Voice of the Client: An analysis of client satisfaction and consumer protection across four microfinance institutions in Peru

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SUMMARY

This report presents the findings of the second phase of the Voice of the Client (VoC) project, a pilot developed for microfinance institutions (MFIs) to leverage mobile technologies as a means to analyze the level of satisfaction of their clients with the suite of products and services offered.[1] *Between June and November 2015, data related to client protection principles (CPPs) were collected from 3,767 clients across four MFIs in Peru, namely Caja Municipal de Ahorro y Crédito (CMAC) Arequipa, Fondesurco, Financiera Compartamos, and Financiera ProEmpresa. The data were collected using mobile technologies, specifically via interactive voice responses (IVR), call center, and face-to-face interviews recorded through the use of smart mobile devices.*

The selected indicators of the survey cover five out of seven of the Smart Campaign's principles: (1) appropriate product design, (2) prevention of over-indebtedness, (3) transparency, (4) fair and respectful treatment of clients, and (5) mechanisms for complaint resolution. The remaining two areas – responsible pricing and privacy of client data – were omitted from the questionnaire in order to keep it to a manageable length and minimize the drop-out rate.[2]

The findings show a relatively high level of satisfaction among the clients sampled with their MFI's services and products, however the pilot also highlights some areas of opportunity that warrant further investigation. Below are the key findings that we gathered:

Areas of strength:

1. The majority of clients rated their interaction with their loan officer positively, with 69% and 28% of clients who reported having either a good or average relationship with their loan officer, respectively.

2. With the exception of clients who used their loan to repay another loan, most clients responded to have benefitted from their loans.

Areas in need of further investigation:

1. **Almost one out of every two clients experienced loan repayment issues; such issues increase in frequency in the presence of multiple borrowing**. The percentage of clients who have already been late making a payment increases from 41% among borrowers who have an outstanding loan with only one MFI to 57% among those who have debts with three or more MFIs. More research is needed to determine the risk of over-indebtedness and whether multiple borrowing is caused by the inability to repay the loan with the MFI or rather is a consequence of the need to borrow more for other purposes.

2. **27% of clients do not know or do not remember whether they were aware of their loan's interest rates before accepting the loan**. Considering that over half of the clients who were not aware of the interest rate have made late payments in the past, it might be worth further investigating the clients' real understanding of the cost of the loan at the time of borrowing.

3. **60% of clients do not know or do not recall whether a complaint mechanism** is available with their MFI. An awareness campaign to inform clients about their rights and systems available to submit a complaint would be an important step forward to strengthen the consumer protection practices in place with the MFIs.

Whenever data are available, we conclude each section with client-level analysis on a smaller sample of 774 of survey respondents for whom we were able to match with the client database provided to us by CMAC Arequipa, Fondesurco, and Financiera ProEmpresa. Given its prevalence and ease of data collection, gender is the primary focus of this sub-analysis.

[1] The findings of the first phase are presented in *Voice of the client: An analysis of client satisfaction and consumer protection across four institutions in India*, which can be accessed here: http://www.themix.org/node/1814.
[2] The questionnaire can be consulted in Annex II.

Background

Over the past few years, the microfinance sector has systematically expanded and deepened information on client outreach and social performance in multiple dimensions, one of which is in the area of consumer protection.

More than 1,500 MFIs worldwide have pledged to adhere to a minimum set of standards for client services by endorsing the Smart Campaign's Client Protection Principles (CPPs).

Despite the progress made in the promotion of client protection and the development of the industry standards of best practices in this area, the microfinance industry still lacks large-scale, reliable, and comparable information on client perception on the access to and quality of services offered.

By proactively tracking client feedback, MFIs and funders can have access to actionable data that can support them in addressing areas of weakness and improving operations in a timely fashion. This, in turn, has the tremendous potential to help microfinance programs better meet client needs and preferences and to improve their impact on the population they aim to serve.

To address the need for comparable client-level data, Hivos and MIX developed the Voice of the Client (VoC) project, an initiative that is built on Hivos' experience with citizen monitoring and MIX's experience with collecting data and providing insights on the financial and social performance of MFIs.

The idea of the VoC initiative was originally conceived by Hivos, who is also the principal funder and data owner of the project. Each represented by a board member, Hivos and MIX coordinated on the set-up of the initiative. MIX collaborated with the Smart Campaign to formulate the questions related to the CPPs that were subject for analysis. Finally, Good World Solution – a nonprofit organization with expertise in mobile phone surveys – was commissioned to conduct field data collection activities.

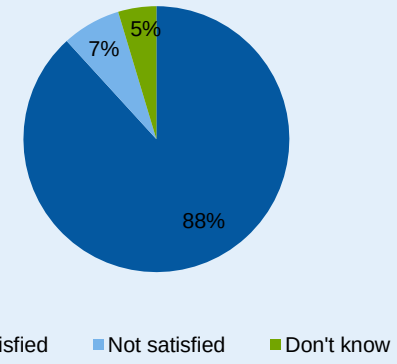
A. GENERAL CUSTOMER SATISFACTION

Clients were asked four questions to assess their overall satisfaction with their MFI. **The majority of clients (88%) responded being satisfied with their institution** (Graph 1). Clients who were interviewed face-to-face were asked which feature they appreciated the most about their MFI. Most identified swift disbursement and customer service (Graph 2).

The majority of clients (72%) responded not preferring another credit provider over theirs, which can be taken as evidence that they are content with their current institution, and at worst suggests that they are indifferent across all institutions (Graph 3). Those who responded preferring another credit provider over their MFI cited more attractive interest rates and quicker disbursement process as the main reasons (Graph 4).

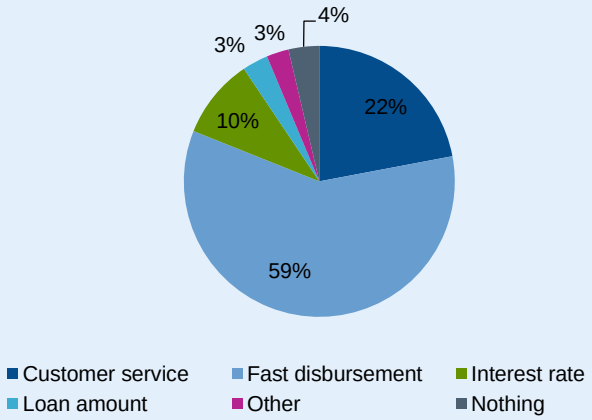
Client-level analysis: A majority of both genders (87% of women and 85% of men) expressed satisfaction with their MFIs, with very subtle differences in both groups' preferred features. However, relatively more men (26%) prefer another credit provider compared to women (21%). Specifically, men were more likely to cite interest rate as a reason (58% to their women counterparts' 49%) while more women favored another credit provider's customer service (16% to their men peers' 7%).

Graph 1. Level of overall client satisfaction



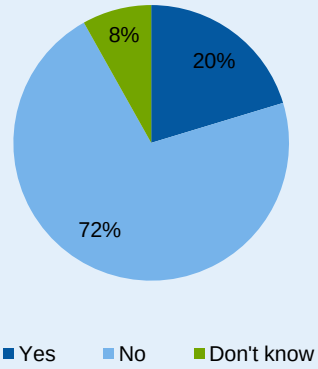
Sample: 3,767
Methodology: IVR, call center, face-to-face

Graph 2. Most preferred feature



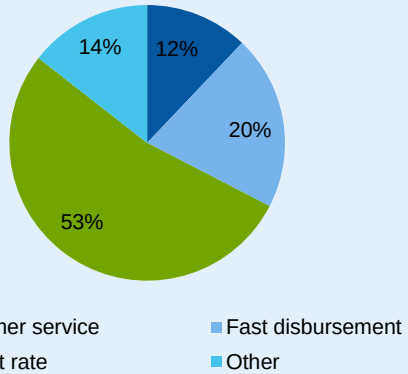
Sample: 681
Methodology: Face-to-face

Graph 3. Clients who prefer another credit provider



Sample: 3,765
Methodology: IVR, call center, face-to-face

Graph 4. Reason for preferring another credit provider



Sample: 761
Methodology: IVR, call center, face-to-face

B. APPROPRIATE PRODUCT DESIGN

Area of higher levels of client satisfaction:

- The majority of clients who used the loan - in full or in part - for the intended purpose also responded having benefitted from it.

