The *Financial Inclusion Compass* 2024

The e-MFP Survey of Financial Inclusion Trends

By Sam Mendelson

EUROPEAN MICROFINANCE PLATFORM

ADVANCING FINANCIAL INCLUSION

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Foreword

Welcome to e-MFP's *Financial Inclusion Compass* 2024.

Six years ago we started thinking about how e-MFP could leverage its broad and unique multi-stakeholder membership, plus its key position within the sector, to help drive financial inclusion forward. e-MFP is the largest multi-stakeholder platform in the inclusive finance sector, and core to our work is stimulating discussion and debate between members and key sector stakeholders and providing a forum to explore, analyse and present what's going on in the sector and where it is heading. So, based on these reasons, the very first *Financial Inclusion Compass* was born in 2018 and the wide readership and the positive feedback then and in the following years have encouraged us to continue the project.

We at e-MFP are happy and proud to present this year the 7th edition and we would like to sincerely thank all the financial inclusion specialists from around the world who gave their valuable time to contribute to this important initiative. We are grateful too to the e-MFP Board for so wholeheartedly standing behind this project and we would like to finally thank the project lead Sam Mendelson, as well as the other e-MFP team members – Daniel Rozas, Joana Afonso, Gabriela Erice, Fernando Naranjo, Niamh Watters, and Anaïs Flaceau – who provided such valuable support along the way.

We wish you a good read and hope that this paper will give you interesting food for further thought.

Christoph Pausch
Executive Secretary
e-MFP

Introduction

"It's good to be different, what's not good is to be indifferent."

Abhijit Naskar

Indifference has never been a problem in the *Financial Inclusion Compass*. On the contrary, the passion and conviction of those who take part is key to what has made it a valuable resource for sector stakeholders trying to think about where we are heading – and where, sometimes, we have lost our way.

Differences, especially between how groups in the sector perceive the important trends and challenges underway, are also a rich aspect of the *Compass* survey – and these differences are growing. Indeed, each edition reveals a growing divergence. This is most notable between financial providers and everyone else.

We saw this back in 2023, and in addition to the many trends that respondents score and comment on in the *Compass*, this divergence is now surely *a trend in itself*. Considering how much the impetus on products, climate adaptation or technology (all of which of course have an outsized impact on FSPs) stems from funders, researchers, support organisations and others, it's important to understand the implications of this: how – and why – do FSPs see things so differently than other sector stakeholders? Is it because their priorities are more context-specific, or less 'macro' in nature? Or that funders and others are blind to the realities of delivering microfinance?

These questions form part of the theme of this year's *Compass*, but not the only one. Because that word – 'microfinance' – is a term that seldom appears in this publication series. What does it even mean today? Has it been entirely subsumed by 'financial inclusion', or is there still a meaningful difference in their scope, with one complementary to the other? Is financial inclusion, as we ask in the survey, just an 'empty rebrand'?

These questions are part of the last section of this paper, the first time this topic has been put to respondents, and it elicited an enormous and intriguing response that vindicated the decision to be a bit cynical, a bit provocative. It's not the only new question this year, you'll see other new entrants as well: fraud against customers, biodiversity conservation, an exploration of the biggest weaknesses in client protection, and the 'missed opportunities' of the past, among others.

Thank you very much to my e-MFP colleagues who gave such valuable support in putting this paper together. And particular thanks as well to the 149 respondents from a record 63 countries who took the time to participate; whatever value the *Compass* has, it is entirely dependent on what these respondents put into it. I hope that they – and all readers – find it interesting and useful.

Sam Mendelson
Financial Inclusion Specialist, e-MFP
& Lead author of *Financial Inclusion Compass*
June 2024

Executive Summary

Methodology & Respondents

The *Financial Inclusion Compass 2024* is the seventh in the annual series and comprises a mandatory, quantitative part I (current trends, future priority areas and, new this year, perceived weaknesses in client protection) and an optional part II with two open-ended questions - on missed opportunities, and whether 'microfinance' and 'financial inclusion' are meaningfully different; is the latter just an 'empty re-brand' – the triumph of style over substance?

There were 149 total responses to the survey, from a record 63 countries. There was a higher proportion of financial service providers (FSPs) – 38% – than in any previous year, and in terms of respondents' geographical focus of work, a plurality (27%) have their primary work in Sub-Saharan Africa, followed by Latin American & Caribbean, and South Asia.

Assessing the Current Importance of Financial Inclusion Trends

*Please look at the following list of **important topic areas in the financial inclusion sector** today and give each one a score between 1 and 10 according to how important you think it is for the sector as a whole.*

Rank	Trend	2023 Rank
1	Climate change adaptation and/or mitigation	2
2	Client protection	1
3	Clients' resilience to shocks	3
4	Digital transformation of financial providers	4
5	Digital products and channels for clients	5
6	Innovation in product development	11
7	Gender mainstreaming within financial inclusion organisations	6
8	Financial health	10
9	Governance	8
10	Social performance management and/or impact measurement	9

The overall rankings have not changed hugely from 2023 to 2024, and indeed the top 5 is similar, although with a different order. Specifically:

- **Climate change adaptation and/or mitigation** has continued its ascent up the charts: from 8th in 2022 to 2nd in 2023 and finally reaching top spot in 2024.
- **Client protection** and **Clients' resilience to shocks** retain their spots in the top 4.
- **Innovation in product development** has moved up a few spots but otherwise there is little movement in the list of trends between 2023 and 2024, with one exception (**New financing instruments** plummets from 7th in 2023 to 19th, a consequence of having removed specific reference to green finance/social/gender bonds).
- Despite unbundling **Artificial intelligence** from other innovations to test interest in this specific topic from respondents, this was in vain; it is – by far – the least important trend for respondents.

There are significant differences between how respondent groups assess different trends, but the strongest difference is between on the one hand financial service providers (FSPs), and on the other, funders, researchers, consultants and support providers, infrastructure organisations, and others. This continues a pattern seen in recent years.

In particular, FSPs rank:

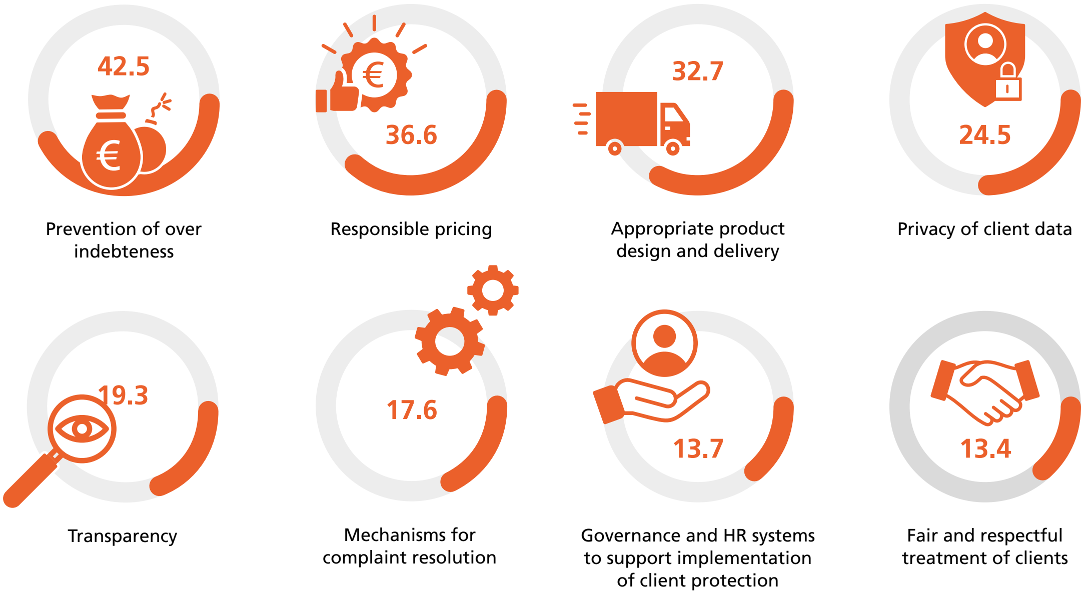
- **Climate change adaptation and/or mitigation** 13th, versus 1st overall;
- **Client protection** 9th compared to non-FSPs who rank it 2nd;
- **Clients' resilience to shocks** 6th, versus 3rd among non-FSPs;
- **Innovation in product development** 1st v 9th for non-FSPs; and
- **Fraud against customers** 2nd, compared to 13th among non-FSPs; this is a huge statistical divergence, 2nd only to the divergence on climate change.

After **Fraud against customers**, the topic with the highest variance between respondent groups is **Gender mainstreaming within financial inclusion organisations**, with FSPs, Funders and infrastructure organisations ranking it 2nd, 3rd, and 4th, while consultants and researchers rank it 11th and 15th, respectively.

Perceived Weaknesses in Client Protection

The following are the 8 Client Protection (CP) standards, the successors to the Smart Campaign's Client Protection Principles, and which are incorporated into the Universal Standards for Social and Environmental Performance Management (USSEPM). Please select three areas of client protection where you see the biggest weaknesses (i.e. which you believe demand the highest priority from the sector?) Please rank 1st, 2nd and 3rd. Provide comments or suggestions if you wish.

Where are the biggest weaknesses in how the (now) eight Client Protection Standards are implemented, and therefore which demand the highest allocation of priority and resources?



This figure shows the index scores[1] for the 8 CP Standards and reveals a **clear top three** of 1. Prevention of over-indebtedness, 2. Responsible pricing, and 3. Appropriate product design and delivery.

[1] Respondents' rankings were converted to a 0-100 index score (similar to the Future Priority Areas in the following question), to reflect both the prevalence and strength of the scoring.

What stands out in this section is the significant differences in how respondent groups perceive the CP Standards:

- FSPs rank **Appropriate product design and delivery** as the biggest weakness (their index score of 44.8 is 12.1 points higher than for all respondents). This is understandable – FSPs are the primary institutional beneficiaries of this standard – and bear the consequences in its absence or weakness.
- For FSPs, **Privacy of client data** is even above **Responsible pricing**, which they see as a comparably low weakness. This is interesting, and coherent with the outlier position FSPs held in the earlier trends section on fraud against customers – is their primary concern about privacy really about combating an epidemic of fraud that vulnerable customers are suffering?
- **Responsible pricing** is clearly perceived as a less significant weakness for FSPs than all other groups, so much so this would be the clear top position, but for the large sample group of FSPs this year. Do FSPs consider standard setting on Responsible pricing to be a case of outsider meddling on matters that ought to be the purview of the provider?
- Funders, by contrast, *are* concerned about both **Responsible pricing** and **Prevention of over-indebtedness**, to the expense of almost everything else. Their index score of 55.2 for the latter is much higher than the 36.6 this gets for all respondents.
- Infrastructure organisations are almost singularly focused on **Prevention of overindebtedness** – their index score for this standard of 66.0 is the highest anywhere.
- Finally, consultants and support service providers put a strong premium on **Transparency**, rating it 3rd overall, with an index score of 29.8 compared to only 19.2 for all respondents.

Future Priority Areas

In which of the following areas would you like to see the most significant developments in how the financial inclusion sector serves low-income clients in the next 5-10 years?

This section asks respondents to look to the medium-term future (5-10 years from now) and to be subjective, asking them in what areas of financial inclusion would they themselves like to see more resources and attention devoted?

