State of Practice

on Social and Environmental Performance Management

Unlocking Insights

Analysis of SPI scores as of
December 2022

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Executive Summary

Uncovering trends, crafting solutions and bridging gaps, this is SPI Online's plan for financial service providers, their clients and the Planet.

SPI Online audit tools are designed to capture social and environmental data for management and decision making, for benchmarking as well as report compliance to ESG standards.

SPI audits provide data directly collected with the Financial Service Providers (FSPs), from purely digital to traditional providers. It offers comprehensive analysis for the providers and investors to monitor progress and to measure their performance against peers. Cerise+SPTF checks the quality of all audits before including them in the benchmarks and analysis.

This State of Practice report provides an overview of inclusive finance practices related to social and environmental performance management (SEPM). It draws findings from 1590 audits conducted between 2016 and 2022. The complete dataset encompasses 700 FSPs across more than 100 countries, serving 68 million active borrowers with a gross loan portfolio of $68 billion. The role of investors in shaping the profile of audited FSPs is increasing.

It is the second set of analysis, after the study "Social Performance Management in Microfinance: Practices, Results and Challenges[1]" published in 2019 as a collaboration between ADA and Cerise+SPTF, with audits conducted between 2014 and 2018. At this time, there were 435 audits from 368 FSP across 73 countries. It is interesting to notice that key features raised in the 2019 report are confirmed in this current analysis.

Profile of the Institutions Using SPI

The FSPs' profiles in the SPI database reveal a focus on **mature, medium-sized non-bank financial institutions**, and there is a prioritization of the United Nations' Sustainable Development Goals (SDGs) on poverty alleviation (SDG1), gender equality (SDG5), and economic growth (SDG8). Despite a significant proportion of women borrowers (59% of the borrowers), there is a disparity in loan allocation (51% of total average gross loan portfolio), emphasizing the importance of a **gender-aware approach in SEPM**.

FSPs exhibit **a broad product range tailored to client needs**. This aligns with Universal Standards, emphasizing the importance of designing products to enhance financial access and help clients in achieving various financial goals.

Distribution channels are also diversified, with institutions offering services through traditional branches alongside **mobile and digital applications**. Roughly 46% of branches are located in rural areas, indicating efforts from FSPs to reach underserved populations.

[1] Social Performance Management in Microfinance: Practices, Results and Challenges, M. Bauwin, April 2019

Analyzing pricing trends on loan products is key within the **client protection framework**. The brief analysis of pricing trends in this report uses the Annual Percentage Rate (APR) as its key metric. A comprehensive analysis can be found in the State of Practice report on Client Protection. As a positive trend, in SPI audits, **72% of FSPs** calculate interest on a **declining balance methodology**, which tends to be **more transparent** and **less expensive** for borrowers.

Measurement of Social and Environmental Performance

The SEPM scores reveal variations based on institutional characteristics and regional contexts. Similarly to the 2019 study, FSPs in **Sub-Saharan Africa, cooperatives and small FSPs** have the lowest scores across all dimensions, confirming again their **need for support in SEPM in general**.

Overall average score on SPI4 amounts to 65% and 70% on ALINUS[2], the due diligence tool. ALINUS scoring usually outperforms SPI4 scoring because the tool emphasizes "must-have" indicators, whereas SPI4 audits entail a complete assessment with a comprehensive framework.

The scoring by dimension highlighted significant strengths and challenges across standards. While institutions show overall **good performance** in balancing financial and social goals **(dimension 6),** treating employees **(dimension 5)** and clients responsibly **(dimension 4), dimensions 1 and 2** appear **more challenging**: the lack of leadership commitment (dimension 2) correlates with challenges in defining social goals (dimension 1).

FSP could assess their environmental performance with the **Green Index 2.0** serving as an optional module before 2022 in SPI4; ALINUS included a compulsory subset of the Green Index. **Over 60% of unique audits** included an environmental assessment as of the end of 2022 showing significant interest in environmental evaluation. FSPs evaluating environmental performance tend to demonstrate superior social performance, with higher overall SPI4 scores (69% versus 63%). Environmental performance scores on SPI4 and ALINUS remain low at 29% and 39% respectively, reflecting recent attention to this topic and large room for improvement.

Another notable trend includes an **overall improvement in scores across repeated audits**. FSPs engaged in social audits implement actions based on previous audit recommendations, leading to improved social performance management. Level of improvement **varies across dimensions**: while progress is most rapid in dimension 3 (designing products and services tailored to clients' needs), achieving advancement in dimension 6 (balancing financial and social performance) requires a longer timeframe.

[2] ALigning INvestors due-diligence and reporting with the Universal Standards

Value of SEPM for portfolio quality: FSP with higher SEPM scores tend to have lower portfolio at risk (PAR 30) indicating better portfolio quality. This finding was already identified in the 2019 ADA report.

Client Protection

This report is complemented by a dedicated and more in-depth State of Practice report on Client Protection to guide stakeholders (FSPs, investors, regulators, associations, etc.) on the monitoring, training needs and technical assistance efforts required to improve client protection practices in the sector specifically.

SPI & Women's Financial Inclusion

The report explores correlations between gender representation within FSPs and women's financial inclusion, highlighting disparities across regions and institution types and sizes. Understanding these correlations is crucial for promoting gender diversity and improving women's access to financial services.

Melania Macasaet, client of Bangko Kabayan in the Philippines, ADA partner. Photo credit: Maxence Soulet.

Table of Contents

1. About data and methodology

A comprehensive database with a broad coverage

The dataset under analysis comprises **a total of 1590 audits**, that have been conducted between 2016 and 2022, involving **700 unique Financial Service Providers** (FSPs), in more than **100 different countries**. Altogether these FSPs serve **68 million active borrowers**, for a total of **$68 billion gross loan portfolio.** i.e. 50% of the 1425 FSP globally registered by Atlas[3].

SPI tools are worldwide social audits for financial inclusion!

Datapoints cover organizations' profiles (such as localization, legal status, maturity, etc.), product and services, customer base, portfolio, financial performance, as well as scores on indicators across the seven Universal Standards dimensions.

For this whole set of audits, Cerise+SPTF teams have reviewed the data quality to ensure consistency of the analyses. Some analyses are based on the full sample (to understand uptake of the audit process) and some are based on a reduced sample of quality audits to analyze social and environmental performance results.

Quality check by Cerise's team for SPI audits:

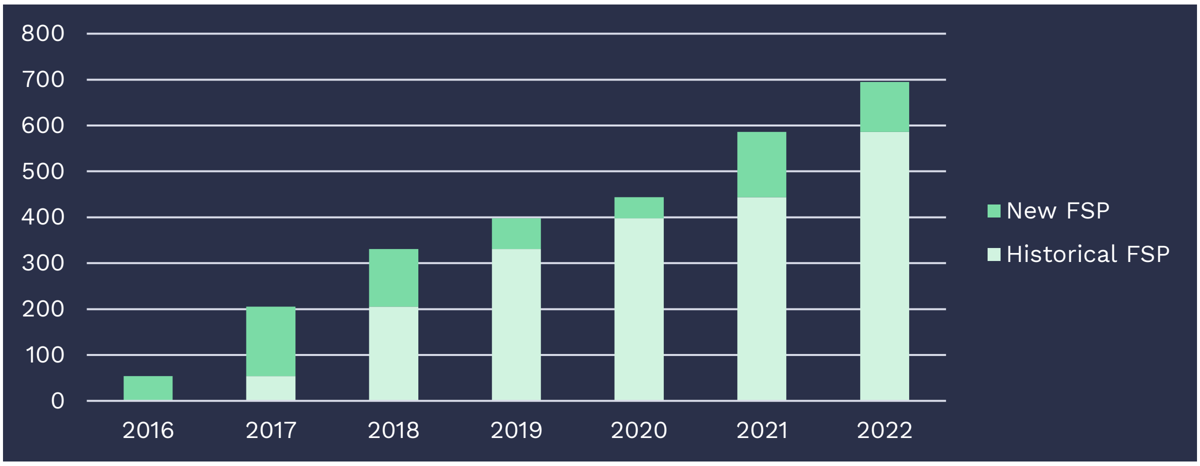
Quality score	Rational for the score
0	Incomplete audit
1	Complete audit but no/not enough comments/ inconsistencies/ Org Info incomplete/ high scores with no justifications
2	Complete audit with comments. Coherent scoring but some proof to justify answers are missing.
3	Complete audit, comments to justify the answers, coherent scoring.
4	Complete audit with detailed comments to justify the answers and to guide action planning, experienced auditor.

[3] Source: 60 Decibels Microfinance Index 2023. "This data was provided to 60dB by ATLAS. This data consists of 1,425 institutions globally in a recent analysis of data from 2019 to 2022. The data is not comprehensive of the entire microfinance market."

An increasing uptake of SPI audits!

Since 2016, there has been a regular increase in the number of new FSPs completing audits (graph 1) and a continuous growth in the number of audits conducted (graph 2).

