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TARGETING AND INCENTIVISING GENDER- TRANSFORMATIVE IMPACT:

ACCELERATING DIGITAL SOLUTIONS TO
IMPROVE FINANCIAL INCLUSION
BEYOND ACCESS



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**Roots
of Impact**

Swiss Agency for Development
and Cooperation SDC

A FEASIBILITY STUDY FOR A GENDER-INCLUSIVE FINTECH FUND
JULY 2020

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EXECUTIVE SUMMARY

This feasibility study set out to explore the state of financial inclusion at a global level and dive into the depth of this market opportunity with a particular emphasis on the digital financial services space.

It zones in on the role that digital financial services and solutions can and are playing towards increasing access and supporting the achievement of increased usage and deeper financial inclusion outcomes. Findings and analysis shared in this report are based on desktop research and by conducting over 30 interviews with relevant and key stakeholders across the global financial inclusion spectrum.

The focus on financial inclusion is underpinned by the transformative role it can play in improving incomes, savings, make more funds available for education, health, family needs etc. Digital financial services offer immense potential to accelerate and expand access to financial services, as they can enable a wider reach to unserved or underserved market segments in a more cost-effective and sometimes, more user-centric fashion. Indeed, technological solutions have allowed for strong positive strides in improving reach but are often not as targeted to the needs and context that is specific for female users.

Given the increasing importance of FinTech in financial inclusion, this study set out with the aim of exploring the opportunity to increase targeted support for inclusive FinTech enterprises that are already supporting women, and to further incentivise other broadly inclusive FinTechs to go further in that direction.

The extent of the financial darkness that women lie in is too vast, given there are still about a billion unbanked women globally. Modern financial technologies offer an opportunity to bridge these access and usage gaps. What is astounding is that while gender cuts across all SDGs, a deep or primary focus on gender outcomes is far from being mainstream¹. With the development funding gap, the role of the 2030 global agenda and the current backdrop of the health, economic and social crisis triggered by the global Covid-19 pandemic, there is a degree of consensus around one point. Unless a gender lens is placed at the heart of leadership, solutions, responses and innovations, gender disparities and inequalities will exacerbate further.

The research and interviews confirmed the hypothesis that there is a timely opportunity to further deepen financial inclusion with [Impact-Linked Finance \(ILF\)](#) which refers to financial solutions for market-based organizations that directly link financial rewards to the achievement of positive social outcomes. While ILF is a newer concept, Roots of Impact has already successfully structured and implemented various Social Impact Incentives (SIINC) transactions², the first in a line and part of the broader toolkit of Impact-Linked Finance tools. In the past SIINC transactions we have seen stronger impact performance for the enterprises

¹ <https://www.cgdev.org/blog/still-less-half-gender-focus-development-finance>

² <https://www.roots-of-impact.org/siinc-programs/>

and a seamless and cost-effective set-up for both development funders and private investors. An example is that of [Clínicas del Azúcar](#), where up to USD 275,000 in SIINC payments, allowed for a projected 10,000 additional BoP clients within five years with a total of USD 7.5m in private capital being raised since closing of the SIINC agreement.

We think the fundamental structure of SIINC has been proved to incentivize enterprises to create additionality and enable funders to provide capital leverage and deeper impact. As such, this transaction-level approach is moving into its next phase of growth, enabling the modelling of this win-win-win structure across sectors, multiple enterprises, and targeting specific outcomes within an impact area or an SDG focus. This is where we see the potential to provide a catalytic fund structure where impact-linked funding will enable reimbursable investors to receive risk-adjust returns while generating optimized outcomes by the fund.

We see the opportunity to enable inclusive FinTech companies be more gender-focused going forward, and for those that already are, to be further incentivized, supporting them in their impact and growth trajectories.

This laser focus on improving women's financial inclusion, empowerment and overall resilience could really support a narrowing of the current gender gaps in financial inclusion. Moreover, with the current global pandemic backdrop and the looming depth of economic shock and contraction, there is an even bigger opportunity to leverage digital financial services. Now more than ever, we can utilise technology for good, reach underserved individuals and support revenue generating activities of women users and women-led business to provide greater digital capital, helping mitigate the economic and financial impact of the recession.

"We think the fundamental structure of SIINC has been proved to incentivize enterprises to create additionality and enable funders to provide capital leverage and deeper impact."

In terms of outcomes, we canvassed the realm of financial inclusion and also connected with leading players in the space to understand how synchronized the realm of measuring the impact of financial inclusion projects are. We concurred that there are gaps in this domain, particularly with a gender and intersectional lens. While there is important benchmarking work underway, there is space for deeper evidence, research and harmonizing around impact outcomes. We collated a set of output and outcome metrics (building off the foundational work of Social Performance Task Force, 2X Challenge, IRIS+ and Women's World Banking) that depict the improving financial well-being and livelihoods of women. This includes greater income generating activities, reduced poverty, better financial health and resilience, improved financial literacy and numeracy, enhanced ability to generate savings for their families and businesses will support women in moving further along their path of attaining gender equality. Also recognising the role that a supportive regulatory environment plays and the imperative to shift social norms in order to have a gender transformative impact, we have included indicators around the role of improved regulation and the benefit of increased awareness in engaging men.

In terms of the fund itself, there were many valuable insights gleaned that support our approach.

Given the nature of the inclusive FinTech sector, the persistent early stage funding gaps and the level of expertise and comfort associated and needed for a gender focus, alongside an appetite for catalytic funding, we are proposing the Gender-Inclusive FinTech Fund (GIFF) that requires a tailored and synchronized approach.

The fund's theory of change is to support existing gender focused inclusive FinTech companies, as well as to motivate other generally inclusive ones to be more gender focused (taking into account opportunity costs). This would enable the incentivization of more targeted outcomes around female financial inclusion at the BoP. These enterprises are going beyond simply increasing the numbers of women that have access to financial services and supporting stronger financial health, resilience and an enhanced ability to withstand economic and life shocks.

"In these uncertain times of crisis and the backdrop of the global economic, health and financial crises, we strongly believe that more aligned, catalytic funding vehicles that are gender-focused in their entire approach from design all the way to impact outcome verification, will help fill a funding gap, support innovative solutions and ultimately improve women's financial inclusion and the overall financial system."

We completed a set of spotlights to showcase how the GIFF would support four gender focused inclusive FinTechs to further expand their strategy of enhancing women's financial inclusion. While the scope of the feasibility did not allow for a complete modelling of the fund economics and the granular transaction level details, these spotlights and our research suggest that an integrated solution, coupled with a seamless structure and governance framework would be most suitable and facilitate a shorter go to market runway. In terms of structure, we believe the impact-linked funding tranche will enable the fund to provide its reimbursable investors with appropriate risk-adjusted returns, while generating optimized outcomes for the combined resources made available by both investors and development/ philanthropic funders. Including a First Loss Tranche can absorb some of the risk, thereby enabling more institutional investors to come on board. This will

improve the capital leverage. Overall, this structure can ensure there is maximum impact leverage and support the achievement of positive outcomes.

Finally, in these uncertain times of crisis and the backdrop of the global economic, health and financial crises, we strongly believe that more aligned, catalytic funding vehicles that are gender-focused in their entire approach from design all the way to impact outcome verification, will help fill a funding gap, support innovative solutions and ultimately improve women's financial inclusion and the overall financial system. This is imperative to ensure women are not left further behind in the wake of the global pandemic, and that the existing gender inequality gulf is stemmed.

Sana Kapadia, Roots of Impact

ABBREVIATIONS

ADFI	African Digital Financial Inclusion Facility
AFDB	African Development Bank
ASEAN	Association of Southeast Asian Nations
ATM	Automated Teller Machine / Automatic Teller Machine
B2B	Business to Business
B2B2C	Business to Business to Consumer
B2C	Business to Consumer
BCG	Boston Consulting Group
BMGF	The Bill and Melinda Gates Foundation
BoD	Board of Directors
BoP	Bottom of the Pyramid
CFI	Centre for Financial Inclusion
CGAP	Consultative Group to Assist the Poor
CGDEV	Centre for Global Development
DFAT	The Department of Foreign Affairs and Trade (Australia)
DFID	Department for International Development UK
EA & Pacific	East Asia & Pacific
EUR	Euro currency
G20	Group of Twenty
GCC	Gulf Cooperation Countries
GDP	Gross Domestic Product
GIFF	Gender-Inclusive FinTech Fund
GP	General Partners
GPIF	Global Partnership for Financial Inclusion
GSMA	Global System for Mobile Communication Association
IDRC	International Development Research Centre
IFC	International Finance Corporation
ILF	Impact-Linked Finance
IMP	Impact Management Project
LP	Limited Partners
M&A	Mergers and Acquisitions
MENA	Middle East and North Africa
MFI	Microfinance Institution
MIX	Microfinance Information Exchange
MSME	Micro, Small, and Medium Enterprises
OECD DAC	The OECD Development Assistance Committee
OECD	Organisation for Economic Cooperation and Development
P2P	Peer to Peer
ROI	Roots of Impact
ROSCAs	Rotating Savings and Credit Associations

SA	South Asia
SDG1	Sustainable Development Goal 1: No Poverty
SDG5	Sustainable Development Goal 5: Gender Equality
SDG8	Sustainable Development Goal 8: Decent Work & Economic Growth
SDGs	Sustainable Development Goals
SEA	South East Asia
SIINC	Social Impact Incentives
SME	Small and Medium Enterprises
SSA	Sub-Saharan Africa
SWOT	Strengths, Weaknesses, Opportunities and Threats
TA	Technical Assistance
TOC	Theory of Change
UAE	United Arab Emirates
UNCDF	The United Nations Capital Development Fund
USAID	United States Agency for International Development
USD	United States Dollar currency
WAM	Women' World Banking Asset Management
WLB	Women's Livelihood Bond
WOCAN	Women Organizing for Change in Agriculture and Natural Resource Management
WWB	Women's World Banking

GLOSSARY AND KEY TERMS

2030 Global Agenda	A global commitment to eradicate poverty and achieve sustainable development by 2030
Account Ownership	Defined as having an individual or jointly owned account either at a financial institution or through a mobile money provider
Additionality	The extent to which a proposed financing instrument and its terms mobilize additional private resources and makes a difference beyond what would happen anyway
Blended Finance	Use of catalytic capital from public or philanthropic sources to increase private sector investments in developing countries to realize the SDGs
Bottom of the Pyramid	Poorest of the socio-economic groups, at the base of the wealth pyramid (BoP)
Catalytic Funding	Form of funding that enables the improvement of the risk profile of an enterprise, thus mobilising greater capital and encouraging the flow of additional funding.
Concessional Funding	Type of funding characterised by below market return/rate. It is also known as "concessional capital", or "concessional finance".
Covid-19	A new strain of the infectious disease of the large family of viruses which may cause illness in animals or humans. In humans, several coronaviruses are known to cause respiratory infections
Digital Literacy	Ability to find, evaluate, manipulate, and compose clear information using digital platforms.
Extreme poverty	Considered as living on less than \$1.90 per person a day.

Financial Inclusion	Broadly defined as the access to useful and affordable financial products and services that meet the needs of individuals and businesses.
Financial literacy	Ability to use knowledge, expertise, and skills to manage financial resources effectively
Financial resilience	Ability to withstand external events and financial duress which are impacting a person's state of monetary affairs such as income and assets
FinTech	Technological innovations and tech-enabled financial products, services and solutions. For a more detailed explanation, please refer to the section "Getting Deeper into Digital Financial Inclusion"
First loss tranche	Capital which bears the losses prior to all the other source of capital. It is usually used in order to catalyse the participation of other investors that would not have entered the deal otherwise, thus mobilizing greater volume of capital that would not have been obtained otherwise. It is also known as "C-Shares", or "First-Loss Capital"
Gender Gap	All the kinds of discrepancies between men and women in terms of opportunities, status, salary, education, and other factors
Impact investing	Investment intended to generate positive and measurable social and environmental impact alongside a financial return
Impact Outcome	Observable and measurable social or environmental result
Impact-Linked Convertible	A loan with impact-linked interest rates or valuation cap and option for discounted future equity
Impact-Linked Finance	Linking financial rewards for market-based organizations to the achievement of positive social outcomes. It is an effective way of aligning positive impact with the economic viability of the investee enterprises.
Impact-Linked Loan	A loan with an impact-linked feature and potential loan forgiveness, which directly links the financial reward to the impact outcomes i.e. interest rate is linked to the achievement of social impact.
Inclusive Fintech	Broadly defined as the affordable and tailored access of fintech solutions targeting underserved segments of the population. For a more detailed explanation see the section "What is really inclusive?" in the "FINTECH: Business Models and Approaches to Impact" chapter.
Inclusive Fintech50	A competition that recognizes promising early-stage FinTechs that are aiming at driving financial inclusion around the globe
Innovative Finance	Broadly referring to non-traditional financing mechanisms that match an enterprise's business model, needs and stage of development, enabling the enterprise to raise capital to foster its development and ensure its success.
IRIS+	Generally accepted system for measuring, managing, and optimizing impact, created by the Global Impact Investing Network (GIIN)
RegTech	Considered as the use of modern technologies and software in the realm of regulatory, monitoring reporting, and/or compliance.
Remittances	Money that is transferred back from a foreign worker to an individual in their home country.

Revenue Share Agreement	Quasi-equity financing instrument in which periodic repayments are based on a percentage of the revenues up to a predetermined return on the investment
Risk-adjusted	A return that is appropriate for the level of risk of an investment. The higher the perceived risk, the higher the expected return needed to compensate for that risk
SIINC	Stands for Social Impact Incentives and it is a funding instrument that rewards impact enterprises with time-limited premium payments for achieving social impact. By linking public or philanthropic funding to pre-defined and proven social outcomes, high-impact enterprises can earn extra revenue and improve their profitability which in turn helps to attract additional investment to scale
Theory of change	Generally defined as an extensive description of how and why a specific desired change is expected to happen.
Unbanked individuals	Individuals who are considered to lack access to a bank account and to formal account at a financial institution
Underserved	Individuals belonging to a subset in a specific group that holds a relatively smaller percentage of importance. This usually refers to minorities based on factors such as gender, race, and ethnicity.
Valley of death	Refers to the phase past the seed stages of financing, when an enterprise can unlikely meet the return requirements demanded by traditional private equity investors and venture capital funds or provide for the adequate risk mitigation in order to have access to traditional debt providers such as banks. And as a consequence, the enterprise risks to fail due to the lack of funding.



INTRODUCTION

The objectives of this study included exploring:

- i) the market scope and opportunity for a gender-inclusive FinTech fund that is focused on furthering women's financial inclusion, economic empowerment and gender equality;
- ii) understanding the existing investment and blended finance solutions that are catalyzing the FinTech³ space to better identify the gaps and opportunities in the field;
- iii) zoning in on a specific range of sustainable FinTechs as possible investable entities, given their focus on improving financial inclusion access and adoption by women;
- iv) identifying the relevant impact outcomes of the Gender-Inclusive FinTech Fund (GIFF); and
- v) lightly fleshing out the fund structure and related partners (in terms of asset managers, partners, etc.). A thorough research and analysis process was applied; across desktop research, a round of over 30 stakeholder interviews and overall synthesis of these results.

This report is set up as follows. **First**, we undertake an in-depth market research to explore the realm of financial inclusion and how far it has traversed to meet the needs of the unbanked, and then focus on the role that digital financial services and indeed FinTechs play in accelerating access and usage. **Second**, we dive into the gender disparities that exist within financial inclusion, how digital financial services are being deployed and leveraged for and by women, highlighting the remaining gaps and opportunities. **Third**, we dive deeper into the FinTech sector itself sharing how it is structured, the types of business models, use cases and what it means to be an inclusive FinTech. Here we share analysis on how to categorise gender focused FinTech companies and solutions with the strongest potential to support women's holistic financial inclusion and resilience.

Fourth, we explore the funding landscape and how capital is currently being allocated towards financial inclusion, fleshing out the gaps towards inclusive FinTechs. In this section, we also share some highlights on the role that incentivization can play and propel a deeper focus on gender outcomes within financial inclusion. Having sketched out the market and funding level gaps, we present an initial framework of the fund structure that we believe could make sense to allocate more catalytic capital towards financial inclusion. Here we also canvas our theory of change, sharing impact outcomes that depict current best practices in the field around gender-specific financial inclusion outcomes. Finally, we share overall conclusions and outline next steps.

In the Appendices we share: i) supporting documents around our impact outcomes analysis, ii) regional snapshots on Sub-Saharan Africa, South & South East Asia

³ Technology-enabled provision of financial services

and the Middle East & North Africa regions and iii) further information on the types of impact-linked transaction types and ways to effectively deploy impact-linked finance approaches when undertaking investment analysis.

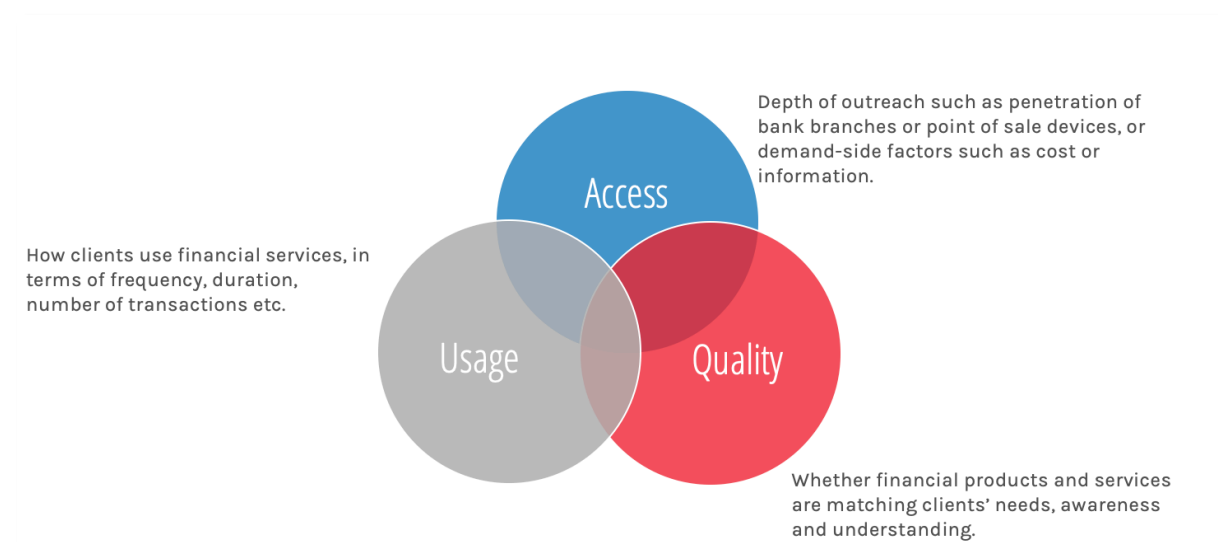
MAPPING THE GLOBAL FINANCIAL INCLUSION LANDSCAPE

FINANCIAL INCLUSION: STARTING FROM DEFINITIONS

The World Bank defines financial inclusion as individuals and businesses having access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance, all of which are delivered in a responsible and sustainable way .⁴ The UNCDF further shares that financial inclusion is how individuals and enterprises access and use a range of appropriate and responsibly provided financial services offered in a well-regulated environment⁵. The thread is that equitable, easy and safe access to financial products and services has the ability to support day-to-day living, and supports individuals, communities and businesses to not only support daily financial needs but also plan for longer-term goals and unexpected emergencies.

These supportive outcomes of being able to access our money, use, save, borrow and have safety nets for crises, may generally be a given for those of us in high income countries, but as we will illustrate with data in further sections of this report, for those in poorer economies and geographies, there are still wide gaps in terms of financial access, thus benefits of usage and resilience are further behind. The chart below describes the three-pronged approach that underpins financial inclusion. There are three key pillars as the chart below outlines- access, usage and quality and in order to be truly effective, the idea would be offer financial products and services that collate this nexus.

Chart 1: Financial inclusion is the nexus of access, usage and quality



Source: World Bank

⁴ <https://www.worldbank.org/en/topic/financialinclusion/overview>

⁵ <https://www.uncdf.org/financial-inclusion>

It is helpful to highlight this holistic view on financial inclusion, with an example of the purposeful shift that ecosystem builder and enterprise accelerator Village Capital has been making with *shifting their support of solutions from a narrow focus on financial access and inclusion to a broader focus on financial health and resiliency. This involves working with ventures who are helping lower-income households and small businesses save money, reduce costs, and manage income more effectively.*”

In addition to these three key pillars, there are the G20 principles for innovative financial inclusion⁶. These principles were developed with the aim of creating an enabling policy and regulatory environment for innovative financial inclusion by G20 leaders in 2010 in the commitment towards improving access to financial services for poor people. These 8 elements should be viewed as a systems level framework for how a deep, equitable and inclusive financial network and system can be constructed.

Chart 2: G20 8 Principles on Digital Financial Inclusion



Source: Global Partnership for Financial Inclusion

We bear in mind these three elements of access, usage and quality and the eight principles of digital financial inclusion as we explore the FinTech market, the fund’s approach and the parameters of the Gender Inclusive FinTech Fund (GIFF).

WHY IS FINANCIAL INCLUSION OUR STARTING POINT?

At a point in history where poverty is falling too slowly, the path to gender equality is not rapid enough, universal health and education are still uneven, there are some key levers that crosscut the Sustainable Development Goals (SDGs) and support the journey towards more equitable human development.

⁶ <http://www.gpfi.org/about-gpfi>

Harnessing and leveraging the power of improved access to financial services is one of these levers. To contextualize this, if we look at the Sustainable Development Goals (SDGs), while the SDGs do not explicitly target financial inclusion, greater access to financial services is a key enabler for many of them. Furthermore, while financial inclusion is couched within the domain of access to financial services, it is part of a bigger, systemic conversation around financial development⁷ and macro-level indicators, such as the vibrancy of the stock market and a country's ratio of credit to gross domestic product (GDP).

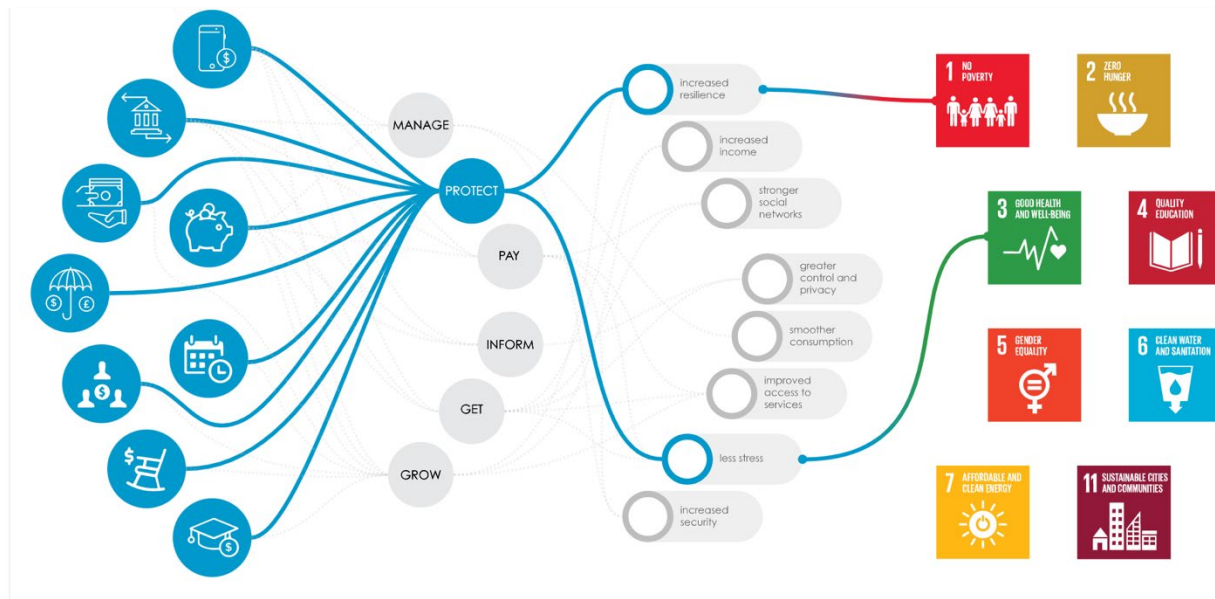
For example, looking at SDG1 that is focused on ending extreme poverty, including all people into the financial system enables a path out of poverty as individuals are better able to invest in education and business. Similarly, if we look at SDG5, improving financial inclusion for women can give them greater control over their finances, or improved digital financial footprints can support the access and usage of alternative funding sources to fund education, health and business needs, supporting the underlying goals of improving gender equality. There is a link also to be made with the 'leaving no one behind' concept outlined by the UN, which is an acknowledgement that the dignity of the individual is fundamental and that the 2030 Agenda's Goals and targets should be met for all nations and people and for all segments of society.⁸ This framing of 'leave no one behind' can ensure interventions geared towards the SDG's need to be inclusive and intersectional is a key element for sustainable development.

The chart below is a snapshot of an interactive tool built by UNCDF and BFA that breaks financial tools into their use cases (manage, protect, pay, inform, get and grow) and then links to outcomes (e.g. increased income, improved resilience etc.) and then to the underlying SDG. It is a helpful high-level illustration of the links between improved access, usage and quality of financial services and products and the achievement of sustainable development. This is an interactive tool and depending on what button you select a different visual emerges on one's screen. We are portraying it below as a visual representation of how the links work between the financial use case of 'protect' and the anticipated outcomes, as well as the underlying SDG's they are working towards.

⁷ https://www.cgap.org/sites/default/files/researches/documents/Working-Paper-Achieving-Sustainable-Development-Goals-Apr-2016_0.pdf

⁸ <https://unstats.un.org/sdgs/report/2016/leaving-no-one-behind>

Chart 3: Illustration of how financial tools are supporting the SDG's



Source: Financial Services Impact Pathways by UNCDF and BFA

Note: This is an interactive chart, and when a specific use case button is selected (such as protect in this instance), and the tool maps out the anticipated outcomes that match up most and the related SDG's.

Thus, expanding financial inclusion is a key component of systemic inequality shifts and part of the broader movement on sustainable economic and human development. If we continue to have excluded populations in the overall financial and economic system, individuals will still lie on the fringes of limited income, limited opportunities and continue being susceptible to economic and financial shocks. This is particularly exacerbated by dynamics around gender, race, ethnicity and other prevailing structural inequalities and social norms.

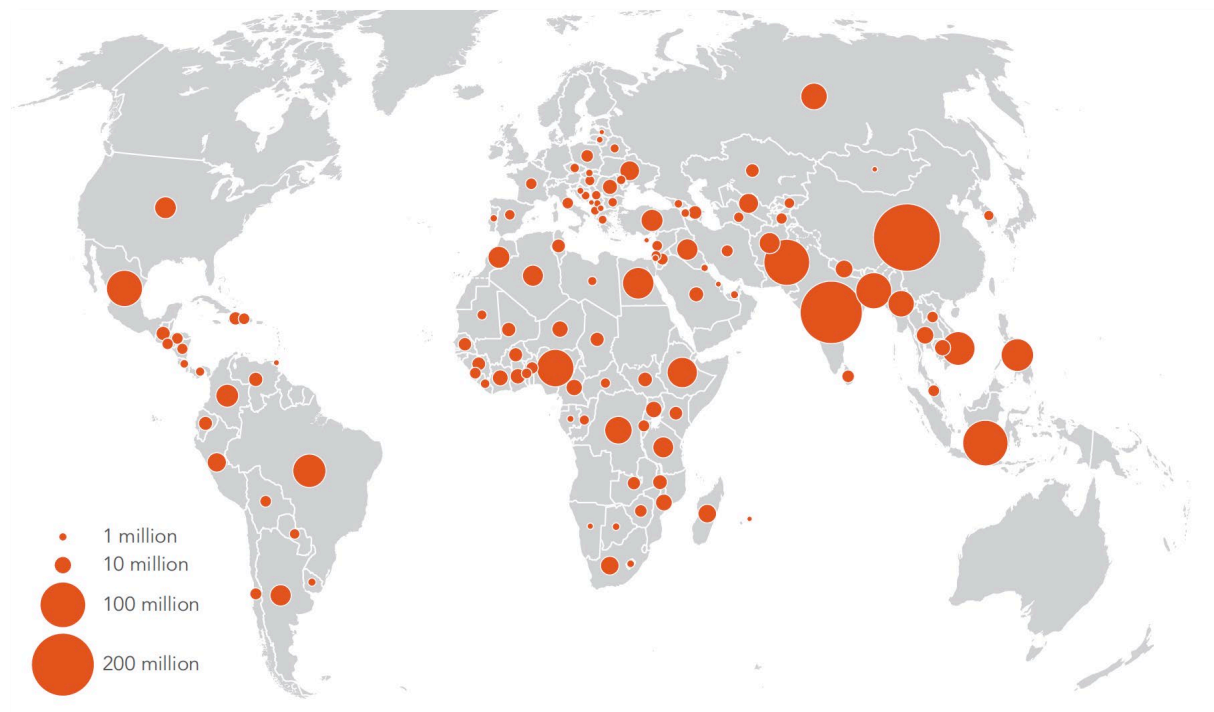
As mentioned earlier, the link with the principle of 'leaving no one behind' which acknowledges that the dignity of the individual is fundamental can be instrumental in ensuring interventions geared towards the SDG's need to be inclusive and intersectional is a key element for sustainable development. In fact, as Tara-Murphy Forde from Global Partnerships shared *"Financial inclusion is not just about access to a product, it is about trust-based relationships that provide clients with the information they need to make informed decisions"*. This trust needs to be built on an acknowledgement of the importance of human dignity, irrespective of context, gender, race etc.

SO, HOW FAR HAVE WE COME IN TERMS OF FINANCIAL INCLUSION?

