

A close-up portrait of a woman with a warm smile, wearing a colorful checkered headscarf and a patterned shawl. She has a small red bindi on her forehead. A large, round, woven basket is balanced on her head, secured with a yellow fabric. In the background, another person is partially visible, also carrying a basket on their head. The background is a soft-focus outdoor setting with hills.

**2021 MICROFINANCE
SOCIAL PERFORMANCE
REPORT**

The social performance of microfinance institutions supported by the bank around the world



BNP PARIBAS

The bank
for a changing
world

MICROFINANCE – A POWERFUL LEVER FOR FINANCIAL INCLUSION

Financial exclusion is a major cause of poverty in the world.

To tackle this problem, the group has been supporting microfinance institutions (MFIs) by providing lending and investment for more than 30 years. Our support amounted to €367m in 2021.

Beneficiaries of microloans are indirectly financed by BNP Paribas, enabling them to accomplish their projects while improving their standard of living.

We have completed our first social performance study in order to measure the Group's actions. Our activities across 13 countries were analysed using the MESIS methodology, created jointly by BNP Paribas. The initial results will enable us to take strategic decisions which will magnify our actions.

BNP Paribas has also defined financial inclusion as one of the priorities of its 2022-2025 strategic plan and included an indicator in its dashboard based on Nickel, a Group subsidiary specialising in financial inclusion and microfinance.

This first performance study is part of an experience curve that we intend to constantly improve. It will help BNP Paribas and its microfinance partners to further improve their work in support of financial and social inclusion.



Antoine Sire,
*Head of Company
Engagement and member
of the Executive Committee
of BNP Paribas*

**1,7
billion**

adults excluded from
banking services
worldwide

(Global Findex - 2017)

**139,9
million**

borrowers benefited
from MFIs services

*(Microfinance Convergences
survey - 2018)*

Only 65%

of women have a bank
account vs 72%
of men

(Global Findex - 2017)

€367m

allocated by BNP Paribas
in 2021 to supporting
MFIs via lending
and investment



* *Global Findex is a database concerning access to financial services around the world, published by the World Bank.*

This first edition of the Microfinance Social Performance Report for 2021 consolidates responses from 18 microfinance institutions (MFIs) supported and financed by BNP Paribas in 13 countries. For the first time, the report implements the MESIS methodology applied to the Group's microfinance activity. This will be published annually to capture, measure and analyse the social performance of partner MFIs around the world and their progress over time.

THIS STUDY IS BASED ON THE MESIS METHODOLOGY

MESIS (Social Impact Measurement and Monitoring) was developed in 2016 by BNP Paribas along with the Caisse des Dépôts and the INCO group, with support from KIMSO, a firm specialising in social impact assessment, and is available in seven Fields of Social Action, including microfinance and support for entrepreneurship. Among more than 400 indicators articulated around these Fields of Social Action, six were selected following numerous discussions with partner MFIs, allowing a review of the current state of the social performance of microfinance around the world.

Fields of social action



Methodology objectives

MESIS provides a consistent framework with a set of indicators in order to:

- 1 Advance the** empirical measurement of social impacts;
- 2 Support** social enterprises, MFIs and impact investors, while measuring and emphasising the positive impacts of these activities for society.

APPLICATION OF THE METHODOLOGY ON THE GROUND

This applied research work was carried out by a CIFRE (Industrial Convention for Training through Research) PhD researcher, who contributed to implementing the impact measurement framework and the MESIS reporting methodology.

How did we proceed?

1. Definition of a preliminary list of MESIS indicators.
2. Discussions with all partner MFIs to explain the project, learn more about their impact measurement strategies and their data collection capacities.
3. Adaptation of the list of indicators based on feedback from partner MFIs and actual availability of data.
4. Collection, aggregation, analysis and presentation of MESIS data.



What indicators can be used to measure support for microfinancing and entrepreneurship?



Number of beneficiaries: people who have an active microloan with one of the partner MFIs financed by the group in 2021.



Average loan amount: average loan per customer across all partner MFIs financed by the group in 2021. This indicator makes it possible to check that the MFI is targeting people with low incomes.



Number of hours of support and training: the total number of hours that each partner MFI has devoted to non-commercial support (individually or collectively) for entrepreneurship, management of savings and other development financial education topics in 2021.



Percentage of female beneficiaries: the % of women among customers of partner MFIs financed by the group in 2021.



Percentage of beneficiaries in rural areas: the % of beneficiaries established in areas that each partner MFI declares as rural in 2021.



