



PRACTICAL, BUSINESS-DRIVEN IMPACT MEASUREMENT



**FINANCIAL SERVICES // MAY 2013**  
**igdIMPACT SECTOR FRAMEWORK**

## **igdIMPACT**

igdIMPACT is the Initiative for Global Development's (IGD) practical, business-oriented approach to impact measurement. Designed with direct input from businesses, sector-specific measurement frameworks help companies map potential (or realized) impacts to key business drivers and performance metrics. Sector-specific frameworks are currently available for the agribusiness, financial services, FMCG, ICT, and power sectors, with more under development.

Businesses use the framework to guide impact assessment at any level – from the micro impact of a single product or service to the macro impact of regional operations or public-private partnerships.

IGD provides advisory support by partnering with individual companies to develop a tailored impact measurement strategy which reflects the needs, priorities, and operating contexts of our clients. We deliver value to companies by articulating impacts that result from core business operations, while also building in-house capacity for measurement and reporting and creating a platform for knowledge-sharing. We are currently working with Visa Inc. and ContourGlobal, among other leading companies.

We look forward to partnering with your company on impact measurement. Please contact us at [impact@igdleaders.org](mailto:impact@igdleaders.org) to get started.

[www.igdleaders.org/tools-initiatives/igd-impact/](http://www.igdleaders.org/tools-initiatives/igd-impact/)

## **ABOUT IGD**

The Initiative for Global Development (IGD) is a non-profit organization that drives poverty reduction by catalyzing business growth and investment in the developing world. We bring together an influential network of senior executives from sector-leading companies with the interest and capacity to make strategic investments in high-need, high-potential areas of Africa. Members of our Frontier Leaders network shape global connections and frontier market insights, and promote business-driven development to create economic growth and opportunity.

[www.igdleaders.org](http://www.igdleaders.org)



## FINANCIAL SERVICES SECTOR

Impact Framework // May 2013 version

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### BUSINESS DRIVERS

### POTENTIAL IMPACT

### SUGGESTED METRICS/MEASURES

#### Achieving Growth

##### Expand products and services

- Offer formal banking, payment, insurance and credit products relevant for under-served consumers, and SMEs
- Introduce services and technology platforms for efficient electronic payments and money transfer
- Deploy investment vehicles/equity financing targeting underdeveloped markets, SMEs and low-income consumers

Increases financial inclusion from growth in uptake of formal products and services. Expands competition for, and quality of, financial products and services. Increases availability of financial products and services that meet the needs of under-served consumers and SMEs. Expands access to financing for under-served consumers and SMEs. Enables secure financial and commercial transactions. Mobilizes domestic savings.

- Penetration/uptake of new products and services by target market
- % increase in # of adults with bank accounts
- % increase in savings among adults; behavioral change
- % of product portfolio targeting under-served/SMEs; % of total revenue/assets
- #/% SMEs using formal channels for transactions
- # vehicles/funds and \$ capital invested in pro-poor sectors/companies

##### Serve more customers

- Deploy high-volume, low-margin business models that make banking affordable and reduce costs for market players
- Employ simplified, flexible application/screening process to promote access by unbanked and SMEs
- Expand geographic reach through non-branch access points, incl. ATMs, agents, mobile phones
- Roll-out financial literacy marketing campaigns reflecting local context and needs

Enables the poor to build financial security, manage financial shocks and invest in business opportunities. Improves accessibility of affordable financial services for unbanked and under-banked segments. Expands coverage in rural market segments (previously deemed unprofitable). Increases penetration of formal banking system, further bolstering the formal economy. Demonstrates commercial viability of business models to increase efficiency and cost-effectiveness of providing financial services.

- % increase in access to formal financial services by under-served/SMEs
- % decrease in price of delivering basic financial products and services
- % increase in applications/approvals for savings accounts/loans
- % increase in penetration rate of bank, agent networks
- #/% branchless banking/mobile money subscribers
- % increase in financial literacy among population; change in perception about financial services



BUSINESS DRIVERS

POTENTIAL IMPACT

SUGGESTED METRICS/MEASURES

**Achieving operational efficiency and increased productivity through the value chain**

**Local workforce development**

- Hire and train local talent
- Support professional training and development for industry stakeholders
- Add value to portfolio companies through management capacity-building

Drives development of the local financial services industry and improves competitiveness. Improves financial sector management and reduces risk. Supports job creation. Transfers knowledge. Improves employee retention rates. Builds management and leadership skills.