As established above, access to finance and the wider financial ecosystem is a key factor for change in the development space. Ongoing positive strides have resulted in the number of globally unbanked individuals (without an account at a financial institution or through a mobile money provider) having decreased to 1.7 billion in

2017, from 2 billion in 2011⁹. Of this 1.7. billion, women make up 1 billion of the underbanked.

Chart 4: Globally 1.7 billion adults lack a financial account



Source: Global Findex Database 2017, World Bank

If we start looking beyond access and into usage, we see some interesting trends. As the chart below indicates, formal savings accounts comprise the majority for both the developing world and in the high-income countries, while when it comes to credit, borrowing money through other services, including mobile money services is the more common way of having access to credit in the developing areas. These data points are helpful to understand that beyond just providing access to financial products and services, how they are used is just as critical, as this affects the overall impact.

⁹ Findex report 2017: <https://globalfindex.worldbank.org/>

Charts 5 and 6: Global usage patterns of savings and borrowings (Source: Global Findex Database 2017, World Bank)

Chart 5: Adults savings pattern 2017, %

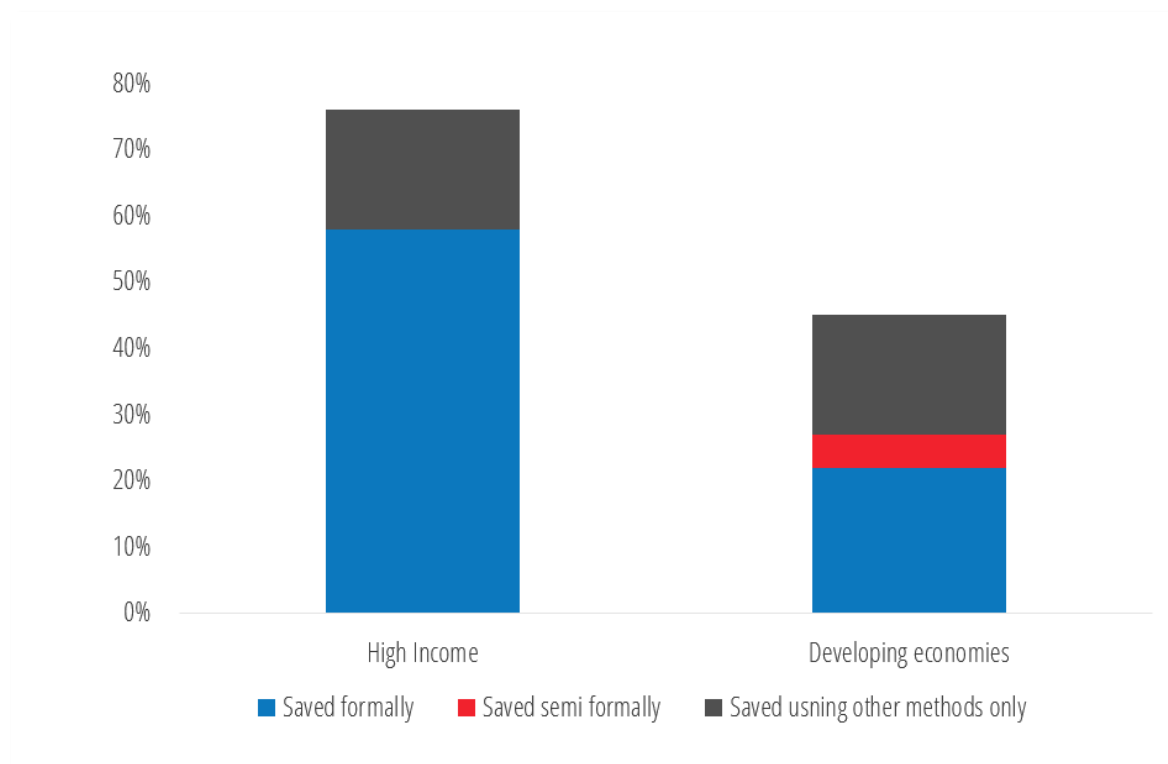
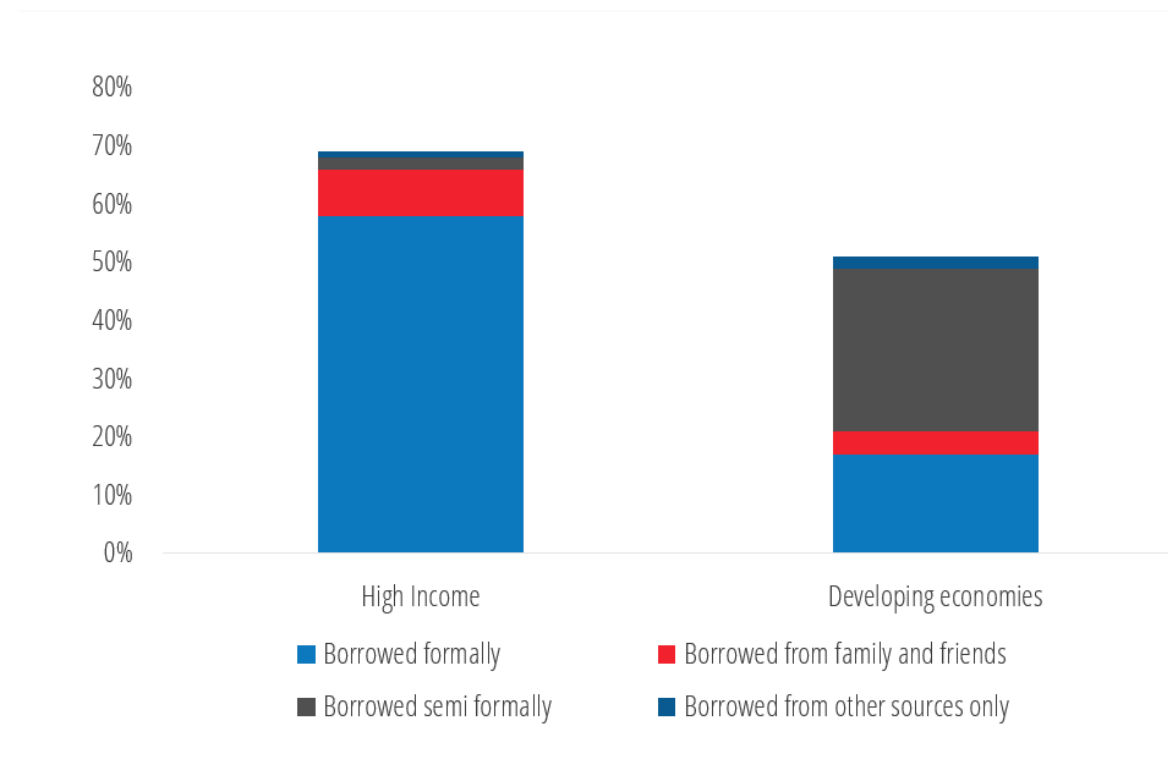
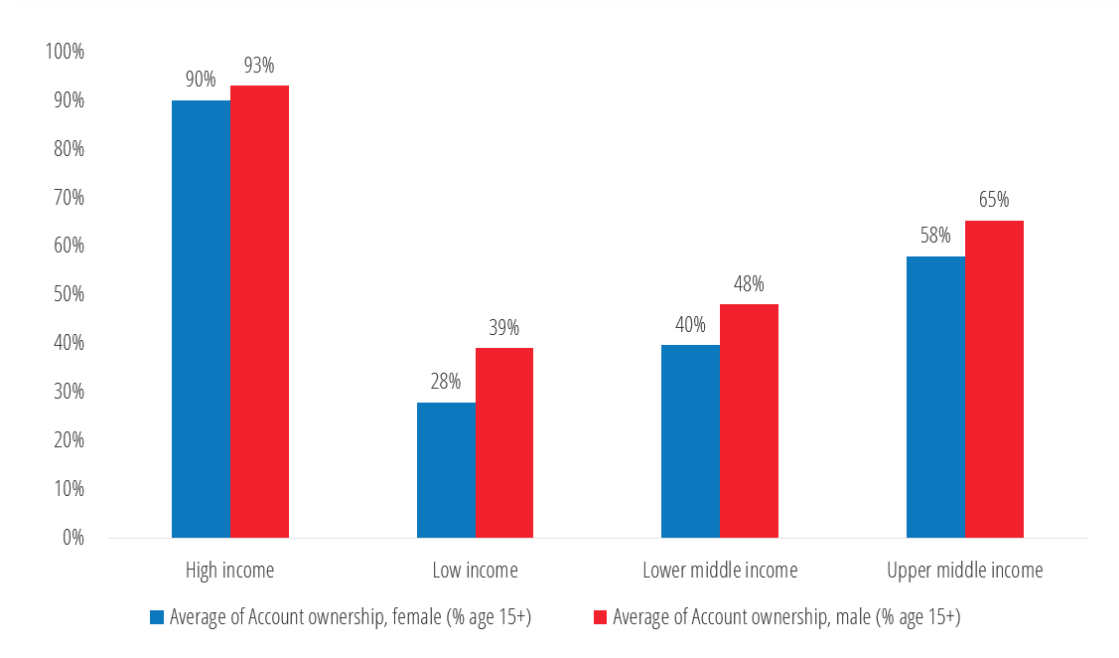


Chart 6: Adults borrowing patterns 2017, %



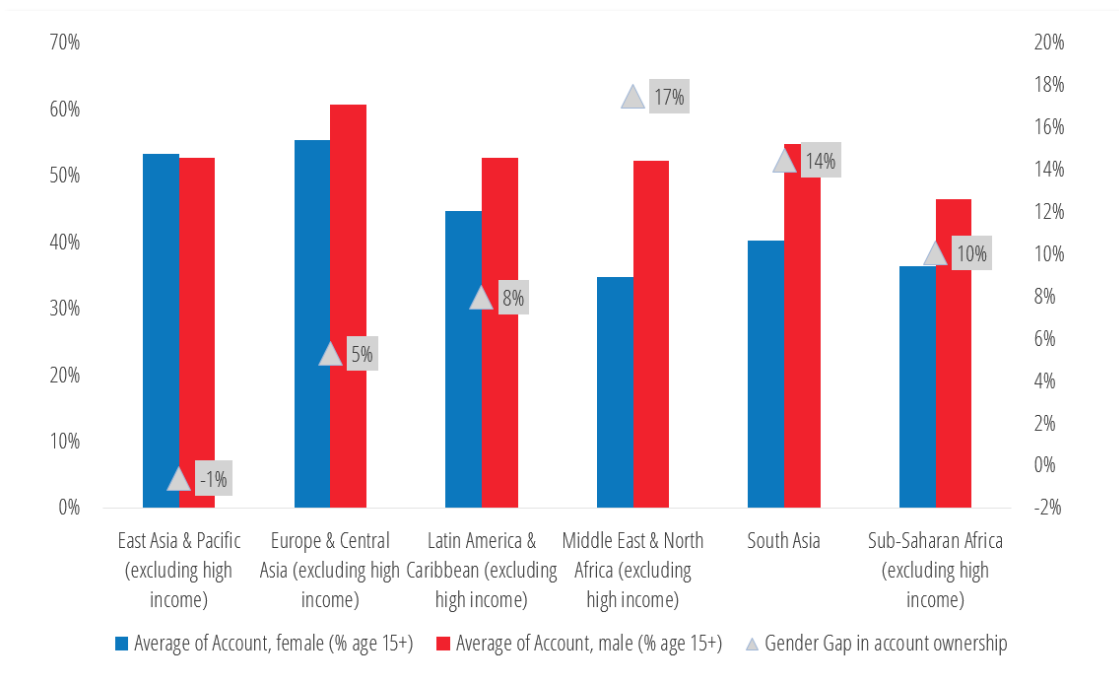
When we drill down by both income levels and regional levels, we see the disparity of ownership not only by level of income at a country level, but also start to see the gender gaps show up.

Chart 7: Disparity of account ownership persists by country income level and gender persists



Source: Global Findex Database 2017, World Bank

Chart 8: Regional gender gap in financial inclusion is most pronounced in MENA, South Asia and Sub-Saharan Africa



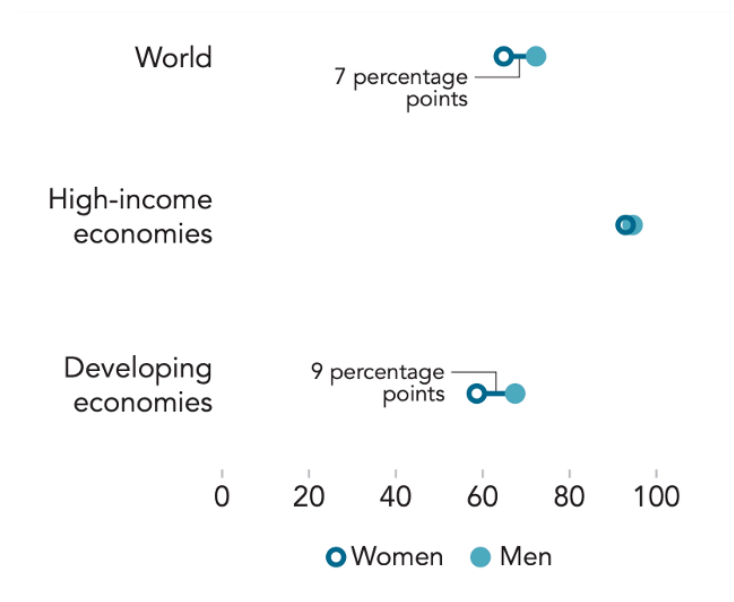
Source: Global Findex Database 2017, World Bank

This persistent gap in account ownership, and in certain regions more than others, is built on a number of underlying barriers such as educational attainment, labour force participation, income, cost, distance of financial services and finally lack of documentation and trust in financial institutions. The prevalence of different social norms and varying levels of regulation all need to be considered when understanding the scope of the opportunities and challenges in the financial inclusion realm.

DRILLING DOWN FURTHER WITH A GENDER LENS

As depicted above, inequality in account ownership persists with women making up over a billion of the 1.7 billion unbanked individuals. The gender gap of 7 percentage points shown in the chart below is wider for developing countries, with peaks of 24 percentage points in Nigeria, 28 percentage points in Pakistan, and 29 percentage points in Bangladesh. According to the Findex database, gender gaps in account ownership have remain mostly stuck where they were in 2011 and 2014¹⁰.

Chart 9: Adults with an account %, 2017



Source: Global Findex 2017

Thus, there is substantial room for improvement when it comes to gendered access to financial products and services. As an example, it is estimated that if in these three markets (Pakistan, Bangladesh and Nigeria) alone, access for women had grown at the same rate experienced by men, then a further 50 million women or a 9.5% boost on the new account holders would have been added in the three previous years.¹¹

Moreover, as the depth of financial inclusion is viewed as a three pronged approach of access, usage and quality, increasing the volume of unbanked women will work

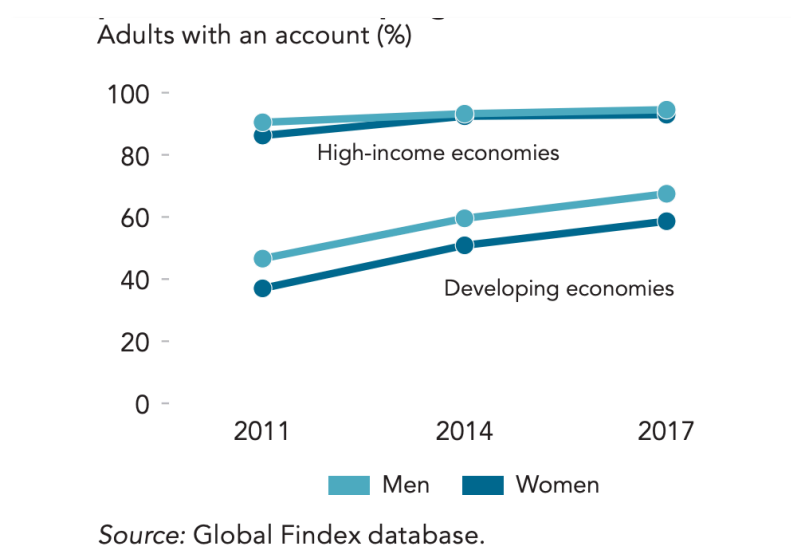
¹⁰ https://globalfindex.worldbank.org/sites/globalfindex/files/chapters/2017%20Findex%20full%20report_chapter1.pdf

¹¹ <https://globalfindex.worldbank.org/>

towards improving access, while usage and quality are part of a broader conversation on how financial products and services are designed, marketed, sold and the wider enabling factors. It is interesting here to highlight Elwyn of Women's World Banking who shared *there is a certain agility of FinTechs in emerging economies and their ability to enter new user categories and reach lower income segments*. In fact, FinTechs that have this agility are well placed to service the needs of their customers in a targeted way. At the same time, it is underpinned by different market elements in terms of the role of incumbents, openness for technology, rapid mobile usage and other factors.

As described earlier, financial inclusion is not simply about access, but also usage and quality. Expanding financial inclusion means ensuring users have access to financial products and services that are designed and delivered in ways that fit their context and needs. In the case of women and girls, it is about this access, as well as the training and education to use these services well, in order to derive the ultimate benefits of improved incomes, prosperity and well-being¹². In the charts below, we further illustrate these gender gaps. We depict the account ownership gap between men and women, and also the progression of gender inequality. On the right-hand side, there is the wider gender inequality index, which is going down albeit slowly, while the left-hand side chart indicates the persistent gender gap in account ownership.

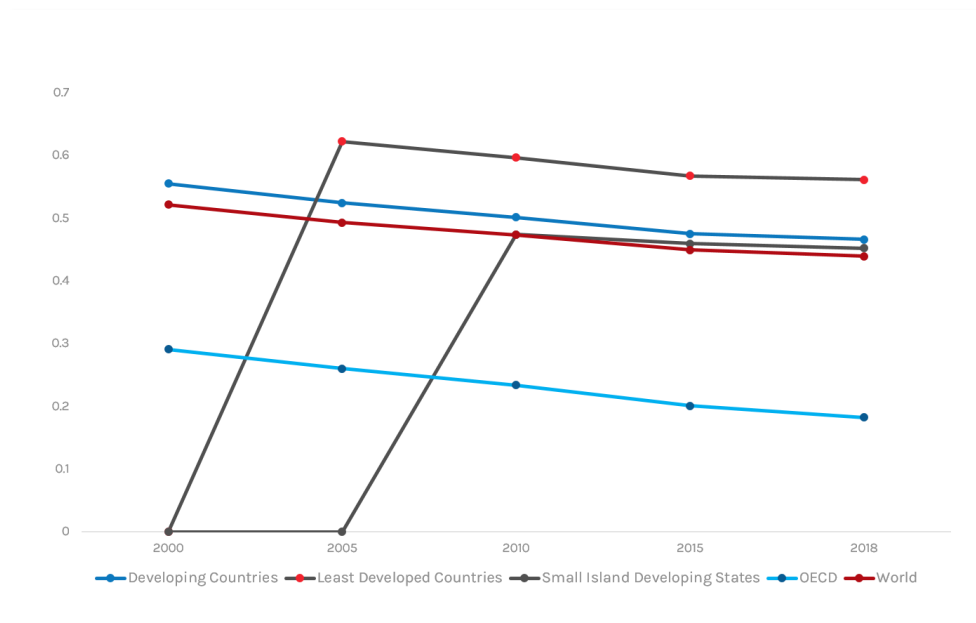
Chart 10: Persistent gender gap in account ownership: adults with an account %



Source: Global Findex Database 2017, World Bank

¹² <https://www.findevgateway.org/blog/2016/03/what-does-financial-inclusion-mean-women-and-girls-today>

Chart 11: Gender inequality index going down, very slowly...



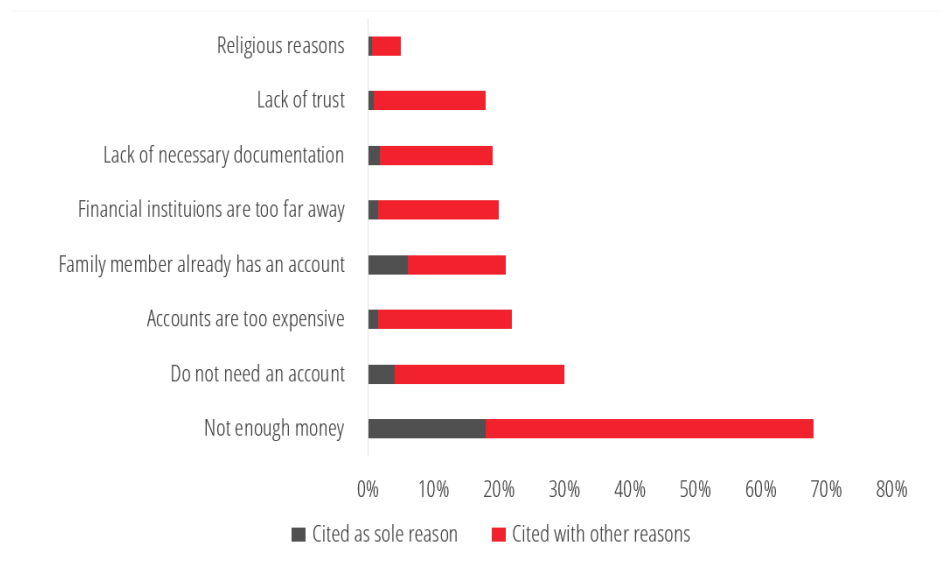
Source: Gender inequality index (UNDP)

All of this is to say, there are still big strides that need to occur for ensure gender equality, and within the financial inclusion realm, there definitely needs to be a big step change.

SO WHY DOES THIS GENDER GAP IN FINANCIAL INCLUSION PERSIST?

When it comes to women, there is a wide breadth of research underpinning the prevailing barriers as it relates to improved financial inclusion. The 2017 Findex report on financial inclusion depicts the following reasons outlining why there are more than 1.7 billion unbanked individuals globally. The chart below indicates the overall reasons for why these individuals (both men and women) are unbanked.

Chart 12: Most commonly cited reasons for being unbanked across all adults globally



Source: Global Findex 2017

Drilling into this data to focus on unbanked women

When we examine this overall data with a gender lens, it appears that in most cases and economies, women are citing not enough money, another family member having an account already (usually a male family member), distance from the financial institution and a lack of necessary documentation¹³. In terms of these two top reasons, they could stem from women being unemployed, working in the informal economy, not having access/control over one's earnings (due to social norms, cultural context etc.) Thus, interventions focused on improving gender outcomes, will need to explore why women face these barriers in their specific context, and how the solution can be designed, delivered, implemented and adopted to better suit the needs of this user group. For the poorest of the poor women, this could mean for instance, having direct deposits of government cash transfers to mobile wallets, without the need to have a digital identity check or other administrative barriers that would limit usage.

In addition to the reasons above, there are other prevailing socio-cultural norms and gender inequalities built into the wider economic and financial systems that need to be considered when designing, delivering and understanding the effectiveness of different interventions. These include:

- i) lower levels of education and financial literacy and capability,
- ii) legal and societal restrictions (e.g. title, asset ownership, identification etc.) and
- iii) limited decision-making power in some cases.¹⁴

Thus, both social norms and levels of education and financial literacy are relevant for design of solutions, such as shared by Women's World Banking *"with respect to the role of social norms, there can be an impact on the usage of digital financial services. For example, if you can only use your phone for incoming calls from a husband, or the interface and user experience is limiting and not tailored for women's level of financial education and digital literacy or has no factoring in of their specific circumstances, it will likely be less effective."*

THE CRUCIAL ROLE OF A STRONG REGULATORY ENVIRONMENT

Given that money and financial systems are not just about a means to participate in the economy, but also about power, there is understandably some hesitation around participation in the formal financial economy, particularly in the digital context. This tends to stem from technology itself, issues related to how data is handled, privacy, cybersecurity and other elements. In order to mitigate some of this, there is a need to have a strong regulatory backdrop. As highlighted above, the FinTech space is quite complex and there are numerous entry points, business models and use cases. Thus, in addition to supporting technological innovation, creating the regulatory tools to keep up with the fast pace of innovation is crucial. According to this seminal work by the FinTech Working Group of the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development

¹³ <https://www.newsdeeply.com/womensadvancement/background/financial-inclusion>

¹⁴ <https://financialallianceforwomen.org/download/exploring-fintech-solutions-women/>

(UNSGSA) and Cambridge Centre for Alternative Finance, important and valuable regulatory measures and programs can include¹⁵:

- **Innovation offices:** play a role in facilitating regulator-innovator engagement, improving an understanding of technology-enabled financial innovation and signal a pro-innovation stance, which, in turn could encourage inclusive FinTech.
- **Regulatory sandboxes:** formal programs that test financial services and business models with actual customers, subject to certain safeguards and oversight, enabling a better understanding of FinTech and developing evidence-based regulations
- **RegTech (regulatory technology):** specific programmes that can support more responsible delivery of innovative financial services, allowing regulators to swiftly respond to market developments and better protect consumers.

These types of initiatives can encourage financial innovation and while FinTechs can't control the pace, strength and depth of these regulatory shifts, keeping this context is important to recognise when thinking about the pipeline of investable, inclusive FinTechs.

ROLE OF IDENTITY IN FURTHERING FINANCIAL INCLUSION

Linked to this regulatory backdrop, is the role of documentation needed for opening a bank account or digital financial account. In many countries, the need for numerous different official documents, accompanied by having to travel to a physical branch location of the financial institution, to even open up an account, let alone participate in follow up activities, leaves many poor people, especially women, with little choice than the informal economy and informal financial solutions¹⁶.

There are some great examples across India, Pakistan, Uganda, Peru and other places where digital ID solutions at both a local and national level are emerging to bridge some of these gaps. For example, in the case of India, leveraging biometric technology to provide a unique identification number to the entire population has helped reduce the gender gap in account ownership from 20 percentage points in 2014 to 6 percentage points by 2017.¹⁷

Also, of note is the work being spearheaded by leading global non-profit Kiva and their initiative around Kiva Protocol. This is a programme that is allowing an implementing agency to create portable, user-centric digital identities that fulfill know-your-customer (KYC) functions across numerous participating financial institutions and allow digital identity to be extended to all levels of economic activity¹⁸. Kiva Protocol is looking to get verifiable, robust identity for the unbanked so that their credit history and the activity they are doing in the informal sector can be used by the mobile banks to gain access to enter the banked world. This innovation could truly be game changing for improving financial inclusion, particularly for women.

¹⁵https://www.unsgsa.org/files/2915/5016/4448/Early_Lessons_on_Regulatory_Innovations_to_Enable_Inclusive_FinTech.pdf

¹⁶ <https://www.findevgateway.org/blog/2020/03/empowerment-begins-identity>

¹⁷ <https://www.livemint.com/Politics/YogRPXZunExl21fTLfwPI/World-Bank-praises-Indias-Aadhaar-push.html>

¹⁸ <https://www.kiva.org/protocol>

For this initiative, Kiva is working with two partner agencies, UN Capital Development Fund (UNCDF) and UN Development Programme (UNDP), who have been on the ground in this Sierra Leone pilot project for more than a decade and thus have deep local context and experience. In addition, Kiva is working with the local government to support the creation of a digital identity system. These types of widespread and collaborative national ID related technology systems are quite noteworthy and important to facilitate further growth of financial systems.

GETTING DEEPER INTO DIGITAL FINANCIAL INCLUSION

FinTech refers to technological innovations and tech-enabled financial products, services and solutions that are reducing operating costs, increasing efficiency, allowing for wider reach of the financial systems. Generally, devoid of the physical bricks and mortar location, FinTechs are able to provide financial products and services to a broader range of customers, in a more efficient, cheaper and customer-friendly way.

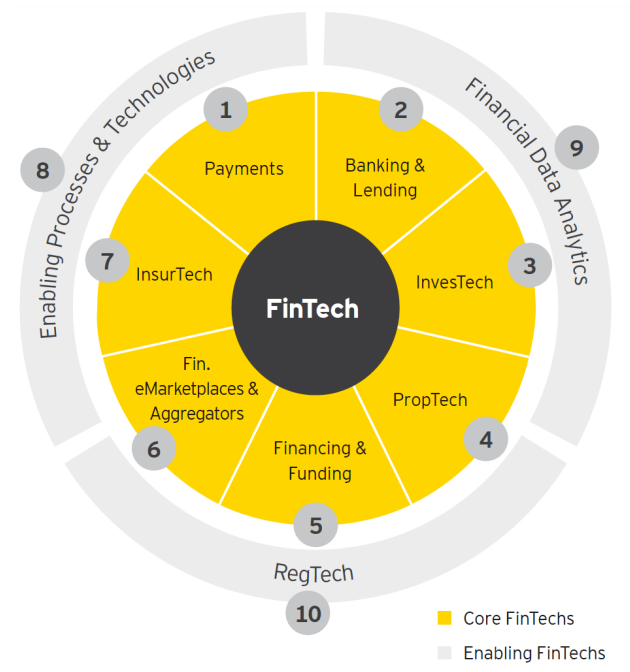
FinTechs are innovating at every step of the financial services value chain, often through new value propositions, including flexible products and better ways to address the financial challenges faced by (low-income) customers. They are making financial services more affordable and accessible. Some are also improving the customer experience of financial services and accelerating use and engagement. They are building the groundwork—including easier digital identity verification, collaborative customer due diligence, data sharing, and payment schemes— that can catalyze a host of financial services.¹⁹

It is also a complex sector, with many levels of interaction, a variety of stakeholders and touchpoints. The chart below illustrates some of the nuances of how the FinTech ecosystem is built, with some core models consisting of companies focused directly on providing financial services and products and thus tending to be more product focused. On the other side, there are more enabling models, which support the spread and usage of core FinTech services and products and services. There is thus an expansive universe of companies that fall into the FinTech spectrum, and this wider framing helps to acknowledge that technology is being used as a medium to provide/or enable provision of financial products and services.

