

ผลงานทางสังคมของสถาบันการเงินขนาดเล็กในกรุงเทพมหานคร



นาย แอนดรู วิลเลียม แรมมิ่ง

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วิทยานิพนธ์นี้เป็นส่วนหนึ่งของการศึกษาตามหลักสูตรปริญญาศิลปศาสตรมหาบัณฑิต

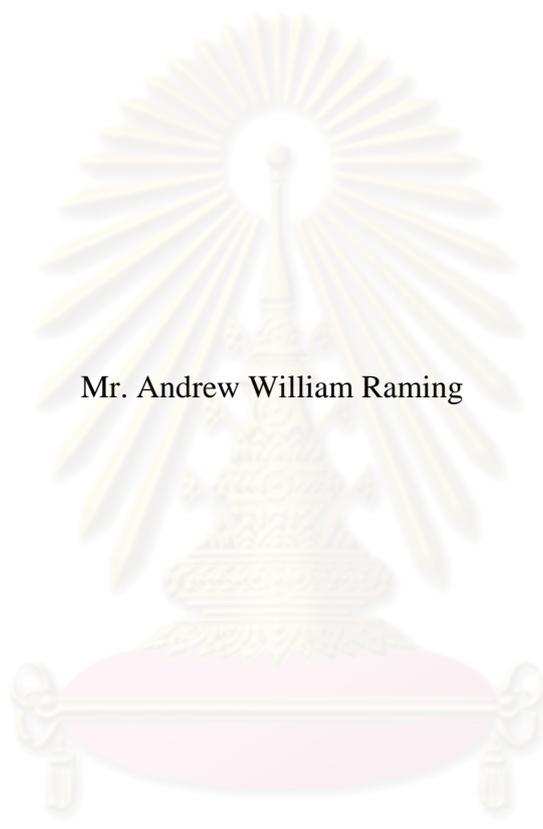
สาขาวิชาเอเชียตะวันออกเฉียงใต้ศึกษา (สหสาขาวิชา)

บัณฑิตวิทยาลัย จุฬาลงกรณ์มหาวิทยาลัย

ปีการศึกษา 2553

ลิขสิทธิ์ของจุฬาลงกรณ์มหาวิทยาลัย

The Social Performance of Microfinance Institutions in Bangkok



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A Thesis Submitted in Partial Fulfillment of the Requirements
for the Degree of Master of Arts Program in Southeast Asian Studies

(Interdisciplinary Program)

Graduate School

Chulalongkorn University

Academic Year 2010

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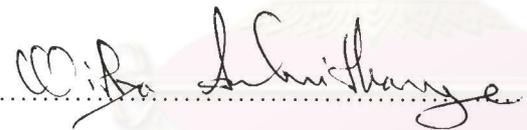
Thesis Title THE SOCIAL PERFORMANCE OF MICROFINANCE
INSTITUTIONS IN BANGKOK
By Mr. Andrew William Raming
Field of Study Southeast Asian Studies
Thesis Advisor Associate Professor Withaya Sucharithanarugse, Ph.D.

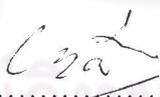
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แอนดรูว์ วิลเลียม แรมมิ่ง: ผลงานทางสังคมของสถาบันการเงินขนาดเล็กในกรุงเทพฯ (THE SOCIAL PERFORMANCE OF MICROFINANCE INSTITUTIONS IN BANGKOK) อ.ที่ปรึกษาวิทยานิพนธ์
 หลัก: รศ.ดร. วิทยา สุจริตชนารักษ์, 131 หน้า.

ส่วนของระบบการเงินขนาดเล็กในประเทศไทยอยู่ในช่วงหัวเลี้ยวหัวต่อในขณะนี้ ระบบการเงินขนาดเล็กที่เวลานี้กำลังถูกท่วมทับด้วยแผนการให้กู้ยืมสายย่อย ที่รัฐบาลสนับสนุนอยู่จำนวนมาก ในส่วนที่คิดดอกเบี้ยในอัตราเล็กน้อยใช้คืนได้ในช่วงระยะเวลาหนึ่ง ให้แก่ผู้ซบซึ้งจรยณนตร์รับจ้าง ผู้ซบซึ้งจรยณนตร์โดยสารรับจ้างและพ่อค้าแม่ค้า โครงการให้กู้ยืมที่เป็นที่นิยมเหล่านี้ ทำให้เกิดความยากลำบากในการทำหน้าที่ของสถาบันการเงินขนาดเล็ก ทั้งในระดับชุมชนเองและระดับนานาชาติ อันเท่ากับเป็นการรับรองว่ามีเกณฑ์ระดับล่างที่เป็นสองมาตรฐานอยู่ ความสามารถของระบบการเงินขนาดเล็กอยู่ที่การให้ประกันผลประโยชน์ทั้งทางการเงินและทางสังคมแก่ผู้ที่ถูกกันออกไปจากการให้บริการของธนาคาร โดยทั่วไป

งานศึกษานี้วิเคราะห์การดำเนินการทางสังคมของสถาบันการเงินขนาดเล็ก ซึ่งปฏิบัติงานอยู่ในเขตชุมชนแออัดคลองเตย การวิเคราะห์ในเชิงเปรียบเทียบเปิดโอกาสให้ผู้ปฏิบัติงานขององค์กรผู้บริหารและคณะกรรมการตรวจสอบและถกเถียง ถึงความเข้มแข็งและความอ่อนแอ เพื่อให้มีการริเริ่มใหม่ๆ ในการปรับปรุงนโยบายการดำเนินการทางสังคม

งานศึกษานี้หวังว่าเมื่อมีความโปร่งใสมากขึ้น และเมื่อเน้นย้ำความรับผิดชอบทางสังคมมากยิ่งขึ้น แล้วภาคส่วนระบบการเงินขนาดเล็กของไทยก็จะสามารถปรับปรุงผลผลิตและบริการให้แก่ลูกค้าได้ดีขึ้น รวมทั้งเป็นการเพิ่มพลังให้แก่ผู้คนที่ระบบการเงินขนาดเล็กสนองอยู่

ศูนย์วิทยทรัพยากร
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สาขาวิชา เอเชียตะวันออกเฉียงใต้ศึกษา

ลายมือชื่อนิติศ.....

ปีการศึกษา 2553.....

ลายมือชื่อ อ. ที่ปรึกษาวิทยานิพนธ์หลัก.....

##5287620020: MAJOR SOUTHEAST ASIAN STUDIES

KEY WORDS: MICROFINANCE / SOCIAL PERFORMANCE / MICROFINANCE INSTITUTION

ANDREW WILLIAM RAMING: THE SOCIAL PERFORMANCE OF MICROFINANCE IN BANGKOK. ADVISOR: ASSOC. PROF. WITHAYA SUCHARITHAWARUGSE, Ph.D., 131 pp.

The microfinance sector in Thailand is at a crossroads at the moment. Drowning in a plethora of government subsidized small loan schemes which are provided to uplift the grassroots economy with small loans with minimal interest rates, repayable over sometime to motorbike taxi drivers, taxi drivers and vendors. These popular loan programs make it difficult for community and international microfinance institutions to operate and thus, certify the double bottom line standard. Microfinance's ability to guarantee financial as well as social benefits to those excluded from traditional banking services

This study comparatively analyzes the social performance of two microfinance institutions operating in the urban slum Klong Toey. A comparative analysis allows the organizations staff, management and board members to monitor and discuss the strengths and weaknesses to find innovative methods to improve social performance policies.

The hope of this study is that through increased transparency and greater emphasis on social responsibility the Thai microfinance sector can better improve the products and services offered to its clients as well as empower those microfinance serves.

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Acknowledgements

I would like take the time and thank all the excellent people, who without their help and support this thesis would not exist

I am so grateful to my thesis advisor Assist. Prof. Withaya Sucharithawarugse whose helpful insights and additions to this study made it possible for it to develop into what it is. I would also like to thank Ajarn Sunait Chutintaranond for his inspirational guidance throughout my tenure in the Southeast Asian Studies program. Also, thank you to Ajarn Theera and Professor Mya Than for your helpful thoughts and opinions how to better this study.

A very special thanks to all those outside the program Mr. Quinley Jr. , Ms. De Young and Khun Sai for their patience and help during the Step Ahead analysis. Mr. Holloway, for organizing my meeting with the Klong Toey Cooperatives for Development Services and for his work with the Duang Prateep foundation. Khun Kongkamol the cooperatives president for taking the time out of his busy schedule to meet with me. Also, thanks to Ms. Jane for your last minute translations during the meeting.

Thank you Southeast Asian Studies staff, P. Tee, Nuch, Mook and Dream you all made this a lot less painful than it could have been, as well as providing me with your beautiful smiles and support every morning before lectures. I cannot forget my friends and classmates whose moral support, small loans when I'm broke, the occasional meal, the occasional drink, networking opportunities, advice, hugs, late nights and early mornings made the time spent in the Southeast Asian Studies program so much more enjoyable.

Lastly, thanks Mom, Dad and Sis for being the cool cats you guys are and supporting me regardless of how insane, unnecessary, and self destructive the decisions are that I make.

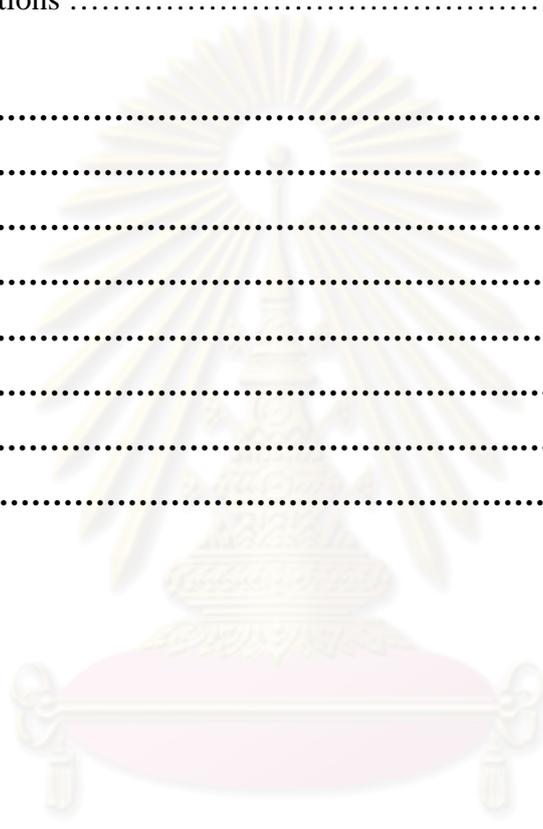
I am appreciative to all who contributed to the completion of this thesis. I am responsible for any shortcomings and weaknesses in this study.

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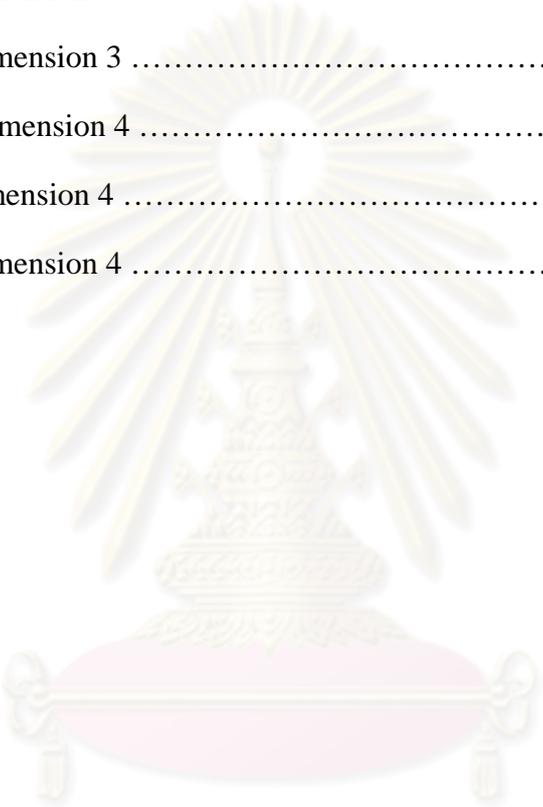


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List of Abbreviations

BOT- Bank of Thailand

CERISE- Comite d'Echanges de Réflexion et d'Information sur les Systèmes d'Epargne-crédit

CGAP- Consultative Group to Assist the Poor

FDCBWP- Foundation for Development Cooperation and the Banking with the Poor Network

FDI- Foreign Direct Investment

FSMP- Financial Sector Master Plan

INAFI- International Network of Alternative Financial Institutions

KTCDS- Klong Toey Cooperative for Development Services

MDG- Millennium Development Goals

MFI- Microfinance Institution

MOF- Ministry of Finance

NGO- Non Government Organization

SEEP- Small Enterprise Education and Promotion (network)

SIM- Social Impact Measurement

SME- Small and Medium Enterprise

SPI- Social Performance Indicator

SR- Social Responsibility

UN- United Nations

UNICEF- United Nations International Children's Emergency Fund

Chapter I

Introduction

1.1 Introduction

Poverty and the governance thereof have recently been making headlines as the global visionary aspirations of the Millennium Development Goals are steadily creeping towards the 2015 deadline. The Millennium Development Goals focus on eradicating the world's poverty, and factors associated with the world's destitute. Microfinance is a mechanism cited for its ability to satisfy the international goal of poverty reduction.

This study consists of a qualitative case study focusing on the social performance of two microfinance institutions located in the same slum in Bangkok literally just down the street from each other. This study however does not measure the social impact of the two organizations¹. The two microfinance institutions which will be compared in this study are Step Ahead and Klong Toey Cooperatives for Development Services (KTCDS).

The Bangkok microfinance institution Step Ahead was established in 2002 in the slums of Klong Toey to assist female entrepreneurs build their businesses and provide for their families. Step Ahead is a Christian-based integrated community development organization, operating in Thailand, focused on partnering with the working poor to bring about comprehensive and sustainable socio-economic transformation. These working poor clients of Step Ahead receive small loans and training to facilitate the growth of their business and increase the well being and security of their families.

The Klong Toey Cooperative for Development Services (KTCDS) opened its doors in 1994 before any financial services were available in Klong Toey. It is a non-denominational cooperative totally run and organized by its members and fellow neighbors within the communities it serves. Since its beginnings it has expanded into various neighboring communities with membership totaling 1,472 in 2009.

¹ Changes in client's welfare and the quality of life directly affected by services rendered from the organizations.

This chapter presents the basic theories of microfinance and various applications as well as delving into the social performance of microfinance and its basis and usefulness in monitoring a microfinance institution (MFI).

1.2 Microfinance

September 2000 brought together world leaders and policy makers to the United Nations in New York to advocate the United Nations Millennium declaration which established a common set of principles each member state would strive to moderate. The aim of these Millennium Development Goals (MDG's) would reduce seven agreed upon poverty related characteristics by the year 2015 (United Nations, 2010). These goals include ending poverty and hunger, providing primary universal education, eliminating gender disparity while empowering women, reduce child mortality by two thirds, improving maternal health while ensuring widespread access to reproductive health, stopping and reversing the spread of HIV/AIDS while combating malaria and other diseases, ensuring environment sustainability and developing a global partnership motivated towards development.

The most substantial and comprehensive universal method for contesting these poverty characteristic has yet to be defined and probably differentiates between many geo-political contexts. Yet, the relevance of microfinance enters the arena as a possible contender in the fight against six of the seven MDG's. Microfinance and its services offer prospects to contribute to the attainment of these internationally communal goals through its influence on poverty which can support improvements in schooling, gender equality, health and the conservation of resources. Microfinance is a major contributor to achieving these goals as providing primary education to all children, ridding the world of gender disproportions, reducing child and maternal mortality, supplying reproductive health services to everyone, and reversing environmental destruction that obliges the inclusion of *everyone*; including those who live in abject poverty (Dunford, 2006).

The numbers are staggering; almost half the world (more than 3 billion people) lives on less than \$2.50 a day, while 80% of humanity lives on less than \$10 a day, according to UNICEF, 24,000 children die each day because of poverty. And they "die quietly in some of the poorest villages on earth, far removed from the

scrutiny and the conscience of the world. Being meek and weak in life makes these dying multitudes even more invisible in death” (Shah, 2010). Even today with countless medical services available to some, infectious disease continues to scorn the lives of the poor everywhere. There is an estimated 40 million people living with AIDS/HIV, and 2003 saw 3 million of them die. Each year there are 350-500 million people with malaria, and over 1 million of those dying (UNDPS, 2007). To arm those defenseless individuals that suffer preventable strifes which come as a direct result of poverty, financial institutions that provide economic and social services have been catering to those who before were considered destitute or unbankable.

These institutions provide financial services to low income households which previously had been neglected by mainstream financial sectors. Typically these institutions provide small loans (predominantly for personal entrepreneurial purposes), which are then re-paid over several months to a year. Collateral is not always a consideration of these institutions² and when it is, more often than not a microfinance institution (MFI) may be operating in an area where collateral is scarce. In this case ingenious methods have been created to impose some type of re-payment mechanism such as social collateral. Social collateral, in the instance of non-repayment on a loan by the individual, the group with which the loan was taken is responsible for repaying the loan the individual defaulted on (Bond and Rai, 2002). Resourceful thinking like this has given microfinance a lot of praise along with its attention to community, focus on women and its ability to provide incentives to work (Morduch, 1999). Programs have proven abilities to extend their reach to the poorest that many schemes haven't had access through other means. Financial programs such as the ones undertaken by the United Nations Development Program in Myanmar have shown substantial progress in short time. June 2007 (only 10 years after its initial inception), saw a total of 324,838 households gain access to microfinance and its services, with the vast majority of those clients being women (UNDP, 2007)³.

² As the poor typically do not have collateral.

³99.66% in the Dry Zone, and 82.58% in Shan area

1.3 Microfinance Thailand

A result of Thailand's large and dynamic rural population is that of its long history of microfinance and economic development initiatives. As of 2007, 63 percent of Thailand's population lived in rural settings while 92 percent of this population was farmers (B.W.T.P., 2010). Within the provinces of Surin and Roi-Et, the country's poorest region, most households in the area stated small scale farming as their primary or secondary occupation, this included 90.4 percent of men and 91.3 percent of women (Coleman, 2002).

The Office of the National Economic and Social Development Board categorizes those as "poor" or living below the poverty line, people that earn less than 1,443 Thai baht a month⁴. It is therefore estimated that 13 percent of the rural population are considered to be "poor". It is also estimated that 18 percent of the urban population are considered "poor". These figures however, don't account for the hundred thousand refugees' on the Thai Myanmar border, as well as the people in hill tribes in the North, which lack Thai nationality, a requirement to be included in the country census. Without Thai nationality financial services become extremely difficult to come by and therefore can only gain access to these services through informal money lending (B.W.T.P., 2010).

Thailand has an economy whose financial systems are generally bank based. This consists of commercial banks, financial institutions which are non-bank, and specialized financial institutions established by local cooperatives and the government, where citizens obtain capital and financial services primarily through commercial banks (Haberberger, 2005, B.W.T.P., 2010). With easy access to financial services in Thailand only a small percent of households and SME's don't have access to financial services. A study by the Bank of Thailand (BOT) determined only 9.61 percent of Thailand's households and SME's could not access basic financial services. Out of those that have access, 16.35 percent sought their financial service providers through semi-formal and informal sectors. This study also continues to show that the population with access to financial services maintains 33.93 percent of households in this sample which do not have access to credit (Tarisa, 2009, B.W.T.P., 2010).

⁴ Based on the U.N.'s description of poor as those living on less than a \$1.25 a day.

So, from this example we can maintain that low income generating households typically attain their financial services from providers in the semi-formal and informal categories. Regardless of these households having access to financial services they still disregard formal options to acquire credit and look elsewhere for service.

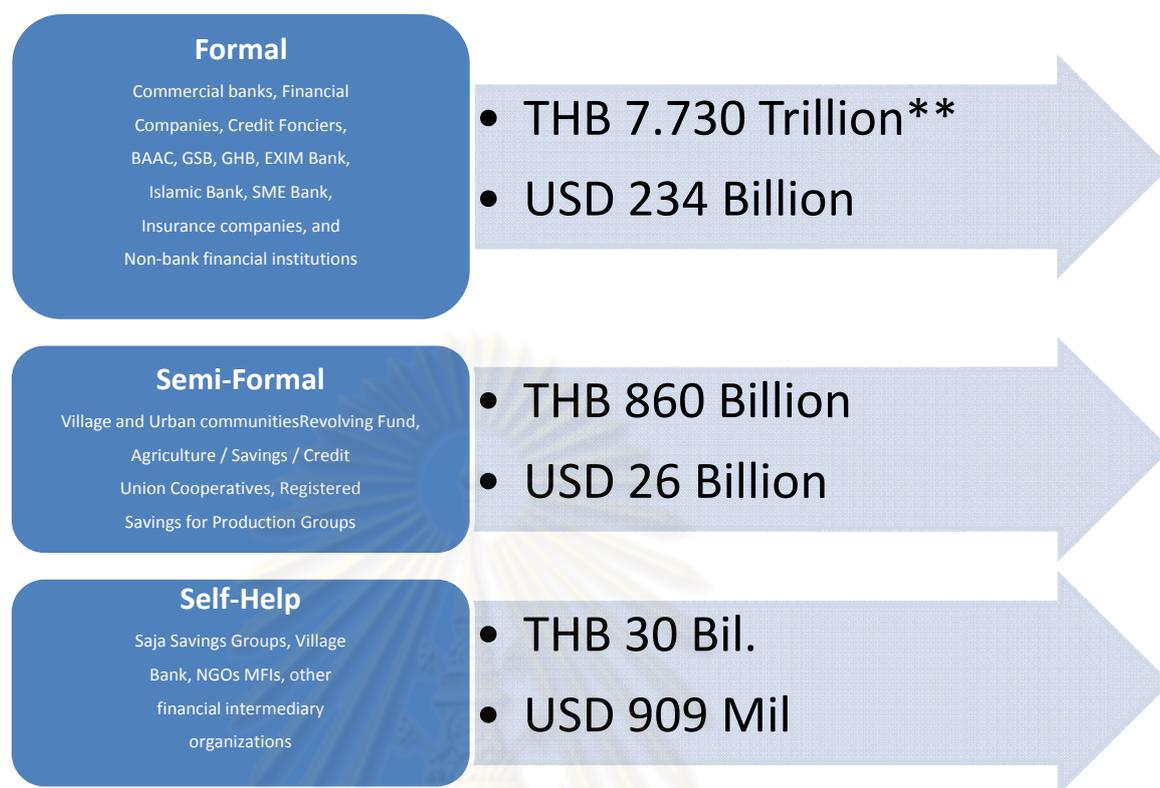
Recently, the BOT along with the Ministry of Finance (MOF) has been pushing the use of microfinance in attempts to further financial inclusion for the poor under the Financial Sector Master Plan Phase 2. The FSMP Phase 2 emphasizes the importance of microfinance by attempting to link the commercial banking sector with previously existing semi-formal financial service providers such as cooperative institutions, funds, village banks and savings groups (Microfinance Focus, 2009). The microfinance sector in Thailand is divided into three categories by the MOF; formal and large MFI's operating under the government's financial regulations and commercial financial institutions. Some examples of these institutions include The Bank of Agriculture and Agriculture Cooperatives (BAAC), the Government Savings Bank (GSB), SME Development Bank, and the Islamic Bank. It is estimated that these institutions account for 7.73 trillion Baht⁵ worth of credit in 2007. The semi-formal microfinance institutions which support financial services on a smaller scale, such as community groups, and credit union cooperatives, the institutions in this category are estimated to produce about 860 billion baht⁶ in 2007. The third category includes the informal, self-help credit groups which are community member based for community established institutions. Typically these organizations are established through NGO's, local governments, and religious factions. This group is estimated to have provided 30 billion baht⁷ worth of credit in the 2007 financial year (B.W.T.P., 2010). The FSMP Phase 2 development plans are to integrate the 2nd and 3rd level MFI's into Thailand's formal banking sector.

⁵ \$235 Billion

⁶ \$24.5 Billion

⁷ \$910 Million

Figure 1 Thailand's Microfinance System



***Figure represents credit of entire formal financial system; number only for MFI's does not exist. (Setboonsarng,2010)*

The plans of the FSMP Phase 2 to integrate the informal and semi-formal financial sectors into the mainstream banking sector in an effort to streamline the system, “will further setback efforts to increase microfinance investment in the region and harks back to the populist policies of the Thaksin government which subsidized credit to farmers and product promotion through the One Town One Product-program” (B.W.T.P., 2010). The Consultative Group to Assist the Poor (CGAP), in its Good Practice Guidelines for Funders of Microfinance report even goes as far as stating that at a macro level approach donors should not support the direct provision of credit by governments. This report further asserts the benefits of government policy support along with the enabling of financial services but the avoidance of direct provision of services, “Governments can almost never do a good job of lending” (CGAP, 2006).

After winning elections in 2001 the Thaksin administration proposed substantial government subsidized credit programs which carried high levels of debt financing. These policies placed macroeconomic issues such as GDP growth with

poverty alleviating subtexts. The new government implemented a one million baht village fund available to every village in Thailand. This one million baht was provided to every village regardless of size or population, which provided households that subsist in smaller villages with low populations more credit than those of larger villages. This program in particular focused on the former Prime Ministers economic agenda centered on consumption-led growth influenced by easy credit (Conroy, 2004).

Government initiatives such as these which provide Thai citizens with more low interest, subsidized financing such as debt restructuring, debt moratorium, and even debt forgiving plans (B.W.T.P., 2010, B.W.T.P., 2010, Conroy, 2004, Wichit, Anucha, 2010) that serve to create an environment unfair to semi-formal and informal MFI's. This government subsidized competition promotes an unattractive environment which is extremely difficult to contend with. This unfair competition hinders the growth of microfinance in Thailand and in turn can have negative effects on Thai borrowers by generating an environment with subsidized low interest rates, and strict legislation that lowers the market profitability and social capital of potential MFI's which target more specific audiences (who end up un-served, under financed or borrowing from a loan shark) than the first tier MFI's.

