

Using the PPI[®] to Improve Customer Centricity

A case study of KOMIDA
October 2017



Photo Credit: KOMIDA

Acknowledgements

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Using the PPI to Improve Customer Centricity:

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Executive Summary

Microfinance service providers are expected to have a dual mission: to attain positive social outcomes for clients while at the same time being financially sustainable. As such, microfinance organizations are generally beset with understanding whether their clients' lives are improving. The onus on microfinance organizations everywhere to contribute positive changes to their clients' lives has also increased over time. KOMIDA, a microfinance institution that serves low-income households in Indonesia, is no exception to that.

As a highly mission-driven institution, KOMIDA wanted to understand and track how it really benefitted its clients. It was especially keen to know about those clients who could step out of poverty and lead better lives because of their association with KOMIDA. However, it only had anecdotal evidence from the field in this regard. There was no data to back up the impact (positive or otherwise) of KOMIDA's interventions. This was in early 2010.

KOMIDA sought to know which tools can generate information to ascertain "whether it has improved its clients' lives." This led it to adopt the Progress out of Poverty Index (PPI) in 2010-11. For this, it received initial technical assistance from the Grameen Foundation. Since then, KOMIDA has come a long way in implementing the PPI in particular, and Social Performance Management (SPM) in general. Today, KOMIDA collects PPI and other social data pertaining to all of its incoming clients. It regularly analyzes this data and uses the findings in its decision-making.

This case study describes KOMIDA's journey towards implementing the PPI and using the results to improve its products and services to clients. The initial objective of adopting this tool was to understand client outcomes. Yet over time, KOMIDA realized the power of social data, particularly of PPI, in understanding client needs as well and, thereby, in enhancing its own ability to offer products and services that meet these needs.

For instance, KOMIDA introduced a new loan product (sanitation loan) in 2013 based on PPI results when the data (from one of the PPI questions) showed that 31% of KOMIDA clients do not have a toilet at home. To date, over 11,000 clients have benefitted from this product, thus providing access to over 44,000 individuals to individual sanitary latrines for the first time. KOMIDA is using the PPI in other ways as well, including analyzing data pertaining to client drop-outs, product usage and outcome/transformation.

About KOMIDA: A Financial Service Provider with a Social Mission

Koperasi Mitra Dhuafa (KOMIDA) is a microfinance institution that offers financial and non-financial services to low-income households in Indonesia. It was initially set up in mid-2004 as Yayasan Mitra Dhuafa (YAMIDA) to help tsunami-affected people in the country's Banda Aceh province. In 2005, it started offering microfinance services to women from poor households. In 2007, KOMIDA was established as a cooperative due to changes in regulations that prohibited foundations from offering financial services. At present, KOMIDA operates in all 11 provinces of Indonesia. Its 175 branches service more than 423,000 clients.

KOMIDA's vision: *To become a leading microfinance savings and loan institution that can provide financial and non-financial assistance in an efficient and timely manner for low-income women to enable them to*

improve their lives in terms of household income, health and children's education¹. To meet this vision, it offers a variety of financial services and non-financial services.

From the beginning, KOMIDA adopted the "Grameen Methodology" for group lending with weekly repayments. The General Loan is KOMIDA's flagship loan product. It accounts for over 90% of its clients and is provided to help clients use the loan amount for

their businesses. Clients must opt for – and successfully repay – a General Loan, before they can access certain other products such as the education and sanitation loans.

Loans	Savings	Risk Fund	Non-financial Services
<ul style="list-style-type: none"> • General Loan • Micro-Business Loan • Education Loan • Sanitation Loan • Agriculture Loan (pilot) • ARTA Loan (Household Appliance) (pilot) 	<ul style="list-style-type: none"> • Member share savings (principal savings) • Compulsory Savings • Pension Savings • Voluntary Savings • Feast Day Savings (festival savings) • Special Savings (for clients with agriculture loans) 	<ul style="list-style-type: none"> • Life Insurance coverage for clients and their spouses in case of death 	<ul style="list-style-type: none"> • Offered by YAMIDA (the Foundation) • Trainings to clients on: <ul style="list-style-type: none"> • health • gender

As KOMIDA is a cooperative, it can also offer savings services to its members. It offers both mandatory and voluntary savings services, as well as a risk fund providing life insurance coverage to clients and their spouses in case of death or disability. In non-financial services, it offers women empowerment and gender trainings. YAMIDA is responsible for offering these services.

Adoption of the PPI as a Tool to Measure Client Outcomes

What is the PPI?

The PPI was initially created more than 10 years ago to provide a solution to the challenge of **measuring income for low income households** in developing countries. The PPI is simple to use, yet statistically-sound. It scores 10 questions about a household's characteristics and asset ownership to compute the likelihood that the household is living below national and international poverty lines. These questions are derived from the country's national household consumption survey.

In this case, although the use of PPI is explained from a financial institution perspective, the tool is not limited to use by financial institutions only. The tool can be used by any type of organization working with the poor.

PPIs are currently available for 60 countries, covering more than 90% of the world's poor. The PPI is a globally accepted, validated tool used by more than 500 organizations working with the poor. These organizations value the PPI because:

- With only 10 questions, the survey can be administered in five to ten minutes.
- The questions are straightforward and easy to answer. The survey can be administered at the respondents' home or collected via alternative channels such as SMS, IVR, and call centres.
- PPI collection can be incorporated into existing interactions with customers. The ten PPI questions can also be easily added to a larger survey or study.
- The PPI measures poverty against widely-recognized poverty lines. Putting results in terms of national and international poverty lines allows the organization to better communicate and benchmark results relevant to their context.

