The Impact of Social and Financial Performance Measurements on Micro Finance Institutions (MFI's)

Theme 3

Institutional Performance (Balancing Financial and Social Issues)

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TABLE OF CONTENTS

1. INTRODUCTION

There is no unique or universal definition of financial inclusion. Depending on a specific context, financial inclusion can mean different things to different people. A common definition (as noted from the Ghana, Tanzania and Brazil experiences) describes inclusion, amongst other things, as access to credit; savings; payments/transacting and insurance products and services, made available at a cost affordable to the customer *(TAMFI 2018, BOT - National Micro-Finance Policy 2017, NMB 2018)*. This paper argues that having access to credit, savings and other financial products and services does not necessarily translate into financial inclusion and poverty eradication.

Financial inclusion is about more than the opening of a bank account. For example, the fact that 8.4 million grant recipients of the South African Social Security Agency (SASSA) withdraw their full grants each month, as soon as their monies reach their accounts, is a clear indication that context is important in understanding financial inclusion. This is further observed by Global Findex (2015) that ‘usage is a real challenge’. One need to also focus on financial deepening and usage monitoring.

The objective of this report is to delineate key institutional performance indicators and measures of social and financial impact, with reference to Micro Finance institution (MFI’s) and other commercial banks. The aim is to proof that MFI’s and banks which do not regularly collect quantitative (financial) and qualitative (social) data will not be in a position to know if they are financially sustainable and socially sound.

Based on the Syndicate Group’s study tour to Ghana, Tanzania and Brazil, it became apparent that many institutions do not have sound social performance measurement tools and are therefore at risk of not knowing their full developmental impact. The fact that none of the institutions, which purported to conduct such assessments, provided data upon the Syndicate group’s request to share the assessments with us, especially in Ghana and Tanzania, is a clear indication that measuring both the financial and social performance is a major shortcoming in MFI’s.

With the exception of Brazil, there seem to be no real formal measurement of social performance in both African countries. The Syndicate Group will therefore apply some of the anecdotal evidence based on experiences of companies such as Tujijenge, whose mission is to improve the quality of the lives of families in Tanzania through provision of Microfinance. These companies shared opportunities and challenges which impact on the sustenance of their business. Such unique experiences and lessons learnt, will be shared in this research paper.

This paper is written with the assumption that the reader has at least a basic understanding of financial inclusion as well as the micro finance industry in its different forms.

2. BACKGROUND TO THE STUDY AND THE PROBLEM

2.1 Background to Syndicate Group Members

The Syndicate Group is represented by five (5) team members from various institutions. These institutions serve the lower income population (bottom of the pyramid) in different, but complimentary ways. From a South African context, they are also tasked with different mandates, whose purpose is to balance the financial and the social performance:

- Small Enterprise Foundation (SEF), represented by **Moses Ngamba**, grant loans to women in groups. They focus on micro enterprise lending. The problem they experience is that loans intended to build a business (to sustain the family in the long run) are used for other purposes, such as education and other living expenses. The company does not offer diversified products that could address other needs of their clients.

- The Development Bank of Southern Africa (DBSA), represented by **Patrick Ntsime**, is a development finance institution that provides a range of development finance and other forms of support to local municipalities, Metros, State-owned enterprises and the private sector. The problem they experience especially in the rural municipal sector, is that only a few of these entities have the institutional and technical capacity to deliver basic services. Their inability to raise additional capital (due to weak balance sheets) for infrastructure makes it difficult for them to attract private sector investments.

- Triple Advanced Investments (TADI), represented by **Elmandie Etheridge**, is assisting customers with loans to weekly salary earners that is often not earning salaries every week. These customers usually do not get financial assistance anywhere else in the market. Tadi is also having difficulty with clients that are not paying their accounts diligently, mainly due to them not earning a salary every week. Tadi also want to see where the need is under those not financially included to help service the sector responsibly.

- Siza Capital, represented by **James Bernard**, is a development credit provider offering loans to low income people to enable them to set up and expand small and micro enterprises. The majority of the beneficiaries lack appropriate business skills and experience resulting in weak businesses that are unable to fully repay their loans thus affecting Siza capital's financial bottom line.

- Ditsobotla Co-operative Bank, represented by **Sabi Padi**, pays dividends on shares to their members once there is a surplus at the end of the financial year. Members therefore take pride in owning their own Co-operative Bank. The various products offered over the long term are most often members driven. After paying operational running costs for the co-operative the remaining profit is distributed to the members according to their patronage. As everyone is getting a part of the profit, we can honestly say here are no losers, only winners.

The above-mentioned Micro-Lenders and Developmental Finance Institutions face real problems associated with credit risk, high costs of funding and high costs of complying with regulations. For example, training, education and development comes at a great cost to their businesses, such that, if you do not have enough good, paying clients you cannot sustain development initiatives. With such high costs associated with providing financial assistance, the challenge is, how do these institutions then balance the survival of their businesses and the social development of their clients.

2.2 Problem Statement

A majority of individuals from poor and underprivilege backgrounds in South Africa, do not have access to affordable financial products and services. Many of these individuals need to rely on Micro-Enterprise and Development Finance institutions to finance their businesses in order to make a living for themselves and their families. Micro-Enterprise and Developmental Finance institutions assist poor individuals even though they do not comply with the National Credit Regulator Act's normal credit requirements that is required for completing a credit assessment. The normal requirements include proof of income (e.g. business plans, financials or payslips); bank statements and proof of residence. Organisations like banks and other micro-finance institutions very seldom lend to individuals that do not have payslips. When Micro-Enterprise and Developmental Finance institutions register with the National Credit Regulator (NCR), they do so with supplementary registrations. These institutions were encouraged to present their methodologies to the regulator to obtain exemption from the above normal requirements. Although the process of vetting these methodologies were never enforced formally, the NCR acknowledged that these institutions were unique and did not need to comply with the normal credit requirements. The MFI's methodologies included risk assessment techniques that is different to the normal affordability assessments, but still very effective. Some examples of these methodologies were peer group guarantees; assessments of stock levels; assessment of the family situation and starting with incremental loan sizes. Most of these individuals are further excluded financially due to their circumstances such as poverty, location and illiteracy. They are often exploited and taken advantage of because they do not understand what they commit to when signing a credit and other legal agreements.

In a competitive global credit market, many developmental micro-financing organisations struggle to survive as profitable businesses. High operating costs, because of the labour-intensive nature of the business model, compliance costs and in some instance's poor debtors book management, makes it difficult for these organisations to maintain a balance between the social and financial imperatives. Failure to perform financially, makes it harder for them to invest in socially-responsible projects. Therefore, it can be argued that financial sustainability and commercial viability should not be seen as mutually exclusive objectives, but these two pillars can reinforce each other and build a more sustainable MFI.

Developing an individual to grow a business (whether a man or women) is a way of encouraging them to become less dependent on credit and more self-sustainable. It is for this reason that Micro-Enterprise and Development Institutions need to reach more people/businesses to access credit and other forms of support. In particular, growing small businesses can generate job opportunities enabling more people to join the economic sector, thereby becoming less dependent on the government.

Although the concept of creating access to financial products and services is a noble one, the ultimate financial inclusion comes at a high cost (both financial and social).

3. PROJECT OBJECTIVES

3.1 Development of a Social Performance Measurement Tool

- To establish through research whether companies are measuring the social impact they have on their clients and if they do, how they do it.

- To establish what measurements, if any, are currently available to evaluate and quantify the social impact a micro-finance Institutions have on their clients.

- To establish if a social impact assessment tools can be replicated to the open market in order to assist privately-owned companies to assess their social impact. With data and information, you can change or better the way a company operates. The reasoning behind this is that, when you measure the social & developmental impact you have on your clients and the community, and the results show that your current product is not beneficial to your clients, then you can adjust your product to enable you to serve the same customer in a better more beneficial for both parties. Implementing social measurements and acting on the results could assist you to serve the same client over and over as they (and their business) grow, as well as many other clients for longer as the community will see the benefit you bring to it.

  It is well documented that there is a real risk of micro lending going wrong, which can have strong consequences, including, but not limited to over-indebtedness and suicides. There are some privately-owned companies that would like to assess their impact, but currently do not know how. As their mission is not socially designed, but aimed at the value of return they can generate to their shareholders, it is easy to neglect the wellbeing and sustainability of the client.

  Privately-owned MFI's already assists poor clients and in their ignorance of social measurement they run the risk of doing more harm than good. These harmful practices are illustrated in the literature review of this project report.

- To establish if Social Performance can be measured in a cost-effective manner. Most companies visited on the African tour were complaining about the costs that need to be incurred with the measurement of their social performance. They stated that if social measurement was more cost-effective, they would still be measuring the social impact.

- If we cannot find an effective social measurement tool the syndicate group would like to at least suggest characteristics of an approach that a company should use to start measure their social impact.

3.2 Development of Financial Performance Measurements

- To measure financial performance in the micro financing sector. Whether or not it is different for each entity type (Commercial loans, Co-ops, SME financing, MFI's).

- To assess the focus of companies or banks or MFIs on how they measure their performance. The assumption is that each company has an Income Statement and a Balance Sheet, from which different financial ratios are calculated. This is an indicator framework for measuring financial performance.

- To determine if there are financial ratios that can be applied to calculate what the chances are of a company succeeding financially.

3.3 Possible Tiered Recommendations

With the completion of this assignment the team would like to be able to make stratified, tiered recommendations to the market based on a measurable indicator framework for social and financial impact. With these recommendations it is anticipated that private sector will draw lessons learnt and enable these companies to embrace financial inclusion in a way that is sustainable to their business and beneficial, financially as well as socially for their clients.

The team would like to make the recommendations in a tiered manner as for smaller organisations (micro-organisations), it will almost certainly be different than for big organisations such as local municipalities. The aim of these recommendations will be to provide adequate warning signs and timely responses for addressing challenges, before it is too late.

3.4 Additionality

During early observations in study school one, it became apparent that the bookkeeping of most micro enterprises is not very sophisticated. This was reinforced during our visits to Ghana, Tanzania and Brazil. Micro enterprises interviewed in Brazil did bookkeeping on excel which was better than reported in Ghana and Tanzania. With this in mind, the team would like to provide more value proposition by recommending “a business measurement tool” that enable clients to track the growth of their business and the usage of their loan (in terms of small business cases) to develop and enhance their “financial knowledge” in terms of their spending behaviour.

During the first study school Chris Hock (invited lecturer) illustrated that when you explain the principles of an income statement to a person, the knowledge gained in that exercise can proof to them how their business is operating currently and if there is a way to improve the business with amongst other things, credit. He explained to the taxi owners on the Cape flats how the old taxi’s breakdowns and related costs hurts the business and that by obtaining vehicle finance and buying a new taxi could increase their profits and enable them to provide a more reliable service to their customers. The principles of generating an income statement and budget to manage monthly income and expenses as well as loan repayments could increase the chances of their overall financial sustainability. This is an example of where credit was used in a correct way to benefit and expand the business of the taxi owner.

The reasoning behind this is, if the client understands what the loan was granted for and how it was spend as well as how his/her own business is performing, because of this assistance, that it will guide the client on his or her ability to repay the loan, further decreasing the risk of non-payment and also non-performing loan rate of the MFI. In the medium to long term, this will assist the MFI in lowering their own costs. It will also enable the MFI to evaluate the client’s income in the future to assist with a better suited loan product.

4. POSSIBLE PROJECT CHALLENGES

To ascertain a company’s financial performance, you need access to sensitive financial information and policies and this might not be shared freely by the companies the team will visit in Ghana, Tanzania and Brazil.

Companies might not measure their social impact or might not be willing to share the information regarding their performance measurements.

Companies might only show their accomplishments and not their failures. Often there is a lot to learn from failures as well.

Learning from the experiences of others is central to this assignment. However, it should be noted that various contexts present different experiences and performance outcomes.

Issues of attribution will therefore become different from country to country and these will be investigated in detail during the site visits.

It is important to learn and understand why a certain model work in one country and not in others. The team needs to understand the underlying factors that could make a product/service successful in South Africa, that has failed in other countries and vice versa. The team will consider other factors associated with regulations, banking availability (payments systems), costs to obtain the service or make the service available, credit bureau data, etc.

The team will also draw on each other's experiences and knowledge of different industries by studying each other's businesses.

The Syndicate Group will face these additional challenges:

- Language barrier.
- Miscommunication between team members.
- Different understanding of course material.
- Different back grounds and experience in the Micro financing industry.
- Diversity in gender, race, culture and beliefs.
- Time away from home (homesick)
- Adjusting to conditions of different countries; time zones, climate, etc
- Tight deadlines
- Full time jobs with high demands
- Team is located far apart so it is not easy to have physical meetings
- Culture shock. Being exposed to different ways of life/attitudes in other countries.

5. RESEARCH PROCESS, METHODOLOGY, DATA COLLECTION PLAN

5.1 Overview

The Syndicate Group is required to carry out research in the three pilot countries being Ghana, Tanzania and Brazil. All countries have now been visited. Data gathering and processes carried out in Ghana and Tanzania provided a better working framework to inform the best approach for Brazil. However, the language barrier and limited time with the visited entities proved to be a bigger obstacle than anticipated and we could not get the designed survey executed. We had to improvise and ask as many questions as we could to obtain relevant data. The financial and social performance assessment of MFIs for financial inclusion will be based on the following criteria: *Relevance, Effectiveness, Efficiency and Sustainability*.

The assessment approach consists of both a desktop review of documents received and a limited field visit component in Ghana, Tanzania and Brazil. Desktop analysis will comprise of the review of available field documents such as the annual reports, power point presentations, institutional/company profiles, study materials and other sources such as the World Bank Group.

The field work will draw from individual site visits in Ghana and Tanzania, including unstructured interviews with the relevant beneficiaries. Brazil leg was planned to be semi-structured, but as explained above did not realise as planned.

All relevant sources of information and support from the Coach, University sources, etc. will be acknowledged and referenced.

5.2 Primary Data Collection

A limited primary quantitative research was carried out in Ghana and Tanzania. It was based on annual reports and other materials requested from selected institutions (See Section 7).

An in-depth primary qualitative data collection was also collected through questions raised during field visits, based on interactions with industry experts, administrators, project managers, agents and other beneficiaries (See Table 1.1). Although no formal questionnaires were formulated, the syndicate group had a list of information/questions that we wanted to extract with our visit to the different entities in Africa. These questions however did prove to be irrelevant as none of the entities were measuring social performance anymore (if they ever did), we had to then convert to asking unformulated questions. Most of the evidence provided during the visit to Africa was anecdotal. Focused group discussions based on formal interactions with various institutions assisted in the clarification of key information. However, the limitation is that no form of verification or validation was conducted as Syndicate Groups relied solely on data provided by different hosts. Reliability is therefore a key area of concern.

In Ghana and Tanzania, all meetings were formally arranged and conducted in board rooms. Various hosts (organisational departments) provided key power point inputs/presentations based on their mandates, products and services. The presentations were each followed by robust discussion, structured in a question and answer format. Each Syndicate Group raised relevant questions linked to their specific key focus areas.

The Brazil leg was preceded by some presentations on various initiatives that is running in Brazil. These included a case study based on the government's approach to deepen financial inclusion within the indigenous, marginalized, Amazon communities in the Northern Region. The rest of the field research was based on anecdotal evidence and the experiences of entrepreneurs and service providers in the Rio favelas. Presentation was done mostly in Portuguese and translated to English by the university representative. Power point presentations was also mostly in Portuguese and has not been supplied to us. Banco Bradesco reported to be measuring their social performance, but we have not received the requested information as yet, even though they said they will send it to us.

5.3 Secondary Data Collection

Secondary quantitative data will be limited to desktop research and analysis of annual reports, publications, presentations and other secondary reports. The sources of data will be based on what different institutions supplied at each meeting. In the case where no power point presentations were conducted, verbal presentations were followed by in-depth discussions. Based on the discussions and the review of existing literature, the following template was developed to conceptualize a performance assessment for the financial and social impacts. It should be noted that none of the institutions visited in Ghana, Tanzania or Brazil provided an example of an indicator framework. The Syndicate Group is awaiting feedback from four (4) institutions which reported to conduct such assessments. After numerous follow up emails, no data has been shared as yet.

