

## LIGHTENING THE LOAD: A CASE STUDY OF MIX'S GOLD SERVICE FOR FINANCIAL INCLUSION ACTORS IN SUB-SAHARAN AFRICA

### Why MIX Gold?

The publicly available information on a broad cross-section of microfinance institutions (MFIs) that MIX collects, reviews and publishes on its [MIX Market website](#) has helped a variety of financial service providers (FSPs); donors and investors track market trends, map out high-level investment strategies, and benchmark their performance. **Such information is especially valuable for emerging markets (such as those in Africa) where there is a dearth of publicly available data on financial markets,** and especially how poor and marginalised groups are being served or excluded by those markets. However, when it came to making specific investment decisions and monitoring the performance of their investees, investors needed more regular, detailed, and customised information than what MIX had been providing. As a result, donors and investors devoted considerable internal resources to collecting the specific data points they required from the financial service providers (FSPs)<sup>1</sup> that they had invest in. This meant that FSPs also spent significant time and effort reporting to different investors—time which could have been dedicated to growing their core business.

A [2011 study by MIX](#) found that surveyed African MFIs required at least two full-time analysts dedicated solely to reporting. Such analysts had spent much of their time reporting on very similar but slightly different metrics<sup>2</sup> for different donors and investors. All of this meant that data collection and reporting was taking up significant resources, which both data providers (FSPs) and users (investors and donors) could have used on increasing financial access for underserved groups. Thus, **MIX Gold emerged from a recognition of the inefficiencies created by varying reporting procedures<sup>3</sup> – for the funders themselves, FSPs and the financial services sector more broadly.**

### MIX Gold's Theory of Change

MIX Gold saw an **opportunity to create a shared infrastructure**, which would ease individual funders' processes for collecting data, while also decreasing FSPs' reporting burdens. This service would enable FSPs to report just once in a format that met all the requirements of their various funders. **MIX Gold could then re-organise and distribute that data in a way that met the requirements of each MIX Gold subscriber funding an FSP.** In addition to saving time and resources on both the funder and FSP sides,

*"Investors – even commercial ones such as Citi – have a responsibility to decrease the reporting burden on MFIs by streamlining processes in order to improve the effectiveness and efficiency of the sector as a whole. MIX is well-placed – and is in fact the only organisation positioned – to do this."*

*- Eugene Amusin, Senior Vice President, Citi Inclusive Finance & 2015 Chair of MIX Gold User Group*

the potential improvements in data **timeliness** (FSPs no longer had to decide which funder would come first in the reporting line, and who would come last) and data **quality** (FSPs would no longer have to

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<sup>1</sup> These include MFIs, cooperative groups, and commercial banks, and increasingly, "non-traditional" financial service providers such as mobile network operators.

<sup>2</sup> For example, many investors have slightly different definitions of how "deposits" is defined, and what constitutes "rural clients".

<sup>3</sup> MIX's analysis of 20 funders' reporting requirements reflected nearly 800 data points, but when data overlap was removed, only 150 unique data points emerged.

report data in different formats and using different standards, which often led to miscomprehension and misreporting) were significant.

This service would **leverage MIX's core strengths in data collection and cleaning, as well as the existing technology infrastructure and relationships with African FSPs developed through its MIX Market service**. Market research also indicated that donors and investors would purchase this service on a fee or subscription basis, thus decreasing MIX's dependence on ongoing donor funding. Based on this analysis, MIX Gold was developed with the following Theory of Change:

*“As an information service provider, MIX adheres to an impact model whereby improving information creates gains for users of that information by supporting their decision-making. Better information is information that delivers more value. That higher value may stem from data that is higher quality, more efficiently delivered, or more appropriate for decisions. Policymakers and regulators will use this information on the landscape of their providers, their service points, and product performance to monitor market concentration. This improved decision-making then drives better sector results, as the sum of information-rich decisions supports healthy sector development.”*

In summary, MIX Gold was designed to **reduce the reporting burden** of local FSPs to their donors, while simultaneously presenting MIX Gold clients (funders/investors) with **up-to-date, quality information on the FSPs** being funded, thereby leading to **improved decision making**.

