

Understanding Impact Performance:

Financial Inclusion Investments

PRODUCED WITH THE SUPPORT OF



Acknowledgments

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Advisors and Participants

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Reviewers

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About the Global Impact Investing Network (GIIN)

The Global Impact Investing Network (GIIN) is the global champion of impact investing, dedicated to increasing the scale and effectiveness of impact investing around the world. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry. For more information, see www.thegiin.org.

Letter from the Research Director

Dear Reader,

Kofi Annan, former Secretary-General to the United Nations and Nobel Peace Laureate, once remarked: “The world is not ours to keep. We hold it in trust for future generations.”

In the year since we released our first-ever Impact Performance Studies, the world has changed profoundly. Global inequalities have grown because of the uneven ways the pandemic affects the poor, the racially marginalized, and the systemically excluded. The climate emergency is also laid bare in glaring new ways.

Amidst all this change, the tremendous need for the positive social and environment impacts generated by impact investing has grown drastically more pressing.

For impact investors, the challenge begins with allocating capital where it is most needed. To do that, they need a way to compare their impacts. With such comparisons, they could more effectively manage toward solving for the problem they seek to address.

That is why the GIIN is so keenly focused on ‘raising the bar’ on the real results of impact investing. And it is why this rigorous examination of impact performance is even more critical now than it was one year ago.

The nearly 800 annualized impact investments in the financial inclusion sector included in this study demonstrate noteworthy evidence of real-world impacts. These investments have increased spending on basic services, accelerated business expansion, and improved clients’ financial resilience. These are the types of robust impacts our industry can generate when it focuses on outcomes with rigor and discipline.

We believe that a clear focus on impact performance is central to safeguarding the integrity of impact investing in our changing world.

Over the longer term, we are convinced that this new round of research also drives toward other vital industry goals. Building upon a foundation of increasingly standardized impact performance metrics — such as those in the GIIN’s IRIS+ system — these studies pilot a new analytic methodology aimed at helping impact investors allocate and manage capital more effectively.

In time, this standardized methodology moves us closer to the ratings, benchmarks, and other critical resources that will drive industry progress. Such resources will encourage a virtuous cycle of better and better impact investing results, as investors work to demonstrate their impact relative to peers and to the scale of the world’s problems. And they will raise our collective expectations for all types of investing.

Ultimately, the GIIN envisions a world in which every investment decision considers impact performance right alongside financial performance. Such an approach enables all of us to invest in a way that best benefits the world that has been entrusted to us for the prosperity of all future generations — and this *Understanding Impact Performance: Financial Inclusion Investments* study moves us substantially closer toward that ideal.



GIIN Hand

Dean Hand

Director of Research, Global Impact Investing Network

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Executive summary

Ultimately, this research effort aims to drive incremental progress toward impact benchmarks, ratings, and other tools for analyzing and managing performance that are needed to further develop the impact investing industry.

As the impact investing industry continues to mature, it seeks to welcome new players while deepening its effectiveness. To enable responsible industry growth, support healthy competition, and optimize impact performance, investors increasingly demand tools and resources to enable the comparison of impact results.¹ Yet some 84% of investor organizations cannot compare impact results with market performance. This resource gap inhibits investors' ability to efficiently deploy capital to high-impact opportunities, identify areas of under- and out-performance in terms of impact, manage investments according to their level of impact performance, and communicate effectively when raising capital or engaging with a broad range of stakeholders.

This study seeks to reduce that information gap, building upon the GIIN's pilot *Impact Performance Studies* released in October 2019 and the IRIS+ system for impact measurement and management. The GIIN Research Team has sought to analyze impact results achieved in financial inclusion while also documenting the research process and lessons learned along the way. Ultimately, this research effort aims to drive incremental progress toward impact benchmarks, ratings, and other tools for analyzing and managing performance that are needed to further develop the impact investing industry.

Impact results among financial inclusion investments

In total, 46 investors reported the impact results of 798 direct, annualized financial inclusion investments made in 85 countries, reflecting performance between 2009 and 2019. This sample of impact investments is associated with material progress in at least four crucial areas:

1. **Decreased reliance on solely informal networks:** During a 12-month period, investments enabled, on average, first-time access to formal financial services for 136,674 individuals; all investees financed by these investments analyzed repayment capacity before providing a loan.
2. **Increased spending on basic services:** On average, a single investee disbursed more than 180,994 loans over a one-year period, most of which reached individuals in rural areas or women. Most of these loans were for personal and emergency spending, followed by spending on education.
3. **Accelerated business expansion:** During a 12-month period, an investee served 372,679 micro, small, and medium enterprises (MSMEs) on average and disbursed 190,737 loans to those MSMEs; these figures represent an average of 4.84% of the total number of credit-constrained MSMEs in the countries of investee operations, covering 0.58% of those countries' estimated MSME financing gaps.

4. **Improved financial resilience:** Investees reported an average of 721,864 active clients during a one-year period, reflecting both uptake and use of a range of responsible financial services geared toward improving clients' ability to manage financial shocks over the longer term.

Feasibility of data collection and analysis

Impact investors' ability to contribute data to this study suggests a growing commitment to transparency around impact results and a heightened appetite for impact performance analyses and insights. Further, impact investors demonstrate increasing cohesion around standardized sets of metrics, such as the IRIS+ Core Metrics Sets, as well as standardized methods for collecting, calculating, and reporting performance aligned with these metrics. Consistency in these areas is critical to enabling comparison of results. Yet gaps persist, particularly with regard to analyzing outcomes associated with impact investments based on directly reported outcomes or extrapolated from outputs. This study also represents progress in the sophistication and rigor of the analytic methodology used to assess, compare, and present impact results. The current approach seeks to account for the unique contexts in which investees operate while elevating evidence-backed insights about specific, often interrelated outcomes. Further research will continue to deepen the rigor of this methodology and to broaden its uptake and application in performance analysis.

As impact performance insights grow in depth and volume, so too will investors' ability to leverage those insights to shape their investment strategy, set informed performance targets, screen investments based on their potential impact, manage impact investments with respect to peers' performance, and determine appropriate exit timing, among other crucial decisions. In doing so, investors will be better positioned to achieve their own impact goals, while simultaneously enhancing the industry's ability to move the needle on addressing social and environmental challenges.

This study represents progress in the sophistication and rigor of the analytic methodology used to assess, compare, and present impact results.

List of acronyms

EIR	Effective Interest Rate
FSP	Financial Services Provider
MFI	Microfinance Institution
MSME	Micro, Small, and Medium Enterprise
NBFI	Non-banking Financial Institution
SDG	Sustainable Development Goal
SME	Small and Medium Enterprise



PHOTO CREDIT: IMPACT INVESTMENT EXCHANGE (IX)

Financial inclusion: Democratizing access to opportunity

The financial inclusion sector enables socioeconomic development by empowering people to capture opportunities and build resilience.² With its multifaceted nature, financial inclusion is widely regarded as a driver of eight of the 17 UN Sustainable Development Goals (SDGs).

Globally, 72% of men and 65% of women have accounts with either financial institutions or mobile-money providers, an increase of seven percentage points since 2014.³ Yet some 1.7 billion adults still lack access to basic financial services, including secure ways to save money, access credit and therefore build credit histories, conduct money transfers, and access viable insurance products.⁴ Without access to the formal banking system, many individuals instead rely on alternative, often costly, financial services. According to the World Bank's 2017 *Finindex Database* report, over half of individuals in emerging markets borrowed through informal networks.⁵

In recent years, however, digitization and innovation have accelerated the delivery of financial services to the world's unbanked. Credit access has been associated with increased investment in personal, familial, and business needs and correspondingly greater ability to create and capture value from that spending. Mobile platforms have fueled increased access to financial services, including credit, particularly in emerging markets such as sub-Saharan Africa, where 21% of adults have a mobile-money account.⁶ Broadly, digitization and innovation have accelerated the delivery of financial services to the world's unbanked.⁷

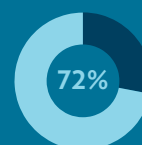
The rapid and often uneven growth in credit access has been associated with a rise in over-indebtedness in key markets where the incidence of multiple borrowing remains high.⁸ At the same time, with the launch of more fintech services, the financial services industry has seen increasing challenges related to data ubiquity, ethical data ownership, data security, and data privacy.⁹

Savings and insurance products are strongly associated with improved resiliency in the face of financial shocks. In low- and middle-income countries, however, less than half the population has active bank accounts.¹⁰ Fewer still have access to insurance; an estimated 3.8 billion low-income individuals are uninsured in emerging markets alone.¹¹ Without key types of insurance coverage, people face higher healthcare costs and a greater probability of morbidity (health insurance),¹² existential threats from natural disasters (crop insurance),¹³ and the multi-generational risk of debt following a family death (life insurance).¹⁴

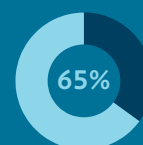
The financial inclusion sector requires further impact investment — and the growth and impact intentionality that accompany it — to fully democratize access to finance. Impact investors can support a broad range of investment opportunities that seek to expand access to ethical and responsible financial services.

1.7 billion
adults lack access to basic
financial services

Globally...



of men



of women

have accounts
with financial institutions or
mobile-money providers

1 billion
mobile money accounts
registered globally

More
than half
of adults in emerging
markets borrow from
informal networks

3.8 billion
individuals in emerging
markets remain uninsured

Study motivations

Since the GIIN published its first Impact Performance Studies in October 2019,¹⁵ investors have increasingly demanded comparability of impact performance.

Nearly universally, investors responding to the *2020 Annual Impact Investor Survey* perceive that the sophistication of impact measurement and management (IMM) has progressed over the last decade (98% citing as ‘significant’ or ‘some’ progress).¹⁶ Further, 88% of respondents indicate that, compared to when they first started investing, their organizations’ rigor of IMM practice has increased. Nevertheless, impact investors believe significant opportunity remains for further refinement of industry IMM practice, with the most commonly identified challenge for investor organizations the inability to compare impact results with market performance (84%).

The ability to compare results is a key component of accountability for investors. Lack of accountability for impact specifically gives rise to impact washing, a practice that hampers the impact investing industry’s integrity. Two-thirds of impact investors see impact washing as one of the most crucial challenges facing the market in its next phase of development.¹⁷ Impact benchmarks are the most common resource investors seek to strengthen the credibility of their IMM practice (92% citing as ‘very’ or ‘somewhat’ important); these benchmarks themselves rely on the availability of standardized, analyzed, and comparable impact performance information.¹⁸

The GIIN aspires to see a world in which social and environmental factors are routinely integrated into investment decisions by default.

The GIIN aspires to see a world in which social and environmental factors are routinely integrated into investment decisions by default. Tools and services to support the integration of impact into investors’ routine analysis, allocation, and deal-making activities are one of the six categories of action identified in the GIIN’s *Roadmap for the Future of Impact Investing* as key to achieving this vision.¹⁹ If impact performance is to be taken as seriously as financial performance when informing decision-making throughout the investment cycle to achieve optimal capital allocation, investors need reliable information about impact results and analytics to enable comparison. The *Roadmap* noted that the essential services provided by investment banks, ratings agencies, and data providers must be expanded to incorporate impact considerations and accommodate the needs of the full spectrum of impact investors. Specifically, analysis and allocation tools must be built that integrate all three key elements of performance: risk, return, and impact.

The pilot Impact Performance Study confirmed that it is feasible to aggregate and compare impact results associated with investor activity. This second study, building on the pilot, is motivated by several additional goals:

- to deepen the methodological model that enables comparison of impact performance;
- to consider what social and/or environmental results are associated with impact investors' activities in financial inclusion; and
- to foster a stronger practice among investors to share and use impact performance data.

The reports address all three goals. In addressing these questions, the impact investing industry gains greater insight into comparable impact results. In doing so, investors are better able to use impact performance information, alongside risk and return information, to inform key decisions throughout the investment cycle: in setting impact strategy, in screening and due diligence in pursuit of impact, in managing the investment toward a desired impact outcome, and when exiting the investment at a timely point of impact maturity.

In doing so, investors are better able to use impact performance information, alongside risk and return information, to inform key decisions throughout the investment cycle.

Report methodology

Study respondents submitted investment-level, annualized impact performance data for select investments using the GIIN's definition of impact investments.

Sample scope

Organizations participating in this study have made impact investments in the financial inclusion sector, which has a relatively long track record of impact investing activity and therefore great potential for a high volume of standardized and comparable impact performance information. Study respondents submitted investment-level, annualized impact performance data for select investments using the GIIN's definition of impact investments: investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. The sample included only investments made directly into companies, projects, or real assets in order to avoid potentially double-counting results or conflating investment- and fund-level performance.

Research process

This study was produced through iteration with study participants and advisors, including sector experts, impact evaluators, and academics. A full list of study participants and advisors can be found in Appendix 1. These organizations offered input throughout the research process, as detailed below.

Questionnaire design: To determine which metrics to include in the questionnaire, the Research Team held a series of one-on-one and group discussions to understand the range and overlap of impact objectives in the financial inclusion sector. Through these calls, the team sought to understand how impact is created in the financial inclusion sector, investors' theories of change, which metrics investors track, and ways in which impact results should be segmented during analysis. The team constructed a short list of commonly tracked metrics in the financial inclusion sector based on the IRIS+ Core Metrics Sets, publicly available impact reports pertaining to investments in the sector, and third-party impact measurement resources, such as those published by CERISE, the Consultative Group to Assist the Poor (CGAP), the Microfinance Information Exchange (MIX), and the Social Performance Task Force (SPTF). The draft questionnaire was then shared with impact investors and study advisors for feedback and subsequently further refined.

Data collection: The questionnaire was circulated among impact investors with known activity in the financial inclusion sector in January 2020. Respondents shared their completed responses with the Research Team over a three-month period; these responses are therefore self-reported. The Research Team then reviewed submissions with respondents to clarify any inconsistencies and to capture the context in which each investment was made.

Analysis and drafting: The Research Team designed its analytic approach based on a series of impact pathways. Prior to analysis, the Team tested the proposed approach with investors and study advisors. In analyzing reported data, the Team integrated various investment- and investee-level contextual factors to shed light on both outputs and short-term outcomes associated with sample investments. In some cases, large outliers or responses for which data could not be clarified were excluded from analysis in order to better represent the overall sample. Where relevant, the team tested key assumptions with study participants and advisors, all of which are documented throughout the quantitative analysis sections of this report. Throughout the data collection period, the Research Team additionally sought input and insight from study participants about the feasibility of data collection and reporting, possible use cases of impact performance information, and strategies to understand investor contribution. The Team then synthesized insights on each of these topics, as presented in the “Lessons learned” chapter beginning on page 51.

Upon conducting analysis, the Research Team drafted this report of synthesized findings. Sections of the report were then shared with a subset of study participants and advisors for review to ensure that findings are appropriately and responsibly interpreted.

Analytics

Over the course of this study, the Research Team identified three core, interrelated components of analysis needed to understand investment-level impact results.

1. **Normalization of results** ensures comparability, specifically by exploring the relationship between the size of an outstanding investment in a given reporting year and enterprise value in that same year. Notably, this feature of analysis remains aspirational; data on enterprise value were not collected alongside impact data for this study. Instead, stakeholders identified this as a critical component to analysis later in the research process. Future installments will explore normalized results in depth; this paper focuses on investee-level results associated with investments in the sample.
2. **Assessment of short-term outcomes** leverages data on outputs to better understand outcomes, or changes associated with a given investment among its stakeholders, building upon an evidence base that links Theories of Change to a given outcome or set of outcomes. In addition to capturing the value of outputs themselves, this approach enables investors to derive insights about later-stage effects or deeper impact resulting from an investee’s products, services, or operational model. To conduct this analysis, the team leveraged the IRIS+ Core Metrics Sets and associated evidence base, which comprises academic and field research.
3. **Findings are then disaggregated and clustered** to enable results to be appropriately interpreted and contextualized. Specifically, the Research Team disaggregated results by contextual factors related to both investment (such as timing, terms, and investor engagement) and investees (such as the nature and severity of the social or environmental need being addressed). Incorporating context in this way illustrates how impact results vary under different circumstances, providing a more accurate assessment of impact performance among various segments.

In addition to capturing the value of outputs themselves, this approach enables investors to derive insights about later-stage effects or deeper impact resulting from an investee’s products, services, or operational model.

Study caveats

Building upon the first installments of the GIIN's impact performance studies,²⁰ this study sought to address a critical knowledge gap facing the impact investing industry — insight into comparable impact results — and as such fits within a broader learning process on impact performance. As with any research, findings should be interpreted in light of certain limitations.

Self-selection Bias: Participation in this study was optional. Therefore, as with all performance research, those with poor-performing investments may have been less likely to participate. Respondents may also be more likely to submit data for select, high-performing investments. However, this risk remains relatively low in a study for which all analysis is aggregated and anonymized.

Small dataset: Investors have widely varying portfolio sizes. If one investor had far more investments in financial inclusion to report than another, their results would wield disproportionate influence on aggregate results, potentially skewing findings. Throughout the report, results are reported both including and excluding outliers to offer greater transparency and insight into both aggregate and typical performance. Furthermore, a relatively small sample size restricts the ability to test for statistical significance or further segment findings. Future updates will seek to expand upon this dataset.

Remaining gaps in data: Respondents were asked to submit data for as many metrics as they could. Naturally, not all metrics are relevant to all strategies within a given sector. Furthermore, additional data collection or reporting constraints, such as confidentiality constraints, lack of data quality, or simply lack of prior data collection in a given area, may prohibit respondents from disclosing certain data. As a result, the dataset underpinning this study includes various gaps and differing sample sizes by metric, as noted throughout the report.

Sample overview

Investor organization background

ORGANIZATIONAL CHARACTERISTICS

For this study, 46 investor organizations shared impact performance results regarding 491 unique investments made by 54 investment funds or vehicles.* Some investors provided multiple years of data for some investments, which resulted in 798 total observations — annualized investments — across multiple years.

Most investors included in the sample are based in developed markets (70%; 30% in emerging markets), and most organizations headquartered in developed markets are in the United States (53%). Those headquartered in emerging markets are primarily based in India (29%). Data on impact investing assets under management (AUM) were available for 36 organizations;† collectively, these organizations manage USD 33.7 billion in impact AUM. On average, an investor manages USD 939 million and at the median, this figure is USD 113 million. Naturally, organization size varied widely, and the five largest organizations accounted for 80% of total AUM.

