

# 2021 Netri Foundation Impact Report: Insights on the Impact of Microfinance

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*Prepared by*



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## Introduction

About 9.2% of the world, or 689 million people, live in extreme poverty on less than USD 1.90 per day. For two decades, global poverty has been steadily declining, but the COVID-19 pandemic has erased more than four years of steady gains, pushing over 90 million people back into extreme poverty. The ongoing crisis in Ukraine and the resulting increases in food prices could push that number even higher. Furthermore, inequalities in income and opportunities continue to persist, especially in developing countries.<sup>1</sup> Governments, multilateral agencies, non-profit organizations, and the private sector all have a role to play in mobilizing resources to reduce poverty and inequality. In the face of these global development challenges, there is an unprecedented need to direct capital and support to the most disadvantaged people through all channels possible.

Among these channels is expanding access to financial services that can support low-income households to pursue income-generating activities, increase their savings, facilitate payments and remittances, and have access to insurance. These services are among the factors that can contribute to improving the well-being of low-income people by helping them to increase their resilience to shocks, manage financial risks, and invest in business opportunities that would otherwise remain out of reach. Even though the potential benefits of financial services are significant, 29% of people in low- and middle-income countries<sup>2</sup> do not have access to these services with the poorest people being disproportionately affected.<sup>3</sup> The Netri Foundation is therefore focusing a large proportion of its activities on facilitating access to finance for underserved people in developing countries, especially for women and people living in rural areas.

This impact report has been prepared by Tameo Impact Fund Solutions for the Netri Foundation. This report will aim to assess Netri's contribution to its social mission, focusing on the impact of Netri's microfinance investments, primarily using data collected for the 60 Decibels Microfinance Index.

### About the Netri Foundation

Founded in 2006, the Netri Foundation is a Spanish non-profit organization registered in Barcelona. Its mission is to improve the quality of life of the most disadvantaged people and ultimately contribute to eradicating poverty. Netri created a sustainable model combining both social investments and grants to work towards its mission. Its social investment program includes providing loans and bank guarantees to finance organizations whose activities are designed to solve social problems related to poverty and aim to improve the quality of life of their customers. The interest payments received from social investments are then used to finance Netri's grants program, which in turn finances non-profit organizations. All the social investments and grants are allocated to the following sectors: access to finance (microfinance), agriculture, education, access to energy, health, water, and housing.

### About Tameo

Tameo Impact Fund Solutions SA (Tameo) is a Swiss impact investing specialist serving the financial industry with independent expert solutions. Tameo guides investment funds, managers, and investors through the entire impact investing journey. It offers the most comprehensive online database of impact funds, customized analyses, and independent valuations. Through its research

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<sup>1</sup> The World Bank. (2021). *Poverty and Shared Prosperity 2020: Reversals of Fortune*. World Bank Group. Retrieved September 19, 2022, from <https://openknowledge.worldbank.org/bitstream/handle/10986/34496/9781464816024.pdf>

<sup>2</sup> The World Bank defines countries' income levels according to gross national income (GNI) per capita as follows:

- Low-income: USD 1,085 or less
- Lower-middle-income: USD 1,086 to USD 4,255
- Upper-middle-income: USD 4,256 to USD 13,205
- High-income: USD 13,205 or more

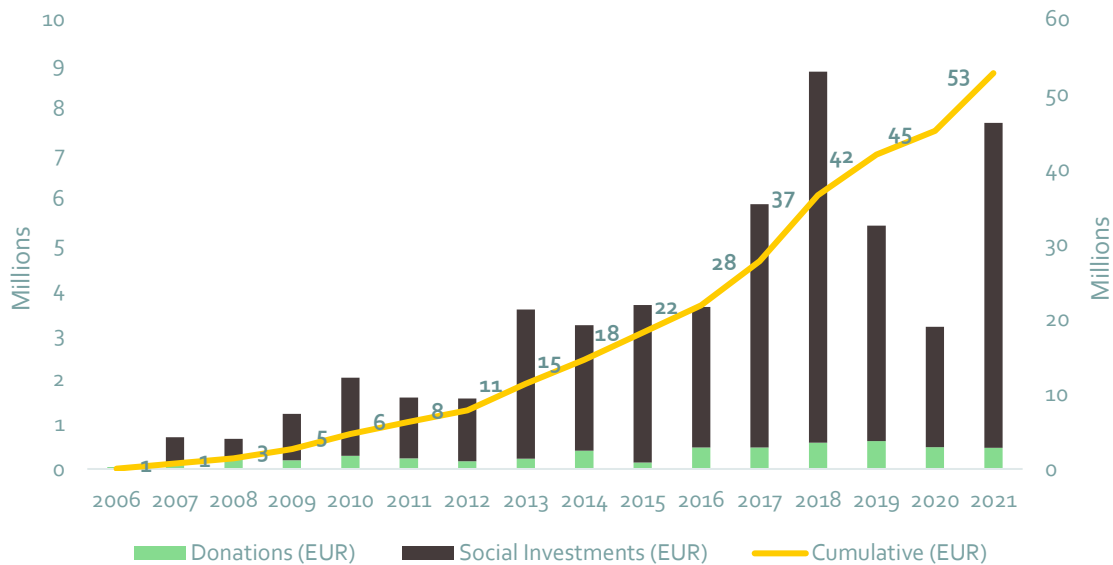
<sup>3</sup> Demirgüç-Kunt, A., Kalpper, L., Singer, D., Ansar, S. (2021). *The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19* Retrieved from: <https://globalfindex.worldbank.org/>.

and advisory services, Tameo empowers clients to move towards best-in-class impact measurement & management. Through this report, Tameo is assessing the impact performance of the Netri Foundation's social investments as an independent third party.

## 1. Investment output (2006-2021)

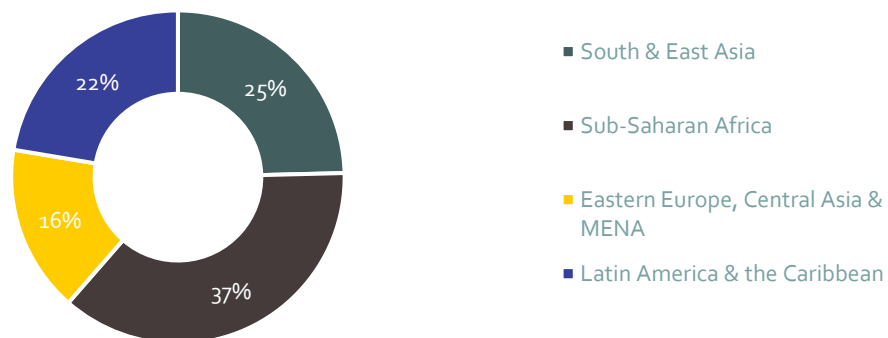
Since its inception in 2006, the Netri Foundation has invested in **73 institutions** operating in **44 countries** with a total of **EUR 47.6 million in social investments** and **EUR 5.1 million in donations** (Fig. 1). Netri invested in Latin America & the Caribbean, Eastern Europe, Central Asia & MENA, Sub-Saharan Africa, and South & East Asia.

**Figure 1: Social investments and donations (2006-2021)**



Since the inception of the fund, Netri has invested in Sub-Saharan Africa (37%), South & East Asia (25%), Latin America & the Caribbean (22%) and Eastern Europe, Central Asia & MENA (16%). While the proportion allocated to each region varies from year to year, the highest proportion has been invested in Sub-Saharan Africa in the last two years (Figure 2).

