

Synthesis Paper
Client Protection Evaluation
for
FMO
The Dutch Entrepreneurial Development Bank



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Abbreviations

CP	Client Protection
CPP	Client Protection Principle
CPS	Client Protection Standard
FAQs	Frequently Asked Questions
FGD	Focus Group Discussion
FSP	Financial Service Provider
IDI	Indepth Interview
MFI	Microfinance Institution
mn	million
NPS	Net Promoter Score
PAR	Portfolio at Risk
RoA	Return on Assets
SPTF	Social Performance Task Force
60dB	60 Decibels

Executive Summary

INTRODUCTION

The [Client Protection Principles](#) as developed by the Smart Campaign¹ are crucial because they establish global standards for consumer protection, ensuring that financial services are delivered safely and responsibly to underserved consumers. By adhering to these principles, financial institutions can build trust, enhance client satisfaction, and contribute to the overall stability and growth of the microfinance sector.

[MASSIF](#), a public fund program that FMO manages on behalf of the Dutch Government, invests to improve access to finance for: a) The unbanked, especially in the least financially penetrated and fragile countries; b) MSMEs supporting agriculture and rural livelihoods; c) Gender equality, especially women-owned (M)SMEs, and d) Inclusive development through innovative products. An [evidence map](#) commissioned for MASSIF in 2021 showed that although the adoption of Client Protection Principles by Financial Service Providers (FSPs) is well understood and documented via assessments and certifications, less is known about the outcomes for end clients². To address this gap, FMO commissioned an evaluation to M-CRIL to (i) assess the effectiveness of FSP's implementation of CP standards in reducing perceived risks associated with financial services for end clients (client level outcomes), and (ii) evaluate the advantages and costs resulting from the implementation of these standards.

The evaluation methodology relied on surveys and interviews of end clients of two FMO customers in Bangladesh and the Philippines. The responses were analysed for different client segments – by socio-economic profile, financial service use and clients past due on their repayments. The findings led to a selective assessment of CP policies and practices by the FSP.

FINDINGS

Client feedback provides strong evidence for whether the FSP policies and procedures are leading to intended client protection outcomes. For both the FSPs in our case studies, the results on most indicators were good with 75%-90% of the samples showing positive results on many indicators, comparing well with the available benchmarks³.

While findings are generally positive, this assessment also revealed areas for improvement on client protection outcomes for special segments of clients – clients in default, clients with less schooling, rural clients. Examining more challenging situations is the ultimate test of strong client protection. For an FSP fundamentally committed to ensure protection of as many of its clients as it can, particularly its vulnerable clients, a negative finding for even say 15-20% of a sample of default clients (albeit a minority of a minority) can indicate operational aspects that need to be strengthened.

Overview of findings of two FSPs– each CP Standard and Resilience

CPS	CP positives	CP gaps
CPS1 APPROPRIATE PRODUCT DESIGN		
✓	Client satisfaction is overall high: The Net Promoter Score for both FSPs is above the Asia average.	○ Segmented analysis of data (e.g. for past-due clients) as well as feedback to open-ended questions surfaced specific CP issues from client experience on concerns related to the insurance products.
CPS2 PREVENTING OVER-INDEBTEDNESS		
✓	Overall, the majority of the client samples (FSP1- 72%, FSP2 – 87%) report their loan repayment is 'not a burden'.	○ Some on-time clients (FSP1 – 24%, FSP2 - 9%) – as well as an expected higher proportion of past-due clients – report loan repayment is <i>somewhat</i> or a <i>heavy</i> burden. ○ Some past-due clients (FSP1 – 15%, FSP2 – 10%) reported sacrificial strategies to make loan repayments in the past year. The poorest clients are more likely to report this.

¹ At the Centre for Financial Inclusion and now managed as the Client Protection Standards (CPS) by Cerise+SPTF.

² This report refers to clients of the FSPs as “end clients” and distinguishes the term “customers” to refer to FMO's investees (the FSPs).

³ Benchmarks in this report refer to the Asia benchmarks from the 2024 MFI Index from 60 Decibels.

CPS	CP positives	CP gaps
CPS3 TRANSPARENCY		
✓	Overall, the majority of the client samples understand the basics of their loans and the lending process.	○ There are gaps in clients understanding of more complex details and processes (e.g. new products, savings, insurance).
✓	The two FSPs place emphasis on the oral explanation of products by field staff.	○ We found a notable disparity between clients with different levels of schooling (clients without secondary schooling demonstrate lower levels of understanding).
✓	For the FSP in the Philippines, SMS reminders of payment and confirmation of receipt are appreciated.	○ Timing of staff communication is an issue: too much information at the time of loan disbursement. Written information is not provided in advance of loan disbursement.
CPS4 RESPONSIBLE PRICING		
✓	Clients of both FSPs said in FGDs that costs are in line with market levels, though lower cost is a natural preference.	○ In the Philippines, APRs in the sector are overall high, reflecting the structure of the products offered. High RoA needs to be kept under review with the aim of reducing costs to end clients in coming years.
✓	In Bangladesh, the FSP was in line with the country regulatory cap on interest rates and associated credit costs.	
CPS5 FAIR AND RESPECTFUL TREATMENT OF CLIENTS		
✓	Overall, the majority of the samples of both FSPs (FSP1 - 84%, FSP2 – 91%) strongly agreed that the field staff treat clients fairly and with respect.	○ A small minority (1-2% on-time clients, 2-6% past-due clients) strongly disagreed. The qualitative responses indicate inconsistency in how staff engage with clients who miss an instalment.
CPS6 PRIVACY OF CLIENT DATA		
✓	The majority of clients trusted FSP staff not to share information without consent (FSP1 – 87%, FSP2 – 99%).	○ However, clients in FSP1 (28% of the past due sample) were concerned about the sharing of information about loans in the group and local community. This indicates a need for FSPs to give very clear guidelines and explanation to staff – for credit enquiries as well as sharing of credit information.
CPS7 COMPLAINTS		
✓	In both FSPs, a majority (FSP1- 92%, FSP2 - 83%) said they would make a complaint if a staff member did something wrong or made a mistake.	○ Nearly all clients said they would complain to field staff. Very small numbers of clients mentioned other channels (hotline or social media). ○ Despite the branch being the primary channel for client complaints and enquiries, neither FSP is monitoring these in any systematic way.
CPS8 GOVERNANCE/MANAGEMENT		
HR	✓ Field staff training and retention strengthens appropriate behaviour with clients.	○ Incentives are a mechanism used primarily to support business priorities – this may work at cross-purposes with CP objectives. ○ Internal audit often includes direct interviews with clients – but these are not systematically documented as additional feedback for management.
IA	✓ Internal audit/inspections are a key tool to check on policy implementation.	
RESILIENCE		
✓	The majority of on-time clients say they have been able to save in the past 12 months and can raise a sudden emergency sum (~75% - 90%).	○ Expectedly, a lower proportion of past due clients – one fourth - report resilience.
✓	70-80% say the FSP has increased this resilience.	

FSP'S AND CLIENT PROTECTION

Client protection is effectively a way of aligning the interests of the institution with those of the client – and this should be good for business in the long term.

This review found that nearly all of the aspects of client protection that FSPs put in place over time are embedded in the organizations' core operations in a way that is intrinsic to the institution and in line with the stated vision, mission and values of the organisations – to provide *convenient and reliable financial solutions... to continuously strive to provide an excellent client experience*.

Organisational practices from FSPs that stood out for their quality and degree of positive impact on CP outcomes, were:

- ✓ Systematic cross cutting field research to inform decisions
- ✓ Special teams to improve the quality of loan appraisal
- ✓ Oral explanation of product terms, text messages for payment alerts and confirmation of repayment
- ✓ Internal audit team interactions with clients

SOME REFLECTIONS

Including client voice in client protection: By delving into client outcomes, our two case studies revealed both strong performance by these FSPs and specific areas for improvement that may not have turned up in regular operations or assessment.

Capturing meaningful input from clients must be an integral part of Client Protection. This applies at all levels of stakeholders – FSPs embedding channels for client feedback in their operations, various actors (including FSPs, their funders or raters) commissioning surveys and interviews, and external assessors or certifiers.

For assessing CP at FSP level: client feedback helps to identify CP indicators for more in-depth assessment; feedback from branch staff can highlight what they find most challenging and how familiar they are with CP-related guidelines; and granular institutional data (not just averages) is important to fully interrogate operational issues.

Non-credit financial products: While there is an implicit focus on credit as the core financial business and primary area of CP risk, other financial products – savings, insurance, payments - need full attention as part of responsible finance as new often complex systems are involved.

RECOMMENDATIONS

The paper highlights two broad principles applicable to all stakeholders:

- a) Ensure that client voice is part of regular client protection queries through the various means available. This can be as part of the FSP's existing research/monitoring systems - internal client surveys, internal audit interviews, enquiries and complaints reports – and/or through 3rd party commissioned surveys.
- b) Pay special attention to the most vulnerable clients, that is poorer clients, and to the most vulnerable client protection situations - clients in default, clients making an insurance claim.

TO FSP'S

FSPs can consider the following to apply the above principles in their operations:

- (i) Better leverage internal channels for client feedback and complaints (internal audit/inspections, call centre, social media) as well as fully using external available data.
- (ii) Ensure attention to the most vulnerable for loan appraisal.
- (iii) Use client feedback to assess staff incentives' effects on client protection.

Other recommendations specific to the two FSPs can be found in Section 4.

TO THIRD PARTY ASSESSORS OF CP

CP assessors can consider paying more attention to client voices during assessment and certification:

- (i) At a minimum, it is relevant and relatively easy to use existing reports and data (internal and external) that cover CP indicators.
- (ii) Further, the process should involve a more systematic approach to qualitative interviews with clients (FGDs and a small number of in-depth interviews).
- (iii) In more at-risk markets and/or when an FSP is seeking a gold certification, consider conducting or commissioning a quick quantitative client survey that addresses CP outcomes.

TO FMO

FMO can consider the following within its processes and with its customers:

- (i) Consider possibilities to include client protection outcomes data in due diligence and monitoring processes and provide technical assistance support where needed.
- (ii) Whenever recommending a client protection certification, include recommendations for the certification process to include review and analysis of available client protection outcomes data.

At sector level:

- (iii) Share and disseminate the reflections and findings from this study in different forums.
- (iv) Advocate for the application of short CP outcomes survey tools that focus on indicators specifically relevant for client protection in relevant forums.

1. Introduction

This evaluation has been commissioned by FMO in the context of the MASSIF public programme that FMO manages on behalf of the Dutch Government. MASSIF fund investments aim to improve access to finance for: a) The unbanked, especially in the least financially penetrated and fragile countries; b) MSMEs supporting agriculture and rural livelihoods; c) Gender equality, especially women-owned (M)SMEs, and d) Inclusive development through innovative products.

The Client Protection Principles (CPPs), as developed by the Smart Campaign at the Centre for Financial Inclusion,⁴ and now managed as the Client Protection Standards (CPS) by Cerise+SPTF,⁵ constitute core values for FMO and are seen to be particularly relevant for the MASSIF target groups. FMO's Sustainability Policy includes a commitment to CPPs, and these form an integral part of FMO's due diligence process for its investments, representing the commitment to mitigate or minimize potential harm to vulnerable end clients in accessing financial services.

The evidence map commissioned for MASSIF in 2021 showed that although CPP adoption by FSPs is well understood and documented via assessments and certifications, "little is known about whether they actually reduce risks from the end-clients' perspective",⁶ i.e., the actual experience of end clients. The gap in evidence for client level impact of microfinance, and an increasing interest in practical methods to track client outcomes, have led to the development of standardized client questionnaire templates by agencies such as Cerise+SPTF and 60 Decibels.⁷

1.1 Objectives

In this context, the objectives of this evaluation are as follows:

- Assess the effectiveness for clients (client level outcomes) of financial service provider (FSP) implementation of the CP standards on reducing the perceived risks associated with financial services ("do no harm"). In addition, explore the intended or unintended outcomes that CP has on the resilience of end clients.
- Assess the perceived and real outcomes for FSPs (e.g. advantages, costs) that result from the implementation of the CP standards, for both certified and non-certified FSPs.
- From the findings (to objectives 1 and 2), reflect on:
 - a. The lessons that can be used by both FSPs and FMO to improve their respective approach to client protection.
 - b. The evidence base for CP outcomes for end-clients and the alternative methods to obtain such evidence.
 - c. More effective implementation of CP assessments and certifications, within the Cerise-SPTF framework.

