



CERISE+SPTF



DOING GOOD AND AVOIDING HARM:

Research on Correlations between Social
Performance Management Practices and Customer
Outcomes in Inclusive Finance

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EXECUTIVE SUMMARY

Data analysis revealed many correlations that are both statistically significant and intuitive between specific social performance management practices and customer outcomes.

This research studied the correlations between social performance management practices¹ (SPM) and customer outcomes in the financial inclusion sector. Cerise+SPTF, MFR, and 60 Decibels combined their data to create a dataset with 72 unique financial service providers (FSPs).

Data analysis revealed many correlations that are both statistically significant and intuitive between specific social performance management practices and customer outcomes. For example, a higher share of borrowers reports an increase in savings, an increase in business revenue, and an increase in quality of life, when the loan repayment is not a burden. Higher annual percentage rates (APRs), however, are correlated with a higher share of customers reporting a decreased perception of the future and lower business assets. Furthermore, when the FSP has poor transparency, defined as the percent of customers who “disagree that fees, interest rates, and penalties were easy to understand,” a higher share of customers reports a decrease in business revenue and a decrease in quality of life.

In other cases, analysis of this database shows random relationships or non-statistically significant correlations. For example, the correlations between the financial service provider’s overall level of SPM, meaning how well the financial service provider scores collectively across all dimensions of social performance management, and various customer outcomes, are not statistically significant. Similarly, the correlations between the overall level of outcomes management, meaning how well the financial service provider defines and measures outcomes, and customer outcomes, were not statistically significant. Nonetheless, the relationship between outcomes management and business impact² showed an interesting visual relationship. See [Appendix A](#).

Going forward, Cerise+SPTF and partners would like to deepen this research with a larger dataset and some adjustments to the data collection methodology.

¹Note: Social performance management practices encompass both customer protection practices and other management practices intended to help financial services create benefits for customers.

²“Business impact” is a score from 0% to 100%, attributed by MFR via its Impact Assessment tool. The score integrates findings related to business income and assets, employees, and business attitude, and is based on customers survey results.



INTRODUCTON

Cerise+SPTF seeks to make the financial sector more inclusive and responsible, particularly for poor and vulnerable populations. To this end, one of the fundamental areas of work of Cerise+SPTF is the identification and dissemination of standards for management practices that protect customers from harm and make it more likely for financial services to benefit customers. Cerise+SPTF gathers these management practices into a single, comprehensive manual, the [Universal Standards for Social and Environmental Performance Management](#) (the “Universal Standards”). A second fundamental area of work of Cerise+SPTF is creating evaluation tools that financial service providers can use to assess their current level of performance against some or all of the Universal Standards. Currently, Cerise+SPTF offers seven different [free evaluation tools](#) on the [SPI Online platform](#). These range from shorter, introductory tools, to ones focused on certain topics only, to the comprehensive SPI Full audit tool.

In 2023-24, Cerise+SPTF led a research project to learn what management practices may drive good or bad customer outcomes in the financial inclusion sector. Due to the relatively small size of the dataset, the research focused on identifying and evaluating correlations without attempting to attribute causation or quantify precise effect-sizes. In this research, Cerise+SPTF collaborated with [MFR](#) and [60 Decibels](#). MFR uses its [social rating tool](#) to assess a financial service provider’s level of implementation of the Universal Standards. MFR also measures customer outcomes using its [Impact Assessment tool](#). 60 Decibels measures customer outcomes as well, but using a survey that it created called the [Microfinance Index](#). Combining the datasets of Cerise+SPTF (both SPI Full and ALINUS³ audits), 60 Decibels (Microfinance Index data), and MFR (social audit and Impact Assessment data), the research team conducted statistical analyses to test two main hypotheses:

- Stronger social performance management (SPM) practices are associated with better customer outcomes.
- Weaker customer protection (CP) practices are associated with worse customer outcomes.

The research investigated the correlations between various SPM practices and many different outcome indicators. The outcomes data provided by MFR measured outcomes in four main areas:

1. **Business** (revenue, assets, number of wage workers, perception of the ability of the business to succeed);
2. **Resilience** (access to insurance or other funds for emergencies, ability to manage shocks, increased savings, perception of the future, worry about finances);
3. **Health** (medical care, food intake, using cleaner cooking products, overall quality of life);
4. **Household** (income, home improvement, educating children, woman’s decision-making power).

