

Methodological Proposal to Measure Social Performance in Microfinance Institutions

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ABSTRACT – *In the last decades, the microfinance sector has globally grown. Microfinance institutions (MFIs) were created to fight and reduce poverty; however, many MFIs seem to no longer achieve their social missions because they act as conventional financial institutions. This slows down the financial support that most low-income families need in order to improve their quality of life.*

This paper presents a methodological proposal to measure social performance in MFIs. Thus, MFIs and other institutions with a social mission may benefit from an efficient tool used for a transparent and actual control of their social performance

KEY WORDS: *management, social responsibility, microfinance, social performance*

Introduction

Microfinance is the provision of financial services to low-income families. In the last years, it has become a useful tool to help the most vulnerable people, since it contributes to the improvement of the income and social empowerment. In this context, microfinance institutions (MFIs) were created to fulfill a social function aimed to reduce poverty through the financing of poor customers who couldn't have access to traditional financial services. Nevertheless, these objectives have been distorted in some cases and many MFIs are beginning to resemble traditional financial institutions, disregarding the initial objective that was to help people to overcome poverty and to achieve a verifiable social inclusion.

This paper proposes a methodology to measure the social performance in MFIs; it seeks to improve the management and the balance of financial and social objectives in MFIs. The proposed methodology aims to be considered as a new approach to measure social performance, which seeks a more transparent achievement of MFIs' social mission. Social performance measurement allows MFIs to manage and balance their financial and social objectives, thus reducing their own operating costs. When improving their services, MFIs are able to retain more customers and demonstrate their social performance to the stakeholders. Additionally, the proposed methodology is also applicable to organizations of several industries interested in achieving not only financial objectives, but also social objectives.

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Evolution of the social performance concept within the MFIs

Organizations are currently interested in the need to promote the creation of a sustainable society. However, the initiatives for this objective differ in the approach and needs of each organization, even though there are several similarities among them. In the last decades, the company and the community have been socially interacting by means of the concept of Corporate Social Responsibility (CSR).

The definition of CSR given by Future Foundation and BT (Grimshaw & Wilmott, 1998) states that it is an agreement that takes into consideration the opinions and interests of individuals, organizations, and other parties with whom the company deal on a regular basis. Furthermore, CSR incorporates economic, legal, ethical, and discretionary categories; hence, society creates an expectation with regard to the company's operation, which must meet these four categories. The aim is to create a good relationship between businesses and the society, because if the company achieves to develop the concept of social sensitivity, it can meet the expectations of the society according to its business sector.

Social Performance in the context of MFIs becomes a peculiarity of the corporate social performance (CSP) concept. The latter is the measurement of CSR complied by companies. In other words, the CSP is how an institution respects and achieves its social mission, measuring it by means of the principles, actions and the implemented corrective measures, i.e., the effective translation of the organization's mission into practical actions that lead to the achievement of social objectives. Hence, Social Performance Assessment (SPA) should be as systematic as the financial performance assessment.

With regard to the performance of MFIs, they have interrelated social and financial objectives since their creation. For this reason, the need to find the tools to measure social performance arises. MFIs shall manage this double parameter, in which a strong financial performance will facilitate the achievement of the social mission. Similarly, the social objectives of MFIs shall be included in their own social mission, which should be based on the following principles: i) provide services to a growing number of vulnerable and excluded target groups; ii) improve the quality and adequacy of services; iii) increase the customers' social capital and political capital; and iv) MFIs shall involve their employees, customers, and the community in social responsibility activities (Social Performance Task Force, June 2009).

Moreover, according Woller (2007), social performance is not only defined in terms related to poverty, as it may or may not include them since it does not only measures the final outcomes, but also the actions and corrective measures that are continuously taken in order to achieve this outcome. In practice, it is feasible for MFIs to have a different social mission than to serve the poor. However, Crompton (2007) stated that most MFIs follow a double bottom line: financial outcomes, in terms of financial sustainability, and social outcomes in terms of socio-economic impact. Nevertheless, it might be difficult to find the right balance between these two objectives.

Nowadays, MFIs seek to achieve their social objectives as part of a change in industry practices, which has financial performance approach almost exclusively to a more active interest in their customers. This change is influenced by a growing interest in various types of impact assessments, market research, and in the development of new products, which

enables a better understanding of their customers and a better service according to their needs.

In summary, the continuous process of collecting customer information, changing MFIs' products and processes to improve their operations, and the achievement of the social objectives is exactly what social performance measurement intends to reflect. In addition, the translation of MFIs' social mission shall cover a wider range than the reduction of poverty.

