
Client Satisfaction and Loyalty

Report for MDF Kamurj



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Executive summary

As the world becomes more competitive, responding to clients' needs and expectations is becoming increasingly important for the sustainable development of micro finance institutions (MFIs). Today no institution can succeed without attempting to learn more about clients' attitudes and behaviors. This includes conducting marketing research on client satisfaction and loyalty.

The Microfinance Centre for Central Europe and the New Independent States (MFC) along with its Armenian member – MDF Kamurj – undertook a satisfaction and loyalty survey of MDF Kamurj clients in December 2002. The main objective was to calculate client satisfaction and loyalty levels as a basis for the implementation of SEEP PLP. 303 respondents were interviewed by external enumerators in three main areas (Yerevan, Gyumri and Vanadzor) using a two-page structured questionnaire.

The main findings and recommendations regarding client satisfaction are as follows:

- The overall satisfaction from participation in MDF micro-credit activities is very high. As much as 90% of clients are satisfied with MDF Kamurj services.
- Among the “definitely satisfied” are:
 - women from Yerevan and Vanadzor (rather than from Gyumri),
 - clients older than 56 years of age,
 - respondents with middle-specialized and higher education,
 - members of smaller size households having one child,
 - those in the 4-6 cycle,
 - those who obtained higher loan sizes.
- Considering the main marketing aspects of MDF Kamurj services, its clients are most satisfied with the contact with the staff. It is evident that the client relationship is built during the cooperation as more experienced clients are much more satisfied with their relationships with staff.
- Clients are the least satisfied with prices.
- It is important to note that those clients that use both MDF Kamurj loan products (standard and short term) highly appreciate the process of taking a loan. It is probably due to the fact that loan access is generally limited and it is not easy to get two loans from the same formal institution. This is a strong advantage of MDF Kamurj.
- Even if some aspects are poorly evaluated by clients, they can have little influence on general satisfaction levels. The SWOT analysis highlights that interest rates, diversity of loans and responses to suggestions and complaints should be among the priorities for MDF Kamurj to increase customer satisfaction.

The main findings and recommendations regarding client loyalty are as follows:

- 73% of those surveyed recommended MDF Kamurj's services to others. It is important to reward those who recommend MDF Kamurj to other clients, especially group cashiers and coordinators. It is probable that through the improvement of complaint responses MDF Kamurj can motivate its clients to recommend MDF to more people. Those who experienced delays during repayment of their loans are less likely to recommend MDF Kamurj services to others.
- 84% of clients plan to take another loan in the future. It is important to note that especially those who experienced problems in repayment of their loans hesitate to take further loans from MDF Kamurj.
- On average MDF Kamurj satisfies 58% of clients' overall financial needs. Even if we can assume that clients overestimate their financial needs it still seems there is much to be done in terms of financial

needs satisfaction. A positive aspect is that to a large extent more experienced clients are seeing their needs met by MDF Kamurj.

- MDF Kamurj services are highly rated compared to other forms of credit. Surprisingly, this includes not only formal and semi-formal sources but also the fact that the most clients consider MDF Kamurj loans to be better than loans from family and friends.
- As it is common in Armenia, many MDF Kamurj clients (35%) use the services of other microfinance providers in their area. Interestingly, those who use other sources for loans receive high loan sizes from MDF Kamurj and report that MDF Kamurj satisfies an important share of their financial needs. They are relatively young, less willing to be in gender-mixed groups and not willing to get an individual loan. It can be concluded that these people are probably already victims of a lack of coordination between Armenian MFIs, leading to overindebtedness that will have a very negative impact on microfinance clients' well-being in the long run.
- In sum, to retain loyal clients the most important thing to remember is to widen the range of financial products available. This is a very timely subject considering the very dynamic microfinance market in Armenia. If MDF Kamurj manages to introduce new, attractive services as one of the first MFIs on the market it will retain its base of loyal clients. In addition, the hypothesis that loyal and satisfied clients are less sensitive to prices is confirmed.
- On the other hand there is huge amount of work to do to build the loyalty of new clients, who can be described as "distant" clients. In this area more refinement is needed. These clients are less satisfied with MDF Kamurj than "close" clients. Namely, there are additional aspects (interest rates, penalties for non-payment, responses to suggestions and complaints, repayment period, repayment frequency and diversity of products) that need to be improved to satisfy this group. "Distant" clients also have a worse image of MDF Kamurj compared to other formal and informal institutions providing small loans.

Methodology

Research objectives	<p>⇒ to get baseline information about MDF Kamurj client satisfaction and loyalty before starting SEEP PLP project</p> <p>⇒ to calculate MDF Kamurj client satisfaction and loyalty levels</p>
Research technique	Face-to-face questionnaire-based interview, conducted at MDF Kamurj's clients' offices. On average one interview took 15-20 minutes. The survey questionnaire is included in annex #2.
Sampling plan	<p>Target: Active clients of MDF Kamurj</p> <p>Size: before weighting – 303 respondents (after weighting 299)</p> <p>Method: Cluster-stratified random sampling –</p> <p>The three biggest branches of MDF Kamurj were chosen as clusters. The sample size in each cluster was designed according to size of portfolio. Clusters were stratified by loan cycle in order to obtain significant sample sizes in higher cycles.</p>
Data collection	<p>Research was conducted by 8 externally contracted interviewers (4 – Yerevan, 2 – Gyumri, 2 – Vanadzor), who already had a good background in surveying.</p> <p>Training concerning the research, its objectives and rules of conducting the interviews (role play) was conducted for all of them. The main goal of the interviewer training was to make sure that all interviewers share the same understanding of questions in order to avoid any inconsistencies in interpretation of meaning.</p> <p>Fieldwork: December 2002</p>
Data analysis	<p>The sample was weighted by loan cycle in order to reflect the total population of MDF Kamurj clients (according to MIS data).</p> <p>While studying the results the following statistical methods were applied:</p> <ul style="list-style-type: none"> ✓ for checking statistically significant differences between groups – nominal and ordinal variables (chi square and Fisher test) ✓ for checking statistically significant differences in means – numerical variables (independent samples test) ✓ Pearson correlation analysis to explore correlations between numerical variables ✓ Hierarchical cluster technique for segmentation analysis. ✓ Factor analysis (when checking the correctness of indices creating) <p>All presented results are statistically significant at the significance level 0.1.</p> <p>All the results in this report are presented on the weighted sample according to MDF Kamurj MIS system (weighting variable-cycle).</p>

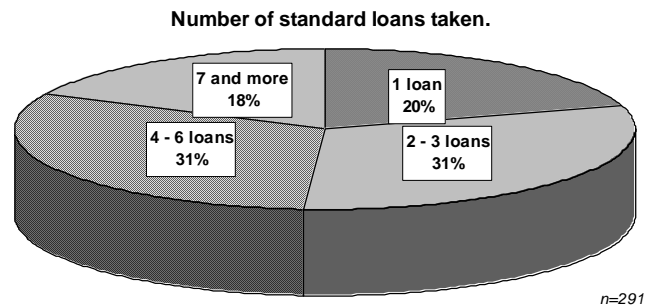
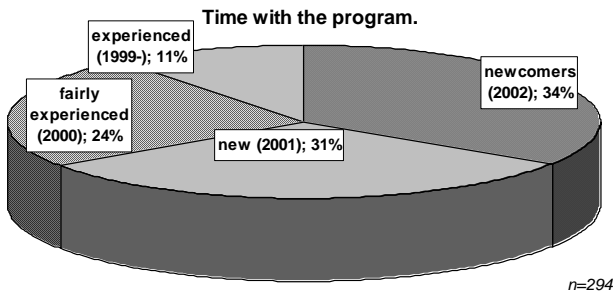
Socio-Demographic Characteristics of Respondents

Socio-demographic characteristics of respondents are important background information for further analyses. Surveyed respondents were:

- Relatively old – 75% older than 35;
- Well educated – all respondents have at least a secondary education; 24% of respondents have a university degree. This is typical for CEE and the NIS as the “new poor” are usually well educated;
- Predominantly located in urban areas (97%);
- Married (73%);
- From relatively small households (66% come from households with fewer than five members).

Geographical dispersion of respondents covers the main areas of MDF Kamurj’s operations. 53% of respondents live in Yerevan; 24% in Vanadzor and 24% in Gyumri.

Participation in MDF Kamurj Microcredit Activities¹

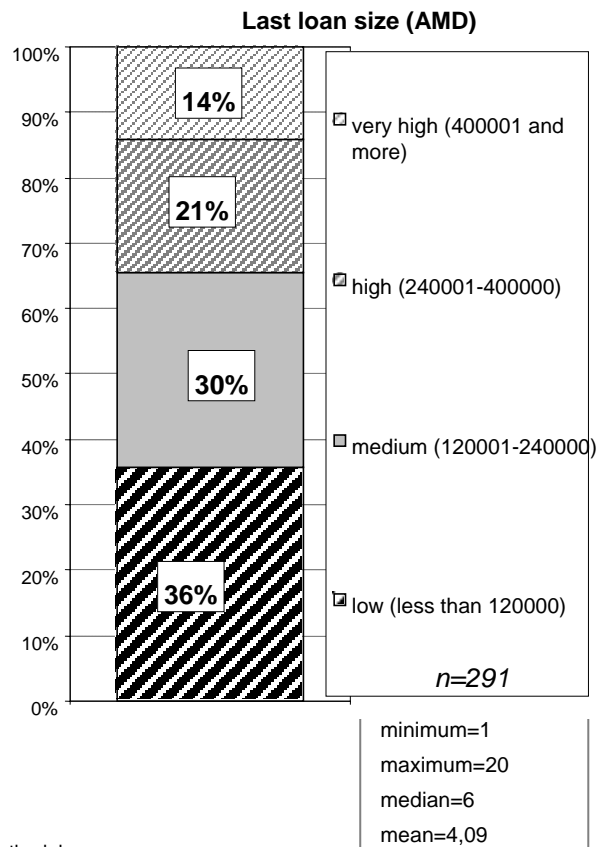


Evidently there is a strong correlation between time with the program and the number of standard loans taken. Loan cycle is less correlated with time with the program than those who stop participating but come back after a longer period are classified as being in the first cycle.

It is more likely to find experienced clients among older people. On the other hand there are more and more highly educated younger people among newcomers. The poor situation on the labor market forces young and educated people with small families to start their own businesses.

People who have some duties arising from their positions in a group as coordinators or cashiers are older and have smaller families. Therefore they probably have more time to spend working with MDF Kamurj.

The average loan size among the respondents is 219 000 AMD (373 USD²), which is close to the average loan size in terms of the entire portfolio. The highest loan size is 960 000 AMD, and the lowest is 24 000 AMD.



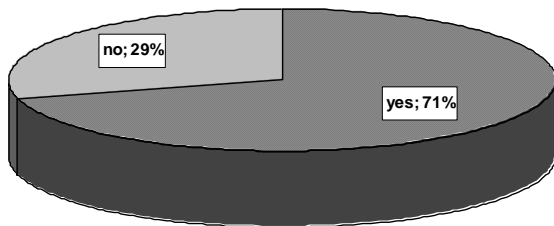
¹ See annex #1 for more information on MDF Kamurj structure and lending methodology.

² Exchange rate as of Dec 2002 was 1 USD = 585 AMD.

Only 9% of respondents admitted they (or their groups) experienced problems in repaying the previous loan. Interestingly, there are more clients with repayment delays among the more experienced clients. This might be a sign that the product is no longer well adapted to the needs of those who use the services of MDF Kamurj for a longer period of time.

24% of respondents had a parallel short-term loan while repaying their previous loan. 59% of clients interviewed never had short-term loans. There are greater numbers of more experienced clients, especially group coordinators and cashiers, who use both loan products simultaneously. The short-term loan is more popular in Yerevan than in two other locations. In addition, it is more likely that those entrepreneurs with bigger families take short-term loans. This supports the hypothesis that short-term loans are used for household consumption purposes.

Acceptance for being in mixed-sex groups.



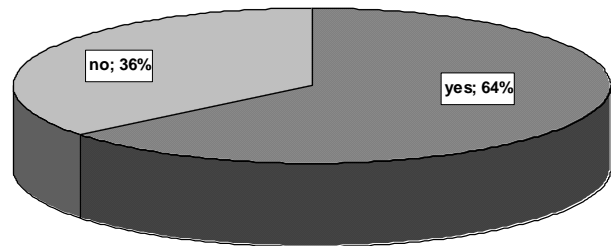
Given current MDF Kamurj product development two additional questions were asked about acceptance for being in mixed-gender groups and willingness to take an individual loan.

71% of MDF Kamurj female clients have nothing against being in a group with men. The more they are educated the fewer objections they have. Interestingly, the women who experienced repayment problems in the last cycle are more willing to form groups with men.

64% of clients expressed willingness to take an individual loan if they had enough collateral. This is a proxy indicator for satisfaction with group methodology. It shows high latent demand for individual loan products.

The variables, “acceptance for being in a gender-mixed group” and “willingness to take an individual loan” are then used as control variables depicting hidden individual characteristics and behavior.

Willingness to take individual loan.

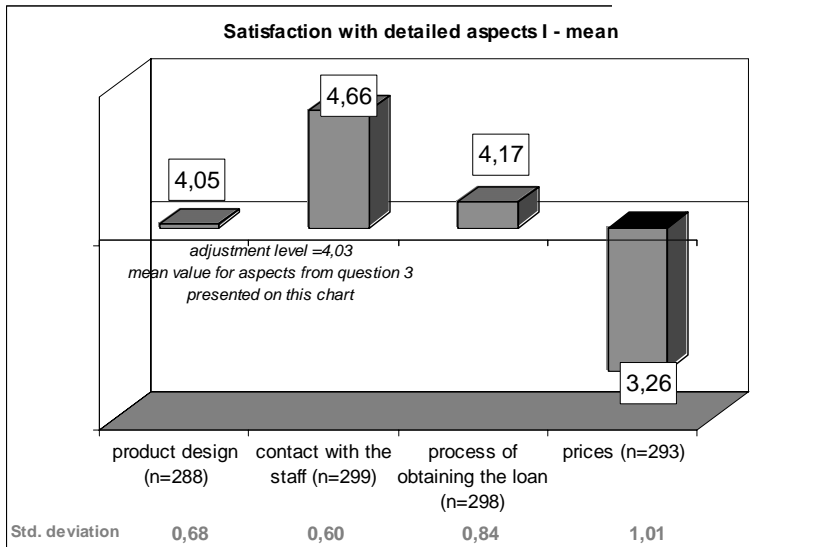
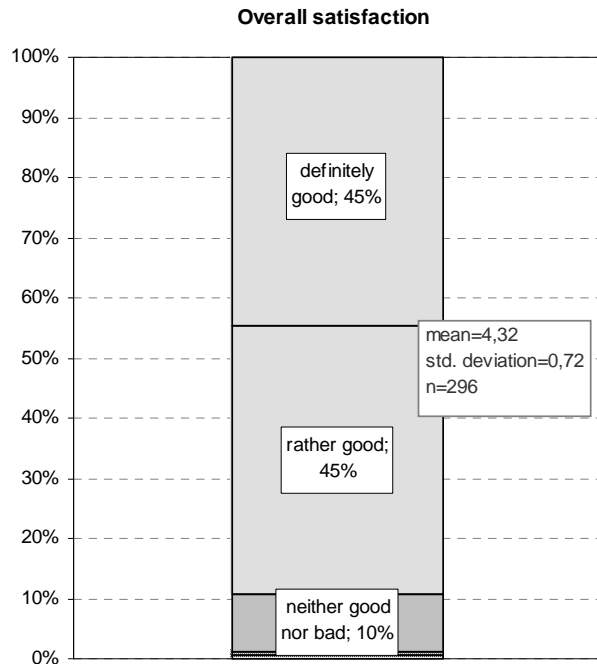


Overall Satisfaction³

The overall satisfaction from participation in MDF micro-credit activities is very high. As much as 90% of clients are satisfied with MDF Kamurj services.

There are more “definitely satisfied” among:

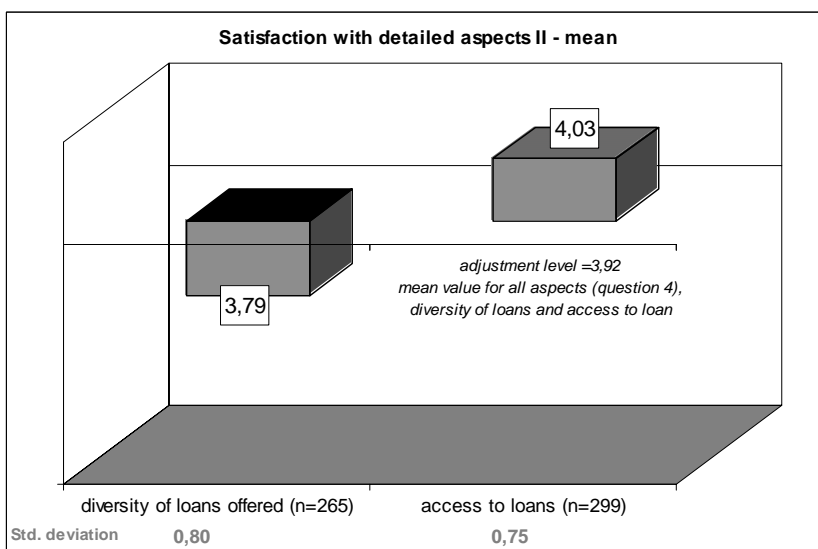
- women from Yerevan and Vanadzor (rather than from Gyumri),
- clients older than 56 years of age,
- respondents with middle-specialized and higher education,
- members of smaller-size households (than in the case of “rather satisfied”), having one child,
- those in the 4-6 cycle,
- those who obtained higher loan sizes.



