



# Social Performance Analyze

Based on CERISE's SPI

03 2010

## **Introduction**

In the 1990s attempts to make MFIs sustainable focused attention on issues of financial and institutional viability. Financial analysis tools were thus adapted but MFIs' social performance was taken as read. The march towards financial autonomy, pushed to extremes by certain donors, contributed to turning numerous MFIs away from their social vocations.

Nowadays, many actors in the microfinance sector see finance as an effective tool which can be used to help humanity and society develop. For these actors, the way services are provided makes all the difference. Because it puts people and their social links at the centre of its work, this type of finance will work in harmony with its context and environment, and will seek to understand these in order better to serve them and improve them. Finance of this sort aims to impact on clients' social capital and their autonomy, which in turn will impact on the sustainability of the institution.

The social mission is the heart of Chamroeun's strategy to implement its microfinance services. Therefore it is important for the organization to measure to what extent it is actually socially performing.

To assess that performance, it has been decided in January 2007 to use once a year CERISE's SPI tool.

For more information about CERISE:

<http://www.cerise-microfinance.org/publication/impact.htm#telecharger>

There are three specific objectives for Chamroeun in using CERISE's SPI tool:

- Measuring the social performance of the organization, its evolution every year and eventually, comparing it to other operators.
- Identifying aspects which can be improved in the organization strategy and developing action plans accordingly.
- Reinforcing the awareness of all staffs on Chamroeun's social mission. (All staffs with no exception participate in the process and answer the questionnaire.)

In 2010, with the objective to keep traceability in the result evolution, we have decided to continue using SPI2 questionnaire and not the SPI3 upgrade. We will start using SPI3 in 2011.

For cost efficiency reasons and in order to be able to exploit the tool once a year, Chamroeun has decided to use only the second part of CERISE SPI tool, focusing on the social performance indicators and to administrate the questionnaires internally, without external intervention. Still, for more objectivity, we will use the service of an external observer in 2011.

That second part of the questionnaire is divided in 4 "dimensions":

### **Dimension 1: Outreach to the poor and the excluded**

MFIs have generally been developed to reach a population excluded from the commercial financial system. MFIs can have the objective of reaching socially excluded populations or the poor, or simply of offering financial services in a region where banking systems are absent or to people rejected by the banks (but who are not necessarily poor or socially excluded).

What is the strategy of the MFI regarding outreach to the poor and the excluded?

### **Dimension 2: Adaptation of services and products to target clients**

It is not enough to decide to reach a target population. Microfinance services are too often standardized. The MFI must learn about the target population and work on the design of its financial services so that they can fit with the needs and the constraints of the clients.

What is the strategy of the MFI regarding the adaptation of services and products to target clients?

### **Dimension 3: Improving clients' social and political capital**

For the MFI, trust between it and the clients can reduce transaction costs and improve repayment rates. It can thus foster collective action and reduce free-riding, opportunistic behavior and risks. For the clients, strengthening their social and political capital can enhance their social organization (collective action, information sharing, political lobbying, etc.) and self-confidence to facilitate their economic and social development.

What is the strategy of the MFI regarding the improvement of the social and political capital of its clients?