Rank	Future Priority Area	Index Score
1	Women's empowerment and gender equality	39.1
2	Agri-finance	33.0
3	Green and climate-smart finance	32.8
4	SME finance	24.4
5	Financial health (incl. financial and digital literacy)	23.9

As in the trend section, the top five priority areas are similar to last year, although the order has changed[2]. But once again, the most revealing differences were **between respondent groups:**

- FSPs put **Green and climate-smart finance** much lower than other groups – repeating a theme both in last year's results for this section and also in this year's Trends, where Climate change adaptation and/or mitigation is much lower among FSPs than others. This is not an aberration but a consistent trend that shows up however the question is asked – it is support organisations, funders, researchers and infrastructure organisations who are most mobilised and motivated on this topic, far more than providers themselves.
- FSPs do care strongly about some future focus areas, and rate **Agri-finance** much higher than respondents overall. Likewise, **Food security and nutrition** is ranked much higher by FSPs than other groups (except researchers). By contrast, not a single infrastructure organisation respondent gave any score to Food security and nutrition. This is an area that is of clear concern, now, to those who see the adverse impact on poor clients the most – the FSPs, and perhaps the researchers working on the topic.
- **Refugees & forcibly displaced people** is rated much higher by funders and infrastructure organisations than by other groups. Perhaps this is because these groups tend to be more macro in their perspective, and displacement is at the forefront of global news stories, whereas FSPs will generally (but not always) be more responsible to the specific context in which they operate, and which may not be subject to forced displacement.
- **Financial health** is rated much higher by consultants and support service providers and researchers than by other groups. This is entirely understandable; it is largely TA providers who are the impetus behind this growing concept, which includes how to incorporate education and literacy into a modern, holistic understanding of outcomes for clients.
- Finally, **Disaster resilience** is the highest rank for researchers, despite being only 9th overall.

Repeating a clear theme that emerged in the earlier questions, FSPs are increasingly different from other *Compass* respondent groups. FSPs, more than other groups, would like to see sector resources allocated to Agri-finance; Financial inclusion for youth; Food security and nutrition, and WASH. They give less priority to Green finance; Refugees & FDPs; and Disaster resilience - all of these being more context-specific.

[2] As before, respondents were asked to choose their top five Future Priority Areas from a (randomly ordered) list and rank them from 1st to 5th. The scores were adjusted to reflect the frequency with which they were chosen as well as weighted by ranking to produce an Index score on a 0-100 scale.

Missed opportunities

What has been the biggest 'missed opportunity' in financial inclusion? What should the sector have done - and how do we avoid such missed opportunities in the future?

Respondents took up the challenge of this quite different question with gusto, producing dozens of comprehensive responses on topics running from regulatory overreach to gender equity to non-financial services to building smallholder resilience, consumer protection and, particularly, on the missed opportunities relating to client-centric approaches to products and services; and leveraging the potential of digital technology.

- Some respondents wrote of missed opportunities relating to **design and delivery of products and services**, the failure to adequately develop tailor made products and a focus instead on too much top-down pressure, with only lip service paid to genuine client centricity, especially as it relates to serving last-mile clients.

- This failing has been compounded by a lack of research, investment or impetus on **non-financial or capacity-building services** to complement new financial products, particularly on those non-financial services that most clearly increase resilience to shocks, and particularly delivered via new partnership models with non-financial organisations.

- Other respondents cited a perceived failing that has been mentioned in previous editions of the Compass, bemoaning the **primacy of credit** as the default product, at the expense of savings and insurance in particular. The reasons for this, among them demand and profitability, are well known, but some respondents believe this prioritisation of credit has had profound costs.

- Relatedly, some respondents argue that there has too often been a **conflation of access with usage**; a focus on bank account penetration over whether such accounts are 1. actually used; and 2. valuable. The opportunity to consider impact much more broadly was a missed one in the past – although certainly this mistake is being rectified today, with more holistic ideas of inclusion outcomes– including financial health – becoming more widespread.

- Pursuing the low-hanging fruit of credit has been mirrored in the **segments** that the sector has targeted. Microentrepreneurs have been the byword for microfinance for decades; but much more effort could have been made in the past to genuinely target and serve other segments – youth, smallholders, forcibly displaced people, and women, among them. Respondents had much to say on this last point – although there has been significant recent progress there has historically been a lack of 'intentionality' in gender lens investing, in institutional mainstreaming, and in seeking to address negative social norms.

- And although there were submissions on regulation, misaligned incentives and other topics, **digital finance** generated the most (and perhaps the strongest) responses. There has been, respondents believe, a lack of pace to fully embrace technological potential, particularly on client-facing technologies tailored to the needs of the unbanked and those with low literacy and numeracy. But respondents recognise this is complex; balancing on the one hand the need to invest (and therefore hype) new products and platforms, 'nudging' uptake among target groups, while recognising that infrastructure is lacking in many markets, and there still is lack of trust and confidence, meaning vulnerable clients resort/relapse to informal, insecure or dangerous alternatives. Comprehensive financial education needs to be closely integrated with DFS, and new partnerships will be necessary to do so.

Beyond 'microfinance': Is 'financial inclusion' nothing more than an empty re-brand?

Do you see yourself/the sector working in 'microfinance', 'financial inclusion', or other areas? Are these terms meaningfully different? Or is it all just an empty 're-brand'?

There has been an evolution of terminology over the decades, and 'microfinance' is less commonly used today. Financial inclusion/inclusive finance is the predominant terminology (although 'social finance' and 'impact finance' are increasingly vogueish as well).

But is there actually a meaningful difference between these terms and, if so – what? If some terms become obsolete, or overlap, it has implications on how the sector sees itself, services it promotes, by which actors, and for what objectives.

Overwhelmingly, respondents rejected the provocative (and perhaps cynical) premise of the question. Generally, respondents **do see meaningful and valuable distinctions in the terms used**, but those distinctions varied.

- Some respondents sought to **give their own definitions** of the two predominant terms – microfinance and financial inclusion/inclusive finance. For the most part, they consider that financial inclusion is broader, in the services offered, the segments targeted, and also the 'mission' – if microfinance is, most simply, about providing access to credit to low-income people, typically microentrepreneurs, 'financial inclusion' is the provision of a suite of financial and non-financial services to households, SMEs, smallholders, and others, comprising innovations in fintech, literacy, product development and design and others. It is a holistic approach to financial empowerment and the pursuit of financial capability and health.
- Microfinance historically has been **provider-centric,** with the key actor the MFI that lends and collects the money. Financial inclusion is supposed to be **client-centric,** and ostensibly puts the protection of the client – including via responsible finance – at the middle of the relationship.
- The meanings of these terms have **changed over time**, too. Microfinance largely is a predecessor of inclusion, and the latter itself has broadened in scope to encompass WASH, education, health, gender mainstreaming, green finance and others. Indeed, the list of future priority areas that respondents assessed earlier in this survey speaks to the breadth and complexity of contemporary 'financial inclusion'.
- Nevertheless, this is not to say that microfinance is an obsolete term or idea; for several respondents they're **complementary**, and we should conceptualise microfinance as a subset of financial inclusion, and the distinction is valuable as long as offering financial products to low-income people to bring them into the formal financial sector remains a goal.
- Finally, a minority of respondents made the case that the terms can and should be **interchangeable,** and that 'financial inclusion' is, if not quite empty, still a' **re-brand**', and we should be cautious about over-stating the differences between the terms and therefore of employing some more high-minded and rhetorical claims of financial inclusion, a lesson that the sector would do well to remember after the "putting poverty in the museum" over-reach of the past.

Methodology & Respondents

The *Financial Inclusion Compass 2024* is the seventh in the annual series and continues with a mixed-methodology structure including a mandatory, quantitative part I and an optional part II with two open-ended questions. New in this edition is a question in part I on perceived weaknesses in client protection, within which respondents were asked to consider a list of established client protection standards/principles and select which in their opinion have the greatest weaknesses – i.e. where attention and resources should be prioritised.

As always, some trends have been replaced or refined for clarity based on feedback received, and the same is true for the future priority areas. And as always, the open-ended qualitative questions in part II change: this time with just two questions – on whether there are meaningful differences in the terms we use (or if it is part of just an 'empty re-brand') and where there have been 'missed opportunities' for progress.

The survey (available in English, Spanish and French) was open for four weeks in April 2024. And as before, respondents were required to provide their personal and organisation details - but could opt in or out of attribution.

There were 149 total responses to the survey, from a record 63 countries. **Figure 1** shows a map of all respondents' locations.

Figure 1: Location of *Compass* Respondents

As before, respondents were asked to provide their primary geographical focus of work – and could select multiple options. **Figure 2** shows the distribution of respondents in terms of where their work is focused.

The share of respondents working in Sub-Saharan Africa has increased quite considerably year on year (to 27%), with somewhat smaller shares of respondents focused globally, or in Eastern Europe/Central Asia.

