

# 2023 MICROFINANCE SOCIAL PERFORMANCE REPORT



The social performance of microfinance institutions supported by the bank around the world

2022 data



**BNP PARIBAS**

The bank  
for a changing  
world



**Antoine Sire**

Head of Company Engagement and member of the Executive Committee of BNP Paribas

### Financial exclusion is a major cause of poverty in the world.

The United Nations defines microfinance as a small-scale financial service provided to low-income persons. But microfinance is not just another tool among many in the fight against global poverty. On the contrary, it "stands as one of the most promising and cost-effective tools" in this fight according to Jonathan Morduch<sup>1</sup>, because it generates a concrete and measurable social impact.

This social impact goes hand-in-hand with an environmental impact. Microfinance has a role to play in this new dynamic, which is reflected in our second annual social performance report.

With €332 million in microfinance support in 2022, we believe it is essential to look at the environmental impact of our microfinance partners. The challenge they face is threefold: reducing the environmental footprint of their suppliers and customers; increasing their beneficiaries' resilience to climate change; and promoting the adoption of green practices and technologies. Our microfinance partners are thus working towards sustainable financial inclusion.

This report also marks the 30-year anniversary of the partnership between BNP Paribas and ADIE<sup>2</sup>. I would like to take this opportunity to pay tribute to Maria Nowak, a microfinance pioneer in France and the founder of ADIE, who passed away in December 2022. She helped introduce BNP Paribas to the issues surrounding financial exclusion and to establish a strong relationship between ADIE and the bank, paving the way for thousands of people from high-priority urban districts and rural areas return to work through entrepreneurship. On a more personal note, she was a cherished friend for me and a constant source of inspiration for many of us at BNP Paribas.

Lastly, we have been able to measure our progress using the financial inclusion indicator<sup>3</sup> created in 2021, which is one of the 10 indicators on our CSR<sup>4</sup> dashboard: over the course of 2022, we supported the inclusion of 3.2 million people (Nickel<sup>5</sup> customers and microfinance beneficiaries). We are thus continuing to measure our progress, with the same goal of allowing more people to access financial services.

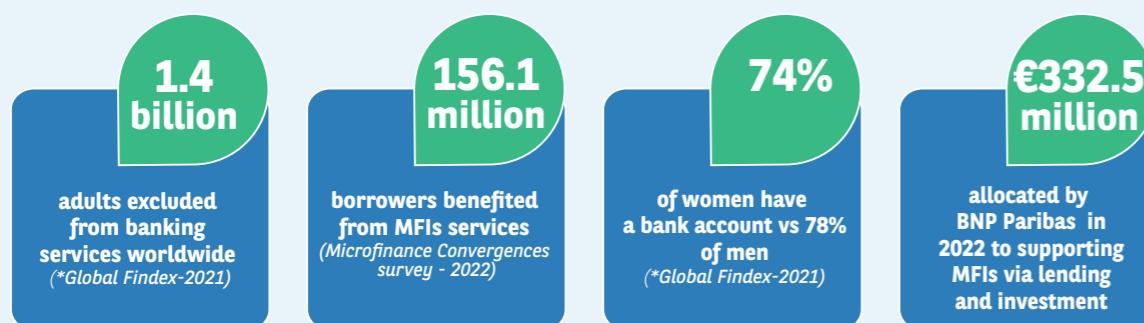
<sup>1</sup>Former Chairman of the United Nations Expert Group on Poverty Statistics

<sup>2</sup>Association for the development of Economic Initiatives, largest microfinance institution in France

<sup>3</sup>Number of beneficiaries of products and services promoting financial inclusion

