
Dislike behavior/attitude of loan officer or other program personnel	0	0	1	1	
Lack of grace period	6	16	30	52	
Other	0	0	2	2	
Nothing	24	2	8	34	
Don't know	15	6	4	25	
Total	570	334	142	1046	

Variable Q37

37. If you could change something about the Zakoura program to make it even better, what would you change?				
In general		No. of Answers	Percentage	Cumulative percentage
0	Nothing to change	18	6.7%	6.7%
1	Increase loan amount	81	30.1%	36.8%
2	Increase repayment duration to 15 days or 1 month	87	32.3%	69.1%
3	Individual credit	17	6.3%	75.5%
4	No solidarity	9	3.3%	78.8%
5	Fewer meetings	3	1.1%	79.9%
6	Reduce interest rate	5	1.9%	81.8%
7	Reduce loan term	1	0.4%	82.2%
8	Longer grace periods	8	3.0%	85.1%
9	Increase loan term	2	0.7%	85.9%
10	Credit for home construction	10	3.7%	89.6%
11	Faster granting of loans	2	0.7%	90.3%
12	Create new activities within the program	2	0.7%	91.1%

13	Change venue of meetings (closer to clients/more comfortable)	3	1.1%	92.2%
14	Other	6	2.2%	94.4%
99	Don't Know	15	5.6%	100.0%
	Total	269		

37. If you could change something about the Zakoura program to make it even better, what would you change?				
	In the first instance	No. of Answers	Percentage	Cumulative percentage
0	Nothing to change	18	9.50%	9.50%
1	Increase loan amount	75	39.50%	48.90%
2	Increase repayment duration to 15 days or 1 month	50	26.30%	75.30%
3	Individual credit	5	2.60%	77.90%
4	No solidarity	2	1.10%	78.90%
5	Fewer meetings	2	1.10%	80.00%
6	Reduce interest rate	2	1.10%	81.10%
7	Reduce loan term	1	0.50%	81.60%
8	Longer grace period	2	1.10%	82.60%
9	Increase loan term	1	0.50%	83.20%
10	Credit for home construction	7	3.70%	86.80%
11	Faster granting of loans	1	0.50%	87.40%
12	Create new activities within the program	1	0.50%	87.90%
13	Change venue place of meetings (closer to clients/more comfortable)	2	1.10%	88.90%
14	Other	6	3.20%	92.10%
99	Don't Know	15	7.90%	100.00%
	Total	190	100.00%	

37. If you could change something about the Zakoura program to make it even better, what would you change?				
	In the second instance	No. of Answers	Percentage	Cumulative percentage
1	Increase loan amount	6	7.6%	7.6%
2	Increase repayment duration to 15 days or 1 month	37	46.8%	54.4%
3	Individual credit	12	15.2%	69.6%
4	No solidarity	7	8.9%	78.5%
5	Fewer meetings	1	1.3%	79.7%
6	Reduce interest rate	3	3.8%	83.5%
7	Reduce loan term	0	0.0%	83.5%
8	Longer grace period	6	7.6%	91.1%
9	Increase loan term	1	1.3%	92.4%
10	Credit for construction of houses	3	3.8%	96.2%
11	Faster granting of credit	1	1.3%	97.5%
12	Create new activities within the program	1	1.3%	98.7%
13	Change venue of meetings (closer to clients/more comfortable)	1	1.3%	100.0%
14	Other	0	0.0%	

99	Don't Know	0	0.0%	
	Total	79	100.00%	

As far as the main grievances against the program are concerned, the foremost complaint - made by the majority - was that the loan amounts were too low. Moreover, the primary change suggested by clients for improving the program seemed to be an increase in the loan amount. This was followed by the issue of repayment procedures (frequency, etc.). During focus groups, this issue was frequently raised. We have devoted quite a detailed passage to the issue in order to clarify the clients' point of view (see the following paragraph). It is interesting to note that only 1.9% of women actually suggested that the interest rates be reduced.

Conversely, whereas only 8% of the women complained about the fact that the loan cycle was too short, 32.3% of them wanted an extension in repayment installments. Further, the qualitative approach in the framework of focus groups made it possible to characterize more clearly and provide more details about this aspect (see paragraph III.2).

On the other hand, we noted that the lack of the grace period was not a recurrent grievance, in the same way that the frequency or length of meetings was not an issue. The acceptance of the program's specific operating rules was reflected in the fact that only a small proportion of the clients suggested a reduction in the number of meetings. This is all the more relevant in that they do not seem to see any point to these meetings (cf. low value given to training). In focus groups, we went deeper into these points.

III.2. Findings of proceedings in focus groups

We proceeded in 3 stages during the focus group meetings:

A. First, a **warming-up exercise** that proved to be very useful for creating a favorable ambiance for an exchange of views within the group. Indeed, the women present belonged to different districts and solidarity groups and, thus, did not know each other. Moreover, it was necessary to establish an atmosphere of trust, so that clients could speak freely about their impressions about the ZMC program. The objective of the warming-up exercise was to create the ambiance of a game, whose modalities would later be transposed for an analysis of the loan program. Thus, each time, we asked each of the participating women to imagine that she had invited all the women present on the preceding Friday. We then asked her to describe the various stages of the invitation process, as well as what happened during the day. Then, we invited the other women to describe the invitation's pleasant and positive features, as well as its shortcomings, and to suggest "improvements" with supporting arguments.

