



SOCIAL PERFORMANCE OF FIS Argentina (March, 2009)

This social audit of FIS uses the Social Performance Indicators (SPI) tool developed by Cerise and its network of partners. An assessment is made of the extent to which an MFI dedicates the means to fulfill its social mission in the light of four fundamental dimensions of social performance: Who are the clients and how are they targeted? To what extent are the programs and services adapted to clients' needs? How are clients' capacities reinforced and how does the organization manifest its social responsibility?

FIS key data (as of December 2007)

Starting year: 2001	Legal form: private company
Active borrowers: 3,888	Branches: 5
Active credits: 4,207	Gross loan portfolio: US\$ 2,132,208
Number of staff: 42	Total Assets: US\$ 2,641,703
Regulated: no	Return on assets: -6.75%
Main lending methodology: group loan	Financial expense ratio: 13.49%
Legal status: for-profit institution	Operating expense ratio: 35.73%
Main zone of intervention: urban	Operational self-sufficiency: 91.49%

Social mission and strategy of FIS:

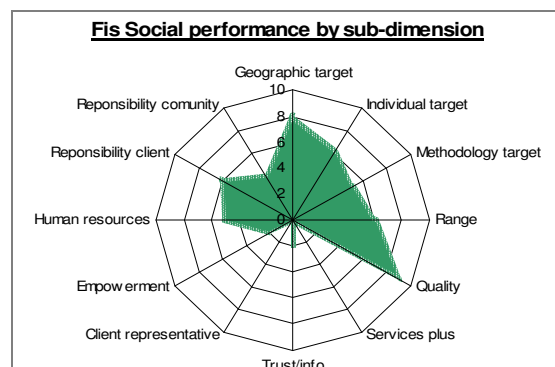
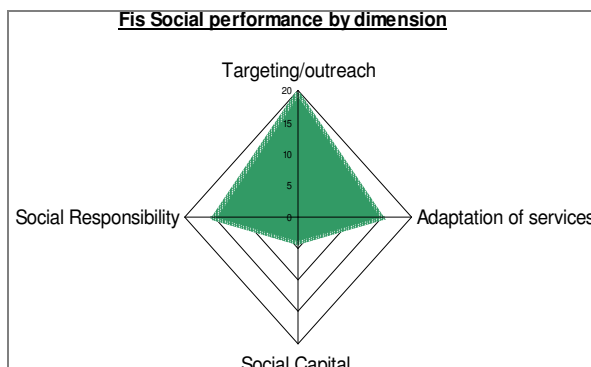
FIS is a private company with a mission to provide microcredit to low-income entrepreneurs involved in commerce, small-scale manufacturing, and services in the urban areas of the southern zone of the Gran Buenos Aires and to rural micro-entrepreneurs in Santiago del Estero.

FIS provides high quality and fast credit services with loan terms tailored to suit the needs and realities of each segment of its target market.

FIS is one of the bigger players in the Argentinean microfinance market and although the organization is still young (it was created in 2001), the staff's dynamism and commitment have allowed FIS to achieve a strong social impact among its clients.

According to an impact study carried out for FIS' urban agency in Monte Grande in 2004, 37% of FIS clients are below the poverty line as defined by the National Institute for Census and Statistics (INDEC), Argentina. These clients would need to increase their income by 31% in order to reverse their situation. The remaining 63% above the poverty line are nevertheless low-income households.

The following graphics show FIS' score according to the Cerise tool. The application of Cerise's SPI¹ was done in October 2007, and FIS obtained 53 points.



¹ The FIS interview has been done with SPI version 2.0.

Summary of results:

Outreach to poor and excluded populations

Audit results show that FIS has a clear geographic focus and selects its areas by considering the socioeconomic level of the population. To define the areas, FIS uses official data from demographic census and data from the INDEC². It works mainly in urban areas (61% of the loan portfolio are urban loans) and in remote areas (39% of loan portfolio) such as major rural city Santiago del Estero.

