

From Insights to Action: How Incofin Leverages MFI Index Data to Drive Impact – English Transcript

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00:16

Hey everyone! A big welcome to all of you, no matter if it's morning, afternoon, or evening where you're tuning in from. It's great to chat with you as part of this year's Financial Inclusion Week. I'm Pranav Sridhar from 60 Decibels, and I'm really excited to have this conversation with Ben from the Impact and Risk team at Incofin. Let me quickly outline what we'll be doing for the next 30 minutes, and then we'll dive in!

00:43

"Alright, let me start with a quick intro. So, 60 Decibels is a microfinance index, and it's an annual project aimed at helping impact investors and financial service providers connect better with the communities they serve. I'll also give a brief intro to Ben and his background, and then we'll really get into it. After Ben talks about Fin's work, we'll dive into how an impact-focused investor like him considers end client impact data and how they use that."

01:15

"First, it's all about understanding so we can grow and make a bigger impact over time. Before I get into that, I have one important request for everyone joining us from all over the world: please don't hesitate to ask questions or share comments in the live chat. We'll try to leave about 5 to 6 minutes at the end of the 30 minutes for your questions. So feel free to jump in with any thoughts you have that we can discuss."

01:42

"To make this discussion more relevant and engaging for you, I'm going to share my screen. But before I do, I just wanted to mention that I'm with 60 Decibels, which focuses on financial inclusion. We really aim to help our clients measure their impact on communities and financial inclusion. Over the past few years, we've been working to grow the index and make it super valuable to the community. Ben comes from..."

02:10

"Hey everyone, I'm Ben Wallingford. I'm on the risk, ESG, and impact team at IncoFin Investment Management. I've got a lot of experience in investment management and also

spent time in research focused on financial inclusion. I'm excited to bring all these perspectives into our chat. Looking forward to it!"

02:39

"Today's been great! So, I'm going to share my screen now, and Ben, just let me know if you can see it. Awesome! So, I'll take a couple of minutes to introduce the Microfinance Index. It's really all about celebrating the voices of the customers, communities, and end clients that microfinance institutions and financial service providers around the globe aim to help. We've been running this initiative for three years now."

03:13

We're heading into our fourth year as we approach 2025, but it really started back in 2022. That's when we first systematically gathered feedback from nearly 18,000 borrowers across 72 microfinance institutions, or what we now refer to as financial service providers. We expanded that to about 115 providers and over 50,000 borrower voices last year. So far this year, we've listened to a total of over 88,000 voices, which is incredibly exciting!

03:44

"We're gathering voices from over 46 countries worldwide, in more than 80 local languages. Our goal is to reach over 100,000 voices next year. Before we dive in, Ben will share how we're using this data, but I wanted to give you a quick overview for those who aren't familiar with the kind of data we usually collect. As you can see..."

04:11

"On your screen, we gather data on various impact areas, like access to financial services and financial inclusion, specifically looking at microfinance loans. We examine how these loans affect businesses and households in the communities that receive them. We also need to consider important questions about client protection, which we'll discuss today, especially regarding the potential risks we should be aware of and work to minimize in financial inclusion."

04:39

When it comes to serving historically underserved customers and communities, there's a lot to consider. It's not just about the immediate effects of microfinance; we also need to look at how it helps build long-term resilience against financial shocks. Plus, we should focus on themes of agency—like empowering people to have the ability and autonomy to pursue their financial goals. That's really important.

05:06

"Before I get started, I just want to give you a quick look at the different kinds of partners we work with to make this happen. You'll see it's a mix of foundations, impact investors, development finance institutions, international nonprofits, and more. These organizations really focus on listening to the communities they serve in their countries. And, of course, we'll be talking to one of them."

05:33

Alright, so today, let's get right into it. Ben, could you kick things off by telling us about what Incofin does? After that, I've got a few questions ready for you. Sure, thanks, Pranav! So, Incofin is an impact investor that's been around for over 30 years. They manage more than 10 different funds, focusing mainly on three key areas, one of which is financial inclusion.