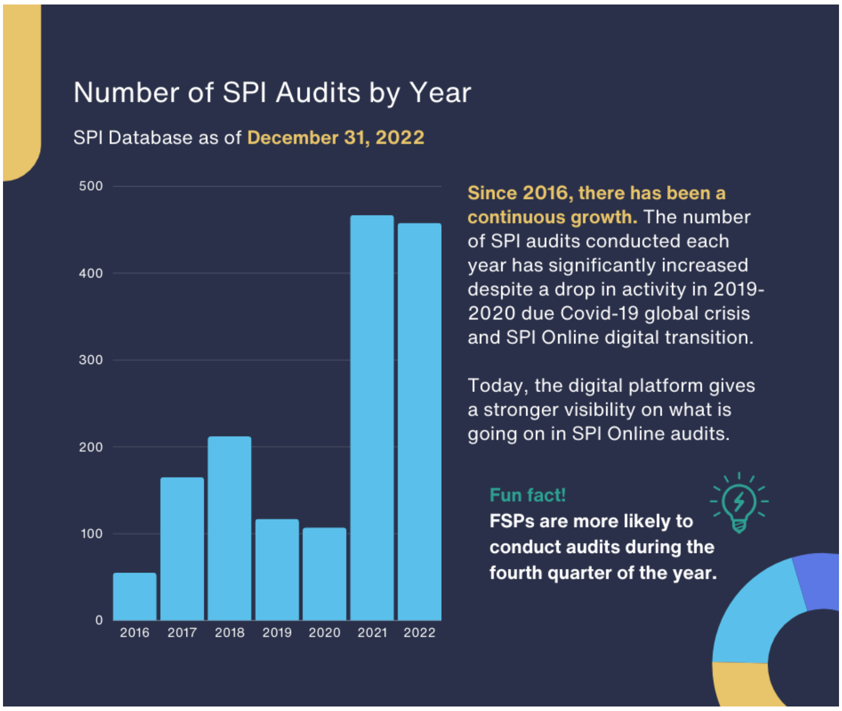
Graph 1- Number of new and historical FSPs conducting SPI audits



Source: SPI database as of December 2022

The increase in audits was interrupted in 2019 due to the transition to the new online version, and in 2020 with the impact of the Covid pandemic. The number of audits has significantly increased since then.

Graph 2: Number of SPI audits by year:



A shift in the audit methodology

How are the audits conducted?

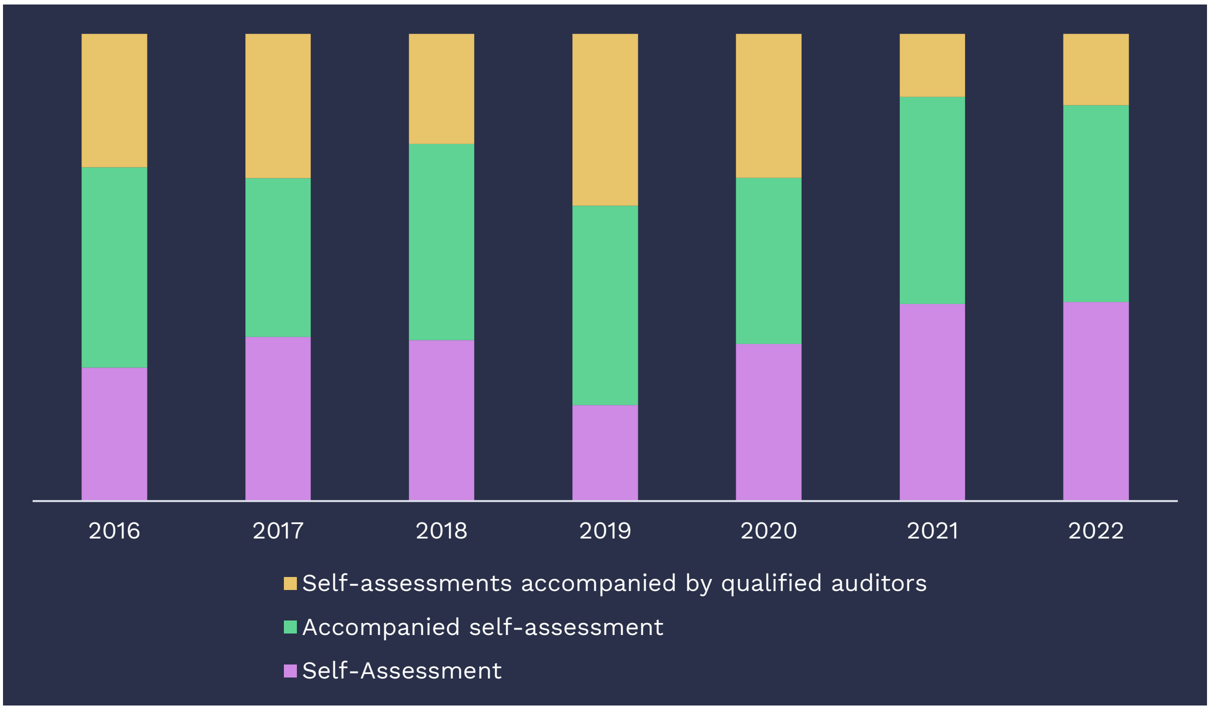
<u>The audit methodologies:</u>
The audits can be conducted with 3 main methodologies:

- Self-Assessment (SA)
- Accompanied Self-Assessment (ASA), with an external support
- Accompanied Self-Assessment by a SPI qualified auditor (ASAQ)

In the last two years, the Self-Assessment and Accompanied Self-Assessment audit methodologies are the most prevalent and their share is increasing. The share of self-assessments accompanied by qualified auditors is relatively smaller compared with the increase of audits, despite an active SEPM Pro network.

A diversified range of approaches is used to conduct the audits, based on the capacities, demand, needs of the FSP.

<u>Evolution of the share of SPI audits by type of assessment, in %:</u>



Source: SPI database as of December 2022

ALINUS, the due diligence approach, takes the lead!

Until December 2022, 2 audit tools have been used to conduct SPI audits:

- the SPI4 tool: the full framework of standard metrics by Cerise+SPTF to assess social and environmental practices,
- the ALINUS tool: a subset which allows impact investors to conduct their due diligence with financial service providers.

We observe a rising proportion of audits conducted using the ALINUS tool.

With more requests for accountability and a greater commitment to client protection and social strategies, the SPI tools benefit from an expanding role of investors and FSPs can draw from external assessments by their financial partners and shareholders.

Tailored data scopes for varied analytical purposes.

There are different types of SPI users and varying levels of tool proficiency, resulting in audits of varying quality. Therefore, while the following section of the report aims to describe financial service providers undertaking SPI audits, based on all SPI audits included in the database (1590 audits), the section on social and environmental performance management results are conducted using high-quality rated audits and through selecting the latest audit conducted by each institution (497 audits).

2. Profile of Financial Service Providers

There is a great diversity in the FSPs that have conducted the audits, and this section aims at describing the key features of their profiles. As mentioned above, analyses in this part of the report are based on all SPI audits included in the database (1590 audits), unless specified otherwise.

2.1 – Who are the FSPs using SPI tools?

Most of the audits are conducted by mature, medium-sized, non-bank financial institutions, worldwide.

Across the global landscape of financial audits, three key regions emerge: Sub-Saharan Africa (33%), South and South-East Asia (29%) and Latin America and the Caribbean (24%).

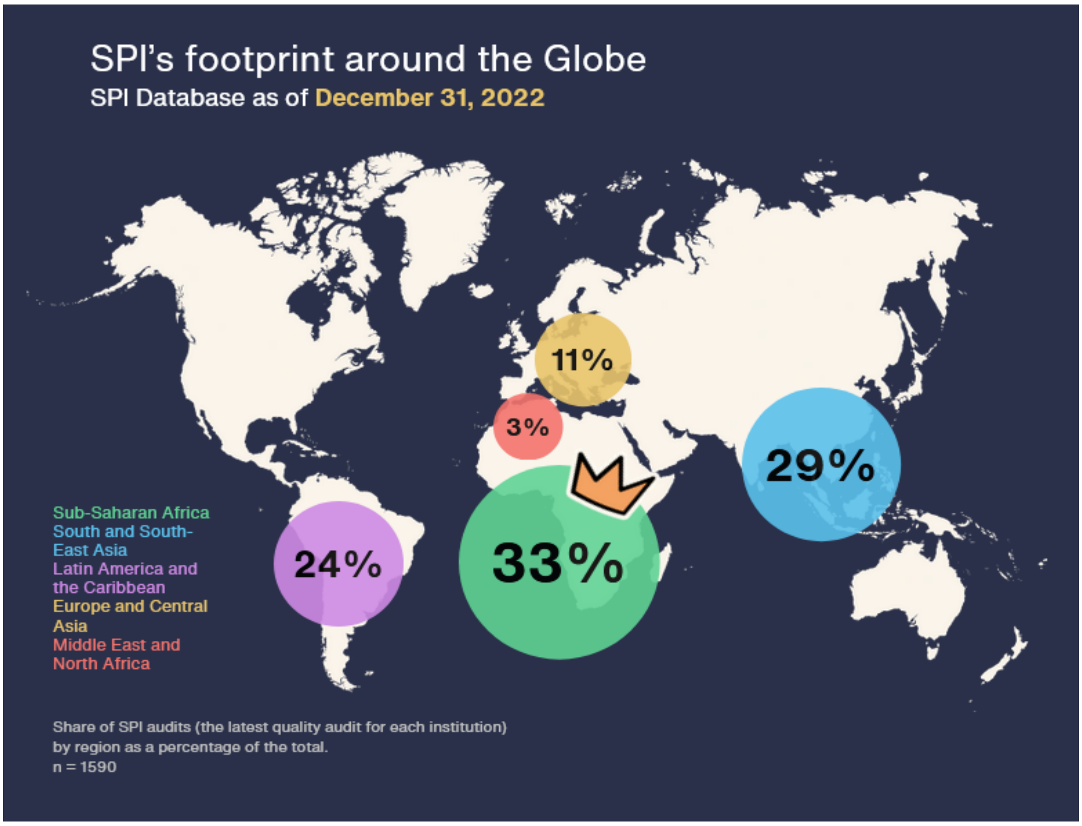
Middle East and North Africa (MENA) only stands for 3% of the audits, highlighting the need to strengthen SEPM support in this area.