Social performance management

The most used scheme for the implementation of Social Performance Management (SPM) is a scheme that involves MFIs with national networks and international cooperation organizations interested in establishing positive impact initiatives for the poor. Social performance is not the casual result of MFIs operation, on the contrary, it is the result obtained thanks to the planning and measurement of institutional decisions. This encompasses more than the impact of microcredit on the daily life of a poor person, considering the impact of financial services in terms of vulnerability decrease, methodologies of customers' social participation, the creation of social ties, and the promotion of social capital.

In order to achieve a high SPM, it is important to organize administration processes, to define the mission, the strategic planning, and the information system design, but especially the governance and the focus on the poor shall determine the design of financial products, as well as the methodology of decentralization and social participation. SPM helps MFIs to translate their mission and values into clear, measurable objectives liable to capture intentional social benefits. MFIs that are clear about their objectives are more likely to have a deliberate strategy to achieve them. Microfinance has, indeed, a great potential to help customers; however, it also has the potential to be detrimental, especially through overindebtedness.

MFIs integrating a social approach in performance management processes will not only benefit from more loyal and satisfied customers, but also will be able to demonstrate social outcomes to external stakeholders, including investors and donors. Impact refers to the effects that the proposed intervention has on the overall community. In general, SPM is a broad process that comprehensively examines the entire MFI: (a) management indicators, (b) social objectives, (c) target groups (d) operative processes, (e) reports, and (f) assessment reports (Social Performance Task Force, June 2009).

Social performance indicators

Social Performance Indicators (SPI) is defined in four dimensions: (a) focus on the poor and the excluded, (b) adapt the services and products to the target population, (c) improve share and political capital of clients, and (d) social responsibility of the institution. The main indicators used to measure social performance in MFIs are the following:

- a) Poverty index: It measures poverty levels of clients in MFIs.
- b) Unemployment index: It evaluates job opportunities created by the companies supported by the MFI.

- c) Human Development Index (HDI): It is a social indicator based on three factors: (i) a long and healthy life; (ii) education; and (iii) a decent standard of living measured by the gross domestic product per capita.
- d) Social capital index: This is the result from an interaction among the individuals, institutions, and structures created to learn these, about their shared values.
- e) Social policy index: It evaluates the preservation or increase of social welfare through a set of existing criteria and political guidelines.

Social performance measuring tools

During the last years, isolated attempts to measure social performance have been made using different tools based on several definitions of social performance. These tools can be grouped into three groups, considering the main objective and the proposed dimensions: social audit tools, social indices tools, and poverty assessment tools. All these models and measurement tools have the disadvantage of having very extensive questionnaires, which implies that the interviewer or the survey taker has to spend a lot of time explaining the tool and, specially, obtaining the needed information.

The comparison of these tools is shown in Table 1, which is based on the following dimensions: (i) Clarity in the social mission, objectives and organizational values; (ii) alignment of the organizational systems such as strategic marketing, product methodology, human resource incentives, the objectives, values and mission in the IMF; (iii) the use of standardized indicators to measure the performance of the MFI with regard to the achievement of the objectives based on their values, strengthening the focus on the mission and on the targeted customers; (iv) the responsibility to the customers measured as the transparency and fairness of the services or products costs, effective communication, customer training in financial education, inclusion of illiterate clients, monitoring clients with overindebtedness, ethical behavior of the staff, including the appropriate practices of debt repayment; (v) gender considerations in relation to operational policies and practices; the number of members and the percentage of women on the organization board, the management, and staff; (vi) administration by the members with regard to the ease of board elections, regular meetings of all partners and the attendance level, and effective strategies for communicating the senior management's decisions to the ordinary members; (vii) non-financial services such as literacy; (viii) responsibility to the community with regard to job creation and enhance the development of new businesses; (ix) responsibility to the staff with regard to the transparent recruitment and equal treatment; (x) responsibility to the conservation of the local environment; (xi) scope of social objectives; (xii) financial services aimed to achieve social objectives; (xiii) changes due to social objectives.

Table 1. Comparison of social performance tools

Tools / Dimensions	Clearness of the mission	Alignment of the Systems	Decision making	Responsibility to clients	Gender considerations	Members' Governance	Non-financial services	Responsibility to the community	Responsibility to the staff	Responsibility in the local environment	Social objectives scope	Services to achieve social objectives	Changes due to social objectives	Weaknesses
Social Performance Indicator (SPI)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Changes due to social objectives	<ul style="list-style-type: none"> The translation guide is available in French and English, which means that it would be difficult to apply the tool with other foreign language speakers. Limited interaction with the client. There are no field studies. Limited evaluation of systems alignment. Limited interaction with the client since there are no field studies.
Quality Audit Tool (QAT)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Changes due to social objectives	<ul style="list-style-type: none"> There is no comparative assessment of the social performance with other institutions or other industry sectors. Limited evaluation of non-financial services. Lack of specific indicators for the microfinances sector because MFIs use indicators designed for other financial institutions. Financial costs can be significant if a MFI must be modernized in order to apply the GRI tool.
Global Reporting Initiative (GRI)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Changes due to social objectives	<ul style="list-style-type: none"> A short period of time and a small team do not allow a thorough verification, especially during field work. Inclusion of the customers' superficial points of view.
Social Performance Rating	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Changes due to social objectives	<ul style="list-style-type: none"> Short period of time at the worksite. Limited meetings with the customers and limited verification of in situ practices.
MicroRate Social Rating	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Changes due to social objectives	<ul style="list-style-type: none"> The evaluators don't have a vast knowledge of social performance.