Figure 2: Distribution of Respondents' Primary Geographical Focus of Work

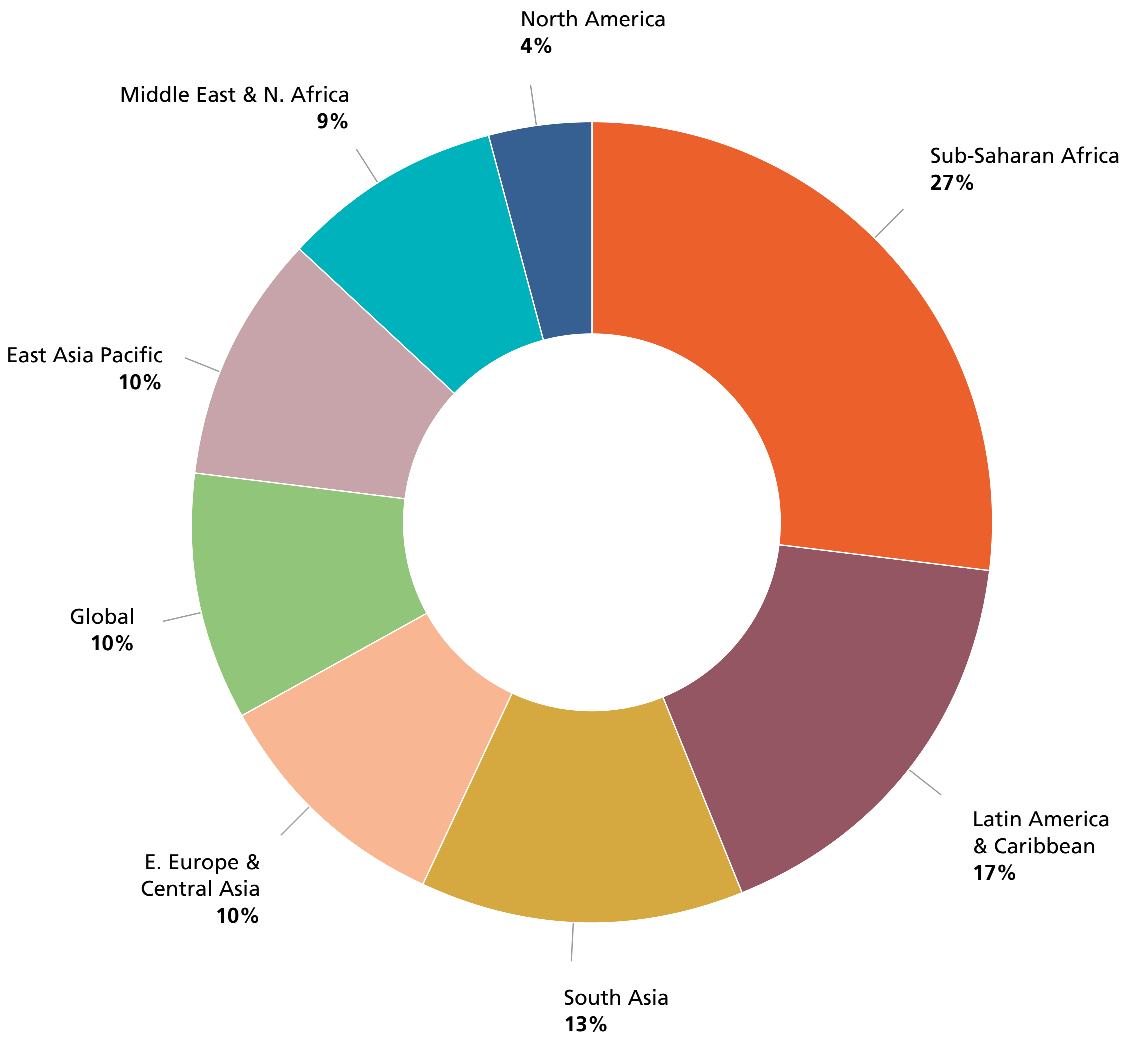
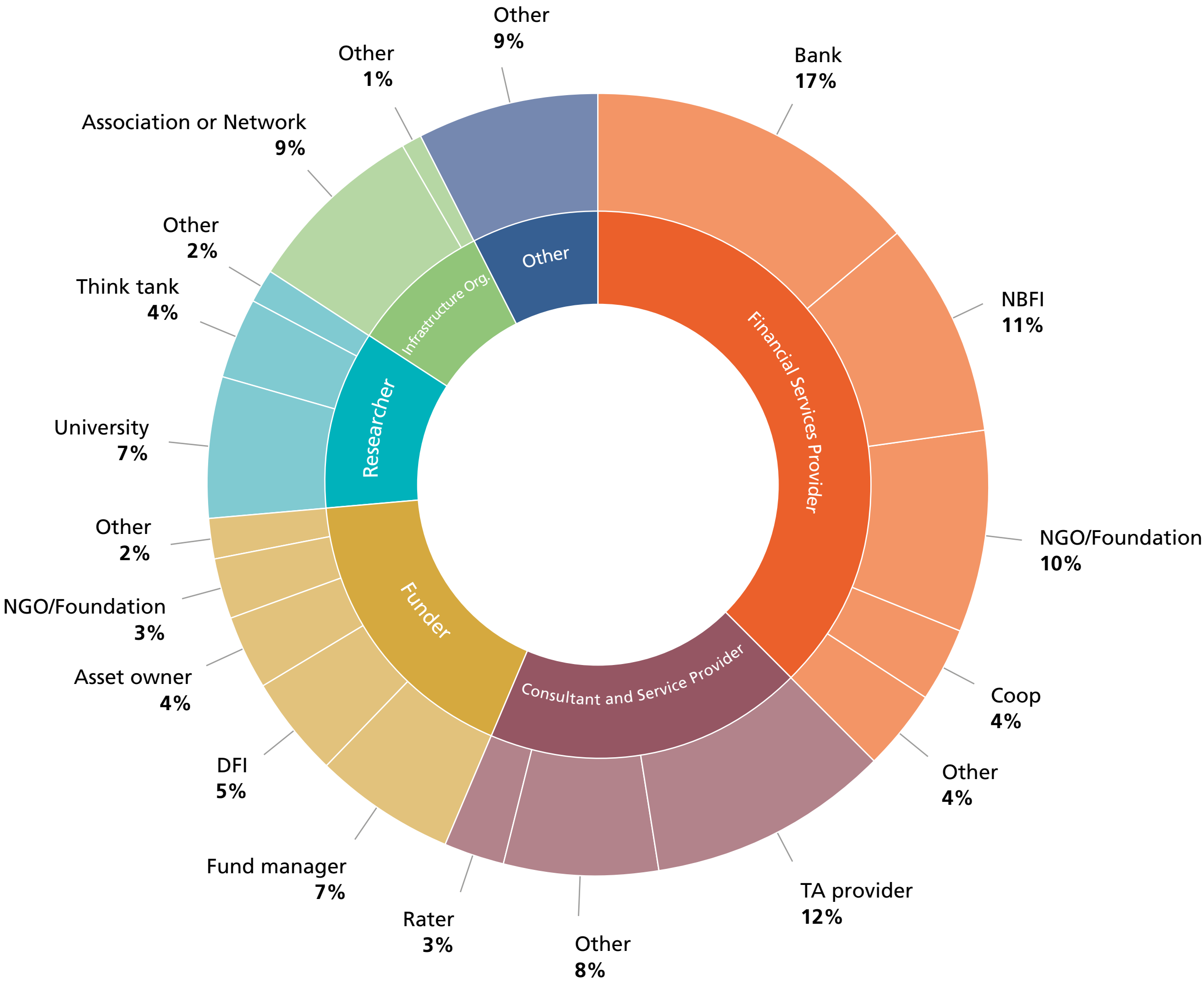


Figure 3 shows the number of respondents by type (and sub-type) of organisation. Compared to 2023, **FSPs make up a considerably larger share of respondents (now 38%)**, and there are fewer consultants and support service providers in both real and percentage terms. The proportions for funders and researchers are similar to 2023, but there are more DFIs as a share of funders, and slightly more researchers from universities.

Figure 3: Distribution of Respondents by Type of Organisation or Role



The *Compass* Trends

Please look at the following list of important topic areas in the financial inclusion sector today, and give each one a score between 1 and 10 according to how important you think it is for the sector as a whole.

> "Paths are made by walking"
>
> Franz Kafka

Figure 4: Overall Rankings

Rank	Trend	Average Score	2023 Rank
1	Climate change adaptation and/or mitigation	7.84	2
2	Client protection	7.76	1
3	Clients' resilience to shocks	7.74	3[1]
4	Digital transformation of financial providers	7.59	4[2]
5	Digital products and channels for clients	7.49	5
6	Innovation in product development	7.42	11[3]
7	Gender mainstreaming within financial inclusion organisations	7.38	6[4]
8	Financial health	7.28	10
9	Governance	7.19	8
10	Social performance management and/or impact measurement	7.18	9
11	Financial inclusion regulation	7.07	12
12	Fraud against customers (phishing scams, etc.)	7.07	New
13	Institutional and sector-level resilience to crises	7.01	13
14	Institutional strategy and change management	6.76	15
15	New entrants, including fintechs	6.71	14[5]
16	Reputational risk to the financial inclusion sector	6.71	New
17	Non-financial services	6.59	17
18	Human resources management	6.48	16
19	New financing instruments (e.g. thematic bonds; blended finance, etc.)	6.17	7[6]
20	Artificial Intelligence in financial inclusion	5.77	19[*]

1 Previously called 'Client and household resilience to shocks'
2 Previously called 'Institutional digital transformation'
3 Previously called 'New financial product development'
4 Previously called Gender equity within financial service providers'
5 Previously called 'New FSP providers (fintechs, consumer lenders, banks downscaling, etc.)
6 Previously called 'New financing instruments (e.g. green finance/social/gender bonds' blended finance, etc.)'

Figure 4 shows the rankings and averages scores of the twenty current trends, across all respondents – as well as their rankings in 2023.

- **Climate change adaptation and/or mitigation** has continued its ascent up the charts: 8th in 2022; 2nd in 2023 and finally reaches top spot in 2024.
- **Client protection** and **Clients' resilience to shocks** retain their spots in the top 4, and in fact the top 5 has stayed the same, just with some shuffling of the order.
- **Innovation in product development** has moved up a few spots but otherwise there is little movement in the list of trends between 2023 and 2024, with one exception (**New financing instruments** plummets from 7 to 19th, most likely a consequence of having removed specific reference to green finance/social/gender bonds).
- Despite unbundling **Artificial intelligence** from other innovations to test interest in this specific topic from respondents, this was in vain; it is – by far – the least important trend for respondents. Are respondents right that this is a damp squib of a topic – or maybe the sector is an outlier in failing to adequately foresee the changes yet to come?

Responses by Geographical Focus of Work and Respondent Category

While looking for year-to-year movements in the trends yields slim pickings, there are much more interesting differences between respondent groups. **Figures 5 and 6** compare rankings of trends across all respondent categories, and FSPs v non-FSPs respectively.

Figure 5: Comparing Rankings of all Trends by Respondent Category

Trend	FSPs	Consultants	Funder	Researcher	Infras. Org.
Climate change adaptation and/or mitigation	13	1	1	3	1
Client protection	9	4	1	2	3
Clients' resilience to shocks	6	5	4	1	2
Digital transformation of financial providers	2	3	5	7	6
Digital products and channels for clients	5	2	6	9	10
Innovation in product development	1	10	11	5	13
Gender mainstreaming within financial inclusion organisations	2	11	3	15	4
Financial health	8	6	11	8	12
Governance	10	7	8	12	11
Social performance management and/or impact measurement	7	14	7	16	7
Financial inclusion regulation	15	13	14	5	8
Fraud against customers (phishing scams, etc.)	2	15	14	4	17
Institutional and sector-level resilience to crises	10	17	9	11	5
Institutional strategy and change management	12	11	14	19	14
New entrants, including fintechs	17	8	14	9	18
Reputational risk to the financial inclusion sector	15	16	10	18	19
Non-financial services	17	9	19	13	9
Human resources management	14	17	20	19	14
New financing instruments (e.g. thematic bonds; blended finance, etc.)	19	20	13	17	14
Artificial Intelligence in financial inclusion	20	17	18	13	20

Figure 6: FSPs' Rankings vs. Everyone Else…

Trend	FSPs	Non-FSPs
Climate change adaptation and/or mitigation	13	1
Client protection	9	2
Clients' resilience to shocks	6	3
Digital transformation of financial providers	2	4
Digital products and channels for clients	5	5
Innovation in product development	1	9
Gender mainstreaming within financial inclusion organisations	2	6
Financial health	8	6
Governance	10	8
Social performance management and/or impact measurement	7	10
Financial inclusion regulation	15	10
Fraud against customers (phishing scams, etc.)	2	13
Institutional and sector-level resilience to crises	10	12
Institutional strategy and change management	12	16
New entrants, including fintechs	17	14
Reputational risk to the financial inclusion sector	15	17
Non-financial services	17	15
Human resources management	14	20
New financing instruments (e.g. thematic bonds; blended finance, etc.)	19	18
Artificial Intelligence in financial inclusion	20	19

In 2023 we observed that FSPs were increasingly diverging from other respondent groups in what they considered important. This pattern has continued, and FSPs are very different from all other groups:

- They rank **Climate change adaptation and/or mitigation** 13th, versus 1st overall.
- They rank **Client protection** 9th compared to non-FSPs who rank it 2nd.
- They rank **Clients' resilience to shocks** 6th, versus 3rd among non-FSPs.
- **Innovation in product development** is 1st v 9th for non-FSPs.
- **Fraud against customers** is ranked 2nd by FSPs, compared to 13th among non-FSPs – a huge divergence, second only to the divergence on climate change.

After Fraud against customers, the topic with the highest variance between respondent groups is **Gender mainstreaming within financial inclusion organisations**, with FSPs, Funders and infrastructure organisations ranking it 2nd, 3rd, and 4th, while consultants and researchers rank it 11th and 15th, respectively. In fact, many FSP respondents took the opportunity to explain why this is of particular importance for them, as some quotes below show:

Contributing to the process of female empowerment
Head of rural finance at NBFI in Cameroon

It's a commitment, 72% of customers are women
SPM director at NGO foundation in Central America

It's good for the smooth running of the program
Manager at NBFI in India

Crucial for the financial inclusion of women, equal opportunities, promotion of women, encouraging women entrepreneurs...
Department head at NBFI in DRC

There is still a culture around this that must be given to institutions
Director General at microfinance bank in Cameroon

For us, it is essential to work on all gender issues, understood as a vulnerable sector with specific needs
Insurer in South America

Very important both for the clients and the MFI itself
Chairperson of FSP in Philippines

Respondents’ Thoughts on the Top Six 2024 *Compass* Trends

1. Climate change adaptation and/or mitigation

Last year’s *Financial Inclusion Compass* ended with a postscript, entitled ‘The Green Compass’, noting that this had emerged as the predominant theme among respondents last year. This note observed that “Green and climate-smart finance has steadily grown in importance to *Compass* respondents, paralleling a trend among e-MFP’s members and across all of e-MFP’s other research streams and bodies… but the rankings don’t tell the full story; the qualitative responses do that. And they say that green and climate-smart finance (touching as it does on everything from client protection to agri-finance, product development, financing innovations, risk management and household resilience) is emerging as *the* defining topic of the present…this topic is surely still the *sine qua non* of the inclusive finance sector”.