### **Dimension 4: Social Responsibility of the institution**

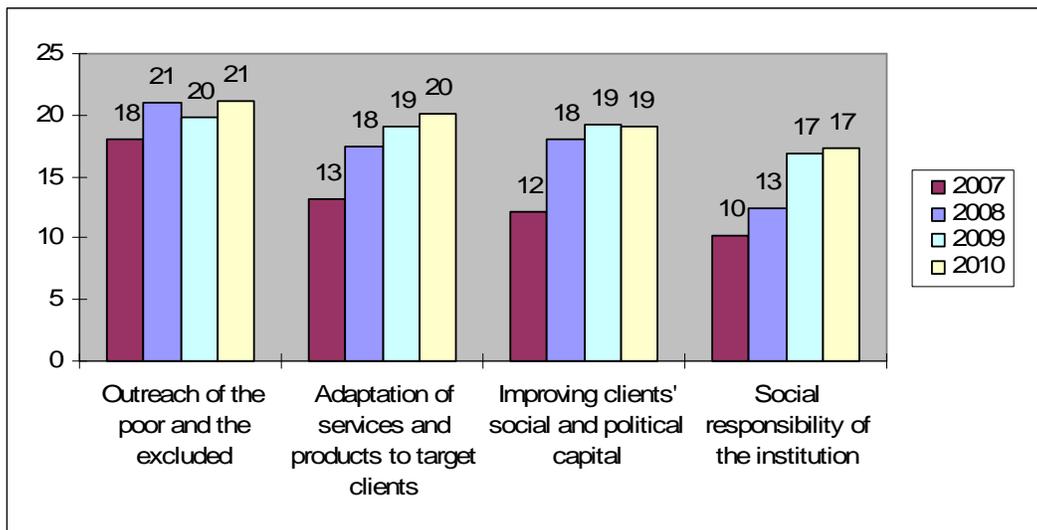
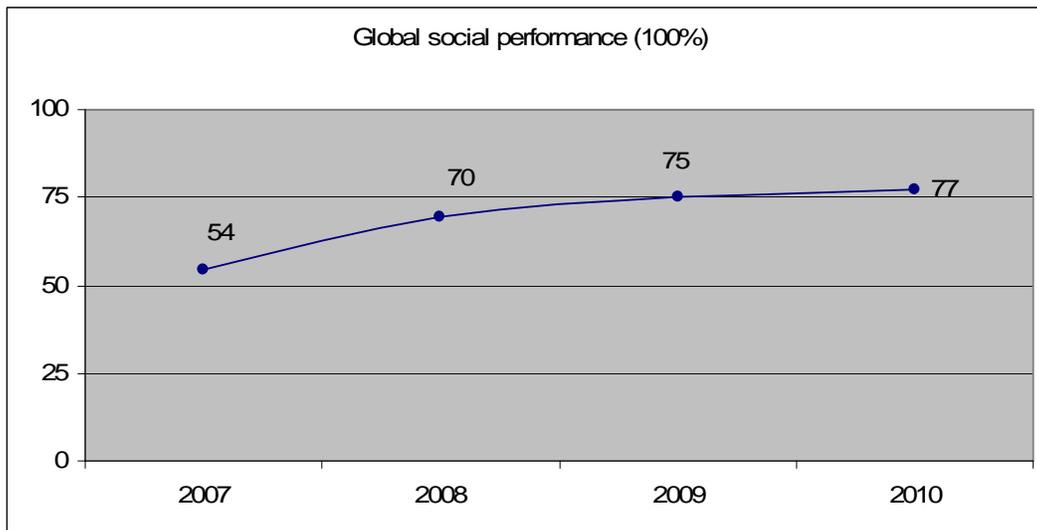
Social awareness is a necessary prerequisite for socially responsible corporate behavior. Social responsibility requires a suitable human resource policy, an adaptation of the MFI corporate culture to its cultural and socioeconomic context, social responsibility towards its clients and towards the community where it operates.

What is the strategy of the MFI regarding social responsibility?

## SPI Results

Here are below the global results for the 4 dimensions for the four last years:

	Feb. 2007	Feb. 2008	Feb. 2009	March 2010
TOTAL - Dimension 1 <b>Outreach of the poor and the excluded</b> 25 points <sup>1</sup>	18	20	20	21
TOTAL - Dimension 2 <b>Adaptation of services and products to target clients</b> 25 points	13	18	19	20
TOTAL - Dimension 3 <b>Improving clients' social and political capital</b> 25 points	12	18	19	19
TOTAL - Dimension 4 <b>Social responsibility of the institution</b> 25 points	10	13	17	17
<b>TOTAL</b> 100 points	<b>55</b>	<b>69</b>	<b>75</b>	<b>77</b>



<sup>1</sup> The notation of Dimension 1 is actually on 29 points in SPI2. In this report, the total score and the score achieved have been brought back to 25.

## Comments

### **D1- Outreach of the poor and the excluded**

When SPI Tool has been used for the first time, in February 2007, Chamroeun already had pretty much developed its' strategy regarding the outreach of the poor and the excluded: geographic and individual targeting was focused toward very poor communities, especially considering the urban environment where Chamroeun operates. Since its creation in 2006, Chamroeun methodologies had been designed for these targeted populations: no collateral, very small loan size and repayment installments, policies to facilitate access to savings...

The main improvements on that dimension were from 2007 to 2008 (+ 3 points over a total brought back to 25), thanks to the implementation of a Poverty Assessment Tool, used to measure the poverty level of the partners when entering the program and the poverty evolution through time. The variations between 2008 and 2010 are only due to rounding in the consolidate scoring. No major change has occurred since 2008 on the aspects studied in this section.

### **D2- Adaptation of services and products to target clients**

A regular improvement can be observed on the second dimension, with especially progresses made between beginning of 2007 and beginning of 2008 (+5 points over a total of 25). It is mainly explained by the introduction in April 2007 of the non financial services (trainings and social services). Since then the range of non financial services and their outreach have regularly increased. An annual survey has been conducted in 2008 and 2009 to measure the partners' satisfaction. It contributed to increase the score between 2008 and 2009. And an emergency loan product has been designed early 2009.