B. In the second phase, we explained to them that we would proceed in the same way, in order to look at and analyze the ZMC program. We then asked them to spontaneously voice the features they found satisfactory in their experience with the program, those that they did not and what could be done to make the ZMC program even better, in general.

C. In the third phase - the longest - we guided their discussion based on pre-determined reference points. These were the:

i) Procedures before granting of loans and for their renewal
ii) Repayment procedures
iii) Solidarity group
iv) Loans
v) Interests
vi) Other financial and non financial services and, finally,
vii) Relations with loan officers.

In each case, the participants were invited to describe the prevailing practices, those that they liked and those they did not like, followed by their recommendations and supporting arguments.

A summary of the results is presented here in the same order.

III.2.1. About procedures before granting of loans and for loan renewal

III.2.1.1. SG information and training meetings

Almost all the clients who were interviewed described the **meetings held before granting of loans** as being useful. Indeed, they said that these meetings enabled them to understand the loan granting and repayment mechanisms, the role of SGs and the project assessment undertaken to determine their repayment capacities.

The number of these meetings and their duration did not lead to any specific observations nor any particular desire or recommendation. The same held true for the waiting period before the first loan was granted: 15 days in general.

As regards the **documents that have to be provided,** the clients deemed them "legitimate and reassuring". They explained, for example, that "the acknowledgement of debt reinforced the responsibility of all group members". Moreover, in the rural and peri-urban areas, clients said that "these procedures provided an opportunity to establish a national identification card (NIC)", which emerged as status enhancing in the eyes of some clients.

III2.1.2. Loan renewal procedures

Clients did not appreciate the length of time between one loan cycle's last installment payment and the renewal of the loan. The period was sometimes as long as 15 days. The clients saw this as a hindrance in their activity's continuity and progress.

They suggested that:

- The official notarization by local authorities that was required should be replaced by a sort of private contract between them and Zakoura, so long as it concerned old clients in the program. Indeed, they believed that once they reached the 3rd loan stage, they were already well-known and their consist attitude towards Zakoura had been sufficiently tested.
- Some participants at the focus group meetings felt that the loans should be individualized once they reached the 5th loan cycle and beyond. Indeed, they believed that having reached this stage, they had already proven themselves and the loan amounts were also higher, so a customized repayment schedule should be adopted (adapted to their activity).

The proposals made by participants aimed at reducing the length of time between the repayment of one cycle's last installment and its renewal.

III.2.2. About repayment procedures

III.2.2.1 Grace period

The clients wanted the grace period, which is currently 15 days, to be extended to 1 month to allow micro-enterprises to "run properly" and to allow them to make the repayments from their "profits and not the income from sales."

In this regard, we recommend that ZMC consider this option favorably for clients who had reached advanced loan cycle levels; they had already proved themselves in all seriousness and through regularity in repayments. However, in this case it was important to consolidate project assessment before granting the loan, as well as to ensure on-site follow-up.

III.2.2.2. Repayment frequencies

Most women had an adverse opinion about the present weekly frequency of repayments:

- Some questioned the need to go and attend repayment meetings as well as their duration.

- They were of the view that it led to transaction costs that were too high, considering the loss of income with regard to their enterprise activity. Clients from rural areas placed less of an emphasis on this observation.

III.2.2.3. Repayment amounts

For the first few loan cycles (1^{st}, 2^{nd} and 3^{rd}), the clients did not find any difficulty with the installment amounts.

On the other hand, for the following cycles, they wanted a reduction in the installment amount and a 6-9 month extension as regards loan lengths.

During the meetings, the discussions made it possible to go deep into the link between repayment frequencies and repayment amounts. As for the extension of the repayment frequency to 15 days, often suggested in the beginning, it was later abandoned because:

- They did not really want to change, for they would have to repay double the present weekly installment amount every 15 days.
- At the same time, they did not want to extend the loan duration, which would ensue from the repayment of the current weekly installment amount every 15 days (the loan duration would increase from 6 months to 1 year).

Consequently, it seems to us that the **clients came to terms with a weekly repayment schedule** as it constituted a viable installment level and a satisfactory loan duration insofar as it allowed them to renew the loan quickly.

Finally, it must be pointed out that some clients wanted Zakoura to introduce flexibility in repayments (rescheduling) in exceptional circumstances, in case of unfavorable economic conditions or illness. We believe that such a strategy requires an objective assessment of the concerned clients' situation and the involvement of the other members in the solidarity group.
(Cf. answer to Q34b -% of Yes to indicator 2 = illness and 4 = the client sold her products but did not repay on time).

III.2.2.4. Meetings (nature and length)

Currently, meetings include sessions on training and repayment.
Clients complained about:

- The length of these meetings because they have wait for all the center's members to reach there (sometimes 40, sometimes 20) before repaying and leaving.
- The delay in coming by some clients, which was detrimental to the interests of all the center's members.

To overcome these difficulties, they suggested that repayment meetings be held separately from training meetings.

With this distinction, the options proposed by clients were fairly complicated. We shall try to clarify them with the help of the following table:

<table>
<tr><td colspan="2">a. Repayment meetings</td><td>b. Training meetings, whose contents are viewed favorably (the themes dealt with are useful; children's education; family planning, practical advice for day-to-day activities and opportunity for fruitful exchange of views between clients as regards their professional activities).</td></tr>
<tr><td colspan="2">Can continue to be held every week with two variants</td><td>Could take place once every 3 weeks or once a month</td></tr>
<tr><td>Variant 1
That the presence of all clients should no longer be required and only the person responsible for the solidarity group should attend the meeting</td><td>Variant 2
That all clients in the solidarity group should attend but repayment must take place quickly, so not in the form of a Center</td><td>All the center's members should come together</td></tr>
</table>

We are of the opinion that ZMC should consider variant 2. It could also, at the same time, consider increasing the size of the solidarity groups[24] to optimize the loan officers' time.