This has continued in 2024, with **Climate change adaptation and/or mitigation** now the top overall trend in terms of current importance. Several themes emerged in respondents’ comments.

Firstly, they were largely dismissive of the inclusion of ‘mitigation’ in this trend. Adaptation, rather, should be “*the main focus”* according to a Clients and Impact Officer at a global infrastructure organisation and network of MFIs. It’s the “*world’s biggest challenge – and adaptation in particular concerns the financial inclusion sector”*, says the Managing Director of a global association, and is *“undeniably imperative for the resilience of financial inclusion initiatives, yet it remains one of the least explored and developed aspects within the sector*”, according to Davide Castellani, a university professor.

> This is a critical aspect: climate change is happening now, its impact on financial inclusion is massive due to lost money, assets but also business and hence that creates huge risks for FSPs
>
> Associate director of housing finance at INGO

Too often, financial inclusion of vulnerable groups – the same groups most adversely affected by climate change – is approached distinctly from climate change, with the latter considered a subfield of inclusive finance. No longer!, say respondents. Climate change adaptation needs *“to be addressed as a cross cutting priority across all our work in inclusive finance”,* writes the CEO of a Europe-based funder. Inclusion “*cannot be complete without policy responses to climate; the physical or transition risk affecting the most vulnerable”*, writes Njuafac Donatus Muoshuo, a researcher. And it’s not that climate change is key to inclusion, but the reverse is true too, as Noémie Renier, Head of Global Debt at Incofin IM, a fund manager, argues: *“Financial Inclusion is a critical pillar of climate change adaptation and mitigation. The sector started embracing climate strategies with different levels of ambitions from climate risk management to implementation of dedicated products addressing all dimensions of climate change. Yet so-called ‘green portfolios’ seem to remain sub-scale”*.

And **climate change, exclusion and displacement are mutually reinforcing**, notes the Executive Director of a global network. Why? Because “*climate change deepens financial exclusion. It is one the greatest threats to financial stability...and so the sector has to be more prepared for mass displacement, and for transition risks”*. Without providing meaningful support to mitigate the effects of extreme climate disruption and, as a result, displacement, all else fails.

What must be done? It'll require **concerted action on multiple fronts.** We have to create more products that *"can encourage climate change resilience while banking…using the buy now, pay later system*," writes Martina Aloyasiegbru, CEO of Markpi, an education provider in Nigeria.

Some of this will require structural efforts **from the top down**. "*Organisations must move towards a plan to mitigate and protect policyholders against these risks*", writes an insurer in South America. Mónica Claure, head of planning and innovation at CRECER, an NBFI in Bolivia, notes that "*large organisations could be more efficient to guide measures with high impact in this field, demanding that the FSPs, in particular those of us who serve self-employed entrepreneurs and micro-entrepreneurs, take measures for climate change". She adds that "we need examples of magnitude to motivate joint action, from the largest organisations and companies, to the smallest in developing countries".*

And **digital finance**, as everywhere, is seen by respondents as a key part of the solution. "*How do we leverage digital payments and other financial products and services to build resilience in the face of climate change?"*, asks a respondent from a global infrastructure organisation. The answer, she argues, is to "*improve disaster response through digital services including good practices and examples, and do more work related to anticipatory action – allowing for people to buy what they need before the impact of a shock hits".*

There are contrarians, too. The head of a global-focused think-tank says, "*It remains unclear to me why this should be a main area of focus for financial inclusion, not every "social" organisation needs to do everything". And* the practice lead in risk management at a Europe-based TA provider says that while this is *"the hot topic of the century",* it's also *"a bit of a consulting frenzy with too many people just playing buzzword bingo".*

> It would have been better to separate "adaptation to climate change - consideration of climate risks" and "mitigation of climate change - awareness of the environmental footprint"
>
> CEO of green finance ICT and software provider

2. Client protection

Client protection has been a perennial top trend since the first *Compass* in 2018, and irrespective of movements in the average rankings, it continues to dominate both respondents' own priorities, and what they perceive as important to others.

But what concerns respondents has evolved since 2018. Back then, this issue was predominantly about overindebtedness and responsible pricing – two principles/standards where there remain serious weaknesses in implementation, as evident on page 29. But now, respondents see the need to protect clients not just from over-aggressive loan officers, but **from a panoply of external threats or actors.** This includes the "*upsurge in phishing and scam cases"*, according to a consultant in West Africa, the continued "*rise in cybersecurity issues*" according to the head of an INGO, and "*especially from fintechs and insurtechs*", and from "*AI*", according to a Europe-based funder and a US-based researcher respectively. Indeed, **technology** is more and more something to be protected *from*. "*Given the rise of digital, and the entry of new players in this space, client protection has become even more important…[and] related to…regulation"*, writes Jaclyn Berfond, a M&E director at Women's World Banking.

Respondents insist, as always, on the **primacy of client protection** in how the sector should operate. *Respect for their dignity is paramount"*, writes Khaddouj Gharbi, from an association in Morocco, and must be *"understood from a holistic perspective"*, according to Natalia Lopez Uris, from a financial provider in Uruguay. It should be considered the bare minimum, according to the managing director of a global social performance network, and not just in financial inclusion but in any other sector. Despite this, we're falling way short: "*We have still not achieved the optimum to assure this minimum - from a social AND from a risk management perspective*", he writes. And Adela Sagastume, director at a Latin American provider, describes client protection as a "*differentiator*" that demonstrates "*added value*", but is too often lacking because of lack of *"culture and knowledge about [its] benefits and implementation mechanisms"*.

A relevant topic, but it's always been so

Europe-based researcher

For several respondents, the problem and solution lie with **regulation** either in quality or prevalence. *"Self-regulatory efforts are useless"*, argues an independent consultant focused on the LAC region. "*Regulatory frameworks*", writes the Secretary General of an African network, are not enough, and need to be supported by "*financial education"*. And finally, several respondents – not for the first time – drew attention to the challenges in the **Cambodian** sector, which is largely perceived as a failure of various stakeholder groups and which, according to a fund manager, "*have raised concerns about the systems in place used to assess customer protection frameworks and show that as impact investors, we shall not lower our guards and continue to work as a sector to commit to highest standards of social due diligence."*

Social performance management encompasses these principles, it should receive the same level of attention

Director of financial service provider in South America

3. Clients' resilience to shocks

Clients' resilience to shocks was 3rd this year, last year, and the year before. In 2021 it was called 'Strengthening of client resilience;, a new entry during the pandemic and unsurprisingly – considering the context – in 1st place. This year it was in top spot for researchers, 2nd for Infrastructure organisations, and 4th, 5th and 6th among funders, consultants and FSPs respectively.

More and more, strengthening resilience of vulnerable groups is considered an **end objective of financial inclusion**, beyond just access to financial services – and especially just access to credit. Compass respondents consider resilience an indispensable element of a holistic vision for what the sector is *for* – and it some respects one of the legs upon which 'financial health' (another term of growing relevance) stands.

Global resilience has become a critical outcome of financial inclusion, especially as so many are facing instability, climate impacts and macroeconomic challenges

Director at global TA provider

Resilience means different things in different contexts, of course, from consumption smoothing to creating a culture of savings, and it's also **closely intertwined with climate change adaptation**: extreme weather and climate events are increasing in both frequency and severity, and clients must be given the tools to cope.

A researcher in Europe writes that *"the poor are inherently more exposed to shocks, and climate change has exacerbated this vulnerability by increasing the frequency and severity of natural disasters, disrupting livelihoods, and heightening food insecurity".* An FSP respondent from an NBFI in Sub-Saharan Africa says that *"African countries are experiencing shocks (natural, economic crises, war, health, floods, etc.), so FSPs need to develop ways of serving customers to ensure economic resilience. And the community (customers) must be resilient to revive life"*.

These are not abstractions but **moral imperatives**, according to several respondents. *"MFIs must support customers when they are victims of natural disasters"*, says Balemba Kanyurhi Eddy, a university professor from the same region. Indeed, the need for MFIs to remain '**high touch'** when working with vulnerable groups is a repeated theme: "*Resilience to shock comes in if there is good relationship between the account officer and the client"*, writes the CEO of a training provider in Sub-Saharan Africa.

That's all very well, but what's stopping this? *"Customers are not very well informed about future changes"*, writes Andre Tchikantio, director general of a microfinance bank in West Africa. What's really needed, according to an independent consultant, is "*savings, insurance, overdrafts etc. but these are generally not sufficiently profitable to institutions to bother with".* **Insurance** is almost inseparable from resilience, of course. "*Risk prevention and coverage mechanisms need to be developed*", writes the head of an African national microfinance network, because "our *customers are increasingly exposed to a variety of risks, including climate, health and the inflationary economy"*.

> As a risk consultant, I watch the rising client debt load with concern, but finance providers don't want to leave the party early
>
> Europe-based TA provider

4. Digital transformation of financial providers

Digital transformation of financial providers has always been at the forefront of respondents' concerns and goals; it was top in 2022, and 4th in 2023, a ranking repeated this time around. It is 2nd among FSPs, the group that rates it the highest, who of course benefit from innovation and investment here (and suffer in its absence).

In 2022, we wrote that "digital transformation has been catalysed by the pandemic, and is no longer a value-add, but a **critical precondition to survival**". Among FSP respondents in particular, this continues as a theme, but less so among other groups, for whom (as we wrote in 2023) perhaps "**hype has given way to reality**"?

Digital transformation of traditional providers to counter the threat from new entrants like consumer lenders and fintechs is "*indispensable for control, growth, agility in market service, competitiveness*", writes Adela Sagastume, a director at an NGO-MFI in Latin America, and "*a must to reduce costs and reach remote areas"*, according to a university researcher. Operational efficiency is a common response among FSPs: the ability, as the head of an NBFI in Sub-Saharan Africa says, to "*reduce workload while increasing the speed of execution of tasks and services offered to customers"*. And, as a European professor observes, it extends beyond the direct provision of services to clients "*to encompass funding strategies as well".*

> This transformation is already well underway, as providers digitize or partner with digital platforms and as new players enter the sector
>
> US-based support provider, working globally

So, it's still an important – even vital – trend in principle. **What about the practice**? There are **obstacles of all varieties**, respondents believe. The head of a microfinance association in MENA says the reality is that advances must be made cautiously. "*We have to go gradually, given the nature of our clientele, which is often with a low level of education"*. It's critical to "*make regulations more flexible*", writes Natalia Lopez Uris from an insurer in South America. The resource gap is a significant barrier, too. Jurgen Hammer, managing director of SPTF Europe, bemoans the *"high costs for smaller organisations and too little coordination and economies of scale"* and the head of a network of MFIs in Sub-Saharan Africa says that their members *"require technological, financial and human resources, especially to include rural areas' support is needed and advocacy is still to be pursued for telecommunications services to be accessible and extended"*. Rolando Victoria, chairman of an FSP in the Philippines, underlines this need for resources: "*It requires the support of government"*.

> Last chance to get on with your digital transformation strategy. Even Grandma in the village is doing e-money now
>
> Consultant based in Europe

5. Digital products and channels for clients

This has been a top trend in every edition of the *Compass*. Respondents typically rank and score it high in terms of current importance, but they add caveats in their comments, from concerns about its adverse impact on client protection, to scepticism – that excess hype has run away from reality.

There's little doubt about the conceptual value of digital products and services – the impact on **outreach, cost, and efficiency** is well established, and respondents continue to be positive, albeit perhaps less full-throated than in the past.