### **D3- Improving clients' social and political capital**

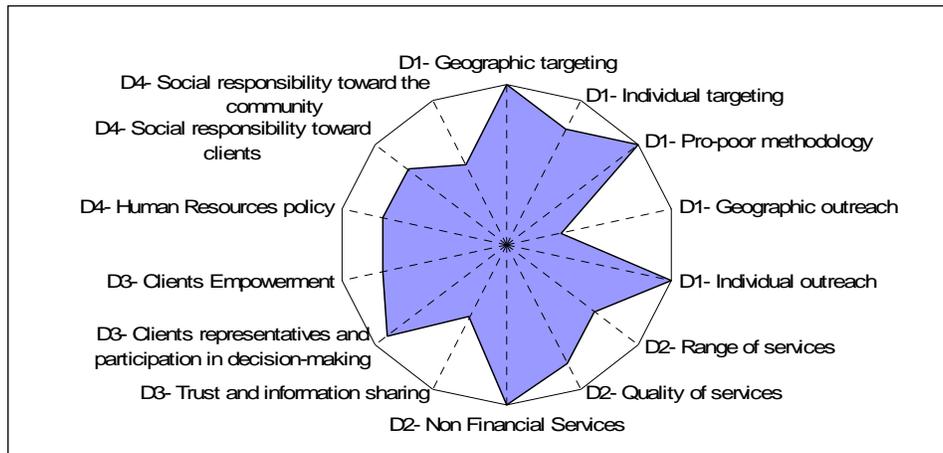
Here also, the main improvements took place between 2007 and 2008 (+6 points over a total of 25). The score increase is due to the organization of General Assemblies in all branches, starting in 2007. During these events, partners elect representatives among themselves who participate then in branch committees and in credit committees. These elected representatives are trained to participate to the decision making processes both at the client level and at the MFI level. No major improvement has been made since then.

### **D4- Social responsibility of the institution**

The situation regarding Chamroeun's social responsibility has regularly improved from 2007 until 2009 (+3 points from 2007 to 2008, + 4 points from 2008 to 2009). From 2007 to 2008, the main reasons for the score increase were the development of staff trainings, the implementation of the Poverty Assessment Tools to measure the evolution of partners' poverty situations and the partnership with SKY from which partners can benefit from insurance in case of death. From 2008 to 2009, the improvements were the formalization of the salary scale, the formalization of training plans for the staffs and a better involvement of staffs in the decision making processes. No major change has been made between 2009 and 2010.

## Perspectives

Even if Chamroeun's social performance improved a lot from beginning of 2007 until now, the organization can still progress on some aspects. The graph presented below shows the detailed scores of the 14 subsections of dimensions 1, 2 3 and 4.



In **dimension 1**, Chamroeun has very good results on geographic targeting, individual targeting, pro-poor methodology and individual outreach.

On the contrary, the score on geographic outreach is very low. It is because Chamroeun does not operate in rural and remote areas. All activities are concentrated in Phnom Penh and in the major cities. It is not part of Chamroeun's strategy to develop its services in rural areas where good quality services are already offered by other operators.

In **dimension 2**, the range of services can also be improved. Designing loans and savings products specifically oriented toward the clients' social needs will be studied. A new loan product has already been designed in 2009 to reach people not well integrated in the cities communities (most of the times, people from the province migrating to try to find better living conditions). It is not yet perfectly well adapted to the people' social needs and it will be revised in 2010.

Chamroeun reaches good results on this dimension's two other indicators: quality of services and non financial services.

In **dimension 3**, Chamroeun can especially improve on the first indicator "trust and information sharing". At the time being, beneficiaries do not have access to the organization's financial statements. Not because it is kept secret, but just because they never asked. Since February 2009, Chamroeun is constituted as a company. Financial statements will have to be made publicly available and this indicator should improve as a consequence. A clear, formalized procedure explaining how beneficiaries can discuss with employees in case of conflicts/claims should also help improving the social performance.

Chamroeun reaches good results on the indicators "clients' representatives and participation in decision making" and on "clients' empowerment".

In **dimension 4**, results are good regarding the human resources policies and the social responsibility toward clients. But the social responsibility toward the community could still be improved. Chamroeun does not have specific policies to finance activities with "high social value" for the local community, or to support community projects. Chamroeun has not developed special funds in case of collective disaster. It is not Chamroeun's priority so far to address these issues. Once Chamroeun reaches financial self-sufficiency, such funds could be considered. The resources available are now concentrated toward the clients. Still we will continue to make a constant effort to ensure that the activities are in good harmony with the local culture and values and to try to assist when community issues arise.