Globally, most of the audits are clearly concentrated on mature institutions that have been in existence for more than 8 years (86%), with a trend that has been increasing since 2019.

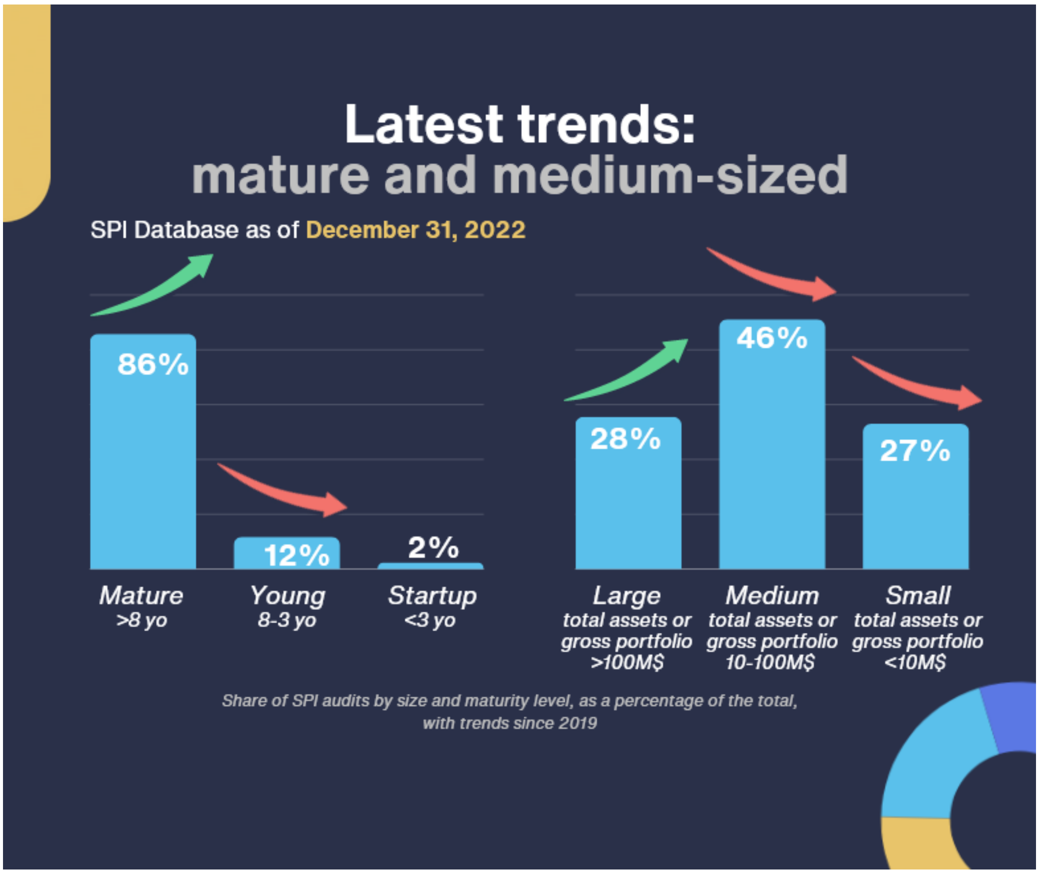
Looking at the size of these institutions, 46% of audits concern medium-sized institutions with total assets (or gross loan portfolio) ranging between $10M and $100M. Nonetheless, the share of small and medium-sized institutions has been decreasing since 2021, paralleled by an increase in audits conducted for larger institutions.

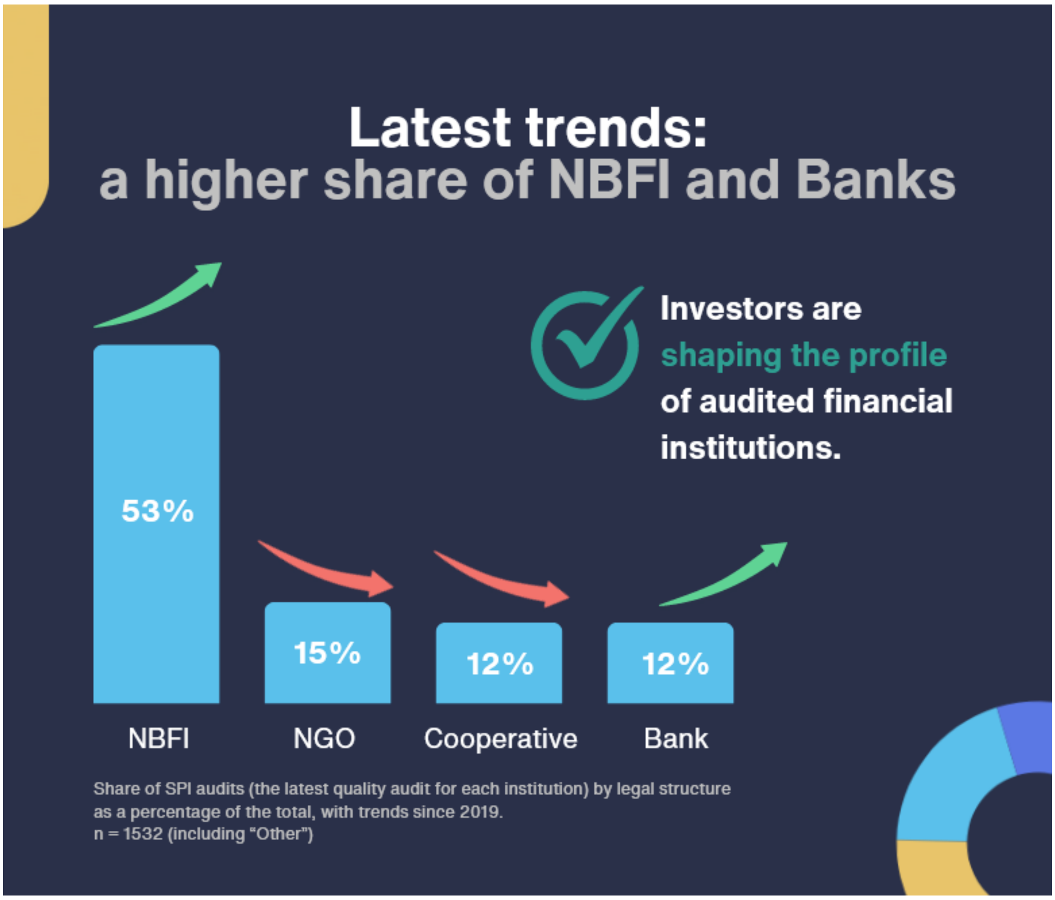
Delving into institution legal status, 53% of audits come from Non-Banking Financial Institutions (NBFIs), with an upward trajectory over the last 2 years. Meanwhile, there is a rising focus on banks, while cooperatives count for a smaller share of audits. 62% of FSPs are for profit institutions.

Investors are clearly shaping the profile of audited Financial Services Providers in the SPI database.



Regions	Sub-regions	Nb SPI audits by sub-region	Total nb SPI audits by region
Europe and Central Asia	Central Asia East Europe West Europe	98 65 9	172
Latin America and the Caribbean	South America Central America	217 163	380
Middle East and North Africa	Middle East North Africa	23 22	45
Sub-Saharan Africa	West Africa East Africa South Africa Central Africa	258 159 68 47	532
South and South-East Asia	South East Asia South Asia	234 226	460


Latest trends:
mature and medium-sized
SPI Database as of December 31, 2022
86%
12%
2%
Mature
>8 yo
Young
8-3 yo
Startup
<3 yo
28%
46%
27%
Large
total assets or gross portfolio >100M$
Medium
total assets or gross portfolio 10-100M$
Small
total assets or gross portfolio <10M$
Share of SPI audits by size and maturity level, as a percentage of the total, with trends since 2019


Latest trends:
a higher share of NBFI and Banks
Investors are shaping the profile of audited financial institutions.
53%
15%
12%
12%
NBFI
NGO
Cooperative
Bank
Share of SPI audits (the latest quality audit for each institution) by legal structure as a percentage of the total, with trends since 2019.
n = 1532 (including "Other")

2.2 What are their main social goals?

Institutions don't just operate; they aspire. Asking institutions which United Nations' Sustainable Development Goals (SDGs) they specifically pursue through their provision of financial and non-financial products and services, answers underscore a focus on addressing poverty, promoting gender equality, and fostering economic growth. A significant share of FSPs also declare that they are contributing to goals related to food security, health, education, energy or reducing inequality. However, there is generally less emphasis on Green SDGs.

FSP can align their goals to internationally recognized challenges and continue to explore opportunities in less tapped SDG related to climate and biodiversity to increase diversity and sustainability!

