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MFC Spotlight Note 5

Realising Mission Objectives: A Promising Approach to Measuring the Social Performance of Microfinance Institutions

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Print your mission statement on the back of your business card to remind your people, your prospects, and your customers of what your company stands for.
Philip Kotler

Introduction

This paper proposes a new approach for measuring social performance of Microfinance Institutions (MFIs). The term "social performance" refers to social and economic impact which, together with financial performance, constitutes an MFI's "double bottom line" (Simanowitz 2003). Based on Microfinance Centre (MFC) field experience with different partners in Central and Eastern Europe (CEE), the paper argues that the key to developing sustainable social performance measurement (SPM) systems and practices is to consider their design from the perspective of the institutional mission. Building the SPM into institutional mission and goals is a promising way to ensure it is institutionalised and cost-effective. This new approach promises to facilitate practitioners in fulfilling their social mission. Just as there is a need to have financial performance indicators to strive to achieve profitability, the same applies to the social aspect of microfinance. If there is no system in place to support improvement in social performance, the MFI's social mission may be lost in the sole pursuit of financial targets. Moreover, combining social and financial measurement can potentially increase financial returns in the long term through better understanding of target clients and allocating scarce resources in a more efficient way thus avoiding unnecessary costs of ineffective actions. Combining social and financial indicators will enable managers to successfully balance institutional and development impact trade-offs while striving to achieve the "double bottom line" and improve overall performance.

In order to advance the ongoing debate about developing practical methods for measuring and improving social performance of MFIs[2], this paper summarises ideas for the mission-driven SPM concept – its rationale, development process, necessary elements, use, costs and benefits. It starts with some reflections on the inefficiencies of current practices for measuring social performance that inspire further thinking about social measurement principles.

Current Practice

In the majority of cases, MFIs do not have a systematic process to monitor whether their social goals are being fulfilled. Social and financial goals have been treated separately, the latter gaining more attention than the former. Social performance monitoring efforts have focused more on the side of tracking commonly used lists of indicators. Typically, these indicators have been replicated from other institutions or/and imposed by donors without any attempt to understand their relevance to a certain organisation and culture, or to adapt them accordingly. A corollary of this approach is that monitoring or assessment has not been integrated into other organisational processes. There has thus been a missing link between social performance indicators and organisational mission – the driving force for the organization reflecting the beliefs put behind its activities.

Research

[1] Katarzyna Pawlak and Michal Matul work in the Research Unit at the Microfinance Centre for Central and Eastern Europe and the New Independent States (MFC). More information about MFC research work can be found at www.mfc.org.pl/research . The authors are very grateful to Anton Simanowitz, Graham A. N. Wright, Laura Foose, Gary Woller and Caroline Tsilikounas for their comments on the first draft.
[2] See Schreiner and Woller (2000), Zeller et al. (2003), Brody et al. (2003) and Tulchin (2003) for more reflections on social performance of microfinance.

Impact Assessment

The aim of Impact Assessment (IA) concept is to assist microfinance practitioners in measuring their impact at client level and consequently to give some insights into how an MFI's social performance could be improved. The main goal of the IA methods is to investigate attribution of changes in target client well-being to microfinance intervention. However, given the lack of awareness among microfinance industry stakeholders about IA methods when they were initially introduced, there was a clash between expectations and the methodology applied. Practitioners thought that IA would contribute substantially to improving their services and boosting their operations in a cost-effective and long-term way, but the design of the IA methods was not ready to meet these expectations. Therefore, IA has unfortunately gained a bad reputation. Most practitioners who invested in assessing the impact of their services did so in an ad-hoc manner. The majority of those who tried would agree that it was costly and simplistic, was not useful for management, did not provide timely information, and did not bring groundbreaking changes in the MFI's operations, although it did enable staff to see that their work was bringing positive changes to people's lives. The failure of IA to meet all these expectations was mainly due to the following factors:

