



# The Impact of Microfinance on REGMIFA's Borrowers: Insights from the 60 Decibels Microfinance Index 2022-2023

October 2023

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## About REGMIFA

Founded in 2010, the Regional MSME Investment Fund for Sub-Saharan Africa (REGMIFA) is an investment fund dedicated to promoting economic development in Sub-Saharan Africa. REGMIFA works to build unique public-private partnerships with public institutions, private investors, and African stakeholders to achieve its mission. The strategic goals of the fund are to create employment, generate income and alleviate poverty by supporting micro, small and medium-sized enterprises (MSMEs) and low- and middle-income households (LMIHs).

In 2020, REGMIFA launched a new 10-year strategy, expanding its focus from the microfinance sector to include the small and medium enterprise (SME) sector and to support LMIHs more broadly to improve their quality of life. REGMIFA works towards its goals by lending to financial intermediaries (microfinance institutions, banks, leasing companies, factoring companies, fintech companies, financial holding companies and investment funds) that serve MSMEs and LMIHs.

## About the Investment Manager

Symbiotics Asset Management (SYAM) acts as the Investment Manager of REGMIFA. Symbiotics is a specialist impact asset manager, dedicated to private debt investment in emerging and frontier markets. SYAM offers investments in emerging and frontier markets focused on impact outcomes, tailoring investment solutions according to client needs, in the form of investment funds and segregated mandates. The Symbiotics Group is a leading market access platform for impact investing, financing MSMEs and LMIHs in emerging and frontier markets. The group offers investment, asset management and capacity building services. SYAM has USD 2.9 billion in assets under management as of 31 December 2022.



## About this report

This report was prepared by Tameo Impact Fund Solutions to assess the fund's contribution to its mission and sustainability objectives.

Tameo Impact Fund Solutions SA (Tameo) is a Swiss impact investing specialist serving the financial industry with independent expert solutions. Tameo guides investment funds, managers, and investors through the entire impact investing journey. It offers the most comprehensive online database of impact funds, customized analyses, and independent valuations. Through its research and advisory services, Tameo empowers clients to move towards best-in-class impact measurement & management.

The report provides data covering the period from March 2022 to the end of December 2022. All figures in the report are calculated using quarterly weighted averages, considering the fund's exposure, unless otherwise specified.



## Key Results

Table 1: 60 Decibels Microfinance Index – Key results

<b>3,586</b> REGMIFA end-borrowers interviewed	<b>10</b> countries
<b>70%</b> accessing finance for the first time	<b>91%</b> increased their income
<b>85%</b> improved their quality of life	<b>89%</b> Improve their ability to achieve their financial goals
<b>78%</b> agree that interest rates, fees and penalties are easy to understand	<b>73%</b> do not perceive loan repayment as a burden
<b>85%</b> spend less time worrying about finances	<b>74%</b> increased savings

## Introduction

The 60 Decibels Microfinance Index is an annual global initiative that provides high-quality, comparable social impact data, driven entirely by client voices. In 2023, this initiative has grown to cover 114 microfinance institutions (MFIs) serving more than 84 million customers, represented by more than 1 million unique data points. REGMIFA is one of 32 partners of this initiative launched in 2022.

In its second edition, the initiative collected data from 32,000 microfinance clients in 32 countries in 2023. The survey includes 21 qualitative and quantitative indicators to assess the impact of microfinance on borrowers along six main dimensions. In 2023, 60 Decibels developed regional benchmarks to compare the performance of MFIs to their peers in the same region, including in Sub-Saharan Africa.

The six dimensions of the Microfinance Index:

- **Access** provides information on whether financial institutions are reaching underserved populations;
- **Business impact** shows how the loan is affecting the clients' income and their employees;
- **Household impact** measures the perceived changes in quality of life and how the clients allocate their financial resources in their household;
- **Client protection**, which assesses borrowers' understanding of the loan conditions and how their capacity to repay can potentially affect other household expenses.
- **Resilience** measures how clients anticipate unexpected events and how they manage their finances;
- **Agency** assesses client confidence and decision-making and their progress on achieving financial objectives.

