

# SOCIAL PERFORMANCE REPORT

ECLOF KENYA



**ECLOF**  
INTERNATIONAL



## SOCIAL PERFORMANCE MANAGEMENT AS A MEANS OF ATTAINING SOCIAL IMPACT

ECLOF attains social impact by targeting those in need and giving them access to financial and non-financial services that empower them and effect positive changes in their lives.

Impact evaluations attempt to demonstrate the outcomes of microfinance. They tend to be onerous and costly. Because rigorous research methods like randomized control trials usually track a rather short timeframe of 12-18 months, their findings are often questioned.

For obvious reasons, it is difficult to clearly attribute improvements in clients' lives to a single (microfinance) intervention. Undertaken by researchers rather than practitioners, their results are often not used effectively to improve institutional performance.

Social performance management, on the other hand, focuses on those recognized management practices that can be effective in achieving the institution's stated social goals and creating value for clients, whether these can be "proven" or not.

It is ECLOF's goal to accompany its clients as they graduate, i.e., as they rise on the economic ladder from poor to vulnerable and beyond.

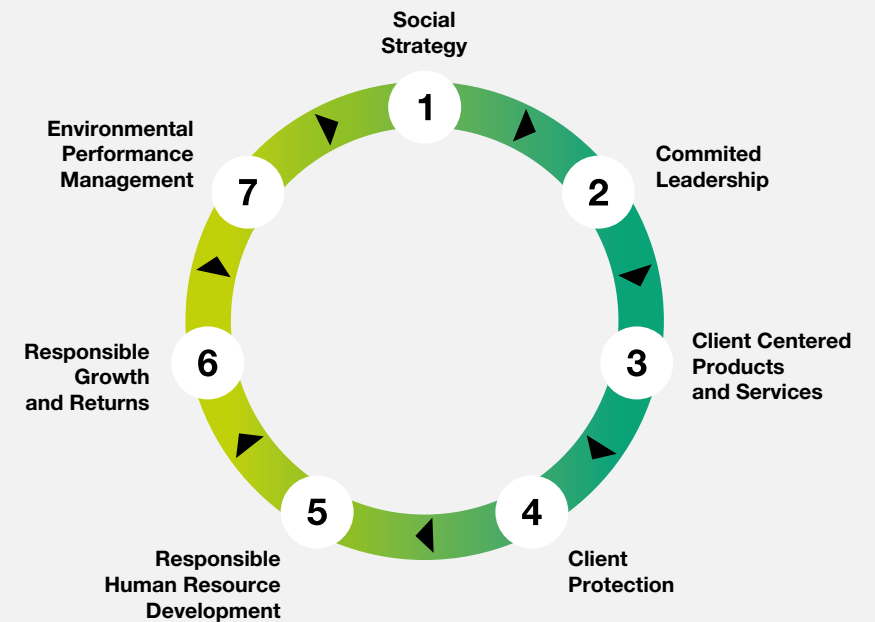
Therefore, ECLOF started to monitor the poverty level of its clients using tools like the Poverty Probability Index (PPI) and Lean Data impact studies. With the collected data, it will be possible to document how clients graduate over time. It will also help ECLOF to consistently target poor clients.



ECLOF INTERNATIONAL DEFINES SOCIAL PERFORMANCE AS THE EFFECTIVE TRANSLATION OF THE ECLOF MISSION INTO PRACTICE, IN LINE WITH ACCEPTED SOCIAL VALUES THAT RELATE TO:

- Reaching our target market.
- Delivering high-quality and appropriate services.
- Responding to the needs of clients, their families and communities.
- Protecting clients from negative effects of accessing financial services.
- Ensuring responsibility towards our employees, clients, the communities we serve and the environment.

