



Terms of Reference

Project Title: Financial Inclusion 2.0

About CGAP

CGAP is a global partnership of more than 30 leading development organizations dedicated to advancing the lives of people living in poverty, especially women, through financial inclusion.

CGAP works at the frontier of inclusive finance to test solutions, spark innovation, generate evidence, and share insights. CGAP's knowledge enables public and private stakeholders to scale solutions that make financial ecosystems meet the needs of poor, vulnerable, and underserved people and of micro and small enterprises (MSEs), including through advancing women's economic empowerment. As a global public good, CGAP's independent research and analysis is available to all.

CGAP envisages responsible and inclusive financial ecosystems that enable a green, resilient, and equitable world for all. CGAP is guided by a five-year strategy and annual workplans – the new strategy covering FY24-28 ([CGAP VII Strategy](#)) will contribute to strengthening responsible and inclusive financial ecosystems by elevating the focus of financial inclusion to broader development outcomes.

To achieve this, CGAP will focus on contributing to seven outcome areas through its work program: (i) mobilizing financial services for climate adaptation, mitigation, and a just transition; (ii) mobilizing financial services for building resilience to shocks and managing risk; (iii) mobilizing financial services for women and MSEs to capture economic opportunities; (iv) increasing the breadth and depth of financial inclusion; (v) promoting responsibility in financial ecosystems and enabling financial sector policies and regulations; (vi) enhancing the effectiveness of impact investing in inclusive finance and the inclusiveness of carbon markets; and (vii) generating and promoting evidence of what works, where, and for whom.

Through its work, CGAP is committed to accelerating progress toward women's financial inclusion, and we take a gender-intentional approach to our research and advocacy efforts.

CGAP is housed in the World Bank. For more information, please visit <https://www.cgap.org/>

Project Summary: Financial Inclusion 2.0

CGAP has launched a three-year project, Financial Inclusion 2.0, aimed at providing a deeper and more nuanced understanding of the impact of inclusive financial services. A central part of this initiative will involve a deep dive into evidence on financial inclusion outcomes for up to two financial services and a limited range of customer categories.

To enable the project to undertake this deep dive, we are looking to partner with several organizations who are collecting - or have recently collected – substantial amounts of data on customer outcomes. The organizations are likely to be impact investors, development finance institutions, donors, financial services providers (FSP), fintechs or mobile network operators (MNO) or central banks.



Through the proposed partnerships, participating organizations and CGAP will use the data to explore some of the most innovative analytical methods that help explain when, how, and for whom financial services are more likely to lead to positive customer outcomes. This knowledge will be used to inform FSP practices, funder strategies, as well as government policies and regulations that more effectively promote sustainable development goals.

Project Rationale

The last two decades have seen a growing body of evidence that access to and usage of financial services can contribute to positive outcomes for individuals, households, enterprises and even societies and economies in developing countries. CGAP itself extensively reviewed this evidence in a project from 2018-2020.

However, the existing studies do not allow us to distinguish broadly under which circumstances different financial services have a positive, neutral, or negative impact on development outcomes. The evidence to date shows that the same financial service can have different outcomes for apparently similar individual customers depending on context. Studies have identified outcomes that range from positive to neutral for savings, insurance, and payments, and from positive to negative for credit. Unfortunately, most available studies do not explain why the outcomes observed differ, and therefore we have few insights into how contextual factors have positive or negative influences. This leaves policymakers, funders, and financial service providers with little evidence on how to tailor their interventions to promote development outcomes from financial inclusion more effectively.

Given these persistent unknowns, stakeholders who aim to ensure that financial services benefit people in poverty and other vulnerable contexts and MSEs who are traditionally excluded lack a sufficiently nuanced evidence base to further optimize their efforts. Deeper and more nuanced evidence of why financial services work better, or at all, in different circumstances and for different customer segments, is needed so that the efforts of policymakers, funders, and FSPs can realize their full potential in promoting positive outcomes for their intended target groups.

Project Objectives

The Financial Inclusion 2.0 project aims to deepen the knowledge base of the circumstances in which financial inclusion is likely to contribute to positive outcomes, like increased resilience and women's economic empowerment. In doing so, we aim to enable the financial inclusion community to adopt more effective outcome-oriented approaches in data collection and analysis and ultimately in investments and other related practices. The project is pursuing this aim through three workstreams.

1. We are mapping the pathways that are understood to lead from the use of inclusive financial services to positive outcomes, and the strength of evidence behind this understanding.
2. Building on this work, we will explore, with a Technical Advisory Group composed of leading methodological experts, potential innovative approaches to the analysis of both published and unpublished research and raw data to enable us to offer deeper and more nuanced understandings of the outcomes of financial inclusion. Once we have determined the most suitable methodological approach, we will apply it to the evidence in a focused context,

centring on microcredit and one other financial service, and a limited range of customer segments. We hope that this research will ultimately serve two purposes. One, it will show how the use of the services in question has positive – or negative – effects and highlight the factors that can influence such results. Second, it will provide a robust methodological approach that can be used by other stakeholders with an interest in extending knowledge of the outcome potential of other inclusive financial services.