Area in need of further research:

- Approximately 28% of all clients sampled responded that they loan size was too small. As for the perception of their loan installment size, almost one third of clients noted that it is too big.

The first area of consumer protection analyzed is the appropriateness of product design.

Providers will take adequate care to design products and delivery channels in such a way that they do not cause clients harm. Products and delivery channels will be designed with client characteristics taken into account.

To assess this principle, we asked each client eight questions to determine whether they think that their loan has had any significant impact or has fulfilled needs in addition to the original loan purpose.

As shown in the table below, while all four MFIs offer generic business and consumption loans, three out of the four MFIs have also designed more specific products to include housing, vehicle, agricultural, and/or express loans.

	Income Generating Loan	Non-income Generating Loan
CMAC Arequipa	Business, Agricultural	Consumption, Home, Vehicle
Compartamos	Business	Consumption, Home
Fondesurco	Business	Consumption
ProEmpresa	Business, Agricultural, Express	Consumption, Home, Vehicle

The majority of clients (86%) reported having used the full sum of their loan for the purpose they stated at the time of application (Graph 5) while 13% used only part of it for the original purpose.

As captured in the table below, **approximately 61% and 24% of clients responded using their loan for business and improvements in their household, respectively**. Between 6% and 8% of clients used their loan towards educational expenses, to cope with an emergency or to purchase or repair their vehicle, while another 4% responded using the loan to repay another loan. Among the remaining 128 clients who replied to have used the loan for other purposes, half used it towards agricultural activities (including livestock and purchasing land), and another third for generic consumption purposes.

	Purpose for which clients are/are going to be using their loans
Business	60.53%
Education	6.87%
Emergency	8.34%
Repay another loan	4.32%
Vehicle	6.56%
Household Improvements	24.16%
Other	6.6%

Sample: 1,966

	Business (N = 1,187)	Education (N=134)	Emergency (N=163)	Repay another loan (N=84)	Vehicle (N=129)	Household improvements (N = 472)	Other (N=128)
Yes	94.19%	90.3%	90.18%	79.76%	96.12%	86.23%	89.06%
No	2.11%	5.97%	7.36%	15.48%	0.78%	10.59%	7.03%
Don't know	3.71%	3.73%	2.45%	4.76%	3.1%	3.18%	3.91%

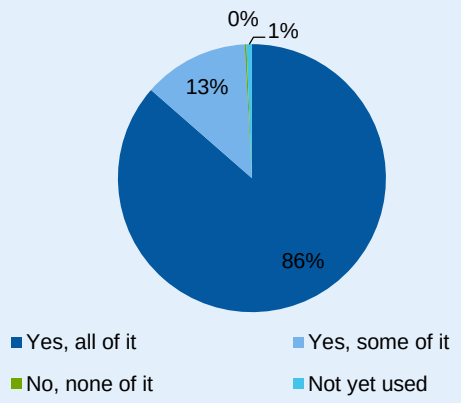
The table above shows that **most borrowers consider to have benefitted from their loan**. Additionally, 84% of clients responded that their business was visited by a staff member before their business loan was approved (Graph 6). In particular, 95% of clients whose business was visited before the approval benefitted from their business loan, which is five percentage points higher than the share of clients who did not receive such a visit.

Of the 115 clients who responded not having benefitted from their loan, approximately 77% pointed to their small loan size as the reason while 16% offered a variety of other reasons, citing high interest rate, having experienced an emergency during their loan tenure, and needing more time to realize any benefits (Graph 7).

Narrowing in on the clients who used their loan either in full or in part towards their originally intended purpose, between 91% and 95% of clients availing of a business loan benefitted from it, respectively. However, nearly one third of clients who used only some of their loan for improvements in their household, and around 15% of clients who used all or part of the loan to repay another loan, did not see any benefit.

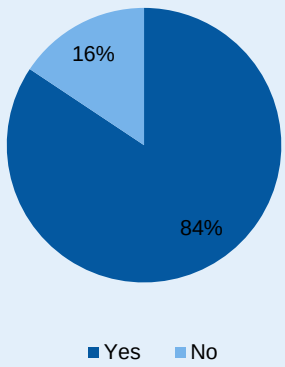
Approximately 72% of all clients sampled responded that their loan size was large enough while the rest found it to be too small (Graph 8). As for the perception of their loan installment size, 65% responded that it is of the correct size while almost one third of the sample noted it to be too big (Graph 9). Furthermore, 63% of clients who responded by IVR and call center feel that their installments are of the correct size compared to 73% of clients who were interviewed face-to-face. Loan installments that are perceived as being too big may represent a potential red flag that could possibly indicate a link to excess debt exposure or the need to recalibrate the design of the loans.

Graph 5. Clients using loan for intended purpose



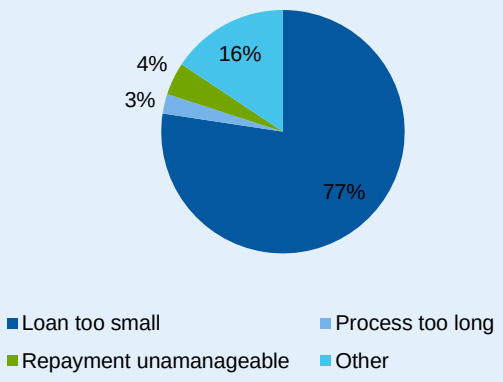
Sample: 1,975
Methodology: Call center, face-to-face

Graph 6. Clients whose business was visited by MFI staff



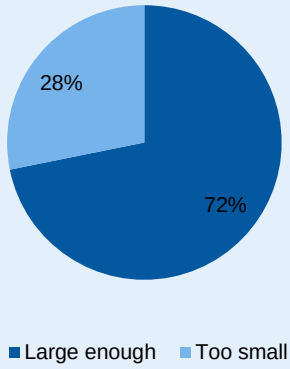
Sample: 1,182
Methodology: Call center, face-to-face

Graph 7. Reasons clients did not benefit from loan



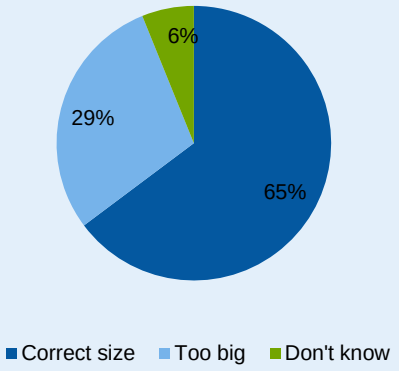
Sample: 115
Methodology: Call center, face-to-face

Graph 8. Client perception of loan size



Sample: 3,766
Methodology: IVR, call center, face-to-face

Graph 9. Client perception of loan installment size



Sample: 3,767
Methodology: IVR, call center, face-to-face

Client-level analysis: The table below shows that a relatively higher share of men used the loan for business purposes, to purchase or repay their car, and to repay another loan, while relatively more women used it for educational expenses, improvements in the household, and emergency purposes. We also observed that relatively more women who used their loans for the purpose of financing their business, education, emergency, and vehicle benefited from it, however relatively more men benefited from loans for repaying another loan and making household improvements.

