

## Cerise+SPTF Annual Meeting 2022

### Session Notes

<u>Name of session</u>	<b>Outcomes: Exploring the Connection between Investment in Social and Environmental Performance Management and Better Client Outcomes</b>
<u>Date</u>	29 September 2022
<u>Time</u>	9:30 – 11:00 am
<u>Moderator</u>	<b>Amelia Greenberg</b> , Deputy Director, SPTF
<u>Speakers</u>	<p><b>Stephanie Garcia Van Gool</b>, Director, Impact Assessment and Strategic Development, BBVA Microfinance Foundation</p> <p><b>Cécile Lapenu</b>, Executive Director, CERISE</p> <p><b>Devin Olmack</b>, Manager, 60 Decibels</p> <p><b>Lucia Spaggiari</b>, Innovation Director, Microfinanza Rating (MFR)</p>

**Question 1a. Please describe your current outcomes measurement and management system. How has your thinking about outcomes management changed over time?**

Stephanie's reply:

FMBBVA continues to use data from clients from its MIS system (i.e., information provided during the application of a financial product) because it ensures the outcomes data is linked to day-to-day business. It needs to be embedded in our business. For example, every time a client takes a loan, FMBBVA knows how that business and household evolves over time. Our data analysis has confirmed that clients do grow their businesses over time, through volatility is the main issue.

The change has been to widen our scope of analysis and to collect data from multiple sources allowed us to triangulate it. As such, this MIS data has been complemented with external data gathered through surveys. For example, COVID was an opportunity to understand how our clients were confronting shocks. We undertook a range of surveys (10k+ clients surveyed). Credit offers were so happy when they went on the ground and all the results were shared with the entire organization. Studying data confirmed our hypothesis that our financial products and services were helping clients cope with shocks. Also, it was an opportunity to adapt: to change our policies and look beyond financial services to help our clients. Indeed, we know that there are uncertainties that go beyond financial services.

Lucia's reply:

As a rating agency, we measure the capacity of financial institutions to measure outcomes. Not many do this well. We have been waiting ten years to see if their systems could improve. Still, the average score assigned in social ratings has only marginally improved. The median score of FI's capacity to measure outcomes is still low, at around 42%. Over 80% are still not able to measure outcomes.

MFR started doing impact assessments itself, to help institutions build capacity to manage their outcomes. When doing an impact assessment, MFR interacts directly with clients to ask them what change they have seen in their own lives. This is the ambition of SEPM practices – to implement them and in doing so achieve good results in the area of client outcomes.

We have found that sometimes the correlations between outcome results and the actions/practices/products to achieve outcomes are more significant at the product level.

Correlations at the segment level (i.e. more granular than at the Financial Institution level) are also important to help institutions use the results for decisions to improve outcomes

This is useful for internal decision-making. Measurement is the pre-requisite to making decisions. It is important to set expectations to investors along the value chain that is grounded in evidence. Lucia welcomes data to be sent to ATLAS, MFR's initiative that gathers social and financial data onto a single platform. ATLAS's services include benchmark analysis, including benchmarks by different groups.

Improving clients' ability to manage shocks is a great outcome that the financial inclusion industry can have, given the high vulnerability and volatility of clients' finances. Results and benchmarks are available as shown on the ATLAS website.

**Question 1b. Let's go into more detail about what has changed in your outcomes management systems. You have mentioned triangulating data. As a sector, we have shifted away from promising poverty reduction for all, and started talking about building resilience. What has changed for you?**

Stephanie's reply:

Our strategy is two-fold. In terms of integrating outcomes into our operations, we have stayed with the strategy of measuring business income over time. But, now we are trying to design indicators that reflect shorter-term outcomes and thus can help our FSPs relate – link those data to their day-to-day decisions. The issue is not about observing change, but what data does the CEO need to have today to know what is going to happen in the next five years. We need to be reporting on indicators that have

a direct impact: we know that on average, households overcome poverty after 3 loan cycles. That should be our target.

