



EUROPEAN
MICROFINANCE
PLATFORM

ADVANCING FINANCIAL INCLUSION

WEBINAR

Paths (and Potholes) Ahead: Findings and Themes in the e-MFP *Financial Inclusion Compass 2024*

18 JUNE 2024

10:00 AM (ET) | 2:00 PM (GMT)

FinDev Hosts



Abby Augusta
FinDev Editor



Virginia Brown
Technical Support

LOGISTICS



Attendee microphones will remain muted during the entire webinar session.



Ask questions using the Q & A function, available in the toolbar at the bottom of the Zoom window.



Please keep your webcam off to ensure your privacy and avoid bandwidth issues.



The webinar recording will be emailed to all attendees and registrants

PANELISTS

Moderator



Sam Mendelson
e-MFP



Asongo Abraham
Standard Microfinance
Bank, Nigeria



Deborah Foy
Opportunity
International



Philippe Guichandut
Grameen Crédit Agricole
Foundation

Agenda for today...

- Background to *Financial Inclusion Compass* series
- Methodology and respondents
- Current trends and rankings
- Future priority areas
- Weaknesses in client protection (and an audience poll)
- Open-ended questions: microfinance v financial inclusion; and missed opportunities
- Discussion with three *Compass* respondents, and audience Q&A



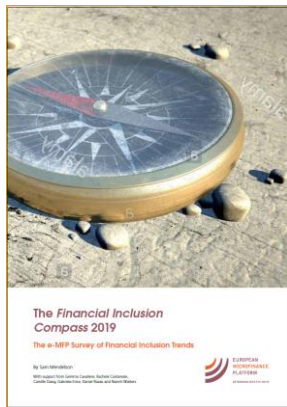
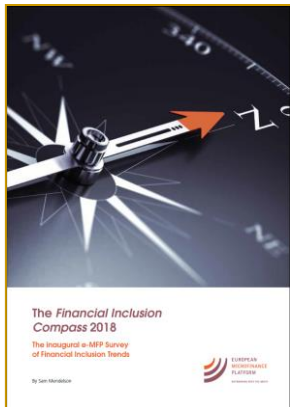
The Financial Inclusion Compass 2024

The e-MFP Survey of Financial Inclusion Trends

By Sam Mendelson

Background & methodology

- 7th in series going back to 2018
- Mixed methodology, scoring and comments on trends and FPAs, and each year 2-3 different open-ended questions
- Survey in three languages, attribution optional



Compass respondents

- 149 total responses to the survey
- 63 countries



*The Financial Inclusion
Compass 2024*

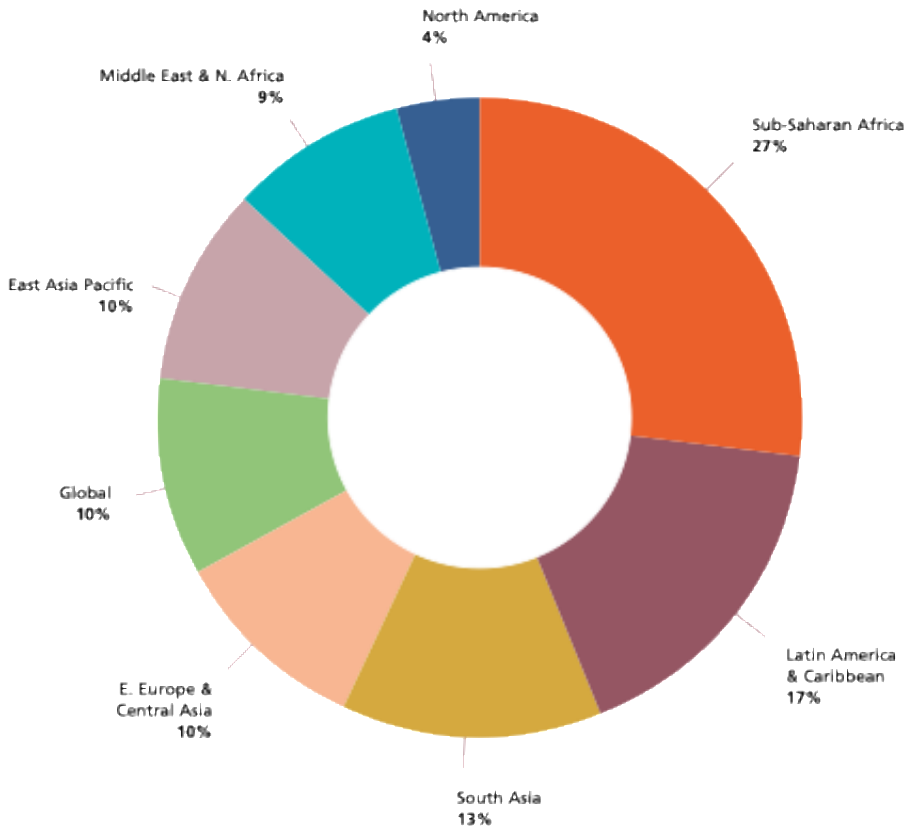
The e-MFP Survey of Financial Inclusion Trends