Thanks to the [PPI Alliance](http://www.progressoutofpoverty.org/), this tool is maintained as a public good, free to download from www.progressoutofpoverty.org.

Broadly, the PPI tool has been envisaged to help pro-poor organizations in²:

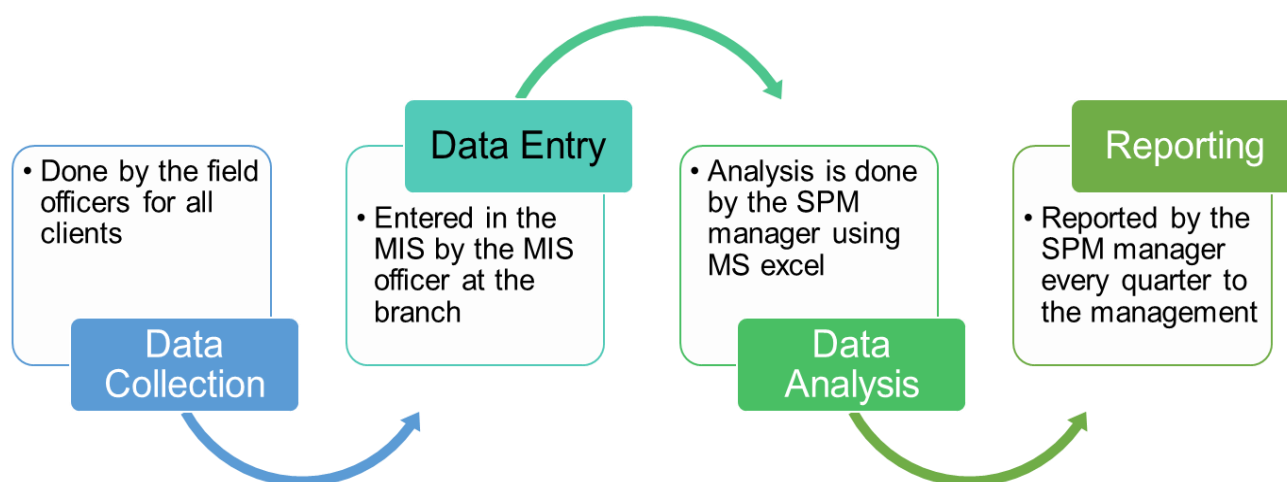
1. Measuring poverty outreach (i.e., the portion of clients who live below the poverty line or are vulnerable to becoming poor).

¹ Source: KOMIDA. The statement is provided here as-is from KOMIDA's vision statement.

² Source: <http://www.progressoutofpoverty.org/about-us>. For more use cases of the PPI tool, visit <http://www.progressoutofpoverty.org/poverty-data-use-cases>

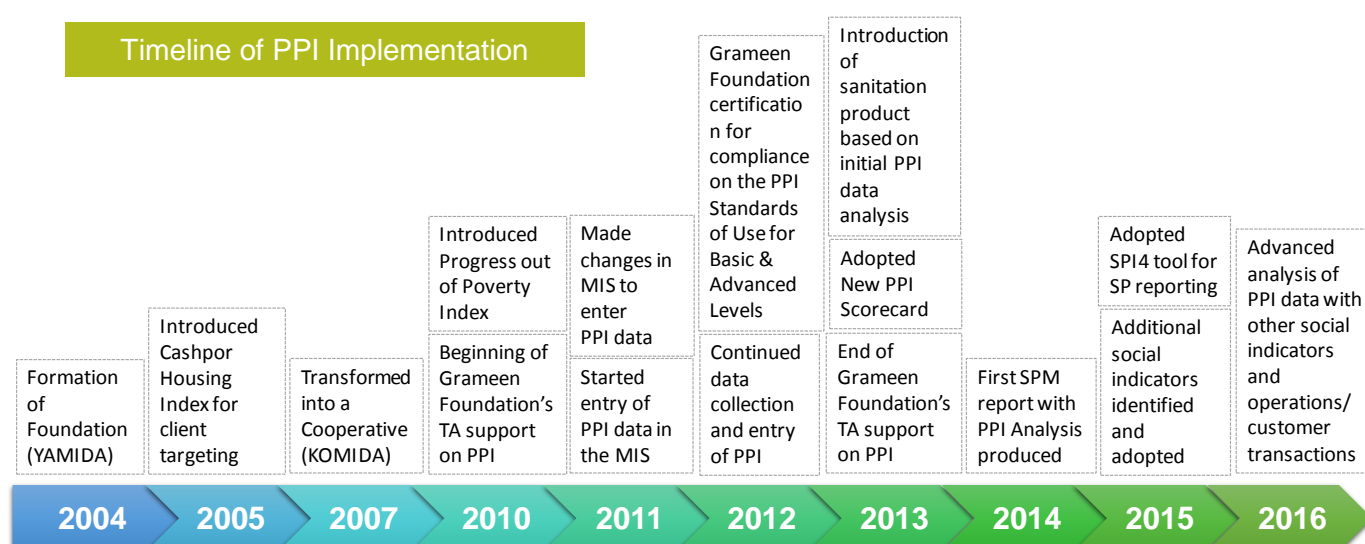
2. Improving the performance of the intervention among the poor and poorest.
3. Tracking poverty levels over time.

