



Terwilliger Center for
Innovation in Shelter

Housing
Microfinance
Impact Assessment:

**Improving
quality
of life**

March 2021





BACKGROUND

About the Terwilliger Center for Innovation in Shelter

Habitat for Humanity is committed to providing lasting solutions to the global affordable housing crisis by promoting inclusive housing market systems. To help make this goal a reality, Habitat established the Terwilliger Center for Innovation in Shelter – an instrument for expanding innovative and client-responsive services, products and financing, making affordable housing possible for millions of families.

Habitat's Terwilliger Center consolidates more than a decade of experience in developing market-based solutions for housing and the body of work resulting from these early efforts will accelerate and facilitate better functioning of the inclusive housing markets. The guiding principles of sustainable outreach to as many families as possible, avoiding market distortion and maintaining the catalytic role of stimulating changes in the market systems without becoming part of it, help Habitat to focus on improving systems

that enable families to achieve safe and affordable shelter without needing ongoing direct support.

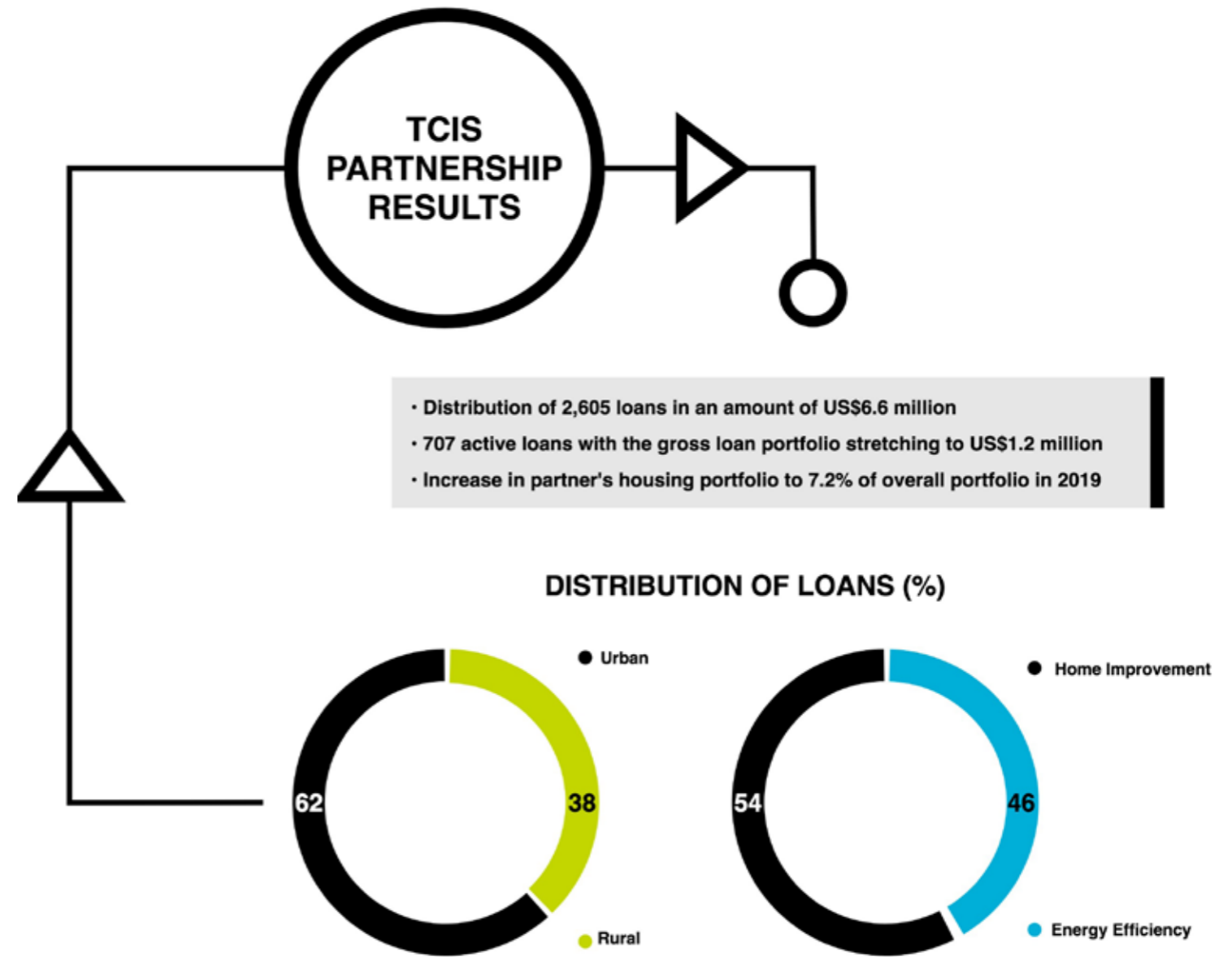
In 2012, the Terwilliger Center launched the MicroBuild Fund, the first housing-specific microfinance investment vehicle, to demonstrate the financial viability and scale opportunity of housing microfinance. The MicroBuild Fund provides debt finance to institutions offering larger, longer-term housing microfinance products to clients. In addition to funding, microfinance institutions receive institutional technical assistance to scale their products, and borrowing clients receive housing support services, mainly in the form of financial education and, in a few cases, construction technical assistance.