<sup>4</sup>Corporate Social Responsibility

<sup>5</sup>See inset on page 15

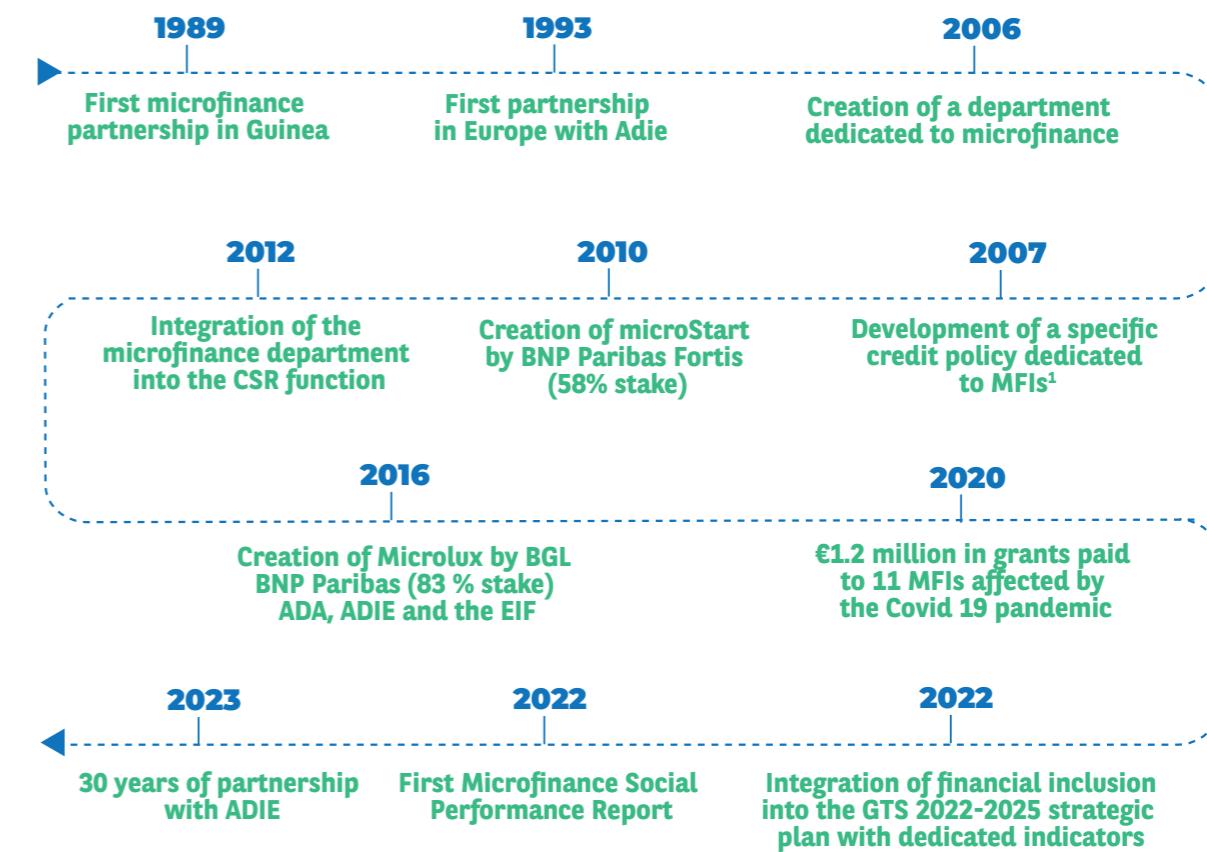


## Microfinance: a tool for financial inclusion around the world

The Asian microfinance market is the largest market in terms of the number of borrowers, followed by the Latin American market, which is the largest market in terms of outstanding loans. In both regions, microfinance is vital because it gives the poorest members of society a real opportunity to improve their situation. In emerging countries, emphasis is placed on the importance of promoting female empowerment, as women are considered to be the most reliable when it comes to repaying loans and amplifying the social impact of credit for the whole family. The concept of micro-credit is so powerful and promising that Western countries adopted it several decades ago, particularly in countries where BNP Paribas has a strong presence, such as France, Italy, Belgium, Luxembourg, the Netherlands and even the United States. To fulfil its social mission, microfinance cannot exclusively be a financial service, but must also be accompanied by financial education initiatives as well as other services related to the overall education and health of customers and their families.

Major changes are already taking shape for the next decade, such as increased digitisation of institutions and greater interest in achieving environmental performance.

## Microfinance and BNP Paribas: nearly 35 years of commitment to financial inclusion



<sup>1</sup>Microfinance Institution, Microfinance lenders

## MESIS METHODOLOGY

### Introduction

This publication combines data from 21 microfinance institutions (MFIs) in 13 countries, supported and financed by BNP Paribas in 2022. Drawing on the lessons learned from our first annual report, this report applies the MESIS methodology to assess the Group's microfinance activity.

It confirms BNP Paribas' commitment to capturing, measuring and analysing the social performance of MFI partners around the world, as well as their progress over time, while extending its reach to environmental issues.