Jobs created in the year of the financing or support: the number of jobs created or preserved by micro-beneficiaries financed in 2021, as calculated by each MFI (*each MFI uses a specific method to measure this indicator and the study aggregates the data as provided*).

Direct and indirect performance

BNP Paribas' direct performance measures the resources (financial and non-financial) made available by the group to support the development of MFIs.

MFIs' direct performance represents the direct results of their activities on beneficiaries in 2021, to which BNP Paribas contributes indirectly with other donor agencies.

THEORY VS PRACTICE – READJUSTMENTS AND CHALLENGES

Our enriching exchanges with the 18 MFIs taking part in the study revealed very divergent practices, which sometimes required methodological readjustments:

- **Few “standard” indicators:** MFIs collect different indicators depending on their interests, the national context or investor requirements. Therefore indicators such as “number of customers below the poverty line” or “number of customers without a bank account before their microloan” were discarded due to a lack of information.
- **Divergent definitions:** the same indicators can be interpreted and measured in very different ways. For example, the “number of jobs created” indicator may or may not include customers launching their businesses, as well as jobs preserved.
- The MFIs supported by BNP Paribas are at different stages of **maturity in terms of logistical capacities**, as reflected in their ability to collect and analyse data.

Despite these readjustments, we can testify to the increasing attention being paid by MFIs to their collection and impact measurement system, in order to improve the quality of services provided.



The social performance and impact of microfinance are recognised by the United Nations since financial inclusion contributes to four out of the 17 **Sustainable Development Goals (SDGs)**



MICROFINANCE ACTIVITY INDICATORS: BNP PARIBAS AND ITS PARTNERS

Social and economic performance of BNP Paribas

Since 1989



2.9 million

indirect beneficiaries reached, 84% of whom are women



€1.2b

in total loans granted to MFIs

In 2021



18* MFIs supported and participating in the study



13 countries and **9** local currencies represented



15,168

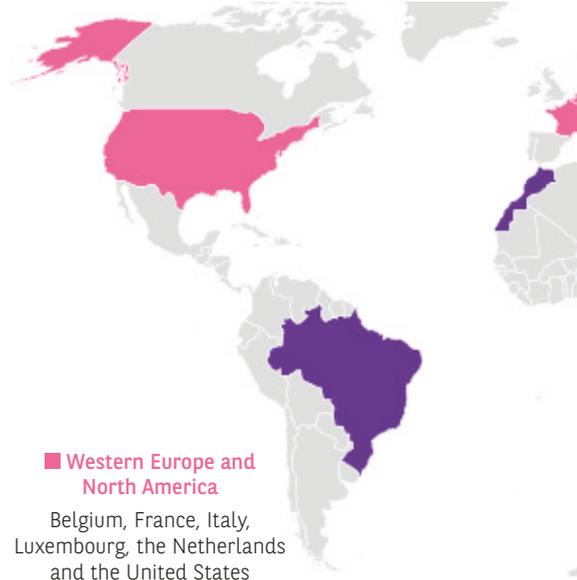
pro bono hours worked by BNP Paribas employees with MFI partners



83%

SPI4** social performance score for MFIs supported by BNP Paribas versus **65%** for all MFIs in the database

Scope of partner MFIs



30 years of commitment to



* 12 MFIs in emerging countries, five MFIs in Europe and one MFI in the United States.

** The SPI (Social Performance Indicators) tool is a social performance assessment tool developed by CERISE for financial service providers including MFIs.