## THE SEVEN DIMENSIONS OF THE UNIVERSAL STANDARDS FOR SOCIAL AND ENVIRONMENTAL PERFORMANCE MANAGEMENT



Source: Cerise + SPTF

## MISSION & VALUES OF ECLOF KENYA

### VISION

**A world of  
human dignity  
and prosperity.**

### MISSION

**To enable clients  
realize their dreams  
and experience  
abundance of life  
through the provision  
of financial and related  
non-financial services.**

### VALUES

**Integrity  
Customer Focus  
Diligence  
Stewardship**

ECLOF International seeks to actively manage the social performance that its network delivers. ECLOF therefore has adopted the Universal Standards for Social and Environmental Performance Management (“the Universal Standards”): a set of core management practices that constitute “strong” Social Performance Management (SPM). In applying the standards, ECLOF members hold themselves accountable to their social mission, facilitate greater social impact and can even boost their operational and financial performance over time.

As part of its strategy to be accountable and transparent in meeting its financial and social goals, ECLOF International conducts social audits of its network members, supports capacity building in the members and monitors the social performance of members through a social performance reporting framework. The framework applies 30 quantitative and qualitative metrics to measure the degree of success of network members in reaching ECLOF’s social mission.

## FACTS & FIGURES

ECLOF Kenya is a medium-sized MFI. Through a countrywide network of branches, ECLOF targets Kenya’s working poor, particularly women, with financial and related non-financial services.

**Year of foundation: 1994**

**Legal form: Company limited by shares**

**Number of clients: 61,790**

**Loan portfolio USD: 10.5 million**

**Number of branches: 24**

**Number of staff: 311**

**Operational self-sufficiency: 86 %**

All information as per June 30, 2023

## BRANCH NETWORK ECLOF KENYA



## WHO DO WE REACH & EXCLUDE

INDICATOR	DATA POINT	COMMENT
<b>Number of clients reached</b>	<b>61,790</b>	ECLOF Kenya serves predominantly women and rural communities.
thereof women	37,074	
thereof men	24,716	
thereof urban	22,862	
thereof rural	38,928	
<b>Number of people reached</b>	<b>308,950</b>	ECLOF's work can have an exponential effect on the families and communities it serves. ECLOF builds local capacity in its clients and its staff, and it builds social capital through the solidarity group lending model. The average household size in Kenya is 5.
thereof urban	114,310	
thereof rural	194,640	
<b>Geographically poor areas served</b>	<b>73 %</b>	33 of the 45 outlets are located in small and mid-sized towns, covering mainly rural areas.
<b>% of vulnerable clients</b>	<b>60 %</b> of clients are women	Due to limited access to education and assets, women tend to be more vulnerable than men.
	<b>37 %</b> work in the agricultural sector	Due to precarious living conditions in rural areas and often unstable income, smallholder farmers tend to be more vulnerable to external shocks.
<b>Access to a loan</b>	<b>66 %</b> first time borrowers	This proxy indicator highlights the continuing importance of MFIs in providing first access to financial inclusion for the un- and underserved. Data stems from 60 Decibels (dB) lean data studies.
	<b>76 %</b> could not find good alternative to ECLOF	
<b>Average outstanding loan / Gross national income (GNI) per capita</b>	<b>3 %</b>	This proxy indicator applied across the whole portfolio indicates that a financial institution reaches poorer clients. MIX Market defines that loans up to 20 % of GNI per capita are loans to the lowest income clients.
<b>% of ultra-poor and poor clients</b>	<b>47 %</b> live on less than 3.20 USD/day	By asking a sample of clients a few simple questions, the 60 dB lean data impact study computes the likelihood that a household is living below the poverty line.
<b>% of poor and low-income clients</b>	<b>72 %</b> live on less than 5.50 USD/day	

ECLOF defines its target market as “the economically active poor”, i.e. people who are engaged in economic activities at the lowest level, both in urban and rural areas.

ECLOF's urban clients often live in informal settlements around the bigger cities. But it's the rural areas where ECLOF's services are needed the most. In rural Kenya, two in five people are poor—compared to only two in six in urban Kenya. With its nationwide network of outlets, ECLOF Kenya serves 26 of the 47 counties in Kenya. 33 of the outlets are located in small and mid-sized towns, with just 12 outlets in or near cities. ECLOF Kenya serves clients in 8 (or 53 %) of the 15 counties in Kenya classified as poorest by the poverty index.

ECLOF Kenya sets out to enable the poor, especially women, to become economic agents of change. Women tend to be more concerned about their families' welfare in terms of food, child education, living conditions, and even health. Serving women has a direct effect on the society in that they are able to reinvest the profits of their businesses into their families and the community.