By Sam Mendelson

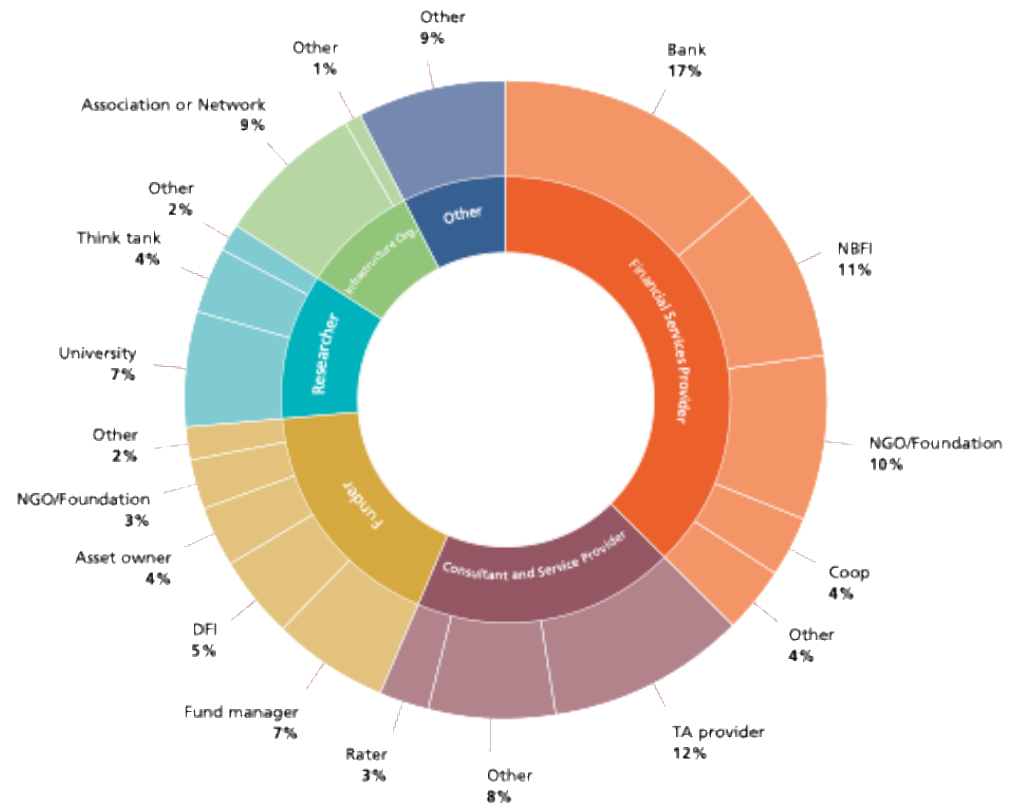


Profile of respondents

Primary geographic focus



Organisation/role



Trends rankings - overall

“Paths are made
by walking”

Franz Kafka

Rank	Trend	Average Score	2023 Rank
1	Climate change adaptation and/or mitigation	7.84	2
2	Client protection	7.76	1
3	Clients' resilience to shocks	7.74	3
4	Digital transformation of financial providers	7.59	4
5	Digital products and channels for clients	7.49	5
6	Innovation in product development	7.42	11
7	Gender mainstreaming within financial inclusion organisations	7.38	6
8	Financial health	7.28	10
9	Governance	7.19	8
10	Social performance management and/or impact measurement	7.18	9
11	Financial inclusion regulation	7.07	12
12	Fraud against customers (phishing scams, etc.)	7.07	New
13	Institutional and sector-level resilience to crises	7.01	13
14	Institutional strategy and change management	6.76	15
15	New entrants, including fintechs	6.71	14
16	Reputational risk to the financial inclusion sector	6.71	New
17	Non-financial services	6.59	17
18	Human resources management	6.48	16
19	New financing instruments (e.g. thematic bonds; blended finance, etc.)	6.17	7
20	Artificial Intelligence in financial inclusion	5.77	19*

FSPs versus the rest...