We found that a relatively higher share of women (69%) reported being satisfied with their loan size than that of men (61%), but comparatively fewer women (65%) found their payment size to be adequate than men did (69%). As such, we suggest MFIs to further explore whether these differences are due to a different utilization of loan among women and men clients.

	Business		Education		Emergency		Repay another loan		Vehicle		Household improvements	
	W	M	W	M	W	M	W	M	W	M	W	M
Use (Y) (N=771)	56.03%	58.63%	8.91%	6.62%	10.06%	6.86%	2.87%	3.07%	3.45%	5.67%	27.87%	23.17%
Benefit (Y)	95.9% N=195	90.73% N=248	100% N=30	81.48% N=27	91.43% N = 35	79.31% N= 29	88.89% N=9	92.31% N=13	100% N=12	91.67% N=24	90.63% N=96	93.88% N=98

C. PREVENTION OF OVER-INDEBTEDNESS

Area of higher levels of client satisfaction:

- The better clients perceive their relationship with their loan officer, the more inclined they are to contact them should they face repayment issues.

Areas in need of further research:

- Approximately 45% of all clients sampled responded to have been late at least once making a payment. This percentage increases from 41% among borrowers who have an outstanding loan with only one MFI to 57% among those who have debts with three or more credit providers.
- 15% responded having borrowed from another source to repay their loan with their MFI.

The second consumer protection principle analyzed is prevention of over-indbetedness.

Providers will take adequate care in all phases of their credit processes to determine that clients have the capacity to repay without becoming over-indebted. In addition, providers will implement and monitor internal systems that support prevention of over-indebtedness and will foster efforts to improve market level credit risk management (such as credit information sharing).

To assess this principle, we asked clients five questions to determine their level of over-indebtedness and to gain insight into their payment experience.

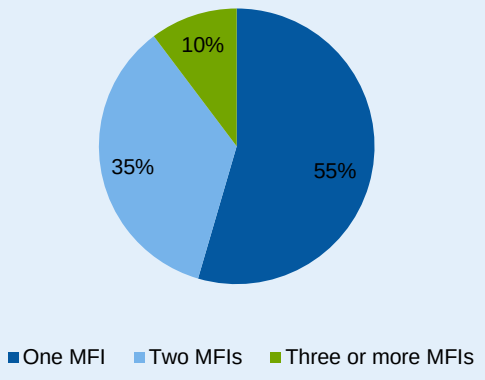
Peruvian regulation does not limit the number of institutions with which a client can have outstanding loans. In fact, according to a study conducted by Smart Campaign, MFIs' acceptance of borrowers with multiple loans tends to be quite liberal.[3] In our survey, 55% of the sample responded having an oustanding loan with one MFI, 35% with two MFIs, and around 10% with three or more MFIs (Graph 10).

Approximately 45% of all clients sampled responded to have already been late making a payment at least once (Graph 11). As we would expect, **a positive relation can be observed between having experienced a repayment problem and the number of MFIs with which borrowers have an outstanding loan**: the table below shows that the percentage of clients who have already been late making a payment increases from 41% among borrowers who have outstanding loans with only one MFI to 57% among those who have debts with three or more institutions.

	Number of MFIs		
Made a late payment	1	2	3 or more
Yes	41.19%	50.65%	57.22%
No	58.81%	49.35%	42.78%
Total	2,020	1,307	381

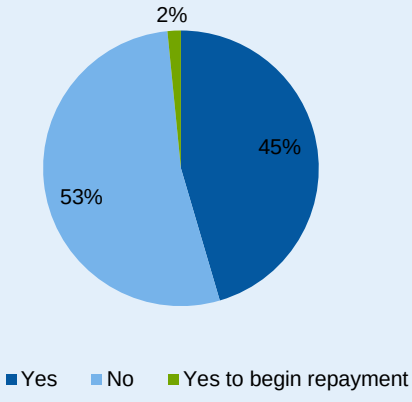
Sample: 3,708

Graph 10. Number of MFIs with which client has an outstanding loan



Sample: 3,767
Methodology: IVR, call center, face-to-face

Graph 11. Clients who have made a late payment



Sample: 3,708
Methodology: IVR, call center, face-to-face

[3] www.smartcampaign.org/storage/documents/what_happens_to_microfinance_clients_who_default_eng.pdf

Fiften percent of the total sample said that they have borrowed from another souce to repay their loan in the last month (Graph 12). We had just highlighted that the more MFIs with which a client has an outstanding loan, the more likely they were to have made a late payment. The table below illustrates another apparent burden associated with having multiple loans, whereby **the greater the number of MFIs with which a client has an outstanding loan, the more likely they are to have borrowed from another source**.

	Number of MFIs		
Borrowed to repay loan	1	2	3 or more
Yes	10.07%	19.83%	22.63%
No	89.93%	80.17%	77.37%
Total	2,016	1,306	380

Sample: 3,702

Along the same lines, a higher percentage of clients who have already been late in the past also borrowed from an external source in the last month (17%) compared to clients who have never been late (13%). On the other way around, 53% of clients who have borrowed from another source also experienced payment problems in the past. Overall, **the findings show a linkage between the number of outstanding loans, having borrowed from another source and having already been late with payments**. However, further investigation is needed to determine the direction of the causality: do clients resort to borrowing from another source when they start experiencing repayment problems with their loan or is multiple borrowing the primary cause of over-indebtedness?

On a related note, while 90% of clients who never experienced a repayment problem would contact their loan officer should they face this situation (Graph 13), only 49% of borrowers who previously experienced a payment problem chose to address it with their loan officer (Graph 14). This stark contrast may be driven by an optimistic view that one will not face a repayment problem in the future, but if so, the loan officer would be the most sensible person to contact.

Among those who did not or would prefer not to discuss payment problems with their loan officer, 56% felt that doing so would be unnecessary, 24% did not know that it was an option and 7% who tried to were not able to reach their loan officer (Graph 15). Twelve percent offered a variety of reasons that include being assigned a new loan officer during their loan tenure, not having time or not knowing how to communicate with their loan officer.

The table below points to a relation between officer rating and the rate whether or not the borrower would or did contact their loan officer about their repayment problem. Indeed, **the better clients perceive their relationship with their loan officer, the more inclined they were/would be to contact her when faced with a repayment issue**.

	Officer rating		
Contacted or would contact loan officer	Good	Average	Bad
Yes	70.45%	67.78%	54.1%
No	29.55%	32.22%	45.9%
Total	1,367	540	61

Sample: 1,968

Focusing on the clients who experienced a repayment problem in the past, 5% responded that their loan officer behaved disrespectfully when collecting their late payment. As shown in the table below, **a significant share of clients who rated their relationship with their loan officer as bad also claimed that they were treated disrespectfully during the collection of their late payment**.

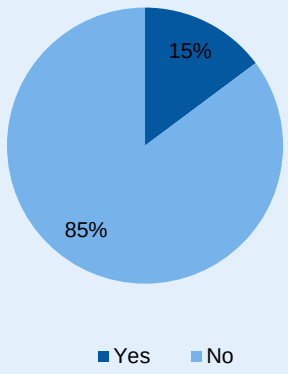
	Officer rating		
Behaved disrespectfully	Good	Average	Bad
Yes	2.75%	7.39%	37.04%
No	97.25%	92.61%	62.96%
Total	582	257	27

Sample: 866

Instances related to over-indebtedness, such as making late payments, borrowing from another source, and having multiple loans, were more commonly reported by clients who were interviewed via IVR than those who were interviewed via a call center or face-to-face.

