

## Impact Brief Series, Issue 11

# Tomouh: A New Loan Product for Micro and Small-Sized Enterprises

Alexandria Business Association, Egypt

**Alexandria Business Association (ABA) is a microfinance institution** that works to develop the micro and small-sized enterprise sector in Egypt. This brief describes how ABA is utilizing its wide network of microbusiness clients to assess the impact of a new loan product, Tomouh, on the growth of the enterprises and the livelihoods of the entrepreneurs. It highlights how a robust monitoring and evaluation system with appropriate tools to measure the outputs, outcomes and impacts of ABA's Tomouh loan can help to create evidence on how micro-enterprises graduate to become small-sized businesses.

### KEY MESSAGES

- **Results measurement is the key to achieving goals.** ABA's integration of results measurement in its operations through its in-house Enterprise Resource Planning (ERP) system gives it a market edge by ensuring its targets and goals are met in a timely fashion and with high quality.
- **Gender mainstreaming needs to go beyond the results measurement system.** In the Egyptian context, it is important to include a strategy for mainstreaming gender issues not only in the results measurement system, but across the entire organization. Women borrowers have unique needs and require specialized approaches to targeting and business assistance, as it is necessary to consult with the community, spouses and other family members.
- **Developing a results measurement system that includes impact research methods is vital to provide evidence of impact, as well as credibility and organizational learning.** ABA is implementing a randomized controlled trial to investigate a new approach to graduating micro-enterprises to small and medium-sized enterprise (SME) level, which involves scaling loans to four to ten times the size of selected clients' previous loans.
- **Rigorous primary data collection is important.** The data collection that ABA performs keeps it aware of its clients' needs in terms of both financial and non-financial services. This leads to it developing new services that have a positive impact on clients' businesses and livelihoods.
- **A variety of monitoring instruments and tools brings wider insight.** Using different tools for data collection gives ABA a wider insight into its influence and a diversity of data that helps it better analyse its social and financial impact on its clients.

## Background

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### Alexandria Business Association

Alexandria Business Association (ABA) is a not-for-profit, non-governmental organization that is classified as a microfinance institution, based in Alexandria, Egypt. It is one of Egypt's leading microfinance institutions, with a lending portfolio worth more than 1 billion Egypt pounds (EGP) (USD\$55 million) as of November 2017. ABA provides both financial and non-financial services and aims to help SMEs enhance their performance, transition from the informal to the formal sector, and ultimately contribute to the creation of employment opportunities – with a focus on young people and women – in Egypt.

In terms of loan dispersion, fewer than 1.5 per cent of ABA's clients get loans greater than EGP24,000 (USD\$1,350) and 85 per cent of clients get loans of less than EGP5,000 (USD\$280). To date, ABA has 360,000 active clients, 1.2 million clients served, and nearly EGP10 billion (USD\$560 million) disbursed in 3.5 million loans since its establishment in 1990.

### Tomouh

In an effort to support enterprises with high potential for growth and job creation in Egypt, ABA has launched a new loan product called Tomouh (“Ambition” in Arabic). This allows a select group of existing ABA Credit Programme clients to take out a larger loan – between four and ten times the size of their previous loan. The underlying assumption behind Tomouh is that businesses with greater potential for growth also have greater potential for creating long-term business and employment opportunities, and having a tangible positive impact on the livelihood of the business owner and her/his household. For businesses to fulfil this potential, business owners require larger capital expenditure loans with lower interest rates.

### Taqeem support

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ABA designed the new product, Tomouh, drawing on its strong background and knowledge of SME development. However, it recognized the need to develop a sound monitoring and evaluation (M&E) system to track evidence of the relevance, effectiveness and impact of the new product. In 2015, ABA joined the Taqeeem Community of Practice, managed by the International Labour Organization (ILO), to share knowledge and build capacity in results measurement and evaluation of youth employment. The process began with a needs assessment to understand ABA's existing results measurement system. A decision was then taken to pilot a new results measurement system using the Tomouh project. ABA was invited to participate in several Taqeeem results measurement training courses and was assigned an M&E expert to assist with the design and implementation of the new results measurement system. The experts helped ABA design a system which included a theory of change, a results chain with corresponding objectives and indicators, new data collection tools and a proposal for a system to collect and analyse M&E data. Taqeeem also supported ABA to shift to a more efficient data collection method by funding tablets to replace its more traditional paper-based method.

One of the key components of ABA's revised M&E approach is the implementation of a rigorous impact evaluation to estimate the scale of the Tomouh loan project's job and income outcomes on client enterprises. To design the impact evaluation, ABA worked with the ILO and the Abdul Latif Jameel Poverty Action Lab (J-PAL), which advises on experimental methodology to ensure attribution of beneficiary outcomes to a loan product. The evaluation is expected to identify existing enterprise clients with the capacity to absorb and utilize larger loans effectively, as well as to successfully identify existing enterprise clients with high growth potential.



