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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*. 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. Findings presented in this brief may be welcome insight as investors begin to explore what is driving patterns in impact results.

# Progress toward SDGs across financial inclusion investments in emerging markets

Insights based on impact data have the powerful potential to drive capital toward solving the globe's greatest challenges. As the body of available data on impact performance grows, impact performance analysis can unlock opportunities and allow investors to gain increasingly comprehensive, robust insight on real-world impact and the mechanisms through which they drive change. Investments targeting financial inclusion can play an instrumental role in driving progress across various key performance indicators, which can in turn be compared to the pace needed to achieve corresponding UN Sustainable Development Goal (SDG)-aligned targets. In doing so, investors gain insight into where financial inclusion investments are achieving sufficient progress to meet SDG-aligned targets, and which regions require more effectively allocated capital to address acute need. For this brief, the GIIN calculated the pace needed to achieve relevant SDG-aligned financial inclusion targets in emerging markets.<sup>1</sup>

## Investments increasing clients actively using responsible financial services largely outperform SDG targets



**SDG 1.4: By 2030, ensure that all men and women, particularly the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services...**

Financial inclusion investors create impact by providing responsible financial services – or financial services accompanied by non-financial support or repayment capacity analysis – to active clients, often in underserved markets. SDG 1.4 targets universal access to economic resources and basic services by 2030. Achieving this target will require an annual increase of 4.1% globally, which can be segmented by region and compared to the percentage change in clients actively using financial services.

At the median, the percent increase in clients actively using responsible financial services among investments in South Asia (16.0%), Southeast Asia (SEA; 10.0%), and Sub-Saharan Africa (SSA; 11.0%) outperformed the regional thresholds necessary to achieve SDG 1.4 (4.2%, 8.6%, and 8.5%, respectively). Investments in Latin America and the Caribbean (LAC) fall short of the regional percent change needed to achieve this target, with a median percent increase in clients of 1.0% compared to an increase of 6.5% needed annually to achieve SDG 1.4.

Surprisingly, South Asian investees not only boast the highest percent increase, but also the highest median number of clients using responsible financial services, reporting 19,798 clients across the sample. Similarly, LAC investees show the lowest percent increase alongside the lowest median total number of clients using responsible financial services, 703 clients across the sample, underscoring the fact that this sample of impact investments in LAC is not growing access to financial services quickly enough to meet SDG 1.4.

Lastly, the relatively slow growth in additional investment-weighted active clients per year across regions mirrors these investees' maturity; among emerging market investees in this dataset, 99% are either seed-, venture-, or growth-stage organizations, supporting the notion that smaller investees may be driving large percent increases despite small changes in the number of additional active clients.

<sup>1</sup> The GIIN consulted SME Finance Forum, International Labor Organization (ILO), and World Bank data to identify the standing of relevant SDG indicators as of 2022, calculated the yearly change needed to achieve those SDGs by 2030, and compared that pace to investments included in the Financial Inclusion Impact Performance Benchmark.

## Clients actively using responsible financial services

	NUMBER OF ACTIVE CLIENTS EACH YEAR		SCALE OF CHANGE		PACE OF CHANGE		GLOBAL THRESHOLDS	
			INVESTMENT-WEIGHTED NUMBER OF ADDITIONAL ACTIVE CLIENTS PER YEAR		PERCENT INCREASE IN ACTIVE CLIENTS PER YEAR		ANNUAL PERCENT INCREASE REQUIRED TO MEET SDG 1.4 BY 2030	REMAINING GAP TO REACH SDG 1.4 BY 2030
Region	(n)	(median)	(n)	(median)	(n)	(median)		
LAC	293	703	205	-5	207	1.0%	6.5%	215,543,546
South Asia	158	19,798	97	170	97	16.0%	4.2%	413,657,063
SEA	93	5,522	64	15	65	10.0%	8.6%	262,576,497
SSA	108	3,834	74	111	75	11.0%	8.5%	340,475,089

Note: Number of annualized investments (n) may vary based on data availability across investment-weighted figures and pace of change. All data reported between 2009 - 2021.

Source: Global Impact Investing Network (GIIN), 2022

## Investments increasing MSMEs responsibly financed have mixed performance relative to SDG targets



**SDG 8.3: “Promote development-oriented policies that support...and encourage formalization and growth of MSMEs including through access to financial services.”**

Financing micro-, small-, and medium-enterprises (MSMEs) contributes to the development of global economies, particularly in emerging markets where these enterprises sustain local communities and fuel job creation, constituting an estimated 90% of businesses and over half of employment globally.<sup>2</sup> SDG 8.3 targets financing and growth of MSMEs, with a 6.1% annual increase in MSMEs financed required to close the financing gap by 2030. Growth in the number of MSMEs financed among investments in LAC (10.5%) and South Asia (16.0%) outpaced the regional increases required to close the financing gap by 2030 (2.7% and 5.5%, respectively). Significantly, investments in both SEA (4.0%) and SSA (0.5%) fell well short of the annual percent increase requisite to reach SDG 8.3 by 2030, indicating a need for higher allocation of capital and more efficient growth in MSME financing in these regions.