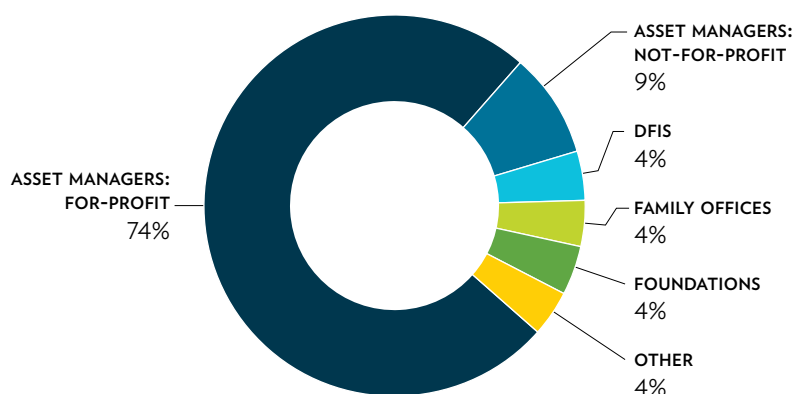
A majority of investors in the sample were for-profit fund managers (74%), followed by not-for-profit fund managers (9%), development finance institutions (DFIs; 4%), family offices (4%), foundations (4%), and other types of organizations (4%; Figure 1).

* One institutional investor contributed data on 143 unique investments and 411 observations made by eight of its fund investees.

† These organizations previously contributed to the GIIN's 2020 Annual Impact Investor Survey, through which these data were collected.

FIGURE 1: Organization types represented in the sample

n = 46 investor organizations.



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

46

INVESTOR ORGANIZATIONS
That manage ...

54

INVESTMENT FUNDS / VEHICLES
... which have collectively made ...

491

UNIQUE INVESTMENTS
... and reported performance by the
same investments across multiple
years, resulting in ...

798

ANNUALIZED INVESTMENTS /
OBSERVATIONS

APPROACH TO IMPACT MEASUREMENT, MANAGEMENT, AND ACCOUNTABILITY

An overwhelming majority of investors assess possible negative impacts during investment screening or due diligence.

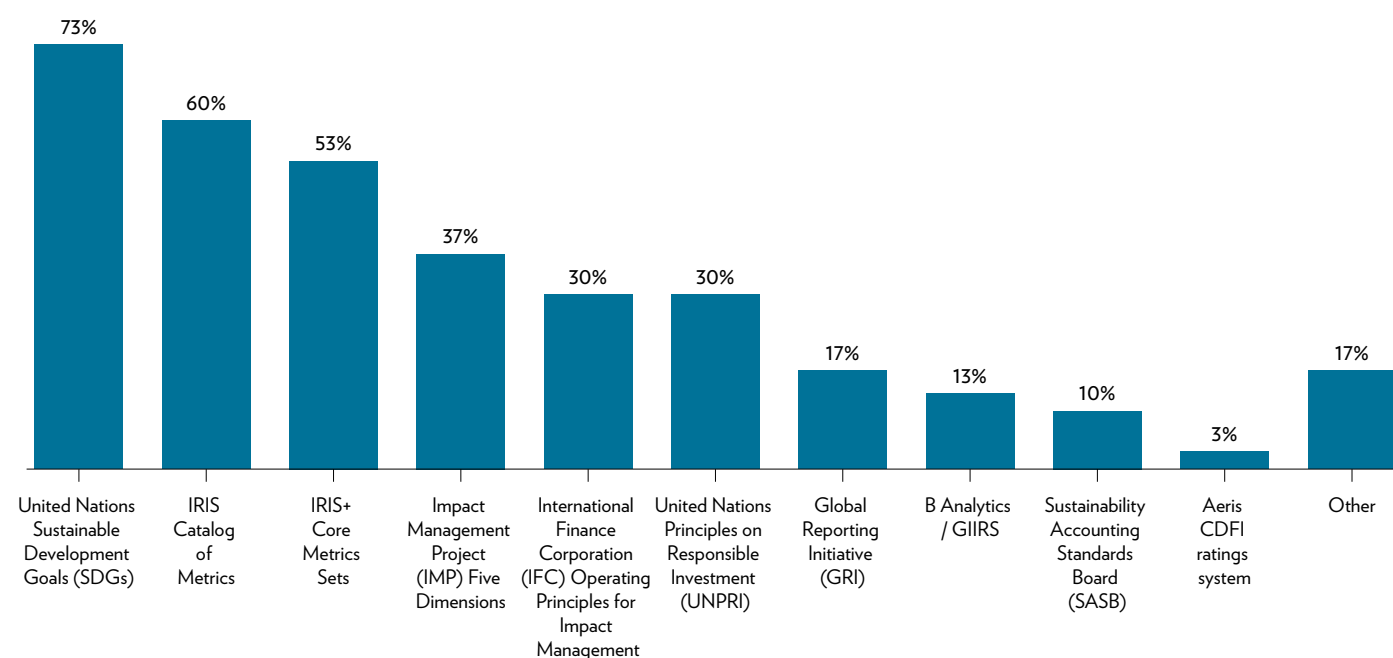
Impact investing is defined by investors' intention to achieve impact results through their investments and by their commitment to measuring and managing those results. In terms of setting impact targets, for at least some of their investments, 69% of participating impact investors in financial inclusion set quantitative targets, and 59% set qualitative targets.* Nineteen percent of investors set no impact targets but do measure their impact. In order to guide their general impact measurement and management (IMM) practice, including setting targets, measuring performance, and reporting, investors most commonly use the UN SDGs (73%), IRIS Catalog of Metrics (60%), and IRIS+ Metrics Sets (53%; Figure 2).† In addition, an overwhelming majority of investors assess possible negative impacts during investment screening or due diligence (88%). Most investors do not conduct external validation of their impact performance results (59%), though 16% use external auditors and 13% use rating systems or indices for auditing purposes.

* Insights presented in this section are based on data shared by 32 respondent organizations that also participated in the GIIN's **State of Impact Measurement and Management Practice**, 2nd edition report.

† IRIS is the catalog of performance metrics within the IRIS+ system for measuring, managing, and optimizing impact, managed by the GIIN. For more on IRIS+, see <https://iris.thegiin.org/>.

FIGURE 2: IMM tools and resources used by impact investors

n = 30 investor organizations; respondents could select multiple tools and frameworks.



Note: 'Other' tools and frameworks include CERISE SPI4, CGAP MIV Disclosure Guidelines, GOGLA, SMART Campaign Certifications, SPTF Universal Standards for Social Performance Management, fund-specific impact metrics, and internal performance management tools.

Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

Investment features

This sample includes 491 unique investments; some respondents reported annualized impact performance data for multiple years, resulting in 798 annualized observations. Investments were made between 1995 and 2019, with half made during or after 2015. Collectively, investments in this sample reported annualized impact performance results between 2009 and 2019, and half reported impact data for or after 2015.

Ninety-one percent of investments were made into emerging markets, with the remainder in developed markets. By region, 27% of investments were made in South Asia, followed by 23% in sub-Saharan Africa and 23% in Latin America and the Caribbean (Figure 3).

Investments in financial inclusion were made using a wide range of instruments. For the 375 investments that shared this information, 94% were made through either private debt or private equity. Excluding seven large outlier investments, the average deal size was USD 2.8 million for private debt investments and USD 2.6 million for private equity investments. Most investments were made into investees at the venture (41%) or growth stage (32%), followed by investees that are mature, private companies (12%) and those in the seed/start-up stage (11%). Just one percent of investments were made into mature, publicly traded companies.

Ninety-one percent of investments were made into emerging markets, with the remainder in developed markets.

FIGURE 3: Countries of investment

n = 491 investments; some investments operated in multiple countries.

PERCENT OF SAMPLE
INVESTMENTS BY COUNTRY

0.2% 24%

PERCENT OF SAMPLE
INVESTMENTS, BY REGION:

South Asia, 27%

Latin America & Caribbean, 23%

Sub-Saharan Africa, 23%

Southeast Asia, 9%

U.S. & Canada, 6%

Eastern Europe & Central Asia, 4%

Middle East & North Africa, 4%

East Asia, 2%

Western, Northern, & Southern Europe, 1%

Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

Nearly all investments in this sample (99%) involved some form of engagement with end-stakeholders, either directly by the investor or via the investee.

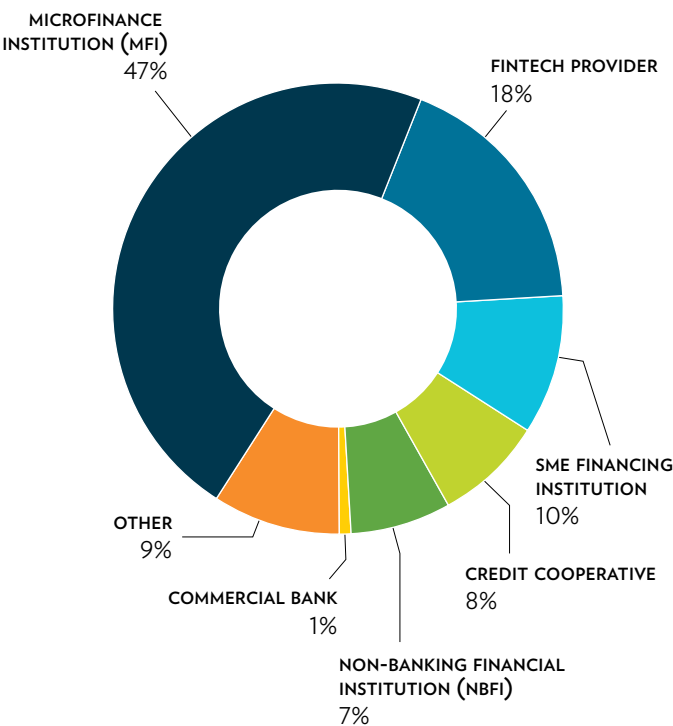
Most investments (63%) in this sample did not provide technical assistance (TA) or non-financial support. Among those that did, 43% funded such support through management fees and/or profits from investments, 31% received funding to offer such support from donors, such as government agencies, and 27% offered such support through whole or partial cost-share arrangements with the investee. In addition, nearly all investments in this sample (99%) involved some form of engagement with end-stakeholders, either directly by the investor or via the investee. In most cases, the investee — but not the investor — engaged with stakeholders (60%). For example, for nearly a third of investments, the investor and the investee worked together to reflect stakeholders’ perspectives in product offerings. For 23% of investments, the investor collected impact data from stakeholders via interviews and surveys.

Investee features

Impact investors invest in a wide range of financial service providers (FSPs) to enable financial inclusion. Nearly half of the investees in this sample are microfinance institutions (MFIs), while 18% are fintech providers and 10% are SME financing institutions (Figure 4). Investees in this sample provide a wide range of financial products and services, most commonly credit (Figure 5; 94% of investments); 56% of investees provide multiple, and often bundled, products and services.

FIGURE 4: Investee organization type

n = 384 investments.

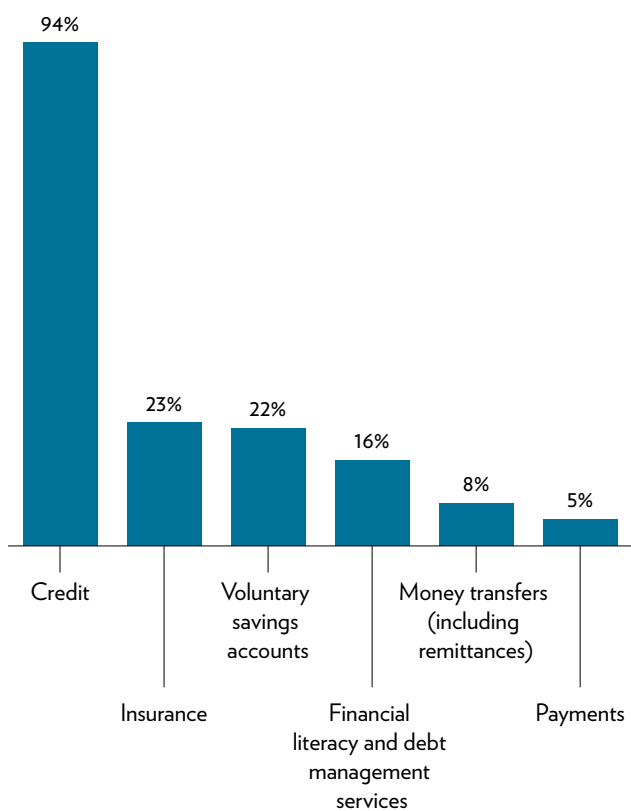


Note: ‘Other’ investees include small finance banks, social housing financiers, wholesale lenders, inventory financiers, land formalization agencies, NGOs, and local government departments.

Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

FIGURE 5: Products or services offered by investee

n = 314 investments; a single investment can provide multiple products.



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

Performance overview

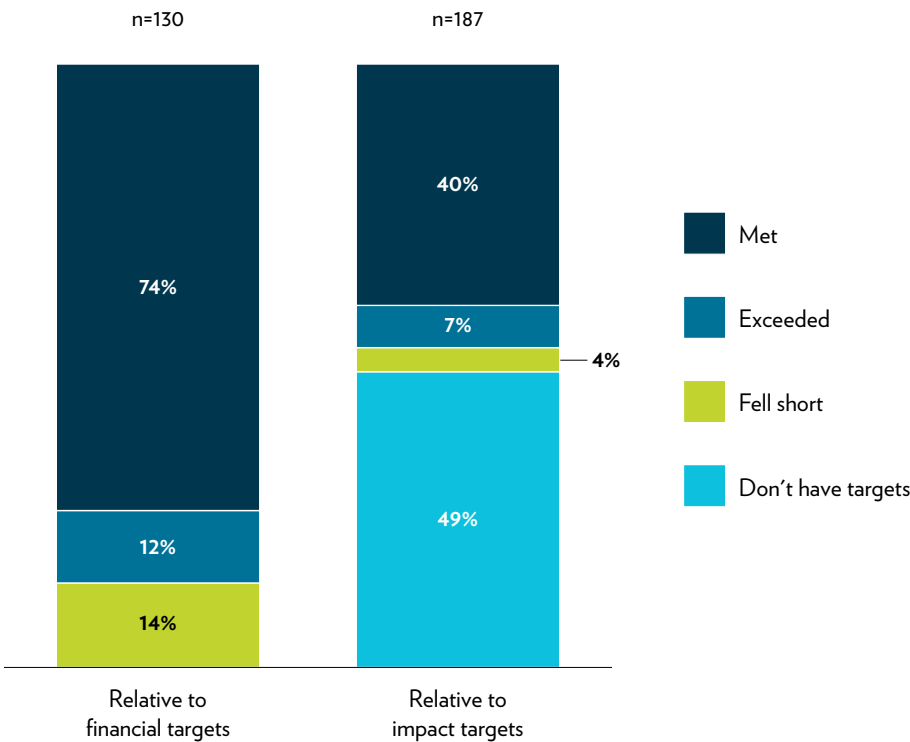
The clear majority of investments in financial inclusion targeted risk-adjusted, market-rate returns (95%), while 3% targeted below-market returns closer to market rate and just 2% targeted returns closer to capital preservation. The average annualized realized returns stood at 9% across the 132 investments for which returns data were available. Private equity investments realized 23% returns on average per year, compared to 6% for private debt investments. Average realized returns also varied by region; average realized returns were highest for investments made into South Asia (18% per annum), followed by those into Latin America and the Caribbean (14%) and sub-Saharan Africa (7%).

Impact investors in the sample also assessed their performance relative to their financial and impact expectations. Just under three-quarters of investments met their financial performance expectations (74%), while 14% fell short and 12% exceeded expectations (Figure 6). In terms of impact performance, 40% of investments met their expectations, 7% exceeded, and just 4% fell short. Notably, 49% of investments submitted to this study did not set impact performance targets.

Ninety-five percent of investments in financial inclusion targeted risk-adjusted, market-rate returns.

FIGURE 6: Investment performance relative to financial and impact targets

Number of investments shown above each bar.



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

SPOTLIGHT: BLUEORCHARD FINANCE

Impact measurement and management

BlueOrchard Finance is a global impact investment manager with 20 years of experience in emerging and frontier markets.

To systematically assess the impact of current and prospective investees, and to drive impact management decisions, BlueOrchard has developed and routinely updates its proprietary ESG and impact management framework^{*}. Part of this framework are the SPIRIT (Social Performance Impact Reporting and Intelligence Tool) ESG and Impact scorecards used to assess the ESG practices of an investee as well as the impact intent prior to each investment. The scorecards include key impact performance indicators mapped against the SDGs at both the individual company and overall fund level. BlueOrchard has aligned its framework to the IFC-led Operating Principles and the Impact Management Project's (IMP) five dimensions, as well as the SASB guidance on SDG materiality.

The SPIRIT ESG scorecard evaluates how a prospective investee acts to 'avoid harm' and 'benefit stakeholders' by assessing adherence to regulatory requirements, operational standards, and sound governance, among other factors. The underlying

questionnaire also analyzes the investee's engagement with the environment, its social objectives, and fair client and employee treatment; it is completed by investees on a regular basis and supplemented by external reports such as RepRisk[†]. The SPIRIT Impact scorecard, meanwhile, explores how investees 'contribute to solutions' by examining the potential impact of each investment according to the five IMP dimensions. The impact assessment also provides key performance indicators which are mapped against the SDGs, in compliance with the materiality guidance by SASB. In addition, the scorecard estimates the probability that the targeted positive impact will not be achieved by evaluating various impact risk factors, such as the probability that an external market event disrupts the achievement of the impact intent. BlueOrchard also leverages SPIRIT to develop engagement plans, which detail the processes to follow in cases where the investment and impact teams identify any potential gaps for improvement that could help achieve the impact targets of an investment or fund. Ultimately, by embedding the use of SPIRIT across its investment processes, BlueOrchard expects to generate more positive, lasting impact.



* Learn more about how BlueOrchard measures and manages impact [here](#).

† RepRisk is a research provider that leverages machine learning techniques to assess ESG risks. See more [here](#).

Introduction to impact results

The impact results associated with investments in this sample are presented through a series of four impact pathways based on annualized investment data and built around key outcomes in financial inclusion. This evidence-based, outcomes-driven approach seeks to assess impact in a standardized and comparable way, recognizing the critical role of context in shaping the interpretation of an investment's impact results, including outputs and outcomes.

An impact pathway is a sequence that connects outputs-level data to short-term outcome indicators, based on relevant sets of evidence and rigorous assumptions. The pathways are informed by: i) the IRIS+ Core Metrics Sets, ii) evidence-backed hypotheses and Theories of Change in financial inclusion, and iii) the volume and rigor of impact data shared by sample participants.

Each pathway analyzes various impact data that together indicate reasonable likelihood of an impact outcome. While some impact pathways included in this report use outcomes-level data directly (for example, decreased reliance on solely informal networks), others rely on sets of outputs (for example, type of loan provided) as proxies. Impact pathways are inherently linked. Assumptions and caveats are presented alongside each to enhance transparency and ensure appropriate interpretation of the pathway.

Throughout the section, the outcome indicator(s) for each impact pathway are contextualized within and analyzed across IMP and IRIS+ dimensions to understand HOW MUCH impact is created and to further contextualize that by demonstrating: WHAT impact is sought by those annualized investments that achieved the outcome, WHO is impacted by the outcome achieved, HOW the change was created, and the impact RISKS associated with investments creating impact. The final dimension, CONTRIBUTION, is explored in the “Lessons learned” section on page 52.

