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## Social Performance Measurement of Rural Microfinance Institutions: Theory and Empirical Measurement

FLORENCE MARIE MILAN, MANFRED ZELLER

*University of Hohenheim, Institute of Agricultural Economics and Social Sciences in the Tropics and Subtropics, Germany*

### Abstract

The rural microfinance industry has made great progress in financial performance measurement and evaluation in the past years. Now, there is increasing interest in developing a social performance measurement tool with common set of key indicators to go hand in hand with the financial performance indicators. The industry is moving from a predominant emphasis on financial sustainability to a renewed concern with social performance and the ‘double bottom line’.

The paper works on the premise that it is necessary to judge the performance of rural microfinance institutions (MFIs) in both social as well as financial terms. It attempts to create a framework for social performance measurement compatible with existing audit and management information system of a MFI by which management, donors and investors can assess the double bottom line approach of the institution.

The paper undertakes three stages: **(1)** existing literature is reviewed to examine the theory and concept of social performance; **(2)** selected ongoing social performance measurement initiatives is evaluated in terms of applicability across the industry, a MFI’s capacity, and stakeholders interest; and **(3)** empirical data from AMK (Angkor Microfinance) in Cambodia is analysed to draw on a practical measurement system for social performance.

Among others, measurement of social performance will: **(1)** help rural MFIs assess whether their products are adapted to client’s needs and whether the institution is contributing to increase the social situation of its clients; **(2)** encourage organisations to be more mindful of accomplishing their stated social mission and objectives especially now that more and more MFIs are transforming into banks; **(3)** allow rural MFIs to demonstrate social performance and transparency leading to donors and investors reallocation of funds towards socially-oriented MFIs; and **(4)** assist donors and investors of microfinance in making decisions about which institutions still need subsidies.

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