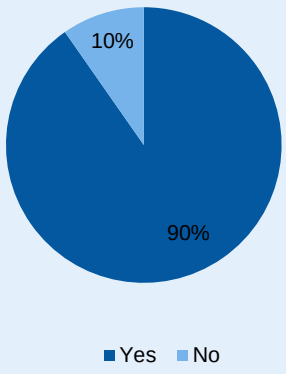
Client-level analysis: A greater share of women reported to have made a late payment and to have borrowed from another source to repay their loan (45% and 13%, respectively) than men did (42% and 11%, respectively). Furthermore, we observed relatively fewer women to be a client of one MFI exclusively (53%) compared to men (57%).

Graph 12. Clients who borrowed from another source to repay loan



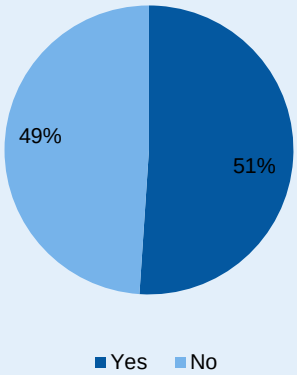
Sample: 3,702
Methodology: IVR, call center, face-to-face

Graph 13. Clients who would contact loan officer about payment problem



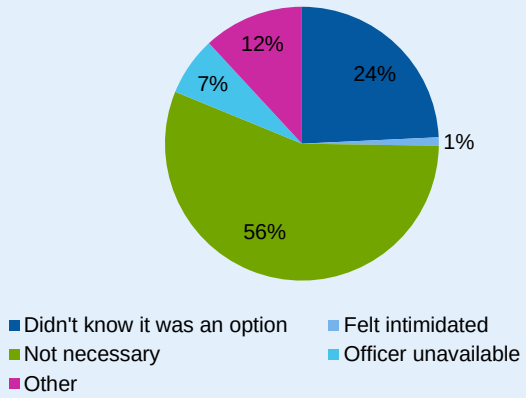
Sample: 2,052
Methodology: IVR, call center, face-to-face

Graph 14. Clients who contacted loan officer about payment problem



Sample: 1,712
Methodology: IVR, call center, face-to-face

Graph 15. Reasons for not contacting loan officer about payment problem



Sample: 202
Methodology: Face-to-face

D. TRANSPARENCY

Area in need of further research:

- Only 72% of respondents were aware of their loan's interest rates before accepting the loan, with the remainder either not knowing (13%) or not remembering it (15%).

The third consumer protection principle analyzed is transparency.

Providers will communicate clear, sufficient and timely information in a manner and language that clients can understand, so that clients can make informed decisions. The need for transparent information on pricing, terms and conditions of products is highlighted.

To assess this principle, we asked two questions to know whether clients were adequately informed of the interest rate and given a repayment schedule before accepting their loan.

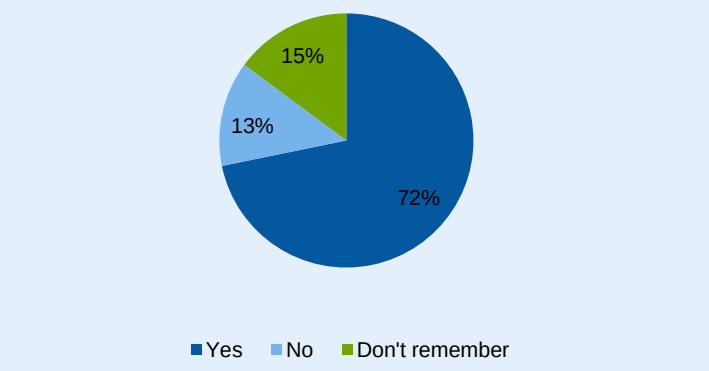
The Superintendent for Banking and Insurance (SBS by its Spanish acronym), the lead financial sector regulator in Peru, mandates that banks disclose their Annual Effective Cost Rate (TCEA by its Spanish acronym), which includes all costs associated with a loan, such as the nominal interest rate, evaluation charges, credit insurance premiums, or monthly statement issuing cost.[4] Thereby, it is surprising to find that **only 72% of respondents were aware of their loan's interest rates before accepting it, with the remainder either not knowing (13%) or not remembering it (15%)** (Graph 16). Results gathered from IVR and face-to-face interviews are more similar to each other relative to those collected from call center interviews: only 64% of clients interviewed by a call center were aware of their loan's interest rate compared to 75% and 78% of clients who were surveyed via IVR and face-to-face, respectively.

A closer look at the data also points to a relationship between awareness of interest rate and timeliness of payment: **almost 52% of clients who were not aware of the interest rate have made late payments in the past compared to 45% among clients who were aware of this cost component**.

Eighty-four percent of respondents claimed that they were provided with a detailed repayment schedule before accepting their loan, 10% responded that they were not provided with such a document, and 6% did not remember receiving one (Graph 17). Breaking down these figures by survey mode, 77% and 97% of clients interviewed by a call center and face-to-face reported having been provided a detailed repayment schedule before accepting their loan, respectively. The twenty-percentage point difference may be explained by some of the "risks" associated with in person interviews, which include the tendency for interviewees to respond according to how they think they are expected or the potential for enumerators to unknowingly influence answers by providing advice or explanation.

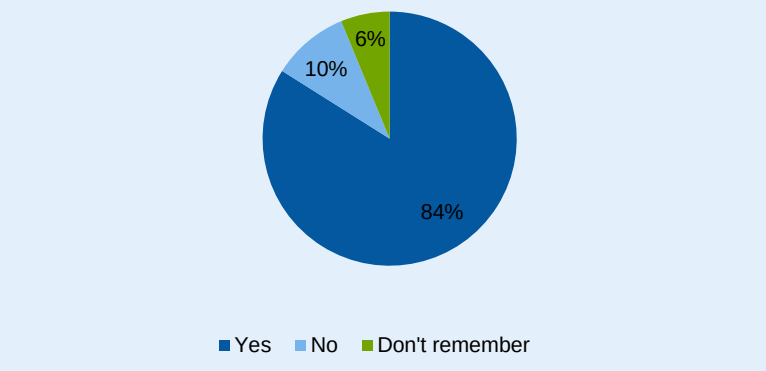
Given the legal mandate, and in light of a lower than expected awareness of their loan's cost structure, clients could stand to benefit if MFIs were to strengthen their financial literacy programs and streamline their communications processes to ensure proper dissemination of cost information.

Graph 16. Clients aware of loan interest rates before accepting loan



Sample: 3,767
Methodology: IVR, call center, face-to-face

Graph 17. Clients provided with detailed repayment schedule before accepting loan



Sample: 1,974
Methodology: Call center, face-to-face

[4] SBS Regulation Number 8181 - 2012

E. FAIR AND RESPECTFUL TREATMENT OF CLIENTS

Area of higher levels of client satisfaction:

- 69% and 28% of clients reported having either a good or average relationship with their loan officer, respectively.

Area in need of further research:

- 3% and 1% of the total sample reported having experienced some form of intimidation or mistreatment by their loan officer and/or to have been requested to pay a commission, respectively.

The fourth consumer protection principle analyzed is fair and respectful treatment of clients.

Financial service providers and their agents will treat their clients fairly and respectfully. They will not discriminate. Providers will ensure adequate safeguards to detect and correct corruption as well as aggressive or abusive treatment by their loan officer, particularly during the loan sales and debt collection processes.

To assess this principle, we asked four questions to know whether clients have faced any situation wherein a loan officer mistreated, intimidated or behaved disrespectfully towards them.