### This study is based on the MESIS methodology

MESIS ("Mesure et Suivi de l'Impact Social" or Social Impact Measurement and Monitoring) was developed in 2016 by BNP Paribas along with Caisse des Dépôts and the INCO group, with support from KIMSO, a firm specialising in social impact assessment, and is structured in seven Fields of Social Action, including microfinance and support for entrepreneurship. Among the more than 400 indicators articulated around these Fields of Social Action, six were selected following numerous discussions with partner MFIs. These discussions allowed for a review of the current state of the social performance of microfinance around the world.

### MESIS implementation system

This applied research was conducted by a CIFRE (Industrial Convention for Training through Research) PhD researcher, who helped implement the impact measurement framework and the MESIS reporting methodology.

### How we proceeded

- ① Internal and external discussions on how to optimise the data collection process, using the ATLAS platform (developed by Microfinanza Rating) to track non-financial data
- ② Integration of two new social indicators
- ③ Addition of environmental indicators for the first time: 2 quantitative and 1 qualitative
- ④ Aggregation, analysis and presentation of MESIS data

### Fields of social and environmental action



MESIS provides a consistent framework with a set of indicators in order to:

- ① Advance the empirical measurement of social impacts;
- ② Support social enterprises, MFIs and impact investors, while measuring and emphasising the positive impacts of these activities for society.



## What indicators can be used to measure the support of microfinance to entrepreneurship?



**Number of beneficiaries** people who have an active microloan with one of the partner MFIs financed by the group in 2022.



**Average loan amount:** average loan per customer across all partner MFIs financed by the group in 2022. This indicator serves to ensure that the MFI is targeting low-income individuals.



**Number of hours of support and training:** the total number of hours that each partner MFI devoted to non-commercial support (individually or collectively) for entrepreneurship, management of savings and other financial education topics in 2022.



**Percentage of female beneficiaries:** the % of women among customers of partner MFIs financed by the group in 2022.



**Percentage of beneficiaries in rural areas:** the % of beneficiaries established in areas that each partner MFI declares as rural in 2022.



**Jobs created in the year of financing or support:** the number of jobs created or retained by micro-beneficiaries, including that of the borrower, financed in 2022 (calculated by each MFI).

## Direct and indirect performance

BNP Paribas' direct performance measures the resources (financial and non-financial) made available by the group to support the development of MFIs.

MFIs' direct performance represents the direct results of their activities on beneficiaries in 2022, to which BNP Paribas contributes indirectly with other fund providers.

## Theory vs. Practice: Readjustments and challenges

In 2022, when we wrote the 2021 report, we interviewed all of our MFI partners in order to better understand their strategies and their current needs in terms of impact measurement. From these interviews, we learned that MFIs collect different indicators based on their interests, national environment or investor requirements. As a result, some indicators were excluded during the first report and we ended up including the six social performance indicators that we could collect for all our partners.

For the 2023 report, we expanded the scope of our analysis with an increase in the number of social performance indicators and the integration of environmental indicators for the first time. We also automated the data escalation process using the ATLAS digital platform, thus minimising the additional workload for our partner MFIs.

During the data collection process, we found that the vast majority of our institutions were not equipped to monitor these indicators. We will continue to ask them to monitor their progress on these issues.

### New indicators



**Customers below the poverty line:** % of total customers below the national poverty line in December 2022



**Population without access to the banking market:**  
- % of new customers in 2022 who had never obtained a formal loan  
- % of new customers in 2022 without savings accounts



**Environmental indicators, see pages 18 and 19.**

The social performance and impact of microfinance are recognised by the United Nations since financial inclusion contributes to four out of the 17 Sustainable Development Goals (SDGs)