¹⁹ Murthy, Gayatri, Maria Fernandez-Vidal, Xavier Faz, and Ruben Barreto. 2019. FinTechs and Financial Inclusion. Washington, D.C.: CGAP

Chart 13: Core versus enabling FinTech

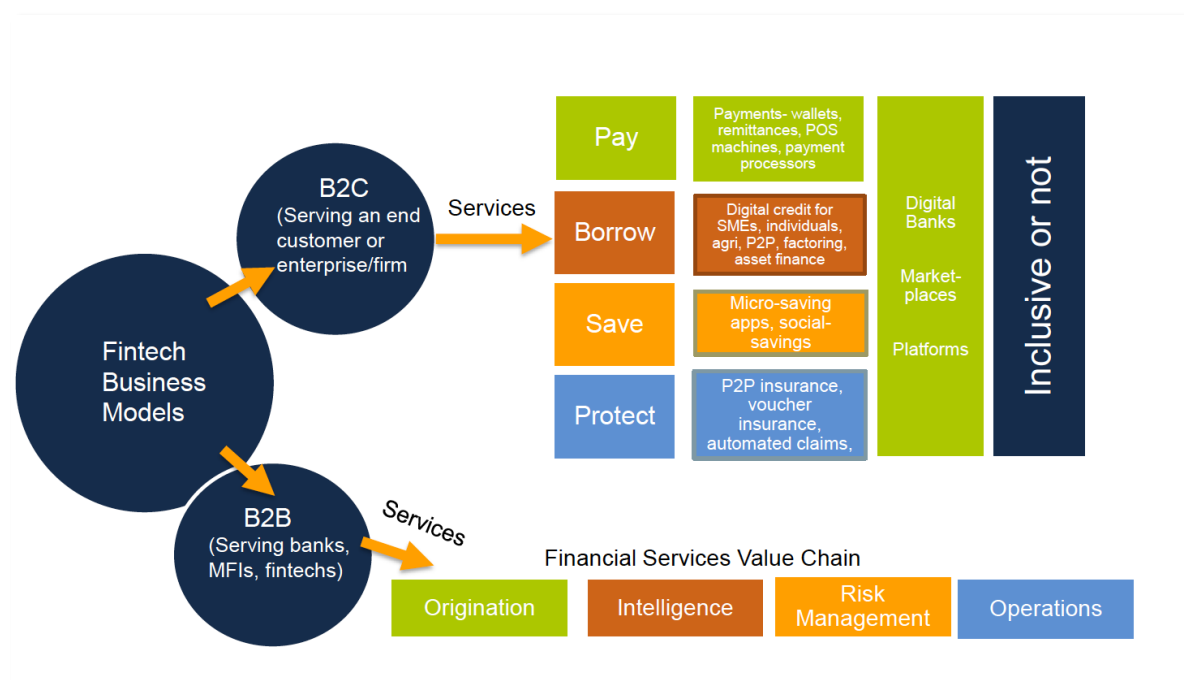
The **Core FinTechs** are arranged in **seven distinct segments** and focus on the delivery of financial solutions and **services (numbered 1-7 on the chart)** and **Enabling FinTechs** on the other hand are separated into **three segments (numbered 8-10)** and enable other businesses to provide financial services through an array of different channels to both individuals and businesses.



Source: Ernst & Young

In the chart below, we amplify this visual organization of the sector with a slide prepared and shared by Consultative Group to Assist the Poor (CGAP) during a webinar earlier this year with MIX, on 'Towards data standards for Inclusive FinTech', held on 19 February 2020. This chart shares the types of business models ranging from B2C i.e. direct to customer, which then breaks into four main use cases (pay, borrow, save and protect), with the middle column sharing examples of types of financial services provided. The 2nd arrow points to Business to Business services, and more akin to the enabling FinTechs and service providers referenced in the chart above. This feasibility study is focused more on the B2C models, as the goal is to understand which models are more likely to support the achievement of stronger gender-focused outcomes, as they relate to improving the financial inclusion for women and girls.

Chart 14: How FinTech business models are organised



Source: CGAP

FINTECH: BUSINESS MODELS AND APPROACHES TO IMPACT

WHAT IS REALLY INCLUSIVE?

Now that we have mapped out what traditional FinTech models look like, in this section below we will sketch out the current thinking around what elements make FinTech models inclusive. Similar to the debate around what good impact investing looks like or what a good social enterprise looks like, we think it is worthwhile to dig deeper on the terminology around 'inclusive FinTech'. This is important as our focus on better supporting and funding inclusive FinTechs is core to this initiative. In the table below we share how some of the leading groups in this financial inclusion space define and outline what it means to be an inclusive FinTech.

Chart 15: Framing of Inclusive FinTech ventures



Source: Roots of Impact

As the data amalgamation above depicts, the three pillars around access, usage and quality resonate across the board. An added element that is of note is the technological element and really focusing on building models that are smartly overcoming traditional pain points and creating cost effective solutions for both the businesses and the end users. On this aspect of cost-effective solutions, there is a noteworthy gender lens insight to share: In its analysis around the Inclusive FinTech 50 applicants²⁰, research undertaken by MIX found that female-led enterprises demonstrate up to a 12-month cash runway on average, as opposed to nine months for those with male-only leadership). Moreover, female-led FinTechs also demonstrated stronger revenues per customer (nearly 3x of their male-led peers), along with steeper customer acquisition costs- but overall better profitability. This deepens the case around supporting women led FinTechs in addition to FinTechs focusing on women as customers.

Overall, it is helpful to see how the traditional FinTech sector is laid out, and the above discussion, points to the ways inclusive FinTechs are going a step further to clearly focus on the accessibility, affordability, appropriateness and usefulness of the underlying products and services for the financially underserved and unserved.

IMPORTANT BENCHMARKING WORK UNDERWAY

Drawing on lessons from the Inclusive Fintech 50 2019, programme MIX undertook extensive market research and stakeholder consultation to develop and iterate upon an initial set of Data Standards²¹ for Inclusive FinTechs. The underlying goal is to create more standardized language for FinTechs' characteristics, performance, and their potential to improve financial inclusion. This will ultimately enable better performance assessment, benchmarking and less confusion around how to assess inclusivity and impact of financial products, services and solutions. We build on the

²⁰https://static1.squarespace.com/static/5db8891e058ab7204b4e9088/t/5e3450c6da892b503e8f5d02/1580486859409/MIX_Toward+Data+Standards+for+Inclusive+Fintech_January2020.pdf

²¹ <https://www.themix.org/data-standards>

core KPIs fleshed out here as we map out the outcomes and the initial investment screening approach we share later.

This type of benchmarking work is helping the inclusive FinTech sector- both on the side of entrepreneurs and funders being more aligned in how they are measuring what success looks like. At the same time, there is some deeper work that remains to be done about the gender overlay and other intersectionality elements (race, ethnicity, etc.) Some of the enterprises we conducted interviews with are being intentional about collecting this type of intersectional data, but it is not the norm per se yet.

HOW ARE FINTECH SOLUTIONS PAVING NEW PATHWAYS?

Now that the frame of traditional and inclusive FinTechs has been painted, this section will go deeper into understanding how FinTech is increasingly being recognized as a tool for change. Adoption of FinTech has ample potential to improve access, especially by leveraging increased mobile phone usage. In many countries with large unbanked populations, more women have mobile phones than bank accounts, and here is where FinTech can be further leveraged. By the end of 2018, 5.1 billion people around the world subscribed to mobile services, accounting for 67% of the global population.²²

Technology has the ability to reduce high financial transaction costs and mitigate challenges posed by distance and remoteness, which are issues women face to a greater degree²³. In fact, these advances in technology, and particularly in mobile money, have allowed for major strides in addressing un- or underbanked populations. FinTech companies are growing at a [compound annual growth rate of 24% in sub-Saharan Africa \(2010 - 2019\)](#)²⁴ and [140% in South Asia \(2016 - 2018\)](#)²⁵, where they are attempting to address the needs of the 778 million unbanked people in [Sub-Saharan Africa](#)²⁶ and [South Asia](#)²⁷, nearly half of the [1.7 billion unbanked globally](#)²⁸.

By 2019, the Global System for Mobile Communication Association (GSMA) reports that there are over a billion registered accounts and close to USD2 billion in daily transactions. These trends underpin the assertion that mobile money is evolving like never before and this rapid growth in access and usage underpins the transformative ability of mobile money to generate broader benefits for the industry and society²⁹. Sub-Saharan Africa has a thriving mobile money market, adding over 50 million registered accounts in 2019.

²² <https://www.gsmainelligence.com/research/2019/02/the-mobile-economy-2019/731/>

²³ <https://www.centerforfinancialinclusion.org/bridging-the-digital-gender-divide-in-financial-inclusion/>

²⁴ [https://www.ey.com/Publication/vwLUAssets/ey-fin-tech-market-opportunities-2019/\\$File/ey-fin-tech-market-opportunities-2019.pdf](https://www.ey.com/Publication/vwLUAssets/ey-fin-tech-market-opportunities-2019/$File/ey-fin-tech-market-opportunities-2019.pdf)

²⁵ <https://www.bain.com/insights/fulfilling-southeast-asias-digital-financial-services-promise/https://www.bain.com/insights/fulfilling-southeast-asias-digital-financial-services-promise/>

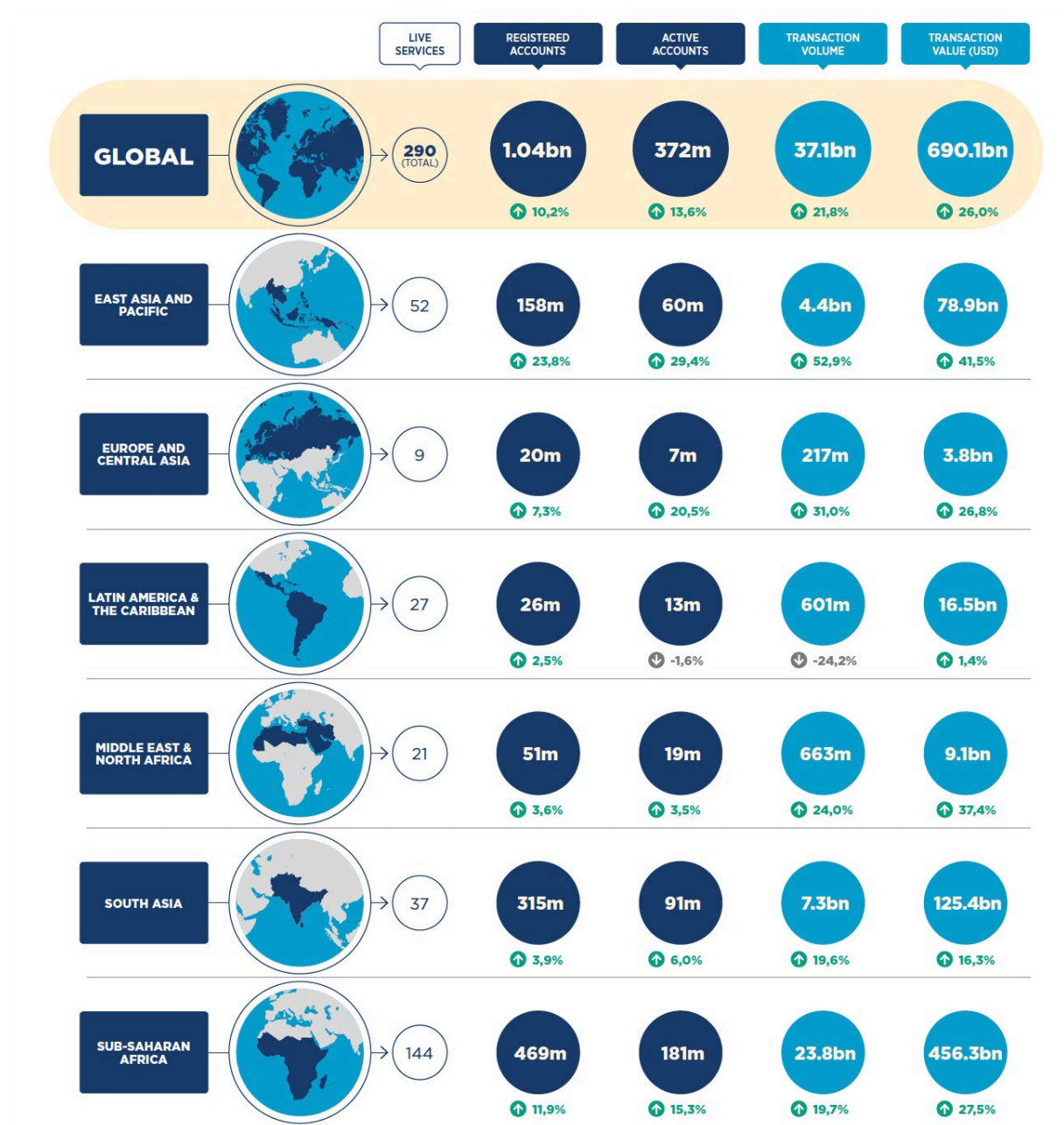
²⁶ https://globalfindex.worldbank.org/sites/globalfindex/files/referpdf/FindexNote1_062419.pdf

²⁷ <https://theaseanpost.com/article/banking-southeast-asias-unbanked-0>

²⁸ <https://globalfindex.worldbank.org/basic-page-overview>

²⁹ GSMA State of the Industry Report on Mobile Money: <https://www.gsma.com/sotir/>

Chart 16: Global mobile and FinTech usage



Source: GSMA State of the Industry Report on Mobile Money 2019

Given this widespread movement of digital payments becoming a routine part of people's lives and offering value-added tools that better manage digital payments other business functions, such as inventory management and accounting, the digital financial revolution spells out much opportunity. FinTech-enabled delivery channels and business models hold strong potential to reach currently underserved segments at a meaningful scale.

YET, INEQUALITY IN ACCESS AND USAGE OF DIGITAL FINANCIAL SERVICES PERSIST

This growth in mobile usage is noteworthy and important, particularly in these current times when the whole world is working in more of a remote and virtual environment. At the same time, drilling down into this data, there are some other important trends to name.

Gaps in digital and mobile access by income

Globally, 85 percent of adults living in the richest 60 percent of households within economies have a mobile phone, compared with 76 percent of those living in the poorest 40 percent³⁰. Bigger gaps are found in the developing world, particularly Sub-Saharan Africa. For instance, Ethiopia, Mozambique, Tanzania, and Zambia are among the economies where the gap is 20 percentage points or more. In high-income economies 82 percent of adults have both a mobile phone and access to the internet, indicating a likelihood that they have access to app-based mobile phone or online payments. In developing economies only 40 percent of adults—or about half of mobile phone owners— have access to both technologies³¹.

Gender gaps in mobile ownership and thus usage persist

Global Findex data further shows that while mobile phone ownership is widespread among the unbanked, financially excluded women are less likely than their male counterparts to own a mobile phone. Globally, 72 percent of unbanked men have a mobile phone, compared with 62 percent of unbanked women—a gender gap of 10 percentage points³². It is also important to acknowledge the role of the regulatory environment, other legal restrictions and the other factors such as trust, privacy and other social norms, all of which impact rapid mobile money adoption.

This significant gender gap in mobile phone ownership and usage in low-and middle-income countries is hindering growth. Supporting women's digital and financial inclusion is important, such that the GSMA estimates that if mobile operators could close these gender gaps in low- and middle-income countries by 2023, it would provide an estimated additional \$140 billion in revenue to the mobile industry over the next five years³³. Not only does this underpin the business case but the gender imperative is also clear.

In the following charts, we share these gender gaps that can be observe around mobile ownership and internet usage.

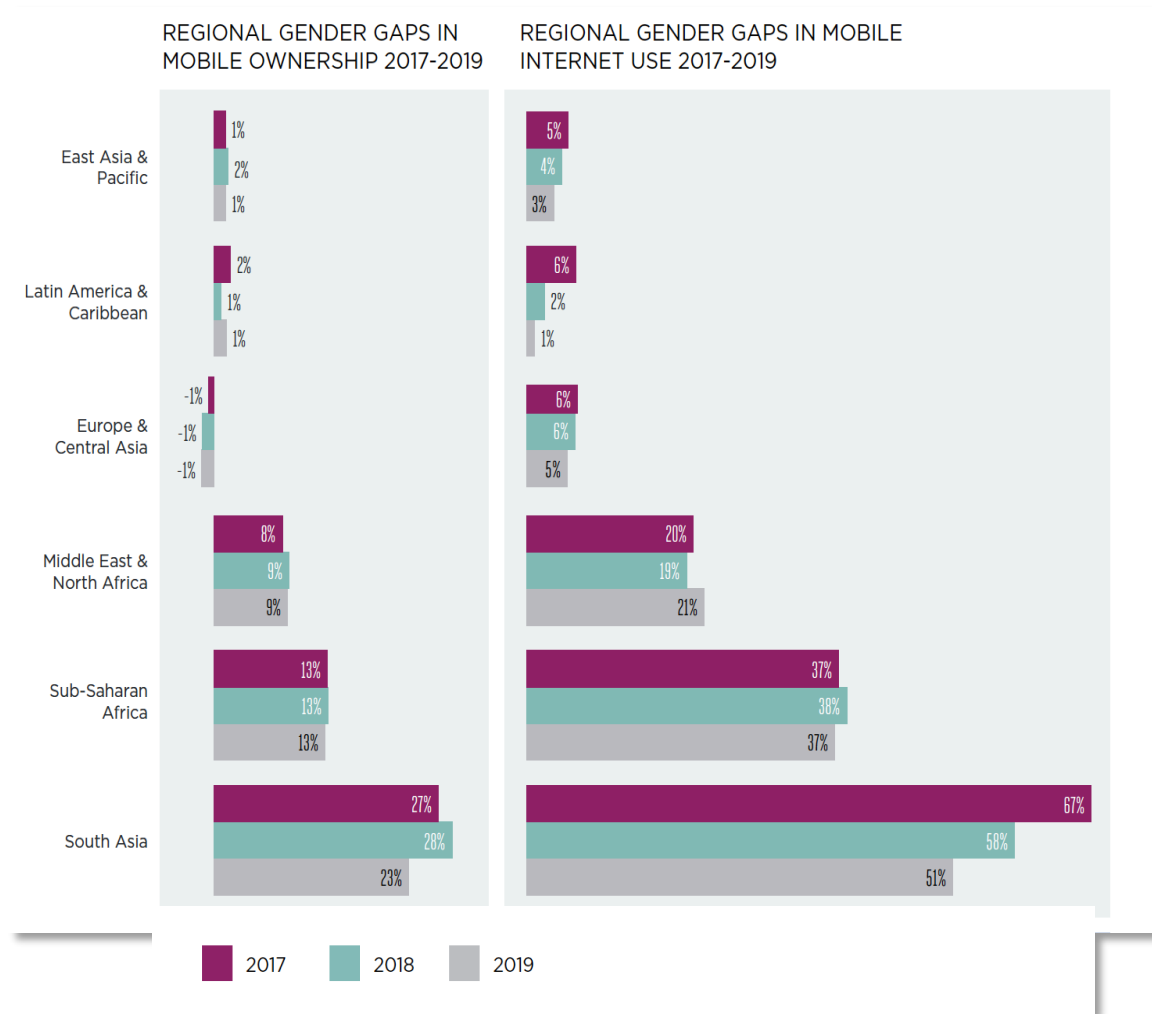
³⁰ <https://globalfindex.worldbank.org/basic-page-overview>

³¹ https://globalfindex.worldbank.org/sites/globalfindex/files/chapters/2017%20Findex%20full%20report_spotlight.pdf

³² https://globalfindex.worldbank.org/sites/globalfindex/files/2018-04/2017%20Findex%20full%20report_0.pdf

³³ <https://www.gsma.com/mobilefordevelopment/connected-women/>

Chart 17 and 18: Regional gender gaps: Mobile Ownership 2017-2019 (LHS), Mobile Internet Use 2017-2019 (RHS)



Source: GSMA State of the Industry Report on Mobile Money.

Note that mobile ownership is defined as having sole or main use of a SIM card (or a mobile phone that does not require a SIM), and using it at least once a month. Mobile internet use is defined as having used the internet on a mobile phone at least once in the last three months. The gender gap in mobile ownership and mobile internet use refers to how much less likely a woman is to own a mobile (or to use mobile internet) than a man. Regional averages were calculated from country-level data. Based on survey results and modelled data for adults aged 18+

In general, markets with lower levels of mobile ownership tend to have wider gender gaps in mobile ownership and mobile internet use. To realise the potential of mobile money to increase financial inclusion for women, it is important to understand and address the barriers that are disproportionately limiting mobile money and digital financial service adoption by women. These barriers tie into some of the reasons cited above about unbanked women more generally i.e. not having enough money or access to formal financial services easily and are compounded by other challenges like low literacy and limited digital and financial skills. All these elements underpin the need to focus on targeted solutions that better understand the gender composition of the customer base, unique challenges to entry and other facilitating factors, such as supportive regulations and leveraging digital ID

systems to facilitate financial inclusion and digital payments³⁴. As articulated recently by CFI, in order to truly realize the opportunities posed by mobile money for low-income populations, more has to be done to design and deliver services that resonate with and empower women.³⁵

More than mobile money

It is important to acknowledge that mobile ownership, or mobile money alone is not a panacea to unlocking financial inclusion that results in the most promising gender transformative outcomes. There are elements around social norms such as whether women have sole access to their mobile, whether they need male permission, living in a remote location, the functionality/limitation of what the mobile wallet can be used for etc.- all of which impact usage, accessibility, adoption and thus the ultimate financial inclusion outcomes. While acknowledging these challenges, it is clear that digital finance has an important role to play in further women's financial inclusion and mobile money can be part of the solution.

HOW WELL ARE WOMEN SERVED BY DIGITAL FINANCIAL SERVICES & FINTECHS?

As we have shared above, there remains a gendered financial inclusion gap- both with regards to traditional and digital financial services. Moreover, this is not only a function of better meeting the needs faced by women, but to also account for the impact of prevailing social norms and the gendered division of labour ³⁶.

What are some of the key challenges faced by women?

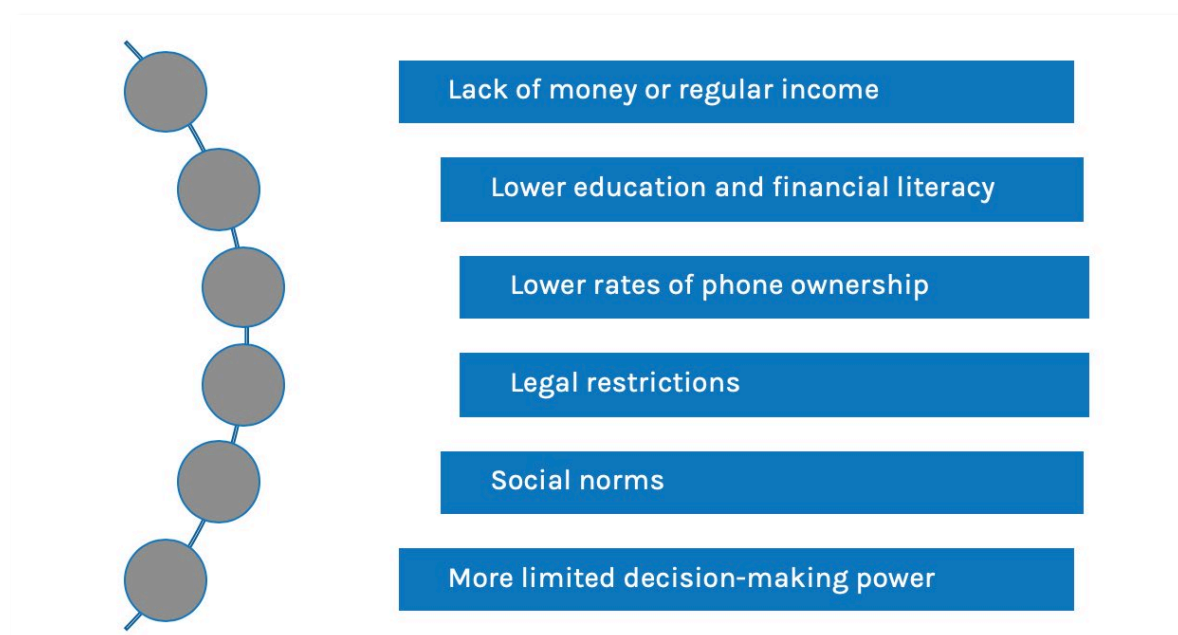
As discussed earlier, women face more than just financial barriers. Entrenched social and cultural obstacles hinder female entrepreneurship. Women are routinely paid less and have greater difficulty securing assets such as property, due to legal and customary restrictions. Often times, their responsibilities to their family restrict their ability to travel for business or move nearer to suppliers or customers. Regulatory environments often further disadvantage women. For example, travelling to an urban centre to register a new business can be difficult. Sometimes even supportive legislation is passed to support women, it is poorly implemented, thus limiting the usage and impact.

³⁴ <https://www.findevgateway.org/blog/2020/03/empowerment-begins-identity>

³⁵ <https://www.centerforfinancialinclusion.org/one-billion-accounts-in-the-pandemic-era-insights-from-gsmas-mobile-money-report>

³⁶ IDRC report on Exploring FinTech solutions for women: <https://idl-bnc-idrc.dspacedirect.org/handle/10625/57156>

Chart 19: Barriers faced by women as it relates to financial access



Source: FinScope surveys

Thus, while technological solutions offer a lot of promise and opportunity here, it is important to limit the natural spread of technology exacerbating existing gender divides. As outlined in a report from a working group spearheaded by Data2X, the Financial Alliance for Women and the team working on Celo in their series ‘The Power of Gender Data: Gender Inclusive Digital Financial Services’, *there are significant challenges and risks with new digital financial frontiers, particularly around women’s unequal digital access; the potential lack of, or reduction, of relationship-based models; concerns around data privacy, algorithmic bias in programming, gender gaps in mobile phone ownership, internet access, digital literacy, AI bias and finally leadership in tech companies* ³⁷. All this to say that without targeted and focused approaches, it is probable that FinTech models will exacerbate existing inequalities and possibly widen existing gaps even further.

Furthermore, for financial inclusion to be truly transformative, a systems-level and more human-centred approach makes sense. Hence the delivery of financial products and services should be coupled with other interventions to have a positive impact on women’s livelihoods. We therefore see the opportunity in FinTech applications specifically tailored to women’s specific needs, and thus more directly improving financial inclusion and gender equality more holistically. This includes digital literacy (technical know-how), educating clients on the benefits of building transaction history to gain access to other financial services, and driving behaviour change to move women from cash to cashless.

This is not about ‘pink-washing’ i.e. creating a specific financial product such as a women’s only credit card, but rather creating a tailored user experience and paying attention to how the depth of the gender and inclusivity lens has been applied all

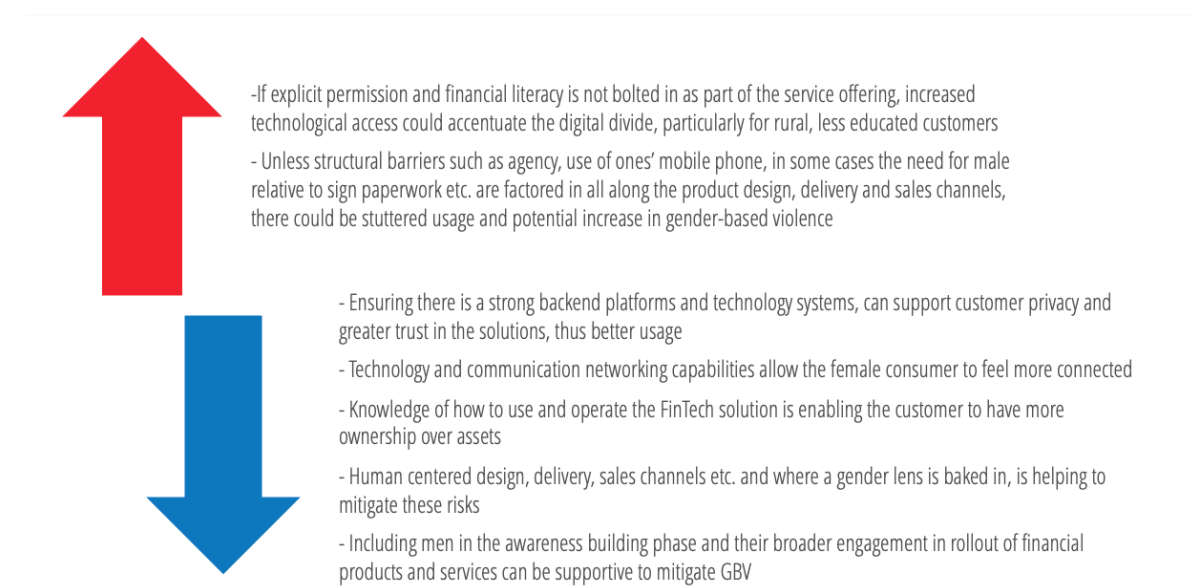
³⁷ <https://data2x.org/wp-content/uploads/2020/05/WFID-Roundtable-Report-2020-Final11.pdf>

the way from the design to delivery and usage of the product, in addition to the gender framework of the underlying enterprise. This is simply the adoption of a well-thought out human-centred design and lifecycle approach. Again, we re-iterate the role played here by supportive regulation and an overall facilitating environment to also enable a smoother adoption and usage process overall.

HOW SUBSTANTIVE IS THE RISK OF GENDER-BASED VIOLENCE WITH MORE DIGITAL USAGE?

When it comes to financial inclusion and particularly digital inclusion, there is some concern of limited safety and privacy issues that can worsen with the use of technology. This can be particularly relevant in the case of more rural users and those who face other structural inequalities. We explored this area in our interviews and research, by understanding the possibility of increased gender-based violence with increased usage of digital financial services. Here are some nuances with the increasing and decreasing factors of gender-based violence (GBV) by digital solutions. The evidence base on the correlations between improved financial inclusion and gender-based violence could be deepened. For now, our analysis suggests there are more mitigating factors than limiting ones.

