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A MISSING HALF OF THE MICROFINANCE- SOCIAL PERFORMANCE MANAGEMENT IN MICROFINANCE INSTITUTIONS

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ABSTRACT

Microfinance professed the massive development since its inception. It proved itself as a powerful tool contributing towards poverty reduction by extending finance to poor people previously excluded from formal financial system. Though, the figure of Microfinance Institutions (MFIs) across the sphere is on the increase yet expected level of Social Performance Management (SPM) is still missing. Microfinance program carry the double bottom line mission where social performance is the core objective behind micro lending to poor. The study enlightens the issues related to SPM in reference to Microfinance Industry in Pakistan. By applying the tool of Semi Structure Interview-a qualitative method of analysis, study inferred that the microfinance industry in Pakistan is unknown with the true wisdom of SPM expression. Furthermore, The SPM implication is not satisfactory in terms of Social Performance Task Force (SPTF) defined standard. There is dire need of awareness campaign regarding SPM and its tools to be realize in the microfinance industry in Pakistan. Policy makers should pay attention towards SPM true spirit implementation.

INTRODUCTION

Since centuries, different innovative ideas and approaches has been adapted to reduce poverty. However, the novel concept of microfinance emerged in early 1980s that highly praised as an effective tool to alleviate poverty and extended rapidly across the developing world.

The expansion of microfinance has received significant financial support, most notably grants and subsidies from development partners and foreign governments (Cull et al., 2009) claiming that microfinance is a powerful poverty alleviation tool and one of the world's most efficient solutions to alleviate poverty, as well as wars, diseases, and suffering that poverty ignites. Microfinance emerged in development sector claiming to offer a "win-win" poverty reducing opportunity that benefitted both clients and microfinance institutions concurrently (Morduch, 1999b).

Literature scheduled for impacts of microfinance on the lives of the poor in developing countries is presenting miscellaneous evidence. Finding of some studies are positive and extremely convincing (Baido, 2008; Johansen & Nilsson, 2007; Yaron, 1994 and many others). However, based on the findings of some impact analysis literature, microfinance has been heavily criticized on the ground that microcredit has created over indebtedness, increased social pressure and work load for women, and had little impact on employment creation and enterprise development (Rogaly, 1996; Hoque 2004; Haque & Yamao ,2008). Now it is considered that efforts put to improve the overall efficiency of microfinance institutions are less valuable as compared to improve the quality of their daily services to their clients including poor and the poorest. It necessitates the demand for cautious management of social objective, precise targeting to arrive at the preferred target groups, modified services to beat particular hurdles of rural poor or remote groups, unconventional security system, consideration for client response, clients drop-out, etc.

The industry of microfinance is double bottom line, seeking to grant the poor and deprived with continuous access of financial service's suitable range on one hand, and trying to maintain the sustainability of financial outcome, on the other hand. Nonetheless, the stipulation of services by microfinance industry to vulnerable is not only costly but also has a high risk of default. Furthermore, new challenges, increasing competition, and financial pressure are also raising the exposure to risks for this industry. Thus, the double bottom line of microfinance is not assured any more, and social performance of microfinance industry cannot be taken as rock-solid.

Hitherto, soon after the expansion of microfinance it became clear that it is not possible for MFIs to offer loan at low prices while maintaining their financial sustainability, due to the high delivery cost for small loans. To cover this cost either they have to implement the market-oriented strategies and sacrifice on the social mission or continue their dependence on donor subsidy for survival and have to sacrifice on financial self-sufficiency.

According to Claessens (2006), serving the poor in third world is not an easy job. It is very costly to work with microfinance program because of its nature, and required foremost financial commitment. To encompass a deeper insight on financial obligations as well as social perspective of MFIs is inevitable. This is possible only by adopting uniform criteria of evaluation. Social Performance Task Force (SPTF) of Microfinance has taken this initiative and introduced several indicators to improve practice of social performance management (SPM).

Hence, for the assessment of SPM and to render whether or not MFIs in Pakistan are really doing what they are supposed to be responsible, this study is designed. What is the Social Performance Management of Microfinance Institutions in Pakistan? is elaborated in the study.