Many of these private or NGO operated MFI's which have to compete with government subsidized initiatives tend to target small populations previously ignored by the mainstream banking and finance sector. These include but are not limited to "those living in urban slums, factory workers, and people living with HIV/AIDS, minority hill tribes, or non-resident refugees" (B.W.T.P., 2010). In an effort to serve these audiences many of the semi-formal and informal MFI's have adapted methods to stay in business. Not being registered as a commercial or retail bank, which are currently the requirements to obtain a microfinance license in Thailand creates an environment for inventive business strategies. For example, an MFI in this environment could consider lowering interest rates⁸ to attract more clients, but those institutions which have the working status of foundation or association are not permitted to charge interest, and are not able to profit from business activities. These foundations and associations can then only provide services to members where the charge of a 'membership fee' can be applied to the loan total. However, membership

⁸ Thailand is one of the few countries in which Banks and MFI's have similarly low interest rates.

fees alone are not enough to compete with refinanced loans and 1 percent interest (Wichit, Anucha, 2010) already in place from government initiatives, therefore the foundations and associations working in Thailand must rely on a steady supply of donor subsidies and constant fundraising activities.

The many legal loopholes and legislative implications and regulations involved in the microfinance sector in Thailand require advice from non-traditional sources. Traditional corporate and business lawyers in Thailand lack the legal advice which focuses on those institutions operating as associations, foundations and cooperatives and the knowledge and experience to provide this type of counsel is practically non-existent. Currently the non-banking lending company offers support services at a minimum of 50 million baht registration, which is quite high for many MFI's (B.W.T.P., 2010). The lack of an appropriate legal entity under the current administration only adds to the already challenging environment existing as an MFI.

The role of the Thai government pertaining to microfinance is one of necessity, although, only with direct involvement does the government involvement become counter-productive to healthy competition and therefore undesirable, and responsible for “neglected ‘bottom-end’ financial sector operations” (B.W.T.P., 2010, Conroy, 2004).

Although, the seemingly pro-populist agenda of the FSMP Phase 2 which is noted for its potential to create un-supportive sector competition, will lead to an increase in information systems and consumer credit protection devices which are currently lacking in the semi-formal and informal sectors. The current lack of industry information makes it difficult for an MFI to determine prior credit information regarding possible loan defaults, or other outstanding loans with different financial service providers. The BOT's plans to include the bottom two MFI categories with mainstream banks should provide greater access to compiled consumer credit information. This provides “groundwork for strengthening of grass-root communities through knowledge sharing between successful microfinance expert and local grass-root micro institutions, which would lead to greater financial strength and financial immunity for all groups of Thai society” (Microfinance Focus, 2009).

1.4 Social Performance

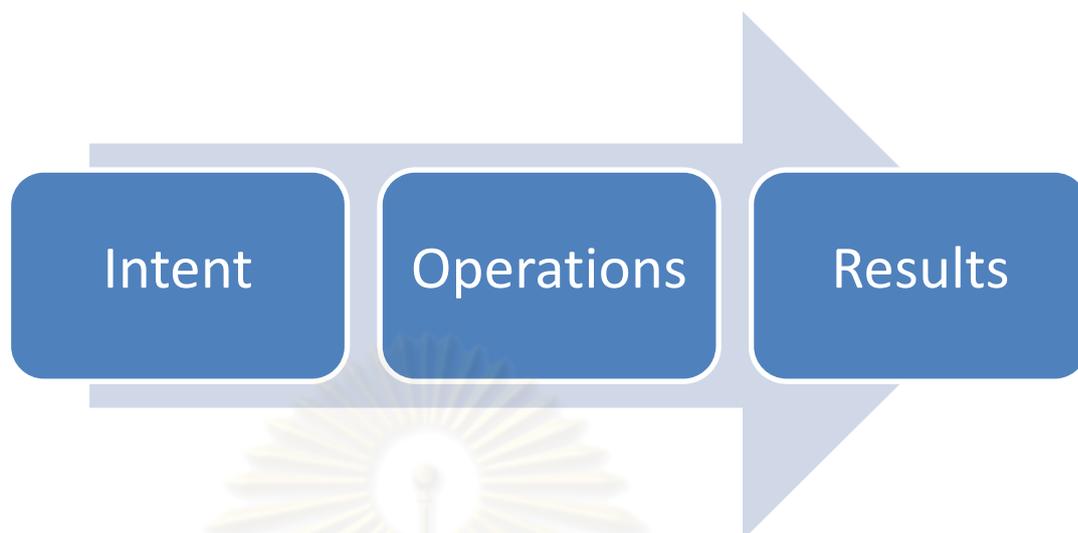
The social performance of a microfinance organization, involves measuring the basic make up (structure) of the organization and how it conducts itself within its locale and broader community. These factors take into consideration the institutions mission, management, care for its staff as well as specified services, products and relationship with the community it functions. An institution providing a socially responsible service should therefore measure its performance based on successful transformation of the institutions mission into methods in line with positive social values to improve its client's lives and proved them with opportunities which prior to patronizing the institutions services, did not exist.

Social performance ties together the institution and the locals within the society the institution serves. These ties include not only the institution and its owners but, groups such as clients, donors, staff, investors and the communities that the MFI provides assistance too. The relationship between the owners, stakeholders and board members goes beyond the institutions financial performance and includes the social performance as well. With this in mind social performance also, relates the institutions social mission and objectives to social outcomes derived for patronizing the services of the MFI. "Social performance is not about measuring the outcomes but also about the actions and corrective measures that are taken to bring about those outcomes" (Beard, 2006).

Cecile Lapenu segments social performance into three categories she defines as the Social Performance Pathway.

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Figure 1.2 Social Performance Pathway



(Lapenu, 2008)

Lapenu explains that social performance is the transformation of an institutions mission into practice in line with social norms in relation to, reaching poorer and excluded clients, improving the lives of clients and their families and widening the range of opportunities for communities (Lapenu, 2008).

The intent of social performance is the specifically defined mission and objectives of the MFI to reach its target market while delivering quality and suitable financial services, respond to clients needs, their families, and communities and to guarantee responsibility of the MFI for its employees, clients and communities (Lapenu, 2008).

Social performance operations must support the MFI's actions and corrective measures. Systems employed by the MFI must align with its social mission, i.e. the leadership, institutional culture, human resources, training, rewards, marketing and service delivery must all relate to serve its mission (Lapenu, 2008).

Results from service provisions should be measurable to determine the MFI's proficiency at reaching its clients, meeting their needs as well as creating benefits and addressing social responsibility (Lapenu, 2008).

The SEEP Network mentions eight specific rationales highlighting the importance of social performance management: (1) An MFI has an ethical responsibility to account for their social performance in a transparent manner. (2) Social performance management is necessary to maintain the social mission of an

MFI. (3) Social performance management benefits clients by providing them with services more appropriate to their needs, gives them more product choices, better customer service and a platform to voice their opinions concerning policies and operations. (4) Social performance managing establishes a more client focused institution with demand driven products and services. (5) Social performance management can increase financial performance, by facilitating program growth to make an MFI's services more attractive to potential clients. (6) Through social performance managing, management staff has the ability to properly measure the balance between financial and social performance (double bottom-line). (7) Social performance management allows investors, donors and board members to compare social performance across institutions which encourage establishing standards and points of reference. (8) Lastly, social performance management allows (smaller-scale) socially oriented MFI's to reveal their social investments to possible donors and investors. Funds allocated to socially progressive financial institutions tend to flow towards high profile institutions, while ignoring the lower profile institutions. Social performance management allows MFI's to demonstrate social performance to possibly claim a portion of funding for socially progressive institutions.

Studies have also shown a positive correlation between social performance and financial performance. Results monitoring the correlation between both types of performance can be negative (this can be translated as a trade-off), neutral (no relationship) or positive (definite correlation). A study monitoring 42 MFI's in Latin America found that the relationship between social and financial performance depends on the dimensions considered. For example, an MFI which focuses its attention on targeting the poor and those excluded from traditional banking services creates higher operating costs. MFI's specifying services to the needs of its clients reduces client debts and operating costs as does emphasizing social capital. The Latin American study showed that targeting poor and excluded clients adds to operating costs (trade-off) but, emphasis on social performance characteristics creates a positive correlation (CERISE, 2011). "The attention being given to social performance is paying off: our analysis confirms that social performance and financial performance are compatible. It is indeed possible to have a clear strategy for sustainable microfinance—one that aligns financial, social and environmental objectives" (Bédécarrats, Lapenu and Tchala, 2010).

Social performance is not to be confused with social impact. Social impact focuses on the end result or just one element of social performance. Social performance analyzes the whole process that results in impact. The main methodological problems attributed to impact assessment are the interchangeability of assets and goods, and how to differentiate between the affects acquired from the MFI's services, and external budget influencing factors, as well as how can the researcher effectively and correctly establish reader friendly self assessments and personal narratives of an institution and then translate qualitative findings into quantitative measures (Hailey and James, 2003). "In response to the uncertainty of impact assessment and the lack of usefulness for practitioners, many people have promoted market proxies, viewing impact assessment as a more costly distraction" (IFAD, 2006). An example of this would be to monitor a finance institutions repayment rates. If the institution has acceptable repayment rates we can assume that the clientele is happy with the services provided which in turn demonstrates a positive impact. However social performance monitoring is considered necessary for donors, policy makers, and practitioners as liquid assets are provided to fund the cost of financial services, these services must be scrutinized to insure flawless program design and implementation.

1.5 Statement of the Problem

The Thai government's efforts at poverty reduction have long been a focal point for government administrators, and many generous subsidized loan programs have been provided to stimulate the agricultural economy of Thailand in recent history. However, recent regulations in Thai laws regarding microfinance institutions might contribute to stifle the budding expansion of this industry (B.W.T.P., 2010).

Recent efforts by the government of Thailand within the microfinance field might seem restrictive and not encouraging to microfinance sector growth at a grassroots level. "From the microfinance perspective, the practices of the Thai government are considered to be unfair to other MFI's and uncondusive to promoting an attractive environment for other players to enter into this market. Such practices are also hindering the growth of the microfinance sector in Thailand" (B.W.T.P.,

2010). New requirements which make it difficult for any MFI not operating on a national level to obtain a microfinance license and even suspending the provision of licenses for the next three years to anyone other than local banks (B.W.T.P., 2010). As well as the initiation of plans such as the “Million Baht Fund”, this according to Kaboski and Townsend came about, not as a result of providing financial services to those affected by the financial crisis of 1997, but as a result of the timing with the Thai political cycle. As proposed by Townsend and Kaboski another arbitrary factor in this scheme was the distribution of funds according to the size of the village. Every village regardless of size or population was given a million baht, this gave families that lived in smaller villages more capital than those in larger villages. “These decisions are fairly arbitrary and unpredictable, since the processes are driven by conflicting goals of multiple government agencies” (Kaboski, Townsend, 2008). Programs such as this also inject yet another source of subsidized credit into a system already overwhelmed with a multitude of schemes. An overabundance of cheap loan programs promotes individualized non income generating spending, which in turn leads to over indebtedness that pressures the borrower to make further loan commitments from personal money lenders who charge high interest rates to further stimulate the cycle of poverty. With the vast number of loan programs available borrowers become capable of borrowing from a number of sources. These sources then lack the ability to check the clients borrowing history from prior multiple sources. A deficiency of client credit information is a problem of microfinance not only in Thailand but around the world and makes it difficult for an MFI to protect its investments by referencing the financial history of its clients (B.W.T.P., 2010).

As well as injecting a substantial amount of low interest loan programs to the poor, the government of Thailand has also relieved the burden of debt from those weighed down by extreme debt by introducing debt moratorium, debt restructuring, and debt forgiveness plans. These efforts can further reinforce a culture of loan defaults and send the message to borrowers that it's acceptable to defer on payments (B.W.T.P., 2010).

1.6 CERISESPI

Before microfinance's popularity climbed to where it is today, expensive and lengthy economic assessments were procured to justify investments into the field. The possibility of an effective poverty reduction tool brought donors and NGO's together to find proof to validate their investments. Microfinance's rising popularity led the focus areas towards sustainability, profitability and client outreach where a more client-centered and qualitative analysis was needed. Investors became interested in socially valuable mechanisms that also have the ability to improve financial performance (CERISE, CERISE (home), 2010).

CERISE⁹ was founded as a network amongst microfinance practitioners in 1998 as a way to share information with its original 5 members. In an effort to branch away from the traditional aspect of sustainability based on the financial's of the MFI, CERISE developed a social performance assesment mechanism which to this day is the most widely used to measure social performance (SP)(CERISE, CERISE (home), 2010).

CERISE social performance indicator (SPI) is a social performance assessment tool developed in 2005 by the Social Performance Task Force to define methods of social performance and encourage the assessment and management of social performance. Assessing social performance benefits the institution by measuring how well its operations and systems produces positive social benefits. CERISE SPI is a standardized tool which evaluates an institutions intents and actions and whether it has the means to attain its social objectives.

The social performance indicator tool allows MFI's¹⁰ to analyze their social performance to inspire debate concerning its social strategy, transparency and accountability. Results are computed easily in a graph format and can be examined regularly for changes in policy. It is a self evaluation tool which helps an MFI to identify its strengths and weaknesses to improve its social performance. The social performance indicators analyze four dimensions significant to social performance extensively to show areas for improvement (CERISE, 2010). "The SPI tool is not supposed to be a "compulsory" tool: purely commercial MFIs, MFIs that are not

⁹Comite d'Echanges de Reflexion et d'Information sur les Systemes d'Epargne-credit

¹⁰ Microfinance Institution

subsidized and do not receive “ethical” funds, MFIs that do not have social objectives as a priority can choose to follow only their financial performance” (CERISE, 2005).

This mechanism for reporting the social performance outputs of a microfinance institution was produced in an easy to administer standardized format which, is adaptable to different types of MFI’s and localized environments. Firstly, the researcher administers the questions from the social performance indicator (SPI),

Figure 1.3 CERISE SPI Question

What percentage of clients comes from underdeveloped areas?

- 0 = do not know/less than 10 % of the total number of active clients
 - 1 = less than 50 % of the total number of active clients
 - 2 = more than 50 % of the total number of active clients
- (CERISE, CERISE (home), 2010)

and answers the questions accordingly. For many questions some terminology may be too vague and have multiple meanings. In this case CERISE has also provided definitions to report findings correctly.

Figure 1.4 CERISE SPI Question / Definition

Does the MFI select operating areas based on criteria of poverty/exclusion?

Definition: *Poor or excluded areas: areas with a percentage of poor people that is higher than the national average; areas that lack access to basic services such as water, electricity, education, health, sanitation, infrastructure; areas with basic services but that are far removed from urban centers. May include remote rural areas characterized by poor infrastructure (roads, markets), lack of access to public services, and subsistence farming; or urban areas characterized by a high concentration of poor people, lack of access to public services, high unemployment (such as migrant settlements).*

- 0 = not a criteria
- 1 = one of the criteria but not the most important one
- 2 = one of the most important criteria, reflected in the strategic planning of the MFI

(CERISE, CERISE (home), 2010)

These definitions serve as preventative measure to ensure correct and accurate reporting. Secondly, answers scored as 1, 2, 3 are reported on the SPI Excel file intake form as seen below.

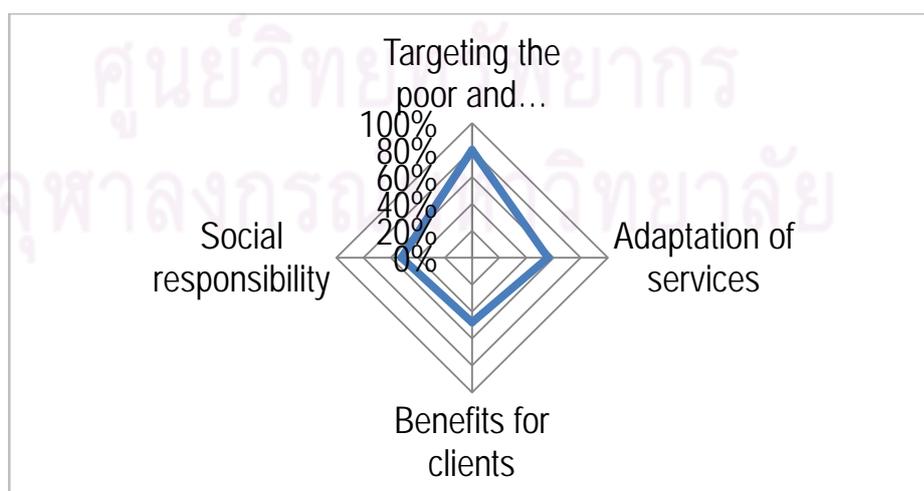
Figure 1.5 SPI Excel Intake Form

Targeting the poor and excluded		25	20
Geographic Targeting		9	5
1.1	Selection of intervention areas	2	2
1.2	% of clients from underdeveloped areas	2	2
1.3	Verification of poverty level	2	1
1.4	% of clients in rural areas	1	0
1.5	Service in areas with no other MFIs	2	0

(CERISE, CERISE (home), 2010)

Lastly, these scores are projected in graph format in easy to read projections which reflect findings assessed in the questionnaire. For this projection the MFI in question focuses its services mainly towards targeting the poor and excluded.

Figure 1.6 SPI Findings Graph



(CERISE, CERISE (home), 2010)

The CERISE SPI was used in this study to analyze both MFI's as a way to compare and contrast methods which may or may not fulfill their individual social objectives. These SPI results allow an MFI to examine its social performance and report to its board or management. This social performance audit gives objective, to the point visual descriptions of the procedures in place to accomplish an MFI's perspective social mission, and can also be analyzed to assess how these systems already in place affect operational and financial performance (CERISE, 2010).

1.7 Objectives

Firstly, this study aims to analyze which criteria of the social performance indicators assessment will account for the greatest comparative difference between each MFI's in this study.

Secondly, discover the greatest influence on the social performance of these MFI's.

Lastly, analyze the influencing factors positive and negative trade-offs on the MFI's social performance.

1.8 Conceptual Framework

This study will be eclectic in nature as no study comparing the social performance of Bangkok microfinance institutions has ever been carried out.

The basic concept of this study contends that through inclusion, an MFI's social performance indicators will show a positive correlation. Localizing an MFI empowers and facilitates the unifying of the local population, which can be witnessed through the use of the CERISE social performance indicator (SPI). By allowing the clientele within the population served by the MFI to manage, run and maintain the services and benefits rendered a higher social performance rating can be achieved.

The microfinance sector's integrity and sustainability rely on the consistent understanding and advancing of social performance. Social performance measurements determine the institutions ability to meet their determined social

objectives while, financial measures, a very commonly used microfinance performance indicator is necessary, they don't account for the social objectives of the MFI.

1.9 Hypothesis

Money, itself cannot effectively pull an individual from the waters of economic destitution, but services offered by the MFI and the effective translation of these services further their ability to climb the social and economic ladder. The positive governance of social performance to ensure double bottom line¹¹ balances not only the financial but also social services to a specified clientele, which is the backbone of social performance.

Emphasis on the microfinance institution belonging to the community is a major factor in positive social performance. This study focuses on the belief that positive social performance of microfinance includes creating a sense ownership or empowerment which is accomplished with community involvement. Only when a MFI's total ownership, board members and clientele exist within a similar community can one see benefits of microfinance and the social performance thereof.

Thus this study hypothesizes that the MFI which has the ability to incorporate its clientele into its staff and board of directors will have more positive social performance than those MFI's which outsource.

An MFI hiring locally, not only benefits the community financially but also, provides the population of the community it serves a feeling of empowerment derived from the feeling of one's ability to dictate the outcome of their lives.

¹¹ Double bottom line is a UN standardized term referencing business investments in both social and financial capital.

1.10 Methodology

The methodology employed will be a qualitative case study, with a centralized approach which compares the social performance of two microfinance institutions established in the Klong Toey community of Bangkok, Thailand. This assessment is qualitative in information gathering but, is reported quantitatively. As, questions pertaining to the institutions proceedings are then reported with percentages and graphs, which allow easy to understand, transparent results. The core of this report is not a quantitative one as it, as well as the tool used to gather data (the CERISE SPI) is not concerned solely with the financials of the institutions or the clients, but the social advancements the institution can offer its clients. This study involved top management of both MFI's to provide an overview of its social performance and identify the strengths and weaknesses of its social performance management. It is believed this methodology is best suited to investigate the motivations behind the institutions choice of social missions and the fulfillment of those missions. Since the study will focus on each institutions social performance, the CERISE SPI assessment tool is employed to rate each institution. In addition to a comparative study, analytical methods will be employed to allow each institutions board of directors and management assess their own strengths and weaknesses and take productive measures to develop their own products and services to improve their client's lives. It is the hope that using comparative methodology will aid in observing successful procedures to increase outreach and sustainability as well as identify areas which need improvement.

1.10.1 Specific Methodology

For the preparation phase of this study each MFI was contacted and asked if they were willing to participate in a research initiative which has the possibility to increase operation performance. After interview times were established with management a check of the CERISE social performance indicator tool as carried out to familiarize myself with the questions and format as well as technical aspects of the reporting mechanism.

The implementation phase consisted of an interview with Step Ahead's program manager as well as one volunteer staff worker. After the interview findings

were assessed to identify areas of strengths and areas that could be improved in the administrating and effectiveness of the institutions dealings.

The interview with the Klong Toey Cooperatives for Development Services was conducted with the president of the cooperative as well as a translator to ensure understanding with staff on hand to answer any questions unclear at the time. After data was entered into the intake Excel file, the graphs were generated and a review of preliminary findings was conducted with the president.

1.11 Review of Literature

The people that benefit from microfinance are street vendors, small scale farmers, artisans and those not eligible to participate in the mainstream financial sectors (Trant, 2010).

There is proof to support that even the poorest can benefit from microfinance resulting from an increase in income, to reduced vulnerability (Morduch, Haley 2001). Evidence from studies such as Khandker in Bangladesh also points to the positive impacts microfinance serves, “Microfinance participants do better than non-participants in both 91/92 and 98/99 in per capita income, per capita expenditure, and household net worth. The incidence of poverty among participating households is lower in 98/99 than in 91/92 and lower than among non-participating households in both periods (Khandker, 2001). Robinson states “Among the economically active poor of the developing world, there is a strong demand for small scale commercial finance services- for both credit and savings. Where available, these and other financial services help low income people improve household and enterprise management, increase productivity, smooth income flows and consumption cost, enlarge and diversify their micro business and increase their incomes” (Robinson, 2001).

As the microfinance sector progressed, it showed a technical knack in providing dynamic and articulated services, diversified and adapted specifically to those excluded from mainstream financial services. Doligez points to MFI’s nontraditional guarantees and develop systems based on solidarity, proximity and participation to increase trust and lessen informational and social barriers that exist between the client and the organization (Doligez, 2006). Aside from the technical

challenges the microfinance sector has met lies the difficulty in balancing the MFI's social mission (reaching the poor), and its financial objectives (meeting the costs of services offered). When balancing these factors new terminology comes into play to discuss the single bottom line. For example, those MFI's that are concerned exclusively with their financial returns, notwithstanding how important profits as a prerequisite for successful organizations, and focused on the single bottom line (Schuite, Pater, 2008). These MFI's do not necessarily take into consideration social or environmental factors as a requirement for the continuity of their business. Schuite and Pater emphasize that MFI's which take into account the triple bottom line¹² place the real development impact at the level of their clients. Some of these MFI's even go as far as accounting for the impact their clients make on the environment as well. With the triple bottom line in mind, some MFI's realize the importance of their social performance also. For example, the percentage of women reached or clients improved income situation would be taken into consideration.

The success of any organization is directly related to its ability to monitor the measure of its performance. "Managing societal responsibilities requires the organization to use appropriate measures and leaders to assume responsibility for those measures" (Baldrige National Quality Program, 2009-2010). With this in mind it is impossible to achieve positive managerial outcomes without measuring these performance indicators.

Defining social performance is not always an easy objective but, one that should be imperative when viewed from the eyes of a donor. Without a clear definition of social performance the doors swing wide to donor expectations unrealistic to what the financial organization can provide. If for example, a microfinance institution's mission was to "empower the poorest of the poor" and the donor were then to find clients needs not correlating with those in the mission statement. How is the donor to correctly measure the clients to be the poorest of the poor? How could they possibly measure empowerment?

Though the exact definition of social performance varies Zeller, Lapenu and Greely (2003) break it down into four dimensions: (1) Outreach to the poor and excluded; MFI's were developed to provide services to those previously excluded

¹² Businesses models which takes into consideration the economic, social and environmental effects that their institutions generate.

from commercial banking sectors. Institutions therefore, have the intension to reach those economically excluded peoples in society, or to offer financial services where there are no traditional banking services found. Outreach can be measured to show the attention paid to those excluded members of society. (2) Adaptation of the services and products to the target clients; MFI's must know the population they are working with to design specifically conceived products and services adapted to its clients needs. (3) Improving the social and political capital of clients and communities; Trust is a positive repayment enforcer thus, strengthening a client's social and political capital increases the relationship between the clients and the MFI. (4) Social responsibility of MFI; the social responsibility of an MFI requires its corporate culture adjust culturally and socio-economically. Hashemi, Foose and Badawi (2007) go on to break social performance down into three dimensions: (1) the intent and design; what is the financial institutes mission and does it have clear social objectives as well as system designed to achieve those objectives? (2) Activities; what activities enable the institution to achieve its mission? (3) Output; Are the MFI's products designed to meet the needs of the poor and very poor? The Social Performance Task Force (2011) defines social performance as "the effective translation of an institution's social goals into practice in line with accepted social values; these include sustainability serving increasing numbers of poor and excluded people, improving the quality and appropriateness of financial services, improving the economic and social conditions of clients, and ensuring social responsibility to clients, employees and the community they serve."

Prior to the notion of measuring social performance of an MFI's focus was predominantly placed on the financial performance. "Perhaps this is not surprising, given that microfinance was introduced mainly within development organizations ('welfare' organizations such as NGOs and societies), which were now being encouraged to be more 'business-like' so they could access investment funds rather than continue being dependent upon donor grants" (Doligez, 2006). Sinha goes on to mention how this reliance on financials led to new dimensions in accounting and managing which contributed to a standardization of terms applied to credit ratings of microfinance institutions (Sinha, F. 2006).