### **Progress to date**

In 2012, the first version of the MIX Gold service was developed with support from the MasterCard Foundation, IFAD, and DfID-SIMBA (aka FSDA). UNCDF and Citi Foundation also signed up to pilot the service with selected FSPs from their investment portfolios. Clients from other Development Finance Institutions (DFIs), Microfinance Investment Vehicles (MIVs), and foundations have since joined, as well as MFI networks seeking to streamline the reporting from their country offices. With their feedback, the platform was iterated upon over the following years and, in 2014, MIX Gold introduced a tool called the MIX Report Express (MRE) to simplify the input process for FSPs.

Since 2012, MIX Gold clients automatically join the MIX Gold Community (MGC) when they purchase a subscription. The MGC was set up as part of the pilot because MIX believed that the technological platform was only one part of the solution to reducing reporting and data collection burdens. Harmonising reporting standards (for investors) was also needed, and this group was seen as leading the charge on that front.

As of January 2016, more than 1,100 FSPs report using the MIX Report Express platform, out of which 340<sup>4</sup> use the interface to report to the 390+ MIX Gold individual subscribers, working at the 14 institutional clients listed below. One hundred nineteen (35%) of these 340 FSPs are based in Africa. Figure 1 provides a synopsis of institutional clients.

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<sup>4</sup> This represents half of all of the global MFIs that receive funding from cross-border donors.

Figure1: MIX Gold clients by segment (as of January 2016)



Clients receive a combination of standard and customised metrics for each FSP depending on their needs, on at least a quarterly and in some cases, monthly basis. In the case of FSPs that are registered on MIX Gold, the relevant parts of their datasets are automatically channelled to MIX Market, thereby **increasing the timeliness and quality of data available on the public platform** (which is otherwise only updated annually). Through MIX Report Express, FSPs can also provide information on social performance indicators such as development goals.

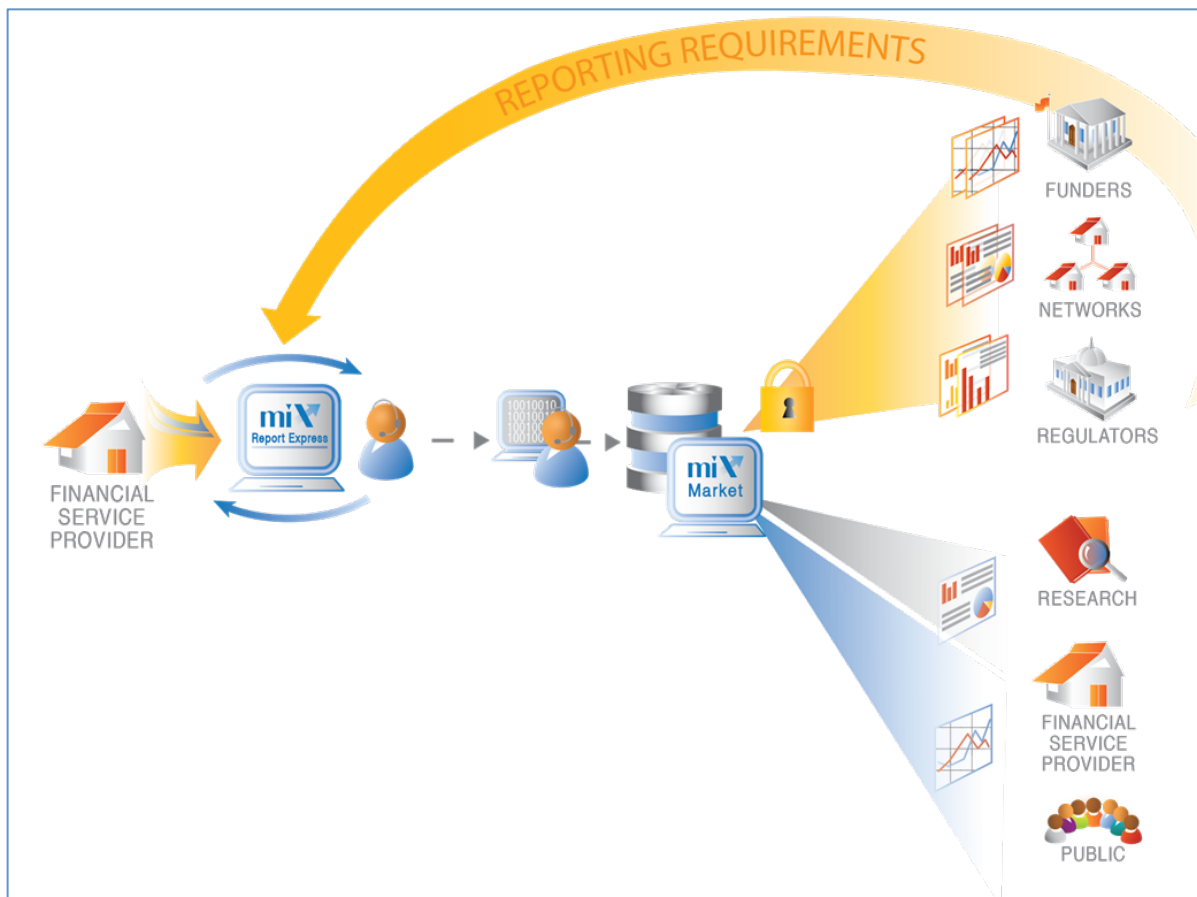
In terms of the business model, the subscription fee can vary from \$10,000 to \$120,000 USD depending on the number of MFIs the subscriber wishes to collect data from and the frequency of reporting (monthly/quarterly/semi-annually/annually). A one-time set up fee of \$5,000 to \$15,000 may also be charged depending on the number of data points to be collected. With its publicly available MIX Market Basic portal receiving less donor funding than in the past, MIX Gold provides an increasingly important revenue source<sup>5</sup> for MIX, while also helping to populate the MIX Market Basic database. MIX Gold currently covers its own direct operating costs.