Framework Of Analysis

Subsequent to the effort of multiple scholars, the Social Performance Task Force (SPTF) came into existence. SPTF published the social performance (SP) standards report in 2007 intending to standardize the existing measurement and assessment methodologies. According to the SPTF report in 2012;

“Social performance is the effective translation of an institution’s social goals into practice in line with accepted social values; that include sustainably serving increasing number of poor and excluded people, improving the quality and appropriateness of financial services, improving the economic and social conditions of clients, and ensuring social responsibility to clients, employees and the community they serve” (CGAP, 2012).

The entire course of action taken within the microfinance institutions for the recognition of social aims is SPM; it examines the whole procedure by which impact is generated. Hence, SPM investigate the stated objectives of an organization, efficacy of structure in fulfilling these objectives, consistent outputs (poor outreach in microfinance industry) and firm achievement in carrying out constructive alteration in the lives of poor, Sinha (2006)
Social Performance Task Force (SPTF) defines SPM as

“This campaign is a global approach of putting the social mission of microfinance providers (MFPs) into practice according to the distinct social standards and MFPs declared objectives. SPM scrutinize the effectiveness of the structure and services in satisfying the social intent and outputs recounting the improvement in the lives of their clients (SPTF[1])”.

This institutionalized procedure of transforming social mission into practice is called SPM. It leads to laying down clear goals, observing and reviewing improvement towards these goals, and step forward for presentation and practice.

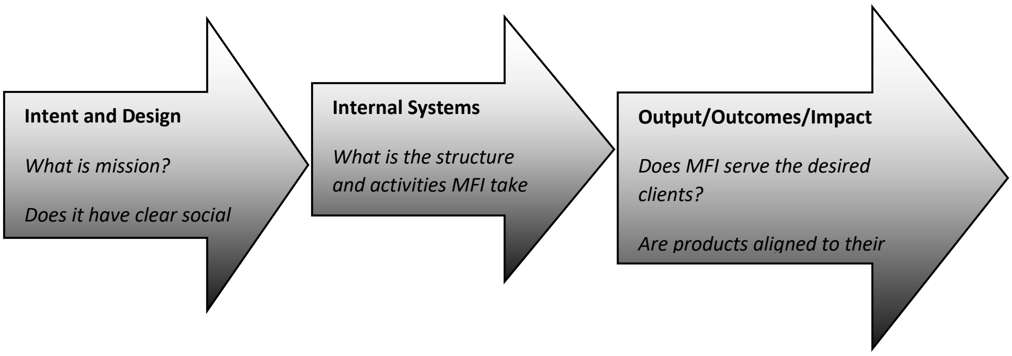

Figure 1 Social Performance Frameworks

The Social Performance Framework in figure 1, Craft several aspects of SP which are strictly connected with each other, for example;

Intent and design of the institute concerning to social mission

Internal system which envelops the policies

Output which signifies the outreach

Outcomes which measure the enhanc

ement in social and economic lives of the clients

Impact which ascertains an underlying association between the institution involvement and customer development

Social Performance Management

These USSPM[2] has six classifications;

Define and Monitor Social Goals

Ensure Boards, Management, and Employee commitment to Social Goals

Design products, services, delivery models and channels that meet client needs and preferences

Treat Clients responsibly

Treat Employee responsibly

Social Responsibility to environment

METHODOLOGY

In reference to the questions of the study and from literature review it is found that previous literature has devoted insignificant effort to measure social performance management of microfinance industry. Moreover, the field of Microfinance from Social Performance Management (SPM) research prospective is in its embryonic stages. The most accepted technique that can be used in this area is qualitative, because rigorous efforts are required to understand and explain the concept of SPM. As all social fact are quantitative as well as qualitative at the same time (Ercikan and Roth, 2006).

The main aim of gathering the information is to gain novel understanding (Strauss and Corbin, 1998). There are three types for qualitative interview questions; structured, unstructured, and semi-structured (Bryman, 2004). As the study was concerned about multiple cases, furthermore to ensure cross-case comparability with a flexible mode of questioning, a Semi-Structured Interview was adopted. The raw data, including transcripts and notes were taken and manually processed for data analysis. To lessen subjectivity and enhance the validity of the study, process of data analysis was conducted with extensive care.

Data Analysis

Microsoft Word was employed to help in organizing the text data that was transcribed. Further, content analysis was used to generate themes.

According to Patton (2002), the plan of qualitative interpretation focusses on three features; Obvious made by obvious, dubious made by obvious and hidden made by obvious. Content analysis is one of the vital tools for interpreting such data. Patterns or themes are derived from the core meanings originated during such content analysis.

