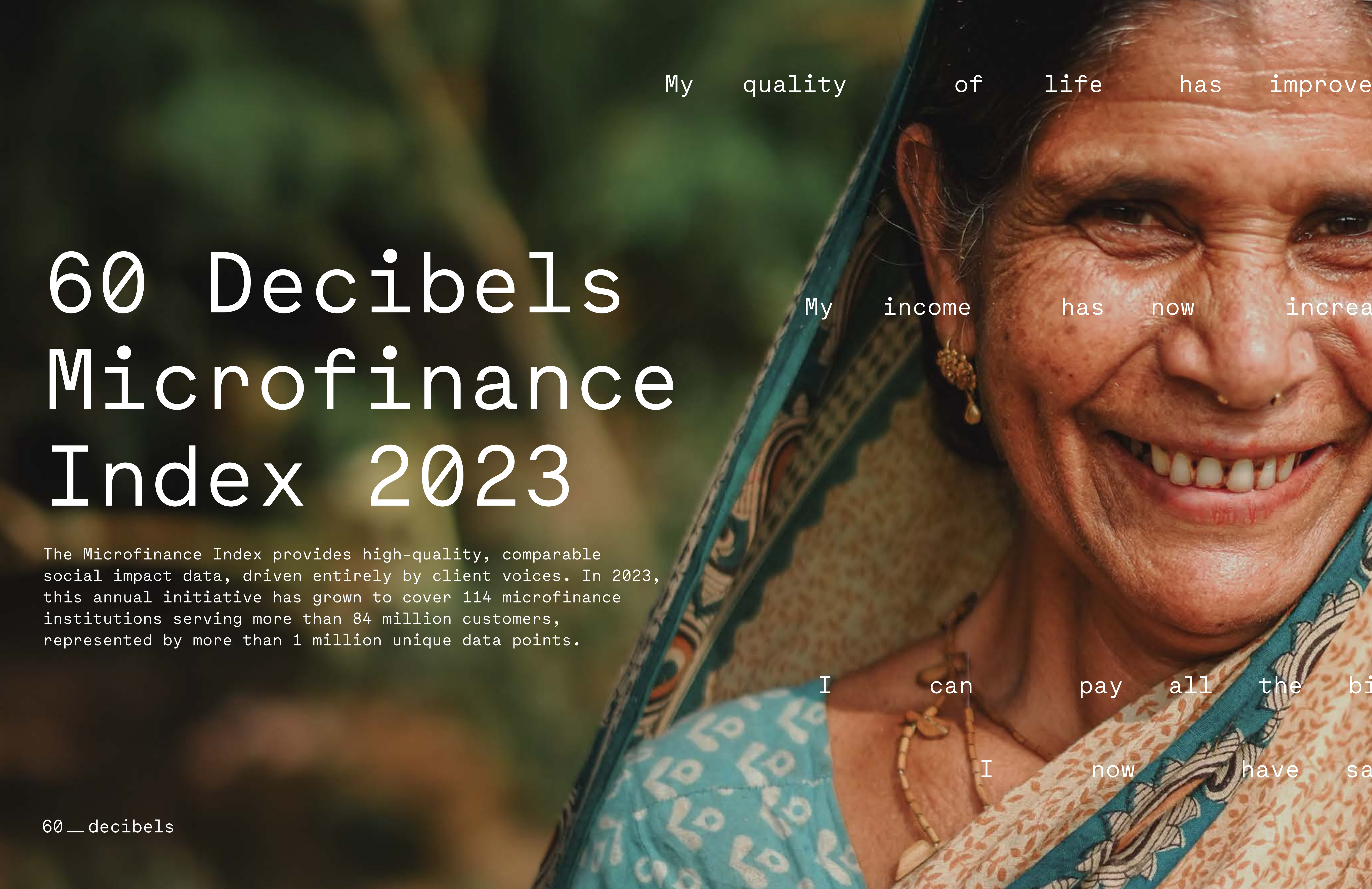
60 Decibels Microfinance Index 2023

The Microfinance Index provides high-quality, comparable social impact data, driven entirely by client voices. In 2023, this annual initiative has grown to cover 114 microfinance institutions serving more than 84 million customers, represented by more than 1 million unique data points.



60 Decibels Microfinance Index

About 60 Decibels

60 Decibels is a global, tech-enabled social impact measurement company that brings speed and repeatability to impact measurement and customer insights. We provide genuine benchmarks of impact performance, enabling organizations to understand impact relative to peers and set performance targets.

We have a network of 1,200+ researchers in 80+ countries, and have worked with more than 1,000 of the world's leading impact investors, companies, foundations, corporations, NGOs, and public sector organizations. 60 Decibels makes it easy to listen to the people who matter most.

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Sponsored by
Tipping Point Fund on Impact Investing and Ceniarth

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We listed to 32,000 microfinance clients

The last decade has seen an explosion of new 'inclusive finance' companies offering financial services to low- and middle-income customers globally.

These market developments notwithstanding, microfinance institutions remain at the forefront of serving some of the most marginalized customers globally.

These microfinance institutions are often embedded in communities, and they have built deep relations of trust with their clients. They are uniquely positioned to increase financial resilience, help families withstand economic shocks, grow businesses, improve household well-being, and empower women.

The global questions that remain unanswered in microfinance are:

> **Where is this potential being realized?**
>
> **What institutions, and what practices by these institutions, are creating the strongest social outcomes for clients?**
>
> **How can we uncover which institutions are making the biggest difference for clients?**
>
> **How can we compare outcomes between institutions in ways that increase transparency and maximize well-being for clients?**

The 60 Decibels Microfinance Index aims to answer these questions. Our belief—validated by our partnership with most of the world's leading microfinance investors, networks, and institutions—is that the best way to answer these central questions is by listening, at scale, to microfinance clients.

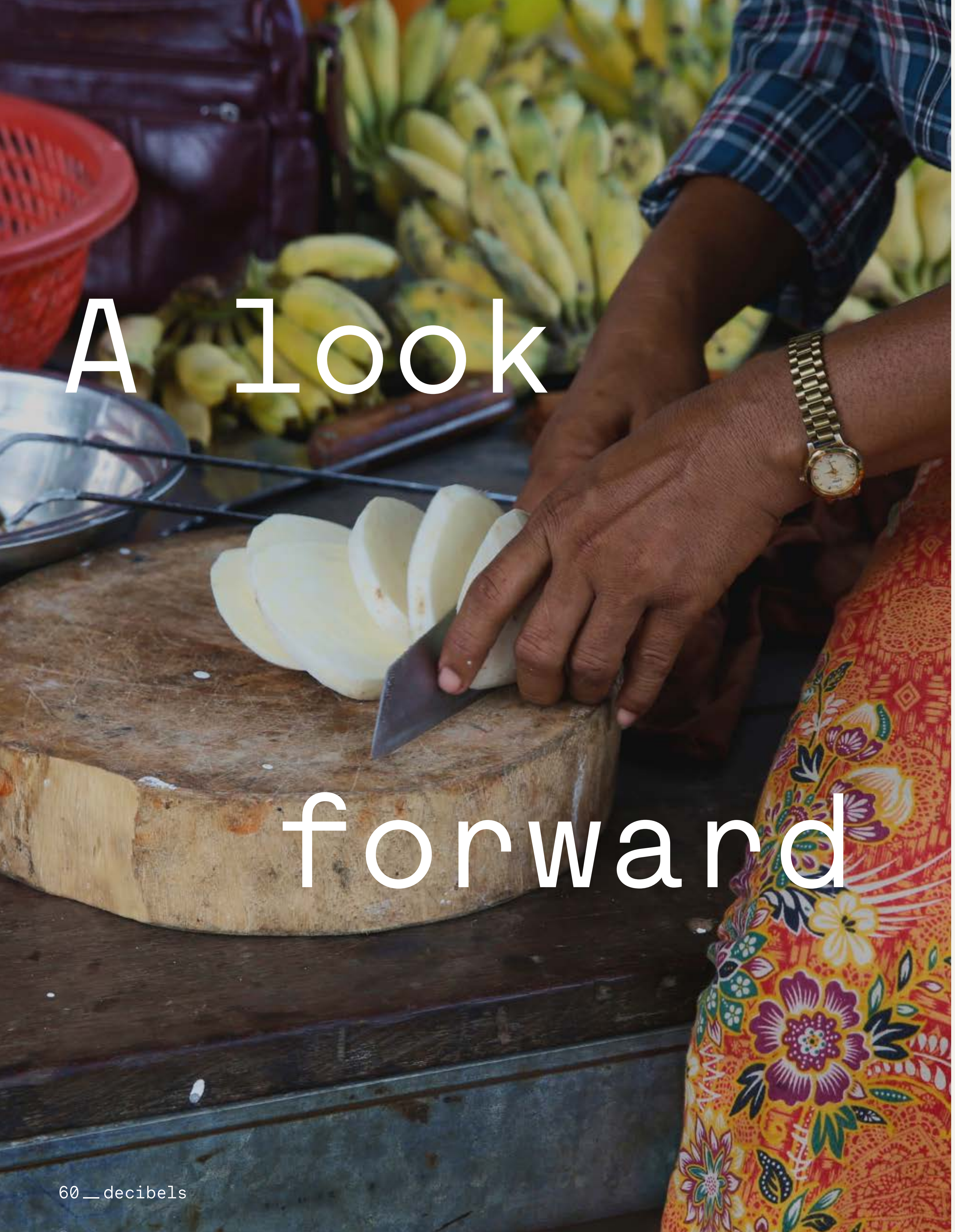
We've done just that.

This year, 60 Decibels listened to more than 32,000 microfinance clients globally, bringing our complete Microfinance Index dataset from 2022 & 2023 to more than 50,000 clients—that's more than 1 million unique data points. This is a massive dataset, rich with insights.

The financial service providers (FSPs) in our 2023 dataset collectively serve more than 84 million clients in 32 countries. Based on the most recent data we have from ATLAS on the size of the microfinance industry, this represents 48% of the estimated 173.5 million microfinance borrowers globally[1].

It is important to note that microfinance refers to the provision of services beyond credit, including savings, insurance, and payments. Often, "microfinance" is used as a synonym for "microcredit". Our Index primarily focuses on the provision of microcredit. We speak with clients who have taken a loan from a financial service provider in the past year. Two-thirds of the financial service providers in our sample provide additional services beyond credit, and we briefly cover how use of these services changes impact.

[1] This data was provided to 60dB by ATLAS. This data consists of 1,425 institutions globally in a recent analysis of data from 2019 to 2022. The data is not comprehensive of the entire microfinance market.



A look forward

This is the second year of the 60 Decibels Microfinance Index. One of our main goals is to use the Index to uncover global themes in microfinance—to discover what is working, at scale, and also to point out where accepted wisdom does not align with what customers are telling us.

What's new in 2023

We have a lot of **new insights** to share. With this year's data, we now know more about how lending methodology, use of wraparound services, and client tenure influence individual and household outcomes. We also have more data on client protection, data that help us understand the current risk of overindebtedness and client treatment globally (along with more detailed data on key markets like Cambodia). And we have new data on agency to understand the impact of financial service providers on decision-making and confidence, particularly for women.

What's consistent in 2023

Encouragingly, in many areas, our 2023 data confirm the findings from the 2022 Microfinance Index and we found no significant differences between the datasets. That's excellent news. Deeper data sets that validate these findings can give all actors greater confidence in the links between the provision of high-quality microfinance services and customer outcomes.

Some of the top consistences between 2022 and 2023 are:

- Clients continue to access credit for the first time and, for the most part, say they have access to few good alternatives to their financial service providers.
- Clients who use their loans for business purposes (rather than consumption) report stronger household & business outcomes.
- Repayment burden exists, leading to effects on individuals and households.

What is possible

You'll also see that, throughout this report, we focus a lot on the results of the top-performing financial service providers. This is intentional. Our aim, in addition to celebrating success, is to help the industry answer the questions "What is possible?" and "What does 'best' look like for a given social performance metric?"

Looking at the top-performing financial service providers begins to answer these questions. This year, we have a larger dataset that allows us to uncover what 'best' looks like for individual indicators across different regions.

We encourage you to look at the data on top performers as a way to:

- Set goals – Top performance is a new benchmark for what others can aspire to and establish higher standards for impact & client satisfaction.
- Identify best practices – the top-performing financial service providers are modeling the strategies, methodologies, and approaches that lead to the most favorable outcomes for clients.
- Learn from success – these best practices can then be shared and replicated across the industry to improve the overall effectiveness of microfinance.

In addition, this report has considerably more focus on **country-level benchmarks & spotlights**. In 2022, the participating pool of FSPs in our Index was more geographically broad than it was deep (72 FSPs in 41 countries), so we focused more on global benchmarks. However, we heard feedback (that we agree with!) that these global comparisons did not acknowledge how much local context matters. That's why, this year, we focus more heavily on country- and regional-level comparisons and benchmarks. Each context is different, both in terms of market dynamics and how questions are understood by clients. Country-level benchmarks help us to control for these differences, so that we're more confident that variability in client outcomes represent real differences between the social performance of a given FSP.

It's important to note that our dataset is not (yet) an accurate representation of the global microfinance market. We are demand-driven, and there has been proportionally more demand for our data from Sub-Saharan Africa and South / Southeast Asia, and proportionally less from investors and FSPs in Eastern Europe, for example. That said, our 2023 dataset is considerably more representative of the global market than our 2022 data set, thanks to increased participation from FSPs in Asia.

Want to have the 60dB MFI Index data at your fingertips? Access the paid on-line dashboard to dig into all of the 2023 aggregate data by indicator.

Find out more →

What's New

01 Longevity with FSP = More Impact

02 Use of Financial & Non-Financial Services Beyond Credit Improves Outcomes

03 Engagement with FSPs Improves Women’s Agency

04 Group Lending is a VIP (Very Important Practice)

05 Client Protection May Not Be as Strong as We Think

06 Long-term Impact of FSPs on Resilience

What's Consistent

07 FSPs Continue to Reach Under-Served and Under-Represented Clients

08 Impact of Loan Usage

09 Business Investment is Top of Mind

10 Access to Alternatives Influence on Loan Understanding

11 Loan Repayment Burden Affects Individuals & Households

12 Financial Management and Savings Balance are Clearly Linked to Financial Resilience

About our Data

This year, 114 financial service providers (FSPs) participated in the Index.

These FSPs are diverse. They vary by institution type, number of borrowers, services offered, and assets under management. Our Index, however, is a product of their participation, so they all have one thing in common—a desire to understand their social performance based on their clients' experiences.

We spoke to 32,000 of these FSPs' clients. Over half of these clients have been with their FSP for a year or less and are group borrowers. Two-thirds are women and only access credit from their FSP, versus using other financial and non-financial services.

Who We Listened To

32,271
Clients

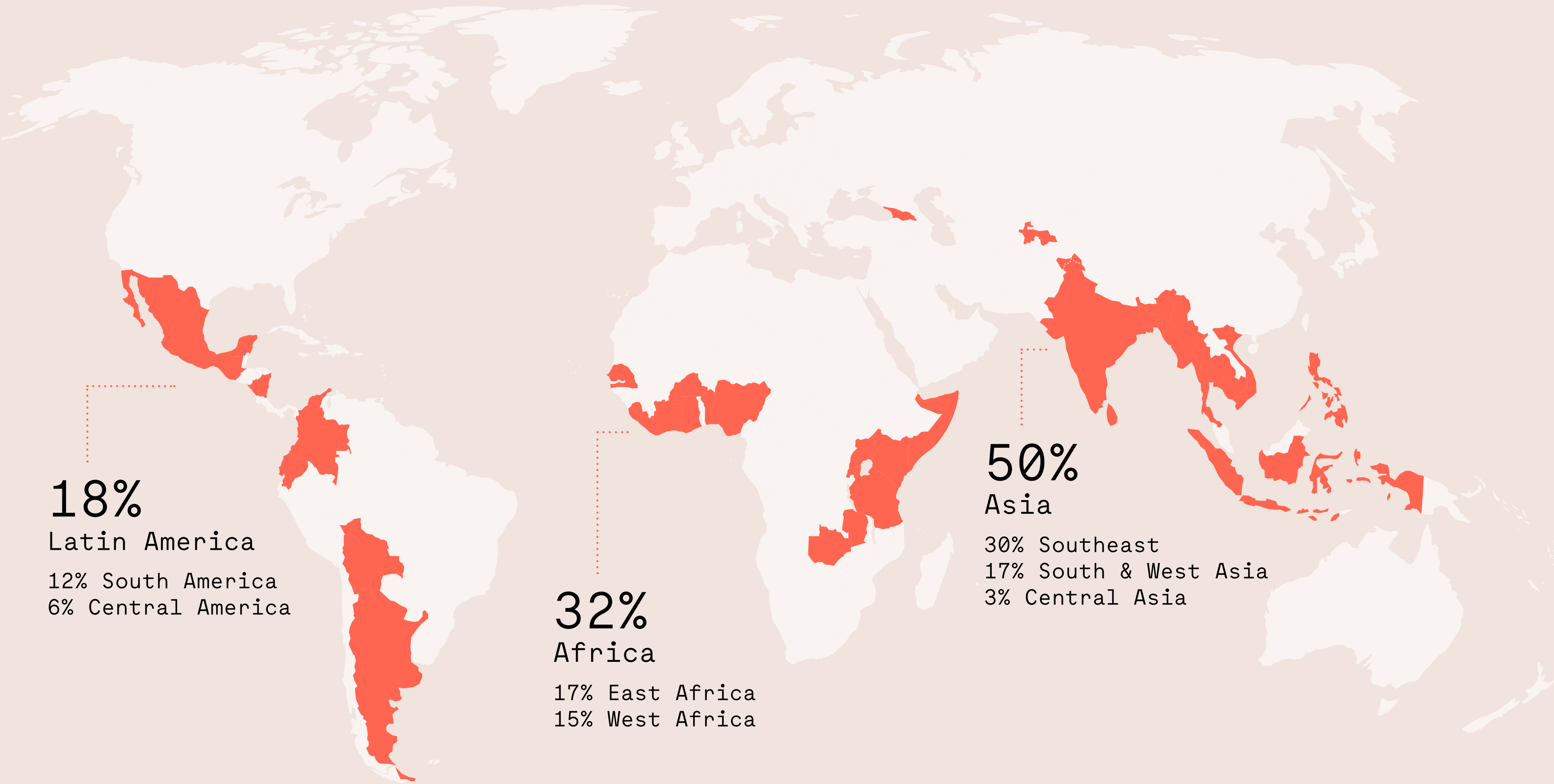
114
Financial Service Providers

92
Languages

32
Countries

21
Minutes, average phone interview

54%
Response rate

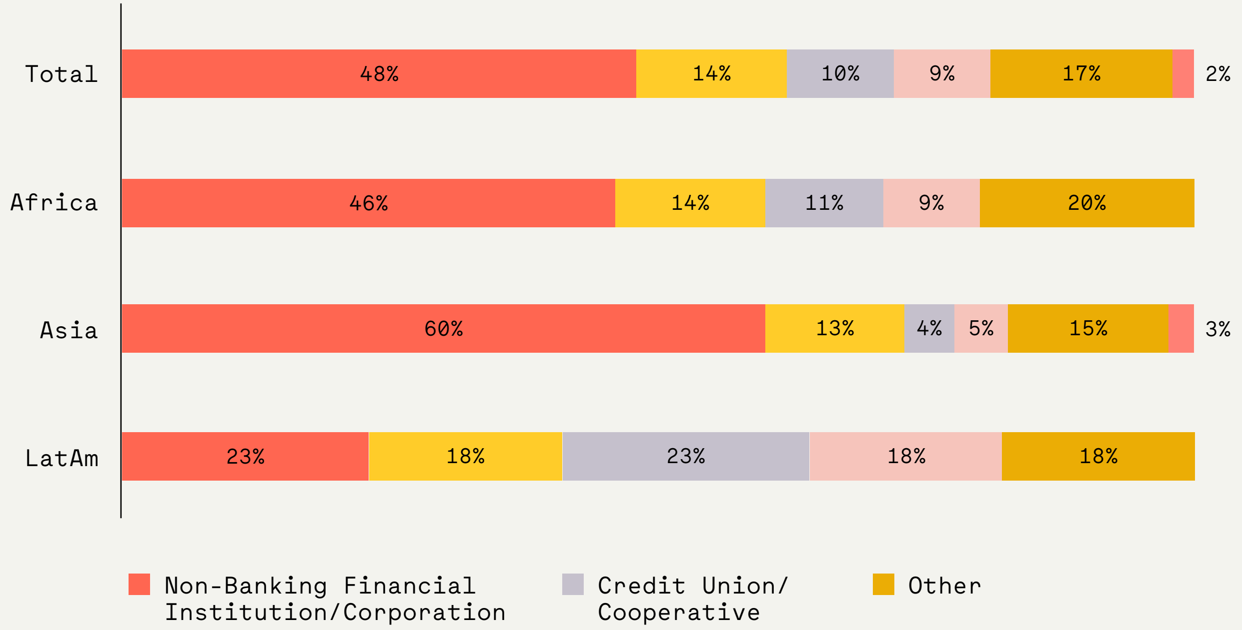


About the Financial Service Providers

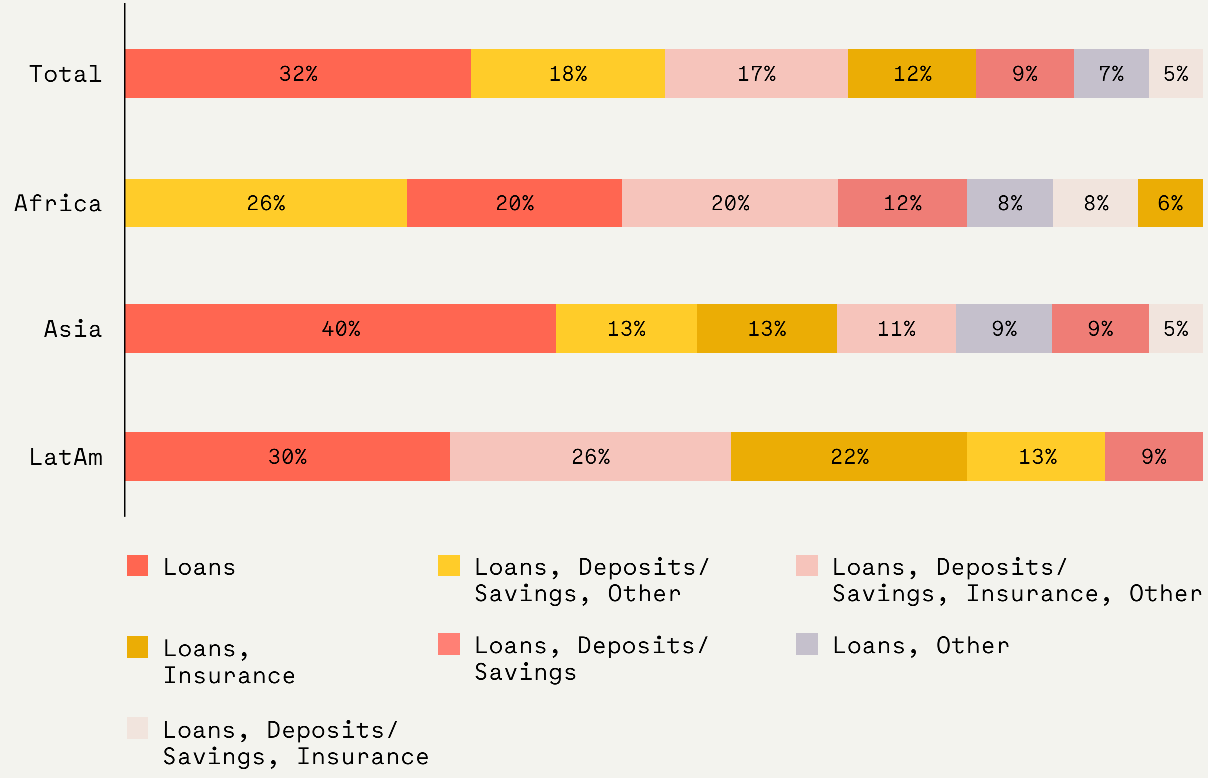
In this year's Index, we worked with 114 financial service providers from 32 countries in Asia, Africa, and Latin America, a 58% increase from last year's data (72 FSPs). Almost half of these FSPs (48%) are Non-Banking Financial Institutions/Corporations, and Banks or Credit Unions/Cooperatives account for nearly a quarter (24%).

About a third (32%) of the FSPs offer only loan services, while the rest offer a blend of financial services, most notably savings and insurance. 71% of FSPs in our sample offer non-financial services like education and training, free of charge, to clients.

Type of Financial Institution



Financial Services Offered



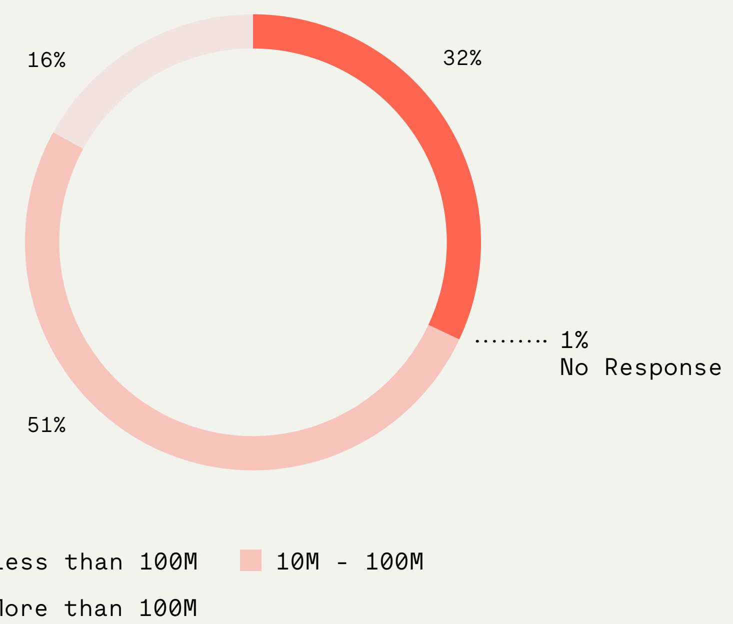
FSPs in our dataset also vary significantly by client size, emphasizing the diverse nature of financial markets. For example, in Asia, one of our participating FSPs serves 34 million clients while another serves 775!