Data are also presented across various investment- and investee-level segments, such as investment instrument, nature of TA or non-financial support provided, and investee stage of business. To reflect on progress in addressing various complex problems, the impact associated with investments in this sample is assessed relative to the scale of the problem at hand in the countries in which investees operate.

This evidence-based, outcomes-driven approach seeks to assess impact in a standardized and comparable way, recognizing the critical role of context in shaping the interpretation of an investment's impact results, including outputs and outcomes.

List of metrics

Availability of data varied across metrics, as shown in Table 1. Since not all metrics are relevant for every investor's impact strategy, all questions were made optional.

TABLE 1: Number of annualized investment data points collected for each metric

n = 798 annualized investments made by 46 investors.

	METRIC	IRIS METRIC CITATION IRIS, 2020	NUMBER OF ANNUALIZED INVESTMENTS
WHO	Client Individuals: Provided New Access*	Client Individuals: Provided New Access (PI2822). V5.1	117
	Client Individuals: Female	Client Individuals: Female (PI8330). V5.1	342
	Client Individuals: Rural	Client Individuals: Rural (PI1190). V5.1.	245
	Client Organizations: SME	Client Organizations: SME (PI4940). v5.1.	202
	Client Individuals/Organizations: Active	Client Individuals/ Organizations: Active (PI9327). v5.1.	678
HOW	Total Assets (USD)	Total Assets (FP5293). v5.1.	214
	Stakeholder Engagement	Stakeholder Engagement (OI7914). v5.1.	331
	Product/Service Detailed Type	Product/Service Detailed Type (PD1516). v5.1.	339
	Client Protection Policy	Client Protection Policy (OI4753). v5.1.	259
	Operational Certifications	Operations Certifications (OI1120). v5.1.	170
	Repayment Capacity Analysis	Repayment Capacity Analysis (PI4733). v5.1.	263

Note: Other metrics tracked by investors in this sample include: percent of borrowers who are low-income, percent of women in investee's management team, percent of women-owned businesses funded, percent of minority-owned businesses funded, percent of veteran-owned businesses funded, number of immigrants financed, number of people moved out of poverty, number of smallholder clients (IRIS+ PI6372), increase in end-client's income, number of employees trained, investee's annual surplus growth and revenue, investee organization's turnover rate, greenhouse gas emissions of product (IRIS+ PD9427), number of loan officers, loan default rate, average loan tenor, number of transactions in savings account, and other product-specific metrics based on investee's offerings.

* New access is defined as first-time access to financial services. In a few cases, respondents submitted data on the total number of individuals provided access, rather than 'new' access.

TABLE 1, CONTINUED

	METRIC	IRIS METRIC CITATION IRIS, 2020	NUMBER OF ANNUALIZED INVESTMENTS
HOW MUCH: CREDIT	Type of Credit Product	---	432
	Number of Loans Disbursed	Number of Loans Disbursed (PI8381). v5.1.	235
	Average Loan Size Disbursed (USD)	Average Loan Size Disbursed (PI5160). v5.1.	490
	Effective Interest Rate (EIR; %)	Effective Interest Rate (PI7467). v5.1.	136
	Percentage of Loans Provided to Clients in Local Currency (%)	---	216
	Loan Approval Rate (%)	---	17
HOW MUCH: SAVINGS	Type of Savings Product	---	54
	Number of Voluntary Savings Accounts	Number of Voluntary Savings Accounts (PI6439). v5.1.	65
	Average Savings Account Balance (USD) [†]	---	12
HOW MUCH: INSURANCE	Type of Insurance Product	---	39
	Number of Insurance Policies	Number of Insurance Policies (PI8785). v5.1.	28
HOW MUCH: MONEY TRANSFERS AND PAYMENT SERVICES	Total Value of Remittances Transmitted (USD) [†]	---	4
	Total Number of Mobile Payments Facilitated [†]	---	3
	Average Size of Mobile Transactions (USD) [†]	---	3
HOW MUCH: ACROSS PRODUCTS AND SERVICES	Client Retention Rate (%) [†]	Client Retention Rate (PI9319). v5.1.	49
	Jobs in Directly Supported/Financed Enterprises: Total [‡]	Jobs in Directly Supported/Financed Enterprises: Total (PI4874). v5.1.	334
	Percentage of Clients Increasing Spending on Basic Services [†]	---	3

[†] These metrics have not been included in the impact pathways analyses due to small sample size.

[‡] In some cases, respondents submitted data on jobs supported at both directly and indirectly financed organizations or enterprises.

Decreased reliance on solely informal networks

FEATURED IRIS+ METRICS

Client Individuals: Provided New Access (PI2822)

Number of unique client individuals who were served by the organization and provided access, during the reporting year, to products/ services they were unable to access prior to the reporting year.

Client Individuals: Active (PI9327)

Number of unique individuals who were active clients of the organization as of the end of the reporting year.

Client Individuals: Female (PI8330)

Number of unique women who were clients of the organization as of the end of the reporting year.

Product/Service Detailed Type (PD1516)

Describes the detailed type of product or service provided by the organization.

Globally, 1.7 billion adults lack access to financial services from a reputable provider, and others only have dormant accounts.²¹ Some are completely excluded from formal financial services, while others continue to live in cash- or barter-based economic environments. By contrast to those with access to checking accounts, direct deposits, and debit cards, unbanked individuals often face predatory pricing, hidden fees, and sometimes even threats to their safety. With the emergence of fintech comes the unprecedented growth in access to financial services for the unbanked. It will be critical, moving forward, for the sector to focus not just on access but also usage of financial services that are affordable, relevant, and responsible.*

* The Evidence Map is accessed through the IRIS+ Strategic Goal, "Improving rural economies through financial inclusion" of the Financial Inclusion theme.

FIRST-TIME ACCESS TO FORMAL AND RESPONSIBLE FINANCIAL SERVICES



A range of financial service providers provided first-time access to

136,674

individuals on average and

6,239

individuals at the median, over a one-year period.

All FSPs operating in areas with no other formal providers analyzed repayment capacity, and

93%

had client protection policies in place.

PRODUCT/SERVICE UPTAKE AND USE

On average, over a one-year period, investees provided first-time access to formal...



credit to
553,178
active clients;



voluntary savings accounts to
176,212
active clients; and



insurance policies to
335,338[†]
active clients.

Overall, 57% of annualized investments reported bundled products.

DECREASED RELIANCE ON SOLELY INFORMAL NETWORKS AMONG ACTIVE CLIENTS

On average, investees reported

560,996

active clients and

136,674

clients provided first-time access to responsible financial services, during a one-year period.

Such clients are reasonably likely to have decreased their reliance on informal networks, such as family, friends, community savings groups, and loan sharks.

[†] Excludes one outlier.

KEY FINDINGS

Over a one-year period, 51 annualized investments provided first-time access to financial services for individuals who previously only had non-predatory informal alternatives, such as family, friends, and community savings groups, or predatory informal alternatives, such as loan sharks. Among those investments, 34 disclosed data on the number of active clients. On average, a single annualized investment provided financial services to 560,996 active clients with no previous access during a one-year period; at the median, this figure stood at 30,621. During a 12-month period, an investment enabled first-time formal financial services for 136,674 individuals on average, addressing 0.30% of the total population of unbanked adults in the country of investment. These figures were considerably more conservative at the median, where an investment provided financial services to 6,239 individuals and 3,819 women who were previously unbanked, reaching 0.03% of the total population of unbanked adults in the country of investment.

ASSUMPTIONS AND CAVEATS

Analyses in this section pertain only to those 51 annualized investments providing financial services to individuals without previous access to formal finance; the sub-sample presented here excludes the majority of investments in the full sample, which were made in areas with few formal alternatives. In cases where analyses were weighted relative to the total number of unbanked adults, this sub-sample was further condensed to 34 annualized investments that also shared data on the number of individuals provided first-time access. To understand the impact performance of investees relative to the total number of unbanked individuals in the latter sample, the number of individuals provided first-time access was compared to the number of individuals who are unbanked and save funds outside the formal financial system in the country of investment, as per the latest available country data.* In terms of product uptake, some investments did not report the number of various types of financial products accessed by each client but data did reflect whether the investee offered a given product type. In such instances, the number of clients possibly accessing various types of financial services in a given reporting year was estimated as the total number of active clients reported for each investee offering a particular type of service; it is unlikely, however, that all active clients accessed each product type, and some may access multiple, simultaneous services.

* The World Bank Group's Universal Financial Access database includes these data for 2011 and 2014. Given the range of reporting years for these particular investments (2015–2019), we compared results to 2014 data. These figures did not significantly vary year-over-year between 2015 and 2019. All third-party data sources are listed in Appendix 3.

During a 12-month period, an investment enabled first-time formal financial services for 136,674 individuals on average, addressing 0.30% of the total population of unbanked adults in the country of investment.

FEATURED IRIS+ METRICS

Target Stakeholder Geography (PD6424)

Indicates the geography of stakeholders targeted by the organization, expressed by country, as of the end of the reporting year.

Target Stakeholder Setting (PD6384)

Describes the setting of the groups of stakeholders targeted by the organization.

Target Stakeholders (OD7212)

Describes which entities the organization seeks to benefit via its products/services/operations as of the end of the reporting year.

WHAT IMPACT IS TARGETED

Not surprisingly, close to 90% of annualized investments that provide financial services to the unbanked seek to improve access to and use of responsible financial services for historically underserved populations (88%; Figure 7)*. In addition, one in four investments seek to create jobs and foster economic development, and 19% seek to improve rural economies through financial inclusion. Furthermore, 69% of annualized investments aim to advance SDG 1 (No Poverty), and nearly two-thirds target SDG 8 (Decent Work and Economic Growth; Figure 8).

WHO IS IMPACTED

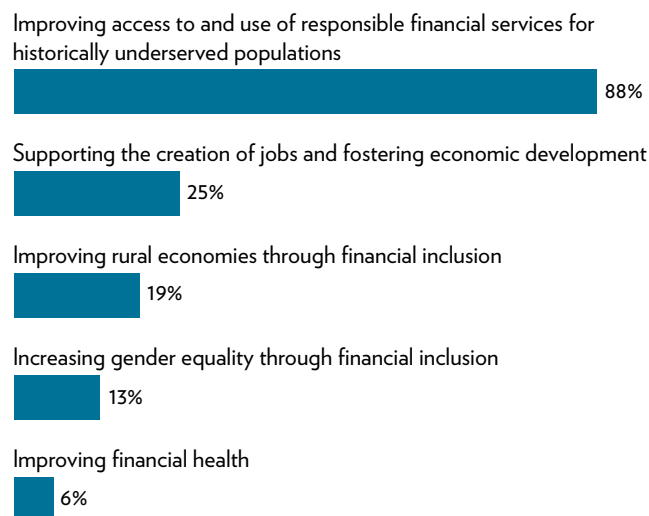
Annualized impact investments in this sample seek to provide quality financial services to a wide range of target stakeholder groups. Given that they operate in areas with no other institutional FSPs, a large majority of these annualized investments seek to reach the unbanked or underbanked population (83%; Figure 9, on the following page), followed by 39% targeting businesses lacking access to finance.

Most of these targeted businesses are microenterprises (40%), followed by small enterprises (26%) and medium-sized enterprises (18%). The top five countries of investment for this sample were India (45%), Colombia (6%), Kenya (6%), Brazil (4%), and China (4%); 55% of all investments were made in rural areas.

* These Strategic Goals are aligned with common goals under the Financial Inclusion theme of IRIS+.

FIGURE 7: IRIS+ Strategic Goals most commonly targeted to enable first-time access to formal financial services

n = 48 annualized investments; respondents could select multiple Strategic Goals.



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

FIGURE 8: UN SDGs most commonly targeted to enable first-time access to finance

n = 39 annualized investments; respondents could select multiple SDGs.



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

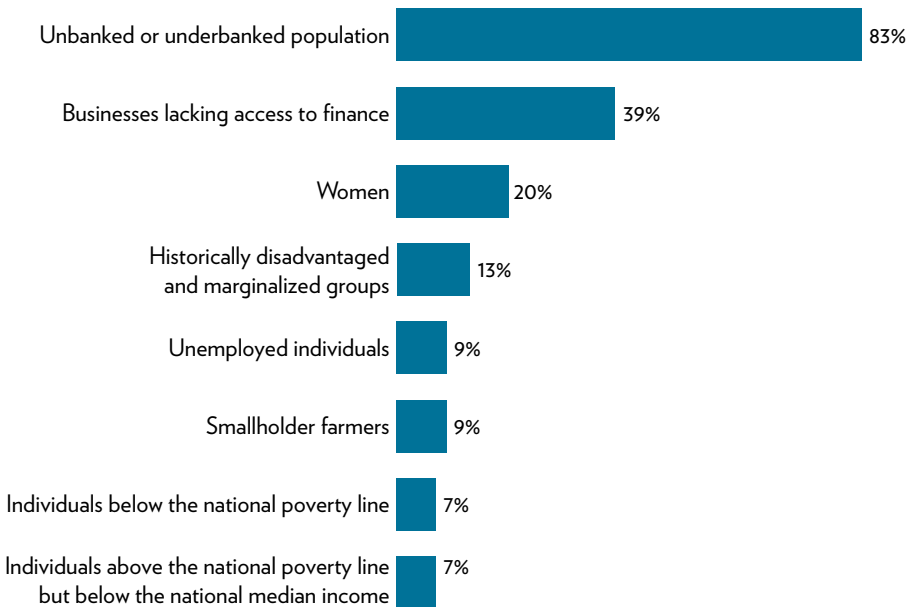
HOW CHANGE IS HAPPENING

Microfinance institutions and non-bank financial institutions comprise nearly three in four of the investees providing financial services to the previously unbanked (at 39% and 35%, respectively), followed by fintech providers (16%). Most investee FSPs were in the seed or start-up stage (38%), and just 2% were mature, private companies. Perhaps matching these data on stage of business, a majority of investments into areas with no other formal FSPs were made through private equity (65%), followed by 29% through private debt and 6% through public equities.

Ninety-six percent of investees in this sample provide credit. In addition, 43% provide financial literacy and debt management services to their previously unbanked stakeholders, 16% provide insurance, and 8% provide voluntary savings accounts. On average, an investee provides two financial products and/or services to its clients. Loans made to enable first-time formal access to credit (for individuals) had, on average, a loan size of USD 12,950, effective interest rate of 25%, and a loan approval rate of 66%. Investees also reported providing, on average, loans to 553,178 active clients, insurance policies to 335,338 active clients, and voluntary savings accounts to 176,212 active clients over a one-year period. Furthermore, 93% of all investee organizations in this sample implement client protection policies; 56% aligned to The Smart Campaign Client Protection Principles. All investees analyze repayment capacity prior to providing credit.

FIGURE 9: Stakeholders targeted by investments to enable first-time access to finance

n = 46 annualized investments; respondents could select multiple target stakeholders.



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

FEATURED IRIS+ METRICS

Operational Certifications (OI1120)

Describes the third-party certifications held by the organization that are related to its business processes and practices and that are valid as of the end of the reporting year.

Repayment Capacity Analysis (PI4733)

Indicates whether the organization conducts repayment capacity analyses for its clients.

Client Protection Policy (OI4753)

Indicates whether the organization has a written policy for client protection and a system to monitor compliance with this policy.

Loans made to enable first-time formal access to credit (for individuals) had, on average, a loan size of USD 12,950, effective interest rate of 25%, and a loan approval rate of 66%.

IMPACT RISKS PERCEIVED BY INVESTORS

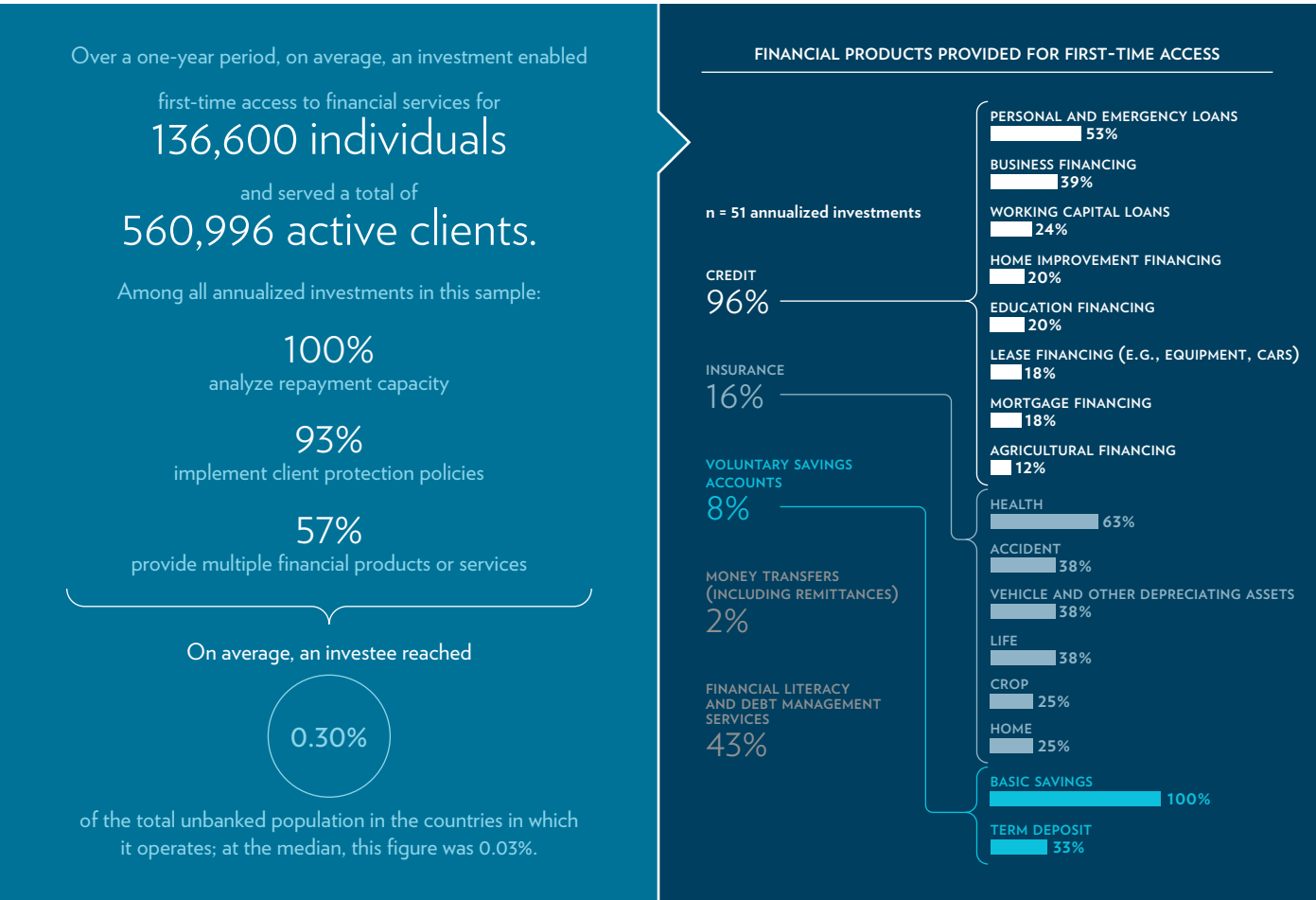
External risk was the most commonly cited impact risk by investments made to enable first-time access to formal financial services (59%), followed by execution risk (30%) and evidence risk (27%).* Sixty-four percent of those annualized investments noting external risk were made in India, primarily in urban areas. A few investments made into investees providing agricultural financing highlighted another aspect of external risk in which commodity pricing can significantly constrict smallholder farmers' repayment capacity. In addition, one asset manager noted that some investors perceive investing in women to be risky, because the embedded gender biases in countries of investment can ultimately make accessing financing particularly challenging for women.