- # skilled/unskilled jobs created; # filled by local employees; \$ wages/benefits paid
- Employee retention rate
- # receiving training/\$ spent on training; qualitative increase in knowledge and capacity
- #/\$ value of business advisory services from investors

**Cost-effective, responsible (local) sourcing and production**

- Commit to increasing local content and supplier/service provider diversity
- Promote sustainable production and resource efficiency

Promotes local economic growth and development, while encouraging sustainable use of local resources. Enhances technical skills and improves competitiveness and relevance of local industries in the global market. Supports job creation and drives local economic growth through backward/forward linkages. Reduces environmental footprint and sets example for replication by other firms.

- #/\$ value of contracts with local product/service providers
- # jobs created (skilled/unskilled)
- % total procurement sourced locally (vs. imported)
- \$ invested in training/development of local suppliers and service providers
- Existence/implementation of corporate environmental or sustainability policies
- Environmental/sustainable production standards enforced among suppliers and contractors
- Product design and packaging considers effect on environment (e.g., plastic cards)

**Efficient retail/distribution**

- Deploy branchless banking and mobile money schemes to scale distribution and reduce costs
- Offer mobile/online banking services and platforms to facilitate access and exchange
- Expand access to well-functioning ATMs and POS/payment points

Supports new markets and local job creation, while increasing the cost-effectiveness, efficiency and reach of financial services.

- # users/subscribers to branchless banking/mobile money scheme; penetration rate
- % reduction in cost of distributing financial services
- # skilled/unskilled jobs created (direct, indirect), (e.g., agents)
- \$ commission earned by agents; \$ value of cross-sell opportunities)
- \$ invested in training agents, agent quality management
- ATM/POS connectivity; # banks with ATM estates



BUSINESS DRIVERS

POTENTIAL IMPACT

SUGGESTED METRICS/MEASURES

Responsible business		
<p><b>High standards of governance</b></p> <ul style="list-style-type: none"> <li>• Ensure consumer protection</li> <li>• Maintain strong internal controls and financial supervision</li> <li>• Adhere to international standards for good governance, labor, and occupational health and safety</li> </ul>	<p>Contributes to the integrity and efficiency of financial markets. Reinforces responsible business practices through positive workplace management, marketplace responsibility, and sustained financial contribution. Reduces risk and protects consumers from fraud and security issues. Improves company transparency and accountability.</p>	<ul style="list-style-type: none"> <li>• Robust risk management principles and resources to address financial risk management, fraud and security issues</li> <li>• Participation in industry standards-setting bodies</li> <li>• Effectiveness of consumer education initiatives; consumers able to protect themselves</li> <li>• # international standards and principles met internally and across value chain (e.g., anti-corruption, accounting; Health, Safety, Environment (HSE); International Labor Organization (ILO); UNDP and Equator Principles for Responsible Investment)</li> <li>• Effective governance structures and track record</li> </ul>
<p><b>Contribute to growth of national economy and balanced distribution of wealth</b></p> <ul style="list-style-type: none"> <li>• Make transparent payments to employees, suppliers, and governments</li> <li>• Pass on savings from operating efficiencies</li> <li>• Encourage productive distribution of capital in the macro economy</li> </ul>	<p>Reduces poverty through greater participation of unbanked in formal economy. Accelerates economic growth. Stimulates consumption and GDP growth. Increases efficiency of capital markets. Improves liquidity and lending in the banking sector.</p>	<ul style="list-style-type: none"> <li>• \$ employee compensation; % earned locally</li> <li>• \$ paid in corporate and other government taxes</li> <li>• \$ operating expenses; % earned by local service providers</li> <li>• \$ paid to shareholders; %/\$ shares held locally</li> <li>• \$ cost savings realized by consumers</li> <li>• % decrease in size of informal economy</li> </ul>
<p><b>Effective corporate philanthropy</b></p> <ul style="list-style-type: none"> <li>• Launch targeted initiatives relevant to local context that leverage company expertise and technology (e.g., financial literacy programs)</li> <li>• Implement corporate sponsorships</li> </ul>	<p>Creates shared value for the community and the company, as key social challenges are addressed whilst corporate reputational and operational value is enhanced. Addresses specific development needs, particularly when programs align to core business.</p>	<ul style="list-style-type: none"> <li>• Effectiveness of philanthropy/CSR (in meeting goals/metrics)</li> <li>• # local beneficiaries; perceived success of initiative (surveys)</li> <li>• % of pre-tax profit invested in corporate philanthropy</li> <li>• \$ spent; gifts-in-kind</li> <li>• Key performance indicators defined and met</li> </ul>



