Enclude
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Beyond Inclusion

A Strategic Approach to Investing in Financial Capability

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Executive Summary

Impact investors, specifically those with a financial inclusion focus, are increasingly seeking to ensure that their investments generate sufficient risk adjusted returns on capital, while also leading to a significant and measurable improvement in the livelihoods of poor consumers. Financial capability represents a focus on the poor consumer herself – how has her ability to navigate her financial circumstances been improved such that she is better off? In this report we explore the question of how engagement in financial capability presents an opportunity for financial inclusion impact investors, both to strengthen the performance of their existing investments and to expand their investment scope.

This report presents our findings from interviews with over 20 leading impact investors and related desk research on how current investment practices can help to improve livelihoods of poor consumers – the desired outcome – through a focus on financial capability. The report also incorporates views from businesses, NGOs and design firms operating financial inclusion and financial capability activities. Company profiles (see Appendix 3) feature real examples of organizations with distinct financial capability attributes, thereby illustrating the potential landscape across which investors could employ a financial capability lens in their investment considerations.

A number of social entrepreneurs and business innovators have leveraged technology and insights into consumer behavior to inform product design, and have launched financial capability solutions through partnerships and embedded models. Some established organizations that have incorporated financial capability attributes into their business models are achieving scale; for example, Banco Adopem which, as of 2014, had a gross loan portfolio of USD 95.8 million among 197,000 active borrowers, and USD 50.5 million in deposits among 310,000 depositors, saw a 40% improvement in loan performance after offering training to delinquent borrowers. Yet, among 'pure play' financial capability business models, we find few that have achieved scale. Some impact investors will still have to be convinced of the potential for or achievement of scale in financial capability business models. However, perhaps more influential in rallying impact investors behind the quest for financial capability is the need to globally share lessons from these models in a way that demonstrates positive results. In fact, financially healthy customers can actually create a cyclical symbiosis of positive impact and improved financial returns, as they more consistently use products, thereby also improving their lifetime value to the financial service provider.

The term "financial capability" is not broadly understood, with varying interpretations among investors, investees, and other industry stakeholders. Even when a common definition can be agreed upon, financial capability lacks the binary simplicity of the measures of financial access and usage, which may make impact investors reluctant to promote financial capability investments. While levels of financial capability can be presumed by objective and relatively easily measured outputs, such as changes in the number of accounts, changes in levels of account balances, or increases in account usage, these must be qualified and contextualized to reach a true understanding of the impact of financial capability-focused products. Increased take-up of credit might be a sign of financial capability, but might also signal over-

borrowing and over-indebtedness. Increased inbound person-to-person cash transfer activity might indicate financial capability, but also might indicate consistent cash deficits and ineffective savings behavior. Increased outbound person-to-person transfer activity might indicate financial capability, but also might indicate household stress. In short, financial capability can be determined at the output level, but only in the context of ensuring that the appropriate product and service attributes are in place and followed by the target consumer. Perhaps more significantly, financial capability must be measured over time. A consumer's snapshot decision of whether and how to utilize a financial product or service does not demonstrate financial capability; rather, it is the consumer's behavior over time in handling various financial challenges, strains and choices that tells us whether the consumer has become more financially capable. A common definition of financial capability must incorporate the context of products, services, trainings and tools and a statement of desired outcomes.

In addition, the behavioral change indicated by changes in observable output metrics, such as account balances, account openings, and less account dormancy can change over time. In turn, questions arise about the sustainability of using such high-level outcome indicators to infer impacts expected at the household level. As discussed in the report, financial capability-related output metrics are being juxtaposed to deeper impact assessment measurements, and therefore given credibility and quantitative integrity. Nonetheless, this does raise the cost and complexity for a potential investor to confidently declare when the social impact objective of financial capability has been achieved, especially given the notion that the “financial health” of a person can change from day to day.

To date, a perception lingers that there are real challenges in squaring the deep impact that financial capability implies with financial returns. There are a limited number of financial capability models in a position to seek capital. Even if models generate a reasonable level of social impact, they have not proven their sustainability either as standalone business models or as value-adding components of broader client strategies. For example, Enclude has evaluated the emerging interest in youth finance, which typically has a heavy financial education/capability component. However, the business case for investing in this sector has not been made, largely because the financial or social returns from these strategies have not been sufficiently measured or proven.

While it is difficult to ask investors to coalesce around early stage prospects, Enclude has identified nine recommendations for investors and stakeholders to consider as a means to encourage more financial capability-related investments:

1. Promote a common definition of financial capability
2. Address how to efficiently collect and report financial capability metrics, as well as determine what those metrics should be in order for investors to incorporate financial capability metrics into social impact investment theses, and for operators to assess the effectiveness of their products and services
3. Highlight, promote, and more broadly introduce embedded models of financial capability that offer a practical beginning of a pathway to encouraging more investors to consider financial capability in their investment portfolios
4. Promote knowledge-exchange platforms

5. Leverage the buzz around FinTechs to crowd in more investors from the impact and commercial worlds
6. Support the kinds of qualitative, longitudinal, detailed research required to prove or at least give credibility to claims of achieving financial capability and the tangible benefits of achieving financial capability
7. Design for customer-centricity, linking financial capability research to the primacy of client-centricity
8. Fund incubator, accelerator or challenge grant platforms to focus resources on promoting financial capability offerings of all types
9. Advocate for financial sector infrastructure that encourages financial capability.

I. Introduction

What is financial capability?

The Accion Center for Financial Inclusion defines financial capability as the "…combination of knowledge, skills, attitudes and behaviors needed to make sound financial decisions that support one's well-being."[1] Financial capability is a more evolved and comprehensive concept than financial literacy, which largely focuses on the provision of information about financial products and how to use them. Rather, financial capability goes beyond inclusion and beyond usage. It is about long-term empowerment of the financial services consumer. Without adequate financial capability some consumers are not able to effectively use financial products that could help them. At the other end of the spectrum, consumers lacking financial capability are more susceptible to predatory tactics or unscrupulous providers.

TABLE 1: Characteristics of Financial Capability

Characteristics of Financial Capability	I. Promotes the effective management of personal finances II. Enables consumers to handle emergency issues III. Helps consumers establish plans to achieve long-term financial goals IV. Results in a confident consumer with a long term outlook that allows them to adapt to life changing circumstances

The definition of financial inclusion has expanded from basic criteria like access to a bank account and credit, or the usage of transfer and savings services. Over the past few years, impact investors and other key stakeholders have also wanted to see usage of financial products become a standard goal by which to measure the impact of financial services. Still, the best and real desired outcome for emerging consumers at the base of the pyramid is financial health, not inclusion or usage. Financial products and services that offer a means to sustainably improve livelihoods by changing behaviors fall in the emerging domain of financial capability – a relatively new focus within the broad spectrum of financial inclusion, which can ultimately lead to financial health.

Impact investors have not universally adopted financial capability as an impact thesis for their portfolios, nor do they currently agree on metrics to measure if someone is financially capable or financially healthy. Most define impact using explicit or implicit outputs derived from the binary and unconditional metrics of financial services access and usage, such as change in the number of accounts or change in the number of active accounts. Further, many impact investors still infer client-level impact from institution-level performance. For example, they infer that a financial institution achieving scale in the number of clients and the dispersion of their client base must offer a product that poor consumers value and, in turn, from which they gain benefit. This paper explores whether a well-defined investment thesis specifically written to evaluate the level of financial capability focus in businesses can be used to

[1] "Roadmap to Financial Inclusion – Financial Capability", Accion Center for Financial Inclusion, September 2013.

motivate investors to decide among different models of impact within the universe of financial inclusion investment opportunities.

Why should investors consider financial capability?