The MGC has also come to play a key role in MIX Gold's overall business model; at its annual meeting, the Group prioritises products for MIX Gold to develop to better serve their information needs. The annual meeting and ongoing collaboration of working groups focused on specific topics has also enabled MIX Gold to assume the role of a “convenor” within the financial inclusion community, bringing together

<sup>5</sup> MIX earned approximately \$335,000 USD in FY15 from Gold subscriptions, accounting for 8% of its total revenues. This is projected to increase to 10% in FY16.

diverse sets of actors who have common goals but different strategies, and offer them an opportunity to coordinate. Figure 2 illustrates how MIX Gold currently functions.

Figure 2: Current MIX Gold model



## The impact of MIX Gold on financial markets and inclusion

### **Reducing reporting burden & improving performance amongst FSPs**

Table 1 outlines the estimated reduction in FSPs' (data providers) reporting burden, as the number of institutions which it must report to (data users) sign onto MIX Gold. Even if FSPs are only reporting to one client, they benefit from an improved reporting tool and they can be on-boarded more quickly to report to additional Gold clients. For an FSP reporting to five clients<sup>6</sup>, it's estimated that the FSP will report on 60% fewer data points.

<sup>6</sup> Note that not all FSPs report to every MIX Gold client.

**Table 1: Estimated reduction (theoretical) in FSPs' reporting burden due to MRE/MIX Gold<sup>7</sup>**

Client #	# of reporting MFIs	Average number of data points per report (before)	Average number of data points per report (after)	Average data points removed per report	Reduction in # of data points to provide per report (average)
1	>2500	150	150	0	0%
2	225	280	195	85	31%
3	61	411	219	192	47%
4	13	561	252	309	55%
5	1	673	266	407	60%

Working with MIX analysts and reporting using the MIX Report Express interface to MIX Gold clients has also helped build FSPs' capacities in data collection, analysis and use in decision-making:

*"It has certainly helped PAMECAS in improving reporting processes, and in pushing us to start collecting data on indicators which are important for our business. For example, we started collecting data on the percentage of active versus non-active accounts [for MIX Gold], and the rate of repayment on active accounts. This has now proven to be very useful for our internal risk analysis." - Sergine Ngom, Reporting Officer, PAMECAS*