06:05

We're focused on sustainable farming and making sure people have clean drinking water. We offer both loans and equity, along with technical support to our investments. We manage over 1 billion USD globally, and ultimately, we're investing to make a difference. Each of our investments is not just about making money; we also aim for positive environmental, social, and governance (ESG) impacts. We've teamed up with 60 development banks as part of the microfinance index, which has helped us gather valuable data on outcomes for our clients and projects.

06:43

"In various areas, including both MFIs and agricultural companies, I'm really looking forward to our chat today. Thanks to everyone for being here; it's fantastic! Ben, you mentioned right at the start that you're into impact, and I'm always curious about that. 'Impact' is such a broad term—it means different things in different contexts, and different organizations have their own ideas about what impact really is."

07:12

So, my biggest question for you is, what does "impact" mean at Incofin? Well, we've summed up our approach to impact in our mission: we invest for impact to drive inclusive progress and sustainable transitions. This means we're not just investing responsibly; we're investing with real purpose and aiming for positive results, whether that's social or environmental. And when we talk about inclusive progress, it's not just about growth for the sake of growth, but making sure everyone benefits.

07:55

We're making progress in a lot of ways, whether it's helping our clients improve their lives or ensuring that women and men have equal opportunities. We're also focused on sustainable transitions, which means our investees and their clients are working within the planet's limits and adapting to climate change to become more resilient. As part of how we manage our impact, we use an ABC structure for our overall framework.

08:31

It's about managing sustainability risks, focusing on avoiding harm, while performance management is all about benefiting our stakeholders—whether that's our investees, end clients, or local communities. So, to sum it up, it's really about moving beyond just growth for the sake of growth and instead thinking about inclusive progress and how to make real, measurable strides toward that bigger picture.

09:00

"That's really helpful! So, if we zoom out a bit, the main mission here is to work towards that bigger picture. But if we focus in for a moment, our work at 60 Decibels and with Incofin is all about giving you a grassroots view of the positive impact you're making, as well as any potential risks that might come up that we need to address. So, my next question is..."

09:26

How has listening to the communities you serve helped you understand and work towards achieving your goals? Well, we need to listen to our end clients right from the beginning and throughout the life of our funds. We start with an impact hypothesis focused on the end client, and this is part of our funds from day one, backed by a solid theory of change. It's really important to have that in place.

10:08

We need to take a hard look at whether our theory of change is actually working like we thought it would. To do that, we really need to hear from the end clients about what's going on and what impacts they're seeing. Plus, it's crucial to remember that things can change really fast—like shifts in the economy or political climate in the countries we're working in. So, we have to keep checking in with clients regularly to stay updated.

10:48

Let's see if we're looking at something that isn't really a problem anymore, or if the issue is actually bigger or different than we thought, which might mean we need a new strategy. It's really interesting. One question that pops into my head based on what you just said is if you

have any examples, either from our work together or just from talking to communities, that have helped clarify things.

11:24

I find what you said really interesting. There are big economic trends you need to keep an eye on, and then there are specific issues or challenges that institutions face with their customers. Plus, there might be some unexpected things that challenge the assumptions you had when you made your investments, which means you might need to take another look at those.

11:49

Sure, I'm curious about your investment strategy. Can you share any insights, big or small, about how data or listening to communities shapes your work? That's a great question! I think it's important to talk about the survey results with each investor and figure out how to interpret and use those findings. In some cases, we've found it helpful to create an action plan based on what we've identified.

12:25

There are definitely areas we need to improve or just figure out more, you know? For instance, there's an investor in Kenya who had two key takeaways I want to mention. One is about client protection; the survey found that only 64% of clients understand the interest rates and fees for their loans. Ideally, this should be 100%, which means about a third of clients might not really get it, even though the company is trying to be clear.