Financial capability should align well with existing theories of change and investment mandates. It encompasses and requires the set of institutional, client, and market behaviors that defines the impact that most investors seek. At the institutional level, driving financial capability demands responsible, fair, transparent behavior from financial service providers, and an embrace of customer-centric product and service design and delivery. At the client level, achievement of financial capability would mean improvement in livelihoods at the enterprise and household levels—elements that the traditional microfinance world has been accused of not achieving through its traditional focus on access and usage. At the market level, financial capability denotes and connotes an environment in which clients have open access to multiple choices of diversified financial services providers and products; that rules of good market conduct are in place and enforced; and that the agency of consumers is protected and encouraged. The attraction of financial capability to investors should be this unifying robustness—that is, that the various components of impact that most investors seek reside within this one objective.

We see few examples of financial service delivery that go beyond "inclusion," in part because social impact investors have not coalesced around a common definition and understanding of the concept. Better collaboration among investors could address this deficiency and may help to push the frontier beyond "inclusion" to the propagation and scaling of financial service delivery models that will result in sustained household empowerment by:

1. Enhancing, sharing, and understanding successful models
2. Bringing more financial resources to promising, but nascent, models
3. Diversifying funding structures, terms, and conditions to suit the uncertain investment returns characteristic of early stage and more loosely defined investment targets
4. Building a broader and more diverse array of advocates for successful models
5. Creating a "community of practice" that can consistently review, refine and develop more effective models

II. Methodology

The JPMorgan Chase Foundation engaged Enclude to evaluate how impact investors can collaborate to develop the financial capability of 'bottom of the pyramid' (BoP) consumers in developing markets, by supporting scalable business models. Our research methodology involved semi-structured interviews with investors and accompanying desk research to understand investors' approaches to investing in and otherwise supporting enterprises, business models, and other initiatives related to financial capability development. To provide insight into how investors view the nascent financial capability sector, Enclude asked how investors currently invest in such models, how they measure success, and whether they intend to increase their allocations to investments having a financial capability focus. We targeted impact investors with an interest or inclination to make early stage investments and with some previous exposure to the subject matter – and thus, the group of investors approached should not be seen as a representative sample of the impact investor universe (see Appendix 1 for a summary of the outreach completed).

Many initial interviewees expressed the desire to hear from new voices with different perspectives, including behavioral scientists, entrepreneurs, banks, and others from outside of the impact community. A follow-on round of interviews and desk research was conducted to assemble insights from others engaged in the financial capability and impact space. Such conversations largely focused on metrics and approaches to measurement of impact, financial capability product design, development, and implementation, and funding needs.

III. Primary Findings

Interviewees interested in promoting financial inclusion found financial capability to be a concept that is in line with their impact goals, even if they did not use the term itself. However, none of those interviewed considered it an explicit investment target, though some are in the very early stages of doing so. Interviewees noted the roadblocks faced to achieving financial capability in many emerging markets, including infrastructure limitations, inappropriate or inadequate regulation, underdeveloped impact measurement tools, and relatively few proven business models.

We identified three main models for delivery of financial capability-focused products and services: delivery as an entity's primary offering, or “standalone”; delivery embedded into the normal workings of a financial institution, or “embedded”; and delivery by an NGO affiliated with a financial institution, or “partnership”. Many of the enterprises providing financial capability as a standalone (pure play) offering had relatively limited track records and in many cases, investors had only recently provided investment capital. Several interviewees referred to the same few businesses as examples of enterprises with standalone financial capability offerings, like Juntos and CreditMantri[2], suggesting a limited universe of businesses of this kind. Investors also pointed to a number of enterprises where the financial capability offerings were embedded in the enterprises’ business model. Embedded models were typically viewed as “good business,” but investors noted a difficulty in separating the impact of the financial capability-focused offering from that of appropriate financial products. Most enterprises with an embedded financial capability-focused model saw the financial capability offerings as marketing or a way to foster customer loyalty and retention. Some investors expressed that, in lieu of lengthy track-records, additional research to help prove the business case for a financial capability-focused model is necessary.

A core group of investors expressed the desire to provide support to incubators already operational, with a stated purpose to support the development of promising models or the transfer of business concepts (most did not believe that formation of another incubator or accelerator was the best way in which they could work to strengthen the market of financial capability-focused businesses). As an

[2] Believing in the power of behavior change and user-centric design, Juntos's mission is to design tools that empower users to save and build confidence in their financial lives (http://juntosglobal.com/). CreditMantri offers technology that analyses a person's credit history and helps them understand their credit worthiness (https://www.creditmantri.com/).

example, Innovations for Poverty Action (IPA) tests and evaluates innovative product designs and product-linked financial education interventions that aim to improve the ability of the poor to make informed, welfare-enhancing financial decisions. IPA's Financial Capability Initiative supports small-scale pilots to develop new products and programs. LeapFrog Labs has also taken an approach to incubation by providing grant capital that allows investees to experiment with technology and innovative product designs, without having to worry as much about the initial financial downside.

For those investors listening for new voices with different perspectives, initiatives to bring diverse voices together can lead to collaboration among stakeholders, but can also serve as a platform to provide practical feedback to businesses. For example, Feedback Labs, a convener of socially-oriented organizations based in Washington, DC, runs sessions called LabStorms in which a group of stakeholders from designers to funders spend an hour and a half providing feedback to an individual entrepreneur on their business model. Similar initiatives adopted by incubators or communities of practice could reduce the search costs financial capability-focused entrepreneurs accrue when determining the most appropriate tools, platforms and practices needed to meet the needs of product users.

Business Models Targeting Financial Capability

Figure 2 below provides a framework for the universe of financial capability models that we encountered in our discussions with investors.

TABLE 2: Financial Capability Model Examples

Models	Standalone	Embedded	Partnership
Investor Perspective	• Few examples of success • Limited track record as most investments in such businesses are quite recent	• Considered viable businesses • May argue 'financial capability' is just marketing and customer retention	• Encourage institutions to partner with financial literacy programs but do not necessarily want to fund the programs
Examples	• Azimo • eMoneyPool • HelloWallet • Juntos • Mint • NerdWallet	• Banco Adopem • Oportun • PayPerks • Southern Bancorp	• Swadahar Fin Access • Ujjivan • XacBank • 17 Triggers

Based on initial investor conversations, financial capability-focused products and services appear to be delivered via the following three business models:

- **Standalone:** Some entities' primary offering is financial capability. This represents a "pure play" financial capability investment opportunity. Typically, these enterprises are compensated by financial institutions on an arms' length commercial basis, based upon the ability of their solutions to improve the financial institutions' client engagement, loyalty, take-up of products, or other behaviors that benefit both the institutions and the clients.

- **Embedded:** Financial capability offerings can be embedded in the business model of financial institutions, whereby the institution invests in training its own sales force or staff to provide the offering to its customers. The offering could occur at the point or time of sale or could be delivered via periodic engagements, such as training or seminar offerings to customers. Institutions sometimes describe these activities as "marketing" and view the offering as a means for competitive differentiation, to build customer loyalty or drive customer behavior that increases loan repayments or deposits.

- **Partnership:** Financial institutions may realize the benefit of financial capability offerings but not have the capacity to provide these offerings sustainably in house. Such institutions instead may choose to partner with non-profit organizations to ensure that their customers have access to the financial capability offerings.

Financial capability offerings span the standard suite of financial products and services: credit, savings, transfers, and insurance. A series of product and service attributes attached to these basic products may contribute to the improved financial capability of the consumer. A focus on financial capability could be embedded in the customer acquisition and customer service approach of the financial institution. It could appear in the shape of training, coaching, counseling, or mentorship delivered via virtual or physical channels. It can arise at the client interface with a financial institution and a third party financial sector entity, such as a credit bureau.

