

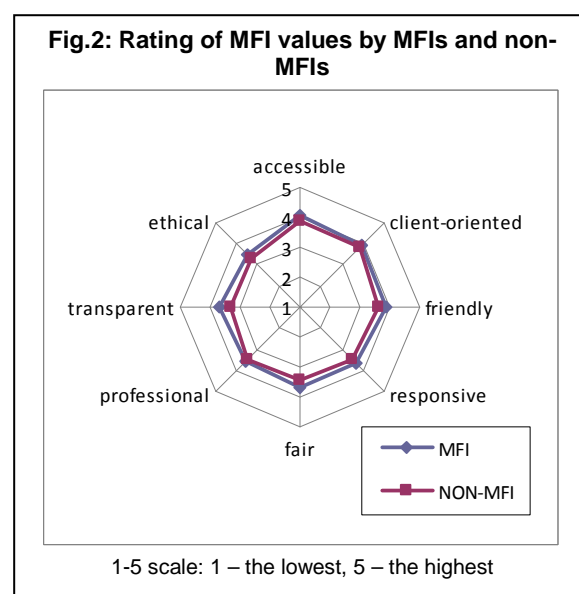
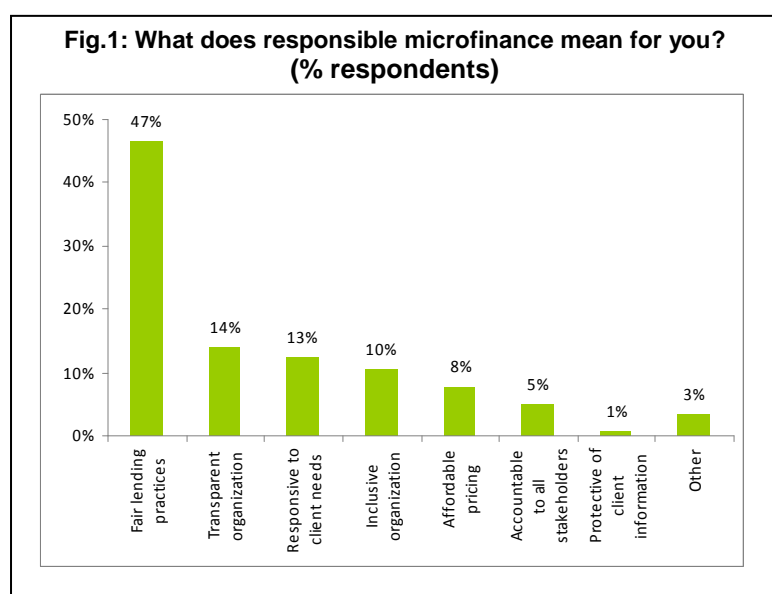
# Responsible Microfinance

## Survey results

The recent financial crisis brought a lot of attention to the behavior of financial institutions and clients whose interests often diverge and lead to unsustainable demand for credit. Once considered a socially conscious enterprise, microfinance has become a highly diversified business which now shows a broad variety of interests and approaches to microlending, which raise the question how responsible and responsive microfinance really is.

### Responsible Microfinance

The term 'responsible microfinance' is most often associated with fair lending practices. The other definitions such as 'transparent organization', 'responsiveness to client needs' or 'inclusive organization' are far less cited by respondents as describing responsible microfinance.



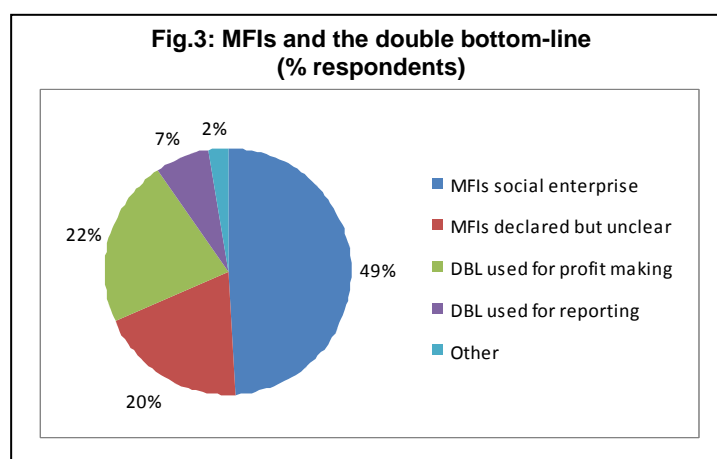
Microfinance institutions are generally seen as acting more responsibly than other institutions providing financial services, such as banks or insurance companies (69% of respondents share this view). Among the skeptics (19% of respondents) are more often regulators and donors.

