



XBRL Tracks the Double Bottom Line

Socially responsible example shows standardized format is useful for more than regulatory reporting

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Summary

Most people who have heard of eXtensible Business Reporting Language (XBRL) associate it with regulatory submissions. While in the United States public companies have the option of filing XBRL-tagged results with the Securities and Exchange Commission (SEC), it is used more intensively elsewhere. For example, it is mandatory for companies listed on the Shanghai Stock Exchange (among others), and banks now routinely use XBRL to file financial reports with the Bank of Japan and the U.S. Federal Deposit Insurance Corporation (FDIC), among many others. XBRL has the potential to be even more useful than this, particularly since the “extensible” aspect of it means that any organization can create its own taxonomy to collect any kind of information. One organization that is pulling in both standard accounting information and other performance metrics is the Microfinance Information Exchange (MIX). Its example demonstrates the power of XBRL to facilitate the collection of both financial and nonfinancial data that is used to track and assess organizational performance. It’s time for organizations to realize that XBRL is not just about statutory accounting.

View

Microfinance is the practice of providing financial services (credit, insurance and banking facilities) in very small amounts to poorer people, usually in developing countries. In particular, it involves loaning small amounts to entrepreneurs who have no access to credit so they can establish, operate or expand a business. Aspects of microfinance go back centuries, but this specific practice has gained increasing attention over the past decade as an alternative to large-scale development programs. As funding by microfinance lenders has increased, so has interest in information about their lending activities and their impact.

MIX is a nonprofit organization created to increase the financial transparency and therefore accountability of microfinance organizations. MIX Market is its Web-based information platform, which collects information from more than 1,000 such institutions, including their financial data, audited results and data relating to their social impact (such as the percentage of women borrowers). Microfinance institutions that join make information about their activities public and can compare their performance with that of similar organizations. Since MIX is a widely referenced resource, it must strive to be sure the information is as clean as possible. The IT challenge for MIX was to efficiently collect and manage data from an increasing number of institutions in a way that would make it easy for these institutions (usually located in environments whose IT resources, including Internet connectivity, are limited) to provide this information. Because of its “double bottom line” approach (incorporating nonfinancial and social impact measures as well as the traditional financial approach), MIX has to collect and aggregate a wide set of data. Moreover, MIX needed to blend new information with the considerable store of information it had already collected and to establish systems that would enable it to easily extend and expand the data it collects from institutions as requirements evolve. XBRL is well-suited to this task.

Since a microfinance institution may have sporadic and slow access to the Web, using spreadsheets with XBRL tags turned out to be the best approach for them to communicate with MIX. Spreadsheets, for all their shortcomings, are universally used and an easy extension of the systems and methods these institutions are already using. XBRL makes it possible to maintain accuracy of data pulled from spreadsheets into MIX’s systems. It does not matter how the filing institution decides to structure its spreadsheet – say, whether it adds rows or columns – since each piece of data is tagged and therefore always “knows,” for example, that it is the “total assets” figure for year-end 2006. Since MIX uses a microfinance-specific version of the International Financial Reporting System (IFRS) taxonomy, the accounting data adheres to a broadly supported standard. Because XBRL is extensible, it enables MIX to add its own taxonomy for social reporting metrics. Extensibility facilitates the evolution of the information MIX collects and allows it to make apples-to-apples comparisons over time.

MIX is in the final stages of system development and will open its XBRL-enabled system to participating institutions soon. While MIX does not plan initially to use the data validation capabilities of XBRL to a significant degree, that is another feature of the technology that can simplify managing data submissions from a large number of unevenly trained sources.

Assessment

XBRL has the capability to help organizations manage data collection from many disparate sources easily and over a long period of time. It can be tailored to the requirements of a specific entity (as in the social reporting requirements for MIX) yet still conform to broader standards (such as IFRS or U.S. GAAP for accounting data). It gives the organizing entity considerable leeway to lighten the burden on those supplying the information by making it easier for them to store, analyze and report on this data. The taxonomy used to organize and manage the data definitions and structures for the specific entity can (and should) be set up to handle an orderly evolution of the information that an entity like MIX will need. MIX is an early example of how organizations other than financial regulators will use XBRL successfully to manage the exchange of data among multiple entities (corporations, nonprofits, nongovernmental organizations and others). This is especially true because XBRL allows the data collection process to have low overhead and take a "lowest common denominator" approach. For these reasons, Ventana Research expects adoption of XBRL for nonregulatory purposes to increase significantly over the next five years.

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