*"I started my work from home, now I have a factory for manufacturing clothes with 24 permanent workers and 8 part time workers. I hope that in the future we will start a comprehensive fabric factory, from threads to finished products. More production simply means more job opportunities."*

*Mr. Mohamed Mostafa, Tomouh client, Alexandria Governorate*

## Monitoring and results measurement system

### Setting out the logic

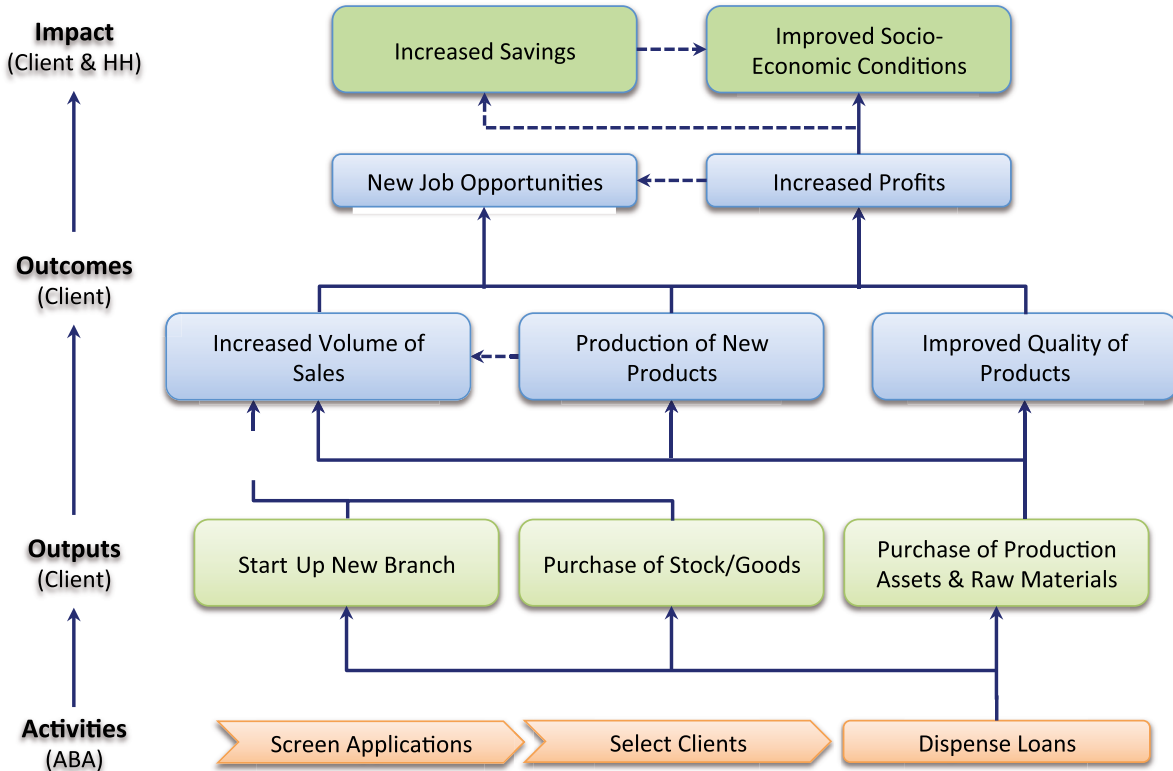
The majority of lending by ABA is geared towards "trade finance" – financing the wholesale purchase of finished goods inventory for immediate resale on the retail market. Existing loan products offered by ABA reflect a financing model based on backing micro-enterprises with short cash conversion cycles, including a short loan tenor (12 months or less), small loan sizes (EGP10,000 or less) and a short initial grace period (the difference between first due date and disbursement date). While these

microloans are valuable in sustaining an income for the micro-entrepreneur, they rarely produce long-term employment opportunities for other working age adults in the community.

Businesses that grow have a greater likelihood of creating long-term employment opportunities in the community. Growing businesses have more complex financing needs than micro-enterprises; these include the purchase of capital equipment or vehicles, renting/buying land or commercial space, and refurbishing commercial space. This is the logic behind the Tomouh loan product. To increase loan amounts of growth oriented clients.

The intervention outcomes appear on two levels: one on the business level and one on the client level (see figure 1). Ultimately, an increase in net profits accrued would have a positive effect on the socio-economic conditions of the client and his/her household, as well as bringing about an increase in savings.