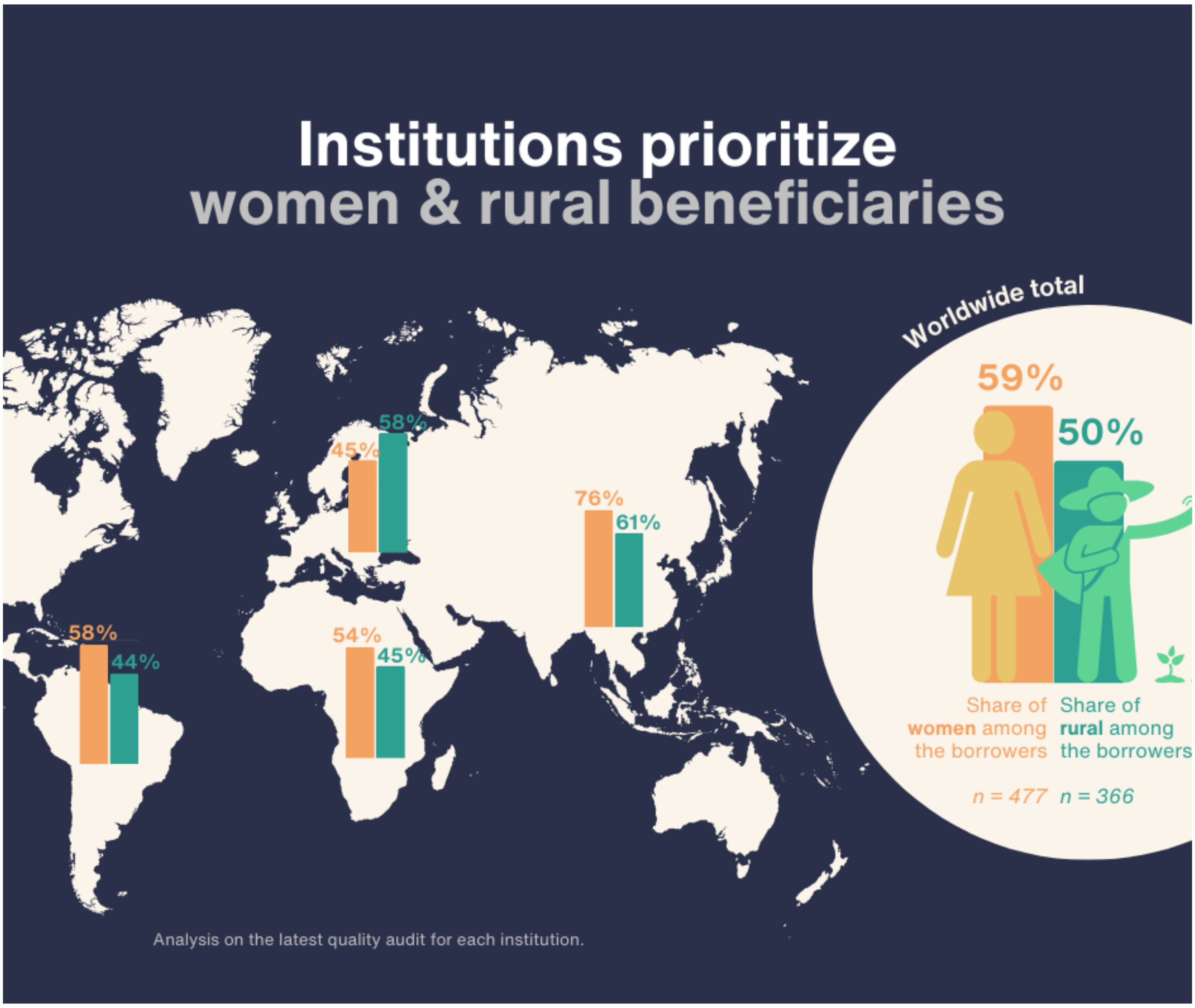
2.3 Who are they serving?

The institutions involved in social audits collectively serve 68 million active borrowers with a total loan volume of $68 billion.

The average number of active borrowers and the gross loan portfolio in the database amount to 126 thousand and $126 million respectively. However the landscape is very diverse: institutions in the sample include customer bases ranging from a few hundred to several million active borrowers and reported loan volumes ranging from thousands to several billions.

In this very diverse landscape, institutions have commonalities. For example, there is a shared focus on serving women (59% of active borrowers on average), although still with some regional disparities as shown in the graph below.

Note: analysis based on the latest quality audit for each institution.



2.4 A broad product offering with client-centric design.

In regards to product offerings there is a set of products that are particularly prevalent. All institutions offer basic loans to micro enterprises, but many also offer loans for agriculture (75%), loans for SMEs (73%), sight and time deposits (77%), mandatory life insurance (59%), payment services (72%), and financial literacy education (84%).

Other product types are less frequently listed: loans for education (46%), educational services (42%), voluntary life insurance (41%), remittance or money transfer services (39%), emergency loans (38%), other non-financial services to enterprise (34%), health insurance (20%), health services (17%), agriculture insurance (9%).

These figures provide insight into the extensive array of products available on the market. As highlighted in Dimension 3 of the Universal Standards, institutions should design products and services to reduce barriers to financial access as well as helping clients achieve financial goals like coping with risk and emergencies, investing in opportunities, smoothing income, or creating a safety net.

Embracing a client-centered approach involves thinking through how financial and non-financial services fit into target clients' lives and help them achieve their financial goals, and then designing your approach accordingly.

2.5 Pricing trends analysis for enhanced client protection

As part of the client protection framework, it is important to analyze pricing trends on loan products. The Annual Percentage Rate (APR) is a standardized interest rate disclosure method that represents one of the only ways for clients to truly compare different products. The SPI audits are required to calculate a weighted average APR for products representing loans offered to at least 80% of the borrowers.

Note: the average APR data is a rough measure self-reported by the FSP or auditors and should be taken with care. Its calculation method may vary, and the average figures can mask major differences in interest rates within a loan portfolio. Following analyses are based on high-quality rated audits and selecting the latest audit conducted by each institution.

In SPI audits, **72% of FSPs** calculate interest on a **declining balance**, while **flat interest methodology** is still applied by **28%** of the database.

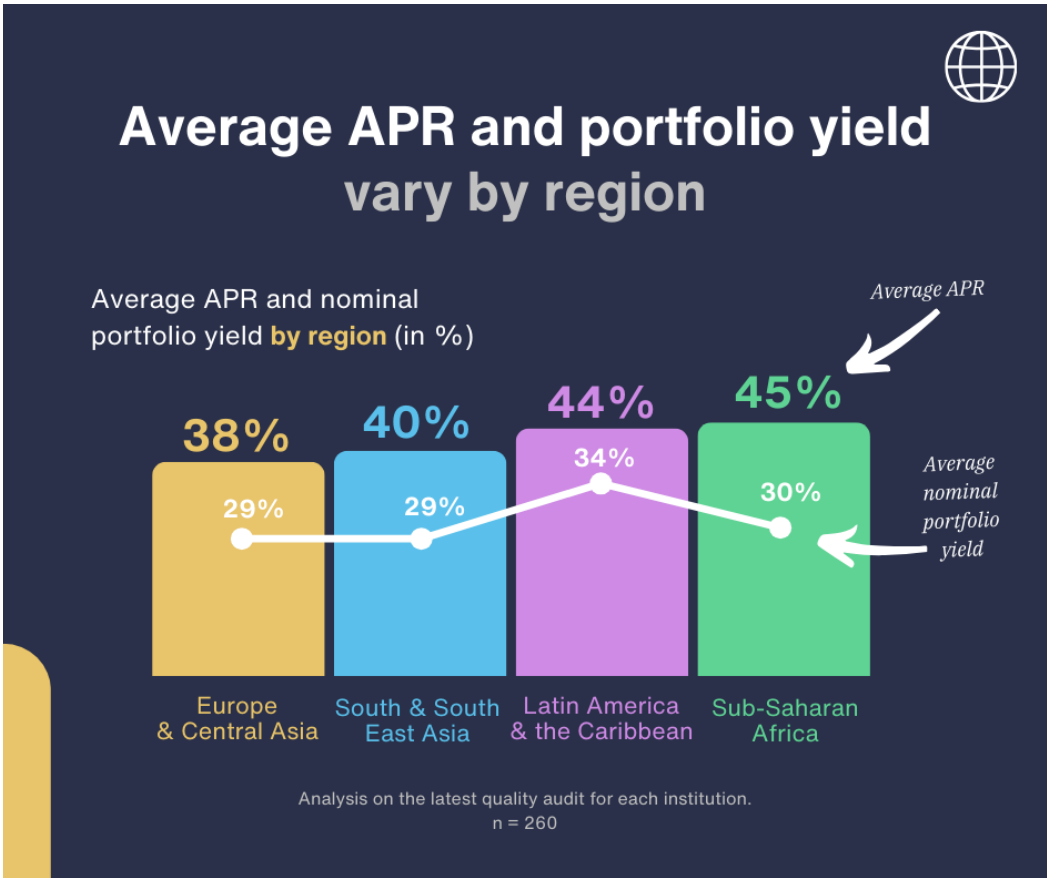
Average APR for a **declining balance amounts to 40%** while flat interest methodology is costlier (49% average APR). It is well known that flat interest is less transparent and even more costly for the borrowers.

As expected, we note a clear **correlation between the level of APR, the operating expense ratio[4] (OER), and the nominal portfolio yield[5]**.

The link between APR and nominal portfolio yield is obvious, as APR represents the interest income generated from loans within the portfolio, so higher APR typically leads to a higher nominal portfolio yield. Regarding the OER, financial institutions with higher operating expenses need to charge higher APRs to cover these costs and ensure profitability. Conversely, as APR increases, financial institutions may find it necessary to allocate more resources for marketing, administration, and other operational activities associated with servicing loans.

FSPs still rarely base prices on the actual cost of providing a product, but rather set prices based on peers (see the [State of Practice report on Client Protection]).