First microfinance partnership in Guinea

1989



Creation of a dedicated Microfinance Department

2006



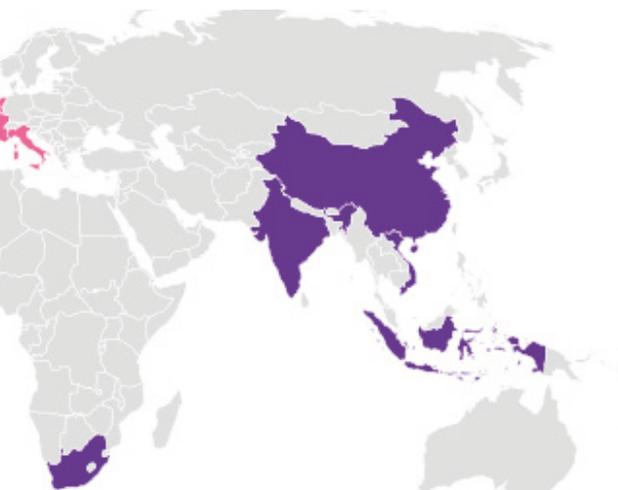
1993

First partnership with an MFI in Europe – ADIE in France



Dev
Credit

included in the study



Emerging markets

Brazil, China, India, Indonesia, Morocco, South Africa, and Vietnam

Performance of partner MFIs

In 2021



8,101,715

active beneficiaries, including nearly **224,000** supported by BNP Paribas



97%

of beneficiaries are women



79%

of beneficiaries are in rural areas



1,337,826

jobs created by beneficiaries



37,532,574

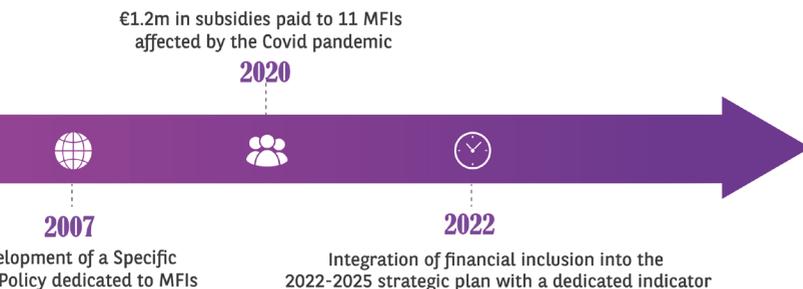
hours of support and training



€6,595

average loan

financial inclusion





Social performance of partner MFIs in emerging markets

Partners...



12 MFIs represented in 7 emerging markets on 3 continents (Africa, Asia and Latin America)

... assess social performance...



1,200,662
jobs created by beneficiaries



80%
of beneficiaries are in rural areas



97%
of beneficiaries are women

... linked to microfinance



7,941,025
active beneficiaries



36,947,334
hours of support and training provided by MFIs



€3,479
average loan



Testimonial from Halima (Fusion MFI customer in India)

“ I have had a beauty salon since 2002. I really like doing make-up for people – it’s my passion. Before the Fusion loan, I was a housewife. It was only after I received a loan that I thought I could really do something and it gave me purpose and something to do with my life. I earn around 8,000-10,000 Indian Rupees (€100) a month, which I use to secure my children’s future. They are both in a private school and I am very proud of that. My husband is a driver and it works well for him. After all expenses, we end up saving 3,000-4,000 Indian Rupees (€50) a month, which we use for expenses relating to the house, education, etc. My dream is for my two sons to have a brilliant future thanks to our savings. I want them to study and succeed in their lives. That’s why I keep money aside for their hopes and dreams. ”



watch the video testimonial

The study covers 12 MFIs distributed in seven emerging countries, with a total of eight million micro-beneficiaries. These institutions mainly target women (97%) and rural populations (80%). They have created or preserved more than 1.2 million jobs. They focus on supporting entrepreneurs, particularly through financial education, with more than 37 million hours of extra-financial support.

Indian MFI CreditAccess Grameen, for instance, offers its beneficiaries financial education sessions as well as workshops on hygiene, health and access to drinking water. The MFI also reaches the youngest members of the community via school programmes. More than 78,000 schoolchildren aged 13 to 15 have therefore benefited from financial education and health protection workshops.

In Brazil, the MFI Banco Da Familia has implemented various projects to reinforce its social performance. Since 2019, the MFI has been following the Paraguaya Foundation's "Poverty Spotlight" methodology to target the lowest income families and offer them an action plan in several areas in order to get out of poverty. This programme, called "Despertar", has reached more than 380 families who have benefited from the support of 51 mentors for six months.

In Brazil, Banco Da Familia also offers its entrepreneurs the benefit of its network. This led to the sale of 22,802 products by micro-entrepreneurs between August 2020 and August 2021, thanks to partnerships with 10 local supermarkets.



INTERVIEW WITH VAN NGUYEN THI HOANG, MANAGING DIRECTOR OF THE CEP INSTITUTION IN VIETNAM

Capital Aid for Employment of the Poor Microfinance Institution (CEP) was founded in Vietnam in 1991. BNP Paribas and CEP have been partners for almost 10 years.

How do you assess your social impact and performance?

We are a poverty-focused institution and so we assess all our potential customers according to our own poverty classification method, a method that takes various factors into account, including the number of financially dependent family members, income level, assets held and type of housing. In 2021, 87% of our new loan customers earned less than \$3.35 a day, corresponding to the poverty threshold in Vietnam.

To assess our actions, we also use the Cerise SPI audit tool to conduct an annual social performance self-assessment. In January 2021, we achieved a score of 96 out of 100.