# Microfinance activity indicators: BNP Paribas and its partners

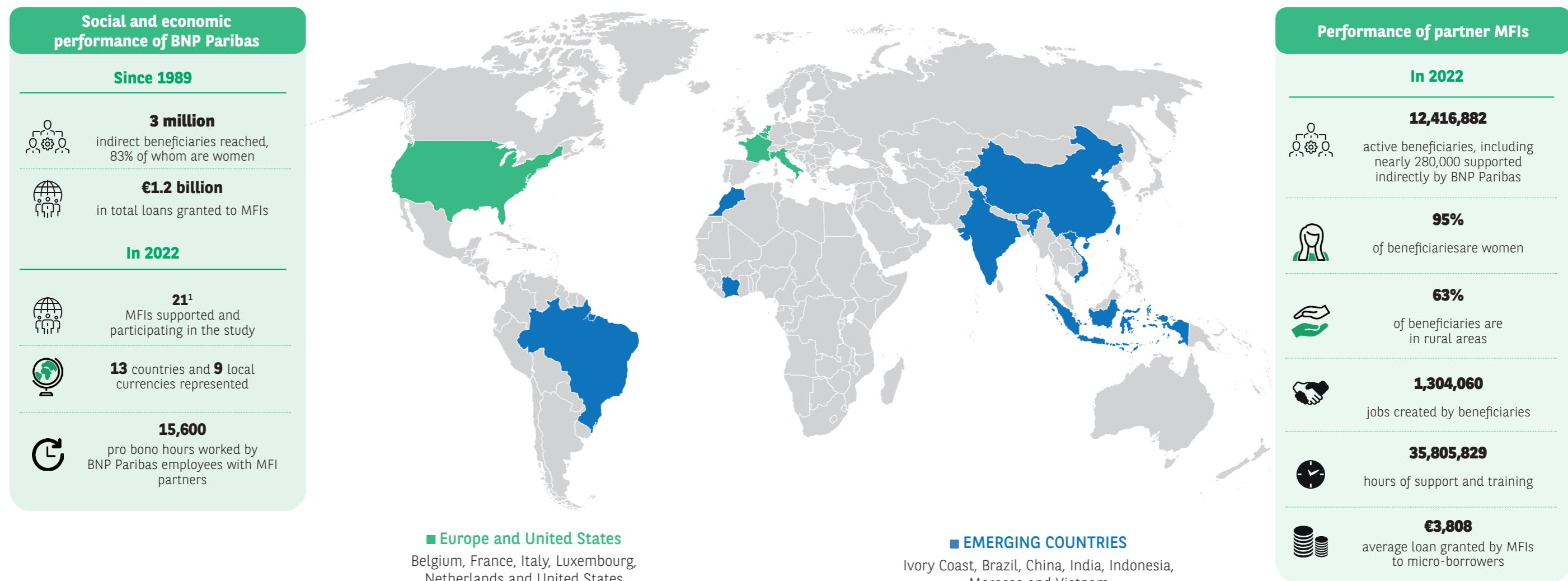
## Scope of partner MFIs included in the study



"There are still too many people around the world living without basic financial services. And yet such services are essential to developing entrepreneurial initiatives, providing economic security and promoting financial autonomy, particularly among women. That is why we support microfinance institutions working to finance the most disadvantaged members of society and ensure their financial inclusion."

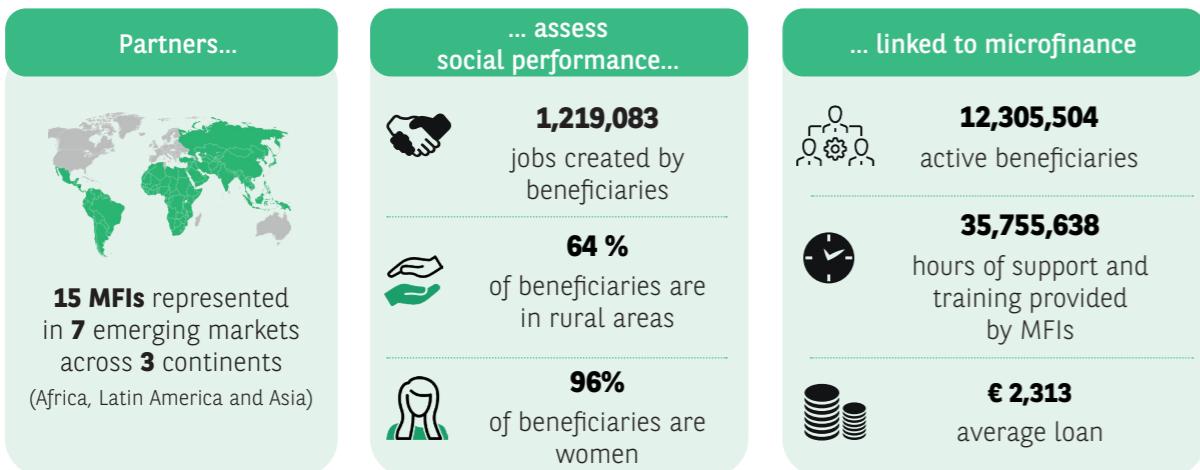
Claudia Belli

Head of Inclusive Finance and Relation with Civil Society



<sup>1</sup> 115 microfinance institutions in emerging countries, 5 MFIs in Europe and one in the United States