Tools / Dimensions	Weaknesses												
	Clearness of the mission	Alignment of the Systems	Decision making	Responsibility to clients	Gender considerations	Members' Governance	Non-financial services	Responsibility to the community	Responsibility to the staff	Responsibility in the local environment	Social objectives scope	Services to achieve social objectives	Changes due to social objectives
Microfinance Rating tool	✓	✓		✓				✓	✓	✓	✓	✓	•
M-CRIL Rating	✓	✓		✓				✓	✓	✓	✓	✓	•
Progress out of Poverty Index (PPI)										✓		✓	•
USAID IRIS PAT										✓			•
FINCA	✓			✓						✓	✓	✓	•

Note. Retrieved from STPF (n.d.)

Among the main tools of the social audit are:

- a) The **Social Performance Indicator (SPI)**—designed by the Committee of exchange, reflection and information on the saving-credit systems (CERISE, by its French initials)—is mostly used on MFIs thanks to its simplicity and accessibility. This tool focuses on process management and how their systems effectively comply with them. According to the Social Performance Task Force (SPTF, 2009), this tool is appropriate for the internal review of systems and processes with the purpose of implementing the social mission in a MFI.
- b) The **Quality Audit Tool (QAT)**, developed by the Microfinance Centre (MFC), is known for its accurate results in internal audits and for its practical diagnosis. It specifically focuses on examining management processes, assessing the status and effectiveness of the internal systems that support the achievement of social objectives. It identifies the strengths and weaknesses so as to have an improvement plan in the MFI. According to SPTF (2009), the QAT is appropriate for a MFI that requires an internal review of the process management and the internal system that helps to achieve its social mission, as well as an action plan to improve processes and systems.
- c) The **Global Reporting Initiative (GRI)** has developed a tool of the same name. It is globally known as the most used sustainable report tool. Its main objective is to submit sustainable reports regularly, such as financial reports. According to the SPTF (2009), the GRI tool is ideal for an MFI that seeks to include social performance reports in their routine information systems.
- d) The **SOCIAL** tool developed by ACCION Internacional (SPTF, 2009) stands out because it allows presenting a clear report to shareholders or potential investors, so that financial outcomes are not the only thing considered when making decisions. ACCION International believes that this tool helps to improve the effectiveness of the organization by highlighting the strengths and weaknesses of their social performance and by determining the image that the clients, staff and the community have of the MFI.

Among the social indices tools, we have:

- a) The **Social Performance Rating** is designed by Planet Rating agency, which belongs to a department of “Planet Finance” international NGO. Its main objective is to give an opinion about the capability of a MFI to achieve its social objectives. The SPTF (2009) recommends the tool for institutions seeking an independent assessment about the achievement of their social objectives, as well as the risks, outcomes, and the ability to manage their social performance.
- b) The **MicroRate Social Rating**, developed by MicroRate agency, is the only tool that quickly allows a direct comparison of MFIs’ social benefits in several regions with different mission statements. According to SPTF (2009), the social value of the tool is suitable for MFIs that want a gradual, summarized, and independent review of the benefits and social performance.
- c) The **Microfinance Rating**, created by the spin-off of Microfinance company, stands out because it provides an objective opinion about the social performance of the institution and it allows to compare it with other MFIs in the same

geographical area and internationally. The SPTF (2009) recommends the tool for MFIs requiring a complete and independent social assessment, including field studies to inform and confirm the outcomes.

- d) The **Microcredit Ratings International Limited** is a rating agency based in India. It experimentally applies its social performance rating tool to measure the likelihood of a MFI achieving its social mission, in line with the accepted social values. Its scope is much broader than the other tools, since it covers all dimensions of social performance.

The main tools to assess poverty are:

- a) The **Progress out of Poverty** index, developed by Grameen Foundation, is a tool that measures poverty levels of clients and how these poverty levels change over time. Its main objective is to meet the customers' needs, evaluating the change of the poverty likelihood status over time, throughout different programs.
- b) The **USAID Poverty Tools**, designed by the United States Agency for International Development (USAID), are designed to measure poverty levels of the client groups of microenterprises service providers, in comparison with the national or international poverty line. This tool is not intended to measure individual poverty, select new customers, or to measure the impact of microfinance services on the lives of the current clients.