Table 1.1: Social and Financial Performance Assessment Questions

No.	Objective or Question	Information needed to answer Objective or Question	Measurement indicators	Data sources	Data collection methods/ instruments	Responsibility/ Data collector
1.	Was the regulatory framework aligned to national government development agenda?	MFI regulations and policy framework	• Compliance to Customer Service Standards Level of Institutional Effectiveness • Sector profitability/ sustainability • Competitive pricing • Level of information Dissemination and Support • Use of technology • Access to credit	Progress reports and records	Desktop/ Interviews with MFIs	Regulator/ Central Bank
2.	What ***social indicators*** are there to monitor and evaluate progress?	Outputs or achievements measured monthly/ quarterly	• No of women benefitting • No of youth benefiting • No of households benefitting	Progress reports and records	Desktop/Interviews with MFIs and Groups/Associations	MFIs, Associations / Groups
3.	What ***financial indicators*** are there to monitor and evaluate progress?	Outputs or achievements measured monthly/ quarterly	• Capex Expenditure • Cost overruns • Return on Investment • Revenues received from services • Cash flow management • Non-Performing Loans	Project Documentation	Desktop/Interviews	MFIs, Associations / Groups
4.	Have the usage of the formal financial services by individuals been effective and efficient?	Project financials and applicability	• No of active/non-active accounts (savings, borrowings) • No of loan applications • Size of loans • Preferred products and services	Project Documentation	Desktop/Interviews	MFIs, Associations / Groups
5.	Are there any barriers and obstacles from accessing financial services?	Project financials and applicability	• Travel time • Costs • KYC documents • Affordability to repay	Project Documentation	Desktop/Interviews	MFIs, Associations / Groups
6.	Do individuals/groups have access to financial services?		• No of bank branches • No of agents • No of ATMs	Project Documentation	Desktop/Interviews	MFIs, Associations / Groups
7.	What are the views of the community/ beneficiaries on the services provided by the MFI?	Interviews with the individuals/ Syndicate Groups and other beneficiaries.	Level of Satisfaction or Dissatisfaction with customer services received.	Interviews with all beneficiaries	Interviews/surveys	Regulators, MFIs, Associations / Groups

Adapted from DBSA's Development Results Template (2018)

The above template was adapted from the DBSA's impact assessment tools. The DBSA receives its mandate from central government's Finance Department. As a development finance institution, the bank measures the anticipated development impact. It further implements various mechanisms and processes which enable it to measure both the financial and social aspects of these projects. The delivery model and design of the projects entail project planning and preparation support, implementation support and capacity building and funding. The support is also meant to focus on long term integrated development planning, improving efficiencies and economies of scale, and enhancing intergovernmental collaboration on the projects/programme, thereby accommodating both the financial and social impact of projects/programmes.

Given the above context, it is expected that Micro-Finance Institutions (MFIs) and commercial lenders/rural banks should learn from existing institutions who are already measuring the financial and social impacts of their operations. The initial step is to reach consensus on a performance indicator framework or template that will become predictable and implementable. The above example of a template clearly shows the performance objectives, information required, measurable indicators and also potential sources of information.

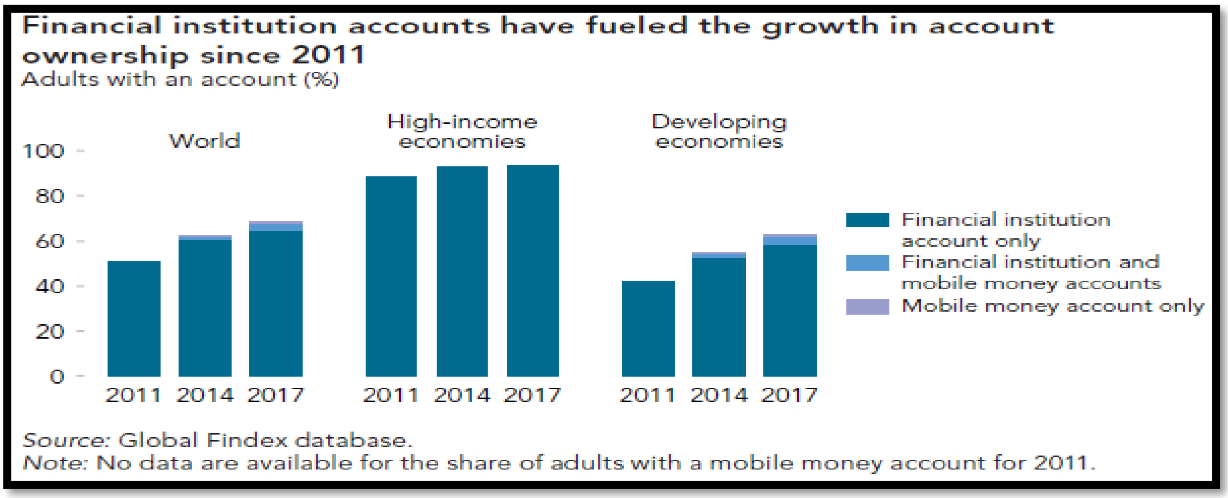
This research paper deliberately blends both social and financial measurement indicators because traditionally, there is a tendency by many organisations to treat the social as secondary (less important) and finance as primary (more important). By doing so, these organisations are not in a position to gather relevant and appropriate feedback in terms of how adequately or how dissatisfactory their organisation perform socially as it was not measured from the beginning or at a certain place in time. Financial performance measures on their own are appropriate as they measure the financial health, sustainability and viability of an organisation. All stakeholders are very interested in the financial measurement to ensure that for example Donors want to ensure that the donor funds are being allocated correctly or for investors that their investment is safe. By blending the two, organisations are best placed to know about the overall development impact and are more likely to have information available to include in a social performance tool.

6. LITERATURE REVIEW PERFORMED

6.1 Global Context on Financial Inclusion

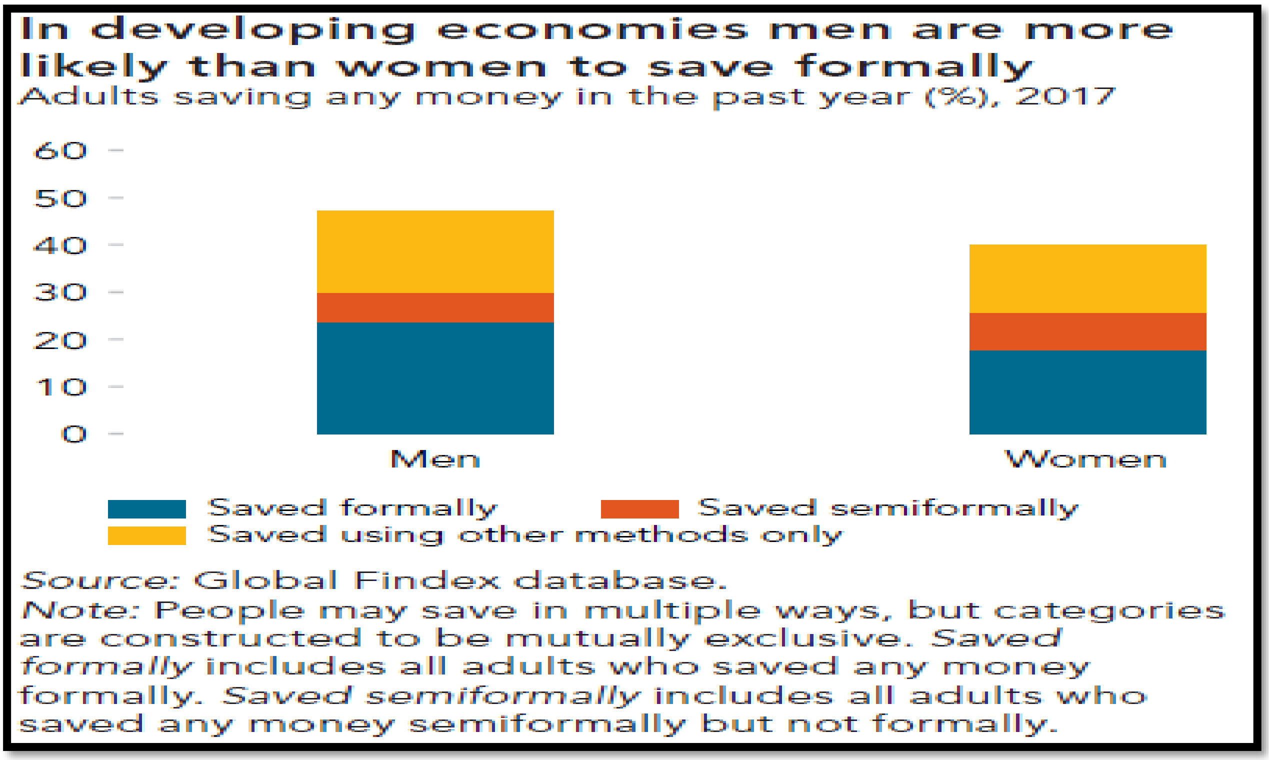
According to the Global Findex Database (2017) financial inclusion is on the rise globally. The 2017 Global Findex database shows that 1.2 billion adults have obtained an account since 2011, including 515 million since 2014. Between 2014 and 2017, the share of adults who have an account with a financial institution or through a mobile money service rose globally from 62 percent to 69 percent. In developing economies, the share rose from 54 percent to 63 percent. Currently, Micro-Finance Institutions (MFIs) and the regulatory regime permeate the development agenda of most developing countries in Africa, such as Tanzania, Ghana, Kenya and others *(The Little Data Book, 2018)*. The Global Partnership for Financial Inclusion (GPFI) also has a set of Financial Inclusion Indicators to help countries set financial inclusion targets and monitor progress (World Bank Group). The following figure illustrates the characteristics of financial inclusion globally.

Figure 1.1



The Global Findex report also illustrates various savings patterns across gender and income lines. The situation in Ghana and Tanzania is no different from the rest of the developing economies, whereby more men, unlike women, are more likely to save at a financial institution. When an individual chooses to save, knowledge about the sector (formal or informal) becomes an important point of decision.

Figure 1.2



6.2 South African Context on Financial Inclusion

South Africa compares well to the rest of the world with relation to financial inclusion at 70% of adults with accounts opened. In Annexure 1 there is a table that shows the results of the financial inclusion rating of South Africa in 2014.

The electronic distribution of grant benefits was seen as a key enabler to greater financial inclusion, this raised the number of accounts opened but did little for the usage aspect of financial inclusion. The majority of grant recipients withdraw the funds within a couple of days. The digitalisation of grant payments also had the negative effect with the risk of predatory lending practices and inappropriate financial products that gets deducted of the accounts via debit orders. As illustrated by Aswan Sewpaul from Lendcor Group (a fellow IEDP member), there is a great need for grant recipients to receive financial products, especially when it is for fixing a leaking roof or building an additional room. The crux remain that it should be done with responsibility and the client's needs at heart, not the bottom line of your company.

A study carried out by Wonga Finance SA (Pty) Ltd about the informal lending sector in South Africa shows that consumers who are excluded by the formal sector through lack of access to credit, invariably would access the same credit from the informal sector, especially from the Mashonisas. Mashonisas were found to provide timely financial assistance, with less complicated and onerous compliance requirements and daunting processes, compared to the formal sector. However, it was also found that even though the Mashonisa should be regulated by the NCR, regulations are not enforced due to the informal and underground nature of the Mashonisas. Mashonisas tend to create dependency and make their clients highly indebted. These findings point towards possible harm by microfinance or Mashonisas, as well as the possible good, to the livelihoods of the poor.

Wonga Finance SA (Pty) Ltd research further showed that there is at least 40 000 Mashonisa's operating in South Africa. A Mashonisa is a neighbourhood money lender who is not registered with the National Credit Regulator as is required by legislation. The rules and regulations protecting borrowers are not enforced or adhered to, they charge between 30% and 50% interest rates. There is also no concept on the value of money over time in other words if you borrow R500 you have to repay R750 it does not matter if you borrowed the money for a week or a month.

The community makes use of the Mashonisa's because of a number of reasons including convenience (no documents, no credit checks, and on the same street you live), simplicity (they charge only interest and there are no contracts to be signed) and in their minds the Mashonisa is cheaper (if they include the cost of traveling and obtaining bank statement and other documents). If an MFI charged these exorbitant rates, they would be closed down by the National Credit Regulator (NCR) and labelled as loan sharks, but in the informal sector these Mashonisa's are protected by the community as the community's view is that the Mashonisa is there to help them.

As the Mashonisa is not visibly richer that the rest of the community there is a perception that they are not hurting the community, but if you look at the situation from the outside the risks associated with the Mashonisa's is clear. Even though the interest rate is high, the bigger risk is their collection methods and the "power" they gain over the borrower. Perceptions play a big role in the success of the Mashonisa *(https://www.wonga.co.za/informal-lending-report/).*

Financial inclusion or exclusion should therefore be understood from an economic, social, political and historical context. For example, in South Africa, financial inclusion is understood from an unbalanced, history of a racially-based system of wealth distribution. The system of racialized poverty and inequality is thoroughly researched, measured and documented *(Westaway 2010, Stats SA 2017).* These historical imbalances are currently being addressed by government through various legislative and policy means, such as inclusive labour markets, Broad-Based Black Economic Empowerment and others (e.g. social security). South Africa is one of the countries with the biggest gini coefficient in the world with a 0.62 in 2015 *(https://data.oecd.org/inequality/income-inequality.htm)*. The gini coefficient measures the difference between the rich and the poor. Both Ghana and Tanzania also share similar sentiments of empowering the under-privileged class of society *(BOG 2018, Dar es Salaam Stock Exchange 2018, BOT 2018)*. Brazil had a gini coefficient in 2013 of 0.47 (3de highest). This further supports the argument that context plays an important part in understanding and applying the concept of financial inclusion. There is no one-size-fits all approach for financial inclusion.

6.3 Unintended Consequences

What has become prominent is that financial inclusion raises a dilemma as it poses unintended consequences, especially for the poor.

Not all financial inclusion activities and products are designed and implemented with sufficient participation and knowledge of the target market. This poses a very real danger that the inclusion will harm instead of benefiting the target market. To prove this point, we can look at an impact assessment done in 2007 by Ubiashara (a Kenyan based micro finance institution) that showed that almost 35% of the MFI's clients were poorer on completion of the loan than they were before getting access to the loan products. The programme was mostly targeting dairy farmers, providing them finance to acquire dairy cows. The impact assessment survey showed that 35% of the famers did not actually need finance to acquire more dairy cows, but rather they needed skills and knowledge improvements in order to reduce mortality rates among their livestock and to reduce their cost per litre of milk. Another 45% of the clients actually required access to affordable savings services to save the money they were receiving by selling the milk for cash at the farm gate. In both instances the MFI failed to properly diagnose the needs of the target population segment and as a result provided an inclusion product that was unsuitable. Farmers had to sell some of their cows to repay the MFI loans. In instances a farmer who had 5 dairy cows upon joining the loan programme found themselves with 3 dairy cows after repaying the loans. *(Rural Finance Social Impact Assessment Report for Ubiashara Financial Initiative Kenya)*

Other experiences elsewhere show that farmer suicides have been taking place across India for years now, and studies of rural distress reveal the deeply-rooted, tenacious causes, such as lack of irrigation, fragmentation of land, unsuitability of seeds and inadequate sources of credit *(The New Indian Express 2018)*. Although micro-finance is seen as a key development tool, the costs of accessing funding, affordability and daily challenges these Indian and Kenyan farmers experience have brought about these negative unintended consequences.

6.4 Positive Consequences

Despite the above unintended consequences within the micro-lending industry and its negative effect on the poor, *(Stewart et al 2012)*, financial inclusion continues to grow. According to *Cámara & Tuesta (2014)*, financial inclusion, as well as income, health and housing, is a basic ingredient of human well-being. Financial inclusion has a positive effect on economic growth and development. Poor households are capable of using finance to escape from poverty. i.e. financial inclusion benefits the poor *(Liyang 2018)*. On the one hand, banks tend to reduce poverty when poverty is measured by the headcount ratio and poverty gap. Research further points out to issues of class and gender disparity, whereby the men; richer, more educated, higher income and older are favoured by financial inclusion (*Zinsa & Weill 2016, Journal of Economic Behaviour & Organization 2017)*. Financial inclusion is a particular concern in Africa. Beck & Cull

(2015) observe that African banking systems are less inclusive than those outside Africa *(Zinsa & Weill 2016).* Further research points that the adoption of mobile telephony to provide financial services in Africa has become instrumental in integrating the hitherto unbanked segments of the population to the mainstream financial systems *(Teresa et al 2018)*.

Finca International has a goal to provide low income people around the world the tools they need to succeed. Their work benefit millions of people across 5 continents. They have done work in Tanzania as well. They create life-enhancing products like solar home systems and clean cookstoves which service a specific need in the community. The clean cookstoves is safer and healthier than the alternatives and electricity is not available everywhere so solar panels is lifechanging to the people acquiring it. The thing that makes them stand out from a lot of companies, is that they measure their social impact/performance. They do this effectively by understanding the complete customer experience, this includes the benefits their products offer to the customer as well as the change their programs bring into the lives of their customers. Finca reports that through the use of their micro-enterprise loan their customers see the benefit in their small businesses generating profits, and even enough to set aside for the future. *(www.fincacanada.org)* Finca uses an online application tool, Validata, to measure their social performance. The application is loaded on tablets and then completed in the field by agents. Their software is designed to ignore badly completed surveys that could distort the data due to its poorly completed state, and as it is an online tool, the data is available immediately. Please contact them directly for a demo of this software. The website shows that the software is for free as long as you share your data. (https://finca.org/our-work/research/validata/)

One of the success stories of Finca is about a teacher Betty Nakintu in Uganda. In 2008 she earned a low salary and struggled to provide for her children as she is a single mother. Finca provided her with a loan to start a nursery in her own community. Today she has 750 kids in her school and is able to look after her family. She is applying for another Finca loan to build additional buildings to the school. Betty is making a difference in her community and as she explains it would never have been possible without Finca. (*http://results.finca.org/regions/finca/africa)* This is clearly another example of when granting credit works for a customer.

Finca has numerous good-news stories on their website and we believe that they are able to make a difference because they measure the social impact they have, they study the needs of the clients first before launching a product that might not benefit the customer.

