



Does Social Performance Data Support the Industry's Social Mission Claims?

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Microfinance industry stakeholders increasingly recognize that the social benefits of microfinance cannot be taken for granted. As the boundary between microfinance and traditional finance continues to erode, remaining true to microfinance's mission can be more challenging than ever. High levels of competition for clients and funding, the pressure of commercialization, and the related pressure to grow as quickly as possible all distract microfinance institutions (MFIs) from what should be their top concern - making life better for their clients.

MFIs need to take deliberate actions in designing and delivering appropriate services and in protecting their clients from harm. To achieve their development goals and remain accountable towards their clients and community, MFIs need to effectively manage both financial and social performance (SP).

Recently, Microfinance Information Exchange (MIX) has assessed the various aspects of social performance management as reported by 405 microfinance institutions from 73 countries in 2009 and 2010. The [report](#), written in collaboration with the Imp-Act Consortium, provides a framework for analyzing the current state of social performance practice across regions, and highlights current challenges in data collection and reporting.

Top-level Report Findings:

1. *Social Performance Management Integration on the Rise*

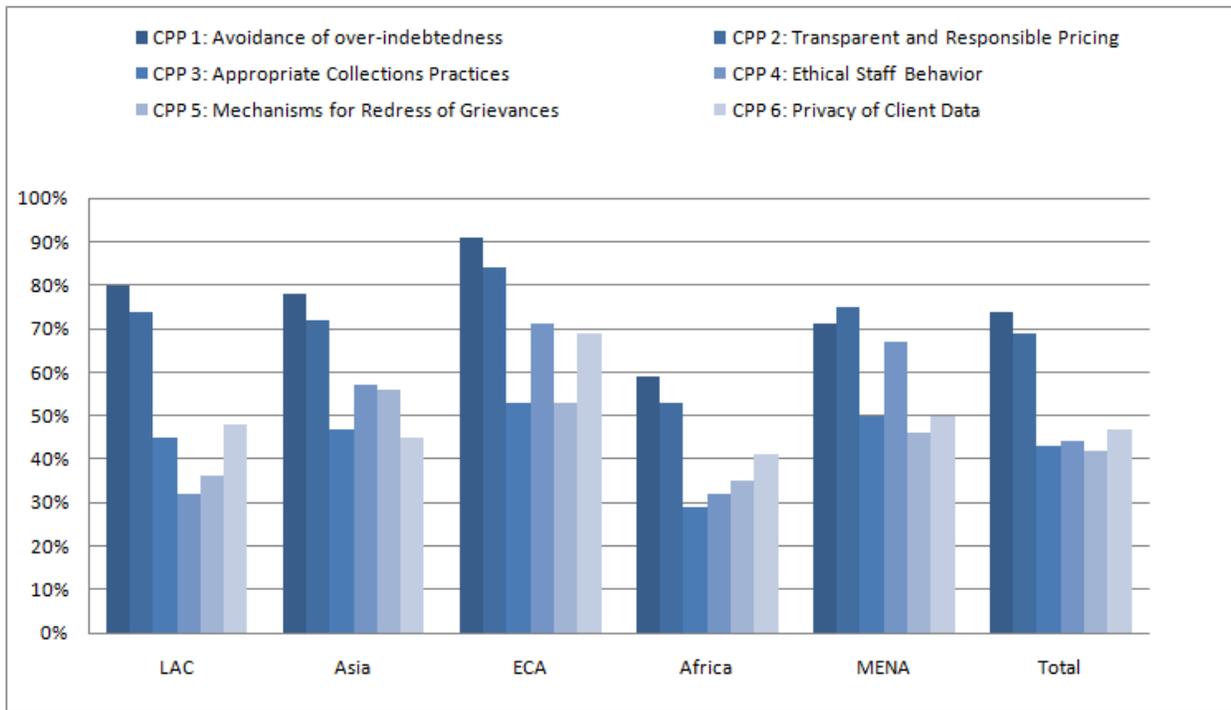
Social performance management (SPM) and reporting are on the rise in the microfinance industry as a whole and the exercise of tracking such information is already impacting the daily existence of MFIs around the world. A large number of institutions are creating social performance positions or departments within their organizations and setting work plans based around the SPTF's social performance framework.

