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ABOUT THIS BRIEF

This brief explores investment level, annualized impact performance data contributed by investors to the *IRIS+ financial services impact performance benchmark*. The brief forms part of a family of GIINsight briefs on impact results, offering deep-dive findings using benchmark data to enhance actionable insights for investors. Data pertain to direct impact investments – or investments made directly into companies or projects with the intent to create a positive, measurable social or environmental impact alongside a financial return – in financial inclusion. To reflect investment performance, data have been investment-weighted, or adjusted based on the ratio of investment amount outstanding to the enterprise value of the investee. Several findings in this brief are based on regression analysis to establish causal relationships (see Technical Note on [page 4](#)). Findings presented in this brief may be welcome insight as investors begin to explore what is driving patterns in impact results.

Financial inclusion investments show resilience to COVID-19

Insights based on impact data have the potential to drive capital toward solving the globe’s most significant challenges. As the body of available data on impact results grows, impact performance analysis can unlock opportunities and allow investors to gain increasingly comprehensive, robust insight into the real-world impact and the investment mechanisms through which they drive change. Throughout the global COVID-19 pandemic, impact investors faced significant turmoil in managing investments yet recognized the heightened need for financial services, particularly among underserved communities. Findings highlighted in this report demonstrate the resilience of financial inclusion investments; despite a decrease in active clients and decent jobs, investors focused on strengthening stakeholder engagement and ensuring increasingly responsible investments. This brief offers data-driven insights into how impact investors can respond to crises, current and future, by drawing on the effects COVID-19 had on the impact performance of financial inclusion investments.

COVID-19 led to a decrease in clients actively using responsible financial services and fewer decent jobs, with variance across asset classes

The COVID-19 pandemic resulted in a reduction in clients actively using responsible financial services in this sample. Absent the pandemic, the average investment was expected to grow its impact by 1,484 active clients in 2020. Instead, the average investment lost 1,092 active clients, indicating that COVID-19 resulted in a decrease of 2,576 active clients per investment when compared to its expected growth in 2020 after controlling for other potential causes. In this sample, these 2,576 clients represent 21% of the average investment-weighted number of active clients in 2019 in any given financial inclusion investment.

However, the consequences of COVID-19 were disproportionately distributed among different types of investments. Private debt investments were considerably less negatively impacted by COVID-19 than private equity investments. While COVID-19 caused an average loss of 1,205 active clients associated with private debt investments, private equity investments saw an average of 5,477 fewer clients in 2020 due to the pandemic. Financial inclusion investments in developed markets were also less impacted by COVID-19 than investments in emerging markets.

Change in number of active clients using responsible financial services due to COVID-19

	ALL MARKETS	DEVELOPED MARKETS	EMERGING MARKETS
All investments	-2576 (269)	-561 (90)	-3074* (179)
Private debt investments	-1205 (234)	758 (82)	-1114 (27)
Private equity investments	-5477 (35)	-3533 (8)	-4173 (152)

All figures are significant at the 95% level, except those with asterisks which are significant at the 90% level.

Note: Number of investment-weighted, annualized investments included in parentheses below each impact result.

Source: Global Impact Investing Network (GIIN), 2023

COVID-19 also decreased the number of decent jobs supported at or above a living wage, resulting in an average of eight fewer employees – representing 13% of the average investment-weighted number of decent jobs in 2019 – at investee organizations in 2020 as compared to 2019. The COVID-19 job loss disproportionately affected women. In this sample, women made up only 27% of all employees in 2019, yet accounted for 60% of all decent jobs lost due to the pandemic.

Investees and investors responded to COVID-19 with more responsible financial practices and more robust engagement mechanisms

During the pandemic, investees began to offer increasingly responsible financial services to their clients.¹ In fact, the proportion of investments with investees providing at least one responsible feature jumped from 59% to 89% in 2020. The emergence of COVID-19 accounted for the vast majority of this growth – absent COVID-19, there would have been only a 3% increase in the prevalence of responsible features included in products offered by investees.

