

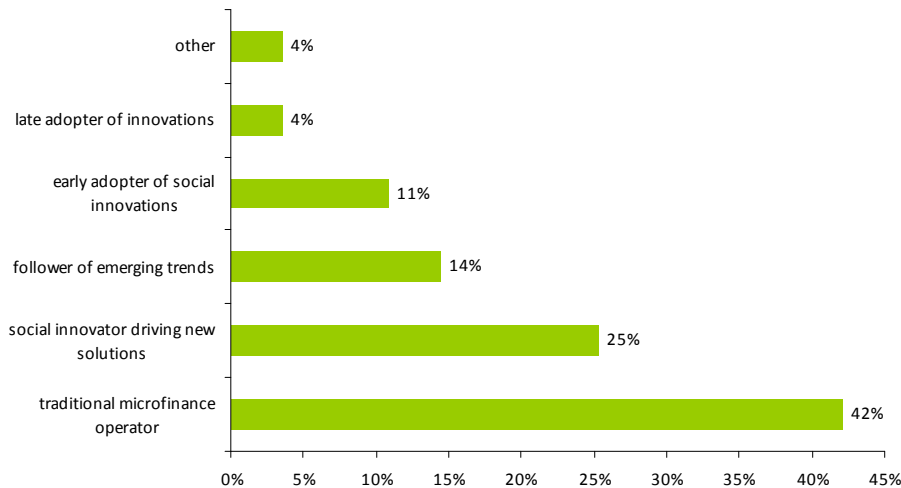
# Social Innovations in Microfinance

## Results of the MFC survey

The results of the survey conducted among microfinance practitioners in the ECA region show that the majority of respondents consider social innovations to be very important in their work. For 60% of the respondents they are even very important. Only 4% of the respondents do not feel the need for any new solutions/approaches helping to better fulfill social needs.

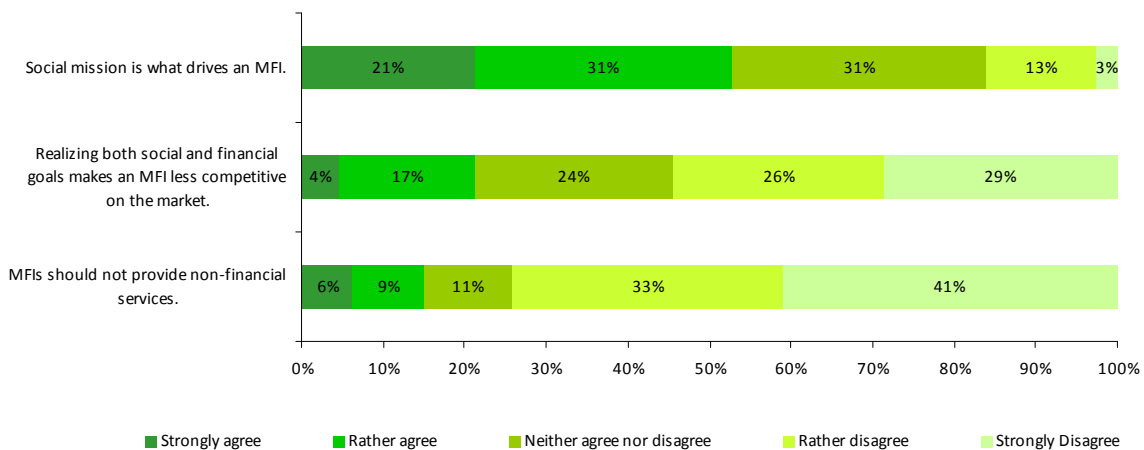
Quite a number of MFIs deals with innovations in one way or another – creating the innovations or adopting what was developed by the others. So, even though the biggest group of respondents see themselves as traditional microfinance providers, a quarter of respondents position their MFIs as social innovators driving new solutions. Another 28% follow the trends and adopt innovations designed by the others.

Figure 1: If you are an MFI - what best describes you?



About half of the respondents consider the social mission a driver of an MFI. Pursuing social goals is not seen as a threat to the competitive advantage of the institution and most of the respondents think that MFIs should deliver non-financial services in addition to their credit products.