Considering the main marketing aspects of MDF Kamurj services, its clients are most satisfied with contact with the staff. Price is an aspect that is far below the adjustment level⁴. In general the clients are not satisfied with prices.

There are some interesting differences regarding demographic characteristics and participation variables:

- loan size influences satisfaction from all the above aspects. Those receiving higher loan sizes are relatively more satisfied.
- more experienced MDF Kamurj clients (those who participate longer, higher cycle, obtained more loans) are relatively more satisfied.
- older people with higher education are the most satisfied.
- satisfaction from the detailed aspects of loan products is much higher among clients who play important roles in their groups (cashiers and coordinators).



³ Detailed results for this section's issues can be found in the annex #4.

⁴ Adjustment level in this case is calculated as a mean of dimensions mentioned in question 3: product design, contacts with the staff, process of obtaining the loan, prices.

- clients from Yerevan are more satisfied than clients from other locations.
- last but not least, considering all product P's there are more satisfied people among those who do not want to take an individual loan. It seems that the current product, people, process and price are good for those who are satisfied with the group solidarity methodology.

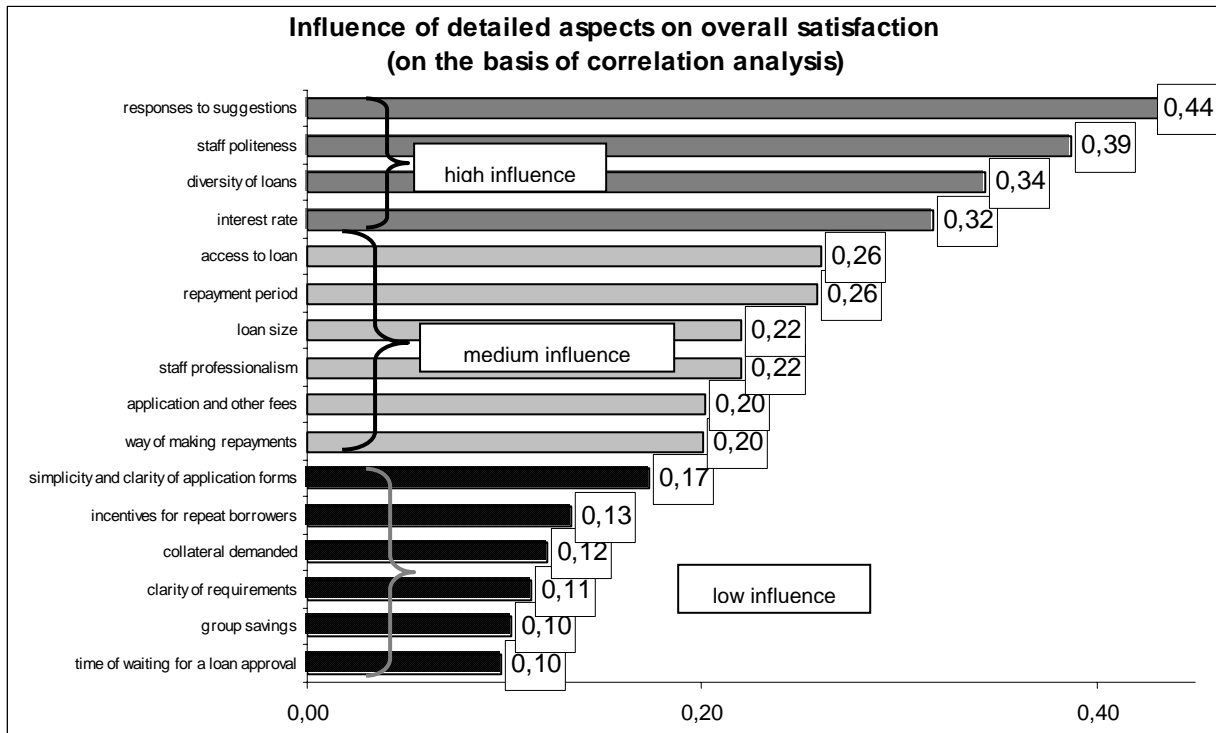
It is evident that the client relationship is built during the cooperation as more experienced clients are much more satisfied with their relationships with the staff.

It is important to note that those clients who use both MDF Kamurj loan products (standard and short term) highly appreciate the process. This is probably due to the fact that access to loans is generally limited and it is not easy to get two loans from the same formal institution. This is a strong advantage of MDF Kamurj and reflected in the figure above, which shows that clients appreciate the access to loans they get through MDF Kamurj.

On the other hand what clients value less in their cooperation with MDF Kamurj is diversity of loans offered.

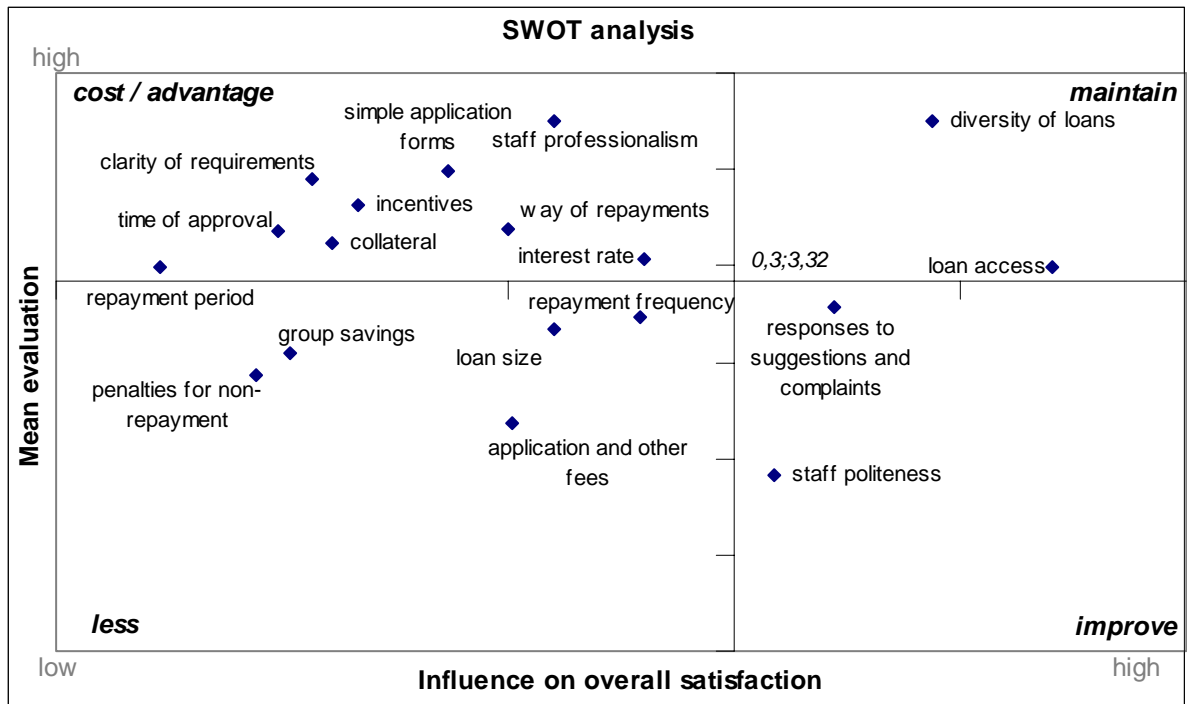
It is important to note that even if one aspect is poorly evaluated by a client it can have little influence on general satisfaction in terms of importance. In other words, not all areas of dissatisfaction necessitate improvement. A satisfaction index was created taking into consideration all the detailed aspects presented in the next section (see annex #4 for more details). All the main elements of satisfaction were correlated with the satisfaction index in order to find the areas that drive overall satisfaction to the greatest extent.

The table below illustrates the strength of influence of detailed aspects on overall satisfaction.



The SWOT chart presented below summarizes all deliberations on client satisfaction. It indicates any action to be undertaken to increase customer satisfaction⁵.

⁵ Two aspects (repayment period and penalties for non-payment) are not shown on this chart as their correlations were very low (less than 0,10).



When analyzing the map above four areas are distinguished:

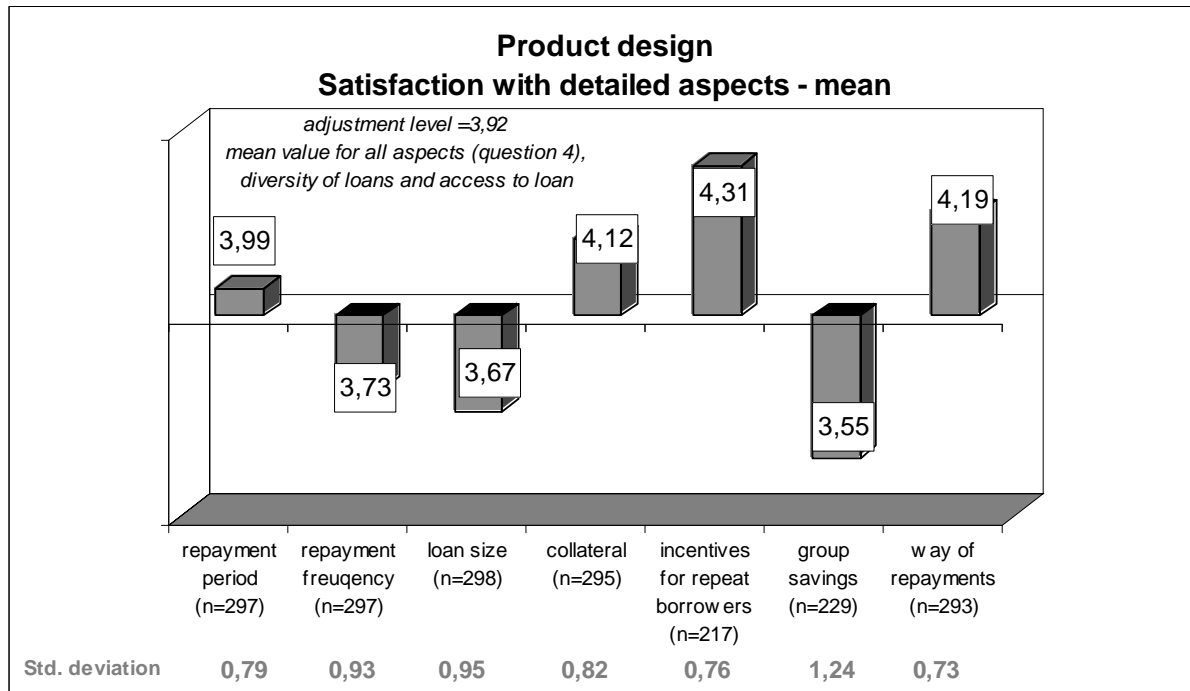
- **cost-advantage** – aspects highly valued, but not important for clients – any action in this area should take into account the cost-benefit analysis. For example, maybe it is not necessary to keep something at a high level when it is costly;
- **less important** – aspects low valued and not important for clients – any improvements in this area do not have to influence overall client satisfaction;
- **maintain** – aspects highly valued and not important for clients.
- **improve** – aspects low valued, but important for clients.

On the basis of the results it is evident that some steps concerning interest rates and diversity of loans offered should be taken. In addition, the quality of responses to suggestions and complaints should be improved⁶.

⁶ Although its being in the **maintain** area it is very near the adjustment level and considering the statistical error the satisfaction with this aspect can be lower in reality

Satisfaction with Detailed Aspects

Satisfaction with product design



Regarding product-design satisfaction from group savings, repayment frequency and loan size are far below adjustment level⁷.

The group differences analysis yields some interesting results:

- Dissatisfaction from the repayment period is due to delays during repayment. On the other hand the repayment period can be badly scheduled, causing delays.
- Newcomers are highly satisfied with the collateral system. On the other hand it is less attractive to more experienced clients.
- Group savings should be redesigned. It is striking that experienced clients are less satisfied with this aspect than newcomers. It appears to be a disincentive to stay with MDF Kamurj.
- Group cashiers are highly satisfied with payments in the MDF Kamurj office.

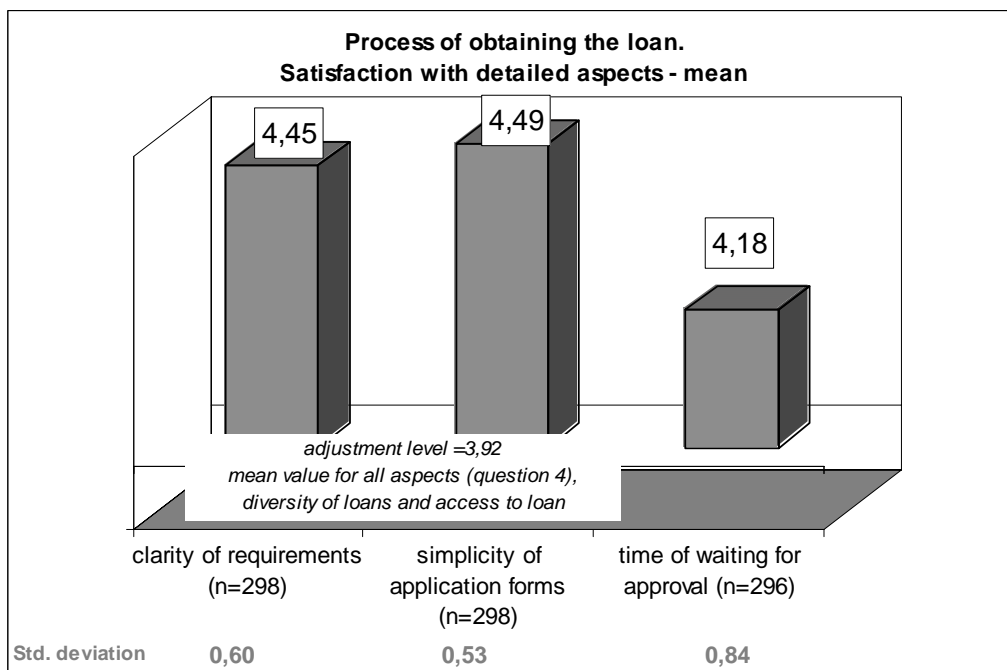
⁷ Adjustment level is calculated as a mean of all dimensions from question 4, i.e.: repayment period, repayment frequency, loan size, collateral demanded, incentives for repeat borrowers, interest rate, application and other fees, group savings, penalties, staff professionalism, staff politeness, reactions to suggestions, clarity of requirements, simplicity of application forms, making group repayment in the MDF Kamurj office, time of waiting for approval of loan application and chosen dimensions from question 3, i.e. diversity of loans offered and access to loan.

Satisfaction with contact with the staff



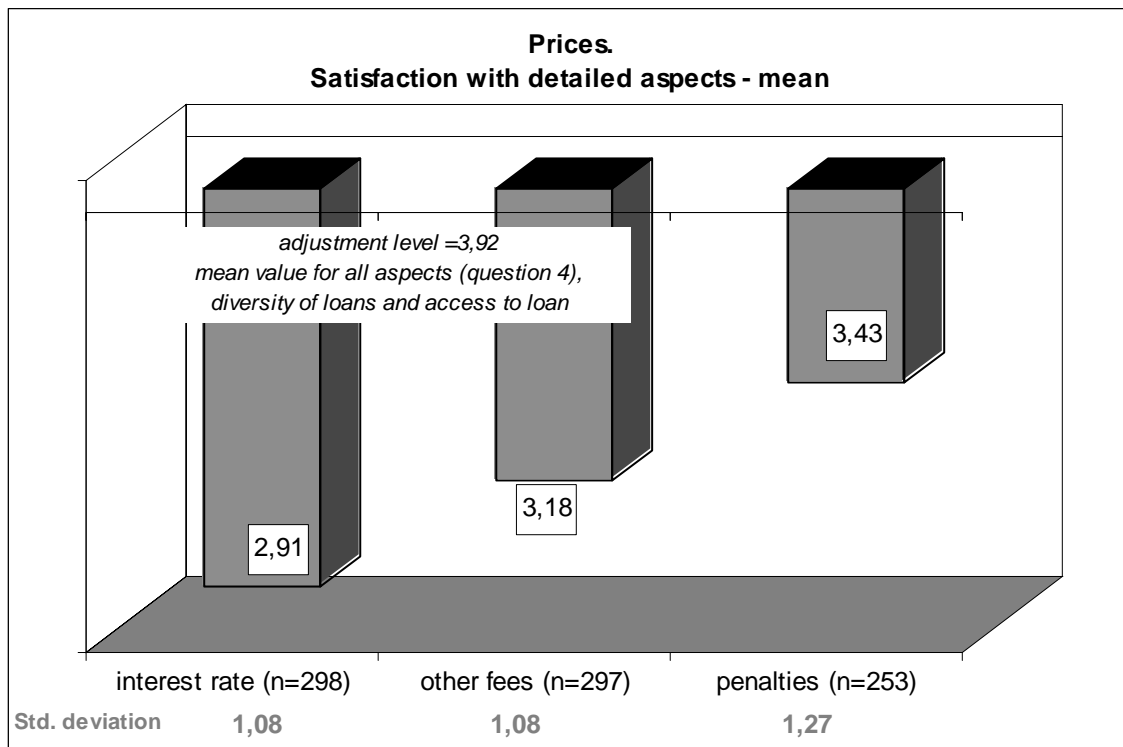
The analysis of differences between groups determined that satisfaction from reactions to suggestions and complaints is lower among those who had delays in repayment. As the delays in repayment are not always the fault of the borrower it is important to note that customers complain about the way the staff reacts to their problems.

Satisfaction with the process of obtaining a loan



Those who are more satisfied have bigger families, obtained higher loan sizes on shorter terms.