⁴ <https://www.centerforfinancialinclusion.org/detailed-guidance-on-the-client-protection-principles>

⁵ The seven CP Principles have become eight CP Standards with the addition of the governance and HR dimension. <https://cerise-sptf.org/about-client-protection/>

⁶ This was a conclusion of the MASSIF evidence map, 2021. <https://www.fmo.nl/financial-inclusion-msmes>

⁷ Cerise+SPTF client outcomes questionnaire: <https://en.spi-online.org/resources/view/resources-collection-outcomes-and-sdgs>; 60dB MFI Index (<https://60decibels.com/insights/mfi-index-2024/>)

1.2 Scope

The evaluation aimed to address a set of evaluation questions⁸ at end-client and FSP levels, with a particular focus on FSP clients:

- What has been their experience of client protection?
- What are the client protection outcomes for different segments of clients (including any unintended outcomes)?
- What are the questions and methods that are most useful in understanding client protection outcomes?

And, at the FSP level:

- How effective is their implementation of client protection?
- What are the examples of good practice and what are the gaps?
- How do FSPs view the associated costs and benefits of implementing the CPS?

To answer these questions, FMO commissioned an evaluation which included stand-alone case studies of two MASSIF investees in Bangladesh and the Philippines. A brief overview of the country context and some features of the two FSPs are summarized in **Table 1**.

Table 1: About the FSPs (mid-2024)

CP context	Bangladesh	The Philippines
Regulatory context	Microfinance Regulatory Authority: active for CP, cap on interest rates, code of conduct	Regulatory Council for NGOs; no CP supervision of Finance and Lending Companies
Credit Bureau status	Still in pilot phase	Set up but limited reporting
Microfinance networks	-	Microfinance Council of the Philippines
CP certifications/assessments	Rare	Many
FSPs	FSP1	FSP2
FMO Massif investment, year	2019	2017 and 2020
Microfinance model	Group and individual	Group
Loan portfolio	>US\$ 360 mn	>US\$ 100 mn
#branches	~400	~200
#staff	~5,500	~3,000
#clients	>550,000	~400,000
%women clients	>90%	100%
%women staff	23%	30%
Non-credit financial services	Savings, Welfare Fund	Insurance
CP certified	No	Yes

This report synthesizes the findings from both case studies to present observations and reflections.

⁸ See Annex 1 for the Evaluation Questions for this evaluation.

1.3 Methodology

The framework of analysis for this evaluation sets out the overall hypothesis that client protection practices, well implemented by FSPs, are associated with (or contribute to) positive end-client outcomes in the short and medium term by avoiding harm and serving their financial needs.⁹ The FSP case studies aimed to develop a complete understanding of client protection (or outcomes) as perceived by clients, for different client segments and to use this as the basis for the assessment of CP policies and implementation by the FSP. Whilst the assessment of CP practices at the FSP level drew on the Client Protection Standards (CPS),¹⁰ within the time and resources of the study the aim was not to cover every indicator of the CPS, but to focus on areas that emerged as likely to have the highest pertinence to client protection, given the client feedback obtained.

The methodology at each FSP involved starting with end-client outcomes, through obtaining client feedback on a set of CP related questions. We used both quantitative survey and qualitative interview tools. Our survey tool of client protection outcomes drew on and added to the CP and resilience indicators applied in the 60dB MFI Index.¹¹ At each FSP: we selected branches (cluster sampling) from different regions, 5 branches of average and above average portfolio at risk. The survey (~250 clients) was supplemented by qualitative interviews: 5-6 focus group discussions (FGDs) and 15+ individual in-depth interviews (IDIs) with clients.

For segmentation analysis, we were interested not only in possible socio-economic variations (gender, geography, schooling) and financial service profile (group/individual, new/mature) but also in the different circumstances in which effective client protection might be most tested (i.e. past-due clients, clients who have made a complaint, and clients who made an insurance claim in the previous 12 months, and exiting clients). Our interest in clients in difficult situations was factored into the sample design, in both the survey and the qualitative interviews.

Key elements of the quantitative survey for each institution were:

- A shorter set of questions for phone interviews to be completed within 20 minutes, and a longer tool for in-person interviews (to be completed within 45 minutes).¹² The purpose here was to minimize the potential non-response bias from phone interviews as well as get a sense of the variation in responses to phone and in-person interviews.¹³ We aimed to cover a phone sample of 100, and in-person sample of 150 to give sufficient numbers to analyse findings separately, as well as combined for common questions.¹⁴
- Deliberately oversampling of past-due clients (i.e., they form a higher proportion in the sample than they represent in the MFI client population). This enabled us to have enough of a sub-sample (at least 70 – from oversampling, rather than just 10-20 if we sampled proportionately) to give statistically significant results for this segment. And for overall results, we re-weighted the findings to reflect actual proportion.

⁹ See Annex 2 for the framework of analysis.

¹⁰ <https://cerise-sptf.org/about-client-protection/>

¹¹ <https://60decibels.com/insights/mfi-index/> This was modelled on the Cerise+SPTF client outcomes questionnaire: <https://en.spi-online.org/resources/view/resources-collection-outcomes-and-sdgs>

¹² Our questionnaire tools are available from M-CRIL (francesinha@m-cril.com) on request.

¹³ The response rates for the two case studies are given in Table 4, later in this paper.

¹⁴ The final samples were more than 250.

Preliminary analysis of the client responses provided the basis for discussions with field staff (4-5 interviews/branch visited) and with senior management of different divisions at FSP Head Office, and selective review of policy documents and related manuals and reports.

1.4 Limitations

The sampling at each FSP that was possible within the time and budget constraints (cluster sampling of ~265 clients at 5 branches, including purposive sampling of 85-90 clients in default, and a mix of phone and in-person tools) along with the qualitative interviews provided a useful basis for a practical assessment of CP issues as well as a source for practical action suggestions for the FSPs. Moreover, we believe that the approach and the findings raise important considerations for actors in the sector.

Nevertheless, as with most such studies, a small sample does not provide definitive results. Moreover, the fact that the findings are opinion-based, without objective verification, can also be seen as an inherent limitation, though to some extent we believe these limitations were addressed through our involvement of experienced and well-trained enumerators, close involvement and supervision by local associates and timely quality checks.

On the costs of implementing client protection standards (evaluation objective ii), whilst specific measures at a certain point in time could be costed, we found in general that effective CP practices are embedded in institutional systems so that a separate analysis of CP costs becomes impossible. This, indeed, is good news for institutions seeking to protect clients: consumer protection is integrated, not added on.

On the FSP follow up to earlier assessments or certification, we found that either current staff were not aware (earlier managers who were involved had left the FSP) or no follow up was required since the FSP had been gold certified. To compare client outcomes at FSPs that are client certified with FSPs that are not, it would be interesting to analyse a larger data set for different FSPs, such as the data collected by 60dB as part of its MFI Impact Index. In our 'sample' of two FSPs, one is gold certified, one is not certified. A comparison of the findings do suggest that certification is neither a necessary nor a sufficient condition of positive client outcomes. Though, as both FSPs operate in very different country contexts, this report should not be read as a comparison of the two organizations to each other.

2. Findings

This section summarises the main findings from the case studies on questions related to client protection outcomes as a measure of effective implementation of CP by FSPs. It identifies both the good practices, as well as some key challenges that FSPs face in implementation. We also look at some benchmarking of client outcomes.

2.1 Client protection outcomes and FSP practice

The case studies explored client feedback on indicators related to each of the client protection standards (CPS) and worked ‘back’ from the feedback to assess related practices by the FSP.

In general, we found:

- Client feedback provides strong evidence for whether the FSP policies and procedures are leading to intended client protection outcomes.
- Examining situations where things ‘go wrong’ is the ultimate test of strong client protection as indeed it is a reflection of strong management. There are significant differences in feedback from past-due clients compared to clients who are on-time with their payments: past-due clients are more likely to give negative responses – even in areas that may not be directly linked to their struggles to repay the loan (for example, protection of privacy).
- Client feedback – including from clients with difficulties – is therefore a critical component to understand whether the FSP policies and procedures for client protection are being fully and effectively implemented in practice.

Both the FSPs perform well on client protection, and client feedback is very positive for both. Where gaps have been identified, the findings point to ways to make practices even better.

CPS1 Appropriate Product Design

The provider's products, services, and channels benefit clients

Summary: Client outcomes indicators for CPS1 pertain to the clients’ overall perception of their experience with the FSP and its products and services.

Through the quantitative survey, we obtained numeric responses using Net Promoter Score questions, which were further explored in open-ended questions to clients to explain their rating. For both FSPs, the overwhelming majority of the sample clients gave very positive NPS scores, though with significant variation between on-time and past-due clients for one FSP. Clients’ own explanation of issues provided strong pointers to both the most valued parts of the FSP experience as well as the most relevant CP gaps.

Asking clients whether they would recommend an FSP to others is an ultimate test of client satisfaction. The Net Promoter Score (NPS) question has worked well in our survey for client protection: “On a scale of 0-10 how likely are you to recommend [FSP] to a friend or family member, where 0 is not at all likely, 10 is extremely likely?” It neatly arrives at a single score of ‘satisfaction with products and services’ based on a potentially wide variation of responses.¹⁵ And, even more important than the overall score, are the specific responses to the open-ended follow-up question: “please explain why you gave this score.” The analysis of these responses

¹⁵ Scores of 9-10 are labelled as ‘Promoters’; scores of 7-8 are ‘Passives’; scores of 0-6 are ‘Detractors’. The NPS is the % Promoters minus the % Detractors.

yields good information about what clients like or feel happy about, and what they may be less happy about, with specific insights into whether procedures and transactions are working well, to what extent staff are polite, trustworthy, and understanding of client needs, and what specific challenges they may have faced.

The question works better than the more direct (binary) question: “*have you faced any challenges with <FSP> in the past 12 months*” to which the share of clients saying ‘no’ is substantially less than the sum of ‘detractors’ and ‘passives’ in the NPS (**Table 2**).¹⁶ Simply put, NPS provides more information – and the

follow-up prompt for clients to explain their score can reflect the same issues as the question about challenges.

Table 2: Comparing questions to reflect client issues

Would you recommend ?				Did you have challenges with... ?		
		FSP1	FSP2		FSP1	FSP2
9-10	"promoters"	83%	67%	No	98%	89%
7-8	"passives"	12%	29%	Yes	2%	11%
0-6	"detractors"	5%	4%			
NPS	promoters' minus 'detractors'	78	63			

When we calculated the NPS separately for past-due clients, we found a significantly lower score for this segment in one of the FSPs (53 compared to 64 for on-time clients).¹⁷ Moreover, issues mentioned by ‘detractors’ and also some ‘passives’ of both FSPs pointed to gaps in client protection, such as variable behaviour of staff in case of late payment (“If you pay instalments on time, it’s fine” (‘passive’), “Bad staff behaviour” (‘detractor’), or unclear explanation of product terms (‘passivea’ and ‘detractora’).

In their own client surveys, FSPs may tend to use more generalised questions (“*Are you satisfied with our products and services?*”) or more specifically, “*Are you satisfied with various elements of the products and services?*” – to arrive at the percentage of clients satisfied (overall and/or in relation to specific product terms). This is useful information but can be enhanced if there is a follow up open-ended question asking the client why they have given this response. Additionally, questions that solicit feedback – “*What are the key attributes that you like about our products or services? What are the attributes that we could improve?*” – can yield especially meaningful results. By way of example, in the two MFIs, one key attribute – loan repayment frequency – was among the most commonly cited factors appreciated by clients, with 35% of the Philippines MFI clients specifically noting that they value fortnightly repayments in an unprompted open-ended question, far above any other single factor.

It is a very positive feature of client protection when FSPs conduct or commission research about their clients and use this data to improve services. One of the FSPs also involves staff of different departments to obtain client feedback on specific issues as they arise, with reporting a part of routine operations.¹⁸ Ultimately the utility of any research depends on the level of detail obtained and analysed as the basis for effective decision-making.

¹⁶ Similarly, we also tried a general question: ‘*Are you happy with <the FSP>?*’ to which nearly 100% responded yes. Essentially, they were happy to have accessed a loan. Again, a less useful question than the NPS.