* See Appendix 2 for definitions of various impact risks.

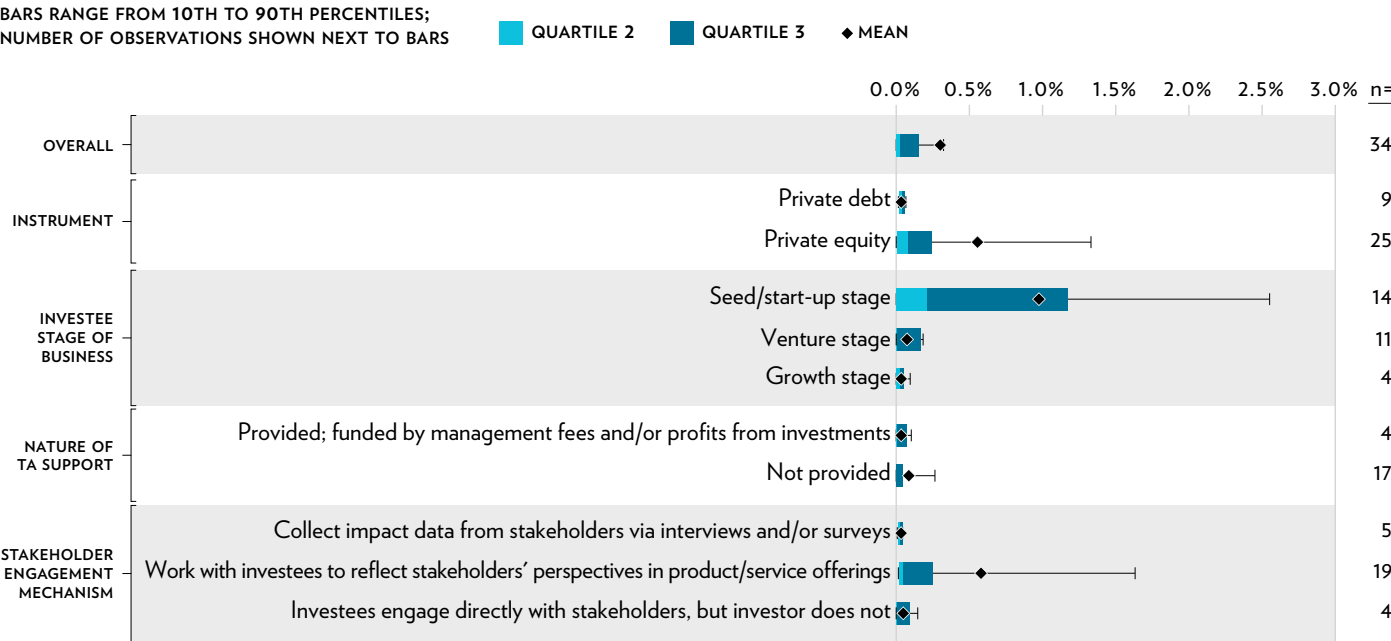


PHOTO CREDIT: SHARED INTEREST

Progress toward decreasing reliance on informal networks



The share of individuals provided first-time access to institutional financial services relative to the total population of unbanked adults in the country of investment, by market segment:



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

SPOTLIGHT: IIX AND THE WOMEN'S LIVELIHOOD BOND SERIES

Decreasing reliance on solely informal networks to enable sustainable livelihoods for women

Impact Investment Exchange (IIX) is a global sustainable investing organization headquartered in Singapore and focused on unlocking capital to drive progress across the Sustainable Development Goals for women, the environment, and marginalized communities across Asia.

In 2017, IIX successfully closed the first issuance of the Women's Livelihood Bond™ (WLB) Series, a series of innovative debt securities that mobilize private capital to invest in enterprises that empower women*. The WLB Series is the world's first impact investing and gender lens investing debt security to be listed on a stock exchange, reporting social and financial return. It seeks to provide women from low-income, rural, and marginalized communities with the resources to sustain and grow microbusinesses, maintain financial resilience through savings and insurance, gain fair pricing as key actors in the agriculture supply chain, and contribute to the socio-economic resilience of their communities.

The Women's Livelihood Bond 2 (WLB2), the second issuance in the Series and Asia Pacific's second multi-country, multi-sector gender bond, closed in 2020. The WLB2 is driving progress in 12 of the 17 Sustainable Development Goals and seeks to achieve several key impact outcomes associated with first-time access to financial services. For example, between 80% and 100% of the

microloans financed by the Bond are made to women who are microentrepreneurs. In addition, several of the Bond's investees offer loans that are tailored to finance spending on basic services, such as WASH, clean energy, and personal mobility loans (e.g., to purchase a motorcycle), ultimately enabling increased ownership of assets among women and in some cases, increased productivity. For example, the WLB2 has financed access to clean energy for 1,800 women and girls, unlocking an additional 1-2 hours of free time per day. Alongside credit, the majority of WLB2's investees provide custom savings products, including pension savings and fixed deposit products, and micro insurance products including life, health, and accident, to improve the financial resilience of end-borrowers. Borrowers are also provided with financial training on loan terms and repayment plans, and training in business management and record-keeping.

IIX typically conducts in-person field visits to collect data directly from clients provided with financial products and services. However, with the onset of the COVID pandemic, the organization created and launched IIX Values, a digital data-driven impact assessment platform, to collect, analyse, and visualize impact data,† and to calculate its Social Return on Investment, i.e., the dollar value of social impact generated per USD 1 invested.



* Learn more about the Women's Livelihood Bond Series [here](#).

† Learn more about IIX Values [here](#).

Increased spending on basic services

FEATURED IRIS+ METRICS

Number of Loans Disbursed (PI8381)

Number of loans disbursed by the organization during the reporting year.

Client Individuals: Total (PI4060)

Number of unique individuals who were clients of the organization during the reporting year.

Product/Service Detailed Type (PD1516)

Describes the detailed type of product or service provided by the organization.

Investments in financial inclusion that increase access to credit are associated with a wide range of short- and long-term outcomes. Evidence suggests that access to responsible and sustainable credit is linked to a short-run increase in consumption in key areas, such as education and home improvement, particularly when credit products are earmarked for those specific purposes. In the longer term, credit access can lead to increased spending on other basic services, like health, decreased reliance on solely informal financial networks, and increased business investment, among other outcomes.*

* The Evidence Map is accessed through the IRIS+ Strategic Goal, "Increased gender equality through financial inclusion" of the Financial Inclusion theme.

ACCESS TO CREDIT



On average, a single investee disbursed more than

180,994 loans

over a one-year period;
at the median, an investee provided 21,590 loans.

Investees reached more than
188,300 individuals
in rural areas and

190,036 women
on average, over a one-year period;
at the median, these figures were
23,410 and 16,381, respectively.

TYPES OF CREDIT ACCESSED

Over a one-year period,
on average, an investment provided:



235,013 loans
for personal and emergency use,



203,263 loans
for education,



194,401 loans
for home improvement, and



136,754 loans
to finance leases.

INCREASED SPENDING ON BASIC SERVICES

In the long-run,
access to these types of credit
products is associated with



increased spending
on health and education,



decreased reliance
on solely informal networks, and



increased
business investment.

On average, impact investments in the sample addressed 0.7% of the population lacking access to formal credit in the investee's country of operation, within a one-year period; at the median, this figure was 0.05%.

KEY FINDINGS

During a one-year reporting period, 233 annualized investments into 222 investee organizations disbursed 180,994 loans on average, collectively operating across 54 countries.* These investments were associated with 32 impact investing organizations, and at the median, they provided 21,590 loans to address the needs of 23,410 individuals in rural areas and 16,381 women. In addition, most loans were disbursed in areas where impact investors perceived few other formal financial alternatives (42%), and just under 10% were provided in areas where the investee was the sole provider of financial services.

On average, impact investments in the sample addressed 0.7% of the population lacking access to formal credit in the investee's country of operation, within a one-year period. At the median, this figure was 0.05%. Naturally, this varied according to several investment characteristics (Page 34).

ASSUMPTIONS AND CAVEATS

Respondents were asked to report the total number of loans disbursed by their investee companies during the particular reporting year. Just over 75% of impact investors were able to report this figure for 28% of the annualized investments in the sample, and all analyses in this section pertain only to those investments. Furthermore, analysis on number of individuals reached relative to the target population includes only those annualized investments that reported both the total number of loans disbursed as well the number of client individuals served during the reporting year. To gauge progress in access to financial services, the number of client individuals was compared to the total number of adults who did not borrow from a financial institution in 2017,[†] in the country where the loans were provided. That analysis excluded investees in markets with several other formal alternatives, presenting high saturation risk. Notably, access to credit alone does not result in increased spending on basic services or any of the other long-term outcomes denoted on page 29. See page 34 for a detailed breakdown of how this impact pathway assesses indicators related to product quality and client protection, among other metrics.

* All analyses for this section exclude two outlier annualized investments.

† The World Bank Group's Global Findex Database includes these data for 2011, 2014, and 2017, for individuals aged 15 and over. Given the range of reporting years for these particular investments (2015 – 2019), the Research Team compared results to 2017 data. The Team also confirmed that these figures did not significantly vary year over year between 2015 and 2019.

WHAT IMPACT IS TARGETED

Impact investors seek a wide range of strategic objectives and target numerous SDGs in order to enable access to high-quality credit services. The average investor in this sample is aligned to two IRIS+ Strategic Goals, most commonly improving access to and use of responsible financial services for historically underserved populations and increasing gender equality through financial inclusion (Figure 10; 77% and 40% respectively).^{*} Additionally, on average, investors targeted three SDGs, with a focus on SDG 1 (No Poverty), SDG 2 (Reduced Inequalities), and SDG 3 (Decent Work and Economic Growth; Figure 11). This reflects the multi-dimensional nature of impact in this sector.

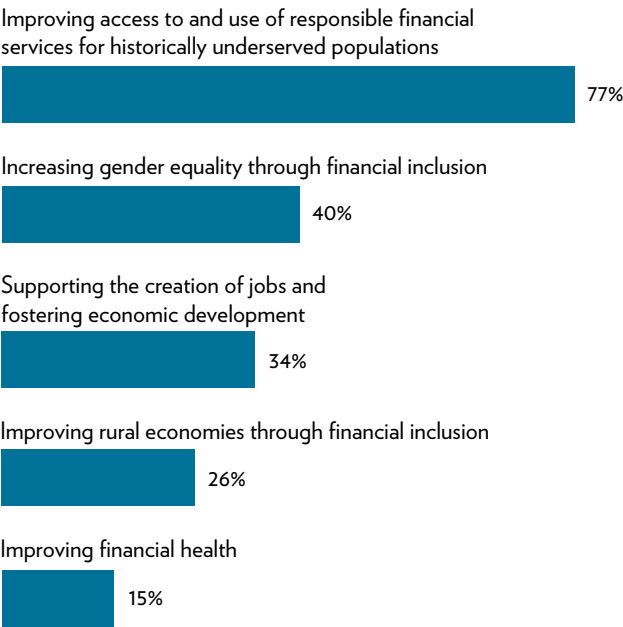
WHO IS IMPACTED

Impact investors invest in a diverse range of FSPs across geographies and seek to impact a variety of stakeholder types. The top countries represented in this sample are India (25% of annualized investments), Mexico (5%), the United States (5%), China (5%), Colombia (5%), Brazil (5%), Ecuador (4%), and Kenya (4%). Nearly two in three investments seek to impact the unbanked or underbanked population in the country or countries of operations (63%; Figure 12, on the following page), over half target businesses lacking access to finance (58%), and 45% are geared towards women.

^{*} These Strategic Goals are aligned with common goals under the Financial Inclusion theme of IRIS+.

FIGURE 10: IRIS+ Strategic Goals most commonly targeted to enable credit provision

n = 162 annualized investments; respondents could select multiple strategic goals.



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

Nearly two in three investments seek to impact the unbanked or underbanked population in the country or countries of investee operations.

FIGURE 11: UN SDGs most commonly targeted to enable credit provision

n = 205 annualized investments; respondents could select multiple SDGs.



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

FEATURED IRIS• METRICS

Target Stakeholder Geography (PD6424)

Indicates the geography of stakeholders targeted by the organization, expressed by country, as of the end of the reporting year.

Target Stakeholders (OD7212)

Describes which entities the organization seeks to benefit via its products/services/operations as of the end of the reporting year.

Target Stakeholder Setting (PD6384)

Describes the setting of the groups of stakeholders targeted by the organization.

Nearly half of investments target unsaturated markets, including 42% in markets with few formal alternatives and 5% in markets with non-predatory informal alternatives. A third of investments provided loans to markets that were mature but not saturated, with several other formal alternatives also operating in the space. Interestingly, 37% of NBFIs were the sole providers of formal credit in their area of operations, while 71% of SME financing institutions operated in areas where there were already several formal alternatives. Approximately two in three fintech companies operated in young and unsaturated markets with few other formal alternatives.

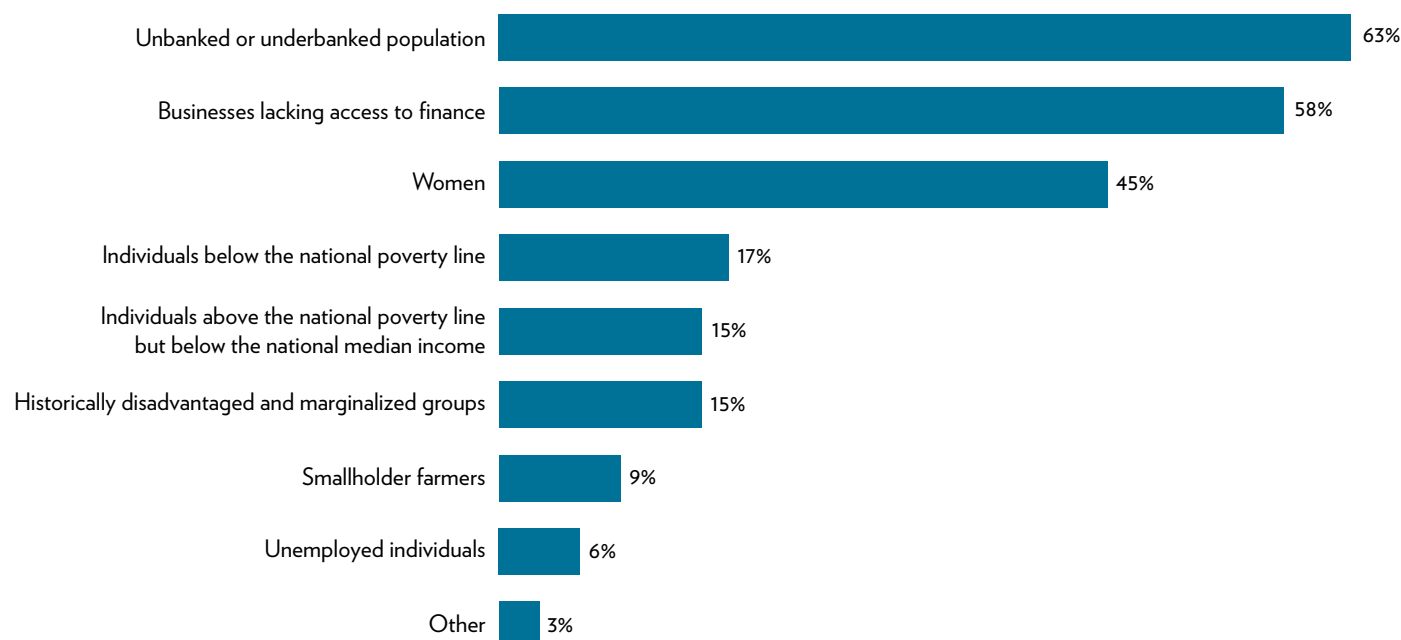
HOW CHANGE IS HAPPENING

Nearly 60% of the loans in this sample were disbursed through either MFIs or fintech-only providers. Interestingly, 95% of fintech-only providers operate in urban areas while 27% operate in rural areas (some are present in both); the difference is less stark among microfinance institutions, with 67% operating in urban areas and 56% operating in rural areas.

Impact investors reported a range of metrics indicating the type and quality of the loans disbursed. Over two in three loans were for business financing, while 38% were working capital loans and just over a quarter were personal and emergency loans. Page 34 shows the full breakdown of the types of loan provided by investees in this sample. Respondents described various loan-quality indicators across the various credit products provided by the investee. From these, some trends can be observed, though variance by loan product is difficult to ascertain from the underlying data.

FIGURE 12: Stakeholders targeted by investments enabling credit provision

n = 143 annualized investments; respondents could select multiple target stakeholders.



Note: 'Other' includes financing solutions for immigrants and refugees, students, independent contractors, and businesses lacking access to financial tools (e.g., accounting, tax-filing, etc.).

Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

Notably, investees offering mortgage financing reported the largest approximate average loan size (USD 22,000), followed by business financing (USD 20,200) and working capital loans (USD 18,000). Furthermore, investees offering personal and emergency loans and lease financing had the highest average effective interest rate (both 31%), followed by mortgage financing (29%).

The majority of investees in this sample use responsible lending practices. Over half (52%) analyze repayment capacity before providing a loan, and 45% have client protection policies in place and one-third are aligned to various certifications, standards, and ratings (Figure 13). Most commonly, investees align to the Smart Campaign Client Protection Principles (50%). Furthermore, 33% of annualized investments bundle the loans with other financial products and services, primarily financial literacy and debt management training, followed by savings accounts, insurance, and payments. On average, an investment provided 97% of its loans in local currencies, thus mitigating volatility risks of exchange rate movements..

IMPACT RISKS PERCEIVED BY INVESTORS

Among those investments that reported the total number of loans disbursed, a third also shared impact risks. Almost half of those investments faced execution risk, followed by 38% noting evidence risk and one-third citing external risk.* Interestingly, 47% of investments made through private debt faced evidence risk, compared to only 4% of private equity investments. All nine investments made through public equity perceived this risk. Meanwhile, 77% of private equity investments perceived external risk compared to 13% of private debt investments. Respondents citing external risk described political risks, regulatory risks, and risks related to commodity pricing (e.g., low maize prices resulting in struggling smallholder farmers). Execution risk mostly included the risk that an investee could not reach the target end borrowers (e.g., scaling education financing to rural areas).