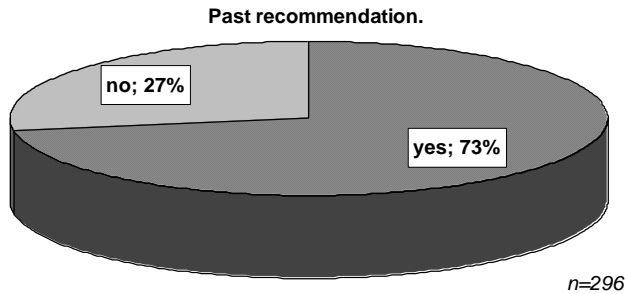
Satisfaction with prices



Those who receive higher loan amounts are relatively more satisfied with prices.

General Loyalty Indicators

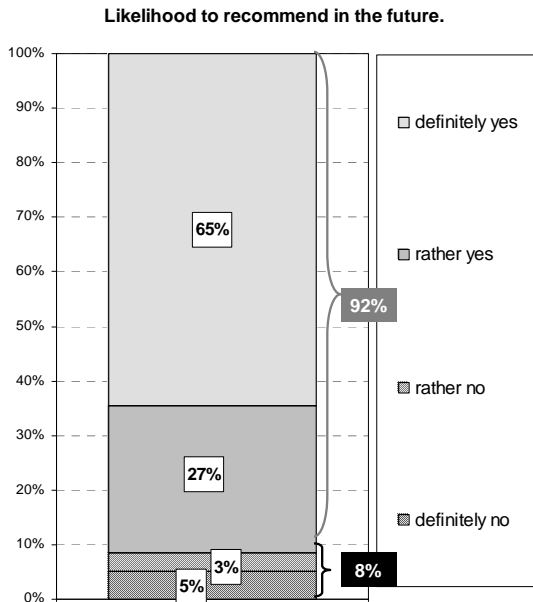
Referrals and use of MDF Kamurj services compared to others are the main variables used for loyalty analyses.



Referrals

73% of surveyed clients recommended MDF Kamurj services to other people. This is an important finding as the majority of those who were told about MDF Kamurj asked for and received a loan from Kamurj.

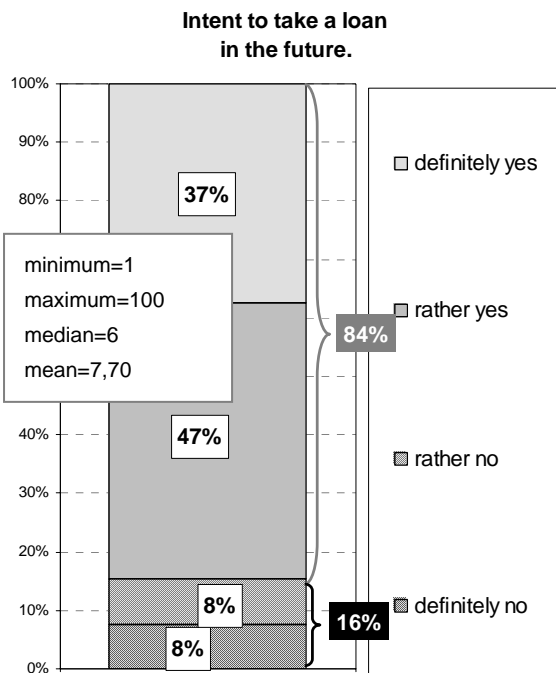
It is important to reward those who recommend MDF Kamurj to others, especially group cashiers and coordinators. Those who recommend MDF Kamurj services are in general more open to innovations (willing to be in mixed groups and take individual loans).



As many as 92% of active clients are willing to recommend MDF Kamurj services to others.

It is probable that through the improvement of responses to complaints MDF Kamurj can motivate its clients to recommend MDF to more people. Those who experienced delays during repayment of the previous loan (and are less satisfied with the way MDF Kamurj's staff responds) are less likely to recommend the service to others.

Those who recommended taking a loan in the past are more willing to recommend it in the future and vice versa.



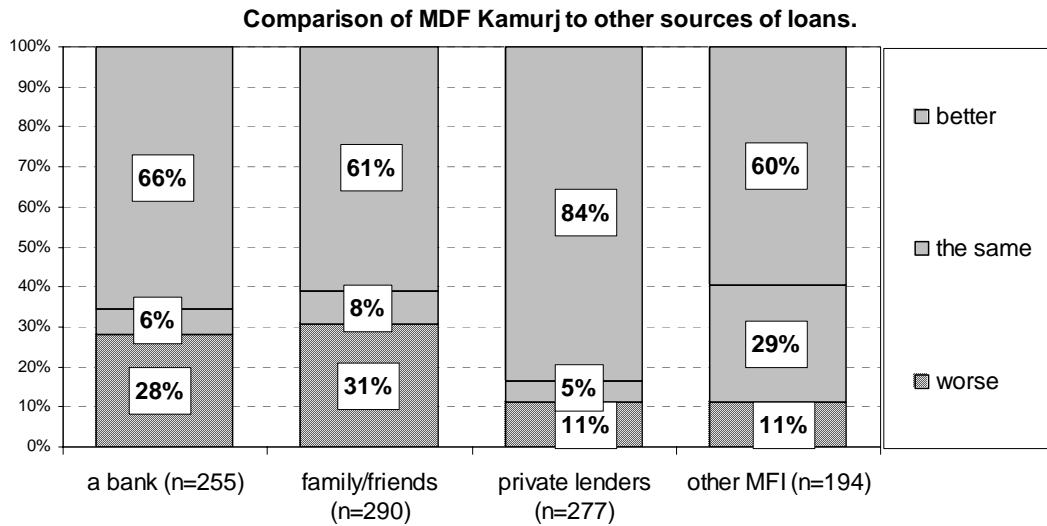
Participation in the financial market

84% of clients declare willingness to take next loan in the future. Evidently, this question overestimates the likelihood of taking another loan as most clients do not want to lose an opportunity to access MDF Kamurj services. It is important to note that especially those who experienced problems in repayment hesitate from taking loans from MDF Kamurj in the future. Those who intend to use MDF Kamurj services in the future are relatively more willing to take individual loans and do not like the idea of mixed-gender groups.

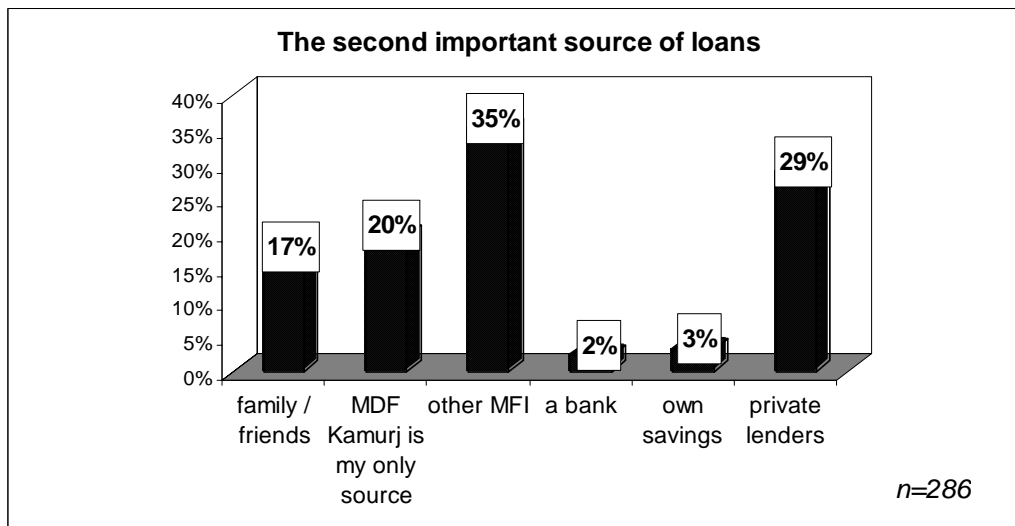
Another important variable is the fulfillment of a respondent's (and her family's) financial needs by MDF Kamurj. In this section we consider financial needs as overall household financial needs (probably limited by the

interviewers to credit needs) – not only the credit needs of the respondents’ enterprises. On average MDF Kamurj satisfies 58% of these needs. Even if we can assume that clients overestimate their financial needs it appears there is still much to do in terms of needs satisfaction. A positive aspect is that to a larger extent more experienced clients have their needs fulfilled by MDF Kamurj. Needs fulfillment is also correlated with loan size.

MDF Kamurj services are highly evaluated compared to other sources of credit. Surprisingly, this concerns not only formal and semi-formal sources but also MDF Kamurj loans are considered by the majority to be better than loans from family and friends. This measure is strongly correlated with satisfaction from all the detailed aspects of MDF Kamurj services.



As it is common in Armenia, many MDF Kamurj clients use the services of other microfinance providers in their areas.



Interestingly, those who use other sources of loans receive large amounts from MDF Kamurj and report that MDF Kamurj satisfies an important share of their financial needs. They are relatively young and less open to being in mixed-gender groups and they are not willing to get an individual loan. It can be concluded that these people are probably already victims of a lack of coordination between Armenian MFIs leading to overindebtedness, which will have a very negative impact on the well-being of microfinance clients.

The main drivers to using other MFIs’ services are mainly connected with the quality of service at MDF Kamurj (staff professionalism and politeness, responses to suggestions and complaints).

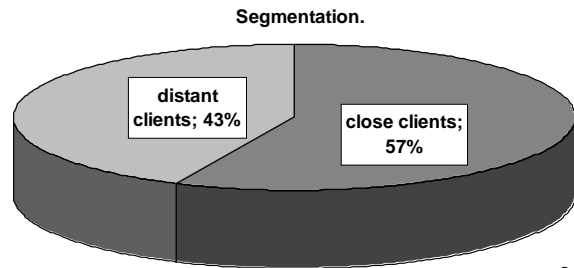
Segmentation Based on Loyalty

The hierarchical cluster analysis in order to identify loyalty groups was carried out on the following questions:

- ➔ willingness to recommend in the future (quest. 7)
- ➔ recommendation in the past (quest. 8)
- ➔ intention to take a loan (quest. 11)
- ➔ needs fulfillment (quest. 12)
- ➔ use of other loan sources (quest. 13)

On this basis the following groups are extracted:

- ✓ close clients
- ✓ distant clients



n=266

SEGMENTATION SEGMENTS' DESCRIPTION ⁸		
<i>variables:</i>	<i>close clients</i>	<i>distant clients</i>
Willingness to recommend in the future	are willing to recommend	are not
Recommendation in the past	declare to have recommended	declare not to have recommended
Intent to take a loan	intend to take	do not intend to take
Needs' fulfillment	medium and high	Low
Use of other sources	MDF Kamurj is their only source	use of other sources

Loyal, having close relationships with MDF Kamurj

Not loyal, having distant relationships with MDF Kamurj

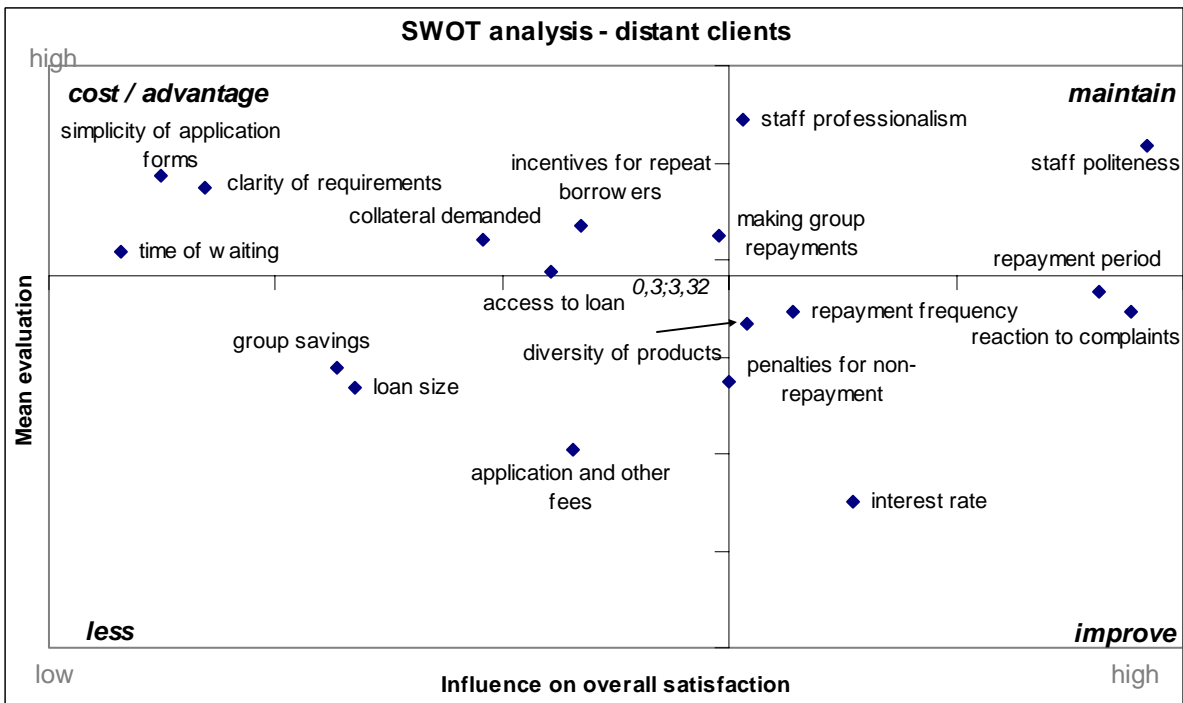
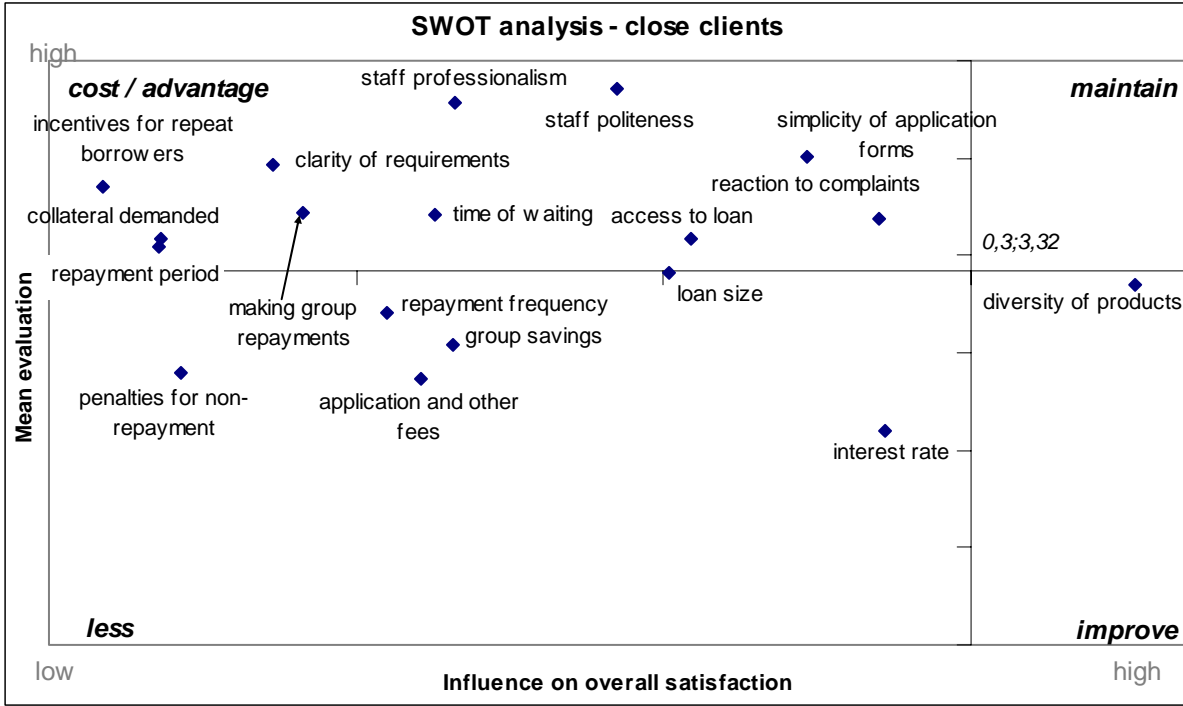
Two segments of clients can be distinguished: close (loyal) and distant (not loyal). The relevant issue is that among distant clients there are mostly newcomers, being in earlier cycles. Furthermore, close clients are relatively more satisfied with MDF Kamurj.

SEGMENTATION SEGMENTS' PROFILES		
<i>Only variables that have statistically significant influence on the studied (dependent) variables are considered</i>		
<i>variables:</i>	<i>Close clients</i>	<i>Distant clients</i>
Branch	Gyumri	Yerevan and Gyumri
Status	Group cashiers and coordinators	Group members
Time with MDF Kamurj	New, fairly experienced and experienced	Newcomers
Number of standard loans	4 and more	1 – 3 loans
Loan size	Low and very high	Medium and high
Repayment period	6 months	4 months
Approval for being in mixed - sex group	Yes	No
Willingness to take individual loan	No	Yes

⁸ at the significance level = 0,10

Conclusion: SWOT by Loyalty

The following two tables summarize the above deliberations on satisfaction and loyalty. They represent the SWOT analysis of MDF Kamurj services based on customer satisfaction for two separate loyalty profiles. It is the final output of the satisfaction survey and should be considered as the main base for further actions aiming at increasing customer satisfaction and loyalty.



In sum, to retain loyal clients the only necessary action is to widen the range of financial products delivered. It is a very timely matter considering the very dynamic microfinance market in Armenia. If MDF Kamurj manages to introduce new, attractive services as one of the first MFIs on the market it will retain its base of loyal clients. Given the size of the market is small, it is a to be or not be question. In addition, the hypothesis that loyal and satisfied clients are less sensitive to price is confirmed.

On the other hand there is huge work to do to build loyalty of new clients, who can be described as “distant” clients. Here more refinement work is needed. They are less satisfied with MDF Kamurj than “close” clients. Namely, there are more aspects (interest rate, penalties for non-payment, reactions to suggestions and complaints, repayment period, repayment frequency and diversity of products) to be improved to satisfy this group. “Distant” clients also have a worse image of MDF Kamurj compared to other formal and informal institutions providing small loans (see annex #7).

