



Social Performance Analysis

Based on CERISE's Social Performance Indicators (SPI)

03.2009

Introduction

In the 1990s attempts to make MFIs sustain their focus on financial and institutional viability, financial analysis tools were adapted to MFIs but their social performance was not taken into account. The urge 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 people 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 microfinance will work in harmony with its context and environment, and will seek to understand their clients in order to better to serve them and improve their businesses. Finance of this sort aims to impact on clients' social capital and their autonomy, which in turn will have an impact on the institution's sustainability.

The heart of Chamroeun's strategy to implement its microfinance services is its social mission. 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 CERISE's SPI tool once a year.

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's strategy and developing action plans accordingly.
- Reinforcing the awareness of all staff members on Chamroeun's social mission. (All staffs with no exception take part in the process and answer the questionnaire.)

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 administer the questionnaires internally, without external intervention.

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' objectives can be to reach socially excluded populations or the poor, or simply to provide financial services in a region where there are no banking services 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 the clients' needs and constraints.

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

The clients' trust in the MFI 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

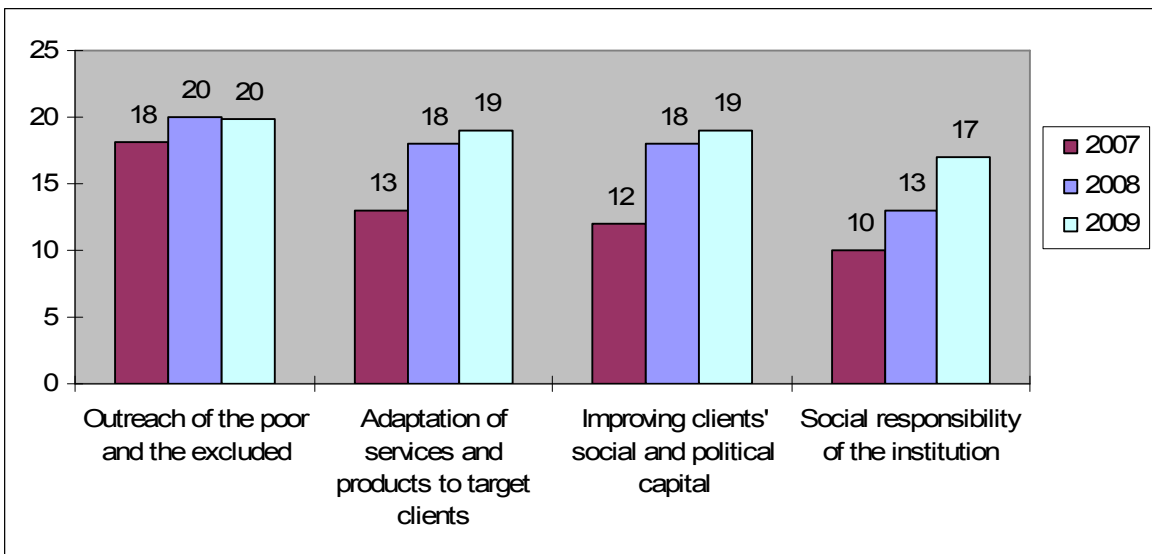
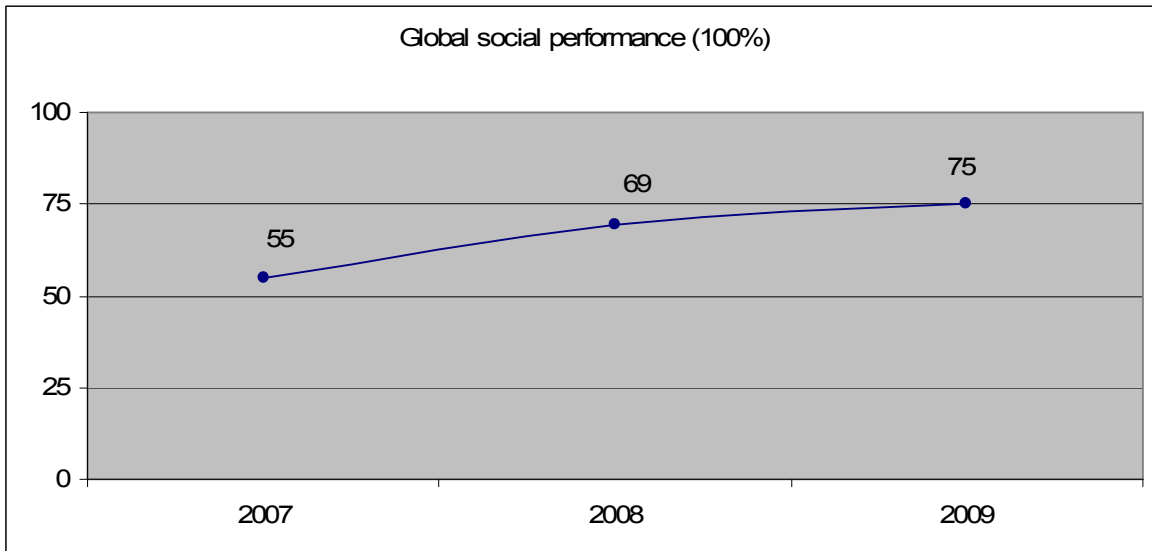
Social awareness is a necessary prerequisite for socially responsible corporate behavior. Social responsibility requires a suitable human resource policy, an adaptation of the MFI corporate culture to its cultural and socioeconomic context, social responsibility towards its clients and towards the community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

What is the strategy of the MFI regarding social responsibility?