* See Appendix 2 for definitions of various impact risks.

FEATURED IRIS® METRICS

Average Loan Size Disbursed (PI5160)

Average loan size disbursed by the organization during the reporting year.

Effective Interest Rate (PI7467)

Effective interest rate (EIR) for the most representative loan product of the organization during the reporting year.

Client Protection Policy (OI4753)

Indicates whether the organization has a written policy for client protection and a system to monitor compliance with this policy.

Repayment Capacity Analysis (PI4733)

Indicates whether the organization conducts repayment capacity analyses for its clients.

Operational Certifications (OI1120)

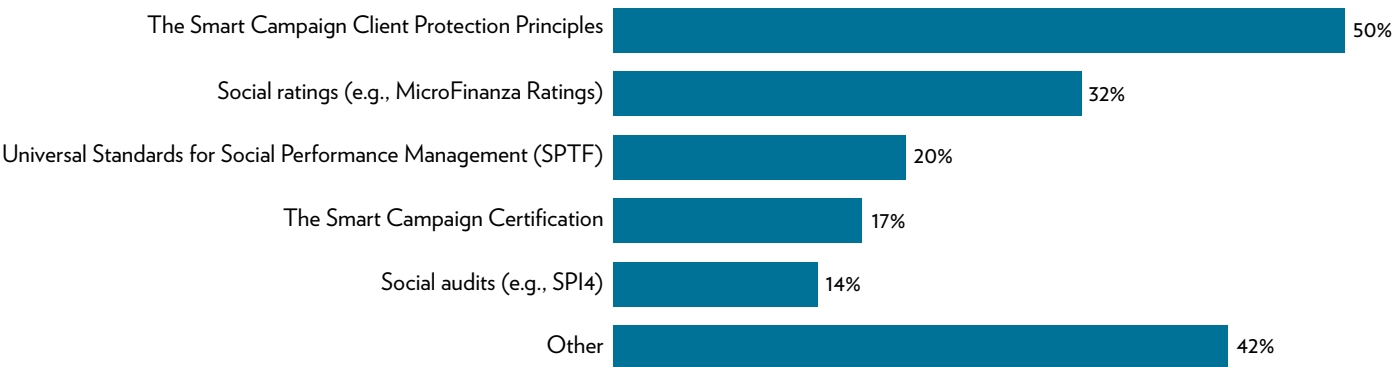
Describes the third-party certifications held by the organization that are related to its business processes and practices and that are valid as of the end of the reporting year.

Other Financial Services Offered (PD5098)

Describes the types of financial services offered by the organization in addition to core credit, savings, and insurance products.

FIGURE 13: Alignment to certifications, standards, and ratings

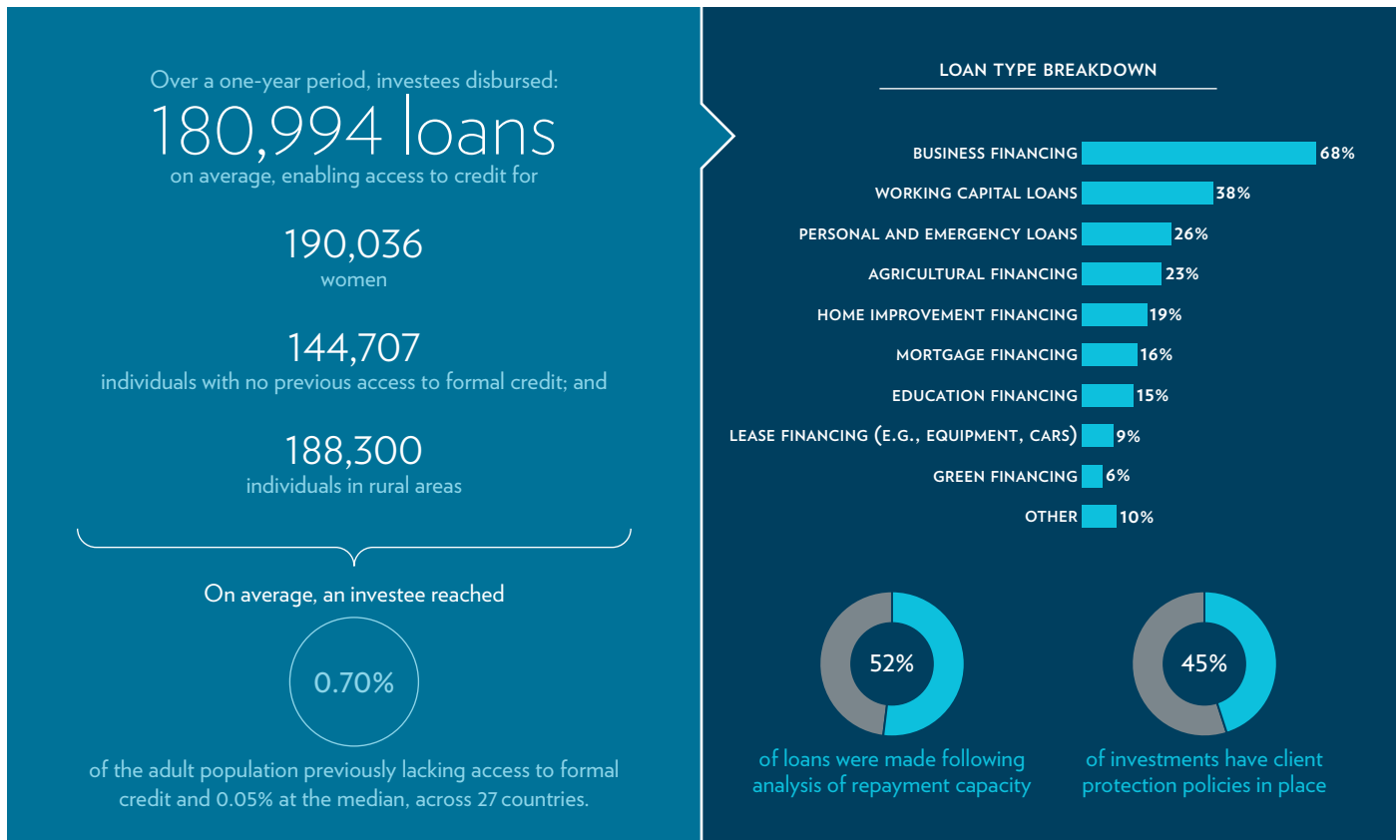
n = 76 annualized investments; a single investment can be aligned to multiple certifications, standards, and ratings.



Note: 'Other' certifications include the B Impact Assessment, GIIRS Ratings, Small Business Borrowers' Bill of Rights, and the Compass Principles.

Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

Progress toward increasing spending on basic services among individuals excluded from formal credit



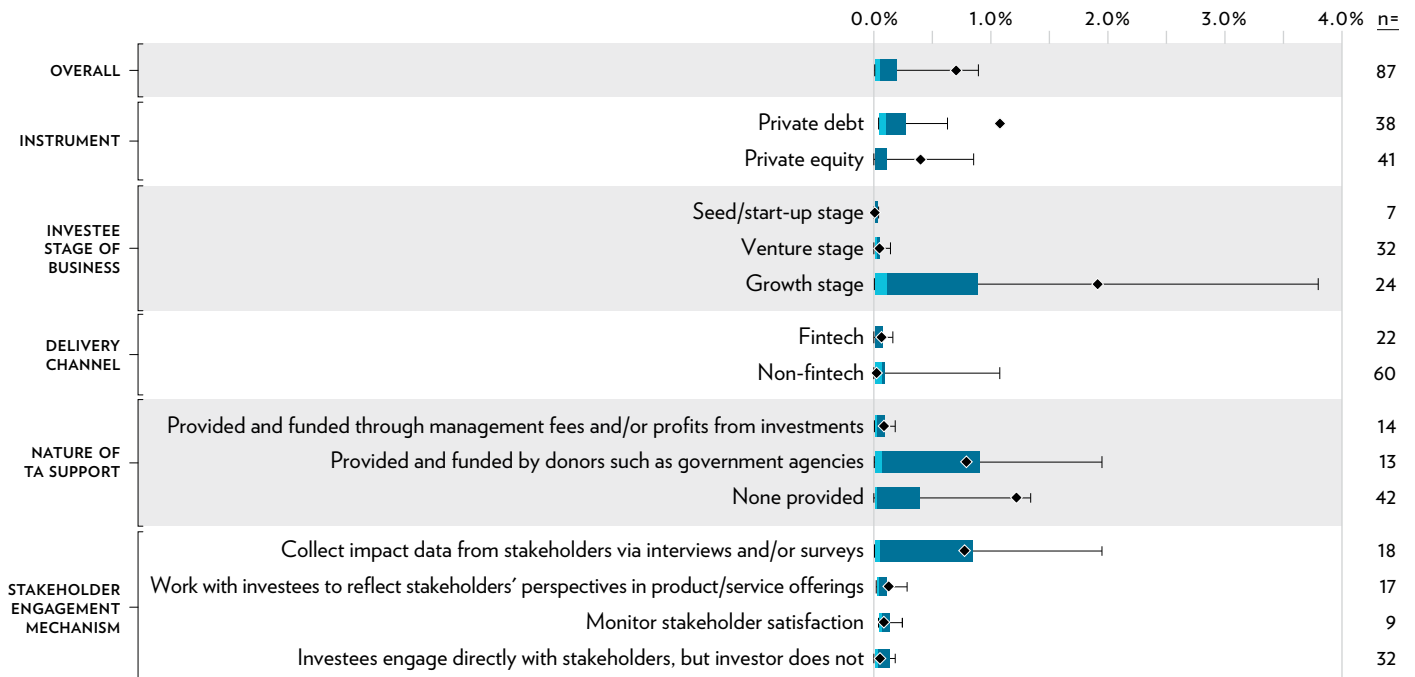
The share of individuals provided credit relative to the population of individuals excluded from formal credit in the countries in which investees operate, by market segment:

BARS RANGE FROM 10TH TO 90TH PERCENTILES;
NUMBER OF OBSERVATIONS SHOWN NEXT TO BARS

■ QUARTILE 2

■ QUARTILE 3

◆ MEAN



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

SPOTLIGHT: GRAMEEN CREDIT AGRICOLE AND KOMIDA

Enabling increased spending on basic services such as education and healthcare among women

Grameen Credit Agricole Foundation is a social impact funder, technical assistant coordinator, and fund advisor present in over 40 countries that aims to contribute to the fight against poverty and inequalities by promoting financial inclusion and social impact entrepreneurship.

Since 2011, Grameen Credit Agricole Foundation^{*} has provided financial support and advice to Indonesia-based microfinance institution Koperasi Mitra Dhu'afa (KOMIDA),[†] with the aim of empowering women in rural Indonesia through microfinance.

Established in 2004, KOMIDA provides its clients with financing for business, education, and agriculture to facilitate income-generating activities and enable borrowers to access educational opportunities for their children, clean water facilities, and funds needed to build or improve their homes. The Grameen Crédit Agricole Foundation has supported KOMIDA's development with seven loans already provided. Over the years, KOMIDA's client base has grown to 712,535 active borrowers who access credit and savings products, along with trainings on a range of topics, including financial literacy, entrepreneurship, children rights and parenting, health programs, and women's empowerment (including addressing domestic violence).

The Foundation also supports and encourages KOMIDA to monitor and actively seek to improve the living standards of the populations they serve. KOMIDA is certified by the Smart Campaign, is aligned to the Universal Standards for Social Performance Management, and analyzes its clients' repayment capacity before providing loans. KOMIDA also collects information on client satisfaction. As of June 2019, 90% of its active borrowers are satisfied with the quality of its services, particularly in terms of the comportment of loan officers, the amount of credit provided, and the interest rates on the loans.

In terms of KOMIDA's impact, among borrowers of its business loans, 97% report an increased income, and 92% were able to meet ongoing expenses. In addition, between 2018 and 2019, school attendance among the children of KOMIDA's clients taking out an education loan increased by 2%, bringing the total to 81% of all clients' children (and 83% of girls) who regularly attend school. Furthermore, KOMIDA mitigates negative effects on the environment by delivering trainings to raise clients' awareness on environmental issues and has launched a dedicated loan product to enable access to clean water and sanitation.



^{*} Learn more about Grameen Credit Agricole [here](#).

[†] Learn more about Grameen Credit Agricole's investment in KOMIDA [here](#) and explore KOMIDA's website [here](#).

Accelerated business expansion

FEATURED IRIS+ METRICS

Number of Loans Disbursed (PI8381)

Number of loans disbursed by the organization during the reporting year.

Client Organizations: SME (PI4940)

Number of unique individuals who were clients of the organization during the reporting year.

Jobs in Directly Supported/Financed Enterprises (PI4874)

Number of full-time equivalent employees working for enterprises financed or supported by the organization as of the end of the reporting year.

Non-financial Support Offered (PD9681)

Describes the type of non-financial support the organizations offers to clients, if applicable.

Micro, small, and medium-sized enterprises (MSMEs) greatly contribute to economic development and job creation in both emerging and developed markets. However, a massive MSME financing gap remains, standing at an estimated USD 5.2 trillion annually for 65 million MSMEs.²² By investing in a wide range of organizations around the world that provide MSMEs with financing, impact investors seek to improve business management, strengthen entrepreneurial skills, and increase the number of jobs supported.* In the longer term, supporting the growth of MSMEs is associated with increased business expansion and formalization, improved working conditions, and increased income from business operations for MSME entrepreneurs, among other outcomes.

* The Evidence Map is accessed through the IRIS+ Strategic Goal, "Supporting decent jobs and fostering economic development", of the Financial Inclusion theme.

ACCESS TO MSME FINANCING



On average,
an investee reached
372,679 MSMEs
over a one-year period;
at the median, this figure
was 15,131 MSMEs.

On average,
a single investee disbursed
190,737 MSME loans
over a one-year period;
at the median, an investee provided
18,481 MSME loans.

STRENGTHENED BUSINESS PRACTICES

INCREASE IN JOBS DIRECTLY OR INDIRECTLY SUPPORTED

The average impact investment supported 2,467 jobs between the investee company and end-MSME clients over a one-year period, and

660 jobs
at the median.

STRENGTHENED ABILITY TO MANAGE BUSINESSES

Among annualized investments, 47% provided additional services to MSMEs alongside credit, including training on financial literacy and debt management, which, when tailored to target stakeholders, can increase business management skills.

ACCELERATED BUSINESS EXPANSION



In the long-run, access to MSME financing — along with additional services such as training in financial literacy and debt management — is associated with:

- greater business formalization,
- improved working conditions, and
- increased income from businesses.

KEY FINDINGS

Over a one-year reporting period, 109 annualized investments into 95 investee organizations served 372,679 MSMEs on average and disbursed 190,737 loans to those MSMEs, which collectively operate across 38 countries. At the median, these investments served 15,131 MSMEs as clients and provided 18,481 loans over a one-year period. These figures represent an average of 6.03% of the total number of credit constrained MSMEs in the countries in which investees operate,* covering 0.73% of those countries' MSME financing gaps;† at the median, these figures were 0.32% and 0.06%, respectively. Variance in figures among different segments of impact investors and investees is depicted on page 41.

The median investment also supported 660 jobs between the investee organization and MSME clients, with the average investment supporting 2,467 jobs over a one-year period. In addition, in 47% of instances where MSME loans were provided, the investee financial service provider also offered other products and services, such as training in financial literacy and debt management, voluntary savings accounts, insurance, money-transfer services, and payments infrastructure. A plurality of client MSMEs operated in areas where there were a few other formal lending alternatives (46%), but the market for financing was generally nascent; one-third operated in mature markets with several other formal alternatives.

ASSUMPTIONS AND CAVEATS

Analyses in this section pertain only to the 200 annualized investments that shared data on the number of MSMEs financed; in cases where analyses concern loans disbursed or weighting relative to the scale of the MSME financing gap, the sample was further limited to the 147 annualized investments that also shared data on number of loans disbursed. To understand the impact performance of investees relative to the MSME financing gap in the latter sample, the number of MSMEs financed per annualized investment was compared to the total number of fully and partially credit-constrained MSMEs in their country or countries of operation, as per the latest available country data. In addition, the value of loans disbursed was compared to the value of the total MSME financing gap in each investee's country or countries of operation.‡ In some cases, reported data on jobs supported in directly or indirectly financed organizations include both jobs supported within the investee company and jobs supported within financed MSMEs; the underlying data do not necessarily indicate the quality of the jobs supported.

* Excludes 21 outlier investments.

† Excludes 11 outlier investments.

‡ All third-party data sources are listed in Appendix 3.

On average, impact investments in the sample addressed 6.03% of the total number of credit constrained MSMEs in the countries in which investees operate, covering 0.73% of those countries' MSME financing gaps.

FEATURED IRIS+ METRICS

Target Stakeholder Geography (PD6424)

Indicates the geography of stakeholders targeted by the organization, expressed by country, as of the end of the reporting year.

Target Stakeholder Setting (PD6384)

Describes the setting of the groups of stakeholders targeted by the organization.

Target Stakeholders (OD7212)

Describes which entities the organization seeks to benefit via its products/services/operations as of the end of the reporting year.

WHAT IMPACT IS TARGETED

Impact investors providing MSME financing indicated a commitment to enabling increased economic growth and development in their regions of investment. Just over 60% of annualized investments were made to improve access to and use of financial services for historically underserved populations, and 49% aimed to support the creation of jobs and foster economic development (Figure 14).^{*} Nearly 80% of investors in this sample target SDG 1 (No Poverty), and 57% target SDG 8 (Decent Work and Economic Growth; Figure 15).

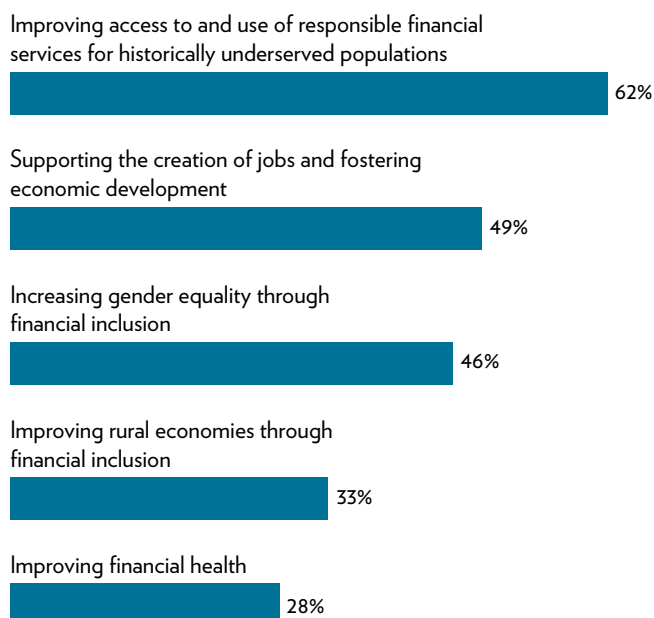
WHO IS IMPACTED

Investees in the sample demonstrate a commitment to serving a wide range of stakeholders across 38 countries and in both urban and rural regions. Just over 60% of investees financed micro-enterprises, 58% served small enterprises, and 36% served medium enterprises; furthermore, 86% operated in urban areas and 60% operated in rural areas, with some active in both. The top countries represented in this sample are India (25% of annualized investments), Mexico (11%), Brazil (9%), Indonesia (5%), Ecuador (4%), Bolivia (4%), and Honduras (4%). Forty-six percent of investments were made in areas where there were a few other formal alternatives, and 33% were made in areas with several other formal alternatives; in both cases, the market presents low saturation risk.