Group lending is a pro-poor methodology that allows a group of individuals—each of whom does not have “bankable” collateral to pledge—to provide mutual loan guarantee. This type of group is often referred to as a solidarity group or self-help group, with group sizes ranging from 10 to 30 members. 99 % of ECLOF Kenya's loans are secured by a group guarantee.

Small loan size is another proxy indicator that an MFI serves poor and low-income clients: The average loan for ECLOF Kenya stands at Ksh. 40,000 compared to the industry average of Ksh. 662,169 (CBK Dec 2022).

It is important for ECLOF Kenya to demonstrate client-level results to internal stakeholders (such as clients and employees) and external stakeholders (such as investors) not just with anecdotes but also through real data. Therefore, ECLOF Kenya has begun to collect poverty data of its clients as part of the Lean Data impact studies. The data reveals that the target of serving poor and low-income clients is achieved: of the sampled clients, 72 % live on less than 5.50 USD a day.





**ECLOF Kenya ranked 2<sup>nd</sup> out of 72 microfinance institutions world-wide. More so than their peers, ECLOF clients in Kenya reported significantly improved business and household income, increased resilience to shocks and strong understanding of the conditions and implications of borrowing.**

## **GLOBAL MICROFINANCE INDEX: MEASURING THE IMPACT OF FINANCIAL INCLUSION USING A LEAN DATA APPROACH**

The 60 Decibels Global Microfinance Index seeks a simple answer to a complicated question: What is the social impact of microfinance institutions? By utilizing a lean data approach, 60dB interviews clients directly on the phone, returning high-quality data that aids MFIs in maximizing impact and growing its operations. To this end, 60dB interviewed 18,000 microfinance clients from 72 MFIs across 42 countries. Collectively, these MFIs serve more than 25 million clients, more than 15% of all microfinance clients globally. Among them were 250+ ECLOF clients from Kenya who answered a standardized set of questions around five common dimensions of impact: Access, Business Impact, Household Impact, Financial Management, and Resilience.

Here are some of the key findings:

### **1. MICROFINANCE CAN DO A GOOD JOB OF REACHING PEOPLE WITHOUT ACCESS TO FINANCIAL SERVICES:**

Particularly women and lower income client's access loans for the first time through micro-finance. This finding validates the core premise of microfinance: that clients can put loans to productive use in their businesses, and that business improvements will translate to improved household well-being.

### **2. 1 IN 3 CLIENTS REPORT A "VERY MUCH IMPROVED" QUALITY OF LIFE BECAUSE OF THEIR MICROFINANCE LOAN:**

While the majority of clients report improvements in their quality of life because of the MFI loan, a full one-third of clients place themselves in the top "very much improved" category.

### **3. MFI CLIENTS REPORT HIGHER THAN AVERAGE CAPACITY TO DEAL WITH AN ECONOMIC SHOCK, AND THEY SAY IT IS BECAUSE OF THE MFIS:**

1 in 3 of the clients in our Index would find it difficult to cover an emergency expense of 1/20<sup>th</sup> of Gross National Income per capita, compared to 1 in 2 globally, according to index.

### **4. GROUP LENDING CONTINUES TO BE AN IMPORTANT PRACTICE:**

Group lenders are better at reaching poorer clients, are more likely to reach women, and more likely to have clients who are accessing a loan from an MFI for the first time.

**THE LOAN HAS UPGRADED MY LIFESTYLE. I AM A FARMER AND NOW, I OWN A BUSINESS. THIS IS SOMETHING LIKE DREAM COMING INTO REALITY.**

Female, 32

**LOANS HAVE A FLEXIBLE REPAYMENT PLAN DISCUSSED BETWEEN CUSTOMER AND OFFICER BEFORE AGREEMENT. ECLOF DOESN'T HARASS MEMBERS LIKE OTHER MICROFINANCE INSTITUTIONS.**

Female, 30

**I HAVE CONSTRUCTED A LIVESTOCK SHELTER AND HAVE INCREASED SOME GOATS AND COWS. I HAVE ALSO BEEN ABLE TO PAY ALL BILLS AND SCHOOLS.**