Since its inception, KOMIDA has been using a housing index tool called Cashpor Housing Index (CHI)³ for identifying the target clients. The tool was working well for the purpose of client targeting. However, KOMIDA wanted something which could help them also monitor the poverty levels of the clients after they were enrolled – at a point in time (the organization's 'poverty outreach') and to see if clients' poverty status was changing over time. Thus, PPI was adopted in addition to CHI in 2010-11.



KOMIDA uses the census approach to collect PPI data. Hence, PPI data is captured for all the new, incoming clients without any exception as it is included in the loan application form. After clients complete one loan cycle (for the general loan), the PPI is administered again. This allows for tracking the PPI scores of every client over a period of time. Given this, in 2011 KOMIDA made changes to its management information system (MIS) to deal with the challenges posed by the large volume of data.

PPI data is entered at the branch level by an MIS officer. The SPM team at the head office and internal audit teams conduct data quality checks. The SPM manager conducts the PPI data analysis in an Excel template developed by Grameen Foundation. All the reports are shared with the regional managers and the management (the executive and the heads of departments).



³ Please refer to <http://www.cashpor.in/chi.html> for details on how Cashpor uses the tool.

Box 1: PPI as a tool to manage social performance of partners: A social investor's perspective

Opportunity International—a network of socially focused organizations providing microfinance and other development services—has a strong social mission. It is to empower people living in poverty to transform their lives, their children's futures and their communities. Given its mission, it is very important for Opportunity to measure the outcomes of its partners' programs for the end clients. Therefore, it is crucial for all of them to have a measurement tool which can tell them if they and their partners are on the right path (of transforming clients' lives).

Earlier, Opportunity relied on an internally developed 'client monitoring system'—a long-form client survey that provided data on client status and changes in client status over time, including income, attitudes and household and business assets. But it proved to be cumbersome, expensive and inadequately focused on most important indicators. When Opportunity was seeking other simple, accurate and practical tool(s) for understanding clients' status and how that status changes over time, the PPI was considered and adopted.

Opportunity's reasons for adopting the PPI were the tool's simplicity, practicality (i.e. it being time-saving for partners to gather the data), and accuracy. Availability of good documentation regarding the PPI's implementation was also an advantage. Further, the availability of PPI scorecards in most of the countries where Opportunity's partners operated meant it could communicate and engage with its partners on this.

Opportunity uses the PPI primarily for:

- **External reporting.** Opportunity **publishes** social performance data, PPI in particular, to inform external stakeholders about whom it is reaching, and whether any changes are taking place in clients' lives.
- **Internal monitoring.** Opportunity uses **CERISE's SPI4 tool** to gather aggregated PPI results from its partners. This information helps Opportunity's SPM team to benchmark and compare partners and present to its Board. This can help Opportunity determine where funds can be channeled to increase outreach to those living below the poverty line.
- **Promoting Partner Performance Management.** PPI results at the partner level can be the key to help partners see the value in using SPM data in general and PPI data in particular.

Opportunity is committed to helping our partners manage social performance, that is, not just reporting results, but using data on how we are performing in reaching clients below the poverty line to improve that performance. For that, we need a practical, accurate, low-cost tool for assessing income levels across groups of clients – the PPI is that tool.

- Calum Scott, Global Impact Director

Opportunity has also used PPI data to make specific decisions in program design. For instance, Opportunity are working with their Philippines partner Alalay Sa Kaunlaran (ASKI), Inc. to pilot an ultra-poor graduation program, targeting poorer individuals in the geographical areas where ASKI works. The target group for this program are women in rural ultra-poor families living off less than \$1.90 a day who miss out on government support and cannot qualify for a microfinance loan. Over 24 months of implementation, this pilot will reach 640 families or 3,200 people in each household in 5 rural communities in Central and Northern Luzon, the Philippines. These communities were selected based on the research conducted by the ASKI LIFE team to locate ultra-poor communities within a close proximity to their current branches. The LIFE team worked with these communities using Participatory Wealth Ranking (PWR) to determine how to define and locate the ultra-poor in their local context. A baseline, midline and endline survey will be used to compare results including the use of the PPI. The PPI has been used as an indication of likelihood of income level at ASKI for their microfinance clients. Measurement during this pilot will enable a tracking of progress during the project period and potentially as a follow-up to track the sustainability of this income level in the years to follow.

