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Impact-First Financial Services

THE CHALLENGE

The COVID-19 pandemic has highlighted long-standing social and economic inequities, including unequal access to basic financial services. Globally, an estimated 1.7 billion adults lack access to formal financial services,¹ and women and rural populations remain disproportionately excluded.²

Without access to working capital loans to support income-generating activities or accounts to securely build savings, households living in poverty often rely on stressful coping strategies to weather health and economic crises. These strategies can include cutting back on the number or quality of meals, selling an asset, or un-enrolling children from school – all of which can have negative and far-reaching impacts on a household's economic position and well-being.

THE OPPORTUNITY

Access to financial services can help enhance the economic resilience of households living in poverty. However, the pandemic has underscored pre-existing and significant differences between financial service providers.

At Global Partnerships (GP), we support impact-first financial service providers – those with demonstrated capacity to reach and create value for clients living in poverty. Near the close of 2021, GP-affiliated funds were supporting 57 financial service providers across 23 countries, collectively serving nearly five million clients, 72 percent of whom were female and 59 percent of whom lived in rural areas.³

While these enterprises provide a range of context-specific financial services, they share the following characteristics of impact-first performance:

- They reach underserved clients living on less than \$3.20 and/or \$5.50 PPP/person/day;⁴
- They take a client-centered approach to product and service design, providing information and training as needed to help clients achieve desired outcomes; and
- They demonstrate strength in social performance management, striving to capture data and continuously improve their outreach, offering, and impact.

1. "The Global Findex Database," The World Bank, 2017, <https://globalfindex.worldbank.org/>.

2. Leora Klapper, "Two Persistent Divides in Financial Inclusion: Gender and Rural," 25 April 2012, <https://www.cgap.org/blog/two-persistent-divides-financial-inclusion-gender-and-rural>.

3. Figures based on data reported by GP partners as of 9/30/21.

4. Purchasing Power Parity (PPP) is a metric that compares different countries' currencies through a "basket of goods" approach.



THE IMPACT

In addition to providing capital from GP-affiliated funds, we have helped a select set of these partners capture client-level results and evaluate efficacy. To date we have funded mobile-based surveys, known as Lean Data,⁵ with 16 partners in our Women-Centered Finance with Education (WCFE) and Rural-Centered Finance with Education (RCFE) initiatives. Having heard from over 5,700 end-clients in these surveys, we are encouraged by the depth of inclusion and outcomes achieved:

GP partners are reaching clients living on less than \$3.20 and \$5.50 PPP/person/day and 75% of survey respondents reported lack of access to good alternative products and services.

GP partners are enabling improvements in quality of life and enhanced economic resilience.

- **92% of respondents reported improved quality of life because of their engagement with a GP social enterprise partner**

- **86% reported increased income**
- **82% reported increased ability to save⁶**
- **75% reported increased ability to plan their finances**

GLOBAL PARTNERSHIPS' RESPONSE

Given the pandemic, many impact-first financial service providers require infusions of patient debt on attractive terms to resume growth and scale their impact. The Global Partnerships Impact-First Growth Fund LLC, which closed in August of 2021 with \$45.5 million committed as of its first close, is designed to meet this need. The fund will support high-impact social enterprises that are well-positioned not only to manage through pandemic-related challenges, but also to come out on the other side with viable plans to grow, deepen inclusion, and expand impact.

5. Surveys were conducted prior to 12/31/21 by 60 Decibels, Inc., an impact measurement company. Except where otherwise noted, data is based on responses from the 5,754 clients of 16 investee partners who have, or have had, loans from one or more of the active GP-affiliated debt funds. Results, which are weighted by number of respondents, are not representative of the outcomes achieved by all investee partners. Results are intended to provide insight into whether investments can reach desired segments and support intended outcomes.

6. Data based on responses from 4,316 clients of 12 WCFE and RCFE partners, as this question was not asked in the other four surveys.