We've also segmented participating FSPs by total Assets Under Management (AUM). A third of FSPs (32%) manage over $100 million in total AUM. Half manage between $10 million and $100 million in AUM. And the remainder (16%) manage assets less than $10 million.

To reiterate, there is nothing scientific about the selection of the FSPs that participate in our Index. While we recruit globally, participation in our Index is voluntary. In addition, because there is not a single global dataset on microlending financial service providers, our picture of the composition of the global market is incomplete. We suspect that participating FSPs are above-average performers in social impact: they chose to participate in this Index; they tend to be backed by social investors who may use their influence to promote good social performance management; and, therefore, they are more likely to have a focus on helping their clients achieve strong social outcomes.

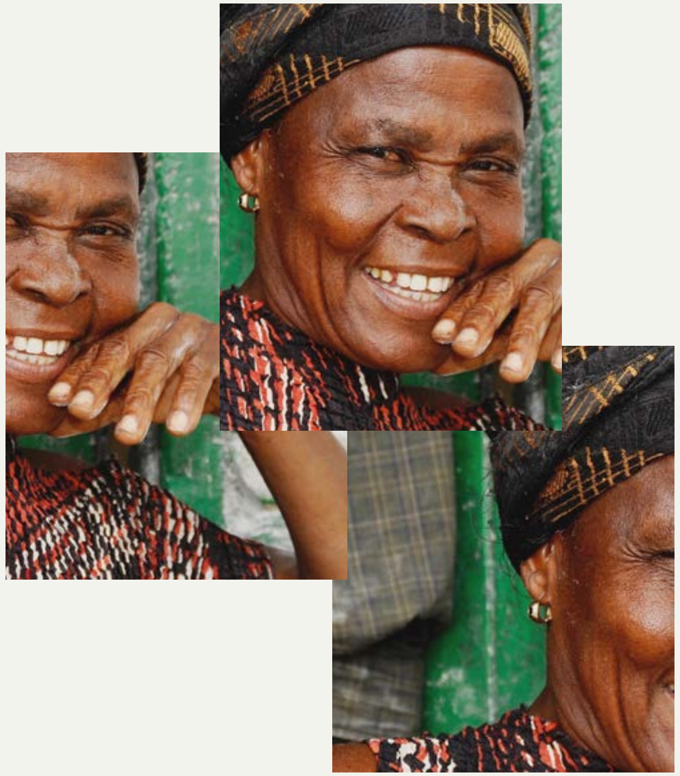
It is also important to note, throughout this report we use financial service providers and microfinance institutions somewhat interchangeably. All the financial service providers in our sample provide microcredit, but, in addition to microloans, offer larger loan sizes to clients.

Participating FSPs' Total Assets Under Management (AUM) in USD



Participating FSPs' Number of Clients

	Global	Africa	Asia	LatAm
Max	34,000,000	318,811	34,000,000	329,193
Average	764,731	70,141	1,491,579	85,002
Median	78,938	38,800	322,829	41,786
Min	775	4,460	775	803



About the Clients

We spoke to more than 32,000 clients this year, bringing our global dataset to over 50,000 clients (we talked to just under 18,000 clients last year). Most of this report focuses on 2023 results. When we talk about combined results for 2022 and 2023, we make that explicit.

At the global level, half (53%) of the 2023 clients we spoke to have been with their FSP for a year or less. This trend is consistent across regions, with Africa at 48%, Asia at 56%, and Latin America (LatAm) at 53%.

We also spoke to clients who borrowed as individuals (55%) and as a part of a group (45%). Group borrowers in our dataset are more prevalent in Asia (51%) compared to Africa (44%) and LatAm (31%). Our sample slightly over-represents group borrowers comparing our data to that of ATLAS (data from 2020-2023) where 33% of clients are group borrowers.

We note trends by lending methodology throughout the report as individual and group lending.

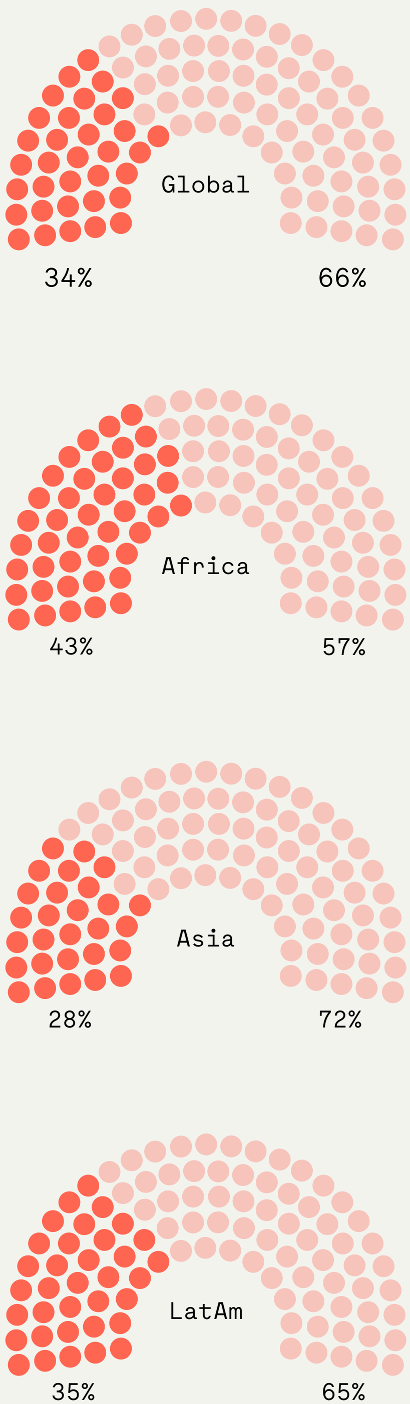
Though two-thirds of FSPs offer financial & non-financial services other than loans, only one-third of clients report using services from their FSP such as savings, insurance, training, and other business-related services.

As mentioned, the geographic distribution of clients shifted from 2022 to 2023. In 2023, Asia constitutes 50% of the Index clients surveyed, followed by Africa (32%) and Latin America & the Caribbean (18%). This compares to our 2022 numbers of 35% (Asia), 47% (Sub-Saharan Africa) and 18% (Latin America & the Caribbean).

Two thirds of all the clients we spoke to in 2023 are women, which is the same as the percentage for microfinance customers globally.

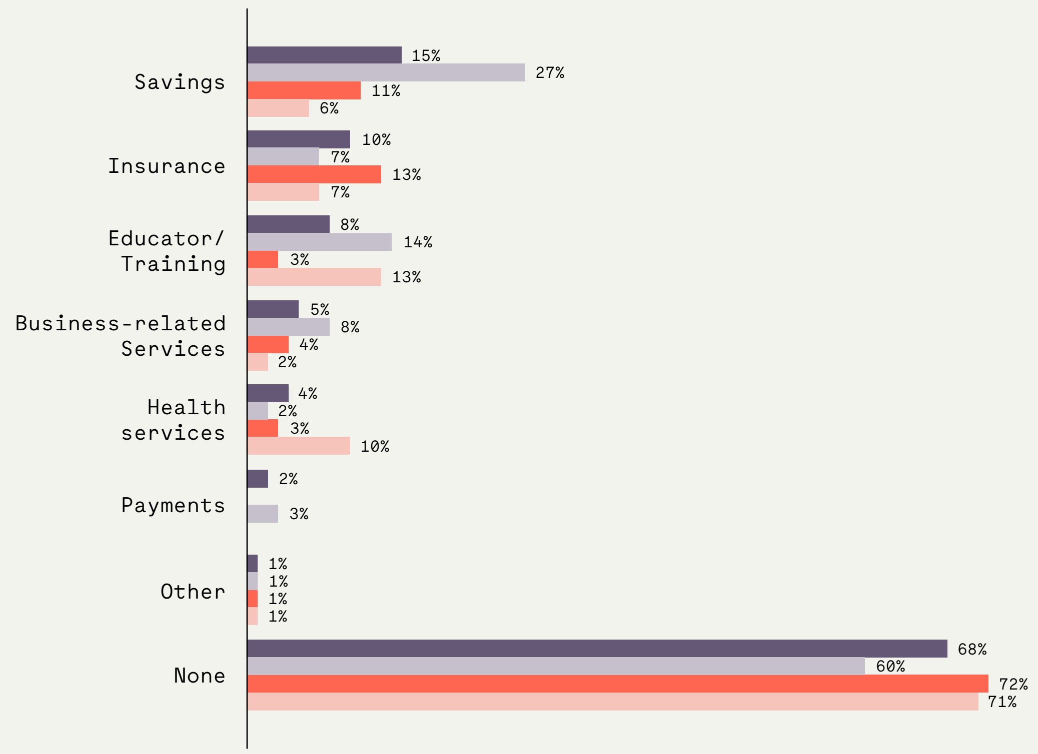
Gender

Men Women

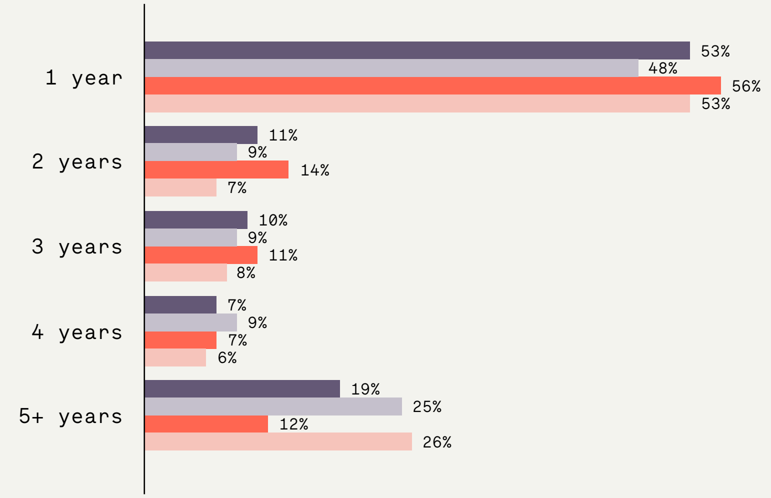


Non-Credit Services Accessed

Global Africa Asia LatAm

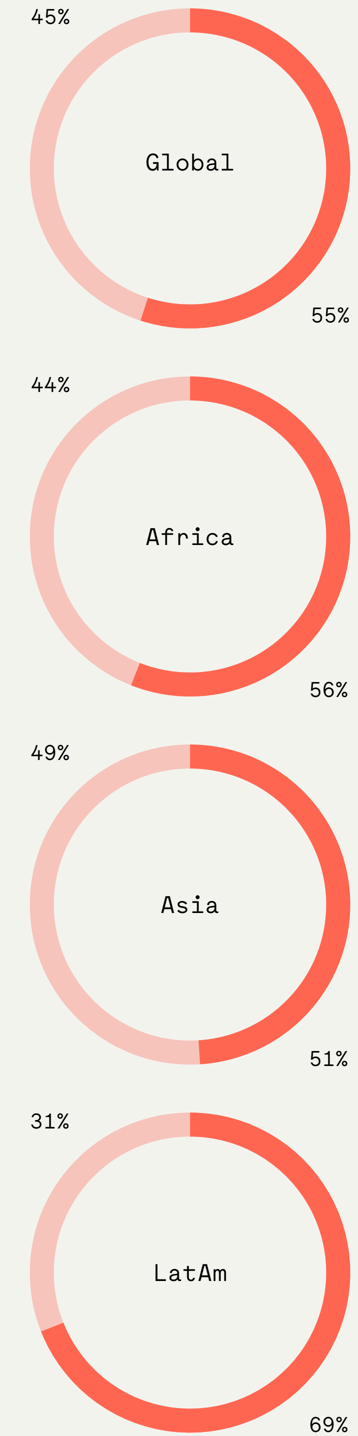


Client Tenure



Lending Methodology

Group Loan Indivudual Loan



Comparing the 2023 60dB Microfinance Index with the Global Market

To put our headlines and insights into context, we want to share a bit more to help understand the overall size of the microfinance market, and what amount and type of capital are flowing into microfinance globally compared to our Microfinance Index. To do this, we partnered with Tameo - Impact Fund Solutions to aggregate data from CGAP's Cross-Border Funder Survey and Tameo's Private Asset Impact Fund Survey.

Geographic Representation

Looking at asset allocations from public and private investors to specific countries, there are some notable differences. For private investors, India is the leading country followed by Cambodia and Georgia, which together represent USD 2.85 billion in outstanding portfolios. Ecuador, Russia, Mexico, Uzbekistan, Armenia, Bolivia, and Costa Rica complete the top 10. These countries account for 45% of the total portfolios, indicating a concentrated market among the 10 largest countries.

The top 10 list for public investors looks somewhat different, in particular for the amount of investment going to Turkey, Nigeria, and Egypt—these are three of the top four destinations for public investment, and not on the top 10 list for private capital. India, Cambodia, and Georgia are in the top 10 countries for public investors, as they are for private investors.

Top 10 country allocation (microfinance funds and public funders) *

Top 10 countries, private microfinance funds[1]	Portfolio Outstanding (USD M)
India	1,510
Cambodia	675
Georgia	667
Ecuador	614
Russia	556
Mexico	439
Uzbekistan	423
Armenia	413
Bolivia	390
Costa Rica	342

Top 10 Countries, public microfinance funds[2]	Commitments (USD M)
Turkey	2,308
India	2,257
Nigeria	848
Egypt	756
Multicountry (global)	690
Cambodia	688
Georgia	686
Colombia	655
Multicountry (EAP)	609
Brazil	576

[1] From Tameo's Private Asset Impact Fund Survey
[2] From CGAP's Cross-Border Funder Survey

The 2023 Microfinance Index takes this geographic concentration into account: the report has a critical mass (>9, typically with representation from many of the largest institutions) of participating FSPs from India, Cambodia, Ecuador, all of which are on the top 10 list for both public and private investors. Due to investor demand, we also have high concentration from FSPs in Indonesia and Uganda which are not on the top 10 lists for private or public funds.

While the Index has good concentration in three of the Top 10 geographies, our overall sample is still skewed heavily to Sub-Saharan Africa and East Asia & Pacific, and it under-represents Eastern Europe and Central Asia, which represent only 3% of respondents. This is due to the fact that we are demand-driven by investors, networks and FSPs in creating the Microfinance Index. 60 Decibels aims to increase Index coverage in Easter Europe and Central Asia for the 2024 Index.

Breakdown of FSPs by region from the 60dB Microfinance Index*

Region	# of MFIs	% of total sample	% volume in private investors	% public investors commitments
Sub-Saharan Africa	37	32%	7%	14%
East Asia & Pacific	36	31%	13%	14%
Latin America & the Caribbean	23	20%	27%	18%
South Asia	18	15%	15%	13%
Eastern Europe & Central Asia	3	3%	33%	27%

Breakdown of Top 5 FSPs by country from the 60dB Microfinance Index

Country	# of MFIs	% of total sample	% volume in private investors	% public investors commitments
India	16	14%	11%	11%
Indonesia	13	11%	2%	2%
Cambodia	10	9%	5%	3%
Ecuador	10	9%	5%	3%
Uganda	9	8%	1%	0.4%

* Regions have been re-allocated according to World Bank classification. The total percentage breakdown by region does not amount to 100% from public funding (CGAP study) because 3% of flows are towards multi-region projects where the detailed breakdown by region recipient is not available.

Income, Gender, and Loan Size Comparison

Country Income Tiers

Both private and public investors target most of their capital to lower-middle income (46% and 47% of capital, respectively) and upper-middle income countries (45% and 42%, respectively). We can translate these figures to a weighted average Gross National Income (GNI) per capita of USD 6,501 for microfinance funds and USD 5,066 for public funders.

The 2023 Microfinance Index focuses on FSPs that are more concentrated in low- to lower-income economies—they represent 72% of the total sampled population. The calculated weighted average GNI per capita for the 2023 Microfinance Index is USD 3,069.

We can use these GNI calculations to infer the level of banking penetration of the countries' respective adult population as measured by the Global Findex database.* Globally, the average level of banking penetration is 63.2% for private investors, 61.2% for public investors, and 55% for the 2023 Microfinance Index. The data in this Index represent less-developed markets for financial inclusion, when compared to global averages.

Gender Profile of Borrowers

Investors, public and private, of microfinance funds report targeting 64% of women through investments into their FSPs. On par with that target, the 60dB Microfinance Index collects social outcome data from FSPs whose clients are 66% women.

Borrowers Average Loan Sizes

The median average loan size for private microfinance funds shows average financing sizes of USD 1,943, reflecting the focus on serving the bottom segment of their markets. The 60 Decibels Microfinance Index, which is currently tilted towards FSPs in Sub-Saharan Africa & East Asia and the Pacific, reports a lower average loan size of USD 1,000.

Across all of these metrics, the 60 Decibels Microfinance Index is reflecting the lived experience of clients who are relatively poorer and living in relatively less well-developed markets in terms of GNI per capita and financial inclusion than the microfinance industry as a whole.

* The indicator relates to "The percentage of respondents who report having an account (by themselves or together with someone else) at a bank or another type of financial institution or report personally using a mobile money service in the past year."

For more information on the context of the microfinance market, please visit the Appendix.

Income, Gender, Loan Size Comparison: Market Data vs. 60dB 2023 MFI Index

	Private MFI Funds[1]	Public MFI Funds[2]	Microfinance Index (60 Decibels)
Country Outreach Measures Portfolio concentration by country income level			
High income	7%	N/A	0%
Upper-middle-income	45%	42%	27%
Lower-middle-income	46%	47%	56%
Low income	1%	2%	16%
GNI per capita (weighted average)	6,501	5,066	3,069
Banking penetration of country portfolios	63.2%	61.2%	54.7%
Borrowers' Gender			
Women	64%	64%	66%
Men	36%	36%	34%
Loan Size (USD)			
Average loan	$1,943	N/A	$1,000

[1] From Tameo's Private Asset Impact Fund Survey
[2] From CGAP's Cross-Border Funder Survey

The Index

The 60dB Microfinance Index assesses financial service providers' social performance across twenty-one indicators and six impact themes and ranks their performance by region.

We use a standard survey to gather data for the indicators, and we speak to a representative sample of clients at each financial service provider. All data for the Index is gathered by remote phone surveys conducted by local researchers in local languages. All questions in the survey are designed to capture clients' lived experience. Like all survey data, responses are self-reported, and we think that's a good thing! Ultimately, it is the clients themselves who are the best judge of their experience and well-being.

To rank performance, for each financial service provider we calculate a relative score for each indicator*, average the indicator scores within the same dimension, and then average the scores across dimensions for an Index score. The Index scores are ranked from highest to lowest by region.**

All dimensions in the Index are weighted equally; however, each dimension has a different number of indicators. For example, the Access dimension consists of three indicators and the Household Impact dimension has five. We hope, in the future, to have more data on how clients rate the materiality of various outcomes, to allow us to weight values accordingly. Check out our calculations in the **Appendix** if you really want to nerd out.

See our 2023 top performers in each region on page 17*.

Read more →

* Indicator Score = (Company value - Minimum value in the region) ÷ (Max value in the region - Min. value in the region)

** We recognize the limitations of ranking performance by region. Ideally, we rank financial service providers by country. This year, we have rankings for five countries - India, Ecuador, Cambodia, Indonesia, and Uganda (visit here to learn more about accessing that data). We hope to provide more country rankings in 2024.

Dimensions & Indicators

Access

Measures the degree to which the financial service providers are serving a previously undeserved population, the competitive landscape the financial service providers operate in, and the degree to which they are serving less well-off clients.

Indicators

> Clients accessing a loan for the first time
> Clients without access to good alternatives
> Inclusivity Ratio

Business Impact

Measures the impact the financial service providers have on clients' ability to earn income from their business and their ability to employ others.

Indicators

> Increased number of paid employees
> Very much increased business income

Household Impact

Measures the impact the financial service providers have on clients' quality of life and their ability to invest or cover household expenditures.

Indicators

> Very much improved quality of life
> Very much increased spending on home improvements, education, healthcare and quality meals

Client Protection

Measures the degree to which clients are informed of the financial service provider's loan conditions prior to borrowing, and the ability of clients to make repayments without reducing other household consumption.

Indicators

> Clients who strongly agree they understand terms and conditions of loan
> Very much decreased time spent worry about finances
> Clients saying their loan repayments are not a burden
> Clients who never reduce food consumption to meet repayments
> Clients saying they have never experienced an unexpected fee or charge

Resilience

Measures the degree to which clients are financially prepared for an unforeseen economic shock, and the impact the financial service providers have on this preparedness. It also measures the client's ability to manage finances and save.

Indicators

> Clients whose savings balance has very much increased
> Clients who say very much improved resilience because of the FSP
> Very much improved ability to manage finances

Agency

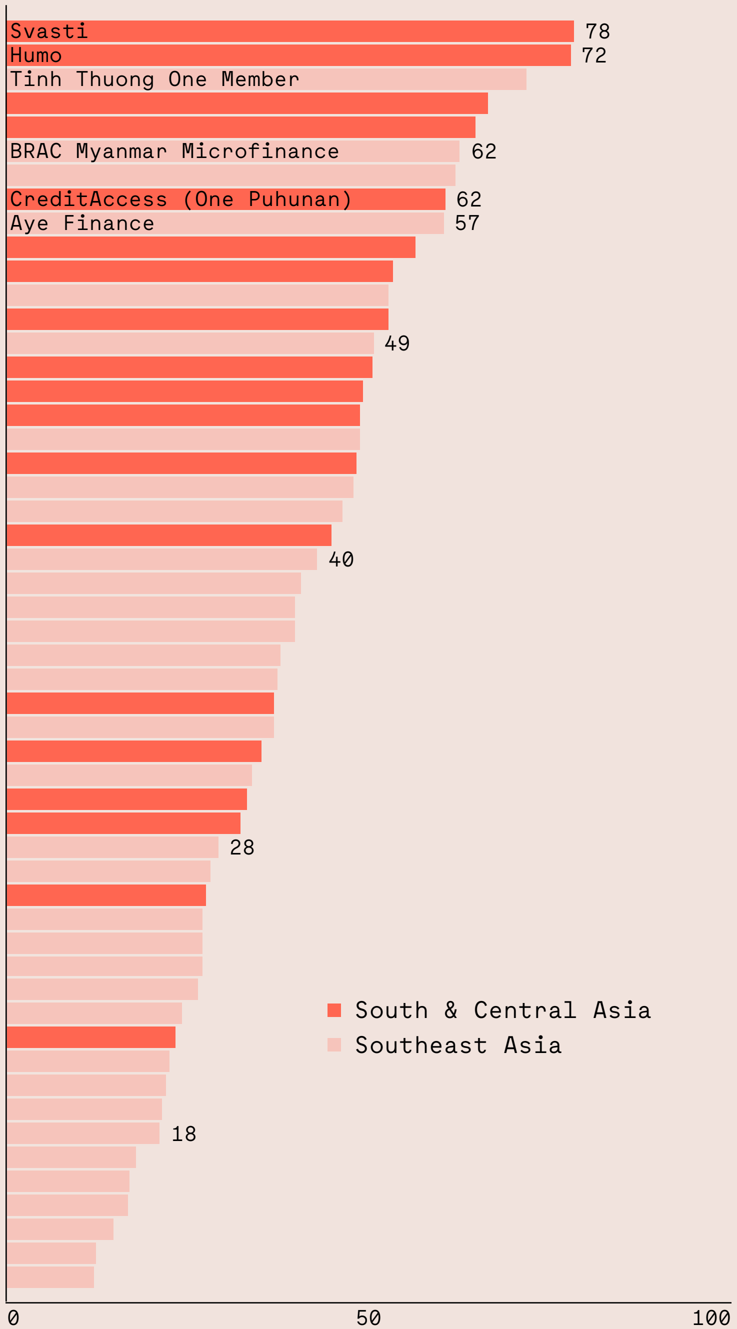
Measures the impact the financial service providers have on clients' confidence, ability to make decisions about their money, and contributions to clients' ability to achieve their financial goals.

