SPM ESSENTIALS

PRACTICAL STRATEGIES FOR TODAY'S MANAGEMENT CHALLENGES

TODAY'S WEBINAR:

USE WHAT YOU HAVE: DISCOVERING CLIENT INSIGHTS IN YOUR EXISTING DATA

MARCH 23, 2021

TODAY'S SPEAKERS

MODERATOR
Amelia Greenberg
Deputy Director, SPTF
New York, USA

SPEAKER
Mariano Frontera
Director Ejecutivo,
Fundación Dominicana de
Desarrollo (FDD)
República Dominicana

SPEAKER
Jacobo Menajovsky
Independent data scientist
New York, USA

AGENDA

- Welcome and introductions (5 minutes)

- Setting the stage (10 minutes)

  - Defining SPM

  - Universal Standards for SPM; review process

  - SPM Essentials Series

- The SPTF data analysis project (30 minutes)

- Interview with Mariano Frontera, Director of FDD (20 minutes)

- Interview with Jacobo Menajovsky, data scientist (10 minutes)

- Questions and answers (15 minutes)

SETTING THE STAGE (1 OF 3): DEFINITIONS

- **What is SPM?**

- Social performance management (SPM) is a continuous process of setting and achieving social and environmental targets. The goal of SPM is to protect and benefit customers, employees, and the environment.

- **What are the elements of "good" SPM?**

- 1. Social [and environmental] strategy

- 2. Committed leadership

- 3. Client-centered products and services

- 4. Client protection

- 5. Human resource development

- 6. Balanced growth and returns

- 7. Environmental management

- **The Universal Standards for SPM**
  - A comprehensive manual of best practices created by and for people in microfinance as a resource to help financial service providers achieve their social goals.
  - Managed by SPTF
  - SPI social audit tool managed by CERISE

- **Universal Standards Review Process**
  - First published in 2012; reviewed every ~5 years
  - 2020 we began a review process: expert interviews, webinars, public surveys, data analysis, literature review
 - New manual to be published by year-end 2021; infrastructure updates underway

- **SPM Essentials Series**
  - Schedule: 1-2 webinars per month, beginning March 2021
  - Content: All seven dimensions of the Universal Standards
  - Purpose: share good practices of Universal Standards implementation, particularly those that relate to new elements of the manual

Dimension	Dimension 1: Social Strategy
Standard	**The provider has a strategy to achieve its social goals.**
EP	The strategy specifies the provider's target clients, social goals, and how the provider will achieve those goals.
EP	The strategy defines indicators and targets to measure progress toward the provider's social goals.
Standard	**The provider collects, analyzes, and reports data that are specific to its social goals.**
EP	The provider collects data on an ongoing basis to measure progress toward its social goals.
EP	The provider analyzes outcomes data by client segment.
EP	The provider reports social performance data internally and externally.

Dimension	Dimension 3: Client-centered Products and Services
Standard	**The provider collects and analyzes data to understand clients' needs.**
EP	The provider conducts market research and pilot testing.
EP	The provider uses data to identify patterns of financial behavior by client segment.
EP	The provider collects client feedback on their experiences using the provider's products and services.
Standard	**The provider's products, services, and channels benefit clients.**
EP	The provider uses insights from client data to design products, services, and delivery channels.
EP	The provider's products, services, and channels protect clients from harm.
EP	The providers products and services help clients smooth consumption.
EP	The provider's products, services, and non-financial services help clients achieve their goals.
EP	The provider's delivery channels benefit clients.
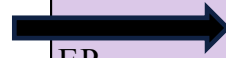
Goal: Understand which clients are benefiting from their use of financial services and which are not, in order to improve performance.

SPTF DATA ANALYSIS PROJECT: OVERVIEW

- SPTF collaborated with Jacobo Menajovsky, data scientist

- Four FSPs contributed data: two in Africa, two in Latin America

- Provided data from recent years

- Merged datasets by client id to create one database with financial and client profile data

HOW TO GET USEFUL INSIGHTS FROM DATA

- STEP 1: Decide which analysis to do
  - ➢ Identify all demographic/socioeconomic data fields and all financial data; ask questions by segment

- STEP 2: Do the analysis and consider results
  - ➢ What trends do you see? Why might that be?