Impact takes time: 1 out of 2 clients escape poverty after two years of banking with the institution, and the volatility is high. That is why the second line of work is applied research. How do we accelerate positive impact and reduce negative impact? What do we need to adjust in terms of product offering? Can I design interventions today that may change any negative trends that you have already seen change trends? What determines success?

To keep you focused, it is important to go to your client and see whether they are doing well and reframe the question at hand given the complexity of the issue you are aiming to solve. And on the other side, think of actionable solutions. This is why we have designed the internal multidimensional poverty index. We have recently published the results of our study, which looks in depth into the welfare of vulnerable households in Latin America, assessing the shortfalls they face in education, healthcare, and housing. This measurement helps to guide policies, design programs and contributes to identifying joint initiatives with private-sector actors. It is key because (i) it allows to benchmark with national standards (therefore unquestionably reflects minimum standards of living aligned with local standards) and (ii) allows to prioritize and design group-level initiatives. We are already working on designing solutions to address those deprivations. Working on multidimensional poverty is a huge opportunity because it is a direct and questionable (non-subjective) impact.

Lucia's reply:

Studying our data, we found a positive correlation between receiving the first formal loan and increasing business income. For the FSP with this result, it confirmed their decision to have a program on the rehabilitation of clients that were written off and not expected back in the financial system. Our data analysis also showed the effect of having received non-financial services, specifically the training on financial literacy, was positively associated with increase in business assets. It is not a matter of if the outcome result comes from a service provided by a third party or comes from the MIS embedded within the Financial Institution. What really matters is the institutional willingness to improve based on the results. For example, Mi Banco decided to include some selected outcome indicators to their BoD dashboard and to the criteria used to assess the management performance.

**Question 2. 60 Decibels recently did a large client outcomes survey in the financial inclusion sector. Please briefly describe the tool you used and share with us your key lessons learned.**

Devin's reply:

We used a standard survey tool with 37 questions and used this survey that we called the microfinance index survey tool across 71 MFIs. Using the survey tool, we interviewed about 18,000 microfinance clients around the world. From an operational

side, our research team consisted of 300 research assistants and had a research team of 300 research assistants, who live in the countries where the clients live and conducted the surveys via phone. The average time a researcher spent on the phone with a client was 15 minutes. The topics covered in the survey were the dimensions of our index: access, business impact, household impact, financial management, and resilience.

Our results show microfinance institutions in Sub-Saharan Africa at the top of the list. Some FSPs from Latin America and from Asia also scored high. But, there is also a range of performance.

Some key insights:

- 1 in 3 respondents said their quality of life is “very much improved”
- 60 Decibels segmented the answers to this question by gender and found little different between men and women
- 1 in 4 clients talked, unprompted, about improvements in their business because of the FSP. 3 in 4 clients said repayments were not a problem. Then 20-something percent said they were somewhat of a burden. 6% overall of respondents said they were a heavy burden. Though overall these results were mostly positive, we should not forget about the 6%, but instead investigate why repayments were a heavy burden and consider how to improve this.
- About  $\frac{3}{4}$  of clients showed signs of strong financial resilience.
- A lower percentage of women than of men said they had good alternatives to their microfinance institution.

In its next round of data collection, 60 Decibels has changed the survey slightly to be 38 questions total. One question was removed from the survey last year and two questions have been added around empowerment and agency – how do you contribute to financial decisions in your household, and how has your confidence changed after working with the MFI? We also acknowledge there is a lot of attention on client protection and want to dig deeper into this area with a client protection module that consists of 8 additional questions if MFIs choose to add this to their survey. We are also aiming to collect a enough data in specific countries to have geographic concentration and be able to provide country and sub-region benchmarks, providing a more comparable social performance benchmark for MFIs. And finally, we will be collecting more client-level data, specifically; loan type, lending methodology, and average loan size to do more advanced analysis and segmentation on client-level data that could impact social performance indicators.