Chart 20: Gender-based violence: increasing versus mitigating factors around financial inclusion



Source: Roots of Impact

CAN GENDER-FOCUSED FINTECHS CONTRIBUTE TO DEEPER FINANCIAL INCLUSION?

FinTech solutions provide an avenue to deliver tailored, much needed financial services directly into women's homes and businesses, saving time, increasing convenience, and lowering costs. However, generally speaking, FinTechs and social enterprises more broadly are not necessarily actively serving women – especially those in remote locations or at the base of the pyramid. Also, for some socially oriented FinTech enterprises, the gender focus is only part of their overall strategy or customer segmentation. Given entrenched social inequalities around the digital divide, lower education levels, and labour force participation, women are perceived

to have less comfort with technology (at least initially), less experience, and less access to their own devices, thus not as an attractive market segment. Training is key, but many FinTechs do not have the capacity or resources capability to provide the necessary financial literacy and technology training, that is needed to increase usage and empowerment.

This gap is where we see an opportunity to orient existing business models in this gender-focused direction, and a slot to further incentivise those gender-focused inclusive FinTechs to be even more targeted in their approaches, with the support of more dedicated and catalytic funding. Supportive and patient capital could help support a focus not only on women as clients but also to design, create and sell financial products and services that suit their unique needs and built around the context of their social norms.

UNDERPINNING THE IMPORTANCE OF TARGETED SOLUTIONS

In addition to the mitigating elements around gender-based violence discussed above, it could also be helpful to highlight some key takeaways from our stakeholder interviews that re-iterate the emphasis on tailored products and services and the need to embed a gender lens not only in product design but also marketing, sales and beyond. For example, Quona Capital shared that:

“Ideally it is important for any digital innovation to squarely fit into a user’s daily lifestyles for it to be adopted or considered very relevant”. Similarly, reflecting on Women’s World Banking comment that *“it is important to include women in the design and delivery of the financial products and service, because this allows for a better understanding of the unique needs of women and the obstacles they may face being considered, supporting better uptake”.*

These supportive voices underpin our conclusions that there is a need for more tailored gender-focused financial products, services and solutions, provided they are going beyond access and looking to have a transformative role in the end-customers level of financial inclusion and overall financial health and well-being.

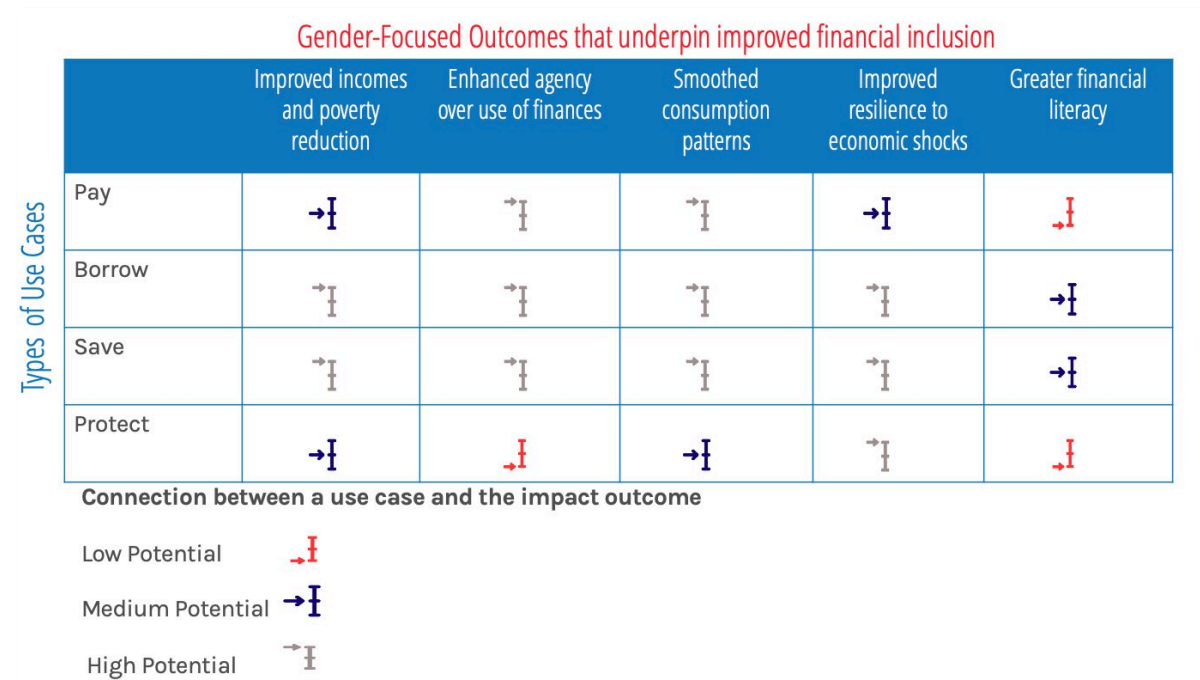
WHICH MODELS ARE ADDRESSING THE PERSISTENT GENDER GAP IN FINANCIAL INCLUSION?

In order to understand if FinTechs are building products and services that advance the ways in which women access and use financial products and services, we have developed the following matrix to show which solutions have a stronger link to the anticipated outcomes. We have focused this analysis on the four use cases of financial products and services as sketched out in the visual shared by CGAP (Chart 14 above). As a reminder these four categories are pay, borrow, save and protect.

This analysis was built and supplemented with insights from the research and stakeholder interviews we conducted over the course of the feasibility. Through the interviews and company spotlights, we dug deeper to understand the real- world impact of these use cases, how they feature into a FinTech’s business model and the impact it is looking to have. This qualitative analysis depicts that a low potential

indicates a lower fit between the outcome and the use case (including the features of the underlying products and services, the impact it is trying to have and the current understanding of its effectiveness), with the moderate and higher fit indicating a deep and deeper fit respectively. Here below we share the amalgamated findings:

Chart 21: Heatmap of FinTech use cases and their potential to influence gender-focused financial inclusion outcomes



Source: Roots of Impact

As an example, our analysis suggests that there is a strong link between savings and borrowing services, as these can enable revenue-generating activities and support greater resilience to economic shocks. Alternatively, taking a look at payment models, which generally speaking are geared towards digital payments and making it easier to purchase and consume, while there is a strong linkage seen with enhanced agency and smoother consumption and cash flow patterns, there isn't as strong a link with resilience to shocks for instance. This is because of the very nature of the product and service. This table is trying to make a general case for the way these types of use cases play out. In a following section, we share four spotlights of different gender-focused FinTechs, illustrating how they could benefit from impact-linked finance and how in turn this focus is enabling them to have a deeper focused support towards financial inclusion.

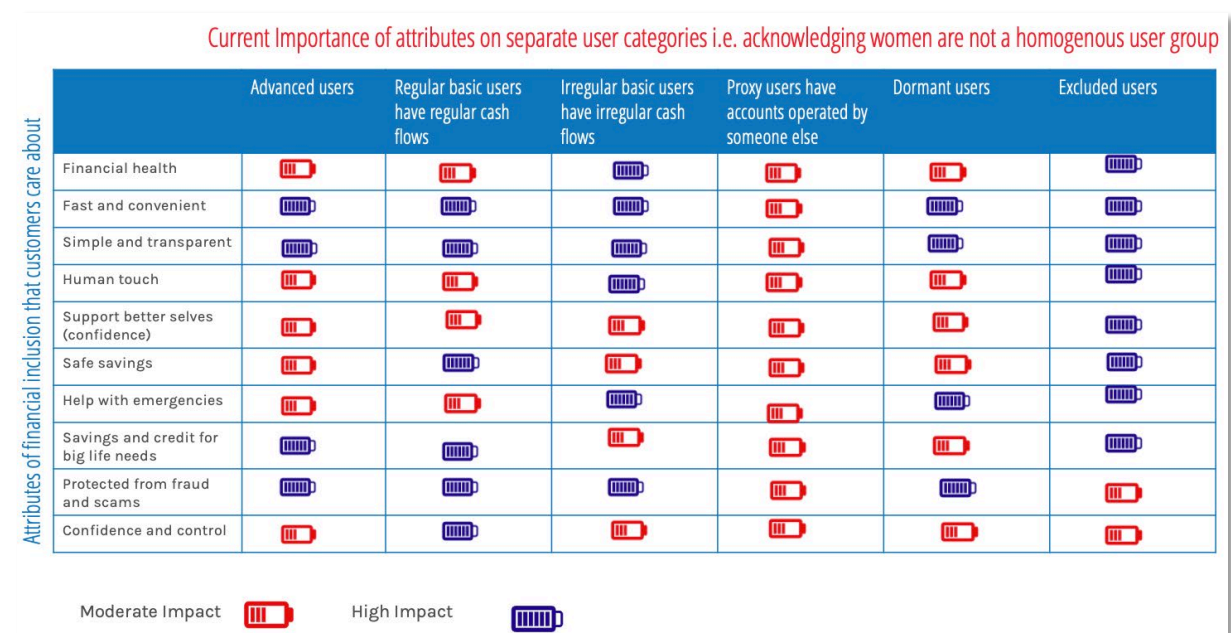
Beyond impact for women, it is important to know women are not homogenous as a group and should be disaggregated further

In addition to exploring these use cases, we went a level deeper by juxtaposing the attributes of financial inclusion from a consumer perspective as articulated by

CFI³⁸, and then compared those with different segments of the female user group (ranging from advanced users to excluded ones). This segmentation of user types is helpful and important as not all women consumers of financial products and services (as with any consumer product category) are homogenous. Applying this type of segmentation enables us to highlight how value and impact can be created by improved financial inclusion.

Effectively, what this chart is illustrating is that for example, an excluded user would experience a high benefit to their financial health from improved financial access and inclusion. Meanwhile for a more advanced user- improved financial health is not the highest impact, but rather features such as speed, convenience, safety, reliability are more impactful. This framework is helpful to think through the types of use cases, the features offered to clients and how the products and services are supporting the achievement of better gender outcomes of financial inclusion, while acknowledging women as a group and as users of financial services are heterogeneous.

Chart 22: Attributes of financial inclusion juxtaposed with user types across women



Source: Roots of Impact

³⁸ <https://www.centerforfinancialinclusion.org/financial-inclusion-from-a-consumer-perspective>

SPOTLIGHT ON COVID

The world is now a few months into a global pandemic that is not only disrupting everyone's daily lives, but also the way business is done at all levels (financial flows, supply chain, production, workplace etc.). In light of this crisis, we are including a summary of our research and stakeholder interviews to share the key highlights of the implications of Covid-19 on the inclusive FinTech space. At the financial inclusion sector level, here is a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis:

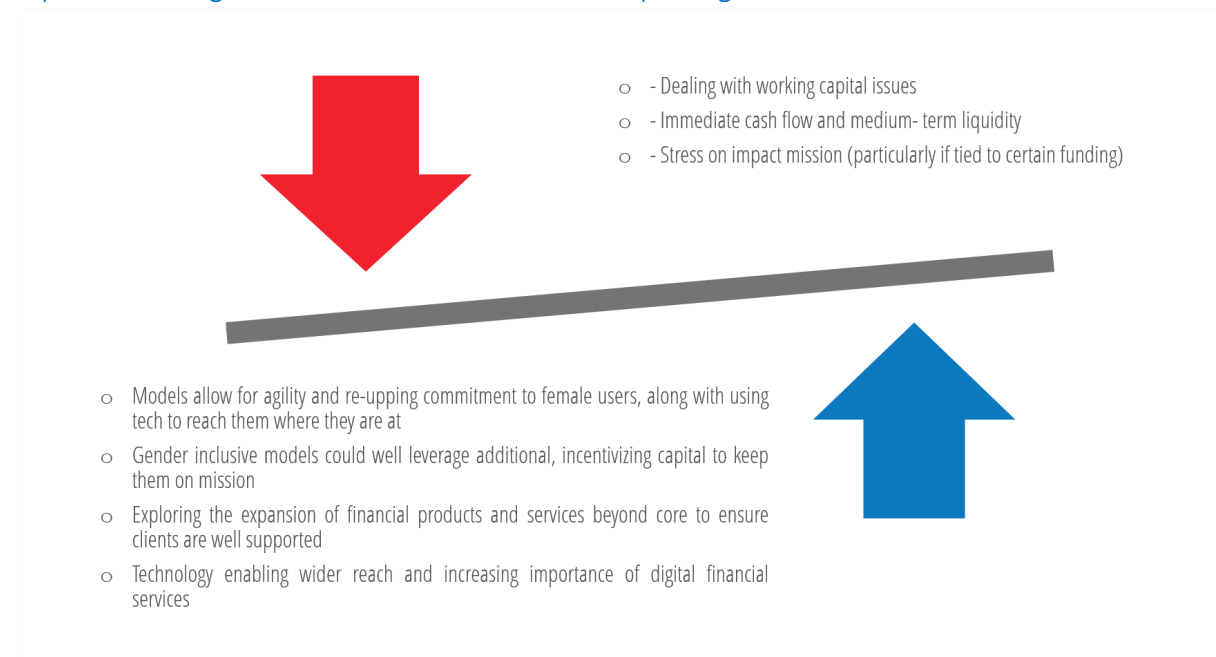
Chart 23: SWOT analysis



Source: Roots of Impact

Drilling down to what this means for gender inclusive FinTechs companies, our analysis suggests that while current liquidity challenges prevail, agile FinTechs are pivoting and leveraging underlying technology to better reach and serve customers and stay on mission. There are also numerous examples of enterprises spearheading new innovations to reach their customers or reach new segments.

Chart 24: Despite challenges, FinTechs are remaining strong, agile and underpin the increasing importance of digital financial solutions towards improving financial inclusion



Source: Roots of Impact

Thus, the overall sense is that while these are indeed challenging times, for the broad category there is opportunity that beckons. Gender-focused inclusive FinTechs recognise the need to support women end users even more, given the financial, economic and healthcare repercussions of this crisis that will have more medium to longer-term impact. Companies are being even more innovative, resilient and determined in their approach to not only reach marginalised customers segments but also to support them in their usage.

In terms of the fund that this feasibility explores, while we get into more specifics later, suffice it to say that against this pandemic backdrop there is even more of an imperative to shore up and support inclusive FinTech companies. There is also tremendous research about the inequitable gender impact of the crisis- across health, employment, the care economy and more³⁹. If there isn't collective action to dedicate investment towards gender equality, the pandemic will leave women and other excluded groups behind. With its dedicated focus on gender inclusive FinTech companies, the catalytic fund that this feasibility study is proposing, looks to be part of the solution. The fund can be part of the efforts to ensure these enterprises stay on mission, meeting their business and impact goals of improving financial inclusion and overall resilience for women.

³⁹ <https://www.unwomen.org/en/digital-library/publications/2020/04/policy-brief-the-impact-of-covid-19-on-women>

MAKING THE IMPACT CASE

WHAT IS OUR THEORY OF CHANGE?

As we have described thus far, despite immense strides in financial inclusion, there is a wide space for digital financial services to provide accessible, affordable and impactful solutions customized for the almost 1 billion unbanked women and girls. Given these persistent gaps to women's financial inclusion, and the role of technology in not only expanding access, but also increasing usage and improving quality of financial services, we believe there is a need for a coordinated solution specifically incentivizing gender equity in financial inclusion.

Moreover, technology in itself allows for better targeting. By aligning a FinTech's business trajectory with its impact goals and leveraging the underlying technology and data platforms to do so, is part of the case being made to use technology for targeted impact. In turn, a gender equal financial system where all women and girls are financially included has positive effects on financial resilience, savings, asset growth, income, increased spending on family needs (children's schooling, improved housing) and female autonomy and control.

As stated earlier, financial inclusion through FinTech solutions has been shown to increase access for marginalized groups. However, unless targeted solutions take into account the needs and usage patterns that women have, in addition to factoring in prevailing social norms, increased access alone is not the answer. Our thesis is to support those initiatives that are going beyond simply increasing the numbers of women that have access to financial services, and instead explore stronger financial health and enhanced ability to withstand economic and life shocks. There is a case to be made for financial service providers to be better incentivized to provide client-centric, targeted gender-inclusive products and services. This requires segmentation for clients' needs that is granular and ensures that delivery channels are accessible to women, taking into account gender-specific roles and responsibilities in their homes, to their families, and to themselves.

At a high level, working towards improved financial inclusion cross cuts a number of the SDG's. Getting specific however, we zone in on:

SDG 1: No poverty specifically Target 1.4, which is to ensure that by 2030, all men and women, in particular the poor and the vulnerable, have equal rights to economic resources and access to basic services, including appropriate new technology and financial services.



SDG 5: Gender equality, by ensuring women's fuller and more effective participation, providing women more equal rights to economic resources, enabling technology to promote the empowerment of women. In particular, Target 5.A "Equal rights to economic resources, property ownership, and financial services"



SDG 8: Decent work and economic growth, which includes indicator 8.10, which is about strengthened capacity of financial institutions that expands access to banking, insurance and financial services for all



At a systems level, our theory of change can be broken down into the following logic model:

Inputs

At a systems level, we see the inputs as: **i)** better and more tailored gender-smart financial products and services, **ii)** programs around financial and digital literacy and numeracy, that also embed the importance of the roles of social norms and the role of engaging men in furthering financial access and usage and **iii)** supportive technology and regulatory interventions and funding that facilitate improved access, data collection, outcomes analysis

Outputs

These included volume of unique new female clients, number of active accounts (by use case type i.e. savings, loans etc.) fewer dormant accounts, an understanding of how the intervention has altered self-confidence, sense of belonging, improved economic resilience, a score of financial usage based on social norms (i.e. using own mobile, physical distance, digital comfort) and a measure of male engagement and change in attitude towards female finance access and empowerment.

Outcomes

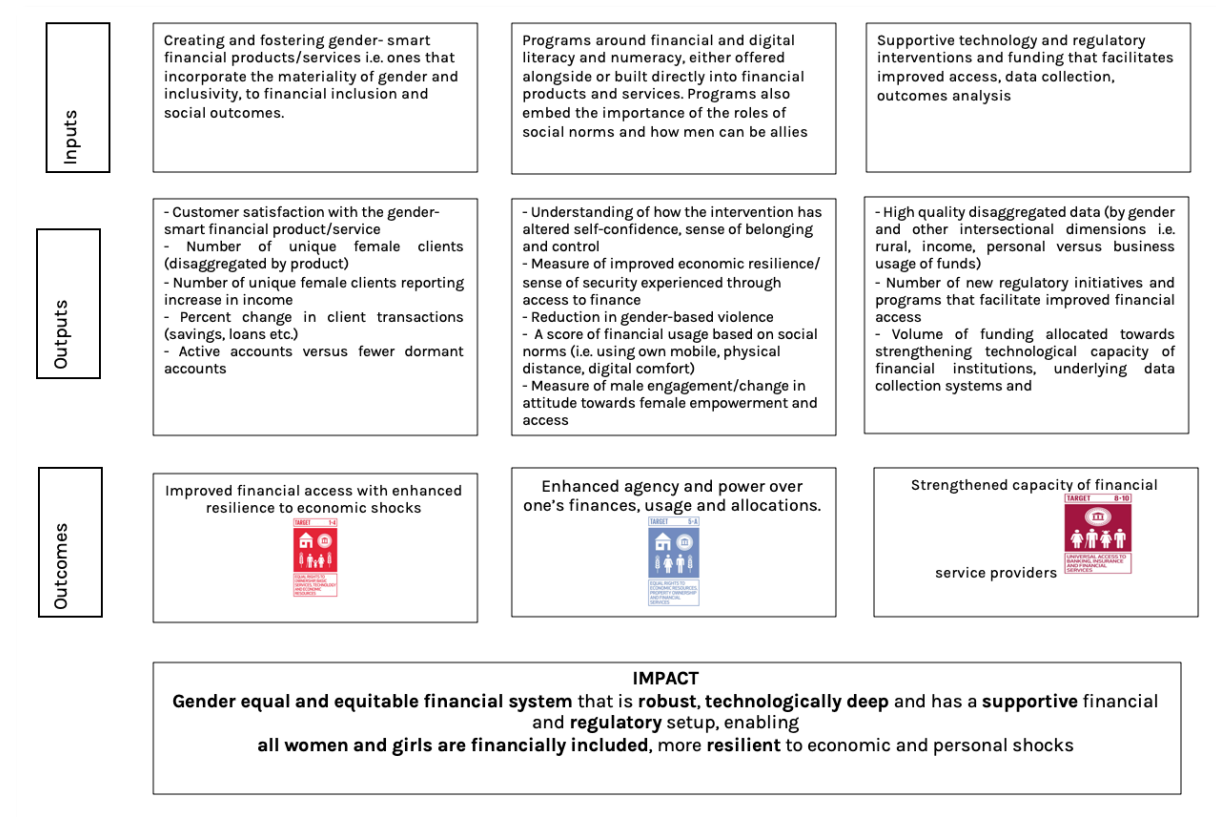
Tied to the SDG's, we have outcomes to SDG 1, 5 and 8 respectively. Outcomes include: **i)** improved financial access with enhanced resilience to economic shocks, **ii)** enhanced agency and power over one's finances, usage and allocations and **iii)** strengthened capacity of financial providers and the underlying regulatory framework

Impact

Overall, the impact would be to foster a gender equal and equitable financial system, which is robust, technologically deep and has a supportive financial and regulatory setup, thereby enabling all women and girls are financially included, and be more resilient to economic and personal shocks.

In the chart below, we share a visual representation of what we are describing at a systems level theory of change. We start with the 30,000 feet view of the impact that more targeted and gender-focused financial inclusion can have and then later share the fund-level theory of change. Later, we will share more details on the theory of change (ToC) of the fund itself and the underlying outcomes and indicators.

Chart 25: Systems level theory of change advocating for supporting inclusive and gender focused FinTechs to improving financial inclusion with a gender lens



Source: Roots of Impact

FUNDING LANDSCAPE OF THOSE INVESTING IN FINANCIAL INCLUSION SOLUTIONS

WHERE IS THE SPECTRUM OF CAPITAL ALLOCATING ITSELF CURRENTLY?

While there isn't much consolidated data on the entire funding landscape for FinTech, by exploring the multitude of research and databases out there, we have stitched together a canvas of the differing funding avenues that go towards supporting financial inclusion across financial service providers, FinTechs, micro-finance providers and more. Here are some details.

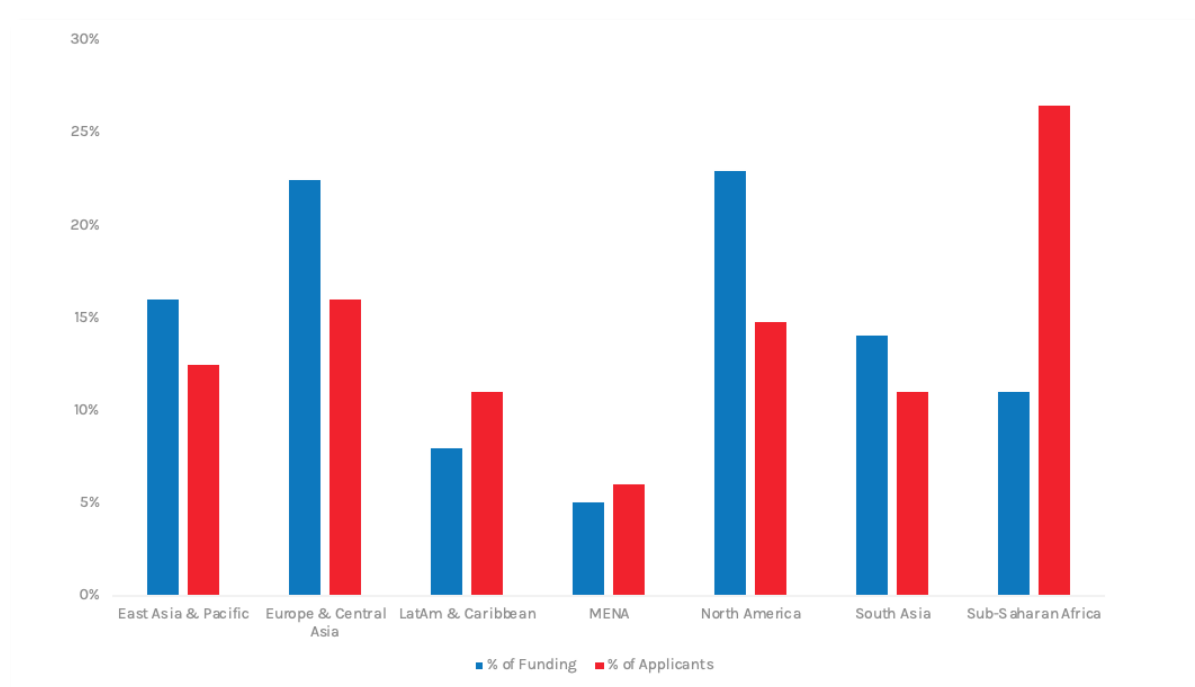
Traditional Capital: Venture Capital

According to KPMG's Pulse of Fintech 2019 report it was reported globally that in 2019, USD 135.7 billion was invested across 2,693 deals⁴⁰. This was largely underpinned by venture capital, M&A activity, but it was also very concentrated. For example, in Europe, FinTech investment was \$58.1 billion in 2019, although more than half of Europe's investment came from a single transaction increasing focus on RegTech. This picture of concentrated FinTech investment is also seen in other regions, such that growth-stage ventures tend to get the majority of funding.

⁴⁰ <https://home.kpmg/xx/en/home/media/press-releases/2020/02/2019-another-blockbuster-year-for-fintech-kpmg-pulse-of-fintech.html>

It was harder to scope out the funding that is reaching the inclusive FinTech space, and we rely and share the data and findings of the Inclusive FinTech50 report. The following chart captures how the cumulative funding by all 400 applicants who applied for the FinTech 50 program ended up raising USD 850.7 million, which amounts to less than 1% of the total USD 135.7 billion total FinTech investment share above. Similar to the picture with traditional FinTechs, even for those that are more inclusive, there is a concentration of funding, with North America, Europe and Central Asia capturing 45% of total funding, while FinTechs headquartered in US, UK and Singapore accounted for close to 40% of the total funding raised by all 400 applicants⁴¹. These data points help shore up the image of uneven funding patterns and a large volume of inclusive FinTechs just not getting the funding they need for their growth.

Chart 26: Inclusive FinTech 50 Cumulative funding of all 400 applicants



Source: Inclusive FinTech 50 whitepaper

Impact Investing

According to the GIIN, there is about USD 404 billion in institutional impact investing assets under management worldwide as of the end of 2019.⁴² This is invested across geographies, sectors, and instruments, with about half of total assets allocated to emerging markets and half to developed markets. We zoned in on the financial services investments (both directly into financial service providers and micro-finance players) amounted to 24% of this total.

⁴¹ <https://www.inclusivefintech50.com/white-paper>

⁴² Estimated by the GIIN in their Annual Impact Investor Survey 2020: <https://thegiin.org/assets/GIIN%20Annual%20Impact%20Investor%20Survey%202020.pdf>

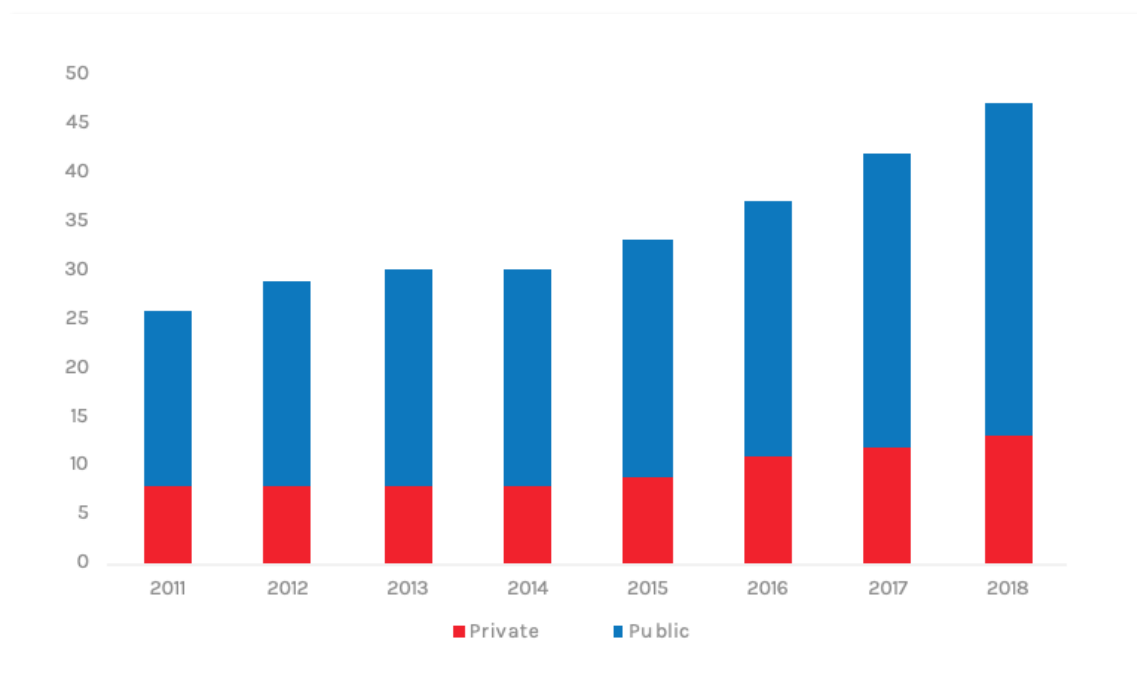
Blended capital

According to data on the blended finance market collated by Convergence, the use of blended finance is active in the financial inclusion space, such that the financial sector accounted for about 28% of blended finance deals by 2018⁴³. It was also noted that the proportion of blended finance transactions focused on the financial services sector has remained steady at around 28% since 2010, with some increased focus on financial sector deepening (i.e. efforts to develop the capacity of local capital markets through the issuance of corporate bonds and financing for local banks) as well as SME finance, both intermediated and direct.

