

MicroSave Briefing Note # 125

Developing a Tool to Assess Client Protection

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Background

The Smart Campaign¹ designed the Client Protection Principles,² (CPPs), to guide microfinance stakeholders on how clients should be treated. Adherence to the CPPs, in turn, promises increased client retention and reduced financial risk to the MFIs. The campaign has not only gained increased momentum amidst the global downturn of the MFI industry marked by inappropriate handling of client relations, but has also received support and sponsorship from leading MFIs and funders.

The Smart Campaign has made laudable efforts to initiate a participative process to strengthen the CPPs. In its current form, the CPPs mainly reflects the perspectives of practitioners, funders and other stakeholders. It can still be further strengthened by including clients' perspectives on how they should be treated and recognising geographical markets' diversity. This calls for a tool that embraces an approach to understand clients' perceptions, needs and aspirations on products and services, and incorporates geographical diversity when addressing and prioritising the CPPs.

The Smart Campaign set up a Client Voice Task Force (CVTF) in mid 2011 to design a tool to consult clients on CPPs. To complement these efforts, *MicroSave* took the initiative to adapt its customer service ServQual tool to CPPs and pilot the tool in three of several countries where it operates: India, Bangladesh and the Philippines. The new *MicroSave* tool takes clients' feedback on the CPPs. Through reflection on their experiences, clients are able to rate the MFI on adherence to the CPPs, and to rank the importance of the seven CPPs in relation to service quality. The tool also promotes client education on client protection.

About the ServQual on CPP Tool

The ServQual tool is based on the participatory rapid appraisal (PRA) techniques as contained in MR4MF³ toolkit of *MicroSave*. It determines the relative importance of the CPPs from clients' perspectives and measures the performance of financial service providers on those principles. The tool is conducted with small groups of 3-5 participants, preferably those who have been with the financial service provider for more than one year. A trained moderator facilitates the discussion to capture clients' experiences and ideas on client protection.

The tool is administered in the following 4 steps:

Step 1: After a brief introduction, the moderator asks the participants to rate the performance of the financial service provider on various aspects of each CPP. Symbols are used for easy understanding, i.e. smiley in India, thumbs up and down sign in the Philippines. Each rating is probed to obtain concrete evidence and examples from clients.

Step 2: As the rating of relevant aspects for each principle is completed, the moderator informs the participants of the principle that encompasses these aspects, and gets the participants to discuss its relevance to client protection.

Step 3: When all seven principles have been discussed, the moderator asks the participants to rank the CPPs in the order of their importance. As participants explain their reasons for the rank of each CPP, the moderator probes to obtain concrete examples.

Step 4: To facilitate analysis, the responses of participants are captured in the tally sheet.⁴ The scores given by participants on various aspects of each CPP are averaged to get the adherence level of the financial service provider on individual CPPs. A separate tally sheet for ranking of importance of each CPP is likewise consolidated along with the reasons for ranking. It is important to note that the groups' discussions are key to understanding these scores and meticulous recording and analysis is essential. A report is then prepared and presented to the management of the financial service provider.

Evolution of the Development of the ServQual Tool

The final version of ServQual tool varies substantially from version originally proposed, in structure and approach. The original version went through three phases of pilot testing in three different countries to arrive at a tool that is widely applicable across geographies and cultures.

Phase I: This phase tested a tool that was very comprehensive. Clients were asked to rate both the importance of, and adherence by the financial institution to, a set of 20 standard statements covering all 7 CPPs. Thus participants were asked, on each of the statements, to indicate level of importance with a 3-point scale high, medium or low; and to rate the adherence of the financial service provider using a 5-point scale of 1 to 5 (1 being very poor and 5 being excellent). This methodology posed several challenges, such as difficulty of clients to differentiate among high, medium, and low or from 4 to 5.

¹ Refer [Smart Campaign](#) website for more details

² Refer The [Client Protection Principles](#) for more details

³ Please refer to *MicroSave*'s "[Market Research for Microfinance](#)" toolkit.

⁴ Please refer to *MicroSave*'s "[Market Research for Microfinance](#)" toolkit for more on data tabulation and reporting.