Indicators

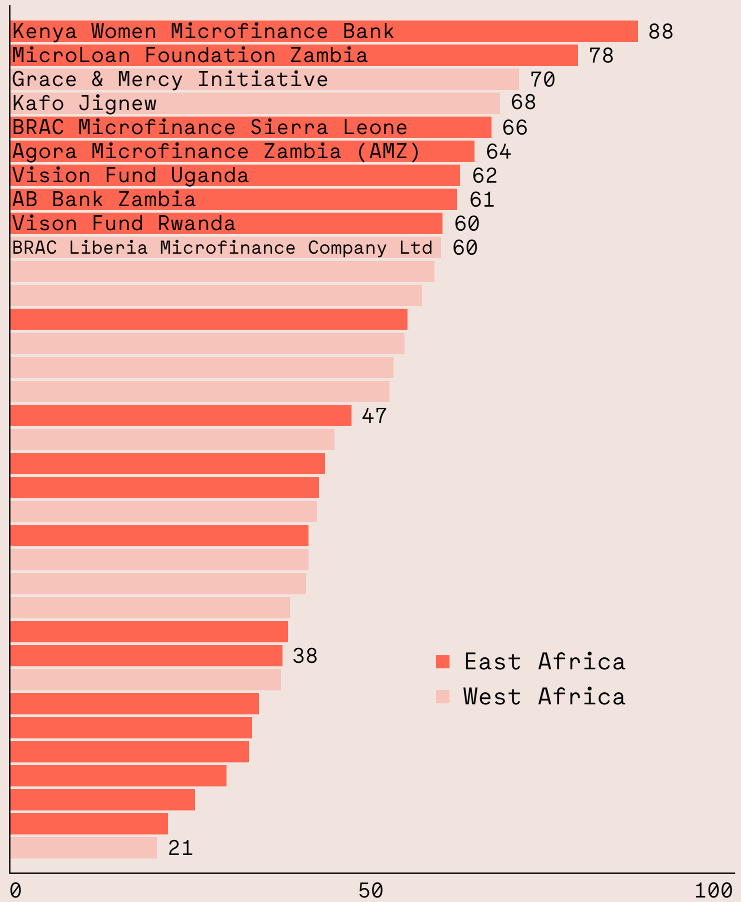
> Clients who say their ability to make decisions related to their finances have very much increased
> Cilents who say their confidence has very much increased
> Very much improved ability to achieve a financial goal

MFI Index Rankings

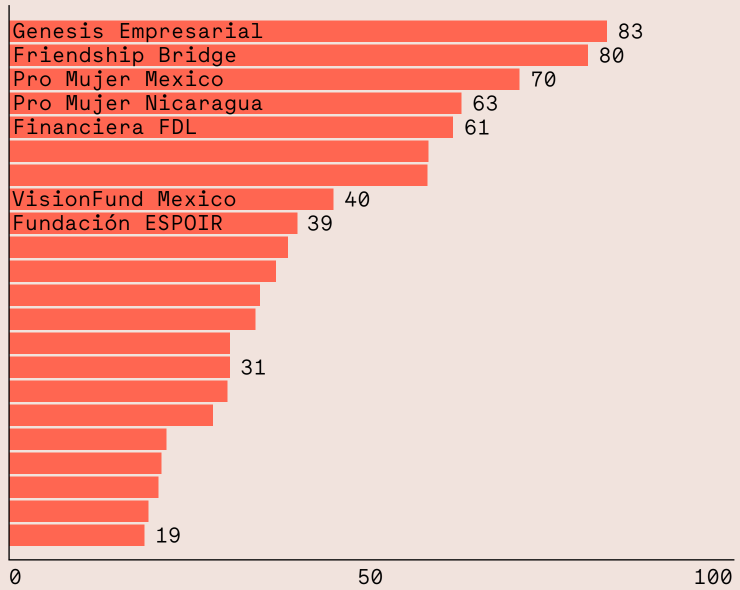
Asia



Africa

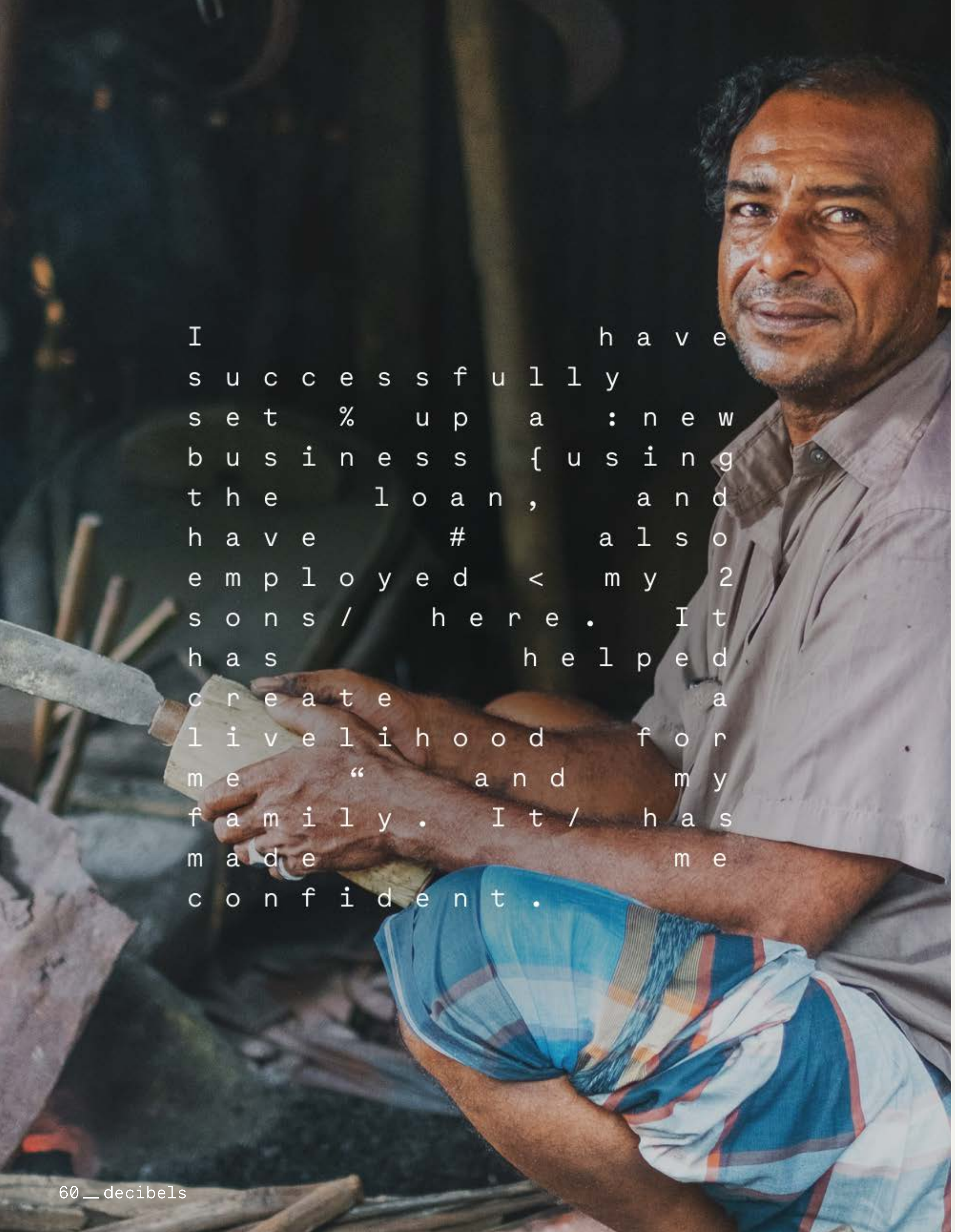


Latin America



*With more data on FSPs in the region we will be able to categorize the FSPs by Sub-Region for Latin America in 2024.

2023 Headlines



What's New

We have a lot of new findings to share this year. Our data show that: Longevity (client tenure) matters for deeper impact, and so does access to additional services beyond credit (both non-financial and financial); and working with financial service providers improves women’s confidence, financial decision-making, ability to achieve financial goals, and invest in their business.

We also have some insights about negative consequences of microfinance, including that:

- 1 in 4 clients report their loan repayments are a burden—with a handful reporting they are a heavy burden.
- Although clients report improvements in income & quality of life, improvements on long-term financial resilience, especially for vulnerable clients, are less salient.

01 Longevity with FSP = More Impact

Longevity matters for deeper impact. Clients who have been with their financial service provider longer are more likely to say their lives and household welfare have 'very much improved'.

We analyzed the difference between longer-tenure (>2 years) and shorter-tenure (≤2 years) clients with respect to improvements in quality of life. 4 in 10 of longer-tenure clients report "significant improvements" compared to 3 in 10 of shorter-tenure clients.

This difference also plays out with other household outcomes: about 25% of longer-tenured clients report significant improvement in their spending on home improvements, eating better quality and quantity of meals at home, and increased spending on their children's education. This compares to 20% of shorter-tenure clients reporting similar improvements.

We also found that longer-tenured clients are more likely to report resilience to financial shocks. Nearly 3 in 10 longer-tenure clients report significant improvement in their ability to face an emergency expense because of their financial service provider, compared to 2 in 10 shorter-tenured clients.

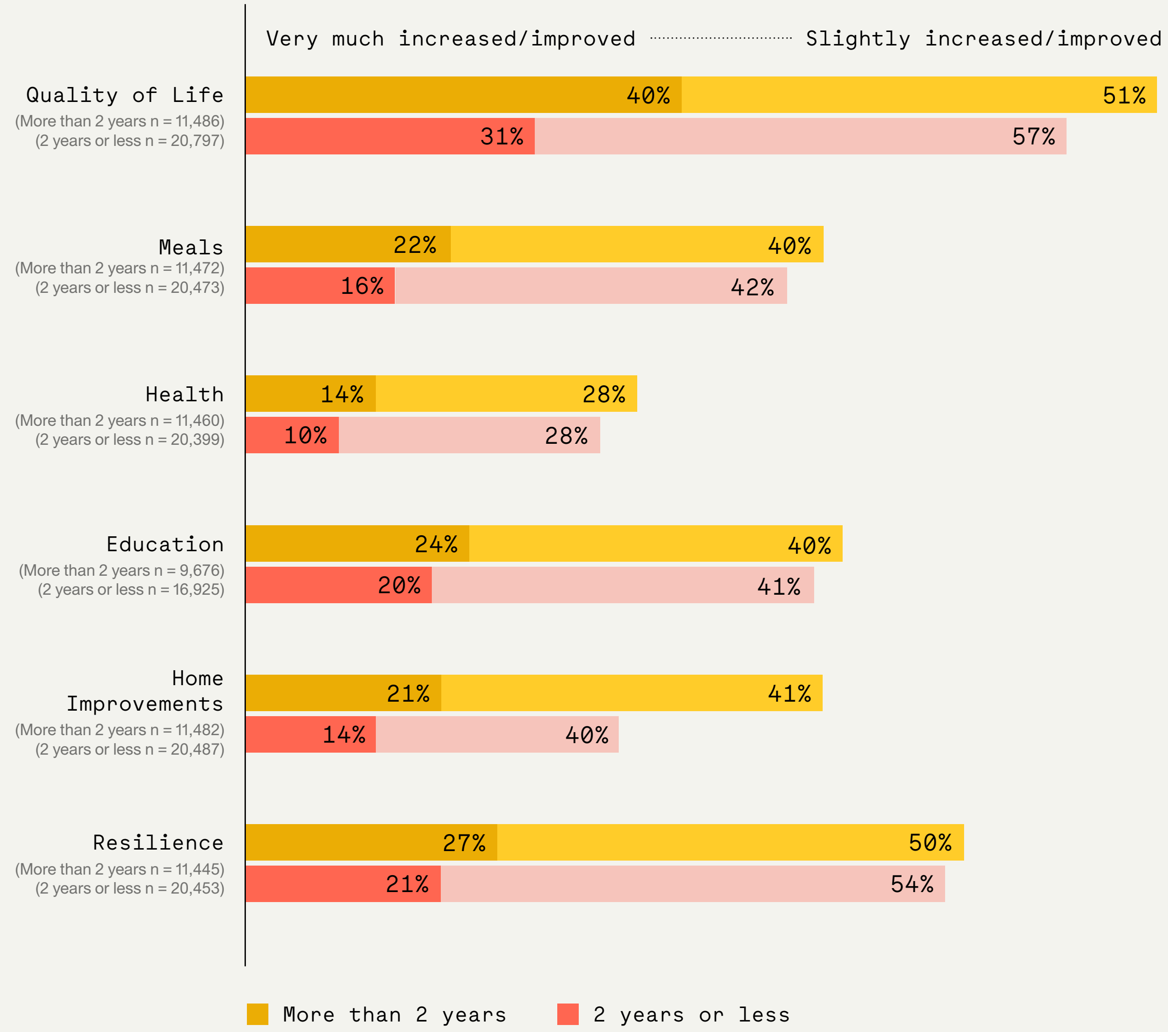
The compounded benefits of long-term associations are evident across various household metrics, and reveal the transformative power of longer engagement with FSPs.

> "Through the years I have recommended BRAC Tanzania and seen other people's lives change for the better because of it. I can take care of myself and my family because of BRAC Tanzania.
>
> Female, 60 years (BRAC Tanzania)

Play around with the aggregate dataset yourself! Get access to the 60dB MFI Index Global Dashboard.

Find out more →

Impact on Individual, Business, and Household Outcomes by Tenure



02 Use of Financial & Non-financial Services Beyond Credit Improves Outcomes

Clients who access additional services from the FSP beyond their loan report stronger individual, business, and household outcomes.

Two-thirds of the FSPs in our dataset offer financial and non-financial services to clients in addition to credit.

We explicitly asked clients if they had accessed these services from their financial service provider in the past six months: training, payments, business-related services, health services, savings, and insurance. We grouped the services into three categories; (1) only non-financial services which includes training, business-related services, and health services, (2) only financial services which includes payments, savings, and insurance, and (3) clients who accessed both non-financial and financial additional services.

We wanted to understand if use of these additional services correlates with improved client outcomes.

We find that clients who access any services in addition to credit from the FSP in the last six months have more substantial improvements in quality of life, business income, ability to manage finances, savings, and confidence compared to those who do not. And clients who access both financial and non-financial services together report higher impact than those who access only one or the other.

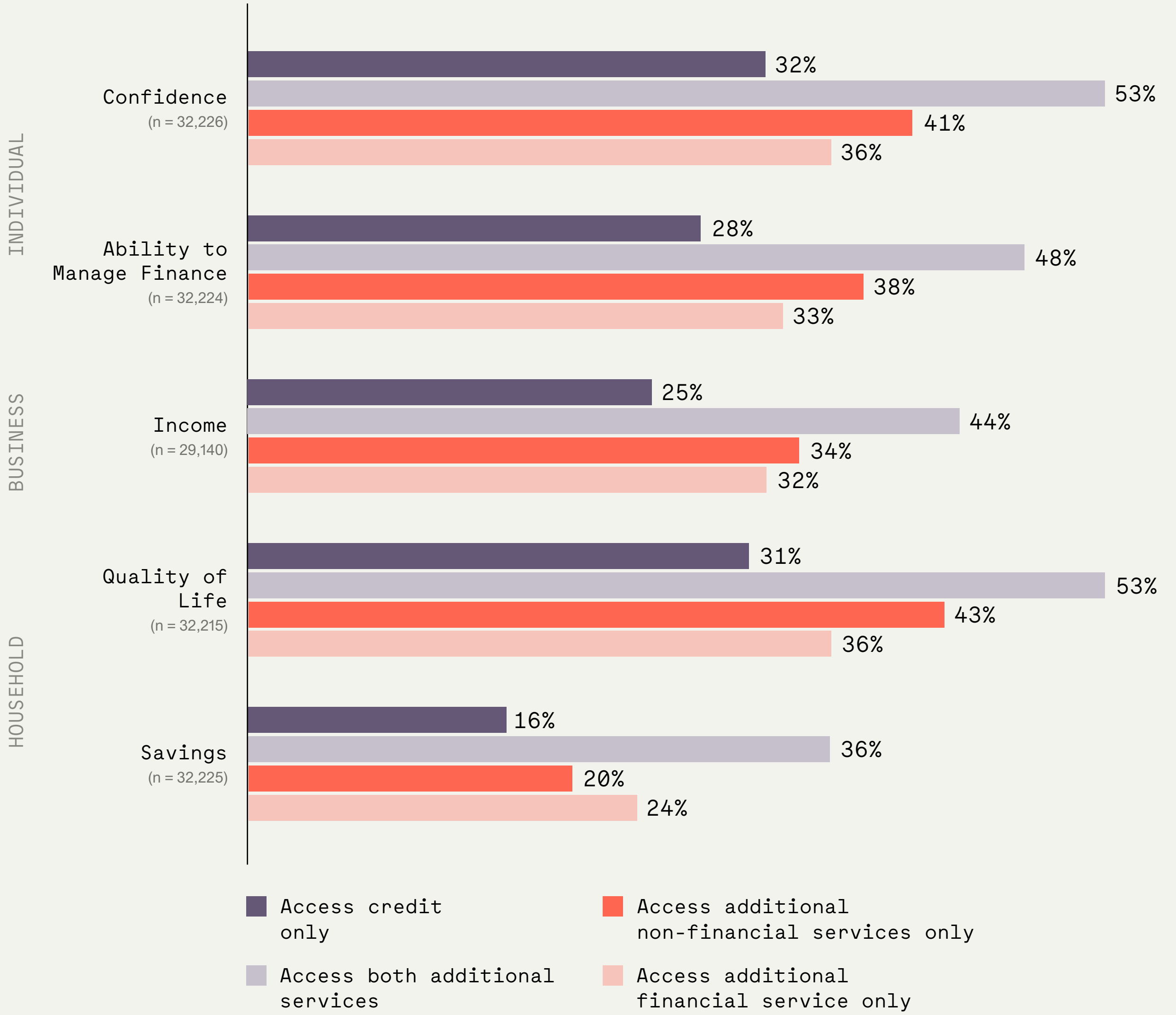
At the individual and household level, clients who access both non-financial and financial services in addition to their loan from the FSP are more likely to report very much improved quality of life (53% of those who accessed both vs. 31% who accessed only credit), increased savings balance (36% vs. 16%), ability to manage finance (48% vs. 28%), and confidence in their abilities (53% vs 32%).

The trend is similar for business-level outcomes, where 44% of clients who access both additional services are more likely to report 'very much increased' income compared to 25% of clients who access only credit.

The differences for clients who accessed only non-financial additional services or only financial additional services are lesser than those who access a mix of additional services, but still significant when compared to those who accessed credit only.

These findings support the theses that offering additional services beyond credit to clients—bundled or unbundled—and when clients use them, individual, business, and household outcomes significantly improve.

Impact on Individual, Business, and Household Outcomes by Use of Additional Services



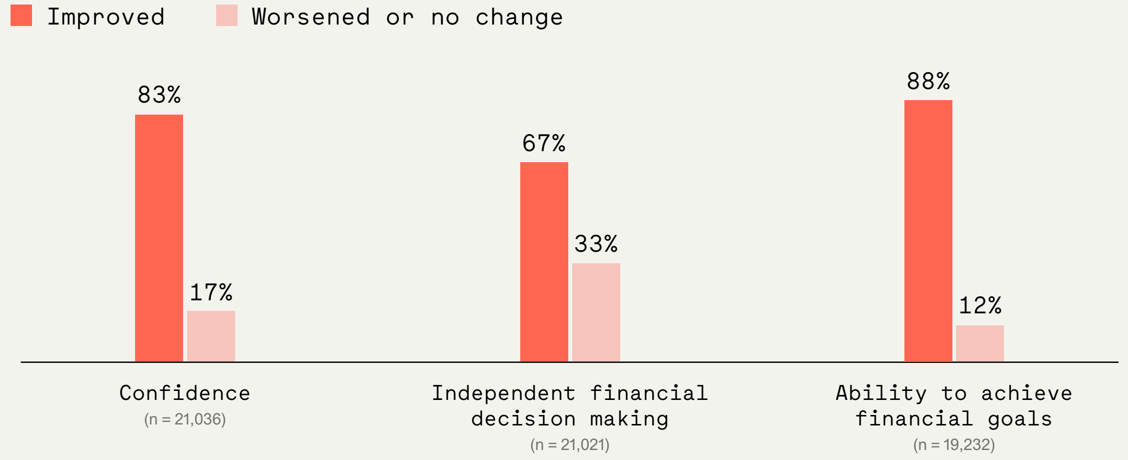
03 Engagement with FSPs Improves Women's Agency

Working with Financial Service Providers improves women's ability to invest in their business, make decisions, achieve a financial goal, and increase their confidence.

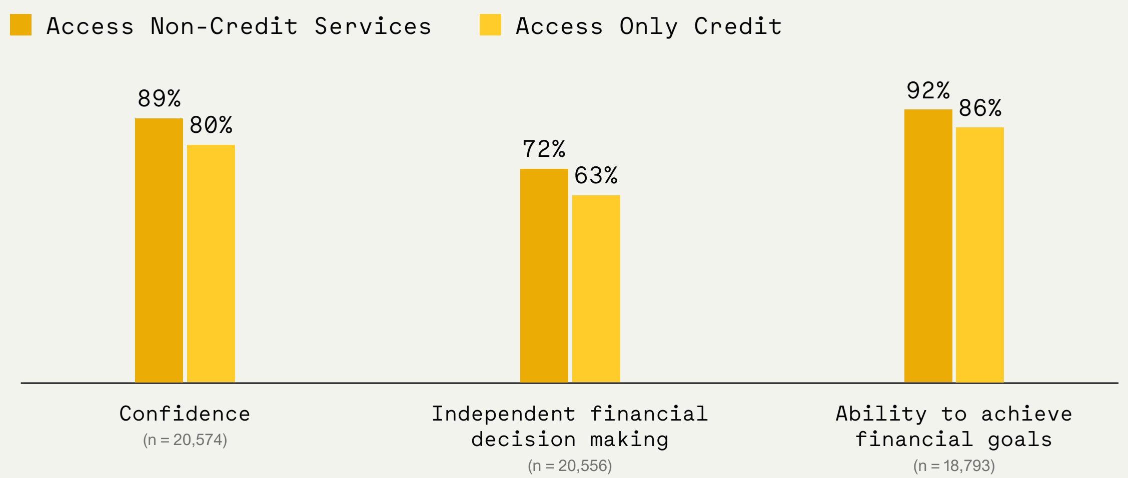
83% of women report an improvement in their confidence, and 67% report an improvement in their ability to make independent financial decisions. In line with improved confidence and decision-making abilities, we also find that 88% of women say they experienced an improvement in their ability to achieve financial goals because of their financial service provider. The improvements that women mention are between 4 and 6 percentage points greater than men. Women (similar to men) report investing in business and increased income as their top financial goals.

Similar to our previous headline, we also find that a higher number of women who accessed additional services (financial and non-financial) beyond credit report stronger agency outcomes than those who access credit only. Of women who accessed additional services, 89% report improved confidence, 72% improved ability to make decisions, and 92% improved ability to achieve a financial goal (compared to 80%, 63%, and 86%, respectively, of women who accessed credit-only services).

Impact of FSPs on Confidence, Decision-Making, and Financial Goals for Women



Impact of FSP on Confidence, Decision-Making, and Financial Goals for Women by Use of Wraparound Services



> "MicroLoan Foundation has empowered us women to be financially independent because we are now able to get a loan without having to pay a huge sum of money at the end of the loan agreement time.
>
> Female, 29
> (MicroLoan Foundation)

"I bought a car, and now I sell merchandise around the township. My shop was made of bamboo previously. But now, I renovated my shop with concrete. I am happy that I can use the money effectively. I am happy."

04 Group Lending is a VIP*

Clients with group loans report a significantly higher Net Promoter Score (NPS®) for their FSP relative to clients with individual loans. They also say they have a better understanding of loan terms and stronger financial resilience.

* Very Important Practice

Group lending models are believed to foster a sense of community and support among clients. Our data show the group lending approach has advantages over individual lending, particularly in client satisfaction, loan terms and understanding, and financial resilience.

The Net Promoter Score® (NPS) is one of the most widely-respected gauges of customer satisfaction and loyalty. The NPS is the percent of employees rating 9 or 10 ('Promoters') minus the percent of employees rating 0 to 6 ('Detractors'). Those rating 7 or 8 are 'Passives'.

Group loan clients report higher NPS (61) than individual clients (47).

In terms of challenges reported, customers of group lenders also report stronger results, though the differences are smaller. 11% of group loan clients report challenges, compared to 15% of individual loan clients. The most common challenges reported by both groups are poor credit terms— specifically bad loan approval process—high interest rates, and poor customer service.

Beyond satisfaction, we also find that group lending models may contribute to collective knowledge sharing and better treatment by FSP agents.

Group loan clients report a better understanding of their loan fees, penalities, and conditions compared to individual loan clients (93% versus 86%); and they are more likely to say that FSP agents treat them fairly (73% versus 65%).

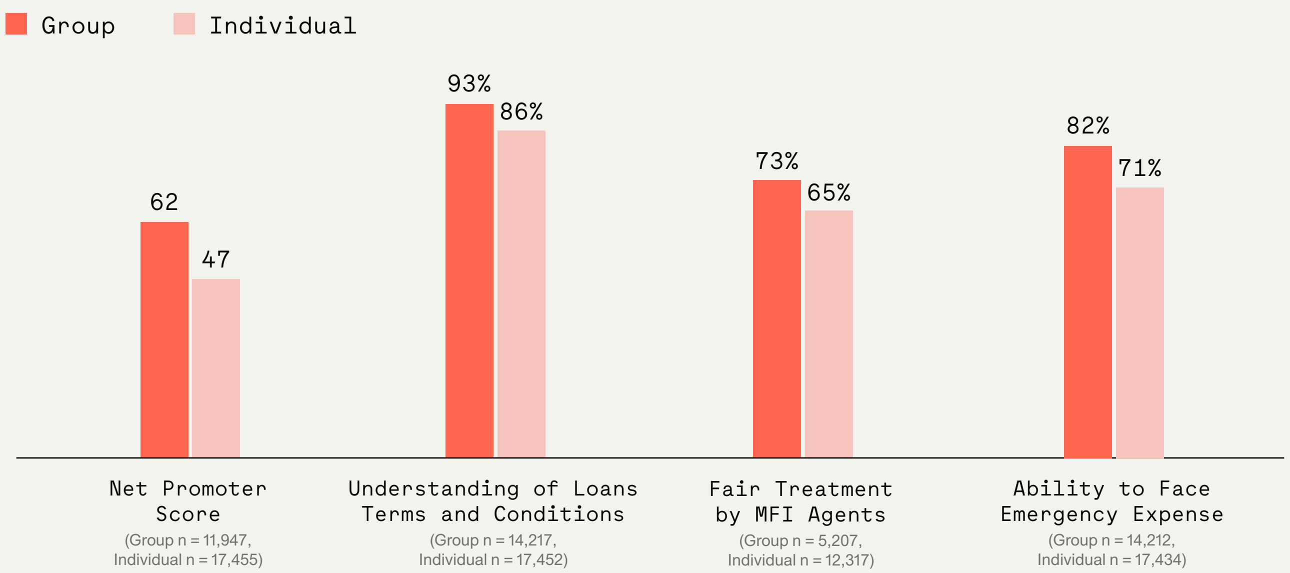
Finally, we find that group loan clients are more likely to report improved financial stability during challenging times because of their financial service provider. Group loan clients are more likely to say their ability to face an emergency expense has improved because of their financial service provider (82% vs 71%).

Our conclusion remains consistent across all three regions analyzed: clients with group loans report greater impact than those with individual loans no matter the geography.

It is important to note, however, that women are disproportionately concentrated in group lending methodologies. 60% of women in our sample are group lending clients compared to only 17% of men.

Despite these results, group lending is on the decline, and clients mention they have less time for and interest in attending group meetings. We see this trend most clearly in urban areas where clients have access to many alternatives. Group lending also has costs and limitations: it can be more expensive for clients, and it doesn't always meet their needs as their businesses (and capital needs) grow. And so, while group lending is an important practice, it doesn't fit the needs of every client.

Client Experience, Client Protection, and Financial Resilience Outcomes by Lending Methodology



05 Client Protection May Not Be As Strong As We Think

Clients report that they understand their loans and rarely experience unexpected fees. However, a significant percentage of clients say that their worry about finances has not decreased and their loan repayments are a burden.

Microfinance offers a window of opportunity by providing credit to under-served and under-represented populations, but it is not without risk.