What is interesting to note is that while the above explanations describe the social performance of microfinance as the implementation of an organizations

services, products and management some describe social performance as including the impact those services offered have on their clients. Copestake's (2003) description of social performance includes what he refers to as 'direct' and 'wider' impact. 'Direct' impact, he describes as physical, social, economic, political, cultural and psychological effects of the microfinance organization's activities have on its clients. The 'wider' impact, he attributes to the organization's influence on the other family members, employees, business associates and neighbors, this is the reason he believes social performance also includes microfinance's impact on poverty.

Assessing the impact as a result of microfinance services is challenging in that determining the specific outcomes of these services have a direct cause and effect relationship. The numbers of varying factors which contribute to beneficiaries' negative or positive outcome are endless.

The main methodological problems attributed to impact assessment are the interchangeability of assets and goods, and how to differentiate between the affects acquired from the MFI's services, and external budget influencing factors, as well as how can the researcher effectively and correctly establish reader friendly self assessments and personal narratives of an institution and then translate qualitative findings into quantitative measures (Hailey and James, 2003).

"In response to the uncertainty of impact assessment and the lack of usefulness for practitioners, many people have promoted market proxies, viewing impact assessment as a more costly distraction" (IFAD, 2006).

1.12 Significance of Study

While people maintain microfinance's ability to empower and raise people's living standards many donors and financial proponents have called for ways to prove these benefits. The main reason for this study is to compare and contrast the social performance of two different microfinance institutions in the urban Bangkok setting and how from their backgrounds and methodologies help or hinder their social missions implementation. The significance of this study lies in its ability to provide transparent knowledge to not only the two MFI's involved but also to other practicing microfinance institutions in Bangkok. This study is relevant at the moment as the

recent government induction of the controversial PrachaWiwat economic initiative to bolster the grassroots economy of Bangkok by providing low interest loans to taxi drivers, motorcycle taxi drivers and street vendors. Information from this study could be used not only as a reference to show different venues for economic assistance to lower economic realms but, also as a means for other MFI's to compare possible solutions to outreach or sustainability problems.



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Chapter II

Scope of the Study

2.1 Introduction

The research for this study focuses on the Bangkok MFI's, Step Ahead and the Klong Toey Cooperative for Development Services, both located in Bangkok, quite literally down the street from one another.

Step Ahead is an established and trusted MFI located in the Klong Toey area of Bangkok. The mission of Step Ahead is “to amalgamate micro-finance, mentoring, community economic development, and capacity building into an integrated service that powerfully displays the love of God while actively developing and empowering the poor, the vulnerable, and the marginalized”(Step Ahead; Annual Report 2009-2010).

The Klong Toey Cooperatives for Development Services Ltd. is the longest running cooperative in Klong Toey providing financial services and products. Its base is primarily in the Rom Klao community in the Klong Toey area but its services have spread to 17 different communities and housing sectors in and outside the Klong Toey area.

2.2 Step Ahead

Step Ahead is a community based development organization established in 2002, it first initiated its micro-enterprise program in the Klong Toey slum of Bangkok. In 2004 Step Ahead expanded its services to Khao Lak as a result of the tsunami which ravaged southern Thailand. Then again in 2009 Step Ahead opened another branch in Pattaya where the primary focus is maintained towards the economic development of women at risk. Step Ahead functions as a non-for-profit

MFI where almost one hundred percent of its income comes from donations and grants. Step Ahead is not self sufficient and does not have any plans to become so, nor is it even operationally self sufficient. During the 2009 financial year Step Ahead received 92 percent of funding from private organizations, 7 percent from individual donations and only 1 percent from businesses.

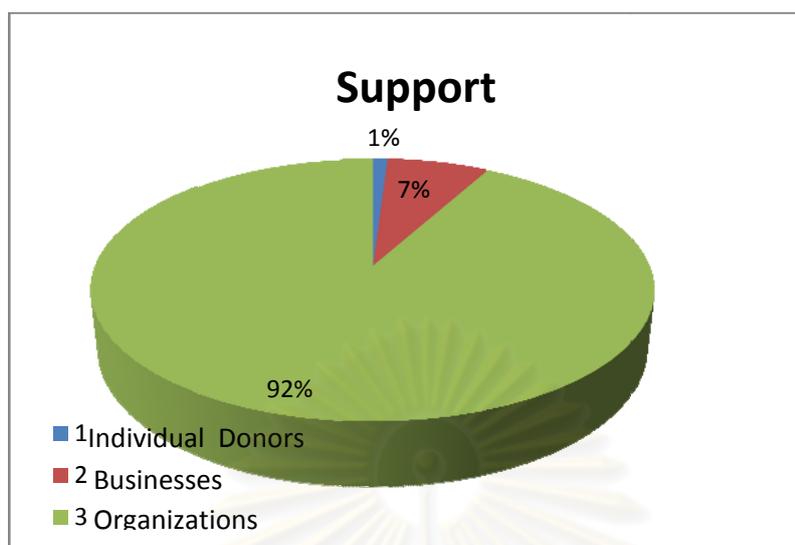
Step Ahead is recognized by the Thai government on foundation status. Foundation status is determined (according to Thai law) as a business consisting of assets appropriated for charitable, religious, artistic, scientific, literary, educational or other purposes for the benefit of the public and not for profit sharing (Chaninat & Leeds, 2006). Having the status of foundation determines that all potential borrowers using Step Ahead's financial services must first become a member. The fee for this membership is a fixed 15% of the loan, which is payable over a 3 to 5 month period¹. Loans on average range from 4,000 to 5,000 baht². Step Ahead's services also entail a mandatory savings policy, where 50 baht³ is paid by the member for every payment made towards the loan and placed in a savings account the member can claim when the loan has been repaid in full.

The board of directors are comprised both foreigners and nationals. Founders of Step Ahead appoint a board of directors, who then appoint management, who then hire staff accordingly; this method for appointment is stipulated in criteria for the institutions foundation status. Foundation status serves to increase outreach as it allows foreigners to become clients as well as board members but, also to increase limitations on profit sharing. As all profits must be allocated to serve the public (client members), capital must be accessed from different arenas. Foundation status benefits Step Ahead as it allows for both natives and non-natives to serve as board members which allows for more avenues to access capital. Non-native board members then have access to capital not accessible in Thailand through fund raising and foreign charities. The 2009-2010 fiscal years saw 92 percent of Step Ahead's funding coming from organizations at home and abroad.

¹ Due to Step Ahead's status as a foundation, interest cannot be charged on the loan.

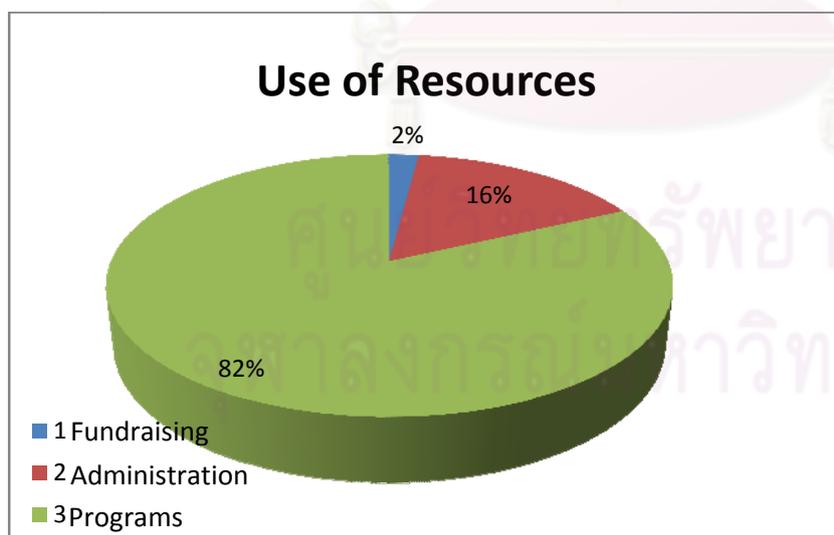
² About \$130 to \$160

³ \$1.60

Figure 2 Areas of Support

(Step Ahead, 2009-2010)

Foreign board members allow for more variety to access funds. This support is crucial for the institutions programs, its fundraising, and its administration costs which in turn affect the quality of service its member clients receive.

Figure 2.1 Use of Resources

(Step Ahead, 2009-2010)

All funding acquired is allocated three ways with the largest amount of capital going to sustain the microfinance and development programs Step Ahead allots remaining capital into its administration and its fund raising capabilities. Not only

microfinance but also community development and the administering of its child development centers working with women and children at risk, 82 percent of its donations acquired in the 2009-2010 fiscal year went to funding its various programs. 16 percent of funding in the 2009-2010 fiscal year was diverted towards administration. As Step Ahead is totally reliant on grants and donations a small (but necessary) portion of capital is set aside to subsidize the fundraising aspects the organization.

2.3 Klong Toey Cooperatives for Development Services Ltd

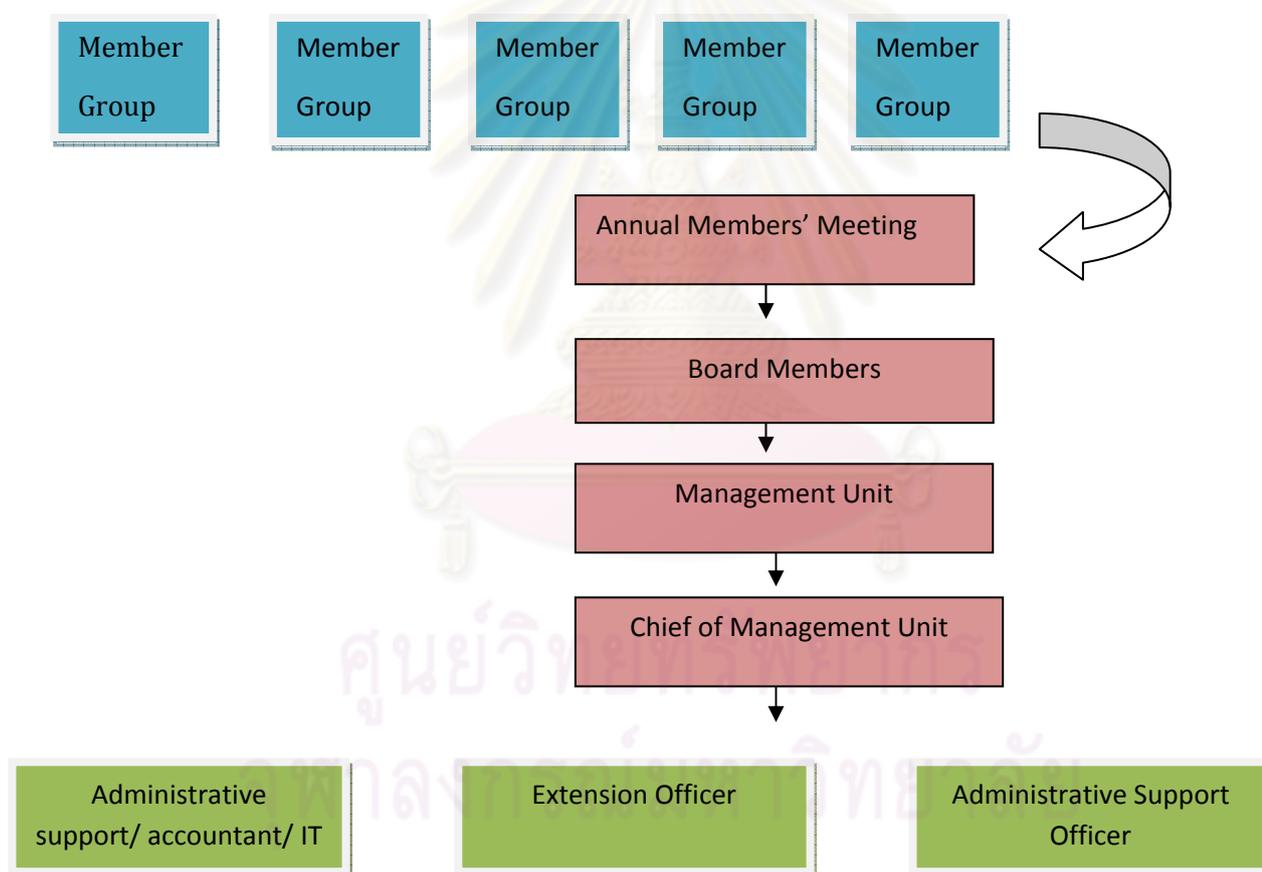
The history of the Klong Toey Cooperatives for Development Services was established as part of a community initiative to redevelop land in the Rom Klao community in Klong Toey after a fire in 1994 destroyed many houses. The community started a savings group to muster funds for collateral on housing loans. To start, their primary funds were too small but, with the help of other communities within Klong Toey also starting their own savings groups, enough funds were secured to guarantee a 7 million baht loan. Then, to certify their collective power the groups registered themselves as a cooperative named the Klong Toey Cooperatives for Development Services Ltd. (Worakul, 2006).

The KTCDS provides two types of savings choices, one is a share buying option where the client is required to buy shares at 10 baht a share at least once a month, the organizations assets are also divided into these shares with 100 percent return guaranteed to the share-holders. The second service option is a regular savings account where the customer receives 2 percent interest annum on their original deposit.

Loans offered include; emergency loans, not exceeding 3,000 baht and must be paid back within 3 months at a rate of 1.5 percent interest per month. Regular loan cannot exceed three times the member's savings and another member must also guarantee the borrower. These loans are charged a 12 percent interest rate per annum. Also, loans from a member's own saving can be applied for if the amount does not

exceed 95 percent of the borrower's savings. Guarantors are not required for this type of service. There are special loan types in which the loan amount cannot exceed five times the member's savings or 200,000 baht. These loans must have guarantors who can provide collateral with a 15 percent interest rate per annum. Group loans are provided at 200,000 baht per group, each group has to be guaranteed by committee's of each particular group. The groups are charged 12 percent interest per annum. These groups typically use these loans to provide surplus loans to individuals outside the cooperative at 2 baht per month interest.

Figure 2.2 KTCDS Administration



(Worakul, 2006)

The administrating board of the KTCDS is elected by its members at its annual members meeting, where the board then appoints the managing staff. The owners and customers of the KTCDS are also members of the cooperative. They make monthly deposits and have the rights to the same services that each and every other member has.

Annual members meetings present profits results as well as gain approval from client members for the profit management plan as well as regular operations. The management of the profits dispersal plan by the appointed managers is flexible enough to adjust for necessary policy changes to ensure the clients welfare.

Management's main job is to facilitate the proper implementation of policies designed by the board. Regular staffs, such as the loan officers are all volunteer members from the local community and are all women. As all members are shareholders, these volunteers conduct proper loan collection procedures to maintain members share price. The clients don't pay, and mandatory deposit rises, which in turn provides for an unhappy neighbor.

2.4 Conclusion

When comparing both institutions one main evident contrast is how each is defined. Both definitions cooperative and foundation determine the administrating regulations which influence board, management and staff selection as well as funding and loan administration methodologies.

The KTCDS is required by the Thailand Cooperative Auditing Department to hold annual elections to select board members, client representatives and agree on profit dispersal as well as other community development programs. Step Ahead being under foundation status is not obligated to hold elections but, unlike those institutions under the requirements of cooperative status are allowed to have foreign board members which assist in not only the administration of the MFI but also the allocation of funds from diverse sources.

Interestingly enough to note are the differing obligations required by different MFI's in Thailand and those organizations seeking institutional status. These are only two examples of institutional options which show the tremendous requirement differences each institution has to fulfill concerning administration, clientele, funding and activities.

Chapter III

Social Performance Assessment

Reporting on social performance by micro-finance institutions (MFIs) is still largely anecdotal in the absence of a clear, industry-wide, accepted framework for social performance reporting. It can be seen as a complement to, and on equal footing with, financial performance also allowing comparison between peer groups of MFIs. In the future one can expect diminishing resources for development assistance from public donors. At the same time, there is a growing interest for Microfinance on the part of private social investors. In this setting, it would be important for MFIs to develop the capacities for the simultaneous pursuance of financial and social objectives, and for reporting on it in a manner which can stand the test of external auditing on both accounts. This can also help to improve understanding of possible trade-offs between economic and social returns on investment.(Zeller, Lapenu and Greeley, 2003)

3.1 Introduction

This chapter will explore the indicators of social performance and how successfully both microfinance institutions rate on a standardized scale. This begins by describing the CERISE¹ social performance indicator tool as well as its origins. This chapter then delves into a description of the figures used to report the findings from the study as well as summarizes the actual findings from the study reported with CERISE results. The main argument of this chapter is that through effective social performance monitoring, management and shareholders can then correct and adjust client services to advance client empowerment and institutional sustainability.

It is important to keep in mind the distribution in scores is due to the SPI tool being standardized and maintains a wide-ranging assessment based on the different dimensions of social performance characterized by CERISE. MFI's are not expected to score full points for all criteria. Each institutions result reflects their pre-determined social mission. Dimensions are to be assessed individually in relation to the MFI's strategic priorities. Comparing scores however, is useful when monitoring institutions serving the same peer group (Bédécarrats, Lapenu and Tchala, 2010).

¹Comite d'Echanges de Reflexion et d'Information sur les Systemes d'Epargne-credit

3.2 Social Performance Indicators (SPI)

CERISE was founded as a network amongst microfinance practitioners in 1998 as a way to share information with its original 5 members. In an effort to branch away from the traditional aspect of sustainability based on the financial's of the MFI, CERISE developed a social performance assesment mechanism which to this day is the most widely used to measure SPI (CERISE, CERISE (home), 2010).

This tool is presented in a standardized questionnaire format which is easily adaptable to different MFI's and regional contexts. Results from the questionnaire are represented graphically in an easy to read layout and can be monitored regularly for self-assessment. After entering the proper answers regarding the questionnaires four dimensions, results are automatically tabulated into graph form (these graphs are presented further on in this chapter). Graphs represent the different dimensions the SPI tool monitors along with the criteria for each dimension.

The CERISE SPI tool evaluates the social performance of an organization through the observation of its objectives, methods and processes used to achieve those objectives. The fundamental inference is that the accuracy of internal processes is a reliable proxy for actual social performance. The tool scrutinizes the organization through a review of its processes and the systems used in everyday management, to establish whether it has the capabilities to reach its social objectives. The SPI tool analyzes social performance based on a range of indicators², which give the MFI being analyzed an overview of how the performance of its services are keeping in line with its mission. Dimensions of the SPI focus on 1:Targeting and outreach, 2:Products and services, 3: Benefits to clients,4: Social responsibility³. This allows an institution the ability to examine the results against its own mission and objectives. MFI's can then monitor their social performance while reviewing their social strategy, transparency, and accountability. Self assesment allows an MFI to identify innovative ways to improve performance while scrutinizing strengths and weaknesses.

Analyzing the 4 dimensions of SPI, Step Ahead fullfills the objective of the first dimension, targeting the poor and marginalized. This dimension aims to show the MFI's ability to reach the poor, people rejected by banks, people who are socially

² 12 different criteria grouped into 4 dimensions.

³ See Appendix

rejected, and services offered in areas without prior financial services. Criteria contained in this dimension analyze the MFI's performance on geographic targeting, whether services are provided in poor or inaccessible areas also, individual targeting, which examines the MFI's client screening procedures and the poverty level of prospective clients, and the pro-poor methodology towards specifically designed services which target the poor.

Dimension 2 of the study aims to show the specialized products and services offered. The theory behind this dimension concentrates on a specialization in services for the MFI's specific client base. The benefits of this dimension allow an MFI the ability to avoid a standard service for all working poor and instead have the ability to diversify its products in a local context that allows efficient and transparent services.

Criteria for dimension 2 are defined by the range of traditional services⁴ from a client outlook that focuses on product diversity. Diversifying microfinance services not only assists in targeting the specialized needs of clients, but also the range of products offered. This diversity can be limited however, by certain constraints out of the hands on the MFI. For example, an interest rate cap on a loan imposed by the national government or any other number of limiting factors when operating in a restrictive regulatory environment.

Also assessed in this dimension are the MFI's offering of services with outside organizations whom have partnered with the MFI to provide services the MFI cannot provide. Services not offered by the MFI can then be rendered by partner organizations for the benefit of the client.

Other criteria measured in this dimension pertain to the quality of service, and innovative and non-financial services. The focus of this criteria aims to analyze the MFIs offering of non-traditional services. With many MFIs focusing solely on traditional financial services such as savings and loans, Step Ahead for example, offers free breast cancer screenings to the community which it functions in.

Dimension 3 of the CERISE SPI tool focuses on the benefits the patrons of the MFI receive. These benefits are not only left to the financial gains the client receives, but also how the MFI supports its beneficiaries socially and increases their involvement in social ascendancy.

⁴ Savings and Loans

The preliminary criteria for this dimension measure the MFI's systems for its ability to monitor the client's economic state. To do this, questions pertain to economic changes in the client's household, a decline in operational costs or a dividing of profits amongst loan officers, staff, and clients.

The second criterion in this dimension analyzes client participation in the decision-making of the MFI⁵. Some MFIs make a mission of incorporating their clients as internal actors functioning in the vision, and evolution of the MFI. Sometimes this is difficult due to the degree of time and preparation for staff and clients to be educated and monitored. Because of this participation can vary considerably and is sometimes even impossible due to time, financial, and geographical limitations, even social divergence can also affect participation.

The final criteria in dimension 3 examines the MFIs program design and how it measure the strengthening of collective action and client's ability to work together within the community to achieve common goals. This service also fosters ties which facilitate access to unavailable beneficial services. These social ties create innovative opportunities for beneficiaries that provide protection from physical and economic crisis to reduce vulnerability. The social empowerment measured in this section can prove to provide knowledge to facilitate an increase in trust and solidarity concerning the relationship between the client and the MFI.

The rationale behind the final dimension of this study focuses on the social responsibility⁶ of the MFI. This refers to the MFI ensuring its services do not have any harmful effects on the employees, clients, the community and the environment.

Criteria for this dimension focusing on employees examine satisfaction among staff to ensure high quality of services and a skilled workforce. A commitment to the poor should not compensate a low salary and disregard for human resources.

Criteria also evaluate the social responsibility to clients based on six principles of client protection: prevention of over-indebtedness, cost transparency, collection practices, employee conduct, grievance procedures and client confidentiality.

⁵ This includes both decisions making at the client level and at the institutional level.

⁶ Social responsibility (not social performance) can refer to any socially motivated program and can also refer to any sector although, social performance includes specific services which economically and socially benefit the excluded and can include a measurement of social responsibility.

The final criterion examines the MFI's social responsibility to the community and the environment. Microfinance relies on social arrangements to foster trust and collect client information. Safeguarding social solidity is not only decent, it is necessary for sustainability. This criterion examines respecting local culture and encouraging values of transparency, with respect to democracy and equality. This criterion recognizes institutions' efforts to be proactive in their community.

3.3 CERISE SPI Findings (Step Ahead)

Figure 3 Targeting and Outreach (Step Ahead)

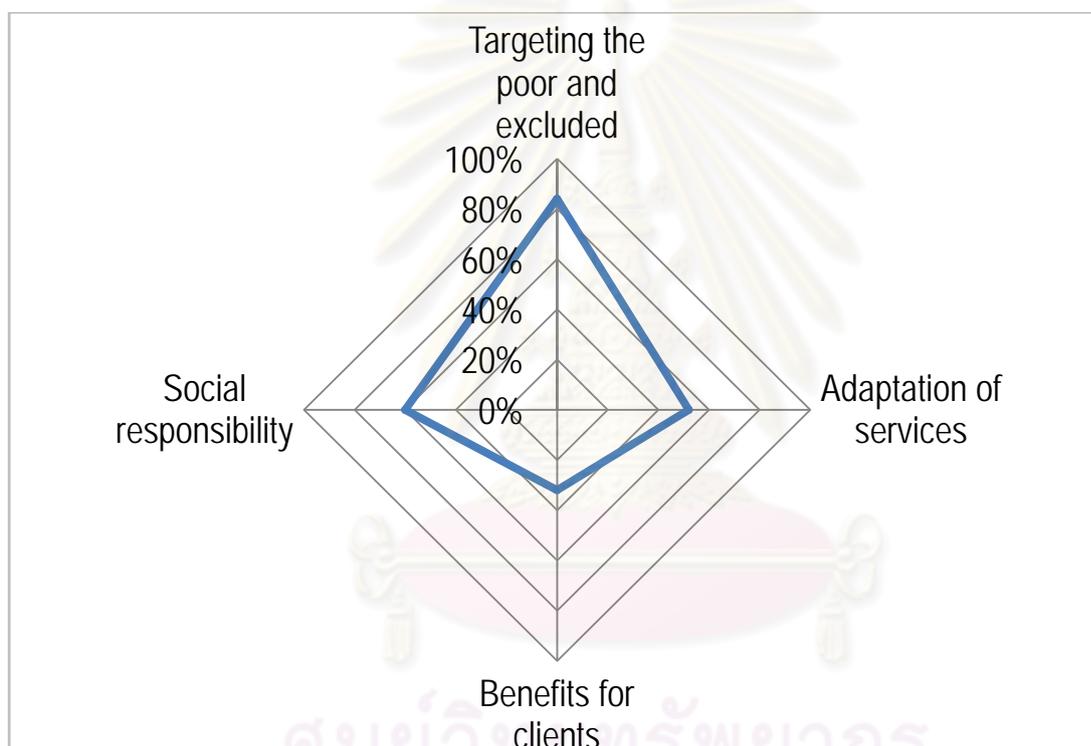


Figure 3 illustrates Step Ahead's drive to provide their services to the poor and excluded within their community analyzed in dimension 1 of the CERISE tool rating the MFI's target and outreach.

3.3.1 Targeting and Outreach

Step Ahead's targeting and outreach towards poor and excluded areas⁷ plays a key factor in its strategic planning considering over 50 percent of Step Ahead's clients reside in underdeveloped areas. Its targeting tools⁸ primarily consist of client visits and interviews conducted by loan officers with neighbors and family members. All loan officers are trained by Step Ahead management to reliably cross check information coinciding with a new possible client.

Step Ahead uses the national poverty to assess the level of poverty their clients maintain. Currently, more than 30 percent of its clients are below the national poverty line, primarily women make up the majority of active clients with more than 30 percent of them coming from socially marginalized and vulnerable groups.