Products and Services with Financial Capability Attributes

Financial capability product offerings and business models often incorporate ethnographic research, behavioral economics, and other disciplines that assist financial institutions to better understand and influence the thinking, needs, and wants of consumers. This diversity creates both risk and opportunity for crowding in impact investors around the goal of financial capability. The risk arises from different interpretations of financial capability, which reduce the advantage of focused study, advocacy, action, and knowledge generation. The opportunity lies in the potential for financial capability investments to suit a variety of impact investor preferred investment sizes, risk profiles, pricing, terms, and structures.

Impact investors can and do contribute to financial capability, sometimes when not explicitly seeking to do so. Many of the investors to whom we spoke are already deploying capital to businesses that deliver financial capability benefits, often under the guise of financial inclusion. Table 3 below highlights the fact that financial capability arises from a series of product features, terms and conditions, as well as provider behaviors that encourage or discourage behavioral change to varying degrees.

TABLE 3: Product Attributes and Financial Capability Characteristics

Tool/Offering	Description	Result	Characteristics of Financial Capability			
			Healthy Fin Mgmt.	Handle Emergencies	LT Planning	Adaptable LT Outlook
Financial Product Design						
Group savings products	Members borrow and save together as a community	Encourages discipline and accountability	◑	◑	◑	◑
Microinsurance	Life and health premiums & claims paid through mobile MNOs	Encourages risk management and long-term planning	●	●	●	●
Microloans	Medium term loans with annual rates that often exceed 25%	Provides access, but not necessarily sustainability	○	◑	◑	◑
Payday lending	Short-term loans often at usurious interest rates	Limits ability to build financial health	○	◑	○	○
Rent to own purchases	Allows consumers to finance desired products	Can encourage consumers to buy unaffordable items	○	○	○	○
Rewards and incentives	Terms offer participants rewards for healthy financial behavior	Incentives to increase savings and improve credit scores are embedded	●	◑	●	●
Interactive Financial Management						
Budgeting through social platforms	Goal setting related to spending and savings carried out on a social platform	Applies social pressure to meet financial goals	●	◑	◑	◑
Personalized nudges/reminders	Reminders and alerts through text messages	Decreases overdue payments, encourages savings	◑	◑	○	○
Knowledge Sources						
Comparison tools	Assessment of financial products in an unbiased manner	Increases knowledge and discernment of product options	●	○	●	◑
Gamification/Telenovelas	Engages users in interactive learning through games and videos	Encourages experiential learning	●	○	●	○
Product Evaluation						
Feedback channels	Platform for consumer complaints and feedback	Encourages communication with providers; May lead to development of better products	○	○	◑	◑

Tool/Offering	Description	Result	Characteristics of Financial Capability			
			Healthy Fin Mgmt.	Handle Emergencies	LT Planning	Adaptable LT Outlook
Mobile Surveys	Targeted questions related to product use and impact	Allows users to influence iteration of products	○	○	◐	◐
Training and Mentorship						
Financial Education at point of sale and mentorship beyond	Instruction on how to integrate product use into everyday life	Encourages intended, responsible use of products	◐	○	◐	○
Training to mobile money agents	Instruction on how to integrate tech. and interact with clients	Promotes constructive agent-client interactions	◐	○	◐	◐

Legend:

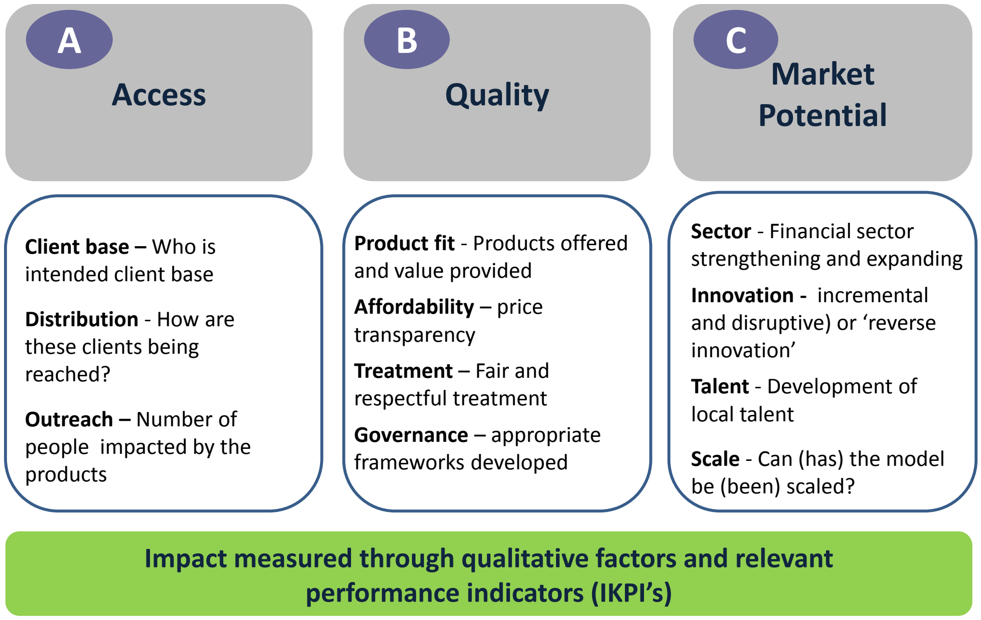
● Strong FC ◐ Moderate FC ○ Low FC

IV. Investment Screening Framework

The definition of "financial capability" and financial health remains unsettled. There is not yet an established set of expectations related to financial capability against which the fit of prospective investments can be assessed. Nevertheless, there are initiatives toward this end that can aid investors as they scan the providers of finance-related products and services for models that demonstrate both a financial capability-focus and the potential for financial success. This report works toward an evaluation framework to help screen for financial capability components in businesses in order to identify new investments in the nascent sector. The Financial Services Impact Measurement Framework developed by Apis Partners (Apis) and Accion Frontier Investments Group (Accion) is used as a starting point.

Apis and Accion have developed a Financial Services Impact Measurement Framework shown in Figure 1 below that establishes qualitative and quantitative impact measures at both the company and sector levels in three areas: (1) Access; (2) Quality; and (3) Markets. While the Apis/Accion framework makes clear that its suggested Key Performance Indicators (KPIs) are neither exhaustive nor exclusive, several stand out as relevant to measuring financial capability across the three areas. In general, better performance around the components of Access, Quality and Markets should connote the prospects for achieving not only the more traditional aspects of impact, but also financial capability goals.

FIGURE 1: Financial Capability Evaluation Framework



Source: Apis Partners and Accion's Financial Services Impact measurement Framework Q32015

Access to financial products

The components of access—Client base, Distribution and Outreach—look at whether a company is reaching an underserved client base, if there are convenient and accessible channels by which these clients are being reached, and the extent of the product reach.

Client Base & Outreach: By definition, impact investors with financial inclusion portfolios focus on making investments that positively impact the lives of poor and underserved populations. In the context of financial capability, the focus on individual client behavioral change and long-term livelihood improvement leaves a wide berth in which to consider consumers that might benefit from a financial capability-focused intervention. In any case, the Client Base component of the Apis/Accion framework encourages investors to asses if potential investees are actually reaching intended populations and to what extent. For example, are new clients of a specific gender or geographic population? Are businesses reaching those living in rural areas or at the bottom of the pyramid? Are they repeat or one-time customers?

Distribution: Many financial capability-focused businesses are working to improve channels of delivery and communication to clients. When evaluating the distribution approach of an enterprise, investors should consider whether an enterprise makes accessing products and services convenient for the end-users. Behavioral research around financial capability has indicated that follow-through on financial commitments can improve when products are paired with mentorship and reminders. It should then follow that a company with more touch-points and means of communication with clients will be more effective at providing a convenient way for users to access products and communicate concerns. Therefore, a potential KPI to indicate whether a distribution model is disposed to meeting the financial capability needs of customers could be the number of touch-points deployed by location and channel as suggested in the Apis/Accion framework.