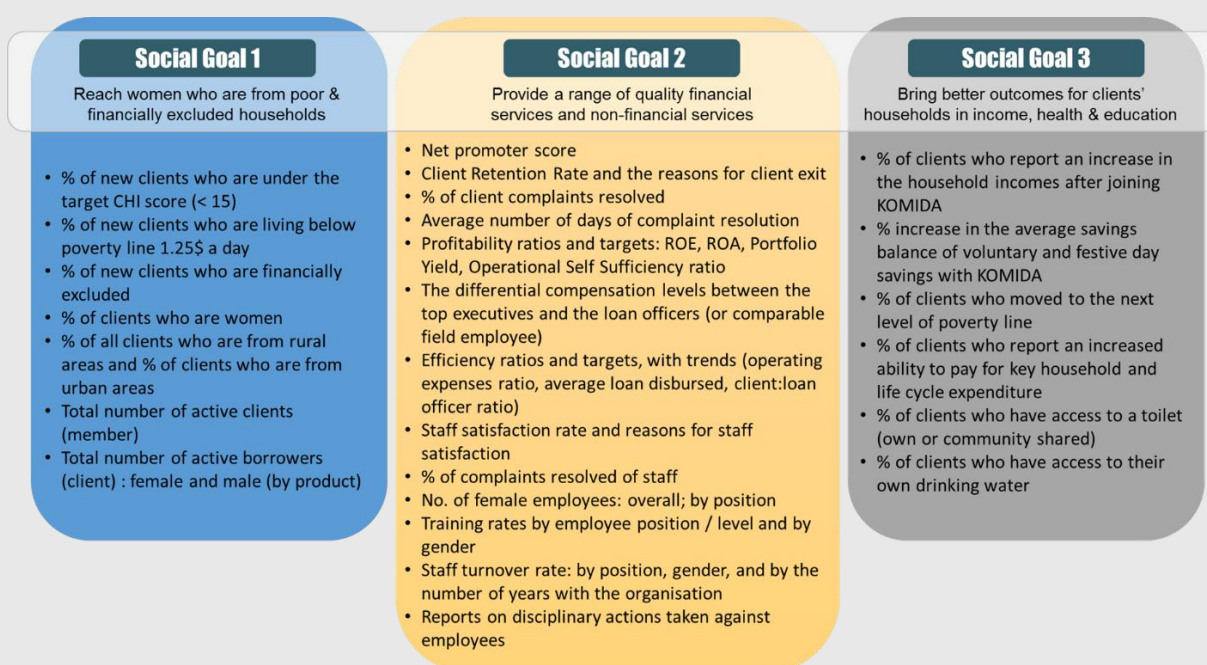
As of March 2017, 14 of Opportunity's partners are using the PPI tool. These partners represent almost 80% of its clients.

KOMIDA started to analyze PPI data after it moved to the updated PPI scorecard in 2014. Until 2014, it was analyzing poverty rates only at the institutional level, not broken down by region or performing analysis on responses to individual PPI scorecard questions. However, by 2016, KOMIDA was not only analyzing responses to specific indicators and carrying out different levels of analysis of PPI, it was also analyzing other social indicators (Box 2) to better understand its mission fulfilment.

Box 2: Social Indicators⁴ Adopted by KOMIDA

With the help of technical assistance provided by Opportunity International and [Ankuram Social Ventures](#), KOMIDA identified more social indicators (in addition to the already existing CHI and PPI). This was done to broad-base its social data analysis and to understand its mission fulfilment.

The social indicators broadly belong to three categories: Outreach, Quality of financial services and Client outcomes.



Source: Case study of KOMIDA: A Journey to Implement the Universal Standards for Social Performance Management, SPTF Publication

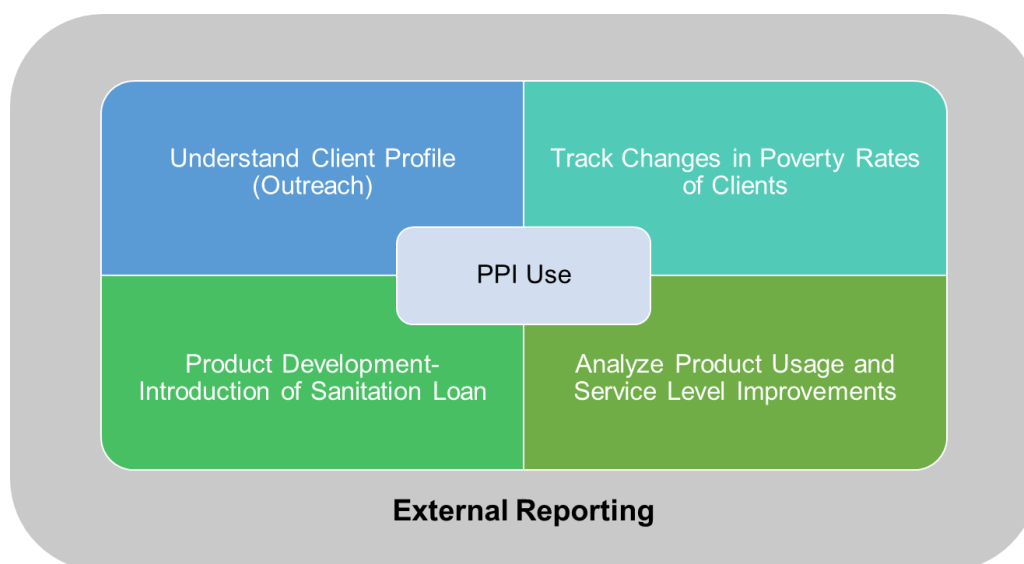
KOMIDA analyzes PPI data using three poverty lines: National Poverty Line, \$1.25/day and \$2.50/day. While setting targets, it used only \$1.25/day as it is a globally understood poverty line and facilitates comparison with other global poverty data. However, given that the World Bank revised the international poverty line⁵ to be \$1.90/day (2011 PPP), KOMIDA will be moving to the new poverty line for benchmarking in the future.

⁴ For more information on KOMIDA's implementation of SPM, please refer to the [Case study of KOMIDA](#) on the SPTF website.