- **In the majority of cases the design of a study has been replicated from other institutions operating in different contexts;** there has been no internal participatory process to design appropriate IA. When impact hypotheses, pathways and indicators are simply borrowed from other institution the level of understanding and further use of results, even if they are positive, is very poor.
- **The results of practitioner-led impact studies are very often overestimated.** Firstly, the number of people leaving the programme is seldom taken into account, but is very important information. If 60-70 per cent of clients leave the programme after taking only one or two working capital loans this would seem to indicate that they either did not benefit from the service, or were adversely affected by it, so it is important to include them in the analysis[3]. Showing the results of impact on current – "strongest" clients – presents a very simplistic overview. Secondly, unintended outcomes of microfinance – whether positive or negative– are rarely considered, but if an attempt is made to track them, much can be learned about the impact of services. Everybody knows about the spiral of debt, but hardly anyone considers negative impact pathways and incorporates relevant indicators in the study design.
- **There is virtually no segmentation in the impact studies**. It is accepted that disaggregation by different variables (e.g. age, sex), is key in "commercial" market research and marketing strategy development. In the same way, it cannot be assumed that the impact of microfinance is the same on each and every group of clients. Furthermore, considering business and development imperatives, it would be interesting to identify those groups which register low or negative impact and ask them what could be improved in the services provided.
- Last but not least, **the IA efforts are not institutionalised.** Unless IA is designed internally and becomes part of the institution's ongoing operations, there will be no buy-in among staff, and it is difficult to see how it can contribute to easy-to-manage, innovative changes.

These lessons provide important insights that should guide the development of SPM systems and practices. The Assessing Impact of Microenterprise Services (AIMS) initiative[4] led to discussions about practical ways of measuring impact of microfinance. It contributed extensively to promotion and better practice in impact assessment and in general, in client assessment for microfinance. Current discussions on social performance are building on cutting-edge practitioner-led and middle-range methods for IA developed by AIMS and work undertaken through the Imp-Act programme to develop practitioner- friendly IA systems[5].

Mission-based Approach To Measuring Social Performance Of Microfinance

To create and develop a successful institution there is a need for clear goals that will drive the institution forward. Clarity is needed to direct the staff, management and clients, but also the actions of other stakeholders. These goals are reflected in the organisational mission, which therefore is a good starting point for the development of institutional performance systems.

The role of microfinance differs from one context to another: filling the gap in the financial market, giving risk management tools to vulnerable groups or individuals, allowing micro-entrepreneurs to benefit from economic opportunities, facilitating a return to work for the unemployed, building social networks, etc. Based on a needs assessment, each microfinance practitioner aims to develop services for selected target groups and to manage its social performance successfully to address their development needs. Consequently, when we look across the missions of different MFIs, it can be seen that they vary considerably; some claim to focus on serving the poor clients, others talk about improving economic well- being of a more broadly defined target group, and some aim to address social as well as economic issues. Each institution perceives its role in a different way and wants to achieve different objectives within a wide development agenda of microfinance as a whole. As a consequence, they need different systems and approaches for measuring social performance. Such systems would reflect an institution's uniqueness and stimulate its effectiveness. Whatever the design, there is a need to answer two fundamental questions:

[3] The methodological problems caused by dropouts encountered in impact assessments – incomplete sample and attrition bias, are discussed in more detail in Karlan (2001).
[4] http://www.usaidmicro.org/pubs/aims/
[5] http://www.imp-act.org/

- **Verification:** How successful are we in fulfilling our mission?
- **Improvement:** What can we do to better fulfil our mission?

Given up-to-date practice and the mission-based concept the SPM should have the following functions:

- Identifying target clientele,
- Monitoring impact, including unintended negative impacts, on its target clientele (both current and exiting clients),
- Stimulating the search for new solutions to improve impact through targeting tools, new products, partnerships, delivery channels, etc.

It is important to note that SPM does not have the function of attributing changes within target groups to the microfinance intervention. This is probably the biggest difference between IA and SPM. SPM has predominantly an internal use[6]. In this context it is more appropriate to refer to "impact monitoring" (IM) rather than "impact assessment" (IA)[7]. It is widely known that monitoring financial performance can help an institution improve its financial condition. This is possible thanks to the measures that help verify the current situation and provide information on where an organisation can do better. In the same way the SPM works by looking at inefficiencies or areas for further improvement – creating an institutional drive for ongoing learning and innovation.

