DOUBLE BOTTOM LINE GROWTH

By Patrick Crompton

MOST MICROFINANCE institutions (MFIs) pursue a double bottom line—financial performance (financial sustainability) and social performance (socioeconomic impact). However, it can be difficult to find the right balance between the two goals. Client assessment research—"the process of gathering information about clients, analyzing the information, and acting on the information"—can help a microfinance institution promote financial performance as well as measure social performance.[1] According to measurement expert Gary Woller, there are three generic approaches to client assessment: impact assessment, market research, and client monitoring. Market research—"the process of gathering information on clients' needs and wants, behaviors and perceptions"—has the potential to strengthen financial performance if carried out properly and if the data is used effectively. Furthermore, client monitoring—"the process of tracking changes in clients' profiles, well-being, and behavior"—allows an MFI to monitor the socioeconomic status of their clients and, consequently, determine its social performance.

MOVING FORWARD WITH TECHNOLOGY

In an attempt to measure its double bottom line, FINCA, under the direction of its founder John Hatch, has been conducting client assessment research in its twenty-three country affiliates since 1997. Technology has aided FINCA in this process. Through the use of personal digital assistant (PDA) technology, FINCA has become more efficient, accurate, and cost effective in its client assessment research activities. Furthermore, FINCA is awaiting the development of its data warehouse technology, allowing the storage, analysis, and reporting of client assessment research findings more robustly and quickly.

CLIENT ASSESSMENT TOOL

Each summer, graduate research fellows, trained in FINCA's research methodology, conduct interviews with new, current, and exiting FINCA clients to monitor the socioeconomic impact of and client satisfaction with FINCA's products and services. FINCA's Client Assessment Tool (FCAT) is the survey tool used by the research fellows to conduct these interviews. The FCAT is a twenty- to thirty-minute interview that examines client demographics, their household expenditures and assets, social metric indicators such as health and education, business metrics, and customer satisfaction. Some questions found in the FCAT include the following:

- What is the highest grade/year of school you have completed?
- How much does your household usually spend per week buying food?
- Does your household own any large appliances (e.g., stove, refrigerator, washing machine)?
- Are you able to afford clean and safe drinking water?
- How would you rate FINCA's overall service to you?

RESEARCH METHODOLOGY AND BACKGROUND

Research fellows are typically deployed in three-person teams for a country visit of about five weeks. Their first couple of days in the country include briefing host-country staff on the purpose and methodology of the research, and then establishing a research sampling frame and client visitation schedule. The research fellows then begin a stage of field interviewing lasting four five-day weeks with about ten client interviews per day. Over the four weeks, each research fellow conducts approximately one hundred and fifty interviews.

During any given day, a research fellow will likely visit two village banks or credit groups in the morning to interview three or four members of each, and then visit another two groups in the afternoon to interview three or four of their members. Interviews are conducted with new clients just entering the program to serve as a proxy control group, and with current clients who have already gone through at least two years with FINCA to serve as the experimental group. Evenings and weekends are partially devoted to database quality control, with a weekly update sent to FINCA headquarters so that sample compliance can be monitored. The final week of the visit is devoted to three to four days of data analysis and report writing. The final day is set aside to present the team's findings to senior management. Every research team is required to prepare and present

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their final report to host-country staff and submit a copy to FINCA before leaving the assigned country.

PDA TECHNOLOGY

For many years, client interviews were recorded on paper, and the data was later entered into a database. However, starting in the summer of 2003, FINCA International began using PDAs in its research efforts. Using Pendragon Forms software, a mobile database program, the FCAT is loaded onto a PDA from which survey questions are asked and answers are recorded. After each day of interviewing, research fellows synchronize the PDAs with their laptops, and the interviews are automatically transferred to a Microsoft Access database. From there, data can be exported to Microsoft Excel or other statistical software packages for analysis.

The benefits of PDA technology for FINCA's client assessment research activities include: (1) increased efficiency and cost-effectiveness by shortening interview times, allowing research fellows time to conduct more interviews, and (2) improved data accuracy by taking away the need to manually enter data. Research fellows, those using the technology, agree that PDAs improve the process. They've commented:

- "The PDAs are very portable and easy to use. They make the data capture process very quick and easy." (2004)
- "PDAs made data collection efficient and concise. Once an interview was conducted, the data was immediately available for analysis through upload onto a computer without requiring additional investment of time on the part of the researcher." (2005)
- "The PDAs are more effective than inputting data by hand, and they reduce the use of paper—environmentally friendly." (2005)

Of course there are drawbacks to all technology. FINCA has found the following to be noteworthy drawbacks when using PDA technology: (1) difficulty charging the PDA in some areas of the field, (2) ensuring there is ample time to train each researcher how to use and troubleshoot the PDA and the database, and (3) system errors in the PDA and the Pendragon Forms software that occur periodically, which inevitably have to be resolved via email or international pho ne calls. Weaknesses of PDA technology cited by the research fellows include the following:

- "The PDAs were occasionally hard to recharge in developing countries. They are easy to lose and are one more thing to worry about. They also made interviews a little less personal." (2004)
- "The respondents sometimes were intimidated by the technology. We had frustrating technical issues until a week before we were to finish." (2005)

DATA WAREHOUSING TECHNOLOGY

Like all forms of data, it is through the proper storing, cleansing, analyzing, and reporting of data that yields meaningful and useful information. Until then, data are just words and numbers and a waste of significant time and resources. There are numerous ways this data transformation process can take place. However, different levels of analysis and reporting sophistication yield varying degrees of usefulness. Therefore, to maximize the potential power embedded within FINCA's client assessment data, FINCA is currently engaged in the development and deployment of data warehousing technologies throughout its network.

Data warehousing is the consolidation of data from multiple sources into a single data warehouse and the use of "decision support systems"—standard queries, multidimensional analysis, modeling and segmentation, and knowledge discovery—to transform data into meaningful answers and reports that can aid in the interpretation of business events.[2] It is the transformation of ordinary data into useful information. With both financial performance and client assessment data consolidated into one warehouse, decision makers and managers have the potential to query the data in a myriad of ways. Potential queries relevant to an MFI with a social mission could include the following:

- Does the loan portfolio of families that spend more on educating their children differ significantly from families who spend less?
- How much of the FINCA loan does the average client invest in her self-employment business?
- Among new clients recruited, how many are very poor versus moderately poor or non-poor?
- After how many loan cycles are clients most likely to leave the program, and what is their profile?

More broadly, data warehouse technology can also assist in the following analysis techniques, which otherwise are manual and labor intensive processes and, at best, guesswork:

- profitability analysis
- risk management
- customer retention and churn analysis
- target marketing
- sales analysis and forecasting
- promotions analysis

The use of these analysis techniques has the potential to revolutionize how FINCA operates and how it serves it customers. Such timely information can quickly and profoundly change the design of a microfinance program's services, alter client targeting criteria, reduce client desertion, lower transaction costs, and enhance program sustainability. It is even possible, through modeling and segmentation analyses, that FINCA could develop models that predict not only which products are the most effective but which are the most profitable as well.

FINCA's breakthrough in cost-effective data collection and the use of data warehousing technology offers an opportunity to understand how microfinance helps the poor in far greater detail than ever before. Specifically, it is helping FINCA succeed as a double bottom line venture. ESR

Endnotes

1 Gary Woller, *Building Successful Microfinance Institutions by Assessing Clients' Needs*, The SEEP Network: Washington, DC, 2005.

2 Jill Dyche, *e-Data: Turning Data into Information with Data Warehousing*, Addison-Wesley: Boston, 2000.

ABOUT THE AUTHOR

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