Step Ahead's 'pro-poor methodology'⁹ ranked a 67 percent out of a total of 100 percent. It does not provide unsecured loans, nor does it offer loans with alternative forms of collateral instead, it will only provide loans based on guarantees of pre-existing assets. The MFI provides small loans¹⁰ to all client members, with minimum loan installments less than 1 percent of the GNI on a monthly basis.



⁷ CERISE defines 'poor and excluded areas' as an area where the percentage of poor people is statistically higher than that defined in the national average.

⁸ A targeting tool is any method used to gather information concerning the poor or possible clients to improve outreach and weed out those who are not in need of financial services directed at the poor.

⁹ 'Pro-poor methodology' examines the design of services for the poor which include types of guarantee's, deposit sizes and loans.

¹⁰ The term 'small loan' is used when the annualized loan is less than 30 percent the annual GNI per capita.

3.3.2 Adaptation of Products and Services

Figure 3.1 Products and Services (Step Ahead)



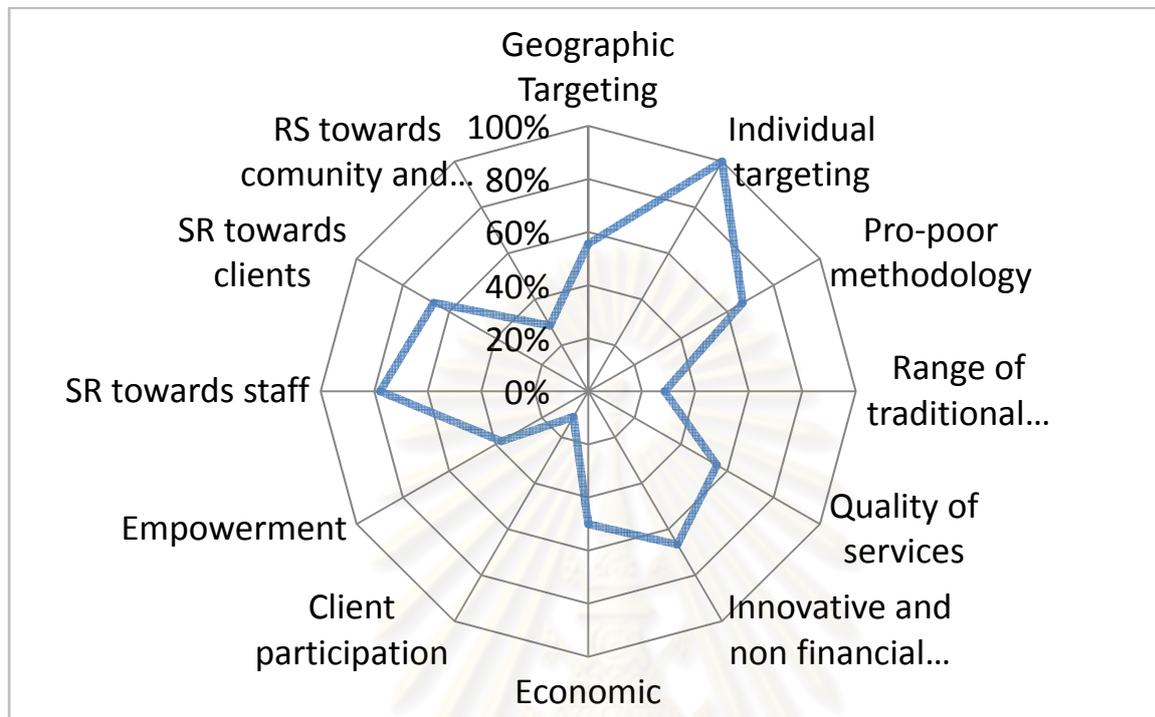
Dimension 2 of the CERISE social performance indicator tool focuses on the range of products and services offered by the MFI. Because of a lack in variety of products offered to clients (offering only microenterprise loans) Step Ahead scored a 29 percent out of a 100 percent in the range of services category.

Step Ahead caters primarily to those living in the Klong Toey community therefore, a high level of branch decentralization is not needed. Repayment of loans can be made at headquarters or clients can also pay loan officers who can typically make the rounds on foot or on motorbike if necessary. Roughly 70 percent of active clients conduct regular transactions at Step Ahead headquarters

Clients typically seek out Step Ahead's services on their own after hearing positive feedback from their peers and neighbors. Standard dispersal of a loan typically takes around one to two weeks and a flat 15 percent of the total loan is also charged as a membership fee. For each deposit a client makes they must also deposit 50 baht into a mandatory savings account. The last accounting year saw 15 to 30 percent client dropout rate. To increase health awareness in the community Step Ahead collaborates with various other sectors outside the banking sector to provide free breast cancer screening for its clients as well as business development services for entrepreneurs. Through informal discussions with clients and field staff the institution strategizes the adaptation of non-financial services to benefit clients.

3.3.3 Benefits to Clients

Figure 3.2 Benefits to Clients (Step Ahead)



This dimension (dimension 3) is designed to evaluate the MFI's systems in which it monitors improvements in its client's economic situations. In the 'economic benefits for clients' social performance indicator section, Step Ahead scored 50 percent out of 100 percent.

One reason for this mediocre score is that Step Ahead provides no information on changes towards client's economic status, only anecdotal evidence nothing systematic. However, corrective measures have been made in the past to modify products that may have attributed to negative impacts on client welfare. After problems were identified with certain policy's Step Ahead varied loan amounts as well as re-payment schedules to offer more accessible services to the community. The MFI has also has no formal policy's to address program maintenance which may benefit its clients although, profits made are diverted into solutions which promote clients social and health services.

At Step Ahead policy making is left to management only. Clients do not participate in decisions affecting the services or policies at the client level. There seems to be a clear lack of client representatives at both the client and management

levels. Client's wants and policy changes at the client level can only be met through informal complaints and warrants to MFI staff and management. Participating bodies which control the MFI's performance are mostly effective¹¹ but members lack training, are insufficiently informed or do not have enough opportunities to meet thusly, any effective changes can only occur at the client level.

Dimension 3's subsection focusing on client empowerment rates Step Ahead at 38 percent out of 100 percent. The focus here is to rate the microfinance institutions activities which reinforce social ties and client capacities. These can include community organizing to reach common goals, assist in gaining access to previously inaccessible services or general collective actions.

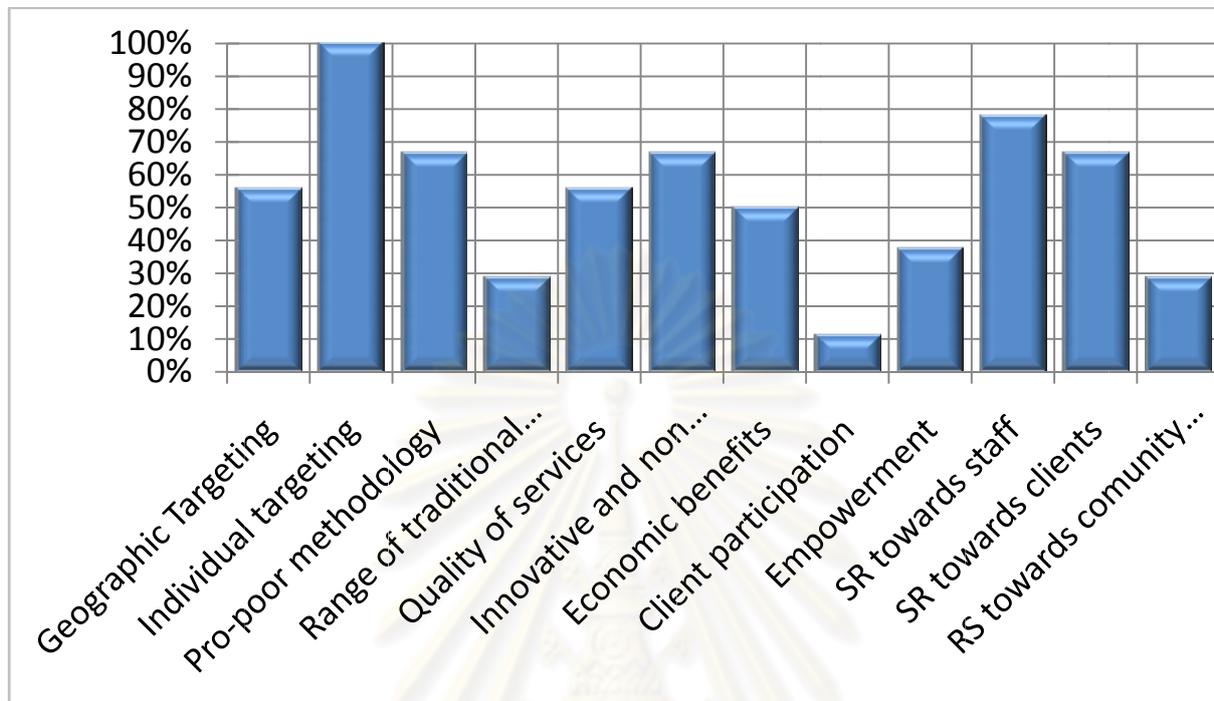
The case for the poor score in this category results from the institutions lack of communal relationship forming services or bridging socioeconomic players in local networks. Services that provide positive empowering solutions may focus on looking beyond capturing female clients and may move to address further burgeoning issues such as mobility or literacy by providing leadership opportunities or bridging income gaps. Step Ahead however, does have effective methods for transferring policy decisions and guidelines affecting services to its clientele. Through meetings and publications, staff and management are able to communicate changes in policy effectively with members throughout the community.

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¹¹ To be considered effective, regulatory bodies must have previously engaged in influenced decisions and incurred changes.

3.3.4 Social Responsibility

Figure 3.3 Social Responsibility (Step Ahead)



Dimension 4 is concerned with the MFI's social responsibility towards staff, clients as well as the community and environment. Step Ahead scored quite high with 78 percent out of 100 percent relating to its social responsibility towards its staff, 67 percent for its client social responsibility and 23 percent concerning the environment and community.

Step Ahead offers a clear salary base and training programs which are accessible to all of its employees. 100 percent of the staff is women who also receive health care benefits as well as maternity leave but, cannot participate in decision-making regarding the strategic policies of Step Ahead. Only through meetings and informal mechanisms are staff consideration expressed.

Client social responsibility indicator evaluates the prevention of over-indebtedness, cost transparency, collection practices, employee conduct, grievance procedures and client confidentiality. Step Ahead's prevention of over-indebtedness is not quite as extensive as it could be but, some efforts are made. If clients begin to show signs of deferral or tardy deposits field staff will casually consult with the clients in attempts to find a solution to the problem before it gets out of hand.

Transparency is ensured to the client throughout the loan procedure. Complete information is given in clear and understandable language so as not to mislead the client in any way. Ethical and appropriate collection methods are made even when clients do not meet their contractual agreements. To ensure this practice Step Ahead has instilled a code of acceptable debt collection procedures which forbids abusive language or threats, harassing borrowers at unreasonable times¹², forcible entry to seize property. Procedures have been outlined concerning reasonable time frames for late payment recovery and general proceedings when borrowers are at fault. Staff is trained in proper debt collecting procedures and loan recovery. If the client were to incur a grievance however, there is no formal means to address the problem. A grievance procedure must allow for a client to meet someone other than the loan officer particularly if the grievance involves this employee. Also, lacking is a formal protection mechanism to ensure the clients information privacy as well as loan insurance in case of death to free the borrower's family from payment in case of bereavement.

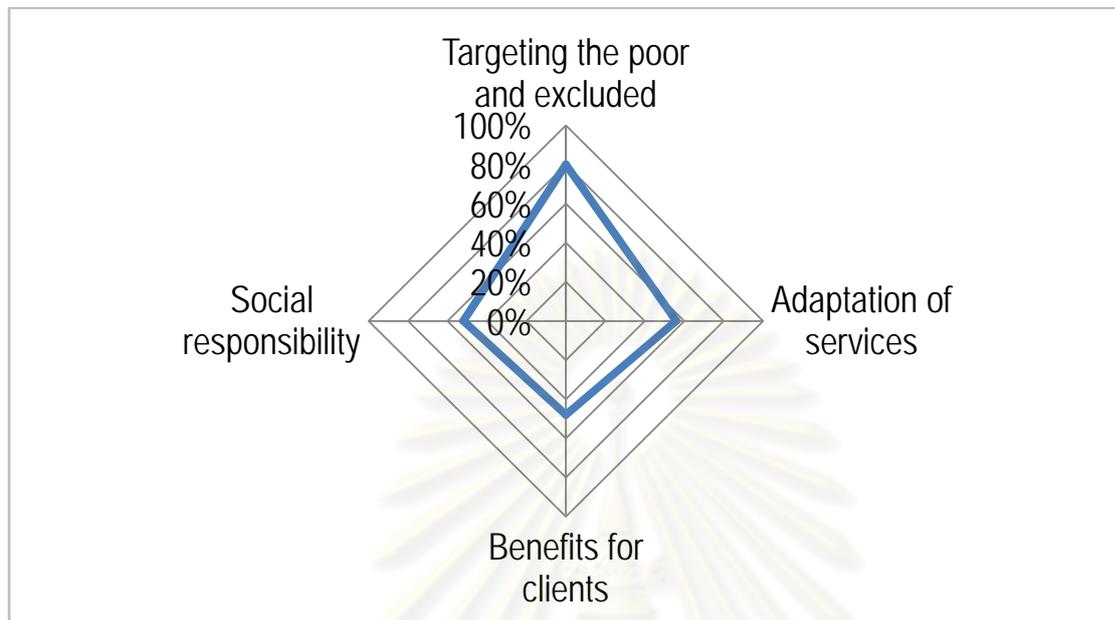
Dimension 4 lastly evaluates the MFI's actions regarding local socio-cultural and environmental protection. Though, mostly vague and informal Step Ahead does have policies concerning various socially and environmentally responsible measures.

Staff is mostly localized and has been hired locally to help bridge the gap between employees and those in the community. Hiring locally personalizes the MFI to customs, traditions and general needs of the community an outsider may typically not have. Step Ahead does not have a formalized policy concerning the microenterprises it helps finance but, does sustain informal office policies concerning minimizing conventional electricity, water and recycling paper and plastics.

¹² Unreasonable times meaning, times of worship, during working hours, or times during the night.

3.4 CERISE SPI Findings (Klong Toey Cooperatives for Development Services)

Figure 3.4 Targeting and Outreach (KTCDS)



The Klong Toey Cooperative for Development Services employs pro poor methodology which focuses on specifically targeting those within the Klong Toey community.

3.4.1 Targeting and Outreach

Visible in figure 3.4 is the KTCDS's methods for targeting the poor and excluded which have quite a positive rating at 80 percent while, lacking in benefits offered for its clients, along with its social responsibility.

KTCDS originated out of the need for the poor local population to rebuild their fire damaged community. Started by the poor, for the poor KTCDS considers its outreach to the poor and excluded members in the Klong Toey community to be of high priority to the strategic planning of the MFI. Although, the KTCDS scored only 56 percent out of a possible 100, this is due to the rating system of the CERISE social performance indicator. For example, a decentralized MFI with branches not only in urban centers but also, in rural catering towards both poor and underdeveloped areas will score higher than an MFI whose geographic target is in only the urban community.

More than 50 percent of KTCDS's client's come from the underdeveloped urban slum; informal verification of poverty levels is used to assess the financial status of clients in the area it serves. Loan officers are also trained to identify those clients in the community who are in need of financial services, through simple conversations with neighbors and family members as well as other staff members and stakeholders. It is estimated that more than 30 percent of its clients are below the poverty line, with more than 50 percent of its clients being female and more than 30 percent coming from socially marginalized or vulnerable (at risk) groups.

KTCDS's pro-poor methodology rates a 56 percent out of a 100 on the CERISE scale. Although financial services are provided for the Rom Klao community, borrowers also extend throughout the Klong Toey Area and even extending to further 17 different communities. One reason for the lower score on the CERISE scale is the institutions centralized headquarters. Even though customers are not located a great distance away and can easily reach headquarters; a centralized and branchless MFI will receive a lower score.

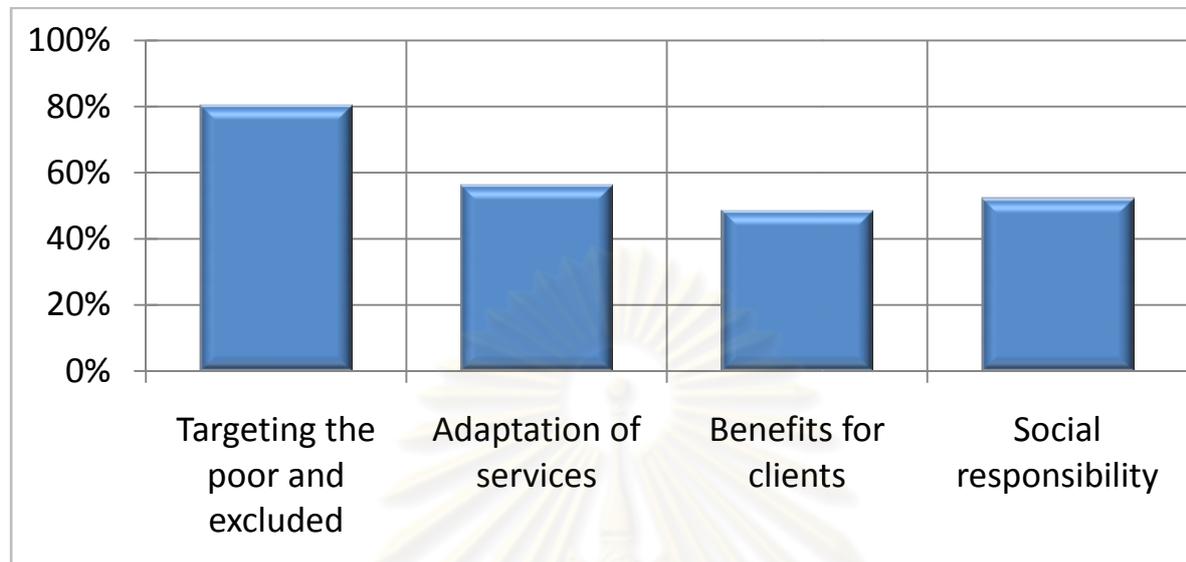
Another factor attributing to the KTCDS par pro-poor score is due to the lack of unsecured loans¹³ provided. Potential clients must come recommended by an already active client or guarantor, the institution does not provide loans with alternative forms of capital to facilitate productivity. The MFI primarily supplies small loans for more than 50 percent of its active clients at small monthly installments.

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¹³ An 'unsecured loan' refers to loans which the only collateral is dependent upon a group or a recommendation by a trusted third party.

3.4.2 Adaptation of Products and Services

Figure 3.5 Products and Services (KTCDS)



The KTCDS score 43 percent out of 100 concerning its range of traditional services (savings and loans) was low from a lack of diversity. Diverse product variety comes when two of the following product distinctiveness is different: purpose, minimum-maximum amount, interest rate and repayment schedule collateral, disbursement conditions and terms. KTCDS only offers basic savings and loan products.

Apart from field staff informal research to identify client's needs and potential clients there is no market research conducted and no specific procedures for locating this information.

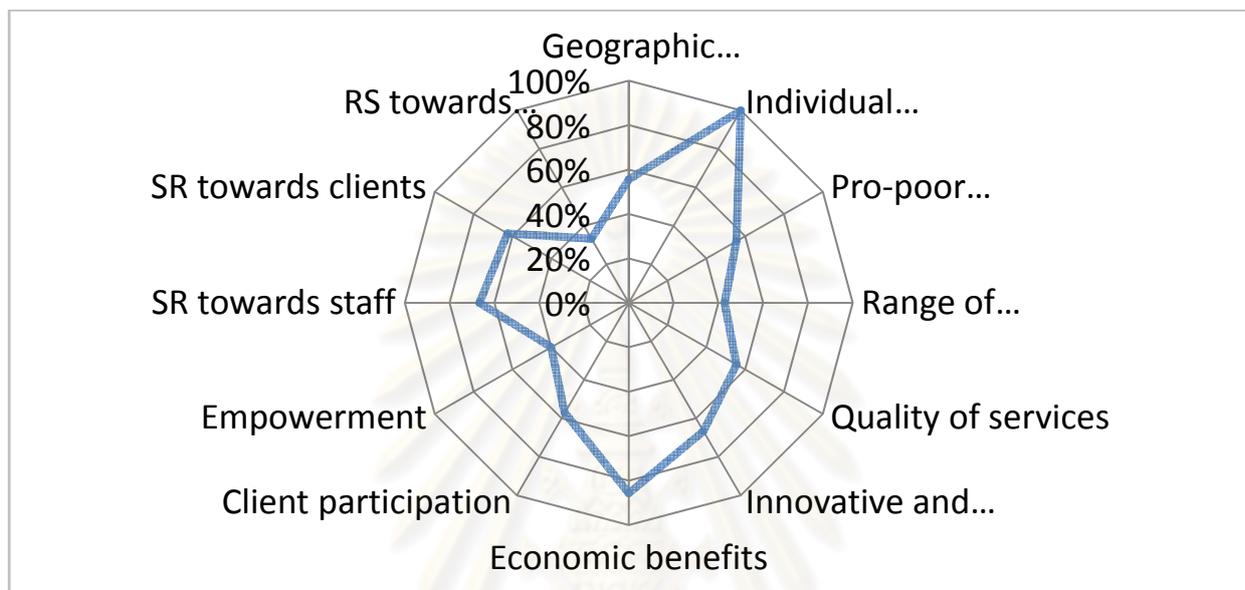
Profits collected from loans become divided into quarters for disbursement. The first part is divided into dividends to be paid to members at the average rate of 4 percent for one share. The second quarter is paid to client members who have paid back their loans at an average of 6 to 8 percent. The third part is disbursed to the elderly and others in the community who has been evicted from their homes on public land¹⁴. The rest is used for general upkeep and capacity building for the cooperative. The KTCDS is also a bank to the community which serves to reduce dependency on

¹⁴ Many tenants in the KlongToey community are living on public land with no title or deed to the land they are squatting on.

informal (loan-sharks) moneylenders whose interest rates and tactics for retrieving loans are notably reprehensible.

3.4.3 Benefits to Clients

Figure 3.6 Benefits to Clients (KTCDS)



Dimension 3 of the CERISE social performance indicators showed KTCDS's economic benefits for its clients to score fairly high at 86 percent out of a possible 100 percent. Although the institution relies only on anecdotal evidence and doesn't collect information on clients changes in economic status, board members meet monthly to perform cost cutting appraisals to keep fees low and also irregular skills training sessions.

Skill training activities are held for committee members to learn income generating skills as well as business management. Members training needs are assessed monthly by a committee whose job is to visit clients to determine what training needs are required.

Learning tours are also conducted throughout the country to examine other cooperative developments to provide additional insights to cooperative board members. Seminars are also conducted for leaders to discuss government policies which affect the community.

With frequent meetings and educational seminars board members are able to easily identify negative impacts felt by members and can easily take corrective measures to identify the problem and ensure social cohesion as well as client welfare.

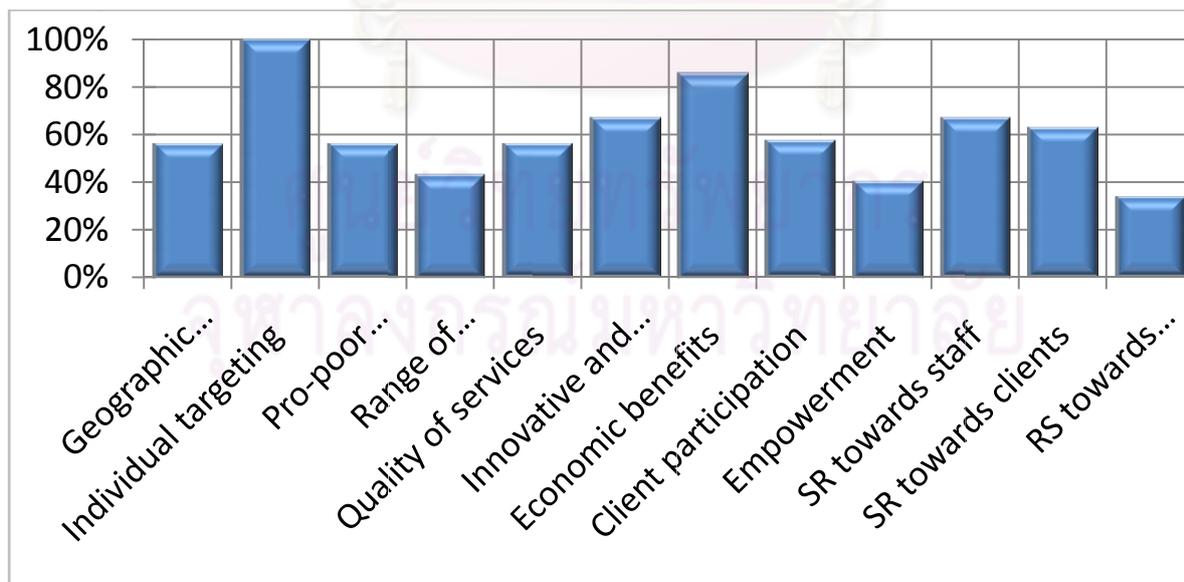
As much as these meetings bring together management KTCDS's score was lowered because of its inability to incorporate clients in regular decision making at the client and the MFI level. A score of 57 percent out of 100 accounted for the institutions lack of member (non-board members) influence in the decision making processes of the MFI.

Members meetings are organized annually to elect the board and approve the yearly profit management proposal. The management staff is appointed by the board members after election. Incorporating members into management and owner positions raises CERISE client participation score.

Although the MFI's collective decision making to provide for those in the community who have suffered through hardships (forced eviction, elderly), aside from these services there are few other resolutions provided for community members outside of standard financial services.

3.4.4 Social Responsibility

Figure 3.7 Social Responsibility (KTCDS)



The CERISE social performance indicator scored KTCDS 52 percent from a total 100 in its social responsibility dimension. This dimension first looks at the

MFI's social responsibility towards its staff, where KTCDS takes very good care of its staff to employs more than 60 percent of them long term, allows them to participate in decision making strategies regarding to direction of the MFI, while providing health care and maternity leave.

