

Links between social performance, client satisfaction and impact: combination of social assessments in Bolivia

Introduction

In 2002 and 2006, Finrural, the Bolivian network of not-for-profit MFIs, carried out impact assessment studies among MFI members on the economic situation and the personal development of their clients. Finrural conducted customer satisfaction studies in 2004.

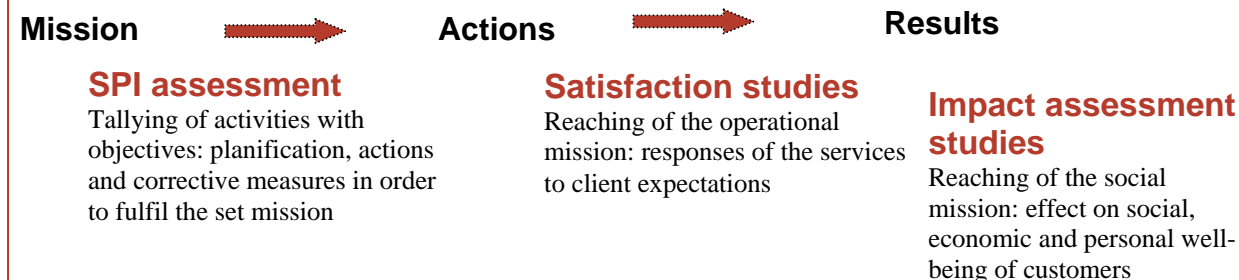
Moreover, Finrural helped to create the SPI, a tool to measure social performance. This tool was used in the 10 Bolivian MFIs in 2006, thanks to the cooperation of Profin, a support programme driven by Swiss development cooperation.

On the basis of a questionnaire, SPI makes it possible to assess an MFI's processes according to 4 key dimensions:

1. Outreach to the poor and the excluded
2. Strengthening their social and political capital
3. Adapting the products and services to clients
4. Social corporate responsibility of the institution.

In 2007 Finrural and CERISE jointly compared the results of the SPI, the impact assessment studies and the client satisfaction studies available in Bolivia. The underlying hypothesis for this comparative work was that some specific processes (assessed by the SPI) produce particular effects (assessed by the impact assessment and client satisfaction studies). At a methodological level, proving that there was such a correlation helped validate the SPI hypotheses of interconnections between the process and the results. In very concrete terms, the findings of this analysis provide essential information concerning the selecting and adjusting of indicators for the social performance and impact follow-up system that Finrural et ForoLacFr, the Latin American MFI network, plan to set up by 2008.

Complementarity of an MFI's social assessments



Methodology

Seven institutions with different approaches were assessed according to these three approaches: two MFIs of the village bank type with a methodology based on the self-management of groups of services providers who can also save; two MFIs with a productive approach, oriented essentially towards the first links of the value chain, particularly in rural areas; two MFIs with an integral approach, seeking to serve the whole range of their clients' needs; lastly, a regulated institution which is authorised to attract savings from the public.

Conclusions of the comparison between the SPI – satisfaction surveys – impact assessment

1. The economic impact differs depending on client outreach revealed by the SPI

Some so-called productive or integral MFIs, as well as the regulated MFI, use few mechanisms to target the poor and the excluded, and consequently obtain weak results in the SPI first dimension. Their main effect tends to be on the fixed capital and employment of their clients' economic units. Conversely, the MFIs that work like village banks and some so-called productive or integral ones, more actively targeting poor and excluded clients, tend to have a greater impact on the capital circulating in their clients' economic units, as well as the level of income of their family units.

This can be explained by the fact that people who have more pronounced poverty or exclusion profiles conduct economic activities involving less fixed capital, circulating capital thus being the main variable affected by the credit. Furthermore, since the companies are not very formalised, an increase in activity affects the income of the family unit more directly. Lastly, since the activities of the poor and the excluded are generally characterised by micro-entrepreneurship and multiple activities, the credits that they receive have little impact on job creation. Conversely, the credits given to people who are less poor and excluded have a greater bearing proportionally on the fixed capital and employment of the economic units.

2. Empowerment and personal development of the clients favoured by non-financial services

The impact assessment studies show that the MFIs offering non-financial services have more of an impact on their clients in terms of personal development (self-confidence, participation, leadership and entrepreneurial capacity) than the MFIs that do not provide such services.

Moreover, in some cases, non-financial services seem to play a role in improving the impact of the credits.

Nevertheless, there are several examples where credits without non-financial services have a significant social bearing. In those cases, the lack of such services appears to be offset by an active targeting of poor and excluded people, hand-in-hand with significantly diverse services.

3. Client loyalty and satisfaction by reason of the adaptation and the quality of the services

This comparative work made it possible to check that the MFI getting good SPI scores in terms of the adaptation and the quality of the services (dimension 2) are those that had the best client satisfaction levels and that are perceived as having the best comparative advantages.

4. Relation between client loyalty/satisfaction and client empowerment

The institutions scoring high in dimension 3 of the SPI have the best client loyalty and the highest levels of client satisfaction with respect to access to credits and to institutions. This shows that transparency and participation practices do indeed make it possible to maintain and deepen a special relationship with clients.

Sum-up and future prospects

The analysis has validated several hypotheses underpinning the SPI and confirmed the relevance of the chosen indicators, particularly concerning dimension 2 (adaptation of services) and dimension 3 (improvement of the social and political capital). What is more, it has been possible to identify key process indicators that help create a social and economic impact: the type and degree of outreach, the diversity and the quality of the products, non-financial services, and the participation and the empowerment of clients.

To take this comparative work further, it would be worthwhile to extend these comparisons to other types of studies. For instance, it was not possible to check the adaptation between dimension 1 of the SPI (outreach) against the real situation of the new clients, because the satisfaction and impact assessment studies only involved "old" clients on which the MFI could already have had a bearing. Including poverty yardsticks to this analysis would make it possible to check the agreement between the efforts undertaken by the MFIs to serve the poor and the excluded and their clients' real profiles. By cross-tabulating the SPI results and those of the market survey, one could also see whether good social performance in terms of social, trust-based and transparent responsibility does indeed influence the institution's image among the public.

This comparative work was then completed by comparisons between the SPI results and the financial performance data, making it possible to gauge to what extent processes with a good social performance improve staff efficiency and lead to reduced cost and outstanding payment levels.

In the end, this comparative work provides the opportunity to look at the existing relations between a tool that assesses institutional processes and tools that measure results on clients. It was thus possible to demonstrate that there is a strong relation between these two complementary approaches and show that these links can be reinforced in order to develop integrated approaches for the assessment of governance and the management of social performance, an encouraging prospect which will enable MFIs to combine economic viability and social usefulness.

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