The main decision in content analysis is persuaded by levels that are syntactic, pragmatic and semantic level (Delgado & Gutierrez, 2007). The form of a text is examined in a syntactic analysis with a focus on the use of words, grammar and type of expression. The process of communication is focused in the pragmatic analysis. Whereas, the semantic analysis examines the expression used in order to explain and appraise reality. We used the domain and semantic coding procedure for this study.

INFERENCE

To explore the issues within microfinance providers (MFPs) in reference to SPM, semi-structure interview was conducted in Jan-April, 2020. For the purpose, 15 stakeholders were interviewed within the microfinance industry of Pakistan. Domain and Semantic analysis were carried out for semi-structure interview. Domain analysis is conducted to identify the SPM indicators extent of implication in practice by quantify the data for frequencies. Whereas, semantic analysis is conducted to identify the bona fide logic of SPM implication in microfinance industry, by analyzing the content of the statements made in interview, and to understand the deeper meaning of the indicators from stakeholder perspective.

Domain Approach

Table 1, presents the indicators in implication from domain perspective. From domain analysis perspective, all the indicators are categorized into 11 themes pre-defined in the study, whereas 3 themes for indicators are emerged during interview from stakeholder.

Table 1- SPM Indicators Implications in Mfps

Indictors	Theme/key words	F	%	IND*
Mission and social goals clarity	Empowerment of poor community and poverty alleviation via focusing on women and/or rural clients	14	93%	IND1
Governance	Monitoring of SPM	3	20%	IND2
Broader range of product and services	Financial, Non-financial and Capacity building	14	93%	IND3
Social responsibility to clients	Smart Campaign for client protection	3	20%	IND4
Transparency of cost structure	Clarity of interest rate	5	33%	IND5
Social Responsibility to Staff	Staff incentives	6	40%	IND6
Social responsibility to environment	Policies for Environment protection	4	26%	IND7
Poverty Outreach	Poverty measurement tool	14	93%	IND8
Client outreach	Group Lending Methodology	12	80%	IND9
Mission achievement	Focus on Poor	12	80%	IND10
Mission Drift	Commercialization	3	20%	IND11
NA	Islamic Methodology	4	26%	IND12
NA	Flexible Recovery	5	33%	IND13
NA	Door to Door service	5	33%	IND14

% is calculated by no of responses divide by total number of stakeholders (N=15), *IND=indicators

Table 1, explains the indicators defined for the SPM assessment, theme/keyword by which they have been identified from interview, frequency and percentages of indicators. Statistics indicates there is (n=14,93%) for Mission and Social goals clarity indicator, Governance(n=3,20%), Broader range of product and services(n=14,93%),Social responsibility to clients (n=3,20%),Social Responsibility to Staff (n=6,40%),Transparency of cost structure (n=5,33%),Social responsibility to environment(n=4,26%),Poverty Outreach (n=14,93%),Client outreach(n=12,80%),Mission Drift(n=3,20%),Mission achievement (n=12,80%),Islamic Methodology (n=4,26%),Flexible Recovery (n=3,20%,),Door to Door service(n=5,33%). According to percentages, study divides the indicators into higher implemented, medium implemented and lower implemented category. There are also some new emerging themes which have been identified from the interview, these categories were not the part of interview questions, but during discussion with interviewee they emerge unanticipated as important indicators, and seems to be the part of SPM in microfinance industry. The division of categories based on frequency is given in Table 2;

Table 2- Frequency Division of Implied Indicators

Extent of Implication	Frequency (Percentage)	Indicators percentage Scores
Higher level implemented indicators	(80-100%)	-Mission and social goals clarity (93%) - Broader range of product and services (93%) - Poverty Outreach (93%) - Mission achievement (80%) - Client outreach (80%)
Medium level implemented indicators	(40-79%)	-Transparency of cost structure (46.66%) -Social Responsibility to Staff (40%)
Low level implemented indicators	(0-39%)	-Social responsibility to environment (26%) - Social responsibility to clients (20%) - Mission Drift (20%) -Governance (20%)
New emerging themes	20-39%	-Islamic lending (26%) -Flexible Recovery (33%) -Door to Door service (33%)

Table 2, depicts the division of indicators according to the extent of implication in MFPs into different categories. It also comprises of the new emerging category.