³ ALINUS is an assessment tool for investors who are committed to social impact. It is used actively by more than 40 fund managers, networks, and development finance institutions worldwide. It is composed of a sub-set of 68 indicators from the seven dimensions of the Universal Standards, with a focus on Environmental, Social, Governance (ESG) risk management and client protection. The acronym ALINUS stands for “**AL**igning **IN**vestor due diligence with the Universal Standards.”



In addition, MFR collected data from a subset of financial service providers (FSPs) on net promoter score, a measure of customers' level of satisfaction.

The 60 Decibels Microfinance Index survey measures outcomes in the same topic areas that the MFR tool covers, though with different indicators, as well as collecting data in other areas. Below is a summary of the topics that the Microfinance Index survey covers:

- Business (revenue, number of wage workers)
- Resilience (savings, ability to manage shocks, worry about finances)
- Health (medical care, food intake, quality of life)
- Household (home improvement, educating children, woman's decision-making power)
- Gaining access to formal financial services
- Ability to manage finances / ability to achieve financial goals
- Net promoter score
- Customer protection practices of the FSP: level of transparency, burden of loan repayment, and whether the customer experienced any challenges with the FSP

See [Appendix B](#) for additional detail on the indicators analyzed in this research.

The results of the analysis identified many statistically significant correlations, though some did not meet this threshold. This paper presents only those that were statistically significant after applying the Bonferroni correction.⁴ Due to the relatively small size of the dataset, the research focused on identifying and evaluating correlations without attempting to attribute causation or quantify precise effect-sizes. Nonetheless, it is interesting to note that in most cases where correlations were statistically significant post-Bonferroni correction, the effect-size (R^2) was also found to be relatively high, ranging from 0.342 to 0.792. This suggests a relatively strong association between the observed changes in customer outcomes and the management practices in question.

⁴ See the section of this paper called "[Dataset Description](#)" for an explanation of the data sample size and significance.



DATASET DESCRIPTION

ELIGIBILITY CRITERIA

Cerise+SPTF set these eligibility criteria for the dataset:

- The financial service provider had to have a social audit, using either the SPI Full tool or the ALINUS tool, or a social rating from MFR, in the past three years. This meant that all assessments of management practices included in the dataset were completed sometime within the period 2021-24.
- The financial service provider had to have evaluated its customer outcomes with either the Impact Assessment tool (implemented by MFR) or the Microfinance Index (implemented by 60 Decibels) sometime in the period 2021-24.

Note that, for each FSP, the assessment of management practices and the assessment of customer outcomes did not necessarily occur in the same year.

SAMPLE SIZE AND SIGNIFICANCE

The total sample size was 72 financial service providers. However, data are not available across all indicators for each financial service provider, meaning that the sample size was lower than 72 for the analysis between certain indicators.

MFR identified important relationships by evaluating each relationship in terms of statistical significance, effect size, and qualitative assessment. Significance is considered for each test individually ($\alpha=0.05$), with Bonferroni corrections applied to the p-values to account for the number of tests conducted and to control for Type I errors (i.e., false positives). Effect size (R^2) was measured to quantify the magnitude of each relationship but is evaluated as an approximate measure given the limitations of the sample. Finally, qualitative assessments were carried out to avoid an overreliance on statistical significance and to identify non-linear patterns in the data.

See [Appendix C](#) for further details on the statistical methodology applied.

VARIABLES

The dataset has 73 variables. See the [Introduction section](#) for information on the topics covered by these variables.



RESULTS

SUMMARY OF RESULTS

This report shares the graph of every correlation that was statistically significant after applying the Bonferroni correction. The analysis examines correlations between SPM practices and customer outcomes, as well as the correlations between different outcomes. **The results were generally intuitive, meaning the data show that poor customer protection practices are correlated with worse customer outcomes, while good social performance management practices are correlated with better customer outcomes.** The single counterintuitive finding was a statistically significant negative correlation between customer protection practices and customer home improvement.

- **Savings.**

- A higher share of borrowers reports an increase in the level of savings when:

- › Borrowers do not find that loan repayment is a burden
- › Borrowers find the fees, interest rates and penalties easy to understand and clear (better transparency)

- **Business revenue.**

- A higher share of borrowers reports an increase in business revenue when:

- › Borrowers do not find that loan repayment is a burden
- › Borrowers find the fees, interest rates and penalties easy to understand and clear
- › Because of the FSP, the amount of time that customers spent worrying about finances has decreased

- A higher share of borrowers reports a decrease in business revenue when:

- › Borrowers do not find the fees, interest rates and penalties easy to understand and clear

- **Business assets.**

- A higher share of borrowers reports a decrease in business assets when APR is higher.