Female, 36

**MY LIVING STANDARD HAS CHANGED. I CAN NOW PAY MY BILLS AND HOUSEHOLD EXPENSES. I DO NOT HAVE ANY ISSUE WITH PAYING FEES.**

Male, 40

(Source: 60 dB Global 2022 MFI Index Survey)

## CUSTOMER EXPERIENCE

INDICATOR	DATA POINT	COMMENT
Client retention rate	97 %	Only 3 % of clients decided to leave the institution in Q2 2023.
Net Promoter score (NPS)	41	NPS measures the client satisfaction and loyalty. ECLOF Kenya has a NPS of 41, which is indicative of high client loyalty.
	53% are promoters	From a random sample of 259 clients, 53 % most likely would recommend ECLOF Kenya to their friends or business partners. <small>Source: 60 dB study</small>

ECLOF Kenya puts clients at the center of all strategic and operational decisions. Well-designed and regularly reviewed products help clients cope with emergencies, invest in economic opportunities, build assets and manage their daily and life cycle financial needs. A specifically trained Product Development Committee meets bi-monthly to review and improve the products and delivery channels on the basis of client feedback.

Client retention is a proxy indicator for the quality and relevance of ECLOF's service to its clients. There is evidence that a stable long-term relationship with a finance provider can facilitate the graduation of poor clients to higher income levels.

The Net Promoter Score® (NPS) is a gauge of client satisfaction and loyalty. Clients are asked to rate the likelihood of their recommending the company's services to family, friends and business partners on a scale ranging from zero

to ten. The NPS is the percent of clients rating 9 or 10 ("Promoters") minus the percent of clients rating 0 to 6 ("Detractors"). Those rating 7 or 8 are "Passives". The score can range from -100 to 100. ECLOF in Kenya has a NPS of 41, which indicates that a vast majority of clients would recommend their service to others.



# CLIENT PROTECTION

INDICATOR	DATA POINT	COMMENT
<b>Adherence to the client protection principles</b>	<b>8</b>	This indicator shows for which of the 8 CPPs (Client protection principles) explicit policies and procedures are in place.
<b>Number of client inquiries</b>	<b>1,750</b>	Clients can submit queries through suggestion boxes in the branches, the complaints books, and a central customer hotline.

Client protection —doing no harm to clients— is the foundation of and an integral part of social performance. There are 8 accepted client protection principles. They range from offering suitable products over preventing client over-indebtedness to transparently disclosing information to clients. ECLOF Kenya has policies and procedures in place for all 8 principles. For example, to recognize other financial obligations clients have and consider them appropriately in the credit decision, ECLOF Kenya obtains information from two major credit bureaus for every credit application. Loan conditions are communicated actively and transparently to clients. Loan officers even conduct exercises in computing their interest and fees with all new clients.

ECLOF Kenya has formally committed to the Client Protection Pathway, an initiative launched in September 2021 to accelerate client protection in the financial inclusion sector. The Client Protection Pathway outlines the actions a financial service provider can take

to put client protection measures into place and prevent clients from suffering harm. The Pathway serves as a guide for providers in putting the Client Protection principles into practice and keeps them on track.

ECLOF’s corporate culture values high ethical standards. ECLOF rates its loan officers on their ethical conduct towards clients as part of the regular performance evaluation.

Actively listening to clients is part of client protection. To respond swiftly to client complaints and use the feedback to improve services and products, ECLOF Kenya has introduced a central customer care desk and complaints hotline in addition to the complaints boxes and books in the branches. As of the end of July 2023, 1,750 out of all 61,677 clients had used one of these channels to express queries or complaints.

ECLOF has a customer care unit that gathers and addresses all client feed-

back. The unit has a representative seated in every branch to address all customer issues on the spot. The Lean Data impact studies have delivered data on the high standard of customer protection at ECLOF Kenya:

Findings on the client protection principles derived from the 60 dB lean data impact study. (Sample size: 259)

- **PREVENT OVER-INDEBTEDNESS**

**74 % report their repayments as not a problem.**

- **BE TRANSPARENT**

**92 % of clients “strongly agree” that they understand ECLOF’s terms & conditions.**

- **APPROPRIATE PRODUCT DESIGN & DELIVERY**

**76 % of clients report facing no challenges with ECLOF’s loan.**

When clients have access to information about their loan status, upcoming payments and total cost of the loan, this empowers them and protects them from being taken advantage of.