- STEP 3: Additional data analysis
  - ➢ Do more detailed analyses for interesting trends

- STEP 4: Report and discuss findings
  - ➢ Gather more than one staff member; discuss results

REMINDER: ANALYZING BASIC DATA YOU ALREADY HAVE IS NOT OUTCOMES. BUT IT POINTS YOU TO INTERESTING QUESTIONS.

- <u>Finding</u>: **There are big differences in monthly average savings balance when clients are segmented by education level.**

  - Clients in lowest and second-lowest education categories have similar average savings balances

  - There is an increase in the average savings level for clients with a secondary education

  - There is another big jump in the average savings level of clients with university educations.

- <u>Why</u>? Hypothesize and Test:

  - Maybe more-educated people have higher incomes, so they can save more? Or

  - More-educated people better understand the importance of savings, so they save more? Or

  - Poor people save informally but less-poor people save at the FSP? Or

  - The requirements for the savings product somehow make it harder for people with lower levels of education to sign up? Or

  - Other ideas?

- How does this <u>relate to outcomes</u>?

  - Consumption smoothing; building assets

SPTF DATA ANALYSIS PROJECT: HOW TO DO THE ANALYSIS

1. Verify you have a representative sample. You must have enough cases per segment.

   i.   Have a representative sample: Are you analyzing all data that is available? If not, is your cross section of the data a random extraction of the whole population? Know beforehand if your dataset is skewed in any way.

   ii. Have enough cases per segment: Once you slice and dice the data, you will start to decrease the number of available cases in each cross section of the data. As a rule of thumb, you should stop analyzing once you have less than 30 cases in any given segment.

2. Start with univariate data. Begin with financial indicators. Clean errors.

   i.   Analyzing each variable at a time will give an excellent understanding of the distribution of the data and its quality.

   ii. Did you find a lot of missing cases? A lot of strange cases? If data seem incorrect, either remove or correct.

3. Next, consider one demographic variable at a time, and see if the financial indicator in general shows different trends when you segment by that demographic variable.

   i.   Demographic indicators like age, gender, branch and geographic area are great for discovering and benchmarking between similar cross segments of your portfolio.

   ii. Are women better at repaying on time when compared to men? Do they have access to the same products and services? Do they use products and services at the same rate?

SPTF DATA ANALYSIS PROJECT: HOW TO DO THE ANALYSIS (CONT.)

4. If the trends are different by segment, dig deeper by segmenting by another layer of demographic variable.

   i. Analyzing data is like peeling an onion, you go layer-by-layer but always guided by questions and feedback from the business and users.

   ii. Know when to stop analyzing. Avoid "analysis paralysis."

5. Consider multiple financial behaviors at once (e.g., clients with savings, insurance, and loans vs. those with only loans).

   i. Analyze customers in their full complexity. If your business offers several products and services, be aware that some customers could be using more than one product. Try to strike a good balance, do not oversimplify your analysis or make it too complex.

6. For data analysis, consider the context. What is in the FSP's control/ what is not?

   i. Be aware that some variables that could explain the behavior you see in the data are not under your control. This will affect how your organization takes action based on the analysis.

   ii. Listen to what the data might be saying about how customers use your products because that might give you an excellent view of what they need. Think about how to communicate with and incentivize customers to change behaviors.

SPTF DATA ANALYSIS PROJECT: PIVOT TABLE ANALYSIS

Oh no! Jacobo does not work for me. What do I do?

…well, I can watch a free tutorial online about pivot tables.