Developing Sustainable SPM

The link between cost and revenue and their relationship to financial performance is somewhat obvious. The relationship between an organisation's actions and its social performance is not so self-evident, however. To be able to link inputs to the social results, there is a need to conceptualise how expected changes may occur. This will depend on the MFI's mission, context and methodology, but should be embedded in the perceived role microfinance can play in a given setting. Such an approach makes it important for the institution to select performance indicators that will reflect the way expected changes within their target group occur in the context of its operations.

To select such "valid" indicators it is important to go through a rigorous selection process following the suggested steps. This process is a key to building a sustainable SPM for an MFI.

1) Getting consensus on the institutional goals and needs

Before starting any work related to SPM it is crucial for an MFI to better understand what kind of information is really needed. This clarity allows efficient allocation of resources and enhances usefulness of the collected information. The key element in assessing needs for the SPM is a thorough analysis of the mission, taking into account the broader picture of current programme design and potential areas for future development intervention.

2) Identifying the target group

The mission reflected in the institutional goals determines a specific target group for intervention. The target group(s) should be selected in terms of both financial and social goals. They will differ across contexts and MFIs. It is of utmost importance for each microfinance practitioner to have a tool to identify these groups. Usually, clear indicators should be defined in order to identify the target group. This disaggregation is crucial, as MFIs need to develop services based on an understanding of the needs of potential clients in the area where they operate. In addition, it allows an estimation of costs of serving different target groups and managing trade-offs to achieve the „double bottom line". As shown in the Prizma example below (box #1), the client poverty level is one possible indicator to identify target groups. There is a growing impetus to develop practical tools to measure the poverty level of microfinance clients.[8] It is important to note that not necessarily all MFIs should claim poverty outreach and use poverty level criteria in setting their target groups.

3) Conceptualising impact pathways

Once an organisation is clear about its goals, operational rationale and target group(s) the next step is to be clear about the way the expected changes within its target group(s) will occur. As proposed in the SEEP/AIMS manual (Nelson 2000) the following elements should be investigated: intervention inputs, effects, and expected and unintended outcomes. When the pathways are being investigated, it is very important to include a variety of information sources that will increase the quality of the information. Triangulation provides a more complex picture through cross-checking different perspectives on the same issue. It may involve techniques such as brainstorming with staff, analyzing information from widely available country level data, clients' feedback and sophisticated research studies and analysis; it may also require various informants: staff, management, board, clients, other stakeholders, academics, experts. The degree of rigour required will depend on the needs of the end users of the systems.

[6] However, the authors believe that if the relevant SPM is in place an MFI is empowered to justify its intervention to external stakeholders as well. It necessitates to develop social audits and standardized benchmarks to be used by donors and investors.
[7] See Copestake (2001) for differences between IA and client monitoring.
[8] http://www.seepnetwork.org/povertyassess.html; http://www.povertytools.org/

While establishing pathways, it is important to think beyond the MFI's current operating model and services offered. Consider the target client and her/his behaviours, needs, attitudes and then analyse how those aspects link to your development goals. It is essential to look at the institution's development goals and to define what those mean in the wider context of microfinance. This will result in more indicators and social performance measures that are broadly applicable and relevant in the long-term.

4) Identifying indicators and relevant measures

The pathways inform the selection of indicators corresponding with the expected outcomes. Indicators should be:

- **"Sustainable":** valid in the long-term and able to withstand changes in services and institutional environment;
- **Universal:** relevant for all target clients, rather than only for a specific group.
- **Sensitive to change:** able to reflect the changes associated with the MFI's intervention over a specified period of time;
- **Easy to measure:** ensure low cost and ease of information collection, and provide reliable data.

Once the indicators are identified there is a need to develop reliable, easy-to-use measures.

5) Identifying best ways to collect, validate, analyse, report on and use the information

Identified indicators should drive the selection of data collection method and development of tools. At this point it is very important to assess the institutional capacities. The system needs to be adjusted to the existing institutional resources in order to use them effectively. Consequently, more detailed issues should be addressed internally, such as how data is collected, who collects and inputs data, how data should be stored and analysed. If these operational aspects are well adapted and integrated with other operational systems and processes, the SPM will be cost-effective.