**Question 3. Cerise+SPTF, with partners, are undertaking a project to analyze both social and environmental performance data and outcomes data so that we can study the link between SEPM and outcomes. Please describe.**

Cécile's reply:

Of the FSPs that participated in the recent big round of survey data collection by 60 Decibels, 36 agreed to share their data with Cerise+SPTF. Of these, 23 had SPIs that

were of an acceptably high quality and that had been completed within the last three years. This dataset of 23 FSPs with both SPI data and financial inclusion index data is too small to do correlation analysis that can be statistically significant, but it is the foundation of a project to understand the drivers of positive outcomes.

Cerise+SPTF has done some initial investigation into the data, also discussing with FSPs and their partners, on the qualitative side, to check how they understand the links between their social performance management (SPM) practices and results on client outcomes. We see that overall, there is strong SPM involvement for the FSPs that used the 60 Decibels survey. The average SPI score for the FSPs in the 60 Decibels dataset is about the same as in the overall SPI database. One early trend is that adapted product design might be correlated with better outreach to previously excluded clients.

We are hoping to grow this database. So, we also have a call to action – please if you are an FSP share your data with us, and if you are a related stakeholder, please encourage and possibly give co-financing to your FSPs partners so that they can get a social audit and/or gather outcomes data and then share the data with Cerise+SPTF for this data project.

**Question 4. Are there any outcomes indicators that are deceptive? How do you know you are analyzing the data correctly?**

Stephanie's reply:

One thing we have learned is that the way that you manage your loans is different from the way you manage your financial income. We have heard mixed feedback of what was working for organizations and what was working for the clients.

The measures that we took during the pandemic to help client manage their loans produced results that were complex to understand. BBVAMF partners offered grace periods and that was good. It took a huge effort with local governments to restructure loans. We talked with each regulator and each BBVAMF partner risk management team and found a way to implement longer grace periods and new restructuring solutions. We found that clients in some countries liked the restructuring and in other countries the clients did not like it.

Reply from Lucia:

In general, it is not easy to analyze data well. Most organizations do not have the skills in-house, and extra help of data scientists is needed to clean and process the MIS data in a way that is usable for measurement of longitudinal change. In our work with the impact assessment tool, we have seen positive correlations between access to non-financial services and increase business assets. We have also seen that giving access to financial services to those who had previously been without access does lead to an increase in business revenue and also increases job creation.

Comment from Amelia:

Two examples of data being deceptive come to mind. One was savings, where an organization encouraged its clients to open savings account, and then after they had and the clients had deposited money, the organization concluded that it had helped clients to save more. But client interviews revealed that clients had previously saved informally but were now putting that money into their opened bank account, so in fact they had the same amount of savings as always. The second example comes from an organization that studied whether offering a certain kind of training to its clients led to a change in client behavior. The data showed that in some instances, clients changed behavior and in others they did not. So, it was difficult to interpret the data. Was the training useful or not? When the organization investigated more, it found out that the quality of the training had varied considerably according to who led the training. In fact, in all cases when it had been delivered with high quality, it did lead to positive changes in client behavior.

**Debate: In the final portion of the plenary session, panelists debated three questions:**

- **What is a good outcome?**
- **Is qualitative data useful?**
- **It is fair for an FSP to decide what outcomes it would like to achieve for clients, even if that outcome is not one the clients themselves chose?**

**Debate question 1: What is a good outcome?**

- Lucia: An important use of outcomes data is to learn how can we manage the negative outcome. You may see from our outcomes survey that a large portion of your clients are neither better nor worse off. This could be a good result. The fact that we are supporting such vulnerable segments means that if at least if they can maintain a certain level of quality of life and not fall down, we should value this. In general, outcomes is a matter of improving. We use the data to understand how things could get better. If we want to put client centricity into practice, we should listen to clients.
- Devin: Look at benchmarks to know what is possible to achieve. With benchmarks you have an idea of a minimum and maximum level of performance. It helps better identify where performance could be improved and what you could focus on.
- Amelia: Every organization that measures outcomes is going to find out that some clients are better off, some are the same, and some are worse off. We need to shift our focus from proving good outcomes to thinking that the purpose of using data is so that we can keep doing what is working for some people and figure out what to change so that we can improve results for those who were worse off.