FSPs are increasingly diverging from other respondent groups in what they consider important:

- They rank **Climate change adaptation and/or mitigation** 13th, versus 1st overall – again, like last year's theme
- They rank **Client protection** 9th compared to non-FSPs who rank it 2nd
- They rank **Clients' resilience to shocks** 6th, versus 3rd among non-FSPs
- They rank **Innovation in product development** 1st v 9th for non-FSPs
- **Fraud against customers** is ranked 2nd by FSPs, compared to 13th among non-FSPs – a huge divergence, 2nd only to the divergence on climate change. Researchers ranked it 4th, while funders, consultants and infrastructure organisations ranked it 14th, 15th and 17th, respectively.
- **Gender mainstreaming within financial inclusion organisations** has big inter-group variance, with FSPs, Funders and infrastructure organisations ranking it 2nd, 3rd, and 4th, while consultants and researchers rank it 11th and 15th, respectively

For us, it is essential to work on all gender issues, understood as a vulnerable sector with specific needs

Insurer in South America

Very important both for the clients and the MFI itself

Chairperson of FSP in Philippines

Contributing to the process of female empowerment

Head of rural finance at NBF
in Cameroon

Ready for a short poll?

You'll be shown the list of the 8 Client Protection Standards, *which are incorporated into the Universal Standards for Social and Environmental Performance Management (USSEPM)*

Please select **three areas of client protection** where you see the biggest weaknesses (i.e. which you believe demand the highest priority from the sector)

Appropriate product design and delivery

Fair and respectful treatment of clients

Governance and HR systems to support implementation of client protection

Mechanisms for complaint resolution

Prevention of over-indebtedness

Privacy of client data

Responsible pricing

Transparency

Client protection weaknesses



Prevention of over-indebtedness

42.5



Responsible pricing

36.6



Appropriate product design and delivery

32.7



Privacy of client data

24.5



Transparency

19.3



Mechanisms for complaint resolution

17.6



Governance and HR systems to support implementation of client protection

13.7



Fair and respectful treatment of clients

13.4

"We're responsible not only for what we do, but what we don't"

Molière

- Converted to 0-100 index score
- A clear top 3 emerges across all respondents
- But what about by different groups?

Client protection weaknesses – by respondent group

CP Standard	FSPs	Funders	Consultants	Researchers	Infra Orgs
Prevention of over-indebtedness	2	2	4	1	1
Responsible pricing	4	1	=1	2	=2
Appropriate product design and delivery	1	3	=1	6	4
Privacy of client data	3	5	8	=3	=2
Transparency	6	=6	3	=3	8
Mechanisms for complaint resolution	5	8	=6	5	5
Governance and HR systems to support implementation of client protection	8	4	5	7	=6
Fair and respectful treatment of clients	7	=6	=6	8	=6

The sector has failed to address this issue since inception. See Cambodia, fuelled by the largest MIVs and IFC with full knowledge

Consultant and support provider

"Developed" countries have transparent pricing and often interest-rate caps. The cost/risk argument for high interest rates is flawed, increasingly so by fintechs. Look at Branch.co rates in India versus Tanzania. Is the risk 15x higher in Tanzania than India?