¹⁷ The overall NPS for both FSPs is well above the available regional benchmark (Table 4 below).

¹⁸ This is described further in Section 2.2, as a good practice.

CPS2 Preventing Over-indebtedness

The provider does not over-indebt clients.

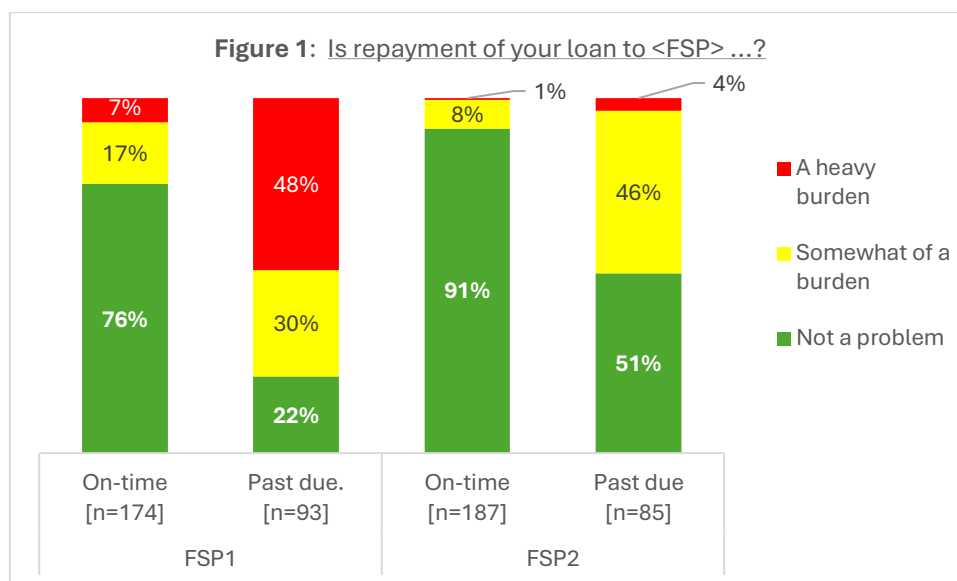
Summary: The key outcomes indicators for CPS2 come from client responses to questions pertaining to overall debt stress, sacrifices needed to make repayments, and multiple loans, as well as assessment of FSP operational metrics, such as PAR.

Both FSP samples feature some clients struggling with debt stress, both past-due clients (as expected), but also some on-time clients as well. The poorest clients experience significantly higher debt stress than higher-income ones.

Both FSPs operate in markets without effective credit bureau data on microfinance clients, which limits their ability to assess client debt levels before disbursement. Both FSPs also have high variation in portfolio quality between different branches, and both have deployed specialized teams to help improve client assessments in low-performing branches.

As one of the most difficult – and arguably the most consequential – of CP standards, CPS2 forms one of the core pillars of the two FSP assessments that underly this paper.

In the two FSP assessments, client surveys show very strong (and expected) relationship between past-due clients and their reported debt stress level (**Figure 1**).



While such a finding is intuitive, the value of this type of review is to shed light on whether **on-time** clients also experience debt stress – which can be described as *invisible over-indebtedness* (they are paying on time but are struggling to do this). Some level of this is likely to be present, given the precarious financial situation of low-income households. However, a benchmark of what levels of debt stress can be reasonably expected can be helpful. In this context, the 60dB MF Index – where 82% of clients in the Asia region cite repayments as “not a problem” – compares well with the responses of on-time clients of both MFIs (76% and 91%).

Both MFIs are operating in countries where MFIs have either no access to a credit bureau or where the bureau's data on MFI clients is ineffective and highly incomplete, which raises the risk of over-indebtedness through multiple borrowing. Both assessments compared the client-reported levels of stress between clients with just one and several loans – as reported by the clients themselves at the time of the survey. For both FSPs, the results show clients with multiple loans having slightly higher levels of stress than clients with only one loan, but the differences are too small and inconsistent to be meaningful. However, this may also be affected by the fact that multiple loan information in this case comes from the clients themselves, and it's very plausible that struggling clients would be less likely to mention their other loans to interviewers – whether to save face or also perhaps because some of them had not disclosed the number of other loans they held to the FSP. This underlines the utility of having an effective credit bureau.

For these two FSPs, a much stronger predictor of debt stress than number of loans is the poverty level of the clients: in both countries, the poorest clients are more than twice as likely to report debt stress than their upper income counterparts. They are also significantly more likely to be past-due – the proportion of low-income clients among past-due is 60% higher in the Philippines and 110% higher in Bangladesh versus their proportion among on-time clients. This isn't necessarily a reflection of bad practices by either lender, but a reminder of the higher vulnerability of the poorest clients, requiring greater care during in the assessment – even when their loans may be smaller than average (thus representing a lower financial risk to the FSP).

At the FSP level, a key part of assessing CP2 is a review of portfolio performance – and what the institution is doing to maintain its quality. Looking at PAR₃₀ is thus a fundamental part of CP2 assessment. Both FSPs in this assessment feature significant variation in the portfolio quality of different branches, though the overall PAR level is significantly higher in the Philippines FSP than the Bangladesh one – with the median branch featuring PAR30 of 6.2% and 2.7%, respectively.

Both institutions deploy a special team – a Special Audit team or Loan Review Unit (LRU) to try to improve the quality of low-performing branches. The former is a new initiative, in place for just 6 months at the time of the assessment, and thus too soon to assess its effectiveness. The LRU in Bangladesh has been operating for several years and has shown high efficacy in raising the quality of its branches. Crucially, both groups are focused on improving the quality of the pre-disbursement client assessment – and thus ensuring that borrowers are able to afford their loan repayments.¹⁹

¹⁹ These special teams do not play any role in handling late payers.

CPS3 Transparency

The provider gives clients clear and timely information to support client decision making.

Summary: Client outcomes indicators for CPS3 depend on asking clients whether they find product terms clear and understandable, as well as direct questions about specific features.

Both FSP samples show strong client understanding of the basics of their loans and the lending process, but reveal significant gaps in understanding of more complex details and processes, such as the declining interest rate, pre-payment terms, as well as the terms of new products (including non-credit financial products) and process changes. There is a notable disparity between clients with different levels of schooling (clients without secondary schooling demonstrate lower levels of understanding).

The two FSPs place emphasis on the oral explanation of products by field staff, though the timing of the explanation is an issue (too much information mainly at the time of loan disbursement). Providing written information before the loan disbursement meeting is a gap. The FSP in the Philippines has introduced an app which can become an increasingly useful option.

Direct evidence on whether FSP communication is effective comes from asking clients what they understand. The survey tool included the indirect question: *“To what extent do you agree or disagree that [FSP’s] fees, interest rates and penalties are easy to understand and clear”*. As a follow up question, we also asked about specific terms, to ask clients what they know – or not, or what they would like to know more about.

From the sample data, clients of both FSPs have a strong understanding of the basics of their loans, including the procedures to follow. But we found some gaps in client understanding of important but more complicated details – most notably on the (declining) interest rate payable on their loan, information about pre-payment, as well as the terms of non-credit products (savings, insurance).

Whilst both FSPs provide written information that covers key product terms, there are some issues, such as not providing clear information regarding passbook management, and written information is not provided in advance of loan disbursement meeting.

At the same time, both FSPs make meaningful and largely successful efforts to communicate with clients through orientation sessions at the time of loan appraisal and disbursement. These oral explanations by field staff are extremely important to ensure that clients understand, particularly clients with less than secondary schooling. The very different schooling context in the two countries affects the findings (**Table 3**).

Table 3: Two countries: very different levels of schooling

	Bangladesh FSP [N=267]	Philippines FSP [N=272]
Did not attend school	18%	1%
Started but did not complete primary	24%	4%
Completed primary	44%	14%
Completed secondary/high school	15%	49%
Started university/graduated		32%

For the Bangladesh FSP, 14% of the sample had completed secondary, while in the Philippines, 49% had completed secondary, and another one-third had gone to university. The degree of understanding and recall (especially of the interest

rate) was directly proportional to the level of client schooling. While a number of clients – across schooling levels – relied on staff explaining the loan terms and other issues, clients with less schooling were especially dependent on these oral explanations.

Unsurprisingly, a larger share of Bangladesh clients reported not understanding all of the information they received from the FSP – including a sizeable proportion who couldn't, for example, recall their savings balance (17% women, 27% men). In the Philippines, the biggest gap was in the reported understanding of the insurance product – a significant proportion of clients felt that this insurance was mandatory (it isn't), didn't understand what it covered (33%), or the claims process (30%).

In Bangladesh, the assessment identified an important (even if not widespread) gap in CPS3, pertaining to the passbook and payment collections. A handful of clients in the qualitative individual interviews as also in free-form follow-up feedback in the quantitative survey reported having their passbooks taken by staff, leaving them unable to verify which of their payments were recorded correctly – and in some cases even having their payments misappropriated by the field staff (see CPS5).

Very few clients said that they had experienced an unexpected charge. A few more said there was something they had found about a financial product that they wished they had known about earlier; more past-due clients (in the in-person survey) said this than on-time clients (**Figure 2** Note: this question was asked in the in-person survey (not in the phone survey). Hence the findings are based on smaller sample numbers.)

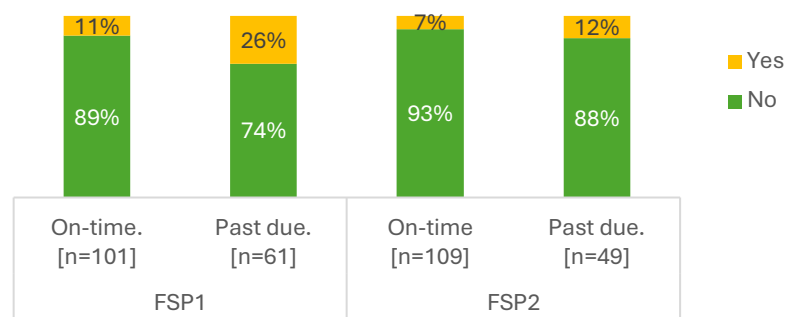
What did these clients perceive as information gaps? (open-ended follow up question). The gaps related to:

- non-credit financial products (the benefits and processes for voluntary savings, details of insurance)
- more complex credit terms (e.g. about loan pre-payment)
- fines (e.g. on missing a loan instalment).

It is notable that it is the more complex and novel products and processes, including non-credit financial services that require more effort at clear communication by the FSP.

The FSP in the Philippines has introduced an online App for clients for basic transaction information – clients can see their digital passbook, check their loan balance, and find out whether they qualify for loan renewal. In FGDs, less than half of clients were accessing the App, mentioning not having a smart phone or regular internet connectivity. What they appreciated was the SMS reminder of repayment, sent the day before collections.

Figure 2: In the past year, did you find out something (about loan, savings, insurance) that you wished you had known about earlier?



CPS4 Responsible Pricing

The provider sets prices responsibly.

Summary: Much of pricing assessment (operating efficiency and appropriate profit level) is outside the clients' view. But FGDs can reflect how the clients see prices – especially in comparison with other providers and the issue of costs can surface in open-ended responses to the survey.

Clients felt that the FSP costs are in line with market levels, though lower cost is a natural preference.

Sector information available confirmed this, with regulation in Bangladesh capping the interest that MFIs can charge. In the Philippines, APRs across the sector are high reflecting financial product structure in a market exposed to natural risks and costs. In this context, the FSP's RoA may be out of scope of the CP standards and needs to be kept under review.

What do clients think of the charges on their financial services? Can they compare charges of one FSP with alternative providers of financial services – and choose a low-cost (or high-value) provider? The feedback from FGDs confirms what is often the case – microfinance clients do not usually think in terms of an interest rate, (as noted under CPS3) but in terms of the instalment amount which they know includes the interest rate. Clients were not able directly to compare specific costs of alternative providers, but in both FSPs they were comfortable with what they broadly understood, noting whether there are processing costs or compulsory deductions for savings, though in one FSP the fees associated with loan renewal after prepayment were obscuring costs.

Apart from client perceptions, does the pricing level and associated issues (such as profits) raise concerns over ethical client treatment?

In Bangladesh, the Microfinance Regulatory Authority caps MFI interest rates at 24% declining. Compulsory savings adds to the effective interest rate but overall, there is little price differentiation between MFIs, as echoed in the client interviews. This made further analysis of the FSP financial data unnecessary.