Peruvian MFIs are required to adopt the code of conduct issued by the Association of Peruvian Banks, which is the same one that governs the greater financial sector. While it does not prescribe any specific set of behaviors for engaging with clients, it does emphasize that it is incumbent upon institutions to complement the interest and respect the rights of the communities they serve.

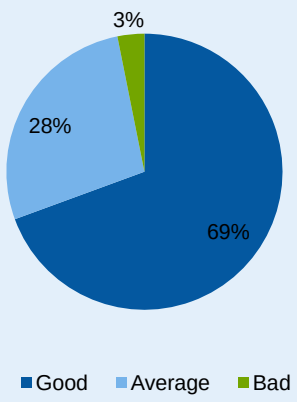
All except three percent of clients rated their interaction with their loan officer as either good or average (Graph 18).

Our findings show that, in spite of an emphasis on strong ethics and compliance within the Peruvian industry, institutions cannot fully prevent opportunities for misconduct from being taken. In fact, **three percent of the total sample reported having experienced some form of intimidation or mistreatment by their loan officer** (Graph 19), one percent having been requested to pay a commission (Graph 20), and another one percent not having been provided a receipt for each transaction (Graph 21).

Clients interviewed via IVR more commonly responded to have experienced cases of misconduct than their counterparts who responded via a call center or face-to-face.

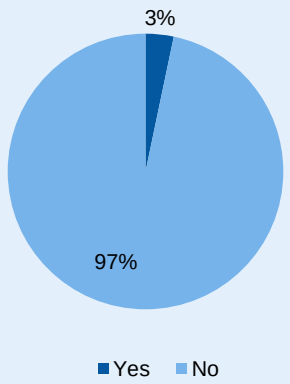
Client-level analysis: While a slightly larger share of women (70%) reported having a good relationship with their loan officer than men did (66%), a few more women (2%) recounted to have been intimidated by their loan officer than men did (1%).

Graph 18. Client rating of interaction with loan officer



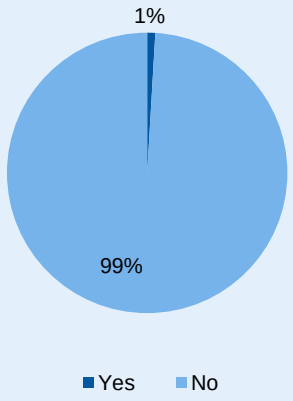
Sample: 1,971
Methodology: Call center, face-to-face

Graph 19. Clients subjected to intimidation or mistreatment by loan officer



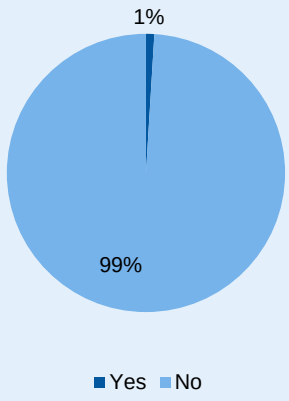
Sample: 3,766
Methodology: IVR, call center, face-to-face

Graph 20. Clients whose loan officer demanded a commission or tip



Sample: 3,766
Methodology: IVR, call center, face-to-face

Graph 21. Clients whose loan officer took money without providing receipt



Sample: 1,972
Methodology: Call center, face-to-face

F. MECHANISMS FOR COMPLAINT RESOLUTION

Area in need of further research:

- Only 40% responded being aware of the availability of a complaint mechanism while the remaining 60% either do not know that or do not recall whether a complaint mechanism is available.

The fifth and last client protection principle analyzed is mechanisms for complaint resolution.

Providers will have in place timely and responsive mechanisms for complaints and problem resolution for their clients and will use these mechanisms both to resolve individual problems and to improve their products and services.

To assess this principle, three questions were asked to know whether clients are aware of the existence of complaint mechanisms within their MFI and whether they have ever used them.

Complaints handling is closely monitored by the SBS and the Peruvian Consumer Protection Agency (INDECOPI for its Spanish acronym). In fact, MFIs share the complaints made by their clients to SBS, which they also publish on their individual websites as part of their effort to promote transparency while INDECOPI supports clients in addressing issues. Therefore, it comes as a surprise that of the total clients sampled, **only 40% responded being aware of the availability of a complaint mechanism while the remaining 60% either do not know or do not recall whether a complaint mechanism is available** (Graph 22).

As shown in the table below, **the branch manager is the channel that was mentioned by most clients, followed by the MFI's complaint book and hotline**. Almost 10% of clients mentioned other channels, including most notably the loan officer and a written note.

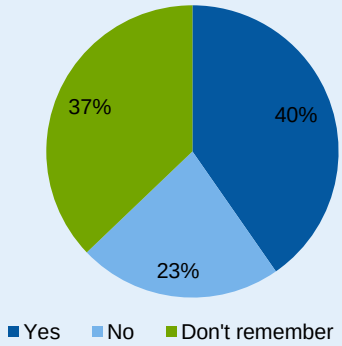
Complaint mechanisms	Clients who reported specific complaints mechanism as being a formal channel
Branch manager	65.08%
Complaint book	25.39%
Others (including loan officer and a written note)	9.54%
Hotline	4.77%

Sample: 839

Nine percent of clients who were aware that a complaint mechanism is available, or 3.6% of all clients surveyed, lodged a complaint with their MFI at least once in the past (Graph 23). **A low rate of complaint can be interpreted as a positive measure of the MFIs' customer service and operations or, conversely, can signal limited awareness among customers of the availability of the complaints mechanisms in place.**

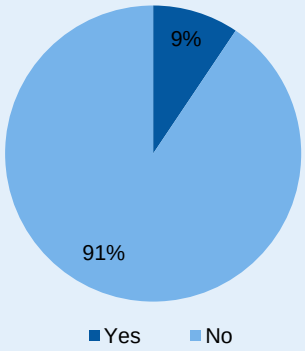
Client-level analysis: Not only are more women aware than men are of the existence of a complaint mechanism (43% and 40%, respectively), but more women also reported to have made a complaint compared to men (12% and 9%, respectively), albeit by a small margin.

Graph 22. Clients who are aware that a complaint mechanism is available



Sample: 3,767
Methodology: IVR, call center, face-to-face

Graph 23. Clients who made a complaint



Sample: 1,519
Methodology: IVR, call center, face-to-face

CONCLUSION AND RECOMMENDATIONS

The analysis shows a relatively high level of customer satisfaction with their MFI. However, we found a few areas of weakness and opportunity that may be considered for further investigation.

In light of these findings, MIX's recommendations are as follows:

1. Run a second analysis in Peru with a larger sample size drawn from a greater number of branches across different provinces.

2. Coordinate with the MFIs to update the questionnaire based on the findings to dig deeper into the areas that need further investigation.

3. Integrate the VoC data collection process into MFIs' operations so that client feedback can be accessed in a timely fashion and used to improve operating procedures, staff training, and product development.

4. Adopt IVR methodology as the main survey method because of its cost-saving structure and its scalability to target a larger sample size. Additionally, two other important benefits of IVR include the potential to minimize human error during the data collection phase by reducing the risk of interviewer bias and potential mistakes in recording answers, as well as the tendency for clients to be more candid when responding to the more sensitive questions when they perceive themselves to be answering under conditions of greater anonymity. Nevertheless, we suggest to complement surveys conducted via IVR with face-to-face interviews on a small share of the total sample size for comparison and to deepen the level of understanding of more qualitative indicators.[5]

5. As for the client characteristic analysis, we could only match 21% of the VoC dataset vis-à-vis the MFIs' dataset. This relatively low figure results from a combination of the following factors:

   - The vast majority of face-to-face respondents did not want to provide their phone number.

