



# DEMONSTRATING THE IMPACT OF CLIENT-CENTRIC MICROFINANCE

IMPACT REPORT 2020 | BRAC MICROFINANCE

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*"In the time of [COVID-19] lockdown, I faced a huge loss but, after investing the money I received from BRAC, I have managed to make some profit."*

*"I have 8 family members in my household. Before I worked with BRAC, I needed to borrow money with high interest rates. Now, I don't need that anymore."*

*"[My loan] helped me to build a house that could save me during the flood. It has also increased my income security since I know where to get money when there is an emergency."*

*"The loan has enabled me to educate my children."*

*"I want BRAC to do more financial training and also increase the loan amount."*

## CLIENT VOICES

*"My life has improved because as a single parent, I was finding it very difficult to take care of my family. But now, I can afford to pay my household expenses."*

*"I like the way BRAC is helping us and treating us as women. My business has also improved."*

*"BRAC taught me how to save and work, so when I have a problem with money, my savings helps me."*

*"BRAC has helped me in being self-reliant and has changed my life. So I encourage my friends to take advantage of this opportunity."*

*"Now, my family can eat good meals for the day. My children used to walk to school but now I can afford to pay for the school bus or even the motorbike."*



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A Call for Practicing  
Client-Centricity

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## Introduction

At BRAC, achieving impact at scale is our only bottom line. In the five decades since inception, BRAC's microfinance programme in Bangladesh has grown to serve 6.5 million clients (8.1 million including savers). Ninety percent of these clients are women. Outside Bangladesh, we have built strong microfinance entities in six countries in Africa and Southeast Asia, serving more than 650,000 clients, of whom 96% are women. In the next five years, we anticipate growing our client base by more than 1 million in Bangladesh and by another million in Africa and Southeast Asia, indirectly touching more than 40 million lives.

We recognise that growing in numbers does not automatically translate to greater client-level impact, such as increased resilience or quality of life. So how do we leverage our ambitious growth agenda to deliver measurable impact in the lives of the millions of clients we serve today and the millions more we aim to serve?

In developing our strategy for growth and impact, we first re-committed ourselves to ensuring robust social performance management, including adherence to the Client Protection Principles. We have been implementing the Universal Standards for Social Performance Management to institute a consistent means of tracking and monitoring our microfinance entities' practices, policies, and systems for continuous improvement to achieve our mission.

In 2019, we concluded baseline impact surveys in partnership with 60 Decibels using a mobile-based client surveying methodology known as Lean Data<sup>SM</sup>. Leveraging these surveys, we created an impact framework to better understand our clients and measure achievement of desired client outcomes and impact in line with our mission. In the context of mounting uncertainties due to the COVID-19 pandemic, we remained committed to listening to our clients and conducted the second set of annual impact surveys in 2020.

In the past two years, we have heard from over five thousand clients across seven countries in 10 languages. We now know that we are reaching underserved populations (77% of respondents could not find a better alternative) and that our services do make an impact in our clients' lives (over 85% said their quality of life had either very much or slightly improved). Together with social performance management activities, these phone-based perception surveys are now part of our ongoing efforts to keep ourselves accountable to the impact bottom line.

This report - "**Demonstrating the Impact of Client-Centric Microfinance**" - gives an overview of the results from the client surveys and also presents our approach to measurement and management of client-level outcomes and impact. The results give us confidence that client-centric, gender-smart microfinance remains a critical tool for people living in poverty, particularly women, to improve their quality of life and strengthen their resilience, even in the face of a crisis.

Many mission-focused microfinance institutions (MFIs) and impact-driven investors are looking for ways to gather and use client-level outcomes and impact data. However, there is little agreement about what constitutes best-in-class, comparable client-level impact performance metrics for microfinance. Traditional impact assessment methodologies remain too expensive and time-consuming to produce actionable insights for agile, data-driven decision-making. This report demonstrates that measuring and managing client outcomes need not be too costly nor too difficult to achieve and that it is possible to put the voices of clients at the forefront of every strategic activity.

BRAC has long been a strong advocate of financial services as one of the key tools to empower people living in poverty to improve their lives. It is thus important for us to build our understanding of whether and how we are delivering on the promise of achieving client impact. We are inspired by the evidence of the success of our impact-focused approach in generating positive outcomes in our clients' lives. We encourage our peers and capital providers to put resources towards building a system where we measure what truly matters to our clients, and make management and investment decisions that enhance not only the financial sustainability of our institutions but, more importantly, the impact we have on our clients.



## Who We Are

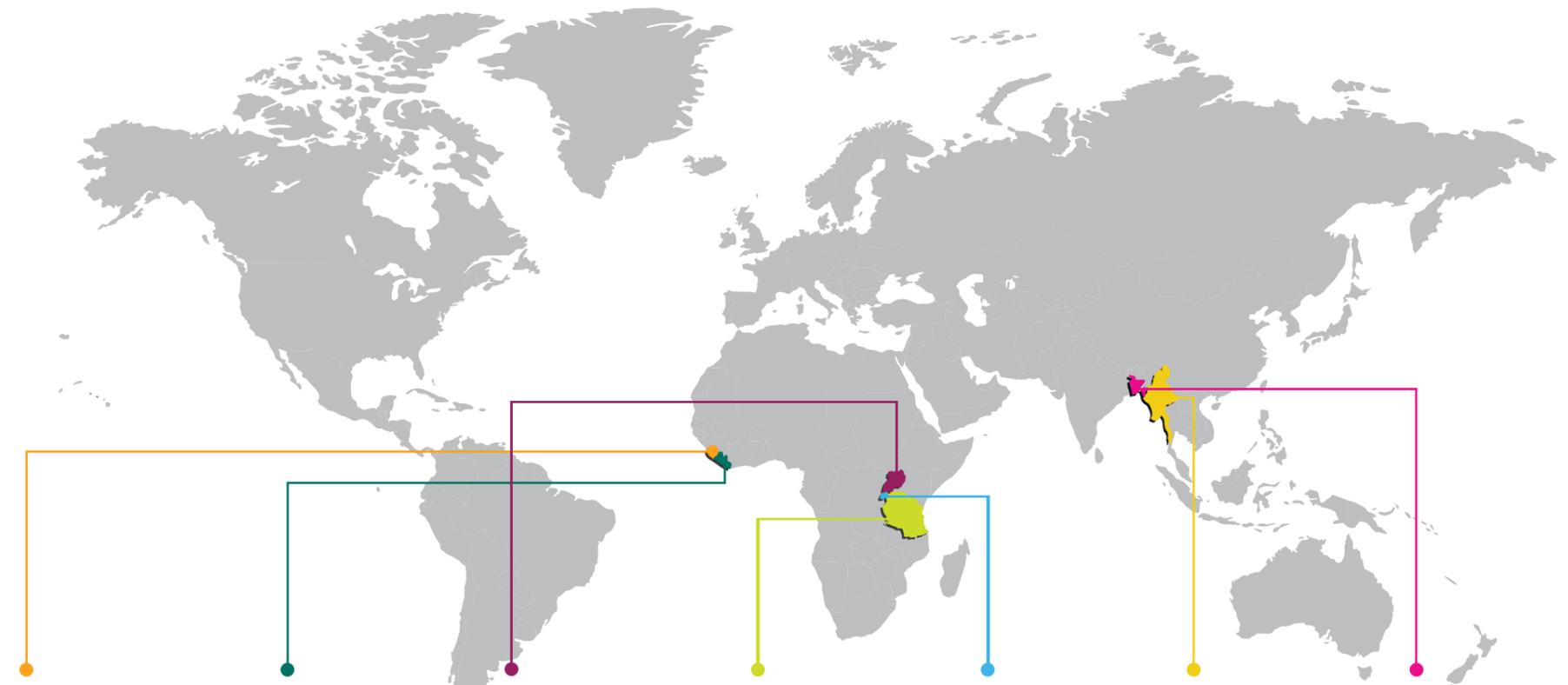
Founded by Sir Fazle Hasan Abed in 1972 after the independence of Bangladesh, BRAC uses an integrated model to change systems of inequity through social development programmes, humanitarian response, social enterprises, socially responsible investments, and a university. BRAC started microfinance in 1974 in Bangladesh and has grown to become one of the largest microfinance programmes in the country in terms of the number of clients and total loans outstanding. In Bangladesh, BRAC's microfinance programme is licensed by Bangladesh Bank's Microcredit Regulatory Authority (MRA) under the MRA Act 2006.

Following decades of experience and insight in delivering financial solutions to populations living in poverty in Bangladesh, BRAC first expanded its microfinance operations internationally in 2002. Today, BRAC is one of the world's largest microfinance operators, with a presence in seven countries across Asia and Africa and serving more than 7 million clients. Each entity is legally registered and is uniquely positioned to serve its markets. In four out of seven countries, BRAC has deposit-taking institutions, offering savings services to clients.

BRAC International Holdings B.V. (BIHBV) - a private limited liability company - fully owns or is the largest shareholder of BRAC's microfinance entities outside of Bangladesh. BIHBV is a wholly-owned subsidiary of Stichting BRAC International - a non-profit foundation set up in 2009 in the Netherlands. The core focus of BIHBV is to provide microfinance services to people, particularly women, living in poverty to build financial resilience, contribute to women's economic empowerment, and improve the quality of life in the communities it serves.

BRAC believes that sustainable, large-scale change must address and deliver both economic and social progress. Since the beginning of our journey, microfinance has been an integral part of BRAC's holistic approach to development, equipping people who would otherwise be excluded from formal financial systems with the tools to invest in themselves, their families, and their communities.