- Stephanie: It is not as important to look at data from a single point in time as it is to focus on trends.
- Cecile: We need to improve the quality of MIS data. The MIS data are a basis, linked to daily operations of field officers that we can value but then we also have to combine the MIS data with direct surveys/ complementary client data (satisfaction surveys, outcomes surveys, complaints mechanisms, focus groups, etc.) to understand more in details what is going on in the field.

### **Debate question 2: Is Qualitative data useful?**

- Stephanie: What are you using it for? BBVAMF does use qualitative data for certain purposes. A primary way we use it is to understand what went wrong in the product offering.
- Devin: Qualitative data is asking the why to the question. You want to understand what your clients want and what is the lived reality of microfinance.
- Stephanie: Though we do find qualitative valuable, it's important to note also that perceptions can be unreliable. For example, we measured poverty of our clients in Colombia and our clients in the Dominican Republic (DR). From quantitative measures, a much higher percentage of clients in the DR than in Colombia were multi-dimensionally poor. But when we asked the clients, "Are you poor?", the clients in the DR were more likely to say no.
- Cecile: Triangulating data is important. Use qualitative data, use satisfaction surveys and complaints data, and use the data in the MIS.

### **Debate question 3: Is it fair for the FSP to choose which outcomes for clients to try to achieve?**

- Amelia: I asked this question thinking, for example, of FSP that think clients should invest in insurance to protect against risk of crop failure, but the clients have never heard of insurance. Another example is women's empowerment – an FSP may set a goal of having clients send their daughters to school up to age 18 at minimum. But, the clients themselves may not demand insurance, or may not think their daughters need to go school past a certain age. Is it ok for the FSP to set those outcomes goals anyway?
- Stephanie: Take the example of people who do not have access to water. In some of our partner countries, cholera is a big issue, and the solution is not medicine. The solution is clean drinking water. We are trying to communicate this message. We are training to raise the minimum standard of living in part by designing products that enable the client to choose to invest in a clean water solution for her family. But, though we can empower them to make the decision, we cannot make the decision for them.

**Question from the audience: What percent of your client base do you interview for it to be representative?**

- Stephanie: We collect enough data to enable analysis with a 95% confidence interval. In some recent studies, the baseline included 10,000 clients and the follow up had 12,000 clients. We design our research so that the dataset is representative of different segments that interest us, for example, different levels of poverty. We use different types of criteria for our segmented sample depending on the survey.

**Question from the audience: Cécile, can you explain more about the correlation analysis that you are doing to see which types of social and environmental performance management (SEPM) practices drive what types of outcomes?**

- Cécile: There are different degrees of outcomes. In some cases, it can be difficult to correlate improvement of living conditions directly with the products and services offered by the FSP. Based on previous studies, we have already changed our expectations for the outcomes that financial service providers can achieve. We are more realistic about what can be achieved. But, there are also a lot of outcomes that can be attributed to the financial provider, and we will focus on those: the direct, short term outcomes from access to financial services. For example, 7/10 survey respondents in the in 60 Decibels survey said they could understand really well the conditions of the loan. FSPs can smooth consumption and make sure they do no harm. So for the study that Cerise+SPTF proposes, we will look at questions like, on SPM practices side: “What did you do to protect your clients and be more transparent?” and on the outcomes side: “Do clients report that they understand terms and conditions” Similarly, we will look at management practices to prevent over-indebtedness and how those are correlated with clients saying it is not a burden to repay. We would like to see that type of correlation. To reiterate, poverty is multi-dimensional. Are we still expecting too much from financial services alone? We have a good view on a broad scale of the situation of people in fragile circumstances. But we would like to push teams within FSPs to have products that are adapted to clients’ needs and targets for outcomes. We need to know what incentives there are within the FSP to work toward good client outcomes, and what it takes to build resiliency.