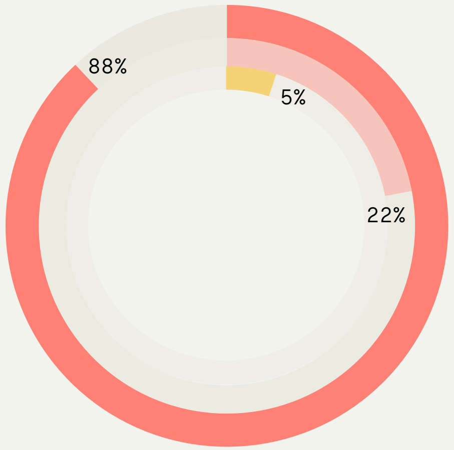
Though 9 in 10 clients we spoke to say that they have never experienced an unexpected fee from their FSP, that does not fully translate to their financial security. Only 2 in 10 clients mention their time spent worrying about their finances has very much decreased. Similarly, while 6 in 10 clients strongly agree that loan terms are easy to understand, 3 in 10 find loan repayments burdensome.

Our measurement of client protection also includes some negative indicators like how often clients have to reduce their food consumption and have sold assets or taken out loans to make loan repayments. While 88% of clients make loan repayments with their business income or wages, 22% of clients have reduced their households' food consumption to make loan repayments. 5% of clients spend less on household expenses, 3% have taken another loan, and 1% have sold their assets.

We do find that clients who say they have reduced household food consumption have larger loan sizes. Their median loan size is USD 915 compared to USD 750 for those who have not reduce household consumption. Perhaps larger loans are more likely to be more difficult to repay.

Clients' Loan Repayment Methods and Consumption Cutback Frequency

(n = 3,940 to 45,722)

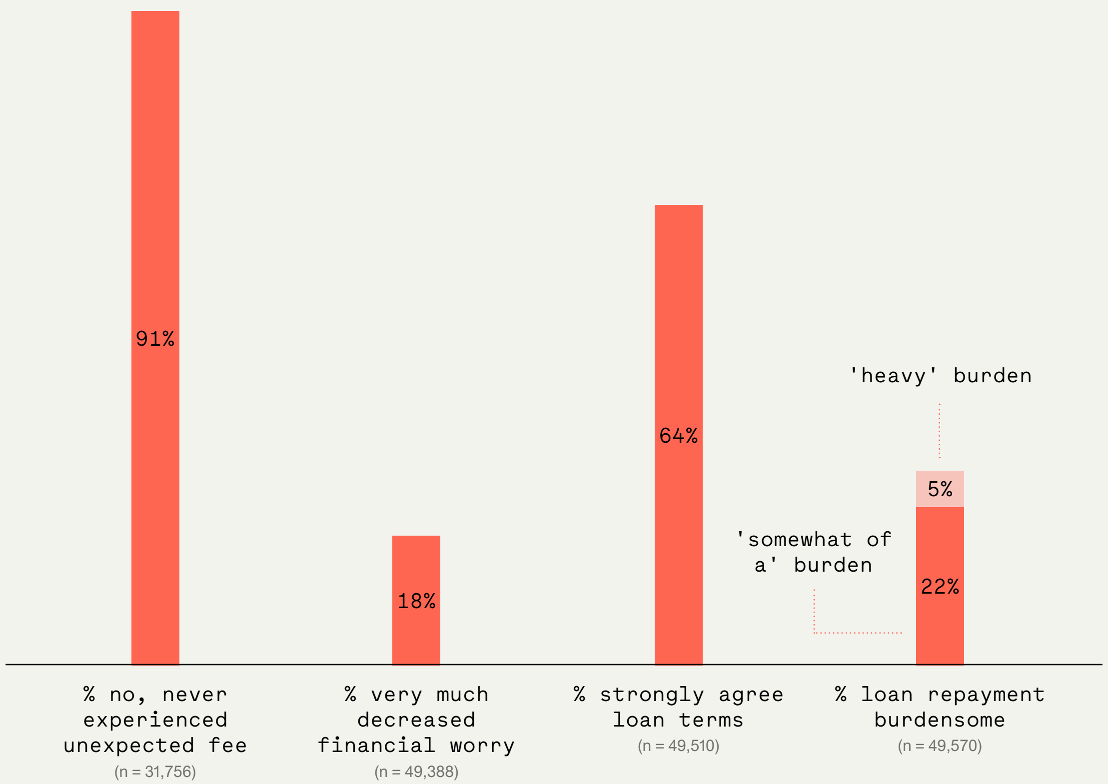


Makes repayments only with income / wages and no other sources

Reduce households food consumption for repayment

Spend less on household expenses for repayment

Client Protection Indicators



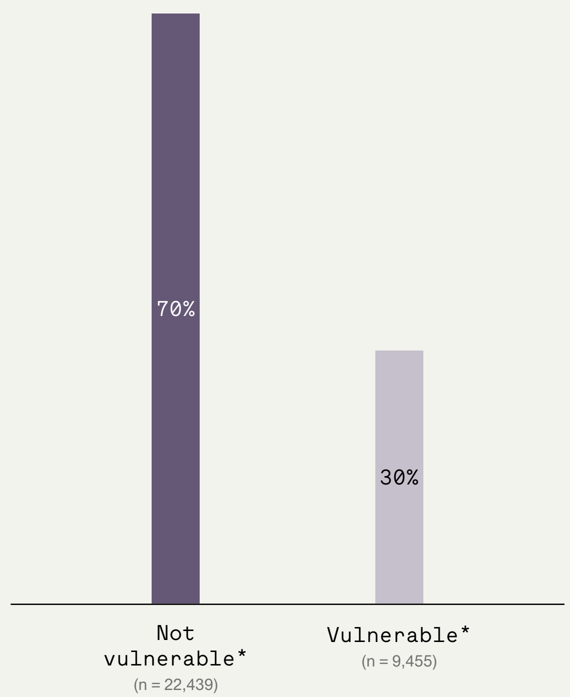
06 Long-term Impact of FSPs on Resilience

Financial Service Providers boost clients' income and quality of life, but many clients remain financially vulnerable.

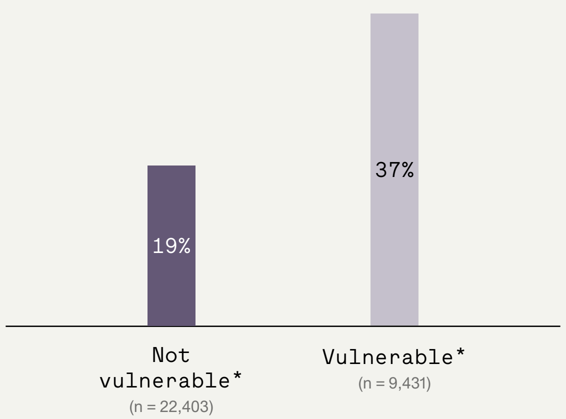
While FSPs have been instrumental in increasing clients' incomes and improving their overall quality of life, these positive results aren't enough to put all clients in a position of long-term financial stability. Despite a notable 88% of clients reporting improvements in their quality of life and 78% reporting increased income due to their FSPs, 30% still express concerns over their ability to address unforeseen emergency expenses.

The resilience disconnect becomes particularly discouraging when we look at those who are vulnerable—clients who find it 'very' or 'slightly difficult' to raise funds in an emergency—and if their ability to cope has improved because of FSPs. Among these individuals, about a third say their ability to face an emergency expense did not change or got worse because of the FSP. This disparity reveals that while FSPs might excel in boosting general well-being and income, there is still room to improve in ensuring long-term financial resilience for clients, especially for the most vulnerable.

Clients Ability to Come Up with Funds in an Emergency



Clients Reporting "Decrease" or "Not Change" in Changed Ability to Meet Emergency Expense Because of FSP



* Respondents who say it's 'very difficult' or 'slightly difficult' to come up with money in an emergency are considered vulnerable while those who say it's 'very easy', 'slightly easy' or 'neither difficult nor easy' are considered not vulnerable.

> "I have a business of hand crafts which has improved a lot because of the loans that I get from them. I am now able to pay school fees for my children without affecting my business capital.
>
> Female, 55 years

"When I lost my husband, things were not easy for me. I had to depend on relatives for everything including feeding for my children. But now things have changed. With the business I am doing, I am able to pay my rent, school fees and other expenses."

What's Consistent

Many of our findings are consistent between our 2022 and 2023 Indexes—and that's a good thing, as it strengthens our conviction around these findings. These findings include:

- Financial service providers continue to reach under-served and under-represented clients.
- When customers use loans for business purposes, rather than consumption, they experience greater impact.
- Loan repayment burden is strongly linked to worry about finances, and clients who say they experience high burden are more likely to have to limit household food consumption to pay off loans.
- A positive correlation between a client's ability to face an emergency expense and both their ability to manage finances and savings balance.

07 Reaching Under-Served and Under-Represented Clients

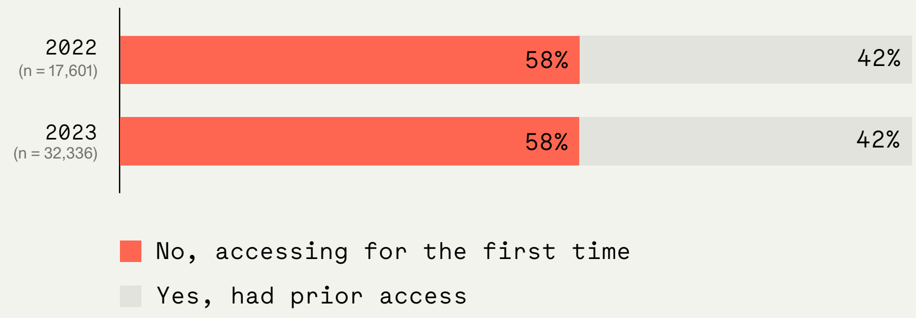
3 in 5 clients are accessing a loan like the one their FSP provides for the first time, and a similar proportion report they could not easily find a good alternative.

We measure access by asking two questions: first access, which asks clients whether they have had access to a similar product or service like the one their FSP provides; and access to alternatives which aims to understand if clients have a comparable alternative.

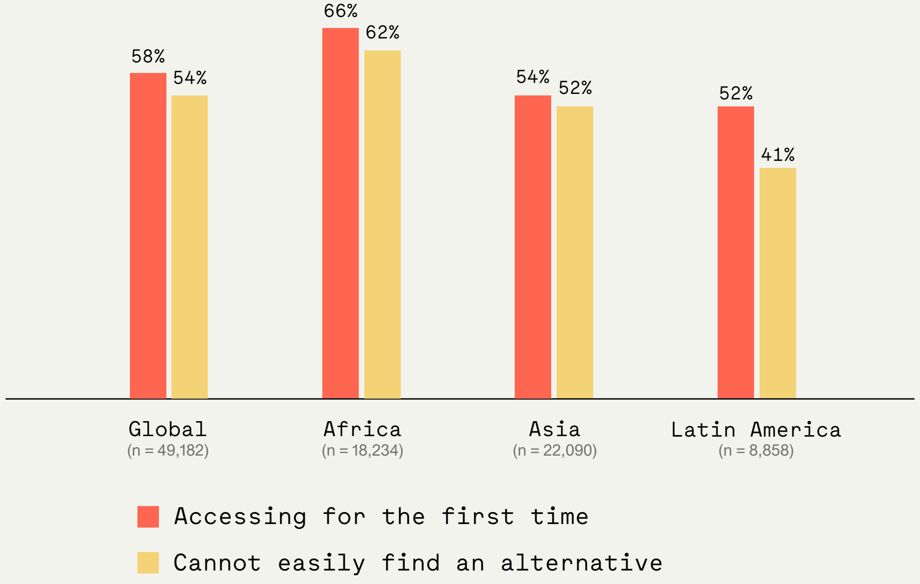
6 in 10 clients are accessing a loan like the one their FSP provides for the very first time, and more than 5 in 10 clients cannot find a good alternative to their FSP and their loan. This indicates that FSPs continue to provide a unique, scarce product to an underserved client base year after year (we find little difference in these metrics compared to our 2022 data).

Clients in Africa are more likely to access a loan like the one their FSP provides for the first time (66%) compared to clients in Asia (54%) and Latin America and the Caribbean (52%). Access to 'good' alternatives mirrors this trend, with clients in Africa most likely to report they cannot easily find a good alternative to their FSP.

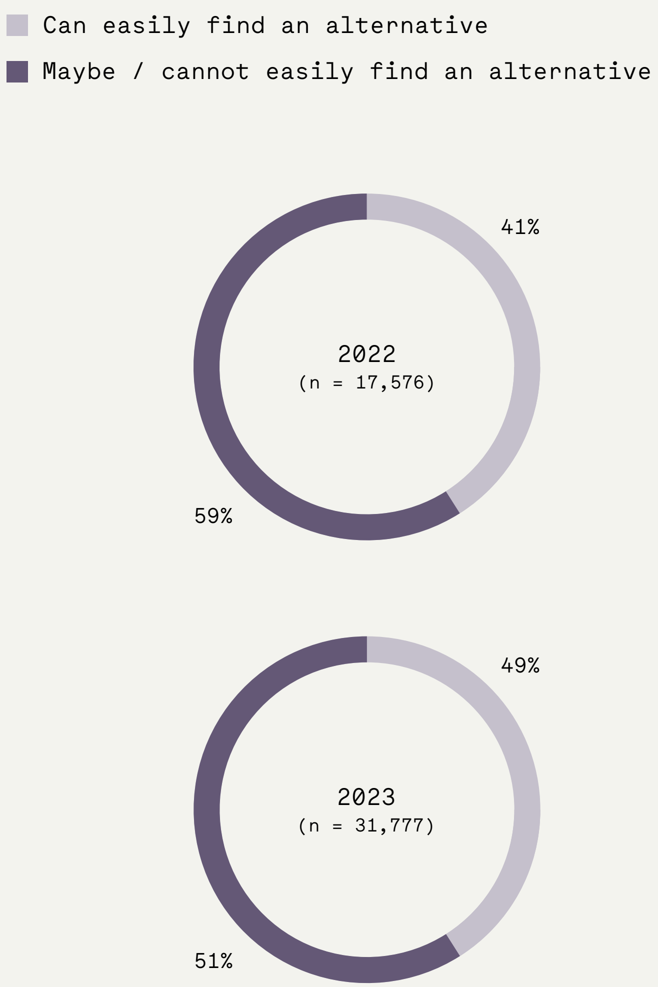
Clients Accessing a Loan Like the One from their FSP by Year



First Access and Alternatives by Region (combined 2022 and 2023)



Clients' Access to Alternative Financial Service Provider by Year



08 Impact of Loan Usage

How clients use loans matters — a lot. Household impact, financial resilience, and business impact are all higher for clients who report using loans for productive purposes.

One of the core premises of microfinance is that borrowers utilize their loans for productive purposes, thereby growing not only their businesses (or any income-generating activity) but also improving their household's well-being and financial resilience. Our data support this.

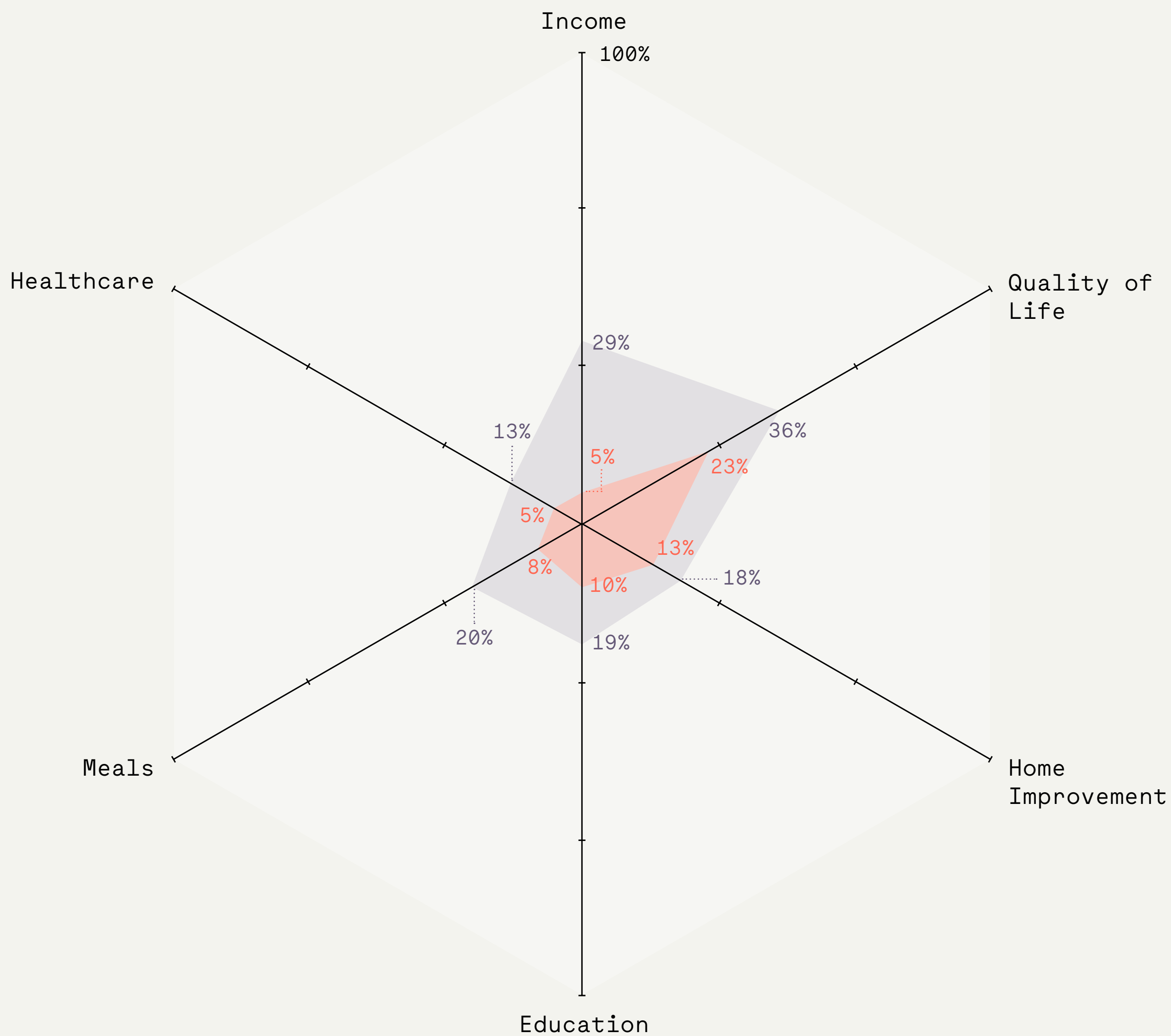
Clients who use at least part of their loan for a productive purpose (for either a new or existing business) are 6 times more likely to report 'very much increased' business income than clients who use their loan for consumption only.

They are also two times more likely to report 'very much improved' household outcomes such as quality of life, amount spent on home improvements, children's education, quality meals, and healthcare than clients who use their loan for consumption purposes.

This trend remains consistent when we look at clients' financial resilience: those who use their loan for productive purposes are two times more likely to report 'very much improved' ability to come up with an emergency expense, save, and manage finances than those who use their loan for consumption.

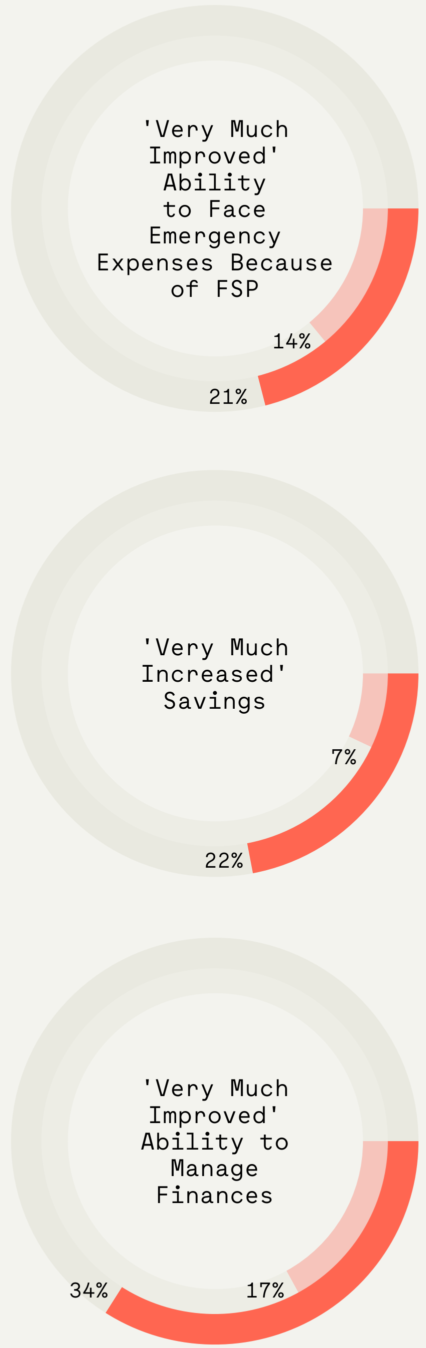
'Very Much Improved' Business and Household Impact by Loan Use

Consumption (n = 5,631)   Business (n = 26,617)



Financial Resilience Outcomes by Loan Use

Consumption (n = 6,631)
Business (n = 26,617)



09 Business Investment is Top of Mind

Clients report that improvements in their lives & households are the result of increased ability to invest in their business. Clients also highlight more income and a greater ease of payment expenses.

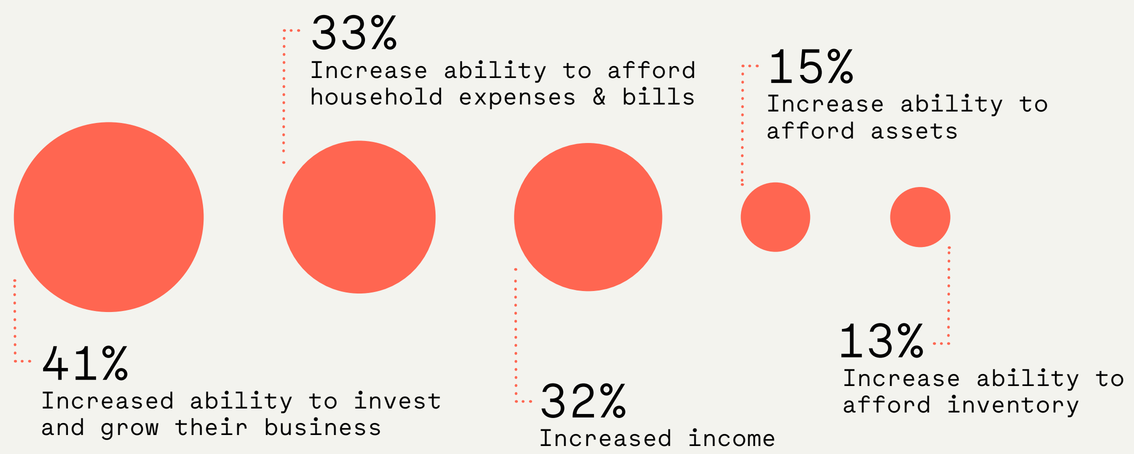
Similar to 2022, we asked a follow-up to our quality of life question - "How did your life improve?" Our goal is to capture, in clients' own words, why their lives have improved because of the FSP.

When comparing our 2023 results to our 2022 results, we see that more clients mention their ability to invest and grow their business (41% vs. 25%), afford household expenses and bills (33% vs. 19%), and increase their income (32% vs. 17%). While these differences might be due to the composition of participating FSPs, the changes are big enough that other underlying factors may also be at play.

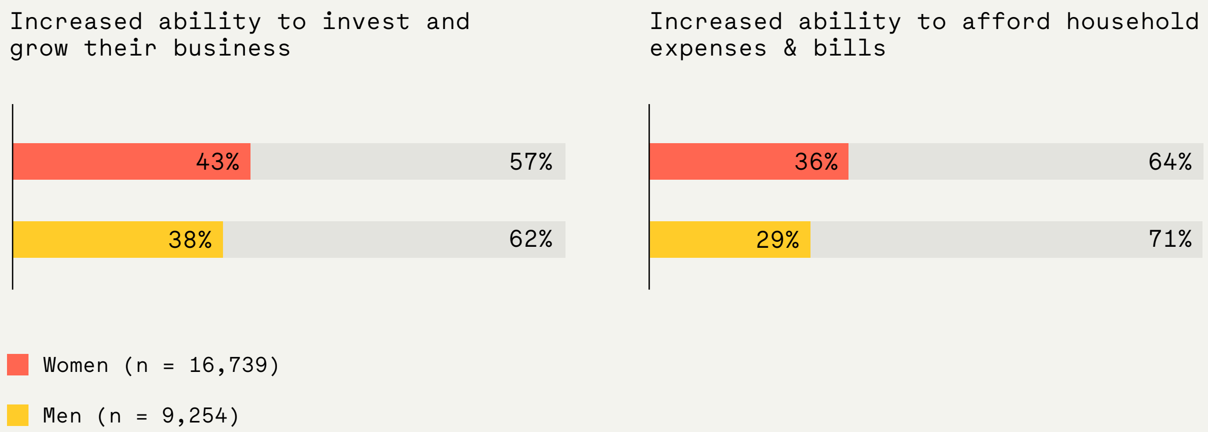
There are slight differences by gender: women are more likely to mention investing in and growing their business (43%) and increased ability to afford household expenses and bills (36%)—these numbers are 28% and 29% for men, respectively.

The importance of business and its success is also evident in clients' financial goals. The top financial goals clients mention are investing in business (37%), increasing income (30%), and starting a new business venture (11%).

Top Outcomes for 88% of Clients Who Say Quality of Life Improved



Improved Quality of Life: Top Themes by Gender



"My household needs are met very well since I went ahead and took the loan. I've purchased more buffaloes and since I sell milk, this means my business has expanded overtime. My kids are studying well and everyone has access to good food."