## BRAC Microfinance Across the World



### Sierra Leone

BRAC Microfinance Sierra Leone Limited

Launched in 2008

57,174 clients

96% clients are women

### Liberia

BRAC Liberia Microfinance Company Limited

Launched in 2008

39,594 clients

97% clients are women

### Uganda

BRAC Uganda Bank Limited<sup>a,b</sup>

Launched in 2006

193,731 clients

96% clients are women

### Tanzania

BRAC Tanzania Finance Limited

Launched in 2007

203,031 clients

97% clients are women

### Rwanda

BRAC Rwanda Microfinance Company PLC<sup>a</sup>

Launched in 2019

7,196 clients

98% clients are women

### Myanmar

BRAC Myanmar Microfinance Company Limited<sup>a</sup>

Launched in 2013

154,119 clients

94% clients are women

### Bangladesh

BRAC Bangladesh Microfinance Programme<sup>a</sup>

Launched in 1974

6.5 million clients

90% clients are women

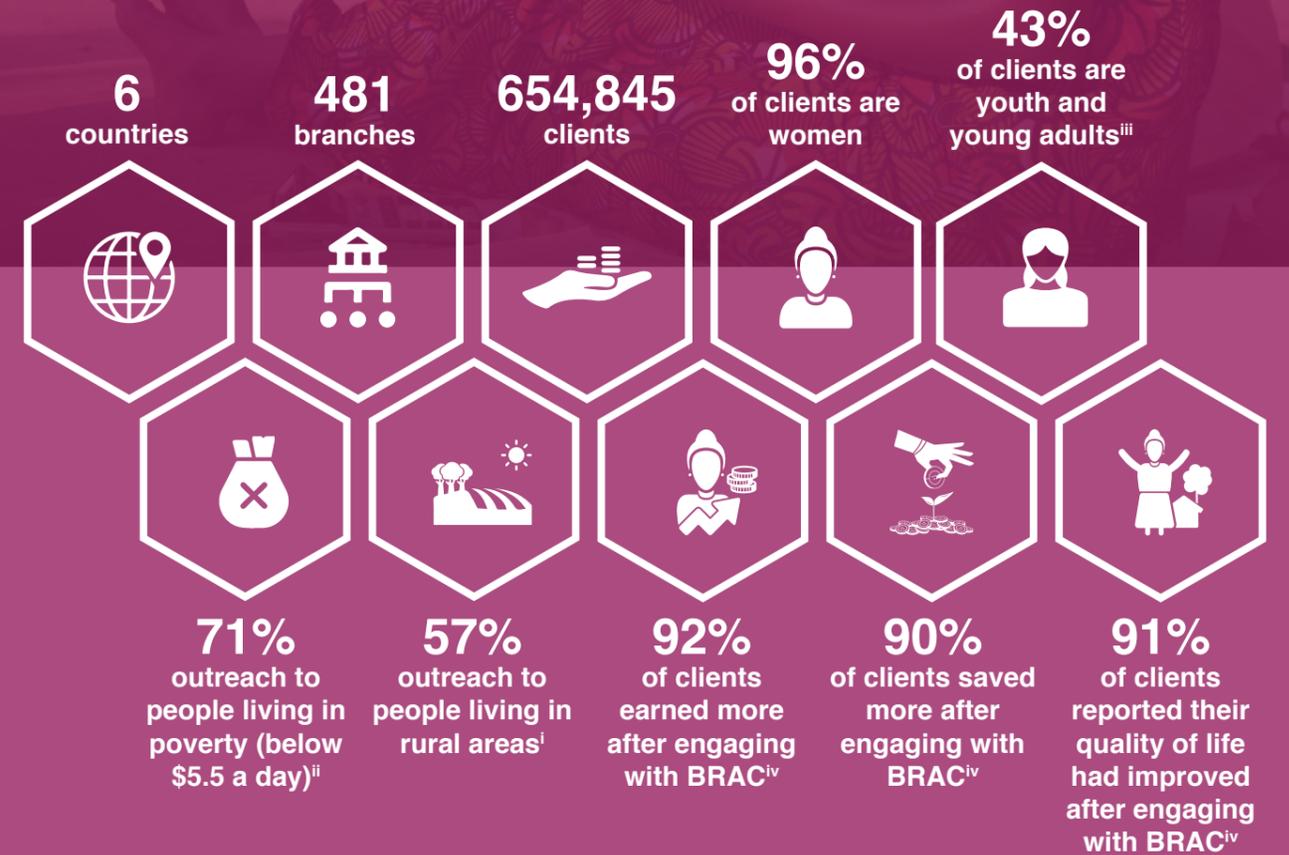
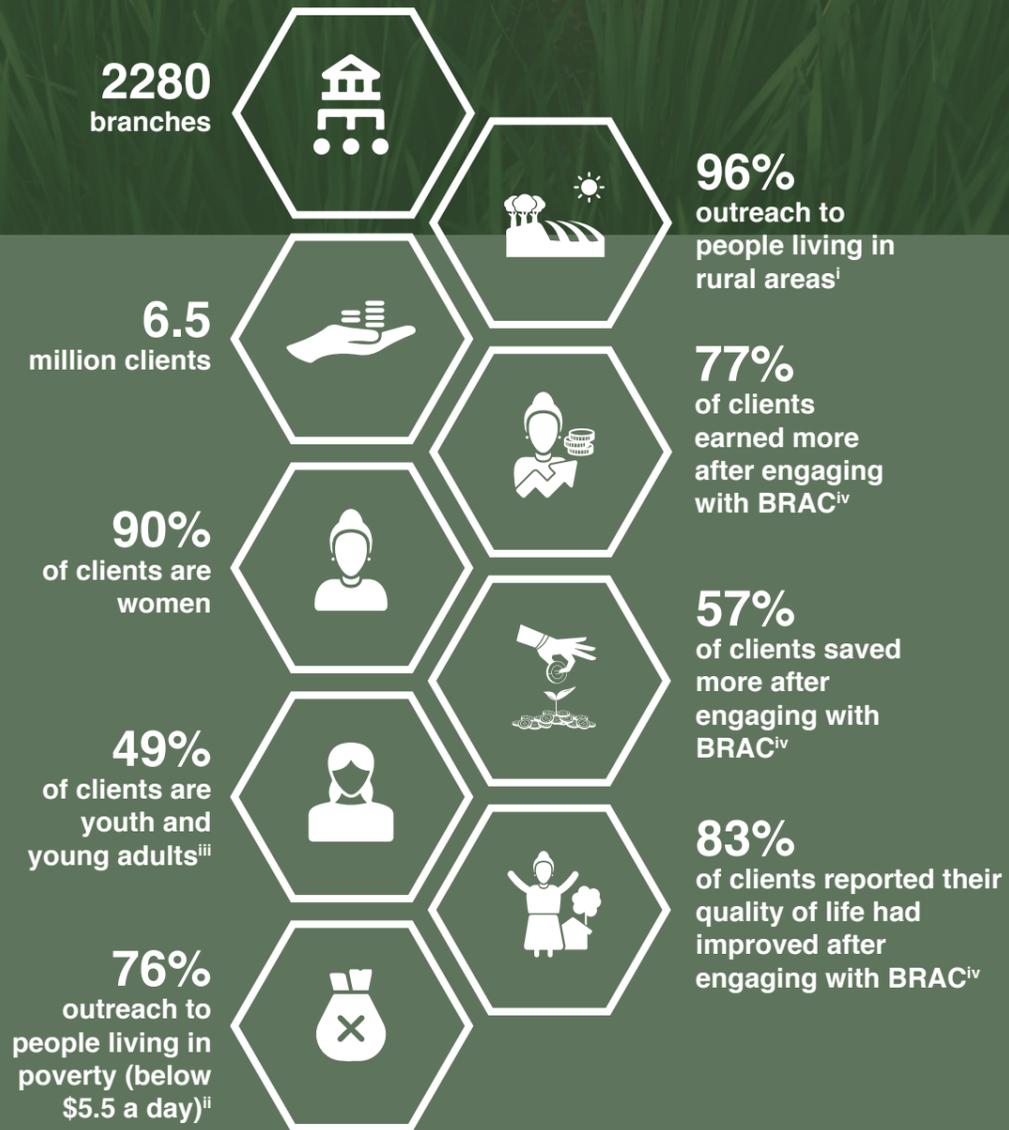
<sup>a</sup> Our entities in Bangladesh, Myanmar, Rwanda, and Uganda are deposit-taking

<sup>b</sup> It transformed into a Tier 2 Credit Institution in 2019

Note: Data as at December 2020



**BRAC Microfinance At a Glance\***



\* Given the difference in its size and maturity, BRAC Bangladesh's results are shown separately from the BRAC International Microfinance entities' average results throughout this report.

<sup>i</sup> Country-specific standard definitions used based on available national administrative data

<sup>ii</sup> Using Poverty Probability Index (PPI®)

<sup>iii</sup> Defined as 18 to 35 years old

<sup>iv</sup> Based on responses from samples of clients collected via Lean Data<sup>SM</sup> survey approach. The approach uses quick, short, phone-based surveys to listen directly to clients to understand who they are, their lived experience, and what impact an intervention has had.

# Our Approach

## We employ a systematic approach to measuring and managing our impact bottom line.

At the heart of our approach is our microfinance mission: *“To provide a range of financial services responsibly to people at the bottom of the pyramid. We particularly focus on women living in poverty in rural and hard to reach areas to create self-employment opportunities, build financial resilience, and harness women’s entrepreneurial spirit by empowering them economically.”* All our strategies and activities, including the intent of financial sustainability, are guided by and serve the pursuit of this mission.

BRAC has always worked with a great degree of responsibility and a real commitment to its mission of empowering people living in poverty. Following through on this commitment necessitated establishing strong systems and practices to ensure that the benefit and welfare of our clients are front-and-centre of our work wherever we operate.

In all our endeavours, we adhere to the industry’s Universal Standards for Social Performance Management (USSPM)<sup>1</sup> and the Client Protection Principles (CPPs),<sup>2</sup> placing clients’ well-being at the heart of everything we do. We prioritise promoting positive financial behaviours among clients and the responsible use of finance through orientations and training for our borrowers.

In pursuit of our mission, we intentionally focus on outreach to women living in poverty in rural and hard to reach areas. While some products are offered to both men and women, BRAC always applies a gender lens in developing its products to effectively meet women’s needs, preferences, and behaviours.

We use human-centred design principles to ensure that our clients have a say in the development and review of products and services. Having scaled up our early operations largely with group-based loans for women alongside individual small enterprise loans, BRAC is now expanding its offerings to smallholder farmers and youth, focusing on women. Leveraging our agrifinance and youth finance strategies, we are working closely with BRAC’s social development programmes to pilot, test, and scale holistic, client-centric services to these segments.