This report is based on data from 13 PLIs in the REGMIFA portfolio, for which REGMIFA co-financed the data collection. Five PLIs participated in the first year and an additional eight PLIs joined in the second year. This report presents aggregated data from all PLIs that participated in the initiative in 2022 and 2023.<sup>1</sup>

The findings include data from 3,586 end-borrowers in 10 countries. The results of REGMIFA's end-borrowers are compared to the 60 Decibels (60db) regional benchmark for Africa as well as the global benchmark. The regional benchmark includes 35 PLIs based in 14 countries in Sub-Saharan Africa, and accounts for 32% of the global sample.

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<sup>1</sup> The first wave of interviews took place between December 2021 and May 2022. The second wave was between November 2022 and June 2023. For MFIs that participated in both waves, the 2023 data is included in this report.

## Comparison to Benchmarks

Table 2: REGMIFA sample and 60 Decibels benchmark

	REGMIFA sample	60db Africa benchmark	60db global benchmark
<b>Access</b>			
First-time access	69%	69%	57%
No access to alternatives	52%	61%	53%
Equitable access	0.54	0.54	0.61
<b>Business impact</b>			
Business income very much increased	38%	45%	22%
Employment increased	26%	23%	8%
<b>Household impact</b>			
Quality of life very much improved	41%	51%	30%
Home improvement spending very much increased	25%	27%	14%
Child education spending very much increased	24%	33%	15%
Ability to access healthcare very much increased	21%	21%	6%
Number and quality of meals very much increased	26%	30%	14%
<b>Client protection</b>			
Strongly agree that MFI fees, interest rates and penalties are easy to understand	55%	68%	67%
Amount of time spent worrying about finances very much decreased	24%	29%	16%
Never had to reduce food consumption	80%	77%	84%
Never had an unexpected charge or fee	91%	89%	94%
Loan repayments not a burden	73%	78%	75%
<b>Resilience</b>			
Ability to manage finances very much improved	36%	50%	25%
Savings very much increased	26%	34%	14%
Very easy to come up with money for an emergency	40%	38%	7%
Ability to face major expenses very much improved	34%	37%	18%
<b>Agency</b>			
Ability to achieve financial goals very much improved	39%	42%	26%
Confidence in self-abilities very much increased	50%	55%	30%
Ability to make decisions about money very much improved	38%	42%	23%
<b>Client profile</b>			
% women	45%	56%	66%
Average age	42	52	52
<b>Sample</b>			
Number of respondents	3,586	10,326	32,271
Number of MFIs	13	35	115
Number of countries	10	14	32

Most of REGMIFA's PLIs exceed the 60db global benchmark, indicating a positive impact of financial services on the lives of end-borrowers. However, they underperform on several indicators relative to the Africa benchmark, especially in the household impact section. This suggests that the quality of life for REGMIFA's end-borrowers has not improved as much as for clients from other African MFIs. Regarding the Client Protection dimension, REGMIFA's end-borrowers lag slightly behind the regional and global benchmarks, particularly in terms of understanding loan fees, interest rates, and penalties. When looking at the client profile, REGMIFA's respondents are, on average, ten years younger than the respondents in the regional and global benchmarks. In addition, while women represent most respondents at the regional and global levels, they are underrepresented among REGMIFA's respondents.