Annex #1: MDF Kamurj Structure and Lending Methodology



Microenterprise Development Charitable Fund

K A M U R J

Institutional summary

Microenterprise Development Charitable Fund (MDF-Kamurj) is an Armenian non-profit organization that provides microfinance services to support women's and family micro-entrepreneurship. It emerged by joining the efforts and resources of two microfinance programs created in 1998 by Catholic Relief Services (CRS) and Save the Children Federation/US (SCF). Kamurj (or "bridge" in Armenian) was officially registered as a local non-profit foundation in April 2000 and started its operations as an independent MFI in October 2000. SCF is the legal founder of the institution. MDF-Kamurj is intended as a sole purpose microfinance organization with a mandate to provide sustainable large-scale access to financial services for poor women microentrepreneurs. Its Board of Trustees includes representation from SC, CRS and local professionals. MDF-Kamurj is a member of the Microfinance Center in Poland as well as SC's and CRS's global networks of affiliate MFIs.

MDF-Kamurj has achieved an excellent reputation, organizational culture of teamwork, mutual support, customer satisfaction, professionalism, accountability, and good quality of portfolio outstanding (see the table below). MDF-Kamurj uses solidarity group lending methodology adapted to the Armenian context to provide affordable credit to its clients. MDF-Kamurj's operational sustainability ranges between 140 – 160%.

MDF-Kamurj loans:

MDF-Kamurj uses solidarity group lending methodology adapted to the Armenian context to provide affordable credit to its clients. The group guarantee mechanism replaces traditional collateral required by banks.

Group size:	5-15
Loan disbursement:	Within two weeks from application
Selection criteria:	Micro-entrepreneurs with at least six months of existing businesses
First loan per individual:	\$50-\$500, in local currency
Loan increase:	Average 10-25%, varies per cycle and is contingent on previous loan amount and current business status
Interest rate (flat):	2.7% per month (calculated to cover full financial, capitalization and operational costs)
Loan term:	3, 4, 6 and 9 months
Repayments:	Equal weekly, bi-weekly or monthly installments

In addition to the standard loan the clients in good standing may receive short-term loans with a flexible repayment schedule.

Non-financial services:

MDF-Kamurj looks for ways to connect clients to bigger and better markets. To date, MDF-Kamurj has held six trade fairs that offer clients an opportunity to display their production (handicrafts and other goods) and services to fellow clients, businesspeople, and international actors in Armenia. MDF-Kamurj conducted the course of interactive training that gave a way to its clients to obtain knowledge and skills in micro-entrepreneurship, information and experience exchange. These

services provide the creation of communication and help to establish contacts between clients, fostering their further cooperation.

Table: MDF-Kamurj data as of April 30, 2003

Donors	USAID, CRS, SCF, OSI, GTZ, Shorebank, SEEP
Number of active clients	5,485
Percent of women	98%
Loan sizes	\$50 - \$950
Loans outstanding	\$986,753
Portfolio in arrears (>= 1days)	2.5%
Portfolio at risk (>= 1days)	3.7%
Number of branches	5

Having successfully controlled credit risk, MDF Kamurj is currently entering a new evolutionary phase as it tries to become more responsive to the demands of its clients and market requirements. In this new phase, MDF Kamurj is struggling to balance three potentially competing objectives: 1) to reduce the costs of microfinance for both client and Kamurj; 2) to widen the range of products and services available to clients; and 3) to accomplish objectives 1 & 2 without increasing credit risk.

The expansion of client businesses and the maturation of client/MDF-Kamurj relationships:

have generated demand for new types of products, heightened expectations about product quality and variety and underscored the need to explore how to retain MDF Kamurj clients and attract new clients in a competitive environment. MDF-Kamurj periodically conducts market assessments and ensures that future loan products coincide with client demand. MDF Kamurj is currently developing plans to branch into new markets, such as rural areas and increasing the scale of lending to family businesses. The challenge is to develop a set of products that are consistent with and protect the mission and integrity of MDF-Kamurj values. In order to address the dynamics of the financial markets in Armenia as well as to stay competitive in the microfinance sector, MDF-Kamurj is also going to offer educational loans as well as individual loans to clients with a good credit rating, provide wider scale non-financial (BDS) services like: promoting business linkages among clients, basic training on tax, accounting and business registration, etc.

MDF-Kamurj's institutional vision is to become Armenia's leading national microfinance institution. By September 2005, MDF-Kamurj's goal is to reach 12,000 clients, achieve full financial sustainability and raise additional capital from development funds and commercial sources.

More information about MDF-Kamurj can be found on MBB, MIX Market, PlanetRating web sites.

Contact data:

Address: 52 Yerznkyan Str., Yerevan 375033 Republic of Armenia

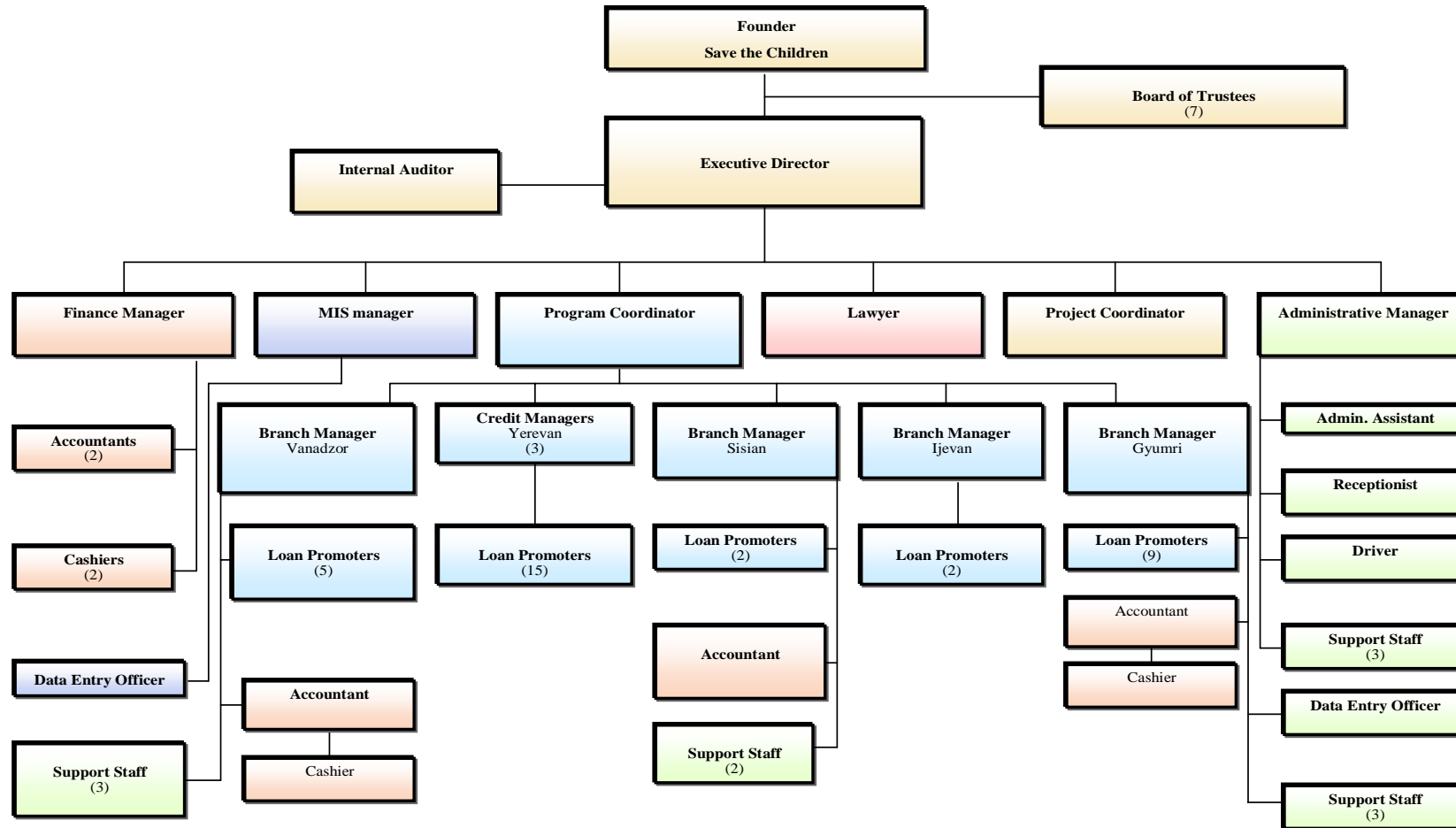
Tel: (+374 - 1) 278-624, 278-625, 278-724, 278-625

E-mail: gagik-varpanyan@mdf-kamurj.am

Fax: (+374 - 1) 274-310

MDF KAMURJ: Organizational Chart

as of January 21, 2003



Annex #2: Survey Questionnaire

SATISFACTION PROJECT	Interview number: __ __ __	Branch number: __																																																		
	Interviewer: _____	Date (mm/year): _____																																																		
INT.: READ OUT: „Good morning / good evening”. My name is ... and I would like to ask you several questions on your opinion on MDF Kamurj. All the gathered information is very helpful in meeting Clients’ demands and improving the level of services provided. Please remember your answers are confidential and are used in the statistical tables. Please also remember there are no right or wrong answers and only your honest opinions are important for us.																																																				
MAIN QUESTIONNAIRE																																																				
1. What type of loan did you take last time? (INT. READ POSSIBLE ANSWERS) ONLY ONE ANSWER POSSIBLE	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 –																																																			
1a. During the repayment of the last loan ... (INT. READ ANSWER FROM QUESTION1) have you also taken a short-term loan?	1 – no 2 – yes																																																			
SHOW A CARD “OPINION”	1 – definitely bad 2 – rather bad 3 – neither good nor bad 4 – rather good 5 – definitely good 99 – hard to say (do not read)																																																			
2. What is your overall opinion on MDF Kamurj as an institution? (INT. READ POSSIBLE ANSWERS)	1 – definitely bad 2 – rather bad 3 – neither good nor bad 4 – rather good 5 – definitely good 99 – hard to say (do not read)																																																			
SHOW A CARD “OPINION”	3. Now let’s talk about MDF Kamurj and its services in details. What is your opinion on ... (READ THE FIRST ONE)? ROTATE THE ORDER OF READING. ROTATION MEANS CHANGING THE ORDER OF READING, I.E. EACH INTERVIEW YOU START FROM ANOTHER STATEMENT. MARK THE FIRST READ. ASK FOR ALL																																																			
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">ISSUES</th> <th style="width: 12.5%;">Definitely bad</th> <th style="width: 12.5%;">Rather bad</th> <th style="width: 12.5%;">Neither good nor bad</th> <th style="width: 12.5%;">Rather good</th> <th style="width: 12.5%;">Definitely good</th> <th style="width: 12.5%;">Hard to say (do not read)</th> </tr> </thead> <tbody> <tr><td>A) product design / loans offered</td><td style="text-align: center;">1</td><td style="text-align: center;">2</td><td style="text-align: center;">3</td><td style="text-align: center;">4</td><td style="text-align: center;">5</td><td style="text-align: center;">99</td></tr> <tr><td>B) contact with the staff</td><td style="text-align: center;">1</td><td style="text-align: center;">2</td><td style="text-align: center;">3</td><td style="text-align: center;">4</td><td style="text-align: center;">5</td><td style="text-align: center;">99</td></tr> <tr><td>C) process of obtaining the loan</td><td style="text-align: center;">1</td><td style="text-align: center;">2</td><td style="text-align: center;">3</td><td style="text-align: center;">4</td><td style="text-align: center;">5</td><td style="text-align: center;">99</td></tr> <tr><td>D) prices (all financial costs to client)</td><td style="text-align: center;">1</td><td style="text-align: center;">2</td><td style="text-align: center;">3</td><td style="text-align: center;">4</td><td style="text-align: center;">5</td><td style="text-align: center;">99</td></tr> <tr><td>E) diversity of loans offered</td><td style="text-align: center;">1</td><td style="text-align: center;">2</td><td style="text-align: center;">3</td><td style="text-align: center;">4</td><td style="text-align: center;">5</td><td style="text-align: center;">99</td></tr> <tr><td>F) access to loan (eligibility criteria)</td><td style="text-align: center;">1</td><td style="text-align: center;">2</td><td style="text-align: center;">3</td><td style="text-align: center;">4</td><td style="text-align: center;">5</td><td style="text-align: center;">99</td></tr> </tbody> </table>	ISSUES	Definitely bad	Rather bad	Neither good nor bad	Rather good	Definitely good	Hard to say (do not read)	A) product design / loans offered	1	2	3	4	5	99	B) contact with the staff	1	2	3	4	5	99	C) process of obtaining the loan	1	2	3	4	5	99	D) prices (all financial costs to client)	1	2	3	4	5	99	E) diversity of loans offered	1	2	3	4	5	99	F) access to loan (eligibility criteria)	1	2	3	4	5	99	SHOW A CARD “OPINION”		
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F) access to loan (eligibility criteria)	1	2	3	4	5	99																																														
4. Now please think about detailed products and services offered by MDF Kamurj. What is your opinion on ... (READ THE FIRST ONE)? ROTATE THE ORDER OF READING. MARK THE FIRST READ. ASK FOR ALL	SHOW A CARD “OPINION”																																																			
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C. loan size	1	2	3	4	5	99																																														
D. collateral demanded / guaranty system	1	2	3	4	5	99																																														

E. incentives for repeat borrowers	1	2	3	4	5	99
F. interest rate	1	2	3	4	5	99
G. application and other fees	1	2	3	4	5	99
H. group savings / reserve funds	1	2	3	4	5	99
I. penalties for non repayment	1	2	3	4	5	99
J. staff professionalism	1	2	3	4	5	99
K. staff politeness	1	2	3	4	5	99
L. reactions to your suggestions and complaints	1	2	3	4	5	99
M. clarity of requirements	1	2	3	4	5	99
N. simplicity and clarity of application forms	1	2	3	4	5	99
O. making group repayments in the MDF Kamurj office	1	2	3	4	5	99
P. time of waiting to approve an application for a loan	1	2	3	4	5	99

<p>5. Would you accept to be in mixed (male-female) solidarity group? 1 – yes 2 – no 99 – <i>hard to say (do not read)</i></p>	<p>6. If you had enough collateral one day would you prefer to take an individual loan from MDF Kamurj? 1 – yes 2 – no 99 – <i>hard to say (do not read)</i></p>
<p>7. Would you recommend <u>taking a loan from MDF Kamurj</u> to your colleagues, friends or any other people?</p>	<p>1 – definitely no 2 – rather no 3 – rather yes 4 – definitely yes 99 – <i>hard to say (do not read)</i></p>
<p>8. Have you recommended taking a loan from MDF Kamurj to anybody during the past 12 months?</p>	<p>1 – yes 2 – no → GO TO QUESTION 11 99 – <i>hard to say (do not read) → GO TO QUESTION 11</i></p>
<p>9. How many people have you recommended MDF Kamurj to during the past 12 months?</p>	<p> __ people 99 – <i>hard to say, do not remember (do not read)</i></p>
<p>10. How many people that you recommended MDF Kamurj to during the past 12 months (question 9) actually received a loan from MDF Kamurj?</p>	<p> __ people 99 – <i>hard to say, do not remember (do not read)</i></p>
<p>11. Would you probably take a loan next year? 99 – <i>hard to say (do not read)</i></p>	<p>1 – definitely no 2 – rather no 3 – rather yes 4 – definitely yes</p>
<p>12. What percentage of your loan needs is MDF Kamurj satisfying?</p>	<p> ___ % of my loan needs 999 – <i>hard to say (do not read)</i></p>
<p>13. What is the second important source of loans after MDF Kamurj for you? READ POSSIBLE ANSWERS. ONLY ONE ANSWER POSSIBLE</p>	<p>1 – other than MDF Kamurj MFI 2 – a bank 3 – family / friends 4 – private lenders 5 – other. What? _____ 6 – <i>MDF Kamurj is my only source (do not read)</i> 99 – <i>do not know (do not read)</i></p>

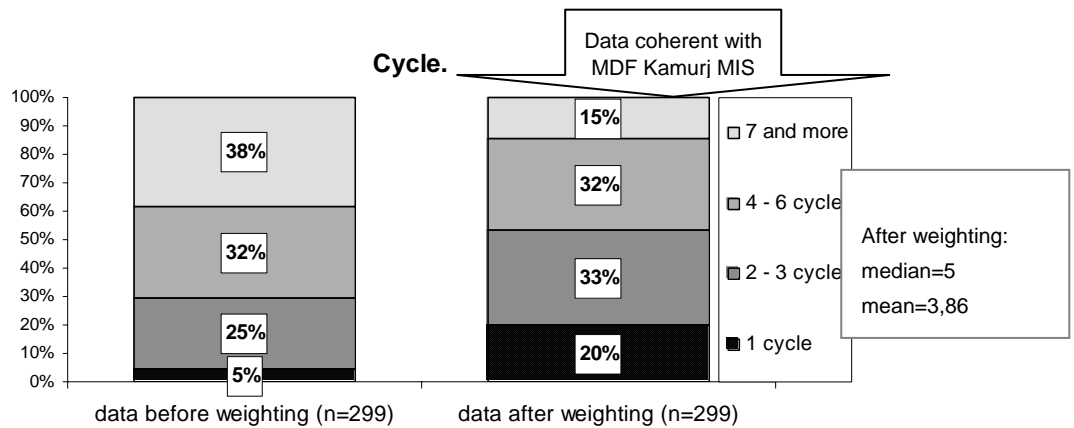
14. Is taking a loan from MDF Kamurj less <u>advantageous</u>, the same or more <u>advantageous</u> in comparison to taking a loan from ... (ASK FOR ALL)?				LEGEND OF CODES: 1 – worse 2 – the same 3 – better 99 – <i>hard to say (do not read)</i>	
I__I bank	I__I family/friends	I__I private lenders	I__I other MFI		