Independent consultant based in Latin America

We simply replicate products used in "developed" countries

Independent consultant



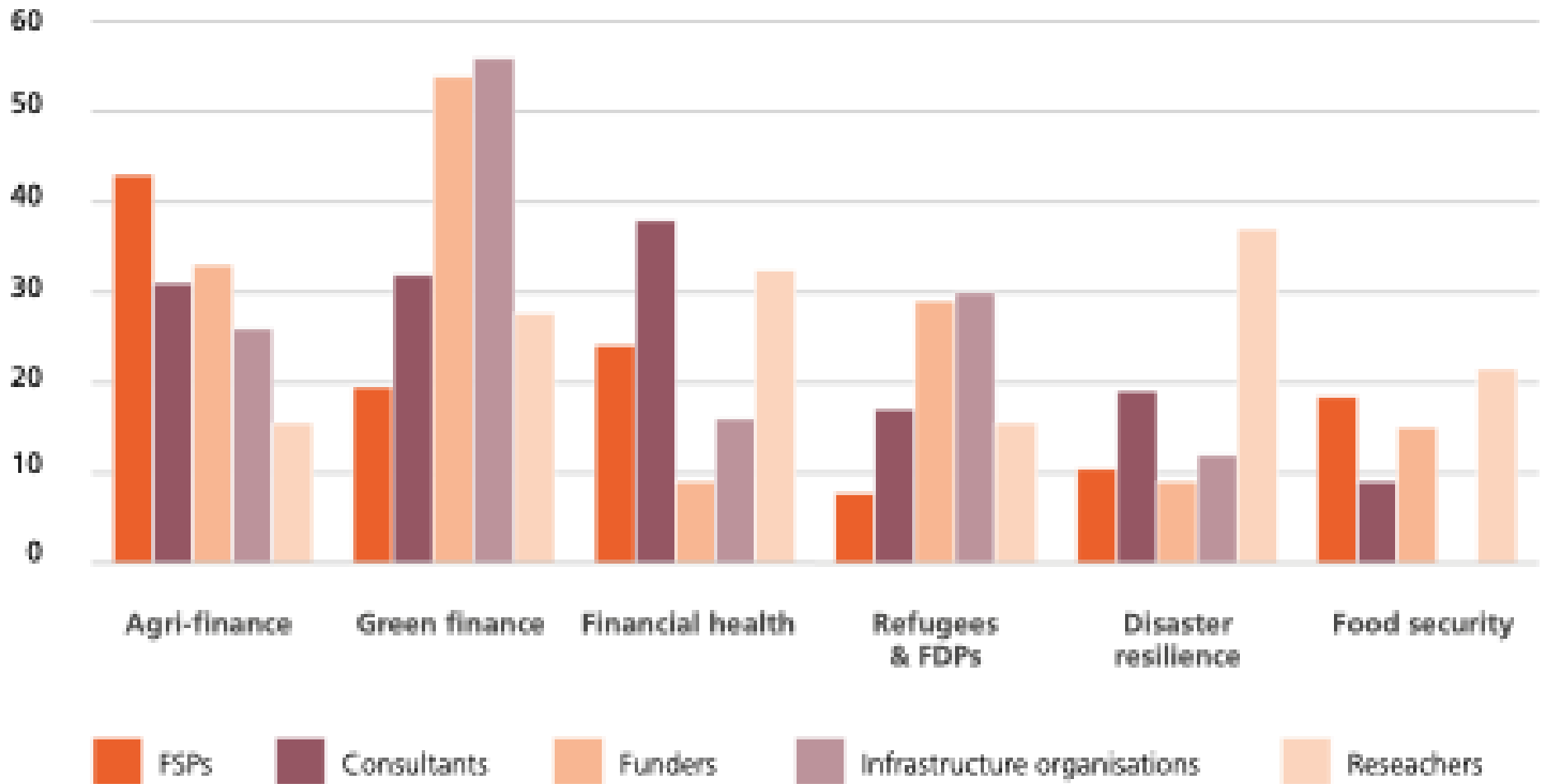
Future Priority Areas

"Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future."

Warren Buffett

Rank	Future Priority Area	Index Score	2023 Rank
1	Women's empowerment and gender equality	39.1	2
2	Agri-finance	33.0	3
3	Green and climate-smart finance	32.8	1
4	SME finance	24.4	4
5	Financial health (incl. financial and digital literacy)	23.9	5
6	Financial inclusion for youth	23.7	9
7	Refugees & forcibly displaced people	17.0	11
8	Financial inclusion for the ultra-poor	16.7	8
9	Disaster resilience	15.7	7
10	Food security & nutrition	13.7	6
11	Water, sanitation and hygiene (WASH)	11.9	10
12	Housing finance	10.4	13
13	Health care	9.6	14
14	Access to education	8.1	12
15	Biodiversity conservation	7.8	New
16	Household/community energy finance	6.7	15

Differences between respondent groups in selected Future Priority Areas



FSPs have different priorities than everyone else...