6.5 The performance measurement gap

Current efforts by governments, including the regulatory regime that seeks to deepen access to finance, do not always achieve their intended objectives. As observed by the team during their tour in Ghana and Tanzania, the regulatory and policy reforms on financial inclusion do not seem to embrace the measurement of institutional performance (i.e. the social and financial impacts). When conducting an extensive literature review, the team further found that this gap is wide-spread, both in developed and developing countries *(Human 1999, Mostak & Mallick 2017)*. Donou-Adonsou & Sylwester (2016) confirms that the literature on financial development and growth has received a lot of attention over the past two decades, but less consideration has been given to the measurement of the correlation between financial inclusion and poverty reduction.

However, limited evidence elsewhere (Ethiopia) supports this correlation between micro-finance and poverty reduction *(Berhane & Gardebroek (2017))*.

Following the Ethiopia experience, there is also a systematic review of evidence on the impacts of micro-credit and micro-savings on poor people in sub-Saharan Africa *(Stewart et al 2012)*. The research addressed the impacts on income, savings, expenditure, and the accumulation of assets, as well as non-financial outcomes including health, nutrition, food security, education, child labour, women's empowerment, housing, job creation, and social cohesion. The findings point towards possible harm by microfinance, as well as good, to the livelihoods of the poor.

7. FIELD OBSERVATIONS AND FINDINGS

7.1 Overview on Ghana and Tanzania Perspectives

Although most organisations visited in Ghana and Tanzania were generous in sharing information on financial inclusion, none of them have adopted measurable social indicators. However, a common thread and an underlying strategic objective of their mission statements is to create an enabling environment that bolsters financial inclusion. Based on these two countries financial inclusion is understood to mean loans which are done within sound principles of: *transparency, independence, accountability, capacity and predictability and also an inherent welfare distributional effect of the regulatory regimes*, particularly on the poor *(Ntsime 2006, Rewilak 2017)*.

Further observations from the field (visits ranged from Central, Commercial, investments, Development and rural banks, Micro financing institutions, Associations and Co-ops) show that while the importance of financial inclusion is well-established in both countries (Ghana and Tanzania), there is no formal consensus on what constitutes financial and social measures. Various institutions visited didn't have a clear performance measurement plan and indicators which measured the development impact of the MFIs. However, there was a strong element of the financial measurement in terms of different financial ratios. Another key finding is that greater access to financial services does not necessarily imply a higher level of financial inclusion. That is, access and usage are necessary but not sufficient conditions for measuring the inclusiveness of a financial system *(World Bank Group 2015)*. Also, the absence of a performance measurement framework does not necessarily imply that there is no development impact taking place on the ground.

Indication is that the financial aspects (quantitative measures), as opposed to the social aspects (qualitative) are commonly being used in measuring financial inclusion targets. However, the team observed that Micro-Finance Institutions (MFIs) in Ghana and Tanzania seem to be developmental in their approach. Their lending products cover programmes such as housing, roads, health and education. The main shortcoming is that there is no emphasis on the measurement of institutional performance (i.e. the social and financial impacts).

7.1.1 Ghana experiences

One particular key finding is that micro-finance is a nucleus of ancient tradition and the microcosm of Ghana's banking industry. Saving in Ghana is therefore a tradition. A way of life. The traditional SUSU system should be used as a core feature in the evolution of micro-finance and Ghana's modern-day financial market. Arguably, this country, with the smallest population (28,2 million) and density as compared to Tanzania (55,5 million), provides one of the best models for financial inclusion. The micro-lending sector in Ghana, is evolving at a faster pace and provides a huge challenge to the large, formal commercial banking system. This rapid expansion of micro-lending is a clear indication that there is political will by government to proactively promote financial inclusion. This system has operated independently along the traditional, formal banking system. However, based on the field observations, commercial banks are gradually adopting and modernizing the SUSU methodology, making it more efficient by introducing innovative products and services.

Ghana's banking sector and the banking regulatory regime commenced in 2008, when it was required that banks should implement a Basel's risk-based requirement for minimum regulatory capital. Readiness of Ghana's banking industry is questionable as banks haven't been able to comply with Basel 2 principles. Instead, it was reported that Ghana currently only complied with some of the prudential requirements, and has since introduced Basel 1.5 *(BOG 2018)*. The current level of activity and under-developed financial markets (in terms of capitalization) makes Ghana's compliance to Basel requirements, inadequate. However, this is not unique. Developing world is cautious about implementing and monitoring Basel requirements. What matters is that Ghana's banking sector is stable, flexible, accountable, functional and sustainable *(Ashiagbor 2017, Mensah 2018)*. This assertion was tested during the field visits when beneficiaries or the poor people were asked about how transparent, user-friendly and also supportive Ghana's regulatory regime is. Both the Ideal Bank and Fidelity Bank, further demonstrated (during their presentations) their developmental role in their value proposition. That is, blending innovative financial and social products and services.

Ghana also uses intermediaries such as ARB Apex Bank – a mini central bank to provide banking and non-banking support (closing the poverty gaps between rural and urban areas) to rural and community banks *(Iddie 2018)*. One of its branches, the Bawjiase Area Rural bank operates as a group lender. It is a typical MFI which specifically targets rural, poor women. The methodology requires individuals to come together to form an association and are willing to mutually guarantee each other's' loans. In Tanzania, a blend of wholesale (hubs or centres managed by representatives) and retail (based on group guarantees – BodaBoda Loans) have made it possible for customers to pay for and have access to stoves, car repair workshops, solar panels for their houses, medical care, school fees, etc. The Yetu Micro-Finance Bank of Tanzania is the first listed micro-lender that offer diverse, innovative products and services, to individuals and groups. This lender has boldly integrated its financial and the social performance targets and prides itself as a micro-lender with a purpose. Other Tanzanian experiences are the SACCOS and Faraja Group of Women – Tujijenge Bank, assist women to build their own houses. Members save money and over time, borrow and build incrementally, while living in the same housing structure (as mentioned in the introduction).

Ghana is predominantly a cash economy. About 98% of Ghanaians use informal options rather than formal financial institutions. The most common financial products are savings and to a lesser extent credit and insurance.

About 67% of Ghanaians save money and only 10% borrow money. Interestingly, 80% repay loans on time *(Financial Inclusion Insights 2017)*.

People in Ghana save to generate wealth and apply incremental housing to build their own housing structures. The mortgage bonding industry for example, is almost non-existent.

At a glance, a total number of 9,1 million individuals in Ghana are without an account and about 55% women, 49% live in the poorest 40% of households. This is a business opportunity for the financial services sector. Fidelity Bank for example, aims to open 5 million accounts and set up 5,000 retail agent points in the next 5 years. Increased innovation and the introduction of retail agents by Fidelity is a potential market disrupter for SUSU collectors, who might be lured into the modernized system (as agents' bankers), thereby abandon the traditional one. Agent banking has brought about mobile banking Smart Accounts, which are growing rapidly. Support from donor agencies (CARE, World Bank and USAID) have made it possible for Fidelity Bank and others, to penetrate the informal markets, by leveraging donor grant funding. Currently, the informal markets have seen marked improvement in the opening of new accounts and an increase in deposits.

Mobile money is an innovative way of facilitating savings, credit and general transacting. Partnership with MTN allows account opening faster, easier and affordable through mobile wallets. They signed up to 100,000 clients in the first year (March 2018), using smart loans, semi-secured loans accessible instantly via a mobile phone. Banking the financially excluded groups like members of the agricultural sector and rural areas has become a priority for most formal financial institutions wanting to penetrate 60% of the unbanked market.

7.1.2 Tanzania experiences

Tanzania's banking sector started to evolve in the 1990s when government implemented banking sector regulatory reforms which led to liberalization of the financial sector. These reforms subsequently led to significant changes in the industry, including increased participation of banks and microfinance service providers. The microfinance sub-sector in the country comprises two types of financial service providers namely

(i) formal microfinance service providers such as banks and financial institutions; Savings and Credit Cooperative Societies (SACCOS); microfinance companies, financial NGOs, Government Funds and Programmes; and
(ii) community financial groups such as Community Based Organizations (CBOs), Village Saving and Loan Associations and other financial related service providers.

Currently, the total market share for the banking sector is estimated to USD 13.14 billion (BOT 2018) The National Microfinance Policy 2017 (NMP 2017) creates an enabling environment that promotes the development of appropriate and innovative microfinance products and services to meet the real needs of the low-income population and thereby enhance economic growth and accelerate poverty reduction. The MFIs network of Tanzania is not as wide-spread and vibrant as that of Ghana.

Unlike Ghana's robust cash economy, Tanzania's economy is modernized and dominated by mobile money with digital solutions. A strong partnership between mobile companies, commercial banks and the micro-finance industry drives financial inclusion exists. The government of Tanzania has also enacted a National Payment Systems Act 2015, which aims to strengthen the regulatory and compliance aspects. According to the Financial Inclusion Insights (2017), almost six in 10 adults (56%) in Tanzania are financially included, almost all through mobile money accounts (55%). This is despite that Tanzania has a predominantly rural population, which makes access to financial services a challenge and digital solutions ideal. Currently, 59% of adults in Tanzania use a mobile phone for advanced functions and 63% of adults currently save with a financial institution. All these reforms are pointing towards creating an enabling environment, not only for financial inclusion, but also to stimulate economic growth and improve the quality of lives of the people.

Almost all the banking institutions visited in Ghana and Tanzania, have customer loyalty as their main goal of winning customers and providing value for money. Understanding customer needs and being responsive, dominates their mission statements, values and principles. According to Global Findex (2015), customers may not open an account or use financial services for a number of reasons such as accounts or services not being relevant to their needs or their expectations not being met or even due to high costs. The rapid growth of Ghana's SUSU system (deposit mobilization) and money lending (credit) is built on customer-centric principles, trust, transparency and most importantly, faith. This is *ubuntu,* an African philosophy that states that a person is a person through others. The Consultative Group to Assist the Poor (CGAP) operates along the same principles and philosophy. CGAP partnered with InvestED and other partners in Ghana whereby they empower the SUSU collectors and the rural poor with various training and awareness programmes. They also offer educational videos and quizzes for the microentrepreneur through technology. These quizzes could be used in the credit scoring of MFI lending. (http://www.cgap.org/blog/mapping-africas-latest-innovations-digital-finance)

Unlike Ghana, Tanzania MFI market seem unique, viable and sustainable. TAMFI for example, can finance 45% of its activities from members fees, 55% is from donor support and partners support. Their customer centric models are also integrated through various partnership initiatives. For example, about 80% of the small holding farmers in Tanzania based in the remote rural areas benefit from capacity building and training programmes. Through the Robobank, the Micro-Finance Bank (NMB) organizes capacity building and training initiatives for its members, by addressing production processes, crop harvesting, investments and financing products. Agriculture constitutes 35% of Tanzania's Gross Domestic Product (GDP). This sector is therefore important not only for the promotion of financial inclusion and household livelihoods, but for the sustainability of the mainstream economy. Different MFIs (e.g. CRDB) in Tanzania model their products in a manner that are tailored-made to customer behavior patterns and other dynamics. It has been found that women customers evolve faster in the micro-lending industry and play a critical, developmental role within their households.

Unlike Ghana which is predominantly a cash economy, digital financial services and technology in Tanzania has provided a platform for cost effective and affordable financial services. Consumers have a wider choice on how to save or seek credit. Digital solutions provide a useful platform for the management of transactions for remittances, payments for day to day usage of household services such as school fees, airline tickets, tax payments/collection, bills and groceries. However, it should also be noted that digital solutions have not penetrated most rural areas and small hold farming areas in Tanzania. The young, rural youth and poor women are still excluded from the mainstream technological economy due to a number of factors such as lack of awareness and access to smart phones. Tanzania had set itself a target of 50% in 2013 and this was achieved in 2016. Currently, mobile money has become a key driver of Tanzania's financial inclusion *(Finscope survey: 2006, BoT).* Three service providers (Vodacom Tanzania – M Pesa, Tigo Pesa and Airtel) play a significant role in driving digital financial inclusion. However, as a result of government's clamp down on illegal phones, fewer Tanzanians were financially included in 2016 (54%) vs 2015 (62%) due to a decline in ownership and active use of mobile money accounts. Fewer Tanzanians were thus financially included in 2016. This situation can soon change as mobile money is the key pillar of financial inclusion in Tanzania.

A common feature in these landscapes is that Ghanaians and Tanzanians do not see the value in paying high fees for commercial bank transactions. They tend to stick to informal financial networks that provide accessible financial services. This begs the questions, are the people better off within or outside a system which might be perceived as exploitative?

7.2 Key common features of Ghana and Tanzania Performance Measures

The Syndicate Team identified aspects of financial inclusion in both countries which may seem to repel/contradict the essence of (1) creating access to credit – financial aspects and also (2) improving the livelihoods of the poor people – social aspects. Like the Kenya and Indian experiences earlier mentioned in this assignment, the team argues that measurement of the financial and social performance should be placed at the heart of financial inclusion.

- **High interest rates**
  Although it is common that banking institutions visited in Ghana and Tanzania use transparent methods in their pricing systems, most of these institutions seem to charge high interest rates. It was evident when unpacking the pricing structures (monthly or annual prices) that there were inherent hidden costs. A common disclosure was a nominal (e.g. 2% on a monthly basis) rather than effective rates (e.g. 20-30% annually). This gave false impression that interest rates were affordable, thereby leading customers to make uninformed borrowing decisions. It was noted that although Tanzania's capital and money markets are fully regulated, well-developed with a functional stock exchange (Dar es Salaam Stock Exchange), pricing of interest rates are not regulated/benchmarked or capped. There is neither a bank/base rate nor a prime lending rate which makes pricing competitive. Instead, these banks are allowed to set own hurdle rates, thereby charge exorbitant rates. In our view, the high interest rates are not easily repayable and as a result, non-performing loans seem to be generally understated so as to create a false impression that the system is operating optimally and sustainably.

- **Lack of consumer protection mechanism**
  Following from the above concern, it is clear that the regulatory regimes of both countries have taken steps to introduce protective measures for customers, especially the rural poor. However, more needs to be done to enforce these regulations and to create a level playing field amongst banks. Pricing of products and services by MFIs and commercial banks seem to prejudice the very same consumers who are being protected.

- **Flexibility of the regulations**
  It is evident from the interactions with MFIs and other financial institutions that regulators have embraced the principle of self-regulation. As noted specifically from Ghana experiences, this has brought about some level of comfort, trust and transparency amongst MFIs and the banking industry as a whole. However, over time, when the regulators become stricter, this flexibility will wane away.

- **Cash flow or working capital constraints**
  Although it can be argued that the financial or micro-lending systems and the regulatory regimes of both countries have created an enabling environment for financial inclusion, the unintended consequence is that the system has also created cash dependency, especially on the part of the poor. The poor save, but often do not always secure

affordable products and services. Households are indebted to their group syndicates, members/associations, micro-lenders, banks, etc. For example, SACCOS face low capacity of saving mobilization from their members which has resulted into insufficient liquidity to meet savings withdrawals, exposing the very same organization that represent them. Therefore, a weakness exists and a business case for financial inclusion can be challenged. That is, from whose perspective is financial inclusion and who benefits the most from financial inclusion?

7.3 Overview on Brazil

Unlike Ghana and Tanzania, Brazil offers a unique experience due to its vast economy and large population. The dynamics of financial inclusion and the robustness of MFIs differ substantially from those of the African countries visited. However, there are similarities in terms of the intended objectives of measuring the effectiveness of microfinance and microcredit on the quality of lives of the poor.

7.3.1 The Brazilian Context

Two of the largest cities in Brazil were visited between 3 and 12 November 2018. Sao Paulo has an estimated population of 21 million and Rio de Janeiro 12 million. These cities serve as the economic heart-beat of Brazil. Like South Africa, Brazil has one of the worst inequality rates in the world (2013 – 0.47), yet it has the enormous availability of natural resources. According to Serpa (2008) and (Schonberger 2001), Brazil is developed, efficient and the largest economy in Latin America, with the largest banking system, and was the birthplace of Latin America's first modern microcredit programme, in 1973 (Brusky & Fortuna, 2002). Brazil is also the largest country in Latin America in terms of land area, population and gross domestic product (GDP). Its GDP is 2.1 trillion compared to Mexico's 1.15 trillion, the second largest economy in Latin America, but is well behind most other countries in the region in the development of its microfinance industry. The Brazilian economy is highly diversified, with services and industry representing the highest share of GDP. Data released by the Brazilian Institute of Geography and Statistics (IBGE) in December 2017, showed that more than fifty million Brazilians, nearly 25 percent of the population, live below the poverty line, and have family incomes of R$387.07 per month – approximately US$5.50 a day. The Northeast accounts for only about a quarter of Brazil's total population and 20% of its land area, but home to more than half of Brazil's poor (Brazil Study Tour Guide 2018).

7.3.2 The role of SMMES and the evolution of microfinance

In contrast to the Ghana and Tanzania microfinance experiences, the evolution of microfinance in Brazil, from 1989 to 1997, is marked by the entrance of municipal and state governments as important players on the microcredit scene through the creation of programmes targeted to micro entrepreneurs (Serpa 2008). This robust outlook on financial inclusion places entrepreneurs at the centre of small business development and the Brazilian Small, Medium and Micro-sized Enterprises (SMMEs). The outlook is attributed to both macroeconomic and inclusion policies have led to marked improvement in living conditions. Macroeconomic stability further contributed directly to financial inclusion, allowing the government to advance on the social development agenda (Tombini 2012). To date, SMMEs currently hold the key to economic growth and poverty alleviation.