Digitising products and services "***saves time*** *in the execution of operations while reducing financial burdens"*, writes Jean Olivier Kamwa, head of rural finance at a NBFI in Sub-Saharan Africa. Asongo Abraham Iorkaa, COO of a microfinance bank in West Africa writes "*in the world today, no business succeeds without much investment and roll out of digital products and services for the clients. It is the key driver of business and customer satisfaction in the 21st century. Overall, digital products and channels play a crucial role in expanding the reach, efficiency, and effectiveness of microfinance services, ultimately empowering individuals and communities to improve their financial well-being"*.

It has **other opportunities too**, from "*improving clients' financial history*" (according to an education-focused TA provider), "*market development and client-centricity*" (according to an FSP respondent from Sub-Saharan Africa, "*reducing costs and reaching a larger customer base"* (according to a researcher) and, writes support service provider Papa Mbaye, it is "*an essential aspect of participatory inclusion"*.

> Digital products and channels have become ubiquitous, so the focus has shifted to topics like innovation and client protection
>
> US-based network & TA provider

But there are **challenges of what feels like growing complexity.** A Latin American NGO respondent refers to a *"lack of digital skills and mistrust due to not understanding the model"*, and Mónica Claure, from a South American NBFI expands on the demand-side issue: "V*ulnerable groups served are not always [those with highest demand for] digital channels due to the level of education they reach, however, it is important to include them not only in financial services but also in the era of digitalization with education in this field".*

There's also the issue of lack of demand being addressed by a surfeit on the **supply-side that jeopardises client protection**; products and services "*mostly developed for mainstream customers*", meaning that "*our challenge and role is to make sure they also provide value, and do not threaten vulnerable populations*", according to a respondent from a Europe-based network.

Meeting these challenges will require "*innovative models, with regulations that accompany these changes*", writes an FSP in South America, and considerable expansion and improvement of training, both of clients and providers, writes an FSP respondent in South-East Asia.

Not everyone shares what is now a long-enduring hype around digital products and services, though. It's *"getting too much attention relative to other issues"*, writes a respondent from a US-based think-tank. And although it's important, it must stop being *"to the detriment of "traditional" products"*, says an independent consultant in South America.

Still slow.

Founder of MFI in MENA

6. Innovation in product development

Innovation in product development is a big jumper this time, to 6th from 11th in 2023, and driven almost entirely by the relative increase in FSP respondents, who rate it 1st, compared to a lowly 9th for everyone else. FSPs are clearly crying out for innovation here, in the face of threats from fintechs and other entrants, and maybe receiving attention as the need to adapt to urgent pandemic-related challenges recedes.

Indeed, various FSPs observed this last idea. Joachim Bald, a practice lead at the Frankfurt School of Finance and Management, a TA provider, says that "*actual innovation in financial services is rare…same wine, new bottles*", but adds that there is innovation underway in supply chain finance. A Europe-based researcher writes that "*one of the main issues in financial inclusion is the low value proposition of existing financial products, as well as the limited capacity of these products to meet the clients' needs*"*.* And the head of a national association in East Africa says that "*financial institutions are forced to diversify and innovate their services and products [only] in the face of competition*"*.*

There is a Rorschach element to this trend; **respondents see in it what they want to see,** depending on their role. For FSPs and funders, it's generally more about **improving efficiencies, marketing to new potential clients or attracting new funders**. For TA providers, consultants and researchers, it's more about **client-centricity**, and outreach to under-served groups.

A US-based TA provider writes that "*innovation remains important, but [should not be] limited to product development (channels, marketing, etc.). It is especially important as we move to focus on "harder to reach" segments, like rural women*"*.* Other respondents called for "*better, affordable products for the entire community*", "*financial reengineering in product development, a focus on customer satisfaction and the customer experience*", and "*adaptability to needs according to customer segmentation*"*.*

Generally, respondents see **nothing but opportunity** here. *"The more that new products are introduced and properly managed in the banking sector, the more the populace embraces banking"*, writes the CEO of an African education provider, and Juan Lantigua from an FSP in Central America cites *"generating a diversified supply for climate mitigation and adaptation"* as the rationale for innovation here.

But **caution is advised**, too, on not just going for the low-hanging fruit. A fund manager from Europe says that while this is *"increasingly on the agenda, I really hope it won't be at the expense of financial inclusion of less digitised groups"*.

> We know plenty about useful product innovation, the challenge is implementing new products
>
> **Researcher**

Why are FSPs so concerned about fraud against customers?

One of the new trends added this year is **Fraud against customers (phishing scams, etc.)**, and it was clearly of high importance to FSPs, who ranked it 2nd overall, compared to 13th for everyone else. Indeed, this trend saw by far the highest variance among the five main respondent groups, with researchers ranking it 4th, while funders, consultants and infrastructure organisations ranked it 14th, 15th and 17th, respectively.

But while the trend is new as a stand-alone category, it was alluded to in the 2023 *Compass* under **Client protection (including for digital financial services)**, which the FSPs also ranked 2nd that year; but now, with the two topics broken out, FSPs have ranked Client protection only in 9th place. Respondents are clear that fraud is what's *really* of concern to them: a consultant from Senegal put it succinctly, *"Many customers are scammed,"* while a representative of an infrastructure organisation in Madagascar clarifies: *"Financial scams are mainly carried out through social networks and digital services."*

The problem seems clear enough, but there's plenty to be done too. Respondents had **two main ideas**: improving the technology and putting more emphasis on education. Martina Aloyasiegbu, CEO of a training provider in Nigeria points out that *"If organisations update their digital platforms with the required cyber security, scams will be mitigated."* Meanwhile, Adela Sagastume of Fundación Génesis Empresarial in Guatemala points to the work that needs to be done with clients (and presumably, staff too): *"Train, inform, and educate."*

But as for the broader sector, perhaps this topic itself warrants a bit of a rethink. Among the 8 Client Protection Standards in the next section, there is no standalone category for prevention of fraud, though the closest topic – Privacy of client data – incorporates some elements of fraud prevention. Even so, the central element of that principle remains privacy. But perhaps that's backwards: maybe the primary concern here should be about preventing fraud through stronger data security, and let privacy take a back seat?

Where are the Biggest Weaknesses in Client Protection?

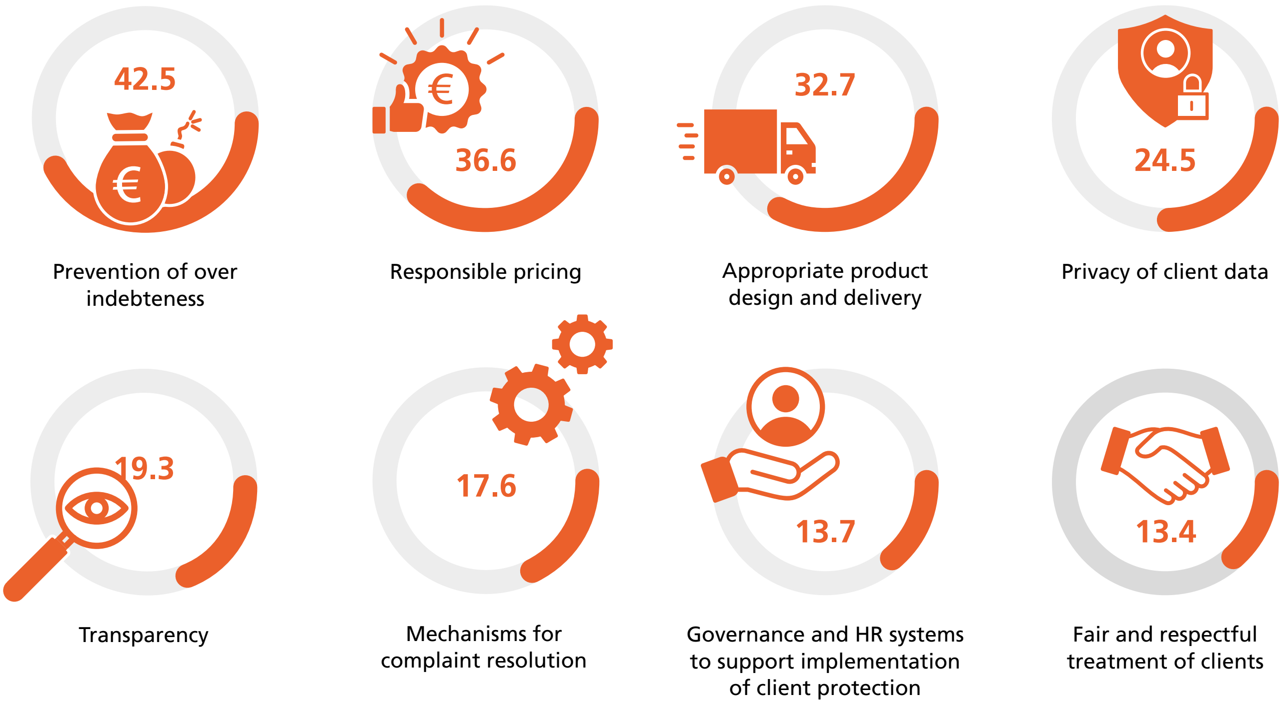
The following are the 8 Client Protection standards, the successors to the Smart Campaign's Client Protection Principles, and which are incorporated into the Universal Standards for Social and Environmental Performance Management (USSEPM). Please select three areas of client protection where you see the biggest weaknesses (i.e. which you believe demand the highest priority from the sector?) Please rank 1st, 2nd and 3rd. Provide comments or suggestions if you wish.

> "We're responsible not only for what we do, but what we don't"
>
> Molière

This is a new question, and a response to feedback collected during and after the 2023 survey, as well through e-MFP's year-round conversations with stakeholders – including at European Microfinance Week. How does the financial inclusion sector as a whole see as the state of play of client protection, particularly post-Smart Campaign? Where are the biggest weaknesses in how the (now) eight Client Protection Standards are implemented, and therefore which demand the highest allocation of priority and resources?

Respondents' rankings were converted to a 0-100 index score (similar to the Future Priority Areas in the following question), to reflect both the prevalence and strength of the scoring. **Figure 7** presents the index scores for the 8 CP Standards and reveals a clear top three of Prevention of over-indebtedness; Responsible pricing; and Appropriate product design and delivery.

Figure 7: Eight Client Protection Standards Ranked and Scored by Perceived Weakness



Turning to how different respondent groups perceived these weaknesses, **Figure 8** shows the rankings by respondent group:

Figure 8: Rankings of Weaknesses in Client Protection Standards by Respondent Category

CP Standard	FSPs	Funders	Consultants	Researchers	Infra Orgs
Prevention of over-indebtedness	2	2	4	1	1
Responsible pricing	4	1	=1	2	=2
Appropriate product design and delivery	1	3	=1	6	4
Privacy of client data	3	5	8	=3	=2
Transparency	6	=6	3	=3	8
Mechanisms for complaint resolution	5	8	=6	5	5
Governance and HR systems to support implementation of client protection	8	4	5	7	=6
Fair and respectful treatment of clients	7	=6	=6	8	=6

What does this breakdown of rankings by group reveal?

- FSPs rank **Appropriate product design and delivery** as the biggest weakness (their index score of 44.8 is 12.1 points higher than for all respondents). This is understandable – FSPs are the primary institutional beneficiaries of this standard – and bear the consequences in its absence or weakness.
- For FSPs, **Privacy of client data** is even above **Responsible pricing**, which they see as a comparably low weakness. This is interesting, and coherent with the outlier position FSPs held in the earlier trends section on fraud against customers – is their primary concern about privacy really about combating an epidemic of fraud that vulnerable customers are suffering?
- Indeed, **Responsible pricing** is clearly perceived as a less significant weakness for FSPs than all other groups, so much so this would be the clear top position, but for the large sample group of FSPs this year. Do FSPs consider standard setting on responsible pricing to be a case of outsider meddling on matters that ought to be the purview of the provider?
- Funders, by contrast, *are* concerned about both **Responsible pricing** and **Prevention of over-indebtedness**, to the expense of almost everything else. Their index score of 55.2 for the latter is much higher than the 36.6 this gets for all respondents.
- Infrastructure organisations are almost singularly focused on **Prevention of overindebtedness** – their index score for this standard of 66.0 is the highest anywhere.
- Finally, consultants and support service providers put a strong premium on **Transparency**, rating it 3rd overall, with an index score of 29.8 compared to only 19.2 for all respondents.