Figure 2: To what extent do you agree with the following statements?



### *Where are the social innovations most needed?*

Reaching out to target clients is the area where respondents see the largest need for innovation. It is also important to find new, effective ways for measuring impact as well as design appropriate financial products supported by non-financial services.

Figure 3: In what areas of MFI operations are social innovations the most important?



Apart from recognizing the importance of social innovations, 71% of the respondents actually introduced new solutions in the last two years.

In most cases, these were new products to better serve client needs – both financial (housing loans, green credit, female-entrepreneur credit) and non-financial (business training, financial education, housing advice).

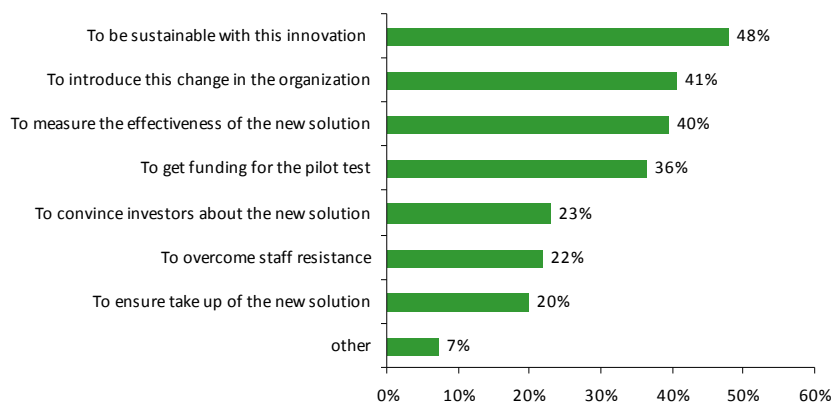
Also, innovations in product delivery were often introduced. The examples include partnerships with mobile operators, technological solutions to streamline the disbursement and repayment processes.

A large group of innovations concern the aspects of customer protection and social impact. Solution such as complaint hot-line, client satisfaction survey, exit surveys and assessments of the impact were listed by the respondents.

### *What are the obstacles?*

The biggest challenges to the introduction of innovations are financing (long-term sustainability of the new solution and funding of the pilot-test) and change management (institutional changes required by the innovation, overcoming staff resistance). Also, the measure of the effectiveness of the new solution is found to be difficult, as it requires appropriate expertise.

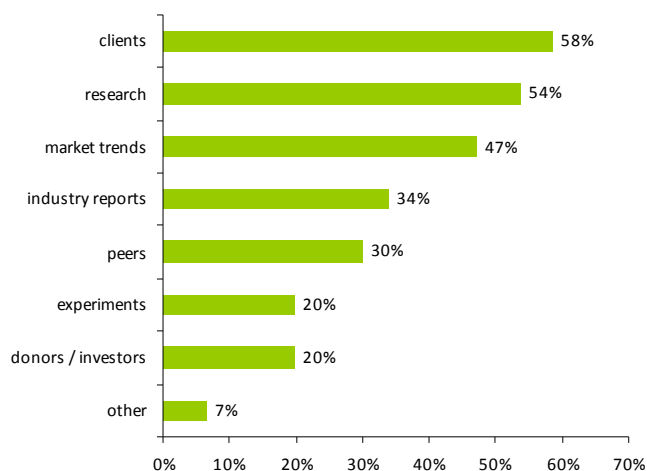
Figure 4: What were/still are the obstacles in introducing them?



*Where does the inspiration for innovations come from?*

MFIs, when choosing on how to innovate look in the first place for the feedback from clients regarding their needs. The second source of inspiration is research, the results showing what solutions are effective and how they can be implemented. Additionally, experience of the other microfinance providers helps to decide what solutions to introduce.

Figure 5: Where do you seek ideas for new social innovations?



The Innovations Survey was conducted in May 2012. The objective of the survey was to learn about the approach of the microfinance industry in ECA towards social innovation, to understand the industry's appetite for, and barriers to innovations.

The survey was conducted in two rounds – first via Survey Monkey and the second during the MFC Conference in Budva. In total, 118 respondents shared their on social innovations in microfinance. Over half of the respondents were MFI representatives (60%).