10 Access to Alternatives Influence on Loan Understanding

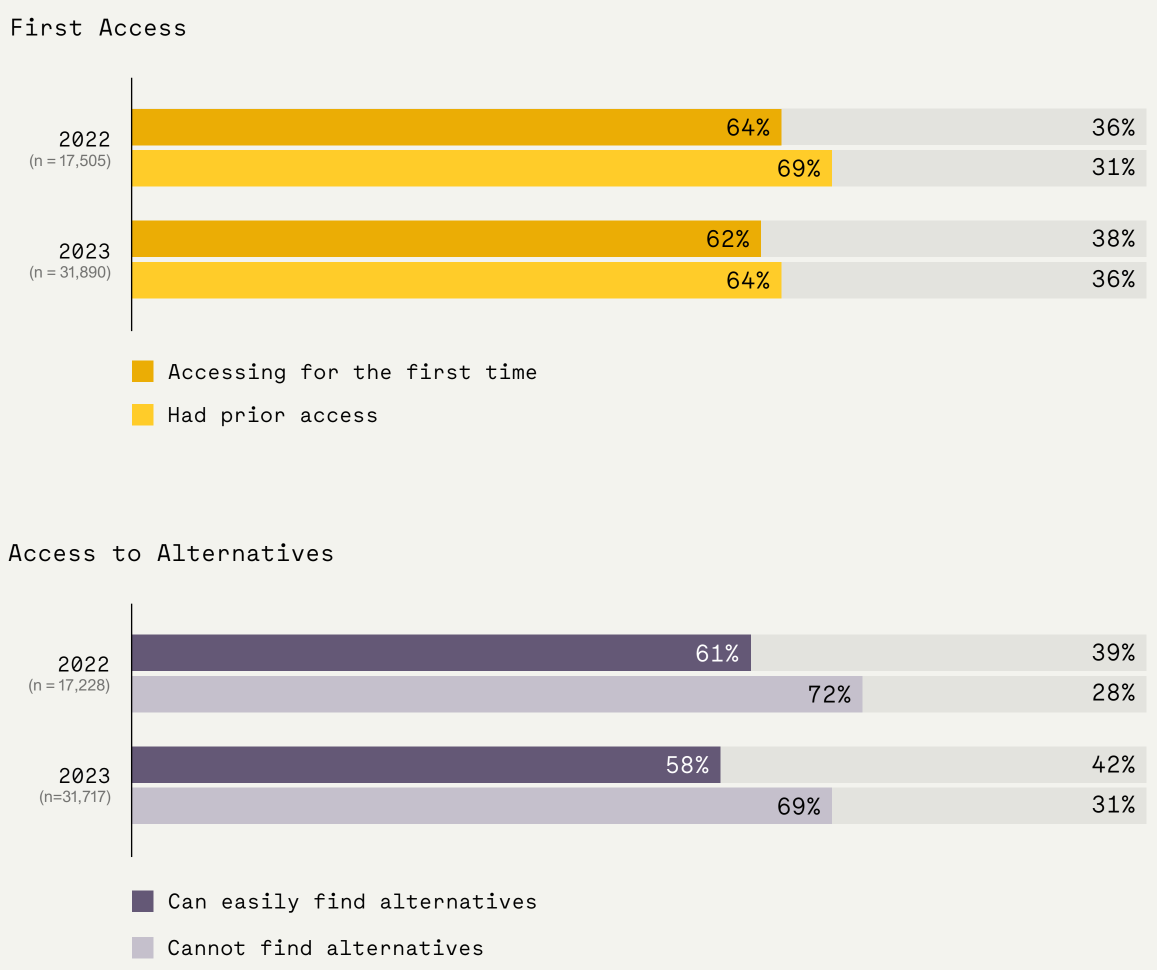
Clients' access to alternative financial service providers has more influence on their understanding of loan terms & conditions than accessing credit for the first time.

In 2023, 64% of first-time borrowers strongly agreed that fees, interest rates, and penalties were easy to understand, which is only slightly higher than the 62% of repeat borrowers who felt the same way (this is similar to 2022 - 69% vs. 64% respectively). This suggests that the knowledge gap between those who are accessing a loan like the one their FSP provides for the first time and those who have previously accessed may not be as significant. And we hypothesize that first-time borrowers are more intent on understanding their loan conditions compared to those who have used credit previously.

Interestingly, the results show that access to a good alternative financial service provider may be related to a borrowers' understanding of their loan terms and conditions. Among those who say they have no other options to their financial service provider, 69% in 2023 strongly agreed that they understand their loan terms. However, for those with good alternatives, the figure dropped by 11-percentage-points to 58%. This suggests that access to alternatives could potentially dilute borrowers' grasp of their existing loan terms or there is a lack in uniformity in how FSPs present their fees and rates. Borrowers with access to alternatives may assume that all providers offer similar terms while those with fewer options may take more time to understand their loan agreement. We observed a similar gap in 2022, with 72% of those without alternatives understanding their loan terms compared to 61% who had other options.

> "I would recommend Sejaya to my family and friends because the interest rates are really low compared to other financial institutions.
>
> Female, 39 years (Sejaya)

% Clients 'Strongly Agree' to Understanding Loan by First Access and Access to Alternatives



11 Loan Repayment Burden Affects Individuals & Households

Loan repayment burden is strongly linked to clients' worry about finances and their household food consumption.

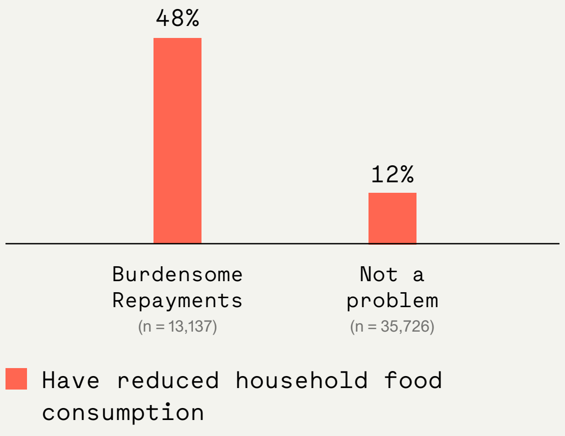
Overindebtedness has significant impacts on individuals' lives, causing tangible and often stressful effects. We analyzed our data from both years to understand how debt burden affects individual well-being and households.

Overall, 1 in 4 clients find their loan repayment burdensome. This is most prominent in Latin America and the Caribbean where 1 in 3 of clients find their loan repayments burdensome - driven primarily by clients in Ecuador (49% of clients in Ecuador report their loan repayments are a burden). There are only significant differences by gender in Latin America where women are more likely to report their loan repayments are not a problem compared to men. There are small, but insignificant, differences for this indicator by gender in Asia and Africa.

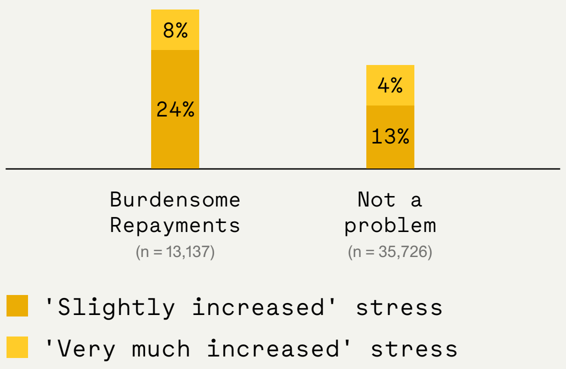
> Check out our Ecuador Geographic Snapshot for more context about the Ecuadorian Microfinance market.
>
> Find out more →

A common hypothesis is that clients who find their loan repayments burdensome are more likely to experience additional adverse effects of borrowing. Our data show exactly that: **48% of clients who find their loan repayments burdensome reduce their households' food consumption, compared to only 12% who do not find their loan repayments burdensome but have reduced their household food consumption.** This trend remains consistent with clients' time spent worrying about their finances: those who find their loan repayments burdensome are more likely to report increased time spent worrying about finances than those who do not (32% vs. 17%). There is no significant difference in these findings by gender: men and women report the adverse effects of borrowing at near equal proportions.

Impact of Repayment Burden on Household Consumption

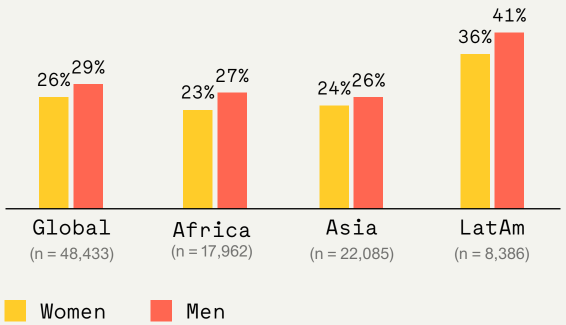


Impact of Repayment Burden on Financial worry



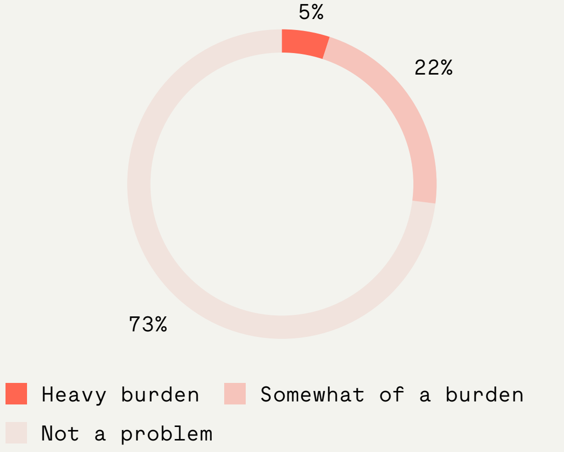
Overindebtedness by Region and Gender

% Reporting Repayment 'burdesome'



Clients' Loan Repayment Burden

(n = 49,570)



12 Financial Management and Savings Balance are Clearly Linked to Financial Resilience

Clients' ability to manage finances & increase their savings balance are highly correlated with a household's improved ability to face an emergency expense.

Building financial resilience is often considered a by-product of effective financial management and a healthy savings balance. Our data substantiate this widely-held belief. We find a positive correlation between clients' ability to face a major expense in an emergency with both clients' ability to manage finances and an increase in savings balance.

When we look at all clients who reported improvements (slight or very much) in financial management skills, 27% also experienced a very much improved capability to manage major expenses. This stands in marked contrast to only 5% of clients whose financial management ability did not change or worsen.

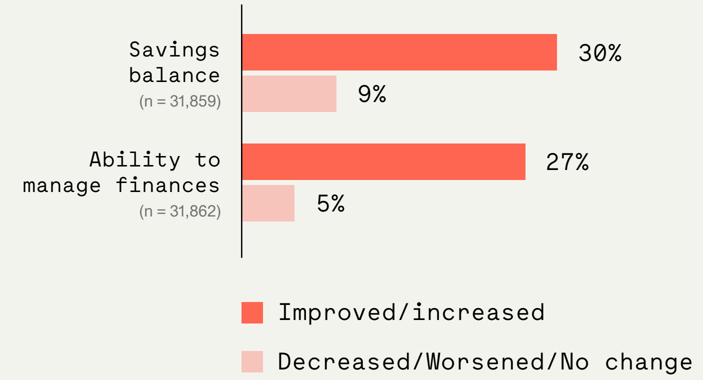
Similarly, 30% of clients who reported an increase in their savings affirmed a 'very much improved' ability to face an emergency expense, compared to only 9% of clients whose savings decreased or did not change.

These findings are strengthened when we look at clients who use additional services beyond credit. Clients who used additional services such as savings accounts or training from the FSP are both more likely to report an increase in savings and improved ability to manage finances compared to those who do not (79% and 90% compared to 64% and 82%).

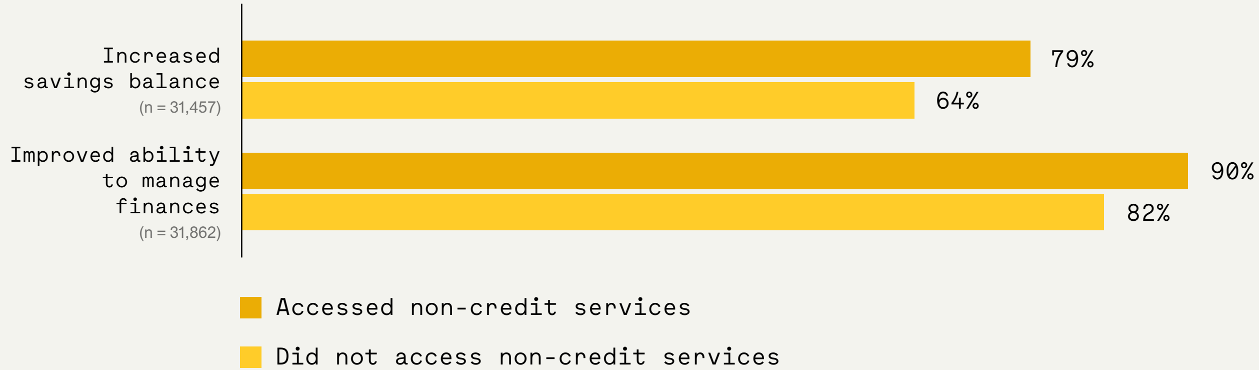
These findings suggest that financial resilience is not simply a matter of circumstance. It is something that clients build through effective financial management and a healthy savings balance.

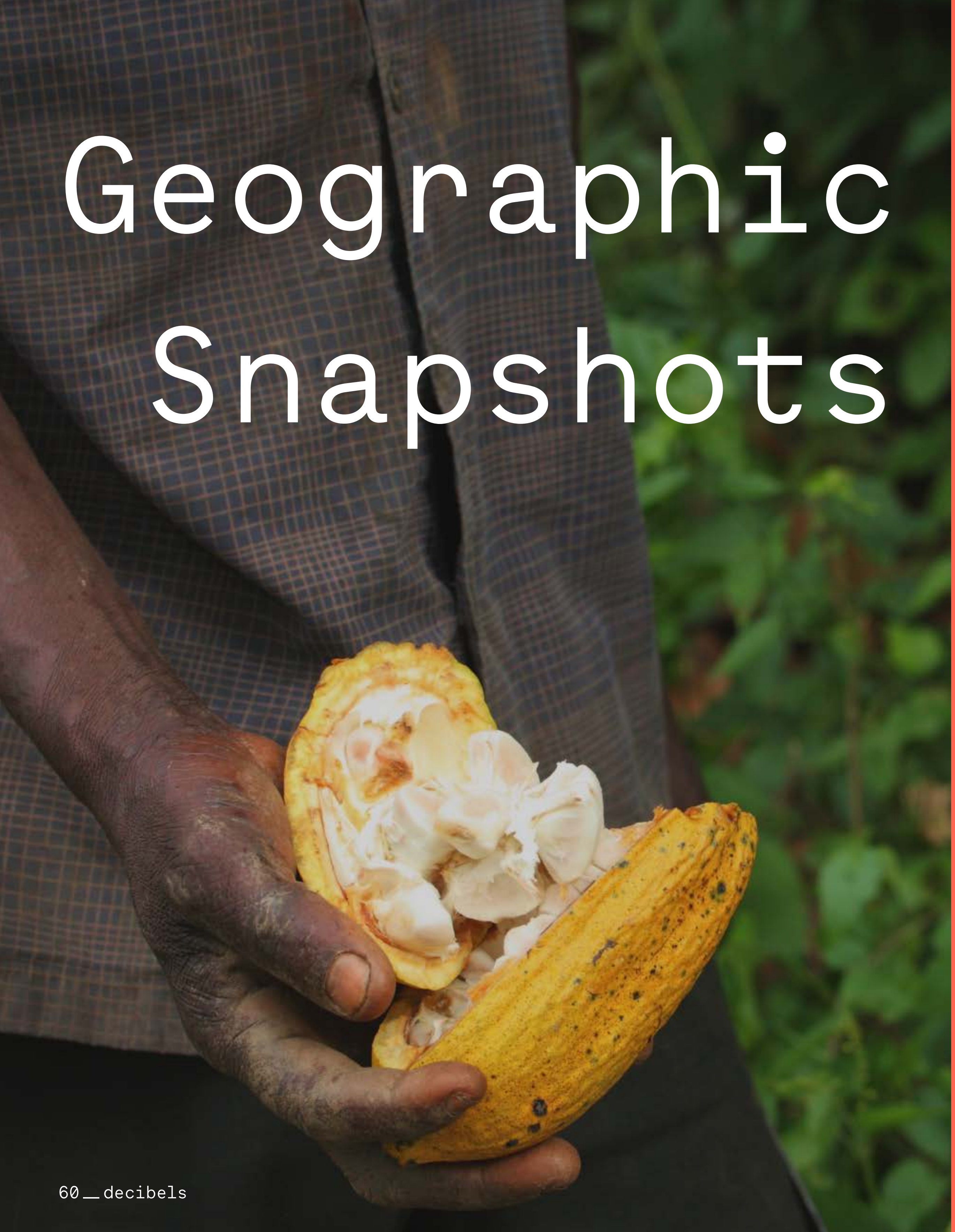
> My life has improved because I managed to invest the money I got from [FSP] into my farming business, increasing my production, income, and savings.
>
> Female, 46 years

Of Clients Reporting Improved Ability to Face a Major Expense, Their Changes in Financial Management & Savings



Access to Wraparound Services Impact on Increased Savings & Improved Financial Management





Geographic Snapshots

While our global benchmarks are powerful indicators of the main trends in FSP performance, what matters most for individual FSPs is performance compared to other FSPs in their country and region.

Country benchmarks allow for more meaningful comparisons, enabling organizations to understand their relative performance within their specific operating environment.

With our combined 2022 and 2023 dataset, we can provide country-level benchmarks for five countries; Cambodia, Ecuador, India, Indonesia, and Uganda. These are the five countries that have 9 or more participating FSPs in the Index.

In 2024, we hope to expand our country-level benchmarks to new geographies, to allow for richer comparisons of social performance.

Check out our geographic snapshots for more detailed insights on these countries!

Country Benchmarks

Country performance in five countries versus our 60dB Global Benchmark

Cambodia

> Clients in Cambodia are more likely than the global average to report adverse outcomes from their loans.

Cambodian clients are much more likely to express more concern about their finances after working with their FSP than they were before. 39% report that their worry about their finances increased—double the proportion of clients in other countries around the world (20%).

Cambodian clients are also less likely to 'strongly agree' that they understand their loan terms than the global benchmark (31% vs 67%). However, clients in Cambodia report at similar proportions they have reduced food consumption in order to pay their loans (24% in Cambodia vs. 21% in other countries).

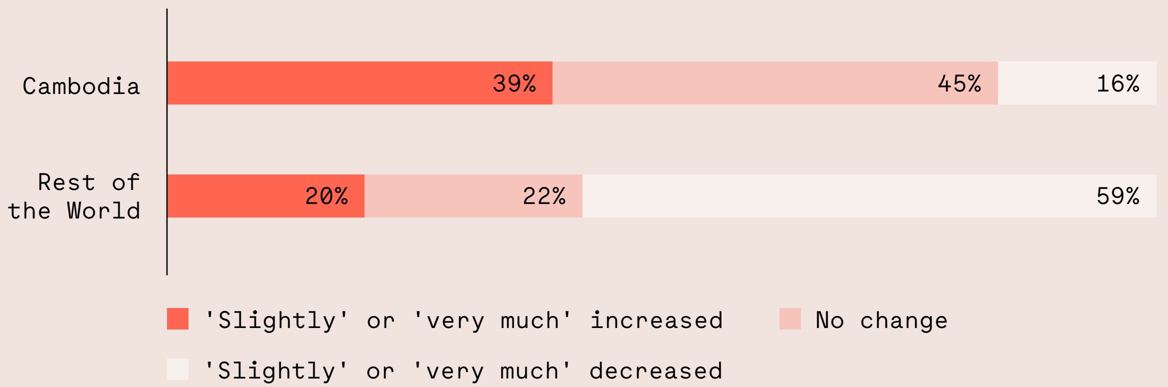
We were surprised to find that very few Cambodian clients reported pressure to sell an asset—only 2% of respondents in our sample reported this experience. Given the widespread reporting of this practice, including formal complaints filed with European authorities by Cambodian NGOs, we expected to see more widespread reporting of these practices. It is difficult to know whether this practice is more widespread than our sample reports—due to an unwillingness on the part of borrowers to share this information or some sort of bias in the people who responded to our survey—or whether the 2% figure is in fact representative of national averages. Were the 2% figure correct, it would still represent 42,000* active borrowers, a number large enough to be concerning even if it is lower than expected.

* Number of Active Microfinance Clients in the country is based on data from the Cambodia Microfinance Association from 2022.

> “
> Amret helps me to have more capital to buy groceries to sell at my shop and gain more profits thus I can afford daily foods and expenses.
>
> Also, a part has helped my children to pursue a Bachelor Degree.
>
> Female, 50 (Amret)

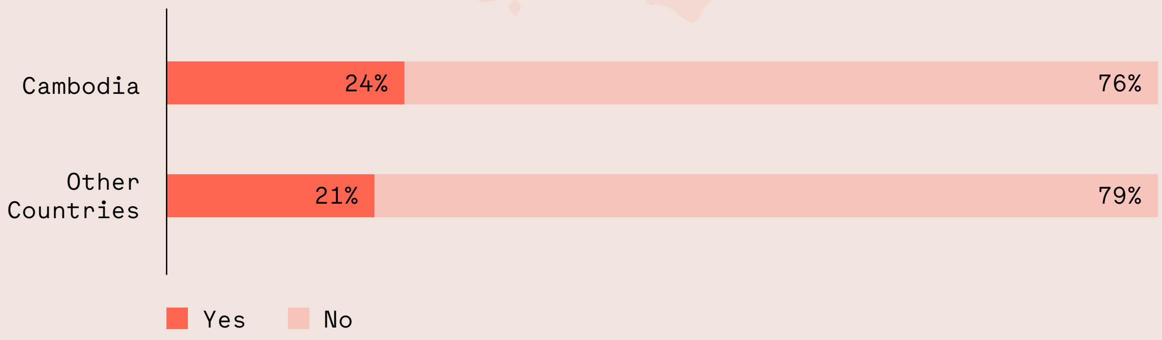
Time Spent Worrying About Finances

(n = 3,940 to 45,722)



Reduced Consumption

(n = 3,932 to 48,990)



Uganda

> Although Ugandan clients are more likely to report very much improved financial management skills compared to the rest of the world, they lag in terms of understanding loan penalties, fees, and interest rates.

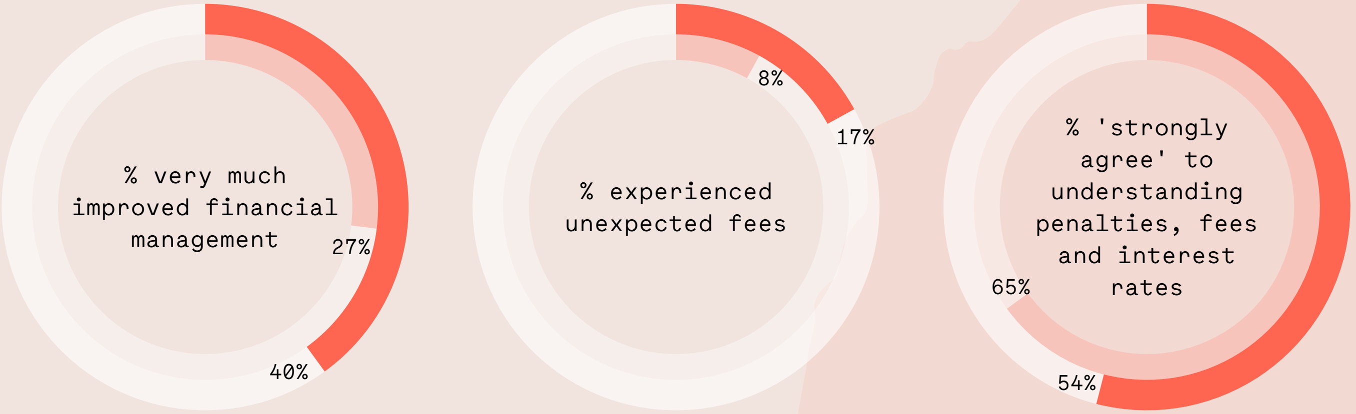
In Uganda, 40% of respondents report a substantial improvement in their financial management skills, significantly outstripping the average for the rest of the world (27%). With this in mind, it's surprising that Uganda falls behind in comprehending loan intricacies, including penalties, fees, and interest rates. Only 54% of Ugandan respondents strongly agree they understand their loan conditions, compared to 65% of respondents in the rest of the world. This gap becomes more pronounced considering that 17% of Uganda clients report experiencing unexpected fees, a rate that is more than double the 8% experienced in the rest of the world. This underscores the need to enhance financial literacy initiatives in Uganda so that Ugandans not only excel in managing their finances but also fully understand their financial obligations.

Financial Management, Unexpected Fees, and Loan Understanding in Uganda

(Uganda n = 2,482 - 3,279)
(Rest of the World n = 29,274 - 46,491)

Uganda

Rest of World



Ecuador

> Ecuadorian clients are more likely to consider their repayments a burden than clients from other regions, though they don't face other adverse repayment outcomes.

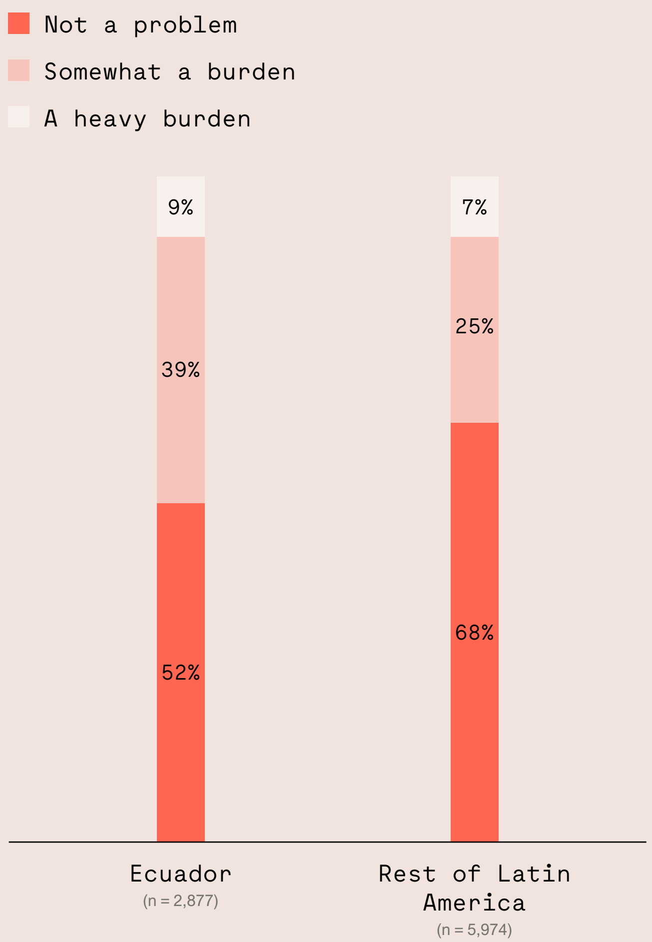
68% of clients from other countries in Latin America report that their loan repayments are not a problem, while only 52% of clients from Ecuador express the same sentiment.