Semantic Analysis

Semantic analysis is the study of structure and meaning of dialogue and expressions. It is mainly used to give some meanings to work by looking at the patterns of words. Analysis of indictors is made based on the extent of implied indicator category.

Higher Level Implemented Indicators (80-100%)

Mission and Social Goals Clarity (93%)

Clarification of social mission is primary step in structuring social performance of MFPs, because defined mission of an institution is foundation of an institution's goals and its objectives. The study semi-structure interview analysis depicts that almost all institutions has defined their mission, objectives and vision clearly, however, the institution which intend to poverty alleviation programmers and declare it noticeably in their mission statement are 93%. It is one of the highest implied indicators categories in MFPs of Pakistan. In general, whatever is the manner of stakeholder to explain their MFP mission and objectives, the ending dot or sole purpose of establishment of these institutions is empowerment of marginalized community, their target market was women or/and rural poor or/and semi urban poor.

Broader Range of Product And Services (93%)

Diversification of product and services offered by MFPs ensures the existing standard of an MFP and establish that clients' needs are being entertained. According to the study analysis almost all MFPs in Pakistan are offering a broader range of product and services. They are offering financial and non-financial and wide variety of other services to their clients'. However, ASA-P is providing financial services only. All other institutions are focusing on almost all types of services demanded by clients. KASHF and TMFB have broader range of services categories, to cater their clients whereas PAK-OMAN has the lowest range of product and services. The MFPs in Pakistan are satisfying this indicator of SPM up to 93%, which is among highest implemented indicator category. In general, if we categories the financial and non-financial services on the basis of institution's structure, we find that NGOs- MFI and RSPs are providing a wider range of non-financial services and they emphasize more on microcredit and capacity building training. On the other hand, MFBs are focusing more on financial services and offer a wider range including microcredit, deposit, insurance and remittances; etc.

Poverty Outreach (93%)

Poverty outreach is very important indicator which indicates the poverty level of clients and its measurement criteria. Client poverty level assessments serve multiple purposes like guide MFPs for client targeting and selection, establish baselines of client poverty for later impact evaluations, consideration of financial services to better suit needs of clients and overall measurement of the program's effectiveness. Almost all MFPs measure client poverty levels. Some MFPs employ only one method to measure poverty levels, some use multiple assessment tools. The majority of institutions in our sample (8, 53%) employ the Poverty Scorecard for measuring the poverty level of clients. It is provided by Pakistan Poverty Alleviation Fund (PPAF) and designed by The World Bank. The MFPs that are using Poverty Score Card include ASAP, BRAC, DAMEEN, KBL, FMFB, PAK-OMAN, NRSP, and PRSP. Apart from them the other majority (5, 33%) of MFPs record per capita household expenditure or per capita household income method to gauge client poverty levels, these MFPs are AKHUWAT, KASHF foundation, TMFB, FINCA, and SRSO. ASASAH is using Grameen PPI method to assess the poverty level of clients. Whereas, CSC using no method for the purpose. Poverty Outreach is also the highest implemented categories of indicators in Pakistan.

Mission Achievement (80%)

In microfinance industry mission achievement relates to institutional self-sufficiency, sustainable rising of incomes above the poverty line and successful microenterprise sector. In this study mission achievement specify that poor need to be clearly defined and identified if microfinance industry endeavor to fulfill its original mission and act as an effective tool in the alleviation of poverty. Simply, mission achievement in microfinance industry represents that MFPs are focusing more on poor clients and all their strategies are in favor of poverty alleviation. In the study, this is the third higher grade category among indicators which is being satisfied. Total 12=80% stakeholders mentioned that in Pakistan until date the strategies defined in industry are all in favor of poor clients. The focus of industry is more on poor and low-income clients for their development.

Client Outreach (80%)

Outreach is a concept of reaching poor in terms of both numbers and depth of poverty. It is assumed that the MFPs implementing group/solidarity lending methodology are institutions that are focusing more on depth of poverty. Furthermore, it depicts that institution is using client friendly lending methodology; because it is assumed that social capital which is base concept of group lending is taken as a substitute of physical capital (collateral). In the study analysis most of MFPs are relying on group lending methodology. This indicator is also satisfactorily implemented in Pakistan up to 80%. Many institutions are applying mixed methodology (group as well as others) whereas only 3(20%) institution are applying individual lending methodology, that are AKHUWAT, ASAP, and FINCA. The response in favor of lending methodology was very simple, stakeholder respond in a single statement.

