

SPTF Social Investor Working Group

June 9, 2022

2021-2022 Microfinance Index (Presentation by Sasha Dichter and Devin Olmack at 60 Decibels)

- **The world's first microfinance social performance report grounded in customer voice**
 - Looked at 41 countries across the globe and 72 microfinance organizations
 - 17% Latin America
 - 2% Middle East and North Africa
 - 47% Sub-Saharan Africa
 - 35% Asia
 - 25 million clients are served by the microfinance institutions included in this index
 - 17,965 MFI clients around the world participated in this index
 - There were 37 survey questions
- **5 Impact Themes**
 - *Access* (i.e, clients accessing a loan for the first time)
 - *Business Impact* (i.e., Increased business income or number of paid employees)
 - *Household Impact* (i.e., Improved quality of life, home improvements)
 - *Financial Management* (i.e., Improved ability to manage finances and stress levels)
 - *Resilience* (i.e., Increased savings, never need to reduce food consumption to make repayments)
- **Top Performers amongst MFIs**
 - MFIs in Sub-Saharan Africa topped the list
 - 4 LatAm MFIs in the top 20; 2 in Asia
 - Wide range of performance (e.g., MFIs from LatAm in sports 9 and 66)
- **Top 20 Performers**
 1. BRAC Liberia Microfinance Company Limited
 2. LAPO Sierra Leone
 3. ECLOF Kenya
 4. Advans Cote d'Ivoire
 5. Accion Microfinance Bank
 6. Advans Nigeria
 7. BRAC Tanzania Finance Limited
 8. Juhudi Kilimo
 9. ACEP Burkina Faso
 10. Grooming People for Better Livelihood Centre
 11. Pro Mujer Nicaragua
 12. Letshego Uganda
 13. Nyèsigiso
 14. Financiera Fama
 15. MFI 15
 16. Friendship Bridge
 17. COOPASPIRE
 18. Annapurna
 19. BRAC Microfinance (Sierra Leone) Limited
 20. MFI 20
- **Range of Performance**
 - Very broad range for all indicators
 - Somewhat smaller for Access, largest for Business Impact
 - Business Impact and Household Impact have the lowest total scores
- **Main Takeaways**
 - *Access*
 - Microfinance is doing a good job of reaching people without access to financial services
 - Group lenders are more likely to reach lower-income clients. This was on the biggest findings from the index.
 - *Business Impact*
 - 74% used loan for a business purpose. About 1 in 4 say business income has 'very

- Testing our respective impact models
 - Better understand the socio-economic effects of an MFI on its final beneficiaries and assess whether the effects of SEF activities contribute to the reduction of gender inequalities
 - Disseminate the results within our respective networks of partners
 - For SEF:
 - Determine whether their financial services offer has contributed to the improvement of the economic and social situation of their clients
 - Identify areas of improvement for its operational work
 - Value client data collected through the PPI tool
- **Is SEF's intervention successful in producing positive social and economic impacts and outcomes?**
 - Socio-economic impacts
 - **EQ1:** To what extent did SEF services bring changes in the socio-economic situation of their clients?
 - Psychosocial impacts
 - **EQ2:** To what extent did SEF services bring changes in the psychosocial situation of their clients?
 - Gender impacts
 - **EQ3:** To what extent did SEF intervention bring changes in gender equality for their clients?
 - Differentiated impacts
 - **EQ4:** To what extent differentiated effects of SEF intervention can be perceived according to their client profile?
- **Timeline for Study**
 - Desk Phase (Quantitative): Analysis of existing data (November 2020 to March 2021)
 - Qualitative scoping (Qualitative): co-design of quantitative data collection (March 2021 to September 2021)
 - Data analysis (Quantitative): Refined findings and assumptions (September 2021 to October 2021)
 - Qualitative triangulation (Qualitative): Cross-checking of findings and conclusions (October 2021 to December 2021)
- **Results**
 - SEF loans are not only used for business
 - Business uses are declared by 87.8% of clients, of which 71% declare buying stocks
 - Personal uses are declared by 56.4% of clients, of which 37% invest in their house
 - More optimism and self-confidence
 - Despite COVID, 85% of clients are optimistic about their business activity
 - 94% of clients feel more strong and self-confident
 - 90% of clients feel more able to cope with the future
 - Changes in the household
 - Clients keep their involvement with SEF a secret from their household members and notably from their husbands
 - Increase in women's 'bargaining power' in the household
 - Possible, yet undocumented, unintended negative effects of the intervention in terms of intimate partner violence
- **Questions**
 - How can we use these two reports and the data as investors to make better decisions?
What would practical implementation look like?
 - **Edouard Sers (Grameen Crédit Agricole):** One of the main takeaways from the SEF study is that loans were not only used for business purposes but also for consumption, particularly improving houses. For the women of SEF to equip the house and provide goods to their families was something that the clients really valued. We also saw that there are some potential negative consequences of microcredits (i.e., potential violence within households when the husband does not agree that a woman should get a loan). We know it's an issue that exists and we want to further study this topic. Now, we have some themes to dig deeper into.
 - **Devin Olmack (60db):** The MFIs that participated in our study first received just the

results from their individual clients and then a second report providing benchmarks to show how their results compared to other MFIs. The MFIs tend to focus on the indicators poorly and pay less attention to the ones where they are doing better.

- **Lucia Spaggiari (MFR):** We conducted a recent impact assessment and one of the MFIs mentioned the use of the results, both in terms of improving the impact management system and also planned to improve the loan product use, specifically for women due to some of the results of the study. I agree it does seem early days, but I think these studies trigger ideas for areas to dig deeper and research more on some of the results that are early surprising or potentially risky. Another conclusion would be as an industry, how can communicate better and set expectations along the value chain? It is interesting to see all these results to finetune what is it that our industry achieves and what does it not have a significant impact on.
- For 60 decibels, I wanted to know if you already had new ideas about what you would cover in the next index.
 - **Sasha Dichter (60db):** The short answer is yes, we are working to identify topics and themes that we could include more. We would really love input as well. We had to limit the amount of survey questions, so I think segmentation by gender is one of the most prevalent gaps, but there are other themes as well that we would love to explore.
 - **Devin Olmack (60db):** For one impact evaluation, we did segmentation by age, and there were differences specifically in the resilience and business categories. People 35 and under were considered youth, and 36 and older was considered adult.
- **Closing Remarks**
 - **Frank Streppel (Triodos Investment Management):** The continuing war in Ukraine has obviously created a lot of anxiety in our sector both in Ukraine and in surrounding countries. We see the impact in commodity prices and inflation, and the impact is not limited just to Europe. We also see in Africa due to dependencies on trade with Russia and Ukraine. We have a monthly MIV call to discuss this with our clients. We experienced similar crises during COVID times and in Myanmar. There is an MFC conference later this month in Istanbul. I think it is important that we find better ways to demonstrate transparency and confidence.
- **Next Steps and timeline for client protection pathway**
 - Our next call is scheduled for the 14th of July, which is a holiday in France, so we might change this to the 13th of July. If any investors have additional feedback on indicators after today's discussion, please email [Jurgen Hammer](mailto:Jurgen.Hammer@spmf.org) .