While a significant proportion of Ecuadorian clients express their loan repayments are a burden, they are not especially prone to cutting down on meals because of their loans. They mention in similar proportions to counterparts from the rest of Latin America never having to reduce their food consumption to afford loan repayments (76% and 81%, respectively).

Furthermore, 81% of Ecuadorian clients state that the FSPs are 'very trustworthy,' which is consistent with trust levels in other countries in Latin America (81% of clients from other countries also perceive FSPs as 'very trustworthy'). This high level of trust among Ecuadorian clients in their FSPs could be attributed to the low occurrence of unexpected charges and a clear understanding of the terms and conditions.

In Ecuador, 93% of clients indicate that they have never experienced unexpected fees, and 67% 'strongly agree' that penalties, fees, and interest rates are clearly communicated which are all aligned with regional averages (90% and 66%, respectively).

Clients' Loan Repayment Burden in Ecuador



> "Thanks to the loan, I went back to work in agriculture. Since the terms are longer and the rates are not high, I can dedicate myself to the business with some peace of mind.
>
> Male, 29 years
> (Vision Fund Ecuador)

India

> Clients in India continue to say their microfinance loan does not impact business growth to the degree it does in other countries.

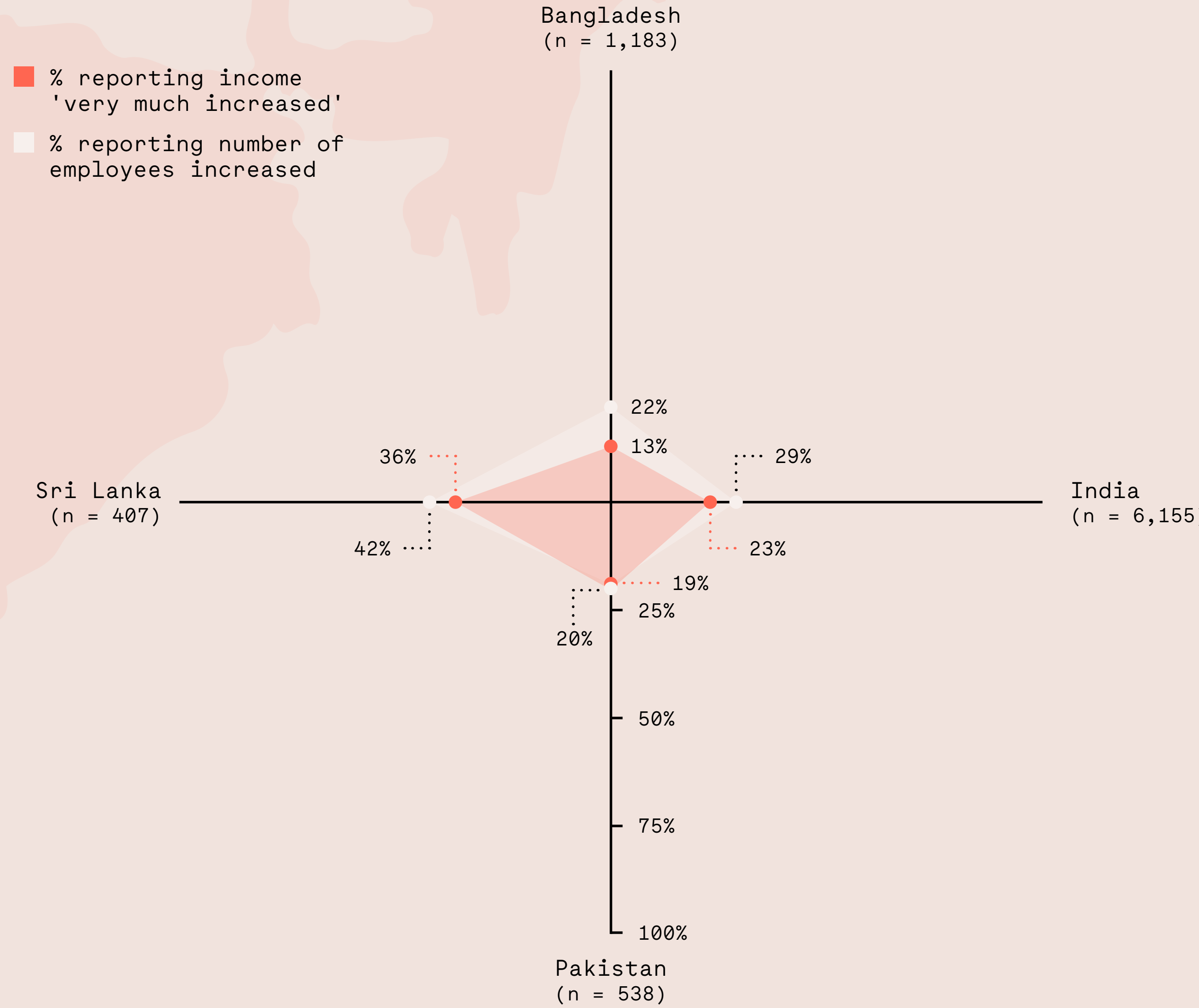
Our Business Impact dimension considers both income and employment changes because of the FSP. For both indicators, respondents in India are less likely to say they 'very much increased' their income (23%) or 'increased' the number of people they employ (7%) compared to the average of respondents elsewhere (27% and 13% respectively).

However, outcomes for business income have increased in our sample this year: 26% of Indian clients we spoke to in 2023 reported 'very much increased' income, compared to 17% in 2022.

Clients in India were more likely to report 'very much increased' income (23%) than their counterparts in Bangladesh (13%) and Pakistan (20%), but less likely than their counterparts in Sri Lanka (36%). Indian clients rank the same compared to their regional counterparts on employee growth: 29% reported an increase in employees, compared to 42% in Sri Lanka, 22% in Bangladesh, and 19% in Pakistan.

Surprisingly, the reason for this difference is likely not because of how loans are used. In fact, Indian clients are slightly more likely to report they used their FSP loan for at least some business purpose compared to respondents in other countries (88% versus 82% respectively). We hypothesize that microfinance borrowers in India simply find it harder to grow their businesses—this could be due to characteristics of their loans (for example, the median loan size in India is $625 USD compared to $1,000 USD for the rest of the world) or, more likely, to external factors beyond the loan itself.

Business Impact Outcomes in India Compared with Surrounding Countries



"

> After taking loans from Save Solutions, we have been able to buy cows. We sell cow's milk and earn revenues from it. This has been possible only because of Save Solutions.

Female, 28 years (Save Solutions)

Indonesia

> Indonesian clients are much less likely to have improved household outcomes as a result of their loan.

Across all household impact indicators, clients in Indonesia were less likely than clients in other countries to report 'very much improved/increased' outcomes. 16% of clients in Indonesia reported that their quality of life 'very much improved' as a result of their loan, compared to the global benchmark of 30%. Large gaps in loan outcomes between clients in Indonesia and other countries also include: amount spent on home improvements 'very much increased' (4% versus 14%); and ability to face a major emergency expense 'very much improved' (11% vs 19%).

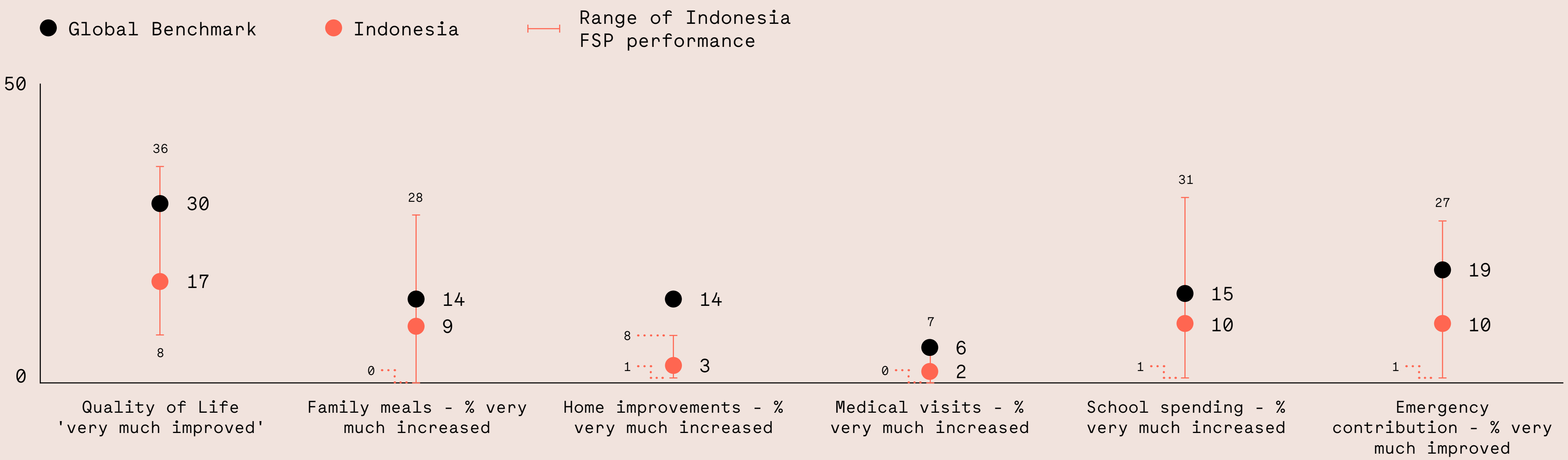
Indonesia also performs poorly in comparison to other countries in Southeast Asia for the proportions of clients reporting household impact. Indonesian clients were less likely to say that their quality of life and the ability to face a major emergency expense 'very much improved' (7% and 11%, respectively) than clients in Vietnam (33% and 25%), the Philippines (31% and 22%), Thailand (28% and 18%), and Myanmar (25% and 23%). Only worse off were clients in Cambodia (7% and 5%).

"

I can use the money I borrow to continue my business it was stopped because of Covid and I made no profit then. Now, I feel so happy that my family and I can continue living better than before.

Female, 53 years (KOMIDA)

Household Impact in Indonesia



What is Possible?

Every year, we are asked "What does good performance look like for an FSP?" and "what should we be aiming to achieve?"

This is a difficult question to answer, and we won't try to settle it here. However, we do think that the answer should start by asking: "What is possible"?

The answer to this is in our dataset, as we know what best performance looks like by indicator and geography. This is an important starting point for the conversation on performance improvement.

We hope that FSPs and their investors increasingly use this data to inform their conversations on setting and achieving social performance targets.

In the following charts, the top performers are named only where financial service providers agreed to share their data in this report.

Access Indicators

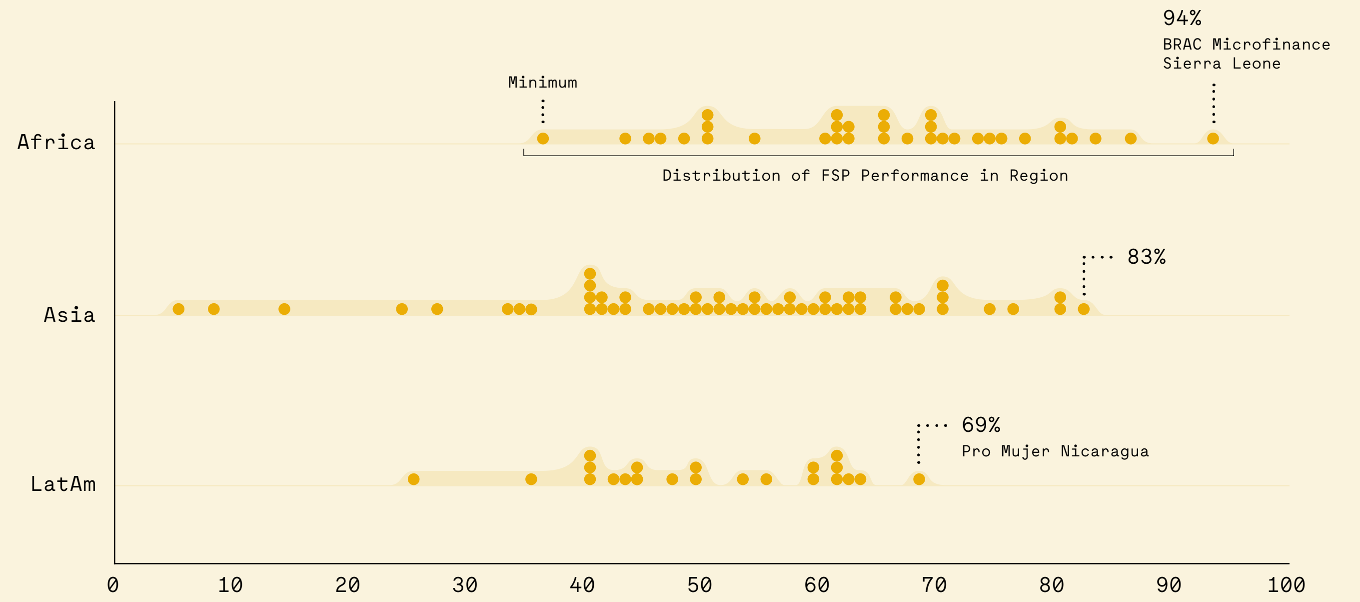
Measures the degree to which the financial service providers are serving a previously undeserved population, the competitive landscape the financial service providers operate in, and the degree to which they are serving less well-off clients.

Indicators

> Clients accessing a loan for the first time
> Clients without access to good alternatives

First Access

Clients who are accessing a loan like the one from their financial service provider for the first time



Alternatives

Clients who could not easily find a good alternative to their financial service provider

Business Impact Indicators

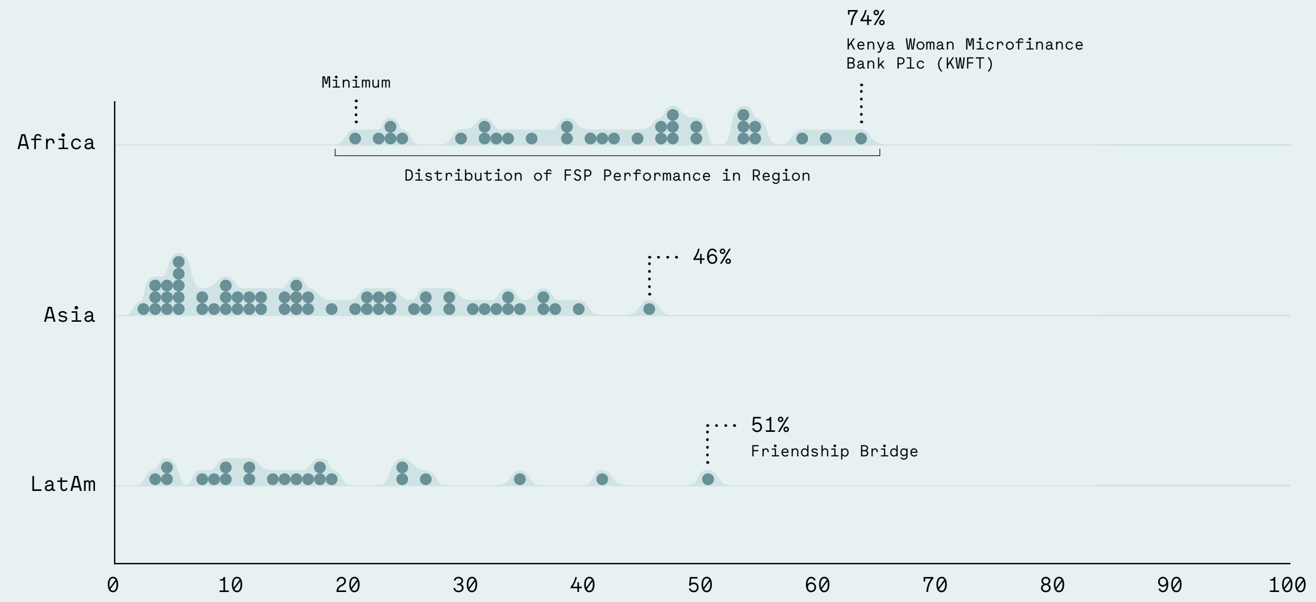
Measures the impact the financial service providers have on clients' ability to earn income from their business and their ability to employ others.

Indicators

> Very much increased business income
> Increased number of paid employees

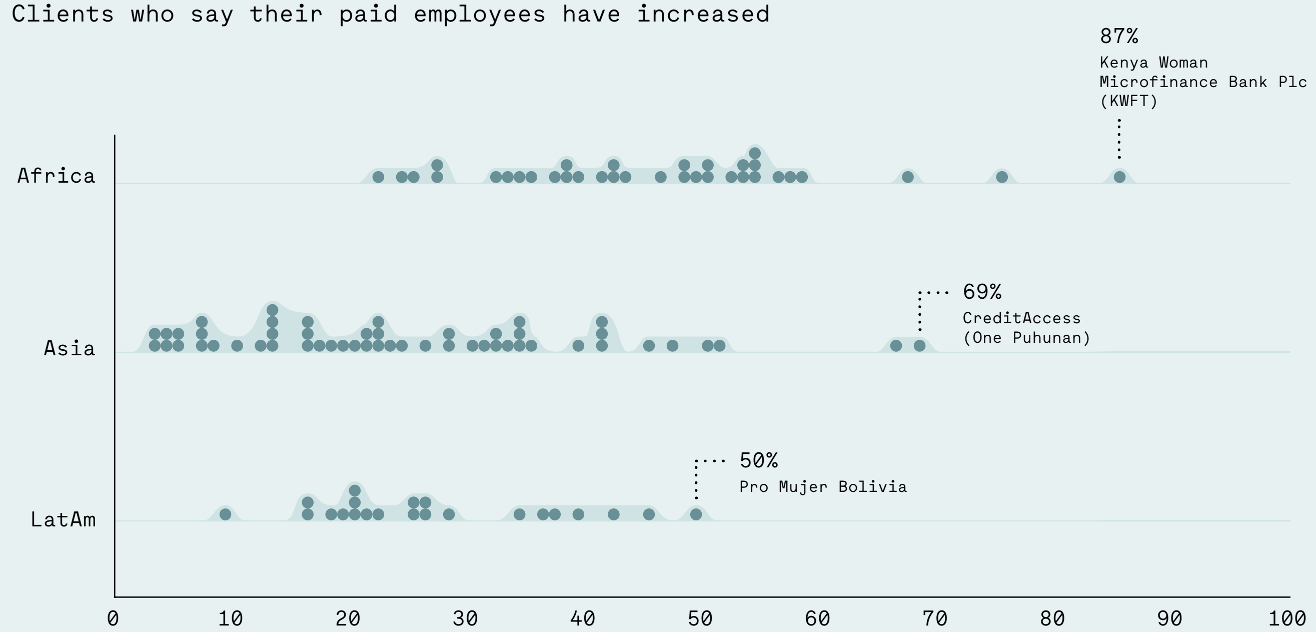
Income

Clients who say their income has very much increased



Employment

Clients who say their paid employees have increased



Household Impact Indicators

Measures the impact the financial service providers have on clients' quality of life and their ability to invest or cover household expenditures.

Indicators

> Very much improved quality of life

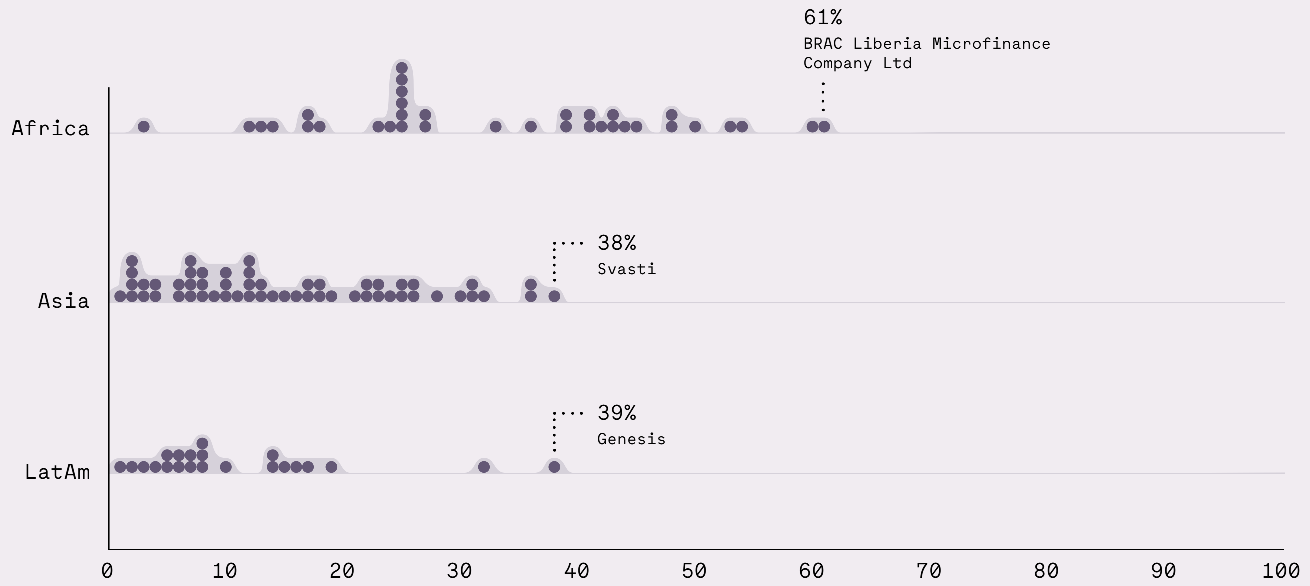
> Very much increased spending on education, healthcare and quality meals

Quality of Life

Clients who say their lives have ‘very much improved’ because of the financial service provider

Education Spending

Clients who say their spending on education 'very much increased'



Household Impact Indicators

Measures the impact the financial service providers have on clients' quality of life and their ability to invest or cover household expenditures.

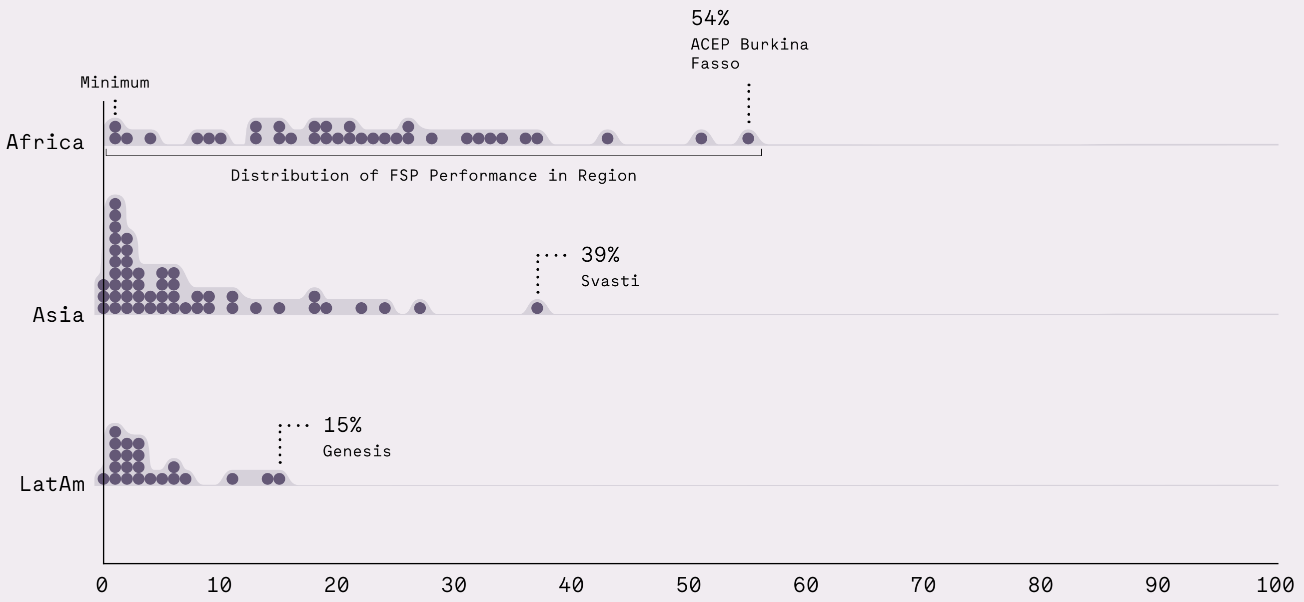
Indicators

> Very much improved quality of life

> Very much increased spending on education, healthcare and quality meals

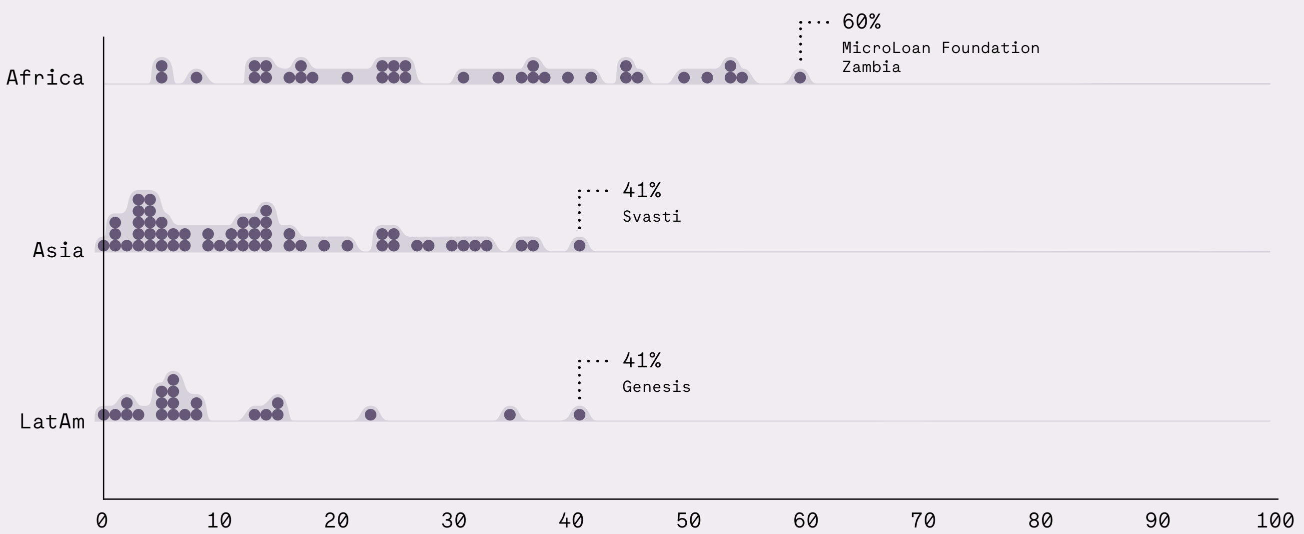
Healthcare

Clients who say their ability to visit a healthcare provider 'very much increased'



Number & Quality of Meals

Clients who say their number and quality of meals 'very much increased'



Client Protection Indicators

Measures the degree to which clients are informed of the financial service provider's loan conditions prior to borrowing, and the ability of clients to make repayments without reducing other household consumption.