Future priority area	FSPs	non-FSPs	All respondents
Women's empowerment and gender equality	42.6	37.1	39.1
Agri-finance	43.1	27.2	33.0
Green and climate-smart finance	19.5	40.3	32.8
SME finance	22.6	25.5	24.4
Financial health (including financial and digital literacy)	24.1	23.8	23.9
Financial inclusion for youth	30.3	20.0	23.7
Refugees & forcibly displaced people	7.7	22.3	17.0
Financial inclusion for the ultra-poor	19.5	15.1	16.7
Disaster resilience	10.3	18.8	15.7
Food security & nutrition	18.5	11.0	13.7
Water, sanitation and hygiene (WASH)	17.4	8.7	11.9
Housing finance	12.3	9.3	10.4
Health care	11.3	8.7	9.6
Access to education	5.6	9.6	8.1
Biodiversity conservation	3.1	10.4	7.8
Household/community energy finance	6.7	6.7	6.7

Missed opportunities

“Opportunity is missed by most people because it looks too much like work”

Thomas Edison

Design and delivery of products and services

The failure to adequately develop tailor made products and a focus instead on too much top-down pressure, with only lip service paid to genuine client centricity, especially as it relates to serving last-mile clients.

(We have to) close the gender gap in access to finance and ensuring that products and services are designed with the input from those that are hardest to reach so that we avoid their further exclusion in the increasingly interconnected digital ecosystem

Team lead at global infrastructure organisation

Lack of research, investment or impetus on non-financial or capacity-building services

To complement new financial products, particularly on those non-financial services that most clearly increase resilience to shocks, and particularly delivered via new partnership models with non-financial organisations.

Missed opportunity: products tailored to the beneficiaries and the most financially excluded populations. We should study the market and solutions should come from the users even if it's done for profit making. Solution: More research

CEO of financial provider in East Africa

The primacy of credit as the default product

At the expense of savings and insurance in particular

Missed opportunities

The conflation of **access with usage**

A focus on bank account penetration over whether such accounts are actually used; and valuable.

The opportunity to **consider impact much more broadly**

This is being rectified today, with more holistic ideas of inclusion outcomes becoming more widespread.

The sector has pursued not just the low-hanging fruit of credit, but also in **how segments are targeted or served.**

There has been a failure to genuinely serve youths, smallholders, forcibly displaced people, and women

A lack of **intentionality in gender mainstreaming**

Despite recent progress, there has historically been a lack of 'intentionality' in gender lens investing, in institutional mainstreaming, and in seeking to address negative social norms.

How can the financial inclusion space take better advantage of trends in blended finance - how can we use catalytic capital more effectively to increase financial inclusion for populations which are perceived as risky (marginalised groups, women, refugees, smallholder farmers, etc.)?

Support provider in East Africa

We've missed putting in place a customer centric approach; it is not yet at the core of business models in place. Most still operate on a product based approach

Europe based independent consultant

Missed opportunities

Digital finance generated the most (and perhaps the strongest) responses

- Slow to embrace technological potential, particularly client-facing, tailored to the needs of the unbanked w/ low literacy and numeracy

But this is complex:

- We need to invest (and hype) new products and platforms, 'nudging' uptake
- But also recognising that infrastructure is lacking in many markets...
- and there still is lack of trust and confidence - meaning vulnerable clients resort to informal, insecure or dangerous alternatives

Comprehensive **financial education** needs to be closely integrated with DFS, and new partnerships will be necessary to do so

The missed opportunity is in driving inclusion through use case. Most financial inclusion has been driven on access to basic financial products, but then linking inclusion to other critical social themes, like housing, education, health etc., has been missing

Director of finance at INGO based in East Africa

The sector has focused too much on financial education instead of consumer protection. Believing that people do not know about financial products and services is misleading. People who are badly served, or not served at all, may not have confidence in service providers and refuse to go to them for reasons of bad practice or lack of transparency

Europe-based independent consultant on digital finance

Beyond Microfinance? Is financial inclusion more than just an 'empty re-brand'?