If you are interested in learning more about the work of the Terwilliger Center for Innovation in Shelter, please check out our website, <https://www.habitat.org/TCIS>, or email us at TCIS@habitat.org.

PARTNERSHIP

In line with its strategy to continuously mobilise funds for the housing sector and facilitating and advising local housing market actors, Habitat for Humanity has been present in Bosnia and Hercegovina since 2010 helping local micro-finance institutions reduce poverty and unemployment through stimulating and sustaining private sector development by providing microfinancing to low-income clients.

In 2015, through the MicrobuildFund and Terwilliger Center, Habitat entered into a partnership with Sunrise MCF, providing an investment of over US\$1 million complemented by specific advisory services to revamp Sunrise's housing product. The partnership was intended to develop viable product that addresses the housing finance needs of Sunrise's clients. Housing is generally considered the most important family asset and low-income housing solutions are crucial for improving living conditions and mitigating the vulnerability of the low-income segment in the country.

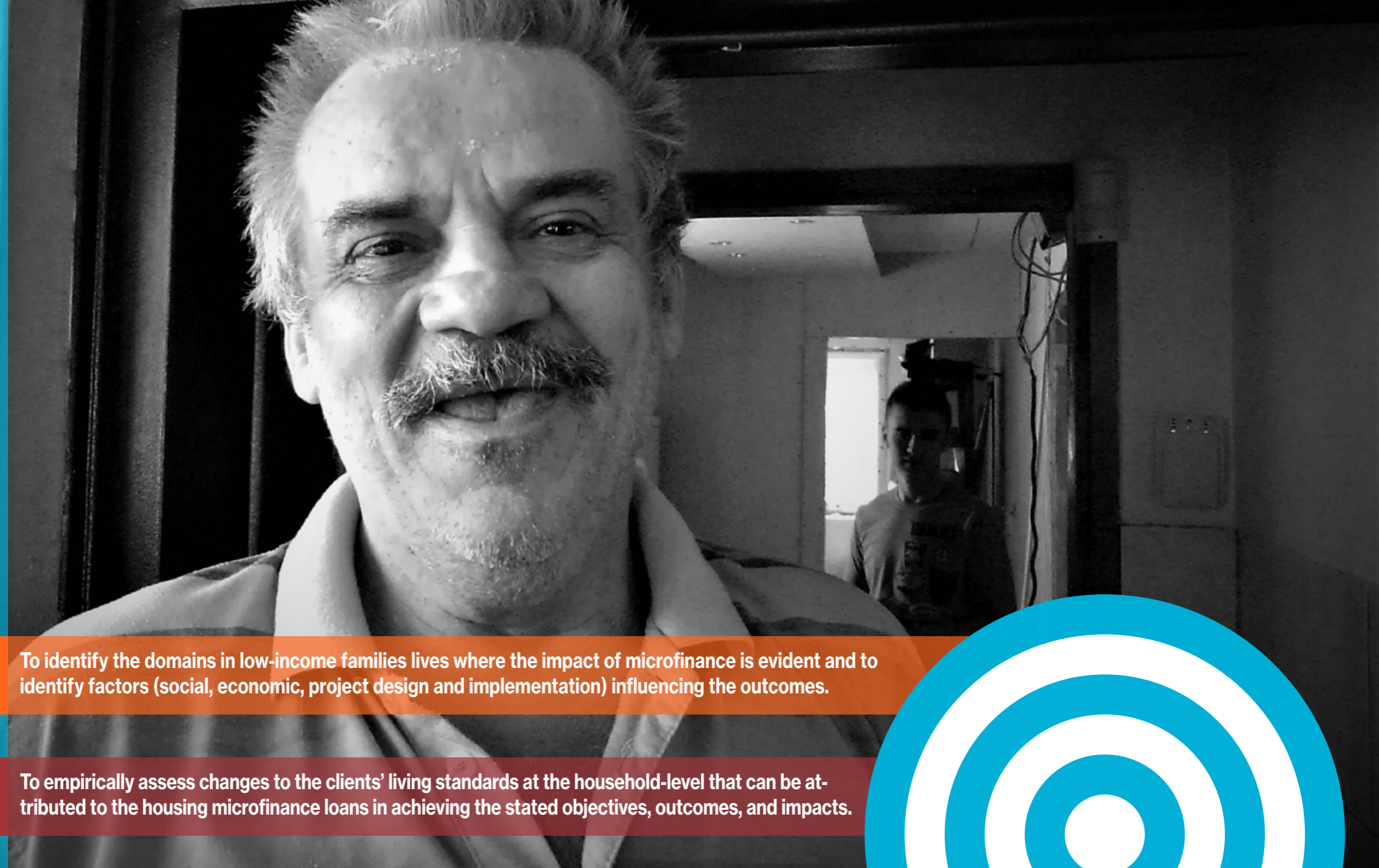


Impact assessment of the housing products

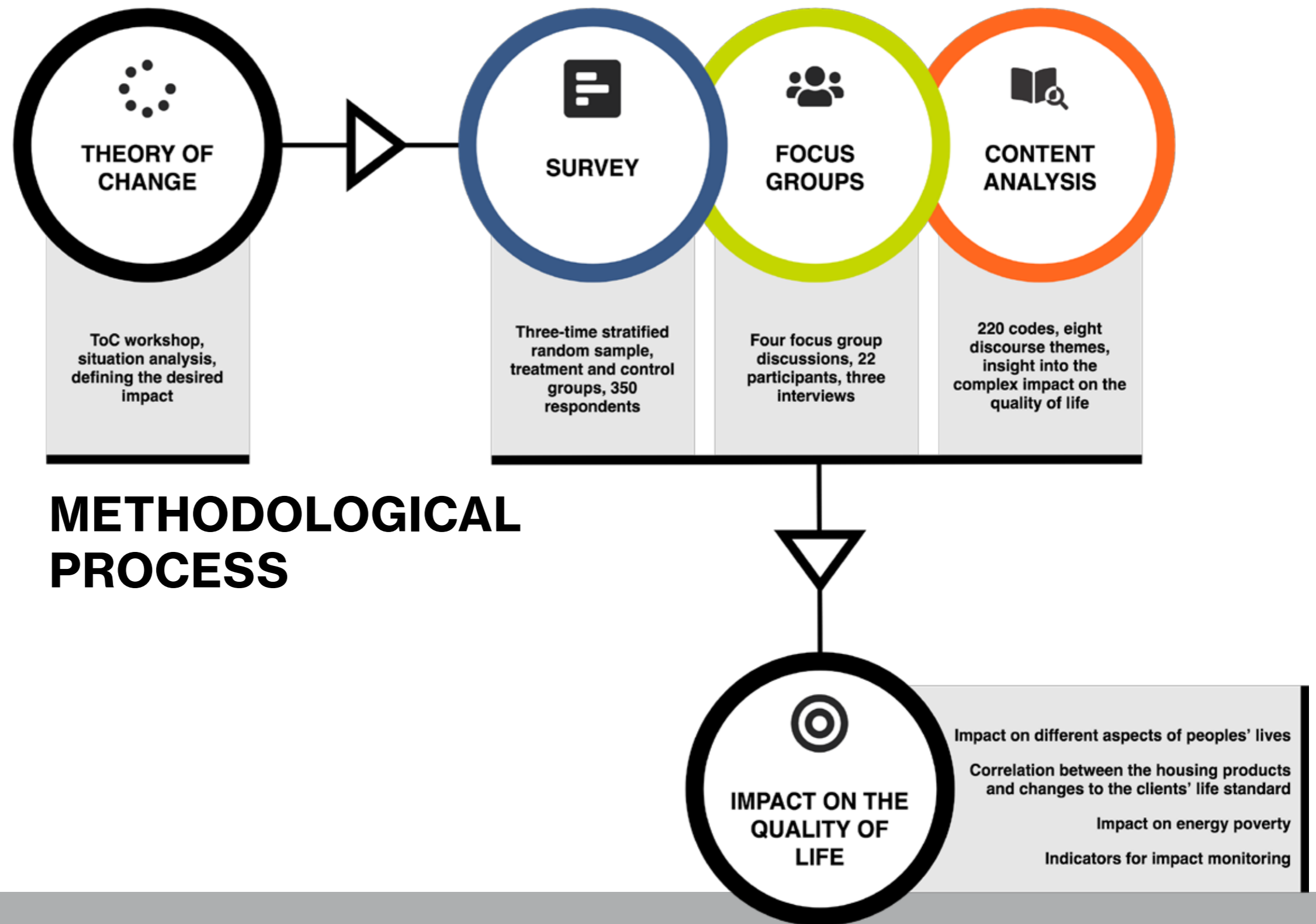
As a part of the technical assistance provided by Habitat, an impact assessment of two Sunrise MCF's products – energy efficiency and home improvement loans – was conducted in late-2019. The assessment was intended to help Habitat, its partner and industry stakeholders to identify domains wherein the impact is evident, to understand the nature and context of the impact on low-income households that take loans for different home improvement purposes and to chart a future course of action.