^{*} These Strategic Goals are aligned with common goals under the Financial Inclusion theme of IRIS+.

FIGURE 14: IRIS+ Strategic Goals most commonly targeted to enable MSME financing

n = 90 annualized investments; respondents could select multiple Strategic Goals.



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

FIGURE 15: UN SDGs most commonly targeted to enable MSME financing

n = 105 annualized investments; respondents could select multiple SDGs.



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

Investors in the sample sought to impact the lives of people across various groups; while nearly three in four annualized investments targeted businesses lacking access to finance as a primary stakeholder, 56% aimed to uplift unbanked or underbanked MSMEs and 41% targeted women-owned MSMEs (Figure 16). This may reflect the dual impact targets of investors in MSME financing as they make efforts to reach a broader swath of the population by supporting local businesses.

HOW CHANGE IS HAPPENING

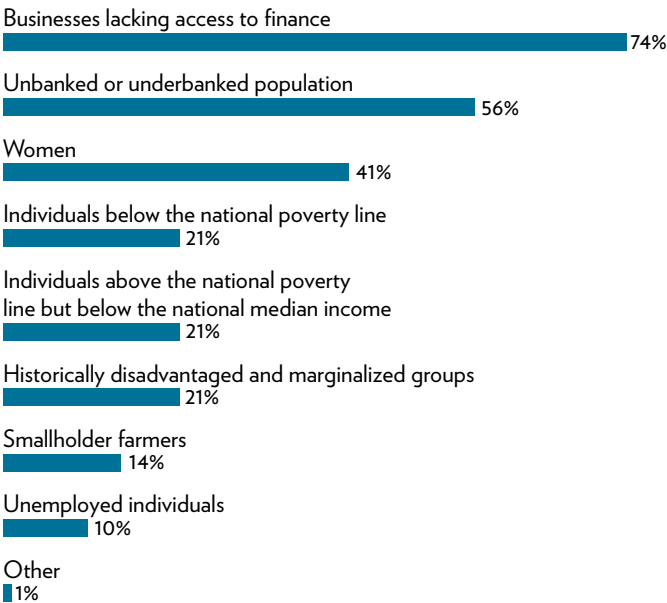
A wide range of financial service providers around the world facilitate MSME financing. Nearly half of those in this sample are MFIs, just about a quarter are fintech providers, and 9% are NBFIs. All fintech providers and NBFIs in this sample operate in urban areas, with a minority of fintech providers also lending to MSMEs in rural areas. Just over two-thirds of NBFIs additionally operate in rural areas, and nearly 60% of MFIs do so. Across all types of financial service providers, some operate in both urban and rural areas.

Most investees in the sample were aligned to some kind of certification, standard, or rating. Just over 60% of annualized investments were made in alignment with the Smart Campaign Client Protection Principles,* and 41% were aligned to SPTF’s Universal Standards for Social Performance Management (Figure 17).†

* Read more on The Smart Campaign Client Protection Principles [here](#).
† Read more on The Universal Standards for Social Performance Management [here](#).

FIGURE 16: Stakeholders targeted by investments to enable MSME financing

n = 99 annualized investments; respondents could select multiple target stakeholders.



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

FEATURED IRIS® METRICS

Operational Certifications (OI1120)

Describes the third-party certifications held by the organization that are related to its business processes and practices and that are valid as of the end of the reporting year.

Repayment Capacity Analysis (PI4733)

Indicates whether the organization conducts repayment capacity analyses for its clients.

Average Loan Size Disbursed (PI5160)

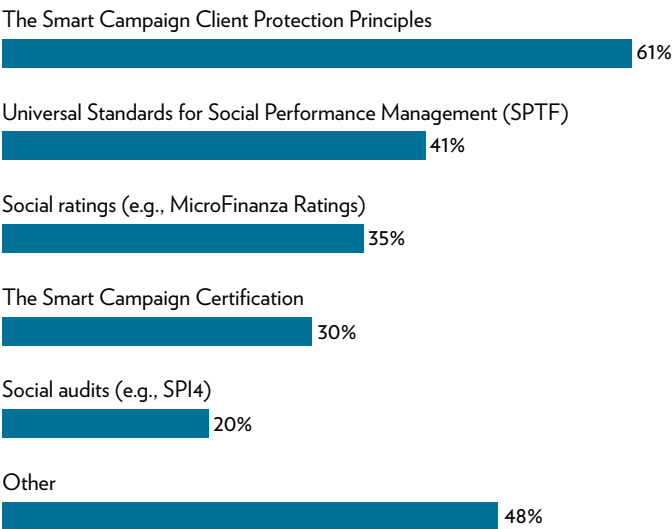
Average loan size disbursed by the organization during the reporting year.

Effective Interest Rate (PI7467)

Effective interest rate (EIR) for the most representative loan product of the organization during the reporting year.

FIGURE 17: Alignment to certifications, standards, and ratings

n = 46 annualized investments; investments may align to multiple certifications, standards, and ratings.



Note: ‘Other’ includes ISO 27001, South Africa SME Finance Association, GIIRS Ratings, B Assessment, and the Small Business Borrowers’ Bill of Rights.

Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

Investors noted that efficiency risk is more common with MFIs, whose work remains primarily cash-based and relatively time-intensive, despite the strong potential for digital transformation.

In addition, 35% of annualized investments analyzed repayment capacity when lending to MSMEs, and 98% do at least a proportion of their lending in local currencies thus mitigating volatility risks of exchange rate movements.

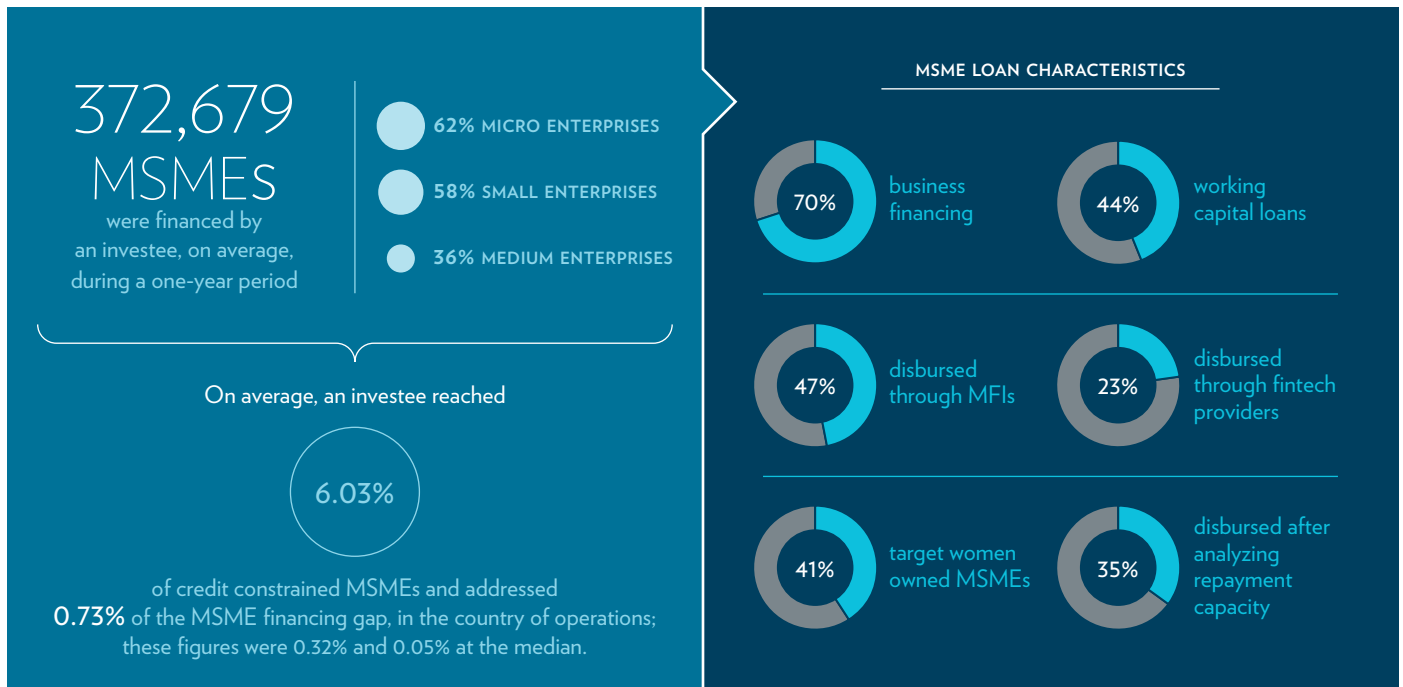
Investments financing medium-sized enterprises reported the largest average loan size, at USD 60,300, compared to USD 21,200 among those financing microenterprises and USD 54,000 for small enterprises. Loans to medium-sized enterprises were also associated with the lowest average EIR, at 14%, compared to 24% for microenterprises.

IMPACT RISKS PERCEIVED BY INVESTORS

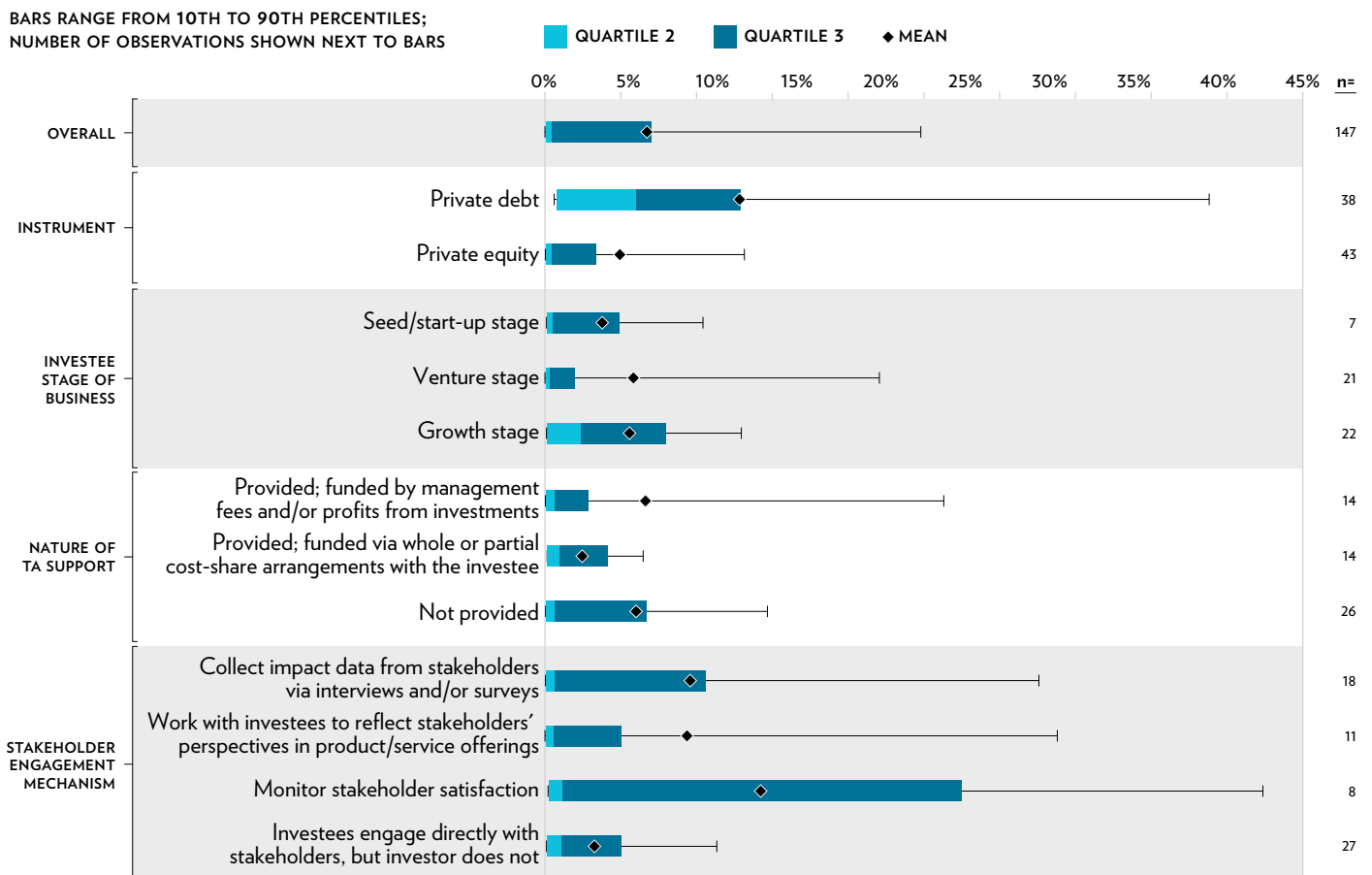
Nearly half of annualized investments reported execution risk in MSME financing, followed by 38% reporting external risk and 37% citing evidence risk.* Only 4% of investments cited each of drop-off risk and unexpected impact risk, while just two annualized investments perceived contribution risk. The instance of impact risk also varied by type of MSME financed; 49% of investments in micro-enterprises perceived evidence risk, compared to just 23% of investments in medium-sized enterprises. By contrast, just 6% of investments in micro-enterprises reported stakeholder participation risk, compared to 13% of investments in medium-sized enterprises. Respondents citing evidence risk specifically noted the following causes of this risk: few feedback loops with the investee, limited meaningful data on outcomes, and a lack of clear understanding of unexpected impact risk. Some investors added that execution risk stems from working with investees where operations are geographically dispersed. They also noted that efficiency risk is more common with MFIs, whose work remains primarily cash-based and relatively time-intensive, despite the strong potential for digital transformation. Investors also highlighted the ongoing COVID-19 pandemic and economic downturns in their countries of operations as examples of external risk facing MSMEs.

* See Appendix 2 for definitions of various impact risks.

Progress toward accelerating business expansion among constrained MSMEs



The share of MSMEs provided credit relative to the population excluded from formal credit, in the countries in which investees operate, by market segment:



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

SPOTLIGHT: OIKOCREDIT AND SEMPLI

Accelerating business expansion for MSMEs in Colombia

Oikocredit is an impact investor and cooperative headquartered in the Netherlands and focused on investments in financial inclusion, agriculture, and renewable energy.

Sempli is a digital lending platform for small and medium-sized enterprises (SMEs) in Colombia, offering working capital loans and business financing to underserved businesses.* Oikocredit first invested in Sempli in 2018 and has actively participated in subsequent equity raises, with the aim of supporting the company to become the leading digital SME-financing institution in Colombia. Sempli is now offering insurance products and will be launching credit cards for SMEs in order to better serve clients.

Sempli disburses loans to SME borrowers using an in-house, data-driven credit scoring engine that assesses clients' credit risk (using psychometric data, among other factors). Coupled with Sempli's tailored client interface, this process allows the company to disburse

loans in just 72 hours, thereby mitigating the delays associated with many conventional lenders to SMEs. Data-enabled decision-making also allows Sempli to tailor its credit products to the clients' unique needs, particularly those of underserved groups such as female and young entrepreneurs. Sempli also aligns with the Universal Standards and the Consumer Protection Standards for Digital Credit, in addition to collecting client feedback on its products and customer service. Since its inception in 2017, Sempli has supported the creation of 3,330 jobs and provided 34% of its clients with their first access to credit.

Oikocredit works closely with Sempli, actively participating on the company's Board of Directors and supporting Sempli's fundraising and social performance management efforts. It also provides capacity-building support to strengthen Sempli's client protection policies, though such support has recently been hindered by travel restrictions caused by the ongoing COVID-19 pandemic and is expected to continue once the restrictions are lifted.



* Learn more about Oikocredit's investment in Sempli [here](#) and explore Sempli's website [here](#).

Improved financial resilience

Investments in financial inclusion commonly seek to improve the financial resilience of vulnerable populations. Evidence suggests that the uptake and use of responsible financial products and services — such as credit, savings, and insurance — are associated with improved resilience and strengthened financial health.* Simply having an account with a financial services provider may not strengthen resilience, but actively using an account that includes strong measures for client protection and engagement can contribute to improved financial health, particularly in the face of financial shocks.†

* The Center for Financial Services Innovation (CFSI) has defined four components of financial health: spend less than income and pay bills on time; save sufficient living expenses in liquid assets, plus have sufficient long-term savings or assets; borrow at a sustainable debt load and maintain a prime credit score; and plan by having appropriate insurance and thinking ahead for larger expenses. This pathway accounts for each of these components. For more information, see [CFSI](#).

† The Evidence Map is accessed through the IRIS+ Strategic Goal, “Improving access to and use of responsible financial services for historically underserved populations”, of the Financial Inclusion theme.

FEATURED IRIS+ METRICS

Client Protection Policy (OI4753)

Indicates whether the organization has a written policy for client protection and a system to monitor compliance with this policy.

Repayment Capacity Analysis (PI4733)

Indicates whether the organization conducts repayment capacity analyses for its clients.

Client Individuals: Active (PI9327)

Number of unique individuals who were active clients of the organization as of the end of the reporting year.

Product/Service Detailed Type (PD1516)

Describes the detailed type of product or service provided by the organization.

RESPONSIBLE FINANCIAL SERVICES



A range of providers offered financial services to active clients

91% of whom have client protection principles in place and

99% of whom analyze repayment capacity.

Additionally, for **33%** of investments, investees and investors work together to reflect stakeholders' perspectives in their product and service design.

PRODUCT UPTAKE AND USE

On average, investees provided



Loans to up to **339,448** active clients;



Voluntary savings accounts to up to **590,657** active clients; and



Insurance policies to up to **481,843** active clients

...during a one-year period.

Overall, **19%** of annualized investments reported bundled products.

IMPROVED FINANCIAL RESILIENCE AMONG ACTIVE CLIENTS



On average, investees reported

721,864 active clients in a one-year period.

Such clients are reasonably likely to have improved their ability to save and manage financial shocks and borrow a reasonable debt load over the longer-term.

On average, impact investments in the sample provided access to responsible financial services for 0.87% of the adult population in the markets in which investees operate; at the median, this figure was 0.15%.