Selected Respondent Quotes on Client Protection Weaknesses

Prevention of over-indebtedness

The sector has failed to address this issue since inception. See Cambodia, fuelled by the largest MIVs and IFC with full knowledge

Consultant and support provider

Some financial institutions seem to be not following certain rules

Head of national network

This has been true for some time now, but it's clear that while digital finance has brought financial inclusion, it has also increased the risk of households falling into over indebtedness (and/or a debt trap)

Head of global infrastructure organisation

Responsible pricing

"Developed" countries have transparent pricing and often interest-rate caps. The cost/risk argument for high interest rates is flawed, increasingly so by fintechs. Look at Branch.co rates in India versus Tanzania. Is the risk 15x higher in Tanzania than India?

Independent consultant based in Latin America

The issue of responsible pricing in financial inclusion is sensitive and requires better measurement tools. Governance across all levels— institutions, investors, and regulators—must strive for fair and affordable access to financial services, especially for the economically marginalised. However, there's often a gap between noble intentions and actions, revealing a certain hypocrisy within the industry. Institutions, investors, and regulators all play crucial roles in shaping pricing practices yet there's a noticeable lack of genuine commitment to transparency and fairness, often prioritising profit over client welfare, perpetuating inequality. Responsible pricing isn't just rhetoric; it's a moral duty for all stakeholders to uphold principles of fairness and inclusivity in financial service provision

Independent consultant working globally

Appropriate product design and delivery

We should develop more flexible products that matches their sources of income

Researcher in Europe

We simply replicate products used in "developed" countries

Independent consultant

Privacy of client data

> *Customers want to remain anonymous*
>
> Professor in DR Congo

Transparency

> *The regulatory texts have not yet been developed, so transparency is not yet framed*
>
> Head of African association

Mechanisms for complaint resolution

> *MFIs have to be more proactive and easily resolve the problems that clients encounter*
>
> Researcher focused on Sub-Saharan Africa

> *This mechanism at national level has not yet been set up, in particular with regard to digital services*
>
> Head of infrastructure organisation in Sub-Saharan Africa

Future Priority Areas

In which of the following areas would you like to see the most significant developments in how the financial inclusion sector serves low-income clients in the next 5-10 years?

> "Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future."
>
> Warren Buffett

In contrast with the previous section, Future Priority Areas seeks not only to look to the medium- to longer-term future but is also **more subjective** - asking not just what respondents forecast (i.e., what *they think others think)* but what *they themselves would like to see.* This list continues to evolve, with new areas coming in, and others being removed – and a couple being amended to better reflect realities. As before, respondents were asked to choose their top five Priority Areas from the (randomly ordered) list and rank them from 1st to 5th. The scores were adjusted to reflect the frequency with which they were chosen as well as weighted by ranking to produce an Index score on a 0-100 scale. These scores (as well as the 2023 rankings for comparison) are shown in **Figure 9**.

Figure 9: Future Priority Areas – Overall Rankings

Rank	Future Priority Area	Index Score	2023 Rank
1	Women's empowerment and gender equality	39.1	2
2	Agri-finance	33.0	3
3	Green and climate-smart finance	32.8	1
4	SME finance	24.4	4
5	Financial health (incl. financial and digital literacy)	23.9	5
6	Financial inclusion for youth	23.7	9
7	Refugees & forcibly displaced people	17.0	11
8	Financial inclusion for the ultra-poor	16.7	8
9	Disaster resilience	15.7	7
10	Food security & nutrition	13.7	6
11	Water, sanitation and hygiene (WASH)	11.9	10
12	Housing finance	10.4	13
13	Health care	9.6	14
14	Access to education	8.1	12
15	Biodiversity conservation	7.8	New
16	Household/community energy finance	6.7	15

As in the first question on trends, and despite considerable turnover in the respondent sample, there is high year-to-year consistency, with the **top five Future Priority Areas** the same as in 2023 – although the order has changed. Women's empowerment and gender equality has moved from 4th in 2022 and 2nd in 2023 to top this year – and by a strong margin. Refugees and forcibly displaced people (the topic of the European Microfinance Award 2024) is now up to 7th, and its Index score is considerably higher too, up from 12.6 in 2023.

As in the Trends section, though, there is much richer variety when respondent groups are compared. **Figure 10** shows six selected priority areas with the most significant differences between respondent groups: Agri-finance; Green and climate-smart finance; Financial health; Refugees & FDPs; Disaster resilience; and Food security.

Figure 10: Selected Index Scores by Respondent Category

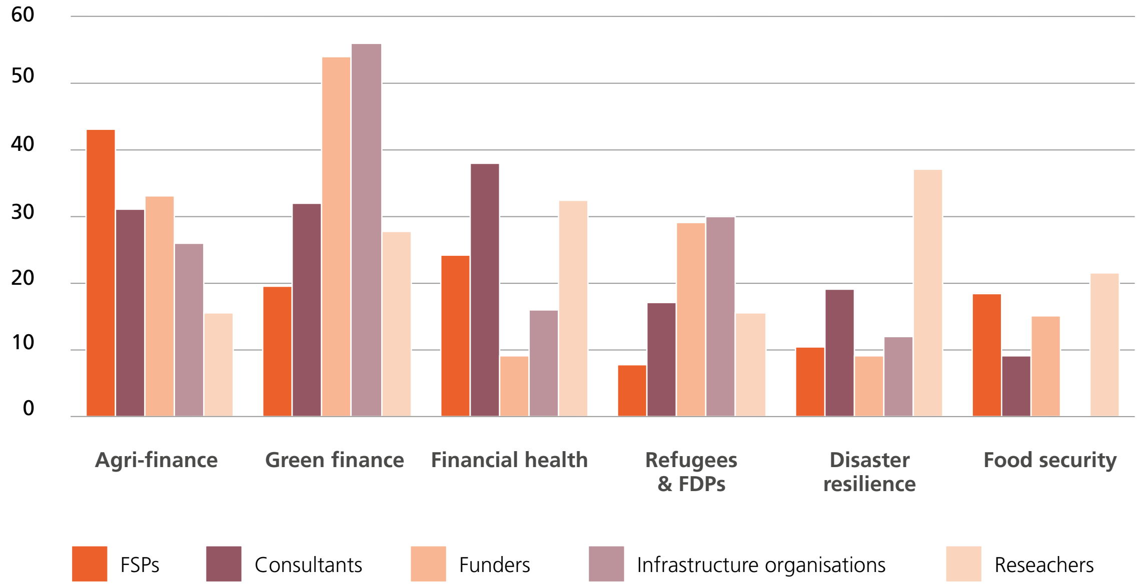


Figure 10 shows key differences in what different respondent groups want in terms of future attention and resources devoted to particular areas:

- FSPs put **Green and climate-smart finance** much lower than other groups – repeating a theme both in last year's results for this section and also in this year's Trends, where Climate change adaptation and/or mitigation is much lower among FSPs than others. Indeed, this priority area would be clear top if not for FSPs. This is not an aberration but a consistent trend that shows up however the question is asked – it is support organisations, funders, researchers and infrastructure organisations who are most mobilised and motivated on this topic, more than providers themselves.
- By contrast, Infrastructure organisations give **Green and climate-smart finance** the highest score of any group, with funders just behind them.
- FSPs do care strongly about some future focus areas, and rate **Agri-finance** much higher than respondents overall. Likewise, **Food security and nutrition** is ranked much higher by FSPs than other groups (except researchers).
- By contrast, not a single infrastructure organisation respondent gave any score to **Food security and nutrition.** This is an area that is of clear concern, now, to those who see the adverse impact on poor clients the most – the FSPs, and perhaps the researchers working on the topic.

- **Refugees & forcibly displaced people** is rated much higher by funders and infrastructure organisations than by other groups. Perhaps this is because these groups tend to be more macro in their perspective, and displacement is at the forefront of global news stories, whereas FSPs will generally (but not always) be more responsible to the specific context in which they operate, and which may not be subject to forced displacement.
- **Financial health** is rated much higher by consultants and support service providers and researchers than by other groups. This is entirely understandable; it is largely TA providers who are the impetus behind this growing concept, which includes how to incorporate education and literacy into a modern, holistic understanding of outcomes for clients.
- Finally, **Disaster resilience** is the highest rank for researchers, despite being only 9th overall.

Repeating a clear theme that emerged in the earlier questions, FSPs are increasingly different from other *Compass* respondent groups. **Figure 11** shows Future Priority Area index scores for FSPs and non-FSPs (i.e. everybody else), as well as the Index scores for all respondents, showing that FSPs, more than other groups, would like to see sector resources allocated to Agri-finance; Financial inclusion for youth; Food security and nutrition, and WASH. They give less priority to Green finance; Refugees & FDPs; and Disaster resilience - all of these being more context-specific.

Figure 11: FSPs vs. Everyone Else

Future priority area	FSPs	non-FSPs	All respondents
Women's empowerment and gender equality	42.6	37.1	39.1
Agri-finance	43.1	27.2	33.0
Green and climate-smart finance	19.5	40.3	32.8
SME finance	22.6	25.5	24.4
Financial health (including financial and digital literacy)	24.1	23.8	23.9
Financial inclusion for youth	30.3	20.0	23.7
Refugees & forcibly displaced people	7.7	22.3	17.0
Financial inclusion for the ultra-poor	19.5	15.1	16.7
Disaster resilience	10.3	18.8	15.7
Food security & nutrition	18.5	11.0	13.7
Water, sanitation and hygiene (WASH)	17.4	8.7	11.9
Housing finance	12.3	9.3	10.4
Health care	11.3	8.7	9.6
Access to education	5.6	9.6	8.1
Biodiversity conservation	3.1	10.4	7.8
Household/community energy finance	6.7	6.7	6.7

Respondents' Selected Comments on Five Future Priority Areas

The following are some selected comments from respondents on the Future Priority Areas.

Women's empowerment and gender equality

Financial inclusion; credit to women, credit to solidarity groups, elimination of guarantees, cultural obstacles that limit women, access to financing opportunities

Head of marketing research and development at NBFI in DR Congo

Women have enormous and untapped potential to develop businesses

Secretary-General of African association of MFIs

Has a total impact on all development

Manager at NBFI in India

We need more coordinated efforts to faster reduce the gender finance gap, starting with addressing and promoting young female entrepreneurs as well

Independent TA provider working in Latin America

Women remain restricted in their access to financial services while they have to feed their families

Professor of microfinance at university in Sub-Saharan Africa

Agri-finance

In most of the countries where we work, communities are vulnerable to gradual environmental degradation and slow-onset disasters such as drought, and huge swathes of the population of these countries live directly from agriculture

Head of global infrastructure organisation

This is a good strategy for reducing poverty AND financial inclusion

Head of MF operations at South Asian FSP

Agriculture employs 70% of the population here, and agricultural finance accelerates financial inclusion

Department head at MFI in Africa

Actions aimed at extending and intensifying the offer of financial services in rural areas, particularly with regard to agricultural activities, are fundamental

National microfinance network in Sub-Saharan Africa

Green and climate-smart finance

Climate change is fuelling disasters and is the leading cause of new displacements globally. It's not just a driver; it also has an impact on whether or not FDPs return home. New research shows that IDPs displaced by drought are 20 times less likely to return home than IDPs affected by conflict

Executive director at global network

Training, awareness-raising and incentives are critical here

Consultant working in Sub-Saharan Africa

It's a priority, but not stand-alone. Climate finance should be a booster for the green transition in the SME mainstream

Support service provider working in Germany

Very difficult to achieve in emerging markets: impact investing, and finding opportunities is the highest priority

Risk director at global impact fund manager

SME finance

The SME is the window of the emerging economy. It makes up the majority of African economies

Head of marketing research and development at NBFI in DR Congo

SMEs make up the majority of businesses in developing countries and face lots of barriers in access to financial services

Researcher focused on Sub-Saharan Africa

SMEs make a profound contribution to the economy and social development

Network of MFIs

The sector pays lip-service to SMEs and extends standard MF loans to SMEs, but fails to design actual SME loan products

Independent consultant working in Latin America

This is the economic engine that creates opportunities for financial and economic inclusion

Consultant working in Europe

Financial health

Unless the client can define the circumstances under which leverage increases net wealth, do not lend! Most banks struggle with this decision

Independent support service provider

This needs more priority because we are living in a digital world

Manager at Indian MFI

A better understanding and proper use of financial services is important to maximise impact with customers

Researcher

Missed Opportunities

What has been the biggest 'missed opportunity' in financial inclusion? What should the sector have done - and how do we avoid such missed opportunities in the future?