On the other hand, in the Philippines, APRs across the sector are high.²⁰ Financial analysis for this FSP revealed high loan-loss reserves (linked to the high PAR noted earlier) and a high Return on Assets, above the CPS recommended threshold of 6%.²¹ The FSP is working to reduce PAR which has been decreasing to pre-Covid levels after a few years. With respect to the RoA, whilst the organisation has aimed to rebuild equity after Covid following initial losses in the first years of operation, it now needs capital for its plans to expand branches and introduce digital services. A responsible approach will require keeping the RoA under review.

²⁰ A range of 45-60% was mentioned by the CEO of the Microfinance Council of the Philippines.

²¹ See CPS 6.B.3.3: <https://en.spi-online.org/resources/guide/dimension-6-responsible-growth-and-returns#6b>

CPS5 Fair and Respectful Treatment of Clients

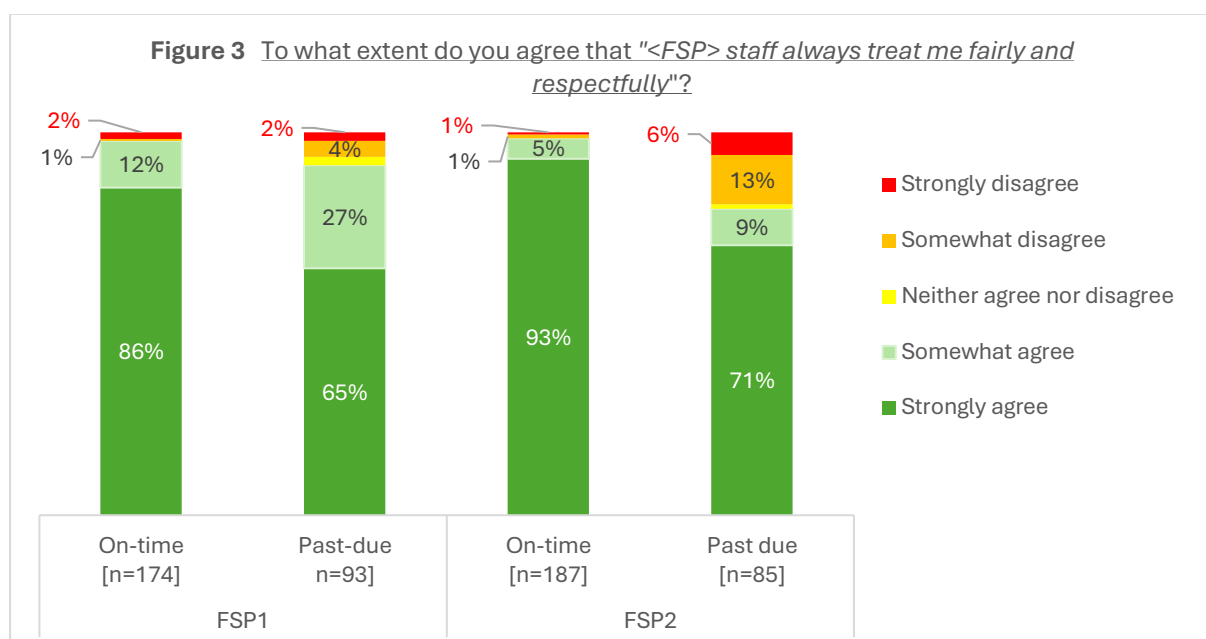
The provider enforces fair and respectful treatment of clients.

Summary. Client outcomes indicators for CPS5 depend on asking clients about how they are treated and how easy it is to talk to staff – particularly in difficult situations (such as missing a payment).

Overall, the client feedback on staff treatment is very positive from both FSPs. Nevertheless, there are some less positive responses, notably from some (not all) past-due clients. A small but meaningful minority of clients report inappropriate staff behaviour. The responses to the open-ended follow-up question indicate inconsistency in how staff engage with clients who miss an instalment.

Both FSPs have a Code of Conduct for staff and a sequence of actions in case of default. However, the client feedback as well as interviews with branch staff indicate the need for a clearer protocol and guidance for staff engaging with clients behind on their payments – guidance that should also be extended to group members and leaders as well.

Overall, the clients of both FSPs had very positive feedback of their interactions with staff. While the proportions are very high for the on-time client sample, it's notable that in both cases, substantial, albeit lower, majorities of past-due clients likewise assessed their treatment as *fair and respectful* (**Figure 3**). There was a similar pattern of responses to the question: *how easy is it to talk to staff about their finances?* The positive features (captured through responses to an open-ended question in the in-person survey asking about the client experience) relate to staff being respectful, kind, courteous (including smiling), patient, considerate, and explaining things clearly.



The negative responses – (for example: shouting, being rude, “don’t listen... speak harshly when we cannot pay”) are overall less common, but emerge quite significantly in the sample of past-

due clients. Some clients indeed noted along with their positive assessment, that they can rely on staff to be fair and respectful - if their payments are on time.

It is in those situations where the need for client protection is highest that delivering it is most difficult. In both FSPs, around 10% of past due clients said that they were *pressured by staff to sell something they didn't want to, in order to make a repayment*; 2% of past-due clients said that the group leader or other group members did this.²² A significant proportion of clients said they had borrowed informally (family, friends – even moneylenders) to repay a loan in the previous 12 months (40-60% of the past-due samples, but even 20-30% of the on-time samples).

A concerning – and common – theme in the feedback for both FSPs is the degree of variability and improvisation field staff deploy when interacting with past-due clients. Some clients report staff that are understanding, accepting delayed or partial payments; others report being faced with complete inflexibility – including outright refusal to accept a partial payment when offered. The tone of the interaction can also vary greatly, from friendly and understanding to harassment and threats (as captured in the qualitative individual interviews and some of the open-ended responses to the survey).

Both FSPs have a Code of Conduct for staff which sets out acceptable and unacceptable behaviour. There is also a sequence of actions for collections of loan instalments, including when they become overdue (pressuring clients to sell something, or to borrow to make a repayment is not one of the prescribed actions). Yet, the variation in client responses about staff behaviour in case a payment is missed, as well as interviews with branch staff, indicate a lack of consistent guidance to staff with a clear protocol on how to handle such situations, including judging when an individual situation (such as illness, business failure) might allow loan rescheduling or restructuring.²³

Another issue that emerged from the client feedback for one FSP, was that some staff were keeping client passbooks (as noted under CPS3). An important operational rule is that the passbook is supposed to be in the client's possession at all times. Taking the passbook allowed the staff to commit fraud - falsify payment entries without the clients' knowledge and appropriate funds for themselves. Ensuring that clients are aware that staff must not keep their passbook – and that they should make a complaint if this happens – would support the FSP's own measures to protect their money.

²² It's also worth noting that, among past-due clients at one of the FSPs, the number reporting not being treated fairly and respectfully is actually lower than the number of clients who said they *pressured by staff to sell something they didn't want to, in order to make a repayment*. In other words, the clients seem to be accepting at least some types of pressure as normal.

²³ One of the FSPs has a moratorium policy. This is most often applied when there is a directive from Headquarters in case of a generic risk such as a storm or flooding in specific areas. For individual situations the option of "loan net-off" (pre-payment followed by a new loan) seemed to be quite common, but involved risk as these renewal loans showed higher PAR.

CPS6 Privacy of Client Data

The provider secures client data and informs clients about their data rights.

Summary: We framed the client outcome indicator for this standard in terms of whether clients trust the organisation with their personal information and also whether there have been any instances of sharing such information without consent.

The client feedback from the two FSPs was very different, but highlights client concern about the sharing or use of information about loans and credit behaviour not only in their group but in their local community.

This is nevertheless a feature of microfinance, particularly in the group model - a way to check on borrowing behaviour in the absence of a well-functioning credit bureau, and to apply social pressure as a motivation for loan repayment.

To understand client perception of privacy of their financial data, we asked: *Do you trust <FSP> and its staff to keep personal information about you and your loan confidential and not share it with others, unless with your consent? With follow up in the in-person survey to ask whether the <FSP> or its staff has ever shared such information with someone they shouldn't have? And if so, what?*

Levels of trust were overall high, but less so in one of the FSPs where sharing such information is a frequent tactic adopted to put social pressure on clients to repay. A full 28% of past-due clients in this sample mentioned being put in this situation – with examples being the FSP's staff talking to other family members, neighbours, and even sharing this information in the village market.

The CPS6 standard is mainly concerned with the securing of client data as a digital asset – which is ever more important with increasing digitization. However, from the client perspective, more immediately important is when FSP staff share information about their loans – especially when they don't pay on time – with people in the loan group but also more widely in the local community with people who are not part of their loan group.

CPS7 Complaints

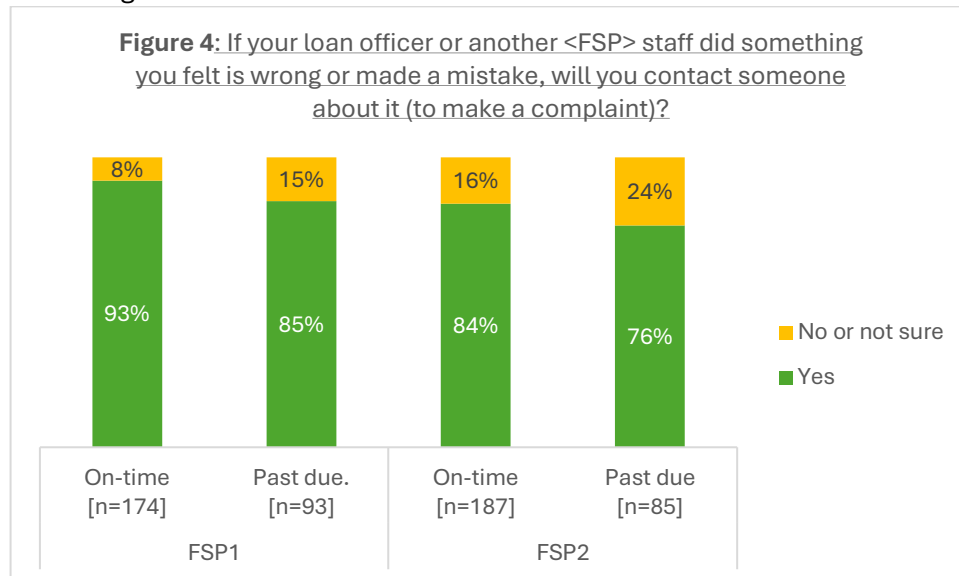
The provider receives and resolves client complaints.

Summary: To understand client outcomes for CPS7 we asked clients whether they would complain if staff did something that seemed wrong, to whom, how easy it is to make a complaint and what the experience was if they did.

In both FSPs, most clients reported that raising complaints is easy – and cited the field staff or branch manager as the relevant parties to whom they can complain. Only very small numbers of clients mentioned other channels (the formal service hotline or social media) though in one of the FSPs significant numbers of mainly enquiries are recorded through such channels. Despite the branch being the primary channel for client complaints, neither FSP is monitoring these in any systematic way.

When asked “*If your loan officer or another staff did something you felt is wrong, or made a mistake, will you contact someone about it (to make a complaint)?*”, a clear majority of clients (but a lower proportion of past due) said they would make a complaint (**Figure 4**) – and nearly all of them said it would be to the branch manager or the field staff. A miniscule proportion (0% in

FSP1 and 3% in the FSP2) mentioned the hotline – call centre or online options. This is despite both FSPs having a working hotline and one FSP has a fully developed system of reporting and follow up under a ‘Grievance Redressal Unit’ with many enquiries and complaints received via Facebook messenger.



Do clients think it is easy to make a complaint? In both FSPs, a small number said it is not easy – just 1-2% of on-time clients, but 6-10% of past-due clients. This may reflect a degree of embarrassment felt by past-due clients and a reluctance to speak out, though it may also reflect actual experience. At one of the FSPs, a few clients reported making complaints that remained ignored – while the hotline’s own records had several cases of clients reporting that they faced retaliation from branch staff after complaining to the hotline.

As a rule, clients prefer to engage with field staff they already know. And most ‘complaints’ are not so much grievances as enquiries about the process, e.g. delays in the loan approval process, getting the next loan. (Though if not addressed such points could become grievances).