KEY FINDINGS

Investors disclosed data on the number of active clients served during the reporting year for 648 annualized investments. These investments sought to improve access to and use of responsible financial services for historically underserved populations (84%), most commonly for women (41%), the unbanked or underbanked population (36%), or businesses lacking access to finance (32%). **Across these investments, investees provided access to responsible financial services for an average of 721,864 active clients, or 0.87% of the adult population in the markets in which investees operate (0.15% at the median), during a one-year period.** Key services include credit, savings, and insurance.

ASSUMPTIONS AND CAVEATS

This pathway considers 11 IRIS+ metrics to understand clients' improved financial resilience. Core to improved resilience is clients' uptake and use of financial products. Since dormant clients do not reap the benefits of access to formal financial services, this analysis includes only active clients. In some cases, investments' reported data did not include the number of various types of financial products accessed — such as loans disbursed, voluntary savings accounts accessed, or insurance policies sold — but did reflect whether the investee offered a product type. In such instances, the number of clients possibly accessing various financial services in a given reporting year was estimated as the total number of active clients, which was reported; it is unlikely, however, that all active clients accessed each product type, and some may access multiple, simultaneous services. To gauge progress in access to finance, the number of active clients was compared to the size of the adult population in the countries in which that investee operates. Across analyses, four outliers were excluded to ensure that findings more accurately represent the sample.

WHAT IMPACT IS TARGETED

Investments reporting active clients overwhelmingly sought to improve access to and use of financial services for historically underrepresented populations (84%)*, reinforcing the overall pathway’s focus on improved financial resilience (Figure 18). Among these annualized investments, 94% sought to advance SDG 1 (No Poverty) and 86% cited SDG 10 (Reduced Inequalities; Figure 19).

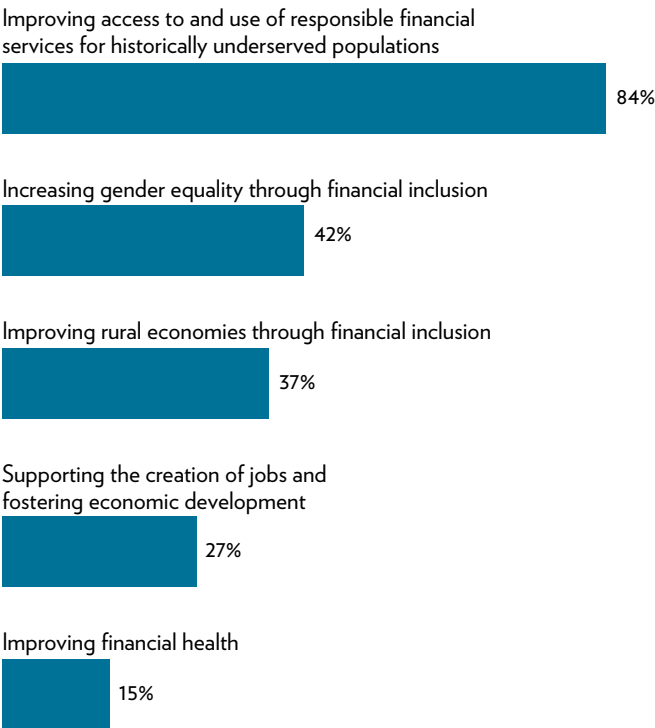
WHO IS IMPACTED

Within the sample, impact investments advanced financial resilience by providing access to financial services for a range of active clients. Most commonly, these investments financed investees serving individuals (Figure 20, on the following page; 67% of investments reporting active clients). Nine in ten investments served stakeholders in urban areas (90%), and 70% served those in rural areas; some sought to serve both urban and rural markets. Women were the most commonly targeted specific demographic (41%), followed by the unbanked or underbanked population (36%) and businesses lacking access to finance (32%).

* These strategic goals are aligned with the common goals under the Financial Inclusion theme of IRIS+.

FIGURE 18: IRIS+ Strategic Goals most commonly targeted to improve financial resilience

n = 260 annualized investments reporting the number of active clients; respondents could select multiple Strategic Goals.



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

FEATURED IRIS+ METRICS

Target Stakeholders (OD7212)

Describes which entities the organization seeks to benefit via its products/services/operations as of the end of the reporting year.

Target Stakeholder Setting (PD6384)

Describes the setting of the groups of stakeholders targeted by the organization.

FIGURE 19: UN SDGs most commonly targeted to improve financial resilience

n = 612 annualized investments; respondents could target multiple SDGs



Note: An additional 1–3% of annualized investments also cited SDGs 11 (Sustainable Cities and Communities), 17 (Partnerships for Sustainable Development), 13 (Climate Action), and 12 (Responsible Consumption and Production).

Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

FEATURED IRIS® METRICS

Average Loan Size Disbursed (PI5160)

Average loan size disbursed by the organization during the reporting year.

Operational Certifications (OI1120)

Describes the third-party certifications held by the organization that are related to its business processes and practices and that are valid as of the end of the reporting year.

Stakeholder Engagement (OI7914)

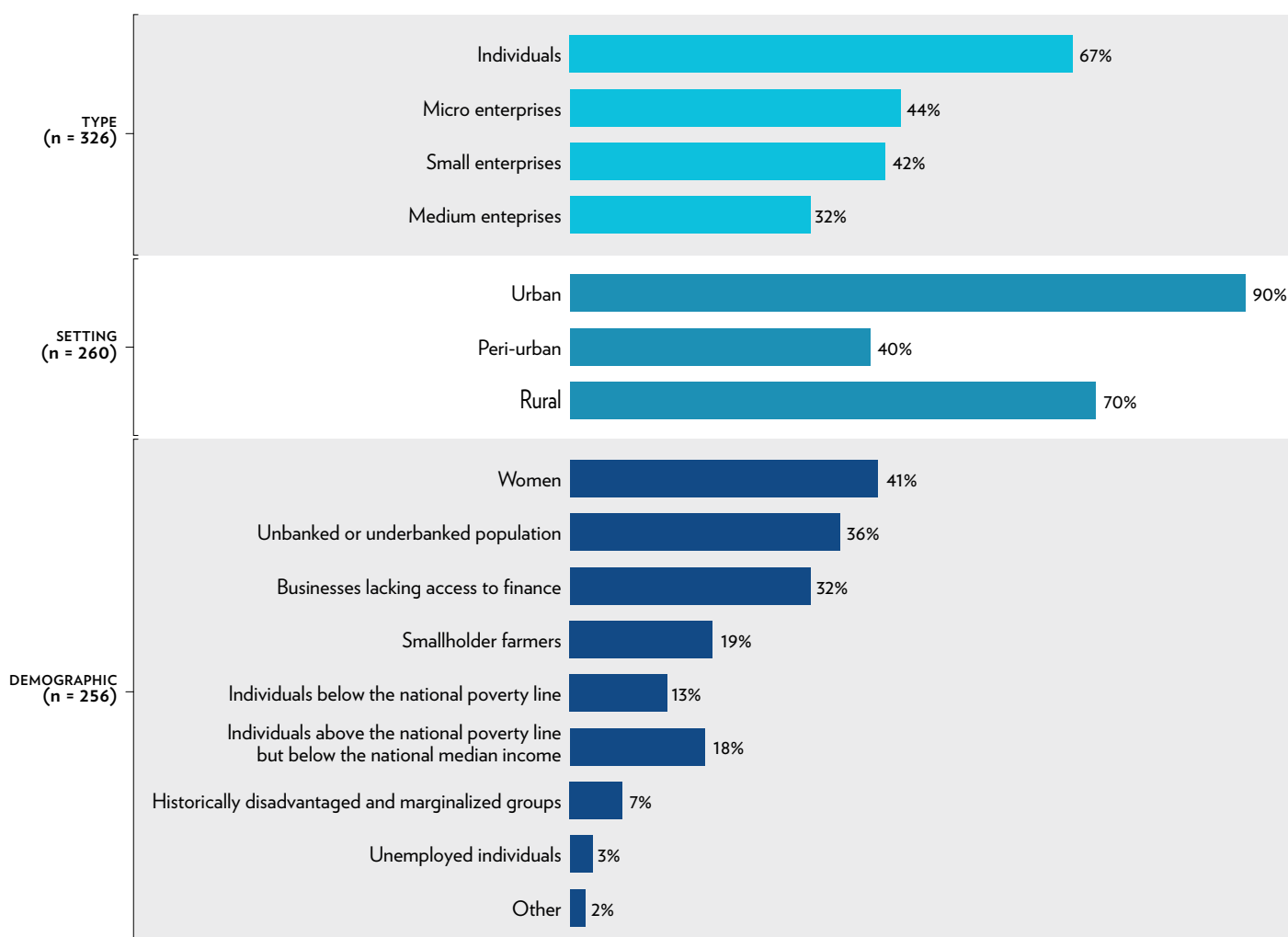
Describes the mechanisms in place to gather input from stakeholders on product/service design, development, and delivery.

HOW CHANGE IS HAPPENING

Investments can seek to generate improved financial resilience through a range of individual and bundled products, including credit, savings, and insurance. Within this sample, the bulk of financial service providers are microfinance institutions (55%) or fintech providers (19%). In more than nine in ten cases, investees implemented a client protection policy (91%). A clear majority also had operational certifications in place, most commonly the Smart Campaign Client Protection Principles (79%) or social audits, such as SPI4 (63%). Notably, a third also cited working with investees to reflect stakeholders' perspectives in their product and service offerings (33%), and 21% collect impact data from stakeholders via interviews or other surveys. The delivery of individual products is detailed below; additionally, 19% of investees offered bundled products.

FIGURE 20: Stakeholders targeted by investments to improve financial resilience

'n' reflects annualized investments reporting the number of active clients, respondents could target multiple categories.



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

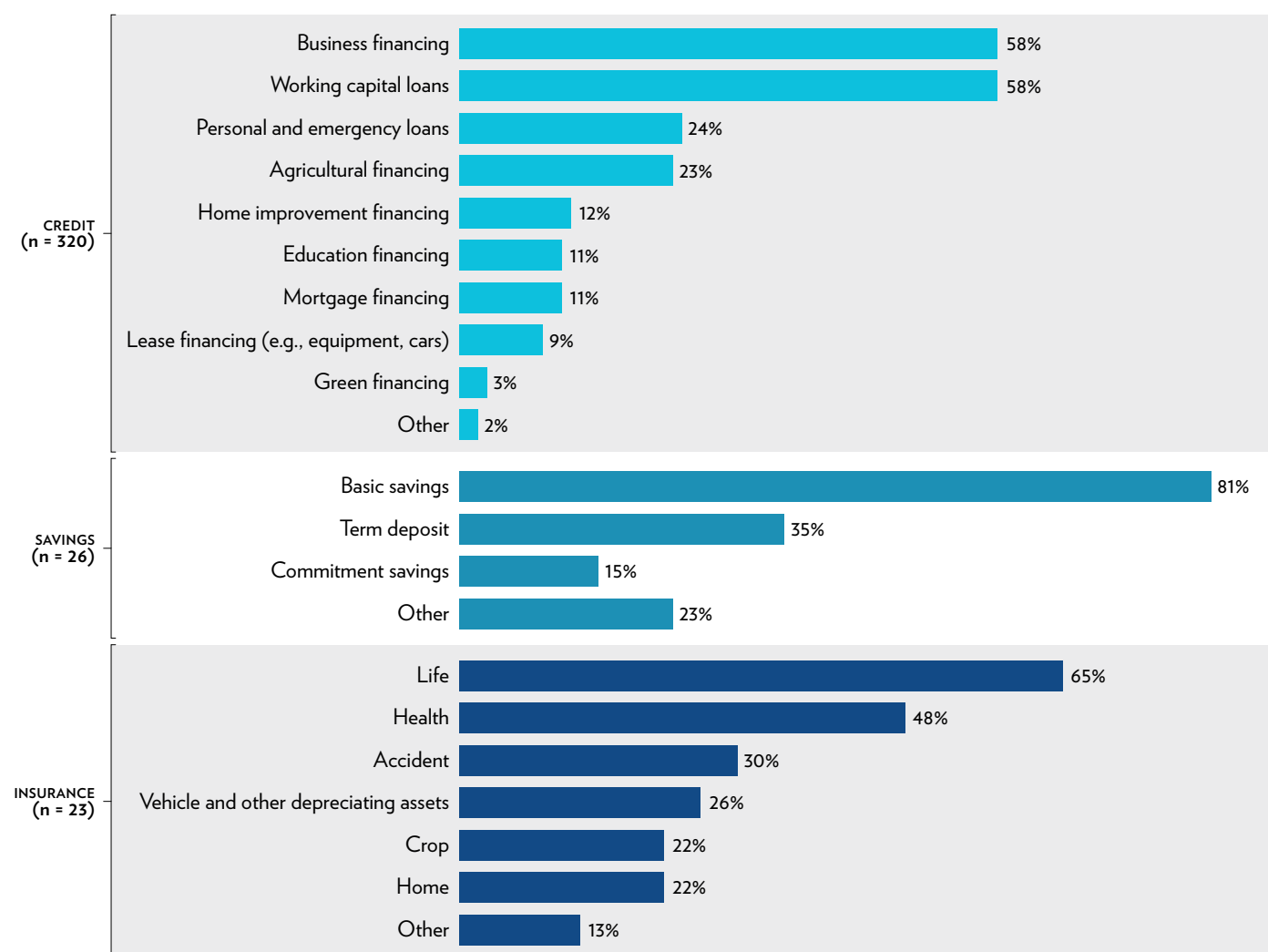
In total, 390 investees that provide credit reported the number of active clients and their number of loans disbursed.* On average, these investees offered loans to 339,448 active clients during a one-year period; at the median, this figure was 45,883 clients. The median loan amount was USD 1,438; average figures were far higher (USD 69,542), reflecting divergence between individual loans and loans to MSMEs.† Among various credit products, organizations most commonly offered business financing and working capital loans (58% each; Figure 21). Nearly universally, these investees (99%) analyze the repayment capacity of their clients.

* Analyses exclude four outlier investments.

† The value of loans disbursed was available for 359 annualized investments.

FIGURE 21: Credit, savings, and insurance products offered to active clients

'n' reflects annualized investments reporting the number of active clients by product type, respondents could target multiple categories.



Note: 'Other' credit products include invoice receivables, cash advancements, manufacturing loans, wholesale and trade products, and WASH products. 'Other' savings products include zero-balance savings accounts and products designed specifically for women. 'Other' insurance products include cattle insurance and two-wheeler insurance.

Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

Investors cited specific risks to their investees' growth and expansion plans — including plans to expand in vulnerable regions — that could result from inconsistent or changing regulations, political volatility, and economic uncertainty.

Furthermore, 68 annualized investments into companies that offer voluntary savings options included data on both the number of active clients and the number of voluntary, active savings accounts. Among these investments, an average of 590,657 active clients had voluntary savings accounts in a one-year period (85,026 at the median). Basic savings were overwhelmingly the most common, cited by 81% of investments with active clients. Term deposits were also relatively common (35%), followed by commitment savings (15%).

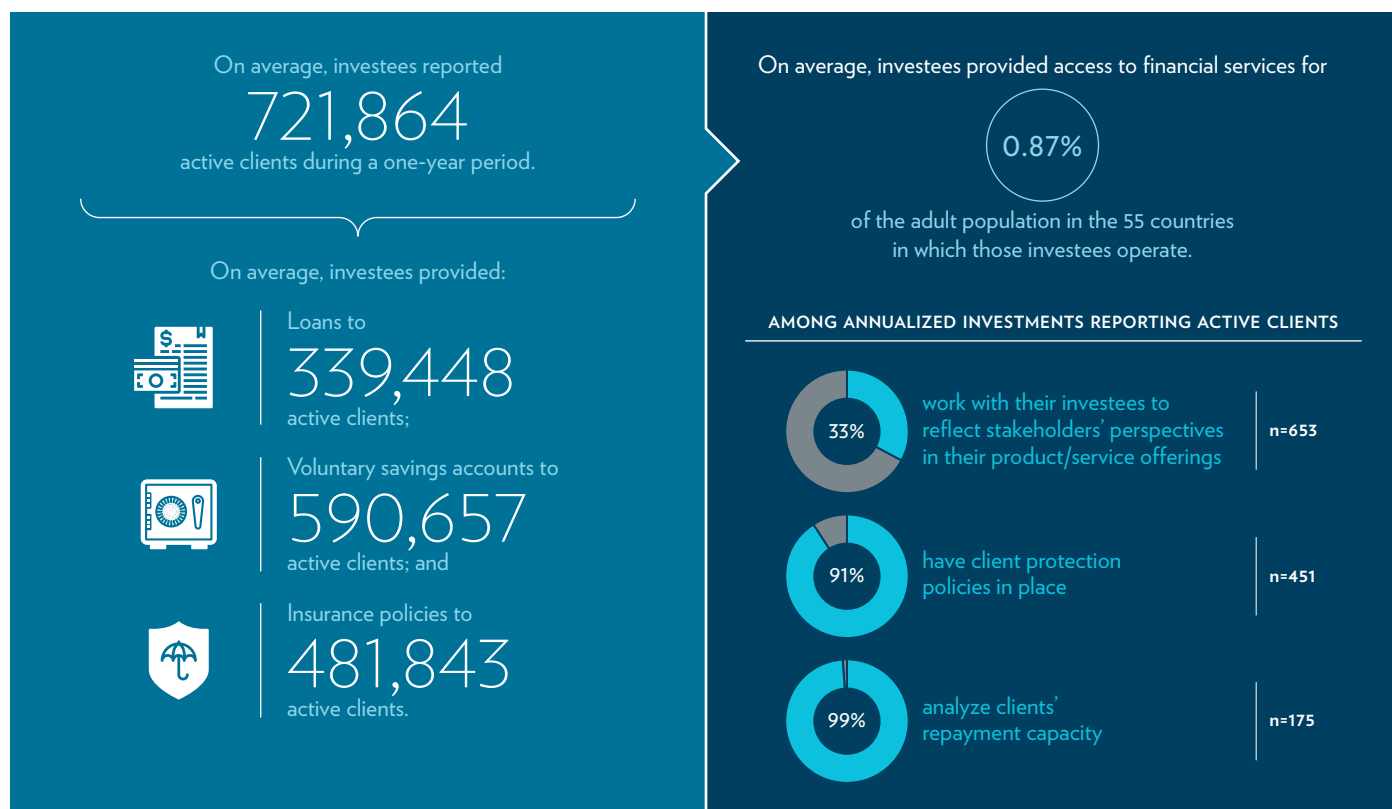
Lastly, 61 annualized investments into companies offering insurance products disclosed data on both active clients and insurance policy distribution. These organizations provided insurance policies to an average of 481,843 active clients during a one-year period; the median insurer provided 45,409 policies. The most common insurance products were life (65%), health (48%), and accident (30%) insurance; all of these policy types reflect advancements toward financial resilience by mitigating the severity of each specified financial shock.