Sample Data Set

Client ID	Gender	Branch	Region	Savings Account Balance
11111	Female	ABC	Rural	100
11112	Female	ABC	Rural	99
11113	Male	ABC	Rural	350
11114	Female	ABC	Rural	98
11115	Male	ABC	Rural	300
11116	Male	DEF	Urban	400
11117	Female	DEF	Urban	0
11118	Female	DEF	Urban	0
11119	Female	DEF	Urban	0
11120	Female	DEF	Urban	102
11121	Male	DEF	Urban	0
11122	Male	DEF	Urban	0
11123	Male	GHI	Urban	0
11124	Male	GHI	Urban	0
11125	Male	GHI	Urban	0
11126	Male	GHI	Urban	0
11127	Male	GHI	Urban	0
11128	Male	GHI	Urban	0
11129	Male	GHI	Urban	0
11130	Female	KLM	Rural	92
11131	Female	KLM	Rural	50
11132	Male	KLM	Rural	312
11133	Female	KLM	Rural	81
11134	Male	KLM	Rural	360

Pivot Table Results

Average of Savings Account Balance	Column Labels		
Row Labels	Female	Male	Grand Total
ABC	99	325	189
DEF	26	133	72
GHI		-	-
KLM	74	336	179
Grand Total	62	123	98

Portfolio at risk (90 days) * Gender Crosstabulation

			Gender		Total
			Men	Women	
Portfolio at risk (90 days)	PAR < 90	Count			
		% w/in gender	29.4%	27.7%	28.4%
	PAR >= 90	Count			
		% w/in gender	13.1%	9.7%	11.1%
	Active	Count			
		% w/in gender	57.5%	62.7%	60.5%