It must be pointed out that the introduction of penalties suggested for latecomers was not unanimously approved by all the participants in any of the focus groups.

According to many clients, the choice of timings for repayment and training meetings calls for prior consultation so as to disrupt their professional activities as little as possible. For example, some prefer the afternoon.

We believe that Zakoura should examine these options in greater depth, by questioning a large number of clients, in order to take into account the diversity of activities and locations before making any arrangements.

On the other hand, it would be useful to first develop some arguments that loan officers may believe are convincing, because they have to present them to the clients in turn, to explain the advantages of participating in meetings:

- concerning repayments, as they would then be able to realize that repayments were actually undertaken by the solidarity group's leaders and would thereby strengthen the role of solidarity groups, etc.
- and for training meetings, as they offer, for example, opportunities for an exchange of views with several other women.

[24] The size of solidarity groups would thus go up from the present 5 members to 8 and then 12. In several programs, the optimum size has to be based, on the one hand, on the quality (consistency of the group) and the

The physical arrangements for meetings need to be improved - several women have expressed the desire for benches or chairs in order to avoid hazards caused by the cold when they sit on the floor.

III.2.3. Solidarity Groups

When the group functioned without any hitch, the clients felt that it is useful because it provided a space for mutual help if necessary. On the other hand, they also appreciated the fact that Zakoura allowed them to re-establish a solidarity group between one cycle and another.

However, some clients deplored the fact that solidarity did not necessarily function.

We believe that loan officers must insist on the importance of the fact that solidarity group members should get to know each other well before the loan is granted the first time. This observation was confirmed by the high number of SGs that were "re-established", between the 1^{st} loan cycle and the following cycles.

III.2.4. Loans

The initial loan cycle's amount was deemed appropriate by most clients. Although some considered it insufficient in relation to their needs, others end up convincing them in the meeting itself that the first loan was "educational" in character (for them to get to know each other).

We believe that better targeting of poor working women would allow Zakoura not to have to raise the 1^{st} loan amount, without suffering on account of competition.

For the following loan cycles, the amounts are viewed favorably, but some clients complained about the lack of progressivity in their loan amounts.

Some educational work is necessary to explain the following to the clients:

- The conditions for an increase in the loan amount from one cycle to the other.
- The reasons that lead to loan renewals without an increase in the amount and sometimes even a reduction.

Finally, we believe that it is vital to involve the solidarity groups further in the assessment of each member's business level and in fixing of the loan amount to be granted to her.

For the initial loan cycles, the 6 months-duration seems very suitable. In case of advanced loans, depending on the concerned business activities and growth rate, it would be appropriate to adapt the installments.

As for clients whose business activities were more dynamic, they preferred to maintain the 6-month period even with higher loans because, otherwise, the time before they could get a new loan would become too long. Indeed, we were informed by women in the two focus group discussions held in Fez that, in the case of long-rotation activities, a 9 month-cycle for loan amounts above DH 3000 and one year for those above DH 5000 seemed more expedient.

ZMC needs to consider this seriously because it is at this level that client loyalty comes into play. This is also one of the points to be considered among the measures that need to be taken for protection against competition.

III.2.5. Interests

It was noted that, overall, clients have a sufficiently good knowledge of interests and the reason they were being charged (to cover ZMC expenses).

However, the information could be better systematized in this respect.

The interest amount did not pose any problem for the clients because their spontaneous reaction was that "the profit they could generate thanks to the loans largely compensated for any interest they paid".

The women especially appreciated "the fact that they could **repay the loan in small installments** whereas other sources of finance (the family for instance) were not only not always available, but were accompanied by constraints like services to be rendered and, moreover, required lump sum repayments."

Given the flexibility and availability of ZMC's loans, the women considered the interests they had to pay harmless.

The decrease in the interest rates practiced by Zakoura over the last two years did not seem to have been especially noticed by the clients.

We think it would preferable to maintain the interest amount (the difference between DH 10 to 30 over a six month period is not perceptible to these women) at a level that makes it possible to ensure the program's sustainability as well as improve its working and meeting conditions, along with arrangements at different sites and, finally, to build on ZMC's image.

III.2.6. Other financial and non-financial services

The discussions brought out the need for a separate individual savings service.

This was also true for a "savings fund" that would constitute collective savings as a means for helping Zakoura's clients in times of need.

Concerning the later suggestion, we received more concrete proposals. Indeed, participants suggested "DH 1/Client/Weekly repayment", or "DH 20 when the loan is granted".

According to some clients, a savings fund could be created for "every group of 20 women". These women would themselves decide who should benefit from a part of this collective fund, in case of need.

For some, "the money borrowed from this fund would not be returnable" while for others, "clients should repay the amount only when the crisis was over".

We believe that ZMC could examine these needs to define the optimal modalities in order to meet the need for individual and collective savings services.

As regards individual savings, it would be necessary to sensitize the concerned supervisory authorities to bring in an amendment in the current law. The facility could be reserved for microfinance institutions that have proved themselves with regard to good governance, efficient management leading to financial viability and transparency of information, among others.