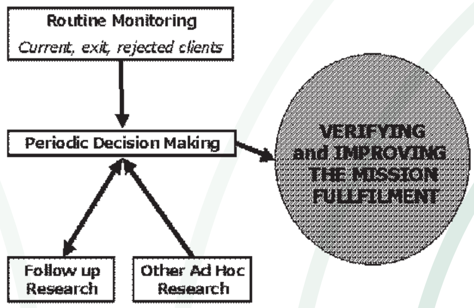
Depending on capacities, some of the approaches and tools may be beyond the reach of some smaller, less developed institutions. To allow for effective SPM usage, a well-operating management information system (MIS) is an advantage. In addition, there is a need for appropriate data collection and analysis skills within the institution or from outsourcing possibilities. An effective management structure that will oversee the data collection and use of information is also very important, as are the human and financial resources that will be devoted to system design, maintenance and development.

6) Institutionalising social performance

Indicators, methods and tools alone will not provide an institution with useful information in a cost-effective manner. SPM must be a part of institutional operations and utilise existing resources; this will enable operational and timely use. One should make continuous efforts to institutionalise social performance measurement from the very beginning of the development process. Therefore, special attention must be paid to senior staff commitment, staff buy-in, incentive systems, participatory meetings, planning and system development process and relevant training.

Necessary Elements In The SPM System

To fulfil SPM functions and methodological aspects mentioned in two previous sections the following outline is suggested:



- **Routine impact monitoring component** that tracks changes appearing among target clientele, including current, exiting and rejected clients, and enables the portfolio segmentation. This gives a picture of patterns of client change and behaviour. However, it does not explain the reasons behind those changes.
- **Periodic decision making component** ensures that the collected information is analysed and used by management and other internal stakeholders. SPM data combined with ongoing monitoring of internal and external changes enables better understanding of the institutional and client-level impact of our actions. In addition, at this stage areas for improvement are identified and prioritised. This allows them to be translated into well-defined, specific research objectives for exploratory follow-up research.
- **Follow-up systematic research component** investigates further and clarifies issues around the signals identified through the routine component. Qualitative research leads to an understanding of why changes are happening, and also follows up on new ideas coming from the routine monitoring results. Exploratory research prompted by routine monitoring findings results in refinement of policies and services, and development of new products, leading to better mission fulfilment.
- **Ad-hoc research** can be undertaken in response to opportunities or challenges as well as any new

ideas that an MFI may have regardless of the signals from the routine component. This component ensures that the institution does not limit itself to the signals emerging from the monitoring of the "attracted", current clients but opens up the space for innovation and institutional inspiration that help further improve mission fulfilment. Such ad-hoc research may involve exploratory market research on other segments, loyalty studies or client satisfaction studies that might be incorporated into the routine monitoring system and further increase institutional effectiveness in reaching its mission.

The framework presented above is deliberately very general to allow every organisation to adapt it to its needs, taking into consideration its mission and, consequently, social performance monitoring

Box #1

Prizma- www.prizma.ba - is still a relatively young institution intervening in Bosnia and Herzegovina with a great deal to learn and capacity to grow. Prizma's vision is to enable people to make choices to improve their lives; its mission is to improve the well-being of poor and low-income women and their families by providing long-term access to quality financial and non-financial services. Since its inception, Prizma has embraced **social performance and financial sustainability** as core values, which has led to constant clarification of the essential indicators of its effectiveness as a social enterprise. Within this principal framework, Prizma has focused on three critical objectives flowing directly from its mission: (1) measuring and deepening outreach in an environment of poverty and growing inequality; (2) improving service quality and institutional performance in an environment of growing competition; and (3) measuring and improving impact. To these ends, the organisation has sought to enhance social performance by institutionalising organisational learning and deepening poverty outreach, focusing fundamentally on leadership, organisational culture, incentives, and systems.

Prizma has developed a system to facilitate the meeting of these goals. **The Prizma Poverty and Impact Scorecard** is a tool to measure the household poverty level based on eight non-income indicators that are the strongest and most robust poverty proxies in Bosnia and Herzegovina, identified using different national and internal data sources. The poverty score is calculated using two types of indicators. The first four indicators reflect poverty risk categories as household education, employment, size and location. In the second group there are indicators that reflect household well-being in terms of food consumption and household assets. The impact score is constructed from well-being indicators.