- **Quality of life.**

- A higher share of borrowers reports an increase in quality of life when:

- › Borrowers do not find that loan repayment is a burden
- › Borrowers find the fees, interest rates and penalties easy to understand and clear

When borrowers do not find that loan repayment is a burden, a higher share of borrowers reports an increase in savings, an increase in business revenue, an increase in quality of life, and an increase in perception of the future.

⁵ Significance is considered for each test individually ($\alpha=0.05$), and by applying Bonferroni corrections to the p-values to take into account the volume of tests being carried out. Applying these corrections helps ensure that the statistical significance of the findings is not due to random chance or multiple testing but reflects a true effect.



- **Ability to manage shocks.**
 - A higher share of borrowers reports an increase in ability to manage shocks when:
 - › Because of the FSP, the amount of time that the customer spent worrying about finances has decreased
 - A higher share of borrowers reports a decrease in ability to manage shocks when:
 - › Borrowers do not find the fees, interest rates and penalties easy to understand and clear
- **Perception of the future.**
 - A higher share of borrowers reports an increase in their perception of the future when:
 - › Because of the FSP, the amount of time that customers spent worrying about finances has decreased
 - A higher share of borrowers reports a decrease in their perception of the future when:
 - › Borrowers find that loan repayment is a burden
 - › APR is higher
- **Home improvement.**
 - An increased score on client protection practices is correlated with a lower share of borrowers having made a major improvement to their home.

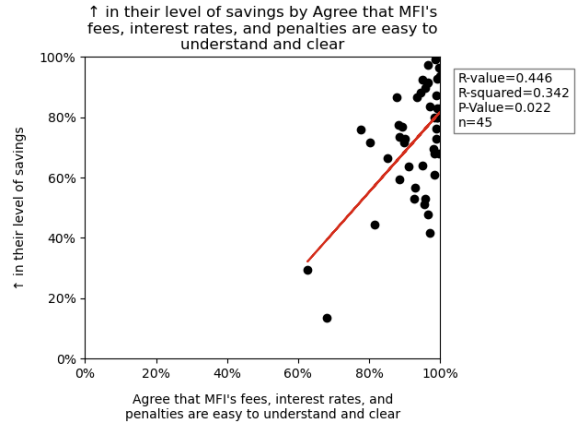
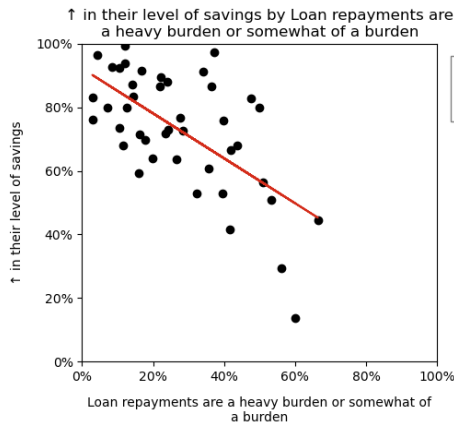
In addition to the above, the research examines the relationship between transparency and various outcomes. Below is a summary of the insights from this analysis:

- A higher share of borrowers who find the fees, interest rates and penalties easy to understand and clear...
 - ...give a higher net promoter score
 - ...report not having experienced challenges with the FSP
- A higher share of borrowers who do not find the fees, interest rates and penalties easy to understand and clear...
 - ...give a lower net promoter score
 - ...report having experienced challenges with the FSP
 - ...report having experienced an unexpected charge or fee in the previous year
 - ...report a decrease in their ability to manage shocks