MFIs that operate in the most competitive and/or mature markets, have received some form of training on SPM, have strong support from local microfinance networks or receive funds from investors who base investment decisions on social performance information tend to be most active in monitoring and reporting on social performance. At the institutional level, when social performance is included in the agendas of the board and management, MFIs show better ability to track outreach indicators and align SPM policies with their mission.

2. *Responsible Finance Works Better in the Presence of Appropriate Regulation*

A key principle of SPM is that MFIs should have systems in place to ensure that they do not harm their clients. MFIs increasingly recognize the importance of consumer protection policies but these still need to be expanded and improved. While only 15 percent of MFIs reported having all six of the Smart Campaign principles in place, progress differs significantly across regions.

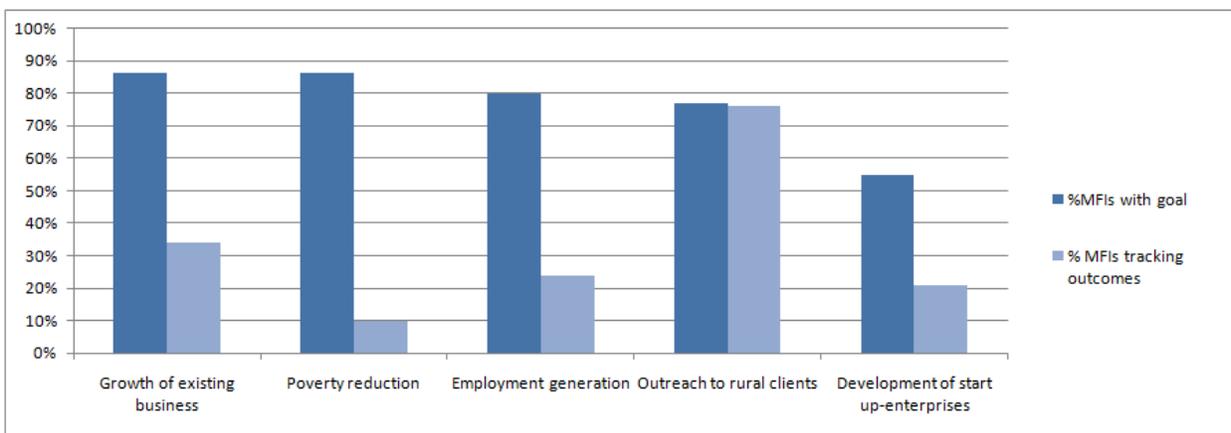
The regulatory environment has a significant influence on the existence of client protection practices and the enforcement of the do-no-harm principle but, at the same time, its influence as a driver of SPM uptake is limited to these two areas. Regulation can compel MFIs to disclose prices and regulated MFIs are likely to be under closer scrutiny regarding client treatment and employment practices.



3. Tangible SP Results Data is Lacking

While social performance management is on the rise globally, reporting on tangible results related to an MFI’s mission is more challenging: very few MFIs can actually state whether their goals are being met. An emblematic example is that of poverty reduction. This was defined as a goal by 84 percent of MFIs but, when it came to reporting client progress out of poverty, only 10 percent of MFIs could provide this information.

Measurement of poverty outreach is thus difficult to benchmark not only because it is limited to a few MFIs but because of the variety of tools available and the different poverty lines used. Many MFIs cite generating employment and supporting business creation as development goals, but these types of outcomes are not commonly tracked. Management information systems (MIS) rarely capture data of this kind.



The growing demand for social performance information from different industry stakeholders, the rising inclusion of these metrics in investors’ and donors’ due diligence procedures, and the increasing availability of training and assessment tools for MFIs interested in SPM indicate once and for all that a shift in the evaluation of MFI performance is taking place. All those who wish to see the social promise of microfinance through to its conclusion should welcome this shift.

To read the full report findings, [click here](#).