The data is collected through application forms and is stored in the MIS. The MIS reporting formats are being developed for use in various situations and at various levels.

This system serves three critical purposes:

- First, it enables the organisation **to use relative and absolute measures of poverty level of its clients in its day-to-day work** for understanding and monitoring poverty status among attracted, rejected, retained, and deserted individuals of a target group. This information is used in a proactive way, feeding targeting policies, incentive systems, product development and other institutional areas in order to stimulate fulfilling Prizma's mission.
- Second, it enables the organization **to report on the poverty level of every client in absolute terms** in relation to the national poverty line and the international $1 per day measures.
- Third, it enables the organisation **to measure discrete change in clients' well-being over time,** to improve its services and policies in order to bring about greater impact on important target groups, and to indicate to internal and external stakeholders the extent to which the Prizma is improving clients and their families' well-being. Knowing that by simple monitoring it is not possible to attribute changes in people's lives to Prizma intervention, the important function of the impact component is that it can identify the groups of clients on whom Prizma has negative or no impact in order to further research their needs to improve Prizma's services.

In sum, while this system does not, on its own, capture the complex, dynamic, multidimensional, and context-specific nature of poverty in Bosnia-Herzegovina, it does enable the organisation to understand and demonstrate more clearly and on a regular basis the extent to which it is (a) reaching

Research

mission fulfilment report - Jan 2015

Mission statement=	improve standard of living of poor and/or vulnerable female entrepreneurs and their families by providing a full range of sustainable financial services	
Target group=	high target group	female clients from families that are very vulnerable and live below the poverty line
	standard target group	female clients from families that are moderately poor (but not vulnerable) or vulnerable living above the poverty line
	non target group	other clients (accepted mostly for financial reasons)
Number of clients=	now	20 000
	in previous period	17 500

Reaching the target group

	number now	% total now	% in previous period	% among new clients	% among new clients in the previous period	% among NEW clients rejected NOW	% among NEW rejected in the previous period	% among OLD clients expelled NOW	% among OLD expelled in the previous period
high target group	*1 500*	7,5%	10,0%	5,0%	5,0%	10,0%	10,0%	8,0%	8,0%
standard target group	*13 000*	65,0%	70,0%	50,0%	50,0%	66,0%	65,0%	65,0%	65,0%
non target group	*5 500*	27,5%	20,0%	45,0%	45,0%	24,0%	25,0%	27,0%	27,0%

	% among **all dropouts** NOW	% among dropouts in the previous period	% among **dissatisfied dropouts** NOW	% among dissatisfied dropouts in the previous period	% among **satisfied dropouts** NOW	% among satisfied dropouts in the previous period
high target group	10,0%	5,0%	20,0%	10,0%	50,0%	30,0%
standard target group	80,0%	65,0%	80,0%	65,0%	10,0%	30,0%
non target group	10,0%	30,0%	0,0%	25,0%	40,0%	40,0%

Changes in status of current clients

changes comparing to previous period

	security index			well-being index			...other variables, indexes, domains		
	negative	stagnant	positive	negative	stagnant	positive	negative	stagnant	positive
ALL	**5,0%**	**55,0%**	**40,0%**	**10,0%**	**65,0%**	**25,0%**			
high target group	15,0%	70,0%	15,0%	10,0%	90,0%	0,0%			
standard target group	5,0%	45,0%	50,0%	5,0%	70,0%	30,0%			
non target group	5,0%	80,0%	15,0%	0,0%	80,0%	20,0%			
early cycles (1-2)	5,0%	55,0%	40,0%	10,0%	90,0%	0,0%			
medium cycles (3-5)	5,0%	55,0%	40,0%	10,0%	65,0%	25,0%			
high cycles (6+)	5,0%	55,0%	40,0%	10,0%	40,0%	50,0%			
Using only 1 product	15,0%	85,0%	0,0%	10,0%	85,0%	5,0%			
Using 2 products	10,0%	70,0%	20,0%	10,0%	80,0%	10,0%			
Using 3 and more products	0,0%	50,0%	50,0%	0,0%	50,0%	50,0%			
...other breakdowns									
...other breakdowns									

