



## Demonstrating the Impact of Client-centric Microfinance

BRAC microfinance (MF) started in 1974 in Bangladesh and has become one of the largest microfinance programmes in the country by the number of clients and total loans outstanding. Based on the body of knowledge, it has been expanding internationally since 2002, with the mission to responsibly provide a range of financial services to people at the bottom of the pyramid. It particularly focuses on women living in poverty in rural and hard to reach areas to create self-employment opportunities, build financial resilience, and harness women’s entrepreneurial spirit by empowering them economically.

Today, BRAC is one of the world’s largest microfinance operators, present in Bangladesh, Myanmar, Liberia, Uganda, Tanzania, Rwanda and Sierra Leone. It serves more than 7.1 million clients, of which at least 90% are women while over 70% live under USD 5.50 per day. In BRAC International’s countries and in Bangladesh, 43% and 49% of the total clients are youth 18-35 while 57% and 96% respectively lives in the rural areas.

To effectively achieve its mission, BRAC MF developed an Impact Framework (IF) to deliberately manage its social performance and measure outcomes and impacts on clients:



### Intervention



### Research

*Demonstrating the Impact of Client-Centric Microfinance* (Husain, 2021, Den Haag, [BRAC International Holdings B.V.](#))



### Method

Lean Data<sup>SM</sup> method by [60 Decibels](#) (60\_dB) leveraged tested industry surveys (progress out of poverty index, PPI), and a mobile data collection tools, including interactive voice response (IVR) and SMS, to gather BRAC MF clients’ data for the before-after analysis. Some of the data was compared against 60\_dB’s social impact benchmarks. Surveys were first run in 2019 in Tanzania, Uganda, Liberia, Sierra Leone, Myanmar and Bangladesh to gather baseline data and set targets. Another set of follow-up surveys was done in 2020, when the baseline data for Rwanda was also collected. Survey population included BRAC’s group loan female clients. In Bangladesh, female and male clients from agriculture and small-enterprise loan portfolios were also included. More than 5,000 clients were surveyed over the two-years period.



▼ **3.5**  
pp only lower average outcome scores in BRAC countries during COVID-19 pandemic

▲ **6**  
pp more clients used savings to pay for an emergency expense

▼ **31**  
pp fewer borrowed money for an emergency

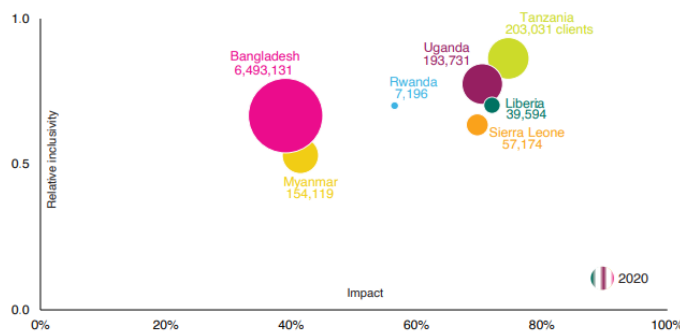
▲ **0.1**  
points increase in inclusivity ratio in 2020

▲ **8**  
pp higher NPS in 2020

Despite the Coronavirus disease (COVID-19) pandemic, five outcome scores of the Impact Framework (IF) remained mainly consistent in 2020 in comparison to 2019. The average composite index on five IF outcomes in all countries was 60.5% in 2020 - **3.5 percentage points (pp)** lower than in 2019. Score in self-employment and livelihood opportunities slightly decreased (80% v 79%) while the household welfare remained at 47%. Women’s economic empowerment, financial resilience and quality of life outcomes deteriorated. In African countries, clients reported above average impact result. Uganda went from 64% in 2019 up to 70% in 2020; Sierra Leone from 69% up to 70%; Tanzania remained at 75%; whereas Liberia went from 79% down to 72%. Bangladesh and Myanmar clients’ average impact scores went down by 9 pp. BRAC, with its experience of [how it served its clients during Ebola](#) outbreak in West Africa in 2014, continued serving its clients with diverse flexible services and repayment options during the COVID-19 pandemic.

BRAC’s clients on average appeared more financially resilient during COVID-19 pandemic when compared to the 60\_dB benchmark. 59% reported using savings to pay for an emergency expense after working with BRAC, which was an improvement of **6 pp** compared to before BRAC. On the other hand, their reliance on borrowing decreased; **22%** reported borrowing to pay for an emergency expense after working with BRAC as opposed to **53%** before. These findings build a compelling case for the critical role of gender-smart and client-centric finance before, during, and after intermittent crises like COVID-19 pandemics.

Figure: Impact v Reach (number of clients) v Relative Inclusivity, December 2020



*Impact: average social-outcome score*

*Relative inclusivity: comparison of client poverty profile to national averages*

*Inclusivity ratio: a ratio above one means over-penetrating and less than one under-penetrating people living in poverty; national average equals 1.0.*

Based on the survey in 2019, BRAC MF learned that it was under-penetrating people living in poverty compared to the national average, which led to the development of a Poverty outreach framework. After that, its overall inclusivity ratio increased from **0.6** up to **0.7** in 2020, closer to the 0.8 of the 60\_dB benchmark. Finally, more than 90% of clients responded they want to continue working with BRAC and 77% thought they cannot easily find a good alternative to its services. Majority of clients were, to that, likely to recommend BRAC to friends or family; the [Net promoter score](#)® went up by **8 pp**, to 60%.

## Way Forward

BRAC’s client-centric and gender-smart microfinance is an important tool for invigorating the quality of life and resilience of people living in poverty, especially in the face of a crisis. The study findings are encouraging for other microfinance institutions (MFIs) to invest in a system of measuring what truly matters to the clients. Insights like these can cater for a continuous learning directly from clients. For example, one of the suggestions of surveyed BRAC clients was to increase the loan amount while others requested more training and information as value-added services during group meetings. The intent behind collecting client data must, however, involve a genuine reflection on the results and the determination to improve services for clients.