In collaboration with BRAC’s flagship Ultra-Poor Graduation Programme,<sup>3</sup> we provide access to microfinance services to participants who have successfully lifted themselves and their families out of ultra-poverty.

<sup>1</sup> The Universal Standards for Social Performance Management (USSPM) are a comprehensive set of best practices created by and for people in microfinance as a resource to help financial service providers (FSPs) achieve their social goals.

<sup>2</sup> The Client Protection Principles (CPPs) are a common set of global standards to provide fair and safe services for microfinance clients. These principles are used by thousands of FSPs across the world. The USSPM includes all of the CPPs.

<sup>3</sup> The Ultra-Poor Graduation approach is a multifaceted set of interventions designed to address the complex nature of extreme poverty. Since BRAC pioneered the Graduation approach in 2002, over two million participants have ‘graduated’ out of ultra-poverty and it has proven effective in providing the “big push” people need to escape the poverty trap in the long term. As of 2018, more than 100 partner organisations have adopted the Graduation approach in 50 different countries, reaching nearly 14 million people.

We are fast-tracking the implementation of our Digital Strategy to cater to the varied needs of different client segments, with a special focus on reducing the gap in women’s digital financial inclusion. Keeping the client’s value proposition at the core, we aim to leverage digital delivery channels to provide greater convenience to our clients and improve operational efficiency by automating field processes.

## Our Impact Framework

To effectively achieve our mission, we have developed a Theory of Change (Figure 1) and an Impact Framework (Figure 2) to deliberately manage our social performance and measure our outputs, outcomes, and impact on our clients.

In ensuring responsible management practices and policies, we use the CERISE SPI4 audit tool<sup>4</sup> to measure our social performance against industry benchmarks, identify gaps in compliance, and inform our action plans to improve services. The SPI4 includes all indicators of the USSPM and the CPPs.

In 2019, we conducted our first set of impact surveys using Lean Data<sup>SM</sup> methodology in partnership with 60 Decibels<sup>5</sup> to understand whether we are reaching our target clients, gauge clients’ satisfaction with our services, and assess whether our services are creating positive client outcomes. These results served as a baseline to set targets and define strategies to reach more people living in poverty and maximise positive long-term impact. In 2020, we conducted the second annual impact surveys in all seven of our operating countries.<sup>6</sup>

These surveys provide a simple, light-touch means for regularly listening to our clients and generating actionable insights, enabling us to be more responsive to clients’ needs. The Lean Data<sup>SM</sup> surveys complement our ongoing social performance management (SPM) and client protection (CP) initiatives. Combined, these initiatives allow us to learn directly from our clients, address challenges, and continuously improve client outcomes and impact.

We have ensured a strong governance structure to regularly review both financial and social performance indicators and to hold ourselves accountable to our mission. Every quarter, management in all of our microfinance entities report to their respective boards on the SPI4 audit, progress on SPM action plans, and outreach to women and rural clients. Outcome and impact results from the Lean Data<sup>SM</sup> surveys are reported on an annual basis.

<sup>4</sup> The CERISE SPI4 is a social audit tool for FSPs to assess their social performance following the USSPM and the CPPs.

<sup>5</sup> 60 Decibels (60db) is an impact measurement company that helps organisations around the world better understand their customers, suppliers, and beneficiaries. Its proprietary approach, Lean Data<sup>SM</sup>, is an approach to impact measurement that leverages mobile, voice-based data collection and uses tested social impact survey tools aligned with industry standards for fast, reliable responses.

<sup>6</sup> In 2019, the Lean Data<sup>SM</sup> Impact surveys were conducted in Tanzania, Uganda, Liberia, Sierra Leone, Myanmar, and Bangladesh. Rwanda was excluded in 2019 (as operations had only just been launched that year) but was included in the 2020 surveys. In all countries but Bangladesh, the survey was conducted on BRAC’s group loan clients, all of whom are women and who make up over 90% of the clientele in these countries. In Bangladesh, the survey was conducted among clients from group loan, agriculture loan, and small enterprise loan portfolios and included both female and male clients.

Figure 1: Theory of Change

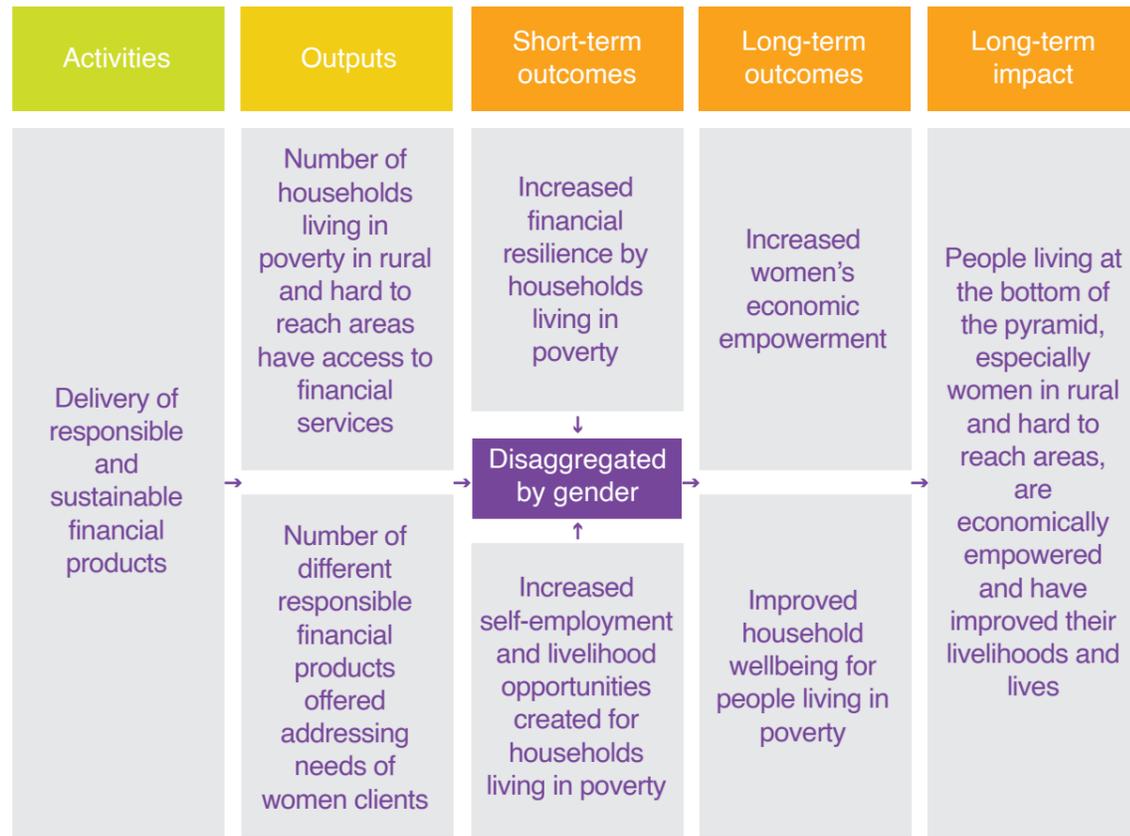


Figure 2: Impact Framework



BRAC Myanmar Microfinance Company Limited  
Results from 2020 Lean Data<sup>SM</sup> Impact Survey

**77%**  
of clients said their quality of life had improved after engaging with BRAC



**80%**  
of clients earned more after engaging with BRAC



**75%**  
of clients planned their finances better after engaging with BRAC



**74%**  
of clients saved more after engaging with BRAC



**29%**  
of clients contributed more to important household decisions after engaging with BRAC



**“I can now make more investment in my business. I also bought a refrigerator and washing machine, which has given me a higher standard of living.”**

The quote is not associated with the client in the picture.



# Our Social Performance

**We consistently outperform peer benchmarks on social performance.**

Our efforts to strengthen our client protection mechanisms led our foundational microfinance entity, BRAC Bangladesh, to become the first organisation in the country to receive the Smart Certification for upholding the CPPs in 2016.<sup>7</sup> The certification process was conducted by Microfinanza Rating, a globally specialised microfinance rating agency and licensed Smart Certifier. While our entities outside Bangladesh conduct CERISE SPI4 audits verified by qualified auditors every quarter, BRAC Bangladesh has been conducting these audits periodically to ensure we remain compliant with changing requirements in an ever-transforming environment.

Across the six BRAC International Microfinance (BI MF) entities, the average compliance to the USSPM improved by 10 percentage points, from 71% in December 2019 to 81% in December 2020. Our performance is also 17 percentage points above the average score of 64% of all the quality audits done by peer financial service providers (FSPs), as reported by CERISE (Figure 3).

In implementing the USSPM, we have prioritised working first on closing the gaps in the areas of the CPPs. Compliance with the CPPs has increased from 47% in 2019 to 67% in 2020 due to strengthening of client feedback mechanisms, improvements to privacy policies, adoption of human-centred design approaches in product development, and reinforcement of clients' understanding of terms and conditions through orientations (Figure 4).