Concerning client's social responsibility staff at the institution is very capable of identifying those at risk of over-indebtedness and can therefore take initiative to enforce corrective procedures to safeguard against deferral and client drop out. Written formal statements exist to ensure clients of transparent communications concerning prices, terms and conditions as well as member volunteer staff who are knowledgeable and have the ability to speak with other members and potential clients in ways that are not misleading and allow the customer to understand. No, written code of conduct exists concerning staffs ethical practices and procedures but, staff are trained in proper collection and bookkeeping procedures. There are currently no formal grievance procedures in place which are explained to clients however, if members feel wronged in some way by a staff member, they can come to headquarters and consult with a board member to determine the fault. KTCDS ensures client privacy and integrity security, from any outside party.

The final section of dimension 4 evaluates the MFI's community economy as well as the social and cultural development and local environment protection.

Through discussions with local authorities and community action, KTCDS actively participates in the socially responsible development of the community with which they inhabit. It does not have a written policy to dictate which actions, to take where, however, its informal policies are reflected in its operations. The MFI is also proactive in promoting economic, social and health wellbeing to the community. For example, the KTCDS spearheaded the 'Waste for eggs program' which encouraged locals to recycle household goods in exchange for eggs. Board members also coordinated with Bangkok Metropolitan Administration to hire buses to collect waste from heavily populated area two times a day (Worakul, 2006). However, it does not have an environmental policy with the clients it finances and has no written environmental policy in use at headquarters but, maintains and informal policy which stipulates minimizing electricity and recycling papers and plastics.

3.5 Conclusion

This analysis shows that while both MFI's strategies and actions are affected by outreach to the poor and excluded, a greater importance needs to be placed on strengthening social networks in the community as well as governance.

Monitoring systems in place which can effectively measure the economic growth or reduction of clients serve to maintain the social mission the MFI was designed to uphold. Monitoring systems should combine focus on external impact on clients as well as the internal improvement of services.

Possible recommendations could be to impose a group banking system; this could establish communal obligations towards those partaking in the MFI's financial services. A mandatory requirement of forming relations with neighbors in order partake in membership can facilitate communal responsibility, relieving some of the burdens of the MFI staff, and supporting social bonds.

The responsibility to one's own borrower group translates into a responsibility to the social networks associated with the group, and therefore better awareness of the goings on within the community. This awareness can also lead to empowering those in the collective to take part in community action and organization.

An already overworked MFI staff can take advantage of the benefits of social collateral. Instead of relying on the recruitment of new member clients by staff, social borrowing reaches out towards more people in the community by word of mouth. With group borrowing the MFI is (in a sense) establishing an on-the-ground marketing base, with the abilities to reach more people and increase client portfolio than previous methods of recruitment. Besides the single individual spreading word of the services available to them, groups of individuals would be essentially, advertising for the MFI.

Another recommendation might be to impose mandatory client empowerment regulations. These could be any range of options in which the client is give the ability to make decision concerning theirs and their peers livelihoods A possible quota for staff/clients could be instilled or even urging clients to take on active roles in the MFI's board.

Chapter IV

Comparative Assessment

4.1 Introduction

Analyzing both the Klong Toey Cooperatives for Development Services and Step Ahead comparatively allows for both MFI's to review effective methodology used by either institution. The area and demographic serviced by either institution is the same and therefore greater transparency concerning each institutions success in reaching and providing a service within the community will allow donors and investors to make good use of resources for these programs. Comparing the social performance information of both MFI's will help board members and management better understand client needs to develop more suitable and effective services. Development of services provides a productive venue for enhanced, simple and self-directed client focused impact.

4.2 Institutional Options

The figure on the next page illustrates the various frameworks with which microfinance institutions can operate in Thailand under the government infrastructure.

As each institutional option grants different benefits, each category also has different prerequisites. For example, an institution operating as a cooperative cannot have a foreigner as a member of the cooperative, however, a foundation can have foreigners serving as board members and donors and an institution operating as a company may have foreign ownership only if there is dual ownership and foreign shares do not exceed that of Thai shares (49-51 percent split). This criterion is only ownership based other criterion that exists is liability, taxation, savings mobilization, board memberships and who is responsible for auditing. This criterion also relies on which category the institution is operating under. Institutional operating options are

company, cooperative, foundation, association and partnership. The MFI's analyzed in this chapter fit into the foundation and cooperative categories.

Figure 4 Institutional Options

INSTITUTIONAL OPTIONS For Micro-Credit Activities in Thailand Area of Concern	Company Ltd.	Cooperative	Association	Foundation	Partnership
Ownership	Shareholders based on % shares - Foreigners 49% max - Thai 51%	Members with shares 1 member 1 vote No foreigner member	Members without shares 1 member 1 vote Foreigner can be a member	Foundation (formed by founders). No shareholders. - Interest on Trust Fund used for operations - Donation - Donor can be Thai or Foreigner	Shareholders - No limitation of investment for Thais and foreigners - Biggest investor is the Manager - Minimum no. of 2 individuals
Liability	Limited to equity	Limited to the shares	No liability because no shares	No liability because no shares/investments	Manager has no limit to liabilities Other shareholders have limited liabilities up to their shares
Taxation	30% of net profit Grant considered income, so is part of 30% tax. 3.3% Interest income from loan 15% tax on interest from fixed deposits.	No tax. Only investment, no grant. No tax on interest income from loans. 15% tax on interest from fixed deposits.	No income, no tax. Can receive donation for activity Can't do business 15% tax on interest from fixed deposits	No income, no tax. Grants for activities. Can't do business 15% tax on interest from savings. No tax for interest income from gov't bond/investment.	30% of net profit. Grant is considered income as well. 3.3% Interest income from loans 15% tax on interest from fixed deposits.
Savings Mobilization	No	Yes	No	No	No
Board Membership	Based on proportion of shares	Elected by general assembly	Elected by general assembly	Selected by Founder(s)	No Board. Just the Manager.
Audit	Private CPA (Tax Revenue - Ministry of Finance)	Co-op Auditing Department - Ministry of Agriculture & Cooperative	Private CPA Ministry of Interior National Cultural Office, Ministry of Education	Private CPA Ministry of Interior National Cultural Office, Ministry of Education	Private CPA (Tax Revenue Office - Ministry of Finance)

(www.microfinancethailand.com)

Step Ahead just recently received foundation status this last year. Foundation status is determined (according to Thai law) as consisting of assets appropriated for charitable, religious, artistic, scientific, literary, educational or other purposes for the benefit of the public and not for profit sharing (Chaninat and Leeds, 2006). To receive the status it took almost a whole year of bureaucratic maneuvering, policy changing and waiting. The Step Ahead board thought that this move would help serve its clients better. Foundation status is typical amongst NGO's in Thailand as criteria allow

foreigners to serve as CEO's and board members. Founders appoint board members and management.

It also allows the institution to accept donations domestically as well as from abroad. As a foundation Step Ahead is not legally able to charge interest on the loans it provides, it counters this loss of funds by establishing a mandatory membership fee of 15 percent. As members are charged a flat 15 percent membership fee they are not liable for the institutions losses. Borrowers must become members in order to receive loans. As a foundation Step Ahead cannot conduct profit inducing business and rely totally on donor funding.

The Klong Toey Cooperative for Development Services MFI is deemed a cooperative under the government and is therefore audited annually by the Cooperative Auditing Department of the Ministry of Agriculture and Cooperative (CAD). The CAD's mission is "to develop and promote transparency, strength and self-sustainable and introduce financial and accounting management system to cooperatives and farmer groups" (Cooperative Auditing Department, 2011).

Under cooperative status foreigners cannot become members nor hold positions on the board and the institution also holds the ability to charge interest on loans it administers. Board members are elected by co-op members annually whereby the board appoints management. Management is responsible for the delegation of policy conducted by board members. Members are also liable for the institutions profits and losses as borrowers and those partaking of the institutions services must become mandatory shareholders.

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4.3 Social Performance Indicator Dimensions and Criteria

4.3.1 Targeting and Outreach

Figure 4.1 Step Ahead Dimension 1

Targeting the poor and excluded	84%
Adaptation of services	52%
Benefits for clients	32%
Social responsibility	60%

Figure 4.1.1 KTCDS Dimension 1

Targeting the poor and excluded	80%
Adaptation of services	56%
Benefits for clients	48%
Social responsibility	52%

Dimension 1 of the CERISE social performance indicators examines an MFI's strategy geared towards targeting and outreach and the systems it uses to monitor these factors. Microfinance was established to cater to populations that could not gain access to the conventional financial sector. Microfinance institutions may have social missions to reach populations excluded based on societal norms, poor people, those disqualified by traditional banking systems or those who live in regions where financial services are not offered.

Figure 4.2 Criteria for Dimension 1

<i>Step Ahead</i>		<i>KTCDS</i>	
Geographic Targeting	56%	Geographic Targeting	56%
Individual targeting	100%	Individual targeting	100%
Pro-poor methodology	67%	Pro-poor methodology	56%

Criteria for Dimension 1 are divided into three categories focusing on the MFI's target and outreach capabilities. Criteria 1, geographic targeting; examines the MFI's provision of services in poor and undeveloped areas or its provision of services where no other financial services exist.

Step Ahead and KTCDS both scored the same for all question in this criteria. Both MFI's work in the Klong Toey area because of the community's need for financial services which provide products that cater to the lower economic echelon.

The KTCDS was established because there were no financial options available for those community members in need. Step Ahead developed its services as a result of the large population who patronized informal loans and serves to provide a venue for borrowers that couldn't pay astronomical interest rates typically associated with informal lending practices.

Criteria 2, individual targeting; examines the MFI's capabilities to monitor clients based on their level of poverty and exclusion.

Again, both MFI's scored the same, as their general outreach is geared mainly towards individual borrowers. At the time, Step Ahead did not provide group loans to its clients who are mainly street vendors but, the KTCDS does provide group loans. Groups that benefit from these loans typically offer loans to other individuals. Although KTCDS provides a service here that Step Ahead doesn't (provision of group loans) the score for this criterion was the same, as questions in this section only pertain to the methodologies used by an MFI to target individual borrowers.

Criteria 3, pro-poor methodology; evaluates the MFI's services which specifically target the poor and excluded. This study assumes that people who are not targeted will not seek out pro-poor services which do not meet their precise demands.

4.3.2 Adaptation of Products and Services

Figure 4.3 Step Ahead Dimension 2

Targeting the poor and excluded	84%
Adaptation of services	52%
Benefits for clients	32%
Social responsibility	60%

Figure 4.3.1 KTCDS Dimension 2

Targeting the poor and excluded	80%
Adaptation of services	56%
Benefits for clients	48%
Social responsibility	52%

The guiding principle behind microfinance is its ability to bring banking services to poor and excluded members of society. With this in mind, the products and services offered by the institutions catering to these poor and excluded individuals need to be specifically adapted to meet their needs. Standardized services do not pertain to the local context in a diversified, transparent and efficient manner. Products offered need to be innovatively designed, proactively merging financial and non-financial services. This dimension focuses the MFI's ability to understand the local population to provide services to fit their needs and the distinctiveness of those services.

Figure 4.4 Criteria for Dimension 2

<i>Step Ahead</i>		<i>KTCDS</i>	
Range of traditional services	23%	Range of traditional services	43%
Quality of services	56%	Quality of services	56%
Innovative and non financial services	67%	Innovative and non financial services	67%

Criteria 1 range of traditional services; this section examines the diversity of an MFI's savings and loan base. Product diversity is essential as it implies a variety of terms and conditions which can be applied to various financial needs. Criteria 1 evaluate the product range offered by the MFI being assessed. MFIs with multiple services will receive a higher rating than an MFI with only one service available.

When evaluating the MFI's scores in question one should keep in mind the limitations placed on an MFI's ability to diversify their services. For example, an MFI operating in a restrictive environment will receive a lower score. So, an MFI which offers limited products to stay cost efficient, or an MFI operating in a restrictive legal environment will result in a low score.

Differences in the scores concerning each institution's traditional range of services are quite noticeable in these criteria. This is most likely a result of Step Ahead streamlining of services to keep product prices down for clients, as well as its total reliance upon donor funding and subsidies.

Criteria 2, quality of service; this criteria examines the value of the products an MFI can offer to the client. The quality of an MFI's products is necessary to its performance.

Criteria 3, innovative and non-financial services; an MFI's services should not focus solely on credit and savings if impact is desired on financial services. Innovative non-financial services have the ability to draw in potential clients as well as increase the welfare and empowerment of previous clients.

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4.3.3 Benefits for Clients

Figure 4.5 Step Ahead Dimension 3

Targeting the poor and excluded	84%
Adaptation of services	52%
Benefits for clients	32%
Social responsibility	60%

Figure 4.5.1 KTCDS Dimension 3

Targeting the poor and excluded	80%
Adaptation of services	56%
Benefits for clients	48%
Social responsibility	52%

MFI's should ensure the clients benefit from their services, not singularly economically but, socially as well. Economic paybacks can increase a client's welfare but, an MFI should strive to strengthen communal relationships and include their clients in governance.

Figure 4.6 Criteria for Dimension 3

<i>Step Ahead</i>		<i>KTCDS</i>	
Economic benefits	50%	Economic benefits	86%
Client participation	11%	Client participation	57%
Empowerment	38%	Empowerment	40%

Criteria 1, economic benefits for clients; examines the procedures in which the MFI evaluates changes in its client's economic livelihoods. These methods not only look at the clients lives but, also the MFI's operations. Efforts to reduce operational costs help keep costs low for clients.

The reason behind the KTCDS high score for these criteria is its formal and open policies for allocating profits to benefits its members. As mentioned previously, the KTCDS's annual meeting not only serves to elect a board but, it also determines how funds are used productively. Funds acquired from loan profits are divided equally into four parts where part is paid as dividends to members, part is paid to members to pay back loans at an average of 6-8 percent, part is used to support the elderly and those forced off public land and the remainder is used to increase capacity. Step Ahead's profit allocation system is fairly informal with decisions made favorably for its clients. Resources are divided into thirds where 82 percent of its funds furnish development programs and initiatives, 16 percent of its funds go towards administration and 2 percent of capital is funneled into fundraising devices¹.

Criteria 2, client participation; here the SPI examines client involvement in MFI policy assessment. A product well adapted to the local community will have local input on the development, maintenance and administration of the policies geared towards the neighboring population.

Here, the KTCDS has a much greater score than Step Ahead. This is because of KTCDS staff being members and the board patronizing its services as well, Step Ahead's board are not members and staff at Step Ahead is also comprised of non-members. The KTCDS score also reflects its member participation in decision and policy making. If the institution were to allow more varied participation venues (other than annual elections) for members the score would have been much higher. As criteria determine those institutions existing as a cooperative must have elections to decide board members, these annual elections seem to be meeting the minimum criteria to appease the Cooperative Auditing Department. Allowing more open avenues for member cooperation and participation in decisions making would increase social performance. Step Ahead could also look into hiring more members as staff to increase its social performance as well facilitating clients influence in policy discussions.

Criteria 3, social empowerment; examines MFI's venues for increasing group collaboration to reach a common goal and also how the MFI builds ties to other government/non-government facilities to provide services to its clients which

¹ As seen in figure 2.1

previously did not exist. Increasing social ties provides protection against difficulties creates opportunities and facilitates protection.

These criteria saw each institution score fairly similar. Both provide services for their members which serve to increase the health and safety of the community. The KTCDS petitioned the government as well as its clients to encourage sanitation efforts in the community by the city and a recycling program by the community members. Step Ahead partners with local hospitals outside the community to provide breast cancer screening examinations free of charge to members.

4.3.4 Social Responsibility

Figure 4.7 Step Ahead Dimension 4

Targeting the poor and excluded	84%
Adaptation of services	52%
Benefits for clients	32%
Social responsibility	60%

Figure 4.7.1 KTCDS Dimension 4

Targeting the poor and excluded	80%
Adaptation of services	56%
Benefits for clients	48%
Social responsibility	52%

Social responsibility refers to “limiting an activities negative impact on stakeholders (employees, clients, community) or the environment” (CERISE, 2010). An MFI should be responsible for reducing its negative effects on its employees, clients, community and environment.

Figure 4.8 Criteria for Dimension 4

<i>Step Ahead</i>		<i>KTCDS</i>	
SR towards staff	78%	SR towards staff	67%
SR towards clients	67%	SR towards clients	63%
RS towards community and environment	29%	RS towards community and environment	33%

Criteria 1, social responsibility to employees; examines the MFI's care and welfare towards employees. An MFI leaning towards maximizing cost-effectiveness might disregard employee's needs low-compensation regardless of the high demands of the job.

Step Ahead scores fairly higher in this criterion as it has a clearly defined salary scale for employees and provides it employees (staff and management) with fairly extensive training. The KTCDS does not provide extensive formal training for its staff but, does allow its staff a formal mechanized system to participate in policy making of the institution (annual elections).

Criteria 2, social responsibility to clients; this section focuses on six essential standards of microfinance: (1) prevention of over-indebtedness, (2) cost transparency, (3) collection practices, (4) employee conduct, (5) grievance procedures and (6) client confidentiality.

Another criterion where both institutions scored fairly close to one another, concerns its ability to increase and monitor its social responsibility to its clients. While Step Ahead makes some efforts to avoid client over indebtedness the KTCDS takes on formal procedures where management obtains information concerning the debt level of its clients in an effort to monitor rising over indebtedness. However, KTCDS lacks a completely transparent system of communication about its prices terms and financial products. Step Ahead not only ensures its client gain full understanding on what the prices terms and conditions of products entail, it also provides publications in plain and easy to understand format. KTCDS provides no systematic explanation of customer rights regarding the collection process and responsibilities prior to loan disbursement other than through word of mouth communications. Step Ahead however, trains staff to uphold ethical behavior regardless of client's inability to fulfill their contractual agreements. KTCDS also

provides systematic write-off procedures in case of borrower death where Step Ahead provides write-offs on a case by case basis.

Criteria 3, social responsibility to the community and the environment; examines an MFI's economic, cultural and environmental motives. An MFI should work to enforce social group coalitions in order to gain trust and information in the local community.

4.4 Conclusion

Although very similar in their methodologies the KTCDS scores just above Step Ahead in the CERISE SPI assessment. This occurred because of varying factors, one being that KTCDS has been actively providing financial services in Klong Toey for some time now and has more experience developing its services to meet the needs of its clients. It is also worth noting that being a cooperative managed and staffed by members, the insider knowledge the KTCDS has will be more likely to provide socially beneficial services specific to its clientele. Also, the differing scores could relate to the variety of standards required by the Thai government to meet the different institutional criteria requirements. These differing criteria may demand any number of cost cutting procedures to facilitate its clients with substantial breadth and depth of outreach and affordable financial services and products.

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Chapter V

Conclusion, Criticisms and Recommendations

5.1 Conclusion

This study analyzed the social performance of Step Ahead and the Klong Toey Cooperatives for Development Services comparatively. This was to assess the differences and similarities of both microfinance institutions in order to measure each institutions strengths and weaknesses and ways to build on those strengths and positively develop losses into gains. It is the hopes of the author that both MFI's can learn from one another to positively affect the social performance management of their services to their community. Noticeable in this study were the positive correlations between an MFI's localization of their practices (hiring locally, diversifying services to meet the needs of the community it serves) and the institutional options influencing the social performance of these institutions.

Firstly, this study served to prove the hypothesis earlier stated, that an MFI created out of a community which, hires locally and develops its services to match the needs of that community will have effective social performance. We can see from the SPI scores that the KTCDS scores higher than Step Ahead primarily because of the community involvement (i.e. community members volunteering as loan officers to protect their shares in the collective). Interestingly, the KTCDS social performance score is higher than Step Aheads but, only by a small margin. This is regardless of the fact that the KTCDS was established 8 years before Step Ahead and would have given them plenty of time to diversify and improve their services which could result in a higher social performance rating. This further serves to show the adaptability of microfinance as well as the limiting and contributing factors of microfinance's institutional options in Thailand.

This thesis shows that institutional options are the greatest influence on the social performance of non-government subsidized microfinance in Thailand. There are trade-offs between which institutional option an organization is categorized. What

is needed from a socially responsible organization in Thailand is adaptability. The ability to adapt an institutions administration policies, loan methodologies, products and services and financial structure to fulfill government requirements while positively benefitting ones clients.

One trade-off between being established as a cooperative or foundation institutional option is the MFI's member requirements. As board members, management and members of a cooperative must be Thai nationals, it seems at first that this would give the MFI a leg-up when managing its services towards that of the local population. The insight of knowing the local community the MFI serves as well as being members of the local community not only provides specific insight into the members needs specific details but also, provides a sense of empowerment in the local population.

Step Ahead's ability to hire foreigners as board members serves to increase access to capital through venues domestically and abroad. Board members, both Thai and foreign allows the institution to tap into local resources difficult to access by foreigners as a result of language or networking barriers just as those foreigners serving on the board can tap into overseas sources of funding allocated from prior networking or former colleagues and organizations.

5.2 Criticisms

Certain criticisms with this study should also be discussed in order to get a better perspective of the study. Some categories named by the CERISE SPI are much more complex then what is summarized in the study. Differences social, cultural and economic contexts and objectives can vary between MFI's. As the SPI is standardized for global usage many of these differing contexts can overlap and cause confusion concerning social missions and objectives.

The notion of poverty itself can depend on many different socio-cultural and economic factors. What is considered poor in one country can differ in another as well as differ within countries and regions. The CERISE SPI specifies further by asking

what measurements are used to judge poverty levels as national poverty levels can differ variably.

The scoring system for the SPI is not to be taken literally. A high score or a low score is neither a good or bad thing depending on the institutions mission. For example, the geographic targeting dimension is rated on an MFI's outreach to 'poor' urban and rural areas which lacks precise information. More exact dimensions pertaining to distances and population density should be taken into considerations they affect an MFI's choice of establishment, as well as an MFI's methodology. An MFI catering its services to a population thriving in a highly urban area will score lower than an MFI established in an outer urban area which may serve clients from inside and outside city dwellings. "Not all MFIs are supposed to have a maximum score in all the four dimensions: some of them may prefer to focus on one or another depending on their structure, their history and the socio-economic environment within which they operate" (CERISE, 2005).

5.3 Recommendations

This analysis shows that while Step Ahead's strategy and actions are affected by its outreach to the poor and excluded, greater importance needs to be placed on strengthening social networks in the community as well as placing clients in management and staff positions and opening more easily accessible venues for client participation.

Monitoring systems in place which can effectively measure the economic growth or reduction of clients serve to maintain the institutions social mission, social performance management was designed to uphold. Monitoring systems should combine focus on impacts from services as well as the internal improvement of services.

Possible recommendations could be to impose a group banking system (or at least provide the option of a group loan); this could establish communal obligations towards those partaking in Step Ahead's services. A mandatory requirement of

forming relations with your neighbors in order partake in membership can facilitate communal responsibility, relieving some of the burdens of the MFI staff, and supporting social bonds.

The responsibility to one's own borrower group translates into a responsibility to the social networks associated with the group, and therefore better awareness of the goings on within the community. This awareness can also lead to empowering those in the collective to take part in community action and organization.

An already overworked MFI staff can take advantage of the benefits of social collateral. Instead of relying on the recruitment of new clients by staff, social borrowing reaches out towards more people in the community by word of mouth. With group borrowing the MFI is (in a sense) establishing an on-the-ground marketing base, with the abilities to reach more people and increase client portfolio than previous methods of recruitment. Besides the single individual spreading word of the services available to them, groups of individuals would be essentially, advertising for the MFI.

The Kong Toey Cooperatives for Development Services could also do more to increase transparency and knowledge transfer with its clients. This would in turn increase the institutions social responsibility towards its clients.

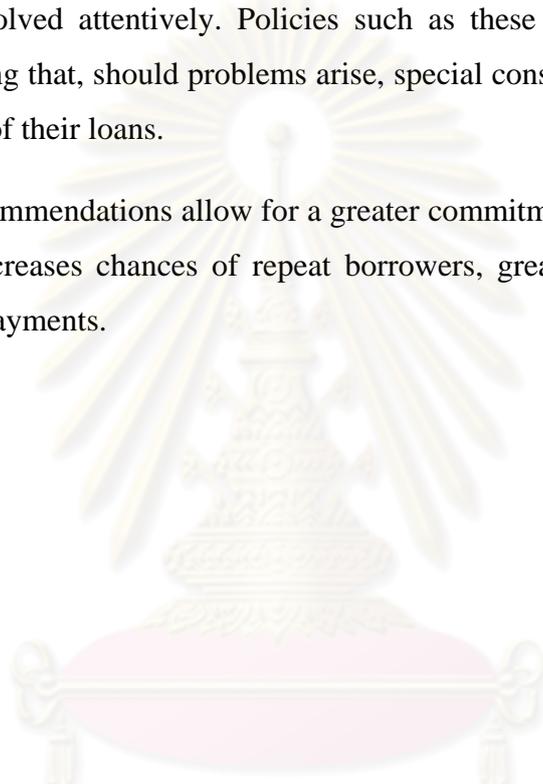
As there is no apparent communication explaining to clients terms, limitations and prices of financial products in written easy to understand format. Specifications concerning interest rates and even information stated in plain language providing full disclosure of prices terms and conditions. Terms of penalties and pre-payment fees should also be clearly and concisely recognized by clients before purchase of financial products. Knowledge transfer through word of mouth is not enough to thoroughly disseminate product information by clients.

Credit conditions and collection practices also, should be thoroughly explained to clients prior to loan disbursement. Client's rights as well as responsibilities and descriptions of loan collecting procedures should have a systematic process which MFI staffs, loan officers and clients are aware of. As no code of acceptable and unacceptable debt collection practice is available ethical practices can be

misconstrued by some leaving the MFI responsible and susceptible to negative publicity spread throughout the community.

A standardized grievance procedure should also be formatted for clients with specialized personnel, designed to handle problem solving concerning customer complaints. These procedures must allow clients to meet with someone other than loan officers or office staff as conflicts may have occurred with the client and these employees. Written customer complaint policies allow grievances to be assessed seriously and resolved attentively. Policies such as these allow clients a sense of security in knowing that, should problems arise, special consideration will be given to ensure the safety of their loans.