SOCIO-DEMOGRAPHICS DATA					
A1 When were you born? I__II__II__II__I		A2 What is your education? 1-middle 2-middle-specialized 3-higher 4-academic degree		A3 How many members are in your household? I__I children under 18 I__I all members of the household	
A4 You live in ... 1- rural area 2- semi-urban area 3- urban area			A5 What is your marital status? 1 – single 2 – married / living with a partner 3 – separated / divorced 4 – widow		
A6 When taking and repaying the last loan were you a ... (INT. READ POSSIBLE ANSWERS)? 1 – a group coordinator 2 – a group cashier 3 – a group member					
A7 When did you take your first loan from MDF Kamurj? I__II__II__II__I year			A8 How many loans have you taken from MDF Kamurj until now? a) [_] standard loans b) I__I short-term loans 99 – <i>refusal of answer (do not read)</i>		
A9 In which loan cycle are you now? [_] loan cycle		A10 What is the size of your current standard loan? _____ AMD		A11 What is the repayment period of your current standard loan? _____ months	
A12 Did you experience any delays when repaying the last loan (not current)? 1 – yes 2 – no 99 – <i>refusal of answer (do not read)</i>					

Annex #3: Detailed Results And Figures -- Participation in MDF Kamurj Microcredit Activities

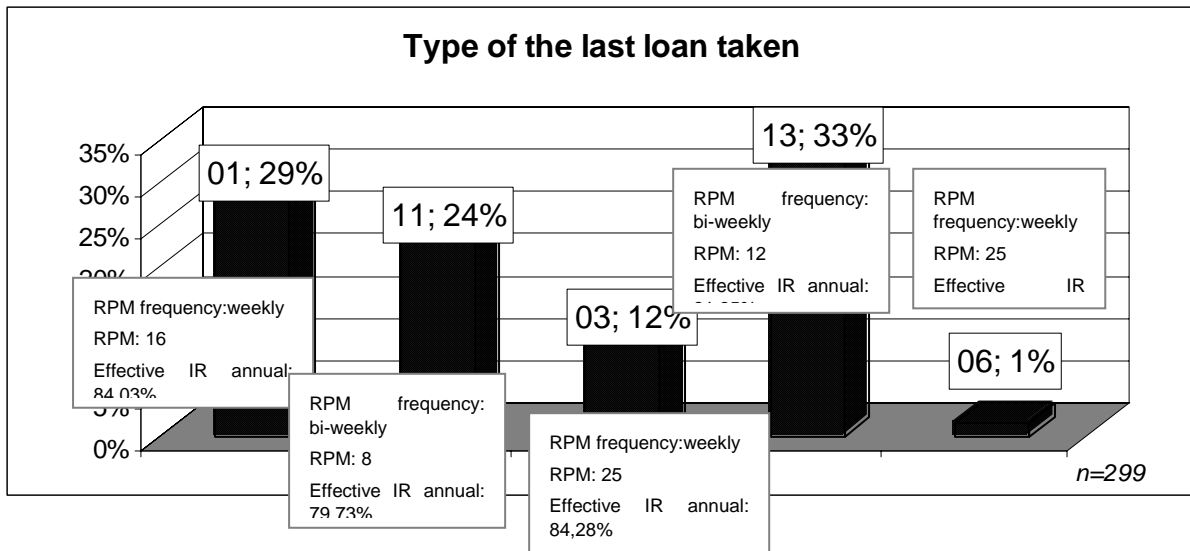
CORRELATIONS (on the basis of Pearson correlations)			
	Time with the program	Number of standard loans taken	Cycle
Time with the program	1	--	--
Number of standard loans taken	0,82	1	--
Cycle	0,66	0,88	1

It TIME WITH THE PROGRAM / CYCLE / NUMBER OF STANDARD LOANS TAKEN PROFILE OF GROUPS				
<i>Only variables that have statistically significant influence on the studied (dependent) variables are considered⁹</i>				
variables:	Newcomers/ 1 loan / 1 cycle	New / 2 – 3 loans / 2 – 3 cycle	Fairly experienced / 4 – 6 loans / 4 – 6 cycle	Experienced / 7 loans and more / 7 cycle and higher
Branch	Yerevan and Gyumri	Yerevan and Vanadzor	Vanadzor	Yerevan
Age	18-35 yrs.	36-45 yrs.	46 yrs. and older	46 and older
Status	Group members	Group members	Group cashiers and coordinators	Group coordinators
Education	High	Middle specialized	Middle	Middle specialized
Number of all members of the household	1-2 people	3-4 people	5 people and more	1-2 people

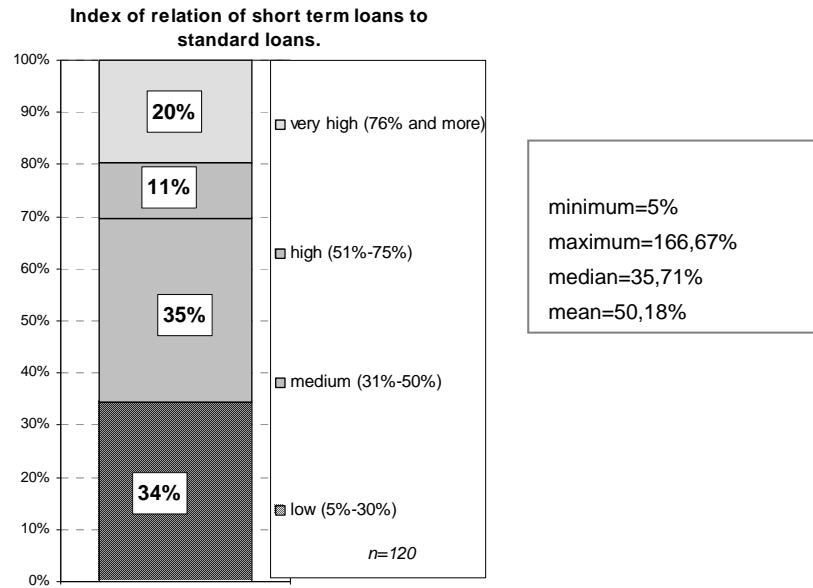


⁹ at the significance level = 0,10

STATUS IN A GROUP - LAST LOAN			
PROFILE OF GROUPS			
<i>Only variables that have statistically significant influence on the studied (dependent) variables are considered</i>			
variables:	A group coordinator	A group cashier	A group member
Age	46-55 yrs.	36-45 yrs.	18-35 yrs. and 56 yrs. and older
Number of children in the household	1 child	2 children	1 child and 3 children and more
Time with MDF Kamurj	Experienced	Fairly experienced	Newcomers and new
Cycle	7 cycle and more	7 cycle and more	1-3 cycle



TYPE OF THE LAST LOAN TAKEN				
PROFILE OF GROUPS				
<i>Only variables that have statistically significant influence on the studied (dependent) variables are considered</i>				
variables:	01	11	03	13
Branch	Yerevan	Yerevan	Yerevan	Gyumri and Vanadzor
Number of children in the household	1 child	2 children	3 children and more	1 child
Number of all members of the household	1-2 people	--	5 people and more	3-4 people
Time with MDF Kamurj	Newcomers	Newcomers	New	Fairly experienced and experienced
Cycle	2-3 cycle	1 cycle	2 -3 cycle	4 cycle and more



To calculate the index presented above only those who have taken a short-term loan are taken into consideration. As the short-term loan product has not been provided since the beginning, the index is higher for relatively less-experienced clients.

TAKING PARRAREL SHORT-TERM LOAN DURING REPAYMENT OF THE LAST STANDARD ONE		
PROFILE OF GROUPS		
<i>Only variables that have statistically significant influence on the studied (dependent) variables are considered</i>		
variables:	No	Yes
Branch	Gyumri and Vanadzor	Yerevan
Education	Middle-specialized	High
Number of all members of the household	1-4 people	5 people and more
Status	Group member	Group cashier and coordinator
Time with MDF Kamurj	Newcomers	New, fairly experienced, experienced
Cycle	1-3 cycle	4 cycle and more

ACCEPTANCE FOR BEING IN A MIXED-GENDER GROUP

PROFILE OF GROUPS

Only variables that have statistically significant influence on the studied (dependent) variables are considered

variables:	yes	no
Education	High	Middle and middle-specialized
Delays during repayment	There are delays	No delays

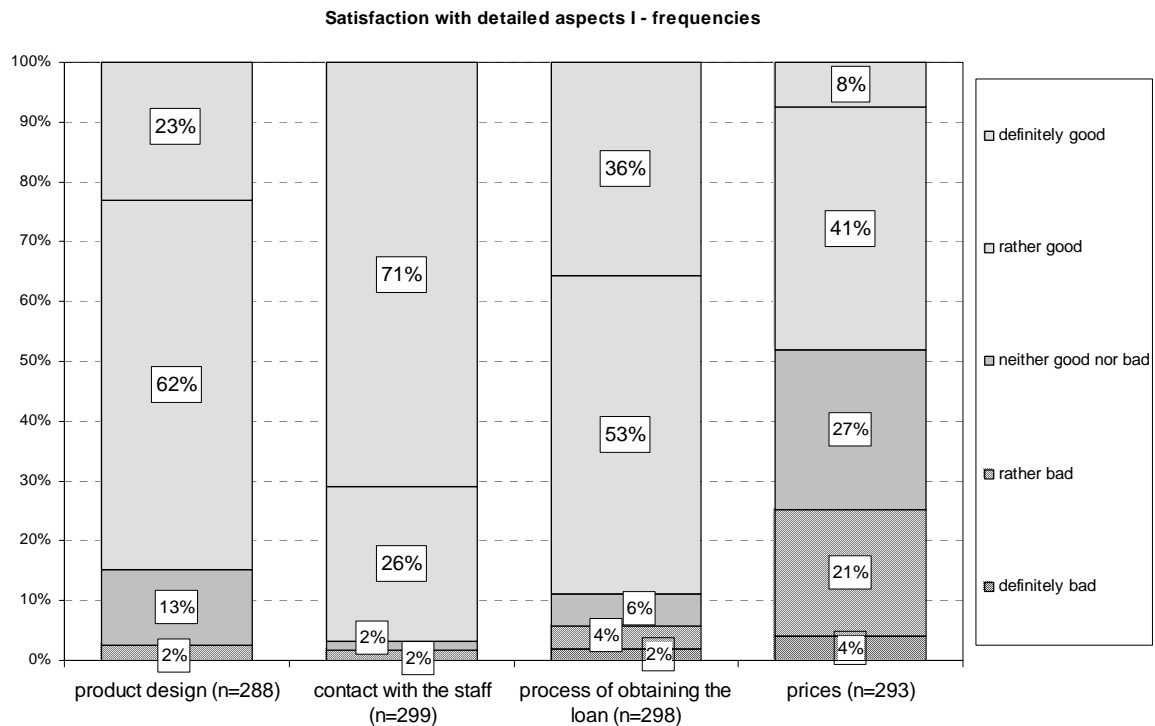
WILLINGNESS TO TAKE AN INDIVIDUAL LOAN**PROFILE OF GROUPS**

Only variables that have statistically significant influence on the studied (dependent) variables are considered

variables:	yes	no
Branch	Gyumri	Yerevan
Age	18-35 yrs.	36-45 yrs.
Number of children in the household	3 children and more	1-2 children
Number of all members of the household	5 people and more	1-2 people
Time with MDF Kamurj	Newcomers and fairly experienced	Experienced
Number of standard loans taken	1 loan	2 loans and more
Loan size	Low	High and very high
Repayment period	6 months	4 months

Annex #4: Detailed Results and Figures – Overall Satisfaction

OVERALL SATISFACTION PROFILE OF GROUPS		
<i>Only variables that have statistically significant influence on the studied (dependent) variables are considered</i>		
variables:	rather good	definitely good
branch	Gyumri	Yerevan and Vanadzor
age	18-35 yrs.	56 yrs. and older
education	Middle	Middle-specialized and high
number of all members of the household	3-4 members	1-2 members
number of children in the household	Having three or more children	Having one child
cycle	1 cycle	4-6 cycle
size of a loan	very high	High



OVERALL SATISFACTION WITH PRODUCT DESIGN PROFILE OF GROUPS			
<i>Only variables that have statistically significant influence on the studied (dependent) variables are considered</i>			
variables:	neither good nor bad	rather good	definitely good
branch	Vanadzor	Gyumri	Yerevan
age	--	18-35 yrs.	56 yrs. and older
education	middle-specialized	middle	high

status in a group	--	group cashiers and members	group cashiers and coordinators
number of standard loans	2-3 loans	1 loan	1 loan (<i>less often</i> ¹⁰)
cycle	2. -3. cycle	1. cycle	1 cycle (<i>less often</i>)
size of a loan	low through high	high (<i>less often</i>)	high and very high
delays during repayment	no delays	there are delays	no delays
willingness to take individual loan	yes	yes	no

OVERALL SATISFACTION WITH CONTACT WITH THE STAFF

PROFILE OF GROUPS

Only variables that have statistically significant influence on the studied (dependent) variables are considered

variables:	<i>rather good</i>	<i>definitely good</i>
branch	Gyumri and Vanadzor	Yerevan
age	18-35 yrs.	56 yrs. and older
education	middle	middle-specialized and high
number of standard loans	1 loan	2 loans and more
cycle	1 cycle	2 cycle and above
size of a loan	low	high and very high
willingness to take individual loan	yes	no

OVERALL SATISFACTION WITH PROCESS OF OBTAINING THE LOAN

PROFILE OF GROUPS

Only variables that have a statistically significant influence on the studied (dependent) variables are considered

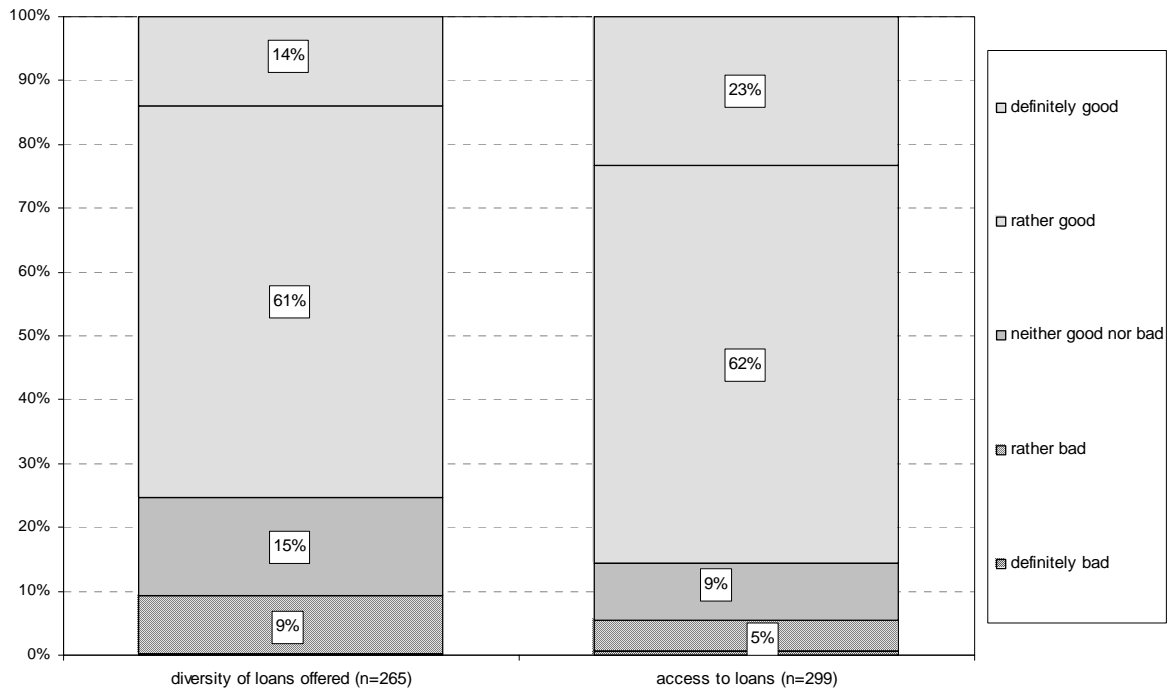
variables:	<i>rather good</i>	<i>definitely good</i>
branch	Gyumri	Yerevan
age	55 yrs. and younger	56 yrs. and older
number of all members of the household	3 people and more	5 people and more
time with MDF Kamurj	new and fairly experienced	experienced
number of standard loans	4-6 loans	2-3 loans and 7 and more
relation of short-term loans to standard loans	low and medium	high and very high
Cycle	4 cycle and higher	6 cycle and lower
size of a loan	low	high
repayment period	6 months	4 months
delays during repayment	no delays	--

¹⁰ If it is indicated "less often" in the cell, the interpretation of the finding is opposite than in other cells. For example, when referring to the table above it must be stressed that answer "*definitely good*" was relatively **less often** indicated by women having taken one standard loan (compared to those who have taken two loans and more) and being in the 1 cycle (comparing to those being in higher cycles). Adequately, answer "*rather good*" is relatively less often chosen by respondents having received a high loan size.

willingness to take individual loan	yes	No
-------------------------------------	-----	----

OVERALL SATISFACTION WITH PRICES				
PROFILE OF GROUPS				
<i>Only variables that have statistically significant influence on the studied (dependent) variables are considered</i>				
variables:	bad	neither good nor bad	rather good	definitely good
Branch	Gyumri	Vanadzor	--	Yerevan
status in a group	--	--	a group cashier and a group member	a group coordinator
time with MDF Kamurj	experienced (<i>less often</i>)	new	newcomers, new and fairly experienced	experienced
number of standard loans	2-3 loans (<i>less often</i>)	7 and more (<i>less often</i>)	2-3 loans	7 and more
size of a loan	medium	very high (<i>less often</i>)	High (<i>less often</i>)	very high
delays during repayment	there are delays	no delays	no delays	there are delays
willingness to take individual loan	--	--	yes	No