The positive opinion about responsible conduct is associated with fairness, ethical operations and transparency but in the overall assessment of MFI conduct these values are rated lower than such traits as accessibility, client-orientation, friendliness which are found as most characteristic to MFIs. Clearly MFIs score the highest appreciation for providing access to finance but not necessarily in a client-responsible way.

### Microfinance and Double Bottom Line

Only 57% of respondents think that MFIs follow the double-bottom line.

Among them, the majority of respondents associates the double bottom-line with responsible microfinance and see those MFIs as mission-driven social enterprises aiming at fulfillment of both social and financial goals or as socially-motivated although without clear indication on how social goals are achieved.

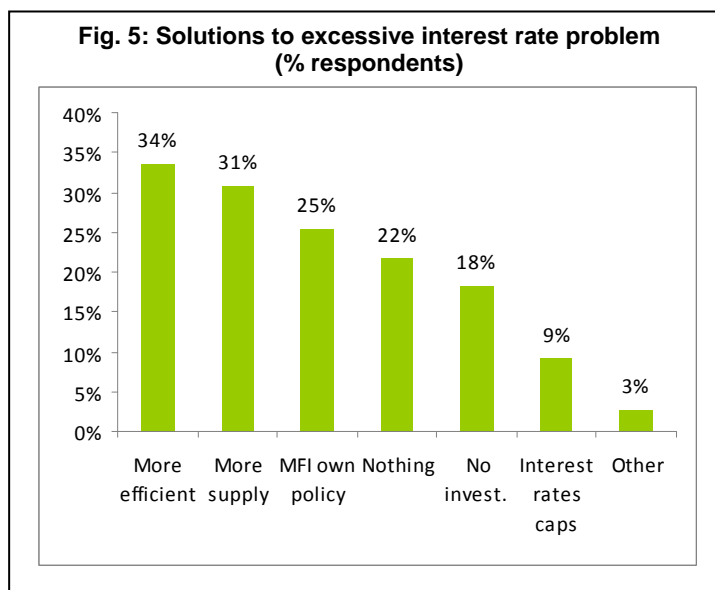
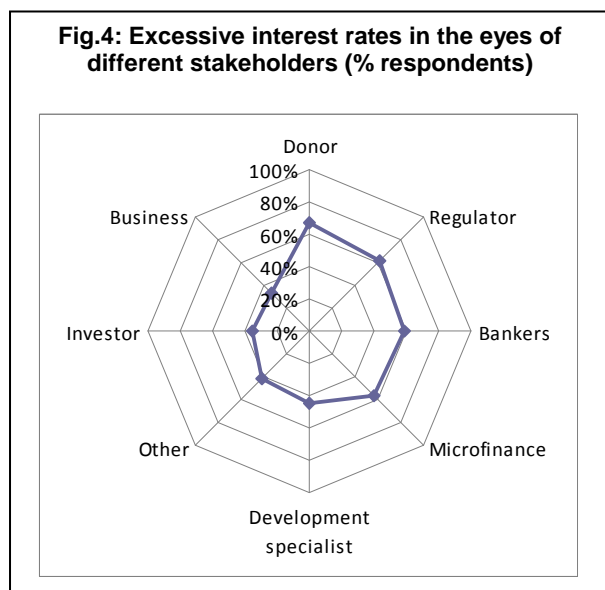


Those respondents who doubt in responsible conduct of MFIs tend to think that the double-bottom line is used as a slogan for making profits and reporting to donors. Yet 55% of people think that microfinance without a double bottom-line can still be called “microfinance” suggesting that socially responsible behavior may not be the necessary ingredient of the business.

### Microfinance Interest Rates

Over half of respondents (53%) think that interest rates are excessive, among them more often are donors and regulators.