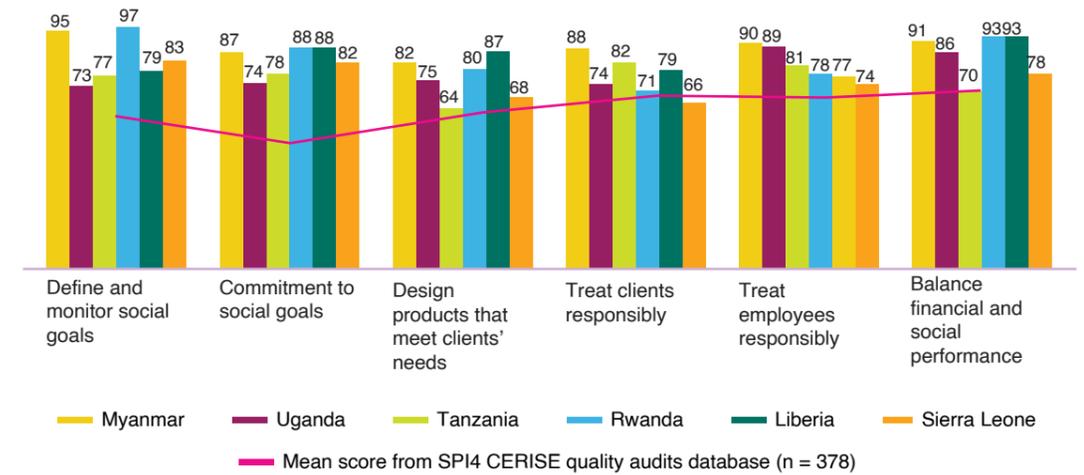
We strive to ensure that clients are satisfied with the products and services we provide, by employing systematic approaches to listening to and learning from our clients. As part of the annual Lean Data<sup>SM</sup> surveys, we evaluate the Net Promoter Score<sup>®</sup> (NPS), which is a measure of customer satisfaction and loyalty. It is encouraging to see that, as per the NPS, the majority of clients are likely to recommend BRAC to friends or family. Overall, NPS has improved to 60 in 2020 from 52 in 2019 (Figure 5). More than 90% of BRAC's clients have expressed interest in continuing to work with us.

When we asked clients about what BRAC could do to better serve them, increasing the loan amount was the most common response. Our clients also requested more training and information as value-added services during group meetings. In every entity, our management regularly updates its strategy, action plans, and budgets to address client feedback.

In both 2019 and 2020, BRAC outperformed in all four of the core metrics - Quality of Life, No Good Alternatives, No Challenges Experienced, and Net Promoter Score<sup>®</sup> - measured by 60 Decibels as part of its Financial Inclusion Sector Benchmarks, which includes average scores from 69 financial institutions. This level of consistent performance speaks to both our impact and quality of delivery (Figure 6).

<sup>7</sup>The Smart Certification is an independent, third-party evaluation to publicly recognise financial institutions that meet adequate standards of care in how they treat clients. From 2009 to 2020, the Smart Campaign was a global initiative that developed the first global financial consumer protection standard and established a rigorous certification programme. In 2020, the development of the Client Protection Standards and management of their implementation was transferred to long-time partners Social Performance Task Force (SPTF) and CERISE.

**Figure 3: BRAC International SPI4 Scores by Dimension**



**Figure 4: Average BRAC International Client Protection Compliance by Principle**

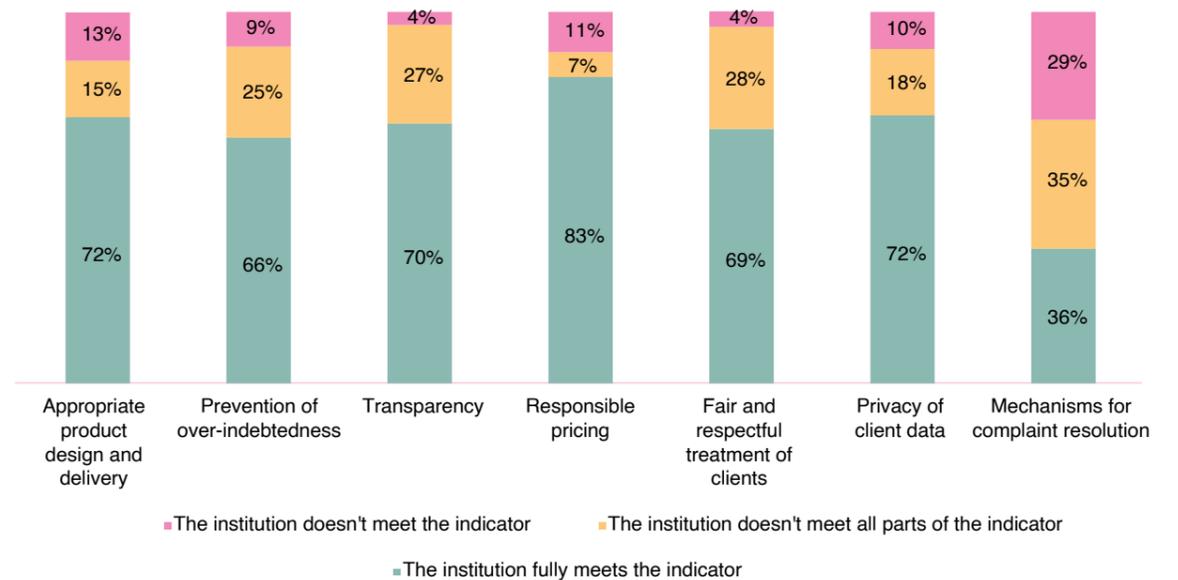


Figure 5: Net Promoter Score® by Country

Client Satisfaction: 2020 Net Promoter Score by Country

Q: On a scale of 0-10, how likely are you to recommend BRAC [Country] to a friend or family member? (n = 2,560 clients across 7 countries)

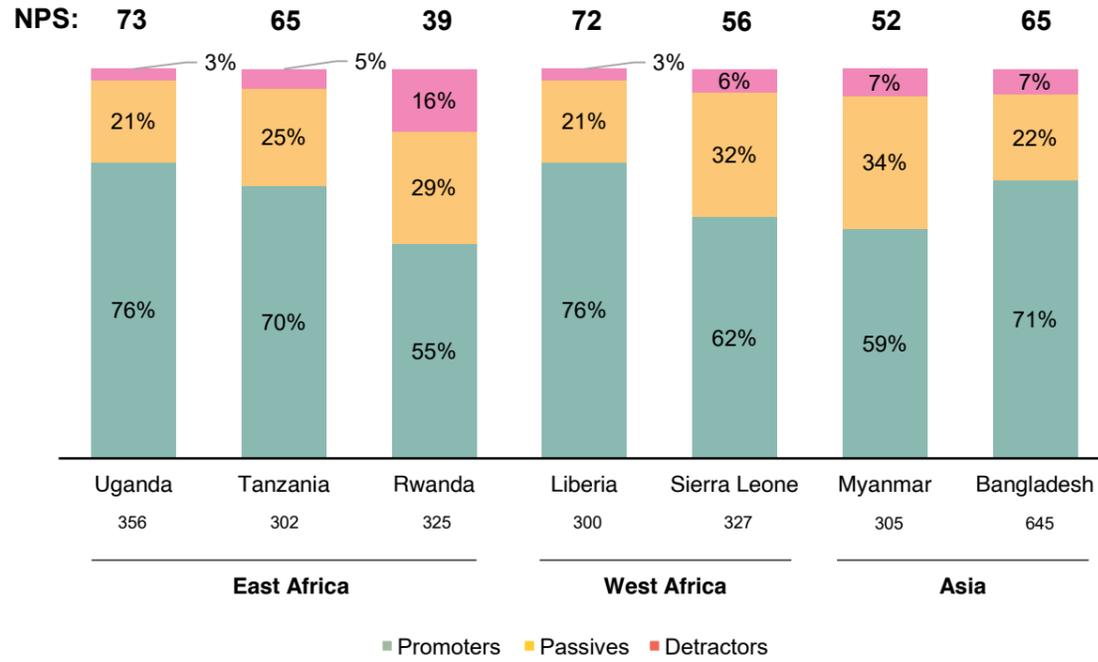
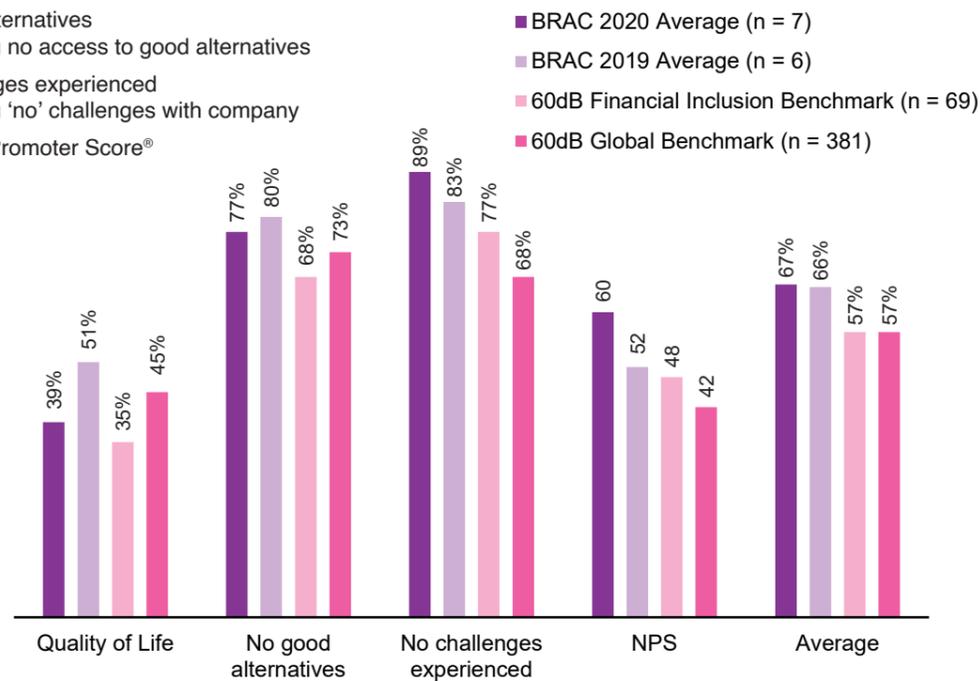


Figure 6: Comparison of BRAC Average with 60 Decibels Sector Benchmarks

Metric definitions:

- Quality of Life  
% reporting 'very much improved'
- No good alternatives  
% reporting no access to good alternatives
- No challenges experienced  
% reporting 'no' challenges with company
- NPS: Net Promoter Score®



BRAC Rwanda Microfinance Company PLC Results from 2020 Lean Data™ Impact Survey

82% of clients said their quality of life had improved after engaging with BRAC



81% of clients earned more after engaging with BRAC



92% of clients could not find a good alternative to BRAC



79% of clients saved more after engaging with BRAC



61% of clients contributed more to important household decisions after engaging with BRAC



*"I would recommend BRAC because I have less tension in paying their loan, and BRAC gives advice on how to use loans properly."*

# Our Reach

**We particularly focus on women living in poverty in rural and hard to reach areas.**

Our microfinance entities track their outreach metrics on women, rural populations, and populations living in poverty in line with our mission. One of our core products, the group-based microloan, is offered exclusively to women. All of our products are designed to address the specific barriers and needs of women. As a result of these efforts, women make up over 90% of all our clients (Figure 7).