At both FSPs, only enquiries/complaints to the hotline and through on-line media are recorded. There is a count of (the large number of) enquiries and full documentation of (the very small number of) actual complaints including follow up and resolution. What is notable from both case studies is the absence of organisational monitoring of enquiries and complaints to the branch. This reduces the accountability of the branch staff. A small number of clients surveyed (5-6% of the in-person survey sample at both FSPs) said they had made a complaint in the previous 12 months – in all cases to branch staff. At one FSP, 2/3rds of these clients said their complaints were resolved; at the other, none had been. Neither organisation had any record of these complaints.

In-person client interviews by the audit/inspections staff also do not appear to be compiled and analysed – as part of capturing client feedback across the organisation.

CPS8 Governance, Management and HR

The governance and management are committed to Client Protection, and HR systems support its implementation.

Summary: CPS8 is one standard that it is entirely limited to the internal operations of the FSP and does not directly involve clients in any way. In the FSP assessments, we looked at two key areas: HR systems for field staff, internal audit and inspections.

Field staff behaviour and performance are core to responsible finance, and can be influenced by training, staff maturity and incentives. Incentives in particular are a mechanism used primarily to support business priorities, but in some cases the incentives may work at cross-purposes with CP objectives.

Internal audit/inspections are a key tool to check on policy implementation. IA often includes direct interviews with clients – which need to be systematically documented as additional feedback for management.

To meet this standard, financial providers need to monitor client protection risks and integrate findings into the highest levels of governance and strategic decisions. Management systems must support client protection implementation through appropriate HR policies, training, reporting/monitoring, controls – and crucially, that staff incentives are aligned with both client protection goals and business objectives.

In the FSP assessments, we selected areas of focus that were of particular interest from the client feedback as well as branch level discussions: the staff incentives and internal audit.²⁴

Field staff – turnover and incentives

Both FSPs have large numbers of staff (more than 3,000) and the majority of these are field staff. The two FSPs share a fundamental similarity – both provide doorstep services, making their field staff the primary (and in most cases, sole) link to clients. Therefore, field staff integrity, professionalism and honesty – including how they behave and interact with clients, how well they communicate, how they manage challenging situations – is a core element of responsible finance. Large majorities of clients said that they trusted most of the staff and had been treated well by them. However, a minority of clients, especially those with past due loans, reported instances of rude treatment or undue pressure, lax passbook management, and other irregularities.

Some of these lapses may reflect the high turnover of staff in one of the FSPs (which is also typical of the country). Systematic training is well established but when the average time of field staff with the FSP is just 1.5 years, there is a clear challenge in ensuring consistency and maturity. Incentives also seem to be a factor: strong portfolio quality targets in both FSPs, and in one of the FSPs the high reliance on incentives as a portion of staff salaries, where staff must meet performance targets, including on collections, to receive the bonuses that compensate for somewhat below-market pay.

²⁴ For one of the FSPs, we also covered insurance monitoring, discussed in the later sections.

Internal audit/inspections

The two MFIs are similar in their use of the internal audit and inspections process. Both had almost identically-sized teams (of around 26 staff) whose work includes both reviews of branches (accounts, transactions), as well as interviews with a small sample of clients. However, while these interviews with clients can surface issues and complaints – and most importantly, resolve them – it doesn't appear that either FSP has a structured process for consolidating and analyzing this valuable source of feedback as an input into organizational decisions.

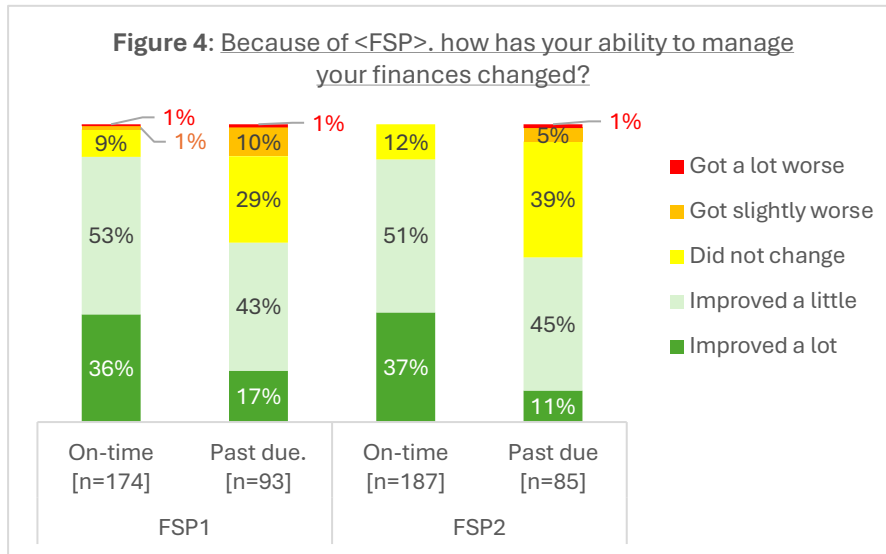
While these units play their primary role of providing oversight for branch operations, particularly catching (and deterring) fraud, the failure of both FSPs to more meaningfully leverage the client feedback captured is a lost opportunity. After all, these audit/inspection teams provide an extremely valuable source of unfiltered client feedback, shared in person with staff members who are independent of the branch structure and more immediate (face to face) than the more remote channel of a client call centre. These teams also provide an opportunity for the institution to ensure that clients in vulnerable situations receive appropriate treatment.

Resilience

Summary: Resilience is not a CP standard but rather represents a medium-term outcome that is affected by client protection practices of the MFI. In general, as one would expect, on-time clients are significantly more resilient than past-due clients – particularly in their ability to save and to come up with a sudden emergency amount. And at both MFIs, a large majority of on-time clients and a meaningful minority of past-due ones reported increased financial resilience as a result of their relationship with the MFI.

We were interested in resilience, not because it is a CP standard but because we see it as representing a medium-term outcome that is affected by client protection practices. For example, clients with financial products adapted to their needs and who fully understand the financial services they can access, are likely to be able to manage their finances well; those who are not over-indebted are likely to be more resilient than clients whose loans are ill-suited to their financial cashflows or who borrowed too much. Therefore, clients reporting improved resilience due to their relationship with the FSP can be one measure of the effectiveness of the service provided by the FSP.

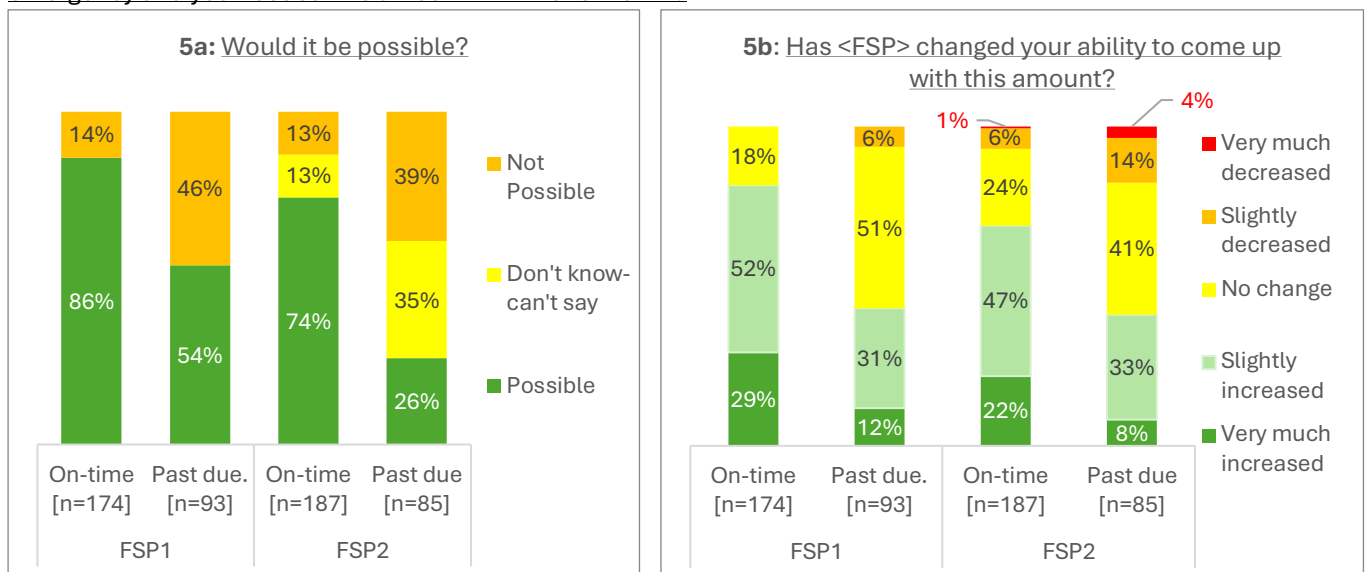
Adopting the same resilience questions used by Global Findex and 60 Decibels, we asked clients in the survey about changes in their ability to manage their finances and to come up with a relatively large sum in an emergency (the equivalent of $\frac{1}{20}$ of per capita GNI). At both FSPs, a significant majority of on-time clients report that their ability to manage their finances has improved (a little or a lot), and only a few report neutral or negative results. More surprising, over half of the past due clients also report improvements though very few report large improvement and a significant portion are neutral (no change) (**Figure 4**, next page).



These very positive responses are contextualized by the question on ability to produce a lump sum. In response to this more concrete question, nearly all on-time clients said it would be possible. The proportion of past-due clients is, not surprisingly, much less (Figure 5). What is

interesting (from both Figures 4 and 5) is that few clients believe that their engagement with the FSP has contributed negatively to their resilience, even the ones in default.

Figure 5: Are you able to come up <1/20 per capita GNI equivalent in local currency> if there were an emergency and you needed this amount within one month?



Benchmarking results and implications

What do the findings mean for the FSP? What level of positive findings means that things are good or at least OK? What level of less positive or negative findings are a red flag? Comparing the findings with available benchmarks is important to check whether an FSP is at least in line with its market peers.

In the case studies, we compared data for the FSPs with the available regional benchmarks²⁵ reported in the 60dB MF Index (as the averages for MFIs covered) – to see, for example, what share of clients of MFIs in the same region report debt stress. We deliberately framed key CP questions in the same way as 60dB so that the results could be compared with the available benchmark.

For both the FSPs in our case studies, the results on most indicators were good with 80%-90% of the overall sample showing positive results on many indicators, comparing well with the available benchmarks. On some indicators however, the overall results may be lower (**Table 5** next page).

Apart from these indicators, the follow up questions (for which there is no benchmark) revealed for example that 20-50% of clients may not know - or be able to identify where to find – information about various specific terms of the credit, savings or insurance. Moreover, the issue that emerged from the segmented analysis was that the results are less positive among special segments of clients – clients in default, clients with less schooling, rural clients.

For an FSP fundamentally committed to ensure protection of as many of its clients as it can, particularly its vulnerable clients, then a negative finding for even say 15-20% of a sample of default clients (albeit a minority of a minority) can indicate operational aspects that need to be strengthened.

²⁵ Benchmarks are not available at country level, hence we have applied the regional Asia averages.

Table 5: Benchmarks and implications of client outcomes findings

CPS	Indicators	FSP1 ^a	FSP2 ^a	Asia benchmark ^b
	[Sample size – N]	[267]	[272]	[42 MFIs, 275/MFI]
	method	in-person and phone		phone
1	NPS of <FSP>	78	63	56
2	Say loan repayments to <FSP> are “not a problem”	72%	87%	82%
2	Say have <i>never reduced household food consumption to repay a loan to <FSP></i>	85%	90%	89%
3	“Strongly agree” <FSP> product terms are clear and easy to understand	65%	88%	68%
5	Strongly agree <FSP> <i>staff treat me fairly and with respect</i>	84%	91%	77%
6	Say “fully trust” <FSP> and its staff to keep personal information about loan confidential and not share with anyone without consent	60%	97%	
7	Would contact <FSP> if loan officer made a mistake or did something wrong	92%	83%	
7	Say <i>it’s very/somewhat easy to make a complaint to <FSP></i>	78%	43%	
	Resilience:			
	Say ability to manage finances has <i>improved a lot because of <FSP></i>	35%	34%	27%
	Say ability to access an emergency amount [1/20 GNI per capita] has <i>improved a lot due to <FSP></i>	28%	20%	13%

^aFSP survey findings, re-weighted to present overall results (accounting for over sampling of past-due clients).