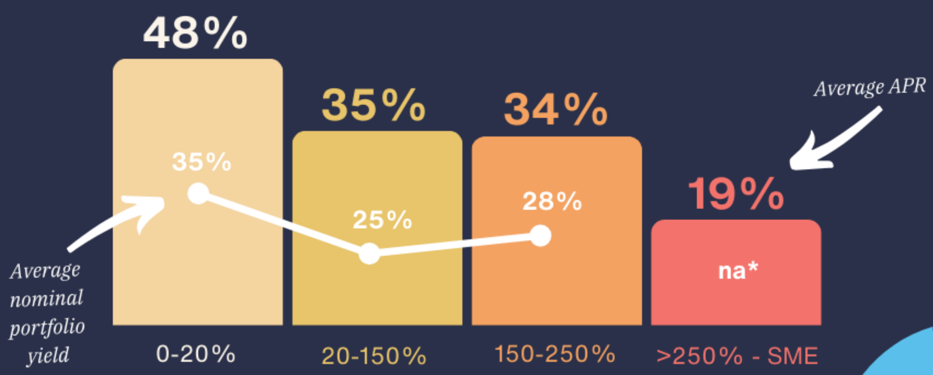
Economies of scale and loan sizes impact loan pricing. Generally, smaller loan sizes correspond to higher prices, and banks report lower average APR (34%) compared to NGOs (49%). However, it is important to link these costs with the value added of NGOs, offering loans that are on average lower ($69M) than the total average ($113M). NGOs also offer a broader range of non-financial services.



[4] Operating expense ratio is measured by operating expenses divided by the average gross loan portfolio.
[5] Financial Revenues from Loan Portfolio / Average Gross Loan Portfolio

The smaller the loan size, the higher the price

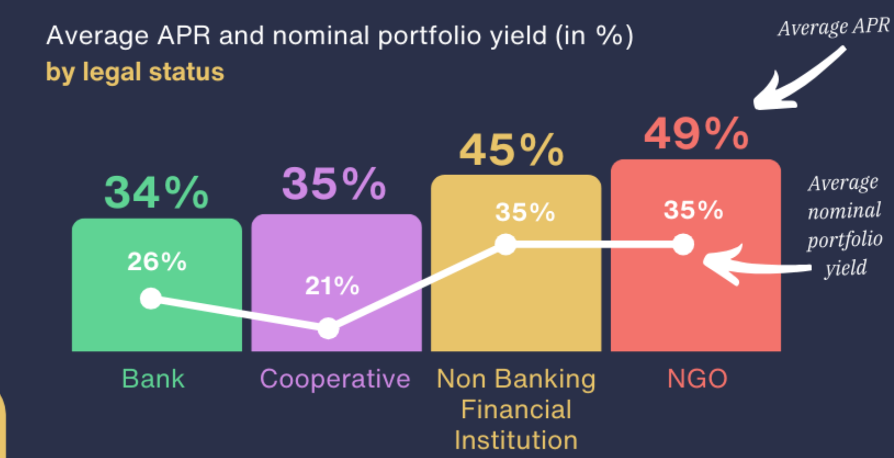
Average APR and nominal portfolio yield (in %)
by average loan balance as % of GNI per capita



Analysis on the latest quality audit for each institution.
n = 260
* not enough data to analyze

NGO costlier but provide smaller loans + wider range of non-financial services

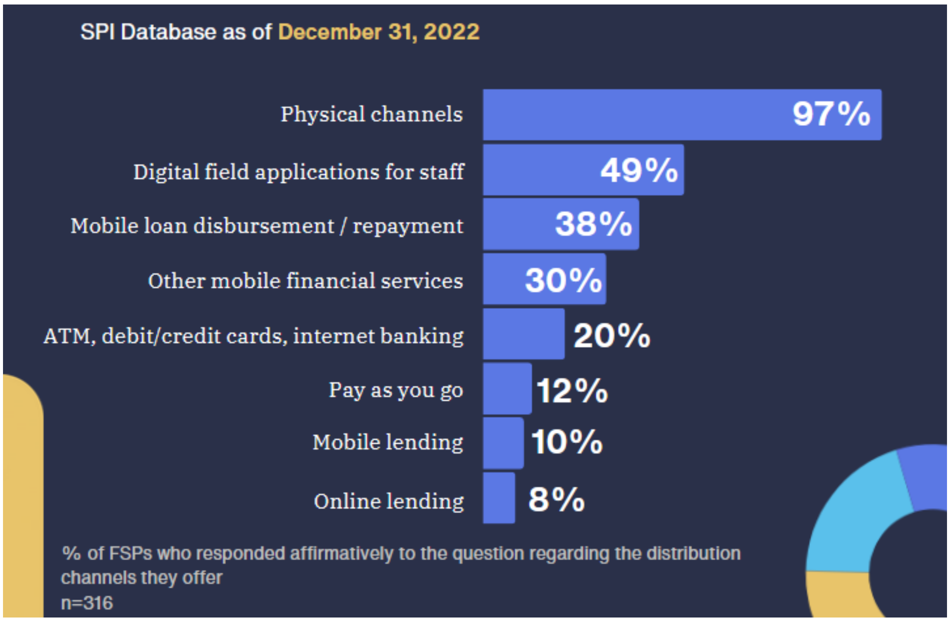
Average APR and nominal portfolio yield (in %)
by legal status



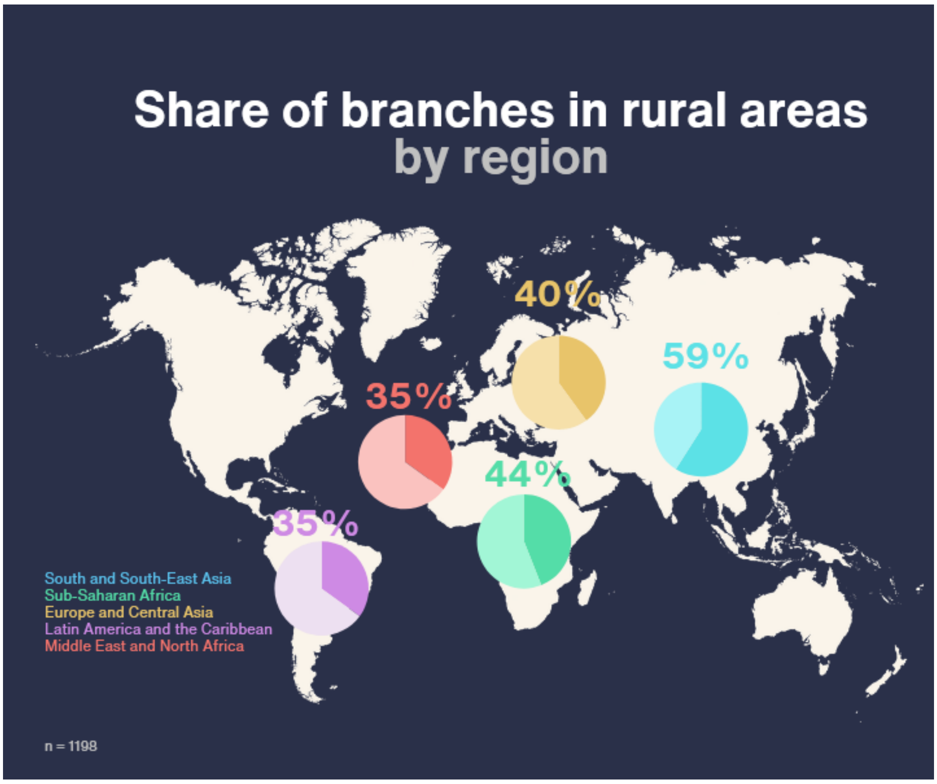
Analysis on the latest quality audit for each institution.
n = 260

2.6 Diversified distribution channels with mobile and digital applications

Almost all the financial institutions from the complete SPI database offer their services through physical channels. But we also observe a diversified offering around mobile and digital applications.



In terms of location of physical branches, on average, 46% of branches are situated in rural areas, with regional variations:



3. Results Related to Social and Environmental Performance

Unless specified otherwise, analysis in this report is conducted using high-quality rated audits and through selecting the latest audit conducted by each institution.

There was not enough information in SPI on MENA to draw conclusions from analyses on this region.

3.1. ALINUS for due diligence, SPI4 for social statements

Beyond numbers, scores paint a picture of commitment.

