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Peoples Bank of Caraga  
listens to Members:  
Customer Satisfaction Survey

# Peoples Bank of Caraga listens to Members<sup>1</sup>: Customer Satisfaction Survey

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## Background

Operating in southern Philippines, Peoples Bank of Caraga (PBC), formerly known as Rural Bank of Talacogon, was established as a for-profit rural bank in 197. It changed into its present name in 1996 to attribute the success of the bank to its clients. It was in 1998 when PBC integrated microfinance into the bank's services.

It operates in four regions, 11 provinces, 92 municipalities and 1,095 villages; with 12 branches and 21 microfinance banking offices (MBOs).

PBC's mission is to "efficiently deliver desirable financial services to the countryside, supplemented by capacity building for enterprise development and utilization of suitable technologies, towards sustainable livelihood and improved quality of life among the less-privileged sectors of society."

One articulated social goal of PBC is to ensure that at least 80 percent of the clients are very satisfied of the bank's services.

The bank gives emphasis in training its field and office staff on good customer relations. It uses different channels to listen and get feedback from clients, thus, encouraging the clients to participate in the decision-making process. The CERISE-SPI assessment of PBC in 2012 revealed that the institution involves clients in their governance; where clients are represented to the Board of Directors.

In 2005, as soon as PBC heard of Social Performance Management (SPM), the board and the management acted quite quickly in integrating SPM into the bank's system. Currently, the organization uses different SPM instruments such as Client Exit and Satisfaction Surveys, and the Progress Out of Poverty Index (PPI). PPI helps

**Table 1: Key performance indicators of Microfinance Program**

AREA/ YEAR	2010	2011	2012	2013
Clients	41,177	42,419	43,047	43,951
Loan portfolio (US\$)	9,019,553	10,121,699	10,053,430	10,230,264
Savings clients	53,760	57,192	60,255	60,569
Savings portfolio (US\$)	3,224,379	3,250,513	3,634,610	4,009,829
PAR% (<30 days)	1%	1%	5%	4.38%
Client exit (%)	9.5%	8.0%	6.9%	4.38%
Outreach to women (%)	91.0%	92.0%	92.0%	91.88%
Outreach to rural clients (%)	85.0%	83.5%	82.5%	82.5%
Staff (total)	216	251	259	253
Staff turnover (%)	0.2%	0.00%	0.43%	0.00%

the bank in targeting its defined clientele that includes farmers, fishermen and small entrepreneurs. The 60 percent of the portfolio earmarked for small and unsecured loans targeted to the marginalized sector (farmers, fishermen, indigenous people and women) exhibits PBC's commitment to reach out to poorer clients.

The microfinance program of the bank is serving close to 45,000 clients, more than 80 percent of which are in the rural areas and majority are women (more than 90 percent, see Table 1). Notably, there are more savers than borrowers in PBC since maintaining a certain amount of savings is a pre-condition for clients to be covered by life insurance.

PBC offers diverse financial products that cater to client's various needs. Loans are for different purposes: business, education, and house repairs, among others. There is a specific loan for farming communities. The bank offers two insurance products with coverage expanded to members of the client's family.

Through the FRIEND Foundation, the bank's training arm, non-financial services are also extended to both staff and clients such as livelihood and entrepreneurial

training, organizing trade fairs for clients, leadership enhancements for center leaders, and financial management courses for the bank staff.

Regulated by the Bangko Sentral ng Pilipinas (central bank), PBC adheres to the Truth and Transparency in Lending Act. In practice, the institution discloses the effective interest rate (EIR) to clients using the prescribed disclosure form, and applies the declining balance method.

## OVERVIEW

The Customer Satisfaction Survey of PBC, developed in 2008, relates to the essential practices on understanding how the different types of clients (women, men, type of business, etc.) use products and services; and their satisfaction level, contained chiefly in section 3: Design Products, Services, Delivery Models and Channels That Meet Client's Needs and Preferences (see Table 2), and partly in Section 1: The institution collects, reports, and ensures the accuracy of client-level data related to the institution's social goals.

The development and execution of the CSS complements another SPM instrument, the Client Exit Survey (CES)<sup>4</sup>. "The CSS is directly linked to the client retention rate. If the clients are satisfied they will not leave the program, and in 2008 the rate of client dropping-off were increasing", Ms. Cristina Bulaon, the Chief Operating Officer (COO) and chair of SPM committee, explained.

Operationally, client dissatisfaction resulting in increasing drop-out rate had been hampering the achievement of the bank's target outreach. Ms. Phannie Bulaon, the bank's Microfinance Project Director narrated how she used to see smiling and happy faces of members all the time during the center visits or when clients showed up at the bank's offices. In recent years, however, she started missing those smiles.