In Brazil, just like in most developing countries, SMMEs make up a large portion of existing businesses and have become engines of growth and creator of employment opportunities (SANA 2014, White 2008). This assertion demonstrates that a concerted effort by government to develop strategies and policies that support SMME development augurs well for the economic stimulation and ultimately financial inclusion. According to the Brazilian Small Enterprises Support Service (SEBRAE), as many as 90 percent of all firms, microenterprises account for 35% of employment (Brazil Study Tour 2018). Furthermore, indication is that the Central Bank has become pivotal in strengthening credit cooperatives, which play an essential role in serving specific sectors, particularly rural credit and producers' associations. This has been as a result of supportive regulatory microfinance regime initiated in the 1990s and has to date yielded significant results. Today, all of Brazil's 5,565 municipalities have at least one access point, and the financial system has, in general, been brought closer to the people (Brazil National Financial Inclusion Strategy (2012).

Although microfinance in Brazil and elsewhere (Tanzania, Ghana, Kenya and South Africa) is still regarded as a panacea for poverty alleviation and women empowerment, emerging research also points out that microfinance should no longer become romanticized because specialized education and training are becoming intrinsic business requirements for sustainability and viability. The introduction of financial technology (Fintech) and sophisticated, unique business ideas are becoming a challenge for the poor and illiterate people. Equally, more and more MFI businesses are receiving low profits and therefore unlikely to solve entrenched poverty (Karnani 2018). Karnani further points out that since the advent of microfinance, there has been some level of optimism in the manner in which the industry was perceived, even by the United Nations, when it named 2005 the year of microcredit. During this era, microfinance was designed to be a win-win model. In its ideal form, lenders provide loans to small businesses who invest the money and grow their businesses – lifting them out of poverty, boosting the local economy and hiring staff. At the same time, lenders make money on their advances. However, this level of optimism is waning as with any disruptive business model (Karnani 2018). Among policymakers and economists, there is also widely held perception that microenterprises face severe financing shortages that limit their growth opportunities (Susana et al 2002).

7.3.3 The role of the regulatory regime

Experience elsewhere shows that microfinance industry is also challenged to respond to stricter government regulatory regimes, putting more pressure on their bottom line of MFIs. For example, according to BancoSol, a microfinance bank headquartered in La Paz, Bolivia, was forced to adjust its lending strategy and business model because of a regulatory change. 60% of the bank's lending portfolio would have to move to the productive sector of the Bolivian economy by 2018, and these loans would have a controlled interest rate of 11.5% (BancoSol, 2018). BancoSol started operations as an NGO in 1986 and is one of the two largest Bolivian microfinance institutions and has grown to become a leading microfinance bank in Latin America, actively involved in addressing the needs for basic financial services for low-income people (Triodos Investment Management 2018).

The Brazilian experience shows that microfinance drives entrepreneurship and not necessarily a quest to alleviate poverty. That is, poverty alleviation is simply a bi-product of entrepreneurial development. As indicated by Chamber of Commerce Foundation (2012), entrepreneurs who, through microfinance partnerships with Itau, Santander, and Banco do Brazil, were able to expand their businesses and provide for their families -- in some cases creating jobs for others outside their family, and in all cases providing valuable services and products for their communities. Other studies show that there is a structural connection between the favela entrepreneurs and the well-established Brazilian business community. That is, one needs to understand the characteristics of informal urban settlements or slums with the aim to better understand the factors that affect the material standard of living of slum residents, the dynamics of slum development and the interaction of the slum with its wider socioeconomic context (Research Gate 2016). Microfinance in Brazil is not a charitable business, but a real engine of economic growth and wealth creation, driven by entrepreneurs. As noted below, the role of government is to look after microfinance needs of the marginalized, poor communities.

Despite the presence of a dynamic, innovative, and retail-oriented private banking sector, and increasing privatization, public banks continue to play an important role in Brazil's financial sector (Schonberger 2001). Overall, the Brazilian government has strategically excluded private sector by over-subsidizing and lowering the costs of funding, in favour of MFI's and the beneficiaries of micro credit. In so doing, this "crowding-out" effect of subsidized government credit lines; and a supportive legal and regulatory regime of government has made it possible for microfinance to thrive.

7.3.4 Microfinance and innovation in Brazil

Innovation drives the microfinance industry and financial inclusion in Brazil. This is seen from government's infrastructure development programmes which are currently been implemented within the less developed regions of Brazil such as the Amazon. According to Joia & dos Santos (2017), one of these initiatives include access to the financial system, through an innovative e-government project, whereby an itinerant bank branch is installed in a boat, named Agência Barco, to serve the riverine populations with low population density, transportation difficulties and limitations in access to information and communication technology (ICT).

Green Microfinance is a new study field in Brazil that has emerged by combining two different fields namely **Micro finance** and the effect of **Climate Change**. Greening of microfinance is also evolving as another creative way of addressing the plight of the poor and the needs of microcredit beneficiaries. According to Cruz (2015), due to their low adaptive ability, the millions of microfinance clients globally are the most vulnerable to climate variability and their "plight is linked to the ability of microfinance institutions (MFIs) to adapt to the consequences arising from climate change.

SEBRAE is an MFI that has shown innovation on the development of one of their products. In January 2018 they introduced a zero present interest product for all qualifying May. This product also has an up to 6-month payment holiday gap to ensure that the May has enough time to generate income to repay the monthly instalments. A May is classified as a person that generate a turnover of less than USD20 000 per year; has a maximum of 1 employee and have registered as a business. Should the May pay their instalment late, they are charged 7% annual interest and a 2% penalty on that period until they have caught up the arrears. To combat misuse of the loan they require the May to upload an invoice(s) to their system that has the amount of the loan taken on it. If they cannot produce the invoice, they have to repay the difference immediately. They also provide training initiatives free of charge to educate and enable the May to grow their own businesses. This training includes, but is not limited to; finances; budgeting; cashflow management; social platforms; marketing and how to set the price for your product. The current non-performing loan rate is 2.58% and if the product reach 7% they will have to stop the product.

7.3.5 Lessons learnt

Experience in Ghana and Tanzania have shown that access to finance as well as the high cost of financing has become the main obstacles towards financial inclusion. Brazil is no exception. Brazilian private banks and non-bank financial institutions offer a variety of credit products targeted to micro and small enterprises. These products typically carry very high interest rates and require collateral. Banking networks also leave many areas, particularly poor and remote regions in the Northeast and North of Brazil, underserved (Susana et al. 2002). This is why government became instrumental in identifying opportunities and broadening financial education, addressing access to credit in the Northern Region, through the support of the World Bank. The World Bank has supported Banco do Nordeste's CrediAmigo microfinance program since 1997. The Banco do Nordeste initiated CrediAmigo as part of its restructuring strategy and how the program has expanded to become the largest microfinance provider in Brazil. To date, many lessons have emerged, both from CrediAmigo and the World Bank project that supports the programme. The role of credit unions in changing the landscape for microfinance is also notable in Brazil. Data from the Central Bank of Brazil show that these organizations already have a relevant and growing participation in the Brazilian Financial System. The volume of microcredit provided by credit unions represents 6.1% of the total microcredit financial system (Christopoulos, & Gonzalez 2017). Through the implementation of the National Strategy for Financial Literacy (ENEF), the Central Bank further ensures that the general public is better informed to take decisions about the relationship with financial institutions (Brazil Study Tour 2018).

Brazil has a large informal sector, which is consistent with the high poverty rates and an open economy with large number of microenterprises. Nationwide statistics estimated that there are almost 9.5 million microenterprises in Brazil with over two million non-agriculture microenterprises located in the Northeast region alone (Brazil Study Tour 2018). Another study conducted by Serpa (2008) shows that the Brazilian microfinance sector has made significant improvements in the number of institutions, number of clients, and the active loan portfolio volume. This study investigates how the policies adopted by the former Brazilian president, Mr. Luís Ignácio Lula da Silva towards microfinance, promoted social improvements and poverty alleviation in the agricultural sector. The agricultural sector has been hailed as a special case of microenterprises. Defined on the basis of number of employees, agriculture is the sector with the greatest percentage of microenterprises. According to information from SEBRAE, micro and small agricultural enterprises primarily produce for subsistence purposes and for sale to intermediaries. The primary limitation to expansion of production, according to small farmers, is access to credit. The second limitation cited was lack of product marketing.

Despite the above-mentioned successes, the government actions did not deepen the sector sustainability and its policies are oriented much more towards microcredit than microfinance, following an old paradigm for finance to the poor. This study recommends that the Brazilian government, as a second step, supports microfinance institutions, through regulations and policies, in order to facilitate their sustainability and lower their dependence on the government.

7.3.6 Measuring performance of the MFIs

Performance measurement is of increasing importance, whether in industry, academia, or the public sector, as organizations are held to greater standards of accountability and transparency, especially for financial reporting (Brenan 2012). Brazil, like Ghana and Tanzania, offer little information on the measurement of social impact of the MFIs. In Brazil, measuring the impact on the MFI is predominantly done from the existing MFI administrative and financial data. Common performance indicators, which are similar to those noted in Ghana and Tanzania, include the following:

- repayment rate,
- client retention rate,
- new client enrolment,
- average loan size,
- savings balances,
- profitability,
- composition of clients (demographics).

According to Susana *et al* (2002), establishing the causal link between microfinance and development impact should be important not only for the microfinance institution implementing the change but also for policymakers and other MFIs that want to know whether they should implement similar changes. This shows that there has to be a win-win situation between the role of MFIs and the beneficiaries of microfinance or microcredit.

8. SOCIAL PERFORMANCE MEASUREMENT

Contrary to the above-mentioned experiences of Ghana, Tanzania, and Brazil some of the companies in South Africa has done relatively well in terms of maintaining the balance between the social and financial performance measurements.

8.1 How Small Enterprise Foundation (SEF) measure Social Performance

As previously stated, Small Enterprise Foundation is a South African micro finance company assisting woman in poor communities with finance to start their own business. Their model is built on the Grameen bank model from Bangladesh. In a nutshell the Grameen model focuses on the poor, provides door step service, deal in no-collateral loans, has good repayment rates and most importantly focuses on women.

When SEF investigate the viability of promoting loans to a new village, they first visit the leaders of that village. They meet with the chief and stakeholders to introduce the organization. Once the initial meeting has taken place and the chief has given his blessing for them to operate in the community, they draw a map of the whole community indicating all the different households. This is done with the help of people in the community. Once the map is drawn each household is ranked to understand the dynamics of poverty. During this process all the households are divided into piles according to their challenges and strengths. These piles can be ranked from 1 up to 7. Pile 1 with a low score is for members doing very well while pile 7 with the highest score is the poor households. SEF concentrate their efforts on clients with a score between 62% - 100%. These clients are regarded as the poorest in the community. This process is called the PWR (Participatory wealth ranking).

There will then be a meeting held in the center where the groups are formed. The groups form themselves. It is imperative that group members choose themselves and that they are not family. The group of 5 women must trust each other and their abilities to generate income, as they will stand surety for each other.

They then have meetings in the center to decide on which loans to grant to which groups. The loans are given to enable the customer to start their own business so that they can in turn support their families by generating income and accumulating assets such as building houses, taking children to school as well as to put food on the table every day.

Savings is also very strongly promoted and if you cannot save, you will not be able to access larger loans.

Additionally, SEF empower the poor through training in HIV/aids awareness, gender equity and financial education.

SEF measure social performance using a PPI (Progress out of poverty index) document. The form must be completed with each and every loan cycle. In recent month they have scaled down the completion of the PPI document to only a sample of each cycle due to the high work load they are experiencing. The PPI document is attached in annexures 13.2 and 13.3. The PPI document concentrates on details such as employment (if they are formally employed earning a salary or self-employed, how they are generating an income, what state their house is in, what other assets they own (tv, fridge) and how often and what they eat.

When a woman receives a loan from SEF and starts a business it means that she is now employed, since the business is supposed to be run on a fulltime basis. SEF measures whether she is employing another person, and if they are being employed on a part-time or full-time basis.

SEF's clients consist of 99% rural women. They work in rural villages because that is where they find a need for their services. They empower rural women to fight financial, economic and other social challenges which later contribute to individual, household and community poverty.

SEF believe that improving their client's levels of savings and investments it helps to mitigate times of financial shocks. Every fortnight meeting their clients is expected to save 2% of their current loan amount. The total aggregate savings was at around R100 million and there is a 20% increase year on year for the last two years.

SEF tries to put their customers and their needs first in whatever they do. They provide all clients with protection cards and explain their rights and other protection principles like how to lodge a complaint to them.

SEF has won awards for the social measurement principles they implement, one of which was given in October 2013 where they were recognized for Key pro-poor facts: SEF is committed to enabling clients to make strides against poverty. SEF conducts considerable piloting and adaptation to test client needs. (*https://sealofexcellence.wordpress.com/recognition*) *(www.sef.co.za/)*

8.2 How Siza Capital Measures Social Impact?

Siza Capital has been measuring Social impact using the PPI (Poverty Probability Index), but due to unfavorable funding terms from the MFI's wholesale funders, who favored a commercial approach as opposed to a social approach to micro finance, the social impact data was collected but not properly analyzed due to lack of sufficient resources and time.

However as from 2018 Siza Capital has restructured its products and services. Impact assessment has now been incorporated as an integral component of the delivery methodology. Siza Capital focuses on 4 key pillars namely livelihood improvement in shelter, education, health and nutrition. The purpose of Siza Capital's financial service intervention is to attain family improvement in the above 4 pillars. When clients enter the programme, Siza Capital staff take in vital baseline data measurement around the 4 pillars. This measurement is performed on a quarterly basis when the staff member goes back to collect progress data. Clients are color coded according to the level of their improvement in each pillar.

In addition, Siza Capital has adopted an impact micro financing approach where funding is provided to directly impact on the 4 pillars. These include housing loans, Micro insurance including health insurance, agricultural finance and funding to schools and other education institutions thereby attaining social impact directly.

8.3 Suggested Models for Ensuring Sustainable Development Impact

The DBSA is a lender of last resort. This bank practices responsible lending through the provision of concessionary finance, especially to the rural-based local municipalities. These municipalities pass the benefit to the rural poor, by ensuring that the poor do not pay for basic levels of service such as water supply and electricity. The DBSA have stringent credit risk management processes which addresses the issues of affordability, financial sustainability, viability, relevance of project, potential development impact, etc. Their due diligence processes cover the social and institutional issues (internal capacity – technical and management) to implement projects, governance issues), technical capacity (ability to plan and capability to implement complex projects), environmental compliance, financial sustainability and economic (GDP contribution).

The DBSA further adopts robust project evaluation methodologies and approaches, which ensures that the poor people participate in their own measurement of development impact. Lessons learnt and experiences drawn from these processes and provide a feedback loop in terms of best practices and future policy reviews.

Lessons from Ghana and Tanzania show that development finance institutions can play a developmental role in providing holistic, affordable products and services which address the needs of small businesses (micro-lending, micro-enterprises), while also promoting access to social infrastructure like water, access roads, health, etc. Currently, like commercial banks, focus is only on the well- developed, bankable markets (clients), making financial inclusion a pipe dream/unachievable. Many current models of DFIs and commercial banks in SA discriminate against the poor (rural) and only benefit the rich (urban). Transformation is essential and such lessons can be learnt from other African countries. In South Africa DFI initiatives has a reputation of failing. When the initiative is funded by Government directly, people do not believe that they need to pay the credit back. The best solution for government is to support a conductive environment and to provide wholesale funding to the private sector lenders as with SEF. With this module government need to do a proper due diligence to ensure that the fiscus do not have to keep paying for the losses or that the funds will be misappropriate.

8.4 Suggested Models for Measuring Social Performance in the micro financing sector

While performing the literature review, we came across an article on CGAP (Consultative Group to Assist the Poor) that introduced us to the Social Performance Task Force. *(http://www.cgap.org/news/top-10-lessons-social-performance-management-microfinance)* The Social Performance Task Force (SPTF) is a non-profit membership organization with more than 3,000 members from all over the world. SPTF focus on developing and promoting standards and good practices for social performance management, in an effort to make financial services safer and more beneficial for clients. *(https://sptf.info/about-us/what-we-do*). They are referenced as an excellent resource on various websites one of which is the Poverty Index. *(https://www.povertyindex.org/ppi-social-performance)*.

In 2012 SPTF launched universal standards for Social Performance Management. We will investigate if the standards are easily measurable and if we will be able to draw on it to design our own measuring tool.

The full document can be found on *https://sptf.info/universal-standards-for-spm/universal-standards*.

They explain that the pathway to improved practices is a 5-step plan:

1. **Learn** – understand the terms of social measurement and what is required to complete the assessment
2. **Assess** your current performance level with the SPI4 download tool. This is an excel sheets with macro's that will change as you complete the document. You can download the document for free, SPTF do however ask that you share your results with them.
3. **Plan** – use the results from the SPI4 form to create an action plan on what need to be improved in the organization.
4. **Implement** the action plan to improve the practices over time. This is not an overnight fix and time and dedication will assist in the successful implementation.
5. Report or demonstrate what you have implemented and the results it has shown. Ensure all stakeholders know about your improved practices.

The below diagram illustrates the universal standards for social performance management. The universal standard does not specifically say what social goals you should measure, but rather explain how you should measure it, the "science" behind it.