Proportion of financial inclusion investments with responsible features in place



Note: Number of annualized investments are included on top of the figure. Data collected in years prior (2008-2017) and subsequent (2021) omitted due to low observation counts.
Source: Global Impact Investing Network (GIIN), 2023

In parallel with investees' greater emphasis on responsible services, investors strengthened their engagement with investees to influence impact performance. The proportion of investments with end-client stakeholder engagement mechanisms in place and the proportion of investments with impact embedded into contractual terms both showed large leaps in 2020 as compared to previous years prior to COVID-19. The COVID-19 pandemic played a significant role in this shift, accounting for 40% of the increase in impact embedded into contractual terms and 59% of the increase in stakeholder engagement, respectively.²

Investees in this sample fared better on gender equality and stakeholder satisfaction than the overall financial services market during COVID-19

Among traditional financial services institutions, COVID-19 decreased women's access to financial services globally. In fact, during the pandemic, the International Monetary Fund (IMF) found that the gender gap in traditional financial services markets worsened in a majority of countries.³ However, impact investments in this sample showed the opposite trend, with COVID-19 increasing women's access to financial services relative to men. On average, the proportion of women clients actively using responsible financial services increased by 5% due to the pandemic, perhaps due to a greater focus on protecting individuals that belong to marginalized or disadvantaged communities, thus reducing the gender gap in financial services backed by impact investors.⁴ Financial inclusion investees included in this sample also outperformed traditional financial institutions related to stakeholder satisfaction. The average net promoter score among investees included in this sample (79%) was more than double the global financial services benchmark average (34%).^{5,6}

1 Examples of responsible financial service features include, but are not limited to, client protection principles, technical assistance, and repayment capacity analysis conducted by the investee.

2 Examples of impact being embedded into contractual terms include linking investee management team compensation or bonuses to the achievement of impact, reducing the cost of capital in line with impact goals, extending time horizon expectations in line with impact goals, providing flexible repayment structures in line with impact goals, and/or codifying impact targets within legal documents.

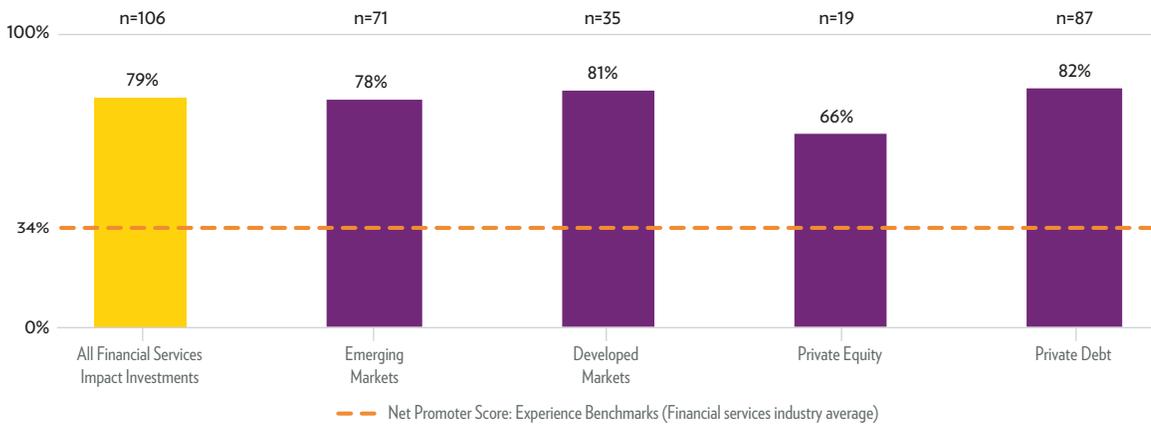
3 Kazuko Shirono et al., "Women's Financial Access in Times of COVID-19"

4 Syrus M. Islam and Ahsan Habib, "How Impact Investing Firms Are Responding to Sustain and Grow Social Economy Enterprises in Light of the COVID-19 Pandemic"

5 The Net Promoter Score is the percent of supporters a business has minus its detractors. It is used as the standard for customer satisfaction across the financial services industry and in IRIS+. See Target Stakeholder Satisfaction Ratio (PI7163) in IRIS+ for more detail.

6 Customer Gauge, "The State of B2B Account Experience: B2B NPS & CX Reports"; Cvetilena, Gocheva, "Financial Services NPS Benchmarks"

Average net promoter score across financial inclusion investments, by market segment



Note: Excludes outliers at the 5% level to account for some data points that may reflect a client satisfaction ratio. This figure also includes global data from the Customer Gauge 2022 Experience Benchmarks.

Source: Global Impact Investing Network (GIIN), 2023

Implications for impact investors in financial inclusion

The following represents key takeaways, taken directly from the data analysis conducted for this brief, for impact investors in financial inclusion to consider in future crises. To best utilize impact data for decision-making requires metric tracking and market intelligence such as that found in the IRIS+ financial services impact performance benchmark.