### Micro, small, and medium enterprises financed responsibly

	NUMBER OF MSMEs FINANCED EACH YEAR		SCALE OF CHANGE		PACE OF CHANGE		GLOBAL THRESHOLDS	
			INVESTMENT-WEIGHTED NUMBER OF ADDITIONAL MSMEs FINANCED PER YEAR		PERCENT INCREASE IN MSMEs FINANCED PER YEAR		ANNUAL PERCENT INCREASE REQUIRED TO MEET SDG 8.3 BY 2030	REMAINING GAP TO REACH SDG 8.3 BY 2030
Region	(n)	(median)	(n)	(median)	(n)	(median)		
LAC	139	488	67	2	72	10.5%	2.7%	6,225,570
South Asia	58	1,721	23	-32	24	16.0%	5.5%	29,083,294
SEA	29	3,457	13	-48	14	4.0%	7.8%	35,986,588
SSA	42	541	20	-20	22	0.5%	8.6%	23,380,844

Note: Number of annualized investments (n) may vary based on data availability across investment-weighted figures and pace of change. All data reported between 2009 - 2021.

Source: Global Impact Investing Network (GIIN), 2022

## Investments supporting decent jobs outperform regional SDG targets



**SDG 8.5: “By 2030, achieve full and productive employment and decent work for all women and men...and equal pay for work of equal value.”**

The number of decent jobs supported at or above a living wage at investee organizations is a key determinant of life quality and overall wellbeing for relevant stakeholders.<sup>3</sup> SDG 8.5 targets full, productive, and equitable employment, with a 1.6% yearly increase of decent jobs supported required to meet this goal by 2030. At the median, investments grew the number of decent jobs, annually, across each region in this

<sup>2</sup> Learn more about improving access to MSME financing [here](#).

<sup>3</sup> Decent jobs are those that respect the fundamental rights of the human person as well as the rights of workers in terms of conditions of work safety and remuneration and also includes respect for the physical and mental integrity of the worker in the exercise of their employment (ILO).

sample by 1.0% (LAC), 19.0% (South Asia), 14.0% (SEA), and 1.5% (SSA). Three of these figures outpace the percent increase needed to meet SDG 8.5, with only LAC falling short of the 1.1% yearly increase required to meet its regional threshold. The median number of decent jobs supported suggests that these investee organizations are relatively small, again reinforcing the early-stage nature of the investees in this sample. The discrepancy between the percent and absolute change values suggests that investors should collect multiple years of relevant metrics to gain a holistic view of impact performance.

#### Decent jobs supported at or above a living wage

	NUMBER OF DECENT JOBS SUPPORTED EACH YEAR		SCALE OF CHANGE		PACE OF CHANGE		GLOBAL THRESHOLDS	
			INVESTMENT-WEIGHTED NUMBER OF ADDITIONAL DECENT JOBS PER YEAR		PERCENT INCREASE IN DECENT JOBS ADDED PER YEAR		ANNUAL PERCENT INCREASE REQUIRED TO MEET SDG 8.5 BY 2030	REMAINING GAP TO REACH SDG 8.5 BY 2030
Region	(n)	(median)	(n)	(median)	(n)	(median)		
LAC	478	8	283	0	284	1.0%	1.1%	27,432,861
South Asia	241	65	139	3	139	19.0%	0.4%	23,323,184
SEA	148	24	78	-1	78	14.0%	0.3%	9,506,525
SSA	145	14	86	0	86	1.5%	0.2%	6,779,904

Note: Number of annualized investments (n) may vary based on data availability across investment-weighted figures and pace of change. All data reported between 2009 - 2021.

Source: Global Impact Investing Network (GIIN), 2022

## Key Takeaways

Real-world changes associated with impact investments can be contextualized and compared to regional percent increase targets required to meet the SDGs. Doing so can inform where capital is most urgently required and where impact performance is more and less successful. Impact investors in financial inclusion are making impressive progress towards aligned SDGs across regions, but more action and greater scale are needed to meet society's most pressing challenges. Acute areas of need in line with each of the key performance indicators described above include, but are not limited to:

1. Frontier markets, particularly in Southeast Asia, such as Lao PDR, Myanmar, and Cambodia, where less than 30% of individuals have access to banking as of 2022.<sup>4</sup>
2. Parts of sub-Saharan Africa, most notably Tanzania, South Sudan, and Burkina Faso, where over 50% of MSMEs are partially or fully constrained.<sup>5</sup>
3. Central and South America, particularly Colombia, Costa Rica, and Panama, where individuals aged 15 and older face unemployment rates at or above 15%.<sup>6</sup>

<sup>4</sup> See the Global Findex database to learn more about access to financing in frontier markets [here](#).

<sup>5</sup> Learn more about the MSME financing gap [here](#).

<sup>6</sup> For more information on regional unemployment rates, see the ILO's employment dataset [here](#).

## 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)

### MSMEs FINANCED RESPONSIBLY

Client Organizations: Microenterprises (PI9713)

Clients Organizations: SME (PI4940)

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](#).

Find more insights on the impact performance of investments in financial inclusion, sample characteristics, and methodological choices in the *IRIS+ financial services impact performance benchmark*. For more information about regional progress towards the SDGs through financial inclusion, see [IRIS+](#). To join the impact performance benchmark, contribute your impact data to the [IRIS+ List](#).

# GIIN SIGHT

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