Even where donors have not mandated it, some FSPs have found the benefits of reporting to MIX using the MIX Report Express platform to outweigh the additional reporting burden it may create, especially if internal processes are already aligned to MIX Gold's industry-accepted standards:

*"We report quarterly to MIX Gold [using MRE] even though no donor requires us to do so. But I knew from my previous experience working at other MFIs that it would be an investment in increasing our own transparency and international reputation. And it has yielded fruit. Funders have approached us because they were impressed with our profile on MIX Gold Market, and even interns and volunteers have come to us because they found us on there. Our internal performance management tool, as well, is aligned with MIX Gold reporting standards so reporting to MIX Gold does not actually create a lot of additional work." - Paschal Mandhawun, CEO, ENCOT Uganda*

### **Helping clients make better decisions**

MIX Gold has rapidly scaled up since its launch in 2012 from 2 to 15 subscribing organisations (with 390+ users) – an average annual growth rate of 91%. The diversity of clients has also grown beyond DFIs and foundations to encompass more traditional investors, as well as MFI networks and holding companies.

*"MIX Gold becoming an industry standard in microfinance was intentional. If this is to happen again in the realm of Digital Financial Services, this once more has to be an intentional effort by donors whereby their investments and guidance to MIX Gold and other fundees is coherent." - Till Bruett, Manager, Mobile Money for the Poor program, UNCDF*

In several instances, MIX Gold has aided clients' decision-making and strategy-setting: MasterCard Foundation, for example, did not have the comprehensive view of their portfolio of investments in retail FSPs which they needed to fine-tune their investment until they started using MIX Gold.

<sup>7</sup> MIX's calculations, based on a 2011 study of FSP reporting formats.

*“MIX Gold reports are useful for our internal strategic reviews as they offer a way to look across our entire portfolio” - Sumaiya Sajjad, Program Manager, Financial Inclusion, The MasterCard Foundation*

Similarly, UNCDF’s MicroLead portfolio was intended to invest in FSPs that were trying to reach the previously unbanked. **MIX Gold data revealed that some FSPs did not know if they were truly reaching this segment.** Depending on the FSP, UNCDF either provided technical assistance to the FSP in tracking this metric, or re-directed their support to institutions that could more clearly demonstrate that they were advancing financial inclusion.

*“Program managers rely on MIX Gold quarterly data for decision-making. The information from these reports is also used for UNCDF strategic reviews, which look at a wide range of issues, including loan size, impact on women etc. Thanks to the ability that MIX Gold offers UNCDF to look and compare across its portfolio, these reports have prompted discussions on risk-taking and other issues” - Till Bruett, Manager, Mobile Money for the Poor program, UNCDF*

### Challenges along the way

In spite of its rapid growth since 2012, acquiring new clients has been challenging for MIX Gold mainly due to:

- Investor reluctance to “outsource” relationships with FSPs – especially very sensitive or important relationships
- Hesitation by potential clients over committing to the platform until it has demonstrated itself to be the “market standard”, evidenced by a larger number of their peers also migrating to the platform (this, of course, creates a vicious cycle of “who will be the first – or next – to buy in?”)
- Reluctance to change existing reporting and information management processes, and invest the time and resources to transition to a new data management system
- Perceptions of technical “bugs” hindering usability as MIX Gold fine-tunes the system

**Table 2: Challenges and how MIX is addressing them**

Challenge	How this is being addressed
Reluctance to outsource relationships	<ul style="list-style-type: none"> <li>• On-boarding that includes clear messages for FSPs on the roles of MIX and the Gold client</li> <li>• Training in best practices for data analysis and how to use that analysis to strengthen FSP relationships</li> <li>• Gold platform includes “metadata” on email exchanges between MIX and FSP, so client stays informed about the process</li> </ul>
Hesitation to join Gold until it is well-established	<ul style="list-style-type: none"> <li>• Target international and local funders who share common FSP investments to maximize reporting burden reduction and demonstrate Gold’s value (e.g., MIX Gold clients AFD/Proparco/PAMIGA and DFID/SIDBI)</li> </ul>
Reluctance to change systems and processes	<ul style="list-style-type: none"> <li>• Clearer processes for transitioning new client staff and their FSPs to Gold, from launch/pilot stage through rollout</li> <li>• Develop tools to feed MIX data directly into a client’s existing systems, relieving the need to learn a new tool</li> </ul>
Perceptions of technical bugs that hinder usability	<ul style="list-style-type: none"> <li>• Enhancements to improve upload/download speed and user experience</li> <li>• Create immediate feedback tools for FSPs to improve data quality</li> </ul>