In a highly competitive market, such as where PBC operates, the bank strides to keep 80 percent of clients very satisfied. It is in fact one of PBC's articulated social goals. For PBC, the key to meet the goal is customer service: "you may be selling good products in a nice display window but if you are treating your clients badly, will you have takers? (*may tinda ka nga, pero pangit ugali mo, may bibili ba, kahit maganda estante mo?*)", argues the Microfinance Project Director.

## The Social Performance Fund

The development of this case study is part of the Social Performance Fund Project - an initiative that facilitates the implementation of the Universal Standards for Social Performance Management (**the Universal Standards**) among microfinance networks and its members.

The Microfinance Council of the Philippines, Inc. (MCPI) is focusing on two sections of the Universal Standards: **Designing Products, Services, Delivery Models and Channels that Meet Clients' Needs and Preferences and Treating Client Responsibly**.

This case study provides a practical overview on the process of developing and implementing the Client Satisfaction Survey (CSS) of the Peoples Bank of Caraga, Inc. The case also provides recommendations on improving the effectiveness of the Customer Satisfaction Survey tool in relation to the USSPM, and some general lessons for practitioners.

This case study has been written with a specific audience in mind: microfinance providers who seek to improve their practice in relation to specific standards of the Universal Standards for Social Performance Management (the Universal Standards)<sup>3</sup>.



The Social Performance Fund is an undertaking funded by the Ford Foundation, managed by the Microfinance Centre (a microfinance resource center and network serving the Europe and Central Asia region and Beyond), and implemented by MCPI in the Philippines.

Before the CSS was implemented, PBC conducted sporadic interviews (or provided opportunity for clients, who preferred to write their feedback), held focus group discussion (still a current practice using the CES and CSS results), and talked to clients during center visits in order to hear from them regarding the bank's services. However, PBC had wanted a more systematic and objective study on client satisfaction to rule out subjectivity; provide a solid basis for understanding clients' level of satisfaction; accommodate their feedback when making adjustments in the bank's policies and practices; and provide the management a more regular feedback from clients across branches.

<sup>1</sup>The development of this case benefited from the insights of the interviewees and the inputs from the USSPM Core Team members under the leadership of Cristina Bulaon and Epifania Bulaon, and Gigi Sta. Ana of the FRIEND Foundation.

<sup>2</sup>More information can be found at [www.mfc.org/en/content/sp-start-fund](http://www.mfc.org/en/content/sp-start-fund)

<sup>3</sup>The Universal Standards for Social Performance Management ("Universal Standards") are a set of management standards and practices that apply to all microfinance institutions pursuing a double bottom line. For more information, visit [www.sptf.info/spmstandards/universal-standards](http://www.sptf.info/spmstandards/universal-standards)

<sup>4</sup>Read more about PBC's Client Exit Survey at the Microfinance Center: SP Fund Project

**Table 2: PBC's CSS and the essential practices**

SECTION	The Universal Standards	PBC Practices
1b	The institution collects, reports, and ensures the accuracy of client-level data related to the institution's social goals.	<p>PBC explicitly articulated in its social goals that at least 80 percent of the clients are very satisfied with the bank's services.</p> <p>PBC collects, reports and disseminate results of CSS to different layers of the organization, including clients; and is done during the clients' annual gathering.</p>
3a.1	Understand how clients use products and services, by client characteristic (e.g., men and women, income level)	<p>PBC, through its research arm, the FRIEND Foundation, conducts field interviews to clients on their satisfaction on the bank's products and services, on an annual and regular basis.</p> <p>FRIEND, independently, administers the field surveys in close coordination with the bank's field staff.</p> <p>Processed and summarized survey reports are then provided to the members of the board and the management. Both bodies later address the issues raised, if any, in the form of new or adjusted policy or practice.</p> <p>Client Satisfaction Report is segregated according to type of clients and products.</p>
3a.2	Understand client satisfaction (e.g., overall experience and value, convenience of accessing services, suggestions for product improvements), by client characteristic. (1)	<p>PBC conducts client satisfaction survey at least once yearly, and recently twice yearly.</p> <p>Available data from the survey is yet to be segregated by client characteristics. Segregation is so far limited to type of clients and products.</p> <p>PBC uses the Slovin's formula to determine sample size. The sampling process is currently being improved into more objective sampling.</p> <p>PBC has so far developed a product for farmers as a result of the survey.</p>

The FRIEND<sup>5</sup> Foundation (FRIEND), a non-government organization and the research arm of the bank, independently conducts the CSS for the PABK<sup>6</sup>, the microfinance program of PBC. The CSS was conducted twice yearly since its inception in 2008. Having a separate NGO doing the CSS has been viewed favorably by the bank's staff. Oliver, a branch assistant manager for one, believed that FRIEND can better elicit an objective response from clients than if he were to do it himself.