Satisfaction with detailed aspects II - frequencies

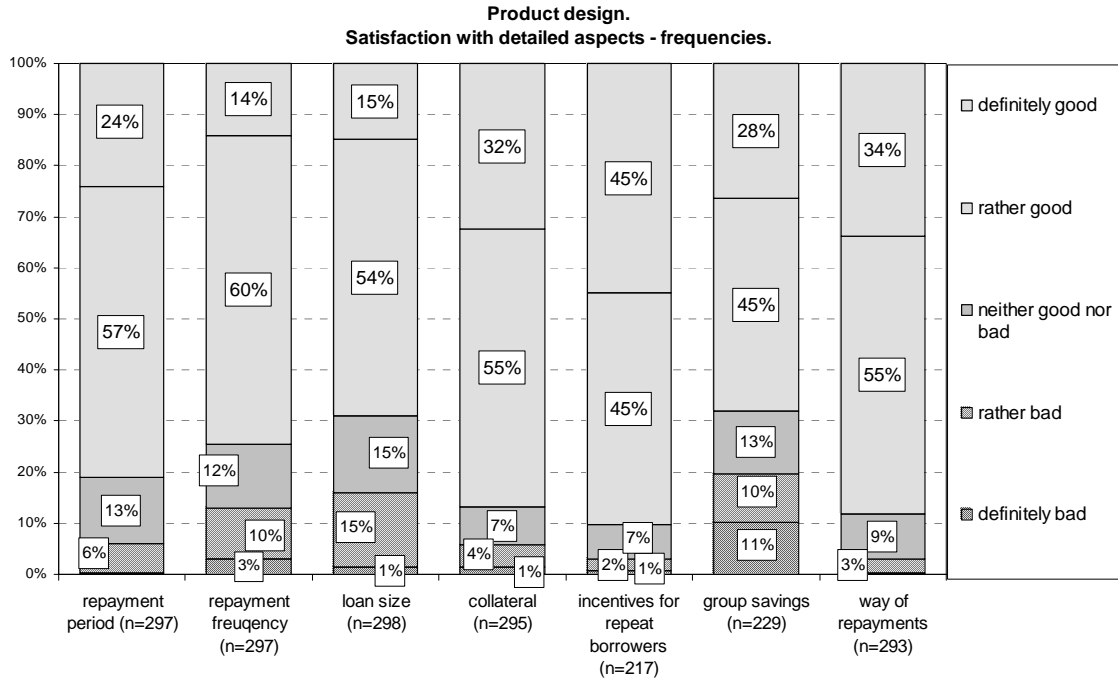


OVERALL SATISFACTION WITH DIVERSITY OF LOANS OFFERED			
PROFILE OF GROUPS			
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>			
variables:	<i>neither good nor bad</i>	<i>rather good</i>	<i>definitely good</i>
branch	Vanadzor	Gyumri	Yerevan
education	middle and middle-specialized	high	high
status in a group	group cashiers (<i>less often</i>)	group cashiers	group coordinators
time with MDF Kamurj	newcomers	new and fairly experienced	experienced
number of standard loans	2-3 loans	1 loan (<i>less often</i>)	4 loans and more
cycle	2-3 cycle	1 cycle (<i>less often</i>)	4 cycle and more
size of a loan	low	high (<i>less often</i>)	high
willingness to take individual loan	yes	yes	no

OVERALL SATISFACTION WITH ACCESS TO LOAN		
PROFILE OF GROUPS		
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>		
Variables:	<i>rather good</i>	<i>definitely good</i>
Branch	Gyumri and Vanadzor	Yerevan
Education	middle	--
status in a group	group cashier	group cashier and group coordinator
time with MDF Kamurj	New	experienced
number of standard loans	1 loan	2 loans and more
Cycle	1 cycle	2 cycle and more
size of a loan	low and medium	high and very high
repayment period	--	4 months
delays during repayment	no delays	no delays
willingness to take individual loan	yes	no

Annex #5: Detailed Results and Figures – Satisfaction With Detailed Aspects

Satisfaction With Product Design



SATISFACTION WITH DETAILED ASPECTS WITHIN PRODUCT DESIGN				
PROFILE OF GROUPS				
<i>Only variables that have statistically significant influence on the studied (dependent) variables are considered</i>				
Variables:	bad	neither good nor bad	rather good	definitely good
REPAYMENT PERIOD				
Branch		Vanadzor	Gyumri	Yerevan
Age		46 - 55 yrs. (<i>less often</i>)	18 – 35 yrs.	56 yrs. and older
Education		Middle	high	high
number of all members of the household		3-4 people	1-2 people (<i>less often</i>)	5 people and more
number of standard loans		2-3 loans	1 loan	1 loan (<i>less often</i>)
Cycle		2-3 cycle	7 cycle and more	7 cycle and more (<i>less often</i>)
loan size		low	low and medium	high and very high
repayment period		--	6 months	4 months
delays during repayment		there are delays	no delays	no delays

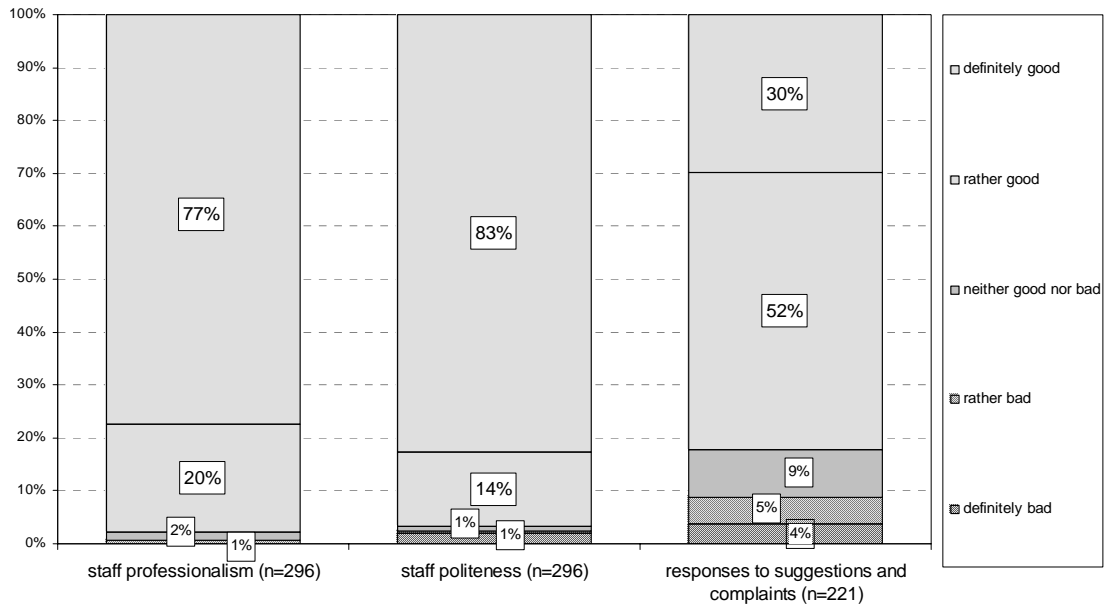
SATISFACTION WITH DETAILED ASPECTS WITHIN PRODUCT DESIGN				
PROFILE OF GROUPS				
<i>Only variables that have statistically significant influence on the studied (dependent) variables are considered</i>				
Variables:	bad	neither good nor bad	rather good	definitely good
willingness to take individual loan		no	yes	no
REPAYMENT FREQUENCY				
branch	Yerevan	Vanadzor	Gyumri	Yerevan
age	56 yrs. and older	36-45 yrs.	18-35 yrs.	56 yrs. and older
education	middle (<i>less often</i>)	middle-specialized	middle	high
number of all members of the household	1-2 people	3-4 people	5 people and more	1-2 people
loan size	low (<i>less often</i>)	medium (<i>less often</i>)	medium	high
delays during repayment	6 months	4 months	6 months	4 months
willingness to take individual loan	--	yes	yes	no
LOAN SIZE				
branch	Yerevan	Gyumri	Vanadzor	Yerevan
age	36-45 yrs.	18-35 yrs. and 56 yrs. and older	18-35 yrs.	46-55 yrs.
education	Middle-specialized (<i>less often</i>)	middle and middle-specialized	Middle-specialized	high
number of children in the household	3 children and more	1 child	--	1 child
number of all members of the household	5 people and more	2-3 people	--	1-2 people
time with MDF Kamurj	Newcomers	newcomers	fairly experienced	experienced
willingness to take individual loan	yes	--	yes	no
approval for being mixed-sex group	no	yes	yes	no
loan size	High	Medium and high	Low and medium	Very high
COLLATERAL DEMANDED				
branch		Vanadzor	Gyumri	Yerevan
age		18-35 yrs.	56 yrs. and older (<i>less often</i>)	56 yrs. and older
education		high (<i>less often</i>)	middle and high	Middle-specialized
number of children in the household		3 children and more (<i>less often</i>)	2 children	1 child
time with MDF Kamurj		fairly experienced	newcomers	new
number of standard loans		4-6 loans	1 loan	2 loans and more
cycle		4-6 cycle	1 cycle	2 cycle and more
loan size		medium	low	high and very high
delays during repayment		there are delays	no delays	no delays

SATISFACTION WITH DETAILED ASPECTS WITHIN PRODUCT DESIGN				
PROFILE OF GROUPS				
<i>Only variables that have statistically significant influence on the studied (dependent) variables are considered</i>				
Variables:	bad	neither good nor bad	rather good	definitely good
willingness to take individual loan		no	yes	no
approval for being mixed-sex group		yes	--	no
INCENTIVES FOR REPEAT BORROWERS				
branch			Gyumri	Yerevan and Vanadzor
number of all members of the household			3-4 people	1-2 people
time with MDF Kamurj			newcomers	new and experienced
number of standard loans			1 loans	4 loans and more
loan size			low	high
willingness to take individual loan			yes	no
approval for being mixed-sex group			yes	no
GROUP SAVINGS				
branch	Yerevan	Vanadzor	Gyumri	Gyumri
status in a group	group coordinator	group cashiers	group members	group members
time with MDF Kamurj	new	fairly experienced	newcomers, new and fairly experienced	experienced (<i>less often</i>)
number of standard loans	7 and more	2-3 loans	4-6 loans	1 loan
relation of short-term loans to standard loans	very high	low	high	medium
cycle	7 and more	2-3 cycle	2-6 cycle	1 cycle
loan size	very high	medium	low and medium	High
repayment period	4 months	--	6 months	4 months
willingness to take individual loan	no	no	yes	no
METHOD OF REPAYMENT				
branch			Gyumri	Yerevan
age			55 yrs. and younger	56 yrs. and older
education			Middle	High
number of all members of the household			3-4 people	1-2 people
status in a group			group members	group cashiers
loan size			low	very high
time with MDF Kamurj			newcomers, new and fairly experienced	experienced
delays during			no delays	no delays

SATISFACTION WITH DETAILED ASPECTS WITHIN PRODUCT DESIGN				
PROFILE OF GROUPS				
<i>Only variables that have statistically significant influence on the studied (dependent) variables are considered</i>				
Variables:	bad	neither good nor bad	rather good	definitely good
repayment				
willingness to take individual loan			yes	no
approval for being mixed-sex group			yes	no

Satisfaction with staff contact

Contact with the staff.
Satisfaction with detailed aspects - frequencies.

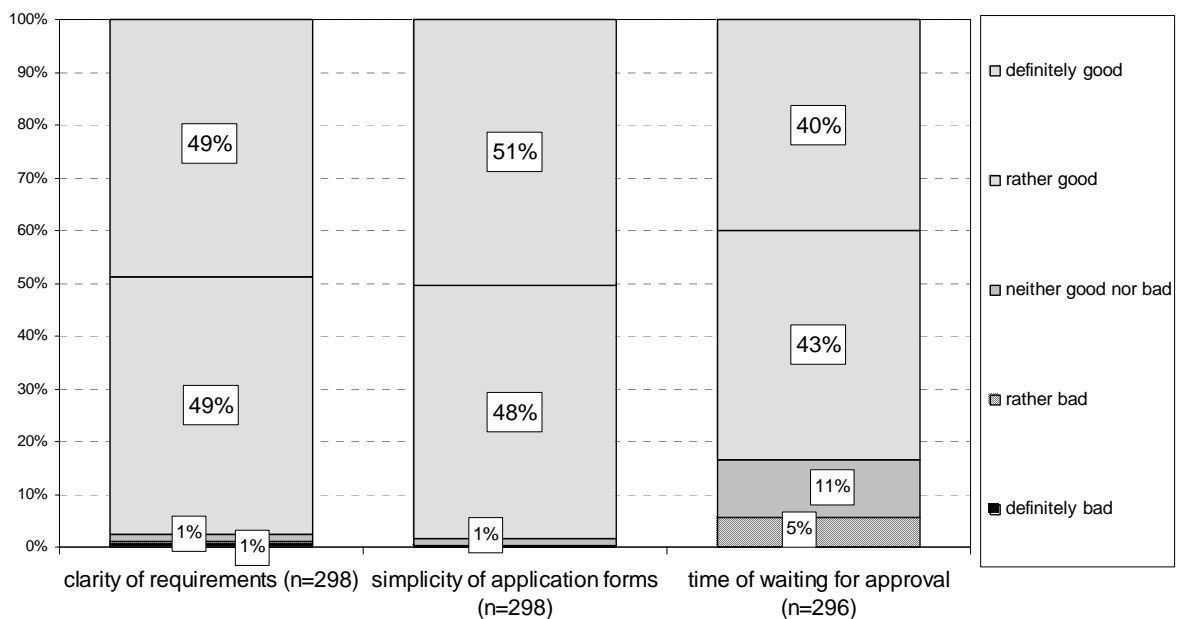


SATISFACTION WITH DETAILED ASPECTS WITHIN CONTACT WITH THE STAFF				
PROFILE OF GROUPS				
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>				
variables:	bad	neither good nor bad	rather good	definitely good
STAFF PROFESSIONALISM				
Branch			Vanadzor	Yerevan and Gyumri
Loan size			Low	Medium and high
STAFF POLITENESS				
Branch			Gyumri and Vanadzor	Yerevan
Age			18-35 yrs.	36 yrs. and older
Number of children in the household			2 children	3 children and more

Number of all members of the household			5 people and more	1-2 people
Status in a group			A group member	A group cashier
Time with MDF Kamurj			Newcomers and new	Fairly experienced and experienced
Cycle			1 cycle	2 cycle and more
Repayment period			4 months	6 months
Delays during repayment			--	No delays
Willingness to take an individual loan			yes	yes
RESPONSES TO SUGGESTIONS AND COMPLAINTS				
Branch	Gyumri (<i>less often</i>)	Yerevan	Gyumri	Yerevan
Number of children in the household	2 children	3 children and more	1 child	3 children and more
Number of all members of the household	3-4 members	1-2 members	3-4 members	1-2 members
Time with MDF Kamurj	Experienced	New	New and newcomers	Fairly experienced
Repayment period	4 months	6 months	6 months	4 months
Approval for being in mixed-sex group	yes	--	yes	no
Willingness to take an individual loan	no	--	yes	no
Delays during repayment	There are delays	--	There are delays	No delays

Satisfaction with process of obtaining the loan

Process of obtaining the loan.
Satisfaction with detailed aspects - frequencies.