As regards non-financial services, he clients would like "ZMC to help them organize trade fairs to exhibit their products"; all the clients would participate in these fairs.

III.2.7. Relations with loan officers

The clients were very appreciative of the attitude and behavior of loan officers.

They recognized the efforts they made in:

- Explaining the program's mechanisms to them during the meeting held before the loan was granted
- Moderating training/repayment meetings, especially when they had to wait for the center's late-comers
- Advising them during site visits after the loan had been granted (visits that reassure them and constitute privileged moments of personalized advice).

However, as some of the clients had to travel on work, they wanted to be consulted on the days these visits were to be held.

CHAPTER V: Study of Reasons for Dropping-Out of the Program

The exit survey is aimed at collecting information on the reasons for which some clients left the ZMC program. To do this, we looked for the following information from each ex-client interviewed:

a. What was the impact of the program on her enterprise activities
b. Its impact on herself and on her household
c. What she liked and did not like about the program
d. What recommendations she had to offer for making the program better.

To that end, the application of this tool made it possible to deepen the analysis of the ZMC program as perceived by its clients. Thus, the AIMS tools' objective of improvement was better fulfilled. Indeed, if we had been content with interviewing confirmed (old) clients who were still with the program and non-clients (incoming clients of Tool 1), our view would have been skewed and incomplete. The former were satisfied with the program (at least, on the whole), since they were still members, while the latter were in the process of joining the program and obviously believed in it. Thus, it was vital to find out the viewpoint of women who had left the program, after experiencing being a member of the program for some time. We interviewed women who had left the program during the last six months.

In the following paragraphs, we shall begin by examining the how and why the decision to leave the program was made, along with its various modalities, notably the role of the solidarity group (Q12 and Q13). We will then analyze the reasons for dropping-out (Q14 and Q15).

To fully appreciate these clients' point of view, we tried to understand their actual experience. We focused on the use of the last loan before they left the program (Q16a) and its repayment conditions (Q17). As in the case for the impact survey, we examined the changes in the income generated by the ex-client's enterprise activity (Q18) and the way she perceived the impact of the program (Q19).

The following questions concerning ZMC program policies were also examined (Q20a, Q20b and Q21). We then analyzed the ex-clients' replies as regards their appreciation of the program's strengths and weaknesses (Q22 and Q23) as well as any changes they would like (Q24). We also analyzed the prospects of their joining up anew and under what conditions (Q25) and, finally, their general perception and observations (Q26 and Q27).

I. Conditions on Dropping-Out of the Program

Variable Q 12

Who primarily made the decision that you will no longer be participating in the program?		
		Percentage of ex-clients
1	I took the decision.	76.50%
2	Someone else in my family decided.	6.80%
3	The group made the decision.	10.10%
4	The program made the decision.	6.70%
	Total	100%

If someone in the family decided, who?		
		Percentage of respondents
1	Husband	50%
2	Son	25%
3	Father	25%

	Why	Percentage of respondents
1	Religious reasons (interest)	12%
2	Other	87%

For 76.5% of clients who had left the program, the decision to leave was personal. It must be highlighted here that it was difficult to distinguish between a merely voluntary decision to leave and a forced abandonment, since the two were inevitably closely linked. Indeed, even when the decision to leave was personal, there were several external factors that led to it.

In cases where the decision was imposed by a family member (6.8% of dropouts), the husband was behind it. It is interesting to note that only 12% of the women interviewed referred to the idea of Islam forbidding involvement in usury as being the reason for their leaving the program. This means that:

i. Clients have understood that the interest paid on loans corresponded to the payment of the financial services rendered by ZMC and was not usury in the religious sense.
ii. Clients did not consider the levels of interest paid as usurious.

In cases where the solidarity group had decided the respondent's discontinuation in the program, the ex-clients questioned the actual working of the group. In this regard, ZMC has much to gain from inciting loan officers to take all the time necessary to train clients before the constitution of solidarity groups in order to improve its client retention ratio. The "unrealized gains" in terms of the number of new clients would largely be compensated by the quality of the solidarity groups formed, with repayments easier to ensure and a better retention ratio.

Indeed, from reasons spontaneously advanced by the interviewees, it emerged that 40% declared having some difficulty with other members in their solidarity group. 20% had problems repaying the loan and, therefore, the group had obviously not played its role (of using pressure or solidarity). The 40% who listed absenteeism as a reason for dropping-out, confirmed the information gathered in focus groups concerning center meetings and the difficulties they caused.

Variable Q 13

In your opinion, what factors led the group to decide to exclude your continued participation?		
		Percentage of respondents
1	Repayment problems	20%
2	Attendance problems	40%
3	Difficulties with other group members	40%
4	The client shifted house	5%
5	The client did not use the loan in the declared project	15%
6	Other	20%