**Figure 2: Investments by region (cumulative 2006-2021)**

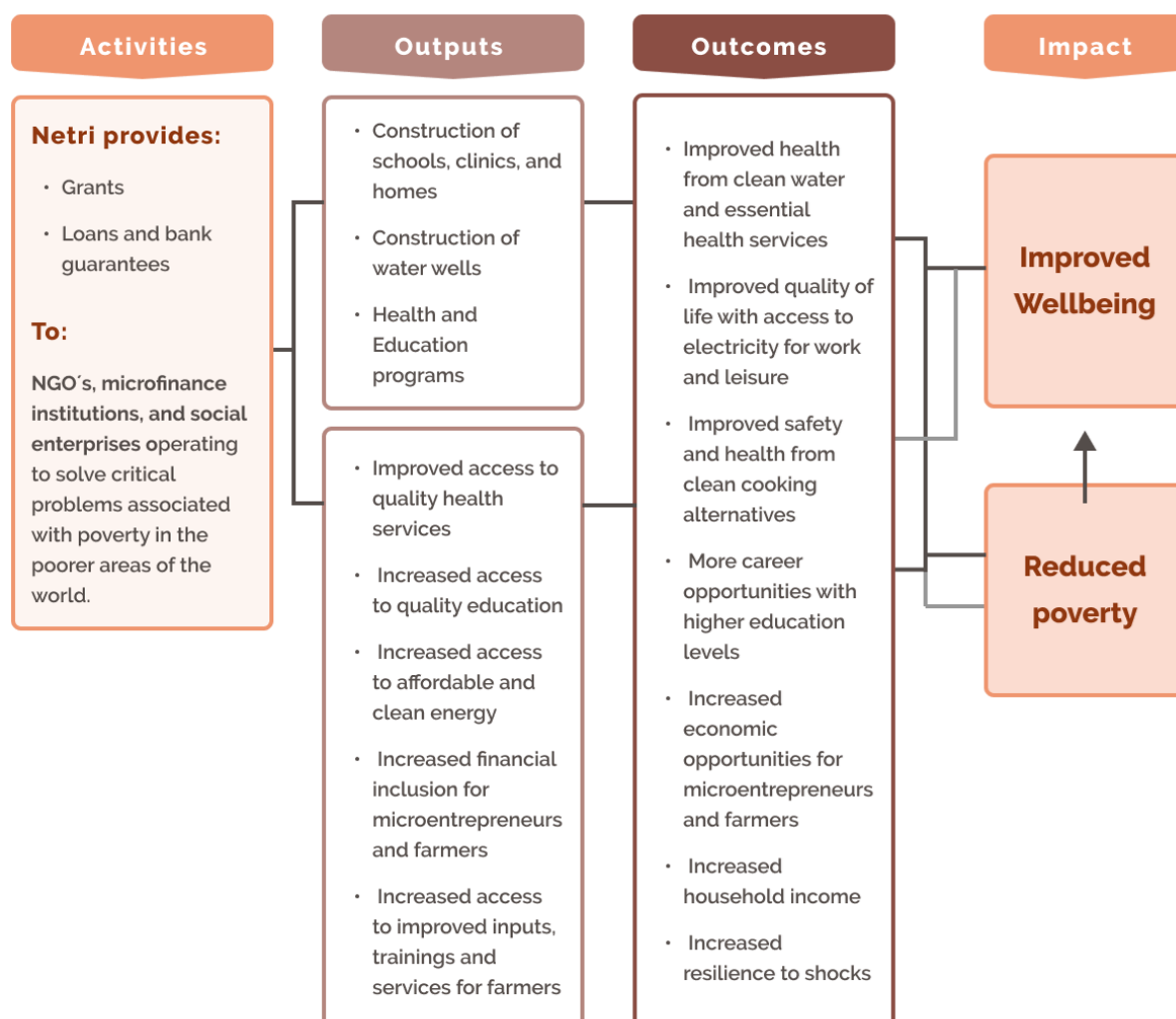


## 2. Theory of Change and sectors of investments

The Netri Foundation invests and provides donations to organizations in different sectors aligned with its mission to help the poorest, most disadvantaged populations. In 2021, Netri designed its Theory of Change (ToC) to better understand the expected impacts of its activities and define relevant impact metrics accordingly. The ToC framework essentially describes how certain activities lead to desired goals being achieved, identifying the necessary conditions and assumptions.<sup>4</sup> Netri's ToC can be summarized as follows:

**Figure 3: Netri's Theory of Change**

**Mission:** To improve the quality of life of the world's poorest, by supporting organizations that provide access to essential basic needs, foster economic opportunities, and increase economic and social resilience.



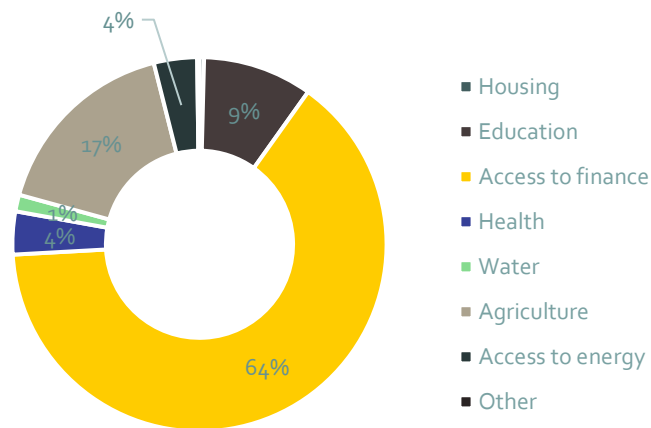
Source: Foundation Netri® Theory of Change: 2021 Report

<sup>4</sup> What is Theory of Change? (n.d.). Center for Theory of Change. Retrieved September 2, 2022, from <https://www.theoryofchange.org/what-is-theory-of-change/>

Netri's investments and donations target seven main areas, demonstrated through the outputs in the ToC:

1. Access to finance
2. Access to energy
3. Agriculture
4. Health
5. Education
6. Water
7. Housing

**Figure 4: Investments by sector**  
(% cumulative investments and donations, 2006-2021)



Netri also extended the ToC framework to each of the seven sectors of activity to analyze its impact in more detail, defining for each sector their contribution and expected outcomes, as briefly summarized below:

Sector	Activities	Expected outcomes & impact
<b>Access to finance</b>	Loans and bank guarantees to microfinance institutions that adopt best practices in countries with low human development	Increased financial resilience, leading to increased business opportunities and household income, and improved well-being
<b>Access to energy</b>	Loans to manufacturers and distributors of high quality and low-cost solar energy and home systems	Longer light hours for leisure and studying, cleaner air and improved safety when replacing kerosene stoves, overall enhancing quality of life
<b>Agriculture</b>	Loans and grants to enterprises in the agricultural sector that offer training, high-quality inputs, and market access	Increased opportunities for smallholder farmers, and agricultural output, increasing their income and economic resilience
<b>Health</b>	Loans, grants, and bank guarantees to NGOs and enterprises that provide health services and preventive care	Reduced child malnutrition, more informed patients and mothers receiving early and adequate care, leading to improved health, and reduced maternal and child mortality
<b>Education</b>	Loans, grants, and bank guarantees to NGOs and enterprises providing access to education to children in low-income areas	Increased awareness about the importance of education, improving school and university attendance, and increasing literacy and education levels, leading to more career opportunities
<b>Water</b>	Grants to non-profit organizations that specialize in water well construction projects in remote areas in low-income countries	Increased access to clean water, increasing hygiene and sanitation, reducing illness and improving overall well-being
<b>Housing</b>	Grants to non-profit organizations that focus on building houses in remote areas in low-income countries	Increased home ownership, higher protection and security, leading to reduced illness related to unhealthy living conditions, increased feeling of community belonging, and women's financial security

By developing this ToC framework across all its activities, Netri defined key takeaways and action items to improve their impact management moving forward. Among these items was increasing impact measurement efforts in the access to finance sector and highlighting the importance of outcome measurement to test the assumptions in their ToC. As such, Netri partnered with 60 Decibels<sup>5</sup> to collect outcome data directly from end-beneficiaries, and mandated Tameo to prepare this impact report focusing primarily on assessing the impact of their access to finance activities, which account for about two thirds of all investments and donations to date.

<sup>5</sup> [60 Decibels](#) is an impact measurement company mainly known for its Lean Data approach. With a network of more than 750 researchers in 50 countries, 60 Decibels provides impact performance benchmarks.



### 3. Access to finance

Table 1: Access to Finance Key Figures as of December 2021

<b>EUR 9.8m</b> access to finance portfolio	<b>73%</b> Individual loans <sup>6</sup>
<b>21</b> countries	<b>30</b> institutions
<b>68%</b> of women borrowers	<b>22,679</b> end-beneficiaries reached <sup>7</sup>
<b>USD 1,154</b> average credit per borrower <sup>8</sup>	<b>65%</b> end-beneficiaries in rural areas

As part of Netri's mission to improve the economic situation and resilience of low-income households, the foundation invests in microfinance institutions in low- and middle-income countries. Microfinance investments represent the largest proportion of investments and donations in the portfolio (69% of total volume in 2021). By facilitating access to finance, Netri aims to empower underserved communities, particularly women through microcredits, increase financial inclusion in countries where most of the population remains excluded from the financial system and ultimately, provide better economic outlooks and enhance end-beneficiaries' quality of life.

This section assesses how Netri's microfinance investments contribute to inclusive growth for the benefit of low- and middle-income households, focusing on its outreach to target markets and end-beneficiaries.

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<sup>6</sup> On average, 73% of investees' gross loan portfolio is in individual loans. This is calculated as a weighted average considering Netri's portfolio outstanding in the institutions.

<sup>7</sup> The number of end-clients reached is calculating by considering the outstanding amount and the average credit per borrower per institution.

<sup>8</sup> The average credit per borrower is a simple average calculated considering the volume of portfolio outstanding in each institution.

## Market outreach

As of December 2021, Netri has a portfolio outstanding of EUR 9.8 million, invested in 30 financial institutions in 21 countries. The foundation is mainly invested in **South & East Asia (38%)**, followed by **Sub-Saharan Africa (23%)**, **Latin America & the Caribbean (21%)** and **Eastern Europe, Central Asia & MENA (18%)** (Fig.6).