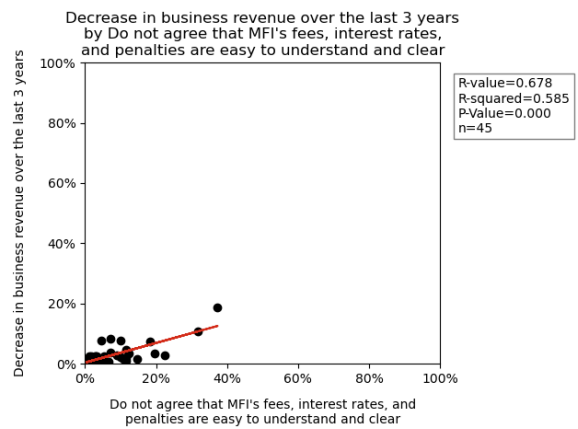
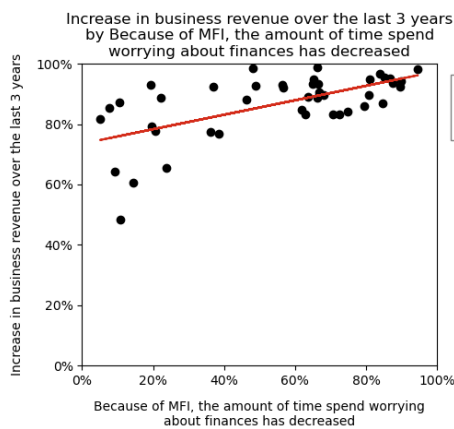
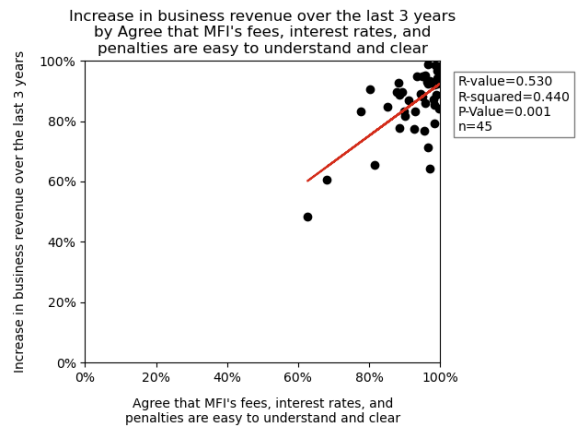
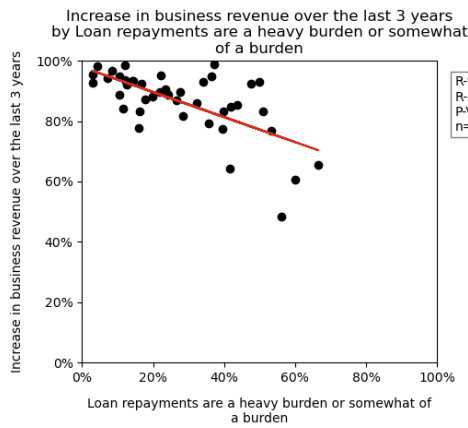


GRAPHICAL PRESENTATIONS OF ALL RESULTS

SAVINGS



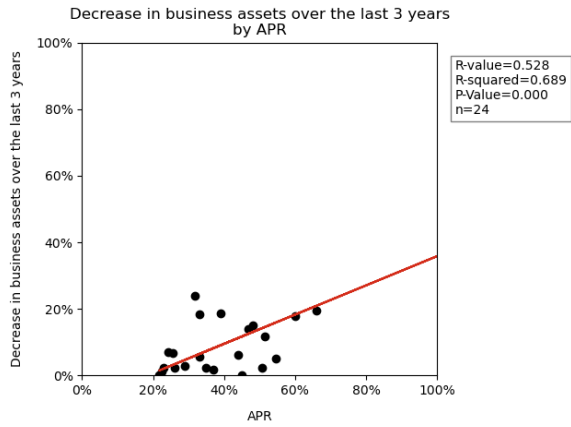
BUSINESS REVENUE



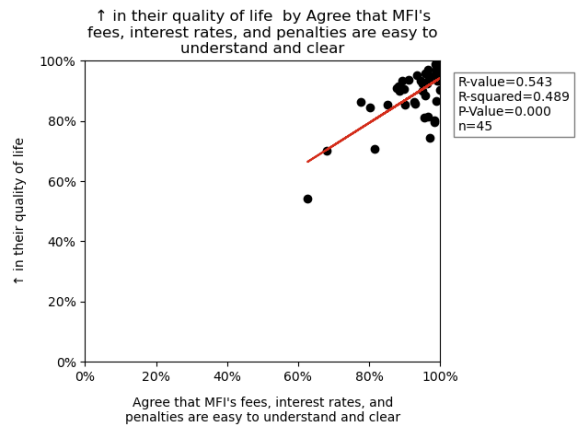
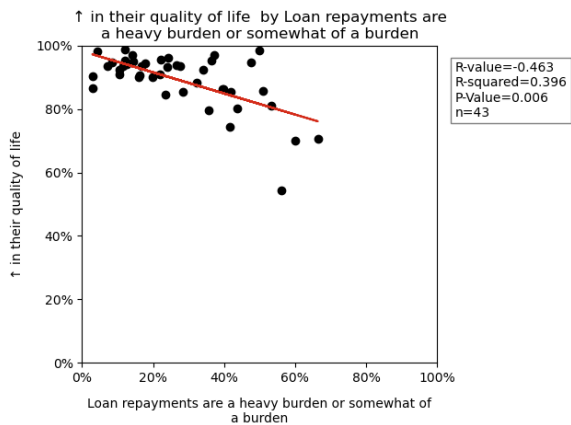