One reason that might explain why REGMIFA's benchmark results appear to underperform when compared to the regional benchmark is their lending methodology. The regional benchmark includes 44% of respondents benefitting from group loans, whereas 56% receive individual loans. In contrast, REGMIFA's PLIs primarily focus on individual loans. In REGMIFA's overall portfolio, 65% of end-clients receive individual loans whereas 27% receive group loans. The difference is more pronounced among the sample of end-clients interviewed by 60 Decibels, where 95% receive individual loans and only 5% receive group loans. The MFI Index demonstrates that clients receiving group loans tend to benefit more from microfinance. For example, they have a better understanding of the loan terms and conditions (93% compared to 86%), and they also report fairer treatment by MFI agents (73% compared to 65%). These results are highlighted in the 60 Decibels report which shows the benefits of group lending in terms of financial resilience and client satisfaction compared to individual loans.<sup>2</sup>

It's important to note that the benchmark results presented in Table 2 only include respondents who reported the most significant improvement or increase. Responses indicating a lesser degree, such as "slightly improve" or "slightly increase," are not taken into account in the benchmark. This was done to align with the methodology presented in the 60 Decibels MFI Index Report. However, in the broader context of the report, both substantial and minor changes are considered, unless there is explicit clarification stating otherwise.

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<sup>2</sup> 60 Decibels. *2023 Microfinance Index Report*. Retrieved from: <https://60decibels.com/insights/mfi-2023/>

## Results by Dimension

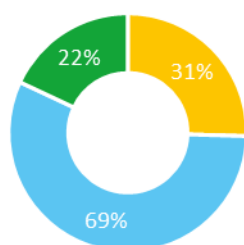
### 1 Access

69% of end-borrowers reported accessing loans provided by their PLIs for the first time and 52% said they could not easily find a good alternative (Figure 1). This suggests that REGMIFA PLIs are serving a population that, in majority, would otherwise not have access to suitable alternatives and may resort to informal and riskier methods to finance their needs. Those receiving group lending reported a lower likelihood of finding alternatives to the loan provided by the PLIs than borrowers receiving individual loans (37% vs. 66%). Gender-disaggregated results show that women were more likely to indicate a lack of access to good alternatives, with 60% compared to 45% of responses from men. The gap within the 60db African benchmark is even bigger with 70% of women against 49% of men responding that they could not find a good alternative. This conveys the idea that women face greater challenges than men in accessing financial services in Sub-Saharan Africa.

*"The PLI enabled me to access a loan for my business very quickly without many requirements even if it was my first loan."*

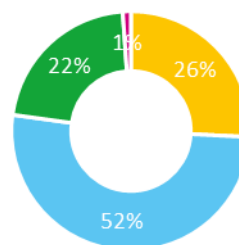
Figure 1: Access to finance and good alternatives