The CSS results had, so far, provided valuable feedback to the bank's top management. The challenges there lie however, when it comes to addressing issues clients raised in the survey. The existing practice is still more of a branch-to-branch initiative than bank-wide approach as explained by the Credit Operations Manager. Furthermore, existing policy limits clients' access to a maximum of three different products at the same time. Although clients had expressed preference for additional services, however, these services are not yet available.

<sup>5</sup>FRIEND: Foundation for Rural and Industrial Equipment for National Development, Inc.

<sup>6</sup>PABK: Project Abante Barangay para sa Kauswagan

Additionally, the CSS results are yet to be mainstreamed in the bank's Management Information System (MIS), which is undergoing improvement (at the time this case study was written).

To impress seriousness on customer welfare, the bank uses the CSS results as one of the criteria for SPM performance rating which forms part of the bases for computing the branch's annual incentive. In addition, complaints on staff behavior result in immediate actions. Consequently,

there are positive signs of a "happy" (satisfied) and a "sad" (dissatisfied) smiley.

In 2008, for an hour, the COO/SPM committee Chair crafted the CSS of PBC, patterned after BPI's quick and easy survey. Unlike the BPI's chip, PBC crafted a one fourth-page survey sheet. It was a FRIEND staff who added the smiley graphics that cost her half-day. The adaptation of the smiley was to facilitate easy manner of responding to surveys. The graphics were also considered

**“ We are not only selling products here but we are also forging relationships. ”**

*- Phannie Bulaon, Microfinance Project Director*

employees have become conscious of good customer relations, both the SPM Committee Chair and the Microfinance Director explain.

### SOLUTION DETAILS

#### Developing the Client Satisfaction Survey

If the Client Exit Survey of PBC was implemented to uncover why clients leave the program, the Customer Satisfaction Survey was effected "for us to know how effective the bank's services are, how the employees treat the clients, and how they behave in the field (Ms. Phannie Bulaon); and "to know our weaknesses in order to improve (on) those and keep our clients with us" (Jerome Floren, Area Project Supervisor), and because at PBC, "our desire is to improve our services" (the COO, Ms. Cristina Bulaon).

Clear with the desire to measure client satisfaction on PBC's services, and at the same time translate the bank's social performance management goal, PBC embarked on implementing the CSS. Its design was inspired by the experience of the SPM chair, answering an instant customer survey of one of the major banks in the country, the Bank of the Philippine Islands (BPI).

The customer satisfaction strategy of BPI includes "Expect More Smiles Program"<sup>7</sup>. The bank teller hands a small plastic chip to a customer at random. On the way out, the customer drops the chip to the box with respec-

to appeal to all types of respondents - young or old and literate or hardly literate. The instrument was then rolled out to 6,287 clients or 20 percent of PBC's members on the same year. The decision to listen to about 20 percent of the members was asked by the board and the management who wanted to know whether this much percentage of the members were satisfied or not. There was no pre-testing of the tool for it was considered easy to accomplish. The maiden CSS survey was administered for a month by a team of about 20 supervisors from the bank and two research assistants from FRIEND.

PBC also sought the assistance of Punla sa Tao Foundation, the country's capacity building institution, to enhance quality client treatment with a course on customer service for bank employees. This was followed through with a training of trainers to the bank's core staff. Since

**Table 3: Level of effort required to develop the Client Satisfaction Survey**

Position	Role in brief	Time
COO	Crafted the 2008 version	1 hour
FRIEND staff	Finalized with smiley/graphics	1 day
FRIEND staff	Rolled out to 6,287 clients	1 month
FRIEND staff	2013 improved version	½ day
FRIEND staff	CSS survey to individual client	10-15 minutes

2008, the customer service training has become a pre-employment requirement for PBC applicants and future staff. This is the bank's concrete manifestation of its commitment to good customer service.


<sup>7</sup>[https://www.mybpimag.com/images/pdf/7B\\_Enhancing%20Total%20Customer%20Experience.pdf](https://www.mybpimag.com/images/pdf/7B_Enhancing%20Total%20Customer%20Experience.pdf)

### Box 1: 2010 CSS Form


Pangalan sa Empleyado: \_\_\_\_\_

Center Name: \_\_\_\_\_


Palihog ug tsek (✓) sa kahon (  ) kung unsay imong gibati sa iyang pag serbisyo diha kanimo.