For rural outreach measurement (Figure 8), we set country-specific standard definitions for rural and urban areas. Due to variations in the availability and granularity of national administrative data in each country, these definitions are often subjective and by no means perfect. However, they remain important tools for setting targets and monitoring progress. Over time, these definitions will be improved for greater accuracy by leveraging geolocation technology as we continue to adopt Digital Field Applications (DFAs) in all our entities. We are also leveraging our Agrifinance Strategy to purposefully increase our outreach among rural clients by testing and scaling products that meet the needs of rural smallholder farmers.

We use the Poverty Probability Index (PPI®) to measure poverty outreach (i.e. the proportion of clients who live below the poverty line) through our operational data or by using the Lean Data<sup>SM</sup> surveys: 76% of our clients in Bangladesh and an average of 71% of our clients outside of Bangladesh are living under \$5.50 per day (Figure 9). The Inclusivity Ratio shows the degree to which entities are over- or under-penetrating segments of the population living in poverty in their countries. A ratio above one means over-penetration and less than one under-penetration.

From the baseline survey results in 2019, we learned that we are under-penetrating people living in poverty compared to the national average. This has prompted us to develop a Poverty Outreach Framework to help us intentionally and deliberately increase our outreach to low-income segments. Overall inclusivity ratio increased from 0.6 in 2019 to 0.7 in 2020.

While we continue to work on improving our poverty outreach, BRAC is already filling a critical market gap: when asked if they could easily find a good alternative to our services, an average of 77% of our clients in all seven markets reported they could not.

Over 40% of our clients are youth and young adults aged 18 to 35 (Figure 10). Focusing on youth is part of BRAC's Global Strategic Priorities. To ensure youth, especially young women, can access appropriate financial services and support, we have developed a Youth Finance Strategy in close collaboration with the BRAC's Youth Empowerment Programme.

Figure 7: Percentage of Women Clients

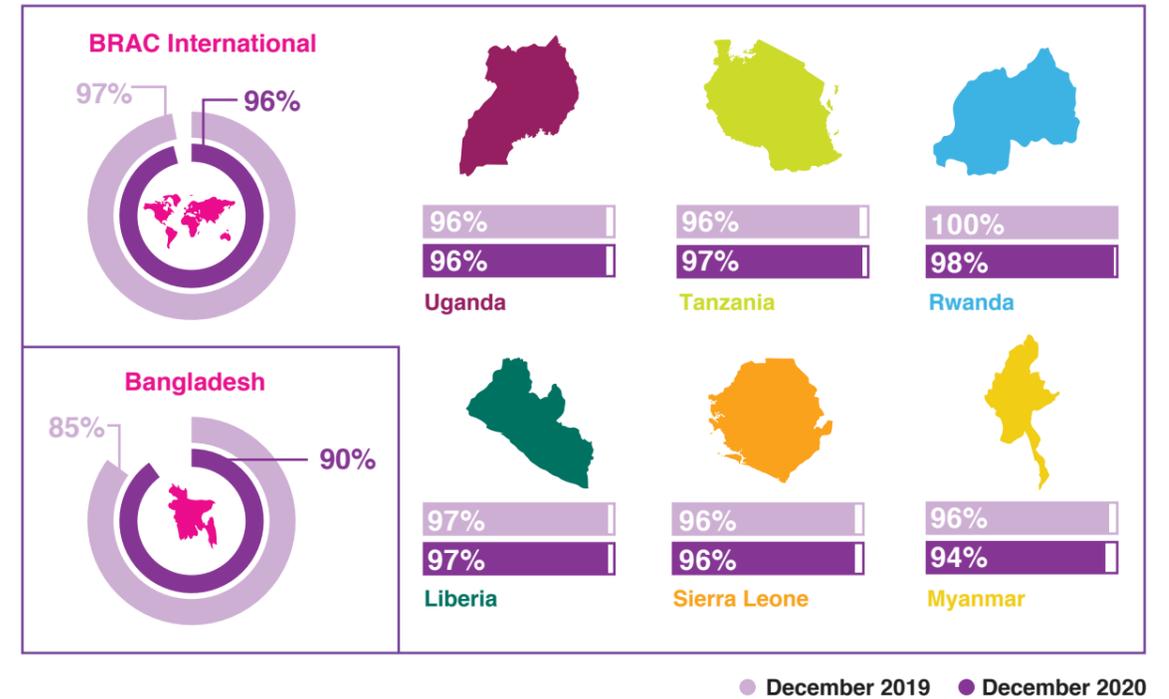


Figure 8: Percentage of Clients Living in Rural Areas

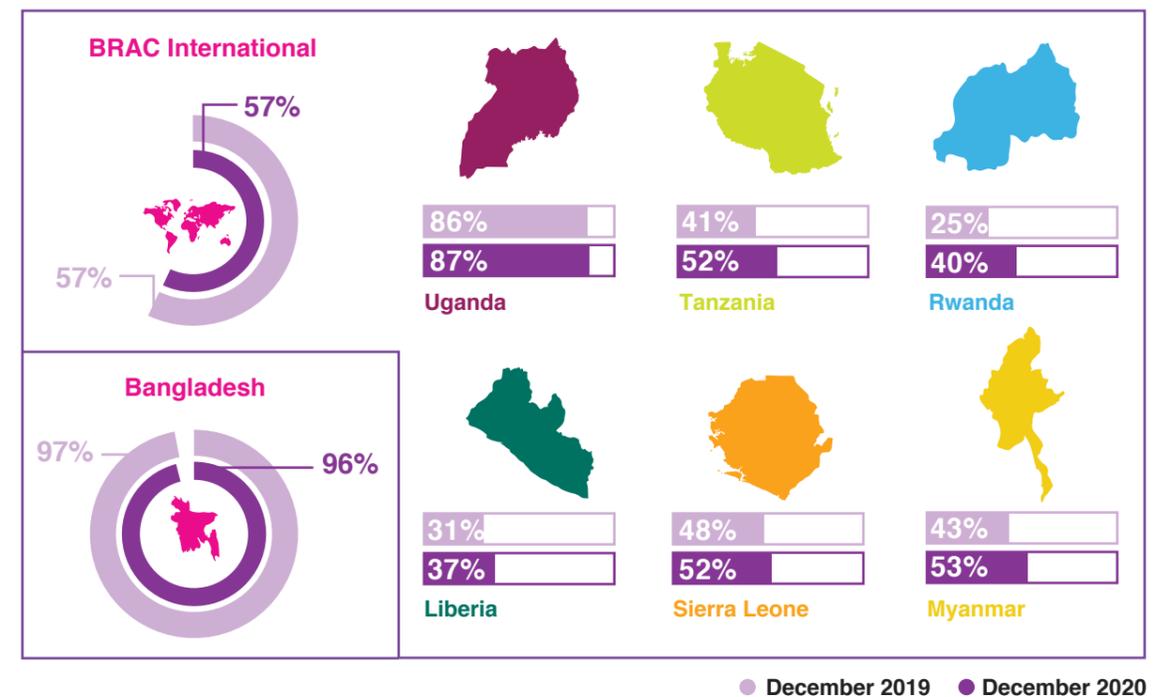
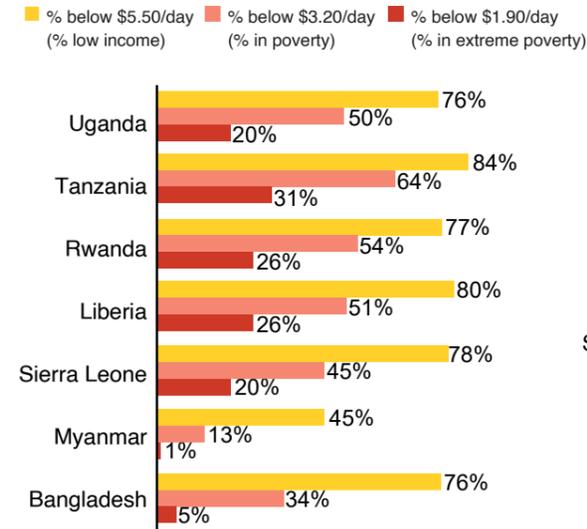


Figure 9: Percentage of Clients Living in Poverty

**Poverty Profile of BRAC Microfinance Clients in 2020**

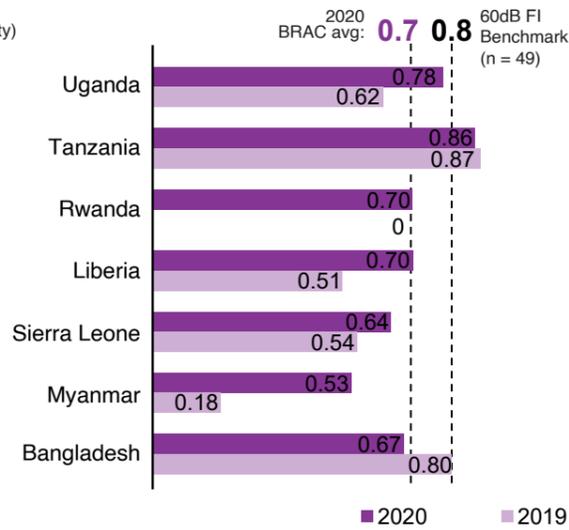
% of clients living below \$xx per day (2011 PPP); estimated using the Poverty Probability Index®\*



\*While the PPI figures are based on 2011 household survey data, it is the most widely used and allows for comparison across markets. As the PPI are updated, the questionnaires for these surveys are also updated.