⁵ <http://www.worldbank.org/en/topic/poverty/brief/global-poverty-line-faq>

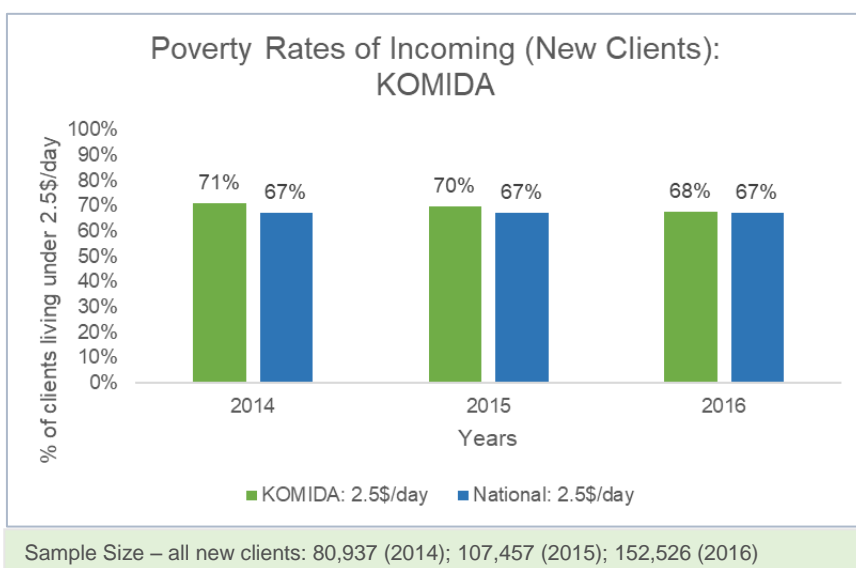
Results from the PPI Tool: Use Cases

There are five ways KOMIDA has used the results from PPI. The use cases are presented in the order of importance of data for KOMIDA's monitoring of its social goals.



Use Case 1: Understand Client Profile (Outreach)

KOMIDA collects PPI data for all new clients with an attempt to understand whether it is reaching the target client segments. This data is analyzed and compared with Indonesia's national poverty rates.

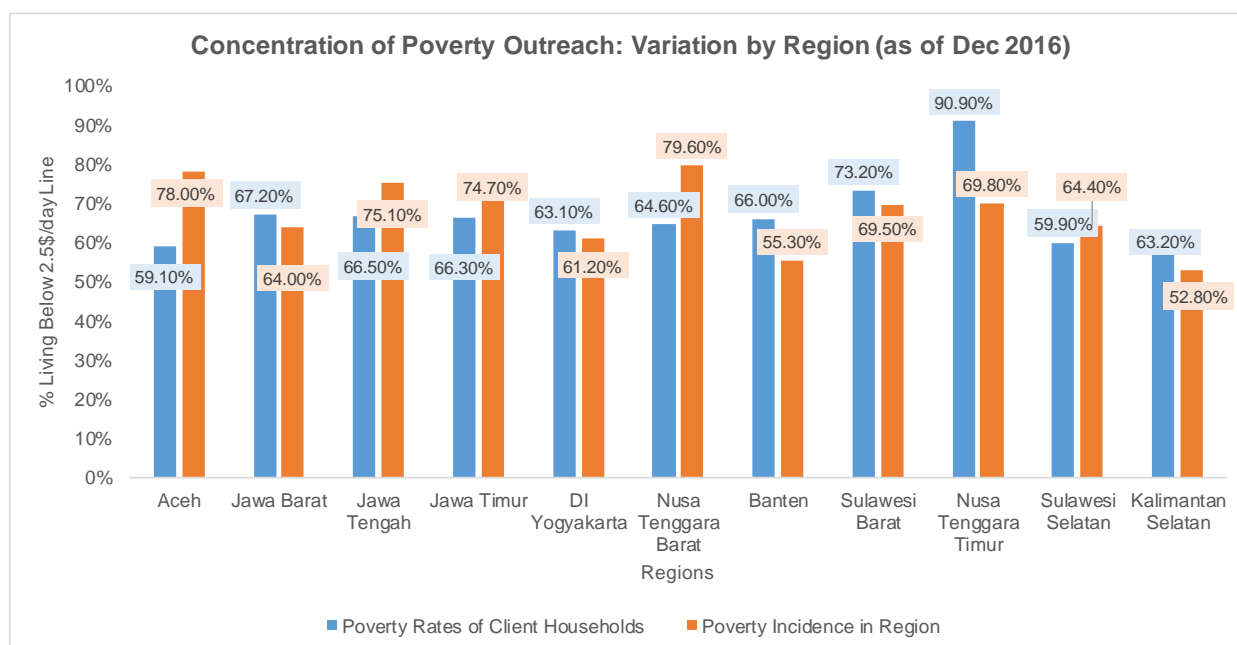


As can be seen in the chart, the poverty rates of KOMIDA's new clients are comparable to that of the national poverty benchmarks.

In addition to understanding the PPI data for incoming clients, KOMIDA also analyzes the poverty data of all the clients (both new and existing) every year. The purpose of such analysis is to understand the poverty profile of the entire portfolio. These reports are presented to the management and board on a quarterly basis. Management is keen that KOMIDA does not compromise on reaching

the poor and this data helps them monitor that. As of the end of 2016, 68% of all incoming (new) client households and 67% of all (existing & new) client households are living below the \$2.50/day (2005 PPP) poverty line.