Wala nakontento  
Wala nalipay



Nakontento  
Nalipay



Nakontento kayo  
Nalipay kayo

Dugang Komento: \_\_\_\_\_

Edad: \_\_\_\_\_ Babae: \_\_\_\_\_ Lalaki: \_\_\_\_\_

Kamus-a ka nag sugod pag angkon sa mga serbisyo sa bangko?

PABK \_\_\_\_\_ ISAPA \_\_\_\_\_ Depositor \_\_\_\_\_

Regular Loans :

Agricultural \_\_\_\_\_ Commercial \_\_\_\_\_ Salary \_\_\_\_\_


DAGHANG SALAMAT!!!

### Box 2: New CSS Form


Branch \_\_\_\_\_ Province \_\_\_\_\_ Municipality \_\_\_\_\_

Date: \_\_\_\_\_


Palihog ug tsek (✓) sa kahon kung unsay imong gibati serbisyo sa Peoples Bank of Caraga diha kanimo.




Wala gyud nalipay




Wala Nalipay



Nalipay



Nalipay Kayo



Nalipay gyud Kayo

Kung nakontento ka o nalipay sa serbisyo, unsa ang nakapalipay kanimo?

\_\_\_\_\_

\_\_\_\_\_

Kung wala ka nakontento o nalipay unsa ang imong ilangugot aron mas mapalampo o mapamindot pa ang serbisyo sa Peoples Bank of Caraga?

\_\_\_\_\_

\_\_\_\_\_

Edad: \_\_\_\_\_ Babae \_\_\_\_\_ Lalaki \_\_\_\_\_


























Kamus-a ka nag sugod pag angkon sa mga serbisyo sa bangko? \_\_\_\_\_

PABK \_\_\_\_\_ ISAPA \_\_\_\_\_ Depositor \_\_\_\_\_

Regular Loans :

Agricultural \_\_\_\_\_ Commercial \_\_\_\_\_ Salary \_\_\_\_\_

Sa hing bahin, unsa ang imong gibati sa serbisyo sa mga empleyado diha kanimo? Palihog pagsulat sa ilang pangalan sa ubos ug palihog sa pag tsek sa mga hulagway tungod sa ilang pangalan nga nang representar sa imong gibati.

	Wala gyud Nalipay	Wala Nalipay	Nalipay	Nalipay Kayo	Nalipay gyud Kayo
1. _____					
2. _____					
3. _____					
4. _____					
5. _____					

The follow-up study was made, once a year, in 2009 and 2010. Since 2011, the CSS was conducted twice yearly. The frequency of the study was increased because the board found value on the survey results and wanted to ensure customer satisfaction was improving.

The CSS tool had asked but one question on client's satisfaction level: "How do you feel about PBC's service?" For the answer, the clients were presented three different visuals of smileys indicating: *not satisfied*, *satisfied* and *very satisfied*. It was followed by a one-liner response: 'additional comments'.

The CSS instrument has, however, evolved since its inception in 2008 and saw three revisions. The 2009 version was only slightly different as it further elicited information on the number of years the interviewee has availed of the bank's services and what services these were. The 2010 version (Box 1) elicited client personal information such as age and gender; the information that paved the way for possible client segregation by characteristics. The tool used the local language.

The further evolution of the tool in the third quarter of 2013, the fourth version (Box 2), contains two

**Table 4: Sample Sizes**

Year	2008	2009	2010	2011*	2012*
Sample Size	6,287	1,349	1,057	665	447
Total Members	32,007	35,168	37,517	40,507	40,739
% of Sample	20%	4%	3%	2%	1%

\*2nd half of the year

\*Conferences and meetings are organized by the Microfinance Council of the Philippines (MCPI) and the Task Force.

sections. The first elicits client's satisfaction level on PBC's services. Notably, the level of satisfaction categories was expanded to include two extreme choices: "extremely dissatisfied" and "extremely satisfied". Each category allows clients to qualify their choice.

The major addition is found in the second section where clients are asked to name the specific employee(s) and provide feedback on their behavior towards client treatment. Space for comments to support and to explain their feedback is also provided. Further, spaces where clients could put forward their suggestions on how to further improve the bank's services are also provided.