Proposal to measure social performance in MFIs

This article proposes a methodology to measure social performance in MFIs taking into consideration a framework to develop the indicators. Indicators can be classified as simple or complex, since these are commonly used in project management. They might be classified according to their measurement object as: (a) impact; (b) effect; and (c) compliance indicators (Bobadilla, Del Aguila, & De la Luz, 1998). The proposal corresponds to a complex social indicator and an impact index because it requires a theoretical framework; therefore, there isn't a simple way to confirm the outcomes.

Social investigations approach phenomena with different complexity and abstraction levels. Measuring social performance can be classified as an abstract concept that, empirically, is not feasible to observe; therefore, it is not feasible to measure. For the latter, it is required to carry out a decomposition and transformation process called operationalization (Lazarsfeld, 1958), which converts the social performance notion and concept into a set of indicators that enable empirical observation.

For Blalock (1970), the following items shall be considered in the operationalization process: (a) the conceptualization derives from theoretical reflections based on the bibliography review and on the author's own thinking; (b) measurement enables to assign values to social phenomena according to certain rules. For Lazarsfeld (1958), operationalization process makes it possible to express concepts empirically. The process includes the following stages: descriptive representation of the concept; specification of the concept identifying the dimensions of its components or semantic subdivisions; and the choice indicators for each dimension. Once the dimensional indicators have been chosen, they are synthesized by constructing indices.

The conceivable concepts are determined by social performance dimensions factors in order to measure the social performance. Indicators used to measure social performance through quantification and weighting are obtained from these factors. Figure 1 shows the operationalization process of social performance. It illustrates the measuring components used in several dimensions. It was developed taking Lazarsfeld's (1958) scheme as a starting point. Since there is no consensus on a definition of social performance, the process starts with the proposed definition, which disaggregates the initial components, which are the dimensions. These shape the pillars that form the definition of social performance. Finally, factors variables included in the pillars are weighted and the possible combinations are determined. Weighting involves assigning weights in an attempt to express the relative importance in the measurement methodology.

Social performance determinants in MFIs

The methodological proposal considers the social performance as "the translation of mission into practice in line with accepted goals" (Sen, 2008). These social objectives may relate to, for example, (a) sustainably help an increasing numbers of poor and excluded people; (b) improve the quality and adequacy of financial services available to target clients through a systematic assessment of their specific needs; (c) create benefits for MFI's clients, their families, and communities in terms of increasing social capital, equity, income, access to services, reducing vulnerability and fulfillment of basic needs; (d) improve the social responsibility of the MFIs towards its customers, employees, and the community.

Social performance determinants—which will be referred as *pillars* for the purpose of this study—have been established based on the previous literature of social performance. As described in the previous section, there is no consensus among MFIs on a set of social performance determinants. Conversely, social performance pillars are different in several existing methodologies. For the identification process of social performance pillars, the model developed by Sen (2008) has been taken into account (see Figure 2). It defines the social performance of MFIs as the translation of mission into practice, in line with accepted goals. According to this proposal, social performance is not only the final outcome but also the process of achieving the outcome. Therefore, to assess social performance, MFIs should not focus only on trying to demonstrate a final outcome, but also on the different processes that can lead to positive social outcome. These steps follow a logical organizational path considering the intention expressed in its mission, the design of systems aimed to achieve this mission, the outcomes, the experience, and the impact that this social mission might have on the community. The pillars defined in this model are: Intent and design, (b) internal systems and operations, (c) output, (d) outcomes, and (e) impact (Figure 2).