Medium Level Implemented Indicators (40-79)

Transparency of Cost Structure (46.66%)

Transparency of cost structure shows the responsible behavior of an institution towards its client and client protection minimum standard. Any kind of hidden charges is exploitation of client’s rights and also causes an extra burden on poor clients if it is microfinance institutions. Globally, to show transparency of interest rate in calculations, the declining balance method is widely acknowledged and used for microfinance institutions. The significance of declining balance method to be charged from poor client is well accepted yet majority of the MFPs in Pakistan are still using the flat[3] interest rate for lending, primarily due to the simplicity in calculation and marketing. However, as per State Bank of Pakistan's regulations MFPs under its regulatory framework are bound to reveal interest cost using the declining balance[4] method to clients. In our analysis, among 15 respondents of MFPs, 8 mentioned that their institutions are using the flat interest rate method, 5 are using the declining balance method and 2 MFPs declared interest rates as not being relevant, because they are shifted to Islamic products.

Study semi-structure analysis depicts that only 33% institutions are using declining balance method to calculate interest rates, hence they are more transparent. These institutions are KBL, FMFB, TMFB, FINCA, and PAK-OMAN. Two institutions AKHUWAT and ASASAH are using Islamic lending hence they are not taking any interest and therefore we can assume that they are transparent. Hence our total percentage becomes 46.66% for this indicator. The implication of this indicator is unsatisfactory though it is very important and core indicator in reference to microfinance industry.

Field Note: For this question most of the stakeholder's reply that they are very transparent to clients and used to explain the entire cost burden to clients fairly, however, they were reluctant to tell the researcher that which method they are using for calculation of interest rate, how much they are charging the interest rate and how they implement it?

Social Responsibility to Staff (40%)

The employees of an institution are its back bone which made the mission of an institution to be accomplished successfully. A responsible institution ensures that employees are given equal and fair opportunities to grow. However, in the study the percentage response to this indicator is only 40% showing that MFPs are not taking care of their staff. Only 6 institutions have some defined human recourse (HR) policies for their staff incentives and to encourage them. All the rest (60%) has not any specified documented rules for rewarding the staff performance. Nonetheless, almost every stakeholder declares during interview session that they are following the HR policies.

Interestingly, each MFP has ascribed its own HR policies for staff. There is no consensus and obligation for a standard HR policy. Hence, we cannot conclude about this indicator satisfactory implementation though it comes under medium level implied indicators category.

Low Level Implemented Indicators (40-79%)

Social Responsibility to Environment (26%)

Social responsibility to environment is considered as a third bottom line mission of microfinance institutions. MFPs have taken the responsibility to inform the clients about business activity which are environmentally friendly and what are destructive. MFPs claims to educate the clients to save environment from worsening situation and special clause in the loan contract is added to minimize the environmental risk. This is also an important SPM indicator, however poorly implemented as only 26% of MFPs in Pakistan are fulfilling their responsibility whereas remaining (74%) are planning to include the clause for promoting environmentally friendly activities.

Field Note; every stakeholder was claiming that they have environmentally friendly services for clients; nonetheless they were unable to provide a list of such services or items.

Social Responsibility To Clients (20%)

The number of Smart Campaign Client protection principles applied by MFIs for client Protection is a mile stone for its excellent reputation and performance. There are only 3(20%) institutions which has defined Smart campaign client protection principle for their client to ensure their responsible behavior for clients. These three MFPs have defined different formal ways to entertain their client’s complaint or to protect their clients. Other MFPs including KBL, NRSP, AKHUWAT, ASASAH and DAMEEN have defined some informal way of entertaining their client complaints. However, informal way of dealing client complaint cannot be entertaining as indicator implication. On average, this indicator is very poorly implemented.

Governance (20%)

In reference to microfinance, governance is a procedure to make certain board, management, and employee commitment to social goals. Moreover, the board of directors (BOD) ensures that institution is satisfying its business assignment according to defined mission and vision. Board is crucial in defining the measures for assessing the results and for balances management decision. Hence, governance in the study is evaluated by taking into account the board of directors (BOD) that are capable to understand the perception of social performance management (SPM) and has training for its implementations. The study depicts that only 20% stakeholders (MFPs in Pakistan) have knowledge about SPM and has trained BOD for the purpose. Almost 80% are unfamiliar even about the meaning and concept of SPM.