ZONING IN ON FINANCIAL INCLUSION FUNDING

While the data above focused on the broader financial services space, we share data and the Funding Explorer tool⁴⁴ offered by CGAP, to zone in more acutely on financial inclusion. According to data collected by CGAP⁴⁵ that reports funding commitments from 23 international funders, both public and private, as of the end of 2018, international funders have active commitments of USD 47 billion in 2018 for financial inclusion—reinforcing that financial inclusion plays a vital role as an enabler of many Sustainable Development Goals (SDGs). This growth is driven by greater funding from multilateral agencies, development finance institutions, and foundations, in keeping with their work towards sustainable development.

Chart 27: Increasing share by public sector capital towards financial inclusion



Source: CGAP Funder Survey 2011-2018, N=23

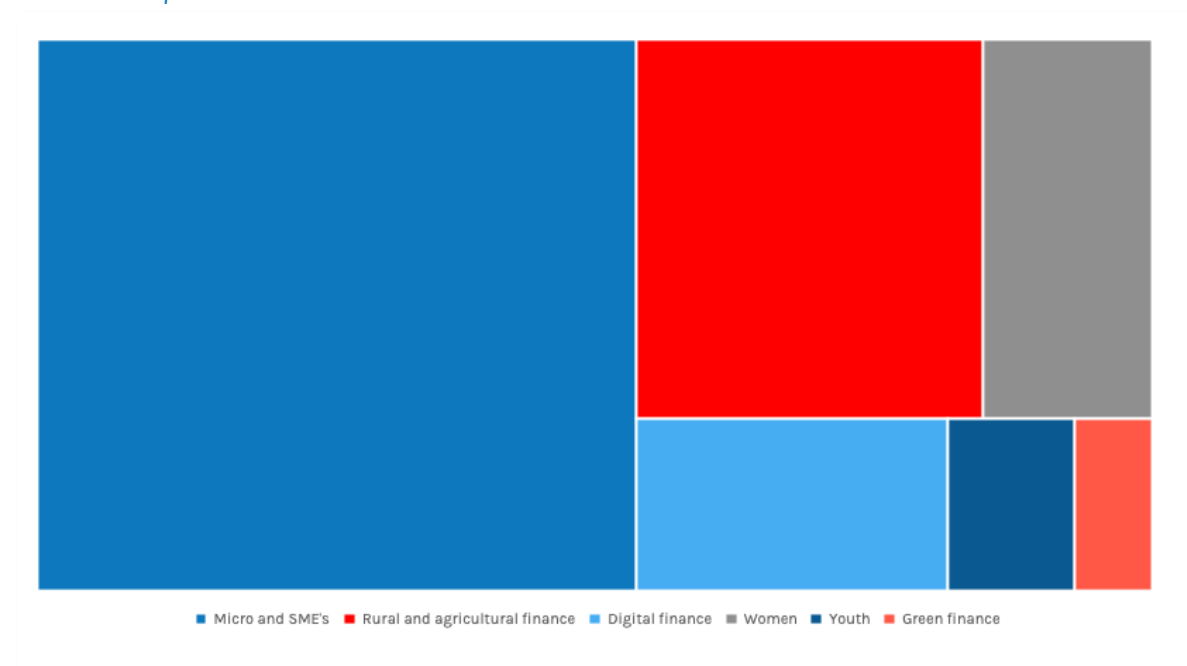
⁴³ <https://www.unctf.org/bfids/executive-summary>

⁴⁴ <https://www.cgap.org/research/data/funding-explorer>

⁴⁵ <https://www.cgap.org/research/data/international-funding-financial-inclusion-2018-global-data>

Looking at the available data, we see that in terms of the number of funders, majority of their capital is going towards funding projects for micro and small enterprises, followed by rural and agricultural finance, also spotlighting the gaps towards other digital finance solutions and then those with a gender lens.

Chart 28: Impact areas within financial inclusion- based on number of funders (23) in 2018, not volume of capital



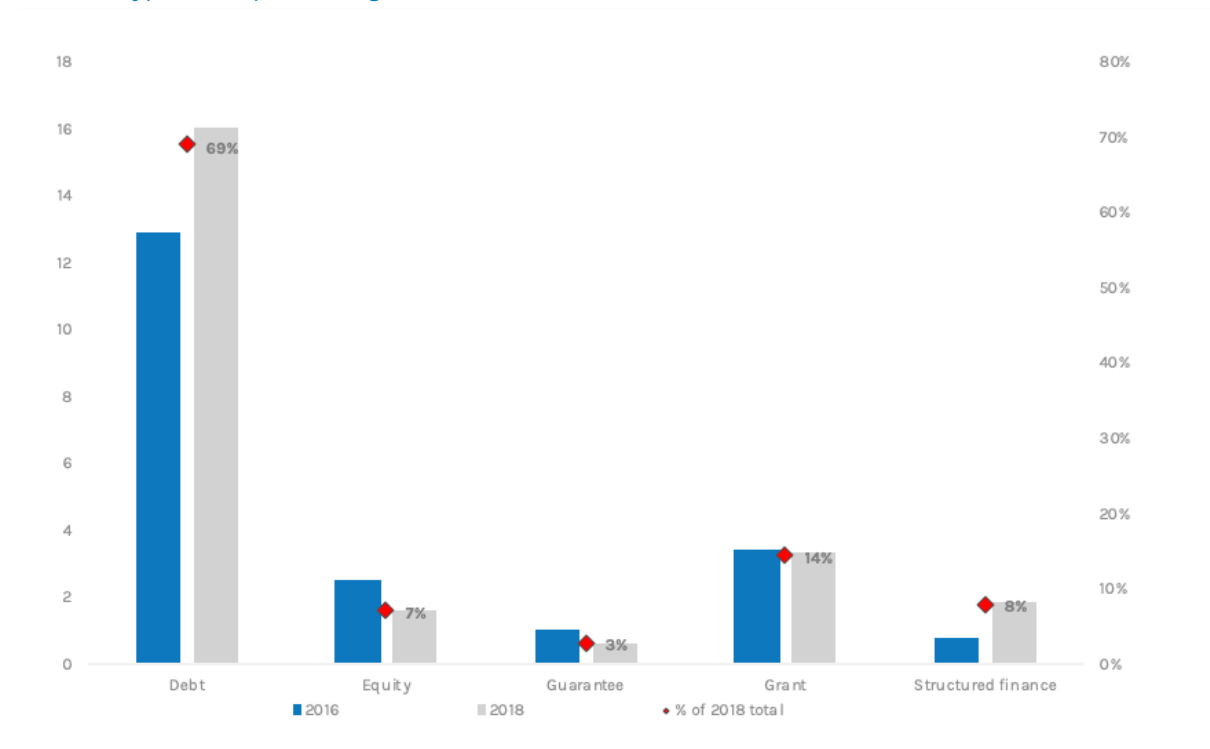
Source: CGAP Funder Survey 2018, N=23

GOING DEEPER ON FUNDING FOR FINANCIAL INCLUSION WITH A GENDER LENS

As discussed by CGAP, while on the one hand this low volume towards financial inclusion projects with a gender lens could be because funders assume that projects targeting the general population will inevitably reach women, or on the other that gender-disaggregated data is harder to track. However, both these assumptions are problematic as it is now more widely accepted that women face disproportionate barriers to accessing and using financial services and require tailored interventions⁴⁶. When we explore the source of funding, it appears that debt instruments are the most widely used, followed by grants and structured finance vehicles (which are also on the rise).

⁴⁶ <https://www.cgap.org/blog/3-trends-womens-financial-inclusion-funding>

Chart 29: Types of capital being allocated to financial inclusion

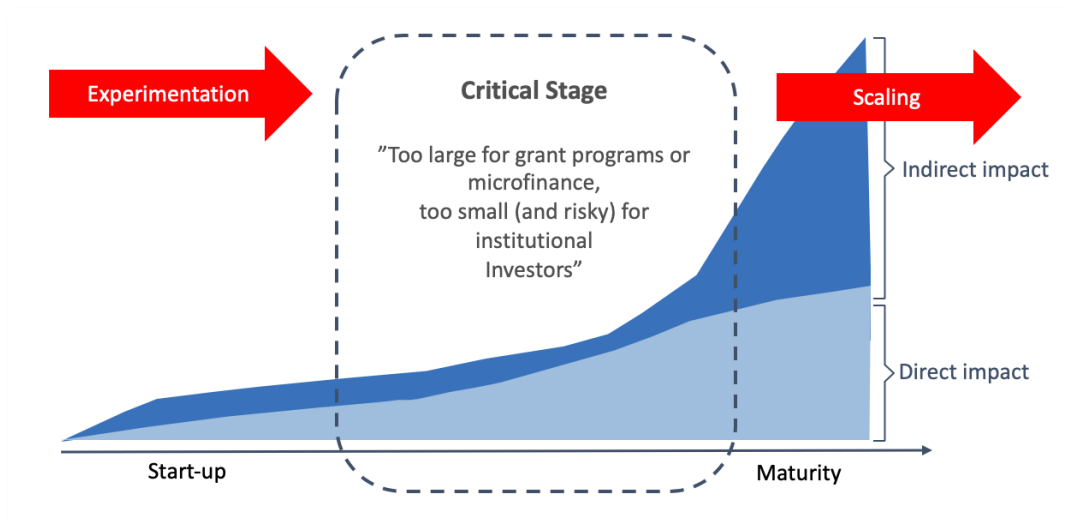


Source: CGAP

Thus, while there is a growing amount of capital being allocated to financial inclusion, when we look at structured finance, there is much room for growth and similarly when it comes to digital financial services and projects that are supporting women's financial inclusion, there appears to be the same space for innovative finance. Moreover, it will fall short to simply focus on women without embedding knowledge about structural barriers, gender norms and other power dynamics into the entire project and funding lifecycle, underpinning the opportunity for more targeted and gender transformative funding solutions.

As shared above, the majority of funding going towards FinTechs is coming from traditional sources of private capital and thus in some ways the missing middle gap experienced by early to growth stage FinTech enterprises is just as pervasive in this sector. Moreover, as pointed out, with the concentration of funds into the 'winners' of the FinTech space, there is a wide space for reaching, supporting and growing gender-inclusive FinTech companies. In fact, the same valley of death in terms of funding challenges that exists for other industries is also prevalent here in the inclusive FinTech space, as seen in the chart below.

Chart 30: The strategic financing gap



Source: FASE

Thus, while FinTech companies have the potential to enable change, they require resources to develop customised solutions and expand operations in order to generate the development results that they are capable of achieving. They can finance this through bringing in external investment. Yet the focus of traditional investors on high growth and profits often leads to a push toward going up-market where the margins are higher. Servicing marginalised market segments – while maintaining a development focus – could mean lower margins and slower growth in profits. This limits the pool of available investors and the ability of socially oriented FinTechs to realise their development potential. Here is where the investment gap exists.

We heard [an echo of this funding gap](#) from two leading ecosystem builders and funders including:

“The work Catalyst Fund is doing helps de-risk early-stage social-impact startups in emerging markets, helping entrepreneurs surpass the valley of death while building a funnel for more commercial investors and success stories for the ecosystem.”

As well as:

“Accion Venture Labs seeks to fill the seed stage funding gaps that exists for social impact companies in emerging markets in hopes of de-risking these early stage businesses and in turn allowing them to bring in additional capital.”

This helps substantiate the funding gap within the inclusive FinTech space that is currently not being met by traditional capital or the broader realm of impact investing.

SPOTLIGHT: EXISTING BLENDED AND STRUCTURED FINANCIAL SOLUTIONS SUPPORTING DIGITAL OR GENDER-RELATED FINANCIAL INCLUSION

This following table shares our findings of other blended and structured finance solutions, some of which are focused on larger financial institutions, some on FinTechs and other digital financial service providers, largely excluding blended and structured funds focused on supporting micro-finance providers.

Name	Scope	Underlying #'s	Intended Outcomes
Woman's World Banking (WWB) Capital Partners Fund II, managed by WWB Asset Management (WAM) ⁴⁷	<ul style="list-style-type: none"> - USD 100mn blended finance fund that is focused on increasing financial inclusion for low-income women in Africa, the Middle East, and the Indo-Pacific region - Focus it to enable more women to access loans, develop credit, build savings, and purchase insurance. 	<ul style="list-style-type: none"> - A layered fund with Tier one investors such as the Overseas Private Investment Corporation (OPIC), making up 20-30% of the fund lending debt, having first priority of return and return rate limited to four % - Tier 2 investors are commercial investors, contributing 50-60% of the fund's revenue in the form of equity investments. Their return expectation is 15-18%, with no limits on rate of return and second priority. - Tier 3 investors (development agencies mostly) providing concessional contributions, limiting their return to a maximum of 2%, and absorbing losses ⁴⁸ - USAID contributed \$500K to WWB Capital Partners Fund II, and USD 100K on technical assistance to support underlying digitization of portfolio companies 	<ul style="list-style-type: none"> - Focus on improving the reach of financial products and services to low-income women, to not only empower them economically but also to improve societal norms.

⁴⁷ <https://www.usaid.gov/invest/snapshot/wwb>

⁴⁸ https://medium.com/@USAID_INVEST/mobilizing-100-million-in-private-capital-for-womens-economic-empowerment-5a4d36a76a9f

Name	Scope	Underlying #'s	Intended Outcomes
African Digital Financial Inclusion Facility (ADFI) ⁴⁹	<ul style="list-style-type: none"> - A 10 year, USD 100mn multi-donor blended finance fund focused on accelerating digital financial inclusion across Africa - Will deploy grants and loans to scale up digital financial services to banks, non-bank financial institutions, mobile operators, FinTech companies, government ministries and - regional economic organisations. 	<ul style="list-style-type: none"> - Committed funding of USD 40mn from the Bill and Melinda Gates Foundation (BMGF), The Government of Luxembourg and the Agence Française de Développement. 	<ul style="list-style-type: none"> - Looking to demonstrate the positive impact on the livelihoods of low-income consumers and in particular on women and vulnerable communities through the provision of suitable and sustainable financial products and services.
Catalyst Fund ⁵⁰	<ul style="list-style-type: none"> - Accelerator model that provides mentorship and non-equity funding to early-stage tech ventures focused on driving financial inclusion in emerging and frontier markets. - Help bridge early stage funding gap by providing rapid and flexible innovation grants up to USD 100K. 	<ul style="list-style-type: none"> - Supported by DFID, JPMorgan Chase, BFA Global and fiscally sponsored by Rockefeller Philanthropy Advisors. - 1st fund is USD 10mn, with the 2nd fund which closed in Jan 2020 is USD 15mn - Will reach 30 companies in 5 years across Kenya, Nigeria, South Africa, India and Mexico 	<ul style="list-style-type: none"> - Supporting innovators in emerging markets who are building affordable, accessible, and appropriate financial products and solutions for underserved communities, and accelerating the local innovation ecosystems around them

⁴⁹ <https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/africa-digital-financial-inclusion-facility-adfi/adfi-background>

⁵⁰ <https://bfa-global.com/project/catalyst-fund/>

Name	Scope	Underlying #'s	Intended Outcomes
BLOC Fund ⁵¹	<ul style="list-style-type: none"> - A EUR 100mn blended finance technology impact fund targeting underserved communities in emerging markets kicked - A consortium of Bamboo Capital Partners, SmartAfrica, Government of Togo and Moeda Seeds Bank, a Brazilian micro-finance technology company with the goal of using advanced technologies to improve traceability of investments 	Further details not publicly available	<ul style="list-style-type: none"> - Focused on financial inclusion, energy, education, fast-moving consumer goods and healthcare, with the intent to support start-ups in accessing the pan-African market and effect a real, measurable social and environmental impact
CARE SheTrades Fund ⁵²	<ul style="list-style-type: none"> - A USD 75 million gender lens blend using debt and equity to invest in small businesses, acknowledging the integral role played by these companies and the USD 5.2 trillion funding gap that disproportionately affects women. - Managed by Bamboo Capital Partners 	<ul style="list-style-type: none"> - The fund has a senior tranche of USD 60 million, USD 15 million as first loss, and is expected to generate a rate of return of 7.5% 	<ul style="list-style-type: none"> - Focusing on investing and financing early-stage, mostly-women led enterprises to harness the power of the private sector in pursuit of SDG 5 on gender equality.
IIX Women's Livelihood Bond	<ul style="list-style-type: none"> - USD 8-million bond focused on providing +385,000 Southeast Asian women with access to credit, enhanced linkages to supply chains, and affordable goods and services. - First IIX Social Sustainability Bond, demonstrating financial and positive social and environmental impacts. - Supported by USAID, the Rockefeller Foundation, Japan Research Institute, DBS Bank, ANZ Bank, Shearman & Sterling and Hogan Lovells - Listed on the Singapore stock exchange. 	<ul style="list-style-type: none"> - The pilot was oversubscribed, with the coupon set at 5.65 % with a 4-year bullet repayment - Investment sizes ranged from USD 1-3.7mn. - Pooled structure allows underlying borrowers to access large amounts of capital that they would not otherwise have been able to raise individually 	<ul style="list-style-type: none"> - Support mission-oriented investment capital to reach high-impact organizations - Providing access to credit, improving market linkages and supporting business productivity growth

⁵¹ <https://disrupt-africa.com/2019/05/bamboo-capital-smart-africa-partner-for-blended-FinTech-impact-fund/>

⁵² <https://nextbillion.net/sdg500-fund-interview-kemmerich-ditiu/>

Name	Scope	Underlying #'s	Intended Outcomes
Women Entrepreneurs Bonds ⁵³	- Part of the Women Entrepreneurs Opportunity Facility, a joint initiative and loan facility led by IFC and Goldman Sachs to support 10,000 women and expand access to capital for women entrepreneurs globally.	Further details not publicly available	- Aimed at boosting lending to women-led small and medium-sized enterprises.
Accion Venture Labs	- Launched in 2012 with USD 10 million in capital, with a further new USD 33M fund added for a second fund in 2019. - Supports ventures across insurtech, agricultural finance, digital lending, holistic MSME finance solutions, and personal financial management.	Investors include FMO, Ford Foundation; the ImpactAssets Giving Fund of Blue Haven Initiative; Heifer Foundation; MetLife Foundation; Open Society Foundations; Pace Able Foundation; Proparco, the French Development Agency (AFD)'s private sector financing arm; Prudential Financial; Stichting Hivos-Triodos Fund, managed by Triodos Investment Management; and Visa Inc.	Broadly supporting entrepreneurship, resilience in farming, gig economy and migrant workers, healthcare, transportation, and education
Village Capital	Established in 2015, this USD 15 million fund is to provide follow-on capital as cohort companies continue to raise money after they complete the Village Capital accelerator program.	-60-75 investments made over 4-5 years, 40% to women-run companies, 20% to people of color ⁵⁴ - Funding from private investors, foundations and underwriting cost management grant from USAID	Supporting ventures across energy, water, health/wellness and financial inclusion

HOW FINANCIAL INCENTIVES & BETTER ALIGNMENT COULD HELP

Through our conversations with stakeholders, we explored the role that better aligning business and impact goals could have on the growth trajectory of inclusive FinTechs. We tried to understand if better alignment could allow for more pointed focus on impact outcomes and limit mission drift. In general, there was a positive response echoing the role that targeted grant and non-reimbursable funding can play in supporting impact enterprises remain on mission and achieve the impact they are looking to create. Moreover, for impact companies that are looking to achieve both financial and social returns inclusive enterprises, when it comes to fundraising to support growth and scale, a tension often emerges between impact goals and business goals, depending on investor type, needs, risk and return profile and more. For example:

⁵³ <https://www.bangkokpost.com/thailand/pr/1735587/ifc-and-deg-agree-to-subscribe-to-asia-pacifics-first-private-sector>

⁵⁴ <https://www.americaninno.com/dc/new-social-impact-investing-fund-by-village-capital-raises-17-7m/>

Rob Tashima from Village Capital shared that:

“The extent to which ventures use – or avoid – the “impact” label varies significantly, even during fundraising rounds. The label can help attract capital from certain categories of asset owners who are seeking impact but can also lends itself to misinterpretation by asset managers who equate impact with concessionary. As a result, some companies lean into the impact label to attract certain types of investors, while others steer clear of being branded as a venture offering only concessionary returns.”

When it comes to integrating this balance with a gender lens, we highlight what Olga Miles emphasised around “an opportunity to re-orient the entire organisation to effectively serve women i.e. with more female leadership, a clear gender strategy, and the equity/investment piece, all of which could better incentivise for scale”. Moreover, as Olga elaborated:

“Long-term growth investments can incentivize activities that are critical to gender re-orientation including: developing and tracking female-focused KPIs; ensuring gender balance of staff across all departments, functions and levels within an organization, including in senior management and the board; designing, testing and implementing gender-sensitive internal policies; and consistently tracking progress in the journey towards gender mainstreaming and making adjustments at the highest levels when necessary. These activities, if done correctly, will mark a substantive shift in how a provider does business. They thus require long-term, patient capital and ample guidance and oversight.”

Having a more explicit gender orientation and supportive investment capital has a role to play in improving gender equality.

WHAT ABOUT STAYING ON MISSION?

In addition to the above conversation on the role of aligning investee and investor outcomes, it could also be pertinent to highlight the other extreme, where mission-aligned ventures start with impact first and over time shift over to finance first, thus moving away from supporting the needs of the most vulnerable. An example is that of a Silicon Valley based FinTech that has a micro-lending platform across Kenya and Africa. In late 2019 it got slammed with reports of over-indebted customers, loan sharking and other predatory debt practices⁵⁵. On the one hand, while none of the investors of the USD 200million raised by this FinTech comes from impact investors, the enterprise is registered to the Guidelines for Responsible

⁵⁵ <https://www.bloomberg.com/news/features/2020-02-12/tech-startups-are-flooding-kenya-with-apps-offering-high-interest-loans>

Investing in Digital Financial Services⁵⁶, shared in Section 1 earlier. Hence, these concerns around frightening consumers on loan payments, putting undue pressure need to be considered as this pressure to pursue greater financial returns in response to what their investors are seeking is commonplace⁵⁷.

Of course, in these emerging markets it is important to bear in mind the broader ecosystem and enabling factors such as credit bureaus, seamless national ID technology/systems and the underlying stability of the financial environment for financial services itself. Overall, there is a case to be made on the role that supportive capital can play in enabling an impact-first mindset, even in the face of growth and scaling, where rewards can play a role in keeping impact goals in line.

OTHER MODELS SUPPORTING MISSION ALIGNMENT: SPOTLIGHT ON WOCAN

In our research, we also connected with Women Organizing for Change in Agriculture and Natural Resource Management (WOCAN), a women-led global membership organization, whose mission is to advance women's empowerment and collective action to tackle climate change, poverty and food insecurity. They have built a platform, the W+ Standard, developed in 2014. This framework measures women's empowerment in a quantifiable manner, giving a monetary value to results. It also has a mechanism wherein 20% of units sold are siphoned back into the underlying women's organisation/community itself⁵⁸.

Their framework is trying to provide measurable and verifiable social benefits of a project/initiative, resulting in marketable W+ units i.e. a quantifiable way of measuring impact. An example of how this standard has been applied in the financial inclusion sector is a DFAT and UNCDF funded project in Vietnam that used the Knowledge and Education method to measure behavioural changes resulting from a financial literacy project. It is helpful to see other approaches where business and impact goals are being aligned with an incentivising and monetizing model.

MAKING THE CASE STRONGER FOR IMPACT-LINKED FINANCE

We have found that Impact-Linked Finance has deep potential for making a difference, particularly for tech-enabled enterprises in their early stages, when there is still a high level of flexibility about the strategy for scaling. As they grow, venture capital-backed tech companies – even if they are pursuing a mission for inclusivity – tend to focus less on the poor and vulnerable.

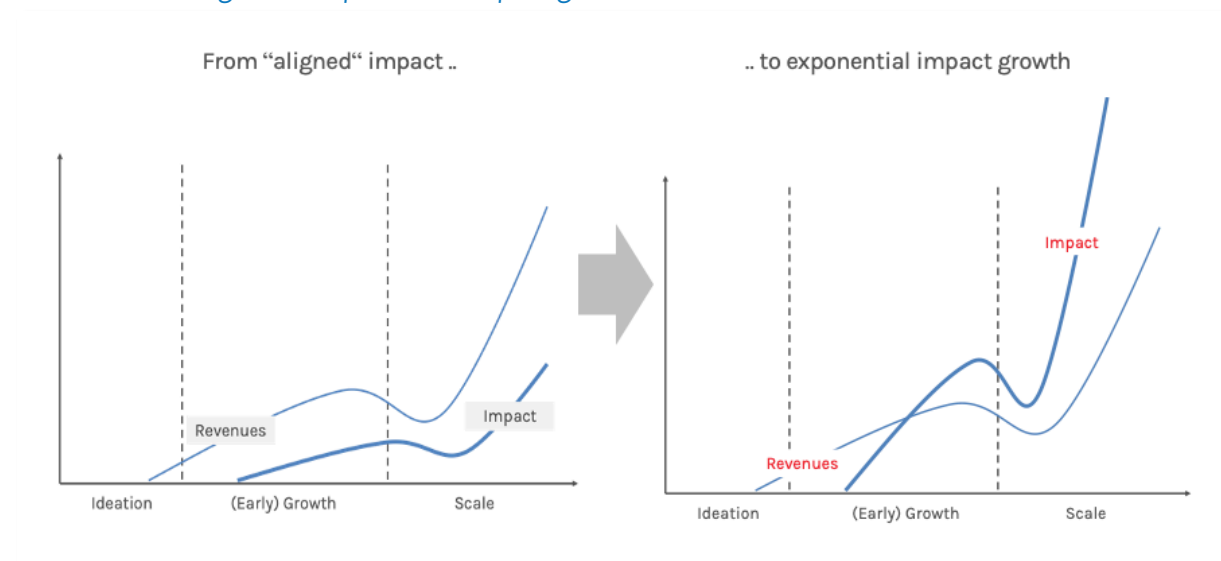
Yet venture capital firms – and even impact investors – typically do not provide better terms for better impact to these enterprises when they are young. While in traditional impact investing the impact is typically somehow aligned with the financial return – with a tendency for that alignment to drift away over time – Impact-Linked Finance enables high-impact tech companies to align profitability with exponential impact growth from the very start – and to sustain that alignment over time when these companies generate economies of scale.

⁵⁶ <https://responsiblefinanceforum.org/investor-guidelines/>

⁵⁷ <https://impactalpha.com/investors-called-to-account-for-fintech-lending-practices-as-debt-traps-emerge/>

⁵⁸ <https://www.wplus.org/>

Chart 31: From aligned to exponential impact growth



Source: Roots of Impact

DESIGN IDEAS ON THE CATALYTIC FUND

Given this backdrop and as shared above, there remains an enormous financing gap for accomplishing the SDGs⁵⁹, particularly as it relates to the realm of financial inclusion, which crosscuts sustainable and equitable development. Applying a gender lens to this funding landscape depicts an even tougher starting point. This section will outline the design ideas, underlying process principles and impact goals of the proposed catalytic fund structure. Getting into the deeper modelling of the transaction level nuances (how it will play out with each FinTech enterprise, their specific funding needs, the interplay with the different tranches of the fund etc.) are out of scope of this feasibility study.

In terms of Roots of Impact's expertise, with our focus on effective impact-linked finance solutions, we have deployed numerous SIINC transactions and are currently working on larger-scale initiatives that can help scale up the SIINC model from a transaction-level approach to a more sector-based outcomes funds approach. The objective is to provide SIINC to a number of different enterprises in specific sectors (e.g. off-grid energy, WASH etc.) and design powerful incentives that are rewarding gender-related outcomes in particular.

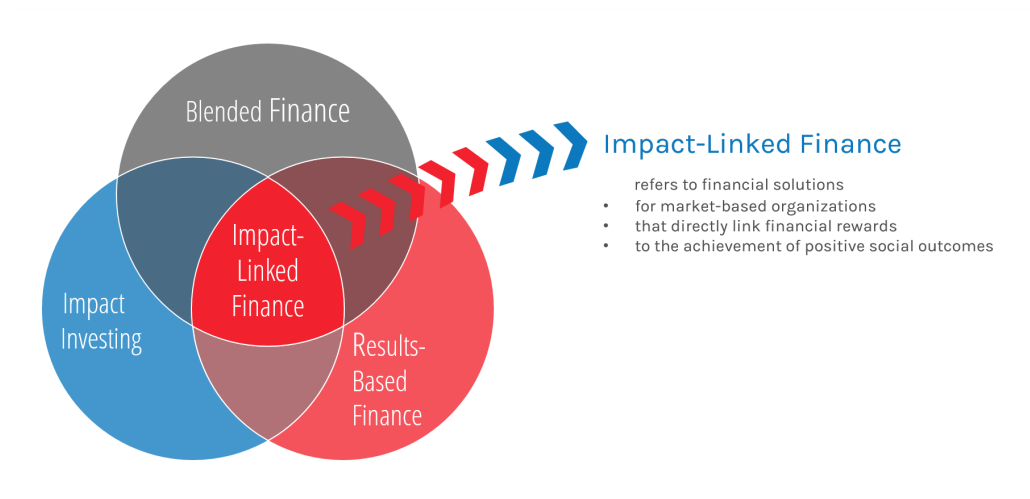
Impact-Linked Finance refers to financial solutions for market-based organizations which directly link financial rewards to the achievement of positive social outcomes. In partnership with BCG, Roots of Impact released a report in late 2018 defining the concept, characteristics and potential of Impact-Linked Finance⁶⁰. It represents a growing portfolio of financial instruments and design principles that

⁵⁹ https://read.oecd-ilibrary.org/development/private-philanthropy-for-development_9789264085190-en#page39

⁶⁰ <https://www.bcg.com/capabilities/social-impact/how-impact-linked-finance-can-accelerate-sdgs.aspx>

incentivise private investment to support high-impact ventures in scaling up their impact.