Quality of products

Indicators of the quality of financial products and services are integral to a framework that evaluates the financial capability focus of a potential investee. This includes looking at whether products are tailored to the needs of users, how clients are benefiting from products, and if there is an established mechanism for complaints resolution.

Product fit and Treatment: Of the KPIs suggested by Apis/Accion, one of the most applicable to the field of financial capability is a ‘qualitative account of product value’. This is representative of the deeper and more nuanced measures of changes in behaviors that investors, investees and other stakeholders seek. Such measures do not always lend themselves to simple or quick measurement that could easily derive from a financial institution’s normal management information system, processes and reporting. That being said, the quality of an enterprise’s offering can be inferred from two features investors should pay attention to when evaluating the financial capability focus of business models: 1) Was the product designed around the needs of the end-user, i.e., was the design process human-centric?; and 2) Does the business have an ongoing dialogue with the end-users from which they can gather feedback to improve products? The second question lends itself to two other KPIs suggested by Apis/Accion—the complaints ratio and processing times—which may be indicative of the level of satisfaction consumers have with the product they are using as well as the extent to which enterprises respond to the needs of their clients.

Likewise, LeapFrog, a “Profit with Purpose” investor in insurance products includes indicators related to complaints and claims processing time in its in-house impact assessment framework, Financial, Impact, Innovation and Risk Management (FIIRM) to reflect customer satisfaction and company efficiency, respectively. LeapFrog also tracks the renewal ratio and retention as a gauge of the value of the product to the consumer. The Impact Reporting and Investment Standards (IRIS), the well-known taxonomy of impact metrics managed by the Global Impact Investing Network (GIIN), has aligned its microinsurance metrics to match those of FIIRM. Furthermore, the LeapFrog sales team operates under a code of conduct, has scheduled training updates, and avoids jargon in documentation in order to be more accessible to clients.

Management and Governance: As impact investors seek to balance the dual purpose of driving financial capability through behavioral change while generating positive financial returns, it is critical that this balanced view is aligned with the investee’s management team. This alignment becomes particularly important over time when decisions arise that put the financial and impact goals in contrast with one another. Evaluating management’s commitment to impact and the key business objectives is important. As suggested by the Apis/Accion framework, investors should also look at the governance context in which a company operates and assess if management is receiving unbiased external guidance.

Usage and Affordability: While financial capability metrics should look beyond usage, the regularity and frequency with which products are used can serve as a proxy for customer satisfaction. It is nevertheless important to note that it is possible for customers to be using products but in an unintended, undesirable way. This goes back to why product design is so important. If products are designed with the end-user in mind, the likelihood that a product will be used appropriately is higher. Affordability in this instance is a function of product design i.e. products must be designed in such a way that allows for clients of little means to pay for them. Similarly, pricing must be transparent so that poor users often with low-levels of literacy do not get caught up in fees and predatory rates that they were not anticipating. The notion that listening to the client is central to assuring usage was reinforced by Equity Bank CEO James Mwangi who on a November 2015 panel[3] about the business case for client centricity said, "There was no other way to change the organization than to ask consumers why they abandoned their accounts".

Smart Campaign targets reinforce this approach to measuring the quality of financial products. The Campaign sets forth seven areas of financial services provider behaviors associated with consumer protection: (i) Appropriate product design and delivery; (ii) Prevention of over-indebtedness; (iii) Transparency; (iv) Responsible pricing; (v) Fair and respectful treatment of clients; (vi) Privacy of client data; and (vii) Mechanisms for complaint resolution. (See Appendix 3 for details.) Although supply-side focused, all of these behaviors incorporate elements that contribute to financial capability. As such, a prospective investment that scores well in relationship to Smart Campaign goals should have good prospects for fitting into a financial capability-focused portfolio.

Market Potential

According to the Apis/Accion framework, Market Potential should be considered along the lines of the potential for an investee to deepen or strengthen the financial sector, foster innovation, and develop local talent. Potential to scale is another important consideration.

Sector and Talent: The promise of the success of institutions that embed financial capability offerings into their business models lies in the fact that such offerings have the potential to strengthen the existing financial inclusion sector. An indication of financial sector deepening suggested by Apis/Accion includes new capital attracted to the market. The ability of financial capability-focused businesses to attract new capital seems possible given the demand for products and services that help financial institutions improve their interactions with customers, as well as the behaviors of end-users. An example of the demand for these sorts of products and services are the unsolicited requests Moneythink received from a variety of institutions for both the use of its financial capability-focused tool and its interactive financial education courses. Though the non-profit that runs financial education and social platforms for youth does not intend to market its tools in a profit-seeking manner, Moneythink reported a stream of revenue coming in through licensing their product to Universities.

[3] The MasterCard Foundation Symposium on Financial Inclusion: Clients at the Center, Cape Town, South Africa, November, 2015.

Buy-in from client-facing entities to adopt models that embed components of financial capability is also critical for the success of standalone financial capability-focused businesses that can market their products to such entities. Overall, initiatives to build the talent and diversity both of providers and consumers of financial products seem to be desirable.

Innovation: Despite its nascence as an investment thesis, there is a lot of excitement around the tools, technologies and human-centered design that goes along with financial capability activities. KPIs related to innovation include the number of new products in the market, as well as the number of complimentary innovations. New financial products are constantly being designed and re-designed based on user feedback, while innovations around mobile delivery channels and data collection are complimentary to the aims of financial capability providers to better understand their customers. The buzz around FinTechs in particular is encouraging to entrepreneurs focusing on financial capability. Receptivity to such innovations by mainstream financial services providers is evidenced by the fact that HelloWallet, a company that typically works with employers to provide a platform for managing benefits, has recently branched out to working with banks.

Scale: While impact investors aim to improve livelihoods through their investments, equally important to investors is a business's sustainability and ability to achieve growth objectives across markets – to scale. In speaking to investors that support non-profit models through grant funding, those who invest solely in commercial models, and others that do some of both, all categories of investors indicated that the ability of business models to attract customers and develop a viable and growing revenue stream is paramount. Without these elements, the ability to deliver desired outcomes to low asset consumers is likely to fail. Several investors discussed the dearth of investment opportunities because, at this point in time, most financial capability models are generally too new to have demonstrated their scalability. While some standalone models have multiple applications, like Juntos or MicroEnsure, and could generate substantial numbers of positively affected consumers across a multitude of organizations in many countries, these companies have not yet proven that they are sustainable as standalone companies.

V. Measuring and Tracking Quality of Impact

All those interviewed agreed that understanding and tracking impact is important, but the nature and purpose of this data collection varied. Metrics help investors choose among potential investees, and help entrepreneurs and non-profits adapt products, services, and business models to their consumer base and market. They allow researchers to isolate the effect of one type of intervention on its recipients, and give designers the freedom to rapidly test and iterate to move an innovation from prototype to product. These diverse purposes are complementary within the impact investing space as a whole, but impact investors must seek to reduce trade-offs for individual entities.

Existing metric frameworks

Investors increasingly want to use impact assessment data to drive value creation at the level of the investee, the investor, and the broader market. Most currently assess the impact of their portfolios against social and environmental goals, though assessments are often very high-level. For example, one of the investors interviewed evaluates existing investments through an internal Environmental/Social/Governance (ESG) Scorecard. They also employ Grameen's Power out of Poverty Index (PPI) to track the evolution of borrower/household wealth over the life of their loans, while regularly tracking portfolio growth and portfolio at risk (PAR) ratios. Another US investor focused on developing markets measures ESG for every potential transaction and tracks the dollar value of technical assistance provided to physicians in their healthcare clinic investment initiative.

