



## Social Responsibility – MFI Perspective

Minh-Huy Lai

Chief Operating Officer

PlaNNet Finance Advisory Services

# But we're already socially responsible!

## Many MFIs don't fully understand the definition (1/2)

- Providing microfinance does not mean automatically socially responsible
- Double bottom line is not explained in common man terms
- Message often stays at communication level, not demonstrated and quantified
- Mis-use of microfinance in certain cases dilute message
- No real incentives or obligations for management often caught in operational problems and emergencies

# But we're already socially responsible!

## Many MFIs don't fully understand the definition (2/2)

- Trade-offs if any not clearly defined
- Having feel-good vision and mission statements are not enough; also very difficult to measure/quantify
- Does not see clearly how it adds value



# Who should we blame?

**Everybody shares the blame!**

## At regulatory/governance levels:

- Regulatory level:  
no law or regulation, limited awareness, weak enforcement
- Shareholders/Founders:  
social responsibility gets scant mention in shareholders'  
Agreements or statutes
- General Assembly Meetings/Boards:  
often stays at verbal level, little follow up



# Who should we blame?

**Everybody shares the blame!**

## At operational level:

- Business/Action Plans:  
very vague if it even exists
- Management:  
almost no mention in their employment contracts, personal objectives
- Compensation/Bonus plans:  
social goals are often absent beyond the generic (e.g. % of women, clients under 1 USD/day, target group)

# Who should we blame?

**Everybody shares the blame!**

**In the (lack of) processes:**

Reporting:

often not very defined

Financing:

often not a pre-condition for financing, some due diligence but  
artificial at best

Rating:

not a criterion, except for social rating...still new



# Potential solutions...

## Everybody needs to contribute...

### At regulatory/governance levels:

- Regulatory level:

raise awareness in supervision staff, introduction to customer protection principles, laws?

- Shareholders/Founders:

define clearly and prominently in shareholders' agreements

- Statutes/Boards:

educate BOD members and management

# Potential solutions...

## Everybody needs to contribute...

### At the operational level:

- Business/Action Plans:  
define clear metrics
- Management:  
put it their employment contracts, personal objectives and use  
in performance evaluation
- Compensation/Bonus plans:  
allocate bonus/raise according to performance and state that  
promotions rely also on it





# Potential solutions...

**Everybody needs to contribute...**

**With more standardized processes:**

Rating:

use more social rating...still new

Reporting:

includes it and adapt the MIS if needed...

And also:

→ Share knowledge and experiences

# Thank you!

Minh-Huy Lai  
mlai@planetfinance.org