Chart 32: Emergence of Impact-Linked Finance



Source: Roots of Impact

A key element of Impact-Linked Finance is to incorporate a strong focus on additionality in the sense that financial rewards should facilitate the enterprise in delivering additional outcomes as opposed to paying for effects that would have happened without financial incentives. This is in line with the ultimate goal of Impact-Linked Finance: to accelerate positive impact and to contribute to the achievement of the SDGs. Impact-Linked Finance can do it most effectively by avoiding windfall profits, preventing market distortion, nudging toward high impact performance and creating additionality.

Even though most enterprises create positive externalities, the impact they generate towards social or environmental outcomes is often not fully compensated. In this context, Impact-Linked Finance does not necessarily focus on enterprises that are commercially less attractive – but simply enables and incentivizes market-based enterprises to accelerate and deepen their positive impact by generating additional outcomes (e.g. by serving lower income customers, in particular women, in more rural areas). As described above, there is an opportunity to better incentivize the inclusive FinTech enterprises that are generating positive gender outcomes in the financial inclusion realm.

DESIGN PRINCIPLES FOR IMPACT-LINKED FINANCE

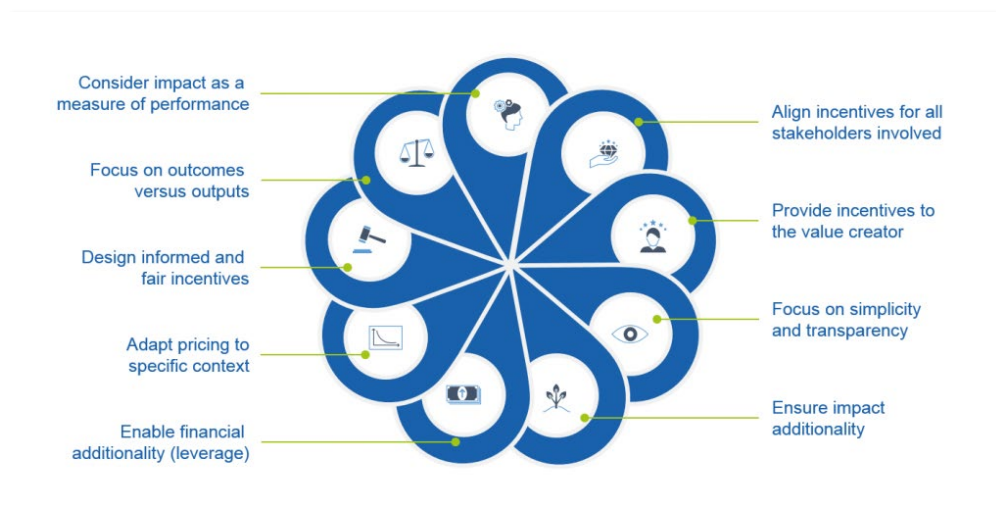
Roots of Impact in partnership with the Boston Consulting Group (BCG) in 2018 developed the Design-Principles for Impact-Linked Finance in order to ensure the most effective use of funding⁶¹. The Impact-Linked Rewards Facility would closely follow and apply these principles:

⁶¹ <https://www.roots-of-impact.org/wp-content/uploads/2019/01/Roots-of-Impact-BCG-Accelerating-Impact-Linked-Finance-2019.pdf>

1. **Consider Impact as a measure of performance:** Social and environmental impact should be seen as a measure of performance that can be tracked, managed and optimized. Thus, incentives should be relative if feasible, rather than rewarding achievement of fixed targets or milestones (granularity according to the organization's state of development).
2. **Align incentives for all:** Impact-linked financing solutions have to equitably balance risks and returns to provide aligned incentives for the major stakeholders in terms of social, environmental and economic value. Seek alignment of incentives with the enterprise's business strategy.
3. **Provide incentives to the value creator:** Rewards have to be directed to the actor who is most central in the value creation process.
4. **Focus on simplicity and transparency:** Avoid complicated models. Incentives have to be easy to understand by all stakeholders, with straight-forward and transparent rewards and processes.
5. **Ensure additionality:** Incentives and rewards should be provided for additional outcomes that would not have happened anyway.
6. **Enable financial additionality (leverage):** The incentives should have a link to investment and enable leverage/scaling of resources. This does not mean that higher leverage is always better. Leverage has to be appropriate for the context, and financial resources are a means to create developmental additionality.
7. **Adapt pricing to context:** The pricing of rewards should be based on objective criteria, but the incentive levels set should maintain some flexibility in order to fit to a given context
8. **Design informed and fair incentives:** The level of incentives should be high enough to attract interest from enterprises, but also represent the best value possible for the funder.
9. **Focus on outcomes vs. outputs:** Wherever feasible, incentives should be based on outcomes or robust proxies for outcomes, not on input or output. Ensure measuring performance is in line with international principles supported by Social Value International (SVI) and the International Financial Corporation (IFC)'s Operating Principles for Impact⁶².

⁶² https://www.ifc.org/wps/wcm/connect/720ed26b-48fe-40fb-9807-711d869c5bf9/Impact+Investing_Principles_FINAL_4-25-19_footnote+change_web.pdf?MOD=AJPERES&CVID=mJ20IIA

Chart 33: Principles of Impact-Linked Finance (ILF)

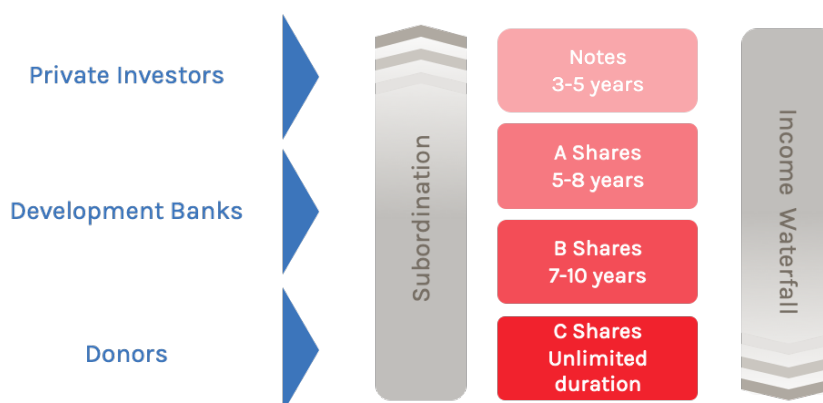


Source: Roots of Impact/Boston Consulting Group

In addition to the design principles the Facility would consider the Principles of Social Value, Operating Principles for Impact Management and the OECD DAC Blended Finance Principles for Unlocking Commercial Finance for the SDGs. These are outlined in the Appendix.

While Impact-Linked Finance is a new concept, the idea of using structured funds is commonplace in the development finance space. In a standard structured fund, different stakeholders provide different types of funding in line with their specific needs and mandates. Typically, donor organizations provide funds for first-loss tranches often referred to as 'C-Shares'. This means that they absorb any initial losses made by the fund, thereby protecting the interests of other investors. The A- and B-Shares (also known as Junior/Senior tranches) are bought into by entities such as DFIs or institutional investors who require risk adjusted returns.

Chart 34: Example of a traditional structured fund



Source: Finance in Motion

Donor engagement through the use of first-loss capital (C-shares) reduces risk for the other investors and can thereby mobilise larger investment volumes. This mechanism is not very targeted however, meaning that there is no incentive for the fund manager as well as for the enterprise receiving an investment towards greater impact on the ground.

HOW WOULD GIFF ADDRESS THE GENDERED ISSUES AROUND FINANCIAL EXCLUSION?

As discussed in our systems level theory of change, financial inclusion through FinTech solutions is increasing access for marginalised groups. However, increased access alone is not the answer, with due attention needing to be paid to the needs and usage patterns and prevailing social norms. As the overall thesis of this fund would be to support existing gender-focused inclusive FinTech companies that are leveraging the technological and data-driven developments, as well as to motivate other generally inclusive ones to be more gender focused (taking into account opportunity costs). This would enable the incentivization of more targeted outcomes around female financial inclusion at the BoP. These enterprises are going beyond simply increasing the numbers of women that have access to financial services, and actually supporting stronger financial health and enhanced ability to withstand economic and life shocks.

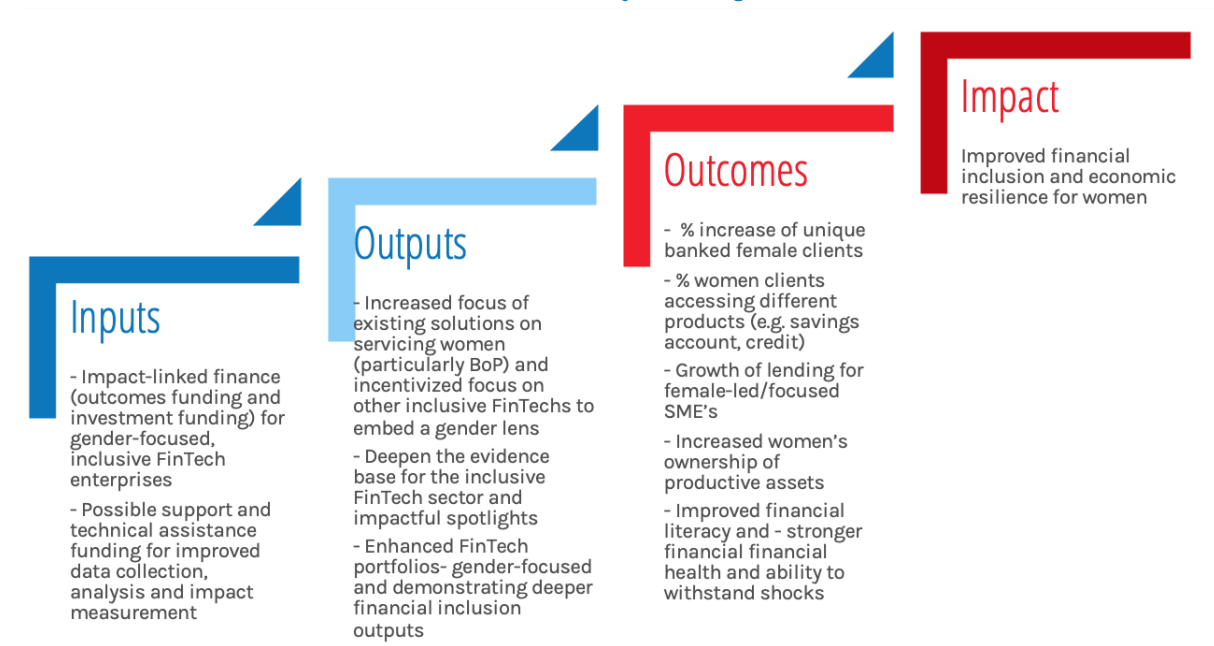
Beyond this feasibility study, there would be work around a more detailed modelling and understanding of what it would take to incentivise this pursuit of greater gender impact, for both FinTechs that are already gender inclusive and those that would look to become more gender inclusive in their approach.

FROM SYSTEM TO GIFF LEVEL THEORY OF CHANGE

The GIFF would provide FinTechs with impact-linked financing to incentivize a gender focus by linking financial rewards to predetermined gender inclusive outcomes (see Appendix for indicative outcomes indicators). It would move beyond counting women reached to better understand, articulate and reward the value created both for and through women. From a pipeline and investment thesis perspective, the underlying idea is to scale up existing gender-focused inclusive FinTechs and to nudge more players to come along this gender-transformative growth path, enabling greater gender-focused outcomes and impact.

While we earlier shared a system and meta level theory of change, the chart below indicates the theory of change at the fund level, drilling down into the outputs and outcomes that will enable the fund to track the type of change and impact occurring. There is an accompanying section on the outcomes in a further section, and some more details in the Appendix.

Chart 35: Gender-Inclusive FinTech Fund level theory of change



Source: Roots of Impact

When we start to drill further into this impact by exploring financial inclusion outcomes, it is important to highlight that *there are remaining and persistent gaps around gender norms, and it is also hard to do intra-household analysis, but there is a move towards tracking things like improved well-being, reduced risk from economic shocks.*" Lindsay Wallace - former head of Impact at the MasterCard Foundation.

Further nuancing also needs to be done. As shared by the team at SPTF, *"it is not just about gender alone; Women do not have homogenous needs. We need to get a lot more granular and sophisticated, such as looking at the trends between rural and urban segments, marital status of the household, and whether the woman is starting a new business or very experienced already in her business. Additionally, we have to recognize that it is not just the business needs of the clients but also her context that affects how much access she has or can get to financial services. For example, considering whether she is able to meet guarantee requirements, has mobility constraints, or limited numeracy and/or literacy skills, can impact the scope of the outcomes achieved. Also, an important area of consideration for outcomes is whether the financial service provider is treating its clients respectfully.*

LINKING UP WITH THE IMPACT MANAGEMENT PROJECT

The Impact Management Project⁶³, or IMP, is a forum that facilitates consensus building and harmonization around impact metrics and standards. The IMP has developed a framework for a deeper understanding of impact, which includes 5 dimensions of performance: what, who, how much, contribution and risk.

⁶³ <https://impactmanagementproject.com/>

1. **WHAT:** This fund will address not only the lack of access to financial services for women, but also the usage and quality of those services by incentivizing gender-inclusive product development and delivery. With the outreach to remote locations made possible by technology, digital financial services designed to be gender inclusive can provide women with decision-making power, financial stability and flexibility, and purchasing capacity
2. **WHO:** This fund will be focused on female end users or target clients of FinTechs; with a secondary focus being female founders, leadership and governance pillars of the FinTechs.
3. **HOW MUCH:** Depending on the size and regional focus, this would shift. At a high level, with 56% of unbanked women i.e. 980 million do not have an account, the potential scale is enormous⁶⁴. Further disaggregating this data into a wider categorisation of women (i.e. single mothers, rural, older women, poorest of the poor), there are many other intersectional dimensions that could be considered as positively impacted.
4. **CONTRIBUTION:** By incentivizing women-centric financial services and rewarding those companies that achieve pre-determined gender inclusion outcomes, it will help hone the metrics and impact management systems (data collection and analysis) necessary for gender equity and build the data and evidence base that can move the broader financial services industry towards greater gender inclusion. The fund will also help to depict that impact-linked finance can be used strategically for shifting the system.
5. **RISK:** The achievement of impact goals also depends on external factors besides financial services, including but not limited to physical capability of end beneficiaries (healthcare), social norms with respect to gender roles, infrastructure, rule of law (female ownership), etc.

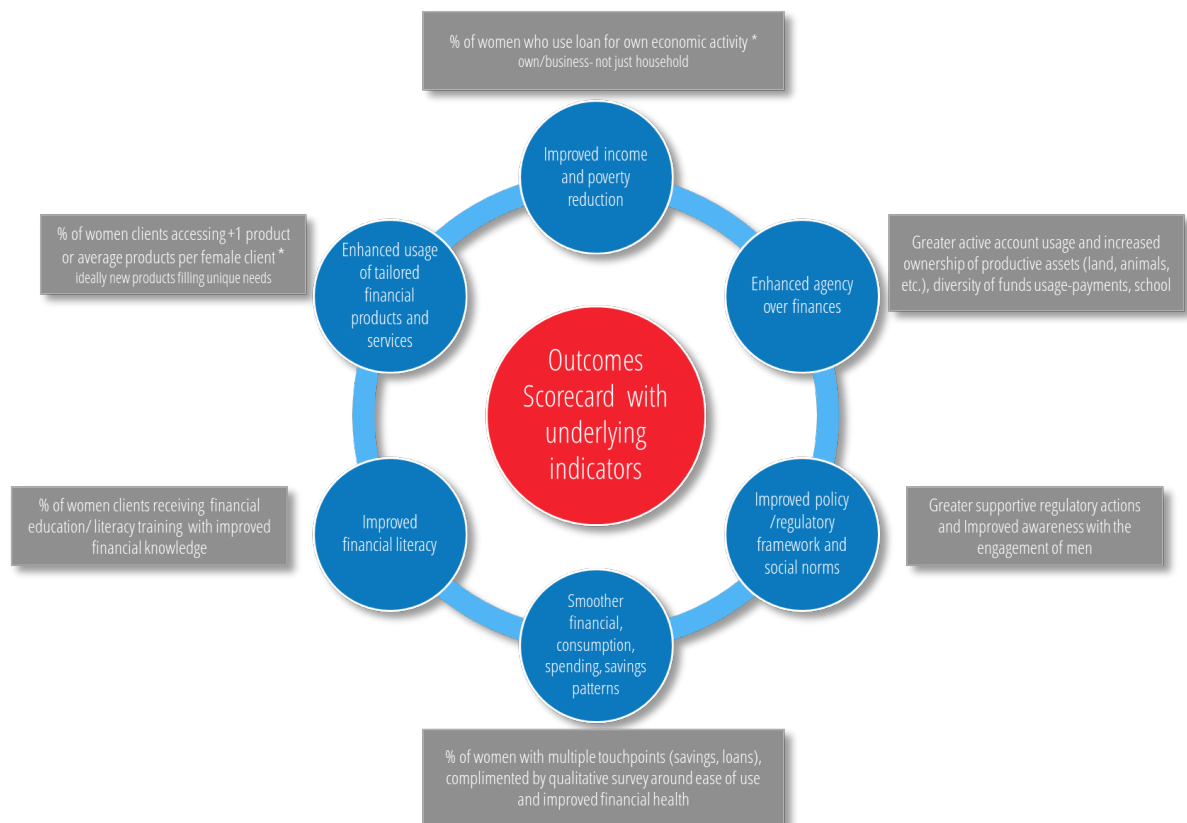
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https://globalfindex.worldbank.org/sites/globalfindex/files/chapters/2017%20Index%20full%20report_chapter2.pdf

OUTCOMES SCORECARD

We recognize it is essential to have a set of feasibly trackable, timely and accurate metrics which also offer a potential commercial benefit for enterprises to track. While the Appendix shares more details of the indicative output and outcome indicators, the chart below presents an overall outcomes scorecard.

Chart 36: Outcomes scorecard



Source: Roots of Impact

Overall, our assumption that outcomes should be well, easily trackable by investee companies was supported by the following statements from key partners:

“In the traditional financial inclusion space, data continues to be collected on paper and stored in binders. For meaningful outcomes data analysis to be possible, data collected electronically, and using modern management information systems enables more affordable and efficient analysis of outcomes.” - SPTF

In tandem with:

“As an acknowledgement of the small teams and limited bandwidth of these early stage companies, we align on 5-10 key metrics that span both company performance and social impact to allow reporting back to investors to be as seamless and dashboard-like as possible.” - Accion Venture Labs

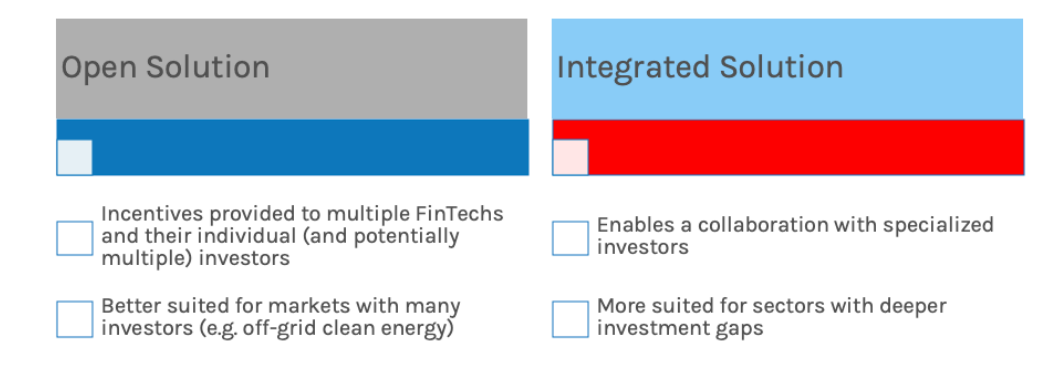
We also highlight the approach that Quona Capital shared in how it evaluates the financial, operational and social performance of their portfolio companies: *“This is done at every stage of an investee's lifecycle - from deal sourcing to exit, and everywhere in*

between. The impact measurement framework measures financial inclusion across three pillars: access (i.e. who gains access; how underserved is the customer base; how many customers/MSMEs have been served), quality (what is the nature/significance of the impact, in terms of accessibility, usage, and efficiency of financial services/products) and markets (what are the demonstration effects of their investments in the market?).”

FUND STRUCTURE DELIBERATIONS

The fund would want to ensure access to high quality and relevant deal flow and there are some early ideas around possible partnerships on this front- not only on pipeline but also the screening and due diligence framework. There is also potential for co-investing i.e. consortium approach as there can be better collaboration with the investors. We have been exploring both an open-fund and a closed-fund approach and its applicability for the GIFF. Here are some nuances in the chart below:

Chart 37: Integrated solution seems more suited



Source: Roots of Impact

Given what we have been understanding in our research and interviews, it seems that with the persistent funding gap around inclusive Fintech, even fewer with a gender lens, it seems the Integrated solution makes more sense, so as to achieve the best outcomes. This could be expanded to other investors in a later step.

THOUGHTS ON THE OVERALL FRAMEWORK

Roots of Impact is proposing the creation of the Gender-Inclusive FinTech Fund (GIFF), that would reformat a traditional structured fund, by building a clearer outcomes-orientation from the onset. To re-iterate, due to the scope, this feasibility has not sketched out transaction level details and modelling around the capital needs of the FinTechs, the lifecycle of the investment, the tenure of the fund and the underlying fund economics. At this stage, we share some overall ideas around the underlying strategy and the elements around how this fund could be structured. In order to have an explicit orientation and incentivization of gender-focused outcomes, we think there are some structural elements that could be incorporated:

Reimbursable and non-reimbursable capital:

- We anticipate blending reimbursable capital from investors interested in both financial returns and strong development impact, and non-reimbursable capital sourced from development agencies and philanthropic bodies, so as to incentivise the generation of additional outcomes by the investee enterprises.
- This hybrid structure would provide its investors with appropriate risk-adjusted returns, while generating maximum gender-related outcomes for the combined resources made available by both investors and development/ philanthropic funders.

Risk and return alignment:

- By providing impact-linked investment capital for investees, transactions would be structured to reward enterprises that deliver strong, gender-related impact results
- The First Loss Tranche would help to reduce the risk associated with investing in the fund, thereby enabling more institutional investors to come on board, thereby improving the capital leverage.
- The outcome funding would go towards incentivising enterprises for achieving pre-agreed outcomes and could also cover returns foregone by the fund based on additional outcomes generated by these enterprises. This could allow for limited financial sacrifice for the investors and enable impact-oriented growth among investees.⁶⁵

Funding Flows

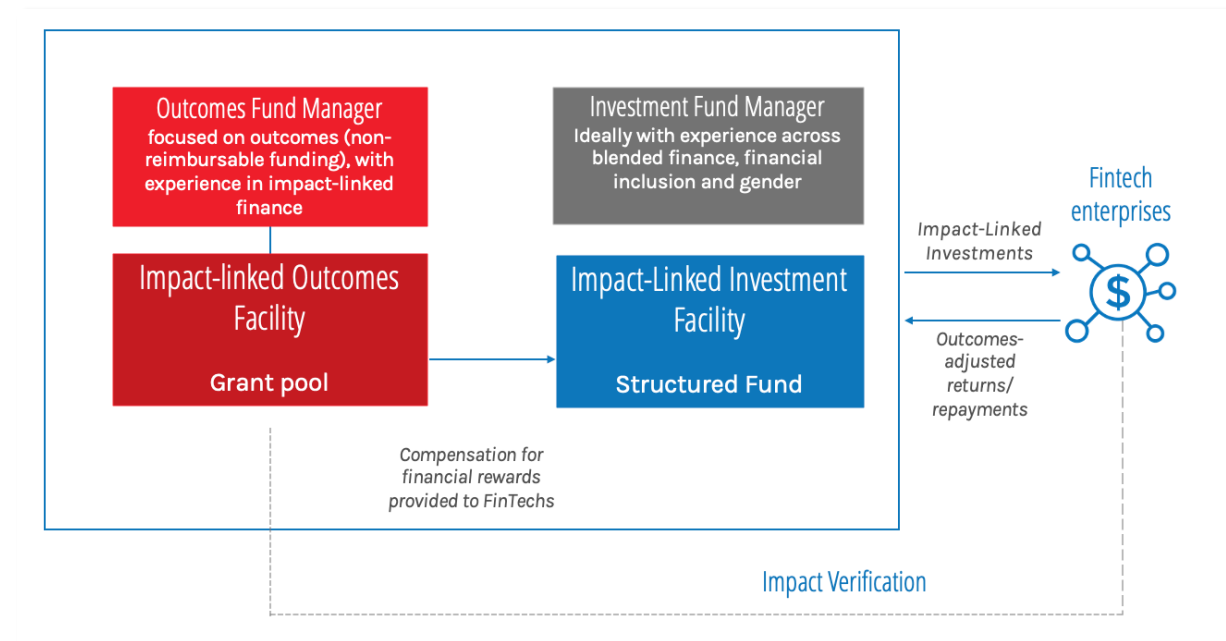
- In order to incentivise and reward Fintech companies for concrete, gender-related outcomes the fund would provide impact-linked capital to them.
- For example, for a specific FinTech if the fund extends an Impact-Linked Loan, the underlying agreement could reduce the interest rate according to achieving these pre-agreed results.
- Thus, the FinTech can directly benefit from its impact performance and has a strong incentive to push the boundaries towards gender-inclusion.
- The fund managing these investments (Impact-Linked Investment Facility) is technically separated from the Impact-Linked Rewards Facility that holds the donor funding for outcomes payments. Thus, there will be a role for an Outcomes Fund Manager and an Investment Fund Manager, hence the outcomes funding and investment pools will need to be separated
- The fund will recycle its assets and will either have a maturity of 10 years or be open-ended.

⁶⁵ With a well-designed impact carry, the fund management can be incentivized to focus on ensuring an optimal level of outcomes focus.

- There may also be the possibility to carve out some technical assistance (TA), that will be reserved for data collection and analysis for the FinTechs. The data collected will help further build the business case for gender equity in financial inclusion and enable evidence-driven product design and delivery that can help to promote gender equity throughout the financial inclusion industry

Overall, here is a visual of the proposed framework that could be feasible.

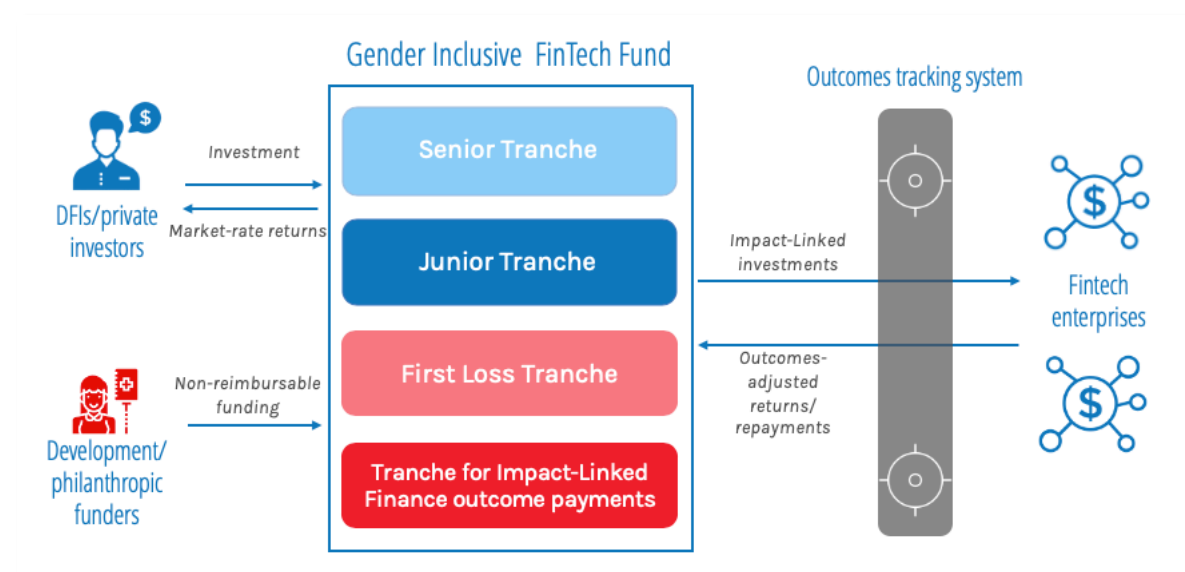
Chart 38: Framework of overall structure



Source: Roots of Impact

And below we share a version of the entire fund structure:

Chart 39: Proposed structure of GIFF



Source: Roots of Impact

FURTHER NUANCES AROUND GOVERNANCE

- Governance:
 - It would require separation of management of investments and catalytic/concessional capital provided by public and catalytic funders
 - Concessional funding will need to be managed in a way that it is used with optimal effectiveness (on behalf of donors) and that investment is managed in a way to bear the interest of investors (fiduciary duties).
 - The operational nuances (binding Articles of Association and the Contribution Agreements that will exactly define the use of funds, criteria, governance, reporting cycles, etc). All of this would need to be fleshed out beyond this feasibility study.
- Investment Fund Manager
 - Focused on pipeline, enterprise selection, due diligence, closing and post-investment support
- Outcomes Fund Manager
 - Ensuring additionality, designing and structuring the incentives, monitoring of impact, support of verification, contributing to enterprise selection

Ultimately, both would work hand in hand but represent a different focus of interest, and this separation of duties will need to be ensured in the governance structure. Effectively, an integrated solution would comprise two separate facilities, housed under an overall legally favorable set-up, such that on the one side there would be the Impact-Linked Outcomes Facility used for managing the incentivizing grant pool of money. This could be set up as a Dutch foundation whose framework conditions and regulations are recognized internationally for being solid and flexible. On the other side would be the traditional investment vehicle of the Impact-Linked Investment Facility, likely with a regular General Partner /Limited Partner structure or a chosen alternatively structured fund.