Some attempts at standardizing metrics around financial health are notable, though in early stages. IRIS, managed by the GIIN, is a catalogue of performance metrics, including many relevant to financial services. The Center for Financial Services Innovation (CFSI) has developed a menu of financial health indicators that financial institutions can use to understand their effect on their customers' financial well-being by using a combination of surveys and data already in their systems. Both are currently menus, not tools, permitting the metrics to be customized to the entity, but not solving for difficulties in benchmarking or comparing among investees.

Selecting the right metrics, collecting the right data

Several fund managers indicated value in using a certain number of consistent metrics for all companies in a fund (e.g. jobs created or countries of operation) to allow for portfolio-level measurement. Metrics that can apply across regions or sectors, though, are usually by nature higher-level or more generic. This does not necessarily make them less valuable, but it highlights the reason that several investors use some standard metrics across much of the portfolio, and add complementary investment or sector-specific metrics with more detail on individual deal or sector performance. Standardization of metrics across sectors is thought to be important for comparing opportunities.

Nevertheless, because of the conviction that financial, operational, and social performance can be mutually reinforcing, a consensus developed around using the data that a company already collects, rather than prescribing what data to collect, and tightly integrating impact measurement into overall reporting. Investors acknowledged the burden placed on investees due to data collection and reporting, and work to ensure that investees are supportive of and see value in the processes being established.

When selecting metrics for a transaction, many investors take the lead from their investees as to which specific indicators to use and how to go about collecting data. Several investors emphasized that assessment should focus on outputs in the investee's control. In other words, investors can ask their investees to monitor and report the immediate outputs of their work, like the number of borrowers in rural areas, or the number of active accounts, disaggregated by gender. A 2015 article from Acumen and The Office for Creative Research poses the question in its title, "Whose Data Is It Anyway?"[4], suggesting that data collected by enterprises should be information that helps enterprises understand how products or services are impacting the lives of their customers. Such data can be shared upward, but key

[4] Tom Adams and Jer Thorp, "Whose Data is it Anyway", Acumen and The Office for Creative Research, October, 2015.

performance indicators (KPIs) should not be prescribed in a downward fashion. Metrics investors report to be currently tracking include those on portfolio, monthly unique users, session time, and length of time users are customers. Acknowledging how cumbersome the process of data collection, monitoring, and reporting can be, investors have been more wary of committing investees to deliver or measure outcomes and client level impact data, such as changes in behavior, or household level welfare.

Simultaneously, technology-enabled approaches, like mobile surveys, make it possible to collect data at the household level much faster and more cheaply than before. Voto Mobile, a mobile phone survey platform, reports to have used Interactive Voice Recognition (IVR) to conduct household surveys with populations with low literacy for USD 3.8 million versus the USD 380 million previous surveys cost[5]. Mobile IVR surveys conducted in countries like Afghanistan, Ethiopia, and Zimbabwe were one hundred times cheaper and ten times faster. Similarly, Acumen compared the time and money expenditures of conducting a survey of 1,000 participants in 4 weeks for USD 3,000 to the alternative of conducting a randomized controlled trial (RCT) that can cost as much as USD 300,000 and may take years[6]. As tools and methods for data collection emerge, investors and incubators can play an important role in helping businesses navigate which of these tools can best be integrated into their business models.

Some investors posit that they can apply clear measures of financial capability outputs to the extent that they are contextualized and corroborated by more detailed assessments and metrics. For example, RCTs, though sometimes time consuming and expensive as mentioned above, can be used to fill knowledge gaps and influence policy. Some investors derive conclusions regarding effectiveness of models from such studies, and believe more research should be supported. For example, a 2012 study[7] by IPA cited an RCT on Banco Adopem, which found simplified "Rules of Thumb" training delivered in a classroom was more effective than standard classroom-based accounting principles training, to the extent that it led to a proof of behavior change in the 6% - 10% range. Another study[8] compared the impact of financial incentives versus reminders on rates of on-time payments. All three treatment groups saw a 7-9% increase in probability of paying perfectly and the average number of days late decreased by 2. In addition, the SMS treatment was almost costless to implement and achieved the same results as financial incentives. Both studies have contributed to the validation of products that have incorporated "rule of thumb" and incentives features.

Research under this initiative and other similar sources inform the varied approaches to assessing financial capability among some of the investors to whom we spoke, as depicted in the table below. Applying the rubric of the Financial Capability Evaluation Framework, we see an extremely wide variance

[5] Renee Ho, "LabStorm: Can mobile phone surveys be 100 times cheaper and 10 times faster?", Feedback Labs, July 2015.
[6] Sasha Dichter, "Connecting with Voices Unheard: How Technology is Changing the Way We Measure Social Impact", Acumen, October 2015.
[7] Anamitra Deb and Mike Kubzansky, "Bridging the Gap: The Business Case for Financial Capability", Monitor and Citi Foundation, March 2012.
[8] Ximena Cadena and Antoinette Schoar, "Remembering to Pay? Reminders vs. Financial Incentives for Loan Payments", National Bureau of Economic Research, 2011.

in the nature and content of financial capability measurement. We see the use of everything from anecdotal, qualitative approaches to the application of explicit and tailored quantitative measures, from usage of commonly available frameworks such as IRIS to the combination and consideration of detailed impact assessment studies, such as RCTs. This variation reflects the diversity of approaches to financial capability and the multiple ways in which different investors approach the issue.

TABLE 4: Metrics Used to Assess Financial Capability

	Financial Capability Evaluation Framework		
	Access	**Quality**	**Markets**
Investor I: Does not believe in randomized controlled trials (RCTs)	Measures the number of people touched, transaction volume, port volume	Customer treatment, utilization, customer satisfaction and product variety: making sure that if they need an insurance product, they are not using savings	Building inclusive markets encourages competition; Want investments copied because it is better for consumers
Investor II: Anecdotal customer case studies and standard outcomes measurements	Tracks customer retention, new customers, referrals, PAR, default	NA	NA
Investor III: Collects 25 IRIS metrics on an annual basis which are relayed to its LPs	Tracks number of clients touched by its portfolio companies	Assesses client training offerings	Scorecard to evaluate board composition or portfolio companies for long term
Investor IV: Uses both Financial, Impact, Innovation and Risk Management (FIIRM) and IRIS	Tracks both financial and social outcomes	Tracks renewal ratios to reflect customer value, retention and claim ratios to determine whether customer understands product benefits; Tracks product quality and internal sales process	NA
Investor V: Not actively tracking financial capability using metrics	Measures gender stats across the portfolio	NA	Seeks to assess innovation: a new partnership or technology that an MFI is evaluating to increase impact in its market
Investor VI: Provided an example from its portfolio	Evaluates income bands, distribution by quintiles of customers	Short-term value: Does this product offering cost savings versus the alternative? Is this 10x cheaper than the other product considering cost, convenience, and savings?	Long-term value: If customers were to use it for a year, are they any better of aside from saving a few dollars? Do they have increased credit or increased assets?
Investor VII: Collects quite a bit of data	Measures poverty level of client to make sure they are targeting the right population; Tracks number of trainings	Measure the impact of training: improvement in savings and budget management	Are they profitable? Likelihood of expansion in terms of geographic coverage (are providers going to areas we had hoped they would go)?
Investor VIII: Largely tracks on a portfolio basis	Monthly unique users; Session time	Length of time users are customers	Has the innovation expanded product offerings in the vertical? Geography?

VI. Conclusions and Recommendations

The notion that impact investors can collaborate to promote financial capability contained a previously unexpressed assumption, which has not materialized. Few financial capability business models have proven their sustainability, and it is difficult to ask investors to coalesce around early stage prospects, except perhaps the few early adopters. In addition, the unsettled definition of financial capability and the lack of common knowledge as to what it is or how to measure it create challenges in establishing an investment objective around which impact investors can rally.