The revision came about due to a number of reasons. First, learning from further SPM meetings and conferences<sup>8</sup> on CSS were incorporated in the 2013 version by the SPM champion of the bank, particularly the additional indicators of how clients find employees' treatment of them in the field. Second, the learning of the researchers from their interaction with clients when implementing the CSS were found useful inputs for management, thus,



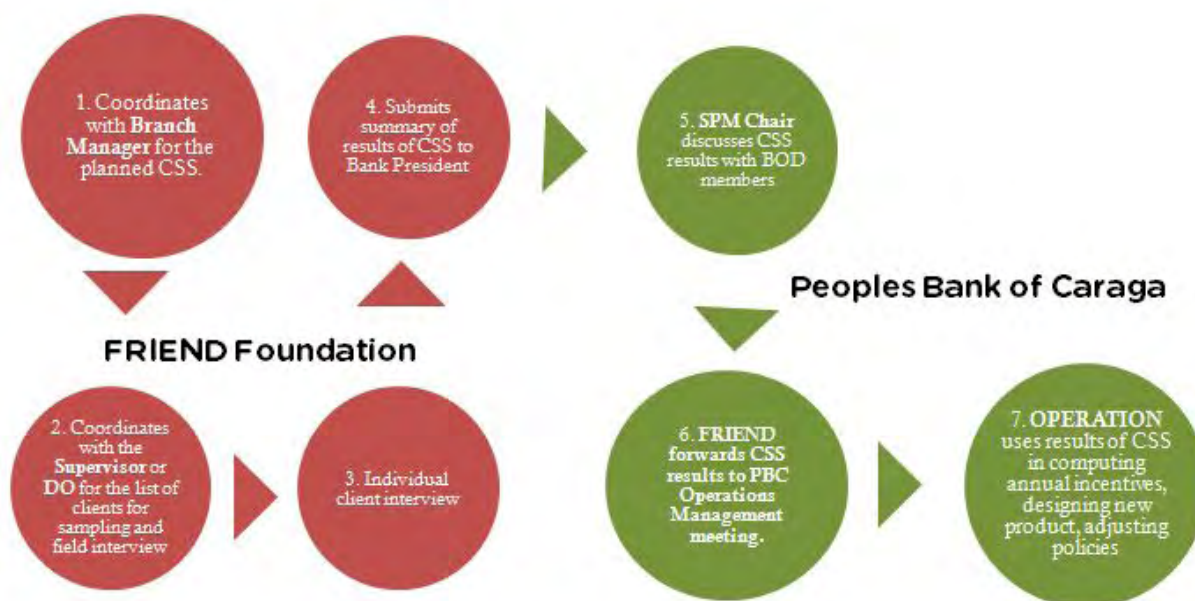
the 2013 version tries to capture these feedback from clients. Third, the management would want to identify staff who really contributed to the positive feedback on customer treatment or otherwise. It wanted to measure the impact of the customer relations training that was instilled in the personnel formation.

In both old and new forms, interviewee's name is not stipulated in the CSS form. This is to protect the client.

### Implementing CSS

The preparation for the conduct of CSS would need a kit for each research assistant. The kit would include CSS forms, pens, the list of branches and the contact

Figure 1



per branch. The budget is prepared by the team leader. The kit, the travel and transportation plus the cost of the two research assistants are the main expenses in conducting the survey.

The sample size ranges from 1 percent to 4 percent except for the maiden survey in 2008, which was 20 percent (Table 4). In 2011 and 2012, the survey was conducted twice yearly - after the first six months and at the end of the year. This, as mentioned earlier, explained why the sample sizes were notably smaller.

The total sample size per survey is determined by FRIEND, headed by its Director who, at the same time, is a member of the board of the bank; and also heads of the committee on social performance management. FRIEND director/COO of the bank agreed with the board on

the sample size, and relays this to the research team in FRIEND. Sample size was determined using the Slovin's formula for stratified sampling:  $n = N / (1 + (N \times \alpha^2))$ , where n=sample size, N=population,  $\alpha$ =margin of error.

Depending on the agreed size of the sample, it would be appropriated per branch. FRIEND's practice ensures that in a year's time, all branches had been represented in the sampling. Branch selection is largely the choice of the research team, and approved by the board through the Director of FRIEND. Per practice, actual sampling and random selection of interviewees take place right in the field and in effect should be conducted with an element of surprise to both the branch staff and clients. A more objective sampling process is currently being considered

such as the use of Excel program on random sampling.

Depending on the sample size, FRIEND would decide how many research staff members would compose the team. Normally, there are two designated employees to conduct the surveys; three when the sample size is larger.

Figure 1 depicts the sequence of the conduct of CSS . It begins with coordination between FRIEND researchers and the different layers of officers from the bank. It ends with the circulation of the CSS results to the different layers of the organization. Annex A, Time and Skills table, shows the amount of time and resources required in performing each of these steps in the process flow.