SPI Results

Below are the global results for the 4 dimensions for the last three years:

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



¹ The notation of Dimension 1 is actually on 29 points in SPI Tool. 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 the SPI Tool was 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 (+ 2 points, reaching 20 out of 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.

D2- Adaptation of services and products to target clients

A great improvement can be observed on the second dimension, especially 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. Since then the range of non financial services and their outreach have regularly increased.

In addition, a survey has been conducted in 2008 to measure the partners' satisfaction. It also increased the score between 2008 and 2009.

D3- Improving clients' social and political capital

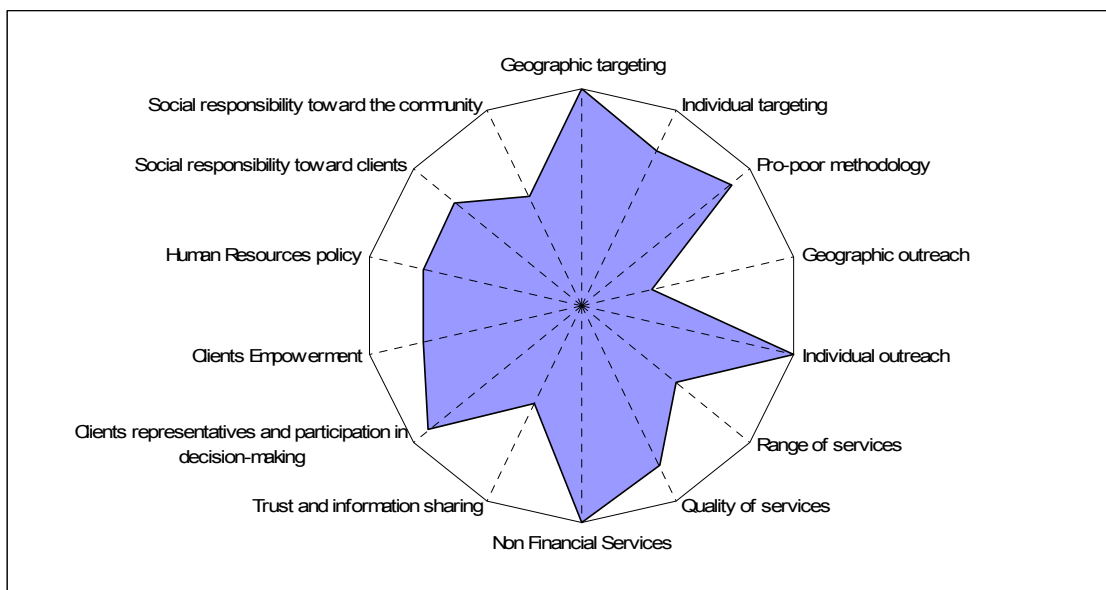
Here also, the main improvements took place between 2007 and 2008 (+6 points to reach 19 out of 25). The score increase is due to the organization of General Assemblies in all branches, starting in 2007. During these events, partners elect representatives among themselves who then take part in branch committees and in credit committees. These elected representatives are trained to take part in the decision-making processes.

D4- Social responsibility of the institution

The situation regarding Chamroeun's social responsibility has regularly improved from 2007 until now (+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 level 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 staff and a better involvement of staff in the decision making processes.

Perspectives

Even if Chamroeun's social performance improved a lot from the beginning of 2007 until now, the organization can still progress on some aspects.



The graph presented above 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. In 2009, branches will be opened in 2 of the main provincial cities, which will still not improve this indicator. It is not a priority for Chamroeun for the time being to develop its services in rural areas where other operators already offer good quality services.

In dimension 2, the range of services can also be improved. To solve this weakness, 2 new products more oriented toward the clients' social needs (the Social Emergency Loan and the Development Loan) are already being designed in 2009. Chamroeun obtains good results on two other indicators in this dimension: quality of services and non financial services.

In dimension 3, Chamroeun can 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 the indicator should improve. A clear, formalized procedure explaining how beneficiaries can discuss with employees in case of conflicts/claims should also help improve the social performance. Chamroeun has good results on the indicators "clients' representatives and participation in decision-making" and on "client' empowerment".

In dimension 4, results are good now 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. Still a constant effort will be made to ensure that the activities are in good harmony with the local culture and values and to try to assist when community issues arise.