On average, men have a higher delinquency rate than women.
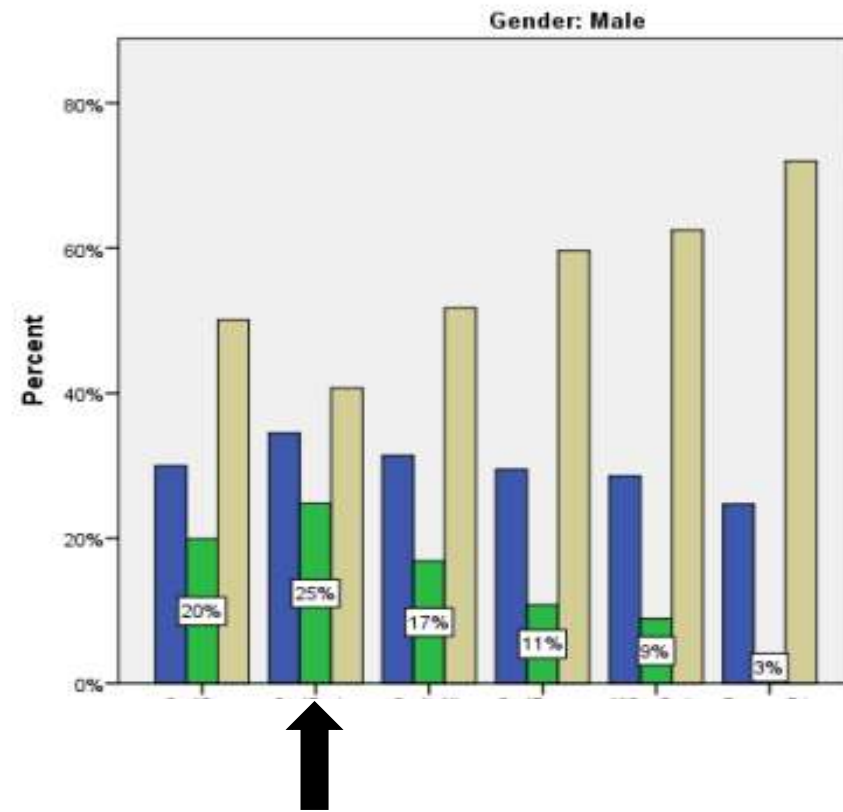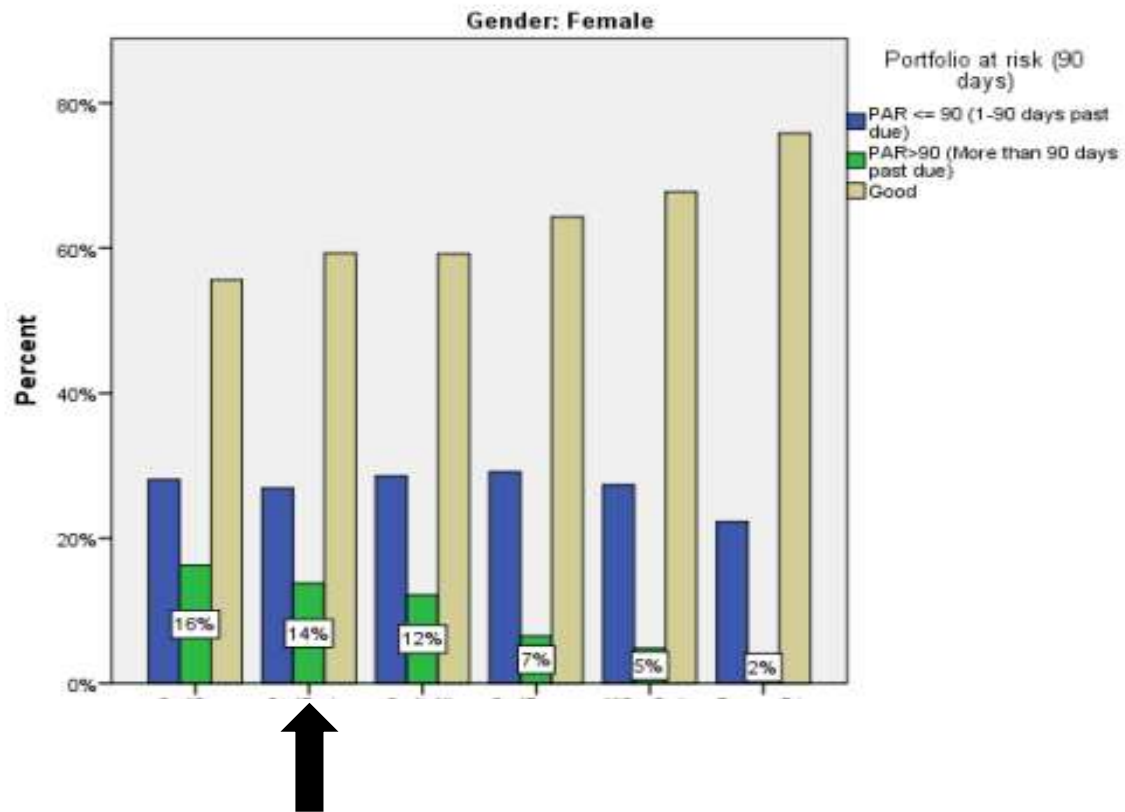
Actually, delinquency rates for men and women are similar for most products. But. there