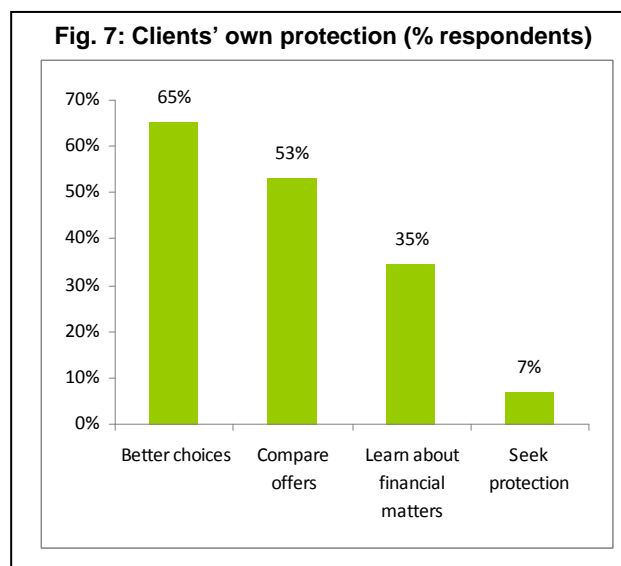
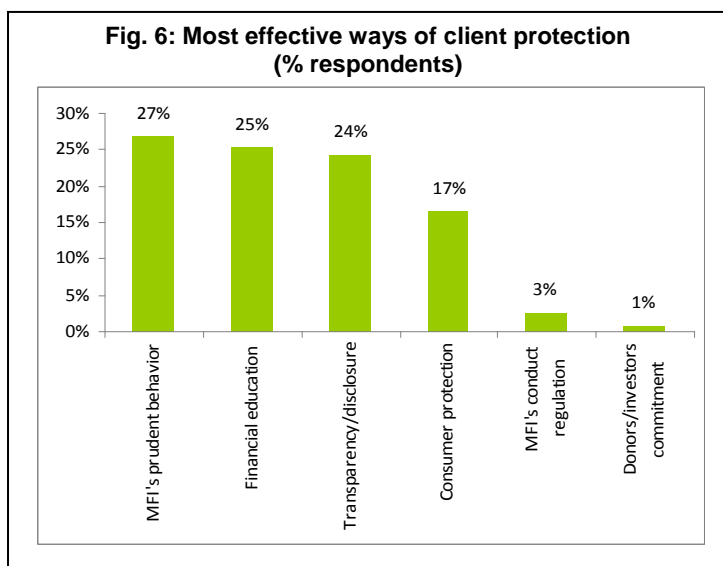
These respondents rate the MFIs lower in most of the areas such as ethical conduct, fairness, client orientation, responsiveness, friendliness but also accessibility.



The most frequently proposed solutions for tackling high interest rates are improvements in MFI efficiency, increase in credit supply to drive prices down through competition and self-regulation of MFIs. Only 9.1% of respondents would consider outright interest controls.

### Client Protection

Almost all respondents (90%) think that clients should be protected from potential abuses through MFI self-imposed prudent behavior, financial education and MFI transparency.

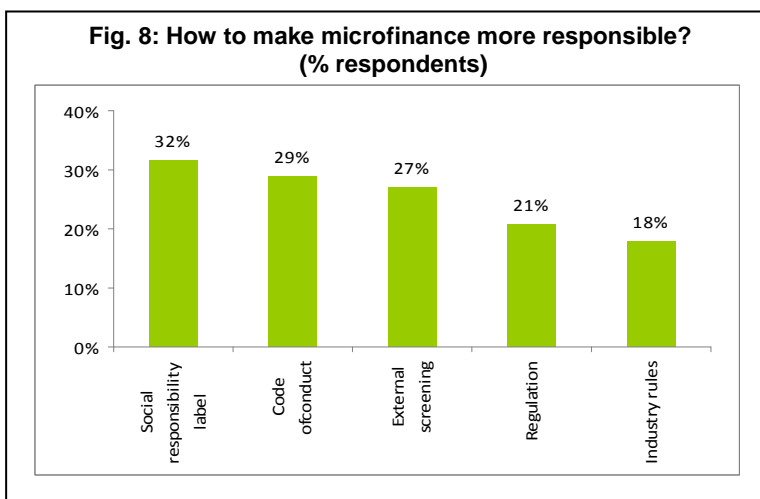


Equally unanimous are the respondents about clients' own responsibility to protect themselves (86% of respondents think that clients should take responsibility for products and services they buy). Borrowers are expected to put more effort in choosing products and educate themselves in financial matters.

A smaller group of respondents (11%) who think that clients should not be expected to protect themselves more often opt for such solutions as greater MFI transparency and introduction of regulations for client protection.

### Social Screening

The majority of respondents (72%) find it appropriate to have some form of MFI screening in place. Most commonly cited forms of screening include: social responsibility labeling, MFI self-defined code of conduct and external screening by an auditor. Including MFI screening in regulations was a choice option for 21% of respondents, among them non-MFI respondents. MFI respondents, on the other hand, preferred the adoption of general CSR rules and less pressure from donors on achieving sustainability.



### Methodology

The survey was conducted on May 26, 2010 during the MFC Conference in Astana. In total, 148 respondents completed a 9-question survey in English or Russian language.

Almost half of the respondents were staff of microfinance institutions. Other respondents included bankers, investors, development specialists, regulators, donors and business representatives.