13:03

They need to have policies set up to make sure that the investors are checking in with their clients and branch offices to get a better idea of what's going on and fix any issues with how they're running things. Also, there was another finding about whether the end clients have seen an increase in their income because of the loan, and it turns out 40% of the men said yes.

13:41

It's made a big difference, especially since only 30% of women felt the same way. It's really interesting because the investor has loan products specifically designed for women's unique financial needs. So, this was kind of an unexpected finding, and now we're digging into it to see how we can improve those products and better support women clients. It's super interesting! I just want to take a moment to say I'm really excited about the questions coming in the chat.

14:19

"I've definitely seen those, and we'll get to them in a few minutes. I just wanted to pause on both examples for a moment because they're really interesting. It's a nice lead-in to my next question about listening to communities. It's important for figuring out if we're actually making progress toward our goals, but also to identify any potential risks."

14:43

"That could hold back reaching those goals that need to be addressed and handled over time. So, for example, when you mention understanding interest rates, it's concerning that about a third of the people surveyed might not fully grasp their interest rates and terms. I guess the bigger question for me is that we always want to encourage understanding, and as an investor, I'm curious about..."

15:08

"How do you encourage a culture of reflection, learning, and improvement at your financial service provider? Instead of worrying about pointing out issues—especially since you're in a position of power as a capital allocator to these institutions—how do you create a partnership where the focus is on listening and improving, rather than getting defensive about things that might not be working?"

15:37

Sure, you nailed it in your question. It all starts with how the company is brought into this exercise to get everyone on the same page about its purpose. This isn't about rating the company; it's more about learning from your clients about the possible impacts and figuring out where improvements can be made in the impact strategies, practices, or product offerings. From an investor's point of view, that's what I would say.

16:23

We also see it as a sign of transparency that the partner is going through some sort of independent third-party impact assessment or measurement. That's great! I just want to highlight that again, Ben, because this isn't the first time I've heard from an impact investor like you that the data from listening is almost as important as actually taking the time to listen. It shows a real willingness to engage.

16:55

Put yourself out there and really get a feel for what's working and what isn't. It's important to have others take a closer look and collaborate with you to understand and enhance your impact. So, it's a great point that we shouldn't just focus on the data and results, but also

take a step back to recognize and appreciate the commitment to listening to communities. We need to find ways to integrate that feedback into our approach.

17:21

"Organizations are really helpful, but then there's this surprising difference when it comes to income—men are earning more than women. This is interesting, especially since there was a product aimed specifically at women. I know this is a tough question, so I get if you don't have a perfect answer, but I'm really curious about your thoughts on it."

17:47

It's one thing to realize something isn't going as planned, but it's a whole different ballgame to suggest practical ways to fix it. I'm interested in ideas for how the data could be more useful or how the organization can really tune in to turn insights into better products that will actually boost income for women like it does for men.

18:21

It's pretty helpful in the reports we found, you know, with breakdowns of each question, whether it's about client protection or impact. They compare things like women versus men and other segments of the data. That's definitely something to think about—making the analysis stronger by looking at the data from different angles based on client characteristics. And, of course, the benchmarking in the reports is also a key point.

18:59

"We'll keep making the benchmarks stronger as more institutions in different regions and countries hit that critical mass for them to really matter. Got it? So, breaking down the data by things like gender is important too, along with those meaningful benchmarks, to see where performance is really good and where there's room to improve. I know that using certain methods might..."

19:33

Ben's talking about benchmarks, which basically means the specific survey questions tied to the impact dimensions I showed you. What's really exciting for us at 60 Decibels is that all the borrowers we're listening to get asked the same questions, just in their local languages. This lets us compare how well financial service providers are performing against other organizations.

20:01

So basically, if we have more local companies that are similar and they're all in the same area or even the same big country, the data we get will be way more useful. There will be a lot better comparison at a really local level. That's something we're definitely focusing on, but it's not easy.