Dimension 1 is to Define and monitor social goals, in short this relate to the MFI's strategy on how to reach their social goals. It includes the formal mission statement of a company.

The collection of data and to disclose accurate client data specific to its social goals also falls under this dimension.

Dimension 2 is to ensure that you have board members, management and employees committed to the goals of the company. It has to start at the top and flow down.

Dimension 3 is to ensure that the products/services and delivery channels meet the need and preference of the customer. This entail that the MFI need to understand their clients and their needs. The products and services also need to be designed to benefit the client not the board members or employees.

Dimension 4 is to treat the customer responsibly. This include to ensure prevention of over-indebtedness; transparency; fair and respectful treatment (customer is king) of the customer; protection of privacy and mechanisms for complaint resolution. In South African context the regulation in the POPI act and Twin Peaks addresses a lot of this.

Dimension 5 is to treat the employee responsibly. Have a written human resources policy that create a supportive working environment, explain the employment contract and monitor staff turnover and satisfaction.

Dimension 6 is to balance financial and social performance (topic of this report). This includes the setting of goals, financial and social; ensuring that all investors are aligned with the social goals and agree to an appropriate financial structure; prices for products and services need to be set responsibly with the goals of the business in mind; top management is compensated in a way that align with the stated social goals.

(*https://sptf.info/universal-standards-for-spm/universal-standards)*

8.5 Lessons learned by different MFI's with the implementation of the SPM tool

The Social Performance Task Force (SPTF) launched Universal Standards for Social Performance Management in 2012. At that time, they had 1,500 members from microfinance stakeholder groups who was committed to build knowledge and promote social performance. Over a period of one year the members engaged with the standards in these 3 different ways:

1. **Self-assessment** of their Social Performance Management practices against the "essential practices" listed in the Universal Standards.
2. **Develop an action plan** to change company practice in areas where the self-assessment showed gaps.
3. **Implementation** of essential practices that were not yet in place in their institution.

They described the following as lessons they have learned over the time period that they implemented the changes.

Secure Board and management buy-in. Board and senior management buy-in is the foundation for an institution's ability to change practice. For this reason, before starting self-assessment or action planning, an institution must make sure that board members and senior managers understand the standards and agree that they are important. *(Contributed by Genesis, Guatemala).*

Take adequate time to review the Standards. Staff were surprised by how long it took to read the full Standards document, understand each of the essential practices, and determine the extent to which the institution was implementing each practice. Reviewing the Universal Standards is a process that ideally should involve every department and employees at every level in the institution. This review takes several days. *(Contributed by Opportunity International, Australia)*

Be honest when assessing current practice. To evaluate an organization's practices, it is important to review each essential practice in the document and ask, "Is our organization implementing this practice?" The process of self-evaluation reveals strengths and weaknesses, and it is better to be honest and realistic to obtain accurate baseline results to inform your plans for change. *(Contributed by Horizonti, Macedonia)*

Gather feedback from employees and clients. Institutions find that senior managers often have very different perspectives and types of information from other employees and clients. By gathering feedback from employees at all levels, as well as clients, the institution gains the most accurate view of how closely, or not, the practices in the field match the policies of the institution. *(Contributed by ASKI, Philippines)*

Create an action plan very soon after completing the self-assessment. The self-assessment process builds buy-in and excitement for change, but the momentum will fade without next steps. It is therefore very important to create an action plan soon after the self-assessment process concludes. That way, the ideas for change will be translated into actual change. For the plan to be effective, it must include a timeline, budget, and clear designation of who is responsible for achieving each outcome. *(Contributed by Pakistan Microfinance Network, Pakistan)*

Communicate about SPM vertically and horizontally within the institution. All employees have a role to play in the institution's social performance management. Thus, information about SPM – from who is doing it, for what reason, to the outcomes achieved - should be communicated throughout the institution vertically and horizontally. When employees in all positions, and all departments, are informed, the institution is much better positioned for success. *(Contributed by ALIDé, Benin)*

Put specific people in charge of implementation. Though many people may participate in the process of reviewing the Standards, evaluating the institution, and creating plans for follow-up, the project needs a smaller group of people or a single person who are/is ultimately responsible to make sure the standards are implemented. It is important that this team/person should have not only the responsibility, but also the authority, to ensure that SPM is an institutional priority. *(Contributed by CrediMUJER, Peru)*

Create short-term and long-term implementation goals. Achieving good performance in every aspect of SPM is a very involved process that will take substantial time, but it can be discouraging to work on improvement without seeing results. To maintain momentum and support, it is thus important to set short-term as well as long-term goals. When an institution achieves the quick wins, it motivates everyone to continue working on the bigger goals. *(Contributed by Juhudi Kilimo, Kenya)*

Build on existing systems for cost effectiveness. Cost is a major factor in an institution's willingness to change its operating systems. By building on their existing systems, even institutions with very limited resources have found that they can make meaningful improvements in their SPM. *(Contributed by AFMIN, Africa)*

Remember who you are working for! Any change process has setbacks and moments of discouragement. At those times, it's helpful to pause, consider again the bigger picture, and remember that SPM is important because it helps institutions create positive changes in the lives of the poor and vulnerable. Focusing on clients' needs and the potential to meet those needs provides motivation to continue improving systems. *(Contributed by Sevis Finansye Fonkoze, Haiti)*

(http://www.cgap.org/news/top-10-lessons-social-performance-management-microfinance)

8.6 Why should you measure your social performance?

Why is it important to measure the social impact you have as an MFI? Well, it is important to know whether the change we are striving for is indeed occurring in the lives of those we serve. As explained in the literature review, a great deal of harm could come to our clients if we give them access to finance and it is not what they need. As we deal with the poor, that is often not highly educated, we need to protect them from exploitation. If we do not measure the impact we have on their lives, how can we protect them without the knowledge of what our presence is doing to them. Alan Pierce adds that we should also measure our social performance so as to encourages us to define impact, to helps us stay true to our mission to creates integrity in social markets and to obtain evidence that we are creating value. *(https://www.sopact.com/perspectives/social-impact/why-measure-impact-six-reasons-for-all-changemakers)*

There are different lending versions an MFI can practice. Based on the version the impact measurement will also differ. There are basically three different modules:

1. Poverty Alleviation
   Organizations in this category is passionate about reducing poverty and sustainability and outreach is among their bigger goals. Their customers are the poorest households in a geographical area. They study the barriers to overcome poverty in the community and come up with models to assist in breaking down the barrier. Products include "credit with education". The Grameen model is implemented here.

2. Microenterprise Development Focus
   These organizations are most committed to job and wealth creation. Their customers are the mid and upper level microenterprise in the community they serve. The products they offer include well thought out programs to combat barriers experienced in the microenterprise environment. Not only credit, but an education program that focus on business and technical skills, access to wholesalers, access to business information and marketing services.

3. Micro finance Focus
   These organizations strive for self-sufficiency to enable them to attract private funding or they become mutual banks or credit unions. Their target market is households of low income. The products they offer microenterprise credit, housing and consumer credit and in some instances deposit taking.

(Three Alternative Microenterprise lending versions, Vulindlela Technical Note 2002)

8.7 What are other social indicators used to measure the performance of an organisation?

According to SEF, there are many different social indicators which can be used to measure the social performance of an organisation. It all depends on what social gains the organisation is seeking to achieve. (Zach 2018). Some examples are as follows:

- Outreach: Number of clients
- Depth of outreach to the poor: Using statistical poverty tools like the USAID poverty tool or the Progress Out of Poverty Index, or using relative poverty tools like the poverty wealth ranking systems.
- Client progress: Can be measured by tracking changes in poverty over time (using the above tools); can also measure changes in client business outcomes (profitability, revenues, valuation, etc.) or client household outcomes (household incomes, nutrition quality, educational opportunity, etc.) over time.
- Indebtedness: Ensuring that a client is not overly in-debt, by evaluating portfolio repayments and also monthly loan profits versus monthly incomes.

9. FINANCIAL PERFORMANCE MEASUREMENT

9.1 How do you measure financial performance?

There are various indicators and ratios that you can look at when evaluating a company's financial performance. Different indicators are important to different institutions at different stages of their existence and many businesses fail due to poor financial management and planning. Most of these ratios are similar for all the different types of businesses (MFI's) the difference is found in the goals they wish to achieve. A commercial lender will not be happy with a low profit margin as he is in the business to make profit and provide the investors with dividends, but non-profit MFI's which has a more social purpose and responsibility will be happy with reduced profit margins and will rely a lot heavier on donor funds.

Usually a typical financial performance review consists of the following:

- Income Statement - Also known as the profit-and-loss statement. It is a flow statement that summarizes all financial activity during a stated period of time, usually a month, quarter, or year. It displays all revenues and expenses for a stated period of time. The bottom line of an income statement is the net income (or net profit or surplus) for the period. All companies aim for a profit as that is a sign that you could be sustainable.
- Balance Sheet - The balance sheet is a stock statement, which is a snapshot of the MFI at a moment in time. The statement reflects what the MFI owns and what is owed to it (assets), what it owes others (liabilities), and the difference between the two (equity or net assets). The balance sheet shows the net worth of an institution at that moment. When referring to balance sheet accounts, short term refers to any account or portion of an account that is due or matures within 12 months. Long term refers to an account or portion of an account that is due or matures after 12 months. With information on a balance sheet you can calculate ratios to ascertain the liquidity and solvency of a company.
- Cashflow – this is the balance of all the money flowing in and out of a company. You always want a positive cashflow as this assist you in sustaining shocks to the

business. Occasionally when you are expanding your business the cashflow will go into a negative and that will be a clear indication that you need to find funding or your will have to make arrangements with creditors to pay them in longer terms.

- Working Capital – do you have the correct amount of funding for the growth/operations of your business. You might need to consider funding options such as business loans or alternative investments.
- Cost base – you always need to keep your costs under constant review. You need to ensure that your expenses are covered by your income. Activity based costing comes in very handy here if you deal with a variety of products. Taking it back to Micro finance, you have to for example monitor what term of loan is not profitable or is not being paid back by your customers. It will also indicate if a certain interest rate that you charge your clients is not enough to cover your costs. The other reason that you should monitor costs is to ensure every expense is a necessity for your business. There should not be any wasteful expenses. Always aim to have your fixed overhead expenses as low as possible. This assist you in months that business is a bit slow or seasonal.
- Profitability/Sustainability Ratios – a company that is aiming for sustainability should never make a loss. Profitability should be looked at and analyzed every month with accurate readily available information. You should look at your gross profit margin, operating expenses margins, net profit margins as well as Return on capital employed.
- Liquidity – assessing your ability to meet your short-term financial obligations.
- Solvency – measuring your long-term debt against your assets and equity to determine your financial stability.
- Efficiency/Productivity - These indicators reflect how efficiently an MFI is using its resources, particularly its assets and personnel.
- Portfolio quality - Micro Finance companies should also evaluate the quality of their book. Total loan value distributed, Number of loans distributed, Average loan Size, Number of loans outstanding, Value of payments in arrears, Value of loans written off, Number of Active borrowers, Number of active savers

(https://www.cgap.org/sites/default/files/CGAP-Consensus-Guidelines-Definitions-of-Selected-Financial-Terms-Ratios-and-Adjustments-for-Microfinance-Sep-2003.pdf & www.nibusinessinfo.co.uk/content/measure-your-financial-performance)

9.2 How do you measure financial performance in the micro financing sector?

The SEEP (Small Enterprise Education Promotion) Network is an organization of more than 100 private and voluntary organizations that support micro and small business and finance institutions in 160 countries (membership as at 20 November 2018). Its mission is to advance the practice of micro and small enterprise development among its members, their international partners, and other practitioners.

SEEP identified the need to create a common set of standards and ratios for MFI’s. The reason for this was that it would enable microfinance managers and board members to assess more accurately how their institution is performing against benchmarks and industry leaders. Institutions that apply these industry standards are more transparent as it is harder to hide bad performance and easier to benchmark good performance. Industry standards can also become the language that enable MFI's to communicate and compare with other MFI's, whether they are in your country or around the world.

In 1995 SEEP designed Financial Ratio Analysis of Microfinance institutions (Blue book) to introduce managers to calculations and interpretation of financial ratios. In 2002 the definition guidelines assisted in minimizing much of the ambiguity by defining 50 financial terms and providing guidelines for 20 ratios. These ratios and definitions are also in-line with International financial reporting standards (IFRS).

The SEEP Network has designed 18 financial ratios that is important to look at when looking at the financial performance of an MFI. The selection of the ratios was based on the areas of measurement that would account for most MFI's priorities. SEEP also designed a excel workbook that allow you to capture your financial statements data into the sheet and then it will calculate the ratios and a lot of the reports automatically with the use of macro's. To enable you to calculate these formulas you need your companies' Balance Sheet, Statement of Comprehensive income (Income Statement) and portfolio reports. Most of the formulas can be calculated with the annual report of a company.

The SEEP 18 ratios are divided into four main groups:

1. Profitability and sustainability (3 ratios)
2. Asset/Liabilities management (5 ratios)
3. Portfolio quality (3 ratios) and
4. Efficiency and productivity (7 ratios)

The full list of ratios is in annexure 13.5.

Adjustments to some financial statements amounts need to also be made to ensure that when you are benchmarking with other entities you can compare the same type of information. An example of this is when you receive donor funds and want to compare yourself with an entity that have to borrow funds, you have to adjust for the rate of which you have to borrow funds if there were no donor funds. Another example is the difference in the write-off policy of the entity. The industry norm and recommendation are that you write off on 180 days, so if the policy differ and additional adjustment need to be done to account for this. The adjustments to the figures will also show the true performance and self-sufficiency of an MFI.

9.2.1 Profitability and Sustainability

Profitability and sustainability ratios demonstrate the MFI's ability to continue operating and grow in the future. Investors and donors will be interested in the sustainability of an MFI for obvious reasons.

Ratio R1 – Operational Self-sufficiency (OSS) makes more sense for developmental MFI's that is not making profit as yet. It indicates whether income generated is enough to cover operating expenses. Breakeven for an MFI is 100%. The OSS ratio does not tend to fluctuate as much as other ratios and therefor it makes sense to measure it on a monthly basis to track the positive or negative trends that could be because of the efficiency growing in a MFI's processed.

Ratio R2 – Return on Assets, measures how well the MFI is using the assets to generate profit. This amount should be positive.

Ratio R3 – Return on Equity is the most important profitability indicator. This ratio measures the MFI's capability to reward the shareholder's investment.

9.2.2 Asset/Liabilities management

Asset and Liabilities management is managing the balance sheet to ensure maximum return for minimum risk. Management is required on five levels.

1. Interest rate management – the rate you charge your clients should always be sufficiently higher than the rate you pay.
2. Asset Management – funds should be used to create the assets that produce the most income.
3. Leverage – the ability to borrow money to enable you to generate more revenue
4. Liquidity management – MFI's should have sufficient funds to meet their short-term obligations (liabilities).
5. Foreign Currency Management – This is only applicable and important when an MFI lend, invest or borrow in foreign currency.

Although the below five indicators are important to all MFI's, these are especially important deposit taking MFI's.

Ratio R4 – Yield on gross Portfolio, measures how much interest and fees are generated by the loan portfolio. Yield should not fluctuate unless the interest rate changes constantly.

Ratio R5 – Portfolio to Assets indicates management's ability to allocate their resources to the most profitable activities. This ratio should be looked at monthly as it can fluctuate substantially due to seasonal spikes. This ratio could indicate when an MFI is in need of additional funding, it should however be looked at in context.

Ratio R6 – Cost of funds is a combined interest rate for all the different funding mechanisms. MFI's should strive to minimize cost to maximize yield. Funding should be obtained under reasonable rates.

Ratio R7 – Debt to Equity is used to measure an MFI's capital adequacy, the buffer to absorb losses. A close eye should be kept on this ratio to ensure the business can survive shocks. Investors is usually very interested in this ratio. Deposit taking and saving based MFI's will have higher ratios. Banks are allowed 4 -6 times.

Ratio R8 – Liquid ratio indicates the amount of cash and cash equivalents that an entity maintains to settle short term debt obligations. MFI's are vulnerable to cash shortages as the entire business is built on proper cash management. Paying salaries, creditors as well as be able to pay new loans.

9.2.3 Portfolio quality

The main asset of an MFI is their debtors' book. It is crucial that the quality of the debtors' book is monitored continuously and that corrective measures is taken at the first signs of increased risk and decline in quality.

Ratio 9 – Portfolio at risk indicates the potential for future losses. This ratio should be low with little variance. It is very important to have real-time data on any amount in default of more than a day especially when looking at weekly/daily payers.

Ratio 10 – Write-off ratio is an indicator of the past quality of the debtors' book. Adjustments should be made to account for the write off policy if it is not written off after 180 days.

Ratio 11 – Risk coverage ratio measures if the impairment loss allowance is sufficient to account for the possible loan losses. This ratio is expressed as a positive value. This ratio should be consistent and any deviations should be monitored.

9.2.4 Efficiency and productivity

The difference between efficiency and productivity is that productivity is regarding the output and how much you produced, efficiency is cost based, in other words how much will it cost to produce one unit of output.

Ratio R12 – Operating expense ratio is an efficiency ratio. What income/fees must be generated/charged to cover operating expenses, in other words break even.

Ratio R13 – Cost per Client is an efficiency ratio that enable an MFI to determine what it costs to maintain an active client.