3. A third workstream will identify a small number of outcome indicators that have potential for wide adoption by the financial inclusion community.

Partners and Selection Criteria

We are looking to partner with organizations that have access to substantial amounts of data linking the use of financial services by low-income customers to customer outcomes.

Partnering organizations will be willing to share their data and/or unpublished studies on financial inclusion outcomes for customers to contribute to the second workstream of the project mentioned above – the deep dive – and accompany us in the journey leading to new and deeper insights. This partnership could be extended to the other two workstreams based on mutual interest.

Ideally, we would like to capture longitudinal or time series data, with a preference for panel data. However, we recognize that such data may not be available, so we will explore strategies for pooling datasets from various sources while ensuring that the customer remains the primary anchor of the evaluation. The table below illustrates the data we are seeking for this project. We do not expect a partner to have access to all these data types, but some, such as key demographic factors and financial product characteristics, and some outcome data will be essential.

Table 1: Data categories and variables – for credit and payment products

DATA CATEGORIES	VARIABLES
Demographics	<ul style="list-style-type: none"> • Female/male • Age • Size of household
Customer context	<ul style="list-style-type: none"> • Source(s) of income (main livelihood) • Type of business (for MSEs) • Level of income and/or assets • Location - urban/rural • Level of education
Wider context	<ul style="list-style-type: none"> • Public infrastructure • Local and national economic status • Regulatory framework
Financial product characteristics	<p><u>Credit:</u></p> <ul style="list-style-type: none"> • Loan size • Interest rate • Duration • Grace period • Repayment rate <p><u>Payments</u></p>

	<ul style="list-style-type: none"> • Making and/or receiving payments • Transaction volume • Amount in wallet
Complementary interventions	<ul style="list-style-type: none"> • Financial literacy training • Others
Financial institutional factors	<ul style="list-style-type: none"> • Number of physical branches • Distribution set-up (in-person /digital) • Level and type of loan officer training received
Outcomes	<ul style="list-style-type: none"> • Increased financial health • Increased resilience • Economic opportunities captured • Greater empowerment of women • Others

The profile of an ideal partner is likely to include the following features:

1. The organization is a financial service provider, fintech, MNO, or an impact investor, development finance institution, donor or central bank that supports, or has recently supported, one of these organizations. Any type of organization that believes they have data as described above is welcome to apply.
2. The organization has access to substantial amounts of data and/or unpublished studies (including the raw data on which the studies were based) on outcomes from low-income customers' use of financial services, including information on customer profiles, the local context where these customers are located and other factors relating to their use of financial services.
3. The organization is willing to share the data and studies with CGAP and any provider CGAP commissions to conduct analysis, subject to agreed confidentiality protocols and compliance with General Data Protection Regulation prevalent for the organization.
4. The organization is willing to document lessons of the partnership in CGAP's knowledge products and website.
5. The organization sees mutual benefit in partnering with CGAP for the 2–3-year duration of the project. There will be no payment by CGAP for access to the data and other partnership commitments.

Partnership Benefits and CGAP contributions:

1. **Drive innovation in the sector.** Selected organizations will become a thought partner in pioneering new approaches that will pave the way to designing financial services that lead to positive outcomes for individuals, households, enterprises, societies, and economies.
2. **Raise the profile.** Elevate the organization's profile in the global financial inclusion community by joining leading industry players in this initiative.
3. **Be among the first to learn and apply insights from this project.** Tap into CGAP's industry-wide learning community and seize the opportunity to gain deep insights from this collaborative learning journey.



CGAP, as neutral and independent think-tank wholly focused on identifying innovations that promote financial inclusion will convene several leading public and private organizations that are driving efforts to increase the positive impacts of financial services. The lessons derived from partners' experience will be presented to these leading organization aiming to influence their uptake of recommendations developed.

In addition, CGAP will cover the costs of recruiting top data analytical experts, who will work hand-in-hand with selected partners to analyse their data and distil insights with the highest relevance for partners' own workplans and objectives.

Instructions for submitting your expression of interest

Phase 1: Submit an [Expression of Interest form](#) by November 24, 2023.

Phase 2: CGAP and an independent Technical Advisory Group will evaluate all submissions against the criteria for an ideal partner described above. Following the evaluation, CGAP will make the final selection of partners.

Phase 3: CGAP and invited partners will discuss the terms and conditions of the partnership to ensure it meets the requirements of each party.

Please send any questions to Karina Broens Nielsen knielsen1@worldbank.org.