20:26

It doesn't come together easily, you know? It's all about creating a space where people can really listen and get involved. It's definitely something we see as making a lot of sense. I just noticed we have about 10 minutes left, so before we jump into the Q&A—since there are a bunch of questions—Ben, what's some advice you can share?

20:50

"There's a lot of impact-focused investors and foundations out there who really want to measure their impact and hear from their communities, but it can get pretty complicated and messy. I'm curious if you have any tips for them. Yeah, definitely! I think it's super important to get direct feedback from the people you're trying to help about the impacts they're seeing. That way, you can make any necessary adjustments. It's also key to partner with a service provider who really knows what they're doing."

21:24

"We need to have a consistent and fair way of asking questions in the client survey. I think it's important to go over the results together with the investor. We should make a specific action plan based on what we find. Plus, we need to help the investor understand these findings in relation to their own impact management goals and the overall mission of their company. So, to sum it up, it's really about that."

22:03

"Highlighting how important it is to listen to the End Community, and then picking the right provider by gathering independent and unbiased information from the communities. Finally, it's crucial to dive deep into the data and details with the financial service provider involved. I really want to stress this because when you work together, they start to see the huge value in it."

22:25

"Thanks a ton for all the insights and perspectives, Ben. I'm going to look through these questions and throw one your way for you to think about while I tackle a couple related to methodology. One question I'd love for you to consider is how you think about making changes or moving forward."

22:48

I'm focusing on what I get, and this question is from Kosif. Thanks for that, Kosif! So, it's about how to handle communities and customers who are, in a way, struggling—kind of like non-performing loans. How do you approach helping those customers who might be in a tough spot? I'd really like to hear your thoughts on this, Ben.

23:14

You're investing not just for a purpose but also to make a profit, which I bet is a tough balancing act. I'll let you think about that for a few minutes. Now, a couple of quick questions about the methodology. First off, thanks, Alonso, for asking about how representative the investment data is. Just to give you some context, there are 127 financial service providers included in the 2024 edition of the index.

23:40

There are a ton of companies, and it's tough to remember exactly how many are in the portfolio off the top of my head. But I'd guess there are definitely over a thousand respondents, if not a lot more, from the financial service providers that we've invested in. So, that's a quick answer to your question. Now, Kashif has another question, and then Ben, I'll pass it over to you to discuss profit versus... you know.

24:03

I'm not really sure what he means by the Ki by vocc Method, so if you could explain that, that would be awesome. Sorry, I don't know that acronym. But when it comes to how we gather or utilize the data, all the information for the microfinance index is collected through phone interviews in local languages. We have local enumerators and researchers in over 90 countries worldwide.

24:28

Last I heard, we've got people actually picking up the phone and doing these interviews in a casual way. What's really cool is that we're trying out a bunch of different data collection methods, like SMS, IVR, and WhatsApp interviews. We're also looking into some new tech to make interviews smoother and to gather more in-depth data in digital settings. So yeah, those are some of the ways we're collecting data. Happy to share more if anyone has questions. Ben out.

24:53

Can you tell us about your investing and how you manage that? If I got the question right, you were asking about non-performing loans (NPLs) and how to take those into account. A

couple of thoughts come to mind: I think it's crucial to include clients who are dealing with NPLs in surveys like this, and ideally, even those who have defaulted, to get a complete picture. The tricky part is that these clients are usually harder to track down or get involved. But that's just my take.

25:33

You really need to understand the whole situation to get a clear view of the impacts happening both ways. And yeah, the issue of non-performing loans (NPL) is super important because keeping NPLs low is beneficial for both the institution and the clients. It helps make sure that operations are sustainable and that the desired outcomes are met. Alright, thanks a lot, Ben! I'm going to jump around a bit and address some other points.

26:05

"Okay, so one question I have is about how to turn the data into practical steps that can really make a difference. How do we make sure those steps actually meet the needs of the borrowers? I want you to think about that. On the investor side, I can throw out some ideas, but I'd love for you to consider it too. Also, I see a couple of methodology questions from Caroline—thanks a lot for that!"