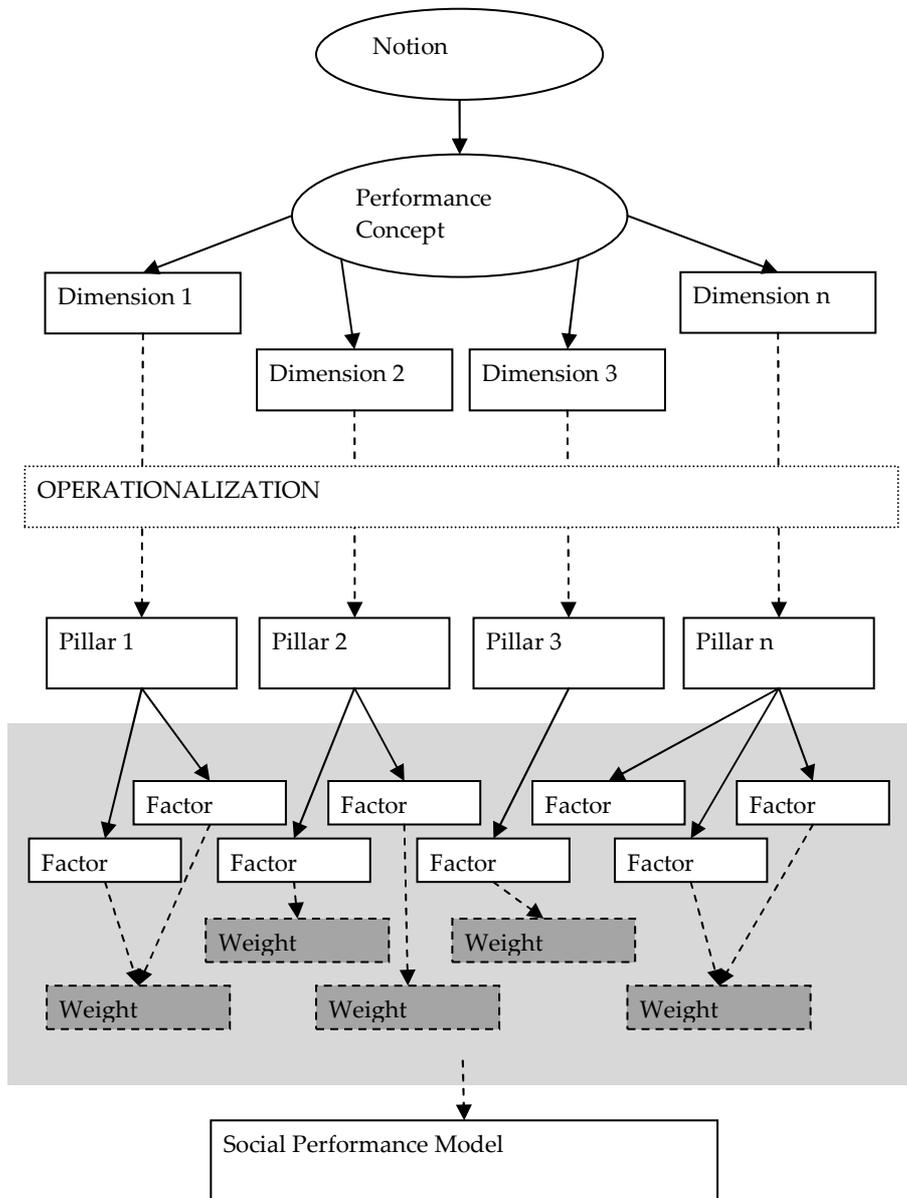
Figure 1. Pillars of Social Performance

Intent and Design
What is the mission of the institution?
Does it have clear social objectives based on its mission?
Do its objectives include formulation of principles of social responsibility?
↓
Internal Systems and Operations
Are systems designed and in place to achieve those objectives?
Does the institution have information to trap performance towards those objectives?
↓
Output
Who does the institution serve? Is it reaching intended clients?
Is it serving poor people?
Are the financial services catering to their needs and capacities?
↓
Outcomes
Have clients and their households experienced social and economic improvements?
Or
Impact
Can these improvements be attributed to institutional activities?

Note. Retrieved from Sen (2008).

The pillars, factors and variables of the model are presented and explained in Table 2 and Figure 3. The factors correspond to the elements forming the pillars. They give a specific meaning to the pillar, derived from variables and weights.

Figure 2. Indicators Operationalization Process



Note. Retrieved from Lazarsfeld (1958).