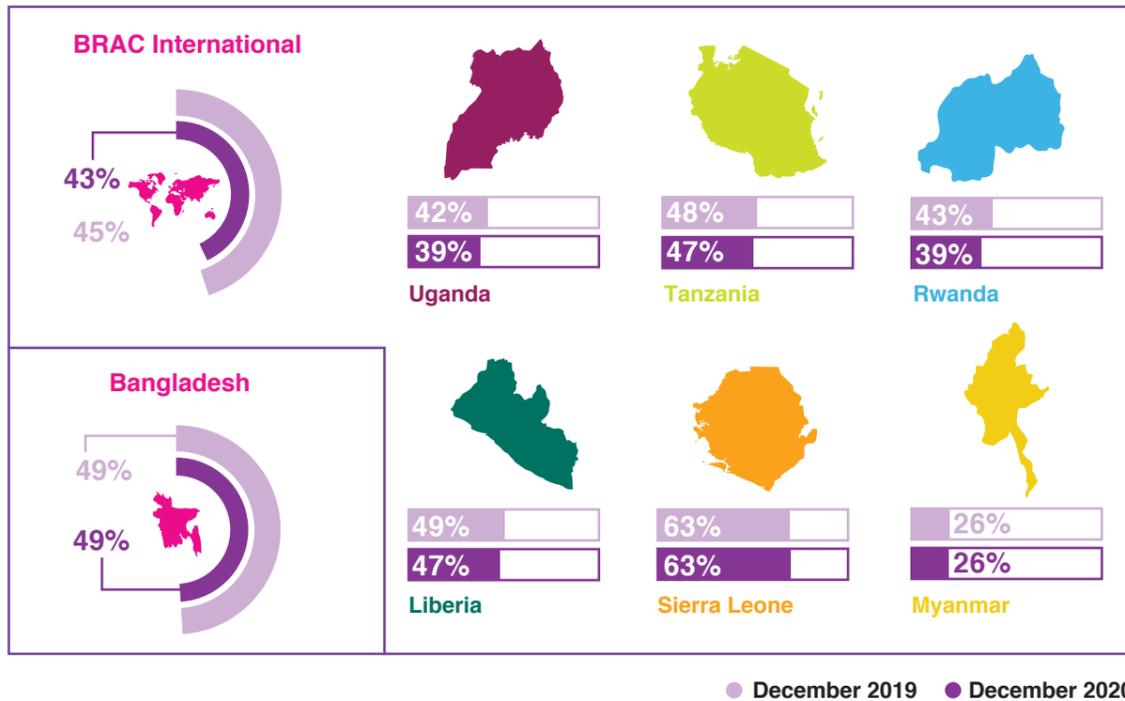
**Inclusivity Ratio by Country**

Degree that BRAC [Country] is reaching population segments at \$1.90, \$3.20 and \$5.50 income lines. (1.0 represents parity with the national population)



\*\* Figures are the average of the ratio of BRAC Microfinance clients at each poverty line (\$1.90/day, \$3.20/day and \$5.50/day) compared to national poverty figures. In 2019, the Equity Tool, as opposed to the Poverty Probability Index, was used to calculate BRAC Liberia's Inclusivity Ratio.

Figure 10: Percentage of Clients Who Are Youth and Young Adults Aged 18-35



BRAC Liberia Microfinance Company Limited Results from 2020 Lean Data<sup>SM</sup> Impact Survey



**97%** of clients said their quality of life had improved after engaging with BRAC



**98%** of clients earned more after engaging with BRAC



**99%** of clients could not find a good alternative to BRAC



**97%** of clients saved more after engaging with BRAC



**77%** of clients contributed more to important household decisions after engaging with BRAC

The quote is not associated with the client in the picture.

*“My house never had tiles on the floor but I have tiled the floors now.”*

## Our Response to COVID-19

### Relief, Recovery, Rebuilding

Keeping client-centricity at the forefront, we informed our response to the COVID-19 pandemic by asking our clients how we can better support them. Learning from BRAC's response to the Ebola outbreak in West Africa, we took a three-stage approach to adapting and responding to the COVID-19 pandemic, encapsulating the full arc of the crisis.

**In the relief phase**, the focus was on meeting the urgent needs of people. To enable clients to withstand the shock of the pandemic, we provided payment holidays for various durations. Together with our social development programmes, BRAC microfinance staff raised public awareness on COVID-19, leveraging BRAC's last-mile network to reach the most vulnerable communities.

To ensure the well-being of our staff, we provided masks and sanitisers and online training on COVID-19 prevention and response. We retained 100% of our staff and continued to pay staff salaries to ensure that we were ready for the subsequent recovery phase and were able to respond immediately once operations recommenced.

**In the recovery phase**, we encouraged economic recovery by rescheduling loans, refinancing existing clients, and providing recovery loans to new BRAC clients. Throughout 2020, we have refinanced close to 500,000 clients in Bangladesh, and another 10,000 clients in other countries. We have also accelerated the implementation of our Digital Strategy to ensure continuity of our services in response to the social distancing measures necessitated by the pandemic. In Bangladesh, we refunded nearly USD 17 million of savings to vulnerable clients to cope with the economic shock, reaching nearly 73% of these clients through bKash, BRAC Bank's mobile money subsidiary.

**In the rebuilding phase**, our focus is on improving clients' economic and social well-being at the individual and community levels. During both the Ebola outbreak and the current pandemic, we have witnessed the extraordinary determination, creativity, and will of our clients to absorb shocks and rebuild their lives when confronted with a crisis. We will continue to invest in this inherent resilience of our clients by broadening and deepening financial inclusion through growth and expansion, and through the design and delivery of new product offerings.

The COVID-19 pandemic has reinforced the importance of responsible microfinance providers like BRAC to remain attuned to the needs of their clients, who are among the most vulnerable to the economic fallout from the crisis. While the 2019 Lean Data<sup>SM</sup> survey served as a baseline for setting strategic targets, the 2020 survey provided an opportunity to evaluate relative performance during a year of unusual uncertainties.

### BRAC Microfinance Sierra Leone Limited Results from 2020 Lean Data<sup>SM</sup> Impact Survey

**96%**  
of clients said  
their quality of  
life had improved  
after engaging  
with BRAC



**97%**  
of clients earned  
more after  
engaging with  
BRAC



**90%**  
of clients could  
not find a good  
alternative to  
BRAC



**95%**  
of clients saved  
more after  
engaging with  
BRAC



**74%**  
of clients contributed  
more to important  
household decisions  
after engaging with  
BRAC



***“Before, I was very stressed about how I would pay my sister’s college fees but, from the savings I made from BRAC’s loan, I am now able to pay her fees.”***

# Our Outcomes and Impact

## BRAC is achieving its mission and accelerating positive impact for its clients.

In line with our mission and theory of change, we created a composite index<sup>8</sup> to reflect our five outcomes and impact focus areas: Financial Resilience, Self-Employment and Livelihood Opportunities, Women's Economic Empowerment, Household Welfare, and Quality of Life.

Despite the effects of the COVID-19 pandemic, outcomes and impact data remained consistent in 2019 and 2020. The average composite index for all seven countries across our five focus areas in 2020 was 60.5%, a decrease of 3.5 percentage points from 2019. The questions behind these outcomes focus on the effect of working with BRAC and are therefore agnostic to the effect of COVID-19. It is reasonable to assume that our clients considered the effects of the pandemic in their responses during the 2020 survey. Overall, improvements in Self-Employment and Livelihood Opportunities showed the strongest relative results.

When we compare each of our entities with BRAC's average performance, we see that our clients in the low-income, underserved African markets reported higher overall perceived outcomes than clients from lower-middle-income countries in the highly competitive Asian markets (Myanmar and Bangladesh) (Figure 11). In countries where BRAC is reaching more people living in poverty, the perceived positive impact is also higher. This speaks to the strength of inclusive finance and provides greater motivation for us to deepen penetration among more underserved populations (Figure 12).

### Quality of Life:

> % reporting improvements in quality of life

**Household Welfare:** Avg. % reporting improvements in:

- > Investment in house
- > Investment in health
- > Investment in education
- > Quantity and quality of meals eaten

**Women's Economic Empowerment:** Avg. % female respondents reporting improvements in:

- > Income earned
- > Active role in important household decisions

**Financial Resilience:** Avg. % reporting improvements in:

- > Ability to plan finances
- > Ability to save money

**Self-Employment and Livelihood Opportunities:** Avg. % reporting improvement or business use in:

- > Income earned
- > 'How did you use the loan from BRAC?'