In closing, we return to the initial challenge: how might collaboration among impact investors promote financial capability? In order to reach a pathway that accelerates the viability of financial capability offerings and allows investors to deploy capital to support financial capability interventions, investors need to align the elements of financial capability with their existing practices for financial inclusion investments. While financial capability is a generally desirable and increasingly (albeit insufficiently) understood concept, it lacks the specificity of common definition and measurement to justify a specific investment focus or thesis. The nascent and somewhat amorphous state of the financial capability investee landscape dampens investor interest, especially as compared to the longer-established markets of microfinance and financial inclusion, where access and usage have been established as credible and common measures of social impact. In the financial health realm, access and usage are not enough. Data on product fit and changes in livelihoods need to be collected at the end-user level.

Impact investors, research institutions, and others who would see sustainable, scalable business models improving the financial capability of BoP consumers can contribute in nine ways:

1. **Promote a common definition of financial capability:** Given the insufficient (albeit increasing) understanding of financial capability and its place as it relates to financial inclusion and financial health, it will be important to reach a common definition of financial capability with clear articulation of its relevance in the context of products, services, trainings and tools. The sector will further be served by a statement of desired outcomes from effective financial capability, and the accepted definition will serve as the ground-work for common measures of social impact.

2. **Standardize data collection and reporting:** Industry aligned entities, such as IRIS, LeapFrog, Apis Partners and Accion Frontier Investments Group are well positioned to shepherd a conversation about expanding and deepening the substance of and approach to social impact metrics and measurement, including incorporation of measures of financial capability. This conversation must address the very difficult questions around how to efficiently collect and report financial capability metrics, as well as determine what those metrics should be. These efforts should yield an increase in the amount of capital invested in financial capability, by refining the investment methodologies used to evaluate potential transactions and assess impact. It would seem reasonable to expect that metrics of financial capability can become part of, if not the centerpiece of, social impact investment theses.

3. **Promote embedded models:** Standalone and partnership models have attracted little attention, but there are early signs of traction in investing in embedded models. In addition, as indicated in several of our investor interviews, even when not explicitly seeking financial capability attributes, investors upon reflection do recognize the elements and benefits of financial capability in their existing investments. They also recognize that even if they are not ready or willing to declare financial capability as an explicit investment objective, the embedded features of an investee's business model or product and service offering that might yield positive financial capability outcomes also contribute to a stronger business and investment proposition. As such, highlighting, promoting, and more broadly introducing embedded models of financial capability offers a practical beginning of a pathway to encouraging more investors to consider financial capability in their investment portfolios.

4. **Promote design and knowledge-exchange platforms:** To the extent that standalone models prove both their financial return capabilities and social impact results, they will eventually move from the relatively sparse landscape of early stage investment prospects. Promoting financial capability among impact investors will require a robust and honest knowledge sharing effort. Pure play models are too few and too nascent to draw substantial attention or to substantiate a strong investment proposition. However, over time (and at a quickening pace) we expect there will be more players and more successes and failures from which investors and others can learn, and organizations such as Feedback Labs are already facilitating knowledge sharing in this arena.

5. **Support FinTech:** Arguably, many of the pure play companies are FinTechs, or at least look a lot like FinTechs. According to the SME Finance Forum, global investment in FinTech companies has increased from USD 1 billion in 2008 to an estimated USD 6 billion in 2014. "Data is the single biggest problem, and the single biggest opportunity in SME finance. FinTech companies and other innovators turn data from a liability into an asset, massively reducing the costs of acquiring and serving SME business," says Matt Gamser, CEO of the SME Finance Forum. To the extent that pure play financial capability solution providers can positively leverage the buzz around FinTechs, we expect that more investors from the impact and commercial worlds will explicitly seek out investments in financial capability-focused companies.

6. **Support research:** For the impact investing community to promote financial capability, grant funding will be necessary to support the kinds of qualitative, longitudinal, detailed research projects required to prove or at least give credibility to claims of achieving financial capability. Such research also should point to the product, service, and business model approaches that seem better or worse at achieving various financial capability outcomes. As we have seen in this study, not all products and services and their features deliver all elements of financial capability in equal measure. More detailed empirical research and evidence will have to emerge before impact investors can have enough confidence to determine that there is a match between what they think they are investing in and what they are actually most likely to achieve, in respect of social impact. There is wide scope to publish and co-publish research notes that increase

awareness of financial capability offerings, and provide examples of viable business models that validate the benefits of providing financial capability.

7. **Design for customer centricity:** Linked to the growing focus on customer-centricity, championed by CGAP, the Smart Campaign, and other leading organizations in financial inclusion, financial capability represents an important research topic and practical way to ensure consistent primacy of client-centricity. In addition to research, support is needed for firms that play a role in designing iterations of behaviorally-informed products and programs, while entrepreneurs need to be connected to resources that will help them integrate policies and tools to support client-centric practices into their business models. New technology-enabled forms of collecting client data and feedback offer a promising means by which product and service providers can assess whether they are meeting the needs of their clients, and improve offerings based on feedback.

8. **Promote incubators and accelerators:** In addition, in light of the early stage of most potential financial capability businesses, especially standalone models, there is a credible argument for the establishment of incubator, accelerator, or challenge grant platforms to focus resources on promoting financial capability offerings of all types. Funding could be used mainly for start-ups, but also for incumbent enterprises that put forth a credible case for scalability.

9. **Support the ecosystem:** Any effort to promote financial capability must also encompass credit bureau conduct, which can be an important aspect of whether and how consumers achieve financial capability. South Africa's National Credit Act (2000, as amended) explicitly included rules and regulations relating to the manner in which credit bureaus could collect, manage, store, share, report, and use client data; and also put in place explicit guidelines governing consumer rights and the interface between consumers and credit bureaus. While the investment opportunities are less obvious for infrastructure relevant to financial capability, impact investors certainly could comprise an important group of stakeholders who could advocate for financial sector infrastructure that encourages financial capability.

Appendix 1: List of Interviewees

Organization	Name
Investors	
Accion Venture Lab	Paul Breloff and Vikas Raj
Calvert Foundation	Jennifer Pryce
CORE Innovation Capital	Arjan Schutte
Elevar	Maya Chorengel
European Investment Fund	Uli Grabenwarter
Grameen Foundation	Camilla Nestor
IGNIA	Mariana Mazon
Khosla Impact	Mark Straub
LeapFrog	Sam Duncan
The MasterCard Foundation	Ann Miles
MicroVest	Candace Smith and Thomas Hofer
Oikocredit	Alex Remy
Omidyar Network	Arjuna Costa
OPIC	Dia Martin
Quona Capital	Monica Brand
USAID	Kay McGowan
World Bank	Drew von Glahn
Research, Design and Thought Leadership Firms	
Accion Center for Financial Inclusion	Deborah Drake, Shaheen Hasan, Julia Arnold
Acumen	Sasha Dichter
Center for Financial Services Innovation	Ryan Falvey and Sarah Parker
Feedback Labs	Dennis Whittle
Global Impact Investing Network (IRIS)	Kelly McCarthy
Ideas42	Marina Dimova
Innovations for Poverty Action	Pooja Wagh
Enterprises / Institutions	
Juntos	Ben Knelman and Katie Nienow
Moneythink	Kristen Faiferlick
Southern Bancorp	Charlestien Harris

Appendix 2: Company Descriptions

Standalone (Pure Play) Model

eMoneyPool: ("eMoney" or the "Company") provides a web-enabled community finance tool that allows members to save as a group and also to obtain credit. Users can access credit when they don't qualify for loans through traditional means and can also establish credit by following recommendations provided by eMoney. Earning a Certificate of Completion by completing a money pool can help qualify members for a traditional loan from one of eMoney's partners. The Company was accepted into SEED SPOT, an incubator in Phoenix, Arizona in 2012 and formerly launched in January 2013.