^b60dB MFI Impact Index, 2024 (slide 59). Also reported by 60 dB in individual FSP reports

KEY:

Very good result – no follow up required	Good – but keep under review for further improvement	Needs attention – to improve	Needs careful review and follow up
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The ‘traffic lights’ colouring here is intended only as suggestive. It would be for each institution (board, senior management) to consider which aspects to follow up and take action on.

2.2 FSP experience of CP

2.2.1 Advantages, risks and costs

This review found that nearly all of the aspects of client protection that FSPs put in place over time are embedded in the organizations' core operations in a way that is intrinsic to the institution and in line with the stated vision, mission and values of the organisations – to provide *convenient and reliable financial solutions... to continuously strive to provide an excellent client experience... with values of quality, transparency, accountability and empathy*. Client protection is effectively a way of aligning the interests of the institution with those of the client – and this should be good for business in the long term.

For example – each of the FSPs have a Loan Review Unit or Special Audit Team whose role is to identify gaps in loan origination in high PAR branches; its client protection aspect is largely a byproduct of that mandate. By the same token, the emphasis on orally communicating product terms and conditions to clients is as much a part of maintaining a reputation of a trustworthy and reliable institution in the market as it is there to protect clients.

The best way to ensure client protection is to embed it throughout the institution, whether the purpose of one or another activity is meant to protect clients or to achieve other objectives. For this reason, it does not seem possible to differentiate costs, advantages and risks of specific client protection efforts at the FSPs. Ultimately, businesses that fully aim to protect clients recognize the strong alignment between the interests of the institution and those of the client – which, when done well, not only helps clients, but is also good for business.

2.2.2 Good CP practices

During the course of the assessments, several organisational practices stood out for their quality and degree of positive impact on CP outcomes.

Cross-cutting field research [CPS 1]

There is a strong ethos across both organisations to “actively listen to clients”. One FSP has a market research team working within the Business Strategy Division. This is responsible for the annual client satisfaction survey (significant sample of 900-1000 clients) and exit survey as well as ongoing research for product design and development. In addition to this, other internal teams too are equipped to conduct client-level research aligned with their functions. For example, the Risk and Audit teams conduct periodic and ad hoc research to address the company's evolving business needs. Research findings are presented to the Executive Committee to support informed decision-making. Additionally, these findings are shared with the Board of Directors to provide justification for key strategic decisions

Special teams to improve the quality of loan appraisal [CPS2]

Both institutions deploy special teams – a Special Audit team or Loan Review Unit (LRU) in under-performing branches to try to improve the quality of newly disbursed loans. The former is a new initiative, having been in place for just 6 months at the time of the assessment, and thus too soon to assess its effectiveness. On the other hand, the LRU in Bangladesh has been operating for several years and has shown high efficacy in raising the quality of its branches. Crucially, both groups are focused on improving the quality of the pre-disbursement client assessment – thus ensuring that borrowers are able to afford their loan repayments.

Explaining product and transaction details to clients [CPS3]

Both FSPs make meaningful and largely successful efforts to communicate transparently with clients – through orientation sessions at the time of loan appraisal and disbursal and written documentation (loan contract, passbook). The degree of understanding or ability to locate specific product details terms (which we asked through the in-person survey) was directly proportional to the level of client schooling, clients with less schooling being especially reliant on staff explaining the loan terms and other issues. Nevertheless, nearly all clients – including those with low and higher schooling levels – felt the “product terms were clear and easy to understand” whether they attributed this to these staff explanations or reading the product materials themselves.

One FSP additionally used text messages by phone to alert clients the day before a payment was due, as well as to confirm the payment was made. This also served to guard against fraud by field staff who handled the cash repayments.

Internal audit – engaging with clients to ensure client protection in practice [CPS8]

The two FSPs are similar in their use of the internal audit and inspections process. In addition to reviewing branch operations and records (accounts, transactions), they also conduct a large number of interviews with clients, checking both assessment and ongoing operations (e.g. collections and passbook entries). This allows problems to surface, but also provides an independent, trusted channel – potentially - for clients to raise issues and complaints, which if compiled and documented can provide an additional, valuable, source of client feedback.

2.2.3 The role of CP certification

Both the FSPs of our case studies have a strong commitment to client protection and best practices – and aim, as ethical FSPs, to go “above and beyond what the regulator asks for”. Certification is a good indicator of this and can represent confirmation of achievement which is relevant for all stakeholders. This is what the MFI CEOs said:

“Recognition of strong performance in client protection provides the Board and shareholders an assurance that [the FSP] is aligned with best practices in terms of protecting the rights of our clients and adherence to the do-no-harm principle.”

“It represents value for funders and evidence for the management that [the FSP] is on line with its mission: to *continuously strive to provide an excellent customer experience.*”

Have the FSPs made changes on the basis of certification findings? We were not able to assess this: for one FSP, there had been an assessment eight years earlier, which ‘no-one now could remember’. For the other, full – and gold – certification had been achieved twice, revealing hardly any gaps. But that raises important questions about the nature of certification. Based on the two case studies, while the CP-certified FSP is very strong on client protection, so is the one who did not complete a certification. More importantly, while both institutions show sound client protection practices overall – both also have room for improvement .

This raises broader questions about CP certifications and assessments. An external evaluation is valuable for separating institutions with strong CP practices from those with sub-par ones. But to a significant degree, certification – particularly at the ‘gold’ level - can also imply having

reached the end goal – whereas even the best institutions still have room for improvement and always will. This is likely with evolution and growth, and especially for financial services targeting lower income clients.

More importantly for this particular exercise is the technical question: whether the certification process is sufficiently attentive to client outcomes.

3 Reflections

3.1 Including client voices in client protection

Understanding client outcomes is essential to effective CP

Established FSPs usually have a very comprehensive set of documented policies and processes covering the different aspects of client protection. In part this reflects the promotion of CP resources and training over the past 15+ years, first by the Smart Campaign, and more recently by Cerise+SPTF, microfinance networks, investors, providers of technical assistance and other support agencies. Policies and processes in turn require operational systems and well trained and motivated staff to ensure implementation. To some extent, the monitoring of systems and staff issues is often covered by an effective internal audit process.

But what the emphasis of the CP standards on policies and processes often misses is a systematic and meaningful field check on the expected CP outcomes for clients – obtaining feedback from clients on indicators that reflect their actual experience with the challenges that the CP standards seek to manage or mitigate. At its core, it is simply not reasonable to understand the effectiveness of CP at any institution without talking to the clients. *It is akin to conducting quality control on a factory production line without ever looking at the products coming off the line!*

By delving into client outcomes, our two case studies revealed both strong performance by these MFIs and specific areas for improvement that may not have turned up in regular operations or assessment.

Capturing meaningful input from clients must be an integral part of Client Protection. And this applies at all levels – FSPs embedding channels for client feedback in their operations, various actors (including FSPs, their funders or raters) commissioning surveys and interviews, and external assessors or certifiers.

How best to understand client protection outcomes for clients?

So, how - meaningfully - to obtain client feedback on client protection outcomes? The following are broad practical ideas arising from our case studies.

- **Existing reports may be available:** for example, 60Decibels includes a set of client protection indicators in its MFI Impact reports. The findings are for a random sample (275 clients) interviewed by phone. Individual organisation reports and the underlying data is available to the FSPs and investors who commission them. This is a resource that, if

available, can be used as a check on client protection outcomes and to assess if there are aspects of concern. (Though note this is a phone-based survey, see further below).

- **CP outcomes indicators:** The Cerise+SPTF social outcomes questionnaire²⁶ – an open resource - includes a set of 15 questions on CP outcomes including 5 on client satisfaction. These are a valuable reference which can be applied by any research team. 60Decibels have adapted and applied 10 of these questions in their MFI Impact reports.

There is scope to build on these indicators to cover additional issues and follow-up questions. Our case study research demonstrates that follow-up questions, to explore client reasons for a response, are particularly useful to identify specific issues in client protection. Such follow-up questions may be structured or open-ended (qualitative). Responses to open-ended responses are very revealing if systematically analysed. Open-ended responses are usually avoided in quantitative surveys since they require extensive effort to code and analyse. Nevertheless, this is time well spent, and with rapid advances in AI language processing, qualitative feedback should be seen as an increasingly important part of client-facing surveys.

- **Not just simple random sampling:** It is particularly relevant to understanding client protection to include clients who are more vulnerable. In the CP context this implies including clients who are past-due, have exited, or made a complaint, or made an insurance claim. This entails including such clients in the sampling in sufficient numbers to draw significant conclusions. In a simple random sample, the proportionate number of past-due clients simply may not yield a sufficient number to draw meaningful conclusions from this segment.²⁷ In our case studies we ‘oversampled’ the past due clients to present findings separately for this segment and then re-weighted the overall data to match the actual proportion of past-due vs on-time total clients.

For future research, and to simplify the analysis, we would propose a random sample overall (including on-time and past-due, in their normal proportions) with an additional sample (~70) to capture the feedback of more vulnerable clients – which would obviate the need to reweight the overall findings. Note, if there are substantial differences between past-due and on-time clients, even relatively small samples would allow these to be captured with sufficient statistical significance.²⁸

The same logic applies to the other segments of interest. However, for our two case studies, we were not able to identify members of these segments in sufficient numbers for the quantitative sample. Instead, we included a small number as part of the qualitative in-depth interviews (see further below).

²⁶ Op cit. See footnote 4

²⁷ For example, in an FSP with 5% past-due clients, a random sample of 300 clients would be expected to have just 15 past-due clients – which is clearly insufficient to draw statistically meaningful conclusions.

²⁸ This type of reweighting can magnify statistical noise. Capturing two independent samples – a sufficiently large random sample to be used to represent the institution overall, and a smaller sample for past-due clients only – would both simplify the process and make the results easier to explain and to understand. Note that small samples can only capture large differences between the *treatment* and *control* groups – a technique used in early-stage drug trials, where the goal is to find large differences between the two groups. In this case, if no large differences are observed, that would imply no significant CP issues present.

- **Method – by phone or in-person?** Part of our approach in the case studies was to test and compare phone-based interviews with in-person interviews. In considering the interview method, there are significant trade-offs to be understood. A survey by phone is relatively low cost (even accounting for low response rates, typically under 40%). However, the short time frame of a phone interview (usually less than 20 minutes) limits the number of questions and follow ups that can be covered. A longer questionnaire for an in-person interview (40-45 minutes) allows for a range of different questions to validate and cross-check so as to build a deeper understanding of the client experience.

Additionally, the data from our two case studies suggest that it is harder to contact rural and low-income clients by phone, due most likely to connectivity issues for these segments. Such clients, therefore, may be under-represented in phone interviews. It is also more difficult in both methods – but particularly so by phone – to connect with past-due clients (**Table 4**). This can be adjusted for by having a longer sampling list from the MIS for past-due clients and ensuring a target number. (Which is less easily done for other segments which are not identified in the FSP's MIS).

Table 4: Comparing survey coverage by phone and in person

4.1 Lower outreach to rural and lower income clients by phone, better coverage in person

	FSP1		FSP2	
	Phone	In-person	Phone	In person
[n]	[105]	[162]	[114]	[158]
Live in a village	73%	90%	29%	51%
Lower income	18%	25%	24%	36%

4.2 Lower response rate for default clients - both methods, but even lower by phone

Response rate	FSP1		FSP2	
	Phone	In-person	Phone	In person
On-time	65%	79%	37%	58%
Past-due	18%	55%	18%	40%
[Overall]	[35%]	[68%]	[28%]	[51%]

- **Qualitative interviews:** Qualitative in-depth interviews – targeting a small number of vulnerable clients – provide an opportunity for interviewers to establish the trust needed for clients to share difficult or uncomfortable feedback, as well as allowing the follow-up needed to understand the nature of the issue and capture details needed to understand how the situation may have been affected by specific policies of the FSP. Focus Group Discussions provide useful additional insights for understanding participant views in general around CP issues, as well as verifying or clarifying issues emerging from the quantitative survey.
- **Segmented analysis:** Analysing data – quantitative and qualitative – by segments relevant to the scope of operations, variation among clients (e.g. women/men, rural/urban, group/individual, more schooling, less/no schooling, unique borrowers/having other loans) and the type of client protection outcome being explored can add depth to understanding issues and point to follow-up actions that could improve client protection outcomes for different types of clients. Useful examples of segments can be:
 - Group/individual – for communication/transparency and staff behaviour questions
 - Schooling level – for communication/transparency
 - On-time/past-due clients – for staff behaviour and privacy questions

- **Varying income levels of clients:** Income level segments are also very relevant for analysis of effective client protection. Are poorer clients more likely to be over-indebted? Or treated with less respect? However, income level is difficult to quantify with much confidence in a survey. Full cashflow assessment (as would be done during a loan assessment process) takes time and training to do consistently. For the case studies, we used a version of the poverty probability index (PPI) to capture relative income levels. This is a well-accepted method based on a small number of simple, potentially observable indicators correlating to variations in income level, and yields effective results for a sufficiently large sample.²⁹

3.2 Benchmarking client outcomes

We have seen how benchmarking the client outcomes findings is an important way of checking whether an FSP is at least in line with its market peers. We have been able to compare some of our survey data for the FSPs with the available regional benchmarks, for example those reported in the 60dB MF Index (as the averages for MFIs covered in the 60dB survey).