# Social performance of partner institutions in emerging countries



## Lai Thi Hein's success story

Customer of TYM, an institution financed by BNP Paribas in Vietnam

“ My name is Lai Thi Hien. I run a flower seed business. I've been with TYM for 3 years. With TYM's loan, I have a stable source of financing that allows me to invest in my business over the long term. The loan has given me the confidence that I can continue developing my farm. In addition, my income has increased by around 20% to 25%. Thanks to TYM, my monthly income is now VND 8 million (€312). I plan to use this money to send my three sons to college so they can have the best possible life. ”



Watch the video testimonial

The study covers 15 MFIs (3 more than in 2021) spread across seven emerging countries. The total number of beneficiaries increased by 55% compared to 2021, reaching a total of twelve million micro-beneficiaries, thanks in large part to the new relationship established with Indian MFI Fusion.

These institutions mainly target women (96%) and rural populations (64%). They helped create or preserve more than 1.2 million jobs. These institutions focus on supporting entrepreneurs, particularly through financial education, with more than 36 million hours of non-financial support.

In Indonesia, Komida promotes the empowerment of women in rural areas. Its customers clients are all women and 96% live in rural areas. The MFI primarily targets customers below the national poverty line by collecting data on housing quality, income levels and asset ownership. But Komida does much more than issue microloans. Training is provided for interested customers on a variety of topics such as health, financial education, entrepreneurship, children's

rights and education, prevention of family violence, child marriage and parental education.

In Morocco, Al Amana has launched a marketing support programme for its customers so they can better promote their products and services and thus increase their sales. To that end, the MFI offers micro-entrepreneurs an exhibition space on their website, which they can manage directly from a personal space, as well as assistance with registration in trade fairs and conventions. The institution also offers material support for the installation of stands, in partnership with the Mohammed VI microfinance support centre. Thanks to this solution, customers can access a larger market while developing their professional network.



## Interview with Devesh Sachdev, Chief Executive Officer of Indian MFI Fusion



### BNP Paribas has funded Indian MFI Fusion for 10 years.

Fusion has since become one of the largest MFIs in the country, supporting more than 3 million micro-borrowers.

### For each new loan, Fusion assesses the poverty level of its customers using the PPI<sup>1</sup>. What has this tool taught you about your social performance?

Fusion's objective is to balance its financial and social performance. The PPI is an important component of social performance that allows us to measure and check the economic growth of our customers over the years. It helps us keep track of the poverty level of all new and existing customers. It assesses the social impact on disadvantaged women entrepreneurs, most of whom come from marginalised communities.

In addition, CSR issues are central to our initiatives: 700,000 women and children have benefited from our programmes on health, nutrition, wheelchair distribution and menstrual hygiene management.

### What lessons have you learned from the impact assessment conducted on your microcredit activities?

The results of our research highlighted the positive impacts of entrepreneurship on the daily lives of our customers: improvement in household income, financial independence and better quality of life. It also showed that Fusion has helped its customers leave low-paying jobs to become self-employed. Furthermore, about one-fifth of our entrepreneurs are able to grow their existing businesses, which has led to an increase in average customer income.

Finally, one full-time job is created for every two loans granted by Fusion.

### Does Fusion have plans to develop the environmental impact of microloans?

We have already established an environmental policy to ensure that our loans do not have a negative impact in this area. We apply the IFC<sup>2</sup> exclusion list to our customers' activities in order to restrict granting of loans that could destroy natural resources and harm the preservation of the environment and society in general.

<sup>1</sup>Poverty Probability Index: index used to determine the improvement of a customer's economic situation over time.

<sup>2</sup>International Finance Corporation, a World Bank Group development institution focused on the private sector in emerging countries.

## Social performance in the Americas: Brazil focuses on the rural sector

Banco do Povo, based in São Paulo, Brazil, recently developed a partnership with ACER, an association that helps families in suburban areas by offering their children education and music courses. Together with UNHCR<sup>1</sup> and KIVA<sup>2</sup>, they also launched a business start-up program to promote the integration of refugees.

Another Brazilian MFI, Banco da Família, located in the Santa Catarina region, has innovated in the sector by offering low-cost loans to support sustainable development solutions. The institution offers lower interest rates when the loan is intended for sustainable projects, particularly those promoting the energy transition of families

through the use of solar power. In addition, one of their most recent products is an agricultural loan coupled with training courses on "best practices" in the sector. The goal is to help their customers combine profitability on the ground with more environmentally friendly agriculture, a key issue for the country!