II. Detailed Survey of Reasons for Dropping-Out of the Program

Variable Q 14

What are the main reasons that you are leaving or have left the program?		
		Percentage of outgoing clients
Problems with program policies or procedures:		
1	The loan amount is too small.	12.2%
2	The loan length is too short.	3.3%
3	I do not like the repayment schedule.	7.3%
4	The loan became too expensive (interest, fees).	9.3%
5	The disbursement of the loan is not efficient.	5.3%
6	I was unwilling to borrow because of other conditions.	3.7%
7	I did not like the treatment by the staff or had personal conflicts with staff.	1.2%
8	I found a program with better terms.	1.2%
Problems with group lending:		
9	The group told me to leave.	1.2%
10	The group disbanded.	5.7%
11	I had personal conflicts with other members of the group.	4.9%
	Explain:	
	The group members refused to give me money.	66.70%
	Other	22.20%
	Don't know	11.10%
12	I was in disagreement with the group leaders.	0.8%
13	I was unable or unwilling to attend all the group meetings (take too much time, schedule conflict, etc.)	3.3%
14	I did not like the rules and/or the pressure established by the group.	1.6%

15	I did not want to be involved in the center.	0.8%
Client's business reasons:		
16	I have enough working capital now for my business.	2.8%
17	My business is seasonal. I will borrow again when I need it.	2.0%
18	I have graduated to a loan program that makes larger loans.	2.0%
	Which one?	
	Al AMANA	33.30%
	Other	66.70%
19	I am unable to repay the loans because of the weak condition of my business (poor profits, low sales, etc.)	8.1%
20	I decided to close my business and do something else (get a job, start a new business)	2.8%
21	I sold the business.	0.0%
Personal reasons:		
22	I cannot continue because I spent the money on a crisis (illness, death. etc.) or a celebration (marriage) in my family.	4.5%
23	My spouse (or another adult income earner) left me so I do not have the ability to continue my business.	0.4%
24	I am pregnant or now have another person to take care for (lack of time or ability to continue the business at the same level).	4.1%
25	I am moving out of the area.	0.8%
26	A family member told me to stop borrowing from the program.	4.1%
Community or economic reasons:		
27	My business was ruined by a disaster - robbery, fire, flood, hurricane, etc.	0.4%
28	A major new competitor moved into the area and many of my clients now buy from the competition.	1.2%
29	Poor economic conditions have left my clients with less money with which to buy my goods or services.	1.2%
Other reasons:		
30	Other reasons	3.3%
99	Don't know	0.4%

When women were given sufficient time to express the reasons why they left the ZMC program (with open-ended questions), we managed to elicit more specific answers. Thus, it emerged that the program's policies constituted the major reasons for dropping-out of the program. The loan amount was considered low and the repayment schedule inadequate (see Section II in Chapter IV for more details on this subject). This was also true for the loan that "had become too expensive". It does not seem as if interest alone was considered at this level, but all the expenses incurred (we are not sure whether it was the loss of income linked to center meetings, for instance) (see aforementioned Section II). It is worth noting in particular that a very small proportion (1.2%) called the ZMC staff's behavior into question.

As regards the insufficient loan amount, we may recall that 35.3% of the clients kept back the whole or a part of their last loan for emergencies or in order to repay the loan itself (findings of Tool 1). 8.1% of the ex-clients referred to their inability to repay loans because of the poor financial health of their business. We reiterate the recommendation made earlier that ZMC should rely more on solidarity groups to assess whether a client is really facing difficulties in repaying. The group must bring their solidarity into play and, if necessary, suggest access to the collective savings fund (see suggestions in Section II, Chapter IV).

The same approach should be adopted for dealing with personal reasons (sickness, etc.), that have been cited by 4.% of the ex-clients as their reason for leaving.

For ex-clients who had some conflict with other group members, 66.7% among them mentioned the latter's refusal to entrust them with the money.

Overall, the reasons largely invoked by ex-clients were linked more to the program requirements or policies rather than personal, economic or community-related reasons.

The following table more-or-less sums up the viewpoints of ex-clients concerning their reasons for leaving. This time, the question raised was more "directional".

Variable Q15

In thinking about all the reasons why you have said you left the program, which categories best describe your most important reasons?	
	% of the Outgoing Clients
Program reasons - the client has problems related to the program requirements or policies (does not want to borrow again under present program terms; does not like treatment by program staff; etc.)	24.40%
Problems related to borrowing in a group (internal conflicts; does not like group pressure, frequency of meetings or group leaders; was expelled; group failed; etc.)	19.30%
Does not need capital now (has enough capital now; seasonal business is not active now; has graduated to larger loans from another source.)	10.10%
Business reasons - related to economic activity for which client borrowed (was not profitable enough to continue borrowing, decided to sell or close business.)	17.60%
External reasons - problems beyond client's control that are not related to either the loan program or business (for example personal reasons such as illness, or death in family, leaving area, pregnancy, lack of time, spouse's departure or decision	28.60%

For 28.6% of the ex-clients, it was external reasons, problems beyond their control and not related to the program or business that explained why they left the program. For 24.4% of them, the reasons for quitting the program were related to its requirements and policies. Only 10.10% of the outgoing clients mentioned not needing capital at that point as a reason, whether it was because they had graduated to larger loans from other sources or because of a temporary stoppage of business, given the seasonal character of their business. It must once again be pointed out that in order to understand the fact that 43.7% (24.4% + 19.3%) of these women said that they had left the program because of its policies, including problems with the group, Section II of Chapter IV on "Proceedings in Focus Groups" has to be referred to in order to learn the recommendations that have been made in this regard.

III. Assessment of Program Impact on ZMC's Ex-Clients

In this section, we will examine the experience of ex-clients as regards loan use.