is a big difference with product 2.
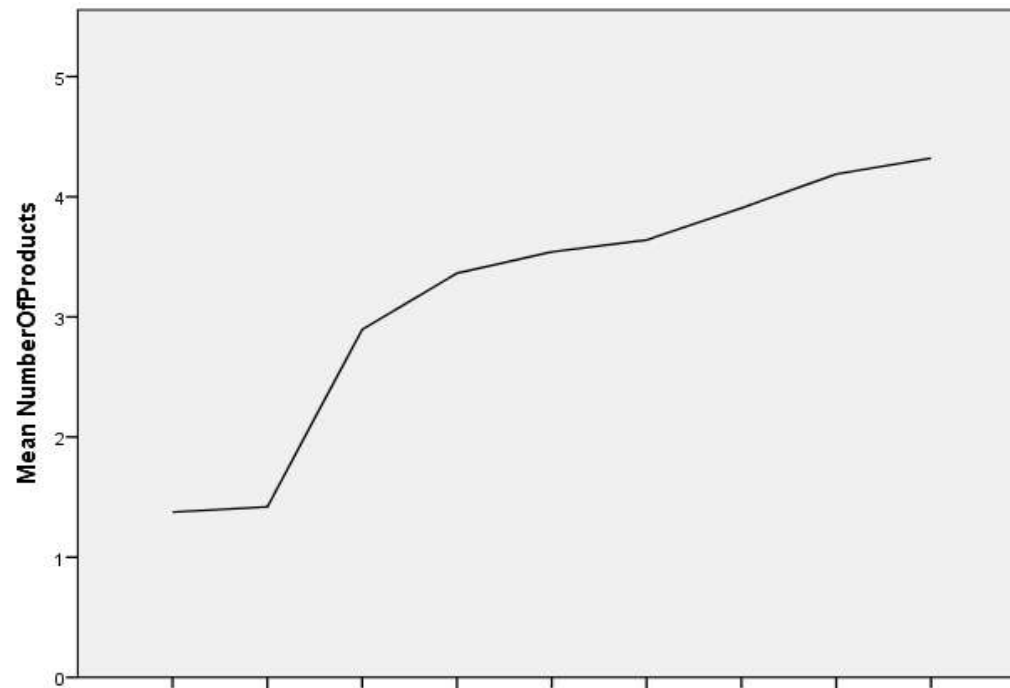
The average number of products used by clients per branch varies significantly by branch.
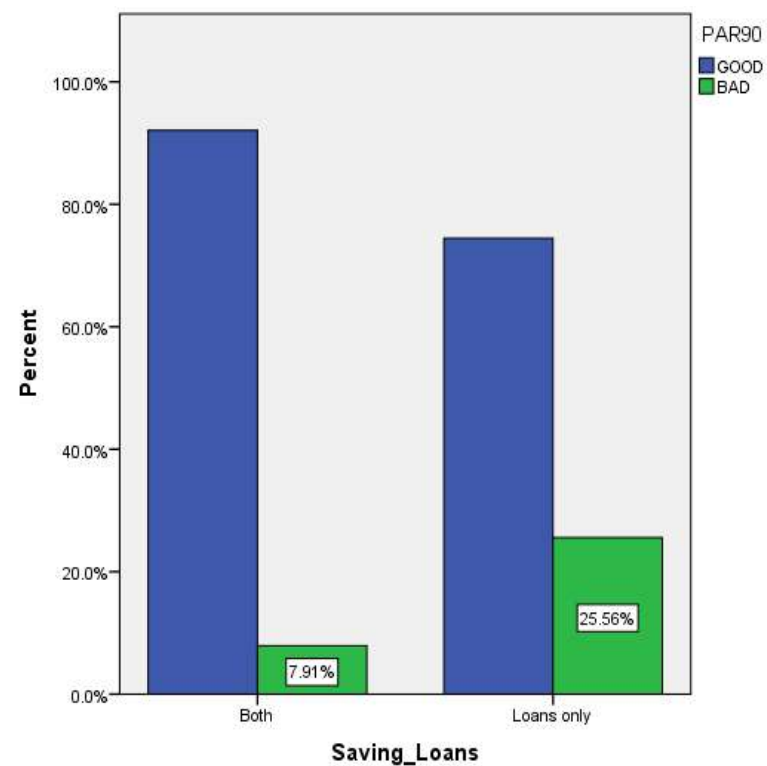