- Steadiness in the face of impact performance difficulties can be rewarded:** A significant decrease in the number of active clients or decent jobs at an investee organization may feel challenging for investors. However, findings also suggest that there is an opportunity to strengthen the quality of financial services through responsible practices, stakeholder engagement mechanisms, and integration of impact into investment terms. The high level of stakeholder satisfaction and decrease in the gender gap amongst financial inclusion impact investments during the pandemic also indicate that impact investments in financial inclusion continue to offer opportunities for sustained positive impact even in the face of a major macroeconomic event.
- Crises can foster long-term stakeholder engagement:** The unprecedented COVID-19 pandemic brought significant changes in investor and investee behavior, with more organizations adhering to strong client protection principles. Investors may continue this emphasis on providing responsible services and increased engagement with both investees and end clients, allowing for the positive response to a crisis to persist.
- Investors can work with investees to ensure greater retention of women employees during periods of job loss:** Women bore the brunt of job loss, leaving them even more vulnerable during the COVID-19 pandemic. Investors who play a role in encouraging their investees to ensure gender parity in employment can help to hedge against job loss during crises that may disproportionately affect women.

IRIS+ METRICS FEATURED IN THIS BRIEF

CLIENTS ACTIVELY USING RESPONSIBLE FINANCIAL SERVICES

Client Individuals: Active (PI9327)
Operational Certifications (OI1120)
Repayment Capacity Analysis (PI4733)
Non-financial Support Offered (PD9681)

DECENT JOBS SUPPORTED AT OR ABOVE A LIVING WAGE

Jobs in Directly Supported/Financed Enterprises (PI4874)
Decent jobs are those with specific policies in place at or above a [living wage](#). To learn more, please see the full impact performance benchmark found [here](#).

STAKEHOLDER SATISFACTION

Target Stakeholder Satisfaction Ratio (PI7163)

Find more insights on the impact performance of investments in financial inclusion, sample characteristics, and methodological choices in the *financial services impact performance benchmark*. To join the impact performance benchmark, contribute your impact data to the [IRIS+ System](#).

Technical Note

This technical note explains the methodology used in the research publication: “GIINsight: Financial inclusion investments show resilience to COVID-19,” published in February 2023. This publication is part of the GIINsight series, which offers in-depth, practical insights for investors based on the GIIN’s impact benchmark datasets. The technical note provides information on the datasets, methods, variables and third-party sources used in this publication.

Analyses presented in this brief focus on the following key performance indicators: clients actively using responsible financial services, stakeholder satisfaction ratio, and decent jobs at or above a living wage. Details on these indicators – including definitions and calculation approach – can be found on the IRIS+ system [here](#).

Overview:

Data

The GIIN research team used data from the GIIN’s financial services impact performance benchmark as of October 2022 for the analysis in this report. This dataset includes data reported by investors on their direct impact investments, with each annualized investment representing one year of a single investment. Each investment includes data points about the investment context, investee context, and impact results. For more information on this data, please see the [methodology section](#) of the IRIS+ financial services impact performance benchmark.

Method

To create this report, the GIIN research team used regression analysis, a statistical method that allows researchers to understand how changes in one variable (the independent variable) affect another variable (the dependent variable) while controlling for other factors. In this case, the team analyzed the impact of COVID-19 (the independent variable) on an investment characteristic or key performance indicator (the dependent variable). The analysis controlled for factors such as geographic region and type of investment instrument to isolate the specific effect of COVID-19 on the dependent variable and eliminate the possibility of other factors influencing the results. This approach allowed the research team to establish a causal relationship rather than just a correlation and to report findings with a 95% confidence level (the cutoff for significance, as defined by the Cambridge Dictionary of Statistics).

All regressions in the brief are set up as:

$$y = \beta_0 + \beta_1x + \beta_nC_n$$

Where

y is the impact outcome or investment characteristic

x is the COVID-19 binary variable

C_n is the set of controls

To ensure that unusual data points (outliers) in the dataset did not significantly impact the results of the impact analysis, this report used a statistical technique called robust regression. This method reduces the influence of outlier data points on the final results. All analysis in this report was conducted using robust regression to control for outliers and determine cause-and-effect relationships.

Variables

1. COVID-19 independent variable

Researchers used a binary variable (i.e., a variable set to either 0 or 1) representing the presence or absence of COVID-19 as the independent variable for the regression in this report. The analysis also controlled for the year in which the impact was reported, allowing the COVID variable to isolate the specific effects of COVID-19 from broader year-over-year trends. Other potential methods of evaluating the incidence or magnitude of COVID-19 may contain data flaws. For example, COVID-19 related case counts and death counts fall victim to inconsistent reporting and economic proxies for COVID-19 are not sufficiently independent from the dependent variables this brief tests. The binary COVID-19 variable based on the year is a strong, available representation of the pandemic.