Financial Capability – The Company's tool helps to promote regular savings and can help individuals develop their credit history. Membership in eMoney also helps promote financial discipline and accountability through group borrowing. The group dynamic drastically changes the psychology of reaching one's goal and social pressure creates structured discipline to encourage savings success.

Management: The Company was founded by Francisco Cervera and Luis Cervera who were born and raised in San Diego, California. Francisco is a seasoned professional with over 11 years of financial services experience, and Luis holds a pharmacy degree. Money pools were a large part of their culture and upbringing. Luis actually bought his first car at age 17 by using a money pool for savings, and has been using this money-sharing system ever since.

Investment Highlights:

- The Company has established a unique rating system that tracks the repayment history of individuals in each group and that change color depending on the numerical value. User ratings are based entirely on your payment history which determines your community privileges, such as higher money pool limits and the ability to take early seats in a group
- eMoney has established relationships with financial institutions in eight states including Arizona, California, Colorado, Illinois, Nevada, New Mexico, New York and Texas. These institutions have validated eMoneyPool's approach to community development, connecting traditional financial institutions with individuals looking to establish credit
- eMoneyPool was accepted into SEED SPOT, a highly respected incubator in Phoenix, Arizona, that focuses on supporting social entrepreneurs making a positive impact
- According to the National Bureau of Economic Research, saving in a group more than triples consumers' likelihood of saving money for long term needs. eMoney's tool combined with group savings model helps promote a culture of savings and is a clear example of effective promotion of financial capability to consumers

Embedded Model

Banco Adopem: Banco Adopem ("Adopem" or "the Bank") is one of the Dominican Republic's largest microfinance institutions (MFIs). Banco Adopem was founded in 1982 as the Asociación Dominicana para el Desarrollo de la Mujer ADOPEM (Dominican Association for Women's Development ADOPEM) and began operating as a bank in 2005. Adopem is part of the group of MFIs of the BBVA Microfinance Foundation.

Financial Capability: The Bank uses a delinquency management model to improve loan repayment among its poorest-performing customers. Adopem provides one fifth to one third of the program funding to its partner ADPOEM NGO, while Citigroup Foundation contributes the remaining program cost. Loan officers invite clients (primarily borrowers who have missed payments) to the eight-hour training sessions that focus on tracking expenses, debt management, and basic accounting. While outcomes data is limited, Monitor research in 2012 indicated that the delinquency management training results in approximately a 40% improvement in loan performance, while program costs could be recouped with an improvement of 21%.

Management: The Bank is led by Executive President Mercedes Canalda de Beras-Goico. Previously, it was led by Dr. Mercedes de Canalda, the present Executive President's mother and a cofounder of ADOPEM.

Investment Highlights:

- Adopem was founded in 1982 to work in favor of women and to fight poverty. The founders collected 25,000 pesos (then USD 25,000) and leveraged it three-to-one to begin the loan program. The Bank remains mission-focused: it is known locally as "El Banco de la Mujer" (The Women's Bank).
- The Bank remains closely partnered with ADOPEM NGO, which provides training centers in locations nationwide to assist new clients and monitor existing ones.
- The BBVA Microfinance Foundation has 71.37% of the capital of Banco Adopem, first acquiring 31% in November 2012.
- In 2014, the Bank had 196,631 active borrowers with an average loan balance of USD 486, for a gross loan portfolio of USD 95.8 million. It had USD 50.5 million in deposits from 309,814 depositors and total assets of USD 120.4 million. In 2013, the Bank had portfolio at risk > 30 – 180 days of 1.75%.

Partnership Model

Swadhaar FinAccess ("SFA"): SFA is a non-profit organization that provides financial education and access to financial services for low-income urban communities, mostly women, in Gujarat and Mumbai. It was launched in 2005, at which time it offered microloans. After the establishment of Swadhaar FinServe Pvt. Ltd. ("Swadhaar FinServe", see below) in 2008, SFA transferred its balance sheet to the new MFI and has since focused on the Financial Education Program ("FEP") for working and non-working women in urban, low-income communities. Swahdaar means "self-support" in Hindi.

Financial Capability: Through trainings delivered in partnership with other entities and its Financial Inclusion and Literacy Centers ("FILCs"), SFA works to improve financial management skills of individuals (mostly women) in low-income, urban communities in areas including budgeting, saving, insurance, and debt management. In addition to these services, SFA uses a business correspondent model to offer savings and insurance facilitation.

Management: SFA was founded in 2005 as a non-profit company by Ms. Veena Mankar and Ms. Haseena Vahanvaty. Today, SFA is led by CEO Ms. Preeti Teland, who has 20 years of experience in the development sector and has worked with SFA since 2008, including being involved in the design of FEP.

Investment Highlights:

- In addition to its standalone work, SFA has partnered with other entities to provide financial literacy training. SFA trained over 15,000 customers of the Axis Bank-Airtel Money Project, which provided an Airtel mobile wallet linked to a variety of financial services that experienced lack of literacy among its customer base. SFA also provides an estimated 20,000 women in Gujarat with financial literacy training in partnership with Ratnakar Bank Limited.
- In 2014, SFA developed a network of ten Financial Inclusion and Literacy Centers (FILC), which has reached 63,000 individuals in two years of operation.

Swadhaar FinServe Pvt. Ltd. ("Swadhaar FinServe"): Swadhaar FinServe was established in 2008. Its target market is the urban poor that are both unbanked and do not qualify for social aid programs. It offers four loan products: a joint liability loan, a top-up loan for existing clients of the joint liability loan, a center-based group loan, and an individual business loan.

Financial Capability: Swadhaar FinServe makes SFA's services available to its clients. In addition, a basic 1.5-hour financial literacy course is mandatory for all new loan clients.

Management: SFA was founded in 2005 as a non-profit company by Ms. Veena Mankar and Ms. Haseena Vahanvaty. Today, Swadhaar FinServe is led by Executive Director and CEO Mr. RajaRam Kamath, who has 20 years of experience in sales, distribution, and business development.

Investment Highlights:

- In 2013, Swadhaar FinServe received GIIRS impact rating of 108.5 points (out of 200 total points available), or four out of five stars.
- In 2014, Swadhaar FinServe had a gross loan portfolio of USD 33,897,884 with female borrowers representing 98.85% of the total, and total assets of USD 36,541,566.
- In 2014, Swadhaar FinServe expanded into two additional states and added 18 new branches for a total of 42, in addition to its headquarters in Mumbai.
- A mobile banking pilot launched in FY 2012-13 reached 13,000 clients enrolled in 2014 and is available in eight branches.

In addition to the three profiles included above, we include below short descriptions of other examples of financial capability-focused enterprises.

Name	Description
Azimo	Azimo is an online remittances company offering low cost, fast and secure payments from any device 24/7 to recipients in more than 190 countries. Focusing on the European remittance market, Azimo reduces the cost of sending money home by digitizing cash through an “online only” platform that connects and interfaces with both banks and social media for an improved and seamless user experience. Azimo offers services in 12 languages and staffs a 24 hour call center to enable its sales team to carefully explain product offerings to its customers.
CoverHound	CoverHound provides instant, accurate insurance rates through an online interface to allow users to easily compare insurance products. The online information is backed by personalized service when needed.
HelloWallet	HelloWallet partners with employers to provide financial wellness programs to its employees who are taught to be more proactive managers of their personal finances. The company offers web and mobile tools that allow users track their finances. Ohio-based KeyBank recently partnered with HelloWallet to develop a financial health score designed to help customers understand how they’re doing and obtain advice for how they can shore up their finances.
IndianMoney.com	IndianMoney.com is a third party financial education company in India that is agnostic to providers in order to deliver objective recommendations to customers. IndianMoney.com links customers to agents to finalize any sales.
Juntos	Juntos works with partners worldwide to design & implement personal finance tools for cash-based households. The tools are accessible on any cellphone via SMS and help customers navigate the financial product they’ve been paired with through customized messaging. The service allows customers to have a "conversation" with the Juntos system which uses an algorithm to personalize responses as the system gets to know the needs of the customer. The products help families increase their savings and build financial confidence.
Kiwi	Kiwi is an enterprise in Mexico that offers custom-made and easy-to-follow purchasing plans through strategic partnerships in a wide variety of sectors. For example, Kiwi might partner with a health clinic and work with patients who have an upcoming surgery to save for the event. In this case, Kiwi would give the patient a debit card and prompt the patient to deposit periodically until the saving goal is met.
Kubo	Kubo is an enterprise in Mexico that shows customers what their credit score means visually using data from credit bureaus. Based on the assessment of a customer’s finances, Kubo then recommends suitable financial products.