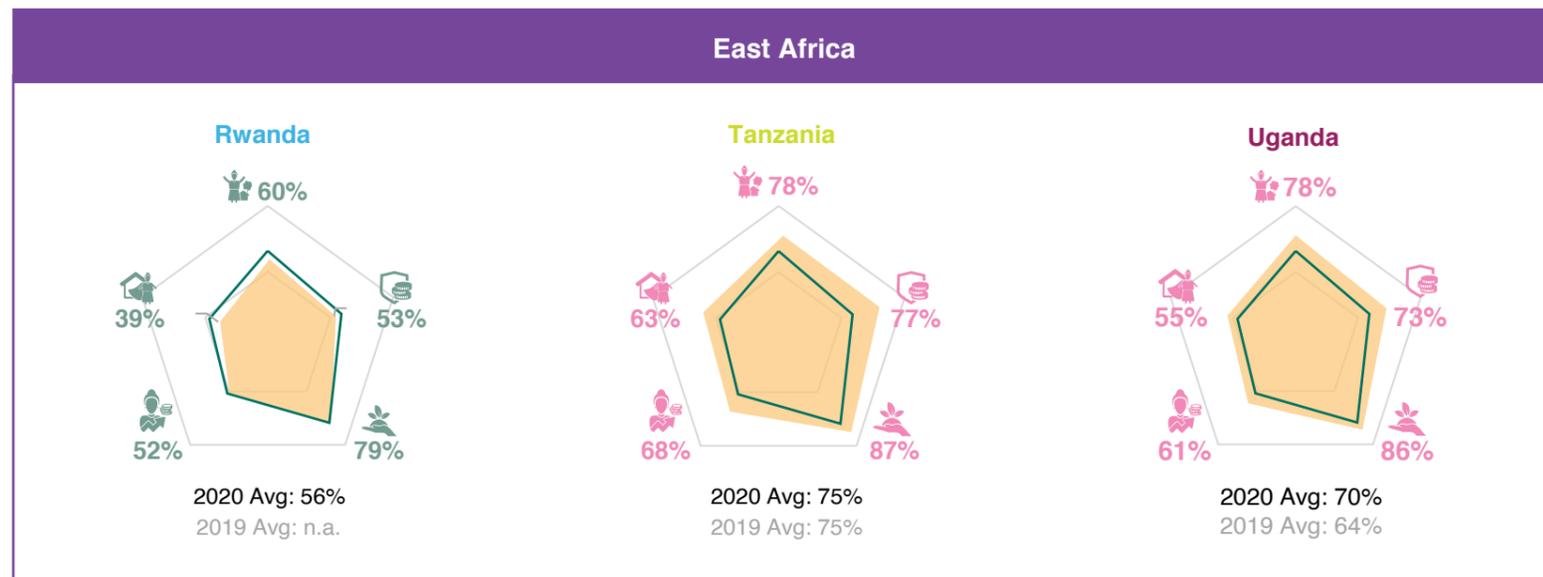
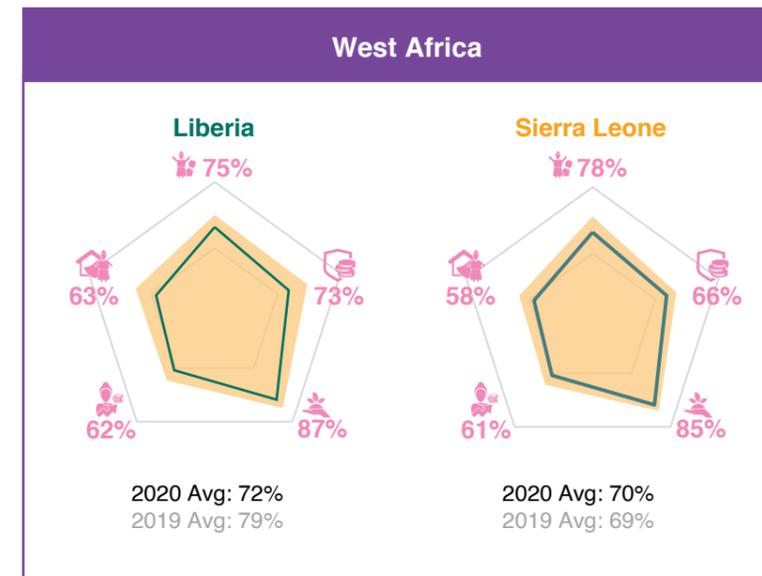
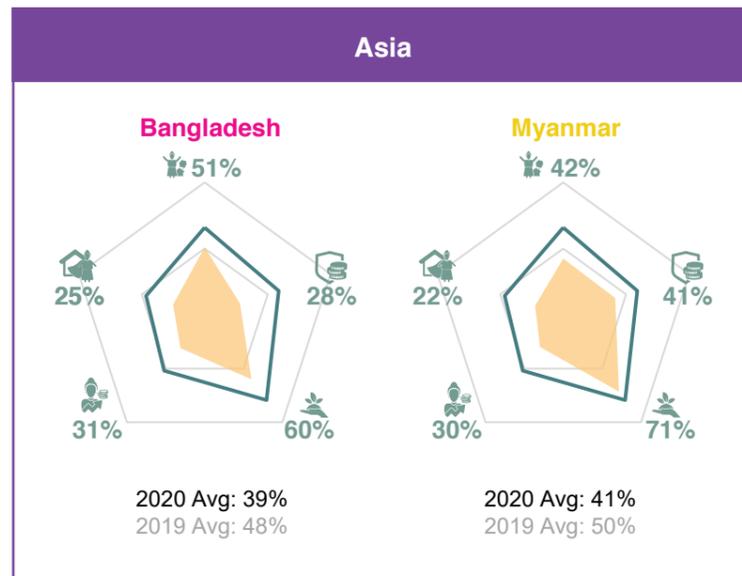
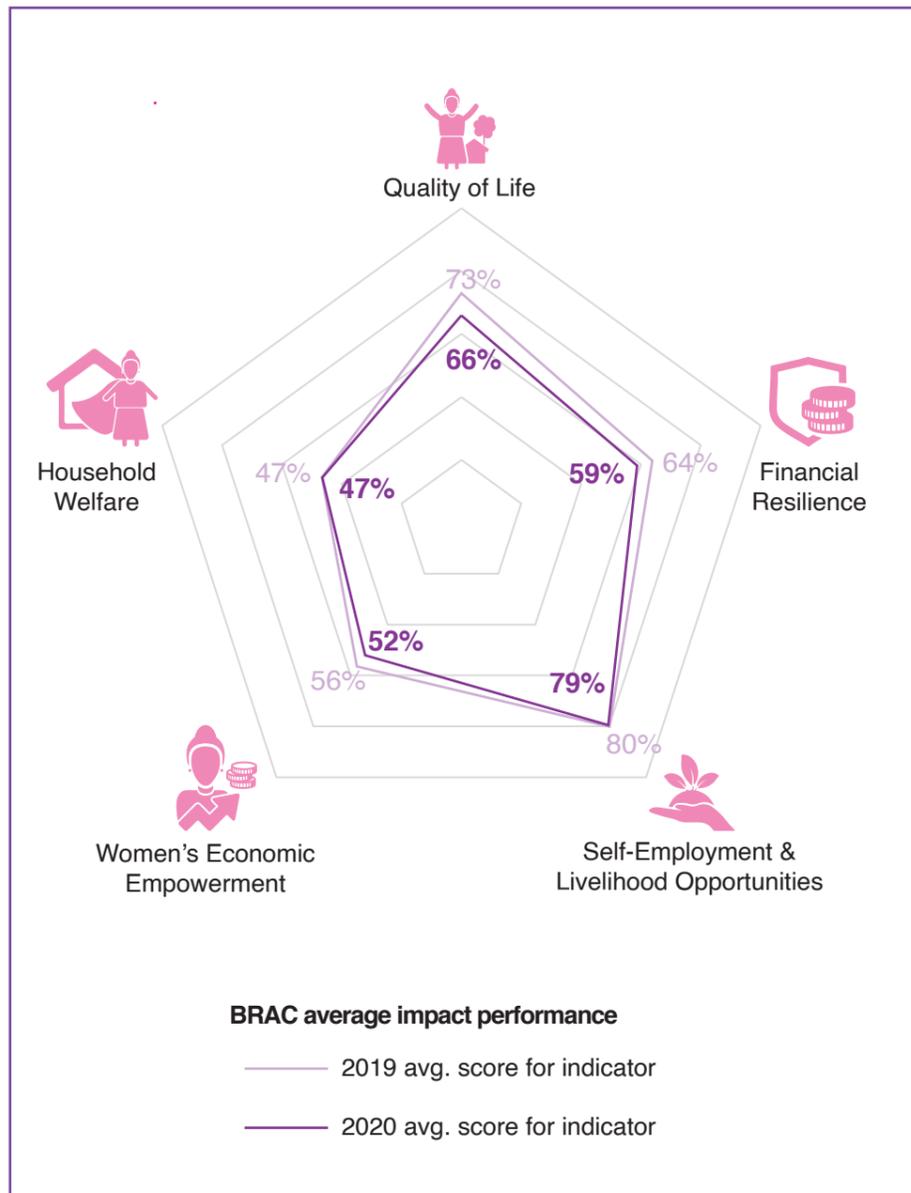
BRAC's clients have shown improved financial resilience since working with us: 59% of clients reported using savings to pay for an emergency expense after working with BRAC, an improvement of 6 percentage points compared to before. In addition, reliance on borrowing has decreased: 22% of clients reported borrowing to pay for an emergency expense after working with BRAC compared to 53% before. More BRAC clients were able to use their savings as a coping mechanism during the COVID-19 pandemic than having to borrow (Figures 13 and 14).

Our clients consistently demonstrate resilience in the face of challenges, and COVID-19 is no exception. Our overall demonstrated impact, especially in strengthening resilience, builds a compelling case for the critical role of gender-smart, client-centric finance in supporting clients to rebuild their lives before, during, and after intermittent crises.



<sup>8</sup> Composite index for each outcome uses weighted calculation where 'very much improved' responses are weighted as double 'slightly improved' responses: e.g. the Quality of Life outcome is made up of one metric using the question 'Has your quality of life changed since working with BRAC?'. Whilst the raw % for Quality of Life (QoL) improvement in Liberia is 97% (53% 'very much improved' + 44% 'slightly improved'), the weighted average is 75% (53% + half of 44%).

Figure 11: Average Impact Performance Across Five Focus Areas



BRAC [Country]

BRAC Average

Red icon = Above Average

Green icon = Below Average

**Quality of Life**  
Weighted average of Quality of Life metrics

**Financial Resilience**  
Weighted average of Financial Resilience metrics

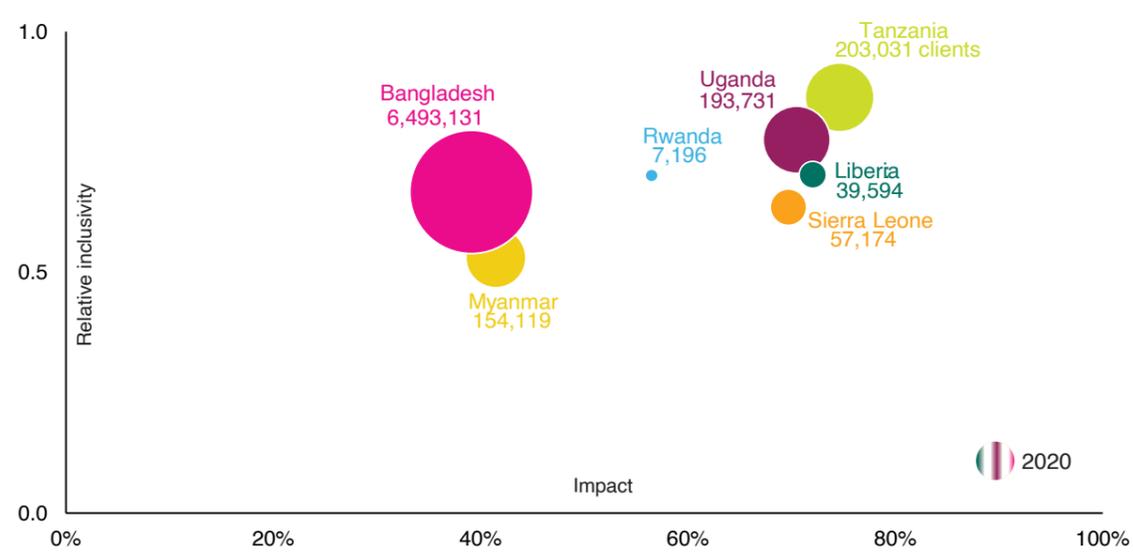
**Self-Employment & Livelihood Opportunities**  
Weighted average of Self-Employment & Livelihood Opportunities metrics