Did you have access to a loan like MFI provides?  
n=3,586



■ Yes ■ No ■ Don't know or can't say

Could you easily find a good alternative to MFI?  
n=3,583



■ Yes ■ No ■ Maybe ■ Don't know or can't say

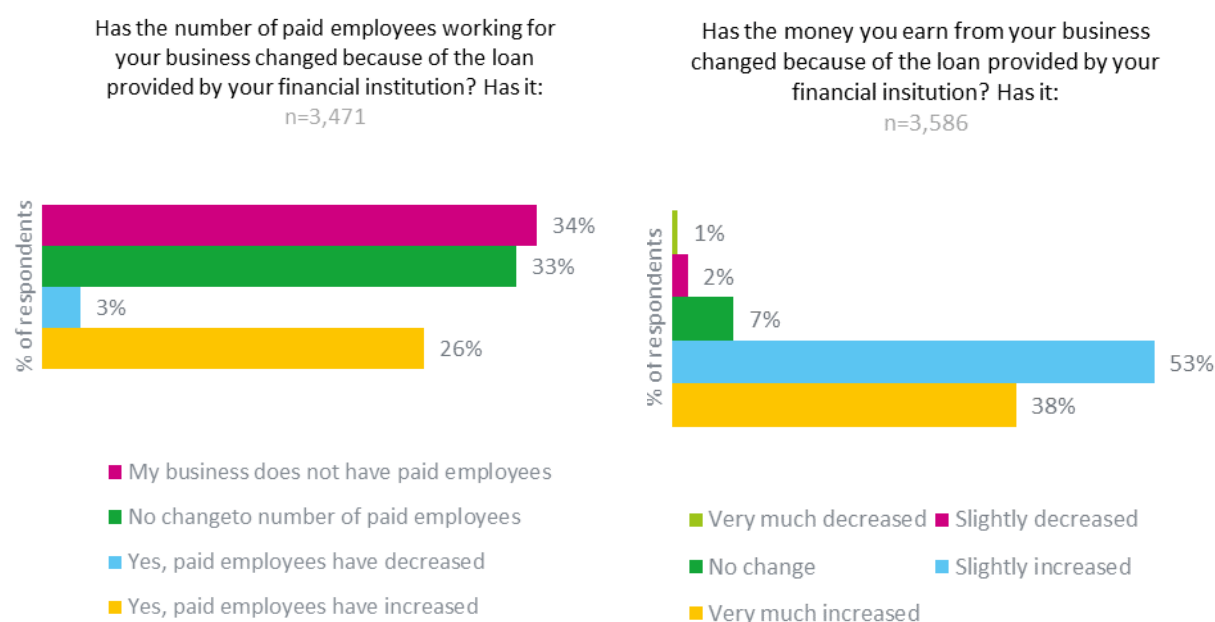


## 2 Business impact

Most of the end-clients interviewed used their loans for business purposes, either to finance an existing business (88%) or to start a new business (4%). Among these clients, the main loan purpose was to buy inventory (64%) which confirms that the typical profile of REGMIFA's end-borrowers consists of microfinance businesses with a high inventory turnover.

When asked about changes in their income due to the loan acquired through their PLI, 91% of the end-borrowers reported an increase, either slightly (53%) or significantly (38%), while 7% indicated no change and 3% experienced a decrease in income (Figure 2).

Figure 2: Business impact – Income and employment



Regarding employment, on average 34% of all respondents reported that they do not have any paid employees (Figure 2). 26% of respondents reported an increase in employees which is very close to the African benchmark (23%) and far above the global benchmark (8%). The change in income following the loan (Figure 2) is higher for REGMIFA's end-borrowers than for the global benchmark (38% vs. 22%)<sup>3</sup>. The higher increase in employees for REGMIFA's respondents can be partially explained by this higher change in income. However, women reported a lower increase in employees compared to men (20% vs. 33%) and were also more likely to report not having any paid employees (44% vs. 25% for men).

*"My quality of life has changed thanks to the PLI. Today I manage to take care of my family and my business is progressing normally."*

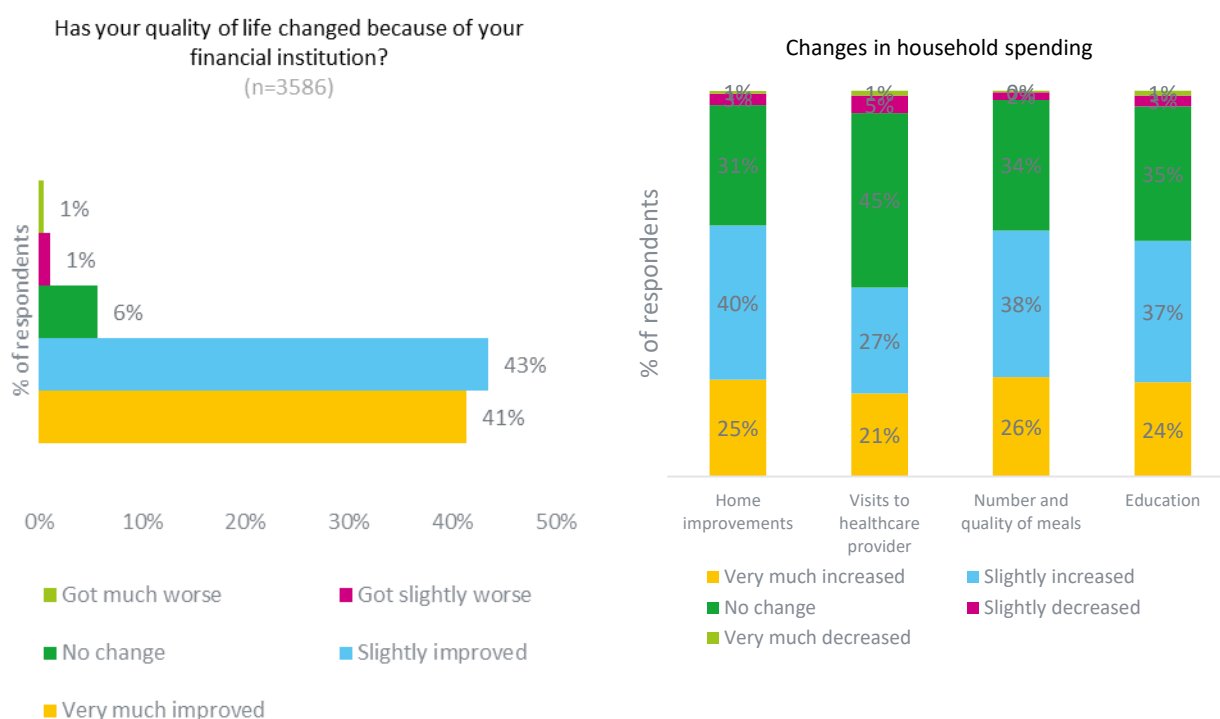
<sup>3</sup> The benchmark includes respondents indicating their income "very much increased".