III.1 Description of outgoing clients experience with the program

Variable Q16a

How did you spend your last loan? Percentage of outgoing clients who gave one of these uses among the 3 main uses		
		Percentage
1	Start a new business	3.9%
2	Change type of business	7.9%
3	Buy more inputs/stock	23.2%
4	Buy equipment/tools, etc.	18.7%
5	Hire more workers	2.5%
6	Improve/expand business site	9.9%
7	School fees	5.4%
8	Medical, funeral expenses,	9.4%
9	Savings	8.9%
10	Gave money to husband	2.5%
11	Buy food	1.0%
12	Other	3.4%
99	Don't know or unwilling to answer	3.4%

As far as the use of their last loan was concerned, 23.2% of the ex-clients affirmed that they had used these resources to buy more inputs and stock. 18.7% among them said they had used the loan for buying equipment or tools. But in many of the other categories (change of business, improvement and expansion of business site, etc.), we observed that close to 2/3 of the clients who had dropped out of the program had used their loan for their business or another income generating activity.

This observation explains why 56.3% (100 − 47.3) of the clients had left not because of the ZMC program's requirements and policies but for other reasons - in particular, the prevailing business conditions. This remark is in line with what we learnt from focus groups (Chapter IV Section II). Indeed, it emerged that ZMC will have to take into account the nature of prevailing business conditions to sometimes stagger repayments or build up accountability among solidarity groups.

To the question whether the loan helped their family, a small majority of the outgoing clients (52.9%) answered in the affirmative. Among these, more than 2/3 said that they had been able to improve their food (to be precise, 36% of those who had left the ZMC program were in this situation: 68.3% of 52.9%).

Variable Q 16b

Did the loans help your family?		
		% of Outgoing Clients
1	Yes	52.90%
2	No	39.50%
3	Don't know	7.60%

Variable Q 16c

If yes, how?		
		% of outgoing clients
1	More/better food	68.30%
2	Education of children/self	12.70%
3	House improvement	19.00%
4	Medical costs/improved health	22.20%
5	Clothing	39.70%
6	For the house: utensils, etc.	23.80%
7	Leisure activities	12.70%
8	Other	11.10%

The direct and indirect benefits of the loans were diverse. They impacted clothing (39.7%), health expenses, etc. Since these indicators were not exclusive (each woman could mention several of them), the sum of percentages exceeded 100.

To conclude with this overall understanding of the outgoing clients' experience with their last loan, let us look at repayment.

Variable Q17

Which of the following best describes your experience in paying your last loan?		
		% of outgoing clients
1	Difficult to pay	33.60%
2	Within my capacity to pay	32.80%
3	Easy to pay but was too small to meet the needs of my business	32.80%
4	Easy to pay	0.00%
99	Don't know	0.80%

For more than one third of the ex-clients, the last loan granted by Zakoura was difficult to repay. On the other hand, a barely lower proportion opined that the loan was within their capacity to pay.

For 32.8% of the ex-clients, the loan was easy to pay but was too small to meet their business needs. It is worth recalling that the smallness of the loan amount is among the main grievances that participants (on-going clients, cf. Chapter I) had against ZMC.

It appears that the Zakoura clientele is too heterogeneous to allow the program to have an optimal impact (in the sense of satisfying all the participants equally). Indeed, although a large proportion of the clients and ex-clients complained about small loan amounts, there were those among them who were not in a position to repay the loan easily.

However, the heterogeneity of the clientele could be circumvented by adapting the loan amount better to the real absorption and repayment capacities of clients once they reached advanced cycles.

III.2 Income and business trends

Variable Q18

During the last 12 months, did your income in the business		
		% of Outgoing Clients
1	Increase greatly	4.20%
2	Increase some	34.70%
3	Stay the same	26.30%
4	Decrease some	21.20%
5	Decrease greatly	5.90%
99	Don't know	7.60%

As regards trends in the business income of ex-clients during the last 12 months, more than a third of them reported that the income had increased some. For a quarter of them, the income had either decreased some, or decreased greatly. Let us recall here that more than 50% of the clients that remained with the program estimated that their business income had increased. It may also be noted here that ex-clients' businesses were less successful than those of clients. The argument favoring access to the (collective savings) fund for deserving clients is further strengthened by these observations (see Section II Chapter IV).

IV. Understanding the ZMC Program's Outgoing Clients

Question Q19 and those following it were aimed at introducing suggestions from women who had quit the program, in order to make it more effective and adapted to client needs.

Variable Q19

Which answer best describes the impact of the loans from this program?		
		% of outgoing clients
1	Helped me quite a lot	20.20%
2	Helped me a little	62.20%
3	Didn't help me at all	5.90%
4	Loan was a burden	5.90%
5	No opinion	2.50%
99	No answer	3.40%

When the ex-clients were asked to assess the program's impact on their situation themselves, 62.20% believed that the loans received helped them a little and 20.2% among them said that they helped them quite a lot. This means that, on the whole, the clients had benefited from the micro-credits to which they had access. Therefore, the need is still there and the program meets that need. Only 6% of this sample were of the opinion that the loans did not help them at all and that they were even a burden, which brings the proportion of outgoing clients who were truly dissatisfied by the program up to 12%. This proportion corresponds more or less to that of ex-clients whose decision to quit was not personal but who had been expelled by the program.

This leads us to recommend to ZMC that it should strengthen its client targeting and detailed information system. Therefore, in order to improve the retention ratio, it is advisable for ZMC to:

i. Target clients better; ensure that their business profile has the potential to adapt itself to the procedures established by ZMC and which are in tune with its mission and its strategy to be sustainable.
ii. Adapt these procedures, without prejudicially affecting its viability (see detailed observations based on focus groups' results: Section II Chapter IV).