Each branch has many centers, and two center meetings are held each day. As mentioned, there is no prior

**Table 5: Level of effort**

Position	Role in brief	Level of Effort
Research Associate	Heads the CSS survey coordinates with the bank officers for the conduct of CSS	5 - 15 minutes
Research Associate/ Research Assistant	CSS individual interview	5 - 10 minutes
Research Encoder	Encodes filled-up CSS forms	1 - 2 minutes per questionnaire
Research Associate	Collates, summarizes information and writes report	1 day

sampling done in the FRIEND's office. When the research team arrives in the branch, the team determines the centers to visit from simply picking out from the list. After which, the research team joins the DO/loan officer to conduct the CSS in the selected centers.

At the center meeting, the DO would first introduce the research team and the goal of the visit. The research team leader/associate would then proceed with further elaboration of the CSS' purpose emphasizing the confidentiality of the interviews. In cases where the team decides that clients selected will, individually, fill out the CSS, instruction on how to go about it is explained to the whole group.

There are two ways to gather feedback using the CSS. One is for the research team leader/associate to give the introduction on the CSS to the whole center and then the team of two or three proceed with individual interviews. This would take about five to ten minutes per interviewee. The other is, after a minute or two of general introduction to the whole center, the research associate approaches an individual client; and the research assistant another client, and give a thorough instruction and motivation before the interview proper.

Other than the center meetings, surveys are also conducted in branch offices or in the bank's main office. This is more of an "ambush" type of interview. There is no systematic random selection process, instead, researchers may handpick clients from amongst those present in the office.

The amount of time spent administering the new CSS form per client varies depending on the manner and location of the survey. The old forms took much less time and on average would take about two to five minutes. The latest form would take a maximum of 15 minutes per client because it contains more queries, particularly on staff services. Table 5 shows the level of effort required when using the 2013 CSS version.

After the field interview, the research assistant encodes in the EXCEL program the filled-out survey forms. This

may take about one to two minutes per questionnaire. It can be a bit longer when client noted more comments. All encoded data are then forwarded to the research associate who collates, summarizes information, and writes the report. All this takes one day. The report highlights, in table form and in percentages, the level of client dissatisfaction or appreciation of the bank's services. The report also presents suggestions of clients for improvement of bank's services.

The entire CSS process would take about two months from the survey up until submission of reports to the COO of the bank. The reports are then shared with the members of the board for policy-making, when needed; the management and the microfinance department for changes or adjustments in practices and other services. PBC also shares the results with clients when venues allow for it like in client assembly and during Focus Group Discussion. It is in these venues where the bank validates and confirms what came out in the CSS reports.

FRIEND researchers did not experience major challenges in implementing CSS. The few and minor incidents were resolved quite timely. For instance, clients' hesitation when interviewed by non-bank personnel who were not wearing bank's uniform. What the FRIEND staff perceived as "question of credibility" was resolved by wearing FRIEND's uniform, which is the same as that of the bank, when conducting interviews outside the client center meeting.

FRIEND researcher also experienced that clients could be conscious of the surveillance camera when interviewed inside the bank. Even if names are not indicated in the CSS form, they were wary that the camera could identify them.

Additionally, the bank employees questioned the CSS results of clients who were interviewed while waiting for the release of their loans at the branch office. Bank personnel believed that clients who could personally come to the office are often those who are very positive about the bank's services, and chances are they will also provide positive feedback.



To address this, the FRIEND staff had since then indicated in the survey sheet the place of interview. In the succeeding surveys, observation was made to invalidate the point that the venue had in any way influenced the level of satisfaction. It was not a case of correlation but observation of the trend of particular branches' results where the complaint came from.

ards. However, PBC's CSS needs to capture other details to suffice the indicator 3b such as soliciting information on who actually used the availed product; and the level of trust in the institution or satisfaction in the convenience, safety, reliability of service delivery channels.

PBC/FRIEND may want to consider breaking down the different services into categories that will make it easier and quicker for clients to specifically respond to. This is

**Table 6: Sample Sizes**

Level of Satisfaction	2008	2009	2010	2nd half of 2011*	2nd half of 2012*
not satisfied %	2	0.2	3.2	1	2
satisfied %	30	21.4	23.4	48	44
very satisfied %	68	78.4	73.4	51	54

On some occasions, it was also the researcher's experience that clients would have queries regarding the bank's products during the interviews. Being a FRIEND staff, the researcher may find himself less equipped to address those queries. In such instances, the researcher instead referred the client to a loan officer or to the supervisor for answers.

What the researchers considered an area for improvement is the current sampling method. They are exploring more scientific methods of sampling.