ECLOF Kenya’s clients can use an easy-to-use mobile phone interface that delivers all this information to them instantly and in real time. Moreover, the interface does not require a smart phone, so it is truly accessible to all.

ECLOF applies a number of measures to avoid over-indebting clients: the number of loans a client can access is limited, there is a detailed appraisal process that every client has to go through, and ECLOF incorporates credit bureau data. Currently, an effort to develop credit scoring is underway to further improve the thoroughness and speed of the credit assessment, thereby protecting clients as well as ECLOF.



## RESPONSIBILITY TO STAFF

INDICATOR	DATA POINT	COMMENT
Staff turnover rate	20 %	In a competitive labor market, ECLOF Kenya is a rather attractive employer.
Staff satisfaction survey process established	Yes	ECLOF Kenya regularly surveys staff about their job satisfaction.
Staff exit interview process established	Yes	When staff leave, they are asked the reasons why.
Share of women in Staff	53 %	Women take responsibility in positions across the institution.
Management	50 %	
Board	20 %	
% of staff benefiting from training	95 %	Most staff benefit from professional training over the year.

In microfinance, employees are an organization's main asset. They have rights, and if treated well, they are more likely to treat clients responsibly. Treating staff well also improves service quality and sustainability because more satisfied staff treat clients better, and well-treated clients are loyal to the institution. ECLOF Kenya regularly tracks staff turnover and conducts exit interviews with departing staff. There are regular satisfaction surveys among staff.

In an institution like ECLOF Kenya that targets specifically women, women need to be represented at all levels of the institution. More than half of ECLOF Kenya's staff and managers are women, who participate at an equal rate to men. The

share of women managers has actually increased from 30 % to 50 % in the last two years. To increase the attractiveness of working for ECLOF Kenya, training is essential. 95 % of all staff benefited from professional training in 2022.





## BENEFITS TO CLIENTS

INDICATOR	DATA POINT	COMMENT
<b>Number of clients trained</b>	<b>5,300</b> trained on financial literacy	Clients trained at entry on financial literacy (goal setting, budgeting, savings, investment).
	<b>2022</b> CSA: 4,040 Leadership training: 3,454	Climate-smart agriculture (CSA) training for dairy farmers on fodder and silage, recognizing weather patterns and accessing climate insurance, reading cow signals, and soil irrigation.
<b>% of clients trained</b>	<b>100%</b>	All clients benefited from training.
<b>Number of services addressing basic client needs</b>	<b>7</b> loan products	Loan products: health, education, water and sanitation, green energy, home improvement, emergency loans, Mcash loan.
	<b>5</b> insurance products	Insurance products: last expense cover, micro health insurance, credit life insurance (covering loans in case of death of client), fire and burglary (covering fire, natural disasters and burglary to the client's business), livestock insurance (compensates clients who get loans from ECLOF Kenya to buy livestock in case of death of animal or emergency slaughter).
<b>% of loan portfolio in those products</b>	<b>2.9%</b>	
<b>Number of clients benefiting</b>	<b>1,809</b> <b>3%</b>	Clients benefit from services addressing basic needs.

For a socially motivated provider of financial services like ECLOF, it is not enough to protect clients from harm. We actively seek positive impact on the lives of our clients: their economic wellbeing, their resilience, their community integration, and their ability to cover basic human needs. This is achieved by building clients' capacity and through dedicated financial products.

Research has shown that the effectiveness of microfinance to reduce poverty is greatly increased when loans are combined with capacity building. ECLOF Kenya regularly trains clients in areas such as financial literacy and budgeting. Because most clients take out loans together in solidarity groups, these training services are provided very efficiently through the weekly group meetings. ECLOF trains the group leaders as trainers and they in turn train their group members. There are numerous examples of clients who have improved their business record keeping and their service offerings to their customers as a result of the training. In

the first half of 2023, 5300 clients were trained on basic financial literacy.