Due to the scope, this feasibility study did not drill deeper and the realization of the GIFF would also depend on the degree to which donors and DFIs are willing to use their funds for first-loss capital and mezzanine tranche in addition to funding of the ILF Facility.

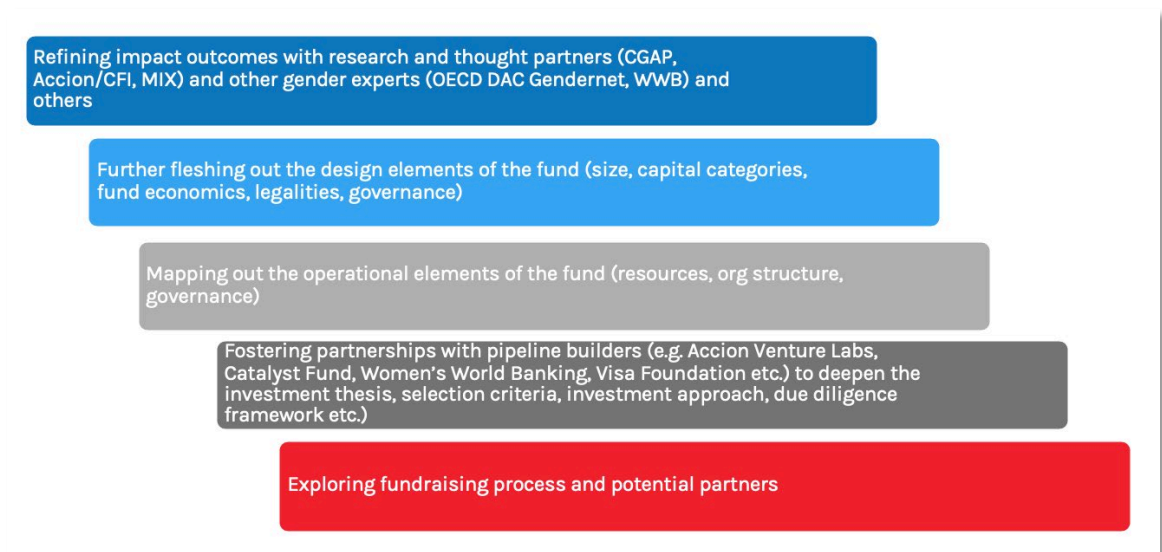
NEXT STEPS TO FURTHER THIS GIFF

In order to design the GIFF in detail and prepare its implementation the following next steps seem plausible:

- Follow up with select thought partners to explore a solidified collaboration. *Note that the partners suggested here are meant to serve as an example, and is not an exhaustive round up*





- Cement the outcomes research and engage in a deeper design process around the fund structure and the incentives model.
- Explore fundraising prospects which would determine if the proposal was resonating with funders and get feedback on specific design features
- Create a framework for assessing asset managers with a track record in inclusive Fintech/ financial inclusion and gender and explore the design of an integrated facility.





Chart 40: An outline of plausible next steps



Source: Roots of Impact

FROM PEN TO PAPER: FLESHING OUT SOME ILLUSTRATIVE EXAMPLES

				
	iFarmer	MaTontine	Cherehani	MexCo Soluciones
Country	Bangladesh	Senegal	Kenya	Mexico
Segment	Ag+FinTech	Savings	MSME lending	MSME lending
Inception	2018	2018	2017	2019
Company description	End-to-end solution to smallholder farmers by providing access to finance, knowledge and advisory services. There is also a Shariah-compliant version to support local investor needs.	Provides access to small loans and life insurance to financially excluded (women living under USD 5/day) in francophone Africa.	Leverages mobile-based technology along with front-line field female agents to provide asset financing, business loans and financial literacy education to women-led micro enterprises in Rural Kenya and looking to expand to other counties.	Offers a tailored and transparent approach to technological financial products that are of value to small businesses, informal sector workers and employees. Operates throughout Mexico, in the Yucatan, Baja California, Mérida, Hidalgo, México State Mexico City.
Operating model	The deploy field facilitators and retail agents to identify farmers who are in need of capital, while their platform mines the farm details (produce, livestock etc.) that needs investment along with a risk and return model. Local farm investors (private and corporate wealth holders) then choose the type of farms they want to invest in, which is the disbursed to the farmers, increasing their focus on farm productivity.	They are digitizing traditional savings and lending circles in order to create a path to access to formal financial services.	Leveraging their relatively simple front-end technology platform that field agents use to provide asset financing, and micro loans to women-led enterprises	Their unique sales force employs "Noahuis," or "aunts" in Nauhatl, women over 40 who establish long-term relationships with their customers to ensure that products are not only acquired but used

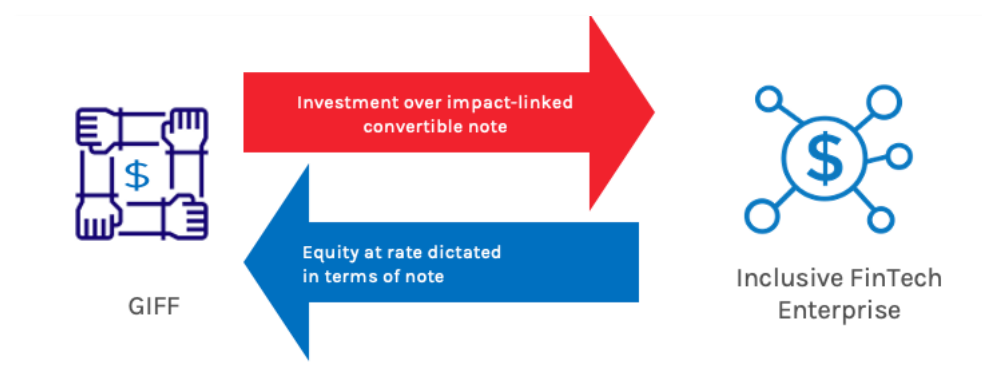
				
	iFarmer	MaTontine	Cherehani	MexCo Soluciones
Mission	End-to-end solution for primarily farmers, improving their access to finance, knowledge and markets, resulting in better income and profitability.	Improve the financial outcome of customers by unlocking access to financial and related services using technology and entrepreneurship.	Building thriving communities by being the strategic and financial partner of women owned businesses and allowing women to be more connected through mobile money and improved financial literacy	Distributing digital financial services to excluded communities by a well-paid female workforce that supports financial inclusion provides high quality jobs to excluded women over 40 years old.
Customer segment	16.5 million farmers in Bangladesh are smallholders and unbanked- 90% female	Focused on the + 300 million financially excluded women in Africa who demonstrate outstanding financial behaviour by saving and lending USD 3B to each other in saving groups, but yet do not have access to basic financial services like small loans.	Micro enterprises founded by women and adolescent girls with a monthly income of USD 30-500. Focused on in rural Kenya and expanding to new regions and communities	Female owners/ managers of micro and small businesses (e.g., shopkeepers, convenience stores)
Outcomes and impact	Access to affordable finance for the farmers They look at: i) increased access to markets and ii) increase in Income. To date, partner farmers have reported a 25-30% increase in income.	Tracking: i) women members who receive financial education; ii) # women on-boarded onto digital platform; iii) women who make deposits via the digital platform; iv) Average savings balances on the digital platform; v) women who apply for a loan via the digital platform; vi) loans disbursed to women and average loan amount disbursed	Prioritise and track outcomes including customers income growth, credit profiles, new customers onboarded, loans disbursed, and lives impacted.	TBD (currently conducting client satisfaction surveys)

POTENTIAL INVESTMENT SOLUTION: IFARMER

iFarmer are at an important juncture in their development. They have passed through the start-up and seed-stage and are transitioning to a growth company. They still need to invest in the development of their technological solution, distribution networks and their team. Given these conditions, it could be useful to utilise an *impact-linked convertible note* to invest the USD 350,000 they are raising.

A standard convertible note is a debt instrument that will convert into equity upon the occurrence of a triggering event (often the closing of the next round of financing). A ‘warrant’ is built into the agreement which dictates how valuable the investor’s funds will be at the time of triggering. For example, a warrant of 20% on a convertible note of USD 100,000 will imply that the investment is worth USD 120,000 at the time of triggering. A convertible note is technically debt, but no repayments are required until the triggering event. This makes it highly suitable for early growth-stage enterprises such as iFarmer.

Chart 41: Deploying an impact-linked convertible note



Source: Roots of Impact

It is possible to link the warrant to outcomes, with the possibility of the warrant being lower or even negative on triggering. The level of the warrant can be tied to outcomes related to increases in incomes recorded by female farmers amongst iFarmer’s client base. The baseline could be set against historical increases with gender-disaggregated data. Either the GIFF could retain the equity moving forward or conditions could be built into the convertible note or at the time of triggering to allow iFarmer to ‘buy back’ the equity back through delivering continued strong outcomes performance moving forward. Such an arrangement can act as an additional incentive to focus on outcomes, as well as being an appealing option for other investors.

EXPECTED OUTCOMES

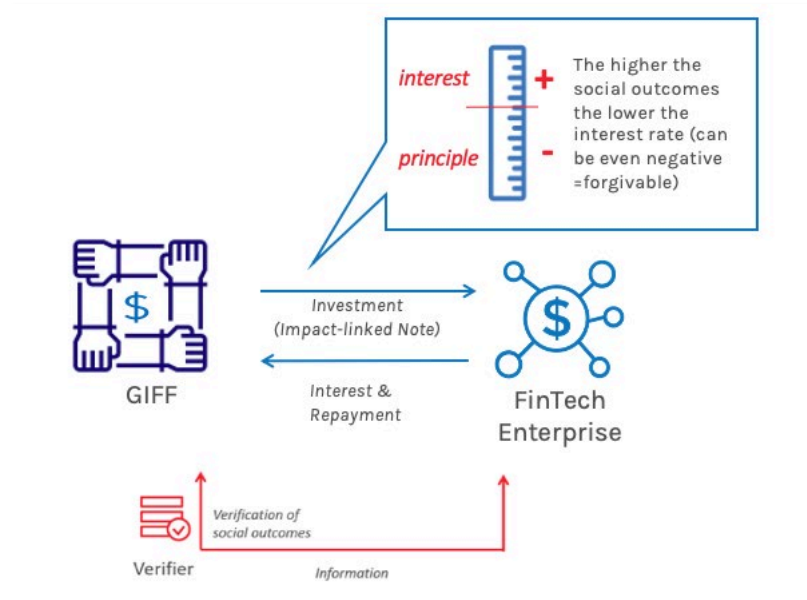
iFarmer expect to grow rapidly over the coming years (notwithstanding the impact of the Covid-19 crisis). iFarmer plans to include 300,000 additional farmers on their platform within five years. Presuming 90% female participation and an average of 30% income increases, this would lead to increased earnings of millions of dollars

over the coming decade. The transaction would be offering strong value-for-money from a developmental perspective.

POTENTIAL INVESTMENT SOLUTION: MATONTINE

MaTontine have a solid core team and a functioning model, while currently exploring ways to expand their operations. In their case, an impact-linked loan could be supportive. An impact-linked loan is a traditional loan enhanced by an impact-linked feature, which directly links the financial reward to the achievement of predefined outcomes. A weak outcomes performance would translate into full interest payments and repayment of the loan. A strong level of outcomes performance would translate into lower (or no) interest rates or even a partial forgiveness of the loan (negative interest rates). The loan could be structured in such a way so that if the enterprise achieves the maximum impact level attainable, then for example, the loan could be forgiven up to a certain threshold (e.g. 20%), with 80% repayments and no interest payments required.

Chart 42: Deploying an impact-linked loan



Source: Roots of Impact

In this growth scenario, it could make sense to provide MaTontine with a loan worth USD 500,000 (in line with their current investment needs). The interest rate of the loan would be linked to the financial health exhibited by their clients. Financial health would be assessed through an analysis of the saving and borrowing patterns of clients, taking into account the client's ability to weather external shocks. The transaction would be structured along a spectrum of financial health performance, with a stronger weighting for clients in poorer, more rural contexts. In other words: the poorer and more rural the client, the greater the significance of their financial health. The outcomes could also explore the role and intersections of engage men in the household, so as to address the risk of increasing GBV stemming from fear of losing masculinity/power as female household members become more financially empowered.

As 90% of MaTontine’s client-base is female, there would be no requirement to use gender-specific incentivization (though this gender mix would be monitored over time and a strong shift would trigger a reappraisal of the transaction). To ensure that MaTontine uses the capital to fund growth, as they plan, there could be a minimum number of new clients that MaTontine would need to bring onto their platform. Through the impact-linked loan, MaTontine would have a strong incentive to continue on their growth trajectory. At the same time, the discounted cost of finance linked to their clients’ financial health would enable to grow in a strongly mission-aligned manner. There is also no dilution of ownership.

EXPECTED OUTCOMES

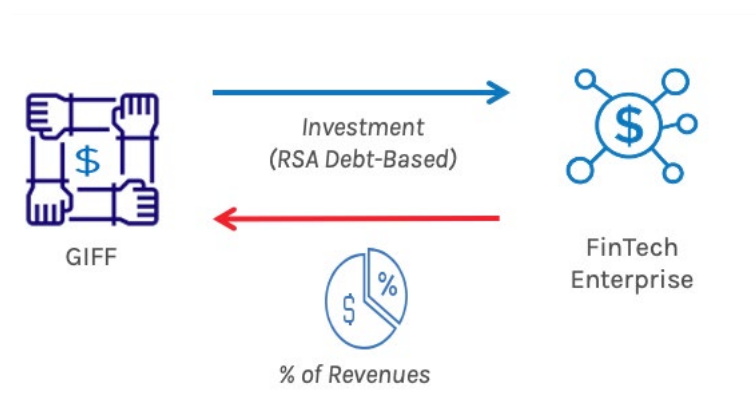
MaTontine already have plans for how to improve the financial health of their clients. But as can be seen in numerous FinTech models, marrying strong growth with a responsible attitude can be difficult. In this case, we would envisage seeing growth in the outreach of the enterprise up to 100,000 clients over 3 years parallel to improvements in clients’ financial health. Based on the proportions of clients (either in terms of financial health, or income levels), we would aim to see a relative upward shift proportions, with a deeper lift on those worst off.

POTENTIAL INVESTMENT SOLUTION: CHEREHANI

Cherehani are entering into an expansion phase where they project strong growth. At the same time, against the current backdrop there are broader conditions which could impact negatively on their growth. With this in mind, it can make sense to propose the use of a debt-based and impact-linked revenue sharing agreement.

A Revenue Share Agreement (RSA) is a quasi-equity financing instrument where repayments are based on a percentage (e.g. 3%) of the revenues up to the ‘cap’, which a predetermined return on the investment (e.g. two times the original amount). The RSA allows for higher level of flexibility because the repayments are not tied to a monthly amount or interest rate, but they fluctuate with the company’s revenues allowing for greater flexibility. Hence, when revenues are down due to seasonality or other unexpected factors, the repayment will be lower, and it will represent a smaller burden on the company’s cashflow.

Chart 43: Deploying debt-based revenue sharing agreement



Source: Roots of Impact

It would make sense to link both the percentage of revenues to be repaid and the overall cap amount for repayment to outcomes, and specifically to income increases and financial health of their clients. If Cherehani delivers increased incomes for its female clients in a manner that promotes financial health, then both the revenue share can be reduced as well as the overall amount that they must repay. The revenue-based model allows a great deal of flexibility with respect to the repayment horizon.

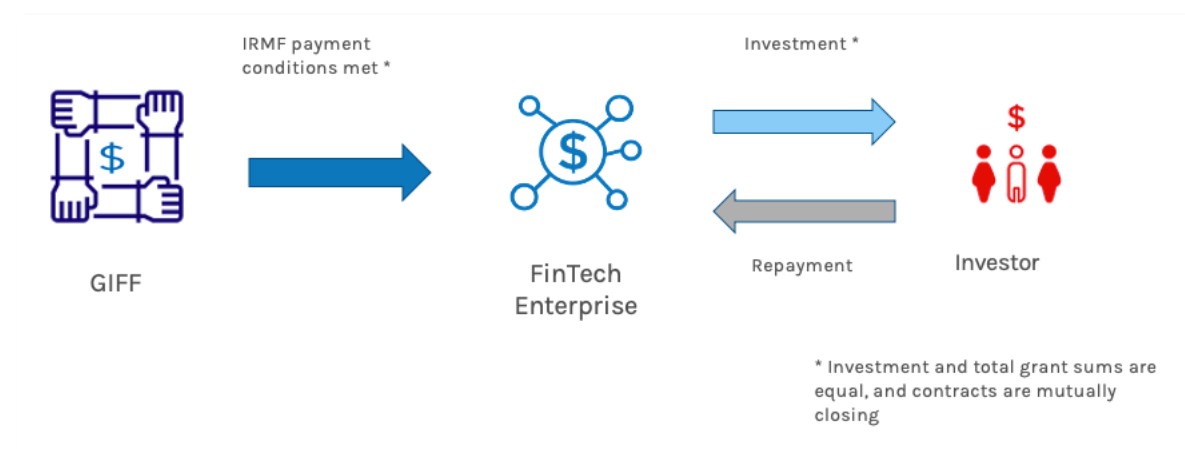
EXPECTED OUTCOMES

Cherehani are looking to reach an additional 25,000 clients over the coming five years, of which 97% are female. The baseline income increases up to now have been approximately USD 80 a month (average earnings of USD\$180 a month, up from USD 100). We can extrapolate that that will translate into up to USD 60m of increased earnings for female entrepreneurs over those five years (based on 5,000 new clients a year). Cherehani will be able to continue to focus on this market segment and on optimising its impact moving forward based on the impact-linked RSA agreement.

POTENTIAL INVESTMENT SOLUTION: MEXCO SOLUCIONES

MeXCo are a much earlier stage than the other cases shared above and at the same time, their highly gender-focused approach and the stage they are at can also be further catalysed with Impact-Linked Finance. As MeXCo are looking to raise approximately USD 40,000, we would propose utilising the Impact Ready Matching Fund (IRMF) model. The IRMF is a non-repayable matching fund provided at the seed stage of an impact enterprise, with disbursements linked to the development and implementation of impact management system within the enterprise. The logic is to provide straightforward support in order to catalyze more early-stage investments while simultaneously incentivizing enterprises to improve their impact management capacity.

Chart 44: Deploying impact-ready matching grants



Source: Roots of Impact

Concretely the envisaged milestones and associated disbursements could follow the following structure:

- 1st milestone/disbursement: Initial 30% of the matching funding would be disbursed after MeXCo has refined their theory of change (TOC) and laid out a plan to track a small set of impact indicators that address a key element of their impact
- 2nd milestone/disbursement: A further 30% of the funds will be disbursed upon submission of data and after verification that the agreed-upon metrics have been established and operationalized
- 3rd milestone/disbursement: The final 40% will be disbursed after MeXCo have submitted an impact report meeting minimum requirements

IRMF was originally designed to be provided parallel to an investment by seed-stage (e.g. angel) investors. If milestones are met, the IRMF matches the seed investment 1:1 and thus lowers the financing cost of the enterprise significantly. Given the novelty and human component so central to MeXCo's model, the key to success will be the bringing together of investors who truly understand and buy in to their vision. The IRMF would enable MeXCo to be selective in their choice of investor, while also incentivising them to build out their impact management capacity. As they expand, the impact management systems put in place would support their overall data management approach and enable a strong impact oriented scaling of the organization. The IRMF would be provided directly by the Impact-Linked Rewards Facility as the matching seed stage investment would typically be provided by an angel investor. In the subsequent financing round the GIFF would be perfectly positioned to provide impact-linked follow-on investment in the form of a impact-linked convertible note or revenue share agreement.

EXPECTED OUTCOMES

Given the early stage in MeXCo's development, it is not as feasible or realistic to accurately project their growth trajectory or assess the outcomes of their model. Instead the 'outcomes' of this suggested investment solution here are more indirect. MeXCo will be supported and enabled to bring in a key shareholder who shares their vision and values. Furthermore, MeXCo should be able to track and manage their impact and commercial data far more effectively during later stages in their development. This would also make them ready to access investment of the GIFF.

SUMMARY OF INVESTMENT SOLUTIONS

	iFarmer	MaTontine	Cherehani	MexCo Soluciones
Proposed impact-linked finance solution	Impact-linked convertible note- \$350k- with warrants tied to increases in farmer income (gender-disaggregated)	Impact linked loan \$500K- interest rate linked to improved financial health outcomes	Revenue sharing agreement with repayment based on a % of the revenues up to a 'cap', thus predetermined return on the investment	IRMF- non-repayable matching grant of \$40K with disbursements linked to the impact management system and if milestones met, must be matched by private capital
Rationale	Growth stage, currently raising an equity round. Scaling mode, enabling the cash injection to follow the achievement of milestones	Growth capital=> Entering new regions to expand savings model, building a new data-centric tech platform to provide more agriculture-focused loans and micro- insurance.	Lending model, where outcomes are income-generation, so revenue sharing helps lock impact and business goals. Capital-revenue link makes the instrument more risk compatible	Early stage with some revenues, need support setting up outcomes framework and getting ready for growth i.e. patient capital. Mechanism can ensure strong investor fit.
Outcomes	+300K farmers (c60% women) reporting increased income, income diversification, greater asset ownership, resilience to shocks	+100K clients (segmented by financial health level- low, reasonable, good) over 3 years, incentivizing more of the poor and reasonable proportions	+25K customers (97% women), baseline income increases up to now have been approximately USD\$80 a month (average earnings of USD\$180 a month, up from USD\$100).	Qualitative- more about creating and ingraining a robust impact measurement and management approach
Descriptive value for money analysis	Increased earnings of millions of dollars and agreeable development value for money multiple	Improved financial health of the users who are worst off.	Improved earnings for female entrepreneurs and a supportive investment to earnings ratio	Grant enables impact to be embedded in business model and operations, enabling next phase of growth on right foundations

Source: Roots of Impact

Photo: MEXCO Soluciones



KEY TAKEAWAYS & CONCLUSION

THE FINANCIAL INCLUSION SECTOR HAS WIDENED BUT DEPTH GAPS PERSIST

Our scan of the financial inclusion space and the role that FinTechs (traditional and inclusive) are playing helped for a better grasp of the gaps and opportunities at hand. The next phase would look to get deeper on the inclusive FinTech landscape as a whole, particularly on those enterprises that are gender-focused to have a wider grasp on the scope of the underlying pipeline. What is clear is that the gender gap in terms of financial access is too wide, and with acute regional disparities there is much work to be done. Digital financial services are leveraging technology to reach a wider audience and with the strong growth in mobile usage there is a growing opportunity to further utilise technology to provide better, more targeted and impactful financial products and solutions.

THE FUNDING GAP IN FINANCIAL INCLUSION IS ALSO WIDE

While there isn't much consolidated data on the entire funding landscape for FinTech, we stitched together a canvas of the differing funding avenues across private capital, blended finance solutions, impact investing and more. We saw some key trends, including a concentration of investment into both traditional and inclusive FinTechs, with the same valley of death funding issues as with other impact enterprises. This same picture was observed for other forms of capital, such that while there is a growing amount of capital being allocated to financial inclusion, there is much room for growth within digital financial services and projects that are supporting women's financial inclusion explicitly.

GENDER NEEDS TO BE ON THE TABLE WITH INVESTMENT DECISIONS & MORE

At a bird's eye level gender equality and parity has a long way to go. Furthermore, the extent of the financial darkness that women and under-represented groups lie in is just too vast. Modern financial technologies are offering an opportunity to bridge these access and usage gaps. The gender gap in account usage and in credit access is still wide, even where women are relatively more banked. Barriers to access and usage, with a gender lens, stem from lack of bargaining power within the household, lower-paying economic activities, limited collateral, lack of formal identification, reduced mobility due to time constraints and social norms and lower rates of digital literacy⁶⁶. Interventions need to be holistic and provide targeted and gender-aware financial products and services that not only facilitate access but also support usage and deeper financial health.

FINTECHS ARE WELL POISED TO BE PART OF THE SOLUTION

We see the opportunity to steer FinTech solutions towards greater impact by being gender-focused from the onset. Moreover, with the backdrop of Covid-19 and the looming depth of economic shock and contraction, there is an even bigger opportunity to leverage digital financial services to reach underserved individuals and to better support income and revenue generating activities of women users and

⁶⁶ http://www.g8.utoronto.ca/finance/2019-Gates%20Foundation%20DFI%20Report_ENG.pdf

women-led business by providing capital in a more digital way and help mitigate the economic and financial impact of the crisis.

CATALYTIC CAPITAL SOLUTIONS CAN TANGIBLY BRIDGE SOME OF THESE GAPS

As highlighted, the majority of funding going towards FinTechs is coming from traditional sources of private capital and thus the missing middle funding gap experienced by early to growth stage enterprises is just as pervasive in the FinTech sector. Moreover, as pointed out, with the concentration of funds into the ‘winners’ of the FinTech space, there is a white space for reaching, supporting and growing gender-inclusive FinTech companies. This proposal of the Gender-Inclusive FinTech Fund (GIFF) is to fund and support existing gender-focused inclusive FinTech companies that are providing digital financial services, as well as to motivate other generally inclusive ones to be more gender equal. We see this opportunity to better target and reward gender-focused impact in the financial inclusion space, so as to not only improve access to financial services, but also foster stronger financial health and enhanced ability to withstand economic and life shocks.

WHERE DO THE ROADS LEAD FROM HERE?

This feasibility study has validated the depth of the macro issues surrounding the financial inclusion sector, the gender gaps and the role that digital financial services can play in improving access for unbanked women. FinTech solutions, by way of being more affordable because of underlying technologies, are improving not only access but also depth of reach. Given the funding gaps faced by inclusive FinTechs, there is an opportunity to create a catalytic investment vehicle that can explicitly target and reward outcomes around female financial inclusion at the BoP. There are a number of possible actors and partners to build the next phase of this initiative. Finally, the current economic backdrop has only fuelled the imperative to be gender-focused in all interventions so as to not exacerbate the inequalities and barriers faced by women.



ACKNOWLEDGEMENT OF ADVISORS AND PARTNERS FOR THIS STUDY

An important part of this feasibility has been consulting with a wide spectrum of leading actors, thinkers and doers in the financial inclusion arena and all these partners are shared below. Alongside, we have been consulting with a strategic advisor, Grassroots Capital, who have been investing in, and providing advisory services to, multiple bottom-line businesses globally for the past two decades. Grassroots seeks to increase its accountability and measurably track progress towards its goal of helping low-income and disenfranchised populations better their lives and build resilient communities. Over the past 10 years, Grassroots has raised and managed nearly US\$350 million from a wide range of institutional and individual investors. They have been providing helpful strategic insight into the financial inclusion space, outcomes and knowledge around the fund structure and more. Their support and advice in conjunction with all the insights from the over 30 interviews we conducted help to form the basis of our overall analysis.

THOUGHT PARTNERS ON THIS STUDY

Organisation	Contact Person	Title
Grassroots Capital	Anna Kanze	Managing Director
Bamboo Capital	Katherine Milligan	Partner, Gender & Diversity
Women's World Banking	Christina Juhasz	Chief Investment Officer
Women's World Banking	Elwyn Sansius Panggebean	Project Manager, South East Asia
Village Capital	Rob Tashima	Chief Growth Officer
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Center for Financial Inclusion at Accion	Garrett Jaso	Specialist, Inclusive Finance
Accion Venture Labs	Shannon Dwyer	Investment & Portfolio Associate
Global Partnerships SIF 5.0	Tara Murphy Forde	Managing Director, Capital & Impact
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Social Performance Task Force	Laura Foosse	Executive Director
Social Performance Task Force	Cara Foster	Associate Director for Outreach to Latin America Director of Responsible Inclusive Finance Facility for Central America and the Caribbean
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Swiss Agency for Development and Cooperation	Nathalie Wyser Gutierrez Vizcarra	Policy Advisor for Financial Inclusion

Organisation	Contact Person	Title
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Swiss Agency for Development and Cooperation	Peter Beez	Senior Policy Advisor, Engagement with the Private Sector
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MeXCo Soluciones	Barbara Magnoni	Co-Founder
iFarmer	Fahad Ifaz	Co-Founder and CEO
Cherehani	Robert Mboya	Co-Founder and COO
MaTontine	Bernie Akporaiye	CEO
GIIN	Lissa Glasgo	Manager, IRIS+ and Impact Measurement and Management
Lendable	Nicolle Richards	Head of Investor Relations
CGAP	Gayatri Murthy	Financial Sector Specialist
CGAP	Estelle Lahaye	Senior Financial Sector Specialist
MIX	Blaine Stephens	COO
Catalyst Fund	Maelis Carraro	Director
Independent	Mark Wensley	Fintech and Digital Economy Innovation Specialist
World Bank	Olga Morawczynski	Digital Finance and Future of Work consultant
Independent	Ann Miles	Founder, most recently Director of Financial Inclusion and Youth Livelihoods at the MasterCard Foundation
Quona Capital	Monica Brand Engel	Co founder and Partner
Quona Capital	Kristin Sadler	Community & Impact
WOCAN	Jeanette Gurung	Executive Director
Vitas Group, Global Communities	Elissa McCarter LaBorde	CEO
Amam Ventures	Jenny Atout Ahlzen	Managing Partner
World Bank	Henry Gonzales	CGAP Lead Finance Sector Consultant -Blended Finance
Blue Orchard	Frederic Berney	Non Executive Director
Financial Alliance for Women	Inez Murray	CEO
Powered by People	Ella Peinovich Griffith	CEO
Kiva	Sarah Marchal Murray	Chief Strategic Partnerships Officer
Kiva	Neville Crawley	CEO

APPENDICES

OUTPUTS AND OUTCOMES

In the table below, we have canvassed the universe of financial inclusion metrics, exploring existing frameworks and best practices. These are from Social Performance Task Force, Women's World Banking, 2X, IRIS+ and other established frameworks.