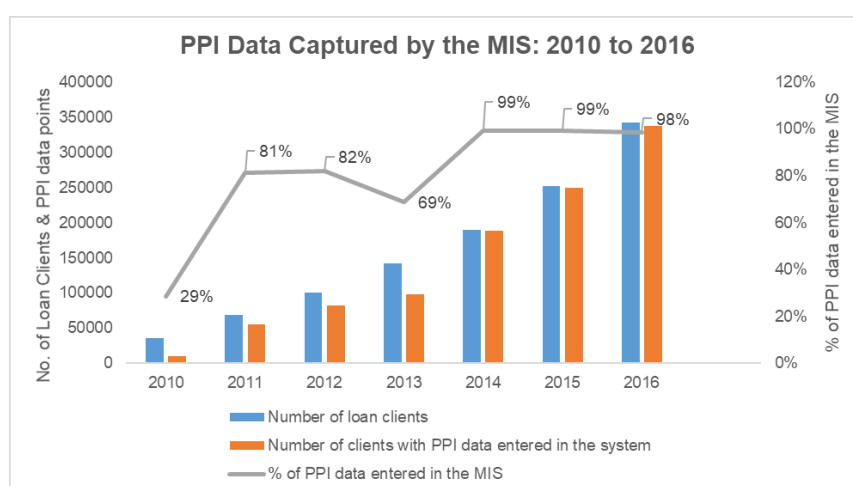
The same data is analyzed per region (KOMIDA has 8 regions in all) and shared with the regional managers. Regional poverty rates⁶ are also analyzed, which helps management with decisions about geographic expansion.



For instance, as shown in the regional-level analysis above, in Sulawesi Selatan the regional poverty incidence is 64.4%, whereas the poverty rate of KOMIDA clients is 59.9%. This means there is scope for KOMIDA to improve its reach to poorer clients in this region.

Use Case 2: Track Changes in Poverty Rates of Clients

Although tracking changes in poverty rates of clients was one of the key triggers for adopting the PPI, KOMIDA had to wait for six years before conducting this analysis. The methodology adopted by KOMIDA for tracking the changes in poverty rates is that the PPI scorecard is administered to all clients every time they come for a loan renewal until the time they leave the organization.



Though KOMIDA started collecting PPI data from 2009-10, the data was entered in the MIS only from late 2010, which resulted in some loss of data collected in the initial years. In 2013, the SPM team was put in place and given the responsibility for PPI data quality checks. In addition, around the same time, KOMIDA transitioned to the updated Indonesia PPI scorecard which led to a dip in PPI data collection (as seen in the graph to the left). Due to the small

sample size of the data and challenges with the data quality, KOMIDA considered 2014 as its base year for tracking the changes in poverty rates.

⁶ Regional poverty rates for benchmarking and analysis are published in each PPI's documentation and available at www.progressoutofpoverty.org

In 2014, there were 188,390 client PPI data records. When the same clients were considered for tracking in 2015, due to drop-outs, the number came down to 131,945 clients by the end of 2015; and to 95,297 by the end of 2016. From 2014 to 2016, when the poverty rates of the same clients were tracked (considering the drop-outs), 17% of the clients moved above the poverty line (as seen in the table below).

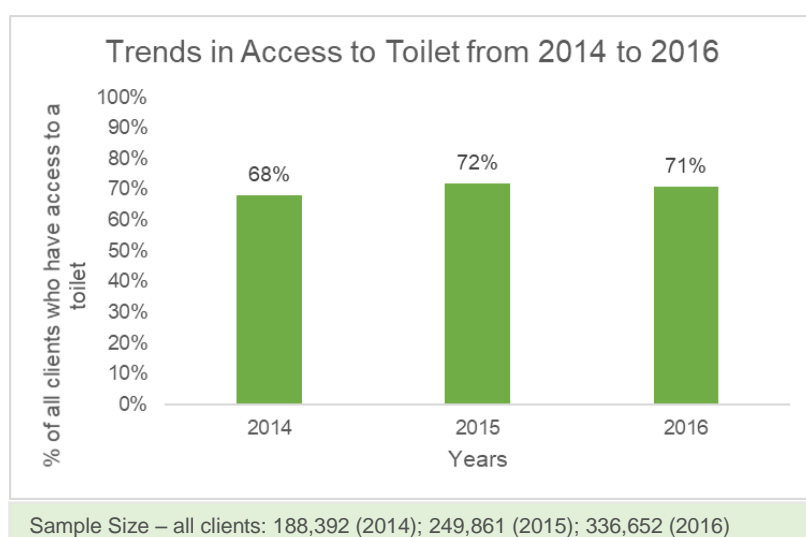
Poverty Change Overtime				
	2014	2015	2016	TOTAL
	Year 1	Year 2	Year 3	
Total Clients	1,88,390	1,31,945	95,297	
Portfolio Poverty Distribution	8.83%	8.21%	7.10%	
# Clients Below the Poverty Line	16,635	10,833	6,766	
# Clients Above Poverty Line	1,71,755	1,21,112	88,531	
# Clients Cross the Poverty Line		1,072	1,131	2203
Clients with Change in Poverty Levels (%)		6.44%	10.44%	17%

Use Case 3: Product Development- Introduction of Sanitation Loan

The third use KOMIDA had for PPI was data providing insights into new product needs of its clients.

KOMIDA realized it could utilize responses to individual PPI questions after a social investor noticed that in one of the branches a large number of clients did not have individual sanitary latrines at home. KOMIDA looked at all the data it had from the specific question on toilets in the PPI and found that overall 31% of clients across all regions did not have toilets. This led to the development of a sanitation loan in collaboration with water.org.