Ratio R14 – Borrowers per loan officer measures the caseload per loan officer and therefor measures the productivity of loan agents.

Ratio R15 – Active clients per staff member measures the overall productivity of all staff in relation to managing of clients.

Ratio R16 – Client turnover is used to ascertain the level of satisfaction the MFI's customers are feeling regarding the products and services that is offered. It is important to retain your clients.

Ratio R17 – Average outstanding loan size is used to measure the MFI's ability to reach poor clients.

Ratio R18 – Average loan disbursed is managed because it drives profitability and indicate an increase in demand. When MFI's only have short term loans (less than 12 months) the amount will be higher than in R17. *(Measuring Performance of MFIs frame.pdf)*

9.3 Analyzing WAT (Women Advancement Trust) SACCO Financial Performance

The WAT Saccos was a company that we visited in Tanzania. We were fortunate enough to obtain their annual report where they performed calculations. This can be used to compare what different MFI's use to measure financial performance. The figures for WAT SACCO are presented below as a case study.

9.3.1 Balance Sheet

Growth of assets and liabilities from 2014 has been relatively flat. Between 2014 and 2016, assets increased by 17% and liabilities grew by only 6%. The largest growth in assets was the loan portfolio which increased by 12.5% over the same period. However, the loan portfolio as a percentage of total assets has been below 70% since 2014. The SACCOS needs to allocate more liquidity to loans to raise this percentage to at least 75%, which is the minimum international standard.

9.3.2 Capital Structure and Solvency

Savings deposits constitute the biggest portion of the SACCOS's deposits but have only slightly increased from the 2014 position. Current accounts deposits, which are more volatile constitute 60% of the savings portfolio as at end of 2016. On the other hand, retained earnings account for 20% of WAT SACCOS equity. The SACCOS is profitable and continues to grow its capital from retained earnings and share capital of members.

Projected Capital Structure of WAT SACCOS

CAPITAL STRUCTURE			
Parameter	Historical (Actual)		
	31-12-2014	30-12-2016	30-12-2016
Tot. Equity (TZS)	363,191,317	576,557,525	736,842,808
Tot. Liabilities (TZS)	2,863,324,964	2,934,185,460	3,037,317,791
Total Equity + Liab. (TZS)	3,226,516,281	3,510,742,985	3,774,160,599
Solvency (%)	3.8%	4.5%	5.8%
Debt- Equity (%)	788%	509%	412%

Current Funders

From the last audited accounts of 2016, there is no evidence of external funding that WAT SACCOS received. The SACCOS uses internally-generated funds to run its operations – mainly savings deposits, share capital and earning that it retained over the years.

Credit History with BOT

WAT SACCOS has no credit history with Bank of Tanzania (BOT). The housing project funded by the World Bank would be the first borrowing by the SACCOS from the BOT.

9.3.3 Liquidity

WAT SACCOS has posted a positive trend in its liquidity as demonstrated by a rising current ratio. The implication is that it is able to meet its short-term liabilities from its current assets. There is room for improvement to increase the SACCOS's ability to liquidate short term liabilities from current assets.

WAT SACCOS Liquidity Trends

	LIQUIDITY		
Parameter	**Historical (Actual)**		
	31-12-2014	**31-12-2015**	**31-12-2016**
Current Ratio (%)	119.5%	125.2%	136.4%
Quick Ratio (%)	16.1%	10.4%	26.0%

9.3.4 Loan Portfolio, Portfolio Quality and Risk Reserve.

One of the areas where the WAT SACCOS has excelled is the management of the loan portfolio. Since 2014, this ratio has remained at about 5%, which is within international standard. This makes WAT SACCOS attractive to lenders/investors who expect to recoup their investment in the future. The table below shows trends in loan portfolio quality since 2014.

Loan Portfolio Quality, Write-Offs and Risk Coverage

LOAN PORTFOLIO: QUALITY, WRITE-OFFs & RISK COVERAGE			
Parameter	**Historical (Actual)**		
	31-12-2014	**30-12-2015**	**30-12-2016**
PAR >30 (%)	5.0%	4.5%	5.1%
Write-Offs (5)	0.0%	0.0%	0.0%
Risk Coverage Ratio (%)	60.5%	68.7%	65.2%

9.3.5 Profit and Loss Analysis

For the period under review, the SACCOS has maintained positive profitability as reflected by Operating Self Sufficiency (OSS) of more than 100% since 2014. The operating cost ratio (Expenses/Gross portfolio) of below 30% also shows efficiency in operations. As a result, WAT SACCOS has posted positive Return on Assets (RoA) and Return on Equity (RoE).

9.3.6 Profitability Ratios (Efficiency)

WAT SACCOS Profitability / Efficiency Indicators

PROFITABILITY / EFFICIENCY			
Parameter	**Historical (Actuals)**		
	31-12-2014	**30-12-2015**	**30-12-2016**
Yield (%)	33.2%	33.2%	38.5%
Financial Cost Ratio (%)	1.5%	0.9%	2.2%
Oper. Cost Ratio- OCR (%)	26.3%	26.8%	28.0%
OSS (%)	114.1%	115.4%	124.9%
RoA (Average) (%)	2.6%	3.0%	4.3%
RoE (Average) (%)	4.1%	4.4%	7.1%

10. CASE STUDY OF DITSOBOTLA CO-OPERATIVE BANK

In Ghana and Tanzania, we learned about co-operative and other banks. As Sabi is employed by one of the largest co-operative banks in South Africa, we decided to use Ditsobotla as a case study to provide insights to the working of a co-operative bank. A co-operative bank is a community bank owned by the community.

Regulation in South Africa states that you need to have 200 members with a minimum capital of R100 000.00 to register as a co-operative bank. Ditsobotla was started when the employees of Lafarge Cement and Ditsobotla municipality contributed a membership and joining fee to open Ditsobotla. The membership registration fee amounts to R150.00 and the joining fee is R350.00 of which is used to purchase share capital in Ditsobotla. Members are then required to contribute R250.00 on a monthly basis to their savings. The board of Ditsobotla took their positions on a voluntary basis for the first year and there was no staff hired.

The money contributed was saved in a fixed deposit account for a period of a year. After a year the members started to make small loans to each other within their savings balances.

Ditsobotla is a worker based Cooperative where 95% of their members are salary earners earning between R9 000.00 and R50 000.00 and their contributions are paid over by the employers. The loans given between members generate interest that aids in covering staff salaries, other overhead costs and the interest earned on the savings. As the member is in effect borrowing his own money the default rate is currently on 0%.

Sabi explains that they have faced challenges in growing into a strong "tool" to meet their financial needs. Some of the challenges is very unique and specific to their sector and must be dealt with at a sectoral level. Looking at the challenges that exists in a co-operative, you have to look at external and internal challenges:

Category	Challenge name	Survival strategy
Internal	Lack of Leadership and Governance	Education and training
Internal	Insufficient technology	
Internal	Ethics and Integrity	Strong Leadership and Encompass total quality management concepts.
Internal	HIV/Aids pandemic	HIV/Aids awareness training
External	Competition from Big five banks	Diversify, Networking, become more competitive in the products & services designed and offered.
External	Regulation on cooperatives	Understand regulations. Discuss issues with regulators.
External	Changes in Cooperative Legislation	Understand legislation. Discuss issues with legislation.
External	Changes in Investment policies	Understand the investment policy and discussions with supplier.

Once a year there is an annual general meeting. Before the meeting takes place, each member is supplied with a questionnaire that they must complete and submit anonymously. There is also a suggestion box that the member can use. The supervisory committee looks at these documents and use it to compute issues that there might exist. The questionnaires are attached in the annexures of this paper.

Co-operative banks have a real chance of driving financial inclusion. They are situated in the community, therefore access to the bank is easier. The bank is made up of community members and therefore there is trust in the bank combating the trust issues the informal market has for the commercial banks. When you pay bank charges, the charges are actually paid to you as you are a shareholder and that combats the cost factor that arises with today's banking systems. The key to take away here is that when the bank is run at an optimum level, they have a real chance in making a difference in the people at the bottom of the pyramid's lives.

11. ANALYSIS OF KEY FINDINGS

Financial inclusion can become meaningless if not accompanied by strategies to empower the poor. This research paper argues that currently (for the companies visited in Africa), financial inclusion in Ghana and Tanzania is based on a short-termism approach which does not necessarily look at the long-term asset accumulation or wealth generation by customers. This cannot be said for all the companies as Tujijenge illustrated, in introducing us to Azizi Amizi. He is one of the success stories of Tujijenge that has accumulated assets (land) with the loans he acquired from them. This is not the case in all instances and therefor our statement to say that some MFI's focus is on the short term. Observations from the field show that while the importance of financial inclusion is well-established in both countries, there is no formal consensus on what and how it should be measured. Various institutions visited didn't have a clear performance measurement plan and indicators which measured the development impact of the MFI's. However, there was a strong element of the financial measurement in terms of financial ratios. Another indication is that greater access to financial services does not necessarily imply a higher level of financial inclusion. That is, access and usage are necessary but not sufficient conditions for measuring the inclusiveness of a financial system. None of the banks visited in both countries have performance monitoring and evaluation departments. Where this function exists, only the financial aspects are measured and reported upon. In the case of Tanzania, it is reported that since the introduction of financial inclusion and enactment of laws, poverty has marginally declined at a rate of 1.04 percentage points annually in a period of five years from 2007 to 2012 *(World Bank Group 2015)*.

Drawing from the above research findings, indication is that in Ghana and Tanzania, the financial aspects (quantitative measures) are the key measures and drivers for financial inclusion, at the expense of the social aspects (qualitative aspects). The formulation of performance indicators, measures and targets are the necessary ingredients of the successful implementation of financial inclusion strategies.

At a glance, what makes Ghana to be a financially stable society is social cohesion, the entrepreneurial spirit and the energy of the people. The SUSU system has revolutionized the micro-finance industry of Ghana. The MFIs and the banking industry in general, have taken advantage of people's mindset (way of life and way of thinking) and turned this into a business opportunity. Indication is that commercial banks have now realized that 60% of the unbanked provide a potential market and are starting to disrupt the informal market of SUSU collection, by introducing innovative products and services such as digitalization of the banking industry. The MFI and the entire banking, including the SUSU system, is undergoing evolution. Whether or not this is a win-win situation for the banking industry and the poor people (customers), remains to be seen. What is evident is that the proliferation of MFIs, commercial banks, rural and community banks, is a clear sign that Ghana is on the correct path towards financial inclusion. However, measuring the performance, socially and financially, of these institutions, remains a huge challenge.

Both Ghana and Tanzania show that the evolution of financial inclusion is taking place from different angles, with different experiences, at a different pace and scale. Such evolution arises from the fact that MFIs in these countries ttraditionally rely on scarce donor funds. Yetu (Ghana MFI) offers group loans for rural infrastructure (roads, water and sanitation, housing), leveraging on donor funding to reduce the costs of doing business. Fidelity Bank (Ghana commercial bank) is the first commercial bank to open a Micro-Finance wing in its operations, also using donor funds. These institutions have been able to bring about a shift in their operations into sustainable businesses by:

- Transforming a subsidy dependent organization into a self-sufficient/sustainable, profitable business
- Increased access and leveraged private funds
- Attracted to private suppliers
- Supported economic growth and poverty eradication

The only shortcoming has been that they have only focused on measuring their successes largely on financial performance. According to CGAP "Social Performance Management (SPM) refers to the systems that organizations use to achieve their stated social goals and put customers at the center of strategy and operations. If a provider has strong SPM practices, it is more likely to achieve strong social performance." (FindDev Gateway 2018).

SPM has been used extensively in other parts of the world. Experience elsewhere shows that Equitas, an India-based MFI), had a return on equity capped at 25% and allocated 5% of company profits to variety of social programmes, which have had a positive impact on the quality of lives of their clients (CGAP 2014: 4). SPM can therefore indirectly protect the poor in that its purpose is to measure whether or not the lives of the poor have improved, whether service delivery is responsive to their needs and whether the poor are treated fairly in a transparent, safe and responsible manner.

12. A SUMMARY OF LESSONS LEARNT AND OPPORTUNITIES

1. Political will and decisiveness of the regulatory regime to promote financial inclusion of the rural poor, especially women, is critical.
2. Although there is no prescribed mandate for commercial banks, MFIs, rural and community banks to become developmental in their approach, most of the institutions blend their financial products with social imperatives.
3. The regulatory regimes are flexible, developmental, supportive and responsive to the plight of the poor.
4. There is an overlap between the mandates of the micro-finance institutions, with those of local authorities in terms of provisions for water and sanitation, health and education infrastructure.
5. Micro-lending is a short-term funding solution, small in size, with relatively high interest rates, shorter tenors or periods and unconventional collateral. This makes it difficult for micro enterprises to invest in medium to longer term assets.
6. Most commercial banks and MFIs are leveraging on the use of technology such as mobile money.
7. Continuous financial literacy in schools, in line with curriculum and government's financial inclusion strategy and continuous engagements in the market, is pivotal.
8. There is potential for deepening financial inclusion using the SUSU system as a methodology for women empowerment in Ghana. The methodology teaches discipline, trust and entrenches the philosophy of *ubuntu*. However, there is no one size fits all. Context is key. South Africa can learn from Ghana, but adaptation of the lessons to local conditions, is vital.

13. RECOMMENDATIONS

Based on the above findings and research, we believe that we have shown the importance of measuring both financial as well as social indicators in an MFI to strengthen its performance overall. We believe that an MFI should not start trading unless both the social and the financial measurements is in place, and as long as the MFI has social goals, they should never stop measuring the impact they have on their clients and the community they serve.

The evolution of the micro-finance industry and further establishment of associated regulatory regimes in Africa and other parts of the world should embrace the balancing and measuring of the financial and social objectives of the industry. This research paper argues that an effective Performance Monitoring and Evaluation System can strengthen the roles of MFIs, program outputs and development outcomes, thereby demonstrate MFI accountability, good governance and improved customer care. MFI performance monitoring and evaluation will thus become a critical support function for the entire regulatory regime.

The following key recommendations point toward a development model for ensuring sustainability and viability.

13.1 Institutional performance social measurement management

Social measurement of the performance of an MFI is crucial as explained above, therefor the team suggest the adoption of the Social Performance Management (SPM) tool as discussed in 8.4 above as an assessment tool which should be institutionalized across the organization.

The SPM tool should be used with the full commitment from board and management of an organization, to embark on the following:

- To align social and financial performance measurement towards the organizational vision and mission.
- To design products and services which respond to the needs of the customer.
- To consciously align all decision-making processes within customer-centric models.
- To manage the performance and the ground rules, especially in defining roles and responsibilities within an organization for ongoing data collection, outputs and outcomes measurements.
- Tracking progress with regards to the implementation of MFI regulations, policies and laws.
- Providing a critical tool for governments, decision-makers, managers and administrators to assess whether the vision and goals for financial inclusion are being realized.
- Identifying key blockages to financial inclusion, its delivery and provide MFIs and banks, with an informed basis for intervening to address these problem areas.
- Providing feedback on legislation, policy and implementation systems of the regulators.
- Promoting a culture of accountability and high standards of customer service to MFI and their beneficiaries.
- Infusing culture of learning in MFIs through sharing of best practices and innovation.
- Measuring the development effectiveness or social and financial impact of the entire Micro-Finance industry.

The SPM tool is available as a free download from the website *https://sptf.info/universal-standards-for-spm/universal-standards*

The SPM tool will enable an organization to track whether they are meeting their social goals.

We also recommend that an MFI implement a scoresheet that is completed with each new loan. This should preferably be done on an electronic platform to ensure that they have accurate up-to-date information that does not take long to compile and can easily be used in analytics to compute information. The scoresheet's questions will have to be in line with what the MFI's social goals are. We have attached examples of questionnaires that could be used under annexure 14.2, 14.3, 14.4

13.2 Social measurement from the view of the customer

With the technology revolution, it brings with it, benefits of being able to generate questionnaires that are uploaded onto platforms. As these platforms get the data instantly, the data is available for interpretation on a real time basis. Gone is the day that you have to send a field agent with a stack of papers to complete by the customer only to receive the documents back, incorrectly completed, faded or illegible. After some survey's made it back to the office someone need to data capture those forms to extract the information and then only you can start looking at the data interpretation. This process is extremely time consuming and is a large contributor to the additional cost an entity needs to pay to measure their social impact. Technology enables us today to upload our choice of questionnaire, get it completed (off-line or online); submitted immediately and then analyzed for you on the spot. It is important to understand that this initiative is not to make jobs redundant, but it is to take away high error mundane tasks. The data captures could now possible extract the data and highlight differences.

There are quite a few solutions, the two we concentrated on are:

- **Mobenzi Solution**

  Mobenzi is a Cape Town based operation that enable a company to measure and maximize the impact of its operations through digitalizing the fieldwork. They have 3 packages ranging from free to R26 000 per month depending on the needs and size of the company. It operates from a mobile app and the loan officer completes the questionnaire while in the field with the client. The software has the flexibility to design your own survey questions with its weightings. It has data analytics and it also tracks your agents to see how many surveys they have completed. The selling features of the app is Mobile Data Collection; Workflow automation; Contextual Communication; Data and Team Management; Instant reporting; Integration and Interoperability and data security.