The institutions which have acquaintance about SPM and are aware about governance are FMFB, ASASAH and KASHF. Though the reply of this question from these three stakeholders was not satisfactory, however from their detail it was evident that they are familiar with the concept of SPM and try to implement it.

Field Note: This was the category about which researcher felt that stakeholders have very little knowledge, because most of them has answered irrelevant things.

New Emerging Themes

Among other prolific result, study get from domain analysis of semi structure interview, several new emerging themes. These themes were not the component of SPM indicators, nor were it expected before interview. During interview they emerged as potential SPM indicators that can be used for social performance assessment in future. These important themes originated are Islamic lending (26%), Flexible Recovery (20%) and Door to Door services (33%).

Islamic Lending (26%)

This is the category which was not predefined as SPM indicator. During interview it was observed that 2 institutions AKHUWAT and ASASAH have already Islamic lending methodology in application and they are carrying out it very successfully. The two institutions, FINCA and KBL are planning to adopt this lending option with other lending methodologies. This category is very important in reference to social services to community as it was declared by stakeholders.

Field note; About Islamic microfinance and lending options, many stakeholders pointed out that they are planning to adopt it while they were using the mixed methodology method of lending for their institutions. Many other institutions showed their interest for Islamic lending but not finalized yet.

Flexible Recovery (33%)

Among several features of microfinance including small loan disbursement, business expansion, and short-term financing.One most important feature is flexible recovery of loan indicating the term and conditions of the loan that are normally easy to understand for clients and flexible. Repayment is usually made on weekly or monthly basis according to convenience of borrowers. If they have to face an emergency or illness, they are provided with extra time for repayment. However, this important social performance feature was not defined in the indicator list.

During data collection, it was observed that majority of MFPs are flexible in the recovery of loan and waived off their loans in case of death of borrower, nonetheless, 3 MFPs mentioned distinctly during interview session that they are very flexible. AKHUWAT and ASASAH are more flexible because of Islamic lending, as they are not charging any interest rate and clients are given maximum relaxation in loan repayments.

NRSP, KBL and DAMEEN are of the view that they are performing successfully on social grounds because of several factors among them flexible recovery is one. These institutions are very flexible in loan recovery that if borrowers are failed to repay the loan until the final date, they revise the loan in favour of borrower for next year, in this way borrower get time to reimburse the loan amount easily.

Door to Door Service (33%)

Microfinance not only helps the poor by providing them loan but also facilitates the loan process for the poor, and loan is given without collateral or guarantor and normally it is based on trust. Loan facility is provided based on the belief that "people should not go to the bank but bank should go to the people". Door to door provision of loan facilities not only creates the trust among borrower and lender, it also pulls out awareness among poor communities for micro financing, as majority of poor are unfamiliar with the concept. However, this important category is also not among predefined indicators of SPM. During interview, it emerges as a new theme like other two categories; Islamic lending and flexible recovery (defined earlier). All these three emerging themes has the characteristics of social services, it could be the part of SPM indicators to assess the social performance of MFPs, as social service is the back bone of the concept of micro financing and all the facilities provided by microfinance for loan processing are social services.

Though almost all the MFPs are providing the facility of door-to-door services, yet 5 (33%) institutions specifically point out that they are providing door to door services. The institutions which explain the phenomenon are KASHF, NRSP, KBL, FINCA, and AKHWAT.

CONCLUSION

From the preceding discussion it is evidenced that the Social Performance Management (SPM) implication in microfinance institutions is an emerging concept. Social performance indicators and its exposure is a novel development in the global microfinance landscape. However, collection, validation process and analysis of these indicators themselves are in progression. There is none of instrument of common dimension among the microfinance providers (MFPs) that evaluate social impact of their services. Miscellaneous social indicators are used by MFPs. The semi-structure interview of 15 stakeholders in the microfinance industry of Pakistan elucidated the dilemma and circumstances of SP apprehension at present.

Based on this SPM framework our findings depicted that MFPs in Pakistan are in the stage on capturing information on an institutions basic mission and on its implication only. There are few indicators which are hard to understand and few indicators which are hard to implement according to the perception of stakeholders. Measuring the impact or the social effects of microfinance is rather problematic and ambiguous, when it comes to reflect the equality and social benefits in calculations.