Can you highlight one of CEP's major initiatives?

In 2021, we allocated 5.3% of interest income (35.8bn Dong or €1.4m) from CEP loans to our Community Development Programme.

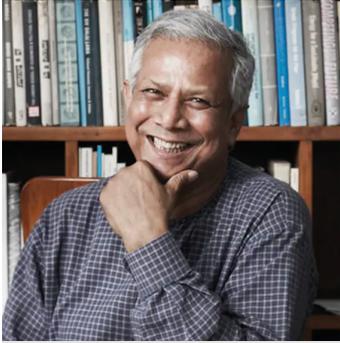
This programme reached around 198,000 customers in 2021, mainly through our financial education initiative. 103 houses have been built for our customers living in very precarious conditions and without permanent housing. We have also offered health insurance to 573 families to enable them to receive affordable healthcare and we have awarded 2,622 grants to children from disadvantaged backgrounds so that their parents can pay for school fees, uniforms, bags, books and school materials, etc.

Finally, in the midst of the COVID-19 pandemic, we launched an emergency programme to provide rice and basic necessities to 24,043 customers in poverty.



CEP employees

INTERVIEW WITH PROFESSOR YUNUS: THE ROLE OF MICROFINANCE IN POST-COVID ECONOMIC RECOVERY



Professor Muhammad Yunus

Founder of Grameen Bank and winner of the Nobel Peace Prize (2006)

In 2019, BNP Paribas signed a partnership agreement with the Grameen Creative Lab founded by Professor M. Yunus

Who are the groups most likely to be affected by extreme poverty as defined by the World Bank?

Vulnerable people are those who do not have the capacity to meet the needs. They are the ones who are exposed to the slightest bad weather and who, for example, have suffered the most from the pandemic. Massive numbers of people have lost their jobs, their livelihoods and their shelter. Women, children, minority groups living in remote areas mainly. These people did not create the situation they

lived in. It is the political and economic system, through the culture of accumulation, that has created this extreme poverty. So by changing the system, we put an end to this situation.

Do you think microfinance will play a more important role in the post-covid world?

With the creation of Grameen Bank, we tried to reach people who would otherwise be deprived of any financial services since they have no income, particularly women.

In the beginning, many people doubted that microfinance would work. But today, it is recognized worldwide. For example in the United States Grameen America works with financial institutions like BNP Paribas that, lend us money so that we can lend it to the poor. This way we were able to create a great impact during the pandemic. Our goal is not to make money: the Grameen Bank's goal is to follow a social mission. I want to see this model grow. We must stop maximizing profit, which leads us to suicide. The responsibility of bankers is to finance intrapreneurs and social, enterprises who will in turn create jobs and thus stabilize the economy.

Interview with Professor Yunus, extract from an interview given to the BNP Paribas "Perspectives" magazine in February 2022.



Social performance of partner MFIs in Western Europe

Partners...



5 MFIs represented in 5 countries in Western Europe

(Belgium, France, Italy, Luxembourg and the Netherlands)

... assess social performance...



68,524

jobs created by beneficiaries



18%

of beneficiaries are in rural areas



33%

of beneficiaries are women

... linked to microfinance



95,752

active beneficiaries



542,065

hours of support and training provided by MFIs



€12,688

average loan



Testimonial from Cristina (PerMicro MFI customer in Italy)

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“My name is Cristina. I have Romanian roots and come from Hungary. I opened a clothing alterations business but in the future I would like to design my own models and produce my own ready-to-wear collection. Before getting a loan, I worked for another clothing alterations business belonging to a great stylist. PerMicro helped me obtain the money I needed to finalise my work and open my workshop. This stage of my life is very important. A few years ago I had an accident which still causes me serious health problems. This work, which I call “my passion” has helped me to move forward. I devote myself to my work. It anchors me. I have got off to a good start and I hope to keep a very good relationship with my customers. I hope that all of you who have a dream will realise it, as I have done.



Watch the video testimonial

Nearly 100,000 customers have benefited from a microloan from the five partner MFIs. These loans, generally granted to entrepreneurs, amount to an average €12,688 across all partner MFIs. In Europe, a microloan is limited to €25,000.

Microfinance remains a form of local finance, as demonstrated by this final indicator: 542,065 hours of assistance and training were devoted to successfully supporting entrepreneurs and their projects.

Adie (France), microStart (Belgium) and Permico (Italy) continue to be involved in supporting entrepreneurship.

Adie offers its beneficiaries free, long-term support, with the objective of empowering them to manage their business.