<sup>1</sup>United Nations High Commissioner for Refugees

<sup>2</sup>Platform for Internet users to lend money to MFIs in emerging countries

### Jani's success story

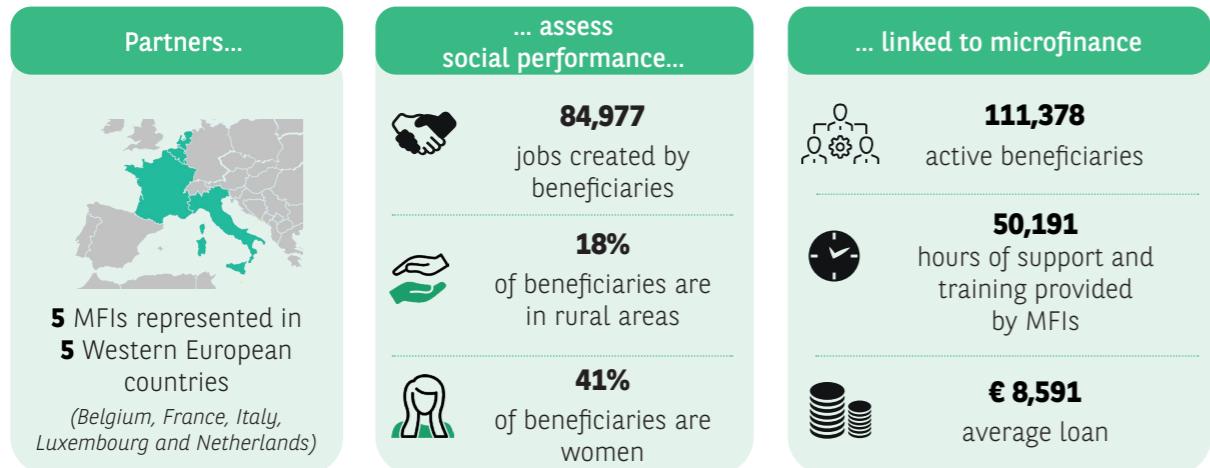
Customer of Banco da Família, financed by BNP Paribas in Brazil

“ My name is Jani and I have a pastel shop (pastels are sweet or savoury pastries) in Lages (Santa Catarina) where I have lived for 17 years. I love my work. I make pastels with beef, chicken, cheese, eggs... When I started my business, I only had one pastel stand. Since obtaining my second loan, however, I have been able to lease a lovely space to develop my business. Initially, I worked out of my home and not in a shop. But with greater sales capacity, I was able to install electrical facilities and put down ceramic tile. I also installed running water, larger tables and even a concrete table. My revenue has grown by around 50%, which has really helped me a lot. When I was sick and couldn't work for two weeks, I took out a loan to address this emergency and pay all my bills: rent, power and suppliers. When I returned to work, I had no debt to pay and was not at risk of having to close my business. That's how Banco da Família brought me stability when I couldn't work. ”



Watch the video testimonial

# Social performance of partner institutions in Western Europe



## Nabil's success story

Customer of microStart, an institution financed by BNP Paribas Fortis in Belgium

Born in Syria, Nabil arrived in Belgium 20 years ago. As a carpenter and amateur cook, Nabil was interested in continuing his carpentry training. Without documentation, however, he was denied access to training. Once his situation was resolved in 2010, he opened a snack shop in Brussels the same year, which he unfortunately had to close a year later. Nabil then took odd jobs, always driven by the goal to be free and independent. Nabil looked long and hard for the right place to open his restaurant and he finally found it. He opened his restaurant in the city of Walhain. Nabil's business plans were rejected multiple times, and it was at microStart that he found an open-minded advisor, Sarah, who helped him obtain a loan to pay his initial expenses. Nabil is now confident in his future because he is making his dream come true.



Nearly 110,000 customers have received a microloan from these five partner MFIs. The average loan size generally granted to entrepreneurs is €8,591 for European MFIs. In Europe, a microloan is limited to €25,000. Microfinance is still a local financing tool, as evidenced by this indicator: 50,191<sup>1</sup> hours of assistance and training devoted to successfully supporting entrepreneurs and their projects.

Dutch MFI Qredits provides entrepreneurs with a coach for support, no matter what phase of development their company is in. Coaches can step in from the start, when an idea is transformed into a viable business, but they can also provide support down the road, for example in solving administrative problems. For existing companies, training can also be offered to help customers looking to specialise, such as human resources management, crisis management and marketing. This support is provided by other entrepreneurs or professionals over periods ranging from 6 to 12 months.