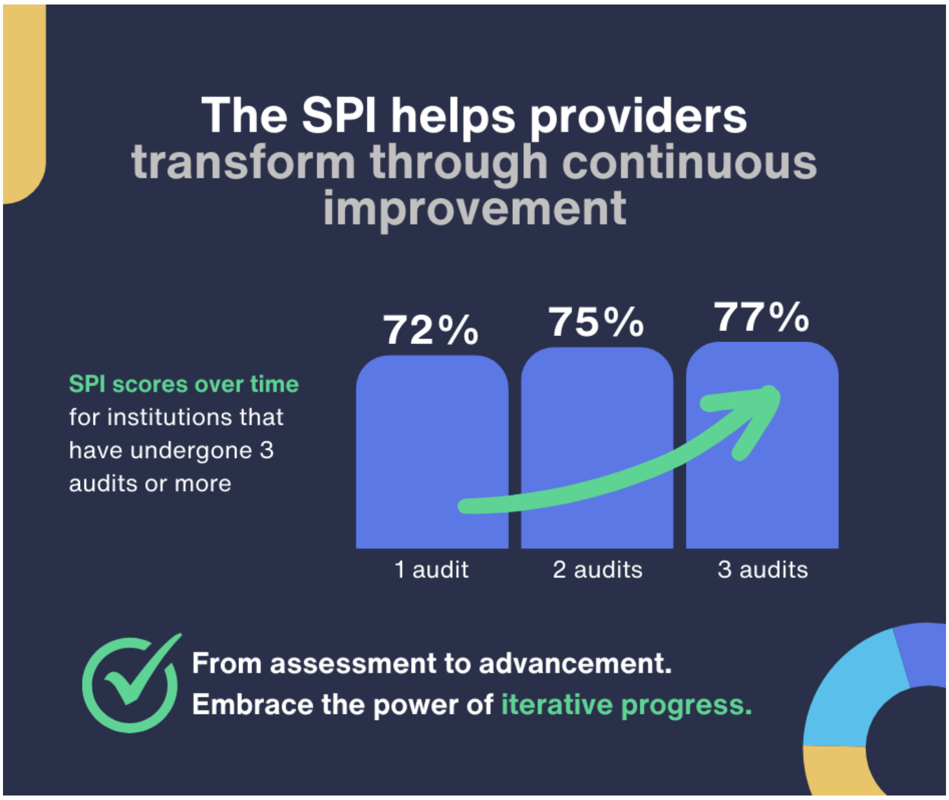
Until December 2022, two tools have been used to conduct SPI audits: SPI4 and ALINUS. The full SPI4 questionnaire included 160 indicators from the Universal Standards 2.0 and 11 optional indicators from the Green Index. The comprehensive approach of SPI4 allows the FSP to define their social statements. The ALINUS tool, a subset of SPI4, had 68 indicators, chosen by consensus among leading social investors in microfinance in order to conduct due diligence and the monitoring of investees.

We observe that the overall scores depend on the tools used. FSPs which conducted audits with the **SPI4** tool score on average **65%** while the ones with **ALINUS** score on average at **70%**.

ALINUS results tend to be higher as the tool focuses on "must have" indicators, while SPI4 results are more demanding, linked to the comprehensive framework of the Universal Standards.

3.2. Repeated audits, to improve step by step

On a sample of 90 institutions that have done 3 or more SPI4 audits (between 2016 and 2022), we can see that there is a **steady improvement in the overall score for repeated audits**: From an average score of 72% on the first audit, they to an average of 75% on the second audit and 77% on the third audit.



Improvement on social performance shows "quick wins" for product development and requires sustained commitment from governance and patient investors!

We noticed that institutions follow diverse paths of improvement across dimensions. The most rapid short-term progress occurs in Dimension 3: designing products, services and delivery channels that meet clients' needs and preferences. However, achieving advancement in Dimension 6: balancing financial and social performance, requires a longer timeframe (but with higher scores on average to start with).

Institutions evolve, and so do their scores. A learning curve unfolds, signaling an unwavering commitment to elevating social and environmental standards.

3.3. Global results by SPI4 dimension

SPI4 was organized around the 6 dimensions of the Universal Standards 2.0. It included a seventh dimension called the Green Index as an optional module before 2022.

<u>Results on the 6 dimensions of SPI4:</u>

Note: In 2023, Cerise+SPTF updated SPI Online and launched SPI5 tools, now aligned with the most updated version of the Universal Standards published in 2022.

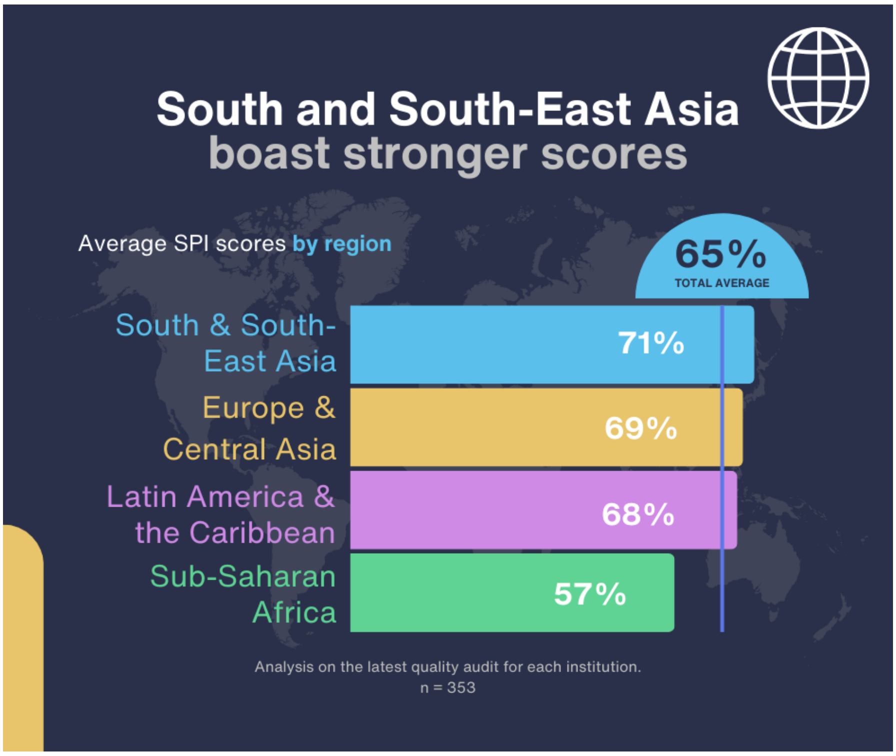
The **highest scores** were achieved in **Dimension 6**: balance financial and social performance (73%), **Dimension 5**: treat employees responsibly (70%) and **Dimension 4**: treat clients responsibly (70%). However, the most **challenging** dimensions identified are **Dimension 2**: Ensure board, management, and employee commitment to social goals (53%), and **Dimension 1**: Define and monitor social goals (60%). It is interesting to notice that this ranking tends to apply whatever the region, the maturity, or the legal statuses.

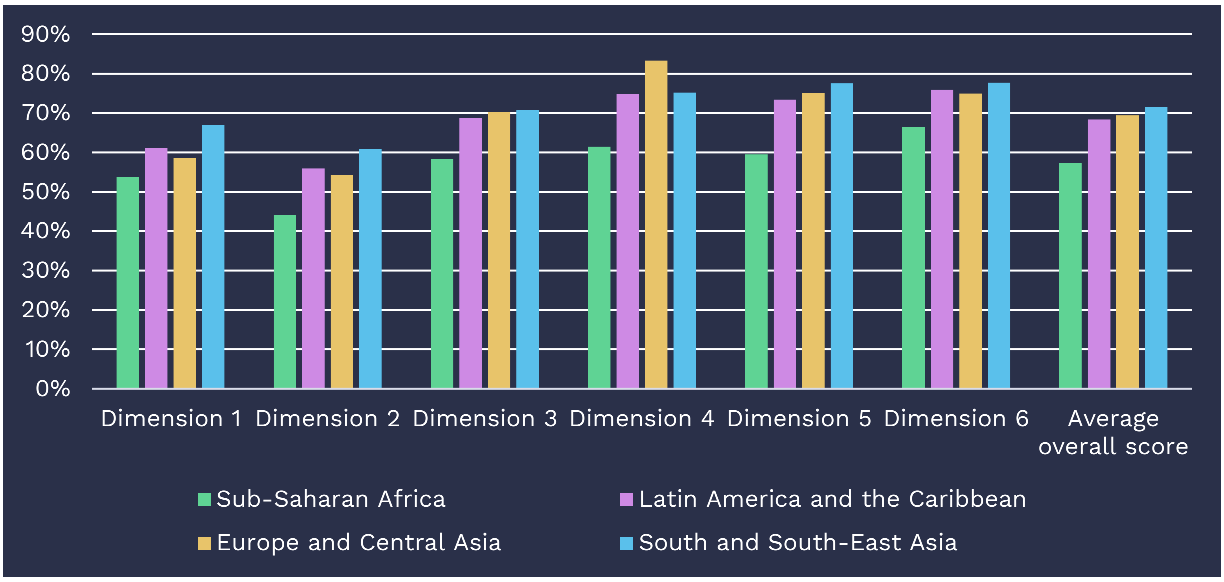
Dimensions 1 and 2 are the more demanding and are closely connected: social performance commitment starts at the top. If an institution lacks leadership committed to achieving social objectives (dimension 2), it will struggle defining its social goals and its processes to monitor them (dimension 1). On the other hand, if the strategy is unclear, with no social targets or social data available, the leadership cannot properly drive the social strategy of the institution.

3.4 Segmenting SPI4 results

Delving into the SPI score analysis, we observe that SEPM is also driven by the overall context.

Notably, **South and South-East Asia** stand out with the **highest average score** (71%) compared to other regions and outperforming other regions on most of the dimensions. Meanwhile, **Sub-Saharan Africa** exhibits the **lowest overall performance** (57%) with a consistent trend across all dimensions.





In terms of status, **banks** emerge as **top performers** (73%), excelling across all dimensions, while **cooperatives** have the lowest score (56%). Particularly noteworthy is their weaknesses in regards to Dimension 5: treating employees responsibly, with them only scoring 57%, compared to the average of over 70% for other legal statuses.