Outputs (with extended details below)*

	Access	Usage	Quality
Client level outputs	# women clients	% women clients accessing different 2+ products and/or average number of products per client	% clients w inquiries/ complaints by gender
	% of women clients who are low income	Products targeted to women	% of women clients attending financial education/ literacy training*
	Average initial loan balance	repayment analysis (PAR30) by gender*	
	Savings	Dormant accounts by gender	
Company/FI level outputs	% of women clients who are first time borrowers	product growth by gender	market research on products/ client experience w/ proportional inclusion of women
	% growth vs growth in women clients	client retention by gender	
	% share of total market vs of women's market		
Company Management level outputs	% company founders who are female		
	% board/ staff that are female		
	staff promotion and attrition by gender		
	Equal compensation		

* would not be applicable in all cases

Outcomes

Category	Indicator	Measure	Description
Usage & Quality	Average % change in business/ household income/ assets by gender	Client Income (IRIS PI9409) Income Growth of the borrower (FP3297) Revenue Growth (FP4761) SPTF Standards 1A3/ 1A4/ 1A5/ 1B8	Indicates income improvement
Usage, quality	Women's ownership of productive assets (land, animals, machinery)	ICRW	Income-generating linkage
Usage, quality	% of women who use loan for <u>own</u> economic activity	SPTF Standards 1A3/1A4/1A5	Income-generating linkage
Usage, quality	% of women w/ school age children attending school	SPTF Standard 1A3/ 1A4, 1A5/1B8	
Usage, quality	% of women w/ household improvement	Client Spending: Housing (IRIS PI1409) SPTF Standard 1A3/1A4, 1A5/1B8	

EXTENDED INFORMATION: DRAFT PERFORMANCE INDICATORS

	Category	Indicator	Source	Description / rationale
OUTPUTS – CLIENTS	Access	# women clients	Client Individuals: Female (IRIS PI8330) Client Individuals: Total (IRIS PI4060) SPTF Standard 1B3	
	Access	% of women clients who are first time borrowers	Client Individuals: Provided New Access (PI2822) SPTF Standard 1B3	
	Access	% of women clients who are low income	SPTF Standard 1B5	
	Usage	% growth vs growth in women clients		
	Usage	% share of total market vs of women's market	Market Share Increased (IRIS OI4211) SPTF Standard 6A5	
	Access	Average initial loan balance	SPTF Standard 1B5	
	Access	Savings	Number of Voluntary Savings Accounts (IRIS PI6439) Savings Account Incentives (IRIS PD6343)	
		market research on products/ client experience w/ proportional	Market Research on Clients (IRIS OI8113)	

Category	Indicator	Source	Description / rationale
	inclusion of women	Client Satisfaction Ratio (PI7163) SPTF Standard 4A1, Standard 4A2	
Access	Products targeted to women	Product Targeted to Women (PD5677)	
Usage+ Quality	% women clients accessing different 2+ products and/or average number of products per client	SPTF Standard 4C1	<ul style="list-style-type: none"> - Bundling products makes it more convenient for women to manage finances in one place and lowers customer acquisition costs - More not always better (e.g., could indicate size of loan is inappropriate)
Usage, Quality	repayment analysis (PAR30) by gender*	Repayment Capacity Analysis (IRIS PI4733) Non-Performing Loans (Portfolio at Risk)- 30 Days (FP2635)	
Usage	product growth by gender	SPTF Standard 4A1	
Usage, quality	client retention by gender	Client Retention Rate (IRIS PI9319) SPTF Standard 4A3	
Quality	% clients w inquiries/ complaints by gender	Client Feedback System (IRIS OI5049) SPTF Standard 2D4	Feedback mechanism to enable nuanced assessment of clients' a) usage of product, and b) barriers/ challenges to usage
Usage	% of women clients attending financial education/ literacy training*	Non-financial Support Offered (IRIS PD9681) SPTF Standard 4C2	Provides a personal resource that boosts women's agency

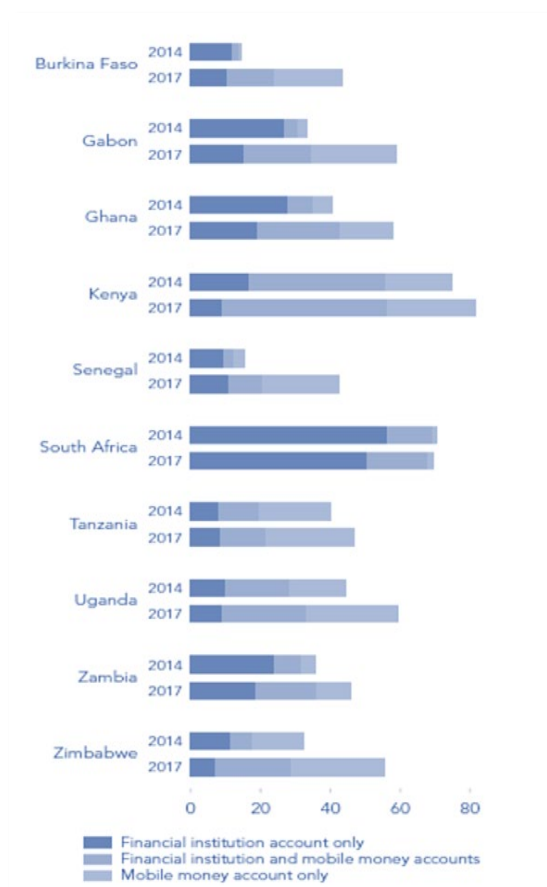
	Category	Indicator	Source	Description / rationale
OUTPUTS – INSTITUTION	Quality	% company founders who are female	Founders: Female (IRIS OI8197) Founders: Total (IRIS OI2209)	Female founders tend to invest more in women
	Quality	% board/ staff that are female	Full-time Employees: Female Managers (IRIS OI1571) Full-time Employees: Managers (IRIS OI8251) Board of Directors: Female (IRIS OI8118) Board of Directors: Total (IRIS OI1075) SPTF Standard 5A7	
		staff promotion and attrition by gender	Women's Career Advancement Initiative (IRIS OD4232) Employees Promoted: Female (OI8646) Employees Promoted: Total (OI6995) SPTF Standards 5B6/5C2/5C4	
		Equal compensation	Gender Wage Equity (IRIS OI855)	

REGIONAL SNAPSHOT: SUB-SAHARAN AFRICA

WHAT IS THE CURRENT STATE OF FINANCIAL INCLUSION IN THIS REGION?

Less than a quarter of adults in Africa have an account with a formal financial institution, and many adults in Africa use informal methods to save (such as Rotating Savings and Credit Associations (ROSCAs), tontines, chit funds, burial societies) and borrow (friends, family, and informal private lenders).

At the same time, recent technological advances such as mobile money, innovation, and the creation of new delivery channels including mobile branches or banking services through third-party agents started playing an important role in providing greater financial access in Africa. In fact, now 21 percent of adults in the region having a mobile money account, Sub-Saharan Africa is the global leader in the use of mobile money⁶⁷. Overall, the FinTech scene is vibrant in Sub-Saharan Africa, as these agile start-ups are bringing hundreds of millions of people into the financial system (including rural, urban poor and other base of the pyramid groups), while legacy banking institutions continue to cater more for the continent's wealthiest.



Source: Global Findex 2017

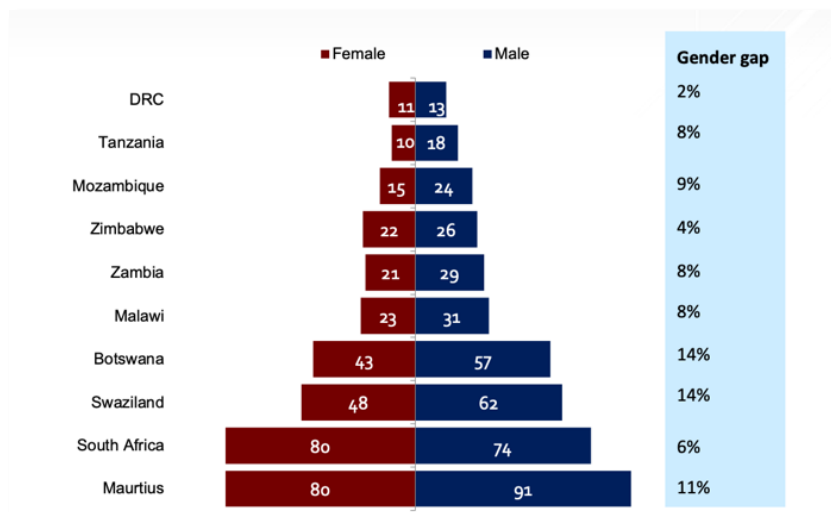
⁶⁷ <https://www.centerforfinancialinclusion.org/sub-saharan-africa-mobile-money-diverse-use-cases-enabling-environment-boost-adoption>

Overall, while there has been strong growth in terms of digital financial services, there remains more a sizeable opportunity to further digitize the economy and further convert informal cash and non-financial assets into the formal financial system. Also, with MSMEs accounting for roughly 90% of all businesses and contributing to 78% of the region's employment⁶⁸, there is a need to tailor financial products and services that meet the needs of these consumption patterns.

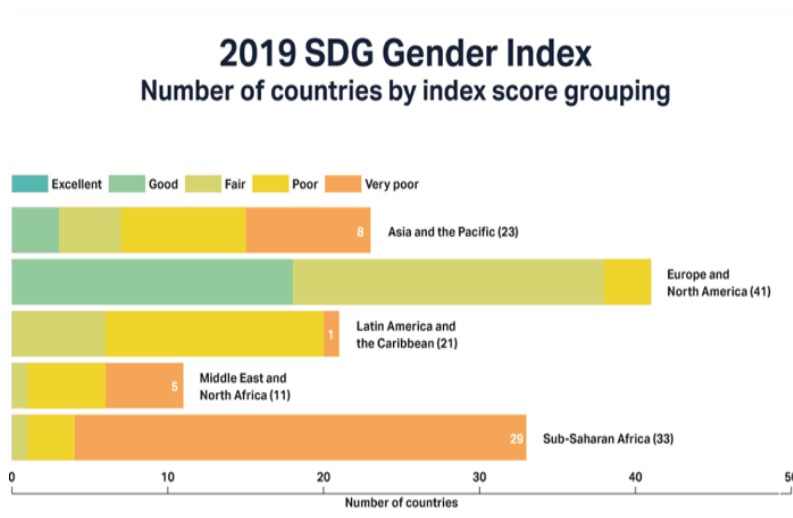
HOW SUBSTANTIVE IS THE GENDER GAP IN FINANCIAL INCLUSION AND WELL-BEING?

The gender gap in financial inclusion persists in Sub-Saharan Africa, along with other structural gender disparities, as depicted in the charts below:

Gender gaps financial inclusion



Gender inequality



⁶⁸ <https://www.ifc.org/wps/wcm/connect/2c6289c3-df5e-4f90-b910-2a04e1000922/IFC+SME+Ventures+Final+low+res+30+Nov+2018.pdf?MOD=AJPERES&CVID=mtQwg2S>

The gender gap in account usage and in credit access is still wide, even where women are relatively more banked. Barriers to access and usage, with a gender lens, stem from lack of bargaining power within the household, lower-paying economic activities, limited collateral, lack of formal identification, reduced mobility due to time constraints and social norms and lower rates of digital literacy⁶⁹. As the chart on the left shows, Sub-Saharan Africa has the highest number of women living in very poor conditions and lack basic maternal healthcare, access to drinking water and electricity. Thus, any interventions need to be holistic and provide targeted and gender-aware financial products and services that not only facilitate access but also support usage.

WHAT ARE THE BRIGHT SPARKS IN THIS REGION?

Inclusive FinTech is on the rise in this region, with inspiring new start-ups and strong investment appetite, such that investments in African FinTechs nearly quadrupled in 2018, channeling circa USD 357 million mainly to Kenya, Nigeria, and South Africa⁷⁰. Overall, the Sub-Saharan African ecosystem is emerging as one of the fastest growing FinTech hubs in the world. Given the growing population, proportion of youth and the increasing number of mobile users, greater adoption of digital financial services has the ability to improve the living conditions of millions of people, especially women who need more targeted solutions and support.

⁶⁹ http://www.g8.utoronto.ca/finance/2019-Gates%20Foundation%20DFI%20Report_ENG.pdf

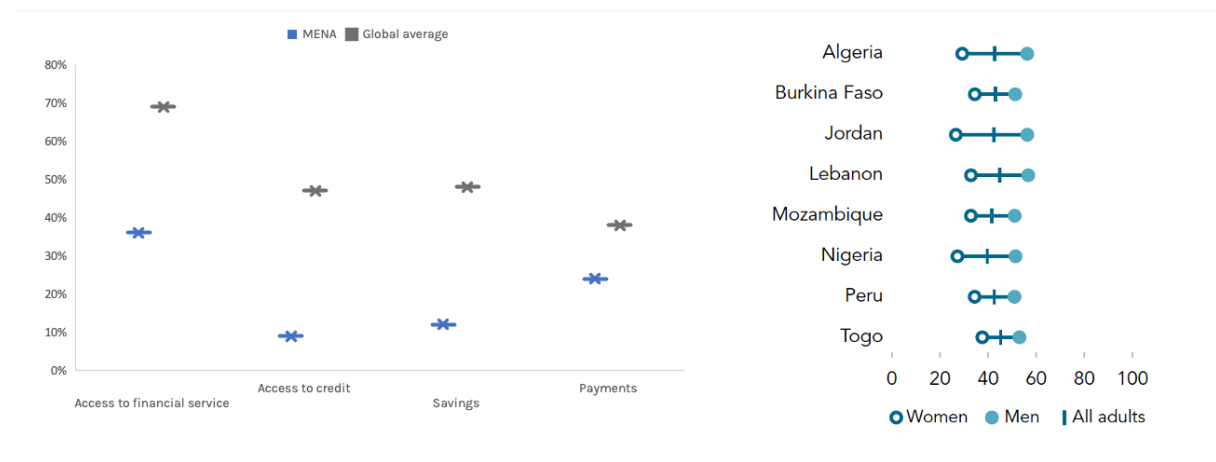
⁷⁰ <https://www.accion.org/inclusive-fintech-50-global-competition-to-elevate-early-stage-fintechs-driving-financial-inclusion-announces-winners>

REGIONAL SNAPSHOT: MIDDLE EAST & NORTH AFRICA (MENA)

WHAT IS THE CURRENT STATE OF FINANCIAL INCLUSION IN THIS REGION?

The financial inclusion rate of circa 20% in the MENA region is significantly less when compared globally, and there are about 301 million unbanked individuals in this region i.e. about 17% of the global volume of unbanked individuals. In addition, there are acute gender and income-group disparities. Financial inclusion for men stands at 19%, versus 9% for women. Furthermore, adults in the poorest 40% of households are twice as likely to not have accounts. If we take a specific example, in Jordan where women comprise over 47% of the Jordanian population, only 16% are in the labour force⁷¹ and only 27% have a financial account versus 56% for men. As Jenny Atout Ahlzen of Amam Ventures shared the tale of financial inclusion is two sides of a coin: *The Levant is excluded and the GCC is underserved*.

The chart below on the left shows the overall financial inclusivity gaps in the MENA region versus the global averages- note the large gaps. Meanwhile, the chart on the right depicts the acute gender gaps in financial inclusion, with 2 MENA economies, Lebanon and Jordan, being some of the worst countries globally in terms of gender disparities in terms of access to financial products and services.



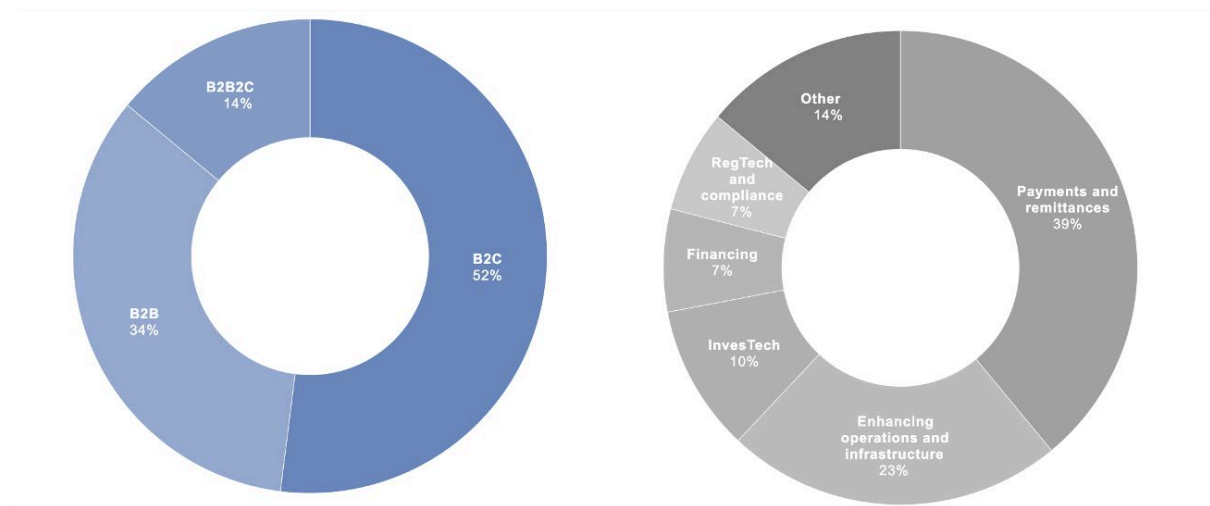
Source: Findex 2017

WHAT DOES FINTECH LOOK LIKE IN THIS REGION?

Fintech innovation is growing in the MENA region, but activity is concentrated. In particular, the Gulf countries have positioned themselves as leaders, with the United Arab Emirates (UAE) counting over 60 fintech solutions. Northern Africa follows, led by Morocco, Tunisia and Egypt, along with Levant, spearheaded by Jordan and Lebanon⁷². Payments & remittances startups have historically received the highest share of FinTech deals.

⁷¹ <http://dosweb.dos.gov.jo/18-5-unemployment-rate-during-the-fourth-quarter-of-2017/>

⁷² <https://www.cgap.org/blog/mapping-fintech-innovations-arab-world>



Source: CGAP 2019

In terms of mobile ownership, the MENA region currently has a 9% gender gap, while a 21% gap in terms of mobile internet usage⁷³. Thus, while mobile ownership is relatively high i.e. over 85% on average, this isn't translating to usage beyond basic functionality. In addition to the barriers cited earlier i.e. financial literacy, numeracy, not making enough money or being part of the labour force, this region also has other prevalent social norms and customs that are holding women back. For example, in some countries religious and cultural reasons forbid a woman from moving around unaccompanied by a male relative, or from working, thus limiting the ability to manage one's finances.

There are some excellent micro-finance programs and other initiatives that are bundling financial literacy along with financial products and these are helping to reach not only the middle class, but also poor and disadvantaged women, but there is much room for growth and improvement. Moreover, the region is nascent as it relates to social impact, thus the realm of inclusive FinTechs is very early.

AND HOW COULD IMPROVED DIGITAL FINANCIAL INCLUSION IMPROVE ACCESS, USAGE AND RESILIENCE FOR WOMEN?

With the gender gap already so wide, and mobile ownership very high, the use of mobile money and digital solutions offers room for positive change. Given the socio-cultural dynamics, there is a strong need for tailored solutions that are not only providing affordable, accessible and user-centred products and services but accounting for patterns of usage and other barriers. At a higher systems level, there is also room for much policy level change and other regulatory support that increases the female labour force participation, improves working conditions and pay, supports women's entrepreneurship. All of these combined pillars that are essential in reducing the financial inclusion gap.

⁷³ GSMA Gender mobile report 2019

REGIONAL SNAPSHOT: SOUTH & SOUTH EAST ASIA

WHAT IS THE CURRENT STATE OF FINANCIAL INCLUSION IN THIS REGION?

This regional snapshot covers South and Southeast Asia, where there over 750 unbanked individuals. Women make up for the majority of the adults without an account, in East Asia and the Pacific circa 32% of the women are unbanked, and in South Asia the ratio of unbanked women is shy of 36%. The situation is, however, pretty diverse among countries. For example, in India and in Bangladesh more than the 60% of the total unbanked population is composed by women. Malaysia experiences an 85% financial inclusion rate⁷⁴, whereas Cambodia only 22%. Mongolia experiences a 95% financial inclusion rate, while Myanmar only 26%. Overall, the situation in South-East Asia is rosier than in South Asia, where Pakistan and Afghanistan experience a financial inclusion rate of only 15% and 21% respectively. Regarding financial inclusion in South-East Asia, it is estimated that addressing the need of more and better digital financial solutions could increase GDP by between 9% and 14%.⁷⁵

FOCUSING ON THE GENDER GAP

According to the SDG Gender Index, Asia and the Pacific region with an average score of 64.4 falls right in the middle of the five regions covered by the study in 2019. The gender gap in account ownership has narrowed down over time, and while it is also experiencing reversal trend in Indonesia, and Philippines,⁷⁶ where women own more accounts than men, countries like Bangladesh and Pakistan still have an account ownership gender gap of about 15%, and women are far from having achieved the same level of financial inclusion as men, which remains a huge challenge.

The gap is even greater when it comes to smartphones, in fact women are 20% less likely to own one than men, and they considerably face less autonomy in acquiring one too. Women are getting always more connected in South Asia, for instance from 2017 to 2019 there were an additional 78 million women online. That was driven by a decrease in mobile gender gap (from 67% to 51%).⁷⁷ Despite the large reduction (16 percentage points), the mobile gender gap in South Asia is still the widest gap globally.

⁷⁴ Defined as the total number of adults with an account

⁷⁵ For example, it is estimated an increase of 2% in Indonesia, an increase of 3% in the Philippines, and an increase of 32% in Cambodia.

⁷⁶ Indonesia has a gender gap of -1%, while the Philippines has -4%

⁷⁷ <https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2020/02/GSMA-The-Mobile-Gender-Gap-Report-2020.pdf>

SO WHAT AND HOW?

Further investments in providing digital solutions could have a positive impact on financial inclusion, such as enhancing access to credit, smoothing the flow of international remittances, improve speed for payments, and the overall flow of capitals to and within the region. The region has experienced significant positive regulations* over the past years. As these have been aimed at increasing financial inclusion by encouraging microfinancing, increasing digitalization, loosening regulation on online payments, and incentivizing mobile financial services, there have been notable positive strides. However, the persistence of the wide financial inclusion gap, especially regarding access to capital and credit for MSMEs (even worse for women-led SME's), which represent the backbone of the Southeastern Asian economy, points to the immense opportunity at hand to close these funding and gender gaps.

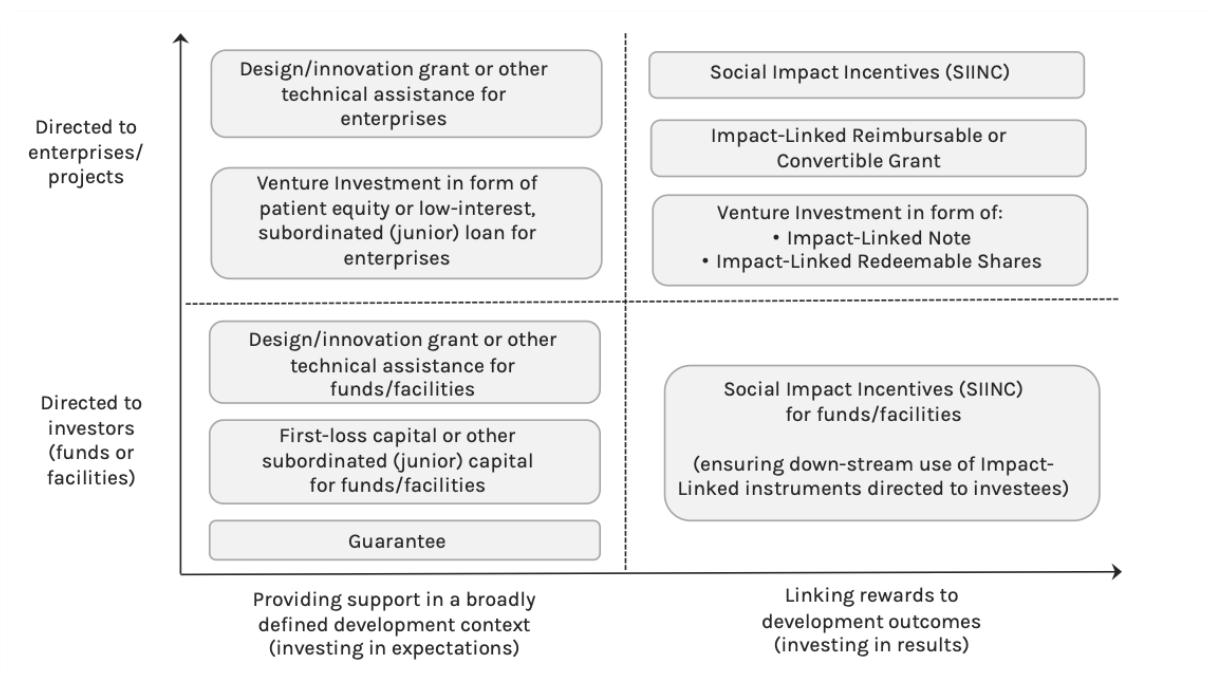
*e.g. Laku Pandai, and e-money regulations in Indonesia; The National Strategy for Financial Inclusion 2015 in the Philippines; The National Financial Inclusion Strategy roadmap in Cambodia; The 2016 Mobile Financial Services Regulation in Myanmar



BACKGROUND ON IMPACT-LINKED FINANCE: FOCUS ON SELECT INSTRUMENTS

INSTRUMENT	DESCRIPTION	HOW IT WORKS	ALIGNMENT & IMPACT
Revenue share agreement	A quasi-equity financing instrument in which periodic repayments are based on a percentage of the revenues up to a predetermined return on the investment	Not tied to a monthly amount or interest rate, but fluctuates with revenues allowing for greater flexibility	Enabling for mission-aligned growth without equity dilution and requirement for exit
Impact-linked loan	A loan with an impact-linked feature, which directly links the financial reward to the impact outcomes i.e. interest rate and sometimes even repayment is linked to the achievement of social impact.	The financial reward is directed to the primary value creator (i.e. the impact enterprise) and it is based on the creation of outcomes	Rewards and incentivizes the achievement of impact outcomes, enabling alignment of business and impact goals, with a strong focus on additionality
Impact-linked convertible	Loan with impact-linked interest rates and option for discounted future equity	Main distinguishing feature of Impact-Linked Convertible Loans is that upon reaching of a pre-determined event (e.g. qualified equity round) the loan is (partially or fully) converted into equity.	Discount and/or interest rates are linked to direct and measurable impact performance, allowing for “better terms for better impact”. Strong incentives for impact enterprises to outperform on positive impact.
Impact ready matching fund	Matching funds for building up an impact management system - in combination with seed capital	Straightforward support to catalyse early-stage investments while incentivizing enterprises to improve their impact management capacity	If milestones are met the IRMF matches the seed investment 1:1 and thus lowers the financing cost of the enterprise significantly

In the chart below, we share a visual of how different catalytic instruments can be used, alongside impact-linked finance alternatives:



PRELIMINARY FRAMEWORKS FOR ENTERPRISE SCREENING

Roots of Impact has some core foundations, principles and frameworks in place around assessing the suitability of impact enterprises as part of their journey to receive catalytic funding. As highlighted above, we will focus on the ILF framework and also build of other frameworks.

OECD DAC BLENDED FINANCE PRINCIPLES FOR UNLOCKING COMMERCIAL FINANCE FOR THE SDGS

1. Anchor blended finance use to a development rationale
 - a) Use development finance in blended finance as a driver to maximize development outcomes and impact.
 - b) Define development objectives and expected results as the basis for deploying development finance.
 - c) Demonstrate a commitment to high quality.
2. Design blended finance to increase the mobilization of commercial finance
 - a) Ensure additionality for crowding in commercial finance.
 - b) Seek leverage based on context and conditions.
 - c) Deploy blended finance to address market failures, while minimizing the use of concessionality.
 - d) Focus on commercial sustainability.

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3. Tailor blended finance to local context
 - a) Support local development priorities.^[1]^[SEP]
 - b) Ensure consistency of blended finance with the aim of local financial market development.
 - c) Use blended finance alongside efforts to promote a sound enabling environment.
 4. Focus on effective partnering for blended finance
 - a) Enable each party to engage on the basis of their mandate and obligation, while respecting the other's mandate.
 - b) Allocate risks in a targeted, balanced and sustainable manner.
 - c) Aim for scalability.
 5. Monitor blended finance for transparency and results
 - a) Agree on performance and result metrics from the start.^[1]^[SEP]
 - b) Track financial flows, commercial performance, and development results.
 - c) Dedicate appropriate resources for monitoring and evaluation.
 - d) Ensure public transparency and accountability on blended finance operations.

PRINCIPLES OF SOCIAL VALUE

1. Involve stakeholders
2. Understand change
3. Only include what is material
4. Don't overclaim
5. Value what matters
6. Be transparent
7. Verify the result

IFC OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

1. Define strategic impact objective(s), consistent with the investment strategy.
2. Manage strategic impact on a portfolio basis.
3. Establish the Manager's contribution to the achievement of impact.
4. Assess the expected impact of each investment, based on a systematic approach.
5. Assess, address, monitor, and manage potential negative impacts of each investment.
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately.
7. Conduct exits considering the effect on sustained impact.
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.
9. Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