Changes in status of exiting clients

changes comparing to previous period

	security index			well-being index			...other variables, indexes, domains		
	negative	stagnant	positive	negative	stagnant	positive	negative	stagnant	positive
ALL	**5,0%**	**55,0%**	**40,0%**	**20,0%**	**70,0%**	**10,0%**			
high target group	5,0%	55,0%	40,0%	70,0%	25,0%	5,0%			
standard target group	5,0%	55,0%	40,0%	40,0%	55,0%	5,0%			
non target group	5,0%	55,0%	40,0%	10,0%	65,0%	25,0%			
early cycles (1-2)	5,0%	55,0%	40,0%	20,0%	70,0%	10,0%			
medium cycles (3-5)	5,0%	55,0%	40,0%	20,0%	70,0%	10,0%			
high cycles (6+)	5,0%	55,0%	40,0%	20,0%	70,0%	10,0%			
Using only 1 product	15,0%	85,0%	0,0%	20,0%	70,0%	10,0%			
Using 2 products	10,0%	70,0%	20,0%	20,0%	70,0%	10,0%			
Using 3 and more products	0,0%	50,0%	50,0%	20,0%	70,0%	10,0%			
...other breakdowns									
...other breakdowns									

Actions

follow up research on previous data

summarized findings addressing information gaps and research questions from previous mission fulfillment reports (investigations realized by internal research team)

ad-hoc research

For example: Research team during its regular market research activities identified a priority need for asset building term savings product among its high target group clientele. Responding to this need the internal research team segmented futher the market and designed the concept of the new product.

Financial performance

standard financial indicators indicating to what extent the organization meets the goal to be institutionally viable

Potential Use Of The SPM System

needs, operational model and current capacities.

What management can get out of it? One can imagine very simple, periodic reporting that shows not only figures but also actions. The chart on the previous page provides an example[9] of how changes in target clientele composition can be isolated and tracked. It shows that, although the socio-economic situation is stable, there is a mission drift away from serving target clientele due to the high drop-out rate of dissatisfied target clients. The client status information is even more worrying, indicating that there has been no increased security of target households. Such a chart enables the MFI to see worrying trends and pre-empt possible problems, enabling the MFI to investigate the underlying causes. The information gathered can have implications for several institutional areas, such as product development, human resources, credit application procedures, loyalty strategies and promotion.

Costs And Benefits

The highest costs of measuring social performance are associated with its development, implementation, and integration with other institutional functions and processes. These costs are considerable, as they are usually linked to a significant change in the organisational culture. However, an important point is that if the SPM systems and practices are in place, additional costs are very minor in relation to the benefits. It can be argued that implementation of SPM should further cut organisational costs through more efficient

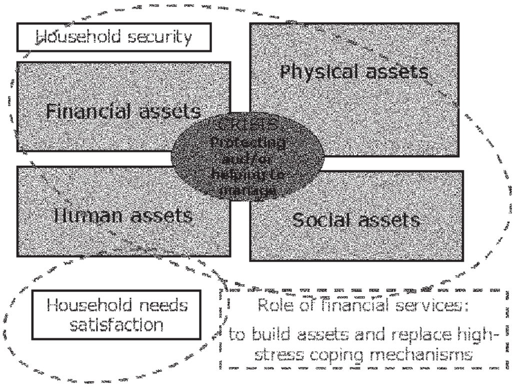
Box #2

Opportunity International Serbia (OIS) is a young microfinance bank that works to create employment opportunities and improve the standard of living amongst its clients and their families regardless of ethnicity, religious, or political affiliations. OIS strives to provide stability for its clients, allowing them to help themselves in dignity, with self-confidence and rebuild confidence in financial institutions. The OIS identified its key impact areas focusing mainly at household level as priority and in particular was interested in driving development in the following areas:

- employment creation and opportunities
- standard of living and stability
- self-confidence

Therefore, the conceptual framework was created around these three areas and focused on household well-being, defined as its stability and ability to provide for various needs. Household stability was analysed from the perspective of the household assets accumulation and possessions (human, social, physical and financial) that determine its stability through the role they play in protecting/coping with crises.