Figure 5: Investee Countries



**Table 2: Country characteristics**

Country	% of portfolio outstanding	GNI per capita (2021)	Account Ownership (2021)	Income level (2021)	Life expectancy at birth	HDI rank	Gini index <sup>9</sup>
<b>Pakistan</b>	10.8%	1,500	21%	Lower-middle income	67	154	29.6
<b>Cambodia*</b>	9.0%	1,550	33%	Lower-middle income	70	144	
<b>India</b>	7.6%	2,170	78%	Lower-middle income	70	131	35.7
<b>Guatemala</b>	7.2%	4,940	44%	Upper-middle income	74	127	48.3
<b>Ecuador</b>	7.2%	5,930	64%	Upper-middle income	77	86	47.3
<b>Myanmar*</b>	6.1%	1,140	48%	Lower-middle income	67	147	30.7
<b>Kosovo</b>	5.1%	4,970	58%	Upper-middle income			29
<b>Tajikistan</b>	4.5%	1,150	39%	Lower-middle income	71	125	34
<b>Nigeria</b>	4.5%	2,100	45%	Lower-middle income	55	161	35.7
<b>Philippines</b>	4.5%	3,640	51%	Lower-middle income	71	107	35.1
<b>Sierra Leone*</b>	4.5%	510	29%	Low-income	55	182	42.3
<b>Kyrgyzstan</b>	4.5%	1,180	45%	Lower-middle income	71	120	29
<b>Colombia</b>	3.6%	6,160	60%	Upper-middle income	77	83	54.2
<b>Lebanon</b>	2.7%	3,450	21%	Lower-middle income	79	92	31.8
<b>Kenya</b>	2.5%	2,010	79%	Lower-middle income	67	143	40.8
<b>Haiti*</b>	2.2%	1,420	33%	Lower-middle income	64	170	41.1
<b>South Africa</b>	1.7%	6,440	85%	Upper-middle income	64	114	63
<b>Senegal*</b>	1.5%	1,540	56%	Lower-middle income	68	168	38.1
<b>Benin*</b>	1.5%	1,370	49%	Lower-middle income	62	158	37.8
<b>Jordan</b>	1.3%	4,480	47%	Upper-middle income	75	102	33.7
<b>El Salvador</b>	0.6%	4,140	36%	Lower-middle income	73	124	38.8
<b>Portfolio-weighted average</b>	<b>93%<sup>10</sup></b>	<b>2,735</b>	<b>47%</b>		<b>61</b>	<b>117</b>	<b>37.7</b>

<sup>9</sup> Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality. Latest data available. World Development Indicators <https://data.worldbank.org/indicator/SI.POV.GINI>

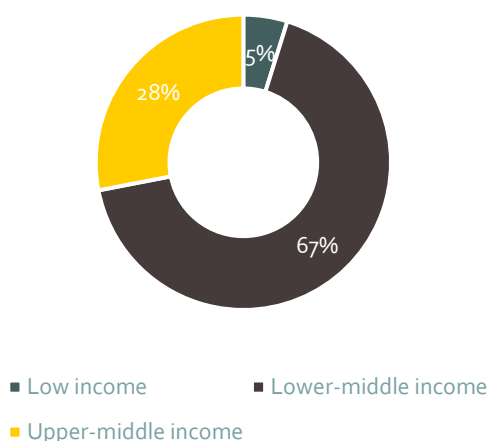
<sup>10</sup> 7% of investments in Microfinance are in the REGMIFA fund. REGMIFA's mission is to foster economic development in Sub-Saharan Africa by supporting financial institutions that serve micro, small, and medium sized enterprises (MSMEs).

\* Classified as Least Developed Country

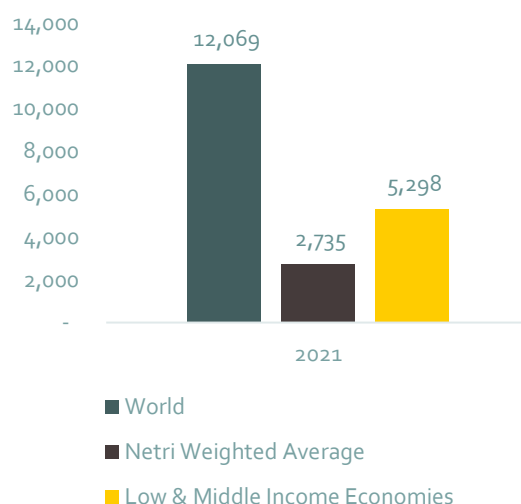
Netri fulfills its goal of reaching low-income countries by investing 67% of its microfinance portfolio in low and lower-middle income countries. 28% of total outstanding portfolio is in countries classified as upper-middle income (Table 2). It is worth noting that countries classified as Upper-middle income can also experience high levels of inequality where an important proportion of the population is underserved and lacks access to financial products and services. This is the case in countries like South Africa, Colombia and Guatemala.

Overall, the gross national income (GNI) per capita in these countries (USD 2,735) is considerably lower than the average in low- and middle-income economies (USD 5,298).

**Figure 7: Income levels**  
(% of portfolio outstanding)



**Figure 6: GNI per capita**  
(portfolio-weighted average)



Furthermore, the United Nations classifies six out of the 21 investee countries as least developed countries<sup>11</sup> (LDCs; Cambodia, Myanmar, Sierra Leone, Haiti, Senegal, and Benin). This categorization considers a country’s per capita income, “human assets” and economic vulnerability. Investments in LDCs account for 25% of investments in access to finance.

Similarly, the average life expectancy at birth where Netri is invested is 61 years. This figure is significantly below the average in low- and middle-income countries (71 years).

In terms of banking penetration, Netri finances institutions in countries where, on average, 47% of the adult population have a bank account at a financial institution. Compared to the world average of 76%, this indicates that Netri is facilitating the provision of financial services in countries where access to these services is less common than it is worldwide.

**Table 3: Banking penetration**

Banking penetration - % of adults with a bank account <sup>12</sup>	2021
Netri Weighted Average)	47%
World (World Findex)	76%
Low- and middle-income countries	71%

<sup>11</sup> The United Nations Conference on Trade and Development (UNCTAD) uses the following criteria to determine whether a country is an LDC:

- Per capita income: below USD 1,230
- Human Assets Index, based on indicators of nutrition, health, school enrolment, and literacy.

Economic Vulnerability Index, based on indicators of natural shocks, trade-related shocks, physical and economic exposure to shocks, population size, and remoteness.

<sup>12</sup> [The Global Findex Database 2021](#), The World Bank.

## End-client outreach

Through its investees, Netri financed 22,679 end-beneficiaries with an average credit per borrower of USD 1,154. Most of them are mainly located South & East Asia, followed by Sub-Saharan Africa, Eastern Europe, Central Asia & MENA and the lowest proportion is in Latin America & the Caribbean (Fig. 9).

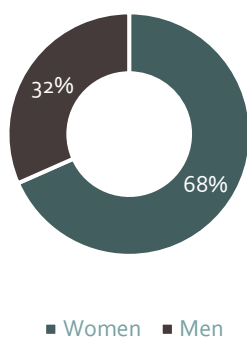
**Figure 8: End-beneficiaries by region**



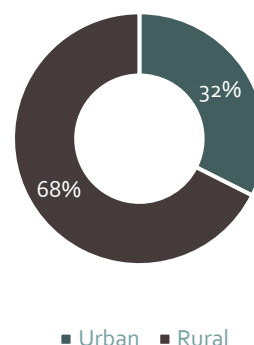
The Netri foundation served more women (68%) than men clients (32%) with most of them living in rural areas (68% vs. 32% urban). According to the 2021 Global Findex database, 74% of men but only 68% of women in developing countries have an account at a financial institution, indicating a gender gap of 6 percentage points.<sup>13</sup> Given this gap, the World Bank has clearly stated that any efforts to increase account ownership in a given country must prioritize financial inclusion for women.<sup>14</sup> By financing intermediaries with a strong focus on lending to women clients and enabling women through training and other non-financial services, Netri is contributing to bridging the gender divide in financial inclusion.

The rural-urban gap in financial inclusion is also well-documented in emerging markets, with urban residents being more likely to have an account at a financial institution.<sup>15</sup> Even though the size of the gap globally is difficult to estimate, Netri has clearly contributed to providing equal access to financial services for rural and urban clients alike, with 60% of end-clients being based in rural areas.

**Figure 10: Gender**  
(% of headcount- portfolio weighted average)



**Figure 9: Location**  
(% of headcount- portfolio weighted average)



<sup>13</sup> Account ownership is commonly used as a proxy for financial inclusion.

Source: Demirgüç-Kunt, A., Kalpper, L., Singer, D., Ansar, S. (2021). *The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19* Retrieved from: <https://globalfindex.worldbank.org/>.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

## Outcomes & impact: 60 Decibels Microfinance Index

Table 4: Key Results

<b>7</b> countries	<b>1,832</b> end-borrowers interviewed
<b>62%</b> accessing finance for the first time	<b>88%</b> increased their business income
<b>86%</b> improved their quality of life	<b>77%</b> improved their ability to achieve their financial goals
<b>75%</b> strongly agreed that they understand all the loans' terms and conditions	<b>68%</b> do not perceive loan repayments as a burden
<b>52%</b> decreased their stress levels relating to finances	<b>68%</b> increased their savings

### What is the 60 Decibels Microfinance Index?

The 60 Decibels Microfinance Index (MFI index) is an industry-wide initiative launched by 60 Decibels to obtain comparable client-level impact performance data in microfinance. Netri is one of the founding partners of this initiative, together with over 20 stakeholders in the microfinance industry. This initiative represents the first large-scale effort to gather comparable data directly from microfinance borrowers around the world with the aim of increasing transparency for investors as well as informing decision-making at the MFI level.