   - Some IVR respondents used the mobile phone made available at their branch instead of their personal device.

   - The telephone number recorded in the MFI's database could have been outdated or, alternatively, clients might have decided to answer from a mobile phone other than theirs.

6. For the next round of data collection, we will explore new solutions to increase the level of comparability between the survey and the MFI's database while ensuring that answers remain anonymous and clients feel at ease. Adapt and apply the VoC methodology to a broader scope of investigation that includes research on poverty assessment, savings, or women's empowerment, to name a few. MFIs might be interested in adding new indicators in future rounds of data collection.

Voice of the Client represents the first attempt in the microfinance sector to establish a series of indicators related to customer satisfaction that can be compared across institutions, as well as be used by MFIs for their own market research and product development purposes.

[5] For more insight on using IVR to conduct surveys, see: hwww.alliancemagazine.org/blog/ivr-giving-clients-a-voice-in-microfinanceand-beyond/

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This analysis and report would not have been made possible without the support and commitment of the Board members of this initiative, Leo Soldaat and Blaine Stephens, as well as Lukas Wellen, and our technical partners Good World Solutions and the Smart Campaign. In addition, we would like to extend our appreciation to ADA, the Cisco Foundation, Deutsche Bank Foundation, Hivos, Sida and Triple Jump for their generous support.

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ANNEX I: METHODOLOGY

The findings of the analysis come from a sample of 3,767 eligible clients from Lima and Arequipa. Another 157 clients started the survey but were not eligible because they did not have an outstanding loan with the MFI at the time of the interview and 103 clients declined to participate in the survey.

The sample of 3,767 respondents was distributed as follows:

MFI	Sample	Percent
CMAC Arequipa	1,031	27.37%
Compartamos	1,013	26.89%
Fondesurco	842	22.35%
ProEmpresa	881	23.39%

Methodology	Sample	Percent
IVR	1,792	47.57%
Call center	1,293	34.32%
Face-to-face	682	18.10%

In the case of IVR, 10,500 phone cards were distributed to clients across all four MFIs to call the toll-free number that would allow them to participate in the call. Seventeen percent of clients receiving the cards called the number and took part in the survey.

The findings of the client-level analysis were drawn from a sample of 774 clients for which we were able to match with the client database of CMAC Arequipa, Fondesurco and Financiera ProEmpresa.

This sample was distributed as follows:

MFI	Sample	Percent
CMAC Arequipa	290	37.47%
Fondesurco	269	34.75%
ProEmpresa	215	27.78%

Gender	Sample	Percent
Women	350	45.22%
Men	424	54.78%

Methodology	Sample	Percent
Call center	722	93.28%
Face-to-face	52	6.72%

Finally, for every indicator analyzed, we do not know whether the sample of clients interviewed is representative of the entire number of clients served by the four MFIs of the pilot.

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ANNEX II: QUESTIONNAIRE

MIX worked with the Smart Campaign's Task Force to identify the most relevant questions to ask clients. Following the framework of the Smart Campaign's Principles, we decided to focus on five out of the seven principles of the Smart Campaign. Below is a summary of the client protection principles that were chosen for this investigation.

CLIENT PROTECTION PRINCIPLE	PURPOSE OF DATA COLLECTION
APPROPRIATE PRODUCT DESIGN	• Know whether clients perceive their loan to have any significant impact on their business activity or to fulfill other needs
PREVENTION OF OVER-INDEBTEDNESS	• Know whether clients think that the installment size of each loan is adequate relative to their repayment capacity • Know whether clients feel comfortable discussing repayment problems with their loan officer • Know whether clients have borrowed from additional sources in order to repay a loan in the past month
TRANSPARENCY	• Know whether clients had to repay an amount that was different from the amount they had expected
FAIR AND RESPECTFUL TREATMENT OF CLIENTS	• Know whether clients have faced any situation in which their loan officer ever mistreated, intimidated or behaved disrespectfully toward them
MECHANISM FOR COMPLAINT RESOLUTION	• Know whether clients are aware of the existence of a mechanism to express complaints within their MFI and if they have ever used it

For each area of client protection, clients were asked a set of questions using the three methodologies of IVR, call center, and face-to-face interviews. Each client was interviewed only once and using a single methodology.

A total of 28 questions have been analyzed, 24 of which are related to CPPs and four of which help to gauge general customer satisfaction. The questions were distributed as follows:

- Fifteen questions overlap across all three methodologies and were chosen as a basis to compare the methodologies and to generate a bigger sample for analysis.
- Eleven questions overlap across two methodologies, most often of which were face-to-face interviews and call centers, and are less generic or straightforward.
- Two questions were asked only face-to-face, and were designed to acquire more detailed information.

The table on the following page lists the questions that were assessed and the methodology used.

Areas of investigation	Questions	Methodology
GENERAL CUSTOMER SATISFACTION	1. Overall, how do you feel about MFI?	IVR, call center and face to face
	2. Do you prefer any other credit provider over MFI?	IVR, call center and face to face
	3. (If answered 'yes' to question 2) Why do you prefer another credit provider over MFI?	IVR, call center and face to face
	4. What do you like most about MFI?	Face-to-face
APPROPRIATE PRODUCT DESIGN	5. Are you using your loan for the purpose you cited at the time of application?	Call center and face-to-face
	6. (If answered 'yes, all of it', 'yes, some of it' or 'no, none of it' to question 5) For what purpose are you using your loan from MFI?	Call center and face-to-face
	7. (If answered 'Have not used any of the money borrowed yet' to question 5): For what purpose are you going to use your loan from MFI?	Call center and face-to-face
	Depending on answer to question 6: 8.1 Business: Has your business benefited from you taking this loan? 8.2 Education: Have you been able to pay all your educational expenses? 8.3 Emergency: Has the loan enabled you to cope with your emergency? 8.4 Repay another loan: Was the loan sufficient to make your payments while maintaining other expenses? 8.5 House: Have you been able to make all the household improvements you had planned to make with your loan? 8.6 Auto: Were you able to purchase/repair your automobile with the money you borrowed? 8.7 Other: Was the loan sufficient to pay for _____ as you had planned?	Call center and face-to-face
	9. (If answered 'no' to question 8) Why didn't your loan from MFI meet your needs?	Call center and face-to-face
	10. (If answered 'business' to question 6 or 7) Did a staff member from MFI visit your business before approving your loan?	Call center and face-to-face
	11. How do you feel about the size of your current loan?	IVR, call center and face to face
	12. How do you feel about the size of your loan installment payments?	IVR, call center and face-to-face
PREVENTION OF OVER-INDEBTEDNESS	13. With how many MFIs do you currently have an outstanding loan?	IVR, call center and face-to-face
	14. Have you ever been late with making a payment to MFI?	IVR, call center and face-to-face
	15. (If answered 'yes' to question 14) The last time you had a problem with a payment, did you speak to your	IVR, call center and face-to-face

	loan officer about it?	
	16. (If answered 'no' or 'yet to start' to question 14) Should you have difficulties making a loan payment in the future, would you speak to your loan officer about it?	IVR, call center and face-to-face
	17. (If answered 'no' to question 15 or 16) Why do you prefer not to discuss payment problems with your loan officer?	Face-to-face
	18. (If answered 'yes' to question 14) Did your loan officer behave disrespectfully when collecting your late payment?	Call center and face-to-face
	19. (If answered 'yes' or 'no' to question 14) In the last month, did you take out credit or borrow from any other source, such as a family member or another MFI, to make loan payments to MFI?	IVR, call center and face-to-face
TRANSPARENCY	20. Did MFI inform about your loan's interest rate before you accepted the loan?	IVR, call center and face-to-face
	21. Did MFI give you a detailed schedule of the dates and amounts you would have to pay before you accepted your loan?	Call center and face-to-face
FAIR AND RESPECTFUL TREATMENT OF CLIENTS	22. Overall, how would you rate your interactions with your loan officer?	Call center and face-to-face
	23. Has your loan officer ever intimidated or disrespected you?	IVR, call center and face-to-face
	24. Has your loan officer ever demanded that you pay a commission or give a tip?	IVR, call center and face-to-face
	25. Has your loan officer ever demanded money from you without providing you with a receipt?	Call center and face-to-face
MECHANISM FOR COMPLAINT RESOLUTION	26. If you have a problem with MFI, is there a way for you to make a formal complaint to MFI?	IVR, call center and face-to-face
	27. (If answered 'yes' to question 26) What options are available for making a complaint to MFI? Please list all of the options of which you are aware.	Call center and face-to-face
	28. (If answered 'yes' to question 22) Have you ever made a complaint to MFI?	IVR, call center and face-to-face