The main source of information for targeting clients are the loan officers who go on intense field work. Although it is not a formal method, the relationship between clients and their loan officer means the management team has insight into the real situation and needs of its clients. It allows FIS to gain accurate information to improve the products and services offered.

FIS is not a regulated institution, therefore it is not allowed to offer savings services or products. As a consequence, Cerise's questions on savings products could not be answered and this had a negative effect on FIS' final score.

There is a significant percentage of female borrowers (more than 50% of the loan portfolio), and a priority given to micro-entrepreneurs who are facing financial problems or face the need for additional credit which they cannot access.



Innovation of products and services

SPI results show FIS is devoted to adjusting its products and services to suit their clients. FIS started out offering solidarity group loans and in 2007 it started offering individual loans. Clients can choose from different loan products: productive individual loans, productive group loans, home improvement loans, preferred loans, "opportunity" loans and even special loans during the holiday season. FIS also has flexibility when it comes to repayment schedules. These are determined on a client by client basis, taking into account the product cycle of the client's business.

Moreover, FIS offers a very special product - the financing and installation of solar screens. These screens are used as an alternative energy source and are offered primarily to rural people with no access to electricity. By offering this product, FIS provides its clients with a safer and more economical way of obtaining energy, that is also environmentally friendly. FIS also offers emergency loans but only to clients who are in good standing.

FIS has maintained a high standard of service with several branches located throughout the capital city. In addition, it has promotion offices where clients can apply for loans. The MFI aims to spend less than two weeks between the loan application submission and disbursement date. FIS works hard to make forms and procedures as easy as possible and establishes opening hours according to clients' needs. It has also conducted market surveys to improve the quality of services.

Social responsibility of the MFI

The SPI results show a strong human resources policy, as FIS offers initial training courses to all new loan officers. In addition, training manuals, with all the procedural details, are available at all times.

² INDEC, Instituto Nacional de Estadísticas y Censos de la República Argentina.

Employees can participate in the decision-making process based on specific and regular information and in meetings held between staff and senior management.

In terms of social responsibility towards its clients, FIS regularly utilizes a social impact study. This is a requirement of Ford Foundation, one of the creditors of FIS. As a result of the studies, FIS modified some of its products and services.

In protecting clients from the danger of over indebtedness, the loan officers play a critical role. They provide critical information based on their observations of the client's business and way of life.

FIS has verified that its actions are in harmony with local culture and values. They also frequently help the local community by financing special projects, including sponsoring a children's football team supplying t-shirts for them.

Strengthening clients' capacities

This is the dimension where FIS received the lowest score. FIS does not have a client representative system or procedure that enables clients to participate in the decision-making process. Although clients are informally consulted regarding their opinions on services provided or the strategy implemented, there is no formal mechanism for client participation. Clients can also meet with anyone from management to lodge complaints or provide feedback.

There is no specific policy or program geared at developing clients' social capital, although the solidarity lending methodology can foster and further develop the clients' social network. Certainly, FIS can do more in this dimension of developing local management and leadership capacities and this could possibly be an area for collaboration and discussion with Oikocredit.

Conclusion:

The SPI audit results show that FIS excels in reaching its target clients and has also put significant effort into adapting its products and services to clients' needs. FIS is committed to achieving good social performance.

The improvement of clients' social and political capital was the weakest dimension of FIS. While aspects such as trust and information sharing, client participation in the MFI's processes, empowerment activities, and the provision of non-financial services are essential to microfinance, they are also difficult to provide for.

This is perhaps especially true in a market where microfinance is in its early stages of development. In this context, MFIs are more focused on reaching their target clients, consolidating their position in the market and developing products which respond to client needs. Moreover, the pressure imposed by external creditors makes it difficult for MFIs to provide non-financial services or to promote management and leadership skills. Those services are too expensive, and efficiency and sustainable ratios are the key aspect analyzed by external creditors. There is a huge dependency on external funding and this has made the development of non-financial services a struggle.

Oikocredit as a social investor can provide much needed impetus and support for MFIs like FIS who, now that they are aware of the areas for improvement, may want to actively address these areas.