Indicators

> Clients who strongly agree they understand terms and conditions of loan

> Very much decreased time spent worrying about finances

> Clients saying their loan repayments are not a burden

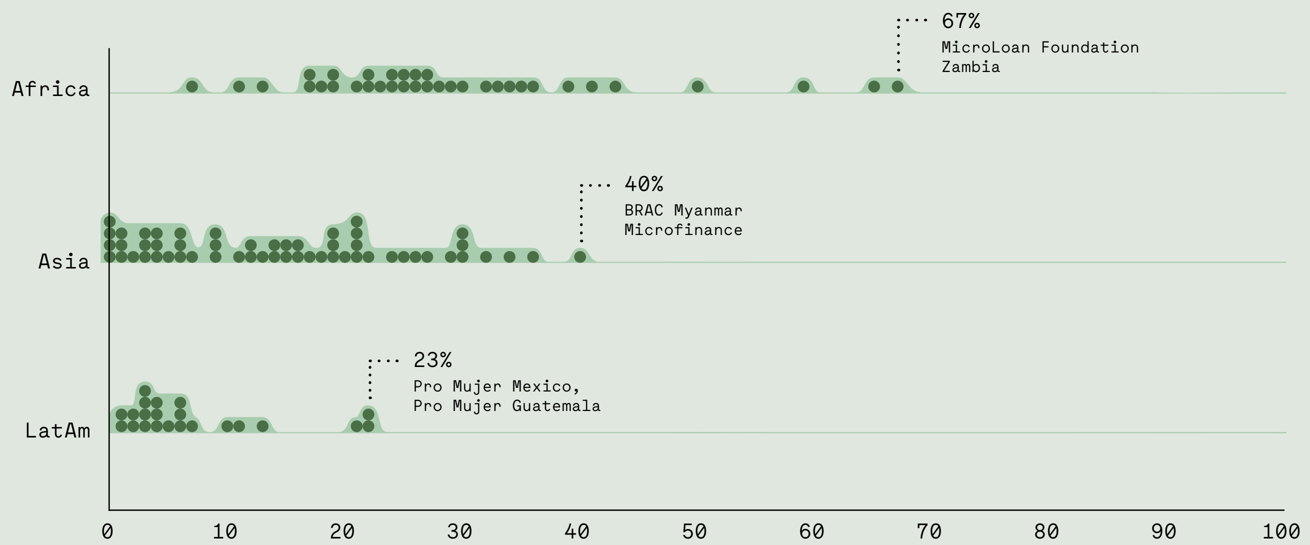
> Clients who never reduce food consumption to meet repayments

Loan Understanding

Clients who 'strongly agree' to understanding their fees, interest rates, and penalties

Financial Worry

Clients who report 'very much decreased' amount of time worrying about finances



Client Protection Indicators

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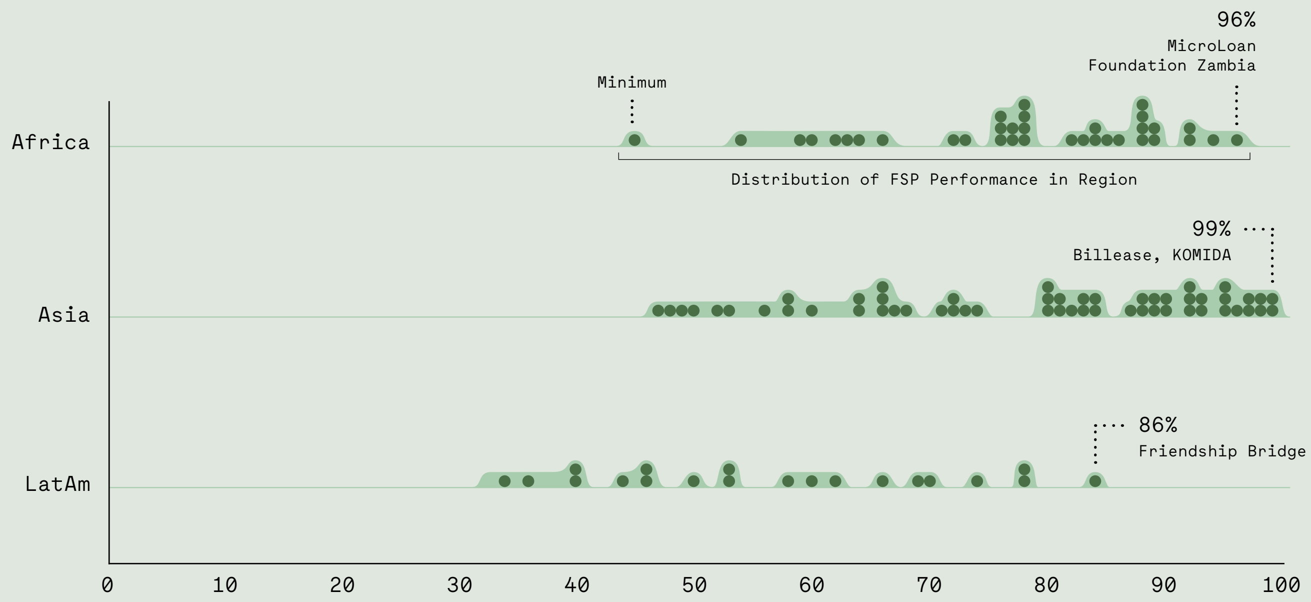
Indicators

> Clients who strongly agree they understand terms and conditions of loan
> Very much decreased time spent worrying about finances
> Clients saying their loan repayments are not a burden
> Clients who never reduce food consumption to meet repayments

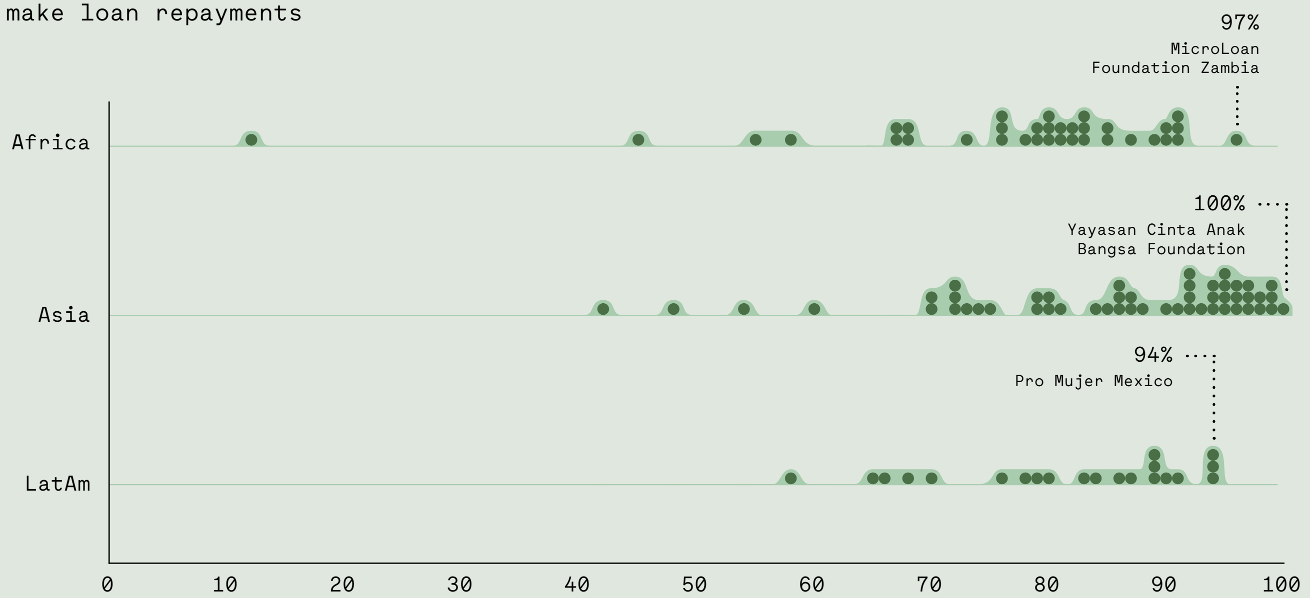
Repayment Burden

Clients who say their loan repayments are 'not a problem'



Reduced consumption

Clients who have 'never' reduced their household's food consumption in order to make loan repayments



Resilience Indicators

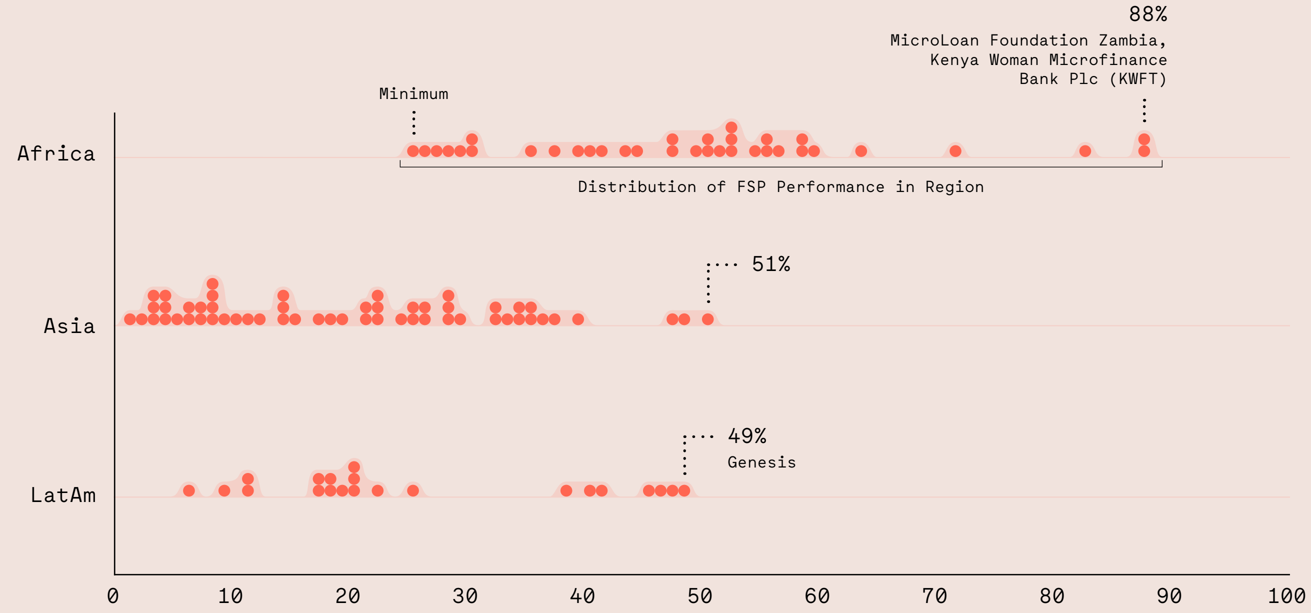
Measures the degree to which clients are financially prepared for an unforeseen economic shock, and the impact the financial service providers have on this preparedness. It also measures the client's ability to manage finances and save.

Indicators

- > Very much improved ability to manage finances
- > Clients whose savings balance has very much increased
- > Clients who say very much improved resilience because of the MFI

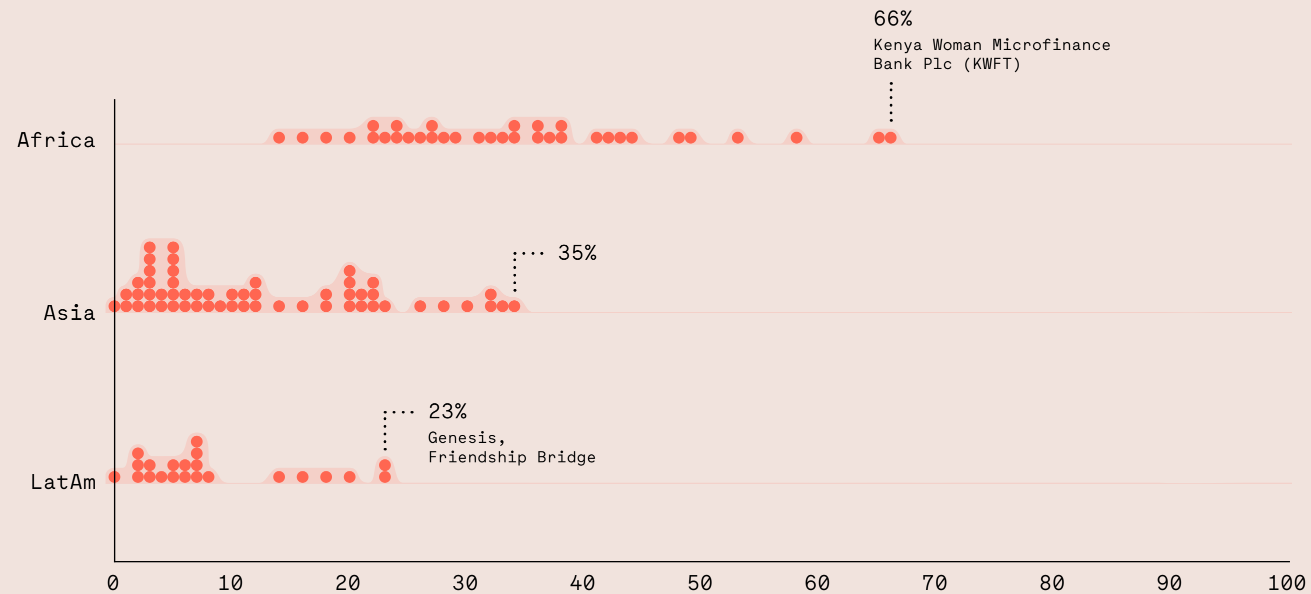
Financial Management

Clients who report their ability to manage their finances has ‘very much improved’



Savings

Clients who say their savings has ‘very much increased’



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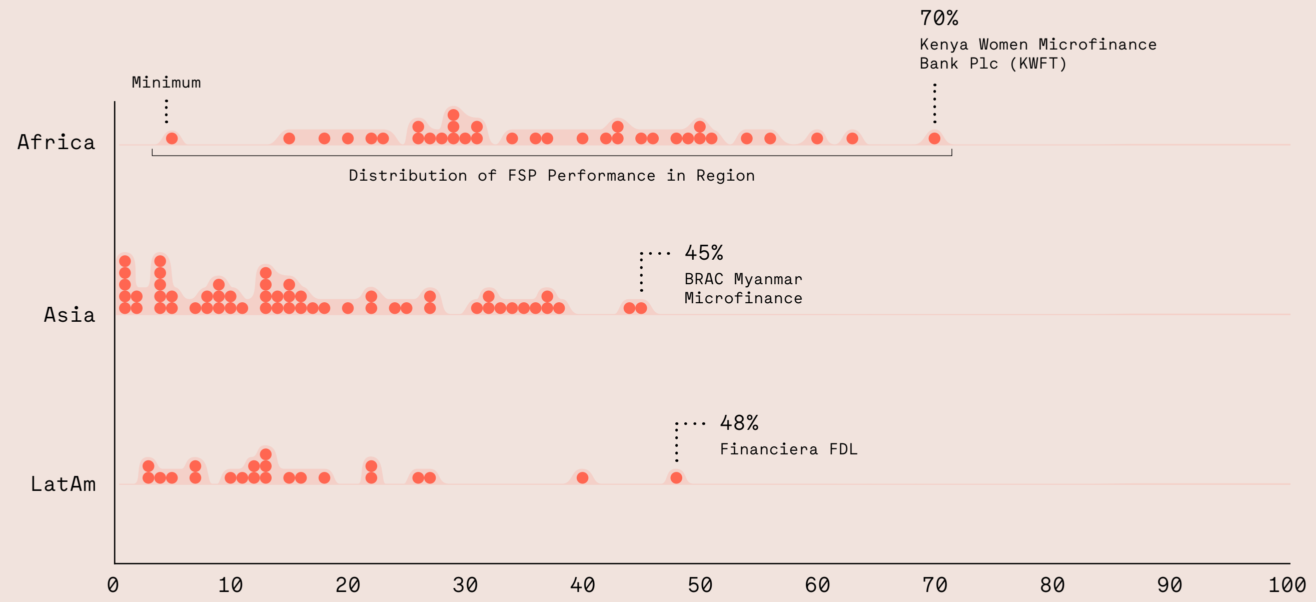
Measures the degree to which clients are financially prepared for an unforeseen economic shock, and the impact the financial service providers have on this preparedness. It also measures the client's ability to manage finances and save.

Indicators

> Very much improved ability to manage finances
> Clients whose savings balance has very much increased
> Clients who say very much improved resilience because of the MFI

Financial Resilience Attribution

Clients who say their ability to face an emergency expense has 'very much improved' because of the financial service provider



❝

Loan funds from [FSP] provide an opportunity, especially for housewife like me, help me to have additional income, so that I can improve my family daily needs and I can also have savings for emergency funds.

Female, 58 years

Agency Indicators

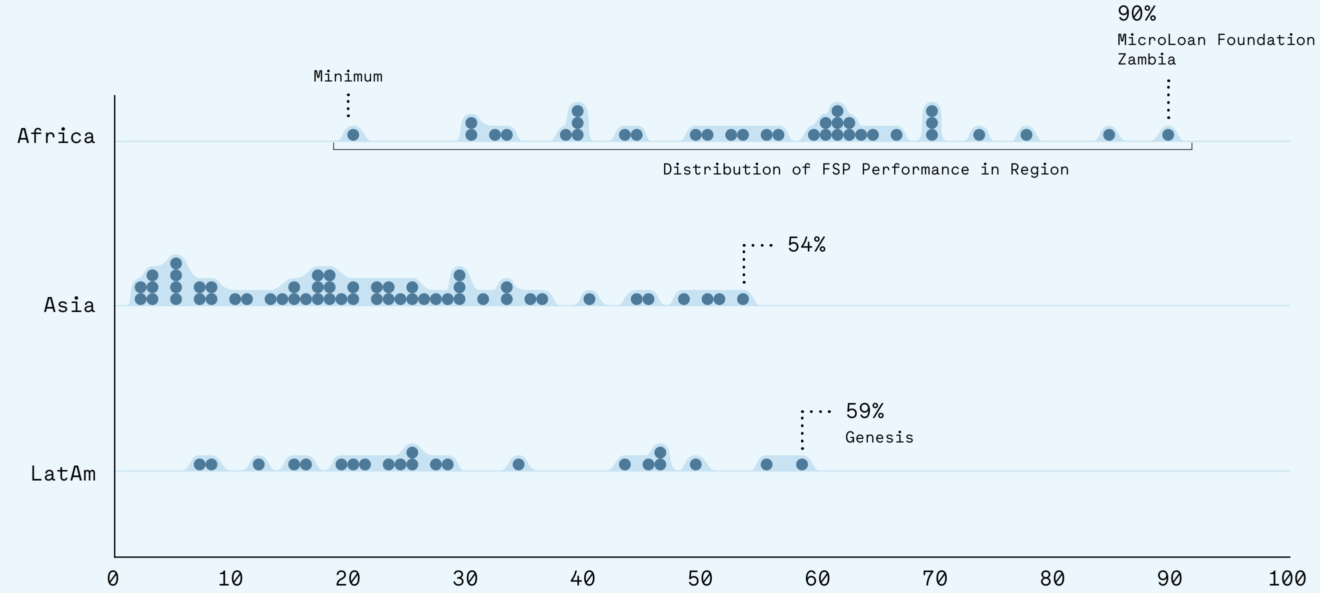
Measures the impact the financial service providers have on clients' confidence, ability to make decisions about their money, and contributions to clients' ability to achieve their financial goals.

Indicators

> Clients who say their confidence has very much increased
> Clients who say their ability to make decisions related to their money has very much increased
> Very much improved ability to achieve a financial goal

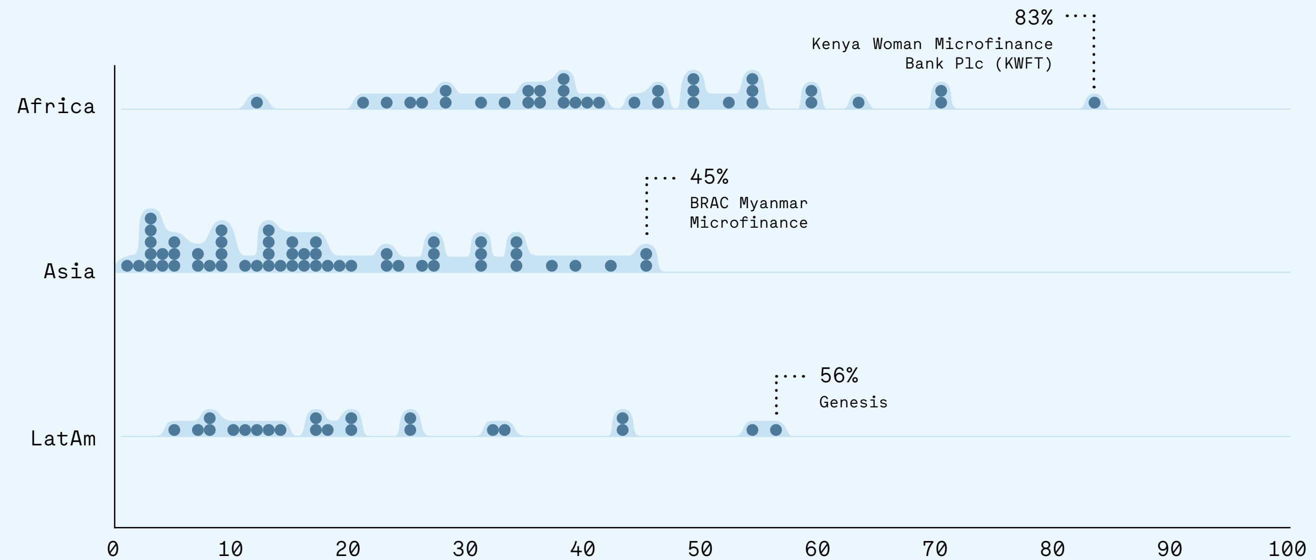
Confidence

Clients who report their confidence has 'very much increased' because of the financial service provider



Decision-Making

Clients who say their ability to make financial decisions has 'very much improved' because of the financial service provider



Agency Indicators

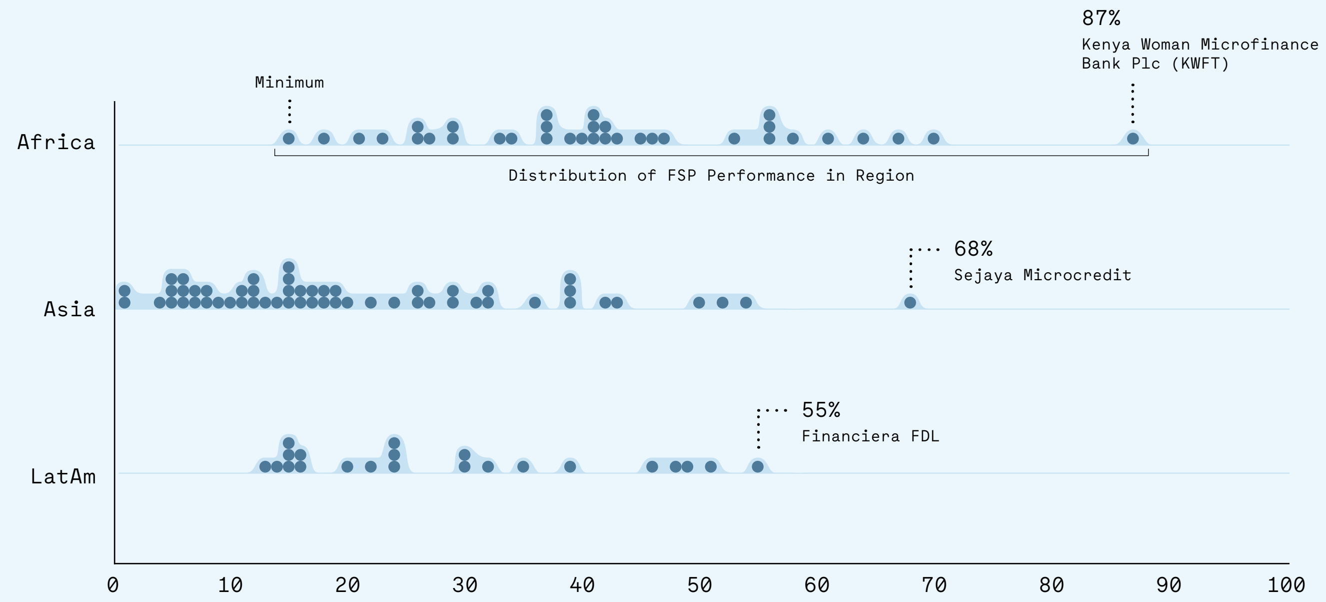
Measures the impact the financial service providers have on clients' confidence, ability to make decisions about their money, and contributions to clients' ability to achieve their financial goals.

Indicators

> Clients who say their ability to make decisions related to their money has very much increased
> Cilents who say their confidence has very much increased
> Very much improved ability to achieve a financial goal

Financial Goal Attribution

% of clients you say their ability to achieve a financial goal has 'very much improved' because of the financial service provider



Thanks to the loan from [FSP], my life has changed. I bought goods from the loan and my money increased considerably. My income has increased to the point that I share some family expenses with my husband.