GRAPHICAL PRESENTATIONS OF ALL RESULTS

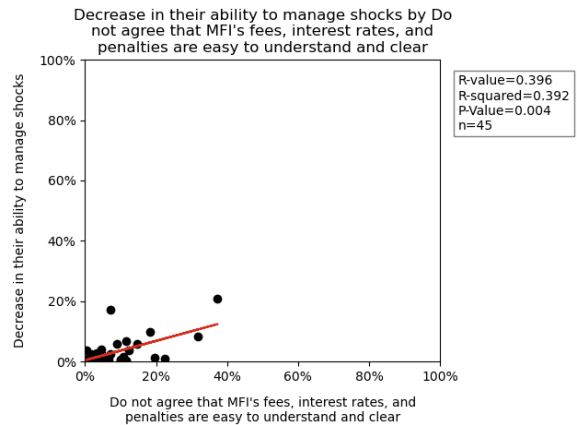
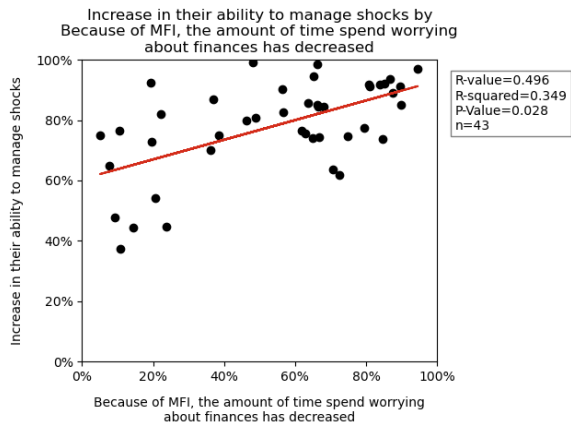
BUSINESS ASSETS



QUALITY OF LIFE



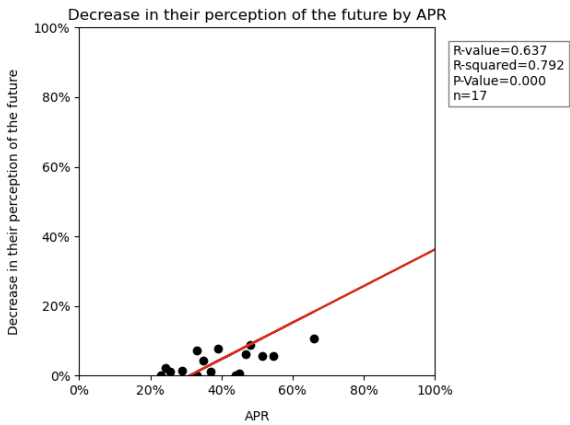
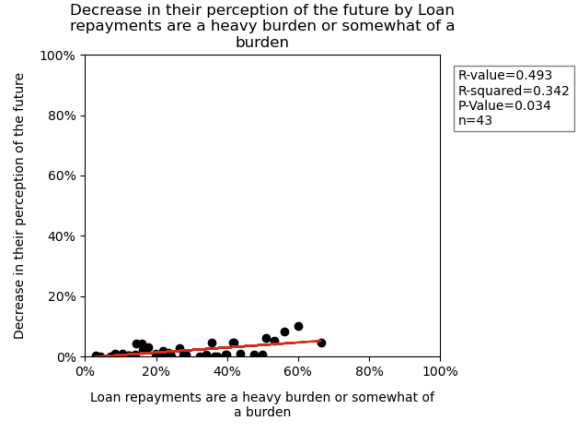
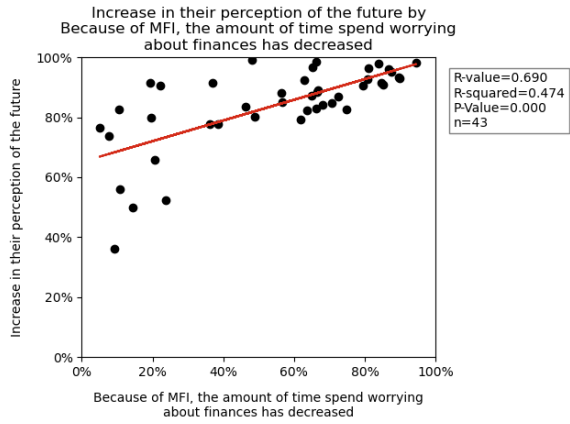
ABILITY TO MANAGE SHOCKS