Microlux, an MFI based in Luxembourg, also offers free training and workshops on various topics related to entrepreneurship, as well as personal and professional development. In addition, since January 2022, the institution has launched a new product called "*prêt d'honneur*" (honour loan) for the most vulnerable entrepreneurs, in addition to the usual loan. This consists of an interest-free, no collateral loan with deferred repayment of up to 24 months, the amount of which is based on the initial microloan. The beneficiaries of this product have 60 months to repay the loan with an additional cost of 3%, capped at €500.

<sup>1</sup>This number was down due to methodology changes between the two years of the study.

## Nickel: a powerful tool for financial inclusion

Nickel, a BNP Paribas subsidiary, promotes financial inclusion by allowing accounts to be opened condition-free. All it takes is an ID (Nickel accepts 190 passports) and a mobile phone number. Nickel distributes its current account and card offering in a network of more than 7,000 tobacco shops in France and at local point of sales (POS) in Spain, Belgium and Portugal. This scheme is open to all, including individuals subject to banking suspension, to make and receive payments freely.

By early 2023, more than 3 million Nickel accounts had been opened since its inception. Customers have the following profiles: an income of less than €1,500 per month (75%); unemployed, without regular income or living on benefits (30%); no personal address (30%).

Nickel is a major contributor to the achievement of the Group's indicator, aimed at increasing financial inclusion, consisting of the number of Nickel account holders and the number of beneficiaries of microfinance institutions supported by BNP Paribas.

## Interview with Laure Coussirat-Coustère, Deputy Chief Executive Officer of ADIE (France)



You keep close track of your social performance and social impact. What impact is ADIE most proud of?

Operational performance only makes sense if ADIE remains focused on its target audience, namely customers excluded from the traditional financial channels. ADIE therefore closely monitors an indicator that it invented: the social and financial exclusion score of its customers. Our association also measures the social return on

investment of its activity. By financing job-seekers or RSA financial aid beneficiaries (with the goal of freeing them from the need for social aid schemes and helping them start a business), ADIE creates value. Each €1 in support provided by ADIE generates €2.53 in gains paid out to the community within 24 months.

**ADIE and BNP Paribas are celebrating the 30th anniversary of their partnership this year. What has this collaboration help to achieve?**

Business, sponsorships, volunteer work, innovation... The partnership with BNP Paribas has taken multiple facets over time, starting with critical financial support since the very inception of ADIE. Initiatives have also been taken to integrate ADIE's customers into BNP Paribas' activity and to develop business introductions. Many missions have been carried out by BNP Paribas employees: improving our collection processes, building risk scores, etc. Finally, many BNP Paribas employees are involved as volunteers or in skills sponsorship programmes with ADIE.

**In 2017, you innovated with the first Social Impact Bond in France. What has this instrument, put in place by BNP Paribas, allowed you to achieve?**

In 2017, ADIE launched an innovative programme called "Regain" to improve its ability to reach entrepreneurs in low density rural area. Thanks to this "Social Impact Bond", ADIE was able to finance 561 people in roughly a dozen rural departments.

## Skills sponsorship serving MFIs

Sponsorship programmes serve the public interest. They are one of the foundations of BNP Paribas' corporate engagement. Some people, such as Benigno and Catherine, choose to focus their efforts on microfinance.



After spending 13 years at BNL, a subsidiary of BNP Paribas in Italy, and looking for new challenges, Benigno was appointed Chief Executive Officer of Italian MFI PerMicro in 2019 seconded by BNL.

"I am so grateful for this extraordinary opportunity to get involved in microfinance. From the beginning, I used my experience at BNL to create real synergy between the networks of both groups. When I arrived at PerMicro, BNL only hosted 6 branches of Permicro; after 3 years, this number increased to 18 branches. This complementary relationship between the Bank and MFI is also reflected in Permicro's customers, one-third of whom come from BNL. Together with the two institutions, we share the goal of creating a social impact, promoting the creation of new jobs and the dignity afforded by job-seeking."

Meeting the people who come to PerMicro, getting to know their stories, vulnerability and dignity, even in difficult situations, is something that changes you inside. I would never have imagined I would have such a beautiful and unique work experience. I am very pleased to have made this choice, with everything I have learned and how it has enriched my life."