"Opportunity is missed by most people because it looks too much like work"

Thomas Edison

Normally, this question concerns the future – what are the biggest challenges or opportunities ahead, for example, or 'what would you do to change things given unlimited powers?' This time, respondents were asked to look backwards, and think about how mistakes made then, particularly acts of omission rather than of commission, have changed the present state of the sector.

Respondents took up the challenge of this quite different question with gusto, producing dozens of comprehensive responses on topics running from regulatory overreach to gender equity to non-financial services to building smallholder resilience, consumer protection and, particularly, on the missed opportunities relating to client-centric approaches to products and services; and leveraging the potential of digital technology.

Some missed opportunities relate to **products and services** that could have made more difference. There has been, writes Amos Bonna, Chief Relationship Officer at Opportunity Bank Uganda Ltd, a *"failure to develop tailor made products for the marginalised groups of persons like women and special interest groups has kept such categories financially excluded…in future, it is key for institutions to develop specific products and services and delivery channels that enable inclusivity especially for the last mile customers."*

How can the financial inclusion space take better advantage of trends in blended finance - how can we use catalytic capital more effectively to increase financial inclusion for populations which are perceived as risky (marginalised groups, women, refugees, smallholder farmers, etc.)?

Support provider in East Africa

According to a senior impact officer at a global network, there has been a failure to adequately focus on *"client well-being and capacity building through a mix of financial and non-financial services, to ensure that clients can be more resilient against shocks, whether they be economic, climate or health related etc."*

To address this gap means *"looking to establish more wide ranging partnerships with other actors that have more expertise on these areas, like NGOs or training or health associations. This is done by some actors, but I think the sector as a whole should focus on building a more 360-degree approach to helping to improve client's quality of life and autonomy, so that clients can be more resilient for the future"*.

The head of a network of FSPs in East Africa points to the pandemic as having halted progress in non-financial outreach: "*Since the outbreak of the covid pandemic, face-to-face training programmes at various levels have not been developed as they once were. Of course, there is online training, but its effectiveness differs.*"

Missed opportunity: products tailored to the beneficiaries and the most financially excluded populations. We should study the market and solutions should come from the users even if it's done for profit making. Solution: More research

CEO of financial provider in East Africa

The promotion and pre-eminence of credit as the default product for the excluded, rather than **savings**, is something that some respondents observe. The head of a global network of FSPs traces it back to the shift towards commercialisation of the sector over the period 2000-2015, saying that within their network, most lenders were transforming into deposit-taking institutions, but missed the opportunity to conduct *"deep research to understand the impact of low frills savings accounts".*

"We have to better understand whether these accounts meet the savings needs of low income savers (not just the commercial needs of FSPs to access cheap deposits). How is the sector measuring success? Reporting the gross number of bank accounts and total deposits would seem to be a poor reflection of impact", she adds.

This is the core of the issue, that most research focuses on the commercial viability of the model for the FSP, not whether excluded and underserved populations (particularly members of informal savings groups) actually benefit from linkages to formal systems. "*Changes in the financial practices of these intended users are often small and very context-specific, and when they do save formally, it doesn't seem to unlock borrowing. Why?*"

This is part of a bigger missed opportunity for some respondents, which is the **conflation of access with usage**, or the priority given to financial access over all other measures of impact. Davide Castellani, a professor in Italy, cites as a missed opportunity "*not focusing enough on the development of financial products alternative to credit….there was insufficient emphasis on promoting the actual usage of financial products rather than solely focusing on expanding access*", he says, adding that "*by encouraging active usage and meaningful engagement with financial services, we could have ensured that underserved populations fully benefited from the opportunities provided by inclusive finance. To avoid such missed opportunities in the future, the sector must prioritise innovation, agility, and product diversification, continually assessing emerging technologies and adapting strategies to leverage them for greater financial inclusion*".

The missed opportunity is in driving inclusion through use case. Most financial inclusion has been driven on access to basic financial products, but then linking inclusion to other critical social themes, like housing, education, heath etc., has been missing

Director of finance at INGO based in East Africa

Other respondents pointed to missed opportunities in better serving particular **segments**. *The biggest missed opportunity in financial inclusion is in the involvement of **youth**"*, writes Lydia Nyamate, founder of Ruharo Families Social Support Group, an FSP in Uganda. *"The sector should have developed packages that are youths friendly and set strategies of minimising loan delinquency among youths"*.

The growing crisis of **forcible displacement** – the topic of the European Microfinance Award 2024 – is another area where opportunities for progress were missed. The sector ought to have "*included financial inclusion and capability into refugee integration strategies*, Joshua Aspden, a Resettlement Policy Officer in the UK. *"So the same issues with debt, limited financial capability, etc [still] arise"*. He adds that "*the sector needs to be working with refugee groups, financial services, central government, local authorities and charities in order to have a financial inclusion integration package, etc."*

And although respondents believe that considerable progress has been made on financial inclusion for **women**, there is much that could have been done. Independent consultant Micol Guarneri writes that "*a more intentional focus on women's inclusiveness and genuinely listening to the needs of vulnerable populations is paramount. We must be more intentional about including women and this has to start at institutional level"*. How? It means greater diversification of the product offering, a "*fundamental shift in the sector's approach, moving beyond simply providing loans to offering a diverse array of products and services tailored to meet the unique needs of women and other marginalised groups."*

Noémie Renier, Head of Global Debt at Incofin IM, a funder, also frames missed opportunities of the past in terms of those still available in the future, writing that "*we can do so much more to advance gender equity. Looking at the outreach of the sector in terms of women, there are so many more opportunities to build more intentional strategies and relevant financial inclusion to advance more progress in gender equality benefiting communities for impact"*.

(We have to) close the gender gap in access to finance and ensuring that products and services are designed with the input from those that are hardest to reach so that we avoid their further exclusion in the increasingly interconnected digital ecosystem

Team lead at global infrastructure organisation

For Bobbi Gray, Senior Research Director at Grameen Foundation USA, the opportunity that was missed was to address the **underlying norms** that dictate how women are served, and which drive the gender gap. **"***We should have focused more on addressing social norms issues earlier. We should also be addressing economic/financial abuse as a form of client protection or social performance management. We know women and other vulnerable populations are at risk, but it seems not to be on our collective radar."*

Better meeting the needs of **smallholder farmers** is another missed opportunity, according to some respondents**.** Raghuram Boddupalli, a consultant in India, notes that there are 450 million in this segment, and "*it is a big missed opportunity. The sector should have developed more appropriate products with fair pricing"*. A Support service provider in South-East Asia points out that this *"whole concept of agrofinance being riskier than others was proven questionable during COVID, as in our case rural finance [was] the best performing and least impacted sector"*.

Freddy Garcia, from a cooperative FSP in Peru, argues that *"government policies should rely on savings and credit cooperatives, which by their nature are more inclusive, to channel resources through this sector accompanied by insurance and, if we want to talk about rural financial inclusion, a major challenge is to be able to contribute with specific and adequate credit lines to the rural finance sector"*, adding as well the importance of not distorting the market by providing lending rates that do not make the sector unsustainable.

The sector has focused too much on financial education instead of consumer protection. Believing that people do not know about financial products and services is misleading. People who are badly served, or not served at all, may not have confidence in service providers and refuse to go to them for reasons of bad practice or lack of transparency

Europe-based independent consultant on digital finance

Regulation is another area that respondents consider replete with missed opportunities. A funder manager at a Europe based funder cites the failure to share progress on EU regulations globally. "*EU regulation brings a lot of interesting topics for discussion but remains an empty box if applies to EU only; it's not shared/embraced globally and has a very top down implementation approach*", she says, going on to point out that she can observe a imbalance caused by *"market conditions which impose certain reporting requirements to FSPs but which are then not counterbalanced with end benefits for the final recipient… for example, investors require reporting on tons of GHG, gender, portfolio breakdowns, minimum safeguard data but are [constrained] to offer discounted interest rates or fully coordinated TA".*

Other respondents focused on other aspects of regulation. An independent consultant complained about a continued lack of "g*lobal regulation - very little money or effort or time is spent on supporting regulators*", while Mercedes Canalda, President of Banco Adopem in the Dominican Republic, believes that what's missing is a *"specialised regulation, applied like Basel standards, that gives a higher level of formality to the sector but respects its peculiarities".* And for an investment officer at a European DFI, the answer involves "*working harder to give MFIs the means to lobby regulators (through supporting professional associations, support initiatives such as MIMOSA or SPTF Cerise), and to do in terms of customer protection, in terms of financial inclusion laws which are sometimes very positive and sometimes potentially create risks for the sector, like ill-considered interest rate caps, for example".*

Some respondents spoke not of particular products or segments, but more of conceptual failings, **mission-related shortcomings in how the sector is structured, perceives itself, or works together**. Eamonn Sweeney, CEO of an FSP in the UK, says that the financial inclusion sector has been pushed by actors and drivers that have made it "*unable to really focus on grassroots, and respond to local conditions and culture*". The idea of misaligned incentives, supply-side imbalances and a resulting dearth of client-centricity is repeated elsewhere; an independent consultant wishes the sector had actually tried to "*learn from best practices in countries where MF 'works'. The reality is that the sector is dominated and controlled by the investors who face a very specific set of incentives that are often at odds with the interests of their claimed beneficiaries"*, he says.