SATISFACTION WITH DETAILED ASPECTS WITHIN PROCESS OF OBTAINING THE LOANS**PROFILE OF GROUPS**

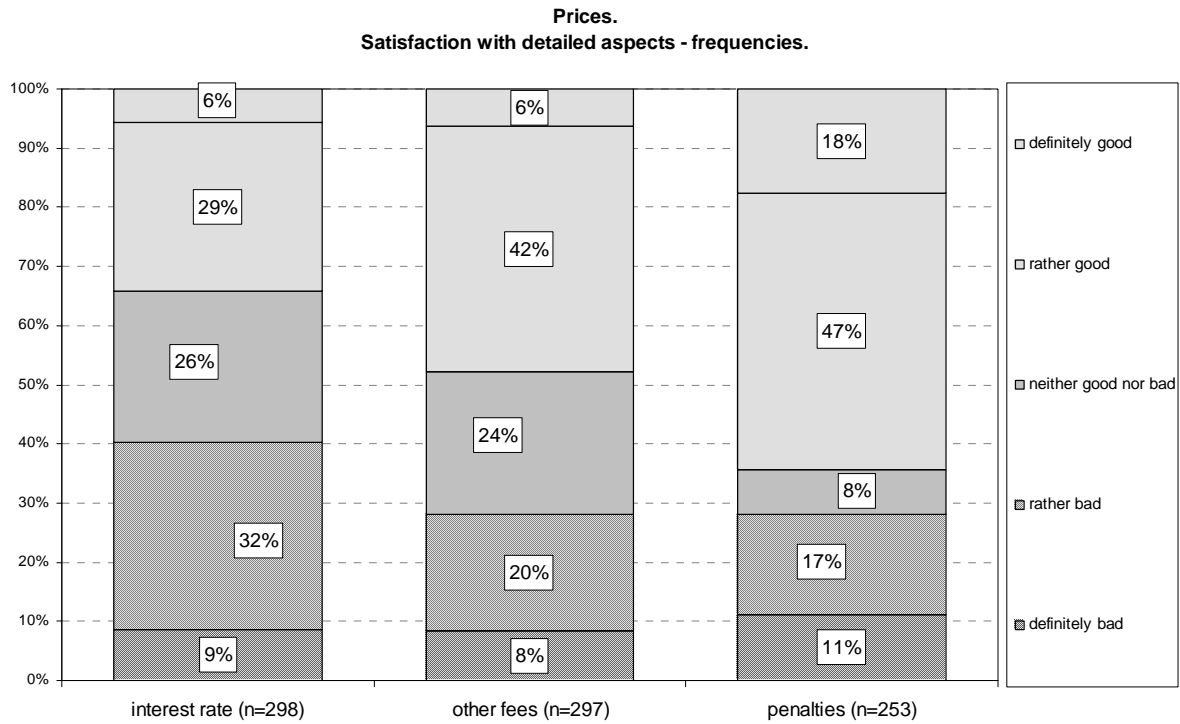
Only variables that have statistically significant influence on the studied (dependent) variables are considered

variables:	bad	neither good nor bad	rather good	definitely good
CLARITY OF REQUIREMENTS				
Branch			Vanadzor	Yerevan
Education			Middle and middle-specialized	High
Number of all members of the household			3-4 people	1-2 people
Status in a group			A group cashier (<i>less often</i>)	--
Time with MDF Kamurj			Fairly experienced	Newcomers and experienced
Loan size			Low and medium	High and very high
Repayment period			6 months	4 months
Willingness to take an individual loan			yes	no
SIMPLICITY AND CLARITY OF APPLICATION FORMS				
Branch			Vanadzor	Yerevan
Education			Middle and middle-specialized	High
Number of all members of the household			3–4 members	1–2 members
Cycle			2–3 cycle and 7 and more	1 cycle
Loan size			Low and medium	High and very high
Repayment period			6 months	4 months
Willingness to take an individual loan			Yes	No
WAITING TIME FOR LOAN APPROVAL				
Branch		Vanadzor	Gyumri	Yerevan
Age		18-35 yrs.	36-45 yrs.	46 yrs. and older
Number of children in the household		2 children	3 children and more	1 child
Number of all members of the household		3 people and more	3 people and more	1-2 people
Status in a group		Group cashiers(<i>less often</i>)	Group cashiers	Group coordinators and members
Time with MDF Kamurj		Newcomers	New and fairly experienced	Experienced
Number of standard loans		7 loans and more (<i>less often</i>)	4-6 loans	1 loan

Cycle		7 cycle and more	7 cycle and more	1 cycle
-------	--	------------------	------------------	---------

		(less often)		
Loan size		Medium	High (less often)	High and very high
Repayment period		4 months	6 months	4 months
Willingness to take an individual loan		yes	yes	no

Satisfaction with prices



SATISFACTION WITH DETAILED ASPECTS WITHIN PRICES				
PROFILE OF GROUPS				
<i>Only variables that have statistically significant influence on the studied (dependent) variables are considered</i>				
variables:	bad	neither good nor bad	rather good	definitely good
INTEREST RATE				
Branch	Gyumri	Vanadzor	Vanadzor (less often)	Yerevan
Education	Middle	High	Middle-specialized	High
Number of children in the household	1 child (less often)	2 children	1 child	3 children and more
Status in a group	--	Group members	Group cashiers	Group coordinators
Time with MDF Kamurj	New	Newcomers	Newcomers	Experienced
Cycle	7 cycle and more	2-3 cycle	4-6 cycle	1 cycle
Loan size	Low and medium	high	Medium (less often)	Very high
Repayment period	6 months	4 months	4 months	6 months

Delays during repayment	--	No delays	No delays	There are delays
Approval for being in mixed-sex groups	no	yes	yes	--
APPLICATION AND OTHER FEES				
Branch	Vanadzor (<i>less often</i>)	Vanadzor	Gyumri	Yerevan
Age	46-55 yrs. (<i>less often</i>)	18-35 yrs.	36-45 yrs.	56 yrs. and older
Education	Middle	Middle-specialized	Middle (<i>less often</i>)	High
Number of all members of the household	1 – 2 people	5 people and more	3-4 people	1-2 people
Status in a group	Group cashiers (<i>less often</i>)	Group members	Group cashiers	Group coordinators
Loan size	Very high	Medium	Low	High
Repayment period	--	4 months	6 months	4 months
Approval for being in mixed-sex groups	no	yes	yes	Yes
Willingness to take individual loan	No	yes	yes	No
PENALTIES FOR NON-PAYMENT				
branch	Yerevan	Vanadzor	Gyumri	Gyumri
Time with MDF Kamurj	New (<i>less often</i>)	New	Newcomers	Experienced
Number of standard loans	1 loan	2-3 loans	4-6 loans	7 loans and more
Relation of short- term loans to standard loans	high	medium	High (<i>less often</i>)	Very high
Cycle	1 cycle	2-3 cycle	4 cycle and more	4 cycle and more
Loan size	Very high	Medium and very high	Low and medium	High
Delays during repayment	There are delays	--	No delays	No delays
Willingness to take an individual loan	no	no	yes	Yes

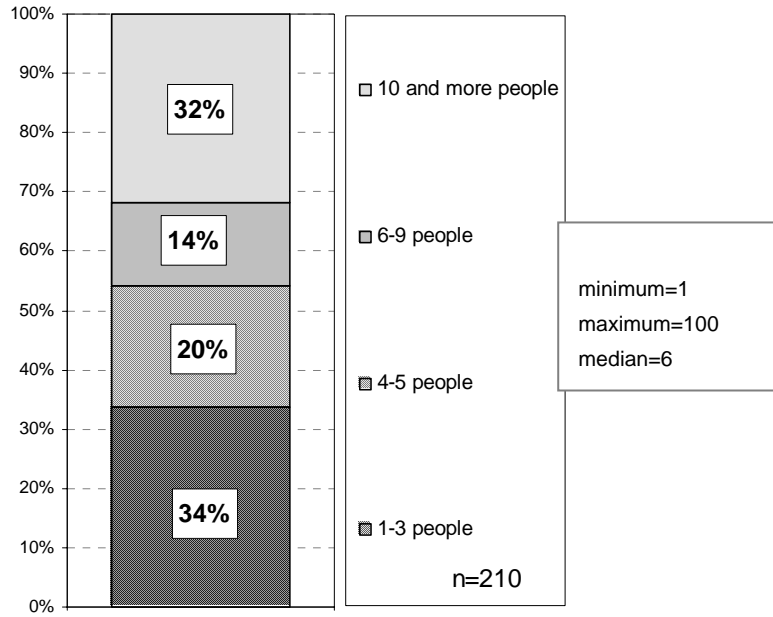
Annex #6: Detailed Results and Figures -- Loyalty

Referrals

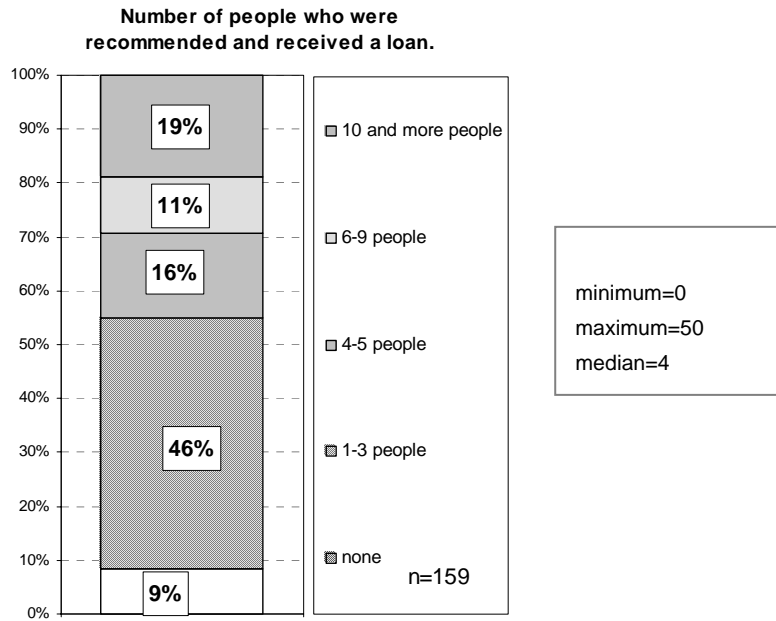
LIKELIHOOD TO RECOMMEND IN THE FUTURE		
PROFILE OF GROUPS		
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>		
variables:	No	yes
Number of children in the household	2 children	3 children and more
Number of all members of the household	3-4 people	5 people and more
Delays during repayment	There are delays	No delays
Willingness to take an individual loan	No	Yes

RECOMMENDATION IN THE PAST		
PROFILE OF GROUPS		
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>		
Variables:	No	yes
Number of children in the household	1-2 children	3 children and more
Number of household members	1-4 people	5 people and more
Status	Group members	Group cashiers and coordinators
Time with MDF Kamurj	Newcomers	New, fairly experienced and experienced
Number of standard loans	1 loan	2 loans and more
Cycle	1 cycle	2 cycles and more
Cycle	1 cycle	2 cycles and more
Approval for being in mixed-sex group	No	Yes
Willingness to take an individual loan	No	Yes
Repayment period	6 months	4 months

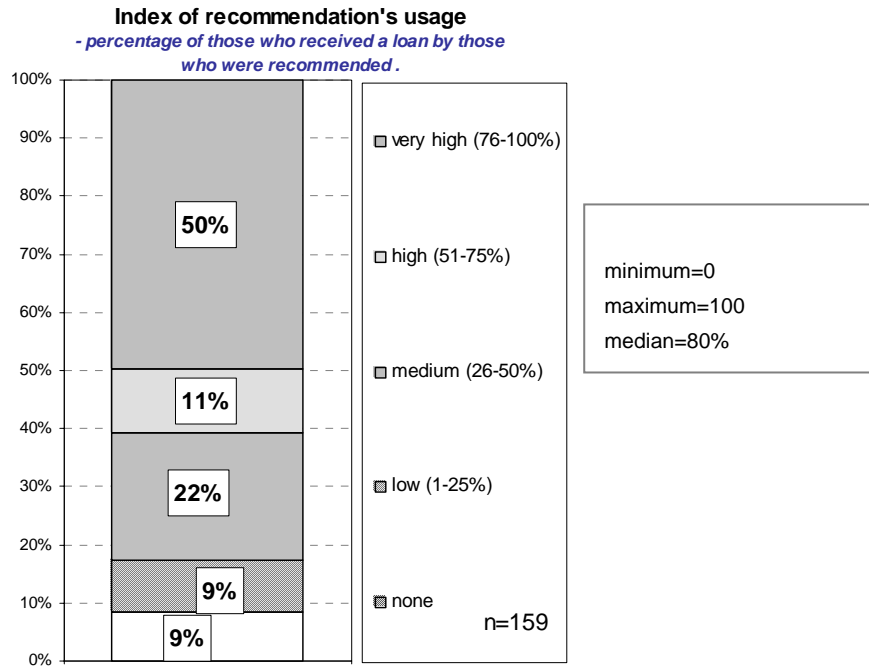
Number of people who were recommended.



NUMBER OF PEOPLE WHO WERE RECOMMENDED				
PROFILE OF GROUPS				
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>				
Variables:	1-3 people	4-5 people	6-9 people	10 people and more
Age	56 yrs. and older (less often)	36-45 yrs.	46-55 yrs.	56 yrs. and older
Status	Group members	Group members	Group coordinators	Group coordinators
Time with MDF Kamurj	Newcomers and new	New	Fairly experienced	Experienced
Number of standard loans	1 loan	2-6 loans	2-3 loans	7 loans and more
Cycle	1 cycle	4-6 cycle	2-3 cycle	7 cycle and more
Size of a loan	Medium	High	Very high	Low and very high
Repayment period	4 months	--	--	6 months
Delays during repayment	No delays	No delays	There are delays	There are delays



NUMBER OF PEOPLE WHO WERE RECOMMENDED AND RECEIVED A LOAN					
PROFILE OF GROUPS					
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>					
Variables:	nobody	1-3 people	4-5 people	6-9 people	10 people and more
Branch	Yerevan	Gyumri	--	Vanadzor	Gyumri (<i>less often</i>)
Status	Group members	Group members	Group coordinators (<i>less often</i>)	Group coordinators	Group coordinators
Time with MDF Kamurj	New and newcomers	Newcomers	New	Fairly experienced	Experienced
Number of standard loans	2-3 loans	1-3 loans	4-6 loans	4-6 loans	7 loans and more
Size of a loan	Medium	Low	High	High	Very high



INDEX OF RECOMMENDATION'S USAGE					
PROFILE OF GROUPS					
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>					
Variables:	None	Low	Medium	High	Very high
Branch	Yerevan	Vanadzor	Gyumri	Gyumri	Yerevan
Number of standard loans	2-3 loans	4-6 loans	1 loan	--	7 and more
Cycle	2-3 cycle	4-6 cycle	1 cycle	--	1 cycle
Approval for being in a mixed-sex group	No	No	Yes	No	Yes

Index of recommendations			
Percentage of those who recommended taking a loan in the past by those who would recommend in the future			
		in the past	
		no	yes
in the future	no	22%	3%
	yes	78%	97%
		<i>n</i>	<i>212</i>

Participation in financial market

INTENTION TO TAKE A LOAN IN THE FUTURE		
PROFILE OF GROUPS		
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>		
variables:	no	yes
Branch	Yerevan and Vanadzor	Gyumri
Education	Middle and high	Middle-specialized
Number of children in the household	2 children	1 child and 3 children and more
Number of all members of the household	Group members	Group coordinators and cashiers
Size of a loan	Medium, high and very high	Low
Repayment period	4 months	6 months
Delays during repayment	There are delays	No delays
Approval for being in a mixed-sex group	Yes	No
Willingness to be in a mixed-sex group	No	Yes

NEEDS FULFILLMENT			
PROFILE OF GROUPS			
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>			
variables:	low	medium	high
Branch	Yerevan	Yerevan and Vanadzor	Gyumri
Time with MDF Kamurj	Newcomers	New	Fairly experienced and experienced
Number of standard loans	1-3 loans	2-3 loans	4 loans and more
Cycle	1-3 cycles	2-3 cycles	4 cycles and more
Size of loan	Medium	High	Very high

COMPARISON OF MDF KAMURJ TO OTHER SOURCES OF LOANS			
PROFILE OF GROUPS			
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>			
variables:	worse	the same	better
BANK			
Branch	Gyumri and Vanadzor	Yerevan	Yerevan
Education	High	Middle	Middle-specialized
Number of children in the	3 children and more	2 children	1 child

household			
Status in a group	Group members	Group coordinators and cashiers (<i>less often</i>)	Group coordinators and cashiers
Delays during repayment	No delays	There are delays	No delays
Willingness to take individual loan	Yes	No	Yes
FAMILY / FRIENDS			
Branch	Yerevan and Vanadzor	Gyumri and Vanadzor	Gyumri
Age	18-35 yrs.	46-55 yrs.	56 yrs. and older
Number of household members	3-4 people	1-2 people	5 people and more
Loan size	Medium	Low and high	Very high
Repayment period	4 months	6 months	6 months
Willingness to take an individual loan	No	No	Yes
PRIVATE LENDERS			
Branch	Yerevan and Vanadzor	Yerevan	Gyumri
Number of standard loans	7 and more	1 loan	2-6 loans
Loan size	Medium	Medium	High and very high
Repayment period	4 months	4 months	6 months
Delays during repayment	No delays	There are delays	No delays
Willingness to take an individual loan	Yes	No	No
OTHER MFI			
Branch	Yerevan	Vanadzor	Gyumri
Education	High	Middle-specialized	Middle
Number of standard loans	1 loan	4-6 loans	1 loan
Repayment period	4 months	--	6 months
Willingness to take an individual loan	No	Yes	No

COMPARISON TO OTHER SOURCES OF LOANS		
DIFFERENCES IN SATISFACTION WITH DETAILED ASPECTS¹¹		
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>		
Variables:	MDF Kamurj is worse¹²	MDF Kamurj is the same or better
BANK		
Overall satisfaction	Less satisfied	More satisfied
Loan size	Less satisfied	More satisfied
Incentives for repeat borrowers	Less satisfied	More satisfied

¹¹ at the significance level = 0,10 (independent sample t-test)

¹² The satisfaction level in this group is relatively high except for such aspects as interest rate and application and other fees.

Interest rate	Less satisfied	More satisfied
Staff professionalism	Less satisfied	More satisfied
Clarity of requirements	Less satisfied	More satisfied
Making group repayments in the MDF Kamurj office	Less satisfied	More satisfied
Waiting time for loan approval	Less satisfied	More satisfied
FAMILY / FRIENDS		
Overall satisfaction	Less satisfied	More satisfied
Incentives for repeat borrowers	Less satisfied	More satisfied
Interest rate	Less satisfied	More satisfied
Application and other fees	Less satisfied	More satisfied
Group savings	Less satisfied	More satisfied
Penalties for non-repayment	Less satisfied	More satisfied
Staff politeness	Less satisfied	More satisfied
Staff professionalism	Less satisfied	More satisfied
Reactions to suggestions and complaints	Less satisfied	More satisfied
Clarity of requirements	Less satisfied	More satisfied
Simplicity and clarity of application forms	Less satisfied	More satisfied
Waiting time for loan approval	Less satisfied	More satisfied

OTHER LOAN USE PROFILE OF GROUPS		
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>		
variables:	does not use	does use
Branch	Gyumri	Yerevan and Vanadzor
Age	46 yrs. and older	45 yrs. and younger
Size of a loan	Low, medium and high	very high
Percentage of needs satisfied	Low and medium	High
Approval for being in a mixed-sex group	Yes	No
Willingness to be in a mixed-sex group	Yes	No

OTHER LOAN USE		
DIFFERENCES IN SATISFACTION WITH DETAILED ASPECTS ¹³		
Only variables that have a statistically significant influence on the studied (dependent) variables are considered		
Variables:	Uses of other MFIs ¹⁴	MDF Kamurj is the only source
FAMILY / FRIENDS		
Overall satisfaction	Less satisfied	More satisfied
Loan size	Less satisfied	More satisfied
Application and other fees	Less satisfied	More satisfied
Staff professionalism	Less satisfied	More satisfied
Staff politeness	Less satisfied	More satisfied
Responses to suggestions and complaints	Less satisfied	More satisfied
Clarity of requirements	Less satisfied	More satisfied
Loan approval time	Less satisfied	More satisfied

Loyalty indices

There are two loyalty indices. The first one is mainly based on questions about the future and may reflect much higher loyalty than in reality. In fact, it should be treated as an **aspiration index** based on conviction, “*comme il faut*” rather than on behavioral level. The reason is that respondents want to show themselves well to an interviewer, therefore they give positive answers to questions concerning the future, even if they do not consider them true. That is why the idea is to construct the second index (**behavioral**) based on the questions concerning present behaviors as regards loyalty.