**Improving the Customer Satisfaction Survey**

The erratic behaviour of clients' level of satisfaction, using the old form, (Table 6 and Figure 2) in the past four years suggests that a review is necessary on the CSS practices in:

1. Content and Structure
2. The sampling methodology
3. The conduct of interview
4. How feedback from clients, particularly recurring feedback, are addressed

*Recommendation one: review content and structure*

The different CSS instruments including the 2013 version ask for the overall satisfaction of client on PBC's services. Instead of specific questions, clients are given the liberty to point out the specifics, including PBC's non-financial services.

The instrument seeks opinion from clients on improving the products and provided ample space for clients' feedback on their relationships with bank staff, meeting some of the indicators in Dimension 3 of the Universal Stand-

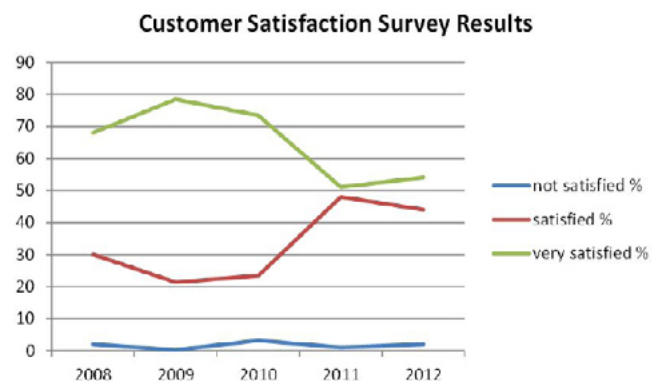
especially helpful when the interviewee is in any of the following conditions: he/she is a new member; he/she is in a rush to finish the questionnaire; or he/she is an elderly.

Segregation of services can also be helpful to facilitate response from the different layers of the organization as to who should take care of what and who should be accountable for which particular issue.

*Recommendation two: sampling methodology*

Sampling method is important to eliminate bias in the selection of interviewees. Existing sampling methods where researchers interview clients of their choice at the center meeting, or on the spot/ambush of members having transactions in the bank or branch office may need to be improved. The staff can better utilize the facility of random sampling in the Excel Program which could

**Figure 2. Behaviour of Client Satisfaction (2010 CSS version)**



**Figure 3. Client Satisfaction (2013 revision)**



facilitate stratified sampling of the different categories such as branches, centers and members; and further on to get samples from categories of products, gender, and geography, for instance. It is cost and time effective. FRIEND research staff works using the Excel program, and learning an additional function is no longer difficult.

Sample size may also consider representation by client characteristics as suggested in the indicators of the essential practice 3a.2.

*Recommendation three: the conduct of the actual interview*

The actual interview during the center meeting should be strictly one-on-one. Interviews taking place at the center meeting hall should provide individual space for the single interviewee. Culture has it that other members listening to the interviews also volunteered to respond to the question, which could influence the selected interviewee's response. This is also particularly important in the case of the new form where the second section elicit personal and highly sensitive answers.

In cases where the CSS forms are used as questionnaire, the second section where employees are named, a one-on-one follow-up interview to draw out real reasons behind the feelings towards the named bank personnel may be useful.

*Recommendation four: Addressing issues (policy, product features, client treatment) raised in the CSS*

It is clear that the goal of the CSS is to measure current level of satisfaction on products, services and customer treatment. Consequently, the implication would be to upgrade and improve on areas of dissatisfaction. However, the solidarity method is a recurring issue which is yet to

be addressed, as FRIEND explained. This issue calls for a major policy change because it has a substantial implication on the entire credit program. If this should remain as the methodology to be used, the bank may have to devise a way to deal with the issue - re-training of both staff and clients on the merits of the method for instance - so as not to appear that the issue has not been given the attention it deserves.

It was also mentioned during the case study interview that the issues raised in the CSS are often addressed on an ad hoc and per branch basis more than a uniform

or across the branches' solution. This may, in part, explain the erratic levels of client satisfaction over the years.

Finally, it was also pointed out during the study that there are issues the management would like to address but could not. For instance, due to the existing policy that limits access to a maximum of three products per client at a time, the management can no longer grant the wishes of the clients to avail of additional loans even if they desired to do so.

In any case, whether an issue is difficult to resolve or will need time to resolve, steps must be taken to inform clients that the management is taking steps to address those. Clients may also be informed regarding the process of resolution or when no resolution could be reached at the moment.

## Lessons learned

### *Benefits and costs*

The organization's serious commitment to its social goals particularly in ensuring the satisfaction of clients on their services, finds expression in the integration of the CSS results - as an equally substantial factor as financial performance - for the computation of the annual branch incentives. The bank also set a very high goal of at least 80 percent very satisfied level of client satisfaction in order to make a statement internally how much the organization values clients' welfare. Maintaining high level of satisfaction is also considered as an essential ingredient to keeping high rate of client retention.