BUSINESS DRIVERS

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SUGGESTED METRICS/MEASURES

Enhancing the operating environment		
<p><b>Improve the policy and regulatory environment</b></p> <ul style="list-style-type: none"> <li>• Advocate for sector liberalization and competition, and for effective regulation of financial sector</li> <li>• Use company resources and expertise to help regulators develop, implement and enforce clear policies and security frameworks</li> <li>• Support legislation to make financing more favorable to low-income and SMEs</li> <li>• Align with government/regulator objectives for achieving financial access/financial inclusion</li> </ul>	<p>Spurs innovation and uptake of financial products and services. Increases competition in sector. Minimizes impact of shadow economy. Promotes development, enhances oversight, reduces resource demand and controls risk. Contributes to a more financially-secure and inclusive society. Reduces financial crimes (incl. AML/CFT).</p>	<ul style="list-style-type: none"> <li>• Knowledge-sharing and capacity-building in standards for the financial services sector</li> <li>• Support for drafting and enforcement of effective regulations for governance, risk and financial oversight</li> <li>• Level of sector competition; market concentration; innovation</li> <li>• Well-functioning consumer protection mechanism</li> <li>• Ease of access to financing by low-income/SMEs</li> </ul>
<p><b>Strengthen institutional capacity</b></p> <ul style="list-style-type: none"> <li>• Provide capacity-building assistance and technical training</li> <li>• Support government transition electronic payments system, incl. government payments</li> <li>• Support the restructuring of financial institutions (e.g., postal savings) and social security reforms</li> </ul>	<p>Increases pace of financial inclusion. Drives modernization, reduces bureaucracy and enhances transparency while fighting fraud. Strengthens regulatory and supervisory capacity. Improves efficiency, transparency and reach of government payments and services.</p>	<ul style="list-style-type: none"> <li>• \$ government benefits distributed electronically</li> <li>• (Interoperable) e-payments system; well-functioning clearing and settlement system</li> <li>• # beneficiaries of government-sponsored programs for financial inclusion</li> <li>• Scale/effectiveness of postal financial services, social security</li> <li>• \$ spent on financial capacity-building; # trained</li> </ul>
<p><b>Partner to achieve common objectives</b></p> <ul style="list-style-type: none"> <li>• Form joint initiatives for financial literacy/inclusion, distribution of services, and sharing of infrastructure/open access</li> <li>• Partner with other (development) financial institutions to supplement and mitigate the risk of private investment</li> <li>• Partner to measure and report on impact</li> </ul>	<p>Extends financial access and financial capital to underserved markets that would otherwise not be commercially viable. Encourages private investment. Demonstrates company commitment to impact measurement. Leverages local knowledge and resources to achieve scale.</p>	<ul style="list-style-type: none"> <li>• # MOUs and partnerships; \$ invested in partnerships</li> <li>• Key stakeholder interviews/surveys on effectiveness</li> <li>• Key performance indicators defined and met</li> <li>• % increase in reach of financial services resulting from partnership</li> <li>• \$/% increase in private investment due to partnership</li> <li>• Lessons learned disseminated to the public</li> </ul>