During the product development process, water.org conducted another quantitative study in the proposed region (West Java) about water and sanitation conditions. The sanitation product was targeted at those members who do not have good sanitation and clean water facilities. The loan amount was kept small considering the poverty levels of the clients, ranging from 500,000 IDR – 6,000,000 IDR (38\$-451\$). The product has been rolled out in 10 branches as of July 2017 and has reached over 11,000 clients.



KOMIDA continues to analyze, from its PPI data, the proportion of clients who have access to a toilet. Over the years, the percentage of clients having access to toilets has increased.

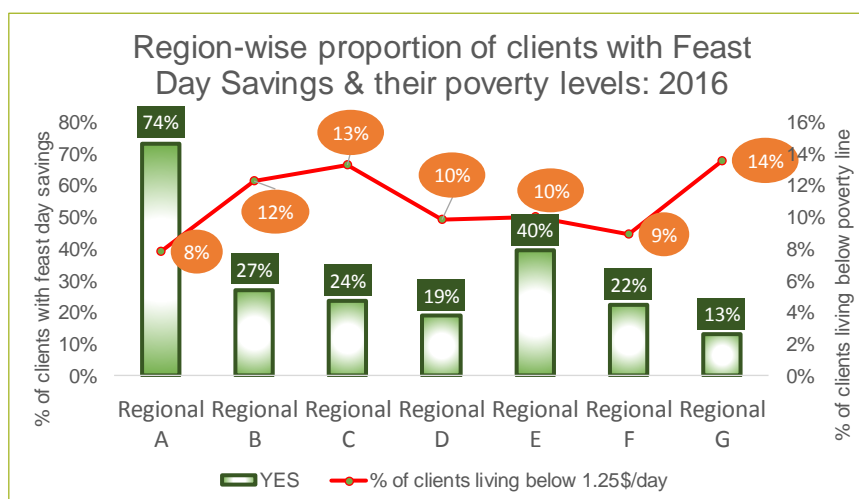
Use Case 4: Analyze Product Usage and Service Level Improvements

Another major use of PPI data for KOMIDA is in analyzing product usage data with the poverty levels of the clients. As a cooperative, KOMIDA offers both savings and credit products. Since 2016, it has begun to

understand client behavior with respect to savings. In particular, KOMIDA explored whether there is any link between poverty rates and the uptake of savings by clients.

KOMIDA offers voluntary savings and feast day savings to its clients. A client can save any amount of money in the voluntary savings product and can withdraw their savings anytime. The feast day savings product is tied up with the season for Ramadan and is designed to encourage the clients to save up for the festival. Voluntary savings have more uptake (97% of the members have taken up this product) than feast day savings (which has 26% of the members subscribed).

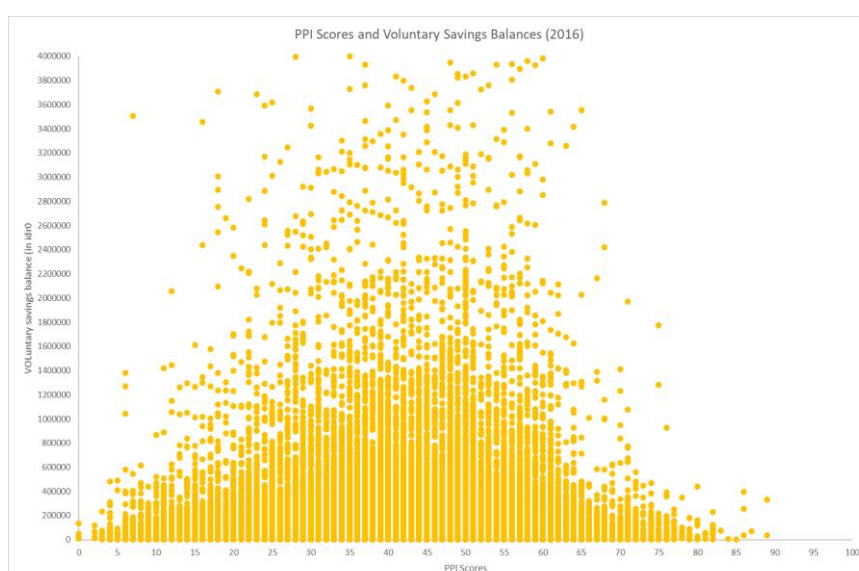
In regions which have higher poverty rates (such as regions B, C and G), the uptake of feast day savings is lower than in other regions. The exception to this is region F, where despite a slightly lower level of poverty rates among clients, the uptake is low (22%, which is less than the average). KOMIDA is using this data to further probe into the reasons for low uptake of the feast day savings product.



Sample Size – all clients: 336,652 (2016)

The second aspect that KOMIDA probed was whether the savings balances are correlated with the PPI scores of the clients. KOMIDA analyzed the PPI scores of all the voluntary savers with their average savings balance (see the graph to the right).

From this data, there does not seem to be a direct correlation between the PPI scores of clients and their savings balances. Most of the clients tend to save less than 800,000 IDR. Clients with higher PPI scores (indicating lower probability of being poor) do not seem to have higher savings balances. This indicates to KOMIDA that it needs to probe other reasons for low savings balances and adopt relevant strategies.