The MFI index gathers data from about 18,000 microfinance borrowers in 41 countries, who are clients of over 70 microfinance institutions. On average, 250 clients from each financial institution were randomly selected and interviewed by phone in local languages. The survey consists of 37 questions including both quantitative and qualitative indicators developed through a collaborative process. The results of the index are available in a public report and an online dashboard.<sup>16</sup>

The MFI index provides insights along five main dimensions:

- **Access:** measures whether institutions are serving people who are underserved
- **Business impact:** measures how microfinance loans affect borrowers' ability to earn an income from their business and create jobs
- **Household impact:** measures the impact of loans on borrowers' quality of life, and ability to meet their household needs and achieve their financial goals.
- **Financial management:** measures whether borrowers understand the institution's loan conditions and the impact the loan has on their ability to manage their finances
- **Resilience:** measures the degree to which borrowers are financially prepared to overcome an economic shock and whether they have to make sacrifices to repay the loans.

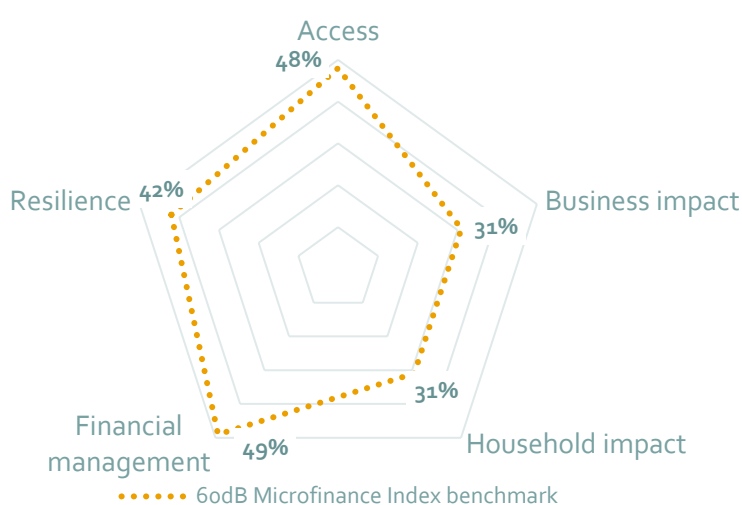
<sup>16</sup><https://app.60decibels.com/mfi-index>

Out of the 70+ microfinance institutions participating in the index, seven are investees from Netri's portfolio, and one is among the top ten performers (LAPO Sierra Leone).

This report is based on data from these seven investees and over 1,800 of their end-clients who were interviewed between December 2021 and June 2022. In this section, we summarize the responses of these end-clients, analyzing how they were impacted by the microloans in terms of the five dimensions mentioned above.

The benchmarks mentioned throughout this section are calculated by using data from all MFIs participating in the MFI index. These benchmarks allow for performance comparability between Netri's investees and similar MFIs around the world.<sup>17</sup>

**Figure 11. 60dB Microfinance Index benchmark**



### Sample description

The following results present aggregated data from the end-clients of seven institutions where Netri is invested, with the following characteristics:

**Table 5: Sample composition**

Country	No. respondents
Colombia	254
India	251
Nigeria	255
Philippines	252
Tajikistan	254
Sierra Leone	281
Pakistan	285
<b>Total</b>	<b>1,832</b>
<b>60dB Microfinance Index</b>	<b>17,956</b>
<b>Average age</b>	41 years
<b>% women</b>	69%
<b>% living in rural areas</b>	63%

<sup>17</sup> 60 Decibels calculates the average performance of the participating microfinance institutions for each indicator included in the index and it weighs each MFI's performance equally. For more information, see the methodology section of the Microfinance Index Report via <https://app.60decibels.com/mfi-index>

Almost all end-clients interviewed (92%) are using their loans for business purposes, **either to finance an existing business (74%), or to start a new business (18%)**. Among these clients, the main loan purpose is to buy inputs for their business including inventory (50%), livestock (17%) and farming supplies (13%). Similarly, 15% of customers use their loans to buy machinery for their enterprises. Education (11%), household expenses (17%) and emergency spending (7%) are among the non-business purposes to which customers are allocating their loans.

## Results by dimension

### Access

**Table 6: Access: Comparison to the Microfinance Index benchmark**

Indicator	Microfinance Index Benchmark results	Netri's investees average results
% accessing for the first time	58%	62%
% without access to good alternative	58%	57%
equitable access <sup>18</sup>	68%	64%

One of the main objectives of microfinance is to provide underserved populations with access to financial services, so assessing this dimension is a key part of assessing the impact performance of microfinance products. **We find that on average MFIs in this sample are mostly serving end clients who were previously underserved. Three out of five respondents indicated this is the first time they were able to access the type of loans offered by their MFI.** The institutions in Sub-Saharan Africa performed particularly well on this indicator with more than 80% of end-clients indicating access for the first time.

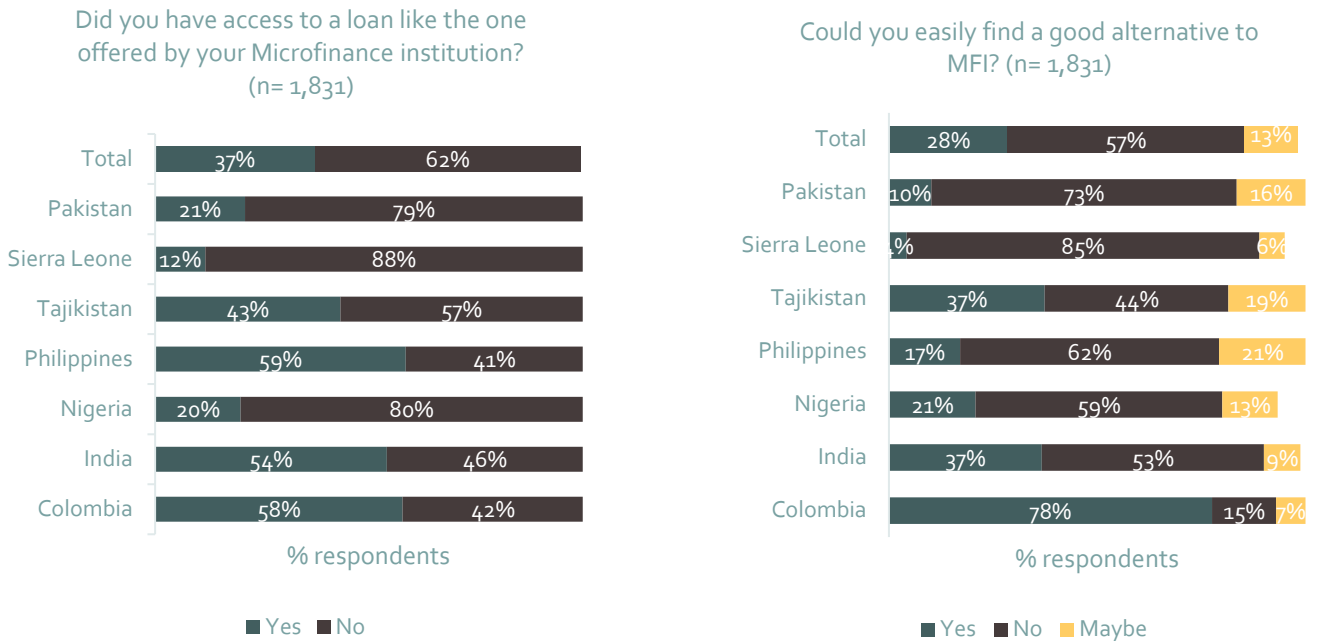
*"It's very difficult for women living in rural areas to find and get loan for business initiatives. [The institution] is always providing a safe family environment to rural women."*

In addition, more than half of respondents in the sample could not find a good alternative to the services offered by the institutions, demonstrating that these MFIs are reaching out to a population who otherwise do not have access to services suitable to their needs.

<sup>18</sup> The Equitable access is a metric developed by 60 Decibels to estimate the degree to which an enterprise is reaching less well-off customers. This indicator is calculated by taking the average of Company % / National %, at the \$1.90, \$3.20 and \$5.50 lines for low-middle income countries, or at the \$3.20, \$5.50 and \$8.00 lines for middle-income countries for countries in the sample where a Poverty Probability Index Calculation was used. Or using the 40<sup>th</sup>, 60<sup>th</sup> and 80<sup>th</sup> wealth quintiles for countries where an equity tool or wealth quintile measure developed by Innovations for Poverty Actions was used.