IMPACT RISKS PERCEIVED BY INVESTORS

Most commonly, investments associated with improved financial resilience cited facing external risk (48%) or execution risk (38%).* About a quarter of this segment of investments also cited evidence risk (24%). Investors cited specific risks to their investees' growth and expansion plans — including plans to expand in vulnerable regions — that could result from inconsistent or changing regulations, political volatility, and economic uncertainty.

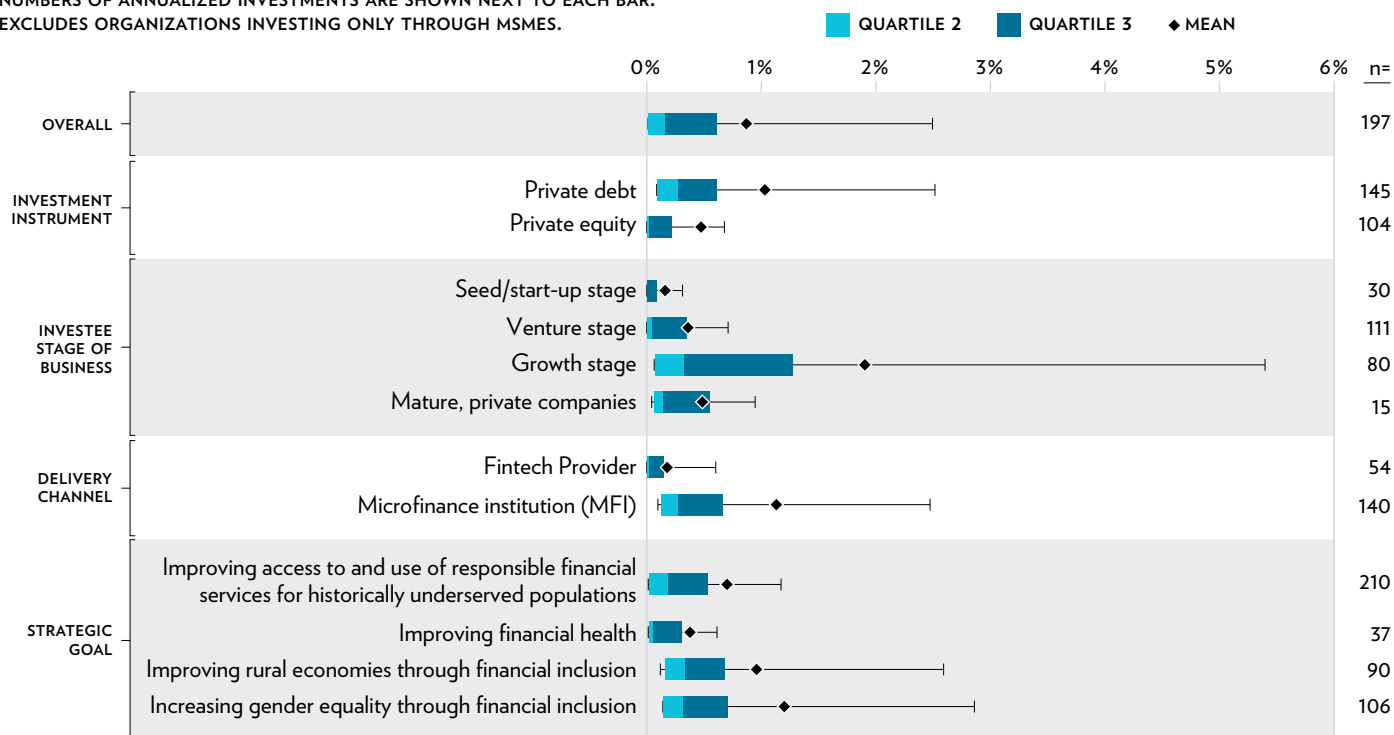
* See Appendix 2 for definitions of various impact risks.

Progress toward improving financial resilience among previously unbanked individuals



The share of active clients relative to the size of the adult population in the countries in which investees operate, by market segment:

BARS RANGE FROM 10TH TO 90TH PERCENTILES;
NUMBERS OF ANNUALIZED INVESTMENTS ARE SHOWN NEXT TO EACH BAR.
EXCLUDES ORGANIZATIONS INVESTING ONLY THROUGH MSMEs.



Source: GIIN, *Understanding Impact Performance: Financial Inclusion Investments*

SPOTLIGHT: GRASSROOTS CAPITAL MANAGEMENT AND FUNDENUSE

Improving financial resilience for the unbanked in Nicaragua

Grassroots Capital Management is an asset manager headquartered in the United States. Since its inception in 2007, Grassroots has designed, launched, and managed global impact investment funds across a wide range of sectors, including microfinance and SME finance.

FUNDENUSE S.A. is a Nicaraguan microfinance institution, started as a non-profit foundation in 1993 and transformed into an incorporated company in 2012. Próspero Microfinanzas Fund, co-managed by Grassroots and BIM Ltd, invested in Fundenuse in 2014 and converted its equity position to subordinated debt in 2019.*

Fundenuse provides credit, insurance, money transfer, and payments services to individuals and to micro- and small enterprises in rural Nicaragua. In addition to these traditional financial services, Fundenuse also offers financial education and literacy programs to its clients (reaching 77% penetration), along with products to enable access to water and sanitation, solar-powered energy and light, and energy efficient stoves. The company offers these products and services through varied distribution channels, such as agent services, with the hope that the customization and bundling of products will allow clients to improve their financial health and better manage financial shocks. Fundenuse also has client protection policies in place, actively evaluating product design, implementing means to prevent over-indebtedness, ensuring responsible collection practices, and establishing complaint resolution mechanisms, among other processes. Fundenuse participated in an assisted

self-evaluation by SPI4 and was certified by the Smart Campaign for its client protection practices; in addition, it monitors the use of services by customer segment, conducts annual customer satisfaction studies, tracks whether clients were previously excluded from the formal financial system, and measures new clients' poverty levels using its own proprietary methods based on clients' assets.

As a member of the company's Board of Directors, Próspero actively weighed in on key social objectives and supervised the execution of the company's business plan. Additionally, Próspero designated a Social Performance Manager, who visited Fundenuse bi-annually to share best practices and assist the company through the GIIRS rating process. As a GIIRS Pioneer Fund, Próspero used B Lab's B Impact Assessment, IRIS+ metrics, and the Cerise SPI4 tool to assess its impact performance. Próspero also provided Fundenuse with capacity-building support to strengthen its asset and liability management and credit methodology and establish a control-and-decision-making board. In terms of impact risks, the political and social unrest throughout Nicaragua in 2018 delayed Próspero's scheduled investment exit through a pre-agreed management buyback. In 2019, Fundenuse and Próspero agreed to reschedule the purchase and convert Próspero's equity investment to a subordinated loan. Subsequently, the COVID-19 situation in Nicaragua has surfaced some new challenges for both Próspero and Fundenuse; they are undergoing discussions to reschedule the upcoming debt repayment.



* Learn more about Próspero's investment in Fundenuse [here](#) and explore Fundenuse's website [here](#).

Lessons learned

Feasibility

This research builds on the pilot edition of the GIIN's Impact Performance Study, which demonstrated that impact performance can be aggregated and compared among impact investments.²³ Building on this approach, this second edition seeks to deepen the analytic model and enable increasingly rigorous and transparent comparison of impact results. To this end, the Research Team collected data on 798 annualized impact investments in financial inclusion from 46 impact investors. Such strong participation reiterated impact investors' demand for comparable impact performance analyses.

Through conversations with study participants, the Research Team sought to ensure appropriate interpretation of impact results, explore participants' impact measurement and management processes, and understand the causes of data gaps. The Team also gauged progress in several key areas that are required to enable aggregate and comparable impact performance analysis — and ultimately to drive the development of benchmarks, ratings, and other tools for impact-drive decision-making:

1. **Availability and shareability of impact performance data:** Impact investors in financial inclusion can report impact performance data on both the depth and breadth of impact achieved by investees at scale, as evidenced by the hundreds of investments this study includes. However, the research process also highlighted the remaining gaps in terms of standardizing not just which metrics investors use but also how data for those metrics are collected, calculated, and reported. Nevertheless, there are signs of increasing sophistication and cohesion across the industry; for most annualized investments, investors shared quantitative impact data for several IRIS+ aligned metrics on the questionnaire, demonstrating consistent data collection and calculation. Additionally, sector-specific tools, such as Cerise SPI4 and the SPTF Universal Standards, provide FSPs with industry standards to enable responsible lending and meaningful assessment of impact performance.
2. **Relevance of data to impact performance and longer-term outcomes:** Investors increasingly align to standardized IRIS+ metrics, which are backed by evidence and therefore designed to indicate specific, real world outcomes. Yet translating output metrics into long-term impact outcomes remains a challenge for most investors. Availability of data was especially limited among outcome metrics; across 798 annualized investments in the sample, respondents were able to share for just three investments data on increased spending on basic services, a key outcome in the financial inclusion sector. This finding reflects resource constraints associated with directly collecting outcomes data and highlights an opportunity to expand the industry's ability to triangulate to outcomes based on sets of outputs using evidence-backed analytics and research methods.

Through conversations with study participants, the GIIN sought to ensure appropriate interpretation of impact results, explore participants' impact measurement and management processes, and understand the causes of data gaps.

3. **Rigor and thoroughness of the analytic approach:** This second edition study not only showed that all of the aforementioned key factors hold for the comparability of impact performance in financial inclusion but also enabled the GIIN to deepen its approach to understanding impact results in a comparable way through three core analytical ‘building blocks’ described in the Methodology section: normalization of results, outcomes assessment, and segmentation and clustering of findings. Increased clarity around these core components of analysis and how they fit together represents yet another step toward comparable impact results that account for both investment- and company-level context. Ongoing iteration and application of this methodology will further strengthen the insights that result from analysis of impact performance.

Challenge of analyzing investor contribution

The Impact Management Project defines contribution as the indication of whether an investee’s or investor’s efforts resulted in outcomes that were likely better than what would have otherwise occurred.* To assess contribution thus requires analysis of key factors that fall under the control and influence of both investor and investee.

In this study, the Research Team explored key factors at the investor level that contribute to impact performance: timing of investment, types and terms of capital provided, and engagement with the investee through non-financial support or other forms of stakeholder engagement. At the investee level, this study explored which and how social or environmental needs are being addressed, both key inputs for understanding contribution. These factors are integrated into the analysis presented throughout this paper rather than being considered separately from impact results.

Notably, however, analysis presented throughout this report does not specifically assess a counterfactual or otherwise try to determine the likely level of impact that would have occurred without the investor’s and investee’s engagement. To do so would require significant expansion of the number of metrics required, thus deterring data collection efforts, in addition to requiring a host of assumptions that cannot be sufficiently backed by evidence, ethics, or rigor. Further research may explore the various drivers of impact performance at both investor and investee levels, the results of which can inform and enhance the industry’s understanding of how contribution might be assessed.

Notably, analysis presented throughout this report does not specifically assess a counterfactual or otherwise try to determine the likely level of impact that would have occurred without the investor’s and investee’s engagement.

* For more, visit the Impact Management Project’s website [here](#).

Impact performance information for decision-making

Considering information about impact performance alongside risk and return enables investors to arrive at better answers to a range of questions — and therefore better decisions — across the various phases of the investment process. As the volume of analyzed performance data continues to grow, so too will investors' ability to extract meaningful, informative insights about historical and potential impact performance. Throughout the research process, investors described various use cases for aggregate or comparable impact performance information, as detailed below.

FIGURE 22: Applications of comparable impact performance information across the investment process



Opportunities for further research

Any research project requires carefully bounded scope to ensure an appropriately focused and thorough effort and also inevitably elicits many more opportunities for further research, whether by the GIIN or other researchers. In that respect, four areas for especially productive future research emerged:

Future research should explore this link between investment-level and portfolio-level impact performance.

1. **Translating investment-level impact performance to the portfolio and fund levels. Data availability led this study to focus deliberately on the comparability of impact performance at the investment level.** The utility of analysis would be further amplified by understanding how investment-level performance translates to portfolio-level performance. To date, some actors, such as the Impact Frontiers Collaborative, have made headway in demonstrating how a fund's portfolio can be constructed to consider both impact and financial returns.²⁴ However, this work does not yet enable portfolio-to-portfolio comparability on the basis of impact. Future research should explore this link between investment-level and portfolio-level impact performance.
2. **The business value of impact management.** If investors could better understand impact performance results, they may be able to finance opportunities that address targeted social or environmental challenges and shape their financing strategies, terms, and delivery to enhance results against those challenges. Further unpacking use cases of impact performance information and the associated business benefits at both the investor and investee levels might provide more impetus for investors to pursue opportunities with higher impact potential.
3. **The relationship between the impact and financial performance of impact investments and funds.** Investors use a variety of methods to manage the dynamic relationship between desired impact goals and financial performance relative to a risk tolerance profile. The industry would benefit from further research that explores these patterns. Such research could also explore how various methods of portfolio construction might optimize impact and financial results.
4. **The interrelationship between factors influencing the performance of an impact investment.** There are dynamic relationships among a range of factors investors consider throughout the investment process, but some of these were beyond the scope of this research. Specifically, further research could explore:
 - a. *Time and timing:* How impact results change or endure over time given the growth patterns of different segments within a sector and the influence of macroeconomic events; and
 - b. *Drivers of impact performance:* How investors' and investees' respective motivations, processes, and activities drive impact results.

By sharing insights from this research, the GIIN hopes to inspire further work by academics and practitioner-oriented researchers, to ultimately shape tools and practices to advance the industry.

APPENDIX 1:

List of participants and advisors

This study would not be possible without the participation, guidance, and leadership from the following impact investors:

Adobe Capital / New Ventures	Dalio Family Office (DFO)	Lendable
Ameris Capital	Elevar Equity	Local Enterprise Assistance Fund (LEAF)
Anonymous 1	Futuregrowth Asset Management	Local Initiatives Support Corporation (LISC)
Anonymous 2	Garden Impact Investment	Lok Capital
Anonymous 3	Global Social Impact (GSI)	Mennonite Economic Development Associates (MEDA)
Anonymous 4	Gojo & Company, Inc.	Mercy Corps Ventures
Anonymous 5	The Grameen Crédit Agricole Foundation	Oikocredit
Anonymous 6	Grassroots Capital Management	Nuveen, A TIAA Company
Anonymous 7	IDB Invest	PhiTrust SA
Anthem Asia	Impact Investment Exchange (IIX)	Quona Capital
BlueOrchard Finance	Innpact	responsAbility
CDC Group	Insitor Partners	Shared Interest
Ceniarth LLC	Investisseurs & Partenaires (I&P)	Vox Capital
Chiratae Ventures	IGNIA	Women's World Banking
Community Investment Management (CIM)	Inspirit Foundation	
Cordaid Investment Management	Kukula Capital	

We are very grateful to the following organizations that shared advice and guidance during various stages of the research process, generous with their time and expertise:

ACTIAM	European Microfinance Platform (e-MFP)	Social Performance Task Force (SPTF)
ADA Microfinance	Finance in Motion	Village Capital
The Bill and Melinda Gates Foundation	GAWA Capital	WaterEquity
CERISE	Middle Road OPC Pvt Ltd.	Win (formerly Women In Need, Inc.)
Consultative Group to Assist the Poor (CGAP)	Obviam	

List of definitions

GENERAL

Impact: Positive and negative social and environmental results associated with a given investment, without necessarily a link or attribution of those results to an investment and the products, services, and operations of the investee. This report reflects both positive and negative impacts, to the extent that it's possible.

Impact investments: Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. They can be across asset classes, in both emerging and developed markets, and target a range of returns from below-market to market-rate, depending on the investors' strategic goals.

Impact pathway: A sequence that connects outputs-level data to short-term outcome indicators, based on relevant sets of evidence and rigorous assumptions.

Investor: The individual or organization allocating return-seeking capital either directly into a project, company, or real asset or indirectly through a fund or other intermediary.

Investee: The recipient of investment capital, typically a company, project, or real asset.

Outputs: The products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes.

Outcomes: Change for affected stakeholders that is plausibly associated with the products/services of the enterprise.

Stakeholder: Sometimes referred to as 'beneficiary'; the person(s) or ecosystem(s) that derive advantages from an investment, such as clients, employees, suppliers, etc.

STAGES OF BUSINESS

Seed/Start-up: Business idea exists, but little has been established operationally; pre-revenue.

Venture: Operations are established, and company may or may not be generating revenues but does not yet have positive EBITDA.

Growth: Company has positive EBITDA and is growing.

Mature: Company has stabilized at scale and is operating profitably

TYPES OF IMPACT RISK

These definitions come from the Impact Management Project (IMP) Glossary.

Evidence risk: The probability that the evidence on which the strategy is based is faulty and so the expected impact will not occur.

External risk: The probability that external factors disrupt the ability to deliver the expected impact.

Execution risk: The probability that the activities are not delivered as planned and do not result in the desired outputs.

Stakeholder participation risk: The probability that the expectations or experiences of stakeholders are misunderstood or not taken into account, reducing their participation or uptake.

Drop-off risk: The probability that the expected impact does not endure.

Unexpected impact risk: The probability that significant unexpected positive and negative impact may be experienced by people and the planet.

Efficiency risk: The probability that the expected impact could have been achieved with fewer resources or at a lower cost.

Contribution risk: The risk that an investment leads to the same or worse effect compared to what would otherwise have occurred.

APPENDIX 3:

References and literature reviewed

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About the Global Impact Investing Network

This report is a publication of the Global Impact Investing Network (GIIN), the leading global champion of impact investing, dedicated to increasing the scale and effectiveness of impact investing around the world. The GIIN builds critical market infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry.

Research

The GIIN conducts research to provide data and insights on the impact investing market and to highlight examples of effective practice.

thegiin.org/research

Membership

GIIN Membership provides access to a diverse global community of organizations interested in deepening their engagement with the impact investment industry.

thegiin.org/membership

Impact Measurement and Management (IMM)

The GIIN manages IRIS+, the most widely used system to measure, manage, and optimize impact. IRIS+ features Core Metrics Sets and the IRIS Catalog of Metrics together with curated resources, a built-in evidence base, and practical how-to guidance to help investors integrate impact considerations into investment management.

<https://iris.thegiin.org/>

Initiative for Institutional Impact Investment

The GIIN Initiative for Institutional Impact Investment supports institutional asset owners seeking to enter, or deepen their engagement with, the impact investing market, by providing educational resources, performance research, and a vibrant community of practice.

thegiin.org/giin-initiative-for-institutional-impact-investment

Roadmap for the Future of Impact Investing

Interested in helping to build the field of impact investing? The GIIN's *Roadmap for the Future of Impact Investing: Reshaping Financial Markets* presents a vision for more inclusive and sustainable financial markets and articulates a plan for impact investing to lead progress toward this future. To download the Roadmap and find more information about opportunities to get involved, visit roadmap.thegiin.org.

Contribute your impact performance data

The GIIN is committed to uncovering further insight on the aggregate and comparable impact performance of impact investments. To contribute your impact performance data, please contact impactperformance@thegiin.org.



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DISCLOSURES

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