OBJECTIVES

- 01** To identify the domains in low-income families lives where the impact of microfinance is evident and to identify factors (social, economic, project design and implementation) influencing the outcomes.
- 02** To empirically assess changes to the clients' living standards at the household-level that can be attributed to the housing microfinance loans in achieving the stated objectives, outcomes, and impacts.
- 03** To explore the impact of housing micro-finance on energy poverty at the household- and/or community-level
- 04** To identify a sensible set of outcome indicators and benchmarks that can be used in future monitoring of the program's impact.

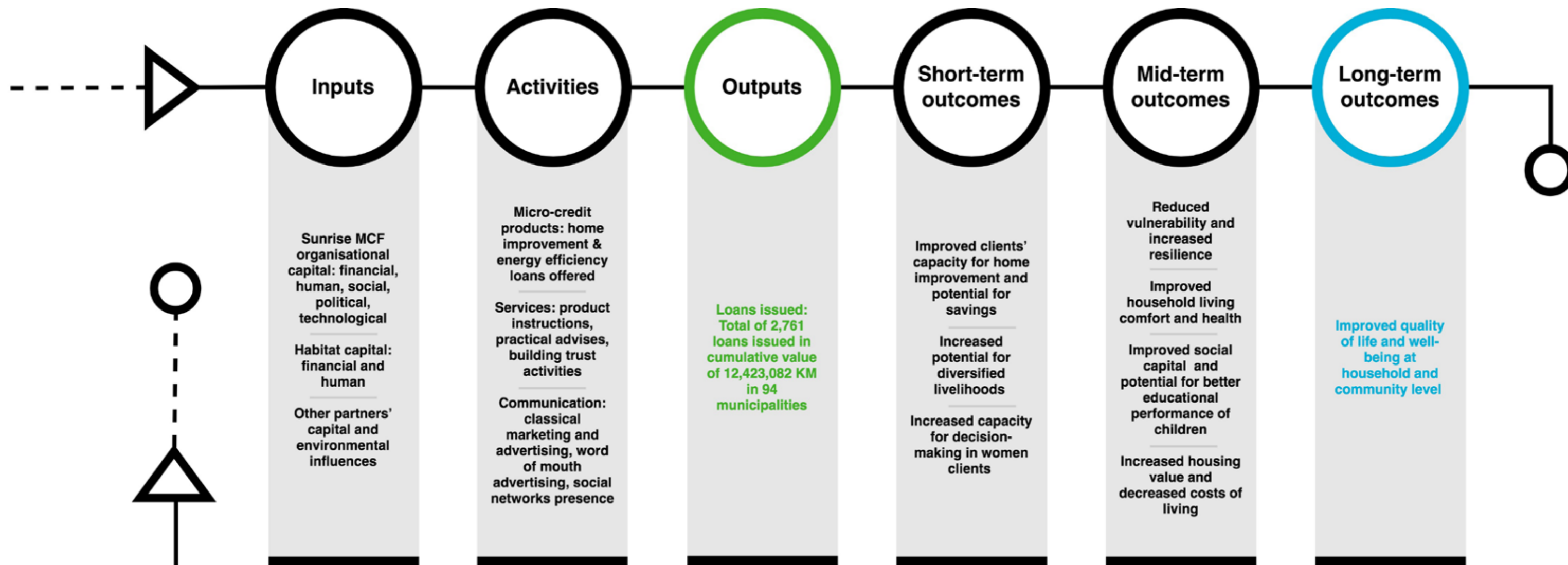


RESEARCH



The general approach to this assessment was theory-based, result-oriented and used a mix of methods (qualitative and quantitative). It included carrying out a survey on a representative sample of Sunrise MCF clients, face-to-face interviews with the management and loan officers, as well as administration of in-depth focus groups with current and potential clients. Qualitative content analysis was then used to make sense of the focus group transcripts and investigate the construction of discourse narratives.

The impact evaluation of a microfinance programme requires measuring the impact of receiving the program's services versus the counterfactual of not receiving the services. Taking this into consideration, the respondents, subject to this research, were divided into "treatment" and "control" group. This was crucial for assessing the impact of the housing microfinance programme since it enabled an objective comparison of the two groups against selected outcome indicators.



Assumptions

- A sufficiently robust monetary economy and legal structure are in place
- There is local demand for microfinance services
- The microfinance market is well developed and there is limited influence from peers
- The products are well-designed and reflect market reality
- There is reasonable data availability for planning, monitoring and evaluation of product performance