  Below are illustrations on how the system looks:

(https://www.mobenzi.com/)

- **Finca Validata solution**
  Validata according to the website is for free, you have to share data to obtain the information and access. I did contact them for a free demo, but up to 25/11/2018 we have not received the requested demo information. The system is reportedly easy to use, decide on the questionnaire, import the questionnaire and get your staff to complete it in conjunction with the client. Faulty data get excluded from the research, but the correct data is used to generate different reports to help and assess your direct influence on your customer base.

(https://finca.org/our-work/research/validata/)

We suggest that an MFI make use of a digitalized solution that fits their budget. If they are in a position to write their own application, it will safe them the monthly contribution for the system, but it could have upfront costs.

13.3 Institutional performance financial measurement management

The financial performance management of an MFI has always been extremely important. It is crucial to have highly qualified and competent people in the finance department. They must have a good knowledge of the micro finance industry. It is also important to note that when you are an MFI with social objectives that the financial manager should share those objectives and be able to support the company as they grow and develop on a long rocky financial road, as social objective MFI take a number of years to start showing sustainability. Companies that do not have a strong finance department will be unable to see the financial problems when they arise and in turn will not be able to act or inform management of the corrective measurement that should be taken.

To be of assistance to all financial departments we recommend the use of the excel tool that was developed by the SEEP Network (or create an inhouse template) including the 18 ratios as discussed in section 9.2.

We further recommend that the MFI scrutinize their loan costing models to evaluate if the product/s they offer is priced correctly and that the product is at least carrying all the costs associated with the product as well as the bad debt that is linked to the product. This will ensure that the product does not threaten the sustainability of the business and that the client is not over/under charged.

13.4 Application idea to assist clients with bookkeeping of their business

As explained in section 3.4 of this report, the bookkeeping capabilities of clients that is assisted with microenterprise lending is manual (if any) and not very sophisticated. In a number of instances, the client is illiterate and therefore cannot use the normal bookkeeping apps that is available for download. The available apps are often too complicated and does not serve the need of the client.

With this app we propose, to make use of pictures and very little text to ensure that the client can see the process he should be following to complete the capturing of his daily finances. Pictures is a universal language and makes it easier to communicate with different languages. Even if you cannot write, if you see a number of pictures in a row you will be able to tell a story that will be very similar to the written content.

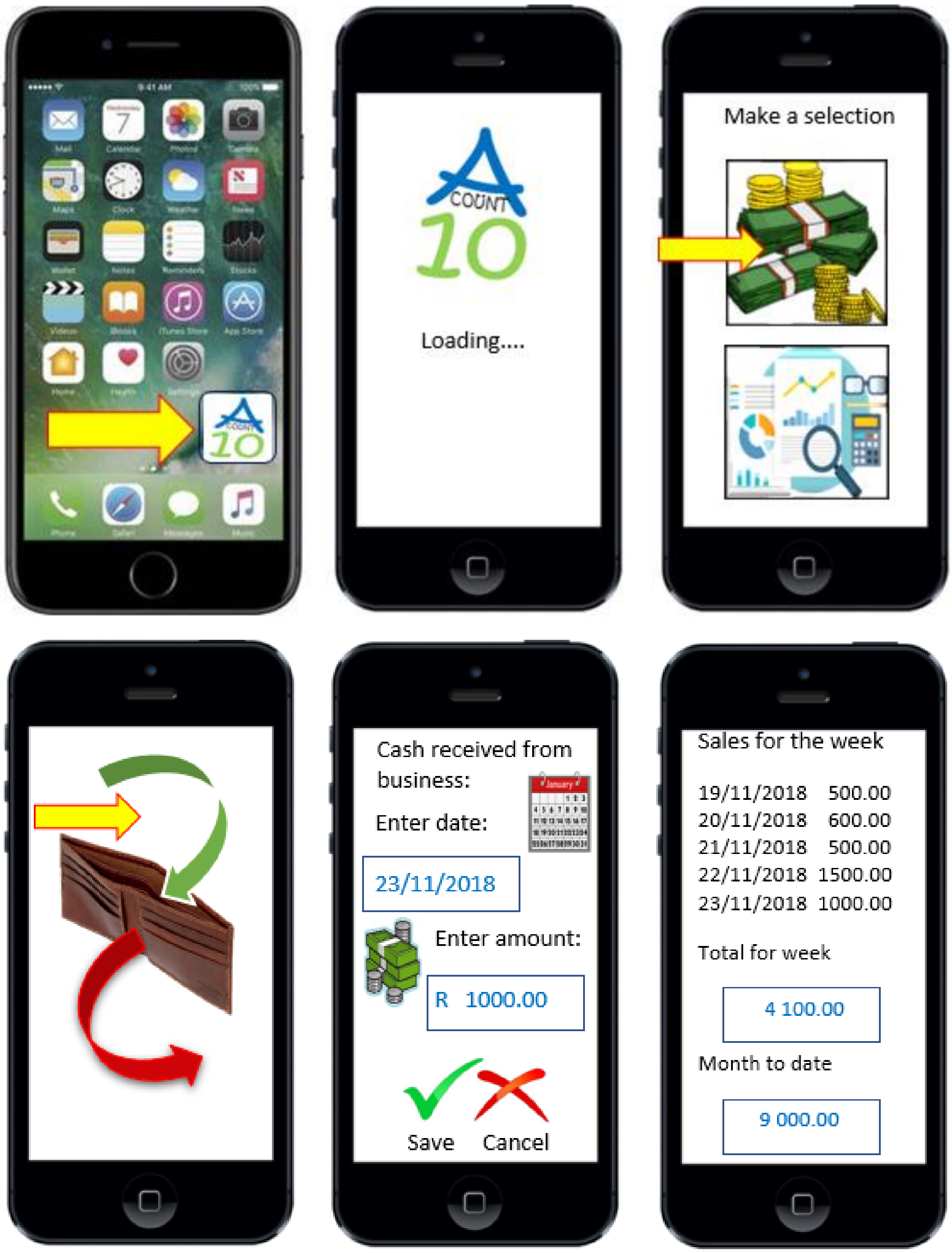
At the time of writing this paper this application has not been completed. The need for the application is clearly visible as the available aps at this stage is not user friendly and basically requires you to have accounting/bookkeeping experience to operate and understand it.

The key is to be able to offer the application to the customer for free to enable as many people as possible to access it. There will have to be a backup solution linked with this application that is still unresolved at present.

Smart phones prices have come down considerably and you can get a basic smart phone for R200, the recommendation is that if the client does not have a smartphone at present that the MFI include a basic phone into the loan amount. This could open an additional revenue stream for the MFI to sell cellphones and airtime to the community. If partnering with the correct supplier the air time could be supplied at a reduced rate. The MFI can also launch a drive to receive old cellphones (after upgrades) that is in good order to supply to their clients free of change.

We would encourage MFI's to download the application for the clients and include this application as part of their training procedures to strengthen the performance and understanding of finance. The longer the application is used the better the data will be under reporting.

The initial though is to have an income statement, which will work more like a cashflow statement than the traditional income statement to enable a client to forecast and budget their income to the expenses. It is also very important to ensure that the client understand the wall between the business and the person.



More detail is available on this app. Please contact the syndicate team.

14. BUSINESS CASE

What became very clear in our research is that the majority of MFI's do not measure their social performance or impact. One factor that has contributed to companies not measuring their social impact anymore is that it too costly. We propose the free measurement tools that is available to all organizations. It should be noted that the cost of social measurement could be high, but the cost of not measuring the MFI's impact is higher. When using free tools and your current staff complement you can reduce the cost and still have meaningful results. The key is to think out of the box and embrace technology that is available to help safe costs in collecting data.

With the MFI designs the correct credit product for the market, they assist the client to grow their income and to become sustainable. The clients can grow and start employing people as well and by achieving that it will have a positive impact on the economy of South Africa.

We would like Bankseta to be able to provide all new registrants with this paper and the measuring tools to enable them to learn how to measure their performance correctly from the start as it is easier to implement measurements at the start.

We would like government to study the recommendations that was made in this paper and then begin their own investigations to see how they can implement the social & financial measurement tools into regulations. Government can possibly publish the measurement tools as best practice tools. If the social measurement tool was in place across South Africa it is quite possible that we would not have the over-indebtedness problem we have today.

Government can also propose an incentive to incentivize an MFI to measure their performance, and set targets they need to achieve to help grow the economy.

MFI's can be an enabler to lower the incredibly high gini coefficient (measures the gap between the rich and the poor) in South Africa. This again needs to be constantly measured with the measuring tools.

There is such a high number of examples of internationally where MFI's make a true difference in the lives of the poor. The one thing those companies have in common is the fact that they measure their social performance to enable them to track the livelihood of their customers. They implement customer centric products that uplift because they have done their initial research and continue measuring the impact.

There are a few companies in South Africa that is measuring their social impact correctly, and that is making a difference for the poor. We should learn from these companies (such as SEF) and use them as examples.

When an MFI implement the above measuring tools, they would reap the following benefits:

- Low reputational risk, which in turn could lead to funding/donations being made to the MFI
- Government support
- Better debtor book quality (Lower default)
- Better designed products for clients
- Higher penetration into communities which lower the cost of running your business in a certain community (if you use the brick and mortar business model)
- Use results as advertising mechanism to draw more clients and donors.

As business case for impact measurement we wish to add, Micro finance from inception was meant to be use as a commercial way to serve a social end.

As South Africa has one of the highest gini coefficient there is a large number of people that are poor and therefore cannot afford basic necessities in life. It is in light of that, that micro finance programmes are set up. These programs are intended to support the people to generate income and utilize that income to improve their living standards.

The two components income generation (financial) and livelihood improvement (social) are therefore the twin objectives of any micro finance or financial inclusion programme.

An MFI that put in place mechanisms to measure its financial and social impact has the benefit of being able to know if it is fulfilling its purpose to its clients or not and therefore be in an informed position on the usefulness of its products, services and delivery methodologies.

The following are some of the benefits of measuring impact.

- Accountability

  Adherence to Mission
  Impact tracking ensures that an institution is delivering on the promises made to clients and motivates innovation and adaptation. Consistently measuring results helps prevent mission drift.

  Branch/Units Performance
  An institution uses impact data to identify underperforming branches, field units, programs and products. These creates an enabling environment to promote staff accountability towards the institution's vision and mission.

  Reporting to Donors and Investors
  The current global donor trend is that institution donors and investors demand demonstrations of social impact. It's important for an institution to measure impact in part to maintain these relationships.

  Public Image and Consumer Protection
  Attainment of the institution's vision and mission through impact assessment ensures positive public image, visibility and strong consumer protection standards.

- Financial Sustainability

  Competitive Advantage
  Most financial institutions operate in a highly competitive lending market. By measuring and promoting social impact an institution is able to improve its services to the target market thus gaining a competitive advantage of competitors. The direct result is increased client retention.

  Credit Risk Management
  When an institution begins using impact assessment tools, the analysis of data collected can be used to send red alerts and to predict the creditworthiness, retention or delinquency risk of most clients resulting to corrective lending decisions to avoid loan defaults.

  Global bench marking
  The global micro finance landscape is evolving from conventional micro financing to impact micro finance. Funding decisions are increasingly being made by investors and donors using an MFI's impact results.

  An institution's Impact reporting maintains relationships with current funders and attracts the new ones.

  Technical Assistance
  Funding Technical assistance in particular to smaller green field institutions is scarce.

However increased donor attention on impact measurement is resulting to more funding being directed to supporting technical assistance like the development of mobile technology for impact data collection and analysis.

Technical assistance enables institutions operate competitively in commercially focused markets dominated by large players who have access to technology, resources and wide.

- Learning and Innovation

  Client-Centric Mind Set

  The end product of an institution’s intervention is livelihood improvement among its clients. As such an institution’s entire body fabric including its governance, management, human resource, products, services and delivery methodology must all align towards livelihood improvement. This alignment informs and triggers changes and adjustments based on impact results

  Avoiding Industrial irrelevance

  The global conversation about impact and impact micro financing is growing more complex each day, and the development sector is evolving rapidly in the direction of more sophisticated impact measurement. By keeping ahead in measuring impact an institution doing impact measurement has the opportunity to be a leader and innovator in this space.

In conclusion we would like to make the statement that if you do not measure your impact on your clients, you should rather not sell loans to anyone in the lower LSM groups as the risk of harming your clients is bigger than the financial reward you gain.

15. LIST OF ANNEXURES

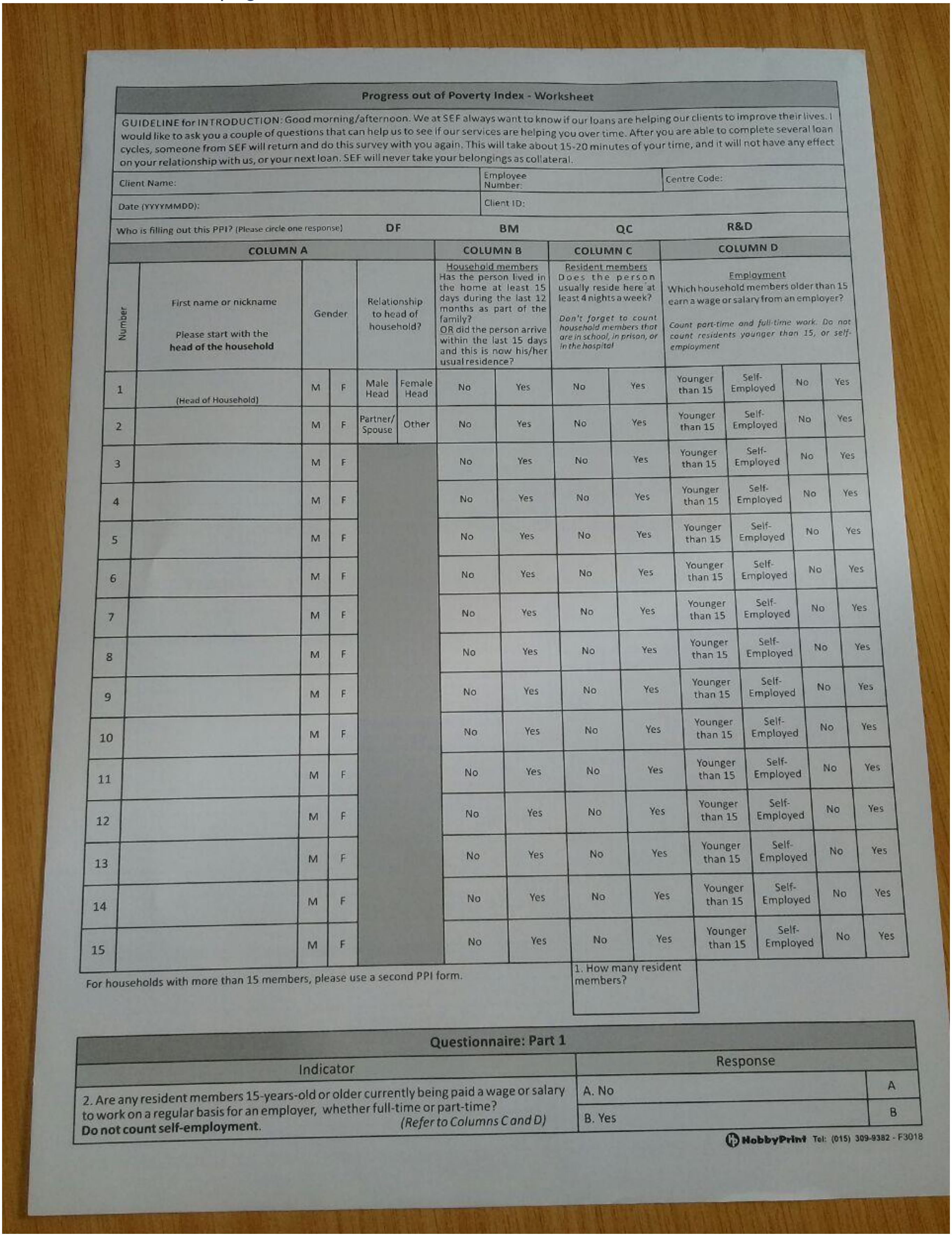
15.1 Financial inclusion Indicators for South Africa – 2014

South Africa

Sub-Saharan Africa			Upper middle income
Population, age 15+ (millions)	37.5	GNI per capita ($)	7,410

	Country data	Sub-Saharan Africa	Upper middle income
Account (% age 15+)			
All adults	70.3	34.2	70.5
Women	70.4	29.9	67.3
Adults belonging to the poorest 40%	57.8	24.6	62.7
Young adults (% ages 15–24)	53.5	25.9	58.1
Adults living in rural areas	70.0	29.2	68.8
Financial Institution Account (% age 15+)			
All adults	68.8	28.9	70.4
All adults, 2011	53.6	23.9	57.4
Mobile Account (% age 15+)			
All adults	14.4	11.5	0.7
Access to Financial Institution Account (% age 15+)			
Has debit card	54.9	17.9	45.9
Has debit card, 2011	45.3	15.0	38.5
ATM is the main mode of withdrawal (% with an account)	81.8	53.8	55.7
ATM is the main mode of withdrawal (% with an account), 2011	88.9	51.7	42.8
Use of Account in the Past Year (% age 15+)			
Used an account to receive wages	26.8	7.3	18.1
Used an account to receive government transfers	28.2	3.8	9.6
Used a financial institution account to pay utility bills	12.2	2.8	12.3
Other Digital Payments in the Past Year (% age 15+)			
Used a debit card to make payments	40.8	8.7	19.9
Used a credit card to make payments	10.8	1.9	14.4
Used the Internet to pay bills or make purchases	7.6	2.4	15.3
Domestic Remittances in the Past Year (% age 15+)			
Sent remittances	41.5	28.7	15.4
Sent remittances via a financial institution (% senders)	63.0	31.0	37.2
Sent remittances via a mobile phone (% senders)	17.6	30.8	8.8
Sent remittances via a money transfer operator (% senders)	56.6	21.0	19.7
Received remittances	54.2	37.2	17.8
Received remittances via a financial institution (% recipients)	54.9	26.6	29.8
Received remittances via a mobile phone (% recipients)	16.0	27.6	5.6
Received remittances via a money transfer operator (% recipients)	61.3	22.1	17.9
Savings in the Past Year (% age 15+)			
Saved at a financial institution	32.7	15.9	32.2
Saved at a financial institution, 2011	22.1	14.3	25.1
Saved using a savings club or person outside the family	30.6	23.9	4.9
Saved any money	66.4	59.6	62.7
Saved for old age	15.9	9.8	30.6
Saved for a farm or business	11.0	22.7	17.6
Saved for education or school fees	23.8	22.9	25.4
Credit in the Past Year (% age 15+)			
Borrowed from a financial institution	12.1	6.3	10.4
Borrowed from a financial institution, 2011	8.9	4.8	7.9
Borrowed from family or friends	71.2	41.9	24.0
Borrowed from a private informal lender	18.4	4.7	2.6
Borrowed any money	85.6	54.5	37.7
Borrowed for a farm or business	7.5	12.8	6.6
Borrowed for education or school fees	18.0	12.3	6.1
Outstanding mortgage at a financial institution	9.2	5.2	9.1

15.2 PPI Document page 1



Progress out of Poverty Index - Worksheet

GUIDELINE for INTRODUCTION: Good morning/afternoon. We at SEF always want to know if our loans are helping our clients to improve their lives. I would like to ask you a couple of questions that can help us to see if our services are helping you over time. After you are able to complete several loan cycles, someone from SEF will return and do this survey with you again. This will take about 15-20 minutes of your time, and it will not have any effect on your relationship with us, or your next loan. SEF will never take your belongings as collateral.