Clients with **loans only** have higher default rates than clients with **loans and savings**.
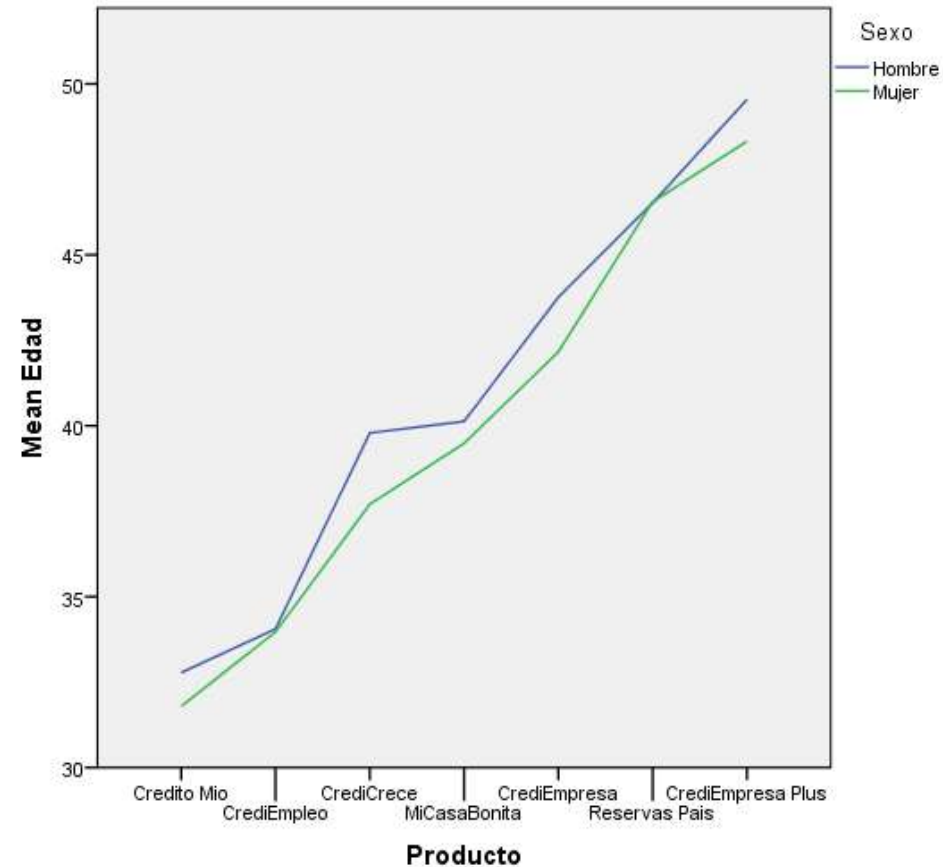
The average age of client is quite different by product. Results do not vary by gender.