26:32

The question about data sharing is a really good one. It's becoming a big concern in many countries where people want to make sure their data and personal information, especially what we call PII, is safe and secure. They don't want it to be sold unfairly or without their permission. I just want to reassure you that we're actively collaborating with our financial service providers and investment partners on this.

26:59

"We're working across countries to clarify how we handle the data we get, making sure we're following both national and regional laws. As a company, we're GDPR compliant with data protection and privacy laws in Europe, which actually covers most global data protection requirements. However, we do have specific strategies for individual countries when it comes to communicating and ensuring that we use or collect data appropriately."

27:29

We're handling personal info in a way that meets the country's rules, and we make sure to destroy it properly when our projects are done. It's definitely something we need to pay attention to, though, to stay compliant with regulations. And just to quickly address Alonso's point about the questions being subjective, I'll pass it over to you, Ben.

27:54

Great question, Alonso! I used to think that subjectivity meant it wasn't comparable or that it was just based on personal experiences. But what we've been working on is refining our methods to gather data on subjective questions in a way that allows us to quantify it and compare it for decision-making. So basically, when we're asking...

28:22

We're asking the same questions to thousands of people, and with this index, it allows us to gather data in a consistent way. We can then compare this data with similar organizations in the same area. We hope that some of these insights will be relevant across the board, and that the trends we're noticing—like areas where people are doing really well or where they could improve—actually reflect what people are experiencing.

28:50

So, our main goal is to gather a lot of subjective data using a mix of scaled questions and some qualitative ones. We also want to set benchmarks to really get a grip on what's working and where we can improve. Ben, I'm passing it over to you to help us figure out the impact and practical steps we can take from the data. I'll keep an eye on the chat too. Right, so when it comes to turning that data into real actions, we're still figuring out the best ways to do it ourselves.

29:25

The data, I think, starts with chatting with the investor about areas that need improvement. Once we dig into it and get a better understanding from the end clients, we never roll out a solution without their feedback. After we implement the fix, we should check in with the clients again later on to see if, for example, the client protection improvements are actually making a difference for them. Sounds good!

30:00

We've got just over a minute left, so let's quickly wrap this up. First off, thanks, Ben, for your response. Second, there's a great question about representativeness when we design an index. How do we make sure the data we collect truly reflects the borrowers of the financial institution? Right now, we ask for access to the whole dataset.

30:25

We usually get a database of customer contacts, but if that's not available, we end up with around 3,000 to 5,000 randomly selected contacts from the financial service provider. We make sure to consider key factors like gender, whether the lending is group or individual,

and the proportion of customers who are 30 days past due, so that the segments we talk to match the population averages. This helps us ensure that, at least randomly, we're connecting with representative groups.

30:54

We're picking people at random from that list to get a group that really represents everyone. I just want to stress that this is a work in progress. We're working towards getting better access to customer contacts, so we're talking to a representative sample, and hopefully that helps with the benchmarking. Since we're running out of time, I just want to pause here and quickly summarize a couple of things, Ben, that you and I talked about.

31:18

It's really important to listen to the communities involved, especially when you see how it can positively affect things like gender differences and income levels. We also need to be aware of the potential risks in these communities. The idea is that we're moving towards a time when more and more customers will really understand the loans they're getting, and they'll have ongoing access to data. This will help us keep a pulse on what customers need.

31:42

"Make sure the trend is going up and really working, like you said, team up with the financial service provider so they feel that partnership and can focus on improving instead of just defending their performance. There are some really great questions in the chat, and I know we haven't answered all of them. If you have any questions left, feel free to reach out to either Ben or me. We'd love to chat!"

32:04

"Alright, guys, it was great chatting! Thanks a lot for joining us. Ben, any last thoughts before we wrap up? Just a big thanks to everyone for being here. Looking forward to keeping the convo going! Take care, bye!"