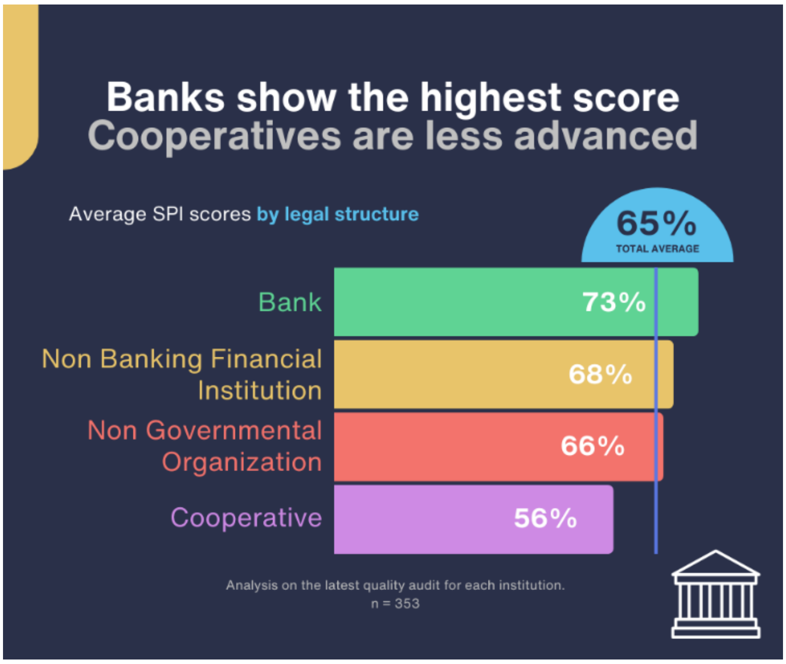
Scores also vary based on the maturity, ranging **from 55% for start-ups to 66% for more mature counterparts**. Start-ups have lower performance across all dimensions, with a significant gap on dimensions 2 and 4. Client Protection and Committed Leadership should be points of vigilance for them.

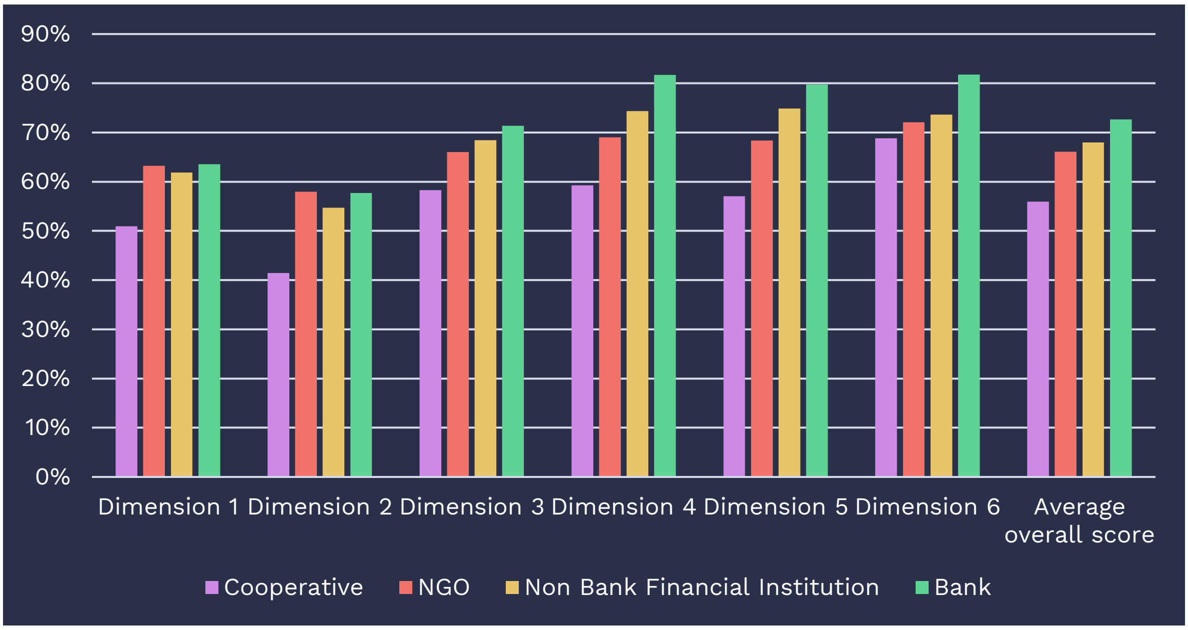
As for maturity, size matters: **the larger the FSP, the better it performs**, and the trend is consistent across all dimensions.

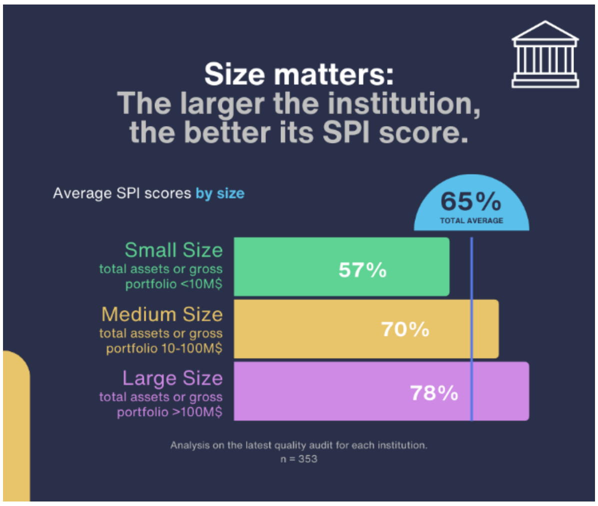
Furthermore, it is interesting to notice that **for-profit institutions have a higher score of 67%,** compared to non-profit institutions with a score of 64%. The most notable differences emerge in dimensions 4, treating clients responsibly and 5, treating employees responsibly.

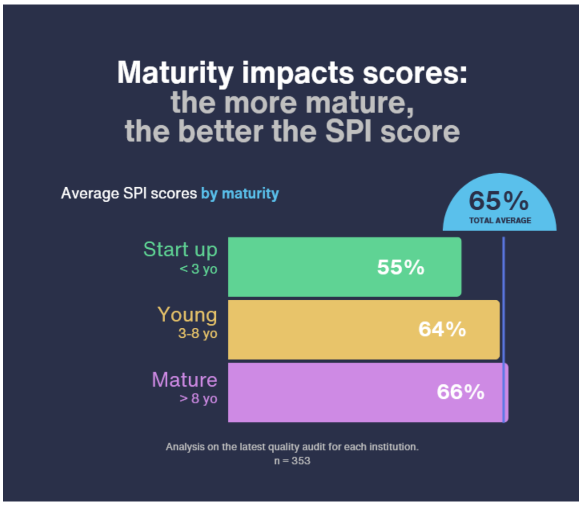
Better performance on client protection and responsible HR for for-profit FSP underscores the areas where regulation and control by the management on the "minimum required" is leading to good results.

Higher performance in banks, as well as in more mature and larger FSPs, suggests a correlation between good performance and more established structures. This can be explained by better formalization, improved structure, enhanced governance practices, role of regulation, and possibly greater financial resources.


Banks show the highest score
Cooperatives are less advanced
Average SPI scores by legal structure
65%
TOTAL AVERAGE
Bank
73%
Non Banking Financial Institution
68%
Non Governmental Organization
66%
Cooperative
56%
Analysis on the latest quality audit for each institution.
n = 353


90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Dimension 1
Dimension 2
Dimension 3
Dimension 4
Dimension 5
Dimension 6
Average overall score
Cooperative
NGO
Non Bank Financial Institution
Bank


Size matters:
The larger the institution,
the better its SPI score.
Average SPI scores by size
65%
TOTAL AVERAGE
Small Size
total assets or gross portfolio <10M$
57%
Medium Size
total assets or gross portfolio 10-100M$
70%
Large Size
total assets or gross portfolio >100M$
78%
Analysis on the latest quality audit for each institution.
n = 353


Maturity impacts scores:
the more mature,
the better the SPI score
Average SPI scores by maturity
65%
TOTAL AVERAGE
Start up
< 3 yo
55%
Young
3-8 yo
64%
Mature
> 8 yo
66%
Analysis on the latest quality audit for each institution.
n = 353

3.5. SPI4 results by standard

On dimension 1, institutions perform well on the practice "The provider has a strategy to achieve its social goals" (70%) however they are clearly lacking behind on "The provider collects and discloses accurate client data specific to its social goals" (48%).

Data collection is challenging, and a new focus (for outcomes data) on the 2022 updated version of the Universal standards.

On dimension 2, institutions need to improve their overall practices: "Members of the board of directors hold the provider accountable to its mission and social goals" (49%), "Senior management oversees implementation of the provider's strategy for achieving its social goals" (51%) and "Employee recruitment and evaluation is based on both social and financial performance criteria" (59%).

Strong performance on Dimension 6 warrants careful consideration, particularly concerning the standard related to responsible pricing: assessing it is complex and often prone to overestimation.

Dimension 4 includes several Client Protection Standards (prevention of over-indebtedness, transparency, fair and respectful treatment of clients, privacy of client data and mechanisms for complaint resolution). High scoring level (70%) can be explained by the fact that client protection is the minimum required, whatever the social strategy or status of the FSP, and some of these indicators are often required in national regulation.

Note: For a more comprehensive analysis on Client Protection, we recommend consulting the State of Practice report on Client Protection.

In addition to these 6 dimensions, institutions can evaluate their **environmental performance** with SPI.

SPI4 includes a seventh dimension called the Green Index as an optional module before 2022. ALINUS proposes only a subset of indicators from the Green Index, but institutions must complete them to achieve the audit, otherwise their score on this environmental dimension is 0.

3.6 The better SEPM score the better portfolio quality

Delving into the examination of the potential correlations between the social and environmental performance management score and the return on assets (ROA), the operational self-sufficiency (OSS) and, the operating expense ratio (OER), there does not seem to be any linear correlation. In other words, we could not find that good SEPM practices affect profitability, sustainability, or efficiency of institutions.