The following questions deal with the perception of ex-clients about one of the ZMC program's basics - membership in solidarity groups.

Variable Q20a

Do you think you benefited from being a member of a group?	
	% of Outgoing Clients
Yes	77.30%
No	22.70%
Don't know	0.00%

Variable Q 20 b

Please tell me the specific ways in which being in a group helped you?		
	If answered Yes to 20a	**% of Outgoing Clients**
1	Helped me to make my repayments	27.20%
2	Provided advice and support when I needed help personally	59.80%
3	Gave me business ideas and contacts	37.00%
4	Offered me new friendships	34.80%
5	Allowed me to develop my leadership skills	9.80%
6	Gave me training and new information	31.50%
7	Helped me become punctual and be on time	4.30%

77.03% of the outgoing clients said that they benefited from being a member of a solidarity group, whereas earlier, we noted that 40% of them had left the program for reasons of temperamental incompatibility or a conflict of interests with the group. Indeed, there is no real contradiction here. It seems that clients understood the usefulness of belonging to a solidarity group; but what posed a problem was the functioning of these groups and the center (see details in Section II, Chapter IV on this point).

More than half of the outgoing clients believed that the help provided by the group mainly consisted of advice and support in case of need. More than a third also referred to new ideas and contacts they had received, new friendships they were able to build and training and new information that they had received. The importance of the network constituted in this manner was further clarified in the statements made by clients in the focus groups.

Overall perception

Variable Q21

Which answer best describes your experience of participating in the program?		
		% of Outgoing Clients
1	Very good	15.10%
2	Good	65.50%
3	No effect	12.60%
4	Bad	6.70%
5	Very bad	0.00%

A large majority of the outgoing clients described their experience with the program as being good, while 15.1% considered it very good. However, it is worth observing here that 20% acknowledged that the program had helped them a lot. Thus, despite the program's very positive impact on their lives, some outgoing clients did not describe their experience as very good. This question calls for the overall judgment of participants - a judgment that includes elements other than just the financial factors - whence the need to examine their suggestions (see Section V infra).

IV.1. The ZMC program's strengths according to outgoing clients

Variable Q22

Can you name the two things that you liked best about the program?		
In general		
		% of Outgoing Clients
1	Interest rate lower than other informal sources of credit (informal lenders)	4.6%
2	Steady source of working capital	33.8%
3	Group solidarity and/or group dynamics	22.4%
4	Training or technical assistance	16.9%
5	Efficiency, compared to banks or other sources	5.5%
6	Easier guarantees than loan alternatives	15.6%
99	Don't know	1.3%

Can you name the two things you liked best about the program?		
	In the 1st instance	% of Outgoing Clients
1	Interest rate lower than other informal sources of credit (informal lenders)	7.60%
2	Steady source of working capital	63.90%
3	Group solidarity and/or group dynamics	23.50%
4	Training or technical assistance	3.40%
5	Efficiency, compared to banks or other sources	0.80%
6	Easier guarantees than loan alternatives	0.00%
99	Don't know	0.80%

Can you name the two things you liked the best about the program? In the 2nd instance		
		% of Outgoing Clients
1	Interest rate lower than other informal sources of credit (informal lenders)	1.70%
2	Steady source of working capital	3.40%
3	Group solidarity and/or group dynamics	21.20%
4	Training or technical assistance	30.50%
5	Efficiency, compared to banks or other sources	10.20%
6	Easier guarantees than loan alternatives	31.40%
99	Don't know	1.70%

As regards the program characteristics that were generally deemed positive by the outgoing clients, more than a third especially appreciated the steady source of working capital that it offered. This feature was also one of the advantages cited in the first instance by the majority of clients still with the program.

On the other hand, it is worth noting that the outgoing clients were relatively greater in number than current clients to emphasize the importance of group solidarity and dynamics. It is possible that clients only realize the advantage of solidarity groups once they have left the program and are therefore deprived of the information and advice normally provided by the group. The 22% for whom the solidarity group enjoyed favorable "group dynamics" may have been the ones who had faced repayment difficulties, and the group had helped them.

It is also possible that outgoing clients relied more on the security offered by their membership of a group or depended more on the knowledge of other group members. The protection from sole responsibility and their dependence could explain why these clients left, since they were probably unfit to manage their own business themselves.

An indicator that was not provided for by Question 22 in the AIMS Tool 2 may be added here. It emerged from discussions in the focus groups. It was the fact that women were very appreciative of the possibility of being able to repay the loan in **small installments**. The same was not the case with family loans or those from other sources.

IV.2. The ZMC program's weaknesses according to outgoing clients

Variable Q23

Can you name the two things that you liked the least about the program?	
	% of Outgoing Clients
High interest rates or commissions	10.9%
Size of loans too small	23.6%
Loan cycle too long or too short	10.0%
Problematic group dynamics (with leaders or at meetings)	7.0%
Meeting frequency too often or meetings too long	13.1%
Meeting place/office not convenient	0.9%
Repayment policies (frequency of installments, amount)	14.8%
Guarantee policies	2.6%
Transaction costs for client (slow disbursement, have to cash checks, etc.)	1.7%
Dislike behavior/attitude of loan officer or other program personnel	1.3%
Lack of grace period	6.6%
The women do not repay on time and fight with each other	0.4%
Nothing	2.6%
Other	0.4%
Don't know	3.9%

Outgoing clients, as also current clients, seemed especially dissatisfied with the loan amount. The low loan amount was a source of dissatisfaction for 23.6% of the outgoing clients. The second source of discontent for the latter was the repayment policy, i.e. the frequency of installments as well as their amount.