These recommendations allow for a greater commitment towards clients social welfare which increases chances of repeat borrowers, greater depth of outreach as well as timely repayments.



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Appendices

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Appendix A



Social Performance Indicators Initiative
Auditing the Social Performance of Microfinance Institutions

SPI QUESTIONNAIRE

Version 3.1

Compatible with the
Social Performance
Standards reported

ศูนย์วิจัยทรัพยากร
จุฬาลงกรณ์มหาวิทยาลัย

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QUESTIONNAIRE AND COMPANION GUIDE AVAILABLE FOR FREE ONLINE

IN FRENCH, ENGLISH, SPANISH

<http://www.cerise-microfinance.org>



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จุฬาลงกรณ์มหาวิทยาลัย

Social Performance Indicators Initiative

Auditing the Social Performance of Microfinance Institutions

With the support from Swiss Development Cooperation (SDC)

Fondation Charles Léopold Mayer pour le progrès de l'Homme (FPH)

and members of ProsperA (<http://www.cerise-microfinance.org/-prospera-network->)

SPI version 3.1 - January 2010

Latest update 5/02/2010

Contact information

Name of the MFI: _____

Country: _____

- Self-assessment (date: __/__/__)
- Accompanied self-assessment (date: __/__/__)
- Self-assessment with external audit (date: __/__/__)
- External audit (date: __/__/__)

Name of the person in charge of the SPI audit in the MFI:

Contacts: Tel: _____

Email: _____

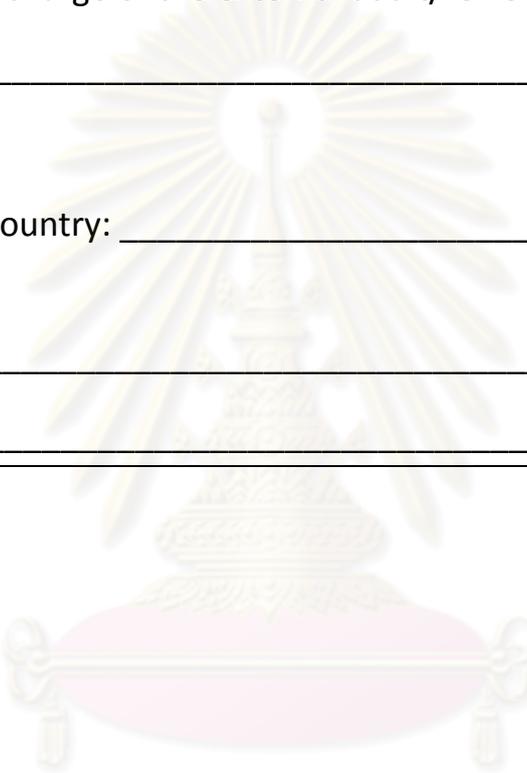
Name of the person in charge of the external audit/review:

Contacts

Organization / Country: _____

Tel: _____

Email: _____



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Methodological guidelines

The SPI tool is designed to **assess the intentions, actions and corrective measures** implemented by an MFI to achieve its social mission. It is composed of three main elements:

- A **description of the MFI** to situate it within its peer group. **Key financial performance data** are including in this description, to balance the social performance results.
- Part One collects data on the MFI's **context, social mission and strategy**.
- Part Two uses a series of indicators to assess **the organizational processes underlying four dimensions** of social performance: 1) outreach to the poor and excluded; 2) adaptation of products and services to target clients; 3) improvement of the economic and social situation of clients and their families; and 4) social responsibility

EXAMPLE OF AN INDICATOR FROM PART TWO:

SPS

Error! Reference source not found.

Error! Reference source not found.

0= does not know/less than 10% of the total number of active clients

1= less than 30% of the total number of active clients

2= more than 30% of the total number of active clients

If score is 1 or 2, indicate source of data: _____

A green background indicates the question also appears in the Mix Core Social Performance Standards (SPS) with the

A yellow box gives definition of the key concept and sometimes

Multiple choices

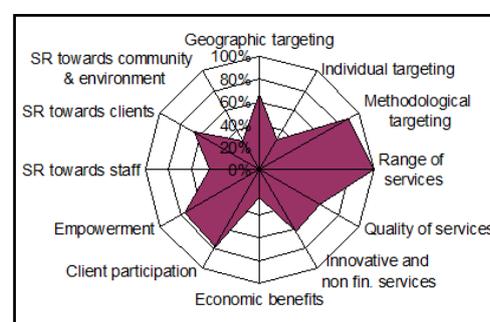
Additional information required

The SPI tool draws on data available at MFI level. Primary sources are staff interviews and data from the Management Information System (MIS). The tool can be administered in different ways:

1. Internally: management may apply the tool alone or together with branch staff; client feedback may also be sought.
2. With an external review: the tool is applied with the support of an external stakeholder (affiliate network, professional association, donor, investor, TA provider, national supervisory authority, etc.).
3. By an external auditor.

When administered by management only, the tool can be completed in a day. A participative approach involving branch staff and/or clients takes longer, but affords a more in-depth analysis.

Results are represented graphically and can serve as a basis for discussions with board members, strategic



planning, peer-group comparison or sharing information with external stakeholders.

PLEASE REFER TO THE **OPERATIONAL GUIDE** AT EACH STAGE OF IMPLEMENTATION. IT CONTAINS FORMULAE, RATIONALE AND EXTENDED DEFINITIONS FOR EVERY INDICATOR.

Any questions concerning the tool should be addressed to: cerise@cerise-microfinance.org



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PART ONE: MFI, CONTEXT AND SOCIAL STRATEGY

Part One is based on data from the MIS and discussions with management and, if possible, other stakeholders. The information collected here is used to understand the MFI's strategy and evolution in terms of its social goals. This is particularly important as each dimension of the SPI is evaluated on the basis of the MFI's own social objectives.

Part One aims to contextualize (historically, geographically, socio-economically) the social performance indicators collected in Part Two and thus facilitate analysis.

1. Basic details of the MFI

SPS (i)

- a. Name of the MFI : _____
- b. Country of operations : _____
- c. Year microfinance operations began: _____
- d. Legal form: Bank, Rural bank, NBFi, NGO, Cooperative/Credit Union
- e. Report for Year ended (day – month – year): _____
- f. Number of loan accounts: _____
- g. Number of currently active borrowers (not loan accounts): _____
- h. Number of savings account: _____
- i. Number of currently voluntary savers (not savings accounts): _____
- j. Total number of members (if applicable): _____
- k. Total number of staff: _____

2. Financial performance (for definitions, see : www.mixmarket.org/en/glossary)

- a. Gross Loan Portfolio (in US\$): _____
- b. Savings (in US\$): _____
- c. Total Assets (in US\$): _____
- d. Return on Assets (%): _____
- e. Financial Expense Ratio (%): _____
- f. Operating Expense Ratio (as a % of assets): _____
- g. Loan Loss Provision Expense Ratio (%): _____
- h. Write Off Ratio (%): _____
- i. Operational Self-Sufficiency (%): _____
- j. Portfolio at risk 30 days: _____ 90 days: _____
- k. Average loan size (US\$) (2a./1f.): _____

Complementary information for peer grouping

(See Definition of Peer Groups in the Operational guide)

Financial intermediation	No voluntary savings	Voluntary savings < 20% of total assets	Voluntary savings > 20% of total assets
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Outreach	Number of borrowers >30,000	Number of borrowers >10,000 and < 30,000	Number of borrowers < 10,000
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Lending Methodology	Individual	Solidarity Group	Individual/Solidarity	Village Banking
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPS
3b

[Optional table below if SPS report not filled up]

- Active borrowers receiving individual loans	
- Active borrowers receiving group loans	
- Women active borrowers receiving individual loans	
- Women active borrowers receiving group loans	

SPS
13a

Status	Registered as a for profit institution	Registered as a non-profit institution
	<input type="checkbox"/>	<input type="checkbox"/>

Scale	Latin America	> 15 million	4 million to 15 million	< 4 million
(Outstanding Loan Portfolio in USD)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Rest of the world	> 8 million	2 million to 8 million	< 2 million
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Zone of intervention	Principally rural	Principally urban	Balanced
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Intent and social strategy

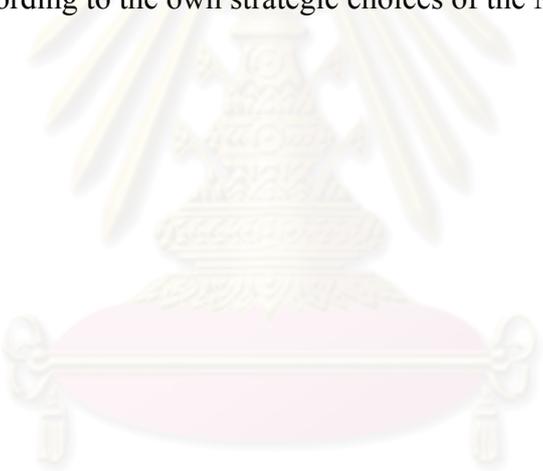
3.1 Ranking of the social strategy

SPS

a. What is your MFI's social mission?

b. In which year was the mission statement formulated (or updated)? _____

The MFI's organizational culture (history, values, social objectives, culture of social performance) and context determine its strategic choices and shed light on its ability to achieve its strategy. An MFI may implement its strategy easily in a favorable context, or on the contrary, struggle to attain social objectives in a more difficult one. The following table summarizes the institution's strategy according to the four dimensions of the SPI questionnaire. The MFI must define its strategy by prioritizing the four dimensions and analyzing each one in terms of its economic, legal, social and cultural environment. Among the different dimension of Social Performance, some of them may be central, or on the contrary, minor. It is the own choice of the MFI. The SPI tool will analyze the social indicators from Part II according to the own strategic choices of the MFI.



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Table: How would the MFI rank the 4 dimensions of the SPI tool in terms of social priorities?

		<p><u>Comments:</u> How does the MFI environment and history facilitate or limit the implementation of a strategy in each dimension? Justify why each dimension is important or only a minor objective</p>
<p>Dimension 1: Targeting and outreach</p> <p>Microfinance was developed to serve populations excluded from the conventional financial sector: is targeting the poor and/or excluded an important objective for the MFI?</p>	<p><input type="checkbox"/> 1. Not an objective</p> <p><input type="checkbox"/> 2. Minor objective</p> <p><input type="checkbox"/> 3. Important obj.</p> <p><input type="checkbox"/> 4. Major objective</p>	
<p>Dimension 2: Products and services</p> <p>Providing high-quality services that are well-adapted to clients requires innovative rollout techniques and a proactive strategy combining access to financial and non-financial services. Is this dimension important for the MFI?</p>	<p><input type="checkbox"/> 1. Not an objective</p> <p><input type="checkbox"/> 2. Minor objective</p> <p><input type="checkbox"/> 3. Important obj.</p> <p><input type="checkbox"/> 4. Major objective</p>	
<p>Dimension 3: Benefits to clients</p> <p>Economic benefits alone justify access to financial services, but MFIs may also seek to strengthen social networks, build client capacity or involve clients in governance. Are benefits to clients a core preoccupation for the MFI?</p>	<p><input type="checkbox"/> 1. Not an objective</p> <p><input type="checkbox"/> 2. Minor objective</p> <p><input type="checkbox"/> 3. Important obj.</p> <p><input type="checkbox"/> 4. Major objective</p>	
<p>Dimension 4 : Social responsibility</p> <p>Social responsibility refers to an MFI's commitment to accountability and ensuring its activities do not have negative effects. Is this a current preoccupation for the MFI?</p>	<p><input type="checkbox"/> 1. Not an objective</p> <p><input type="checkbox"/> 2. Minor objective</p> <p><input type="checkbox"/> 3. Important obj.</p> <p><input type="checkbox"/> 4. Major objective</p>	

3.2. Mission and social goals (optional section if SPS report is not filled up)

c. What is the poverty level of the clients that your institution aims to reach (Check all that apply):

SPS

- Very poor clients
- Poor clients
- Low income clients
- Not a specific focus/all population

d. If you checked the boxes " very poor or poor clients", which reference point/benchmark do you consider appropriate for estimating the poverty level of your clients? (Check all that apply):

Very poor clients:

- Persons in the bottom 50% of those living below the poverty line established by the national government
- Persons living on less than the US\$ 1.00 a day international poverty line
- Other (please specify): _____

Poor clients:

- Persons living below the poverty line established by the national government
- Persons living on less than the US\$ 2.00 a day international poverty line
- Other (please specify): _____

e. What is the target market of your institutions (Check all that apply):

- Women
- Adolescents and youth (below the age of 18)
- Indigenous people and ethnic minorities
- Clients living in rural areas
- Clients living in urban/semi-urban areas

No specific target/all population

Other (please specify): _____

f. What kind of enterprises does your institution support? (Check all that apply):

Microenterprises

Small enterprises

Medium enterprises

Large enterprises

g. Which development objectives does your institution specifically pursue through its provision of financial and non-financial products and services? (Check all that apply):

Poverty reduction

Employment generation

Development of start-up enterprises

Growth of existing business

Income and productivity growth

Adult education improvement

Children schooling

Health improvement

Gender equality and women's empowerment

Other (please specify): _____

3.3 Governance (optional section if SPS report is not filled up)

a. Are Board members' responsibilities and terms of services specified by the Institution's bylaws? (Check all that apply):

Yes

No

SPS

b. If not, in which ways are the procedures documented?

Board Minutes

Committees Minutes

Manuel of procedures

Other (Please specify):

c. How is your institution's Board composed?(Check all that apply):

Government representatives and community leaders

Representatives of not for profit organizations

Representatives of private financial institutions

Clients

Other (Please specify):

d. What are the areas of expertise of your institution's Board members?(Check all that apply):

Financial and Banking

Legal

Development / Social services

Other (Please specify):

e. What is the total number of your Board members? _____

f. What is the number of women on your Board? _____

g. If you have representatives on your Board of your target market (as reported in question 1e) which categories of clients are represented? _____

h. How does your institution reinforce Board members' knowledge of, and commitment to, social performance? (Check all that apply):

We have a standing social performance committee that regularly reviews social performance issues

We organize staff and client visits to help Board members understand how operations are achieving mission

We ensure that social performance issues are identified as components of the MFI's strategic and business planning

Other (Please specify):



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PART TWO:
SOCIAL PERFORMANCE INDICATORS



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Dimension 1:
Targeting and outreach
(Maximum: 25 points)¹



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¹ The number of possible points under this dimension totals more than 25 but one MFI usually does not cumulate three targeting strategies (see Operational Guide)

Geographic targeting (9 points)

This criteria evaluates whether the MFI provides services in poor or isolated areas, or in areas where no other formal financial services are available.

1.1 Does the MFI select operating areas based on criteria of poverty/exclusion?

Definition: *Poor or excluded areas: areas with a percentage of poor people that is higher than the national average; areas that lack access to basic services such as water, electricity, education, health, sanitation, infrastructure; areas with basic services but that are far removed from urban centers. May include remote rural areas characterized by poor infrastructure (roads, markets), lack of access to public services, and subsistence farming; or urban areas characterized by a high concentration of poor people, lack of access to public services, high unemployment (such as migrant settlements).*

- 0 = not a criteria
- 1= one of the criteria but not the most important one
- 2= one of the most important criteria, reflected in the strategic planning of the MFI

If score is 1 or 2, specify the indicators the MFI takes into account to assess whether a geographic area is "poor" or "underdeveloped":

1.2 What percentage of clients come from underdeveloped areas?

- 0 = do not know/less than 10 % of the total number of active clients
- 1 = less than 50 % of the total number of active clients
- 2 = more than 50 % of the total number of active clients

If score is 1 or 2, specify the source of information?

1.3 How does the MFI verify the poverty level of areas where it operates?

- 0= no verification is done
- 1= informal verification (e.g. feedbacks from staff or stakeholders)
- 2= formal surveys on poverty conditions and exclusion in the areas or use of national data confirming poverty levels

If score is 1 or 2, specify method of verification: _____

1.4 Does the MFI serve clients living in rural areas?

SPS 11a

Definitions: *Rural area:* Settled places outside towns and cities, such as villages, hamlets, where most livelihoods are farm based. Farm includes both crop and non-crop agriculture, livestock, fishing, etc. *Semi-urban areas:* Residential areas on the outskirts of a city or town with strong presence of non-farm economy. *Urban areas:* Areas constituting a city or town with higher density of population in comparison to the surrounding areas, where the majority of people do not depend upon agriculture as main economic activity.

- 0= do not know/less than 30% of total number of active clients
 1= yes, more than 30% of total number of active clients living in rural areas

If score is 1, specify source of information:

Give the precise definition used by the MFI for rural, urban and semi-urban:

Please specify:

	Clients living in urban areas	Clients living in semi-urban areas	Clients living in rural areas
Number of clients for the reporting year			
Percentage			

1.5 Does the MFI have regular service points located in areas where there are no other MFIs or bank branches?

SPS 11b-f

Definitions: A regular service point includes MFI branches, mobile banking agencies or delivery devices operating at least one day a week. An area is considered to have no other MFI or bank branches when a service point is located at least 50 km (or more than 2 hours) away.

- 0= No branch or less than 5%
 1= Yes, less than 30 % of the branches
 2= Yes, more than 30% of the branches

Please specify:

Number of clients served in these areas: _____

Number of service points in areas without other banks/MFIs: _____

Percentage of clients served in these areas _____

Percentage of service points in these areas: _____

Individual targeting (10 points)

This criteria evaluates whether the MFI selects and/or screens out clients based on poverty level or exclusion.

1.6 Does the MFI use a targeting tool to select poor clients?

Definition: *a targeting tool refers to any method used to improve outreach to the poor by collecting information on living standards, so as to screen out the “rich” or select the “poor”. It is not considered “targeting” if poverty measurement is done once the client is selected (see 1.8). Examples of tools: PPI, USAID-IRIS PAT, Housing Index, Participatory Wealth Ranking, Means Test, etc. (see the Operational Guide for more information).*

- 0= for less than 10% of new clients over the last year
 1= for less than 50% of new clients over the last year
 2= for more than 50% of new clients over the last year

Please specify: If score is 1 or 2, specify the targeting tool: _____

Number of new clients targeted with a targeting tool over the last year: _____

Total number of new clients over the last year: _____

Percentage of “screened” clients: _____

1.7 How does the MFI ensure that the tool is properly used by loan officers?

- 0 = Nothing is done
 1= All loan officers are trained in the use of the tool and/or accuracy and reliability verified through cross checking of information collected by loan officers

If score is 1, specify method of verification: _____

1.8 Does the MFI measure the poverty levels of its entering/recently joined clients (less than one year in the program)?

SPS 14a

- 0 = Nothing is done to measure poverty levels
 1= Yes, either a sample survey was conducted (less than 2 years ago) or systematic client surveys are carried out regularly

[Optional, needed for SPS report: If no, do you plan to do so in the future? Yes No _____]

If the MFI measures the poverty levels of entering/recently joined clients, please specify which methods the MFI uses (Check all that apply):

Poverty levels benchmarked to a poverty line (or lines)

Progress Out of Poverty Index (PPI)

Poverty Assessment Tool (PAT)

Per Capita household expenditure

Per Capita household income

Poverty levels that are not benchmarked:

Housing Index

Participatory Wealth Ranking (PWR)

SPS

- Means test
- Food security index
- Per Capita household expenditure
- Per Capita household income
- Own Proxy Poverty Index
- Other (please specify)

1.9 What percentage of all entering/recently joined clients are estimated to be below the poverty line, at the end of the reporting year?

SPS

- 0= does not know / less than 10% of the new clients are poor
- 1= more than 10% are poor
- 2= more than 30% are poor

What poverty line(s) does your institution consider when measuring the poverty levels of your entering/recently joined clients? (Check all that apply):

- National Poverty line
- US\$ 1.00 a day international poverty line
- US\$ 2.00 a day international poverty line
- Other (please specify):

SPS

Please specify, what exact percentage of all entering/recently joined clients are estimated to be below the poverty line, at the end of the reporting year? _____

What percentage of all entering/recently joined clients are estimated to be in the bottom 50% of the poverty line, at the end of the reporting year? _____

Specify –see list in 1.8 – which poverty tool(s) is used to calculate this data: _____

Was this data gathered from a sample of clients / all clients? If from a sample, provide details on the size, period and sampling methodology: _____

Which poverty line(s) does the MFI consider appropriate given its MFI context and social objectives?

1.10 What percentage of clients are women?

- 0=does not know/less than 10% of the active clients
- 1=less than 50% of the total number of active clients
- 2=more than 50% of the total number of active clients

Please specify:

Number of women active borrowers: _____

Percentage of women active borrowers: _____

Number of women voluntary savers: _____

Percentage of women voluntary savers: _____

Women clients = (women bor+wom savers)/total clients: _____

SPS

1.11 What percentage of clients are from socially marginalized and/or vulnerable groups?

Definition: *Excluded groups may be defined by race, caste, ethnicity or religion, and may include persons with disabilities, homeless, internally displaced persons or refugees. Also may include persons often excluded from microfinance such as farmers or young people between 16-25 years of age.*

The data must be less than two years old.

Indicate the definition of groups considered socially marginalized or vulnerable in the MFI country, and indicate the definition used by the MFI: _____.

- 0=does not know/less than 10% of the total number of active clients
 1=less than 30% of the total number of active clients
 2=more than 30% of the total number of active clients

If score is 1 or 2, indicate source of information:

SPS

13c-e

Specify number of clients who are indigenous people or ethnic minority, if applicable:

Specify number of clients from indigenous people/ethnic minority: _____

Specify other target groups and number of clients:

Target group: _____ Number of clients: _____

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Pro-poor methodology (9 points)

This criteria examines the specific design of services that target the poor or excluded, including forms of guarantee and loans and deposits size.

1.12 Does the MFI provide unsecured loans?

Definition: “Unsecured loans” = Loans secured only by “social” collateral such as group solidarity or a recommendation by trusted third party, or by physical guarantees that have a commercial value inferior to the loan amount.

Locked-in savings are not considered a social guarantee because they reduce the borrower’s liquidity and increase the effective interest rates.

- 0 = For less than 10% of the total number of active borrowers
 1 = For less than 50 % of the total number of active borrowers
 2 = For more than 50 % of the total number of active borrowers

Specify the form of social guarantee(s) used by the MFI: _____

Percentage of the active borrowers: _____

[Optional, needed for SPS report: If possible, state the percentage of clients who have graduated from group loans [to individual loans] during the reporting year: _____

SPS
13b

1.13 Does the MFI provide loans with alternative forms of collateral in order to facilitate productive loans?

Definition: *Forms of collateral that facilitate productive loans include collateral that is backed by client production or assets acquired with the loan, instead of pre-existing assets, such as leasing, warehouse credit, factoring, etc.*

- 0 = less than 10% of the total number of active borrowers are covered with such guarantee
 1 = more than 10% of the total number of active borrowers are covered with such guarantee

Specify the form of collateral: _____

Percentage of active borrowers secured with such collateral: _____

1.14 Does the MFI provide small loans ($\leq 30\%$ GNI per capita) to facilitate access for the poor?

Definition: *A loan is considered small when the annualized loan amount is less than 30% of annual GNI per capita. Example: In a country where GNI per capita is 1000 USD, any 12-month loan under 300 USD would be considered small. Likewise, a 6-month loan under 150 USD would also be considered small. See Appendix for the list of GNI per capita for each country.*

- 0 = small loans $< 30\%$ of the total number of active borrowers
 1 = small loans $< 50\%$ of the total number of active borrowers

2= small loans $\geq 50\%$ of the total number of active borrowers

Please specify:

(1) GNI per capita of the country: _____ USD

(2) Exchange rate: 1 USD = _____ (local currency) as of _____ (date)

(3) GNI per capita in local currency (1)x(2) = _____ (local currency)

(4) Small loans = 30% of GNI = (3) x 0,3

What is the percentage of active borrowers, below (4): _____?

1.15 Does the MFI authorize small installments (<1% GNI per capita)?

Definition: *Small installments are $\leq 1\%$ of GNI per capita, on monthly basis. Example: In a country where GNI per capita is 1000 USD, monthly repayment ≤ 10 USD, Weekly repayment ≤ 2.5 USD. Must apply to at least 5% of the loans.*

0 = minimum installment is more than 1% GNI (monthly basis)

1 = minimum installment is less or equal to 1% GNI (monthly basis)

Specify the size, in local currency, of the minimum installment amount for loans with monthly repayments?

1.16 Does the MFI allow the opening of saving accounts with very small amounts ($\leq 1\%$ GNI)?

Definition: *A small amount is $\leq 1\%$ of GNI per capita. Example: In a country where GNI per capita is 1000 USD, minimum amount to open an account ≤ 10 USD. If the MFI doesn't offer saving services but actively links clients to another institution in order to save, make note of the minimum amount of this institution.*

0 = Minimum amount $> 1\%$ GNI

1 = Minimum amount $\leq 1\%$ GNI

Specify minimum amount in local currency: _____

1.17 Does the MFI encourage solidarity between the different branches of the institution or between the different loan products?

Definition: *Solidarity among new branches, among branches operating in difficult environments, cross-subsidization to facilitate service provision for the excluded. Examples: (i) The surplus of the most profitable branches are used to sustain branches that are less profitable, either because they are new or located in very poor or remote areas. (ii) The surplus of profitable products are used to offset losses of less-profitable products that are less profitable, but meet an important social need. (iii) A profitable branch covers the costs of training loan officers of other branches.*

0 = No

1 = Some degree of solidarity, but informal mechanisms

2 = Yes, through formal strategy (funds, difference in interest rates, etc.)

If score is 1 or 2, explain the strategy: _____



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Dimension 2

Products and Services



(25 points)

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Range of traditional services (7 points)

This criteria evaluates the diversity of the traditional services (savings and loans) offered by the MFI.