Some respondents sought to **give their own definitions...**

Other respondents sought to delineate the terms by either **the products** that are offered, or **the beneficiaries** of those products or services

For other respondents, the more revealing difference in what the terms mean is their relationship to **objectives**, or rather – how the objectives affect which term is more accurate

For others, what is most important is how the scope of these terms has **changed over time** – and what may be the emerging terminology in the future as the remit of this sector continues to evolve

I think that these terms are actually quite different in their purpose, mainly because the term 'microfinance' was originally used with a clear, stated objective of 'fighting poverty' by helping the poorest people to escape from it. While the facts have shown that microfinance alone cannot solve a multi-dimensional problem and that it can have a negative impact on customers, the concept of financial inclusion does not place the objective of fighting poverty at the forefront, but allows a broader approach to be taken with different aims

Secretary-General of Europe-based funder

Microfinance is a widely used term, which does not necessarily ensure that the target group is reached, according to a social approach. Financial inclusion focuses on and prioritises the most vulnerable segment and those most in need of financial support, accompanied by training, financial education and complementary services

Adela Sagastume, Director of social performance management at Fundación Génesis Empresarial, FSP in Guatemala

Microfinance used to refer to productive loans for a microbusiness. Financial inclusion [now] embodies a larger spectrum of purpose (housing, education, WASH, health, livelihood condition improvement) and type of businesses (from informal micro entrepreneurs to small business - MSEs). One could argue that the next evolution of "financial inclusion" could be towards "impact finance", recognising the role of financial institutions in supporting all type of impact themes (education, WASH etc)

Noémie Renier, Head of Global Debt at Incofin IM

"It matters what you call a thing."

Solmaz Sharif

Beyond Microfinance? Is financial inclusion more than just an 'empty re-brand'?

But change is **not always unidirectional...**

And is it actually about how expansiveness is it in scope? Is financial inclusion much broader, and reflecting a more diverse and complex array of products, players, technologies, rules and principles?

For others, the terms are not about the obsolescence of one (MF) and the primary of the other (FI)... it is much more about **complementarity**

I've seen a move back to colleagues being more comfortable with using the term 'microfinance' again - to distinguish that what we do has a social goal (and is focused on bottom of the pyramid/marginalised groups) over and above simply helping more people to access finance

Executive Director at global infrastructure organisation

Financial inclusion allows to convene a larger group of stakeholders and players, including digital and climate smart start-ups, and underlines a sector evolution

Europe-based funder

The terms are complementary. They try to bring financial products to people excluded from formal financial services. Financial inclusion goes beyond MFIs in that it considers any formal or informal initiative that can encourage access to financial services

Balemba Kanyurhi Eddy, Professor
at University in DR Congo

Beyond Microfinance? Is financial inclusion more than just an 'empty re-brand'?

For others, though, microfinance and financial inclusion can be used **interchangeably**:

Or they are used interchangeably, but probably **shouldn't be**

And finally, there was the rare dissenter, who accepted the cynical premise of the question, and agreed that it is nothing more than an **empty rebrand** after all:

The meaning is different, although mostly these are used interchangeably to mean the same. For instance not all microfinance institutions conduct financial inclusion... We have scenarios where microfinance APR is above 100% and that can't represent 'financial inclusion'.

Amos Bonna, Chief Relationship Officer at Opportunity Bank Uganda Ltd

[Financial inclusion is] an empty re-brand. It's payday lending, or consumer credit, dressed up as something "beneficial" combined with nice pictures of poor people working. The sector has lost so much credibility, it is increasingly embarrassing to even use the word

Independent consultant in South America



EUROPEAN
MICROFINANCE
PLATFORM

ADVANCING FINANCIAL INCLUSION



THOUGHTS FROM THREE *COMPASS* RESPONDENTS



EUROPEAN
MICROFINANCE
PLATFORM

ADVANCING FINANCIAL INCLUSION

AUDIENCE Q&A

WHAT'S NEXT

- 1 Please take a minute to let us know what you thought about today's webinar by completing the survey which will appear on the screen after you leave the webinar.
- 2 We will email you when the webinar recording and related materials become available on the FinDev Gateway website.
- 3 For more resources on financial inclusion, visit www.FinDevGateway.org and www.e-mfp.eu

Thank you



www.FinDevGateway.org



www.e-mfp.eu



[@FinDevGateway](https://twitter.com/FinDevGateway)



[FinDev Gateway](https://www.facebook.com/FinDevGateway)



[FinDev Gateway](https://www.linkedin.com/company/FinDevGateway)