### 3 Household impact

Respondents were asked about the impact of loans on several aspects of household well-being, including overall quality of life, spending on food, education, household improvements, the ability to go for medical check-ups, and the ability to achieve financial goals. Altogether, these aspects show how access to microfinance affects a borrower's household. On average, 41% of respondents in the sample indicated that their quality of life very much improved. This is lower than the African benchmark (51%) but higher than the global benchmark (30%) (Figure 3). Only 1% of the sample declared that their quality of life got much worse. Of the 13 PLIs in the sample, nine performed better than the global benchmark.

*"There are now many positive impacts on my business because I have upgraded my business with the loan. I use the loan for the purpose of my business and any extra is used for my household expenses."*

Figure 3 Changes in quality of life and household spending



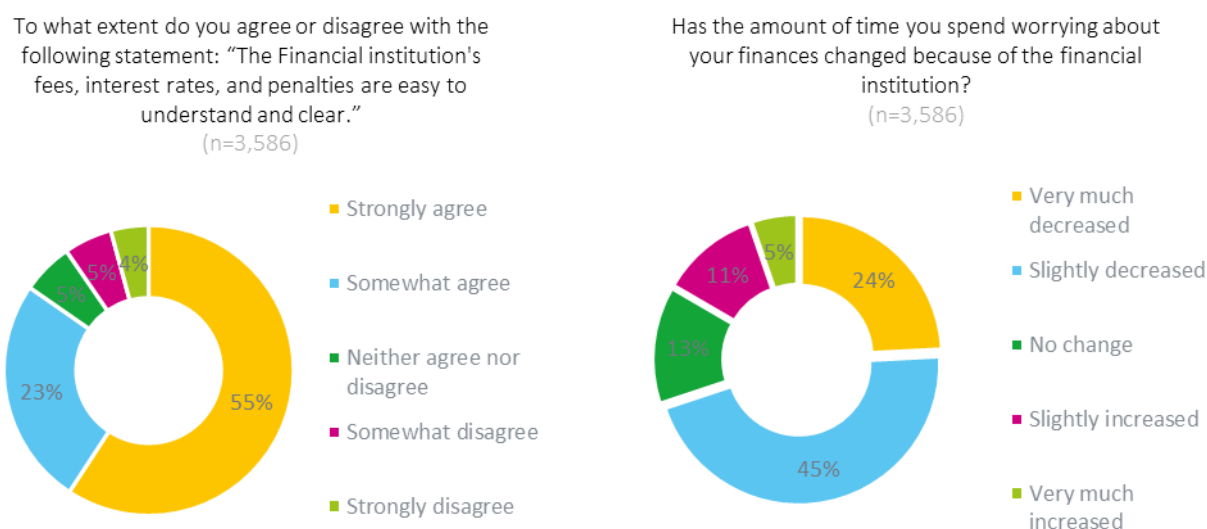
65% of end-borrowers reported an increase in home improvements (Figure 3). Most respondents also declared that the number and quality of meals increased (64%). On the education side, 61% of the respondents declared that the amount of money spent on schooling has increased thanks to the PLI. However only 48% of respondents declared that their visits to a healthcare provider increased. Outcomes in this dimension significantly surpass the global benchmark but fall short of the African benchmark. When examining the characteristics of borrowers, it appears that group borrowers have reported a more significant improvement in the quality of their meals and their children's education when compared to individual borrowers.