2.1 How many different types of loan products does the MFI offer?

Definition: *Products are considered different when at least two of the following characteristics are different: purpose, disbursement conditions, minimum-maximum amount, term, collateral, interest rate and repayment schedule. Example: An MFI offers two loans. One has a 3 month term, the other a 5 month term. The purpose, minimum and maximum amounts, collateral, interest rates and schedule are the same for both. In this questionnaire, these two types of loans must be considered as a single product.*

- 0 = Only one or two
 1 = More than two

2.2 Does the MFI provide emergency loans?

Definition: *An emergency loan is disbursed rapidly (in 1 or 2 days), does not require a specific purpose, or is officially allowed for consumption, social use, or an emergency.*

- 0 = No
 1 = Yes

Specify the type of loans:

- Loans for immediate household needs
 Lines of credit (for consumption)
 Other, please specify: _____

SPS 3a

2.3 Does the MFI provide loan products specifically tailored to clients' social needs?

- 0 = No specific loan products
 1 = One or more specific loan product

Specify the type of loans:

- Education loans
 Housing loans
 Other, please specify: _____

SPS 3a

2.4 Does the MFI provide loans specifically tailored to clients' productive needs?

- 0 = No specific loan products
 1 = One or more specific loan product

If score is 1, check all that apply

- Microenterprise loans
- SME loans
- Lines of credit (for business)
- Long term loans (more than one year)
- Agricultural loans

SPS 3a

2.5 Does the MFI allow local branches to adapt their products and services to clients' needs?

- 0= No, all procedures are set by headquarters
- 1= Some flexibility is allowed in the local definition of products (changes may be subject to headquarter approval)

2.6 Does the MFI propose voluntary savings products, directly or in partnership with other institutions, or actively promote savings?

Savings services may be proposed by the MFI or actively facilitated through partnership with a regulated financial institution if the MFI is not allowed to collect savings.

- 0 = No voluntary savings products (or voluntary savings concerns either less than 5% of clients or less than 5% of the volume of the loan portfolio)
- 1 = Voluntary savings services are provided by the MFI, or through an operational partnership with another financial institution. Or, the MFI provides information or training sessions to promote savings (in conjunction with savings institutions).

Specify types of savings products proposed by the MFI (directly):

- Checking accounts
- Savings accounts
- Fixed term deposits
- Special purpose accounts
- Other, please specify: _____

SPS 3a

2.7 Does the MFI (or a partner financial institution) provide voluntary savings specifically tailored to clients' social needs?

- 0 = No specific savings products
- 1 = Specific savings products provided by the MFI (or through another financial institution)

Specify:

- Housing,
- Education
- Retirement
- Health
- Other, specify: _____

Describe conditions:

Quality of services (9 points)

This criteria evaluates quality through objective and verifiable proxies.

2.8 To what extent are the MFI's operations decentralized?

Definition: *Degree of decentralization is calculated simply by taking the sum of squared client shares per branch. A high number indicates that operations are concentrated in a small number of branches, while a small number suggests a more homogeneous distribution of operations across branches*

Example: *An MFI has 2 branches that serve 70% and 30% of clients respectively. Decentralization ratio = $0,7^2 + 0,3^2 = 0,49 + 0,09 = 0,58$*

- 0 = Low degree of decentralization (ratio ≥ 0.5)
 1 = High degree of decentralization (ratio < 0.5)

Specify

<i>Name of branch</i>	<i>Number of clients served by the branch</i>	<i>Share of clients served (branch clients/total clients)</i>	<i>Squared (x^2) share</i>
<i>Total clients:</i>		<i>Total squared shares</i>	

2.9 Timely delivery: On average, how long does it take to disburse a first loan?

Definition: *This refers to the average time it takes for the first loan to be disbursed, once the application is submitted, for all new clients over the last 12 months. Should include any required training and unexpected delays due to constraints such as liquidity shortages, lack of availability of loan officers, etc.*

- 0 = more than 2 weeks
 1 = less than 2 weeks

Specify how long it takes the MFI to disburse? _____ days

2.10 What is the effective interest rate of the main loan product?

Definition: *Main loan product is the loan product currently used by the largest number of clients.*

Cost of funds: *For MFIs that do not offer savings = Refinancing rate. For MFI that mobilize savings: interest rate on time deposits + 4%*

- 0 > cost of funds + 30 %
 1 < cost of funds + 30 %
 2 < cost of funds + 20 %

Specify:

What is the main loan product the MFI offers?

What percentage of the portfolio does it represent?

Provide the effective annual interest rate for the main loan product (using the methods developed by Microfinance Transparency to obtain the APR- Annual Percentage Rate, with the APR calculation tool: <http://www.mfitransparency.org/>): _____

[Optional, needed for SPS report

Does the MFI know the percentage of its clients that are borrowing from other institutions?

If yes, provide estimated percentage: _____

Does the MFI know the percentage of its clients that are borrowing from moneylenders?

If yes, provide the estimated percentage: _____]

Formula chosen for calculation of the EIR: _____

Average cost of funds for the MFI (see 2. ee in Part I): _____ *Portfolio yield:* _____

Average loan size (local currency): _____ *Annual inflation rate:* _____

SPS

2.11 Does the MFI use market research to identify the needs of clients and potential clients?

SPS

- 0 = No specific procedure
 1 = Informally: feedback obtained through field staff interactions
 2 = Form almarket research: client satisfaction surveys, focus group discussions, interviews with exiting clients

[Optional, needed for SPS report

If score is 0, is it planned in the future: Yes No. If not, please explain why not: _____]

How does your institution identify the needs of clients and potential clients? (Check all that apply):

Market Research for development of new products

Client satisfaction assessment (interviews, surveys, focus groups, etc.)

Interviews with exiting clients

Other (Please specify: _____)

How often does the MFI do market research?

Regularly/ Ongoing Semiannually Annually Biannually Occasionally/from time to time

Never Planning to start

If score is 1 or 2, describe tools, size of surveys, etc.: _____

2.12 What percentage of clients dropped out of the MFI during the last accounting year?

Definition: A drop-out is any client who has had no transaction with the MFI for the last 12 months.

Dropout rate:

(Total number of clients (borrowers and savers) at beginning of reporting period + Total number of new clients who joined during the reporting period – Total number of clients

(borrowers and savers) at end of the reporting period)
(Clients at beginning of period + clients at end of period) / 2

- 0 = More than 30%
- 1 = 15-30%
- 2 = Less than 15%

To calculate the dropout rate, provide the following:

Total number of clients (borrowers and savers) at the beginning of the reporting period: _____

Total number of clients (borrowers and savers) at the end of the reporting period: _____

Total number of new clients who joined during the reporting period: _____

What is the dropout rate for the MFI over the last accounting year? _____

SPS 7a

2.13 How does the MFI obtain feedback from dropouts on their reasons for leaving?

- 0 = No study of the reasons for departure or informal feedback through field staff interactions.
- 1 = Formal exit surveys or regular exit interviews by field staff

SPS

If score is 1,

How often does the MFI conduct or commission exit surveys or receive informal feedback from exiting clients?

- Regularly/ Ongoing,
- Semiannually,
- Annually,
- Biannually,
- Occasionally-from time to time,
- Never,
- Planning to start

If any major event has occurred, external to the institution, that may have affected the drop-out rate, please report it here:

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Innovative and non-financial services (9 points)

This criteria evaluates the MFI's efforts to adopt innovative approaches and adapt its services to a wide range of client needs.

2.14 Does the MFI provide innovative financial services to more than 5% of its clients (directly or via other specialized organizations)?

- 0 = No
 1 = one innovative service
 2 = more than one innovative service

Which of the following does the MFI provide:

- Life insurance (for credit life insurance, see question 4.14)
 House insurance
 Livestock and agriculture insurance
 Other insurance, specify : _____
 Debit/credit card
 Savings facilitation service
 Money transfers
 Payments by check
 Other, specify:

SPS 3a

2.15 Mobile banking: for regular financial transactions, do loan officers have to leave the MFI's premises to visit clients or can the clients conduct transactions without coming to the MFI (via visits or new information technologies)?

Definition: *Regular transactions may include loan application, loan disbursement, loan repayment or deposits. Visits only related to recovery of default loans do not apply. New information technologies permitting clients to conduct transactions without coming to the MFI may include ATMs, point of sale terminals, internet, mobile phone banking and use of Personal Digital Assistants.*

- 0 = For less than 30 % of the clients
 1 = For more than 30% of the clients (visits with traditional services)
 2 = For more than 30% of the clients (visits and/or use of new information technologies allowing flexibility for more than 5% of clients)

If score is 1 or 2, please provide a short summary of the products or services:

2.16 Has the MFI developed linkages with other sectors and/or other actors outside the microfinance sector in order to improve services provided to clients?

Examples: *Linkages to farmers' organizations, commercial banks, local NGOs, private enterprises, health or education services, etc.*

- 0 = No
 1 = Formal exchanges and collaborations with other sectors or actors

If answer is 1, please specify: _____

2.17 Does the MFI (or partnering institution) offer services related to enterprise management?

SPS

Definition: Such services may be offered directly by the MFI or facilitated through formal partnership with another organization that offers these services.

0 = No

1 = Yes

[Optional, needed for SPS report If score is 0, does the MFI plan to do so in the future? _____]

Enterprise services: Number of clients served for the reporting year: _____

Enterprise skills development

Business development services

Other (please specify)

2.18 Does the MFI (or partnering institution) offer services that address social needs?

0 = No

1 = Yes

[Optional, needed for SPS report If No, does the MFI plan to do so in the future? _____]

Which other non-financial services does the MFI offer to clients:

Adult education: Number of clients served for the reporting year: _____

Financial literacy

Basic health-nutrition education

Other (please specify)

Health services: Number of clients served for the reporting year: _____

Basic medical services

Special medical services for women and children

Other (please specify)

If score is one for 2.17 or 2.18, specify how services are delivered:

Directly offered

Offered through negotiated alliance with third parties

List the organizations that are part of these negotiated alliances: _____

SPS

2.19 Does the MFI ensure that the non-financial services are adapted to its clients' needs?

0 = No

1 = Yes, informally through discussions with clients and field staff

2 = Yes, in a formal and systematic way

Please specify any kind of study regarding the effectiveness on your target market of the financial/and or non-financial products and services: _____

SPS

Dimension 3
Benefits to clients



(25 points)

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Economic benefits for clients (8 points)

This criteria evaluates the systems designed to promote and measure improvement in clients' economic situation.

3.1 Does the MFI track changes in the poverty levels or economic status of clients over time?

SPS
14c-d

Definition: *Economic status refers to data on assets, income, housing conditions, education, food security, access to services, vulnerability, etc.*

- 0 = No information collected on changes to the economic status of clients; only anecdotal evidence of changes; not systematic use of information or low quality
- 1= Regular monitoring giving clear and useful information on changes of the economic status of clients

[Optional, needed for SPS report If score is 0, does the MFI plan to do so in the future? _____]

How often does the MFI track changes? Regularly/ Ongoing, Semiannually, Annually, Biannually, Occasionally-from time to time, Never, Planning to start

If score is 1, specify the types of changes the MFI aims to observe: _____

Has the MFI conducted impact studies over the last 3 years?

3.2 Did any of the staff participate in training or orientation sessions related to any aspect of social performance management, during the reporting year?

- 0 = No
- 1 = Yes

SPS

[Optional, needed for SPS report If score is 0, does the MFI plan to do so in the future? Yes No]

If not planning, please explain why not: _____]

Which staff have received some kind of training on social performance management during the reporting year? (Check all that apply):

- Board members
- Top management
- Middle management
- Loan officers
- Back office staff (MIS, accounting administration)
- Other (please specify) : _____

SPS

On which areas related to social performance does the institution offer staff training?

- Over-indebtedness prevention
- Communication with clients of product pricing, terms and conditions

- Acceptable practices of payment collection*
- Collecting good quality social information*
- Policy and procedures on safeguard of clients' data*
- Referring clients complains to those responsible for handling and resolving them*
- Being responsive to clients' needs*
- Gender sensitivity*
- Other (please specify):*

3.3 Does the MFI conduct performance appraisals of staff in relation to social performance management? Does the MFI have a staff incentives scheme related to social performance goals?

SPS

- 0 = No
- 1 = Yes, either appraisals or incentives scheme or both

[Optional, needed for SPS report *Staff appraisal*: Yes No No, but planning in the future

If not, and not planning, please explain why not: _____]

Areas that the MFI appraises:

- Ability to attract new clients from target market*
- Outreach of remote rural communities*
- Gender sensitivity skills*
- Quality of interaction with clients*
- Social data quality*
- Retention/drop-out rates*
- Portfolio quality*
- Other (please specify)*

SPS

Staff incentives: Yes No No, but planning in the future

[Optional, needed for SPS report *If not, and not planning, please explain why not:* _____]

Areas that the MFI rewards:

- Ability to attract new clients from target market*
- Outreach of remote rural communities*

Gender sensitivity skills

Quality of interaction with clients

Social data quality

Retention/drop-out rates

Portfolio quality

Other (please specify)

Which staff members qualify for these incentives? (Check all that apply)

Top management

Middle management

Loan officers

Back office staff (MIS, accounting administration)

Other (please specify)

3.4 Has the MFI taken corrective measures (like modifying products) due to negative impacts on social cohesion or client welfare? (does not include problems with indebtedness, addressed in dimension 4)

Example: *After becoming aware of the negative impact of the loan collection procedure on relationships among community members, MFI XYZ resolved to change its collection strategy.*

0 = no changes made so far / no information collected on negative effects

1 = changes made after identification of a problem / no problems identified

If score is 1, describe the changes: _____

3.5 Does the MFI have an explicit strategy to reduce costs of services as much as possible (without compromising quality) ?

- 0= no explicit strategy to reduce costs of services
- 1= efforts to reduce costs of services while maintaining quality integrated into the operational strategy of the MFI

If score is 1, specify the policy dealing with operational cost reduction and whether it has led to a drop in interest

rates: _____

Please indicate:

Operating Expense Ratio for the last reporting year:

Operating Expense Ratio three years ago:

3.6 Does the MFI have a formal policy on how clients benefit from profits generated by the MFI?

Definition: *A formal policy is explicit and written into the strategic planning of the MFI.*

Examples of policies: *reducing interest rates, investing part of the profits in the community, etc.*

- 0= no formal policy regarding how clients benefit / profits shared only among shareholders and/or kept in the MFI's reserves
- 1= no formal policy but occasional decisions have been made in favor of clients (involving <15% of profits)
- 2= formal, open and transparent policy to allocate profits to the direct benefit of the clients (involving >15% of profits), in particular in reducing interest rates

If score is 1 or 2, specify the policy:

Give figures in case of interest rate reduction: _____

3.7 Does the MFI adopt special measures or have special funds in case of collective disaster?

- 0 = No measures or funds exist / measures taken on a case by case basis
- 1 = Funds or reserves are earmarked in case of collective disaster

If score is 1, specify the measures:

Client participation (9 points)

This criteria analyzes to what extent clients are involved in decision-making (at the client level as well as the MFI level).

3.8 Can MFI clients participate in decision-making?

a) Decision-making at the client level (for instance, within the self-managed group, joint liability group, or self-help groups)

- 0 = No
 1 = Yes

b) Supervision and decision-making at MFI management level

- 0 = No
 1 = Yes

Does the MFI have regular all-member meetings? Yes / No / Not Applicable

3.9 Are there elected client representatives at the governance level (board of directors)?

- 0 = No
 1 = Yes

Are board elections in compliance with the MFI's by-laws ? Yes / No / Not Applicable

3.10 Is there an effective system to determine the rotation of client representatives at the client or management level?

- 0 = No
 1 = Yes

If score is 1, specify the policies: _____

3.11 What percentage of all client representatives are women?

- 0 = No women representatives or less than 20%
 1 = More than 20% of women among the client representatives

Specify actual number and percentage: _____

3.12 At the client level or management level, does the MFI provide training and capacity building for elected representatives to help them perform their governance role effectively?

- 0 = No
 1 = Yes, on an irregular basis (or only at the client level)
 2 = Yes, on a regular basis, in accordance with a defined policy

If score is 1 or 2, specify the policies regarding capacity building of elected client representatives.

3.13 Are these participatory bodies effective?

Definition: *To be considered effective, these bodies must have already influenced decisions and incurred changes. The representatives of these bodies must fulfill their role independently, without any external influence of staff or board members.*

- 0 = No, either they do not exist or they are more symbolic than active or they are not effective
 1 = They are mostly effective but members lack training, are insufficiently informed or do not have enough opportunities to meet / they are mostly informal / they are only effective at the clients' level
 2 = Yes, they are effective

If score is 1 or 2, specify the measures/criteria in place to ensure that member governance is effective:

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Social capital/client empowerment (8 points)

This criteria assesses activities designed to strengthen social capital of clients, i.e.: activities that reinforce social ties and client capacities, such as group formation, collective action, working together to reach common goals, fostering links with other programs and facilitating access to previously inaccessible services.

3.14 Does the MFI help clients resolve problems beyond access to financial services?

Examples: Refers to any actions taken by the MFI that help clients foster relationships among themselves, with other socioeconomic actors in the community or local networks. May include creating forums to address common problems regarding access to public services (e.g.: health, education, electricity) and public goods (e.g.: natural resources, pasture lands) or addressing legal and security issues in the community, for instance.

- 0= No
 1= Anecdotal evidence
 2= Yes regularly

If score is 1 or 2, describe the problems dealt with: _____

3.15 Does the MFI or partnering institution offer support services that specifically aim at women's empowerment ?

Definition: An MFI may target women to involve them as clients (i.e.: a neutral objective that implies no specific strategy beyond capturing female clients) or may have the mission to identify and address constraints facing women (such as mobility, market access, literacy, access to skills training), by offering them opportunities for income generation or leadership (i.e.: a transformative objective). See companion guide for more information and examples.

- 0 = No, offers services for women but none that aim at empowerment (neutral objective)
 1= Yes, offers one or two products/services designed for women with a “transformative objective”
 2= Yes, offers more than two products/services designed for women with a “transformative objective”

If score is 1 or 2, specify the products/services

Financial services

- Special Loan Products for women*
 Special timing and repayment procedures
 Special type of collateral concessions
 Special health insurance products for women clients or client spouses
 Special strategies for graduation to higher loans
 Special Savings products for women

- Other: _____
- Non-financial services:
- Business training to enhance women's market opportunities
- Women leadership training
- Training on rights and responsibilities as leaders in participative models
- Women's rights education/Gender issues (training for men and women)
- Counseling/legal services for women victims of violence
- Other (please specify) _____

SPS 3c

3.16 Does the MFI have effective strategies in place to communicate policy decisions to clients / ordinary members?

Examples: *Effective strategies may include regular meetings with clients (or client representatives) or disseminating material adapted for client communication.*

- 0 = No
- 1 = Yes, general publications accessible on the web (via MIX, affiliate networks) or available from the MFI upon request
- 2 = Communication through means specifically adapted to client: workshops, general assemblies, presentations, leaflets, etc.

If score is 2, describe the communication strategy:

3.17 Has the MFI sought to increase clients' influence with local or national government (either individually or through participation in MFI networks)?

Examples: *Lobbying for more streamlined administrative procedures for opening a business, advocating for access to basic services, etc.*

- 0= No
- 1= Indirectly, as this is a minor objective
- 2= Directly, as this is a major objective

If score is 1 or 2, describe what has been done, with which networks, and with what objective:



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Dimension 4:
Social Responsibility

(25 points)



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Social responsibility to employees (9 points)

This criteria evaluates working conditions of the MFI.

4.1 Does the MFI have a clear salary scale based upon market salaries?

SPS
10a

Definition: A salary table or salary scale defines the salary ranges for each position and is available to any employee.

- 0= No
 1= Yes

Describe the MFI's human resource policy, including information on career management, incentives, etc.:

Has the MFI included in its human resources policy equal pay for men and women with equivalent skill levels?

- Yes No

4.2 What percentage of staff is employed with a long-term contract?

Definition: Total staff includes all persons who worked more than 1 month during the year: employees (long and short-term contracts) consultants, interns, etc.

Long-term contract = Open-ended or > 1 year

- 0 = less than 40 %
 1 = more than 60 %
 2 = more than 80 %

Please specify number and percentage of staff with a long-term contract: _____

4.3 Are training programs accessible to all types of employees?

Definition: Different types of employees include loan officers at the branch level; back office staff at the different levels (local, regional, or headquarters); senior management; in some cases, voluntary workers may also be included. Training programs may be provided by the MFI or an external entity, either paid by the MFI or subsidized.

- 0= less than 50% of the staff is concerned
 1= more than 50% of the staff is concerned, with each staff member receiving an average of at least 2 days of training

Complete the following chart

Type of employees	Total nb of empl. by type (1)	Total nb of days of training over last 12 mo. (2)	Average nb of days (2)/(1)

4.4 Can the employees participate in decision-making regarding strategic decisions of the MFI?

- 0 = Noor through informal mechanisms such as meetings between staff and senior management
- 1 =Through a formal mechanism, such as an elected consultative body or another governance mechanism

If score is 1, specify the policies: _____

4.5 Does the MFI provide health coverage for all its employees?

Definition: National health care plans do not apply. Coverage must be in addition to any universal system.

- 0 = No
- 1 = Yes

[Optional, needed for SPS report

Has the MFI included in its human resources :

- policy pension contribution? Yes No
- practices and procedures which ensure safety of the staff? Yes No
- anti-discrimination policy? Yes No
- anti-harassment policy? Yes No

SPS
10a

4.6 Does the MFI have a specific policy with regard to women staff?

- 0 = No
- 1 = Yes

Specify the policies in place to support women staff (Check all that apply):

- Equal opportunity policies for staff
- Set quota for women staff
- Work time adapted to family constraints
- Maternity leave policies
- Specific policies that support women's mobility in the field
- Other (please specify)

SPS
10b

Presence of women staff (for reporting year):

	Total staff	Top managers	Middle managers	Loan officers
Total number (men and women)				
Number of women				
Percentage				

SPS

4.7 What percentage of the MFI staff left the MFI during the last 12 months?

Definition: *Percentage should be calculated on the basis of the average number of employees and should include voluntary departures, dismissals as well as staff at the end of contract.*

0 = more than 15 %

1 = less than 15 %

2 = less than 5%

Total number of staff at the end of the current reporting period:
 Total number of staff at the end of the previous year reporting period:
 New staff contracted during the current reporting period:
 Staff turnover rate:

Does the MFI monitor employee satisfaction?

Yes, No,

[Optional, needed for SPS Planning in the future

If not, and not planning, explain why: _____]

How does the MFI monitor employee satisfaction?

Assessments of employee satisfaction and/or satisfaction as part of regular staff appraisal

Periodic systematic surveys of employee expectations and/or satisfaction

Established system to address staff grievance

Interview with exiting staff

Other (please specify): _____

SPS 10j,
10h,10i

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Social responsibility to clients (9 points)

This criteria evaluates six principles of consumer protection widely accepted in the microfinance sector: prevention of over-indebtedness, cost transparency, collection practices, employee conduct, grievance procedures and client confidentiality¹

4.8 Prevention of over-indebtedness: What does the MFI do to avoid client over-indebtedness?

- 0 = Nothing in particular
- 1 = Some efforts made
- 2 = Efforts made to prevent over-indebtedness and measures have been taken after identification of over-indebtedness

If score is 1, which of the following efforts have been made:

- MFI's written credit policies give decision makers (loan officers, supervisors, etc.) explicit guidance regarding borrower debt thresholds
- The credit underwriting process includes an evaluation of client ability to repay the loan
- The credit underwriting process includes checks on client credit history and exiting debt
- Loan product options are flexible enough to fit client business and/or household needs
- The institution does not rely solely on guarantees for repayment
- Management regularly obtains information about debt levels among its clients
- Peer assessment (in group methodologies)

SPS8

If score is 2, which of the following measures have been implemented

- Clients receive training/guidance on evaluating their own debt capacity
- Staff incentives to avoid irresponsible lending
- Linkages to a credit bureau with to check client debt levels and repayment history
- other, specify

If score is 1 or 2, please provide a short summary of the policy: _____

If score is 2, what is being done to ensure these measures are effective? _____

4.9 Cost transparency: Does the MFI ensure transparent communication with clients about prices, terms and conditions of financial products?

- 0 = No written statement; information is unclear/incomplete
- 1 = Complete information is made available to customer in clear language that is not misleading and that the customer is able to understand.

SPS

Specify how the MFI states the interest rate: Flat Declining

Specify how the MFI ensures transparent communication with clients about prices, terms and conditions of financial products (check all that apply):

¹This section draws on the work done by Beyond Codes and the Center for Financial Inclusion of Accion International, based on the document "Getting Started: Client Protection Questionnaire" (June 2009): <http://www.centerforfinancialinclusion.org/Document.Doc?id=606>

- Contracts and information use plain language and provide full disclosure of prices, terms and conditions (including interest charges, insurance premiums, minimum balances required on savings and transaction accounts, all fees, penalties, and whether those can change over time)*
- Interest rates (including fees and commissions) or other product prices are published, displayed and provided to clients*
- Penalty and pre-payment fees are disclosed before loan contracts are signed*
- Amortization schedule in loan contract separates principal, interest, fees, and shows amount and due dates of installments*
- Communication addresses client literacy limitations (e.g., reading contracts out loud, materials in local languages)*
- Clients have an opportunity to ask questions and receive information prior to signing contracts*
- Clients receive transaction receipts and regular, clear, accurate account statements*
- Training sessions for clients on the costs of products*
- Senior management creates a culture of transparency within the organization and develops systems, controls and incentives to support it.*
- The organization submits audited financial statements to the appropriate authorities, membership, and interested parties, and publishes such information in the media.*
- Prior to sale: Prices and terms of products are published, enabling customers to compare various offers.*
- The financial institution follows truth-in-lending laws and required APR or effective interest rate calculation formulae.*
- Other (please specify):* _____

If score is 1, please provide a short summary of the policy: _____

4.10 Credit conditions and collection practices: Does the MFI explain the customer's rights, responsibilities and the collections process before the loan is disbursed?

- 0 = No, there is no systematic procedure
- 1 = Some efforts made
- 2 = Yes, the MFI maintains high standards of ethical behavior even when clients fail to meet their contractual commitments.