Table 2. Pillars, variables, and indicators of the proposed model

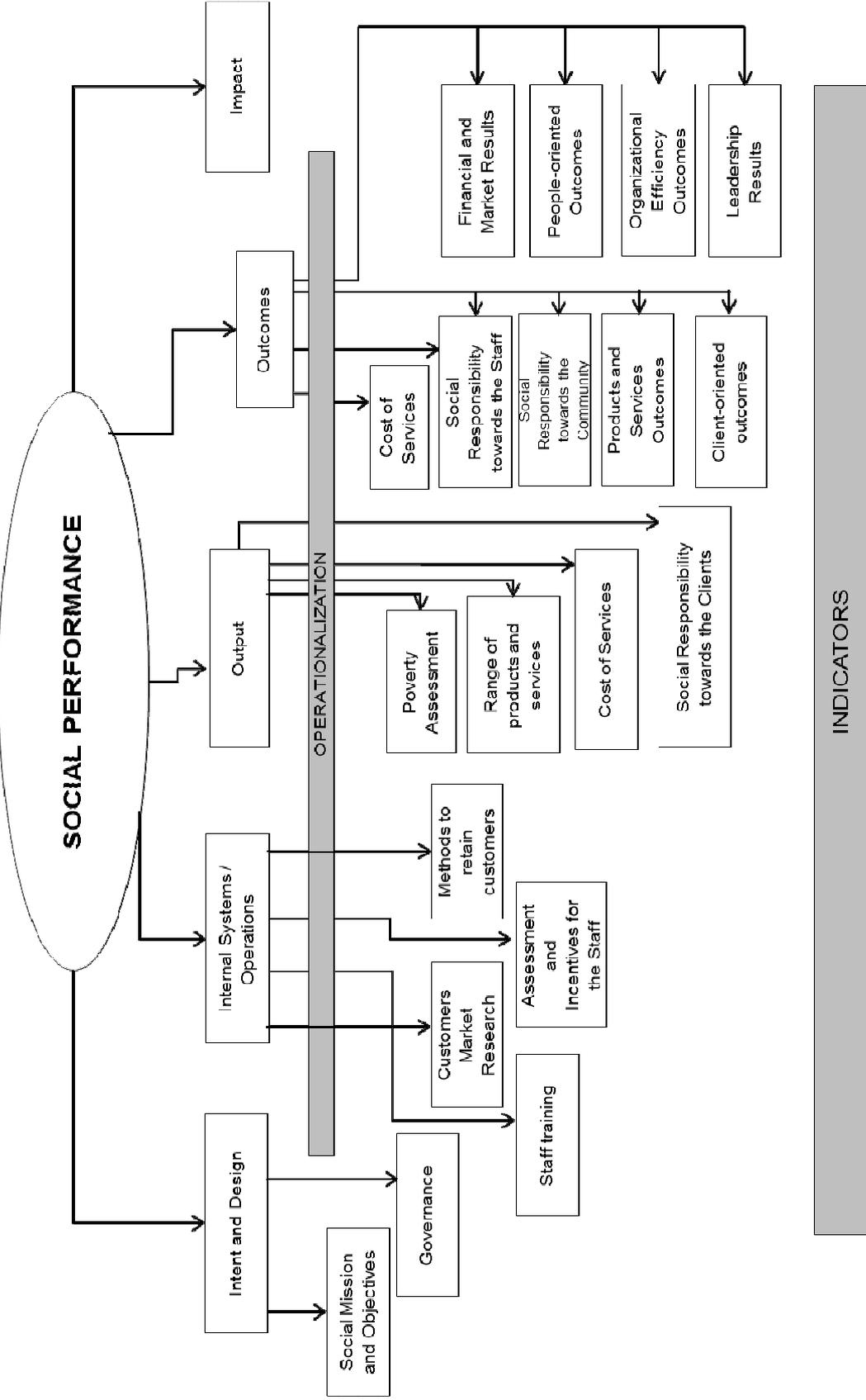
Pillars	Factors	Variables	Weight	Survey Questions	Weight
Intent and Design	Mission and social objectives	Achievement of the mission and social objectives of the MFI.	13%	1. What is the mission of the MFI? 2. Is the MFI oriented to the poorest sectors? 3. How often do you review the mission of the MFI?	6% 4% 3%
		It assesses the way to establish the board of directors' roles and responsibilities is assessed.		1. Is the Board of Directors and Partners list published? 2. Are the directors trained on social management?	0.5% 2.5%
		Governance	7%	3. Do the directors interfere on regional governance, community or municipal matters with regard to sustainable social development programs? 4. Does the Government provide social welfare products or services through your institution?	2.5% 1.5%
Internal Systems / Operations	Customers market research	The portfolio is classified based on a criterion.	6%	1. Do you perform market research to identify the needs of potential customers? 2. How often is it done? 3. Do you somehow classify your portfolio considering any criteria? 4. If the answer is yes, which criterion is used to group the portfolio?	2% 1% 2% 1%
	Methods to retain customers	Uses tools to measure the retention of clients.	8%	1. Do you use any tool to measure the retention of customers? 2. If the answer is yes, please define the tool.	8%
	Social performance training for the staff	Social performance training hours.	7%	1. Is there staff dedicated to ensure the achievement of the institution's social mission? 2. How often is the staff trained on social performance? 3. How many hours of training related to social issues are assigned for each worker a year? 4. Are tests taken after each training session? 5. After a training period, are the topics learned during the training put into practice?	2% 1% 1% 1% 2%
Internal Systems / Operations	Assessment and incentives for the staff	Incentives system for the staff.	4%	1. Is there an incentives policy for the staff with regard to social performance? 2. What types of incentives are granted to the staff on issues related to social performance? 3. How often is the staff incentives reviewed?	1.5% 1.5% 1%