			Zone * Portfolio at risk (90 days) Crosstabulation		
			Portfolio at risk		Total
			PAR <= 90	Par >90	
Zone:	unspecified	% within portfolio at risk	6.6%	17.7%	9.7%
	Rural	% within portfolio at risk	45.1%	31.9%	41.4%
	Urban	% within portfolio at risk	48.3%	50.4%	48.9%
	Total		100%	100%	100%

Delinquency is similar between zones for PAR <=90, but worse in urban areas for PAR >90.
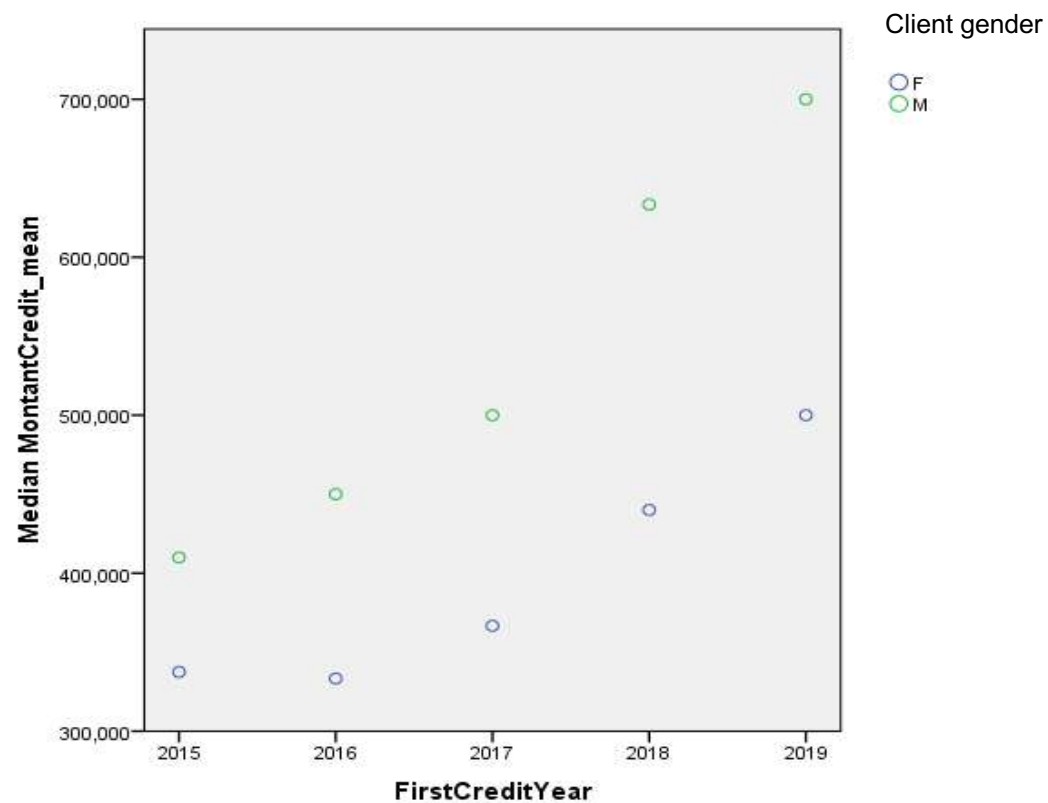
Men have a higher average loan amount than women, and the gap is bigger for clients who joined recently.
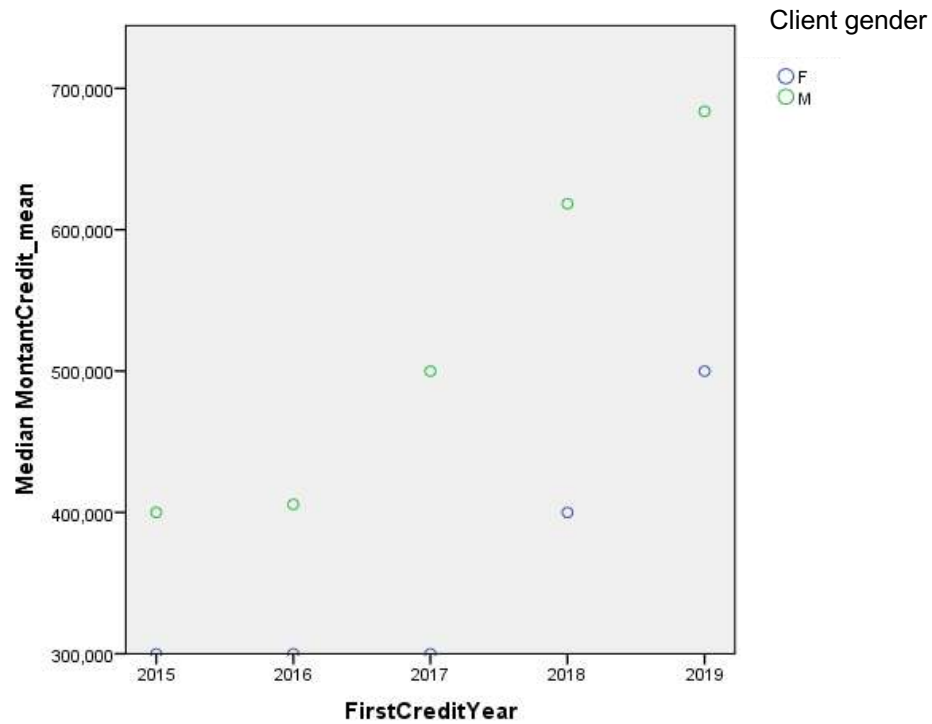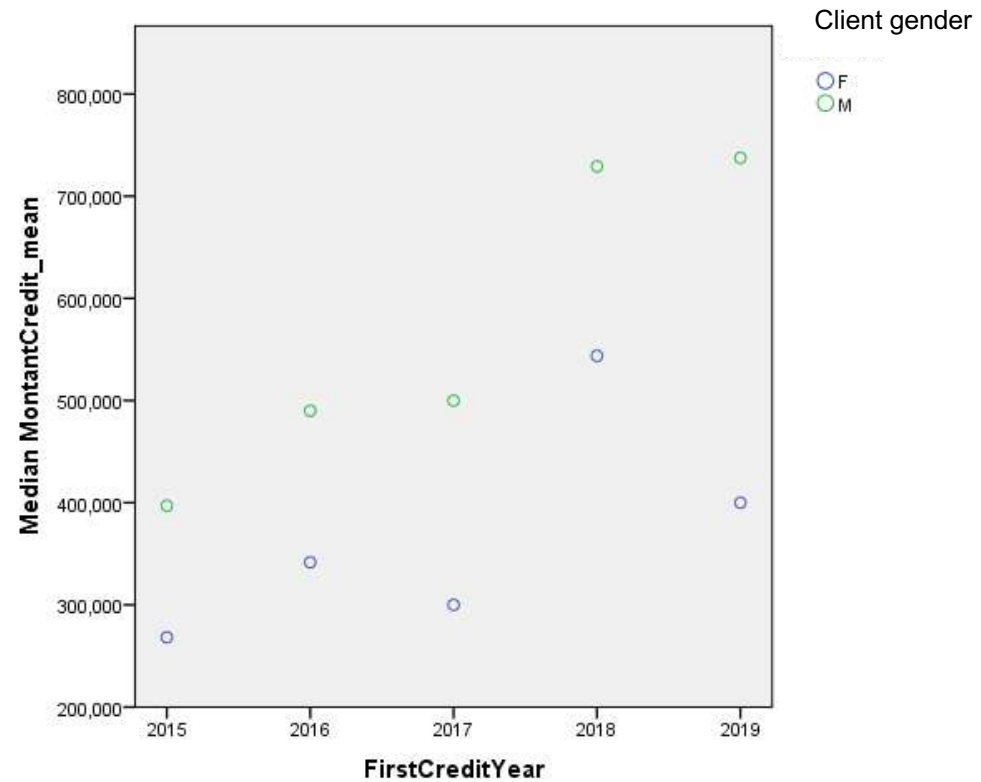
The trend of an increasing gap in loan sizes between men and women is true in peri-urban areas but not in rural areas.