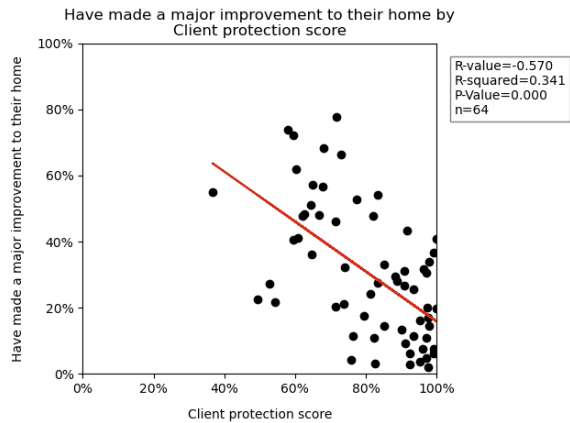


GRAPHICAL PRESENTATIONS OF ALL RESULTS

PERCEPTION OF THE FUTURE



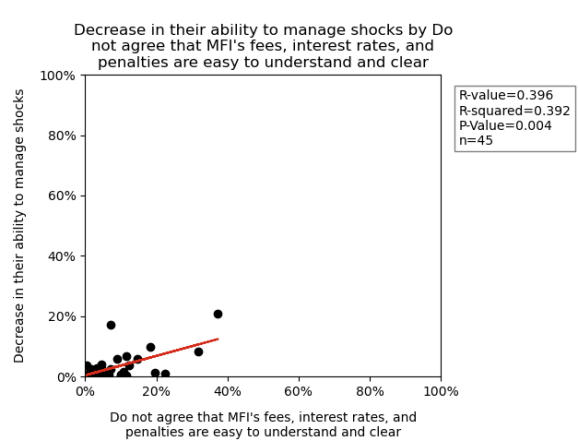
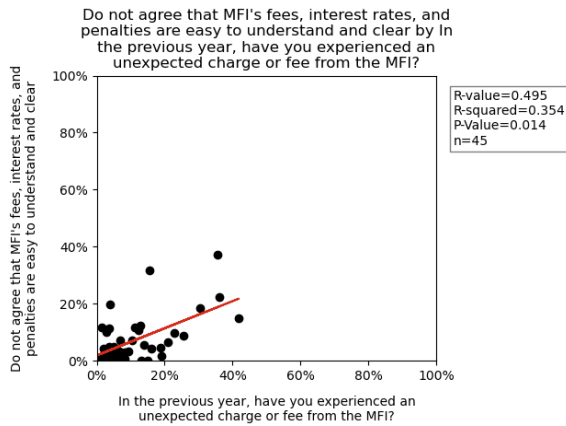
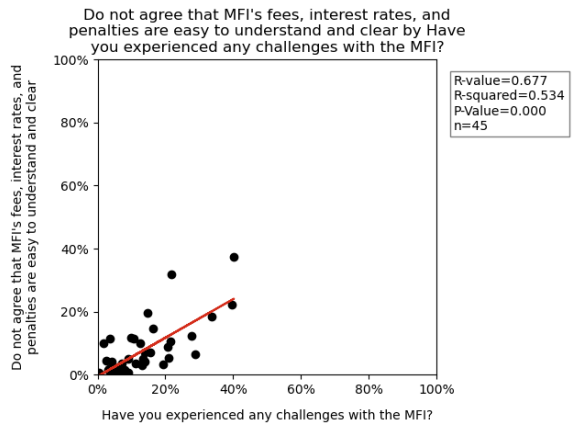
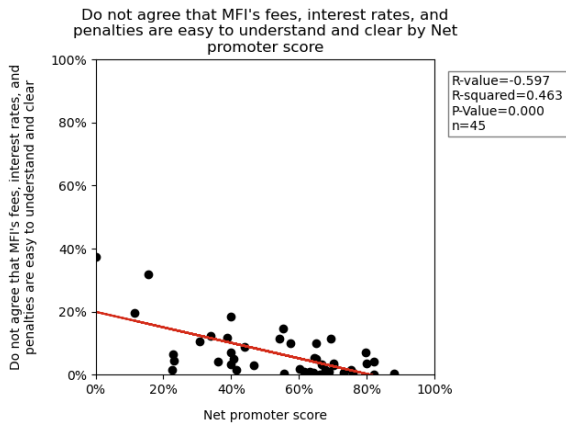
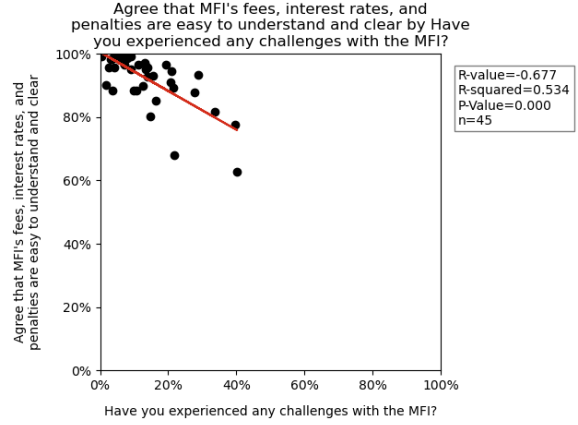
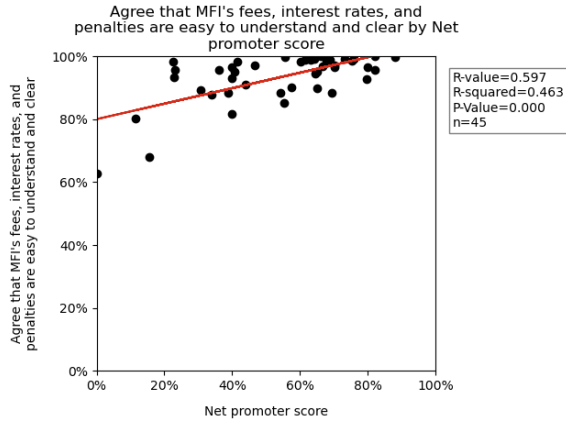
HOME IMPROVEMENT