**Figure 12: Access to loans and alternatives to finance**  
(country level)



Men in the sample are less likely to have access to loans similar to those offered by their institution while women are more likely to report they could not easily access a good alternative (60% vs 50% for men) (Fig.12).

**Figure 13: Access to loans and alternatives to finance**  
(gender)

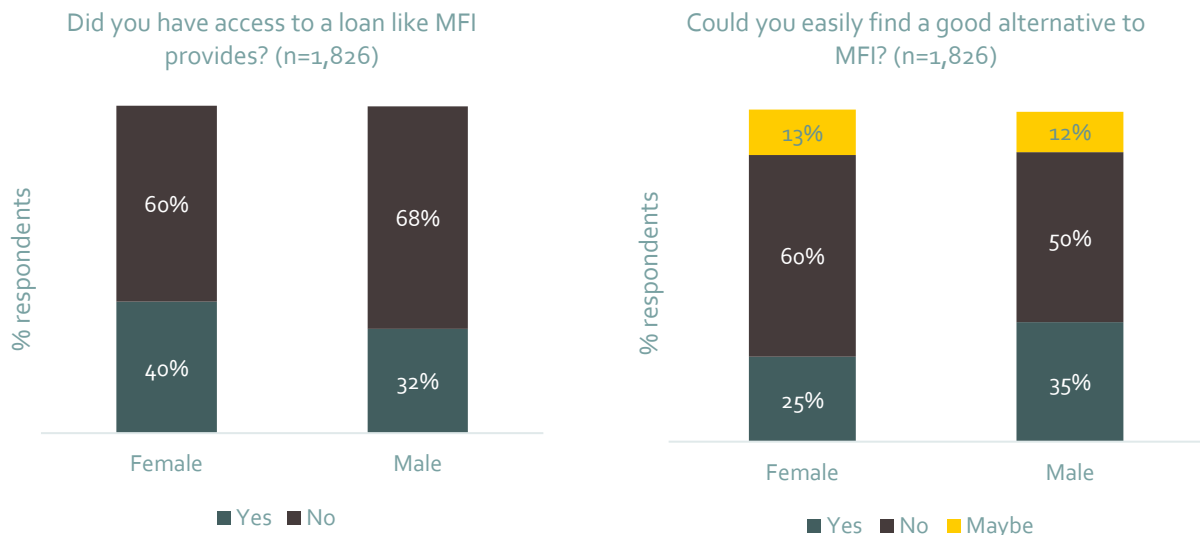


Table 7: Inclusivity ratio per country

Country	Inclusivity ratio <sup>19</sup>
Colombia	1.35
India	0.94
Nigeria	0.59
Philippines	0.32
Tajikistan	0.3
Sierra Leone	0.44
Pakistan	0.49
Average	0.63

Business impact

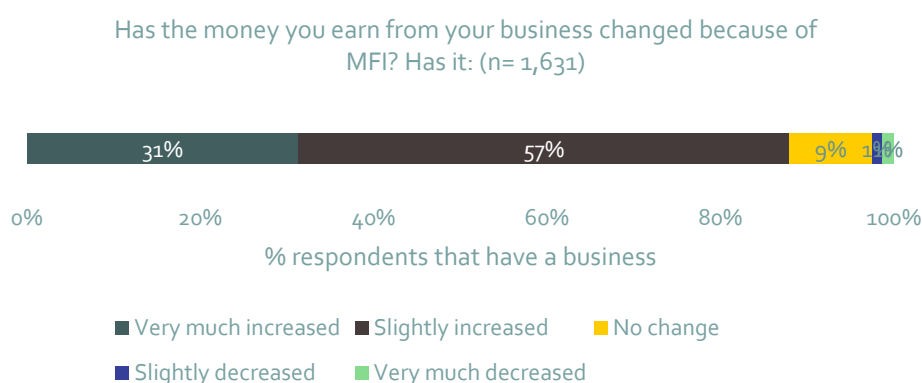
Table 8. Business Impact: Comparison to the Microfinance Index benchmark

Indicator	Microfinance Index benchmark	Netri's investees average results
% reporting 'very much increased' income	24%	31%
% increasing no. of paid employees	13%	10%

Given that 92% of respondents are using loans for business purposes, it is worth understanding how their businesses are affected by the loans both in terms of income and ability to create jobs. Out of the respondents that have a business **88% indicated that their business income increased because of the loan they took from the MFI** (Fig. 13). Only 2% of respondents indicated that their income decreased because of the loan and **11% of all end-clients interviewed do not own a business**. Overall, these results suggest that access to finance is supporting microenterprises to increase their business income, primarily by allowing them to invest in their business.

*"My business has expanded a lot as compared to before I took the loan, and I'm having more profit now."*

Figure 14: Change in business income



<sup>19</sup> The inclusivity ratio is the degree to which each institution is reaching low-income clients in the country. An inclusivity ratio closer to 1 means the microfinance institution is at parity with the national population in lower extremely poor, poor, and low-income brackets. 1= parity with population; >1= over-serving and <1= under-serving.

In terms of employment, 75% of respondents reported that they do not have any paid employees (this does not include family members). Among those who do have employees, the number of employees range from 1 to 70 employees, with most borrowers having only one to four employees. 14% reported that their number of employees has not changed because of the loan. 10% of respondents indicated that their number of employees increased because of the loan, whereas 1% reported a decrease in their number of employees. End-borrowers in the sample from Colombia had the highest proportion of customers indicating an increase in employees (19%), while in Philippines and India it was 2% and 4%, respectively.

Compared to the MFI Index benchmarks, institutions from the Netri portfolio performed better on the indicator measuring income change and slightly below in terms of employment. Similar to most institutions in the study, Netri's investees in the sample focus mainly in microfinance. This could explain the lack of significant effects on employment considering micro-enterprises do not usually hire paid employees.

### Household impact

**Table 9: Household Impact: Comparison to the Microfinance Index benchmark**

Indicator	Microfinance Index benchmark	Netri's investees average results
% 'very much improved' quality of life	35%	38%
% 'very much increased' household spending on home improvement	16%	20%
% 'very much increased' household spending on healthcare	9%	12%
% 'very much increased' number of quality meals	14%	17%
% 'very much increased' household spending on education	13%	15%
% 'very much improved' ability to achieve financial goal	27%	26%

*"For the fact that I can continue with the building construction of my house, I believe I'm beginning to make slight improvement in life."*

The household impact dimension assesses the impact of loans on several aspects of household well-being, including overall quality of life, spending on food, education, household improvements, ability to go for medical check-ups, as well as ability to achieve financial goals. Altogether, these aspects give us an idea how a borrower's household is affected by access to microfinance. On average, the

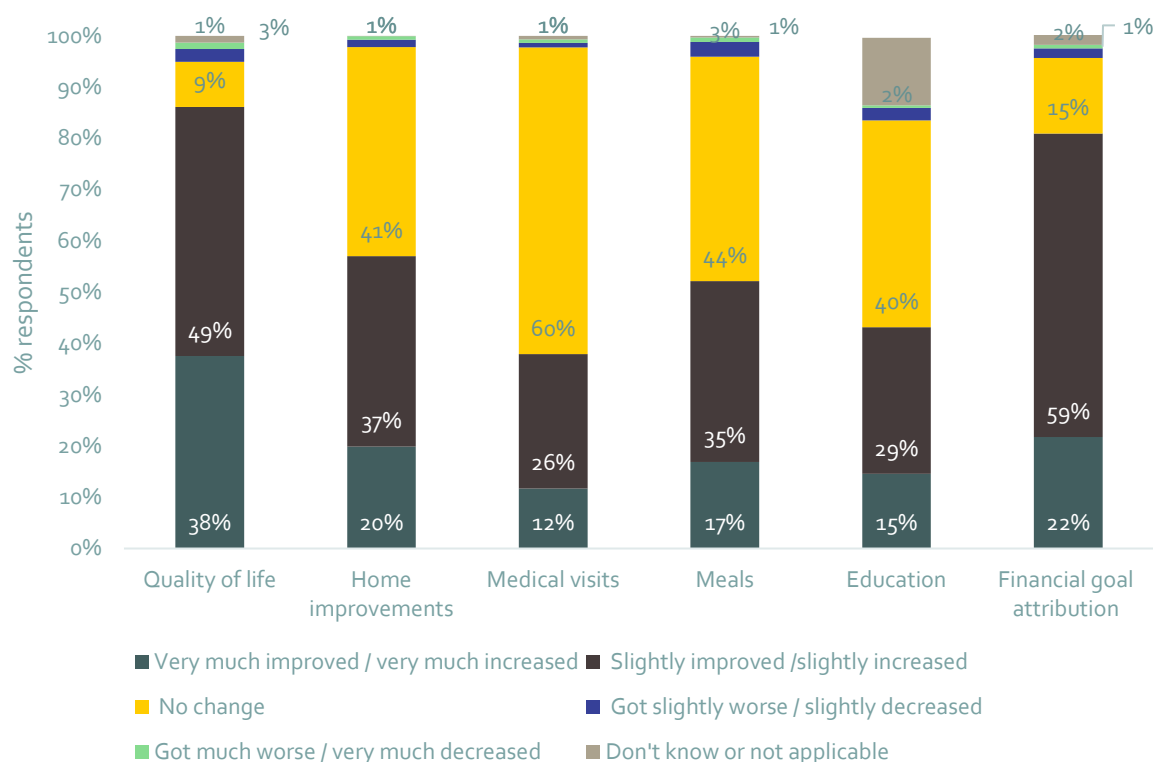
institutions in the sample overperformed when compared to most of the benchmark indicators (Table 8).