The study observed that on average SPM focus is low in microfinance industry of Pakistan however for few indicators the implication in the institutions is high. Indicators with high impact encompass, mission and social goals clarity, product & services, and poverty outreach category. It was noticed that empowerment of poor community and poverty alleviation via targeting the women and rural client is the main goal of almost all the industry. Correspondingly, approximately all the institutions are offering a broader choice of product and services including financial, non-financial and training.

Furthermore, it was also witnessed that poverty measurement tool to assess the poverty level of client are widespread more or less in all the institutions.

Hilariously, these three indicators describe that MFPs in Pakistan are successful in gratifying their social mission, because the fundamental engrave of social performance fire up from these indicators. Moreover, it is marked here that poverty alleviation mission defined by MFPs is being satisfied by offering the products according to the diverse demand of clients, and in addition, measurement tools used for poverty dimension also represent the welfare concerns of MFPs. It was also detected in the analysis that lending methodology put into practice by MFPs is miscellaneous in accordance to the requirement of clients. Individual, group as well as Islamic and some other lending methods are being in exercise. The high implementation of these indicators in MFPs designates the achievement of social mission, the real mission of microfinance industry.

Apart from that another significant indicator “Transparency of Cost Structure”, where interest rate and cost issues are taken into consideration are being ignored by many MFPs and given only the lip service. Interest rate charging criteria is not clear to clients and even to the staff itself in some cases. Each institution has characterized its own principle for interest rate according to their personal aspiration. This problem is more common in NGOs. Because, MFBs has the obligation to strictly observe the interest rate limits described by SBP.

In another instance, it was noticed that for the indicator “Social Responsibility to Environment, institutions are carrying out the standard defined by International agencies yet they are deficient in holding their own strategy for environment protection. Hence, it indicates suspicious execution of the indicator and humbug of stakeholders.

It was also reflected in the findings that for some indicators lucid understanding is missing in the industry. Monitoring of SPM yardstick through skilled boards of directors is thoroughly ambiguous concept for some stakeholders and for general employees excluding only some institutions. Similarly, for the Smart Campaign Client protection principles that screen the Social Responsibility to Clients, clear understanding is lacking. The findings depict clearly that excluding few SPM indicators, for the rest of others, actual perception is erroneous in the microfinance industry of Pakistan. Subsequently, their implication is also stumpy. MFPs are fulfilling their social mission without having knowledge of SPM.

Apart from that, the study has succinctly described three emerging categories, such as Door to door services, Flexible recovery and Islamic lending. These three indicators are well appropriate in accordance to the bona fide logic of social performance & social mission of MFPs, since their approach is client friendly. However, among them Islamic lending is more fundamental and deep-rooted; there is already plenty of literature available on the resolution of Islamic lending for poor.

Contribution of the Study

The study has given several insights in reference to Social Performance Management in Microfinance Institutions. One of the foremost insights of the study is the exploration of the SPM dimension in microfinance which is an emerging concept. Literature of microfinance is full of studies that highlighted the issue of financial viability and sustainability in the industry, nonetheless, accomplishment of financial viability and sustainability is not the final goal of MFPs. The main objective and concern of financial viability of MFPs is social services and poverty outreach. That will be evaluated in a better way by considering and incorporating the SPM indicators and impact analysis of microfinance programs simultaneously to validate the result.

This study has also added to the existing literature on the SPM indicators that has been defined by Social Performance Task Force in 2012. The emerging categories of indicators and the response rate of stakeholders to an indicator allocate the significance to that specific category with respect to industry players. Hence, it direct towards the modification of few indicators according to its importance in implication. The institutions in microfinance will become more responsible to their performance if Government take some necessary step for the implementation of SPM indicators in industry and make an obligation for each intuition to report them honestly.

Recommendation for Future Studies

Nothing is perfect in this world and there is no ending to excellence, therefore this study also found many new areas which can be discovered in future for more excellence in the same field.

Study was conducted on the data for Pakistan only therefore for better results and comparative analysis it is suggested that same issues should be explore for cross-country analysis. It will enrich the data and authenticate the findings.
SPM indicators were taken from SPTF main indicators categories, for deeper analysis it is suggested that instead of only main categories, supplementary dimension of indicators should also be taken into consideration.

SPM implications results were based on Semi-structured interview which can be biased because of stakeholder’s responses, it is suggested that instead of interview, if designed questionnaires will be used then it will be more helpful in getting the specified answer more accurately.

Moreover, new emerging categories in the study can be explored further in future for possible inclusion in the SPTF indicators list.

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