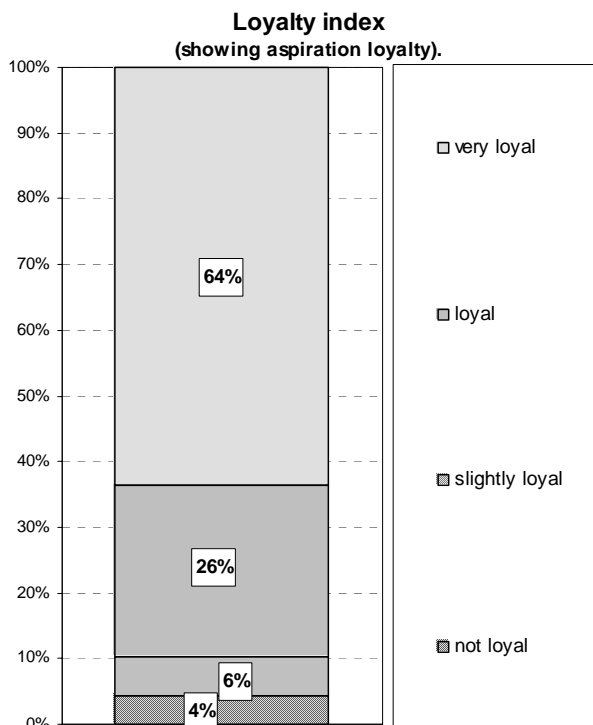
The **first (aspiration) loyalty index** is constructed on the basis of the following questions:

- ⇒ likelihood to recommend MDF Kamurj in the future
- ⇒ recommendation of MDF Kamurj in the past
- ⇒ intent to take a loan in MDF Kamurj¹⁵

The **first (aspiration) loyalty index** is constructed on the basis of the following questions:

- ⇒ likelihood to recommend MDF Kamurj in the future
- ⇒ recommendation of MDF Kamurj in the past
- ⇒ intent to take a loan in MDF Kamurj

On the basis of factor analysis, all variables set up one factor that explains 53% of variance.



¹³ at the significance level = 0,10 (independent sample t-test)

¹⁴ The satisfaction level of this group is relatively high except for loan size

¹⁵ On the basis of factor analysis all these variables set up one factor which explains 53% of variance.

Answers for each of these were recoded and given the following number of points:

- ⇒ for answer “no”, “definitely no”, “rather no” – 0 points
- ⇒ for answer “yes”, “definitely yes”, “rather yes” – 1 point

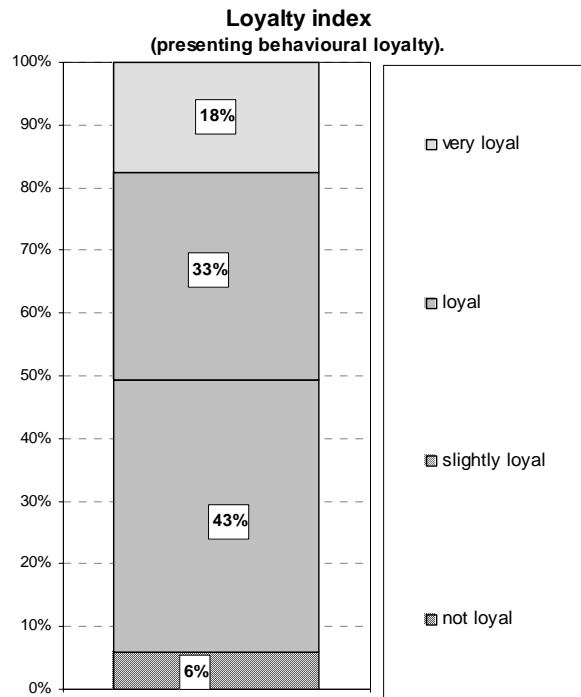
After recoding the new variable that is a sum of the above questions was created (expected minimum is 0, maximum 3). On its basis the following groups are distinguished:

- ➔ not loyal (received 0 points)
- ➔ slightly loyal (received 1 point)
- ➔ loyal (received 2 points)
- ➔ very loyal (received 3 points)

LOYALTY INDEX (SHOWING ASPIRATION LOYALTY)				
PROFILE OF GROUPS				
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>				
variables:	Not loyal	Slightly loyal	Loyal	Very loyal
Age	18-35 yrs.	36-45 yrs. <i>(less often)</i>	36-55 yrs.	56 yrs. and older
Number of children in the household	2 children	2 children	1 child	3 children and more
Number of all members of the household	3-4 people	3-4 people	1-2 people	5 people and more
Status	Group member	Group member	Group member	Group cashier and coordinator
Number of standard loans	2-3 loans <i>(less often)</i>	1 loan	1 loan	2 loans and more
Cycle	1 cycle	1-3 cycle	1 cycle	2 cycle and more
Loan size	Medium	High	Low	Very high
Repayment period	4 months	4 months	--	6 months
Delays during repayment	There are delays	No delays	No delays	No delays
Willingness to take an individual loan	--	yes	no	yes
Approval for being in mixed-sex groups	--	no	yes	no

The **second (behavioral) loyalty index** is constructed on the basis of the following questions:

- ⇒ recommendation of MDF Kamurj in the past (1 point for answer “yes”, 0 points for “no”)
- ⇒ percentage of needs satisfied by MDF Kamurj (1 point for “high”, 0 points for “low” and “medium”)
- ⇒ second important source of loans (1 point for answer “Kamurj is my only source”, 0 points for having other sources)
- ⇒ comparison of MDF Kamurj to a bank (1 point for “better”, 0 points for “the same” or “worse”)
- ⇒ comparison of MDF Kamurj to family / friends (1 point for “better”, 0 points for “the same” or “worse”)
- ⇒ comparison of MDF Kamurj to private lenders (1 point for “better”, 0 points for “the same” or “worse”)
- ⇒ comparison of MDF Kamurj to other MFI (1 point for “better”, 0 points for “the same” or “worse”)¹⁶



Yet, recommendation in the past should be omitted in index creation as on the basis of factor analysis all variables except for it generate one factor. After exclusion of this variable there is one factor extracted from the rest of variables explaining 58% of variance.

The loyalty index is a sum of the latter (minimum – 0, maximum – 6) and on its basis the following groups are distinguished:

- ➔ not loyal (received 0 points)
- ➔ slightly loyal (received 1 - 3 points)
- ➔ loyal (received 4 - 5 points)
- ➔ very loyal (received 6 points)

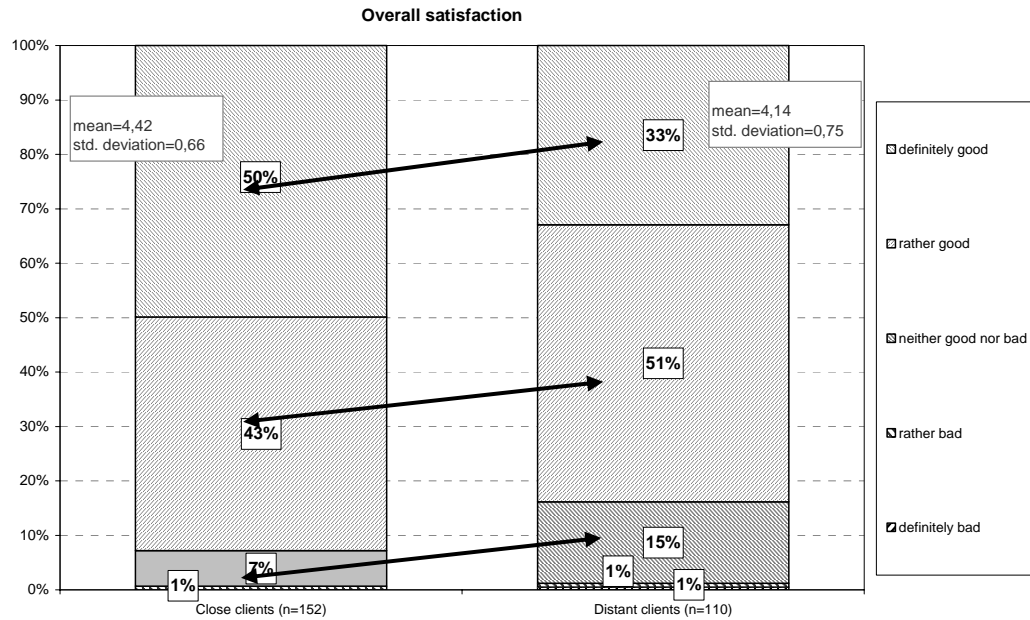
Comparison of those two loyalty indices shows that the latter yields smaller number of very loyal but an increase of slightly loyal and loyal. However, higher behavioral loyalty may be the effect not only of a high opinion on MDF Kamurj, but also of awareness of no prospects to take a loan elsewhere.

LOYALTY INDEX (PRESENTING BEHAVIORAL LOYALTY)				
PROFILE OF GROUPS				
<i>Only variables that have statistically significant influence on the studied (dependent) variables are considered</i>				
variables:	Not loyal	Slightly loyal	Loyal	Very loyal
Branch	Vanadzor	Yerevan	Vanadzor	Gyumri
Age	18-35 yrs.	36-45 yrs.	56 yrs. and more	46-55 yrs.
Education	High	Middle-specialized	High and middle-specialized	middle
Number of children in the	2 children	1 child	1 child	2 children

¹⁶ Yet, recommendation in the past should be omitted in index creation as on the basis of factor analysis all variables except for it generate one factor. After exclusion of this variable there is one factor extracted from the rest of variables explaining 58% of variance.

household				
Number of all members of the household	3-4 people	3-4 people	1-2 people	5 people and more
Time with MDF Kamurj	Newcomers	New and fairly experienced	Newcomers	Experienced
Number of standard loans	1 loan	2-3 loans	1-3 loans	7 loans and more
Cycle	1 cycle	2-3 cycle	2-3 cycle	1 cycle
Loan size	Medium	High	Low	Very high
Repayment period	4 months	--	4 months	6 months
Delays during repayment	No delays	There are delays	No delays	There are delays

Annex #7: Detailed Results and Figures -- Segmentation and SWOT by Loyalty

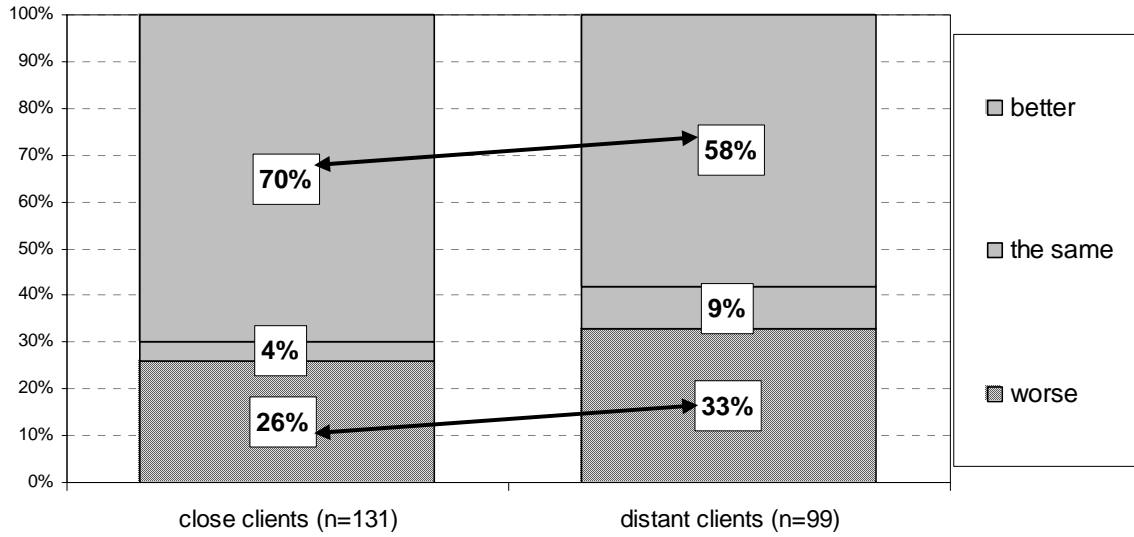


SEGMENTATION		
DIFFERENCES IN SATISFACTION WITH DETAILED ASPECTS¹⁷		
<i>Only variables that have a statistically significant influence on the studied (dependent) variables are considered</i>		
variables:	Close clients	Distant clients
diversity of loans offered	more satisfied	less satisfied
repayment period	more satisfied	less satisfied
loan size	more satisfied	less satisfied
interest rate	more satisfied	less satisfied
application and other fees	more satisfied	less satisfied
staff politeness	more satisfied	less satisfied
responses to suggestions	more satisfied	less satisfied

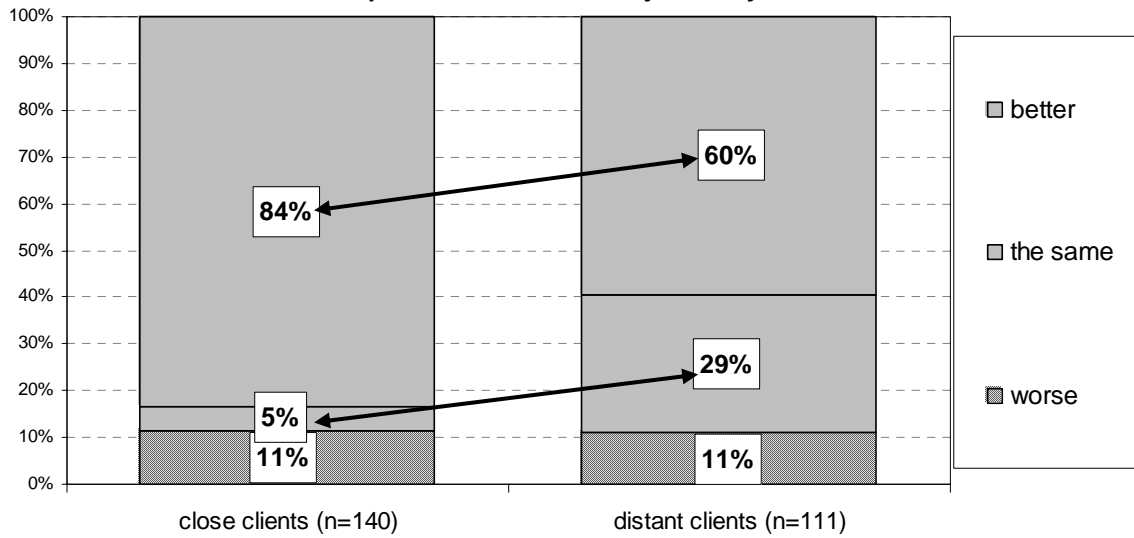
¹⁷ at the significance level = 0,10 (independent sample t-test)

and complaints		
simplicity and clarity of application forms	more satisfied	less satisfied

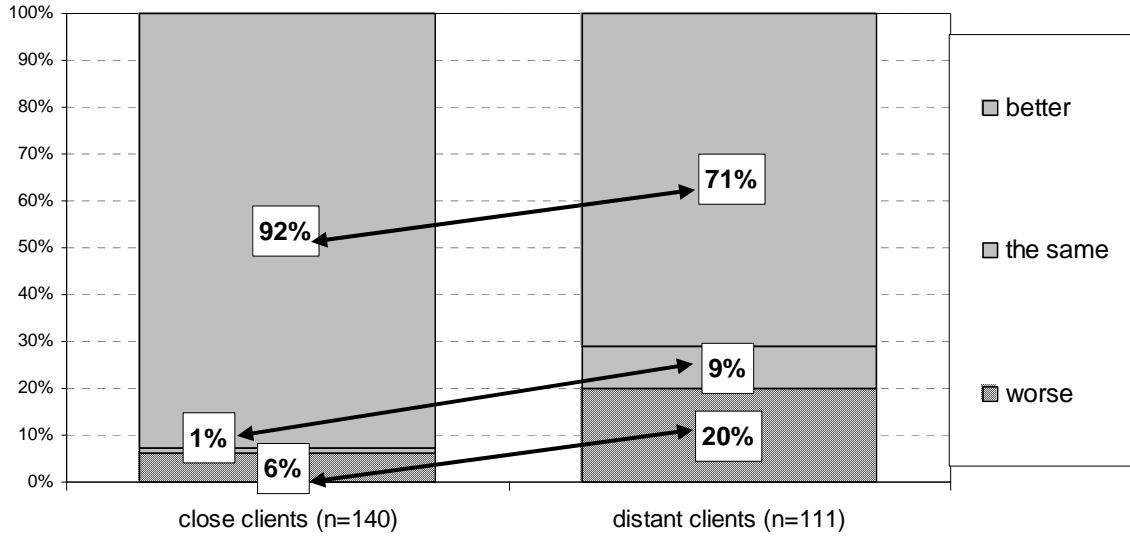
Comparison of MDF Kamurj to banks.



Comparison of MDF Kamurj to family / friends.



Comparison of MDF Kamurj to private lenders.



Comparison of MDF Kamurj to other MFI.