ECLOF deliberately enhances the resilience of its clients: by enabling them to grow their income, by nourishing a savings culture, and by training them in accessing insurance. If all else fails, clients have access to emergency loans that help cope with unexpected shocks.

The 2022 60 dB Financial Inclusion Index places ECLOF Kenya in the top 20 % for resilience performance when compared to other MFIs. Out of 259 interviewed clients of ECLOF Kenya:

- **95 % say their ability to meet a major expense has improved because of ECLOF.**
- **85 % report increased savings balance.**
- **79 % report never (68 %) or rarely (11%) have to reduce food consumption to make a payment.**



▲ CLIENT TRAINING AT ECLOF KENYA.

## INVESTING IN SMALLHOLDER PROFITABILITY IN THE DAIRY VALUE CHAIN

For many years, ECLOF Kenya has been financing small dairy farmers in the villages around Embu, Transzoia, Nakuru and Nyandarua who used to earn meager incomes from selling the milk of their low-yielding cows to local hawkers. To increase the stability and amount of income those farmers make, ECLOF Kenya introduced an innovative agricultural value-chain financing scheme: financing and training embedded in a service-delivery model encompassing a financial service provider (ECLOF), an aggregator (a local dairy plant) and the farmers. The dairy plant offers them a reliable sales channel for their milk. They prefer selling their milk to the value chain partner, despite a slightly lower price, because they are guaranteed to receive their money. From ECLOF, they can take up a loan to replace traditional breed cows with high yielding breeds and invest in chaff cutters for making fodder, biogas installation, domestic solar systems, sheds or water tanks. At the same time, the plant and ECLOF provide training to the farmers on financial literacy, on running their farm as a business, and on farming diversification. Farmers learn how to budget and access climate insurance, how to make fodder and silage, recognize weather patterns and read cow signals. Farmers can also attend trainings conducted at the demo farms run within the program by selected local farmers, where they can get hands-on assistance and support in their dairy activities. The

loans are made to groups of farmers without the need for collateral. Rather, they are secured through the group guarantee and the payment structure: ECLOF Kenya disburses loans to farmers through the dairy for feed or purchase of a new cow and it directly repays the loan to ECLOF after receiving milk deliveries. Everyone in the scheme is a winner: The aggregator benefits from the regularity and quality of the milk. Farmers earn better and steadier incomes driven by higher yields per cow: research showed that the annual revenue per farmer was up to three times greater than that of the average farmer. Training on diversification encourages farmers to establish secondary and tertiary revenue streams, thereby increasing their resilience to external shocks. ECLOF gets access to an over 10,000 farmer target market and reduces the cost and risk of serving farmers. And the strong interdependency among the three value chain partners means the loans are repaid on time. As of July 2023, ECLOF was serving over 743 farmers and had a portfolio of nearly 450,000 USD in dairy loans. So far, this successful pilot has been financed in part by concessions and grants from ECLOF's partners. In order for the product to be sustainable in the long run, ECLOF will need to increase the scale fivefold to at least 1,400 customers. Then this unique project can become a viable business model for delivering finance and other services to smallholder farmers.



Besides loans for micro enterprise and agriculture, ECLOF Kenya offers seven loan products addressing the basic needs of clients: health, water and sanitation, home improvement, green energy, education, mobile loans and emergency loans.

Albeit not in the traditional sense directed at “productive purposes”, such loans can facilitate greater social impact beyond the income-smoothing effects of conventional microfinance. For example, education loans permit rural families with seasonal income streams to pay school fees and buy school uniforms and stationery for their children at the time needed. A health insurance offered by ECLOF (Afya) covers the client and their immediate family members. Specific health care emer-

gency loans bridge the immediate need for money after a client experiences a medical emergency. If clients face a calamity, they may get an immediate, small mobile loan via their phone.

We found that offering such products increases client loyalty because clients feel that ECLOF is not just supporting their business but also looking after their personal and family well-being. These loan products make up around 2.9% of the portfolio, benefiting more than 1,809 clients annually.

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