News Bulletin

Lanka Microfinance Practitioners' Association

LMFPA News Bulletin – June 2013

Essential Practices of Universal Standards for Social Performance – Part 1

Define and monitor social goals

a) *The Institution has a strategy to achieve its social goals*

1. *Social Mission* - the institution's social purpose, which serves the broader purposes of increasing access to financial services for vulnerable or excluded target groups and creating benefits for these clients.
2. *Target Clients* - the specific characteristics of its target clients (e.g., demographic, socio-economic, business activity) and how serving these client groups support the social mission.
3. *Social goals* - the specific client-level *outputs* (e.g., agricultural loans to rural farmers) and *outcomes* the institution expects to achieve (e.g., increased assets for farmers).
4. *Social Indicators* - the indicators it will use to measure its progress toward achieving each of its social goals (e.g., reported assets of farmers at months 1 and 18).
5. *Social targets* - the measurable targets for client-level *outputs* (e.g., 70% of all new loans are made to rural farmers) and *outcomes* (e.g., 80% of these farmers report increased assets after 18 months).
6. *How to achieve goals* - The products, services, delivery models and channels the institution will use to achieve these outputs and outcomes.

b) *The institution collects, reports, and ensures the accuracy of client level data that are specific to the institution's social goals*

1. The institution collects data using at least one indicator for each of its social goals
2. The institution identifies the following: who collects the data; where the data are stored; who analyzes the data; who verifies the accuracy of the data, and how the data are reported and to whom
3. The institution's internal system for managing data (e.g., MIS) has the capacity to disaggregate client data by gender and other key client characteristics.
4. The institution ensures the quality of the data it collects by: 1) validating the data collected and entered into the system, and 2) training employees on data collection tools and data entry.
5. If the institution states poverty reduction as one of its social goals, it monitors the poverty levels of its clients using a poverty assessment tool (e.g., per capita household expenditure, food security survey, Participatory Wealth Ranking, Progress out of Poverty Index, gender audit tools, etc.)
6. The institution discloses social performance data, including the MIX Social Performance Indicators, in a public format (e.g., the institution's annual report, reporting to MIX Market, reporting to a national/regional association).

Stories of "Wealthy families"

"Financial Discipline is key to success" is the main theme of **"Wealthy Family"** Program. In 2012 **Plan Sri Lanka** Introduced a program called Financial Competency and Life Skills Improvement for rapid Socio-economic Transformation **(FiCLSI 4 RSeT)** as the Social Performance Strategy (SPM) of Financial Services Program. FiCLSI 4 RSeT aims at increasing wealth of individuals (Men, women, children and young people), families and communities via Improving financial competencies and life skills which will eventually ensure sufficient, effective and meaningful allocation of household and community resources for children wellbeing.

FiCLSI 4 RSeT defines Wealth as follows;

Wealth = Personal Assets+ Financial Assets+ Income Generating Assets + Physical Assets+ Assets for Connectivity + Social Assets + Environmental Assets

Introduction os this program to microfinance sector of Sri Lanka was happened in may 2013, via a TOT and the 2nd step would be happened on 2nd to 6th September 2013 under the collaboration of **LMFPA and Plan Sri Lanka.**

Success Story of Arthavida Foundation – A turnaround in PAR from 40% to 5%

Arthavida Foundation (AvF), a sister concern of Arthacharya Foundation (AF) is a member of LMFPA that established itself as an NGO in 1992. Until June 2011, AF was engaged in both microfinance and non microfinance activities. The microfinance programme focused on providing small loans to the poor families for income generation activities while non microfinance activities included participatory waste management, water supply, sanitation and nutrition programmes. The microfinance operations were transferred to AvF in July 2011, a new entity incorporated as a company limited by guarantee under the Companies Act No 7 of 2007.

As AF has been doing both microfinance and non microfinance activities, the dichotomous approach of AF, where microfinance demand for complete commercial approach and non microfinance required philanthropic approach, has led to severe challenges of maintaining good portfolio quality. Rabobank Foundation, which has been a strong supporter for AF, offered technical support to AvF through *MicroSave*, a renowned international consulting company, and a very experienced local consultant. Rabobank Foundation has offered the technical support in 2009.

On account of the technical assistance and proactive implementation by AvF, the PAR (>30 days) has been systematically reduced from 40% to 5%, within a short period of two years. This is an excellent case of turnaround of an institution from extremely high portfolio at risk to a decent portfolio quality. This learning can be a good point of reference for other financial institutions like AvF. More details of this case study can be downloaded from the LMFPA website at www.microfinance.lk

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