Having such benchmarks is extremely valuable to build the “expected” level to which a given FSP’s result can be compared. And will become more useful as country-level benchmarks become available, given that cultural norms and expectations (e.g. levels of schooling, or the need for interviewees to “save face”) can have a significant influence on the results.

An additional improvement would be for the benchmark results to be disclosed in greater detail, and not just as top-line numbers (e.g. not just the share of clients who say that loan repayments “*are not a problem*”, but also what share of clients say “*somewhat of a burden*” and also “*a heavy burden*”).

3.3 Some issues in assessing CP at institution level

Selecting CP indicators for in-depth assessment

Within the resources for this evaluation, we took the decision not to try to cover all the [128 or so] CP indicators of the standards. Instead, we prioritised the indicators which emerged as more critical from the client feedback, enabling us to cover these in more depth to follow through on what might be the gaps affecting the client responses.

The following are illustrative examples of focusing attention on the most important CP areas for a given institution or market:

- The CP standards already recognize the higher need for focus on over-indebtedness in saturated or highly competitive credit markets. The depth of assessment on this can be similarly guided by the level of market saturation – and by initial metrics like PAR.
- Staff training and mentoring is especially critical when there is high staff turnover. For organizations with long-term staff and low-turnover, assessment of training could be reduced.

²⁹ Questions to develop a proxy index for income level can be applied in both phone and in-person interviews, though by phone they may be limited to 5 questions (rather than 10 in the full PPI). And some questions are more easily applied during in-person interviews (for example, noting the type of floor or roofing material in the client’s house).

- When pricing disclosure is governed by law, there is less relevance for including pricing transparency in the review. Appropriate pricing is most critical when prices are high and only then requires more detailed data-intensive process of computing APRs and OpEx ranges.
- Non-credit financial services need attention when they are a significant part of what MFIs offer to clients, even if indirectly (see further below)
- A focus on (digital) data privacy is especially relevant for FSPs with large DFS operations, but perhaps it is of limited relevance for more manual operations.

Understanding field staff motivations and challenges

When evaluating FSP operations, it is important to interview several branch staff, of average performing branches (by volume and portfolio quality), as well as weaker ones. In these interviews, a key part of the assessment is to capture what the staff find most challenging (especially when it comes to incentives and performance targets) and how familiar they are with CP-related guidelines. A useful technique for this purpose is to pose hypothetical (and locally common) examples of struggling or difficult clients and see how staff approach the problem.

Staff interviews are also an important complement to review of staff turnover as well as key policies for field staff selection, training, incentives, and oversight.

Analysis of institutional data

Details of an FSP's financial products, costing and financial accounts are a vital input to CP assessment. Other data too – which is part of routine monitoring by the institution – is an important resource, in particular:

- branch-wise data for analysis of portfolio performance, including any outlier issues;
- data on individual field staff remuneration – for analysis of how incentives are working out, and how much incentives contribute to the total remuneration;
- client complaints reports – for analysis of the number and type of complaints received

This is granular data – not just averages – to fully understand operations, and as a basis for discussions as well as to validate implementation of policies. Importantly, the results of the branch-wise portfolio analysis help to identify the areas and branches for staff and client interviews (including both low-performing and average ones in the selection).

3.4 Include non-credit financial services for effective CP

The implicit focus on credit as the primary area of CP risk is linked to the degree of risk that loans pose to borrowers – in case borrowing goes wrong. It is also the case that for many MFIs, credit is the core business. Other financial services – particularly insurance – are provided by third parties.

Yet this doesn't mean that other financial products – savings, insurance, payments – can be safely ignored, for their risks are both real and serious. Whether ensuring that clients understand the coverage and terms of their insurance products, safeguarding client privacy in savings and payments to protect them from fraud and scams, providing speedy and just review of insurance claims – these are all critical to ensuring that CPPs in non-credit products are taken seriously and addressed.

Because so many MFIs and their staff view credit as their core business, it's easy to see how CP risks from these non-credit products could slip through the cracks with less attention. Similarly, the majority of indicators for CP assessment are about the details of credit. However, maintaining the focus on the CP risks posed by non-credit products is an important part of responsible finance – and needs attention as part of implementation (product design, manuals, systems), as well as any CP evaluation or assessment. (There are a few important, specific indicators in the CP Standards related to insurance or savings, otherwise non-credit financial products are broadly referred to along with credit but should be covered in detail when they are part of the financial services).

4. Recommendations

We start our recommendations with two broad principles applicable to all stakeholders:

- c) Ensure that actual client experience is regularly queried, through the various means available. This can be as part of the FSP existing research/monitoring systems - internal client surveys, internal audit interviews, enquiries and complaints reports – and/or through 3rd party commissioned surveys.
- d) Pay special attention to the most vulnerable clients, that is poorer clients, and to the most vulnerable client protection situations - clients in default, clients making an insurance claim. What happens, for example, when clients struggle or fail to repay and what is the responsible response by FSP staff?³⁰ This would involve, for example, special protocols, training and monitoring.

4.1 Recommendations to FSPs

Careful attention to the most vulnerable during loan appraisal [CPS2]

One of the important findings across both cases is the significantly higher rate of debt stress among poorer clients – even if their loans may actually be smaller. This should serve as a reminder for FSPs to pay especially close attention to these clients during the loan assessment period, in terms of, for example, the cash flow analysis as well as considering smaller loans (in relation to the cash flow).

Clear, careful guidance in case clients miss a payment [CPS5]

One common theme across these two assessments, is a significant lack of guidance by FSPs to their field staff on how they should approach borrowers who are over-indebted or experiencing serious debt stress. It is a situation that is challenging for staff (to show empathy but also to assess whether a client is in genuine difficulties) and embarrassing for clients (difficulties in repayment are not easy to admit). Staff – particularly new staff – need clear guidance on how to follow up, e.g. what actually to say to an overdue client? What are reasonable means of

³⁰ A recent [call for action](https://www.e-mfp.eu/post/rethinking-client-protection-in-inclusive-finance-we-need-to-move-beyond-prevention-and-focus-on-mi) by one of the authors of this report highlighted the imbalance in the current approach to over-indebtedness, with most of the emphasis placed on prevention, less attention paid to mitigation. Rozas, Daniel. 2024. Rethinking Client Protection in Inclusive Finance. We need to move beyond prevention and focus on mitigation. <https://www.e-mfp.eu/post/rethinking-client-protection-in-inclusive-finance-we-need-to-move-beyond-prevention-and-focus-on-mi>

repayment to explore? How to (re)assess repayment capacity following a specific shock – and what options can be offered depending on the results of the reassessment? What times are ok to visit the client’s home – and how late can staff stay? Sample scripts for such situations can be very useful.

Simple, straightforward products that meet client needs [CPS1]

Another theme is that simple, straightforward products are easy for staff to explain, and for clients to understand and use. The simpler the products, the terms and options, the more likely that problems are reduced. Simplicity may also create client loyalty based on their familiarity and ease of engagement. This is not a new insight, but it may get lost in the well-intentioned effort to respond to varying client situations and requirements. Non-credit financial products in particular tend to introduce a level of complexity that needs to be handled very carefully.

Communication - on new products [CPS3]

Following on from the previous point, it is important to work carefully on communication when introducing new products or terms. New credit products/terms or non-credit (savings and insurance) often introduce a degree of complexity that requires a very systematic approach to communicating new information.

Leveraging channels for feedback and complaints from clients [CPS1, CPS7, CPS8]

Both FSPs have internal channels where they interact with clients outside the existing field staff relationship (e.g. internal audit/inspections, call centre, social media). Leveraging these channels for more comprehensive analysis of client experiences can be a relatively low-cost way to capture direct client feedback.

As a tool to assess client satisfaction, the Net Promoter Score (based on asking clients *how likely they are to recommend the <FSP>?*) can be a useful modification of the general satisfaction question. Along with the overall score, the question also provides an easy opening for follow up open-ended questions which are more likely to surface CP issues and diverse insights than a list of pre-set questions.

In addition, using available external data about clients – such as the 60 Decibels survey – can provide valuable insights. The data available are not just summary findings or a sprinkling of some positive comments from a few clients, but the full wealth of qualitative feedback to open-ended questions. With the growing capability of AI systems, compiling and summarizing open-ended feedback can become much more manageable and effective, and a rich source of information.

Handling personal client information about their loan status [CPS6 – additional]

In addition to the protection of client data as a digital asset, the client feedback in our research emphasized issues of more immediate privacy, i.e. that information about their loans, and especially, whether they are paying those loans on time, is not shared without client permission – or at least not beyond the group (for group loans). A degree of cross-checking on loans in local communities is perhaps inevitable in the absence of an effective credit bureau in the sector. Nevertheless, FSPs can reinforce this process by a clear explanation to clients of why this cross-checking is important and caution against multiple borrowing. There needs also to be guidance on handling sensitive information that a client is not able to make a payment on time, both to field staff and to Centre Leaders and other group members, so that the strategy is not to ‘shame’ a client but to understand better the reasons for the situation and the options to resolve it.

Staff incentives – balancing client protection and business targets [CPS8]

For MFIs whose field staff are their primary connection with clients, ensuring maximal alignment between client protection and business targets is essential, alongside effective training and mentoring, particularly of new staff. Staff incentives that are linked to business targets (as they usually are) e.g. PAR, staff case load, number of new clients, or cross-selling insurance need regular review (by the risk department and HR) to assess possible effects on client protection such as inappropriate behaviour in collections, pushing loans or other products. Client feedback (possibly a quick survey by the internal audit team or the call centre as well as systematic review of complaints) is the best means to assess this. And overall, keep a check that incentives never become the largest portion of staff remuneration.³¹

Insurance monitoring [CPS1, CPS 8]

Insurance is not a core business of an MFI and, if provided, comes from a 3rd party, though the process of applying for insurance coverage is covered by MFI staff alongside loan operations. Therefore - and especially when a significant majority of clients are taking insurance - obtaining and tracking data on key insurance ratios is an important component of ensuring value for clients who access insurance. The relevant ratios and their explanation are well set out as part of the Cerise+SPTF online resources for social performance.³²

4.2 Recommendations for CP assessment and certification

One element of this evaluation was, through the case studies, to reflect on the existing approach for CP assessment and certification within the Cerise+SPTF framework of CP standards. Our conclusion is that more attention is needed during certification to outcomes for clients. Our research opens the way for an adjustment in certification by showing that looking at client outcomes is both valuable and feasible. Important insights are gained from listening to clients and there are effective ways to gather that data in a systematic way as part of a certification process.

The protocol and tool for CP assessment and certification – while it includes inputs from client interviews – places the main emphasis on reviewing and discussing organisational policies and manuals with branch level checks on implementation.

As part of branch visits, there is usually some interaction with clients (mainly through FGDs), but there are no standardised guidelines on what to ask clients in relation to the different standards, and little if any systematic documentation of client feedback. It may be that assessors do not themselves have good research skills. There is also a time factor. Within the time available, and in order to cover all the relevant [128] indicators of the CP standards, as much as 70-80% of the assessor's/analyst time is spent poring over documents (both before and after the field visit) and at the headquarters, interviewing senior managers, whilst interactions with field staff and clients

³¹ The Cerise+SPTF on-line resources for Social Performance include a section on Incentivising Balanced Performance. This provides a very useful analysis of a complex set of issues. Essential reading for HR, Operations, Internal Audit and the Risk Committee. <https://en.spi-online.org/resources/guide/dimension-5-responsible-human-resource-development#5c3>

³² For the list of the key insurance ratios and an explanation of their use to assess value for clients, see The Universal Standards manual, Table 21, page 120. https://cerise-sptf.org/docs/USSPM_ImplementationGuideEnglishNov2021.pdf

is squeezed into the remaining 20-30% (in general just 2 days of a 4-5 mission visit is spent at selected branches). That ratio needs to be seriously reconsidered.