We see the most significant improvements in overall quality of life as 86% of respondents reported an improvement because of the services they receive from the MFI. **End-borrowers indicating their income has 'very much increased' also represent the highest proportion of respondents reporting a 'very much improved' quality of life.**

77% of borrowers also mentioned that their ability to achieve their financial goals (e.g., increasing their savings or income, investing in their business) improved because of the MFI. In terms of spending on various household needs, between 38% to 59% of borrowers said they could spend more on food, education, home improvements or medical visits, though in most cases, a majority said that their spending on these items had not changed (Fig. 15).

Overall, end-borrowers from the sample in Tajikistan and Sierra Leone experienced the most substantial improvements in quality of life.

Figure 15: Household impact



### Financial management

Table 10: Financial management: Comparison to the Microfinance Index benchmark

Indicator	Microfinance Index benchmark	Netri's investees average results
% 'strongly agree' to understanding terms	66%	75%
% 'very much improved / decreased' financial stress	18%	18%
% 'very much improved' ability to manage finances	22%	27%
% indicating payments 'not a problem'	70%	68%

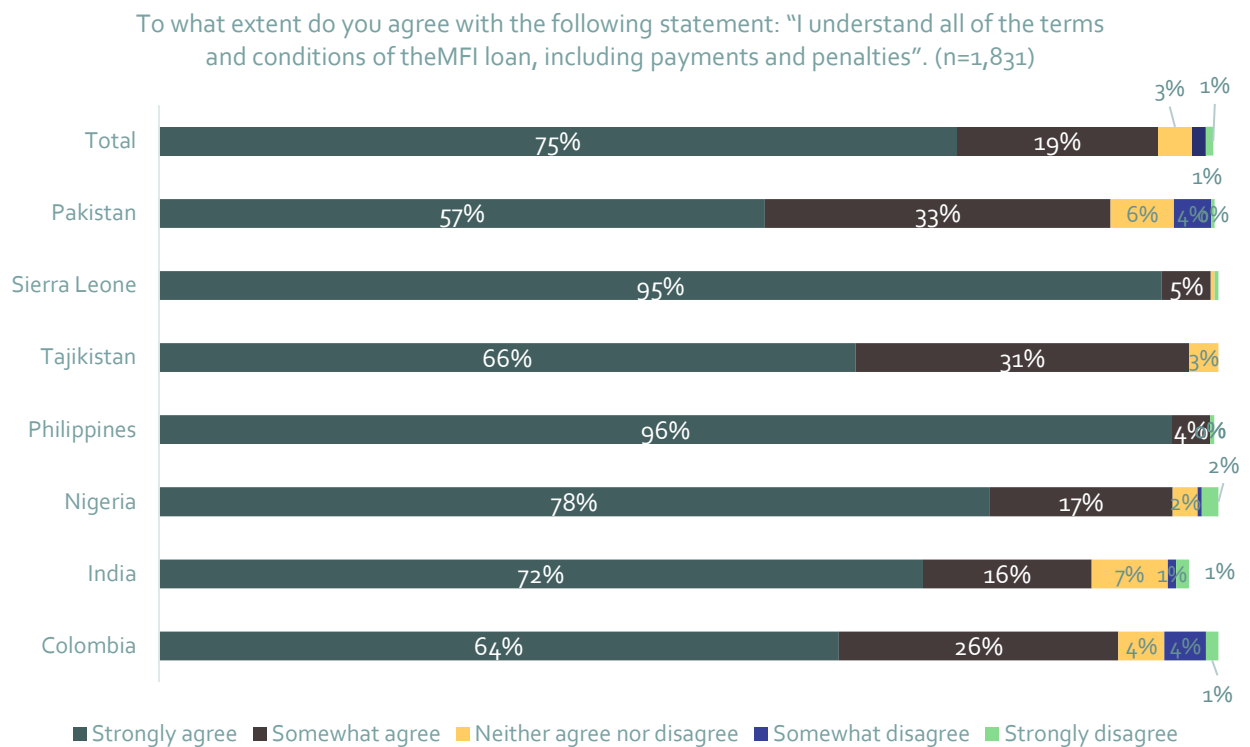
*"My income has increased, I save more money now than before, the stress of me getting money has really decreased, I have money to pay for my goods without having to go and borrow.... truly I have financial freedom now....I can buy food and take care of my health because I have money to cover for all these expenses.."*

Despite the potential benefits linked to microfinance, credit offered to low-income borrowers comes with a risk of over-indebtedness. The microfinance industry has been collaborating for decades to minimize this risk and protect end-clients from aggressive or exploitative lending practices. Through the financial management dimension of the MFI index, we listen directly

to the end-borrowers to learn whether they understand their loan conditions, and the extent to which loan repayments are a burden to their household.

**75% of end-borrowers strongly agreed that they understand all the terms and conditions of the MFI loan (Fig.22), whereas only 2% disagreed.** While this indicates that the seven institutions are overall providing clear and relevant information to their end-borrowers, 19% of end-borrowers indicated they somewhat understand the terms of conditions, which means institutions can further their efforts in this aspect.

**Figure 16: Extent of loan understanding**

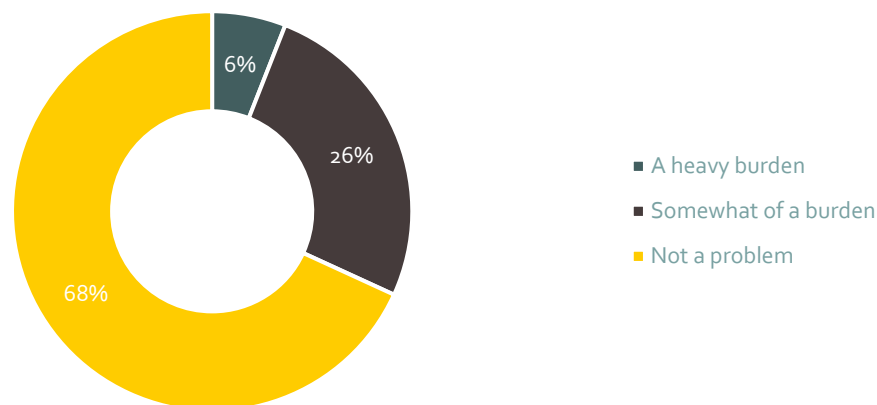


Furthermore, 68% of end borrowers do not perceive their loan repayments as a burden (Fig. 16), whereas about a third do perceive them as a burden with 6% finding them a heavy burden. While this is not a very high proportion, this suggests that there is room for improvement in assessing borrowers' repayment capacity, adjusting the loan terms accordingly and potentially re-scheduling payments. Improving these aspects could also have a positive impact on the institution's reputation since it was observed that out of those borrowers who indicated a heavy burden, 39% are less likely to provide positive feedback in terms of customer service provided by the institutions and represent the highest proportion of end borrowers less likely to recommend the institution to a friend or family. They are also more likely to indicate a decrease in business income and less likely to indicate an improvement in quality of life and overall household outcomes. However, there is still a proportion of those end-borrowers indicating improvement in the same indicators which can signal that they are still experiencing positive outcomes.

***"My business was new, I was not earning much profit from there, and I had to cut down my daily expenses to pay back installments"***

**Figure 17: Loan repayment burden**

Thinking about loan's borrowing repayment, are they a heavy burden, somewhat of a burden, or not a problem? (n=1,831)



**79% of all respondents report an enhanced ability to manage their finances and 52% of end-borrowers indicate a decrease in stress levels relating to their finances because of the services they receive from the MFI, suggesting an overall improvement in financial management.** In terms of improvement in stress levels, results vary depending on the institution. End-clients in Tajikistan and the Philippines reported the highest level of stress improvement, 70% and 65%, respectively.