LendStreet	LendStreet is a lending platform that allows consumers to restructure and refinance their distressed debt so they can begin to rebuild their credit. By partnering with banks, collection companies and debt settlement agencies, LendStreet acquires and on-boards borrowers that are currently in default, offering them a new loan financed through a marketplace platform with accredited and institutional investors. LendStreet enables borrowers to get out of debt settlement programs earlier, thus avoiding interest and fees on their defaulted debts as well as harassing calls from collectors and creditors.
MicroEnsure	MicroEnsure develops innovative insurance products aimed at low and middle-income individuals around the world covering a range of risks related to life, health, agriculture, assets and political violence. MicroEnsure's suite of tools is intended to help the mass market protect themselves through less complex product features and prices they can afford.
Mint	Mint's primary service allows users to track bank, credit card, investment, and loan transactions and balances through a single user interface. Mint also assists users in making budgets and setting goals.
Moneythink	Moneythink is an American educational non-profit organization that aims to increase the financial capability of American youth by providing financial mentors for low-income high school students. Moneythink's curriculum involves a mobile app and a social platform developed in collaboration with IDEO.org. Students use the app to complete digital challenges that build financial awareness, habits, and skills – and to earn points, likes, and comments along the way.
NerdWallet	NerdWallet is a free tool that allows users to compare a variety of financial products. In addition to finding unbiased information on NerdWallet's website, users can also use the website to pose questions to financial professionals.
Oportun	Oportun, formerly Progreso Finaciero, is a mission-driven financial services company that serves the Hispanic Market. Oportun provides personal loans ranging between $300 and $6,000 with affordable, fixed payments that help customers build credit.
PayPerks	PayPerks offers a prepaid card linked to an online platform where clients can gain points by completing online tutorials and surveys that cover many financial topics. Clients can also gain points by using the prepaid card. Each point earned is a chance to win a cash prize in a free monthly sweepstake.
Revolution Credit	Revolution Credit is a unique platform which allows consumers to watch short and entertaining financial literacy videos to demonstrate and improve their financial capabilities—like a "Traffic School for Credit." Revolution Credit helps financial institutions identify more creditworthy customers, extending access to a wider range of financial services at better prices.

Southern Bancorp	Southern Bancorp is a rural development banking organization based in Arkansas. The bank offers a five week “Financial Bootcamp” that covers 10 major areas in the financial arena. At the end of the course, participants receive a certificate and are offered a bank product designed for the particular subject matter—a product which is not advertised until the last class.
Ujjivan	Ujivan is the largest and one of the most respected urban-focused microfinance institutions in India which partners with Parinaam Foundation to run financial literacy trainings.
XacBank	XacBank serves individual consumers as well as small and medium-sized enterprises (SMEs) in Mongolia. XacBank uses direct classroom training to provide financial education to adolescent girls. The financial education program is delivered through two channels: the Mongolian Education Alliance (MEA) which works in public secondary schools; and an NGO – the Equal Step Centre – which serves vulnerable and working children outside schools.
Zoona (Mobile for Development Impact)	Zoona is a mobile payments business seeking to transform the way people and organizations transact across Africa by reducing reliance on cash. At the heart of Zoona’s business is an interoperable, agnostic technology platform and a countrywide network of agents who act as cash points for end users of the company’s services. Zoona currently operates primarily in Zambia, with projects in Zimbabwe and Mozambique, and offers a range of products to move money electronically. Zoona trains its agents creating thousands of micro-entrepreneurs who are equipped to run a small business.
17 Triggers	17 Triggers runs a consumer protection campaign and provides training tools and policy advising services to make loan pricing, conditions and terms easy to understand.

Appendix 3: Smart Campaign Principles

Appropriate product design and delivery

Providers will take adequate care to design products and delivery channels in such a way that they do not cause clients harm. Products and delivery channels will be designed with client characteristics taken into account.

Prevention of over-indebtedness

Providers will take adequate care in all phases of their credit process to determine that clients have the capacity to repay without becoming over-indebted. In addition, providers will implement and monitor internal systems that support prevention of over-indebtedness and will foster efforts to improve market level credit risk management (such as credit information sharing).

Transparency

Providers will communicate clear, sufficient and timely information in a manner and language clients can understand so that clients can make informed decisions. The need for transparent information on pricing, terms and conditions of products is highlighted.

Responsible pricing

Pricing, terms and conditions will be set in a way that is affordable to clients while allowing for financial institutions to be sustainable. Providers will strive to provide positive real returns on deposits.

Fair and respectful treatment of clients

Financial service providers and their agents will treat their clients fairly and respectfully. They will not discriminate. Providers will ensure adequate safeguards to detect and correct corruption as well as aggressive or abusive treatment by their staff and agents, particularly during the loan sales and debt collection processes.

Privacy of client data

The privacy of individual client data will be respected in accordance with the laws and regulations of individual jurisdictions. Such data will only be used for the purposes specified at the time the information is collected or as permitted by law, unless otherwise agreed with the client.

Mechanisms for complaint resolution

Providers will have in place timely and responsive mechanisms for complaints and problem resolution for their clients and will use these mechanisms both to resolve individual problems and to improve their products and services.

Appendix 4: State of the Literature on Accelerators' and Incubators' Impact

The research on incubators and accelerators would seem to accord with the positive but cautious tone struck by the investors to whom we spoke. A meta-analysis of 35 academic articles by the Kauffman Foundation[9] (March 2015) found only a marginal difference in performance between incubated and un-incubated businesses. A November 2014 report sponsored by ANDE[10] conducted to measure the impact of incubators and accelerators found that:

- Early-stage small growing businesses (SGBs) find greater value in incubators/accelerators than Growth Stage SGBs
- For both early- and growth-stage SGBs, the greatest benefit comes from business plan or strategy development and peer mentoring among services available
- For investors, the greatest benefit comes from intangible ecosystem building
- Investors and incubators have the potential increase pipeline volume and quality, decrease transaction costs, and decrease portfolio management costs, which in turn would deliver tangible and quantifiable value to investors. However, this opportunity has largely not been taken advantage of, and metrics are not currently being tracked
- Impact incubators and accelerators currently have limited ability to prove and be adequately compensated for value created for stakeholders due to lack of consistent, standardized data collection limits

While the track record of incubators and accelerators in the US is mixed, the ANDE study does indicate that early stage growth businesses seem to derive value from participation in incubators/accelerators. The study indicated that the structure delivers the most value by helping to strengthen the social enterprise/impact investing ecosystem. However, investors who were surveyed expressed disappointment in the program's ability to facilitate transactions or prepare incubated companies for the investment process. A valuable way to promote greater financial capability oriented investments might be to support those programs that have demonstrated ability to promote investor readiness amongst their members. Supporting an incubator/accelerator approach would also seem to hold promise for the objective of coalescing impact investors around the topic of financial capability.

[9] http://www.kauffman.org/blogs/growthology/2015/03/are-incubators-beneficial-to-emerging-businesses.

[10] ANDE, "Measuring Value Created by Impact Incubators and Accelerators." November 2014.