



# MIS and TBL Reporting in Microfinance

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# motivation

- ❑ Discussion with experts on TBL reporting ... are/should/could MFIs start on TBL reporting?
- ❑ In particular, use of GRI (Global Reporting Initiative) guidelines have been considered in Microfinance?
- ❑ SPTF User Reviews (n.1, 2009) does not encourage it, since it is said that “implementing the tool requires well-developed reporting systems, including a flexible MIS”

- ❑ Look at the recommendations actually issued within the microfinance industry, to see the details concerning reporting
- ❑ Understand the nature and extend of the GRI guidelines to TBL reporting
- ❑ Make a comparison, to see if the microfinance industry recommendations will actually meet GRI guidelines
- ❑ Try to answer the main question: how difficult could possibly be for the MFI to follow the GRI?

# Reporting in Microfinance

By now there are two main categories of recommendations (standards specifically issued for MFIs):

- ❑ For financial reporting
- ❑ Social performance reporting ... including also something regarding environmental reporting

# Financial reporting

- CGAP guidelines (2003) recommend disclosure
  - Balance Sheet
  - Income Statement
  - Portfolio Report
- SEEP (2005,2009) included a set of 18 (27) ratios to measure MFI performance in four areas:
  - Sustainability/profitability
  - Assets and liability management
  - Portfolio quality
  - Efficiency/productivity

# Social reporting

- ❑ CERISE (2003)
- ❑ CGAP / SPTF / MIX market pilot project (2009-10)
- ❑ Indicators actually published in the MIX Market (2011), both with process and result indicators
  - Mission and social goals
  - Governance
  - Range of products and services
  - Social responsibility to clients
  - Human Resources and Staff Incentives
  - Social responsibility to the environment
  - Poverty outreach

# GRI guidelines (3.1, 2011)

- ❑ Do not recommend a specific report format
- ❑ It is being applied both to companies reporting separately on financial issues and on corporate responsibility or doing a whole annual report
- ❑ Consist on a list of disclosure items that has to be added at the end of the annual report, indexing where the diverse items can be found

# GRI guidelines (3.1, 2011) (cont.)

- GRI guidelines recommend 3 types of standard disclosures:
  - I: Strategy and profile (42 items)
  - II: Management approach
  - III: Performance indicators (82 items + some specific)
- 3 levels of disclosure (A,B,C) are categorized, depending on the number of items disclosed
  - Level C: 27 (fixed) on part I + 10 indicators
  - Level B: id. For part I + part II + 20 indicators



# TBL reporting in MIFs

- Following the GRI guidelines, MIFs actually reporting to the MIX market can easily reach level C, and also level B ...
  - To complete part I, they would only need an extra kind of information: reporting on stakeholders
  - Up to 18 performance indicators are already disclosed following the MIX recommendations

Performance Indicators		MIX
<b>Economic</b>		
EC01 <sup>c</sup>	Direct economic value generated and distributed (revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments).	✓ <sub>F</sub>
EC04 <sup>c</sup>	Significant financial assistance received from government.	✓ <sub>F</sub>
EC05	Range of ratios of standard entry level wage by gender compared to local minimum wage	⌘
EC06 <sup>c</sup>	Policy, practices, and proportion of spending on locally-based suppliers	⌘
EC07 <sup>c</sup>	Procedures for local hiring and proportion of senior management hired from the local community	⌘
EC09	Understanding and describing significant indirect economic impacts, including the extent of impacts.	✓ <sub>SP</sub>
NG07	Resource allocation.	✓ <sub>F</sub>
NG08	Sources of funding by category and five largest donors and monetary value of their contributions.	✓ <sub>F</sub>
<b>Environmental</b>		
EN07	Initiatives to reduce indirect energy consumption and reductions achieved.	✓ <sub>SP</sub>
EN26 <sup>c</sup>	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	✓ <sub>SP</sub>
<b>Others Financial or NGO specifics</b>		
FS07	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	✓ <sub>F</sub>
NG03	System for program monitoring, evaluation and learning, (including measuring program effectiveness and impact), resulting changes to programs, and how they are communicated.	⌘
NG04	Measures to integrate gender and diversity into program design, implementation, and the monitoring, evaluation, and learning cycle.	✓ <sub>SP</sub>

**Legends:** <sup>c</sup> core indicator / ✓<sub>F</sub> Financial Disclosure Guidelines /  
✓<sub>SP</sub> Mix market Social Performance Indicators /  
⌘ easily known by any reporting MFI

Performance Indicators (cont.)		MIX
<b>Social: Labour Practices and Decent Work</b>		
LA01 <sup>c</sup>	Total workforce by employment type, employment contract, and region, broken down by gender.	✓ <sub>SP</sub>
LA02 <sup>c</sup>	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	✓ <sub>SP(P)</sub>
LA03	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	✓ <sub>SP</sub>
LA10 <sup>c</sup>	Average hours of training per year per employee by gender, and by employee category.	⌘
LA13 <sup>c</sup>	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	✓ <sub>SP(P)</sub>
LA14 <sup>c</sup>	Ratio of basic salary and remuneration of women to men by employee category	✓ <sub>SP(P)</sub>
<b>Social: Society</b>		
FS13	Access points in low-populated or economically disadvantaged areas by type.	⌘
FS14	Initiatives to improve access to financial services for disadvantaged people.	✓ <sub>SP</sub>
<b>Social: Human Rights</b>		

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<b>HR06<sup>c</sup></b>	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	⌘
<b>HR07<sup>c</sup></b>	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	⌘
<b>Social: Product Responsibility</b>		
<b>PR1<sup>c</sup></b>	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	⌘
<b>PR3<sup>c</sup></b>	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	✓ <sub>SP</sub>
<b>PR5</b>	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	✓ <sub>SP(P)</sub>
<b>FS16</b>	Initiatives to enhance financial literacy by type of beneficiary.	✓ <sub>SP</sub>

**Legends:** <sup>c</sup> core indicator / ✓<sub>F</sub> Financial Disclosure Guidelines / ✓<sub>SP</sub> Mix Social Performance Indicators / ✓<sub>SP(P)</sub> Partially included in Mix Social Performance Indicators / ⌘ easily known by any reporting MFI

# MIS and TBL reporting

- ❑ A fair number of performance indicators recommended by the GRI (at least to reach level B) are “direct” to report, with low need to cross-reference different kinds of information that could be stored separately
- ❑ Additional sophisticated MIS software seems actually not required for TBL reporting, at least for MFIs with a fear level of disclosing on the MIX market

# Concluding remarks

- ❑ To follow international standards in TBL reporting should not be very difficult for MFIs
- ❑ Has the added value of worldwide comparability
- ❑ Could contribute to further enhance the MFIs performance according to their own missions
- ❑ TBL transparency and reporting should be a priority in the near future in the MFI industry ... although some consultancy help could be needed



**THANK YOU!!!**