This theory of change set up the framework that explained how activities related to the two products (home improvements and energy efficiency) are understood by Sunrise MCF and its stakeholders, to produce a series of results that contribute to achieving the final intended impacts. This theory of change reflects the ex-post circumstances after the introduction of both products and considers all the changes and adaptations in response to emerging issues and decisions made by Sunrise MCF and/or other stakeholders. It allowed the organization and other stakeholders to identify the contextual factors that helped or hindered the foreseen change, and the assumptions on which it was built.

THEORY OF CHANGE

FINDINGS

Survey results reflect reported changes in the lives of housing microfinance clients (treatment group) compared to potential clients (control group)



OVER
5%

EXPERIENCED LOWER COSTS OF ELECTRICITY IN THE LAST 12 MONTHS



OVER
5%

INCREASE IN FAMILIES REPORTING ADEQUATE STUDY CONDITIONS FOR CHILDREN AT HOME



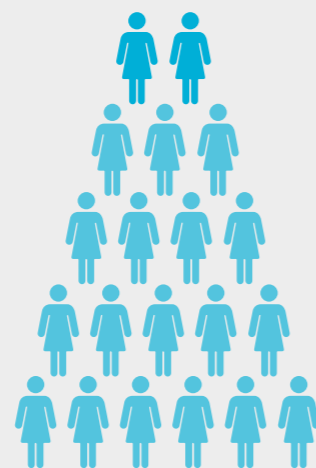
OVER
8%

EXPERIENCED AN INCREASE IN HOUSEHOLD SAVINGS IN THE LAST 12 MONTHS



4%

INCREASE IN REPORTED LEVEL OF HAPPINESS AND ENJOYMENT AT HOME



OVER
10%

REPORTED AN INCREASE IN WOMEN'S INVOLVEMENT IN DECISION MAKING (UP TO 19% WHEN WOMEN ARE ALWAYS CONSULTED IN HOUSEHOLD DECISION MAKING)

Content Analysis

- The loan is seen as a necessity that provides financial security in a time of need and is instrumental in reaching life goals.
- Being free of illness is strongly related to happiness and the loan is believed to help them prevent, maintain and achieve that.
- Dignity is something that most of them feel they have lost in the past and was something that was restored once they had a chance to have some extra money at their disposal in a time of need. Having that "protective umbrella" means a lot to them and brings them back in the state of being worthy of honour and respect.
- The relationship between the clients and the loan provider goes beyond the contractual obligations and strongly ventures in the realm of the extended family.
- The most striking is the sense of belonging they have when they are part of a relationship that is being perceived to be based on trust, mutual respect, honesty and understanding. Being able to rely on someone (something) in the time of need with very little questions asked is something that is valued most dearly by the clients.