*Resilience*

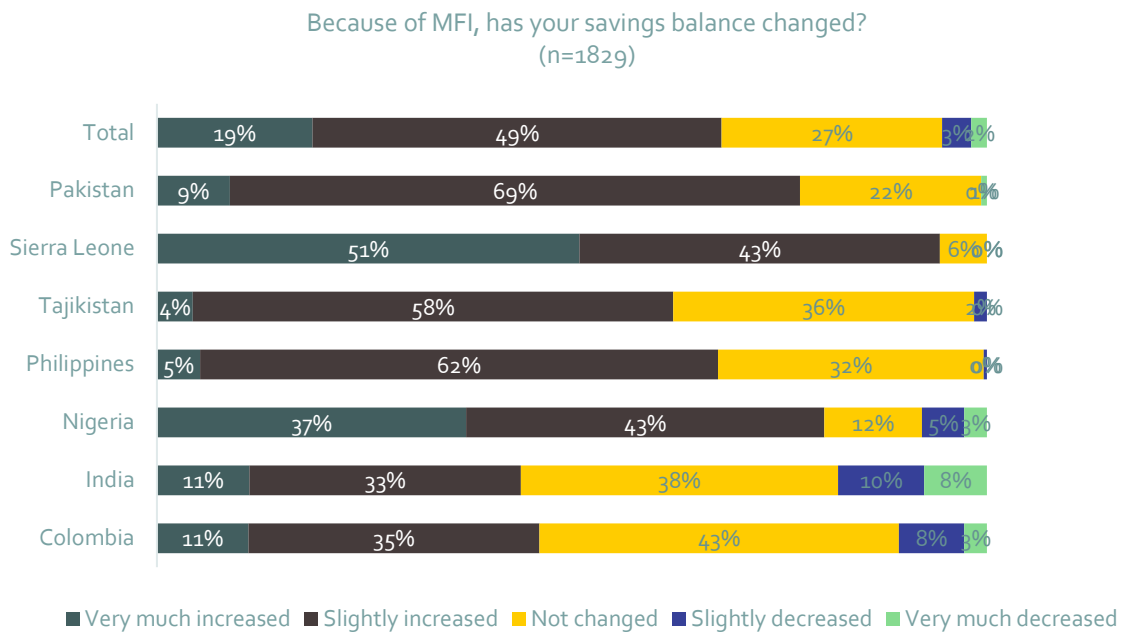
**Table 11: Resilience: Comparison to the Microfinance Index benchmark**

Indicator	Microfinance Index benchmark	Netri's investees average results
% 'very much increased' savings balance	18%	18%
% 'very much improved' resilience thanks to company	72%	76%
% who 'never' cut food consumption to make payments	20%	20%

As we saw during the Covid-19 pandemic, millions of households fell into poverty due to the financial consequences of the pandemic because they did not have savings to fall back on, or access to emergency loans. One of the most important outcomes that microfinance aims to achieve is financial resilience so that low-income households can cope with shocks and smooth their consumption. Therefore, in the final dimension of the MFI index, we analyze whether borrowers are prepared to deal with a shock, how their savings have been affected by microfinance, and if they need to make any sacrifices to repay their loans. Institutions in the sample perform very well in all indicators measuring financial management.

**Almost 70% of end-borrowers indicate an increase in savings because of the services they receive from the MFI (Fig. 17).**

**Figure 18. Savings balance**

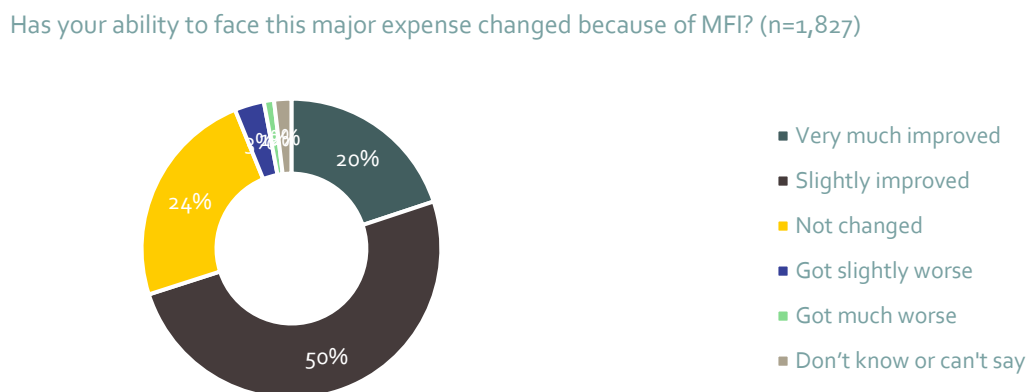


Despite increasing their savings, when borrowers are asked about how easy or difficult it would be for them to come up with enough money to face an emergency within the next month, half of respondents indicated that it would be easy to come up with this money (about 1/20 of the GNI per capita in each country, as suggested by the Global Findex), suggesting that they are still relatively vulnerable. However, 70% of respondents indicated that their ability to face this major expense has improved thanks to the financial services provided by the MFI, demonstrating that

the MFIs have been able to act as a source of emergency loans for clients when they need it (Fig.18).

*"Now my business become sustainable, and it is providing me enough savings. I am using my business savings in other investments."*

**Figure 19: Change in ability to face major expense**

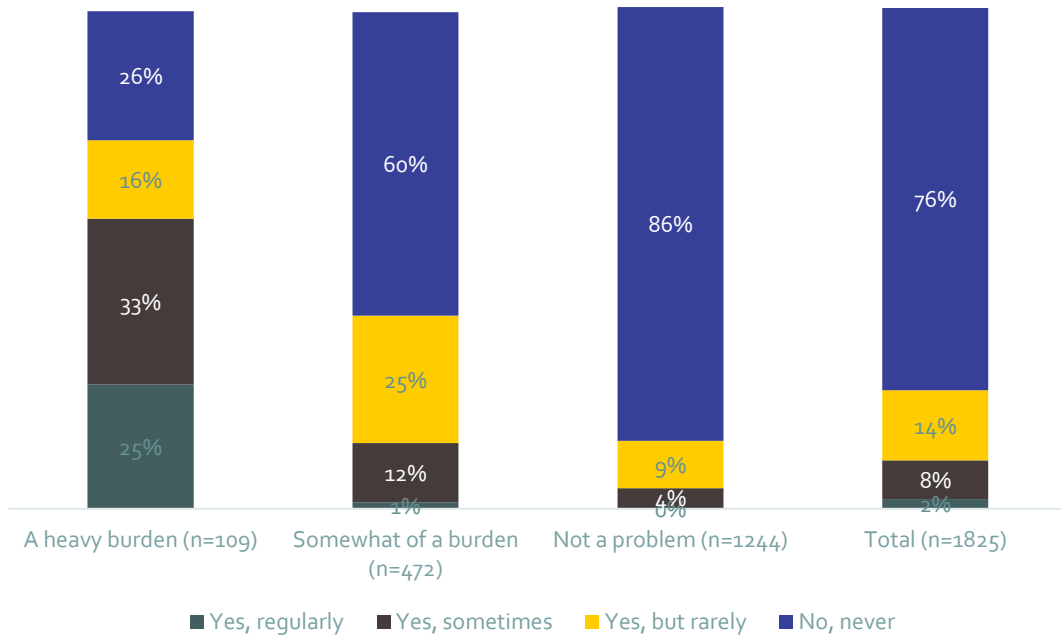


Finally, when asked if they had to reduce their household's food consumption to make loan repayments, 76% of borrowers mentioned that they never had to do so and 14% only rarely did this, whereas the remaining 10% resorted to reducing their consumption. Unsurprisingly, borrowers who find loan repayments to be a heavy burden and have indicated an important decrease in income are

significantly more likely to reduce their food consumption to make repayments. Reducing food consumption for loan repayments demonstrates the risks of over-indebtedness and the importance of appropriate lending terms to support microfinance borrowers.

**Figure 20: Reducing food consumption and loan repayment burden**

Do you have to reduce your households' consumption of food to make repayments where you didn't have to before?





## Main takeaways

Since 2006, the Netri Foundation has supported 73 organizations in 44 countries with a total of EUR 52.7 million in social investments and grants, reaching a total of 3.8 million beneficiaries. Across its seven sectors of activity, Netri's programs reached many low- and middle-income countries worldwide, with a recent focus on Sub-Saharan Africa.

As nearly two thirds of Netri's commitments are allocated to microfinance, this report assesses the impact of investments in this sector on end-beneficiaries. With an outstanding portfolio of EUR 9.8 million in microfinance as of December 2021, Netri has succeeded in reaching 22,679 end-clients in 21 emerging markets. It has contributed to financial inclusion by providing low-income households and MSMEs with access to financial services while ensuring that women borrowers have equal access to services to manage their finances.

The Netri Foundation has targeted a diverse range of low- and middle-income countries worldwide, with a focus on countries with low levels of banking penetration (47%). It has placed a regional focus on South & East Asia and Sub-Saharan Africa (38% and 23% of portfolio outstanding, respectively). In these countries, Netri is investing in 30 financial institutions, supporting them to grow and build their institutional capacity, with the goal of providing services to those that the financial system underserves or excludes.

The end-client outcome data collected through the 60 Decibels Microfinance index enables us to understand how end-borrowers' lives and businesses are being impacted by having access to finance, as well as areas of improvement. Compared to the benchmarks, Netri's investees in the sample perform very well across all dimensions.