It goes even further than this, writes Adela Sagastume, social performance director at Fundación Génesis Empresarial, an FSP in Guatemala, who believes some of **the unintended consequences** of how financial inclusion is provided has caused counterproductive effects. The sector has missed the opportunity to genuinely engender a culture of shared, socially minded goals, and instead "*[we too often] nurture competition rather than complementarity or collaboration. All sectors within a country's financial environment or system are indispensable for economic development…but unfair competition ends up directly harming entrepreneurs in the informal sector, who, in the absence of responsible support generate more over-indebtedness, resulting in the opposite effect - financial exclusion - by registering negative information in the credit bureau".*

We've missed putting in place a customer centric approach; it is not yet at the core of business models in place. Most still operate on a product based approach

Europe based independent consultant

Perhaps unsurprisingly, it is **digital finance** that stimulates the strongest responses to this question. Generally, respondents feel that whatever the hype, there has still been "*slowness to fully embrace the digital revolution to make financial services accessible to all"*, according to the head of business development at an FSP in West Africa. The sector, he says, would have been better off "*prioritising the development and deployment of digital financial solutions tailored to the needs of the unbanked, using mobile technologies to overcome geographical barriers and reduce costs…to avoid such missed opportunities in the future, it is crucial to focus on continuous digital innovation, digital-centric financial education, and close collaboration with regulators to support a favourable framework for the expansion of digital financial services."*

Various respondents were loudly critical of the sector's efforts here. Asongo Abraham, COO at Standard Microfinance Bank in Nigeria, says that "*one of the biggest missed opportunities in financial inclusion has been the failure to fully leverage technology and innovation to reach underserved populations. While significant progress has been made in expanding access to financial services through traditional microfinance institutions and banking infrastructure, there are still billions of people worldwide who lack access to basic financial products and services".*

Jean Olivier Kamwa, head of rural finance at an FSP in West Africa agrees that this opportunity has been missed, and goes further, laying out several steps the sector and policymakers should take. These include: *"Promoting financial regulations that are flexible and adapted to allow innovation while ensuring consumer protection and financial stability; investing in digital infrastructure; financial awareness and education, with financial education programmes integrated into schools, communities and workplaces to reach a wide audience; and industry collaboration, including public-private partnerships, data-sharing initiatives and efforts to standardise financial technologies".*

But it's an immensely complex challenge that requires, among other things, "*balancing the need to nudge people to use more digital financial services so that people are increasingly included, whilst recognising that the infrastructure is not there yet in many environments*", writes a project lead at a global infrastructure organisation. "*In these environments people tend to lack trust or confidence and resort to more informal and potentially more extortionate financial setups.*"

I don't believe in "missed opportunities", it's never too late for improvement, change, and evolution, both for individuals and institutions

TA provider

Beyond 'microfinance'? Is 'financial inclusion' nothing more than an empty re-brand?

Do you see yourself/the sector working in 'microfinance', 'financial inclusion', or other areas? Are these terms meaningfully different? Or is it all just an empty 're-brand'?

"It matters what you call a thing."

Solmaz Sharif

The final question in this year's *Compass* is very different from anything we've asked before. Typically these open-ended questions ask about respondents' perceptions on future challenges or the opportunities ahead or similar.

But it's obvious to anyone in the sector that there has been an evolution of terminology over the decades. What was called 'microcredit' from the 1970s at least up to the mid 2000s (the UN Year of Microcredit was 2005) increasingly became known as 'microfinance', notionally reflecting the importance of other ensuing access to financial products beyond credit alone.

Today, though, how often is 'microfinance' used? Less often than before, although it's true that some organisations still make a positive choice to use it. Nevertheless, it seems that, within the sector itself today, financial inclusion/inclusive finance is the predominant terminology (although 'social finance' and 'impact finance' are increasingly vogueish as well). Indeed, when this publication was conceived in 2018, there was no question that its name would be the '*Financial inclusion Compass*'.

But we thought it would be valuable to hit 'pause' and ask respondents: is this just all faddism, or an image-driven response to the reputational issues surrounding microcredit and overindebtedness? Is there actually a meaningful difference between these terms and, if so – what is it, and does it really matter what we call a thing? Surely, the obsolescence of certain terms, or the overlap between others, has implications on how the sector sees itself – the services it promotes, by which actors, and for what objective?

This question had an outstanding response, both in the number of responses and their depth, far beyond expectations. A selection of responses are reproduced here, only lightly edited, and sorted by general theme.

Overwhelmingly, respondents rejected the provocative (and perhaps cynical) premise of the question. Generally, **respondents do see meaningful and valuable distinctions in the terms used**, but those distinctions varied.

Some respondents sought to **give their own definitions** of the two predominant terms – microfinance and financial inclusion/inclusive finance:

Financial inclusion is a broader term which can include more types of target clients and social missions. In Microfinance, the emphasis is perhaps too much on the 'Micro' whereas for example in entrepreneur or agri finance, SMEs and farms can also need adapted access to financial products which they are not getting from other providers. We still use both terms but would say that financial inclusion is now more appropriate and expresses the vision of the sector more clearly

Senior officer at global network

Microfinance specifically targets providing financial services to low-income individuals and small businesses, whereas financial inclusion encompasses a broader array of strategies aimed at ensuring universal access to and effective use of financial services

Researcher in Italy

Inclusive finance comprises the micro and inclusion of SMEs that otherwise would have no or too expensive access to financial services, it IS a meaningful distinction

Tatiana Kalinina, senior analyst at Triodos IM

The two terms are different: financial inclusion increasingly includes a range of different players, banks, electronic money institutions, insurance companies, etc.

Head of network of FSPs in Sub-Saharan Africa

The phrases are not interchangeable. Microfinance has historically been linked to physical establishments. Financial inclusion is the provision of a wide range of financial services by several reliable and long-lasting organisations to all people at a fair price. The goal of inclusive finance is to improve financial services accessibility for small, medium-sized businesses as well as individuals. it does so, encompassing the principles of fair pricing etc

Sitara Merchant, CEO of Swiss Capacity Building Fund

Microfinance is more about access to finance whereas Financial inclusion is a holistic approach to financial empowerment. It includes innovations around finance like fintech, literacy, product development and design, etc.

Sarah Atuhaire, CEO of Akaboxi, FSP in Uganda

Other respondents sought to delineate the terms by either **the products** that are offered, or **the beneficiaries** of those products or services:

Microfinance deals with provision of small ticket savings, credit and insurance services. Financial Inclusion deals with access to [such] services in a safe, accessible and affordable manner

Raghuram Boddupalli, independent consultant in India

At some point, the term microfinance was broadened from microcredit to financial inclusion, which includes savings and insurance products, along with financial education

Alexandra Carvajal, Director at FSP in Ecuador

Microfinance is access to finance for the people residing in the bottom of the pyramid; financial inclusion will promote/encourage people generally left behind by the societal norms

Vijay Gurung, Muktinath Bikas Bank in Nepal

Microfinance is a key component of financial inclusion; the latter extends beyond microfinance to include initiatives such as mobile banking, digital payments, community banking, and financial education. Financial inclusion seeks to create an inclusive financial system that serves the needs of all members of society, including those who may not benefit from traditional microfinance services. As for whether these terms represent meaningful distinctions or just empty rebranding, it depends on how they are used and implemented in practice

Asongo Abraham, COO of Standard Microfinance Bank Nigeria

For other respondents, the more revealing difference in what the terms mean is their relationship to **objectives**, or rather – how the objectives affect which term is more accurate:

I think that these terms are actually quite different in their purpose, mainly because the term 'microfinance' was originally used with a clear, stated objective of 'fighting poverty' by helping the poorest people to escape from it. While the facts have shown that microfinance alone cannot solve a multi-dimensional problem and that it can have a negative impact on customers, the concept of financial inclusion does not place the objective of fighting poverty at the forefront, but allows a broader approach to be taken with different aims

Secretary-General of Europe-based funder

Microfinance is a widely used term, which does not necessarily ensure that the target group is reached, according to a social approach. Financial inclusion focuses on and prioritises the most vulnerable segment and those most in need of financial support, accompanied by training, financial education and complementary services

Adela Sagastume, Director of social performance management at Fundación Génesis Empresarial, FSP in Guatemala

The terms are very different. Financial Inclusion is much broader and provides more opportunity for positive change compared to microfinance which to me refers mostly to credit and loans. Financial inclusion encompasses payments, savings, loans, credit, remittances. Financial inclusion can be an objective to work towards that is tied to any source of income, or no particular source at all

Deputy global team lead at international organisation

For others, what is most important is how the scope of these terms has **changed over time** – and what may be the emerging terminology in the future as the remit of this sector continues to evolve:

It appears as if microfinance is the predecessor of financial inclusion. Financial inclusion has become the new buzzword and much less is said about microfinance. The distinction between the two has not been very clear so financial inclusion seems to have replaced microfinance

University researcher in the UK

Microfinance used to refer to productive loans for a microbusiness. Financial inclusion [now] embodies a larger spectrum of purpose (housing, education, WASH, health, livelihood condition improvement) and type of businesses (from informal micro entrepreneurs to small business – MSEs). One could argue that the next evolution of "financial inclusion" could be towards "impact finance", recognising the role of financial institutions in supporting all type of impact themes (education, WASH etc)

Noémie Renier, head of global debt at Incofin IM

But change is **not always unidirectional…**

I've seen a move back to colleagues being more comfortable with using the term 'microfinance' again – to distinguish that what we do has a social goal (and is focused on bottom of the pyramid/marginalised groups) over and above simply helping more people to access finance

Executive director at global infrastructure organisation

For several respondents, the key difference between the terms is one of **expansiveness of scope**, with financial inclusion much broader, and reflecting a more diverse and complex array of products, players, technologies, rules and principles.

> *Financial inclusion allows to convene a larger group of stakeholders and players, including digital and climate smart start-ups, and underlines a sector evolution*
>
> Europe-based funder

> *I see the sector considering microfinance as a 'means' rather than an 'end in itself'. It seems it is no longer the provision of basic and affordable financial services per se, but rather, the provision of these services aimed at achieving other development goals. My feeling is that financial inclusion encompasses better this idea of the sector being an enabler rather than a development goal in itself*
>
> Gabriela Erice, network development coordinator at e-MFP

For others, the terms do reflect evolution of mission, but not necessarily involving the obsolescence of one and the primary of the other – it is much more about **complementarity.**

> *I use both terms depending on the audience and the topic. Microfinance carries the term "micro" = small and for most relates to clients in the global south with generally small amounts of funding, insurance coverage, etc ... Financial inclusion also includes more specifically larger economies which still exclude a part of their population. So: I do see a difference between both terms, and microfinance has a reason to stay as a specific sub-sector of inclusion*
>
> Jurgen Hammer, managing director of SPTF Europe

> *The terms are complementary. They try to bring financial products to people excluded from formal financial services. Financial inclusion goes beyond MFIs in that it considers any formal or informal initiative that can encourage access to financial services*
>
> Balemba Kanyurhi Eddy, Professor at University in DR Congo

> *We often try to say financial services sector or financial services provider but then it's hard to add the focus on low income populations without a mouthful – which makes "microfinance" a much more encompassing term, using fewer words. We use all terminology.*
>
> Bobbi Gray, senior research director at Grameen Foundation USA

For others, though, microfinance and financial inclusion can be used **interchangeably:**

> *To me often these terms are interchangeable. Most importing to me is what impact my work has on the clients I work with, be it end client or staff to top management*
>
> TA provider based in Europe

Or they are used interchangeably, but probably **shouldn't be:**

> *The meaning is different, although mostly these are used interchangeably to mean the same. For instance not all microfinance institutions conduct financial inclusion... We have scenarios where microfinance APR is above 100% and that can't represent 'financial inclusion'.*
>
> Amos Bonna, Chief Relationship Officer at Opportunity Bank Uganda Ltd

And finally, there was the rare dissenter, who accepted the cynical premise of the question, and agreed that it is nothing more than an **empty rebrand** after all:

> *[Financial inclusion is] an empty re-brand. It's payday lending, or consumer credit, dressed up as something "beneficial" combined with nice pictures of poor people working. The sector has lost so much credibility, it is increasingly embarrassing to even use the word*
>
> Independent consultant in South America

About e-MFP

e-MFP is the leading network of organisations and individuals active in the financial inclusion sector in developing countries. It numbers around 120 members from all geographic regions and specialisations of the microfinance community, including consultants & support service providers, investors, FSPs, multilateral & national development agencies, NGOs and researchers.

Up to two billion people remain financially excluded. To address this, e-MFP seeks to promote co-operation, dialogue and innovation among these diverse stakeholders working in developing countries. e-MFP fosters activities which increase global access to affordable, quality sustainable and inclusive financial services for the un(der)banked by driving knowledge-sharing, partnership development and innovation. e-MFP achieves this through its numerous year-round expert Action Groups, the annual European Microfinance Week which attracts over 600 top stakeholders representing dozens of countries from the sector, the prestigious annual European Microfinance Award and its many and regular publications.

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