**FIGURE 1.** Tomouh results chain



**Data collection instruments**

The basis for ABA to measure its achievements is a set of well-defined indicators linked to each output and outcome (see table 1). Many of the data collection instruments used for output monitoring were already in place at ABA when it joined Taqem, but tools for measuring outcomes were largely absent. By mid-2013, a number of data collection instruments had been piloted and were being rolled out.

**TABLE 1. Short description of the new data collection instruments<sup>1</sup>**

Instrument	Description	Main indicators
<b>Feasibility study</b>	A field visit conducted by a loan officer before loan distribution to assess the potential social and financial impacts of the project	<p><b>Gender-related indicators</b></p> <ul style="list-style-type: none"> <li>■ % of women clients aged 18–30</li> <li>■ Average repayment rate of female clients</li> </ul> <p><b>Socio-economic-related indicators (savings, profits, socio-economic conditions of client)</b></p>
<b>Client follow-up form</b>	A survey instrument administered through structured interviews during field visits by loan officers to clients	<ul style="list-style-type: none"> <li>■ % changes in socio-economic conditions of client and household (material assets, house renovations, expenditure on education, etc.)</li> <li>■ % of clients reporting satisfaction with the Tomouh loan programme</li> </ul>
<b>Client satisfaction form</b>	A survey instrument that seeks the client's perspective on/ satisfaction with the Tomouh process from beginning to end	<p><b>Employment and manpower-related indicators</b></p> <p>% increase in new jobs/work opportunities (disaggregated by tenure)</p> <p><b>Business growth-related indicators (expansion in product line, new branches)</b></p> <p>% of clients who report producing new products</p>
<b>Impact evaluation baseline survey</b>	A long survey issued to participants in the Tomouh impact evaluation. The survey is conducted face to face and administered by an external data collection firm	<p><b>Financial-related indicators</b></p> <ul style="list-style-type: none"> <li>■ Average loan size</li> <li>■ Number of clients who report increase in net profits (disaggregated by male/female, type of business, size of loan)</li> <li>■ Number of clients who report increased volume of sales</li> </ul> <p><b>Product-related indicators (volume and quality of products)</b></p> <p>% of clients who report improved quality of their products</p>
<b>Impact evaluation midline survey</b>	The second survey as part of the impact evaluation, which will assess social and financial outcomes at the mid-point of the Tomouh project	<p><b>Material-related indicators (assets, inventories)</b></p> <p>Number of clients who use the loan to purchase production assets and raw materials</p>

## Impact evaluation

A randomized controlled trial is currently being conducted to allow ABA to evaluate the impact of the Tomouh project. The impact evaluation will assess the effect of access to larger credit amounts on micro-enterprises with high potential for growth and job creation. Out of 1,022 selected beneficiaries, 50 per cent were randomly selected to join the control group and received the regular micro-enterprise loan amount. The remaining beneficiaries were selected to join the treatment group and received the Tomouh loan, which is four times higher than the regular loan amount. The loans were dispensed in four governorates, three of which are rural: Alexandria, Beheira, Menoufeya and Gharbeya. All data collected are disaggregated by age, gender, business activity, type of loan, governorate and branch.

<sup>1</sup> The list of indicators is extensive and for the purpose of this brief they were grouped into categories, with one main example given per category. Please contact the Taqueem Initiative for more detailed indicators.

Data collection for the baseline study was conducted in 2016 and took one year to complete. The midline study is expected to take place in 2018 (pending approvals). The lengthy time required to collect data is due to the irregularity of loan disbursements, the timing of which depend on when existing clients apply for new loans, when screening takes place and when the actual loan is dispensed.

**Data management**

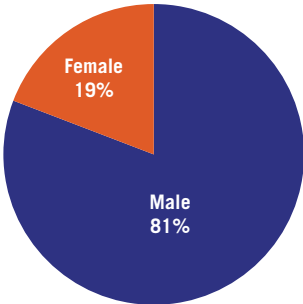
One of ABA's strengths is the presence of a well-established and tested in-house data management system, which has been running since ABA's launch in 1990. The ERP system records inputs to all modules related to loan tracking and related business activities. It relies on Oracle database technology and programming, and thus is very dynamic in nature. Furthermore, one important component of ERP is its Impact Tracking System (ITS), which is used to generate reports on social and financial results for both the financial and non-financial services provided to borrowers. The indicators reflecting the results chain that has been developed with Taqueem experts will be built into the system using the ITS.

**Achieving results**

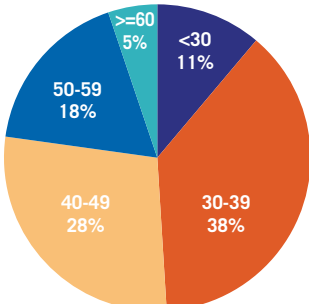
ABA has disbursed the first round of loans to the clients who were selected based on their expression of interest and eligibility to join Tomouh. The charts below plot the distribution of loans by governorate, age and gender. They cover the whole study sample, both treatment and control groups.

