

**Institutions
of Microfinance and Finance of Solidarity**

Measurement indicators for social performance

1. BASE PRINCIPLES UPON WHICH THIS PROPOSAL OF INDICATORS IS BUILT.

1.1 A reduced number of indicators.

The proposed indicators do not intend to be exhaustive, since we looked for indicators, which might meet the MFI requirements and, therefore, may contribute to the reflection and definition of a development strategy for the MFI. This is not an easy task, since the multiplicity of MFI models bring about a multiplicity of indicators.

Thus, the proposal opposes the view of some MFI partners: the researchers (who tend to wish a large number of indicators and want to exhaust them) and the creditors (who have specific requirements, impose them to the MFI and stipulate conditions for their financings...).

1.2 Indicators that can be controlled by the MFI.

One of the difficulties of having complex tools and methods defined from the outside of the MFIs, without engaging them in their conception, is that a large portion of the MFIs do not master them.

The idea here is to break this kind of practice and to make an effort to create indicators that may answer to the MFIs needs and be directly reproduced by these.

1.3 Operating indicators.

The idea is to get indicators that may be directly used by the MFIs, that is, operating ones. Undoubtedly, this implies selecting and choosing among the proposed ones.

2. ASSESSMENT INDICATORS FOR THE PRE-EXISTING SOCIAL CAPITAL AND ITS EVOLUTION.

2.1 Pre-existing social capital.

- a. Presence of non-formal exchanging systems tied to events (death, marriage, birth/baptism, etc.) and based on the reciprocity, to which the populations adhere.
- b. Presence of traditional social groups organized around social or productive functions (age groups, mutual aid groups, associations, etc.).
- c. Presence of social groups organized around the savings and/or credit functions (tontine, savings based on quotas, etc.).

One can take an appreciation basis of 1 point for each existing type. This would reflect the diversity of the observed types. The absence of reply would receive a zero.

2.2 Evolution of the social capital.

- a. Trust among the members of an existing social group and relevant degree in which this is manifested. What changes are noticed
 - in the size of group concerning the number of people (decrease, increase, changes, disappearance)?
 - in the geographic unit (town, neighborhood, family, etc.)? What changes or transformations are noticed?
 -
 - in the liaison of the group with a dominant activity or with a group of activities (agriculturists, craftsmen, small commercial activities of women, etc.)?
- b. Solidarity among the members of this social group. What evolution is noticed?
 - What are the solidarity kinds that may be observed within the social group?
 - Do these solidarity kinds change along the time (strengthening, transformation, decrease, disappearance)?
- c. Does the introduction of a modern kind of organization as, for instance, an MFI have any influence as the strengthening, the transformation or, either, the disappearance of traditional kinds of social organizations?
 - Tontines?
 - Mutual aid savings operating on a quota basis?
 - Exchanges based on the reciprocity, tied to events?
 - Etc....

In case of strengthening, transformations or changes, each factor receives one point. In case there is no answer, the grade is 0.

3. ASSESSMENT INDICATORS FOR THE MFI SOCIAL PERFORMANCE.

3.1 The poverty and the exclusion from financial services.

3.1.1 Definition of poverty and operating application.

- a. Does the MFI know the poverty within its geographic operating area?
 - Ratio of poor people according to the income criterion (1 point)
 - Ratio of poor people according to social criteria (1 point).
 - Social classes more affected (1 point).
 - Ratio of poor women (1 point)
- b. The presence of a definition of poverty in the texts
 - Does the MFI use a poverty definition to access service units and financial product offers? (in case of yes: 1 point; otherwise: 0 point)
 - Is there a definition of poverty used by MFI (1 point)? Does it include a content that distinguishes this poverty according to social classes? (1 point).
- c. There is a definition of poverty, but it is not used by the MFI (0 point)
- d. There is not a poverty definition and this is not taken into consideration concerning the access to financial services (0 point).
- e. There are financial products suitable for a poor clientele.
 - quantity of savings products (1 point per product).
 - quantity of credit products (1 point per product).
- f. Is the average loan amount for poor people calculated by MFI for each fiscal year? (yes: 1 point; no: 0 point).
 - Amounts per loan to poor people.
 - Amounts per loan and per poor social classes.
- g. Is the average amount per savings account of poor people calculated by MFI for each fiscal year? (yes: 1 point, no: 0 point).
 - Amount per savings account of poor people.
 - Amount per savings account and per social classes of poor people.

3.1.2 Exclusion/integration to the financial services access.

- a. The segment of the population (in percent) of the geographic area under the MFI intervention excluded from the access to the classical financial services (banks and finance companies).
- b. The segment of MFI customers (in percent) who could access classical financial services (banks, finance companies).

3.1.3 The significance of the poverty and exclusion to access the MFI and its financial products.

- a. Are there social classes that do not have access to the classical banking sector (banks and finance companies) excluded by the MFI?
- b. What are the amounts of the adhesion rights, of the social quota, in order to become a customer of MFI?
 - Value of the adhesion right.
 - Value of the social quota.
 - Can they be split?
- c. What is the minimum savings amount?
 - To open a savings account.
 - To have access to credit.
- d. What is the minimum amount of accessible credit?
- e. Do these assessment rules for the poverty and exclusion apply
 - to all social classes that are customers of MFI?
 - to certain social classes that are customers of MFI? Which?