Client protection outcomes can be covered in a number of ways – as detailed under reflections, above.

In the listing below, the earlier points can be incorporated quite easily with not much additional cost. The last point does involve additional cost and might only be used, for example, in more at-risk markets and/or when seeking a gold level certification .

- *At a minimum, use existing reports and data that cover CP indicators.* This may be internal survey data documented by the FSP (through its own surveys, internal audit reports). And/or external surveys, such as, the CP sections of a 60dB report for the FSP if there is one and provided there is agreement to share for purposes of the external assessment). There may be other recent studies of CP in a country, which should also be referred to.
- *More systematic approach to qualitative interviews with clients:*
 - ⇒ Conduct or commission FGDs with a mix of clients from different product types. The goal of FGDs should be to quickly identify issues such as client comparison with other MFIs, awareness of different FSP communications channels, transparency of disclosures, role of group leaders, etc.
 - ⇒ Conduct or commission in-depth individual interviews with clients reflecting specific CP challenges: being past-due or over-indebted, recently exited, claimed for insurance, and other circumstances identified as relevant to the organization's operations. A small number of "typical" clients should be included, for interviewers to have a point of reference. The goal is to understand the nature of the interaction between clients and the FSP – especially in more challenging situations or at a time of high financial stress.
- *Consider conducting or commissioning a quick quantitative client survey* that addresses CP issues and includes outcomes such as resilience. The sample needs to be sufficiently large to provide meaningful findings, but it need not be so large as to provide narrow confidence levels typically needed by research surveys. If resources permit, interviews should be conducted in person.
 - ⇒ Add a small sample of past-due clients to allow focussed analysis of this segment.

With any approach adopted, the client outcome findings would serve to identify areas of focus for the assessment/certification as well as areas for the FSP to strengthen, which may be unexpected.

4.3 Recommendations to FMO

As an impact investor, with a commitment to client protection and having conceptualised and supported this research, FMO is well placed, through its engagement with its investees and the inclusive finance sector, to take forward the recommendations that have emerged. For instance:

With FSPs (FMO's customers):

- i. Consider possibilities to include client protection outcomes data in due diligence and monitoring processes and provide support where needed.
 - This can be based on available client data reports related to CP - whether the FSP's own internal data (client research, internal audit/inspections, complaints/hotline) or external data and reporting (such as a 60 Decibels report including the qualitative data).
 - This is relevant for FSPs identified as high risk as well as in more competitive (risky) markets.
 - For such customers, technical assistance can be considered to identify and support CP data management and analysis, i.e. help senior management and the board to see the relevance of client outcomes data, the implications of findings and identifying potential CP gaps at the institution level.
- ii. Whenever FMO recommends a client protection certification, include recommendations for the certification process to include review and analysis of available client protection outcomes data.

At sector level:

- iii. Share and disseminate the reflections and findings from this study in different forums.
- iv. Advocate for and support the development and application of short CP outcomes survey tools that focus on indicators specifically relevant for client protection. Client outcomes relate not only to impact but also to risk mitigation. In risk situations a short tool that focuses on CP issues can be more relevant than a longer tool that aims to cover impact as well. One forum where FMO can engage on this is the Cerise+SPTF Outcomes Working Group. Another area for such engagement would be as a supporting partner with 60 Decibels, who presently include a few CP and resilience indicators as part of their wider MFI index tool.

Annexes

Annex 1 Evaluation Questions

Evaluation questions	Sub-questions	How addressed
END-CLIENT LEVEL		
1. What is the CP ³³ experience, what are the CP outcomes for end-clients? Are there any gaps in CP from the end-client perspective?	With reference to the CP standards (CPS)³⁴ and indicators, and to different products (credit, savings and insurance provided by the study FSPs) do end clients perceive: a. CPS1. FSP products and services are suitable to their needs and situation? That they have choice? That repayment schedules are appropriate to their cash flow? And, if collateral is taken, that collateral type, valuation and loan-collateral ratio are appropriate? b. CPS2. Their level of [total] debt is appropriate and manageable and they can manage instalments from business/wage income without stress? c. CPS3. Information of pricing and other terms and conditions (including any penalties) is complete and easy to understand? What source/s of information have been most important for their understanding? d. CPS4. Product pricing – is reasonable, compared to other FSPs? e. CPS5. FSP staff treat them with fairness and respect in all situations – including no pressure to borrow, and a fair approach to debt collection that minimises or eliminates client stress? And if collateral is taken: a fair approach to use of collateral in case of default, and timely return of collateral title after loan repayment? f. CPS6. The FSP is trustworthy? Are there any concerns about information privacy?	Quantitative survey of end clients – by phone, in person. Drew on relevant questions that are part of the Cerise+SPTF client outcomes survey tool³⁵ and some applied by 60 Decibels as part of their MFI Impact Index.³⁶ Follow up qualitative FGDs and indepth individual interviews with end clients

³³ CP in this evaluation covers not only credit, but also savings and insurance products, if these are provided by the FSP.

³⁴ <https://cerise-sptf.org/about-client-protection/>

³⁵ Cerise+SPTF client outcomes questionnaire: [https://en.spi-online.org/resources/view/resources-collection-outcomes-and-sdgs"\);](https://en.spi-online.org/resources/view/resources-collection-outcomes-and-sdgs)

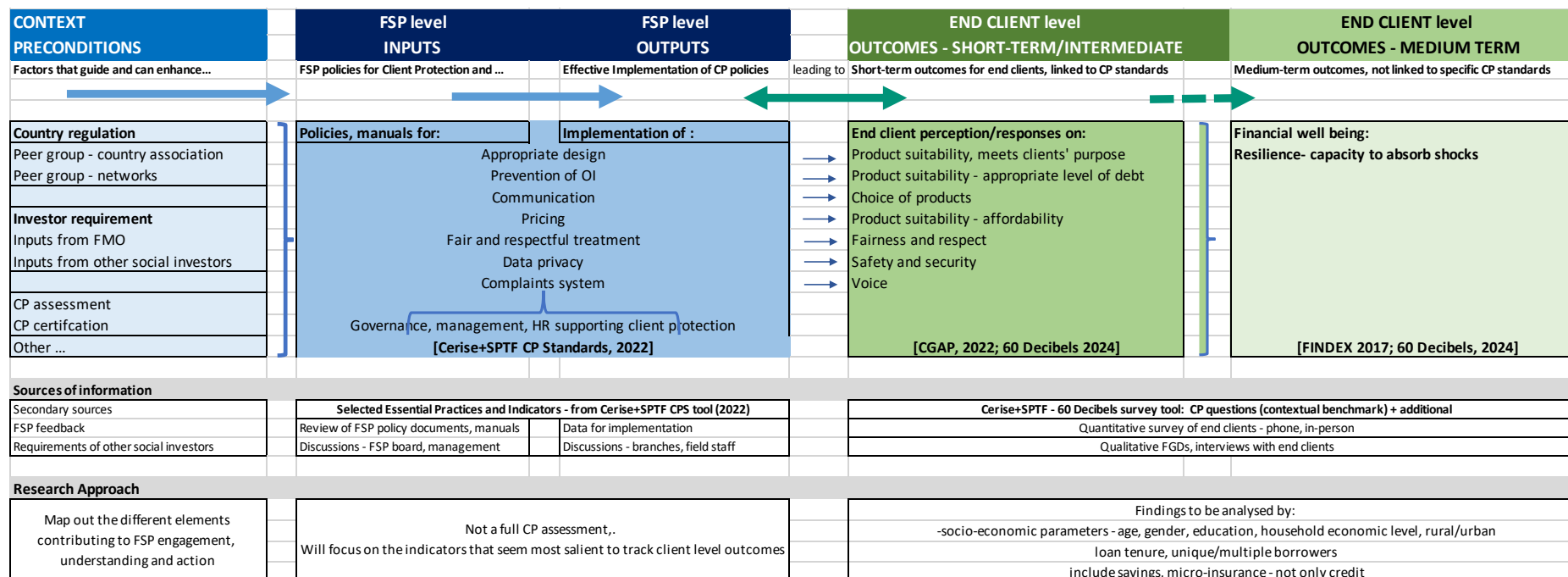
³⁶ 60dB MFI Index (<https://60decibels.com/insights/mfi-index-2024/>)

Evaluation questions	Sub-questions	How addressed
	g. CPS7. They have voice – can interact with MFI staff? Know how to make a complaint and can expect that any complaint is dealt with in a reasonable time frame and fairly. h. Improved financial well-being: is access to financial services supporting their financial resilience, for example ability to save, or to meet the need for a small sum in case of an emergency.	
2. Beyond risk mitigation, are there other intended or unintended outcomes on end-clients associated with the implementation of CP by FSPs	Are there other unintended outcomes of CP implementation that are not expected but emerge from qualitative discussions with clients?	
3. What is the CP experience for different client segments?	Analysis of data related to EQ 1 and 2 separately (to the extent the sample data allows) for: a. Women b. Youth c. Rural clients d. Clients with less schooling e. Previously unbanked f. Unique end clients (not borrowing from other FSPs) g. Low income clients	Analysis of quantitative survey data, as applicable to the FSP
4. Does the CP experience vary between end-clients of certified and non-certified FSPs (or with different degree of FSP adoption of the standards)?	To the extent possible a. Analysis of feedback related to EQ 1 and 2 compared for the FMO client and for other named FSPs (who may not be certified, or who may be certified to a different level). b. Analysis of data for client feedback on client protection if available for other non-certified FSPs	Not applicable in Bangladesh (no certifications) In other countries, can compare available 60 Decibels data on CP questions for different FSPs. Not available to this study for the Philippines.

Evaluation questions	Sub-questions	How addressed
5. How does the CP experience of end-clients of FMO FSPs, compare to sector benchmarks and (country) best practices	Comparison of EQ1 findings with country/regional reports of end client feedback on client protection	Some summary findings compared with 60 Decibels Microfinance Index, 2024 for the Asia region (24 MFIs). Resilience indicators compared with Findex country data.
FSP LEVEL		
6. How effective is the FSP in implementation of CP?	With reference to selected indicators of the 8 CP standards (covering credit, savings and insurance as applicable), and emerging from the end-client feedback: a. What are the examples of good practice in implementation? b. Are there any gaps in policy or implementation?	Application of selected practices/indicators from the Cerise-SPTF CP standards framework. Focused assessment, with reference to insights from client feedback.
7. What have been the factors contributing to CP implementation by the FSP? 8. What has been the role of FMO in supporting CP?	With reference to CP overall and to specific CP standards and initiatives: a. What has been the role of regulation? b. What has been the role of FMO? c. What has been the role of other investors (apart from FMO)? d. What have been other contributing factors?	Overview of context -regulation requirements in each country Interviews with CEOs, board members
9. Has a CP certification enhanced effective CP implementation and end-client outcomes?	Following completed CP certifications/assessments completed: a. What were the gaps identified? b. Have those gaps been addressed by the FSP? - and c. To what extent are they reflected in related outcomes for end-clients (EQ1)?	Review of gap analysis in previous certifications/assessments. Interviews with senior management (of relevant depts)
10. Do the FSPs view CP compliance as cost-effective	With reference to CP overall and to specific CP standards and initiatives: a. What do FSPs perceive as the advantages of CP implementation for end clients?	Interviews with FSP – Board members, CEO, COO.

Evaluation questions	Sub-questions	How addressed
	b. What do FSPs perceive as the advantages of CP implementation for their own institution? > To what extent does adopting CP standards influence the possibility of obtaining loans from DFIs or other impact investors? > To what extent does adopting CP standards lead to improved business opportunities and what are the mechanisms behind it? c. What have been the costs of CP implementation? d. To what extent do FSPs view compliance with CP standards as a competitive advantage, risk or cost?	Questions broadly addressed.

Annex 2 Analytical framework



References:

C--GAP, 2022. 'A customer outcomes based approach to consumer protection: a guide to measuring outcomes'

FINDEX 2017. Global Questionnaire

60 Decibels 2024. MFI Impact Tool, personal communication