The feedback from the CSS has helped the bank to design a new product (loans to farmers/micro-agri), helped

in policy change (withdrawing of savings to pay the co-member's unpaid instalments is no longer allowed in the center to stop abuses on savings); kept PBC's share of market despite increasing competition, as evident in the steady rise of outreach; and kept low the level of dissatisfaction. Despite the erratic satisfaction levels, the SPM Chair observed that using the 2013 form, the extremely satisfied category has considerably increased (Figure 3).

Further, results of CSS influenced Portfolio-At-Risk (PAR) reduction plan of the bank where practices and policies that were positively reviewed by the clients were continued to be implemented and those that were not were discontinued. For instance, members with loan balances and who had indicated to leave because of dissatisfaction on staff relations are acted upon immediately by the supervisors. Dialogue between the client and the concerned bank staff is facilitated, which almost always end up in resolving the issue, and the client keeping his/her membership.

On the part of the staff, having received feedback concerning client treatment has contributed in positive change in their behaviour. They have also become mindful of their behaviour towards clients. This is evidenced by the increasing score on social performance albeit minimal, as observed by the SPM Chair.

On the side of the middle management, it has developed natural acuity with regards to acting quickly on feedback received involving customer relations. This is apparent in the amount of time dedicated to discussing feedback from clients on staff behaviour during regular meetings and the memorandum or dialogue that follows with the concerned staff. This is further motivated by the implications of client satisfaction on reaching the branch's target outreach and incentive. A low rating on customer satisfaction can definitely affect the incentives that the branch receives.

Clients have also benefited from CSS having been provided with proper and regular channel to communicate how they feel about the bank's services and employees. If they were treated unfairly and the issues were consequently resolved, the clients felt heard and justified, the SPM Chair opined. Or when suggested improvements to the services have been carried out, clients felt being part of the decision-making process.

The management pointed out that there is an observed increase in loyalty to the bank's program by leaders of the confederation - the body composed of center leaders that meet regularly. The leaders voluntarily assist in keeping clients to the program and in explaining program policies to them. It is further observed by the top management that there is a growing positive expression from clients during center visits.

The cost of nearly USD1,800 per conduct of CSS by two FRIEND personnel is borne by the bank and is imbedded in its annual budget. For such a valued feedback from clients, the board, the top and the middle management considers the cost to be highly justified.

### *Lessons for other practitioners*

The following lessons for other MFIs serve, at the same time, as recommendation of PBC and FRIEND to their own organizations.

The SPM Chair expressed that it could have been more helpful in designing the CSS if there were more available references; more people involved in the crafting of the instrument; and if input came also from the field staff of the bank as opposed to a hasty crafting of the tool. A well-participated process could have yielded a tool with more complete information.

It is PBC's future plan to interpret the results from the CSS by taking into account the different client characteristics: gender, age, membership tenure, product availed, and loan cycle, among others, as indicated in Dimension 3 of the Universal Standards.

PBC would also like to look closely on issues raised in the study pertaining to product features (solidarity system) and recommend them to the board for policy-related changes.

Integrating the results of CSS in the mainstream MIS is also to be worked on.

### *More information*

Find more information about Client Satisfaction Survey in the following links below:

Peoples Bank of Caraga MIX Profile

<http://www.mixmarket.org/mfi/pbc>

Microfinance Centre: SP Fund Grant manager

<http://www.mfc.org.pl>

Social Performance Task Force Website

<http://www.sptf.info>

## Annex A. Time and Skills Table

Step	Time Required	Skills/ Resources Required	Other Notes
Determine the sample size per branch and per type of client	1 - 2 hours	Knowledge on Statistics	Using the MS Excel and considering the actual members per branch and per client
Protocol or inform the Manager, ABMM, APS for the survey to be conducted	10 - 15 minutes	Communication skills	
Actual Survey (inside the bank, visit center houses for PABK clients and visit houses for the regular loan clients )	5 - 15 minutes	Interview Skills Probing skills	
Encoding CSS forms	1 - 2 minutes per filled-up form	MS Excel	Depends also on the content per sheet - if the respondents wrote many comments then encoding will take a little longer
Summarizing of data	1 day	MS Excel	The summary consists of the percentages of responses by categories: extremely not satisfied to extremely satisfied; and tables of names of employees and comments.
Submitting results to FRIEND Executive Director			
ED presents the result to the top management, BOD and Operations management meeting			