Too many questions covered also meant the discussion was too long, which led to loss of clients' interest in the entire process. During this phase, the tool was administered to both groups (focus group discussion) and individuals (one-on-one interview). The group approach worked better as sharing of experiences from various clients helped build understanding.

Phase II: Phase II was conducted with a modified tool to address issues faced in Phase I. To reduce the number of questions, a participatory rapid appraisal-based ranking tool was introduced. Participants were invited to share their understanding of each principle and then proceed to ranking the level of importance of the principle. This was followed by the rating process on their financial service provider's adherence to the CPP. This was found to be easier to administer to clients with high level of literacy, such as those in the Philippines. In terms of time involved, the duration (averaging two hours) was still found too long.

Phase III: The tool was further simplified and tested among less literate clients in India. The Phase III tool entailed asking participants to rate their financial service provider's adherence to the CPPs first to slowly introduce the principles to them. After the rating, the participants were asked to rank the CPPs in order of importance. This simplified version helped to build understanding on each principle prior to the ranking, and the discussion time was brought down to 1.5 hours at most.

MicroSave is confident that it has developed and tested an effective tool that is applicable in a variety of settings and cultures.

Insights Gained from ServQual Tool Development and Testing

From this interesting multi-country experience in tool development, we have gained the following key insights:

1. A well-designed tool facilitates effective communication.

The step-by-step approach helps to bring understanding to a broad and complex concept such as of client protection. ServQual uses the CPP framework to provide scope and focus. It employs the PRA techniques to enable clients to openly and easily share their ideas and experiences. Moreover, PRA methodology has built-in mechanisms to encourage more participation and not allow the more dominant participants to 'steal the show'. For instance, the initial ranking is often completed by more confident participants. As an experienced moderator probes, this encourages other participants to bring in their ideas, resulting in a richer discussion and (usually) a rearrangement of the ranking. This process of rearranging the ranking leads to detailed discussion and excellent insights, and eventually to a ranking that represents the real position of the whole group.

The use of focus group discussions (FGDs), which brings a group of participants together, works better than individual interviews. Typical microfinance clients are

used to group meetings and simulating this environment helps clients to feel at ease as if they are just talking to their peers. Many of the ideas and experiences arising in the FGDs also help the clients develop a better understanding of client protection. With this understanding, clients are also able to convey their aspirations for improved customer service more clearly.

2. An effective tool is one that helps clients think and provides them with a non-threatening environment to express and resolve their doubts and confusions, as well as move past their feelings of gratitude. In all the three countries, the researchers found that the clients tend to settle for higher ratings for their service provider. It appears that clients in general do not want to be too critical of their service provider's practices, as they harbour a strong feeling of gratitude to the MFIs. Through persistent probing for evidence and examples, an experienced moderator is able to help clients deepen their analysis and support their rating or ranking with concrete instances and experiences, thereby moving past feelings. For example, in India, after overcoming their initial hesitation, the clients voiced their dissatisfaction with the loan size, interest rate and data privacy policies of the MFI.

"There is not much value in Rs.5,000 to Rs.7,000 given today's market"

"The MFIs do not always tell us the entire details, they always hide something"

"The rate is comparatively higher"

3. Clients are hungry for learning and appreciate being given the time to widen their knowledge and skills.

Clients participated whole heartedly in the discussions as they found the subject of client protection very relevant to them. In Philippines, where the participants were more literate, the research team tried asking questions such as "How would you want to be treated as a client?" (core question) or "What should the MFI do to make you satisfied as a client?" (probe question) and experienced rich discussions among and with clients. In less literate environment, simpler introductory questions work better.

Conclusion

The CPPs aim to protect the interest of the clients in a largely unregulated MFI industry. The ServQual CPP tool was developed with the objective to incorporate clients' perspective on the relative importance of each CPP. During the course of tool development, the ServQual tool has not only been able to cover its stated objective, but also managed to provide MFI management with client feedback on how to improve customer service. Additionally, it has turned out to be a learning tool for MFI clients on the CPPs.

Optimum results from the use of the tool depend on a well-trained and experienced moderator, who can facilitate a rich discussion. The administration of the tool is just the first step. Key to sustainability in client protection efforts is advocacy for financial service providers to use the tool to establish benchmarks on CPP adherence, align practices and track performance over time.