## Lessons learned

Early in the development of MIX Gold, it became clear that **clients' internal messaging to their country offices about the new reporting platform would be key in shaping its success**. One of the first pilots was with the investees of an international social investor in four countries. FSPs were highly responsive in reporting to MIX Gold in the one country where the client's leadership had communicated that compliance was required; in the other three, however, MIX Gold had for some reason been communicated as a "project" which the client was experimenting with and was optional. In the latter case, only about 50-75% of the FSPs complied with MIX Gold standards. Not surprisingly, FSPs respond first to their contractual obligations for reporting. When these obligations are clearly transferred to MIX and former avenues for reporting are unavailable, MIX finds that FSP compliance with timely reporting is high.

MIX has also learned that **it is not uncommon for clients to lack a detailed understanding of their own data management systems**, or at gauging how effective those systems are at getting high-quality information needed for good oversight and decision-making. One reason for this is the highly decentralised nature of these systems. Thus, the reporting lead at HQ may not know exactly how data is being collected in their own field offices, or those of their investees. **A subscription to MIX Gold therefore also offers clients the benefit of a third party delving into their data collection processes, educating them on the holes or gaps in existing processes, and working together to resolve them.**

## Future opportunities and risks

MIX Gold clients are increasingly investing in non-traditional financial service channels (e.g. - digital financial services, holding companies) and products (e.g. – Small and Medium-sized Enterprise [SME] and agricultural finance) to deliver on their financial inclusion goals (in the case of DFIs and donors), and/or simply to invest in new growth opportunities. The ability of MIX Gold to adapt to these new types of investments – without significantly increasing costs – will be tested through pilots planned over the coming years.

Due to a shift in donor funding away from 'institutional transparency' in microfinance towards other financial inclusion priorities, MIX is trying to maintain a balance between its public good (publicly-funded) function of increasing transparency and information flow for the microfinance sector overall, and securing other revenue streams by serving specific financial inclusion actors and their goals. MIX Gold was partially developed in response to this pressure, and by using largely the same infrastructure and resources as MIX Market, costs are minimised.

As MIX Gold has grown, MIX analysts increasingly devote their time to collecting information from MIX Gold FSPs and as a result, FSP coverage on MIX Market risks becoming skewed towards these MIX Gold investees. This is especially true for African FSPs, as this is where the majority of MIX Gold investees are located. This means that the "universe of African FSPs" represented on MIX Market tend to be larger institutions already benefiting from international investment; smaller or emerging FSPs are less visible.

## MIX Gold's plans going forward

In addition to starting to adapt the platform to match clients' increasingly diversifying portfolios, the MIX Gold Community also prioritised the development of additional tools:

- 1) FSP Engagement tool: currently, reporting is mostly a one-way process. FSPs never see the final, customised data. This new tool will offer FSPs immediate feedback on the quality of the data they

submitted to help improve their reporting capacity, especially for new types of investees/investments (e.g. – MNOs, commercial banks).

- 2) Advanced Analytics: this will help users quickly identify trends as well as be able to dig into the underlying causes of those trends in real time without having to perform additional analysis. This product is meant to help portfolio managers better track changes in their portfolio, and help investment teams sift through MIX Gold data to find new investments.

In addition to international funders, MIX Gold sees additional growth opportunities for MIX Gold in large, rapidly-developing local financial markets, such as India, Mexico, Peru, and possibly Nigeria. These are all countries where cross-border (international) funding for financial services is low relative to local funding, meaning that MIX Gold will target local investors for marketing MIX Gold. The Small Industries Development Bank of India (SIDBI) is one such recent subscriber, and MIX plans to partner with them and the IFC to pitch MIX Gold to other Indian banks and investors.