2. Control variables

The GIIN research team developed a set of controls based on the context of an investment. In cases where there were few observations, not all controls could be used. Each characteristic was controlled for based on its potential influence on the impact results associated with an investment. When possible, all of the following factors were controlled for:

- Market type: represented whether an investment was made in an emerging market or developed market in line with the World Bank's income group criteria.
- Investment instrument: represented whether an investment occurred through private debt or private equity (these two asset classes account for 99.95% of the sample).
- Reporting year: the year the data was reported was used as a continuous control variable to account for market trends over time that may affect impact results.
- Investor contribution: three variables were used to demonstrate investor contribution to investments, namely: i) whether an investor engaged with the investee or not; ii) whether the investor or investee engaged with end-client stakeholders or not; iii) whether impact goals were embedded into contractual terms or not.

3. Impact results variables

This brief used normalized (i.e., investment-weighted) impact results associated with a tranche of investment capital as of the end of a given reporting year. Investment-weighted results are calculated by multiplying a point-in-time impact result by the normalization ratio (i.e., outstanding investment amount relative to the enterprise value of the investee). For example, if an investee has 10,000 active clients using responsible financial services in 2020 and the normalization ratio is 0.3 in 2020, the investment-weighted number of active clients would be 3,000 active clients for 2020.

Finding #1

Total number of active clients based on investment-weighted impact results

The first finding focuses on the number of clients actively using responsible financial services. These figures represent both quantity (i.e., the number of active clients) and quality (i.e., the presence of responsible features or practices by an investee) in impact results. To identify the impact of COVID-19 on the change in active clients receiving responsible financial services at the investment level, the investment-weighted annual change in number of active clients is used as an independent variable. The brief ran a robust regression with the full control set.

Through this regression analysis, the GIIN research team determined that COVID-19 caused an average investment weighted client loss of 2,576. To reflect the counterfactual, the researchers added 2,576 to the COVID-era annual change in clients for each investment included in this sample. This allowed the researchers to identify changes in average number of active clients had COVID-19 not occurred.

To test the relationship between impact results and characteristics of investments, researchers created and multiplied new variables. For example, researchers multiplied the control variables for market type and investment instrument by the COVID-19 variable to test the difference in how COVID-19 impacted investments with specific characteristics. Using the values found testing three combinations of control variables, the researchers then estimated the impact of COVID-19 on an investment, as seen in Table 1.

Decent jobs held by women

To determine the impact of COVID-19 on decent jobs held by women, the researchers applied the same regression to the normalized pace of change in decent jobs and those held by women. Due to a lower observation count for jobs held by women, the investor contribution controls were omitted. Using the results of this regression, the counterfactual allows for the construction of the predicted job growth rate in 2020 without COVID-19. Comparing the prediction to the observed changed in jobs overall and jobs for women, the GIIN research team divided the number of decent jobs lost by women by the total number of decent jobs lost to identify the gender composition of jobs lost due to COVID-19.

Finding #2

Proportion of investments with responsible features in place

Investments with client protection principles, technical assistance, and/or repayment capacity analysis conducted by the investee qualified as having responsible features in place. To analyze this binary variable, means and standard error ranges charted the path of responsible features over the years within the dataset. The GIIN research team subsequently regressed the COVID-19 variable onto responsible features with a full control set to identify the proportion of change from 2019 to 2020 attributable to COVID-19.

Proportion of investments with stakeholder engagement and embedding impact into contractual terms

Binary variables for stakeholder engagement mechanisms in place and embedding impact into contractual terms' were created based on the dataset and charted over the years. The GIIN research team then regressed the COVID-19 variable separately onto each variable with a full control set to identify the change from 2019 to 2020 in each variable attributable to COVID-19. Dividing the results of the regression by the actual change, the brief found the percent of the increase in stakeholder engagement and embedded impact directly attributable to the pandemic.

Finding #3

Proportion of active clients that are women

In 2021, the International Monetary Fund published the findings and data for [their analysis](#) of how COVID-19 impacted gender access to financial services.⁷ Using this external dataset, the brief compared how the proportion of loans given to women changed from 2019 to 2020 in 43 countries with sufficient data and found a global trend of decreasing loan access for women. Returning to the GIIN's financial inclusion benchmark dataset, the GIIN research team regressed the proportion of clients who were women against the COVID-19 variable and a full set of controls. Comparing the result of the regression to the global trend identified from the IMF data allowed for the contrasting of impact investment financial service provision with financial service provision writ large.

Stakeholder satisfaction

Disaggregated by market type and investment instrument, this brief determined the average stakeholder satisfaction score for clients using financial services in the sample after removing large outliers at the 5% level. The brief then compared these scores against the stakeholder satisfaction Net Promoter Score (NPS) metric, the Customer Gauge.⁸

References

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⁷ Shirono et al.

⁸ Customer Gauge; Gocheva

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