ANNEX III: FINDINGS BY METHODOLOGY

1. GENERAL CUSTOMER SATISFACTION

Question 1: Overall, how do you feel about your MFI?

IVR			Call center			Face-to-face		
Total respondents: 1,792			Total respondents = 1,293			Total respondents = 682		
Satisfied	Not satisfied	Does not know	Satisfied	Not satisfied	Does not know	Satisfied	Not satisfied	Does not know
91.91%	6.08%	2.01%	85.07%	7.12%	7.81%	84.46%	9.97%	5.57%

Question 2: Do you prefer any other credit provider more than this MFI?

IVR			Call center			Face-to-face		
Total respondents = 1,792			Total respondents = 1,293			Total respondents = 680		
Yes	No	Does not know	Yes	No	Does not know	Yes	No	Does not know
17.97%	68.02%	14.01%	22.66%	77.34%	0%	22.06%	69.85%	8.09%

Question 3: Why do you prefer another credit provider over this MFI?

IVR				Call center				Face-to-face			
Total respondents = 320				Total respondents = 292				Total respondents = 149			
Customer service	Fast disbursement	Interest rate	Other	Customer service	Fast disbursement	Interest rate	Other	Customer service	Fast disbursement	Interest rate	Other
16.56%	23.13%	49.69%	10.63%	10.62%	18.15%	56.51%	14.73%	5.37%	19.46%	53.02%	22.15%

2. APPROPRIATE PRODUCT DESIGN

Question 5: Are you using your loan for the purpose you cited at the time of application?

Call center				Face-to-face			
Total respondents = 1,293				Total respondents = 682			
Yes, all	Yes, some	No, none	Not yet used	Yes, all	Yes, some	No, none	Not yet used
89.1%	10.36%	0%	0.54%	81.38%	17.16%	0.59%	0.88%

Questions 6 & 7: For what purpose are you using your loan from MFI? For what purpose are you going to use your loan from MFI?

	Call center (N = 1,284)	Face-to-face (N = 682)
Business	57.24%	66.72%
Education	8.96%	2.93%
Emergency	8.64%	7.77%
Home improvements	22.66%	26.98%
Automobile purchase or repairs	6.85%	6.01%
Repay another loan	4.28%	4.4%
Other	7.63%	4.4%

Question 8: Did you benefit from the loan?

	Call center				Face-to-face			
Use of the loan	Yes	No	Don't know	Total respondents	Yes	No	Don't know	Total respondents
Business	92.65%	2.59%	4.76%	735	96.68%	1.33%	1.99%	452
Education	91.23%	4.39%	4.39%	114	85%	15%	0%	20
Emergency	88.29%	8.11%	3.6%	111	94.23%	5.77%	0%	52
Home improvements	94.12%	2.42%	3.46%	289	73.77%	23.5%	2.73%	183
Automobile purchase or repairs	94.32%	1.14%	4.55%	88	100%	0%	0%	41
Repay another loan	85.45%	9.09%	5.45%	55	68.97%	27.59%	3.45%	29
Other	92.86%	2.04%	5.1%	98	76.67%	23.33%	0%	30

Question 9: Why didn't your loan from MFI meet your needs?

Call center				Face-to-face			
Total respondents = 46				Total respondents = 69			
Loan too small	Process too long	Repayments unmanageable	Other	Loan too small	Process too long	Repayments unmanageable	Other
60.87%	4.35%	6.52%	28.26%	88.41%	1.45%	2.9%	7.25%

Question 10: Did a staff member from MFI visit your business before approving your loan?

Call center		Face-to-face	
Total respondents = 731		Total respondents = 451	
Business visited before loan approval	Business not visited before loan approval	Business visited before loan approval	Business not visited before loan approval
83.31%	16.69%	86.03%	13.97%

Question 11: How do you feel about the size of your current loan?

IVR		Call center		Face-to-face	
Total respondents = 1,792		Total respondents = 1,293		Total respondents = 681	
Large enough	Too small	Large enough	Too small	Large enough	Too small
77.23%	22.77%	63.19%	36.81%	74.01%	25.99%

Question 12: How do you feel about the size of your loan installment payments?

IVR			Call center			Face-to-face		
Total respondents = 1,792			Total respondents = 1,293			Total respondents = 682		
Correct size	Too big	Does not know	Correct size	Too big	Does not know	Correct size	Too big	Does not know
62.61%	33.43%	3.96%	63.42%	25.6%	10.98%	73.02%	24.34%	2.64%

3. PREVENTION OF OVER-INDEBTEDNESS

Question 13: With how many MFIs do you currently have an outstanding loan?

IVR			Call center			Face-to-face		
Total respondents = 1,792			Total respondents = 1,293			Total respondents = 682		
One MFI	Two MFIs	Three or more MFIs	One MFI	Two MFIs	Three or more MFIs	One MFI	Two MFIs	Three or more MFIs
52.01%	35.6%	12.39%	56.84%	35.27%	7.89%	56.74%	34.02%	9.24%

Question 14: Have you ever been late with making a payment to your MFI?

IVR			Call center			Face-to-face		
Total respondents = 1,792			Total respondents = 1,293			Total respondents = 682		
Have already been late making a payment	Have never been late making a payment	Yet to begin repayment	Have already been late making a payment	Have never been late making a payment	Yet to being repayment	Have already been late making a payment	Have never been late making a payment	Yet to being repayment
47.1%	50.61%	2.29%	44.16%	55.38%	0.46%	43.55%	54.69%	1.76%

Question 15: The last time you had a problem with a payment, did you speak to your loan officer about it?

IVR		Call center		Face-to-face	
Total respondents = 844		Total respondents = 571		Total respondents = 297	
Contacted loan officer about payment problem	Did not contact loan officer about payment problem	Contacted loan officer about payment problem	Did not contact loan officer about payment problem	Contacted loan officer about payment problem	Did not contact loan officer about payment problem
57.35%	42.65%	46.41%	53.59%	42.09%	57.91%

Question 16: Should you have difficulties making a loan payment in the future, would you speak to your loan officer about it?

IVR		Call center		Face-to-face	
Total respondents = 948		Total respondents = 722		Total respondents = 382	
Would contact loan officer about payment problem	Would not contact loan officer about payment problem	Would contact loan officer about payment problem	Would not contact loan officer about payment problem	Would contact loan officer about payment problem	Would not contact loan officer about payment problem
92.62%	7.38%	86.7%	13.3%	91.36%	8.64%

Question 18: Did your loan officer behave disrespectfully when collecting your late payment?