Female, 39 years

Top Performers Summary

Indicator	Description	Top Performing FSP (FSP Percent / Regional Average) Africa	Asia	LatAm
Access				
First Access	% accessing for the first time	BRAC Microfinance Sierra Leone 94% / 70%	Anonymous 83% / 53%	Pro Mujer Nicaragua 69% / 51%
Alternatives	% without access to good alternative	BRAC Microfinance Sierra Leone 93% / 62%	Anonymous 88% / 46%	Friendship Bridge 77% / 41%
Business Impact				
Income	% seeing 'very much increased' income	Kenya Woman Microfinance Bank Plc. 74% / 45%	Anonymous 46% / 18%	Friendship Bridge 51% / 18%
Employment	% increasing no. of paid employees	Kenya Woman Microfinance Bank Plc. 87% / 47%	CreditAccess - One Puhunan 69% / 24%	Pro Mujer Bolivia 50% / 28%
Household Impact				
Quality of Life	% 'very much improved' quality of life	Kenya Woman Microfinance Bank Plc. 74% / 45%	Humo 46% / 18%	Genesis 66% / 34%
Education	% 'very much increased' household spending on education	Kenya Woman Microfinance Bank Plc. 87% / 47%	Svasti 38% / 15%	Genesis 39% / 11%
Healthcare	% 'very much increased' household spending on healthcare	ACEP Burkina Faso 54% / 22%	Svasti 39% / 7%	Genesis 15% / 4%
Quality Meals	% 'very much increased' number and quality of meals	MicroLoan Foundation Zambia 60% / 31%	Svasti 41% / 14%	Genesis 41% / 10%

Indicator	Description	Top Performing FSP (FSP Percent / Regional Average) Africa	Asia	LatAm
Client Protection				
Repayment Burden	% saying repayments 'not a problem'	MicroLoan Foundation Zambia 96% / 78%	Billease, KOMIDA 99% / 78%	Friendship Bridge 86% / 58%
Consumption Sacrifice	% who 'never' cut food consumption to make repayments	MicroLoan Foundation Zambia 97% / 77%	Yayasan Cinta Anak Bangsa Foundation 100% / 85%	Pro Mujar Mexico 39% / 11%
Loan Understanding	% 'strongly agree' penalties, fees, and interest rates are clear	BRAC Microfinance Sierra Leone 97% / 68%	BRAC Myanmar Microfinance 99% / 57%	Friendship Bridge 87% / 65%
Financial Worry	% 'very much decreased' time spent worrying about finances	MicroLoan Foundation Zambia 67% / 30%	BRAC Myanmar Microfinance 40% / 15%	Pro Mujer Mexico, Pro Mujer Guatemala 23% / 8%
Resilience				
MFI Role in Resilience	% 'very much improved' resilience thanks to MFI	Kenya Woman Microfinance Bank Plc. 70% / 37%	BRAC Myanmar Microfinance 45% / 15%	Financiera FDL 48% / 16%
Savings	% 'very much increased' savings	Kenya Woman Microfinance Bank Plc. 66% / 34%	Anonymous 35% / 13%	Genesis, Friendship Bridge 23% / 8%
Financial Management	% 'very much improved' ability to manage finances	MicroLoan Foundation Zambia, Kenya Woman Microfinance Bank Plc. 88% / 50%	Humo 51% / 21%	Genesis 49% / 27%
Agency				
Decision Making	% 'very much increased' ability to make financial decisions*	Kenya Woman Microfinance Bank Plc. 83% / 43%	BRAC Myanmar Microfinance, Cashpor 45% / 17%	Genesis 56% / 22%
Confidence	% 'very much increased' confidence in self and abilities*	MicroLoan Foundation Zambia 90% / 56%	Humo 54% / 23%	Genesis 59% / 30%
Financial Goals	% 'very much improved' ability to achieve financial goal	Kenya Woman Microfinance Bank Plc. 87% / 42%	Sejaya Microcredit 68% / 21%	Financiera FDL 55% / 29%

Conclusion

What Comes Next

This report represents the collected wisdom and lived experience of more than 32,000 microfinance clients around the world. With this work, the second year of the Microfinance Index, we have raised up the voices of these clients and deepened our collective understanding of the impact of microfinance on their lives. Our firm belief is that, to maximize the positive impact of microfinance, we must continue to listen to clients at scale, and we hope that this Index, which is completed every year, continues to underpin this practice in the years to come.

While we've made great strides forward with this year's Index, there are important limitations to what these data represent, and improvements we plan to make in 2024 and beyond.

Most importantly, many of the insights in this report apply to our global dataset. Where we have enough data to provide country and regional analysis, those are included in this report, but there are many geographies in which we have data from only one to two financial service providers, so we cannot draw conclusions about trends and patterns in that geography.

Our direction of travel continues to be towards more localized insights. This year, we had 9 or more participating FSPs from Cambodia, Ecuador, India, Indonesia and Uganda. Next year, our goal is to add, at a minimum, Bolivia, Guatemala, Philippines, Sierra Leone, Cote d'Ivoire, and Nigeria to that list. Imagine what we could learn with all of that new data. We will be one step closer to our goal of providing the most accurate, comparable, and relevant benchmarks of FSP social performance, all of which serves as the foundation towards improvement.

Each year, we also aim for more transparency of results. While it is always up to the participating FSP to share their name publicly, we want to normalize the sharing of social performance data. To this end, in next year's Index, we will be working with FSPs and their investors to increase the number of FSPs that share their names, even if they are not top performers in a country or region.

We hope that, with these and other improvements, we can continue to up the ante in terms of our collective accountability towards the clients being served by FSPs. By listening better—in a standardized, consistent way—and comparing like-to-like performance of FSPs, we can get better data that helps serve clients, improve products, and, ultimately, improve lives.

Acknowledgements

This work would (literally) not exist without the support of sponsors, partners, investors, financial service providers, and their clients. The Index and these insights are a product of their investment in social performance and impact measurement.

Core funding for the 2023 Microfinance Index came from Tipping Point Fund on Impact Investing and from Ceniarth. Their funding allowed us to expand the Index, broaden our analyses, and take risks that we otherwise wouldn't have been able to take.

The 2023 Index was made possible thanks to the collaboration and support of 32 sector leading partners. Each of them distinguishes themselves for their commitment to social impact and desire to learn directly from clients. They are; Abler Nordic, Accion, Advans Group, ASN Impact Investors, Baobab Group, BRAC, Developing World Markets, Enabling Qapital, FinnFund, FMO, Global Partnerships, Gojo, Grameen Crédit Agricole Foundation, HOPE International, International Solidarity for Development and Investment (SIDI), Invest In Visions, Kiva, MCE Social Capital, Mercy Corps, Opportunity International, Pro Mujer, Proparco, Social Performance Task Force (SPTF), Triodos Investment Management, Symbiotics, Centre for Impact Investing and Practices (CIIP) a non-profit established by Temasek Trust, TripleJump, Vision Fund International, and WaterEquity.

A special thanks to champions of our work from the start: Calum Scott (Opportunity International), Tara Murphy Forde and Meghan Flaherty (Global Partnerships), Bridget Dougherty and Upoma Antara Husain (BRAC International), Safeya Zeitoun (Tameo Solutions), and Greg Neichin and Diane Isenberg (Ceniarth). Thank you for your investment in this initiative, and for always allowing us to drop in your inbox for thoughtful feedback.

To the financial service providers who participated, thank you for placing your trust in the 60dB team to contact your clients and listen to them on your behalf. We are humbled to be your partners in social performance measurement and applaud your work in broadening financial access to improve people's lives.

Most importantly, to all the clients who took part in our surveys—the vast majority of whom may, unfortunately, never read this report. Thank you for your time and honest feedback. We have done our best to faithfully represent your voices, in the hopes that we collectively learn from these results and can support you in living richer, more productive lives.

Sponsors

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Appendix

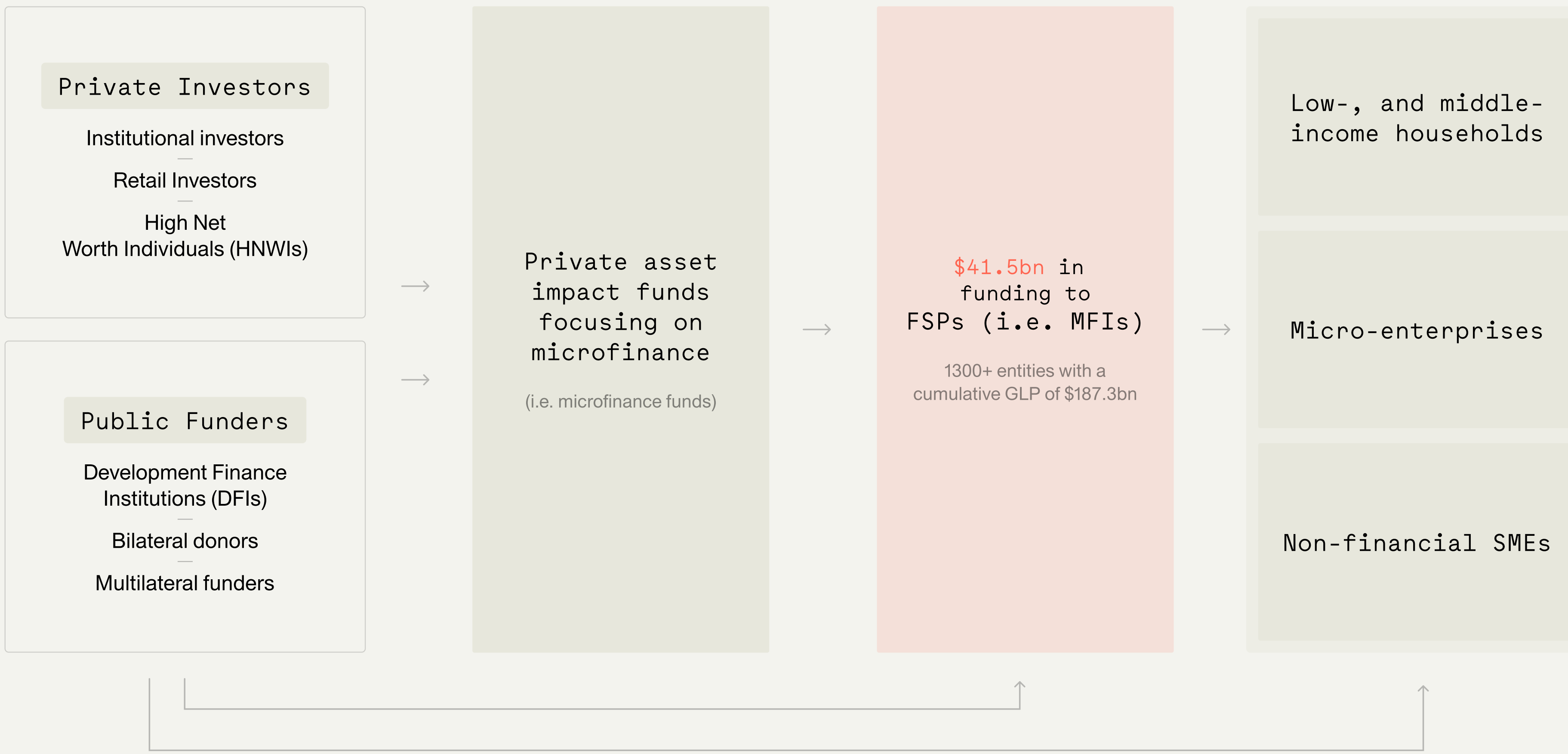
Additional Microfinance Context

tameo
Impact Fund Solutions

Based on data from more than 1,300 microfinance institutions (MFIs, who we often refer to as FSPs), the sector's cumulative gross loan portfolio (GLP) is USD 187.3 billion[1]. Microfinance is reaching 156 million borrowers, 53% of whom are women.

CGAP's 2021 statistics show that 41 public sector funders committed USD 45 billion to financial inclusion.Tameo's analysis of private microfinance investors includes 123 microfinance funds with USD 20.4 billion in assets directed towards emerging and frontier markets.

Of course, we have to avoid double-counting. We know that 53% of public sector commitments from the CGAP study flow directly into FSPs, so we can infer that USD 23.8 billion of public money is committed to FSPs and USD 17.7 billion of private investor capital flows from microfinance funds. We can therefore conclude that a total of USD 41.5 billion flows directly for FSPs in developing countries.



[1] FSPs and MFIs are used interchangeably to define financial institutions of many types (banks, NBFIs, cooperatives, NGOs, to name a few) that provide credits, savings, insurance, and other financial and non-financial products for their clients.

Geographies of Public and Private Funding

In terms of regional concentrations of capital, Eastern Europe / Central Asia and Latin America / Caribbean are the largest areas of focus for investor capital. South Asia has seen the fastest growth since 2015, driven primarily by India— thanks to recovery from an industry-wide crisis in 2010 and favorable regulatory interventions that have attracted significant private investments.

Investment flows for public and private funds have been largely similar in terms of their concentration in Eastern Europe / Central Asia and Latin America / Caribbean. The biggest differences are in Sub-Saharan Africa (SSA) and the Middle East & North Africa (MENA), where public funders have a larger presence compared to microfinance funds. The proportion of public funder commitments in SSA is twice as big (14%) as microfinance funds (7%).[2]

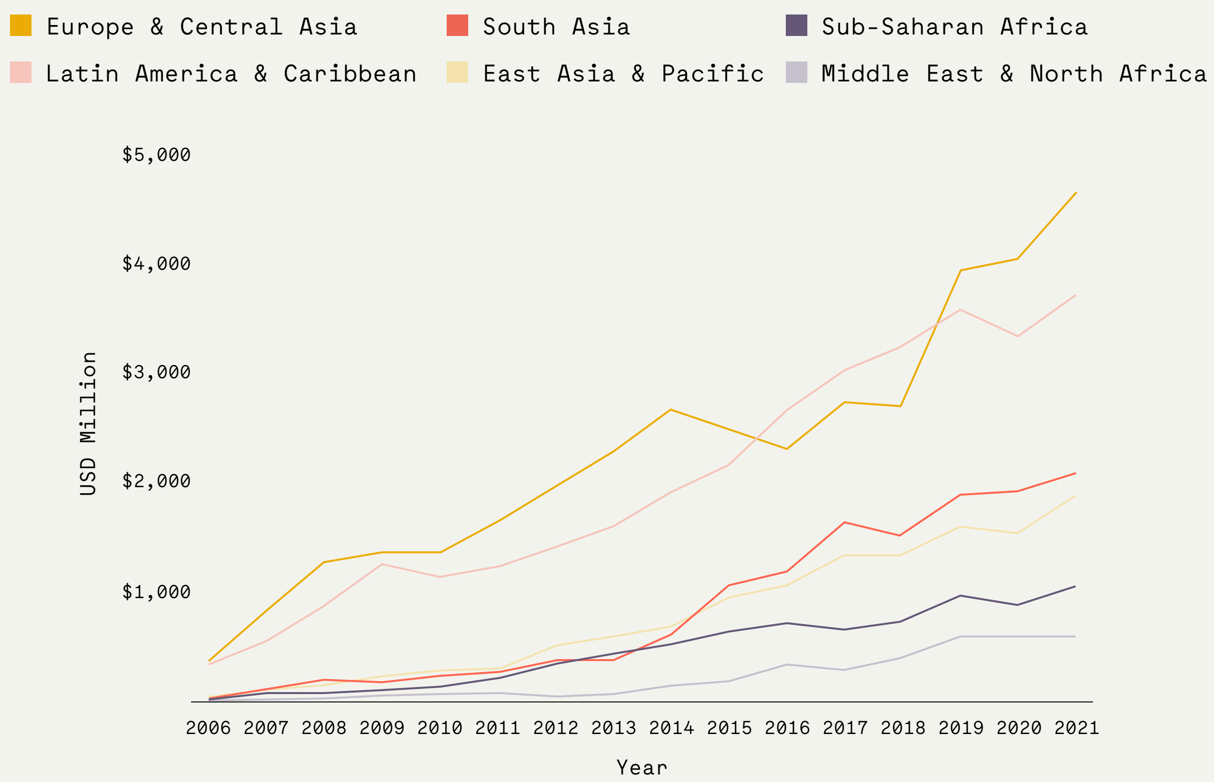
In terms of Gross Loan Portfolio, the largest share is in Asia (excl. Central Asia), with 50%, followed by Latin American & the Caribbean (39%), Sub-Saharan Africa and Europe & Central Asia (each at 5%), and Middle East and North Africa (1%).

Looking at asset allocations from public and private investors to specific countries, there are some notable differences. For private investors, India is the leading country followed by Cambodia and Georgia, which together represent USD 2.85 billion in outstanding portfolios. Ecuador, Russia, Mexico, Uzbekistan, Armenia, Bolivia, and Costa Rica complete the top 10. These countries account for 45% of the total portfolios, indicating a concentrated market among the 10 largest countries.

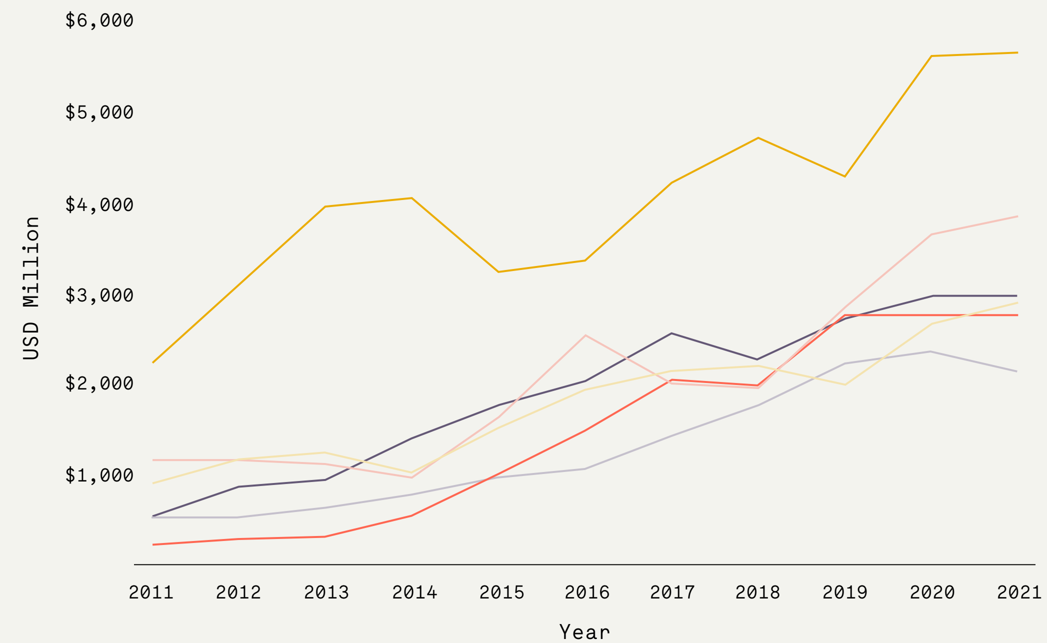
The top 10 list for public investors looks somewhat different, in particular for the amount of investment going to Turkey, Nigeria and Egypt—these are three of the top four destinations for public investment, and not on the top 10 list for private capital. India, Cambodia and Georgia are in the top 10 countries for public investors, as they are for private investors.

[2] Although SSA is the primary region of public funder commitments since 2019, with nearly one-fourth of total volumes in 2021, a significant portion of the commitments multilateral funders supporting governments. The relative importance of SSA in public funders' targeting of FSPs highlights how public funds act as a bridge in areas where private investments are not yet able to sustain high growth.

Regional Allocation Comparison of Microfinance Private Funds



Regional Allocation Comparison of Public Funds



Index Calculations

Below is a worked example of an indicator score, dimension score, and the Index score calculation.

Indicator Scores

$$\text{Indicator Scores} = \frac{\text{(Company value - Minimum value in the region)}}{\text{(Max value in the region - Minimum value in the region)}}$$

$$\text{Business Income Score of Company X (72)} = \frac{(36 - 3)}{(46 - 3)} \qquad \text{Employment Change Score of Company X (44)} = \frac{(7 - 0)}{(16 - 0)}$$

Dimension Scores

Average of all the indicators in the dimension.

Business Dimension Score (58) = Average of 72 and 44

Index Score

Average of all six dimension scores for Company X

60dB Index Score (44) = Average of 34 and 58, 16 and 52, and 45 and 56

60dB MFI Index Question Set

Dimension	Question Text	Answer Options
Access	Before [MFI], did you have access to a loan like [MFI] provides?	Yes / No
	Could you easily find a good alternative to [MFI]?	Yes / Maybe / No
	1 - 10 Poverty Probability Index, the Equity Tool, or Wealth Quintile Measure Questions	Country-Specific
Business Impact	Has the money you earn from your business changed because of the [MFI]? Has it:	Very much increased / slightly increased / no change /slightly decreased / very much decreased / N/A I don't have a business
	Has the number of paid employees working for your business changed because of [MFI]?	Paid employees have increased / paid employees have decreased / no change to number of paid employees / my business does not have paid employees
	Could you please tell me how many paid employees you had before working with [MFI] and now?	Yes / no / don't remember or can't recall
Household Impact	Has your quality of life changed because of the [MFI]? Has it:	Very much improved / slightly improved / no change / got slightly worse / got much worse
	"If improved] How has it improved? [If no change] Why has it not changed? [If got worse] How has it become worse?"	Open-ended
	Because of [MFI], has the amount you spend on home improvements changed?	Very much increased / slightly increased / no change /slightly decreased / very much decreased
	Because of [MFI], has how often you are able to go to a healthcare provider for check-ups and if you fall ill changed?	Very much increased / slightly increased / no change /slightly decreased / very much decreased
	Because of [MFI] have the number and quality of meals your family eats changed?	Very much increased / slightly increased / no change /slightly decreased / very much decreased
	Because of [MFI] has the amount you spend on your children to go to school changed?	Very much increased / slightly increased / no change /slightly decreased / very much decreased

Dimension	Question Text	Answer Options
Client Protection	To what extent do you agree or disagree with the following statement: "[MFI]'s fees, interest rates, and penalties are easy to understand and clear."	Strongly agree / somewhat agree / neither agree nor disagree / somewhat disagree / strongly disagree
	In the previous year, have you experienced an unexpected charge or fee from [MFI]?	Yes, regularly / Yes, rarely / No, never
	Because of [MFI], has the amount of time you spend worrying about your finances changes?	Yes / no / don't remember or can't recall
	Thinking about your loan borrowing repayments from [MFI], are they a heavy burden, somewhat of a burden, or not a problem?	A heavy burden / somewhat of a burden / not a problem
	Do you have to reduce your household's consumption of food for any family member in order to make repayments from [MFI]?	Regularly / sometimes / rarely / never
Resilience	Because of [MFI], has your ability to manage your finances changed?	Very much increased / slightly increased / no change /slightly decreased / very much decreased
	Because of [MFI], has your savings changed?	Very much increased / slightly increased / no change /slightly decreased / very much decreased
	Imagine that tomorrow you have an unexpected emergency and need to come up with [1/20 gross national income per capita in local currency] within the next month. How easy or difficult would it be to come up with this money?	Very difficult / slightly difficult / neither difficult nor easy / slightly easy / very easy
	Has your ability to face this major expense changed because of [MFI]?	Very much improved / slightly improved / no change / got slightly worse / got much worse
Agency	What is the most important financial goal you're trying to achieve right now?	Open-ended
	Has your ability to achieve this goal changed because of [MFI]?	Very much improved / slightly improved / no change / got slightly worse / got much worse

Dimension	Question Text	Answer Options
	Because of [MFI], has your confidence in yourself and your abilities changed?	Very much increased / slightly increased / no change / slightly decreased / very much decreased
	Because of [MFI], has your ability to make decisions on what you do with your money (i.e. spend or save) without consulting your spouse/another adult changed?	Very much increased / slightly increased / no change / slightly decreased / very much decreased
Additional Questions	What did you use your loan(s) from [MFI] for?	Used loan to start a new business / used loan for an existing business purpose / used for something else (non-business purpose)
	What business purposes did you use your loan(s) for?	Open-ended
	On a scale of 0-10, how likely is it that you would recommend the [MFI] to a friend, where 0 is not at all likely and 10 is extremely likely?	0 / 1 / 2 / 3 / 4 / 5 / 6 / 7 / 8 / 9 / 10
	[If 9-10] What specifically about [MFI] would cause you to recommend it? [If 7-8] What specifically about [MFI] caused you to give it this score? [If 0-6] What actions could [MFI] take to make you more likely to recommend it to a friend? "	Open-ended
	Have you experienced any challenges with [MFI]?	Yes / no
	Please explain the challenge (s) you have experienced	Open-ended
	In the last 6 months, have you received any non-credit services from [MFI]?	Savings / Insurance / Education or training / Health services / Business-related services / Other: please specify / None
	Do you live in a city, town, or village/ countryside?	City / town / village or countryside / Don't know
	Including yourself, how many people live in your household?	#
	Do you mind sharing your age?	#
Client Protection*	How many other loans do you have in addition to your loan from [MFI]?	None / 1 / 2 / 3 / 4 / 5+
	Other than using your business income/ wages, have you used any of the following methods to make a loan repayment?	Spend less on household expenses (other than reducing food expenses) / Borrowed from an informal lender (e.g. moneylender), a family member, or a friend / Borrowed from another financial institution/ FSold an asset (e.g. land, jewelry, or livestock) / Finding work in addition

Dimension	Question Text	Answer Options
		to my primary income or work more than usual / Took child out of school / Delayed medical treatment for myself or a family member / Other / None, I can make repayments with my business income or wages.
	Have you ever been pressured by [MFI] to sell anything that you did not want to in order to make a repayment?	Yes / No / I cannot recall
	To what extent do you agree with the following statement: "I know what kind of data the [MFI] collects about me and how my data is being used."	Strongly agree / somewhat agree / neither agree nor disagree / somewhat disagree / strongly disagree
	To what extent do you agree with the following statement: "The [MFI] agents always treat me fairly and respectfully."	Strongly agree / somewhat agree / neither agree nor disagree / somewhat disagree / strongly disagree
	If a representative of [MFI] harassed you or treated you unfairly, would you know how to report this behavior?	Yes, I know how to report this behavior and would / I know how to report this behavior but would be hesitant to / No, I do not know how to report this behavior
	How trustworthy or untrustworthy do you consider [MFI]?	Very trustworthy / Somewhat trustworthy / Neutral / Somewhat untrustworthy / Very untrustworthy
	How easy or difficult is it to interact with [MFI]	Very easy / somewhat easy / neither easy nor difficult / somewhat difficult / very difficult

* This includes an additional Client Protection module that is not part of the standard pricing but which we plan to roll out, at a minimum, in Cambodia and can be added on separately if that is of interest.

Access the data behind the Microfinance Index

This year we've built 3 new tools to provide deeper access to the data behind the Index. Whether you are looking for an all-in-one dashboard to explore the anonymized data set, a deep dive into the microfinance of a specific geography or region, or want to run a customized insights discovery for your portfolio, we have an option to fit your needs and budget.

Dashboard Access

Access the data behind the MFI Index through an aggregate dashboard made up of 1 million+ unique data points. Filter and interact with charts, plus explore Top Impact Award winners.

Find out more →

Geographic Snapshots

Country reports for 5 markets with in-depth analysis. Ideal for investors for planning and market diligence purposes.

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