CONCLUSIONS

The findings showed that there were readily measurable effects of the home improvement products that bore statistical significance in several instances. This was prominent in reductions in the electricity and heating bills and the potential for savings. This demonstrates strong correlation between the energy efficiency interventions in home and the impact on the clients' households.

- » Sunrise MCF clients have lower energy (electricity + heating) bills. This demonstrates a strong savings in energy costs for clients.
- » Sunrise MCF clients have experienced a decrease in energy consumption. Energy efficiency loans reduce the overall energy consumption of the household.
- » Over the last year, Sunrise MCF clients reported an increase in savings compared to non-clients.
- » Sunrise MCF clients tend to experience increases in their household income compared to non-clients.
- » Energy efficiency loans significantly increased Sunrise MCF clients' spending capacity for other household items and life necessities.
- » Sunrise MCF microfinance loans have a strong impact on women's empowerment and their involvement in household decision making.
- » Sunrise MCF clients are more satisfied with the living comfort in their household.
- » Sunrise MCF clients tend to perceive themselves (and other household members) as generally healthier than non-clients.
- » There was no evidence that housing finance impacted the households' social capital.
- » Sunrise MCF microfinance loans enable conditions where children can achieve better educational outcomes.
- » Sunrise MCF clients scored higher on the happiness and wellbeing index than non-clients.
- » The microfinance loans had a measurable impact on the level of happiness and enjoyment in the household.

RESEARCH RESULTS VS. THEORY OF CHANGE OBJECTIVES

Short-term

Improved clients' capacity for home improvement and potential for savings

The study finds a statistically relevant correlation between Sunrise MCF products (energy efficiency and home improvement) and the reduction in energy bills and potential for savings. The effect is more prominent in energy efficient clients.

Increased potential for diversified livelihoods

There were no statistically relevant findings that can demonstrate clear connection between the loans and the potential for diversified livelihood. There were, however, indications that the home improvement product is used for the intended purpose but has implications on improving business opportunities of the household members.

Increased capacity for decision-making in women clients

There is strong correlation between loan taking and an increase in women's decision making power in the household (regarding buying, savings and home improvements). This allows women to have more influence over the decisions that affect their lives and those of their household members. The percentage of women who are always involved in household decision making can rise up by as much as 19%.

Reduced household's vulnerability and increased resilience

When it comes to households vulnerability and increased resilience to disasters there is no significant effect as a result of being Sunrise MCF client. Resilience to theft, fire and flooding remain virtually unaffected by the household interventions and bear no statistical significance.

Improved household living comfort and health

The study revealed **no statistically relevant correlation between the loans and household comfort and health.** Energy efficiency clients show higher level of satisfaction based on the parameters used in the survey. Despite the lack of statistical significance, Sunrise MCF clients showed high level of satisfaction with their living space and improving it is one of their life goals. Health parameters tend to be lower in value in Sunrise MCF clients.

Improved social capital of the household members and potential for better educational performance of children

Measuring possible improvements in the social capital of the household members showed no statistically significant difference. Home improvement clients tend to have slightly higher social capital. There was an improvement in the potential for better educational performance of children after taking a loan that is also statistically relevant. Energy efficiency clients fare slightly better in this regard.

Increased housing value and decreased costs of living

The changes in perception of increased house value and lower costs of living as a result of taking a loan showed a negative trend that was statistically significant. This is a deviation that needs to be explored further.

Long-term

Improved quality of life and wellbeing at household and community level

There were statistically relevant changes to the perception of happiness and relaxation in clients' homes after taking the loan. In addition, the interaction with Sunrise MCF is closely related to creating the 'perfect' home, care for the loved ones and general happiness. The feeling of restored dignity and sense of belonging were pronounced in clients, which pointed to a potential for improved quality of life and wellbeing. Measuring the impact at a community level was beyond the capacity of this research.

This brief was produced by Habitat for Humanity's Terwilliger Center for Innovation in Shelter.

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