Sample Size – all voluntary savings clients: 219,754 (2016)

In addition to product usage, KOMIDA has begun to analyze other data points, such as client exits with the poverty data. This is done in order to check if it is predominantly poorer clients that are dropping out. So far, KOMIDA has not found that to be the case.

Use Case 5: External Reporting

There is increased and detailed reporting to social investors. The data from the PPI helped KOMIDA track progress against its social goals, listed below, and report to social investors.

- Reach women who are from poor and financially excluded households
- Provide a range of quality financial services and non-financial services
- Bring better outcomes for client household income, health and education

KOMIDA started to send regular, annual SPM reports to its key social investors from 2014. The level of detail in the reports improved over the years to include data related to the all of the social goals mentioned above. This helps KOMIDA in building trust with investors

Learning for Other Social Enterprises:

- **Invest in staff training and capacity building:** One of the early lessons KOMIDA learned and implemented well was that the staff's capacity to understand and collect PPI data must be improved. The PPI scorecard may look simple; however, both the questions and responses have to be understood well by the staff administering the questionnaire. For instance, there is a question in the Indonesia scorecard about *the number of household members aged 6-18 who go to school*. For this, the staff concerned needs to understand the definitions of *household* and *school*. School in the scorecard refers to both formal and non-formal school. If the staff concerned does not understand this, the data captured will present an incorrect picture. All of the new staff who join KOMIDA undergo PPI training as a part of the induction training and refresher trainings are conducted from time to time⁷.
- **Build MIS capabilities to store and analyze PPI data:** Entering PPI data in MIS will help an organization to make good use of the data collected. If this data-entry is not mandated, the tendency to skip data-collection may not be avoided. In KOMIDA's case, there was a provision for not only entering new PPI data, but also for archiving historical PPI data, including the PPI scorecard version used which is needed for appropriately analyzing changes in PPI data over time. This enabled the SPM team to access client data, as and when needed, in order to analyze and track changes.
- **Get buy-in from staff and operations team:** It is the field team that generally captures the PPI data at the time of enrolling new clients or at the time of loan renewals. Therefore, it is all the more important to obtain the buy-in and support of the field staff and the head of the operations team regarding using the PPI tool. To do so, KOMIDA linked the use of PPI to its mission and provided support (including training, analysis, and data sharing with branches). Many times, MFIs collect PPI data (by making the field staff spend time and effort toward this), but they do not share the results with their branches which collected the data. By sharing PPI results of their respective regions with the field staff, KOMIDA's SPM team made the PPI exercise and its results useful to the field staff as well. This data helped the field staff understand the utility of their data collection efforts, even as they understood the clients' profiles/needs.
- **Regular monitoring by SPM team and quality checks by internal audit:** The SPM manager and her team regularly visit the branches and run checks for ensuring quality of the PPI data. This has also been made a part of the internal audit procedure. The internal audit team mainly checks if the PPI data is collected and entered in the branches, whereas the SPM team checks if the staff are diligent in filling out the PPI survey form. It checks this by asking questions of the staff concerned to assess their understanding of the questions/answers and, then, randomly checking for any irregularities in the data submitted.
- **Follow and update the PPI scorecards as per the latest version:** The PPI scorecards are updated from time to time based on the latest national surveys. It is very important to follow the scorecard updates⁸ and adopt the new scorecards as and when they are introduced. This improves the

⁷ Training material available on www.progressoutofpoverty.org/country/indonesia was used for these trainings.

⁸ 'Guide to Transitioning to an Updated PPI'; www.progressoutofpoverty.org/materials-data-management-and-analysis

accuracy of the data being presented to management. Though there is a cost attached due to the staff re-training involved, or the changes to be made to the MIS to align it with the new scorecard, the benefits outweigh these costs. KOMIDA uses the latest PPI scorecards.

- **Integrated approach to SPM:** While the PPI is useful to MFIs and provides insights to their management about the client profile, this data provides even more insights when combined with other social data pertaining to the clients' gender, education levels, savings, loan balances, their exits, and so on.

Conclusion

Implementation of the PPI has resulted in several benefits to KOMIDA and to its clients (as summarized in the table below). For the clients, using the PPI resulted in new products and better services in keeping with their changing needs; whereas for KOMIDA, it resulted in better management of client outcomes. The client satisfaction survey data shows that the satisfaction levels of clients⁹ have improved over a period of time (from 87% in 2015 to 92% in 2016). The client retention rates have increased from 79.5% in 2009 to 82.1% in 2016.

Although KOMIDA has not tracked the specific costs of implementing the PPI, they believe the incremental cost was low as it was built into existing workstreams, such as the loan application process and the MIS development.

Overall, KOMIDA's credibility has improved. Consequent to the improved compliance with the SPM and CPP processes, KOMIDA received a better social rating. For the staff, the benefit was that due to the tracking of PPI data, they are able to associate themselves more with the organization's mission and can better serve the organization's clients.

	Before PPI	After PPI
Reaching clients	CHI	CHI + PPI
Serving clients with appropriate products and services	<p>Informal client feedback.</p> <p>Annual client meeting for product development.</p>	<p>Informal feedback + data from PPI (and other social indicators) + client feedback tools (client exits, complaints, satisfaction levels).</p> <p>Cross-analysis of PPI with financial transactions.</p>
Measuring client outcomes	Only anecdotal evidences existed about what's happening in clients' lives.	Evidence-based reports available.

⁹ The percentage of clients who say they are very satisfied or satisfied with KOMIDA's products and services.