Client Name:	Employee Number:	Centre Code:
Date (YYYYMMDD):	Client ID:	

Who is filling out this PPI? (Please circle one response) DF BM QC R&D

COLUMN A						COLUMN B		COLUMN C		COLUMN D			
Number	First name or nickname Please start with the **head of the household**	Gender		Relationship to head of household?		Household members Has the person lived in the home at least 15 days during the last 12 months as part of the family? OR did the person arrive within the last 15 days and this is now his/her usual residence?		Resident members Does the person usually reside here at least 4 nights a week? *Don't forget to count household members that are in school, in prison, or in the hospital*		Employment Which household members older than 15 earn a wage or salary from an employer? *Count part-time and full-time work. Do not count residents younger than 15, or self-employment*			
1	(Head of Household)	M	F	Male Head	Female Head	No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes
2		M	F	Partner/ Spouse	Other	No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes
3		M	F			No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes
4		M	F			No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes
5		M	F			No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes
6		M	F			No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes
7		M	F			No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes
8		M	F			No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes
9		M	F			No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes
10		M	F			No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes
11		M	F			No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes
12		M	F			No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes
13		M	F			No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes
14		M	F			No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes
15		M	F			No	Yes	No	Yes	Younger than 15	Self-Employed	No	Yes

For households with more than 15 members, please use a second PPI form.

1. How many resident members?

Questionnaire: Part 1

Indicator	Response	
2. Are any resident members 15-years-old or older currently being paid a wage or salary to work on a regular basis for an employer, whether full-time or part-time? **Do not count self-employment.** *(Refer to Columns C and D)*	A. No	A
	B. Yes	B

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15.3 PPI Document page 2

Questionnaire: Part 2		
Indicator	**Response**	
3. Is the male head/spouse a **resident member** who is currently being paid a wage or salary to work on a regular basis for an employer, whether full-time or part-time? Do not count self employment. *(Refer to Columns A, C, and D)*	A. No	A
	B. Yes	B
	C. No male head/spouse or he is not a resident member	C
4. Did anyone in this **household** receive income from employment or self-employment last month? *(Refer to Columns B and D)*	A. No	A
	B. Yes	B
5. If the female head/spouse is a **resident member**, then how well can she **read** in her mother tongue? *(Refer to Columns A and C)*	A. Fair, not well, or not at all	A
	B. No female head/spouse or she is not a resident member	B
	C. Very well	C
6. Over the past 12 months, has anyone in this household participated in growing food or raising livestock?	A. Yes	A
	B. No	B
7. What is the main type of material used for the floor of the main dwelling?	A. Mud/earth	A
	B. Concrete	B
	C. Carpet	C
	D. Linoleum/vinyl, tile, or wood	D
8. In all of the buildings in this yard, how many rooms does your family use? *(Remember, bathrooms/toilets and rooms used for storage do not count)*	A. One or two	A
	B. Three or more	B
	Please write in the number of rooms:	
9. Is there a flush toilet available for this household?	A. No	A
	B. Yes	B
10. What is the main source of energy/fuel for this household for cooking? *(If multiple types are used, choose the type used most often)*	A. Wood, paraffin, coal, animal dung, solar, other, or none	A
	B. Electricity (mains or generator) or gas	B
11. Does the household own at least one of each asset in good working order?	A. WORKING TV?	Y / N
	B. WORKING DVD player, Blu-Ray player, or Satellite Dish?	Y / N
	C. WORKING Fridge or freezer?	Y / N
	D. WORKING Washing machine?	Y / N
	E. WORKING Computer or Laptop?	Y / N
	F. WORKING Motor vehicle (includes bakkies or trucks)?	Y / N
	G. WORKING Sofa?	Y / N
	H. WORKING Cell phone?	Y / N
Food Security Questions		
12. In a typical <u>week</u>, how often do the members of this household eat 3 meals a day?	A. 3 times a week or less	A
	B. 4-6 times a week	B
	C. Every day	C
13. In a typical <u>week</u>, how often do the members of this household eat meat?	A. 0 or 1 meals per week	A
	B. 2-4 meals per week	B
	C. More than 4 meals per week	C
	D. Every day	D
14. In a typical <u>day</u>, how often do the members of this household eat fruits or vegetables?	A. Fewer than 1 serving per day	A
	B. 1-2 servings per day	B
	C. 3 or more servings per day	C

15.4 Questionnaire instrument to be tested in Brazil

Name of MFI:		
Name (*Optional):*		
Male or Female:		
Age:		
Background:	Rural	Urban

Place logo here

Key for performance evaluation

1. **Outstanding:** Performance continuously superior.
2. **Exceeds Expectation**: Performance is routinely above key requirements.
3. **Meet Expectation*:*** performance is regularly competent and dependable.
4. **Below Expectation**: Performance fails to meet key requirements on a frequent basis.
5. **Unsatisfactory**: Performance is consistently unacceptable

No.	Category	Question	Performance Evaluation Criteria (Tick)				
1.1	SOCIAL	Products and services offered address my needs	1	2	3	4	5
1.2	SOCIAL	The distribution networks are efficient accessible (e.g. ATMs, regional banks)	1	2	3	4	5
1.3	SOCIAL	Flexibility of services	1	2	3	4	5
1.4	SOCIAL	Quality of services	1	2	3	4	5
1.5	SOCIAL	Accountability of organization	1	2	3	4	5
1.6	SOCIAL	Customers treated with dignity	1	2	3	4	5
1.7	SOCIAL	Employees treated with dignity	1	2	3	4	5
1.8	SOCIAL	Complaints handling & resolution	1	2	3	4	5
2.1	FINANCIAL	Loan pricing is affordable	1	2	3	4	5
2.2	FINANCIAL	Transaction costs are reasonable	1	2	3	4	5
2.3	FINANCIAL	Time it takes to process compliance (KYC) documents	1	2	3	4	5
2.4	FINANCIAL	Agents ability to explain products and services	1	2	3	4	5
2.5	FINANCIAL	Travel costs to the nearest ATMs or banks	1	2	3	4	5
2.6	FINANCIAL	Overall use se of informal banking services	1	2	3	4	5

Total Score

General Comments:

15.5 Summary of the SEEP 18 Ratios

Ref	Term	Formula	Explanation
Sustainability and Profitability			
R1	Operational Self-Sufficiency Financial Self-Sufficiency	Financial Revenue / (Financial Expense + Impairment Losses On Loans + Operating Expense) Adjusted Financial Revenue / (Adjusted Financial Expense + Adjusted Impairment Losses on Loans + Adjusted Operating Expense)	Measures how well an MFI can cover its costs through operating revenues. Measures how well an MFI can cover its costs taking into account adjustments to operating revenues and expenses.
R2	Return on Assets (ROA) Adjusted Return on Assets (AROA)	Net Operating Income – Taxes / Average Assets Adjusted Net Operating Income – Taxes / Average Adjusted Assets	Measures how well the MFI uses its assets to generate returns. This ratio is net of taxes and excludes non-operating items and donations.
R3	Return on Equity (ROE) Adjusted Return on Equity (AROE)	Net Operating Income – Taxes / Average Equity Adjusted Net Operating Income – Taxes / Average Adjusted Equity	Calculates the rate of return on the Average Equity for the period. Because the numerator does not include non-operating items or donations and is net of taxes, the ratio is frequently used as a proxy for commercial viability
Asset/Liability Management			
R4	Yield on Gross Portfolio	Cash received from Interest, Fees, and Commissions on Loan Portfolio / Average Gross Loan Portfolio	Indicates the MFI's ability to generate cash from interest, fees and commissions on the Gross Loan Portfolio. No revenues that have been accrued but not paid in cash are included.
R5	Portfolio to Assets	Gross Loan Portfolio / Assets	Measures the MFI's allocation of assets to its lending activity. Indicates management's ability to allocate resources to the MFI's primary and most profitable activity – making microloans.
R6	Cost of Funds Ratio Adjusted Cost of Funds Ratio	Financial Expenses on Funding Liabilities / (Average Deposits + Average Borrowings) Adjusted Financial Expenses on Funding Liabilities / (Average Deposits + Average Borrowings)	Calculates a blended interest rate for all the MFI's funding liabilities. The adjusted ratio will usually be higher due to effect of the Subsidized Cost of Funds adjustment.
R7	Debt to Equity	Liabilities / Equity	Measures the overall leverage of an institution and how much cushion it has to absorb losses after all liabilities are paid.
	Adjusted Debt to Equity	Liabilities / Adjusted Equity	The adjusted ratio considers reductions to equity due to adjustments.
R8	Liquid Ratio	Cash + Trade Investments / (Demand Deposits + Short-Term Time Deposits + Short-Term Borrowings + Interest Payable on Funding Liabilities + Accounts Payable and other Short-Term Liabilities)	Indicates level of cash and cash equivalents the MFI maintains to cover short-term liabilities. Short-term means assets or liabilities or any portion thereof that have a due date, maturity date, or may be readily converted to cash within 12 months.

Portfolio Quality			
R9	Portfolio at Risk (PAR) Ratio Adjusted PAR Ratio	PAR > 30 days + Value of Renegotiated Loans / Gross Loan Portfolio Adjusted PAR > 30 days + Value of Renegotiated Loans / Adjusted Gross Loan Portfolio	The most accepted measure of portfolio quality. The most common international measurement of PAR are > 30 days and > 90 days. The adjusted PAR reduced the Gross Loan Portfolio by the Write-off Adjustment.
R10	Write-off Ratio Adjusted Write-off Ratio	Value of Loans Written off / Average Gross Loan Portfolio Value of Loans Written Off + Write-off Adjustment / Average Adjusted Gross Loan Portfolio	Represents the percentage of the MFI's loans that has been removed from the balance of the gross loan portfolio because they are unlikely to be repaid. MFIs' write-off policies vary; managers are recommended to calculate this ratio on an adjusted basis.
R11	Risk Coverage Ratio Adjusted Risk Coverage Ratio	Impairment Loss Allowance / Portfolio at Risk > 30 days Adjusted Impairment Loss Allowance / Adjusted Portfolio at Risk > 30 days – Write-Off Adjustment	Shows how much of the portfolio at risk is covered by the MFI's Impairment Loss Allowance. The adjusted ratio incorporates the Impairment Loss Allowance Adjustment and the Write-off Adjustment.
Efficiency and Productivity			
R12	Operating Expense Ratio Adjusted Operating Expense Ratio	Operating Expense / Average Gross Loan Portfolio Adjusted Operating Expense / Average Adjusted Gross Loan Portfolio	Highlights personnel and administrative expenses relative to the loan portfolio the most commonly used efficiency indicator. The adjusted ratio usually increases this ratio when the effect of subsidies is included.
R13	Cost per Active Client	Operating Expense / Average Number of Active Clients	Provides a meaningful measure of efficiency for an MFI, allowing it to determine the average cost of maintaining an active client.
	Adjusted Cost per Client	Adjusted Operating Expense / Average Number of Active Clients	The adjusted ratio usually increases this ratio when the effect of subsidies is included.
R14	Borrowers per Loan Officer	Number of Active Borrowers / Number of Loan Officers	Measures the average caseload of (average number of borrowers managed by) each loan officer.
R15	Active Clients per Staff Member	Number of Active Clients / Total Number of Personnel	The overall productivity of the MFI's personnel in terms of managing clients, including borrowers, voluntary savers, and other clients.
R16	Client turnover	Number of Active Clients, End of Period + Number of New Clients During Period - Number of Active Clients, Beginning of Period / Average Number of Active Clients	Measures the net number of clients continuing to access services during the period; used as one measurement of client satisfaction.
R17	Average Outstanding Loan Size Adjusted Average Outstanding Loan Size	Gross Loan Portfolio / Number of Loans Outstanding Adjusted Gross Loan Portfolio / Adjusted Number of Loans Outstanding	Measures the average outstanding loan balance per borrower. This ratio is a profitability driver and a measure of how much of each loan is available to clients. The adjusted ratio incorporates the Write-Off Adjustment.
R18	Average Loan Disbursed	Value of Loans Disbursed / Number of Loans Disbursed	Measures the average value of each loan disbursed. This ratio is frequently used to project disbursements. This ratio or R17 can be compared to (N12) GNI per capita. *

*Although loan size has historically been used as an approximate proxy for the poverty level of clients, this controversial proxy has been disputed. More accurate poverty indicators are being developed by the SEEP Network's Poverty Outreach Working Group. For information, visit www.seepnetwork.org

15.6 Ditsobotla Research questionnaire

STRATEGIC PLAN REVIEW QUESTIONAIRE

Dear valued Member,

Ditsobotla Coop Bank is reviewing its strategic plan to chart its second five-year plan since its formation in 2000. We extend invitation to our members to make input to this process. Below is a questionnaire for you to complete and send back to us for consideration in our review process.

1. **How many years have you joined Ditsobotla Coop Bank?**
   A. 0-5 years
   B. over 5-10 years
   C. over 10 years

2. **What is your main aim of being a member of Ditsobotla Coop Bank?**
   A. Savings
   B. Loans
   C. Savings and Loans
   D. Member Ownership
   E. Other (please indicate) ______________________________

3. **Which products do you prefer from Ditsobotla Coop Bank ?**
   A. Emergency Loan
   B. Short-term Loan
   C. Consolidated Loan
   D. Home Improvement Loan

4. **In your opinion, which other products/services you think Ditsobotla Coop Bank should be offering?**

   ....
   ....
   ....
   ....

5. **Which products do you admire from other financial institutions?**

   ....
   ....
   ....
   ....

6. **What is the level of satisfaction with the products/services offered by Ditsobotla Coop Bank?**
   A. Not satisfied
   B. Satisfied
   C. Very Satisified
   D. Extremely Satisfied

15.7 Ditsobotla Strategic plan review questionnaire page 1

STRATEGIC PLAN REVIEW QUESTIONAIRE

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   A. Savings
   B. Loans
   C. Savings and Loans
   D. Member Ownership
   E. Other (please indicate) ______________________________

3. **Which products do you prefer from Ditsobotla Coop Bank ?**

   A. Emergency Loan
   B. Short-term Loan
   C. Consolidated Loan
   D. Home Improvement Loan

4. **In your opinion, which other products/services you think Ditsobotla Coop Bank should be offering?**

   ....
   ....
   ....
   ....

5. **Which products do you admire from other financial institutions?**

   ....
   ....
   ....
   ....

6. **What is the level of satisfaction with the products/services offered by Ditsobotla Coop Bank?**

   A. Not satisfied
   B. Satisfied
   C. Very Satisified
   D. Extremely Satisfied

15.8 Ditsobotla Strategic plan review questionnaire page 2

7. In your opinion, what Ditsobotla Coop Bank can do to serve you better?

……

……..

……..

………

8. What do you like most about Ditsobotla Coop Bank?

……

……

……

9. What you don't like about Ditsobotla Coop Bank?

……

…….

…….

Thank you, note that this response will be kept confidential, and please return BEFORE 30th October 2018

How do the bank combat financial inclusion?

The bank is accessible to cater all disabled, pensioners.

The special products are designed to those who lack financial assistance, through

Social responsibility funds set aside specifically for the deprived community. Like hospice, Old age (in villages).

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