**Women's Economic Empowerment**  
Weighted average of Women's Economic Empowerment metrics

**Household Welfare**  
Weighted average of Household Welfare metrics

**Figure 12: Impact vs. Reach vs. Relative Inclusivity**

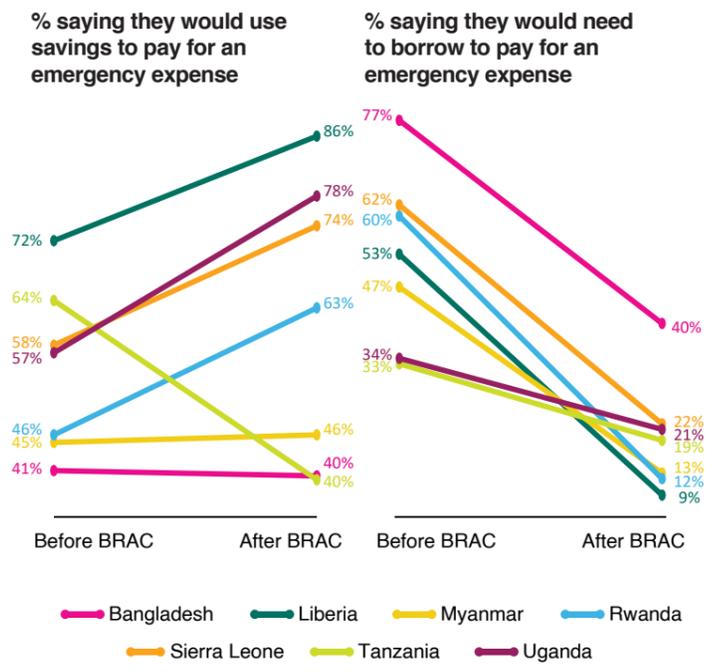
Reach = total clients at close of 2020  
 Impact = average social outcome score (5 categories)  
 Relative inclusivity = comparison of client poverty profile to national averages



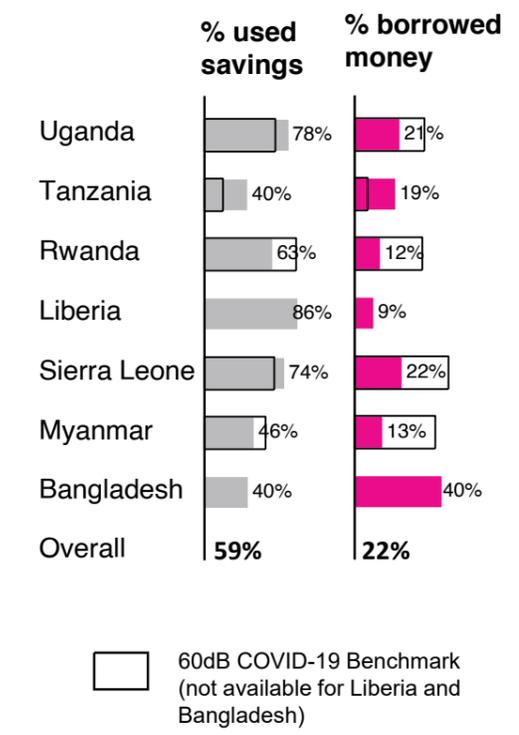
Inclusivity Ratio: < 1.0 = clients relatively wealthier than national average; > 1.0 = clients relatively poorer than national average.  
 Note: Bangladesh bubble visually represent 10% of client population, given difference in magnitude compared to other countries.

**Figure 13: Client Ability to Cope with Financial Shocks**

% of clients reporting the following sources as their primary option to pay for an emergency (unexpected) expense, comparing source before and after working with BRAC (n = 2,556 across 7 countries)



**Figure 14: Client Resilience During COVID-19**



60dB COVID-19 Benchmark (not available for Liberia and Bangladesh)

**BRAC Tanzania Finance Limited  
 Results from 2020 Lean Data<sup>SM</sup> Impact Survey**

- 96%** of clients said their quality of life had improved after engaging with BRAC
- 97%** of clients earned more after engaging with BRAC
- 88%** of clients could not find a good alternative to BRAC
- 94%** of clients saved more after engaging with BRAC
- 83%** of clients contributed more to important household decisions after engaging with BRAC

The quote is not associated with the client in the picture.

**“Working with BRAC helped me to improve my well-being, including getting better food for my family. It has also helped me to add new products in my business.”**

“  
**The most satisfying part of my work is having the opportunity to meet such strong, spirited women every day.**  
 ”



As a Social Performance Champion, my ultimate goal is to ensure that our services have a positive impact in the lives of our clients.

I work closely with management and operations staff to improve client service. In addition to developing Social Performance Management (SPM) guidelines, I train staff on new SPM initiatives and provide continuous guidance on how to enhance our processes and policies to reflect the needs of our clients. I conduct periodic review of our SPM implementations and ensure that client complaints ultimately lead to improvements in our products and services.

I think it is very important that our clients know all the terms and conditions before taking a loan, especially for those who do not have basic financial literacy. It gives me great pride when I see women starting and growing their businesses, sending their children to school, and contributing to household decisions.

The most satisfying part of my work is having the opportunity to meet such strong, spirited women every day - women who face numerous challenges in their lives but keep on fighting for a better future. With the high rate of unemployment in Liberia, I feel we need to empower our young women to be financially independent and take control of their own lives.

**Cynthia Cooper Oyarbo**  
 Social Performance Champion  
 BRAC Liberia Microfinance Company Ltd

The quote is not associated with the client in the picture.



BRAC Uganda Bank Limited  
 Results from 2020 Lean Data<sup>SM</sup> Impact Survey



**98%**  
 of clients said their quality of life had improved after engaging with BRAC



**97%**  
 of clients earned more after engaging with BRAC



**90%**  
 of clients could not find a good alternative to BRAC



**98%**  
 of clients saved more after engaging with BRAC



**72%**  
 of clients contributed more to important household decisions after engaging with BRAC

**“My quality of life has improved ever since I joined BRAC. I have been able to buy a plot of land and build my house. I have even bought 2 motorcycles. I am privileged to be a member of BRAC.”**

BRAC Bangladesh Microfinance Programme  
Results from 2020 Lean Data<sup>SM</sup> Impact Survey



**83%**  
of clients said  
their quality of  
life had improved  
after engaging  
with BRAC



**77%**  
of clients earned  
more after  
engaging with  
BRAC



**45%**  
of clients planned  
their finances better  
after engaging with  
BRAC



**57%**  
of clients  
saved more  
after engaging  
with BRAC



**38%**  
of clients contributed  
more to important  
household decisions  
after engaging with  
BRAC

**"My business capital has improved. It is still running well in this pandemic and I can support my family too."**

The quote is not associated with the client in the picture.

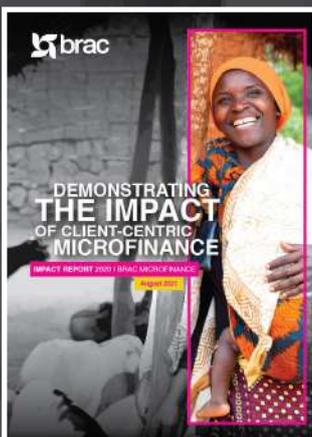
## A Call for Practicing Client-Centricity

The early microfinance movement started with the social motivation to improve the lives of the most vulnerable populations across the globe. Microfinance practitioners, policy-makers, and investors largely agree on the value of client-centricity as a concept. However, it has not been translated into action systematically to inform strategy, ongoing operations, innovation, and decision-making. The standard practice remains using "output-level" metrics, such as the number of people reached, average loan size, and Portfolio At Risk (PAR) as measures of impact. However, these financial and operational metrics neither reflect measurable benefits that the clients truly care about nor do they provide insights into how microfinance providers can create more value for clients.

In recent years, emerging innovative approaches, such as the Lean Data<sup>SM</sup> methodology, have allowed us to collect and use client-level data in a timely and cost-effective manner. These approaches offer an opportunity for the responsible microfinance community to put into practice what they have long advocated for and effectively bring the focus back on improving the well-being of the people we serve.

We welcome the opportunity to work with our impact partners and researchers to build on the success of our impact-centred approach and to help define metrics for client-level outcomes as industry best practices. Our mission-focused peers are welcome to leverage the following learnings and early recommendations from our journey towards becoming an institution that systematically practices client-centricity:

- (1) When trying to set strategies to achieve any social mission, it is critical to have a baseline understanding of the profiles of the clients currently being served, and the outcomes and impact achieved through existing services. Without this baseline, it is difficult to identify where actions and resources should be directed to meaningfully achieve the mission.
- (2) Clients give a far better and more nuanced account of how our work has an impact on their lives than any data produced by a Management Information System (MIS). In drafting new strategies, designing new products, or evaluating current services, it is essential to employ more inclusive approaches, such as human-centred design (HCD), and to ask clients directly what they truly care about.
- (3) The intention behind collecting client-level impact data must be to improve services to generate greater value for clients, rather than to merely report on impact results. Managing for impact is a continuous process that goes beyond measurement and reporting. It must involve an honest reflection on the results and engage all levels of staff to bring meaningful change.



## Demonstrating the Impact of Client-Centric Microfinance

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Impact Report 2020 | BRAC Microfinance  
August 2021