

MicroSave Briefing Note # 37

“Market Research for MicroFinance” – 7 Cautions and a Recommendation

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Background

The origins of the *MicroSave* “Market Research for MicroFinance” (MR4MF) approach to product development lies in the belief that a market-led financial institution must assess its clients’ needs. It was back in 1990 that we first used focus group discussions to analyse the impact of two urban microfinance programmes in Bangladesh – the power of qualitative research to understand clients’ issues (as opposed to our constructs of their issues) became very clear. Since then hundreds of financial institutions, researchers and consultants have used the MR4MF toolkit with results that have led to “profound” changes and benefits to their institutions¹. *But using the MR4MF approach requires careful planning and technical skills – below are seven cautions.*

1. A Focused Research Objective Is Essential

A clear, focused objective should drive any market research. A precisely defined research objective will allow the MFI to derive credible, actionable results cost-effectively. Poorly defined, or unfocused, research objectives are likely to require more time and effort to conduct the research - and often leave the MFI with a mass of confusing data.

The research objective often is best driven by an ongoing monitoring system that tracks key performance indicators. These indicators are usually linked to the strategic goals or institutional/product risk drivers² of the organisation³ – for example Portfolio at Risk. These indicators should be built into the Management Information System (MIS) they are routinely tracked and enable the organisation to assess when *ad hoc* research is required.

2. Comprehensive Secondary Data Analysis Can Save Money

Secondary data analysis is often not performed despite the multiple sources available. These include:

- The financial institution’s own MIS;
- Internal reports from the branches and front-line staff; and
- Documentation in the public domain (national and industry data/reports, industry surveys, competitors’ publications, donor/other evaluation reports, papers etc.).

But as Kasia Pawlak, Head of Research at MFC Poland concludes, “Even when primary research is necessary, it is essential that detailed secondary research is conducted to narrow down the research questions so that the MFI (or the research consultants it contracts) performs focused research that will produce useful and cost-effective results.”⁴ And using secondary data effectively will, of course, reduce the scope and thus cost of the primary data collection and analysis exercise.

3. Planning The Research Is Key

The choice of, which tools to use from within MR4MF (and how/if to complement these with mini-survey(s) or some of the AIMS/SEEP tools) must be driven by the research objective. The tools should be flexed to ensure that they respond to the research objective⁵. Thereafter, it is important to take the time to identify appropriately enclosed, quiet, un-intimidating venues within the community and set convenient appointments with carefully sampled groups of 6-8 participants. These groups provide a forum to run focus group discussions, driven either by a series of open-ended questions (a discussion guide) or by a tool modified from the Participatory Rapid Appraisal (PRA) discipline.

4. MR4MF is Based on Focus Group Discussions (FGDs) and PRA Methods

PRA emerged in the late 1970s as “a reaction to the tediousness, expense and frequent inaccuracy of the conventional process of questionnaire surveys” (Pretty et al., 1995)⁶. The MR4MF toolkit owes a big debt of gratitude to PRA approaches, but differs profoundly from it, philosophically and practically. PRA exercises are typically designed to optimise the participation of the community in the development process. By contrast, the MR4MF tools are designed to extract reliable information in the quickest possible time, and are not designed to be empowering for the participants. When using the modified PRA tools, researchers using the MR4MF approach arrive with matrices, counters, cards etc., and then explain and present them in the focus groups. The researchers then take these matrices etc., and the results of the discussion, away with them at the end of the session. These practices would horrify most PRA practitioners!

¹ See Anyango, Ezra, Jennefer Sebstad and Monique Cohen, “Assessment of the Use and Impact of *MicroSave*’s Market Research for Microfinance Toolkit”, *MicroSave* Briefing Note # 5 at www.MicroSave.net under the Briefing Notes section.

² See the *MicroSave*’s “Institutional and Product Risk Analysis Toolkit” at www.MicroSave.net under the Toolkits section.

³ See Champagne, Pamela, and Lynn Pikhholz, “Implementing Risk Management at *MicroSave*’s Partner Microfinance Institutions” *MicroSave* Briefing Note # 34.

⁴ See Pawlak, Kasia, “Client-Focused Microfinance: A Review of Information Sources”, *MicroSave* Briefing Note # 17.

⁵ See McCarter, Elissa, “Market Research for MicroFinance - Lessons from Europe”, *MicroSave* Briefing Note # 26.