For each question: answer = 1 point, no answer = 0 point.

3.2 Considerations on the social capital and solidarities of the clientele.

3.2.1 Nature of the social guarantees present at MFIs clientele level.

- a. Groups of solidarity collateral (yes = 1 point, no = 0 point).
- b. Personal collateral of a third party (yes = 1 point, no = 0 point).
- c. Family collateral (yes = 1 point, no = 0 point).
- d. Social pressure (yes = 1 point, no = 0 point)
- e. Etc....

3.2.2 Constitution of the groups of solidarity collateral.

- a. Is the constitution of groups of solidarity collateral based on the freedom of adhesion?
- b. Are there constitution rules that aim at the strengthening of the internal quality of the groups of collateral solidarity (size, homogeneity based on the same socioeconomic level of the partners, groups founded on the nature of the economic activity, on the kinship, specific to women, etc.)?

3.2.3 Evolution of the groups of solidarity collateral.

- a. Loss rates of groups that leave behind the access to credit (%)
- b. Exit rates of partners per group (%)
- c. Rates of fictitious groups (%), that translate credit deviations.

3.2.4 Social guarantees versus material/financial guarantees.

- a. Are the material/financial guarantees enough to cover the risks of a loan? Up to what amount (% of the total number of loans)?

- b. Are the material/financial guarantees added to the social guarantees? From what amount range of the approved credits on (% of the total number of loans)?
- a. Are only material/financial guarantees required (without mobilizing social guarantees)? For what amount ranges (% of the total number of loans)?

3.2.5 Social pressure as a means of making easier the reimbursement of the loans.

- a. Are there means of social pressure which allow complementing the other types of social guarantees and which make easier the reimbursement of the credits? Which, specially:
 - the ones internal to the group of solidarity collateral
 - the ones internal to MFI.
 - the ones external to the MFI.
 -
- b. Were any means of social pressure left behind? Which?
 -
- c. What were the reasons to abandon the social pressure means:
 - Refusals of the clientele.
 - Implementation difficulties.
 - Etc....

For each question, if there is at least one answer = 1 point, no answer = 0 point.

3.2.6 Were the social guarantees for the credit left behind due to difficulties of mobilization or effectiveness?

- In case they were abandoned, what were the reasons (1 point for each answer, no answer = 0)?
 - Inefficiency of the guarantees.
 - Impossibility of mobilization.
 - Etc....
- Characteristics of the cases that were left behind (1 point for each answer, no answer = 0):
 - What social classes of the clientele?
 - What kinds of loans?
 - Which loan amounts?

3.3 Participation of the customers in the MFI management.

- a. Representation of the different social classes in the management agencies of the MFI base (Board of Directors, Supervisory Board, credit committee, etc.)
 - A portion, in percent, of each social category of customers compared to the total percent of the clientele.
- b. Representation of women in the management agencies of the MFI base.
 - A portion, in percent, of women, compared with the total percent of the clientele.
- c. Participation in the meetings of the MFI base
 - General meeting: % of the clientele that participates.

- Meeting of the MFI management agencies: % of partners who participate.

3.4 Measurement of the social effects of the offered financial services.

- To improve the global life conditions.
- To have access to health services.
- To have access to educational/schooling services.
- To have access to food security.
- To provide access to land.
- To provide access to clothes.
- To have access to equipment
- To suppress usurious debts.
- For the unemployment and the job.
- For the social exclusion/insertion in the environment.
- Etc....

For each question, in case there is a positive effect: 1 point. In case there is not effect or if there is a negative effect: 0 point.

3.5 MFI policy to adapt the management modalities and the financial products to the traditions, to the culture and to the values of the clientele.

- Is there a methodology to observe, analyze and to create useful information that take into account the tradition, the culture and the values of the clientele? (yes = 1 point; no = 0 point).
- In case there is a methodological tool, is the information used to define the financial products and/or management modalities adapted to the clientele limitations/obligations? (yes = 1 point; no = 0 point).
- Is there an adaptation of the financial products to the social or cultural choices of the clientele?
 - Savings for a peregrination to Mecca?
 - Credit for the seasonal exodus to foreign countries?
 - Credit for social needs (education, health, etc.)?
 - Etc....

4. SOURCES AVAILABLE TO EXAMINE THE QUALITY OF THE ANSWERS TO THE INDICATORS.

4.1 The need of having objective sources to check the quality of the answers

We cannot limit ourselves to collect easy answers ("yes" or "no"): this would lack accuracy. It is necessary to have objective sources that allow confirming the results.

4.2 Examination based on the available texts of MFI.

The texts available at MFI can provide examination sources:

- a. Texts on general development policies of the MFI.
- b. Texts on general credit and savings policies.
- c. Reports of researches on the impact of the financial products.
- d. Reports of the MFI activities.
- e. Financial status (balance, current accounts and appendixes).
- f. Statistical tables.
- g. Records of partners.
- h. Etc....

4.3 Examination based on polls, surveys or interviews.

It allows a validation grounded on:

- a. the accuracy of the accomplishment.
- b. the quality of the received answers.

4.4 Other examination sources.

To be identified.