After an internationally-oriented career at BNP Paribas, Catherine decided to join the ADIE branch in Saintes (Charente Maritime) as a project leader. Thanks to the Bank's skills sponsorship programme, in 2022 she was seconded by a 6-person team, including 5 volunteers, tasked with assisting, advising and supporting project leaders.

"I was able to meet 60 entrepreneurs with a variety of profiles who helped me realize I had made the right choice."

It is so rewarding to work with people who want to work hard, take on challenges and push their limits, and to help them find the right solutions. After 15 months with ADIE, my greatest source of pride is that I was able to adapt, and more importantly, that I confirmed that I made the right decision by choosing this path. I'm also proud to have helped some of my customers with their mobility problems by suggesting a rent-to-own offer where they could buy a new car by paying €50 per month over 4 years... I'll be retiring soon, but I plan to continue my experience by becoming a volunteer. I also found out that colleagues of mine at BNP Paribas are following in my footsteps!"

# Environmental performance of partner institutions

Committed for many years to the transition to a low-carbon and environmentally friendly economy, BNP Paribas elected to expand its scope of analysis for this report, for the first time looking at the environmental impact of its partner microfinance institutions.

The MESIS methodology added three new indicators in the "Microfinance and Entrepreneurship Support" and "Environmental Protection and Responsible Consumption" fields. These indicators shed light on the impact of MFI financial activities on the climate, biodiversity and customer vulnerability to climate change and biodiversity erosion.

The choice of indicators was made in partnership with the Just Sustainability Transitions<sup>1</sup> (JuST Institute), a non-profit co-founded by BNP Paribas and supported by the Global Environment Fund (GEF). The JuST Institute coordinates the initiatives of transition funding providers and gives them appropriate tools to help populations most vulnerable to climate change and biodiversity degradation.

Collecting these new environmental indicators has shown that environmental performance is secondary to the objectives of our MFI partners, which tend to focus more on their social performance. Note that there is a significant disparity between emerging and mature countries. In mature countries, the formalisation of environmental policy needs to be further developed.

Our main conclusions:

- 25% of MFIs surveyed report a portfolio of green loans totalling €36 million.
- 25% of MFIs surveyed have implemented an environmental strategy and are taking action to reduce the associated risks.
- 30% of MFIs surveyed say they assess their portfolio's environmental risk; half of the MFI portfolio is deemed to have a low environmental risk.



## Indicators

These indicators were developed in line with the indicators of the Green Index 3.0<sup>1</sup> from the e-MFP Green Inclusive and Climate Smart Finance Action Group. They are aligned with the four core standards of inclusive green finance, and in particular with the assessment of environmental strategy, environmental risk management and green products.

<sup>1</sup><https://www.e-mfp.eu/green-index>

### ENVIRONMENTAL OBJECTIVES

01



Does the microfinance institution have a documented strategy specifying its intention to achieve the following environmental objectives:

- Reduce the negative impact of its customers on the environment
- Reduce customer vulnerability to climate change and environmental degradation
- Reduce customers' negative impact on the environment
- Promote the adoption of green practices and technologies and meet customer requests/needs

### POTENTIAL BORROWER ENVIRONMENTAL RISK ASSESSMENT

02



Loan portfolio, in volume and % terms, with high environmental risk -> two response fields for each risk category:

- one for the gross amount of the loan portfolio
- one for the % of the loan portfolio

Loan portfolio, in volume and % terms, with medium environmental risk

Loan portfolio, in volume and % terms, with low environmental risk

### GREEN FINANCING

What percentage of the MFI's gross loan portfolio finances green practices or technologies such as:

- Renewable energies
- Energy efficiency
- Sustainable agriculture
- Clean water and sanitation
- Circular economy
- Sustainable mobility





We would like to thank the MFI partners which received BNP Paribas financing in 2022 and participated in this social and environmental performance study:

2022 scope:

Adie, Advans Côte d'Ivoire, Al Amana, Annapurna, Banco da Família, Banco do Povo, CEP, CreditAccess Grameen, Fusion, Fondation Arrawaj, Grameen America, Komida, MBK Ventura, Microcred Sichuan, Microlux, microStart, PerMicro, Microcred Nanchong, Qredits, Thành Hoà, TYM.

We would also like to thank the European Microfinance Network (EMN), European Microfinance Platform (e-MFP) and its Green Inclusive and Climate Smart Finance Action Group (GICSF-AG), Microfinanza Rating (MFR) and the JUST Institute for their analyses and contributions.

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