In which of the following ways does the MFI ensure that appropriate collections practices are followed (check all that apply):

- A code of acceptable and unacceptable debt collection practices is in place*
- The code of ethics requires all clients to be treated with dignity and respect, even when they fail to meet their contractual commitments.*
- The code forbids subjecting a borrower to abusive language or threats by collection agents.*
- The code forbids harassing borrowers at their place of work or worship, or at unreasonable times of the day or night.*
- The code forbids forcible entry to borrowers' dwellings and seizing property without court order or in violation of the law*
- Debt collection procedures and time frames (e.g., ties/locations when collections are appropriate, etc.) are clearly outlined a staff rule book [or credit procedure manual]*
- Loan contracts explain what the borrower should expect in case of late repayment or default*
- Efforts are made to negotiate reasonable repayment plans prior to seizing assets*
- The institution monitors staff and any third party debt collections to agents to ensure compliance with acceptable practices*
- The institution provides debt counseling services*
- There is recognition that accurate analysis of a borrower's repayment capacity is a first step to preventing delinquency, and the organization may hold some responsibility for borrowers' failure.*
- Specific step-by-step procedures and time frames are outlined for late payment recovery and how to proceed when borrowers are in default.*
- Collections staff receive training in acceptable debt collections practices and loan recovery procedures.*

SPS8c,
8g

Practices and procedures are followed widely in the organization and monitored by the internal audit department. Violations are sanctioned.

The institution has a policy on acceptable pledges of collateral, including not accepting collateral that will deprive borrowers of their basic survival capacity.

If you have other policies or practices designed to protect clients and ensure their fair treatment, please provide details here:

If score is 1 or 2, please provide a short summary of the policy: _____

If score is 2, what is being done to ensure these measures are effective? _____

4.11 Code of conduct: Does the MFI ensure staff ethical codes of conduct are consistently followed?

0 = No, no specific code of conduct; exists but not applied.

1 = Yes, the MFI ensures safeguards are in place to prevent, detect, and correct corruption or mistreatment of clients.

Specify how the MFI ensures staff ethical codes of conduct are consistently followed? (check all that apply):

A Board-approved code of ethics defines organizational values and ethical standards expected for staff

Staff rules describe acceptable/unacceptable behavior and sanctions that can result in employment termination

Hiring procedures assess employees for compatibility with organizational values and ethics

All staff sign annual pledges to follow ethical codes

Anti-corruption policies are in place, provided to each staff member and enforced by decision-makers

Internal audit for risk management detects corruption and code violations

Senior management creates a corporate culture which values and rewards high standards of ethical behavior and customer service.

Other (please specify)

SPS
8d

If score is 1, please provide a short summary of the policy: _____

4.12 Grievance procedures: Does the MFI have a grievance procedure for clients that is explained to them?

Definition: *The grievance procedure must allow the client to meet someone else other than a loan officer or a cashier, in case the conflict deals with this type of employee.*

0= No grievance procedure; exists but not communicated to clients

1= Grievance procedure exists and is widely shared/explained to the clients

If score is 1, which of the following is included in the grievance procedure:

A written policy requires customer complaints to be taken seriously, investigated and resolved in a timely manner

Specialized personnel are designated to handle customer complaints and problem solving

Customers are informed appropriately of their right to complain and know how to submit a complaint [to the appropriate person]

SPS 8e

- Complaints and their resolution are tracked and used to improve products, sales techniques and customer interactions*
- Internal audit or other monitoring systems check that complaints are resolved satisfactorily*
- Suggestion boxes are provided in each place of business*
- Hotline or call center with toll free access is available*
- A ready mechanism to handle customer complaints, problems, and feedback is in place and accessible to customers.*
- Staff is trained to handle complaints and refer them to the appropriate person for investigation and resolution.*
- Complaints are fully investigated and decisions are made consistently and without bias.*
- Customers have the opportunity to seek independent third party recourse in the event that they cannot resolve the problem with a financial institution, such as an ombudsman or mediator with the power to make binding decisions.*
- Other (please specify)*

If score is 1, please provide a short summary of the policy: _____

4.13 Client confidentiality: Does the MFI safeguard privacy of clients' data?

- 0 = No, no formal protection mechanism
- 1 = Yes, the MFI ensures the integrity and security of client information, and seeks the client's permission to share information with outside parties.

If yes, explain how the MFI safeguards privacy of clients' data (check all that apply):

- A written policy and procedures regarding treatment of client personal data gathering, processing, use, and distribution]*
- Internal audit reviews security of locations and electronic systems where client data is stored*
- The IT system is secure and password protected [with various levels of authorized access to information and access to data modification adjusted to the tasks and needs of the user]*
- Staff explains to clients how their data will be used [and seeks client permission for use]*
- Client consent is required prior to sharing data outside the institution*
- Clients may review and correct the information [and the financial institution provides assistance in this regard.]*
- Clients are instructed on how to safeguard access codes and PIN numbers*
- Systems are in place and staff trained to protect the confidentially, security, accuracy, and integrity of customers' personal and financial information.*
- Clients have the option of not having their information shared.*
- The organization ensures the accuracy of information shared and requests customer consent for use of data in a Credit Registry or Bureau. .*
- Customer consent is required for use of information in promotions, marketing material and other public information. Clients are asked to express their written agreement for use of their personal information, such as pictures and business and personal stories in the organization's publications, promotional material, and any information shared with external audience.*
- Other (please specify)*

SPS 8f

If score is 1, please provide a short summary of the policy: _____

4.14 Does the MFI provide some type of loan-insurance in case of death of the borrower?

Definition: *Insurance on the loan that frees the family from the burden of debt in case of death of the borrower*

- 0 = No or only on a case by case basis

1 = Systematic write-off procedure or loan insurance

If score is 1, does the MFI provide credit life insurance: Yes No

SPS 3a

Specify which types of loans come with insurance: _____

What is the cost for the client? _____

How is this information disclosed to clients: _____



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Social responsibility to the community and environment (7 points)

This criteria evaluates the actions of the MFI in terms of local economic, social and cultural development as well as environmental protection.

4.15 Does the MFI have a policy defining social responsibilities to the community?

SPS
15a

Examples: Through socio-anthropological studies, discussions with local authorities or key resource persons; working with loan officers who can speak the local language and know the local culture; active participation in the community.

- 0 = No, Policy under development or planned
- 1 = Informal policy reflected in operations
- 2 = Yes, a formal, written policy

If score is 1 or 2, please provide a short summary of the policy: _____

4.16 Is the MFI proactive in promoting local social and economic development?

- 0 = No or on an irregular basis (less than 5% than portfolio)
- 1 = Yes, on a regular basis and in accordance with a planned strategy

If the score is 1, give details:

- Formal collaboration with local development actors,
- Initiatives to promote the creation of local employment (does not include self-employment and income generating activities),
- Funding of risky but innovative local activities,
- Members of top management come from zones the MFI services,
- MFI avoids credit for enterprises with negative social value
- Promotes transparency and anti-corruption
- Promotes decent working conditions for employees in business financed by the MFI
- Supports local communities in the event of emergencies
- Supports women's leadership
- Takes measures to eliminate forced labor
- Takes measures to eliminate child labor
- Finances activities employing minorities, disabled, indigent people, widows, etc.
- Finances activities with high social value, such as health care or prevention services, culture, community infrastructure, etc.
- Other policy, specify: _____

SPS
...

If score is 1, please provide a short summary of the policy: _____

4.17 Does the MFI have an environmental policy for clients/microenterprises it finances?

- 0 = No, Policy under development or planned

- 1 = Informal policy reflected in operations
 2 = Yes, a formal, written policy

If score is 1 or 2, specify types of environmental policy directed at enterprises the MFI finances:

- Raise client awareness of environmental impacts
 Train/educate client regarding environmental impacts
 Specific clauses in the loan contract are included to mitigate specific social and environmental risks
 Identify enterprises with environmental risk
 Lending lines linked to alternative energies
 Other (please specify)

SPS

..

If score is 2, please provide a short summary of the policy: _____

4.18 Does the MFI have an environmental policy for its own organization's practices that includes both headquarters and branches (energy, water, paper, waste)?

SPS
16d

- 0 = No, Policy under development or planned
 1 = Informal policy reflected in operations
 2 = Yes, a formal, written policy

Please specify:

- Minimize use of conventional electricity
 Minimize use of conventional fuels
 Minimize use of water, recycle water
 Minimize use of paper, recycle paper
 Other: _____

SPS
16e

If score is 2, please provide a short summary of the policy: _____

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Appendix: Growth National Income per capita 2008 in USD (Atlas Method)

Albania 3,840	Cape Verde 3,130	Estonia 14,270	Jamaica 4,870
Algeria 4,260	Cayman Islands .. a	Ethiopia 280	Japan 38,210
Angola 3,450	Central African Republic 410	Fiji 3,930	Jordan 3,310
Antigua and Barbuda 13,620	Chad 530	Finland 48,120	Kazakhstan 6,140
Argentina 7,200	Channel Islands 68,640 a	France 42,250 b	Kenya 770
Armenia 3,350	Chile 9,400	Gabon 7,240	Kiribati 2,000
Australia 40,350	China 2,940	Gambia, The 390	Korea, Rep. 21,530
Austria 46,260	Colombia 4,660	Georgia 2,470	Kuwait 38,420 a
Azerbaijan 3,830	Comoros 750	Germany 42,440	Kyrgyz Republic 740
Bangladesh 520	Congo, Dem. Rep. 150	Ghana 670	Lao PDR 740
Belarus 5,380	Congo, Rep. 1,970	Greece 28,650	Latvia 11,860
Belgium 44,330	Costa Rica 6,060	Grenada 5,710	Lebanon 6,350
Belize 3,820	Côte d'Ivoire 980	Guatemala 2,680	Lesotho 1,080
Benin 690	Croatia 13,570	Guinea 390 a	Liberia
Bermuda .. a	Cyprus 22,950 a, d	Guinea-Bissau 250	Libya 11,590
Bhutan 1,900	Czech Republic 16,600	Guyana 1,420	Liechtenstein .. a
Bolivia 1,460	Denmark 59,130	Haiti 660	Lithuania 11,870
Bosnia and Herzegovina 4,510	Djibouti 1,130	Honduras 1,800	Luxembourg 84,890
Botswana 6,470	Dominica 4,770	Hong Kong, China 31,420	Macao, China 35,360 a
Brazil 7,350	Dominican Republic 4,390	Hungary 12,810	Macedonia, FYR 4,140
Brunei Darussalam 26,740 a	Ecuador 3,640	Iceland 40,070	Madagascar 410
Bulgaria 5,490	Egypt, Arab Rep. 1,800	India 1,070	Malawi
Burkina Faso 480	El Salvador 3,480	Indonesia 2,010	Malaysia 6,970
Burundi 140	Equatorial Guinea 14,980	Iran, Islamic Rep. 3,540 a	Maldives 3,630
Cambodia 600	Eritrea	Ireland 49,590	Mali 580
Cameroon 1,150		Isle of Man 43,710 a	Malta 16,680 a
Canada 41,730		Israel 24,700	Marshall Islands 3,270
		Italy 35,240	Mauritania 840 a

Mauritius 6,400	Papua New Guinea 1,010	Slovak Republic 14,540	Timor-Leste 2,460
Mexico 9,980	Paraguay 2,180	Slovenia 24,010	Togo 400
Micronesia, Fed. Sts. 2,340	Peru 3,990	Solomon Islands 1,180	Tonga 2,560
Moldova 1,470 e	Philippines 1,890	South Africa 5,820	Trinidad and Tobago 16,540
Mongolia 1,680	Poland 11,880	Spain 31,960	Tunisia 3,290
Montenegro 6,440	Portugal 20,560	Sri Lanka 1,780	Turkey 9,340
Morocco 2,580	Qatar .. a	St. Kitts and Nevis 10,960	Turkmenistan 2,840
Mozambique 370	Romania 7,930	St. Lucia 5,530	Uganda 420
Namibia 4,200	Russian Federation 9,620	St. Vincent and the Grenadines 5,140	Ukraine 3,210
Nepal 400	Rwanda 410	Sudan 1,130	United Kingdom 45,390
Netherlands 50,150	Samoa 2,780	Suriname 4,990	United States 47,580
New Zealand 27,940	San Marino 46,770 a	Swaziland 2,520	Uruguay 8,260
Nicaragua 1,080	São Tomé and Príncipe 1,020	Sweden 50,940	Uzbekistan 910
Niger 330	Saudi Arabia 15,500 a	Switzerland 65,330	Vanuatu 2,330
Nigeria 1,160	Senegal 970	Syrian Arab Republic 2,090	Venezuela, RB 9,230
Norway 87,070	Serbia 5,700	Tajikistan 600	Vietnam 890
Oman 12,270 a	Seychelles 10,290	Tanzania 440 f	Yemen, Rep. 950
Pakistan 980	Sierra Leone 320	Thailand 2,840	Zambia 950
Palau 8,650	Singapore 34,760		
Panama 6,180			

.. Not available. Note: Rankings include all 210 World Bank Atlas economies, but only those with confirmed GNI per capita estimates or those that rank among the top twenty for the Atlas method are shown in rank order. Figures in italics are for 2007 or 2006. a. 2008 data not available; ranking is approximate. b. Data include the French overseas departments of French Guiana, Guadeloupe, Martinique, and Réunion. c. Estimate is based on figures are extrapolated from the 2005 International Comparison Program benchmark estimates. d. Excludes Turkish Cypriot side. e. Data exclude Transnistria. f. Data refer to mainland Tanzania only. g. Estimated to be low income (\$975 or less). h. Estimated to be upper middle income (\$3,856 to \$11,905). i. Estimated to be high income (\$11,906 or more). j. Estimated to be lower middle income (\$976 to \$3,855).

Source: World Bank

In case you need more recent or precise data, please refer to World Bank statistics website:

<http://siteresources.worldbank.org/DATASTATISTICS/Resources/GNIPC.pdf> or <http://go.worldbank.org/B5PYF93QF0>

With the support from Swiss Development Cooperation (SDC),

Fondation Charles Léopold Mayer pour le progrès de l'Homme (FPH)

**And members of Solidarity Finance Working Group
<http://finsol.socioeco.org>**

Background to the SPI 3.1

2002-2003: The first version of the SPI tool was developed by Cécile Lapenu (CERISE), Manfred Zeller (Goettingen University, Germany) and Martin Greeley (International Development Studies IDS-Imp-Act, UK), with support from Syed Hashemi (CGAP), Renée Chao-Beroff (CIDR/CERISE) and KoenraadVerhagen (Argidius Foundation). Authors also drew on findings of the Solidarity Finance working group (a group of practitioners working on "Microfinance and Social Ties," supported by FPH). The SPI 1.0 was finalized in September 2003 and revised based on input from the Solidarity Finance workshop in October 2003. The SPI 1.1 was released in November 2003.

2004-2005: The SPI 1.1 was field tested by CERISE, members of the Solidarity Finance working group, and further revised with the support of Hansruedi Pfeiffer (Swiss Development Cooperation), Ruth Egger (Swiss Intercooperation), Philippe Amouroux (FPH), KoenraadVerhagen and Manfred Zeller. The SPI 2.0 was finalized in early 2005 and revised based on the input of the SPI Initiative's partners, producing SPI 2.1, released in June 2005.

2006-2008: The SPI 2.1 was applied by more than 200 MFIs around the world. A database with 150 results provides a rich overview on social performance and financial performance by types of MFIs, region, size, maturity, etc.

The version SPI 3.0 has been under development since January 2008.

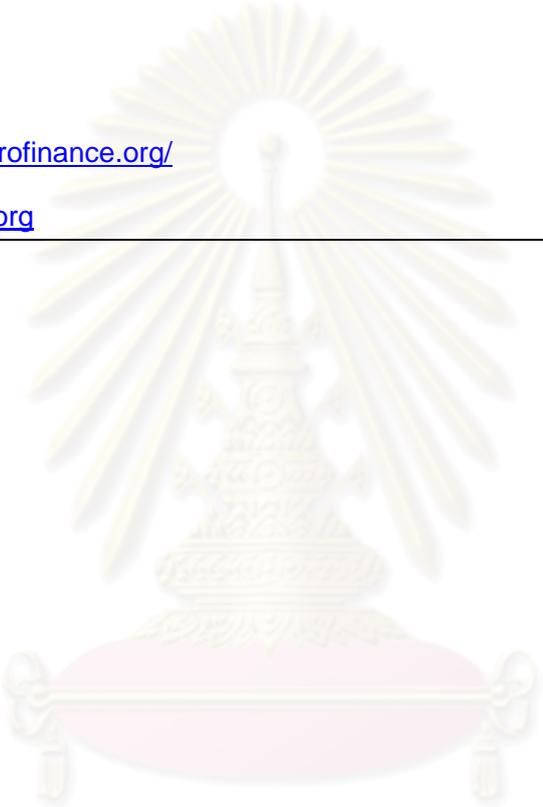
This version 3.1, released in January 2010 differs from the earlier versions in that some questions have been rephrased and indicators refined. These modifications are based on the comments from users of the MFIs and networks who used the 3.0 version of the tool.

The version 3.1 is fully compatible with the MIX core Social Performance Standards (SPS) and takes into account the MFI's social responsibility to the community and environment.

For more information:

<http://www.cerise-microfinance.org/>

<http://finsol.socioeco.org>



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Appendix B

STEP AHEAD
microEnterprise Development

ข่าวดี

โครงการก้าวหน้าพัฒนาชุมชน
ภายใต้มูลนิธิก้าวหน้าพัฒนา
สำหรับผู้ประกอบอาชีพทุกท่าน
ที่สนใจในกองทุนหมุนเวียนสำหรับการลงทุน

โครงการก้าวหน้าพัฒนาชุมชน เปิดบริการให้ผู้ที่สนใจกู้ยืมเงิน ด้วยอัตราค่าบริการที่ต่ำ และมีระยะเวลาการผ่อนคืน เป็นรายวัน และรายสัปดาห์ มีเงินสะสมใช้หนี้แล้วยังมีเงินเก็บ

สนใจติดต่อได้ที่ โครงการก้าวหน้าพัฒนาชุมชน
เลขที่ 34 (ตึกแถว 70ไร่)
ถนน ตำราชูทิศพัฒนา คลองเตย กรุงเทพฯ 10110
โทรศัพท์ 02-671-6714 , 02-671-4755

วันและเวลาทำการ วันจันทร์-วันศุกร์ เวลา 8.30 น.-17.00 น.

ตัวอย่าง ตารางการผ่อนชำระได้ด้านหลัง (รายสัปดาห์ 3,000 บาท)

Flyer from Step Ahead containing loan information relating to an average 3,000 baht loan.

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Appendix C

วันที่ประชุม	จันทร์	จำนวนเงินทดลองจ่าย	3,000
วันที่จ่ายเงินทดลอง	4 ม.ค. 10	จำนวนเงินบริจาค	-
เงินสะสมขั้นต่ำต่อ	50	รวมเงินทดลองจ่าย	3,000
จำนวนครั้งของการชำระเงิน	20 ครั้ง	เงินคืนต่อ สัปดาห์	150

วันที่	เงินสะสม			การชำระเงินทดลองจ่าย			ภายหลัง
	เงินสะสม ของวันนี้	การถอน เงินสะสม	ยอด คงเหลือ	ครั้งที่	ชำระคืน ของวันนี้	ยอด คงเหลือ	
ยอดเงินสะสม			900	ผู้เงินทดลองจ่าย		3,000	
มค. 11	50	-	950	1	150	2,850	
มค. 18	50	-	1,000	2	150	2,700	
มค. 25	50	-	1,050	3	150	2,550	
กพ. 1	50	-	1,100	4	150	2,400	
กพ. 8	50	-	1,150	5	150	2,250	
กพ. 15	50	-	1,200	6	150	2,100	
กพ. 22	50	-	1,250	7	150	1,950	
มีค. 1	50	-	1,300	8	150	1,800	
มีค. 8	50	-	1,350	9	150	1,650	
มีค. 15	50	-	1,400	10	150	1,500	
มีค. 22	50	-	1,450	11	150	1,350	
มีค. 29	50	-	1,500	12	150	1,200	
เมย. 5	50	-	1,550	13	150	1,050	
เมย. 12	50	-	1,600	14	150	900	
เมย. 19	50	-	1,650	15	150	750	
เมย. 26	50	-	1,700	16	150	600	
พค. 3	50	-	1,750	17	150	450	
พค. 10	50	-	1,800	18	150	300	
พค. 17	50	-	1,850	19	150	150	
พค. 24	50	-	1,900	20	150	0	

ตัวอย่าง ตารางการชำระเงินทดลองจ่าย ยอดเงิน 3,000 บาท ระยะเวลา 20 สัปดาห์ หรือ 5 เดือน
จะต้องมีเงินออม 900 บาท หรือ 30% ของยอดเงินทดลองจ่าย และทำดำเนินการ 450 บาท หรือ ร้อยละ 3 บาท ต่อเดือน

Back of the flyer giving examples of possible payment methods pertaining to an average loan along with savings deposit.

Appendix D



KTCDS pamphlet describing member benefits and borrower procedure

Appendix E

สิทธิประโยชน์ที่สมาชิกจะได้รับ

1. จะได้รับเงินปันผลทุกปี จากผลกำไรของสหกรณ์ฯ ในแต่ละปี เงินปันผลของสมาชิกแต่ละคนขึ้นอยู่กับเป็นนักสะสมหุ้นสามัญ และชำระหนี้คืนสหกรณ์ฯ ดีหรือไม่
2. สมาชิกที่ออมดีสม่ำเสมอ และเต็มปีงบประมาณ (มกราคม-ธันวาคม) ของแต่ละปีจะได้รับรางวัลจากสหกรณ์ฯ
3. สมาชิกสามารถเปิดบัญชีเงินฝากออมทรัพย์ได้ โดยสามารถเบิก-ถอนเงินในบัญชีได้ และได้รับอัตราดอกเบี้ย 1.5 % ต่อปี และจะเปิดบัญชีนี้ได้
4. สมาชิกสามารถกู้ยืมเงินได้ตามระเบียบของสหกรณ์ฯ ที่กำหนดไว้
5. สมาชิกออมดีต่อเนื่อง และมีประวัติการชำระหนี้คืนดี สามารถจัดตั้งกลุ่ม เพื่อขอขยืมเงินกองทุนเพื่อสังคม(SIF)ได้ โดยสมาชิกกลุ่มต้องออมดีและชำระดีเหมือนกัน ซึ่งกลุ่มต้องมีสมาชิก 5 - 10 คน และต้องอยู่ในชุมชนที่มีคณะกรรมการสหกรณ์ฯ วางจะอนุมัติให้จัดตั้งกลุ่มได้หรือไม่
6. สมาชิกที่กู้ยืมเงินสหกรณ์ฯ และชำระหนี้คืนทุกเดือนและไม่ล่าช้าจะได้รับรางวัลสมาชิกดีเด่นประเภทชำระคืน พรอรัมรับเงินเฉลี่ยคืนจำนวน 4% จากอัตราดอกเบี้ยชำระคืนให้กับสหกรณ์ฯ ทั้งหมด และจะต้องเป็นลูกหนี้ระยะยาว 1 ปีตามปีงบประมาณ คือ มกราคม - ธันวาคม

ระเบียบการกู้เงิน

ประเภทที่ 1 กู้ฉุกเฉิน

1. ผู้กู้ต้องเป็นสมาชิก 6 เดือนขึ้นไป
2. วงเงินกู้ยืมไม่เกิน 3,000.- บาท
3. ระยะเวลาผ่อนชำระ 3 เดือน
4. อัตราดอกเบี้ยร้อยละ 1.25 บาท/เดือน หรือ 15 % ต่อปี

ประเภทที่ 2 กู้สามัญ แยกออกเป็น 2 แบบ

แบบที่ 1 กู้ไม่เก็บมูลค่าหุ้น คือ

1. ผู้กู้ต้องเป็นสมาชิกที่ออมดีต่อเนื่องสม่ำเสมอ 6 เดือนขึ้นไป
2. วงเงินกู้ยืม 95%ของหุ้นสามัญ(เล่มแดง)
3. ระยะเวลาผ่อนชำระสูงสุด 24 เดือนหรือ 2 ปี
4. อัตราดอกเบี้ยร้อยละ 75 สตางค์ต่อเดือน หรือ 9% ต่อปี

แบบที่ 2 กู้ 3 เท่าของเงินหุ้นสามัญที่มีอยู่

1. ผู้กู้ต้องเป็นสมาชิกที่ออมดีต่อเนื่องสม่ำเสมอ 1 ปีขึ้นไป
2. วงเงินกู้ยืมสูงสุด 80,000.- บาท
3. ระยะเวลาผ่อนชำระสูงสุด 24 เดือนหรือ 2 ปี
4. อัตราดอกเบี้ยร้อยละ 1 บาทต่อเดือน หรือ 12 % ต่อปี
5. ต้องมีหลักทรัพย์ในชุมชนมาค้ำประกัน เช่น บ้านในชุมชน

ประเภทที่ 3 กู้พิเศษ

1. ผู้กู้ต้องเป็นสมาชิกออมดีต่อเนื่องสม่ำเสมอ 1 ปีขึ้นไป
2. วงเงินกู้ยืมสูงสุด 150,000.- บาท
3. ระยะเวลาผ่อนชำระสูงสุด 36 เดือน หรือ 3ปี
4. อัตราดอกเบี้ยร้อยละ 1.25 บาท/เดือน หรือ 15 % ต่อปี
5. ต้องมีหลักทรัพย์ในชุมชนมาค้ำประกัน เช่น บ้านในชุมชน
6. บุคคลค้ำประกันที่เป็นสมาชิกจะต้องเป็นสมาชิกแล้ว 6 เดือนขึ้นไป จำนวน 2 คน กรณีบุคคลค้ำประกันที่ไม่เป็นสมาชิก .คู่สมรสของผู้กู้และผู้ค้ำประกันเช่นเดียวกับข้อ 7 และ 8 ของประเภทที่ 2 แบบที่ 2

KTCDs pamphlet describing services offered to members.

ศูนย์วิทยพัทยากร
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Biography

Andrew Raming studied sociology at Southern Illinois University Carbondale before moving to Thailand where he taught English for 3 years, worked at a consulting company and also an editor for a media company. After finishing his degree in Southeast Asian Studies at Chulalongkorn University he plans to pursue a career in international development. His interests include rugby, sustainable economic and social development, chunky peanut butter, politics, happy hour and traveling.



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