In the proposed framework increased household stability is an objective in itself but also leads to increased employment opportunities (employment opportunities usually grow along with accumulating assets). Improving living standards is also an objective in itself, which leads to increased self-confidence. In such a defined framework, the role of OIS is to provide such products and services that will build necessary assets and provide a high stress-coping mechanism.



Necessary information is provided through MIS reports. The required information is generated from the set of indicators chosen in a rigorous selection process by means of application forms registered with new, follow-up and rejected clients as well as monitoring forms with dropping out clients.

Such a framework provides the starting point for segmenting the target group, based on household well-being, and for identifying the most underdeveloped areas as indication for service improvement need. Based on this information from the impact monitoring system, OIS may adjust its products or develop new ones to have a better impact on household well-being and on other areas of development

The segmentation based on household stability is also very useful from the point of view of managing institutional risks (thus helping to link the social and financial goals). OIS is able to keep their risks low and serve target clientele through attracting a mix of vulnerable, non-vulnerable, poor and non-poor clients that will maximise its social goals at the minimal possible level of risk thanks to appropriate client base diversification.

[9] This is just an example to illustrate potential outputs from the SPM system. It is assumed that an MFI has an SPM including all the necessary elements listed in the previous section. Moreover, the reporting format should be extended by trend analysis over longer period of time and profitability analysis for all target groups. The presented report is simplified only for the sake of presentation. Security index refers to client household vulnerability (dynamic); well-being index refers to its poverty level (static).

allocation of resources.
The SPM, which is built on the institutional mission in a structured process, performing all the functions and taking into account all the methodological issues, has the following benefits to an MFI. It:

- **Facilitates better business decisions:** by enabling in-depth analysis of "microfinance trade-offs", and revealing the best solutions.
- **Provides information needed to improve the service:** it is not static, but is action–oriented thanks to trend analysis, periodic discussion and follow-up. High quality data supports staff in their decisions.
- **Increases understanding:** it is based on clear pathways and robust, contextually adapted indicators.
- **Opens up new dimensions in client segmentation and target grup identification;** having a smaler number of strong impact and well-being proxies enables the segmentation of your portfolio by target group variables. In addition, it provides a rich source of data that can later be mined.
- **Verifies the impact of your programmatic changes:** it provides a simple tool for trend analysis that can be used to evaluate the impact of internal changes made to improve performance. It goes beyond current clients, taking exiting and rejected clients into consideration. It points to reasons behind product adaptation failure and other inefficiencies.
- **Indicates your social performance to external stakeholders:** the system is linked to the mission and uses carefully selected and adapted indicators. In this way, it provides a reliable means to justify MFI's existence and intervention to external stakeholders. Moreover, it shows them how services are being improved to better fulfil an organisational mission, and demonstrates how their investment contributes to development. Consequently, it allows an MFI to better position itself in a competitive market for funding.
- **Is relatively easy to institutionalise,** because it is driven by institutional goals and based on actual informational needs and operational capacities of an institution.
- **Can be implemented with low additional cost:** the SPM can be integrated with existing systems and processes at low cost and with efficient use of time.
- **Provides timely information,** as it is ongoing and automatised.
- **Has an infinite range of institutional uses:** collected variables can be used for other institutional purposes, such as risk management, staff incentives, identifying new market opportunities etc.

Conclusion

This paper argues that microfinance can be more efficient in reaching the "double bottom line" if it is equipped with a mission-based Social Performance Measurement system. The fact that the SPM system is built on the institutional mission ensures its cost-effectiveness and facilitates its institutionalisation. Successful SPM - an output of a thorough, bottom-up, internal and participatory process - should be integrated with other operational systems and processes. It is based on a mix of routine and ad-hoc components that supports systematic monitoring, research and decision making. Upfront costs of the SPMS development and implementation, and management of the associated organisational changes are considerably high. However, as the paper argues, this investment is compensated by low usage costs, better allocation of resources and other multiple benefits for an MFI. It not only stimulates an MFI to verify its social mission fulfilment and innovate in the search for optimal solutions to address development needs in a given intervention context, but also can improve its financial condition through client segmentation and risk management leading to increased efficiency, better product development and strategic decision-making on the competitive microfinance markets.

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