

Reporting Social Performance to MIX: Benefits for Microfinance Institutions



Microfinance Institutions (MFIs) stand to benefit in several important ways from reporting social performance indicators to the Microfinance Information eXchange (MIX). As MFIs reach for diverse goals—whether growth, funding, regulation, or transformation—they continually need ways to publicize their performance results and communicate their mission. Simultaneously, the industry is recognizing that microfinance does not inevitably produce social returns, so MFIs are called to demonstrate the social outcomes of their programs. Since February 2009, MIX has provided microfinance institutions a forum for reporting important social performance (SP) outcomes, and now makes this information available to investors, donors, and the general public.

Benefits to MFIs that report social performance outcomes include:

1. Attracting investors: Investors want a full and accurate portrait of the institutions they support. They want to put their money behind the best institutions, not the best storytellers. Anecdotal evidence of poverty alleviation is no longer an accepted substitute for systematic measurement and reporting.

2. Attracting donors: Donors must appeal to their own stakeholders. They use SP data provided by MFIs to report annual results, attract additional sources of funding, and build their public image. Donors will prefer MFIs that supply them with clear, practical data—especially annual data that demonstrate progress over time.

3. Staying a step ahead: Even when investors or donors do not require an MFI to publish social performance data, it is likely they soon will. CGAP reports a new trend among microfinance investment vehicles (MIVs)—a stronger double bottom line orientation, and a commitment to the Client Protection Principles—with 63 percent signing on thus far. MFIs that voluntarily report to MIX are responding to a changing market.

4. Building personal reputation: MFIs have come under increased scrutiny. Stakeholders from microfinance clients to development agencies demand greater transparency and measurable results that demonstrate the effects of microfinance on the poor. This rising wave of scrutiny will only grow stronger; it is essential that individual MFIs demonstrate their commitment to the social outcomes of their work, not only to investors and donors, but also to the broader public.

From Practitioners:

“We report in order to inform double-bottom line investors of our social achievements. We want to be accountable and to attract funding from socially-oriented investors. We also recognize that the microfinance industry is gaining negative attention from the media, general public, and political leaders. For the industry to contest reports of exploitative and socially-harmful practices, it must demonstrate its positive social outcomes that contribute to the building of healthy societies.”

-Small Enterprise Foundation (SEF),
South Africa

"Social Performance reporting should be as important to an MFI as financial reporting. Neither tells the whole story alone. Internally, we need to know whom we are reaching and if we are changing lives. Investors and donors deserve to know as well."

-Fonkoze, Haiti

"The MIX is a global platform where we demonstrate our social values and hold ourselves accountable for our mission of creating opportunities for marginalized women, youth, and children. Additionally, social performance management and reporting keeps a check on our strategies, planning processes, products, and programs, which in turn helps us assess the changing needs of the community."

-Evangelical Social Action Forum (ESAF), India

"We have benefitted because the exercise of collecting the information and seeking to meet the requirements of the MIX social performance report prompted our institution to draft an internal work plan to improve our social performance measurement tools."

-Fundación Paraguay

5. Building a shared reputation: Similarly, MFIs have a vested interest in building the reputation of the industry as a whole. Data reported to MIX Market can create a sense of "truth in advertising" for the industry, as claims of social performance are documented and substantiated.

6. Creating community: MFIs that report to MIX Market share the challenge of creating and maintaining solid social performance management (SPM) at their institutions. Through the MIX Market's online medium, an MFI can build a support network by identifying and contacting other institutions that share similar SP goals and challenges.

7. Analyzing performance & trends: The discipline of reporting available SP data to MIX Market may prompt MFIs to keep better records of their performance, compare performance against stated objectives, and analyze SP trends over time.

8. Justifying investment in SPM: MFIs may not be able to justify the cost of gathering SP data unless they know it will be published and used by investors, donors, and/or other stakeholders. Additionally, the reporting process itself may spur the institution to step back from daily operations and consider new strategies and initiatives that will improve SP outcomes.

9. Gaining publicity by being featured on MIX SP blog: The MIX Social Performance Blog is a platform of information on social performance in microfinance. The MIX interviews reporting MFIs and publishes their responses on the blog (www.spblog.org).

MIX will begin collecting 2009 Social Performance data from MFIs in April, 2010. Please contact Micol Pistelli, Manager of the Social Performance Program, for more information: mpistelli@themix.org or visit : <http://www.themix.org/standards/sp-reports> to download the report.

About The Social Performance Task Force

The Social Performance Task Force consists of over 600 leaders from all over the world from every microfinance stakeholder group: practitioners, donors and investors (multilateral, bilateral, and private), national and regional networks, technical assistance providers, rating agencies, academics and researchers, and others. Created in March 2005, the Task Force has been charged with clearly defining social performance and addressing questions about measuring and managing social performance.

For more information, visit the Social Performance Task Force website at www.sptf.info or contact SPTF Coordinator Laura Foose: lfoose@alternative-credit.com

For information on how to put social performance management into practice, download: *Putting the 'social' into performance management: A practice-based guide for microfinance* from: www2.ids.ac.uk/impact/