GRAPHICAL PRESENTATIONS OF ALL RESULTS

CORRELATIONS BETWEEN TRANSPARENCY AND VARIOUS OUTCOMES





REFLECTIONS ON FINDINGS

Many factors influence customer outcomes, making it difficult to isolate the particular effect of the use of financial services on customer well-being. In addition, it may be misadvised to look for correlations between management practices and a customer outcome when the two are only indirectly related. For example, it seems less likely that certain customer protection practices, such as having a complaints mechanism or keeping customer data secure, would directly result in a positive outcome such as improved health or home. In the next iteration of the research design, Cerise+SPTF suggests focusing the analyses on management practices and outcomes that are directly linked. For example, studying whether financial service providers that score higher on the management practice of matching loan size to a customer's capacity to repay are then more likely to have customers report that using a loan was not a burden, and more likely to have customers who say they were able to increase their assets.

In addition to focusing on direct relationships, it would be interesting to repeat these analyses with a larger and more harmonized database. Cerise+SPTF created the current database by joining several different datasets, composed of different indicators and collected at different points in time. This may explain at least in part some of the random patterns observed in some of the analyses. In the future, Cerise+SPTF would like to work with partners to expand the database and possibly adjust the criteria for eligibility for inclusion in the dataset in the following way:

- Outcomes data and management data measured in the same year
- Outcomes data and management data collected using the same methodology

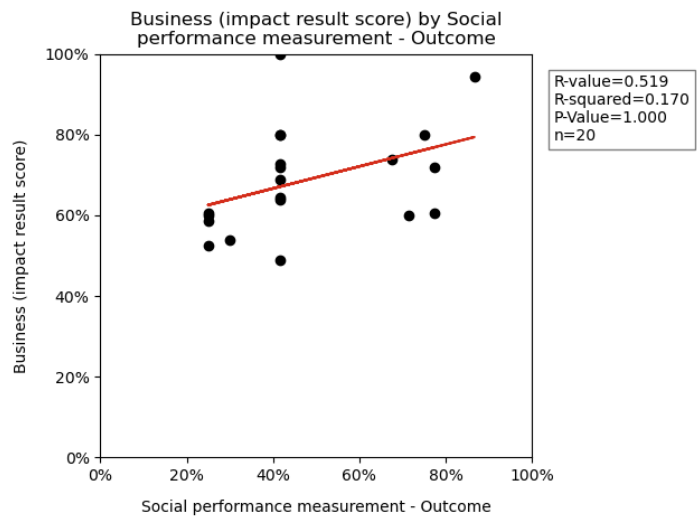
CONCLUSION

This relatively small dataset nonetheless demonstrated some important correlations between stronger social performance management practices, in particular related to transparency, fair pricing, and prevention of over-indebtedness, with better outcomes for customers in many areas, including building savings, increasing business revenue, and improving quality of life. Cerise+SPTF will continue to work with partners to build our data and deepen our analyses in order to learn more about the management practices that drive better customer outcomes while reducing the risk that financial services harm customers.