Call center		Face-to-face	
Total respondents = 571		Total respondents = 295	
Loan officer behaved disrespectfully during payment collection	Loan officer behaved respectfully during payment collection	Loan officer behaved disrespectfully during payment collection	Loan officer behaved respectfully during payment collection
5.43%	94.57%	4.75%	95.25%

Question 19: In the last month, did you take out credit or borrow from any other source, such as a family member or another MFI, to make loan payments to MFI?

IVR		Call center		Face–to-face	
Total respondents = 1,751		Total respondents = 1,282		Total respondents = 669	
Borrowed from another source	Did not borrow from another source	Borrowed from another source	Did not borrow from another source	Borrowed from another source	Did not borrow from another source
17.65%	82.35%	11.08%	88.92%	14.5%	85.5%

4. TRANSPARENCY

Question 20: Did MFI inform about your loan's interest rate before you accepted the loan?

IVR			Call center			Face-to-face		
Total respondents = 1,792			Total respondents = 1,293			Total respondents = 682		
Aware of loan interest rate	Not aware of loan interest rate	Do not remember	Aware of loan interest rate	Not aware of loan interest rate	Do not remember	Aware of loan interest rate	Not aware of loan interest rate	Do not remember
75.33%	14.01%	10.66%	63.73%	11.6%	24.67%	77.71%	15.1%	7.18%

Question 21: Did MFI give you a detailed schedule of the dates and amounts you would have to pay before you accepted your loan?

Call center			Face-to-face		
Total respondents = 1,293			Total respondents = 681		
Provided with detailed repayment schedule before accepting loan	Not provided with detailed repayment schedule before accepting loan	Do not remember	Provided with detailed repayment schedule before accepting loan	Not provided with detailed repayment schedule before accepting loan	Do not remember
76.88%	13.84%	9.28%	97.36%	2.2%	0.44%

5. FAIR AND RESPECTFUL TREATMENT OF CLIENTS

Question 22: Overall, how would you rate your interactions with your loan officer?

Call center			Face-to-face		
Total respondents = 1,293			Total respondents = 678		
Bad	Average	Good	Bad	Average	Good
3.17%	27.84%	68.99%	3.1%	26.7%	70.21%

Question 23: Has your loan officer ever intimidated or disrespected you?

IVR		Call center		Face-to-face	
Total respondents = 1,792		Total respondents = 1,293		Total respondents = 681	
Subjected to intimidation	Not subjected to intimidation	Subjected to intimidation	Not subjected to intimidation	Subjected to intimidation	Not subjected to intimidation
4.97%	95.03%	1.62%	98.38%	2.06%	97.94%

Question 24: Has your loan officer ever demanded that you pay a commission or give a tip?

IVR		Call center		Face-to-face	
Total respondents = 1,792		Total respondents = 1,293		Total respondents = 681	
Commission demanded	Commission not demanded	Commission demanded	Commission not demanded	Commission demanded	Commission not demanded
1.45%	98.55%	0.31%	99.69%	0.73%	99.27%

Question 25: Has your loan officer ever demanded money from you without providing you with a receipt?

Call center		Face-to-face	
Total respondents = 1,293		Total respondents = 679	
Receipt provided	Receipt not provided	Receipt provided	Receipt not provided
99.38%	0.62%	98.38%	1.62%

6. MECHANISMS FOR COMPLAINT RESOLUTION

Question 26: If you have a problem with your MFI, is there a way for you to make a formal complaint?

IVR			Call center			Face-to-face		
Total respondents: 1,792			Total respondents: 1,293			Total respondents: 682		
Reports that there is a complaint mechanism	Reports that there is not a complaint mechanism	Doesn't remember if there is a complaint mechanism	Reports that there is a complaint mechanism	Reports that there is not a complaint mechanism	Doesn't remember if there is a complaint mechanism	Reports that there is a complaint mechanism	Reports that there is not a complaint mechanism	Doesn't remember if there is a complaint mechanism
37.95%	27.01%	35.04%	42.69%	17.87%	39.44%	42.08%	19.65%	38.27%

Question 27: What options are available for making a complaint to MFI? Please list all of the options of which you are aware.

Call center		Face-to-face	
Total respondents = 287		Total respondents = 552	
Manager at branch is an option	Manager at branch is not an option	Manager at branch is an option	Manager at branch is not an option
69.34%	30.66%	62.86%	37.14%

Call center		Face-to-face	
Total respondents = 552		Total respondents = 285	
Complaint book is an option	Complaint book is not an option	Complaint book is an option	Complaint book is not an option
17.93%	82.07%	39.72%	60.28%

Call center		Face-to-face	
Total respondents = 552		Total respondents = 287	
Suggestion box is an option	Suggestion is not an option	Suggestion box is an option	Suggestion is not an option
3.26%	96.74%	4.53%	95.47%

Call center		Face-to-face	
Total respondents =552		Total respondents = 287	
Hotline is an option	Hotline is not an option	Hotline is an option	Hotline is not an option
3.62%	96.38%	6.97%	93.03%

Call center		Face-to-face	
Total respondents = 552		Total respondents = 287	
Knows at least one option	Doesn't know any option	Knows at least one option	Doesn't know any option
95.83%	4.17%	98.61%	1.39%

Question 28: Have you ever made a complaint to MFI?

IVR		Call center		Face-to-face	
Total respondents = 680		Total respondents = 552		Total respondents = 287	
Made complaint	Did not make complaint	Made complaint	Did not make complaint	Made complaint	Did not make complaint
11.18%	88.82%	9.96%	90.04%	4.18%	95.82%

ANNEX IV: KEY INDICATORS

Indicator (FY 2014)	CMAC Arequipa	Compartamos	Fondesurco	ProEmpresa	Peru (median)
Gross Loan Portfolio (PEN)	2,848,950,111	845,168,449	57,795,976	266,277,729	161,661,068
PAR30	6.98%	5.61%	4.21%	5.72%	5.98%
PAR90	5.22%	4.24%	3.64%	4.61%	4.33%
Write-off ratio	2.06%	3.57%	3.09%	2.77%	2.92%
Average outstanding balance (PEN)	9,616.09	3,336.46	4,562.36	5,890.97	2,868.445
Average loan balance per female borrower (PEN)	11,155	3,219	4,679	N/A	4,301.22
Average loan balance per borrower / GNI per capita	177.65%	84.05%	108.2%	94.01%	92.65%
Number of loans outstanding	296,269	253,313	12,668	45,201	31,974
Microenterprise loans	100%	100%	100%	100%	96.67%
Solidarity group (methodology)	0%	4%	0%	N/A	0%
Number of active borrowers	255,783	198,362	10,537	45,176	32,013
Female borrowers	45.06%	63.17%	41.36%	N/A	64.32%
Rural borrowers	36.2%	0	88.67%	N/A	17.7%
Borrowers per loan officer	175	202	199	N/A	260
Loans per loan officer	203	258	239	N/A	303
Personnel allocation ratio	47.54%	55.16%	31.55%	N/A	50.85%
Operating expense/ loan portfolio	9.75%	14.78%	17.02%	16.76%	16.37%
Personnel expense/ loan portfolio	5.84%	9.85%	11.39%	11.94%	10.02%
Average salary/ GNI per capita	8.59	8.14	7.6	7.3	7.38

Cost per loan (PEN)	1022.68	567.2722	746.6908	908.1505	937.4032
Return on assets	2.41%	2.4%	0.34%	1.07%	0.71%
Return on equity	20.61%	18.84%	2.17%	6.15%	4.96%
Operational self sufficiency	1.21	1.15	1.02	1.07	1.04

Source: MIX Market

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