## 4 Client protection

Understanding the loan's terms and conditions is vital for microfinance clients as it empowers them to make informed financial decisions, assess associated risks, and avoid unfavorable agreements that may lead to over-indebtedness or financial stress. Approximately 78% of end-borrowers agreed that fees, interest rates, and penalties were easy to understand and clear, while 9% of respondents disagreed with this statement (Figure 4). In the sample, five out of 13 of REGMIFA PLIs performed better than the African benchmark (68%).

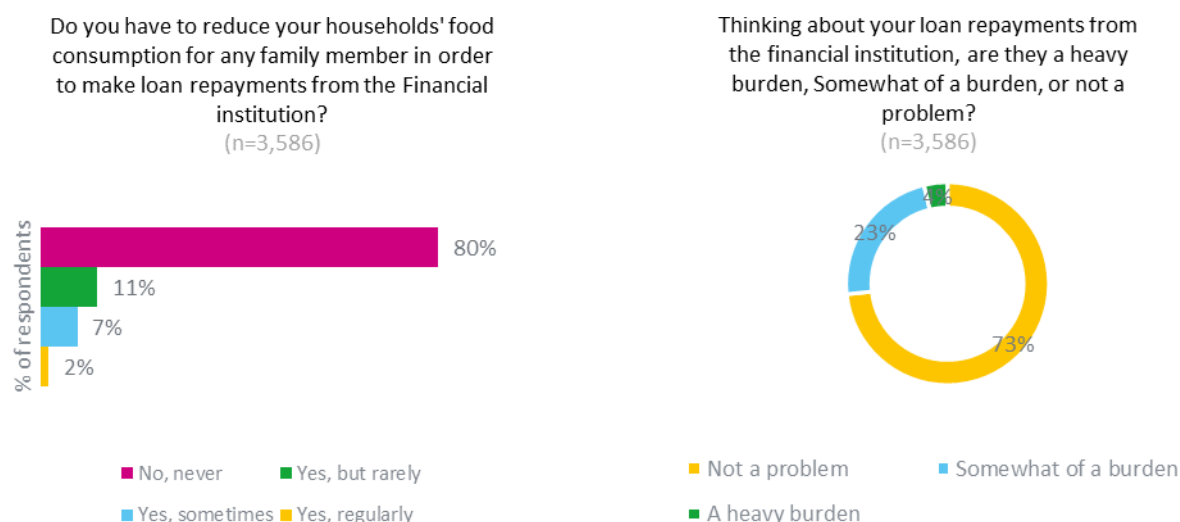
When examining financial stress, 24% of respondents reported a significant reduction (very much decreased) in finance-related stress, which is higher than the global benchmark (16%) and a bit lower than the regional benchmark (29%). Some borrowers reported an increase of financial stress (16%), with men reporting a slightly higher increase (18%) than women (15%).

Figure 4: Client protection – Loan understanding and financial stress



In terms of repayment burden, 73% of respondents indicated loan repayment was not a problem. It is slightly below the global benchmark (75%) and regional benchmark (78%). 4% of borrowers indicated that their loan was a heavy burden. Approximately 80% of respondents mentioned that they have never had to compromise their food consumption for loan repayments. About 11% reported rare instances of adjusting food habits for repayments, 7% acknowledged doing so sometimes and 2% reported doing so regularly<sup>4</sup>. It's interesting to note that even among clients who have made adjustments in food consumption, they still report improved quality of life (86%) and positive overall outcomes. Additionally, the investment team at Symbiotics reviews the results of each PLI and engages with them during the due diligence process every year to discuss the findings, especially in terms of client protection. This proactive approach is aimed at enhancing client protection and minimizing the incidence of clients experiencing any negative impacts as a result of microfinance services (Figure 5).