APPENDIX A
CORRELATION OF OUTCOMES MANAGEMENT
PERFORMANCE AND BUSINESS IMPACT

The correlation between outcomes management and business impact is not statistically significant but does show an interesting visual relationship.





APPENDIX B
FULL LIST OF INDICATORS STUDIED

To learn more about the indicators that 60 Decibels includes in its Microfinance Index survey, please email newyork@60decibels.com.

Below is a list of the indicators that MFR uses in its Impact Assessment tool [Note: MFR uses MFI, for microfinance institution, instead of FSP, to refer to the financial institution]:

- > MFI name
- > Country
- > Beginning of period
- > End of period
- > Increase in business revenue over the last 3 years
- > Decrease in business revenue over the last 3 years
- > Increase in business assets over the last 3 years
- > Decrease in business assets over the last 3 years
- > Increase of wage workers in the financed business in the last 3 years
- > Decrease of wage workers in the financed business in the last 3 years
- > Increase in their ability to succeed in their business
- > Decrease in their ability to succeed in their business
- > Accessed their first formal loan for their business
- > Increase in household income in the last 3 years
- > Decrease in household income in the last 3 years
- > Have made a major improvement to their home
- > Increase in their ability to pay for their children's education expenses
- > Decrease in their ability to pay for their children's education expenses
- > Women that report having used the loan for their own economic activity
- > Women who increase their level of participation in decision-making
- > ↑ in their level of savings
- > Has had access to insurance, remittances or emergency loan services
- > Increase in their ability to manage shocks
- > Decrease in their ability to manage shocks
- > Increase in their perception of the future
- > Decrease in their perception of the future
- > Had access to a training program
- > Increase in their ability to pay for health-related expenses
- > Decrease in their ability to pay for health-related expenses
- > Increase in the quantity and quality of their food intake
- > Are using a more efficient and cleaner source of energy for cooking
- > Increase in their quality of life
- > Impact management score



- > Change in clients' lives score
- > Business (impact result score)
- > Household (impact result score)
- > Resilience (impact result score)
- > Health (impact result score)
- > Social Performance system (elements of SPI dim. 1, 2, 6; no CP)
- > Social Rating / SPI score
- > Social Performance system 2 (elements of SPI dim. 1, 2, 6; no CP)
- > Social and financial balance score
- > Social performance measurement - Outcome
- > Social responsibility towards personnel score
- > Client protection score
- > Region
- > APR
- > % number of borrowers - female
- > % number of borrowers - rural
- > Average outstanding loan balance - GNIPC
- > % borrowers making unacceptable sacrifices to repay the loan
- > Social Performance system 1 (elements of SPI dim. 1, 2, 6; no CP)
- > Size
- > Loan repayments are a heavy burden or somewhat of a burden
- > Because of MFI, the amount of time spend worrying about finances has decreased
- > Because of MFI, the amount of time spend worrying about finances has increased
- > Agree that MFI's fees, interest rates, and penalties are easy to understand and clear
- > Do not agree that MFI's fees, interest rates, and penalties are easy to understand and clear
- > In the previous year, have you experienced an unexpected charge or fee from the MFI?
- > Have you experienced any challenges with the MFI?
- > Net promoter score
- > Clients with 3 or more additional loans to MFI
- > Transparency score
- > Name

 APPENDIX C
STATISTICAL METHODOLOGY

Below is a summary of the statistical methodology that MFR applied in this analysis:

- Correlations are calculated for each relationship to screen initial relationships. Pearson's correlation coefficient is adopted when the data meets key parametric assumptions and Spearman's rank correlation coefficient is adopted when data meets non-parametric assumptions.
- Each relationship is then modelled via a linear regression to assess the following:
 - Quantitatively assess the relationships significance and effect size. Significance is considered for each test individually ($\alpha=0.05$), with Bonferroni corrections applied to the p-values to account for the number of tests conducted and control for Type I errors (i.e., false positives).
 - Qualitatively assess the relationship by scatter plots to analyze the linearity, distribution of data, and other visual patterns.