INTERVIEW WITH MARIANO FRONTERA

1. Please briefly describe the types of socioeconomic and demographic data that FDD collects on its clients and why you chose these indicators to gather.

2. Are there any data that you do not yet collect that you think would be useful? Please explain.

3. Your data analysis showed some interesting trends (see bullets on the right). Were these results surprising to you?

4. Overall, was this project useful to FDD? In what way? If not, what data would you have needed that you did not have? Are there data you collect that you do not need?

5. Given the insights from the data analysis, what next steps are you considering?

- There is a noticeable difference in the average age of client when we segment the data by product. (ex: 5)

- In rural areas, delinquency rates drop as time passes. The opposite happens in urban areas. (ex: 6)

- Different products showed different delinquency rates. (worst: CrediCrece; best: Reservas Pais & CE Plus)

- Different branches also have different delinquency rates.

- A small percentage of clients uses CrediEmpresa Plus. (0.3%)

- More male customers in rural areas (51% vs 39%); more females in urban ones (55% vs 42%). NB: some unspecified.

- Rural customers are much more likely to want a MiCasaBonita loan. Urban customers are more likely to use a CrediCrece, CrediEmpleo, or CreditoMio loan.

INTERVIEW WITH JACOBO MENAJOVSKY

1. What are your main lessons learned about what to expect when you start a data analysis project? For example, how much time does it take to get the data you need?

2. Once you have completed data analysis and are sharing it, how do you manage that discussion? Are there any typical challenges you encounter?

3. Can you give some examples of data analysis you did within the financial inclusion sector, using only the types of data we have discussed today, that have provided really useful insights?

4. In your view, how much time should an FSP expect to devote to this type of data analysis if it is going to make full use of the data it has? What does an effective, ongoing process of data management look like?

QUESTIONS AND ANSWERS

THANK YOU

- For more information, please feel free to contact us
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- To see the materials from today's webinar and get information about upcoming webinars, please visit the SPM Essentials webpage.