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Key performance indicators (KPIs) of social financing institutions and sustainability: An analysis of cases

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Abstract

Sustainable development is the combination of economic, social and business value creation without compromising the needs of future generations. The social financing institutions are undoubtedly playing a vital role for overcoming social challenges towards sustainable development of any nation. But question arises as to how can we understand that a social financing institutions is contributing for sustainable development? This paper makes a modest attempt to identify some key performance indicators (KPIs), both financial as well as nonfinancial, of social financing institutions. By means of analyzing the cases, this study aims to address the issue of sustainability of those financing institutions using the appropriate KPIs.

Keywords: Sustainable development, social financing institutions, key performance indicators (KPIs)

1. Introduction

Sustainability has become an important factor in business strategies (IFC). Sustainability deal with issues related to three distinct spheres: social, environmental and economic. Traditional enterprises are economic programs that produce an increase in social welfare, and thus have social value but these are a secondary and indirect effect of income distribution. Non-Governmental Organisations (NGOs) play a significant role in society, as they fill a need that cannot be adequately filled by the government or the private sector. However, traditional NGOs are generally less innovative and less responsive to their customers. To become sustainable, many NGOs need new skills to deliver their vision and many of those skills are the same skills needed in business. There will be a new wave of environmental entrepreneurs, setting up and running social enterprises to tackle the issues of water, energy and climate change. Much social entrepreneurship are coming in front of the camera for the tackling of local, national, and global social challenges during last few decades initiatives (Casasnovas & Bruno, 2013) [1]. Social enterprises are being promoted as responsive and innovative way to deliver public services. Different sustainability reporting frameworks such as the Global Reporting Initiative (GRI) and the Carbon Disclosure Project (CDP) have become important tools for investors in making informed investment decisions. The socially responsible investing (SRI) market enables investors to have a positive return on their investments while also bringing positive impacts to society. As results, social financing initiations need to generate economic, social as well as environmental values to maintain funds from their existing investors and also to raise funds from potential investors in near future.

This paper tries to measure economic, social as well as environmental performance towards sustainable development of social financing institutions with most relevant KPIs.

2. Literature Survey

The term Sustainable Development was first internationally recognized at the UN Stockholm Conference on human environment in 1972. However the most generally accepted definition of Sustainable Development was provided by Brundtland Report. A sustainable enterprise genuinely contributes to sustainability by delivering economic, social and environmental benefits simultaneously, i.e., achieving the triple bottom line Elkington, 1998 [2]. According to Prof. Dr. Jiri Hrebicek, "KPIs are the quantifiable matrices that reflect the performance of a business in achieving its wider goals and objectives".

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So KPI's are performance measures tools that indicate progress toward a desirable outcome. Strategic KPIs monitor the implementation and effectiveness of an organization's strategies, determine the gap between actual and targeted performance and determine organization effectiveness and operational efficiency. Various authors like Matthews, Smit, Keeble *et al.* and various institutions' guidelines like Global Reporting Initiative (GRI), Impact Review and Investment Standards (IRIS), Sustainability Accounting Standards Board (SASB), Carbon Disclosure Project (CDP), ISO 14000, 26000, AA1000 Standards etc. identified key sustainable development issues in consultation with internal and external stakeholder's indicators that collectively assessed a business relating to economic, social and environmental impacts.

3. Objective of the Study

The main objective is to measure economic, social as well as environmental performance towards sustainable development of social financing institutions with most relevant KPIs.

4. Data and Methodology

We have selected a social financial Institution name Vancouver City Savings Credit Union (Vancity). Relevant data for the evaluation of economic, social and environmental contribution collected from various report presented in the company's website. We have collected the relevant data from the year 2010 to 2014 i.e. for five years. We have analyzed data by applying simple mathematical formula like Ratio, Percentage, Average and Compound Annual Growth.

5. Analysis and Interpretation

Table 1: Showing the Economic Performance during the Study Period

KPIS	Unit of Measurement	2010	2011	2012	2013	2014	Average	Compound Annual Growth
Economic Value Generated	\$	417	425.2	444.7	422.1	428.8	427.56	0.64
Total economic value distributed	\$	330.8	334.5	387.7	364.1	374.2	358.26	1.13
Total economic value distributed as percentage of economic value generated	%	79.3	78.7	87.2	86.3	87.3	83.74	0.51

From the Table 1 we can see that the both compound annual growth of economic value generated and distributed of the Vancity were positive (i.e. 0.64 and 1.13 respectively)

during the study period. That means economic performance of the company was well during our study period.

Table 2: Showing the Social Performance during the Study Period

KPIS	Unit of Measurement	2010	2011	2012	2013	2014	Average	Compound Annual Growth
Salary and employee benefits	Million \$	163.80	166.79	186.00	189.14	199.97	181.14	0.04
Member satisfaction with service	%	75.00	78.00	80.00	81.00	81.00	79.00	0.02
Employee Turnover Rate	%	6	6	5	5	7	5.80	0.03
Absenteeism rate	%	7	8	8	9	9	8.20	0.05

From the above Table 2 we can see that there was an increase rate of Salary and employee benefits during our study period. The member satisfaction with service rate was also upward and stable during the study period. The employee turnover rate and were stable more or less during

the study period. That absenteeism rate was increased during the study period. It may indicate that the health condition may not be improved due to increase absenteeism rate. The overall social performance of the company was positive during the study period.

Table 3: Showing the Environmental Performance during the Study Period

KPIS	Unit of Measurement	2010	2011	2012	2013	2014
Greenhouse gas (GHG) emissions	t	4783	4931	5091	4549	4480
Target	t	<=5000	<=5000	<=5000	<=5000	<=5000
Percentage of total materials recycled	%	79	75	82	83	82
Target	%	75	75	78	80	80

From Table 3 we can see that the company was able to manage the GHG emission within the said target. The company was also recycled the used material above the target level during the aforesaid study period. It implies that the environmental performance of the Vancity was satisfactory during the study period.

6. Conclusion

From the above results we can see that Vancity is creating positive economic, social and environmental benefits, except very few areas, during the study period. As sustainability deal with issues related to three distinct

spheres: social, environmental and economic; we can say that Vancity has been contributing a great portion for sustainable development during our study period.

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