However, **the portfolio at risk indicator (PAR30) decreases as the SEPM score increases**, meaning that the institutions which have a better quality of portfolio obtain the best SEPM scores.

In addition, the correlation is valid for each of the six dimensions, with different effects: the correlation coefficient is higher with scores on dimensions 4, 5 and 2, and lower on dimensions 1, 3 and 6.

3.7 Results for the Green Index

We observe that the **Green Index has been completed in more than 35% of the SPI4 audits despite being optional.** Adding audits with SPI4 and ALINUS tools (where the Green index subset is compulsory), the environmental performance has been assessed in **more than 60% of the audits**, showing that this dimension is clearly of high interest among FSPs.

Confirming the trend identified in ADA 2019 study, **FSPs which assess their environmental performance exhibit superior social performance practices,** evidenced by higher overall SPI4 scores compared to counterparts that do not (69% versus 63%), spanning across all dimensions. The statement ADA made that FSPs "which are the most invested in terms of their social performance management are those which are the most concerned by their environmental performance" is still valid.

Nevertheless, the score on the **environmental dimension performance lags behind the other dimensions' performances**, standing at only 29% on SPI4 and 39% on ALINUS. This discrepancy can be attributed to the relatively recent emergence of environmental concerns, with FSPs historically giving less attention to this aspect. However, there is a discernible momentum towards adopting environmental practices, driven by a rising demand from FSPs regarding this issue.

Albrain Satumba, client of Bangko Kabayan in the Philippines, ADA partner. Photo credit: Maxence Soulet.

4. SPI & Women's Financial Inclusion

Analyzing the gender indicators in the SPI sample we noticed following main trends:

- There is a clear **positive correlation between women on Boards of Directors and women managers and female employees**,
- **The more power in the institution, the less representation of women**,
- There is a significant **positive correlation between dimensions 1 and 2 scores and the share of female borrowers** (and therefore the share of the loan portfolio dedicated to women),
- The more **experience board members have in SEPM**, the **higher the share of female borrowers** and loan portfolios dedicated to women.

We did not notice significant correlation in the data analysis between representation of women within the institutions and with the share of women among borrowers. However, as we all know, for an institution to be the best place for a woman to be a customer, it must also be the best place for a woman to work.

Despite institutions having a larger proportion of women borrowers, constituting an average of 59%, it's noteworthy that they receive a smaller portion of loans, accounting for 51% of the total sample loan portfolio. This trend persists across all regions, underscoring the significance of disaggregating women clients not only by numbers but also by portfolio allocation when embracing a "gender aware" approach.

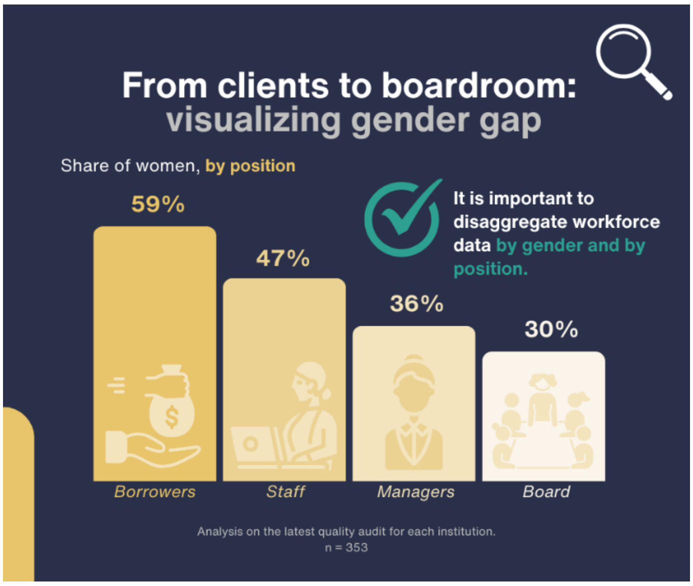
Understanding the correlations between the representation of women across various positions within institutions is essential for identifying areas of improvement and promoting gender diversity. So, we delved deeper into this analysis and observed following interesting variations:

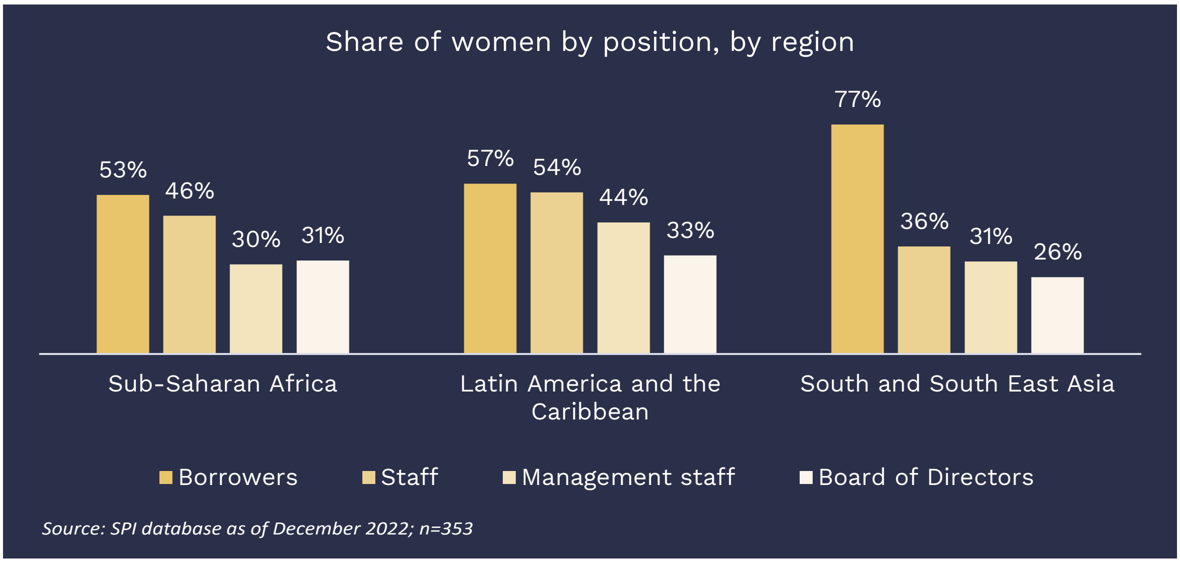
- In the South and Southeast Asia region, the representation of women by position in institutions is notably low, ranging from 26% on Board of Directors to 31% among management staff and 36% among staff.

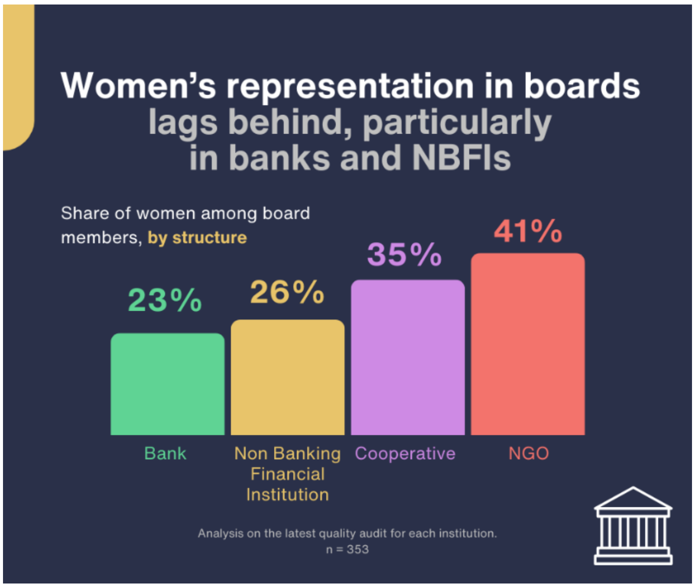
- Institutions' size inversely correlates with the representation of women across all categories, indicating that larger institutions tend to have lower female representation.

- Banks and NBFIs generally exhibit lower representation of women in boards, management, and staff compared to NGOs, which demonstrate the highest proportions across all categories.

- When distinguishing for-profit from non-profit institutions, we note that the share of women in boards, management, and staff is higher in non-profit institutions.


From clients to boardroom:
visualizing gender gap
Share of women, by position
59%
47%
36%
30%
It is important to disaggregate workforce data by gender and by position.
Borrowers
Staff
Managers
Board
Analysis on the latest quality audit for each institution.
n = 353


Share of women by position, by region
53%
46%
30%
31%
57%
54%
44%
33%
77%
36%
31%
26%
Sub-Saharan Africa
Latin America and the Caribbean
South and South East Asia
Borrowers
Staff
Management staff
Board of Directors
Source: SPI database as of December 2022; n=353


Women's representation in boards lags behind, particularly in banks and NBFIs
Share of women among board members, by structure
23%
26%
35%
41%
Bank
Non Banking Financial Institution
Cooperative
NGO
Analysis on the latest quality audit for each institution.
n = 353

State of Practice 8-Issue Series

Important insights of this report have been shared online through a series of visuals:

- Issue 1: SPI as a Reference Framework for Responsible Inclusive Finance
- Issue 2: The Drivers of Social and Environmental Performance Management
- Issue 3: Who Uses SPI Audit Tools?
- Issue 4: How are Financial Service Providers performing on Social and Environmental Performance Management?
- Issue 5: A Deep Dive into SPI Dimensions
- Issue 6: Client Protection Indicators
- Issue 7: Responsible Pricing Indicators
- Issue 8: SPI and Women's Financial Inclusion

Learn more about our work on Cerise+SPTF and SPI Online websites and build your knowledge and capacities by using our Resource Center.

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