It is obvious that by asking for the very short-term repayment of a part of the loan granted, Zakoura is protecting itself from non-repayment risks. Thus, it is not uncommon that a part of the loan remains unproductive as it is kept aside by the clients for the repayment of the first installment. Therefore, a part of the loan is frozen, since clients do not have the necessary time to invest it and make it yield profit.

On this issue, 10% of the outgoing clients complained about the unsuitable loan repayment cycle. In this instance too, a more detailed analysis of each client's capacity to repay may suffice to solve the problem. In the focus groups, we began by developing this aspect (see details in Section II, Chapter IV).

V. Outgoing Clients' Suggestions for Improving the ZMC Program

Variable Q24

In your opinion, what should be done to improve the program for clients?		
		% of Outgoing Clients
1	Increase loan amount	30.5%
2	Extend repayment period	28.7%
3	Individual credit/no group/no solidarity	14.0%
4	More grace periods/extend length of grace period	5.5%
5	Avoid long and frequent meetings	4.9%
6	Reduction of interest rate or elimination of interest rate	4.3%
7	Other	6.1%
8	Nothing	4.9%
99	Don't know	1.2%

The recommendations offered by outgoing clients to improve the program were in tune with the main grievances evoked earlier. Thus, 30.5% of them recommend an increase in the loan amount and 28.7% the extension of the repayment period. Thus, we have shown in Section II of Chapter IV that women should be given more detailed explanations concerning the program's mechanisms. Thanks to the dynamics within the focus groups, the women were able to explain to their colleagues that with an extension of repayment dates, they would have to wait longer for their next loan (higher cycle). Thus, the women took back their proposal and expressed their satisfaction with a weekly repayment cycle over 23 weeks.

Corresponding to the proportion of women who quit the program because of problems related to the groups to which they belonged, 14% suggest that individual rather than collective loans be granted. This idea deserves to be developed further, but for older clients, with higher loan levels (see Section II in Chapter IV).

It is worth noting that the proportion of outgoing clients who recommended the reduction or doing-away of interest rates was only 4.3%. This observation is consistent with the fact that few clients noticed the reduction in interest rates practiced in the months preceding the survey. This idea is in line with observations commonly put forward in the microfinance field. For the groups being targeted, the problem is not the cost of financial services, but access to credit. The costs of other sources are often exorbitant.

VI. Outgoing Clients' Conditions for Rejoining the Program

Variable Q25a

Do you think you might rejoin the program in the future?		
		% of Outgoing Clients
1	Yes	31.10%
2	Probably	17.60%
3	No	5.00%
4	Only if some changes are carried out	43.70%
99	Don't know	2.50%

Variable Q25b

Note the specific changes in the program that the client desires before returning to the program.		
		% of Outgoing Clients
1	Increase loan amount	31.6%
2	Extend repayment period	27.8%
3	Individual credit/no group/no solidarity	10.1%
4	More grace periods/extend length of grace period	3.8%
5	Avoid long and frequent meetings	5.1%
6	Reduction in interest rate or elimination of interest rate	11.4%
7	Other	10.1%

Following the recommendations suggested earlier, 43.7% of the outgoing clients did not feel disposed to return to the program unless these changes suggested were actually carried out. The extension of the loan length as well as an increase in the loan amount were priority requirements expressed by these women. Only 5% of the outgoing clients seemed to have stated categorically that they would not rejoin the program, whereas 31% were ready to agree to do so without any condition. It may be observed that this last percentage corresponds more or less to those amongst the outgoing clients who had said that they had not themselves chosen to quit the program.

On the other hand, 74.8% of the outgoing clients said that they saw no problems in recommending the program the way it was to a friend or family member. Thus, ex-clients believe that the current program policies may be suitable for working people in a different situation (nature of their production cycle, seasonality of their business, size of their business and therefore their needs, etc.). Therefore, the grievances expressed earlier are more a reflection of the inability of the Zakoura programs to meet its clients' needs than any discontent directed against the program or its efficiency as such.

Variable Q 26

Would you advise a friend or a member of your family to join this program the way it is now?	
	% of Outgoing Clients
Yes	74.80%
No	9.20%
Don't know	16.00%

It is evident from these observations that for clients in advanced loan cycles, those who have proved their reliability and consistency in repayments, ZMC should think of offering services that are more adapted in terms of loan amount, repayment modalities, guarantees, etc.

Before thanking the ex-clients who were interviewed, they were asked if they had any other comments.

Variable Q27

Do you have any other comments?		
		% of Outgoing Clients
1	Increase loan amount	8.1%
2	Increase first loan amount	2.4%
3	Meeting place near residence	2.4%
4	No interest or reduction in interest rate	1.6%
5	Other	12.9%
99	No other comments	72.6%

From the answers, it is clear that the questionnaire addressed to outgoing clients seemed to cover most of the aspects about which they had strong feelings, since 72.6% affirmed that they did not have any additional comments. This testifies to the fact that the questionnaires have been well designed.

Among those who were not fully satisfied by the questionnaire, 8.1% still emphasized the need to increase the loan amount and 2.4% highlighted the advantages of increasing the first loan amount, more specifically.

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