Figure 5: Client protection – Reduced food consumption and repayment burden



## Box 1 Client Protection Module

**Client protection module: Highlights**

In the second edition of the survey, 60 Decibels introduced an optional module to further evaluate MFIs' client protection practices, including collection methods, management of personal data, and respectful and fair treatment of clients. Among REGMIFA PLIs, data for this module was collected from **1,119 end-borrowers** that are clients of **4 different PLIs**. Responses point to an overall good level of client protection, but also highlighted points of attention with a -small- proportion of clients reporting a client service that is not in line with industry standards. The Fund, with its TA program dedicated to Social Performance (which includes a module on Client Protection), will continue to engage with PLIs on this topic and especially on the handling of complaints, and the assessment of the ability of borrowers to repay loans.

- **93% of end-borrowers agreed that agents from their PLIs always treat them with fairness and respect**, but 5% indicated they could not agree with the statement.
- **9% of end-borrowers acknowledged facing pressure from their PI to sell items to make a repayment.** In addition, among clients from REGMIFA PLIs, women (11%) are more likely to be pressured than men (8%).
- Among the end-borrowers surveyed, **5% reported being unaware of the type of personal data their PI collects and how it uses this data.**
- **39% of the respondents in the sample admitted to being uncertain about the procedures for reporting harassment or mistreatment** from a representative of their PI and 13% declared that they know how to report but would be hesitant to do so.

*"Since my first experience with the PI, I recommend it to all my acquaintances who are in need, I find the agents very respectful, and they explain the general loan conditions well."*

## 5 Resilience

Measuring the resilience of microfinance borrowers provides valuable insights into their ability to withstand and recover from adverse economic shocks and uncertainties. By assessing their capacity to cope with challenges such as economic downturns, natural disasters or health crises, PLIs can tailor their products and services to better suit the needs of their clients. 81% of end-borrowers reported an improvement in their ability to manage their finances, while 10% indicated no change and 3% experienced a deterioration.

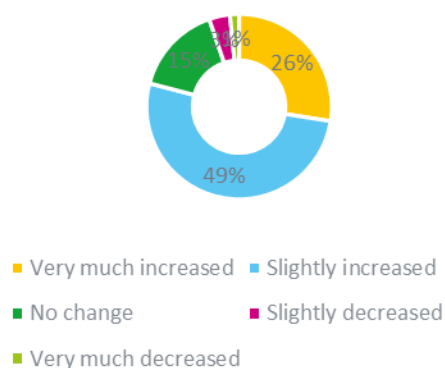
*“The loan allows me to overcome to my financial difficulties and to better take care of my family.”*

About 75% of end-borrowers indicated an increase in savings because of the services they receive from the PLIs (Figure 14). When assessing borrowers' ability to gather sufficient funds for an emergency in the next month, 64% of the end-borrowers found it an easy task, whereas 19% considered it difficult. Notably, the proportion of women indicating ease in gathering funds is lower than that of men (61% vs 67%).

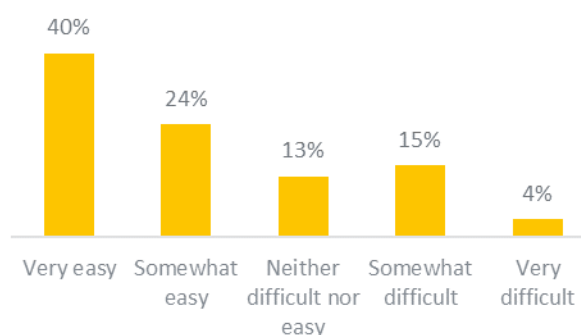
When it comes to their ability to cope with major expenses, 34% of all end-borrowers reported that it had very much improved thanks to the support provided by their PLI. This figure is comparable to the regional benchmark of 36%, but it is nearly double the global benchmark of 18%, indicating that loans provide African respondents with comparatively more important support to cope with major expenses.