⁶ Pretty, Jules, Irene Guijt, Ian Scoones and John Thompson, “Participatory Learning and Action – A Trainer’s Guide”, IIED, London, 1995.

Since FGDs are at the core of the MR4MF approach, the discussion groups comprise 6-8 participants – whereas a traditional PRA session will be run with 16-24 participants. Furthermore, contrary to the participatory analysis process of PRA, the researcher, not the FGD participants, analyse the data.

5. Moderating Focus Groups Is Surprisingly Difficult

Running focus groups is complex and surprisingly difficult. Failure to moderate FGDs well can result in dangerously misleading data. Challenges include:

- Inadvertently prompting FGD participants through poor phrasing of questions and verbal/non verbal cues is difficult to avoid (and low-income participants often respond in accordance with what they think the moderator/financial institution wants to hear);
- Ensuring that the sitting arrangement, and group dynamics optimise the discussion;
- Gaining the trust of participants and putting them at ease;
- Ensuring that the FGDs are run by facilitators focused on “learning” as opposed to “teaching”;
- Communicating effectively in clear, client language; this, of course, involves speaking the local language – focus groups conducted through interpreters are rarely satisfactory;
- Facilitating the involvement of all participants within the FGDs; and
- Managing social realities and ensuring that dominant participants, or attendant members of the social elite, do not bias responses.

6. Analysis Is A Complex and On-going Process

The analysis component of MR4MF is based on tally sheets (taken from the analysis of focus group discussions) and the use of matrices (taken from the PRA discipline). The analysis is performed by the research team as the field research is underway, and should often influence the tools used and the questions posed as the research goes on. The preliminary analysis and recommendations are then often subjected to review and discussion with front-line staff prior to reporting.

7. Reporting Should Lead To Decision-Making

Reports resulting from MR4MF research should be succinct, clear and persuasive. They should recommend a plan of action. They are illustrated with

quotations from the FGDs that demonstrate key points and capture some of the richness of the issues – after all, human financial behaviour is complex. The result of FGDs is misleading if percentages are cited – qualitative research is, by definition, not designed to be representative of any specific population (market segment, geographic location, drop-outs etc.). As with all good quality business reports, the final report from an MR4MF study should facilitate decision-making and action⁷. MR4MF is only first step: costing and pricing, process mapping, pilot-testing, marketing etc. are likely to be required to action the results – see *MicroSave*'s website for toolkits on each of these.

Recommendation: MR4MF Training Is Necessary ... and Available

As a result of the complexities and challenges outlined above, we at *MicroSave* believe that *to get the best out of the MR4MF approach, training is essential*. The MR4MF training⁸ is best delivered by *MicroSave* certified trainers, and is built around the product development process, but *MicroSave* and its Action Research Partners also use MR4MF for a wide variety of other applications:

- Understanding increasing default or drop-out rates;
- Assessing customer satisfaction;
- Institutional image analysis – for marketing programmes or branding/corporate identity work;
- Planning or evaluation of institutional/product marketing campaigns; and
- To inform strategic planning⁹.

To expand the availability of training on MR4MF, *MicroSave* has collaborated with Microfinance Opportunities to develop a training aid, the “Listening to Clients” series, which features thorough, step-by-step qualitative and quantitative client assessment training for market research. Combining the MR4MF toolkit and the AIMS/SEEP Client Assessment Toolkit, the series features 14 training modules in highly effective and user-friendly video-CD and DVD-ROM formats. Contact info@mfopps.org for more information.

A comprehensive listing of certified trainers, which can be sorted by language (a tremendously important variable if focus groups are to be effective), region etc. is available on the *MicroSave* website¹⁰.

⁷ See **McCord**, Michael “[The Feedback Loop – A Process for Enhancing Responsiveness to Clients](#)”, *MicroSave*, 2002. This paper is available on www.MicroSave.net under the Study Programme section.

⁸ The **MR4MF training toolkit** is now available for download from the *MicroSave* website

⁹ For further discussion of the wide spread and varied use of MR4MF approaches, Peter Mukwana, “[Market Research for MicroFinance: Beyond Product Development](#)” Briefing Note #36 www.MicroSave.net

¹⁰ See *MicroSave*'s website for a list of certified trainers www.MicroSave.net