The “I become an entrepreneur” training course has also enabled Adie to meet the needs of professionals and beginners seeking training in business creation.

Over the last 10 years of activity, PerMicro has granted €84m in loans to families with an average loan of €5000. It also supports business creation, which represents 54% of the customers it finances. Furthermore, according to the social impact measurement study conducted by the Università Politecnico di Milano, over the same period 33% of entrepreneurs who received a microloan had access to traditional financing following the financing and support received from PerMicro.

Finally, 41% of its customers who said they faced a “serious material crisis” confirmed that this was no longer the case following their microloan.



DISCUSSION WITH DIRK DEWITTE, CEO AND BOARD MEMBER OF MICROSTART IN BELGIUM.

Founded in Belgium in 2011, microStart is an initiative by Adie, a pioneer in European microfinancing, along with the European Investment Fund and BNP Paribas Fortis.



Dirk Dewitte
CEO and member of
the Board of Directors of microStart

How do you assess your social impact and performance?

The three-yearly study conducted by KPMG measures microStart's impact in three areas: the long-term professional integration of entrepreneurs, the creation of jobs among entrepreneurs and, finally, the sound profitability of this investment for the community.

In particular:

- 70% of people who started their business with the help of microStart were still in business after two years in 2021;
- 1.6 jobs were created or preserved on average per entrepreneur financed in 2021 (0.6 jobs created in addition to that of the entrepreneur);
- €1 invested in the microloan activity supported by microStart brings back €2.53 to the community after two years.

Can you highlight any projects that microStart has undertaken that make you proud?

Not everything is measurable and I would like to emphasise that we shouldn't underestimate the human impact behind our activity. Launching their business allows our customers to more easily integrate into society and to feel respected. Although not measured, that impact is significant.

We also want to increase our environmental impact. Our employees use public transport or alternative transport as much as possible, our customers renovate nearby neighbourhoods, boosting local trade, reducing travel and shortening the production chain. Finally, to take it even further, we have created a working group to reflect on new actions in terms of the environment.

To help entrepreneurs withstand the Covid-19 crisis, we have launched a recovery plan by setting up a €1.2m fund to finance the unsecured loans system, while adapting the free support services.



Social Performance in the United States: How does Grameen America assess its impact?

Grameen America's main goal is to reduce poverty through the provision of loans, financial education and beneficiary support. In March 2022, after 36 months of assessment, the Grameen America programme released its impact report entitled "Pathways to Financial Resilience"* to determine the impact of the Grameen model on borrowers. The results obtained show that the reduction in material difficulties (related to the payment of debts and bills) is significant, thanks to the increase in saving capacity, access to credit and social support.

40% of women in the Grameen America group alone reported experiencing material difficulties, compared with 47% of women in the control group. In addition, their ability to meet day-to-day

financial obligations has boosted their self-esteem.

Many other results in this report demonstrate the positive impact Grameen America has had on its customers, particularly including increasing the number of micro-businesses and their long-term ownership. Indeed, 87% of women in the Grameen America group owned a business three years after the start of the study, compared with 75% of women in the control group.

Finally, the report notes an increase of \$127 in the micro-entrepreneurs' net monthly income.

** Study conducted by Manpower Demonstration Research Corporation (MDRC)*



Testimonial from Matilde (Grameen America MFI customer)

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Hello. My name is Matilde and I'm Mexican. I came to the United States because it is a land of opportunities. Here we make quesadillas, picaritas, gorditas and cakes. My income has increased by 80% as a result of the Grameen loans. My situation has improved because before I took out loans with people who lent me \$1,000 and charged me \$100 per week in interest. Those loans made me sick. I have five children. My greatest dream would be to be able to help them so that they could each open a "Doña Maty" quesadilla restaurant. My group was small but has now grown. All the women have repaid their loan. There were no defaults.



Watch the video testimonial



We would like to thank the MFI partners which received BNP Paribas financing in 2021 and participated in this social performance study:

ADIE, Annapurna, Arrawaj Foundation, Banco Da Familia, CEP, Credit Access Grameen, Grameen America, Komida, MBK Ventura, Microcred Nanchong, Microcred Sichuan, Microlux, microStart, PerMicro, Qredits Microfinance, SEF, Thanh Hoa and TYM.

We would also like to thank European Microfinance Network (EMN) and European Microfinance Platform (e-MFP) for the trust they have placed in us.

Editorial committee: Afi Affoya, Claudia Belli, Sara Davo Boza, Maha Keramane, Alain Lévy, Maria Ruiz Melgarejo, Farida Yahiaoui



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