Pillars	Factors	Variables	Weight	Survey Questions	Weight
Output	Products and services range	It considers and integral approach for microfinance. It evaluates financial and non-financial products and the offered services.	4%	1. What kind of financial and non-financial services do you provide to customers?	1%
				2. What is the most innovative financial service offered?	1%
				3. Are more benefits provided to former clients in comparison to new clients?	1%
				4. How often are new products created?	1%
	Poverty assessment	Measure the clients' poverty level.	6%	1. Which tools are used to measure poverty?	1%
				2. What is the percentage of poor customers within your portfolio?	1.5%
				3. Which are the poverty indicators? Or do you use other method?	1%
				4. Have you reduced your customers' poverty level?	1.5%
				5. What is the poverty reduction percentage of poor customers?	1%
	Social responsibility towards the clients	Avoid overindebtedness, monitor transparent prices, adequate collection practices, business ethics, there are mechanisms to manage complaints, the privacy of client's information is respected.	5%	1. What policies do you use to avoid client overindebtedness?	1%
2. By what means do customers get notice about prices, and terms and conditions of financial services?				1%	
3. Is there a manual that regulates the proper collection of the services offered?				0.75%	
4. Do you have an institutional code of ethics?				0.75%	
5. How do you make sure that the staff is familiar with this code?				0.75%	
6. Does the institution guarantee the privacy of customer information?				0.75%	
Outcome	Cost of services for the client	Transparent rates and costs of services.	4%	1. Are the costs, freight and rates for each type of product published on the website or at the offices?	1%
				2. How is the interest rate-charged by the MFI for financial services-obtained?	3%
	Social responsibility towards the staff	Staff is somehow helped out.	3%	1. Is there any type of outreach for the staff working for the MFI?	1.5%
				2. Are loans and credit terms available for MFI workers?	1.5%
	Social responsibility towards the community	Social responsibility activities are carried out in the community.	3%	1. In which community welfare activities does the MFI participate?	3%
				1. What percentage of clients is satisfied with the service?	3%
	Products and services outcomes	Percentage of customers satisfied with the service.	3%	1. Is there a customer service area managing the complaints?	1.5%
				2. Are clients' suggestions taken into account?	1.5%

Pillars	Factors	Variables	Weight	Survey Questions	Weight
				1. What was the outcome of social responsibility fulfillment in the financial return?	1.25%
				2. What was the outcome of social performance fulfillment in financial income?	0.75%
	Financial and market outcomes	Increase of profitability	4%	3. What was the outcome of social responsibility fulfillment in market share in financial terms?	0.75%
				4. What was the outcome of social responsibility fulfillment in market share with regard to customers?	1.25%
	People-oriented outcomes	Clients' feedback	3%	1. Do you take into account your clients' feedback?	3%
	Organizational efficiency outcomes	Processes review	3%	1. How often are processes and procedures reviewed?	3%
	Leadership and social responsibility outcomes	Social performance measurement	3%	1. Did people feel compromised during work environment surveys?	1%
				2. Is corporate social responsibility fulfilled?	1%
				3. Have you ever measured social performance in the past?	1%
				1. Has the clients' poverty level been reduced thanks to the provided services?	8%
Impact		Poverty reduction	15%	2. If the answer is yes, what percentage of clients have obtained this benefit?	3.5%
				3. What percentage of clients renews services with the institution?	3.5%

Note. Author's compilation

Figure 3. Social Performance Operationalization



Note. Author's compilation.

Elements of social performance measurement (SPM) in MFIs

In the methodological proposal, social performance measurement in MFIs shall consider three elements: (a) review of the social mission, (B) social audits and improvement plans, and (c) social performance measurement survey.

Review of the social mission

The first element includes the institutional review of the mission; it analyzes if the MFI has established its social objectives. This review is intended to verify whether the mission is aimed to promote changes in the customers' lives, not only to achieve financial gain. Hence, this establishes the starting point of the proposed methodology in order to achieve a measurement based on effectiveness and social performance value.

The review of the social mission consists of answering the following questions: (a) What kind of target customers will be benefited from MFI services?; (B) Will the services actually reach the vulnerable sector of the population?; (C) How can MFI services meet the specific needs of its customers?; and (d) What are the outcomes of MFIs services in the customers' lives?, Is there any impact on them?

Similarly, it is important to develop an analysis of the social objectives and verify if they meet the basic characteristics of a properly established objective: (a) specific, (b) measurable, (c) attainable, (d) relevant, and (e) time-specific. These characteristics help MFIs to manage their social objectives.

Social audits and improvement plans

The purpose of social audits is to involve external organizations with MFIs to broaden the perspective of social performance measurement. Recommendations for the implementation of an improvement plan in the different evaluated aspects will thus be proposed.