The majority of loans are benefiting rural areas, with borrowers being mainly under the age of 40 and mostly men. In total, 78 per cent of the loans are benefiting rural areas within the governorates of Gharbeya, Beheira, Alexandria and Menoufeya and 49 per cent of borrowers are below 40 years of age (see figure 1). Women beneficiaries account for around one-fifth of Tomouh clients in this current phase (see figure 2).

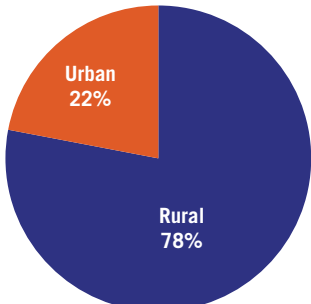
**FIGURE 1. Loan distribution by gender**



**FIGURE 2. Loan distribution by age**



**FIGURE 3. Loan distribution by rural/urban area**



With the baseline phase complete, the team is getting ready to collect the midline data, starting when the first loan cycle (of two) is finished. The midline data will provide the team with a first comparison point to evaluate the extent to which the changes experienced by the Tomouh clients in comparison with the regular loan clients can be attributed to the Tomouh loans.

## Lessons learned

- **The importance of gender mainstreaming:** ABA has had a strong focus on women since it started providing financial services. Women borrowers make up almost 48 per cent of ABA clients, and ABA has served 630,000 female clients, resulting in the creation of thousands of jobs for women.

ABA also provides special financial and non-financial services that are women-oriented. In addition, 30 per cent of all ABA staff (including 50 per cent of operational staff) are women, which helps greatly in reaching women who do not have access to financial services and better serving them at their business locations.

- **Keeping it simple:** In terms of reporting, ABA generates more than 100 reports from its database per year. After consulting with Taqem experts, ABA reduced the number of reports related to Tomouh to four, based on the needs highlighted in the M&E plan. Unlike previous reports, these reports will provide information on outputs, outcomes and impact, and will serve as managerial tools for informed decision-making. The reports are: the detailed client report, the branch report, the governorate report and the headquarters report.
- **Upscaling the pilot:** Having gone through the process of piloting a new M&E system by applying it to the Tomouh project, the ABA team has reaped the knowledge benefits of establishing a sound M&E system that depicts a well-defined results chain reflecting the project's theory of change. Starting a new loan product – Tomouh – at the same time as a new M&E system attests to the importance of such a practice for other ABA programmes and future loan products.
- **Importance of partnerships:** ABA has benefited greatly from partnerships with the ILO and J-PAL, which bring with them extensive experience in the implementation of impact evaluation processes. Given the high level of research expertise required in this area, many implementing organizations lack the structure, incentives and human resources for effective impact research implementation. Establishing strong external partnerships can be a way to harness the expertise required.



*“When I see mature crops in the land, I feel joyful and blessed to see the outcomes of our efforts and work. The same when we sell these crops to merchants. Our success makes me optimistic about the future of our children.”*

*Ms. Thanaa Abdel-Halim, Tomouh client, Behira governorate.*

- **Adjusting the impact evaluation design:** One technical aspect the team will need to address in future designs is shortening the (currently lengthy) loan disbursement period and trying to carry out all loan disbursements within a limited amount of time. Failing to do so adds a layer of difficulty to an impact evaluation with such a large pool of beneficiaries to collect information from.

## Next steps

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### Using the results

Given its interest in scaling up the Tomouh project, ABA intends to further enhance the use of the findings from its M&E activities. This includes stronger outreach to better communicate the project's outcomes through targeted reporting to donors, presentation of results at public events, and highlighting findings via ABA's newsletters, annual reports and website. Moreover, ABA seeks to improve programme delivery by assessing the performance of each area of the process. To this end, findings will be shared and discussed in monthly senior management meetings, and all ABA employees will have access to the database in order to strengthen their awareness of the programme's performance.

### Continued capacity-building

ABA's research and development team have participated in two Taqem Evaluation Clinics, where they have learned basic theory on M&E and impact evaluation. In the future, ABA will continue to build the M&E capacity of its research and development unit, including by participating in training on impact evaluation.

**The Taqem (“evaluation” in Arabic) Initiative: What Works in Youth Employment is a technical cooperation programme of the ILO.**

This brief was produced in partnership with the International Fund for Agricultural Development (IFAD), as part of an IFAD-financed project titled “Strengthening gender monitoring and evaluation in rural employment in the Near East and North Africa”. Through rigorous impact research, this capacity development and learning grant project aims to understand “what works” in the promoting of gender mainstreaming, with the ultimate goal of achieving gender equality in rural employment outcomes across the region.



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