Figure 6 Resilience, Savings and Unexpected Emergency

Has your savings changed because of your financial institution?  
(n=3,585)



Imagine that tomorrow you have an unexpected emergency and need to come up with [1/20 gross national income per capita in local currency] within the next month. How easy or difficult would it be to come up with this money?  
(n=3,585)



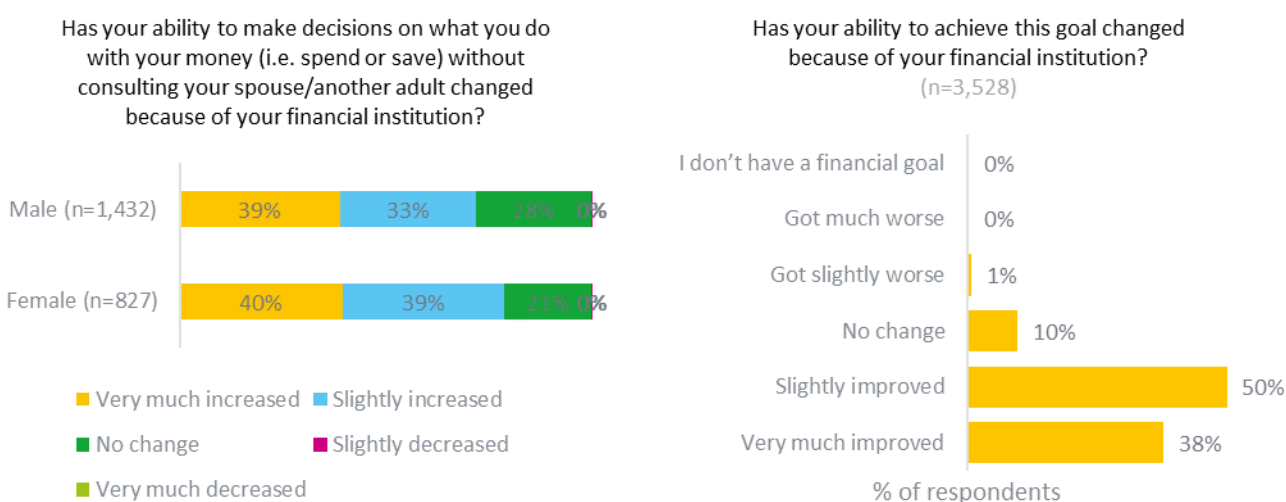
## 6 Agency

*“My business has really improved, I got to take care of so many projects and my profits are wonderful. My life has changed completely, I live more comfortably now and am confident that I can take care of 90% of my issues.”*

The agency dimension measures the impact of PLIs on their clients’ confidence, ability to make decisions about their finances, and ability to achieve their financial goals. Overall, 91% of end-borrowers indicate an increase of confidence in their abilities because of their PLI. When asked about their capacity to make financial decisions independently, without consulting their spouse, women reported an increase attributed to their PLI

(79%). This figure is lower for men (72%) (Figure 7). This indicates that access to finance is particularly important for women to attain greater financial independence and empowerment.

Figure 7 Agency, Ability to Make Decisions and Achieve Financial Goals



Regarding their most significant financial goal, 44% of end-borrowers expressed a desire to invest in their business, while 36% mentioned their aim to increase their income. Other essential financial goals include affording a house or property (36%), starting a new business (15%), pursuing education (8%), covering household expenses (8%), and increasing savings (4%). The majority of end-borrowers indicate their ability to achieve this financial goal has improved because of the PLI (Figure 7). This suggests that the loans have enhanced their financial situation, ultimately contributing to achieving financial stability and fulfilling their financial objectives.

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