Participants of social audits must be members of a committee from the various levels of MFIs, such as: (a) Members of the Board of Directors, (b) Central Level Managers, (c) Branch Office Managers, (d) Loan Officers, and (e) Customers. Therefore, the audit and the recommendations will be enriched by the different viewpoints of those involved.

Moreover, the recommendations should focus on improving social performance measurement in the institution in a sustainable way. This element enables to go in depth with regard to social performance elements, with a wider stakeholders' spectrum, including customers.

Tools and sustainability in social performance management

The proposed tool is presented in Table 3, which is structured according to the pillars of social performance measurement.

Table 3. Tools and sustainability of social performance management

Pillars	Social Performance Measurement and Assessment Questionnaire
Intent and Design	<ol style="list-style-type: none"> 1. Do administration members use social performance data for strategic planning and decision making? If so, how? 2. The board uses social performance data to assess and encourage higher levels of the administration? If so, how? 3. The following goals: Access to the poor, very poor or low income families, to small businesses, to underdeveloped areas, women, socially marginalized people or excluded groups; support to employment (as an employee and self-employed), observation of changes in the clients' lives or in their homes, changes in the local community; customer satisfaction with the products; and other social objectives. Are these social objectives included in your institution? 4. Is there any written formal social responsibility policy or a written code of conduct in your institution? 5. Does your code of conduct or social responsibility policy govern the actions of the MFIs with regard to the staff, customers, community and the environment?
Internal Systems / Operations	<ol style="list-style-type: none"> 1. Does the institution have incentives for staff performance? 2. Does the institution have incentives for the staff that specifically address goals related to social performance? If so, please explain them. 3. Does the institution have a separate module to train staff on social performance? Is it available for new employees? Is it permanent?
Output	<ol style="list-style-type: none"> 1. How do you put into practice the code of conduct and social responsibility policy that governs the actions of the MFIs with regard to the staff, customers, community and the environment? How do you make sure of its compliance? 2. Does the institution measures poverty levels of new customers? 3. How are poverty levels of new customers measured? 4. Percentage of new customers who are poor, very poor or low-income. 5. With regard to the new clients from last year, what percentage is under the national line of poverty? 6. With regard to the new clients from last year, what percentage is below the 50% of the national line of poverty? 7. With regard to the new clients from last year, what percentage has a daily income of less than USD 1 per household member? 8. With regard to the new clients from last year, what percentage has a daily income of less than USD 2 per household member? 9. With regard to the new clients from last year, if the institution used other tool or method, what percentage was poor, very poor or low-income? 10. Which is the geographical distribution of your clients? (Percentage of clients in urban areas, semi urban, and rural). 11. Specify the percentage of women in relation to the grand total of clients. 12. Specify the percentage of clients belonging to socially marginalized or excluded groups. 13. Does the institution study the changes in the customers' financial situation? 14. How are the changes in the customers' financial situation studied?

Pillars

Social Performance Measurement and Assessment Questionnaire

15. Specify the percentage of clients that exceeded the line of poverty.
16. Specify the percentage of school children attending school (clients' children)
17. Did the institution carry out any client satisfaction survey or form a group study during the last two years?
18. Does the institution carry out surveys to lost customers? Are these losses measured?

1. What is the percentage of clients satisfied with the provided services?
2. Do you take into consideration the clients' suggestions?
3. What impact did social performance have on financial profitability?
4. What impact did social performance have on market share (monetarily)?
5. What impact did social performance have on market share (clients)?
6. Do you take into consideration your clients' feedback?
7. How often do procedures and processes are reviewed in the institution?
8. Do people feel obliged during the work environment surveys?
9. Is corporate social responsibility complied?

Outcome

1. Has the customer's poverty been reduced with the provided services?
2. If poverty level was reduced, what percentages of customers have been benefited from this?
3. What percentage of customers renews services with the institution?

Impact

Note. Author's compilation.



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Metodološki predlog mera za postizanje socijalne uspešnosti institucija za mikrofinansiranje

REZIME – Tokom poslednje decenije, mikrofinansirajući sektor raste na globalnom nivou. Mikrofinansijske institucije (MFI) stvorene su da se bore za smanjenje siromaštva; Međutim, mnogi MFI ne postižu svoju društvenu misiju, jer one deluju kao konvencionalne finansijske institucije. To usporava njihovu finansijsku potporu porodicama sa niskim primanjima, kako bi poboljšalale njihov kvalitet života.

Ovaj rad predstavlja metodološki predlog mera postizanju socijalne uspešnosti MFI. Dakle, MFI i druge institucije s društvenom misijom mogu imati koristi od upotrebe alata koji se koriste za transparentnu i stvarnu kontrolu njihovog društvenog učinka.

KLJUČNE REČI: upravljanje, društvena odgovornost, mikrofinansiranje, društveni učinak

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