MFIs in the sample are mainly serving a client base that was previously excluded from the financial system with women being less likely to find suitable financial alternatives. We also see that borrowers are mainly using their loans for business purposes including purchasing inventory, machinery, livestock and to a lower extent, starting a new business. Most respondents indicated an increase of income as a result of the loans granted. We also found a positive relationship between increases in business income and improvements in borrowers' quality of life.

Borrowers likewise reported significant progress in their ability to manage their finances, increases in savings and an improved ability to reach their financial goals. Finally, in terms of financial management, borrowers generally do not find their loans to be a burden. However, two in ten customers indicate that they do not fully understand the loans' terms and conditions and almost a third consider the loan to be a burden. In the future, greater efforts can be made to reduce this proportion of end-clients. For example, Netri could try to encourage its partners to follow the Client Protection Pathway and implement a more rigorous assessment process on loan repayment capacity. It should also continue to monitor client protection indicators through similar outcomes surveys in the future.

Overall, we find the expected outcomes, as defined in Netri's theory of change, are aligned with the findings from the data collected through the 60 Decibels Microfinance Index and ultimately, validate the assumptions put forward by the foundation. In particular, we see that financial inclusion has the potential to improve borrowers' quality of life and become a channel for economic opportunities. However, when looking at gender-disaggregated data, we did not see important differences, suggesting women and men in this sample are experiencing similar outcomes.

# Appendix

## MFIs comparison to benchmark by country

Dimensions	Colombia	India	Nigeria	Philippines	Tajikistan	Sierra Leone	Pakistan	6o Db's Benchmark
Access	40	29	58	36	35	67	59	48
Business impact	38	21	50	31	19	52	23	31
Household impact	28	27	47	23	19	81	20	31
Management & understanding	52	47	54	66	37	74	46	49
Resilience	35	34	57	48	33	82	29	42
Average all dimensions	39	32	53	41	29	71	35	40

Figure 21: Score comparison with 6o dB's benchmark: Colombia



Figure 22: Score comparison with 60dB's benchmark: India

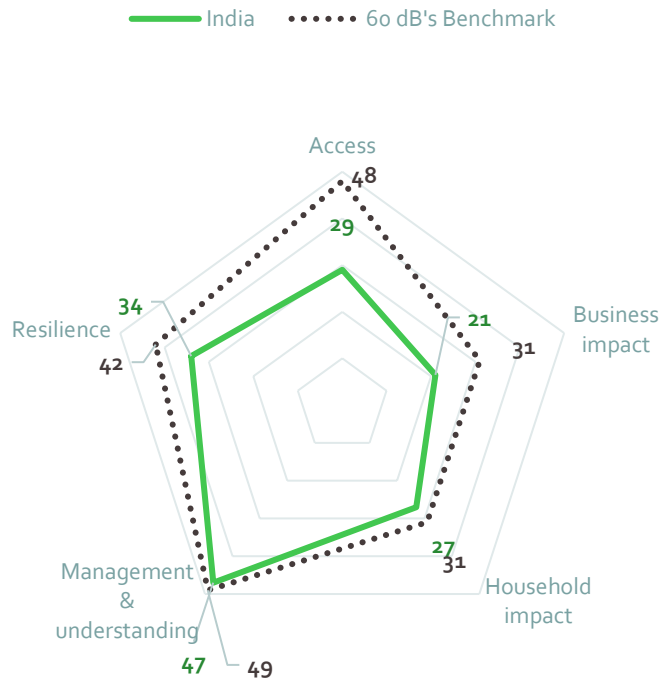
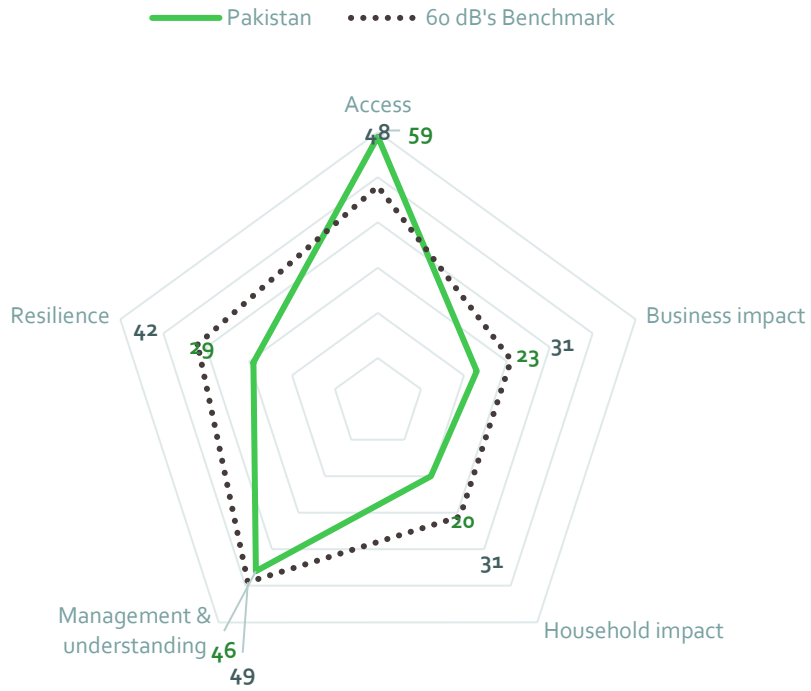


Figure 23: Score comparison with 60dB's benchmark: Nigeria



**Figure 24: Score comparison with 60dB's benchmark: Pakistan**



**Figure 25: Score comparison with 60dB's benchmark: Philippines**

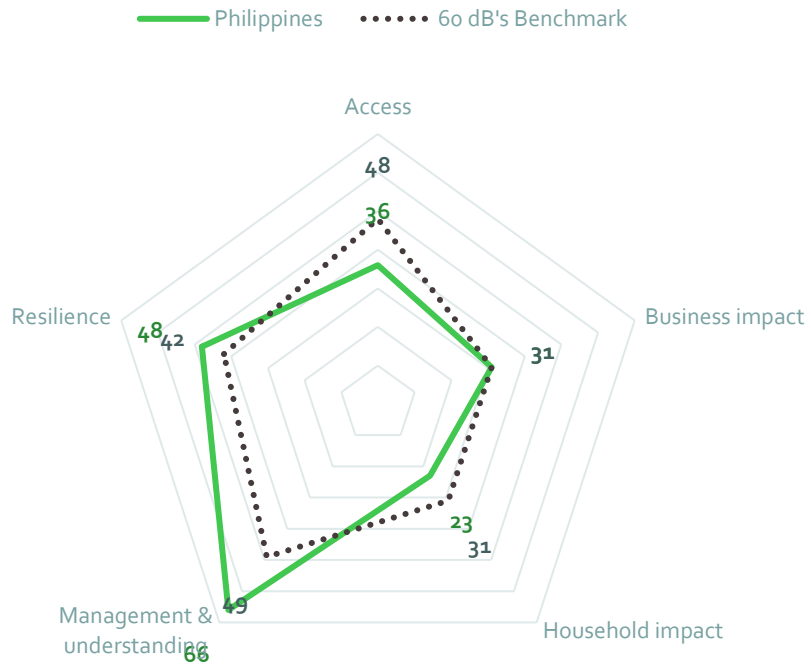


Figure 26: Score comparison with 60dB's benchmark: Sierra Leone

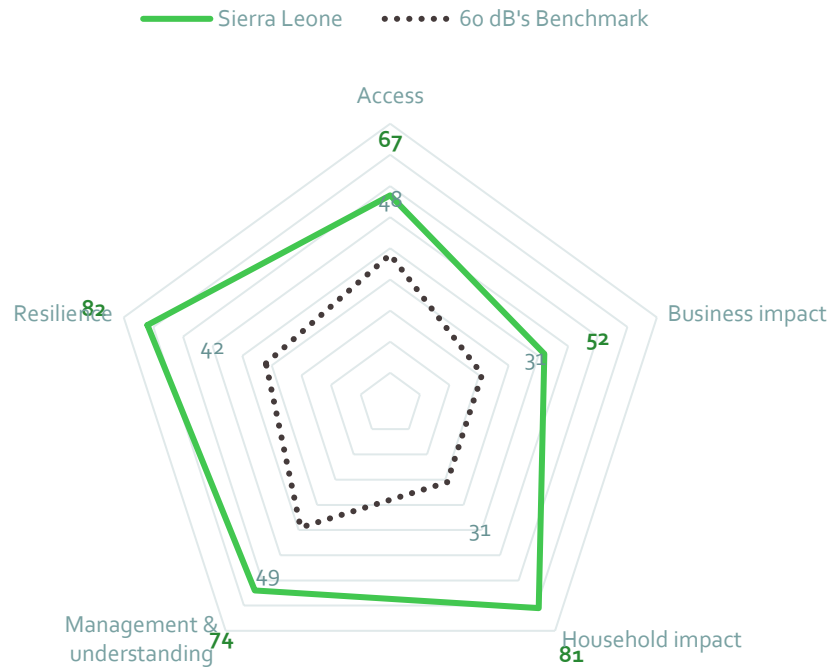


Figure 27: Score comparison with 60dB's benchmark: Tajikistan

